

1929.  
NEW ZEALAND.

ANNUAL REPORT  
OF THE  
GOVERNMENT INSURANCE COMMISSIONER  
FOR THE YEAR ENDED 31st DECEMBER, 1928.

*Presented to both Houses of the General Assembly pursuant to the Provisions of the Government Life Insurance Act, 1908.*

Government Insurance Office, Wellington, 21st June, 1929.

I HAVE the honour to submit my report regarding the position of the Department as at the 31st December, 1928, together with the Balance-sheet at that date, and the Revenue Account, and Statement of Business showing the operations of the Department during the year.

The main features of the above-mentioned statements may be conveniently analysed and compared with those of previous years in the following manner:—

(1) *Life Assurance Business* :—

	1926. £	1927. £	1928. £
(a) New sums assured .. .. .	1,883,705	1,791,845	1,915,465
Annual premiums thereon .. .. .	60,609	58,006	63,138
(b) Total sums assured (including bonus additions)	20,218,404	21,277,350	22,084,471
Annual premiums thereon .. .. .	575,420	595,780	617,642
(2) <i>Annual Income</i> :—	£	£	£
Interest and rents .. .. .	383,739	401,697	419,592
Less land and income tax .. .. .	11,965	15,235	22,194
Net interest and rents .. .. .	371,774	386,462	397,398
Premium income including consideration for annuities .. .. .	580,123	600,864	626,359
Total annual income .. .. .	£951,897	£987,326	£1,023,757
(3) <i>Claims</i> :—	£	£	£
Claims by death during year .. .. .	179,988	198,130	197,620
Claims by maturity during year .. .. .	237,267	275,069	315,077
Total claims during year .. .. .	£417,255	£473,199	£512,697
Total claims paid since inception of Department .. .. .	..	..	£11,244,750
(4) <i>Funds</i> :—	£	£	£
Life-assurance funds .. .. .	7,029,584	7,303,925	7,582,679
Investment-fluctuation Reserve and Accident and Fidelity Reserve .. .. .	208,609	212,687	213,349
Total .. .. .	£7,238,193	£7,516,612	£7,796,028

The foregoing figures, which indicate the steady progress of the Department, do not call for any special comment except those relating to new business and income. In regard to the former, it will be observed that the slight falling-off in 1927 has been more than made up by the increase in last year's figures, which represent the largest amount of new business transacted in any one year in the history of the Department. I may mention, however, that, notwithstanding the fact that this business has been obtained at a reduced cost, it is not the policy of the Department to achieve mere "big figures," but rather to strive for net results—a point which was emphasized in my report of last year, and which is dealt with further at a later stage in this report.

It will be noted that the annual income is now well over the million mark.

The following statements show the influence of the expenses of management (including commission), and taxation, on premium income and total income respectively, and on the general progress of the Department :—

					1926.	1927.	1928.
					£	£	£
(5) <i>Expenses :—</i>							
Expenses of management	..	..	..	..	58,238	58,656	56,076
Commission	..	..	..	..	42,021	38,496	39,669
Total expenses					£100,259	£97,152	£95,745
Ratio of total expenses to—					Per Cent.	Per Cent.	Per Cent.
Premium income	..	..	..	..	17.28	16.17	15.29
Total income	..	..	..	..	10.53	9.84	9.35

These figures indicate a decrease both in actual and in relative expenses during the past two years, notwithstanding the fact that the Department now has the additional expenses of an annual bonus distribution. The relative decrease has been 2 per cent. of the premium income and 1.2 per cent. of the total income, and the significance of this may be illustrated by pointing out that if the Department had incurred the same relative expenses in 1928 as were incurred in 1926 (which were not unreasonable) the total expenses in respect of last year would have been increased by about £12,000. This saving, which has been effected concurrently with an improvement in the efficiency of the Department's services, is of the greatest interest and benefit to the policyholders, because obviously any reduction in expenses has a substantial bearing on the profits.

					1926.	1927.	1928.
					£	£	£
(6) <i>Taxation :—</i>							
Land and income tax	..	..	..	..	11,965	15,235	22,194
Gross average rate of interest before deduction of land					Per Cent.	Per Cent.	Per Cent.
and income tax	..	..	..	..	£ s. d.	£ s. d.	£ s. d.
Net average rate of interest after deduction of land and					5 14 9	5 15 4	5 16 0
income tax	..	..	..	..	5 11 1	5 10 10	5 9 9

The above statement shows that the increase which has been effected in the *gross* average rate of interest during the past two years has been more than offset by the increase in land and income tax, and that consequently the *net* average rate of interest is slightly reduced. In this connection it is worthy of notice that the amount paid by the Department under the New Zealand Land and Income Tax Act appears to be relatively, if not actually, higher than the corresponding payments of any other life-assurance institution operating in the Dominion. The Department consequently can fairly claim that it is bearing at least its full share, and perhaps more than its full share, of taxation.

(7) *Distribution of Assets :—*

Class of Investment.					Percentage of Total Assets.	
Mortgages of freehold property	..	..	..	..	..	39.6
Government securities..	..	..	..	..	..	28.8
Local-body debentures	..	..	..	..	..	13.8
Loans on policies	..	..	..	..	..	12.8
Miscellaneous assets	..	..	..	..	..	3.2
Landed and house property	..	..	..	..	..	1.8

100.0

It will be seen from the above that the Department's assets, which are held in trust solely for the benefit of policyholders, are being invested in sound securities and are a substantial factor in assisting in the development of the Dominion.

(8) *Annual Bonus Distribution.*—It will be remembered that a system of annual distribution of profits was inaugurated last year, and accordingly I append the report of the Actuary, which discloses a net surplus of £212,519 (excluding interim bonuses paid during the year) in respect of this year. Of this sum, £200,287 has been allotted in the form of compound reversionary bonuses upon the sum assured and existing bonuses, the total reversionary bonuses thus allotted amounting to £324,871. The rates of bonus allotted under ordinary new endowment and whole-life assurances when taken as a percentage of the sum assured range from £1 18s. to £2 per cent. per annum for policies one year in force. These bonuses are at the same high rates which were distributed last year, and have been declared in conjunction with the maintenance of the stringent basis of valuation previously adopted. Consequently the results must be regarded as very satisfactory, and will undoubtedly attract an increased flow of new business. It has to be noted, however, as indicated in my report of last year, that on account of the unavoidably high cost of placing new business on the books (about 40 per cent. of the total expenses for last year was for new business) a too rapid increase in this direction tends to reduce the profit-earning capacity of a life-assurance institution. This fact, which is generally recognized by competent authorities, is of special importance to those already having policies with the Department. The actual cost of obtaining new business does not vary greatly as between different well-established life-assurance institutions, but it is a relatively heavier burden in the case of one such as this Department, which charges premiums which on an average are lower than those of other life-assurance offices.

*General.*—The course of business during the year has been distinctly favourable. New business has been satisfactory—indeed, as previously mentioned, the amount written represents the largest ever transacted by the Department in any one year, and expense ratios show a substantial reduction. The funds have been kept closely and profitably invested, and the net average interest earnings, although slightly lower than those of 1926 and 1927, are still nearly 2½ per cent. in excess of the valuation (3 per cent. OM) rate. And the mortality experience continues favourable.

In conclusion, I desire to express my appreciation of the good work performed by the office and field staffs, which has contributed in a great measure to the success which has been achieved by the Department.

A. E. ALLISON,  
Government Insurance Commissioner.

**REVENUE ACCOUNT OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT FOR THE YEAR ENDED  
31ST DECEMBER, 1928.**

	£	s.	d.		£	s.	d.
Amount of Funds at 1st January, 1928	7,303,924	14	10	Death claims under assurance policies, including bonus additions	197,492	9	10
Renewal premiums—Assurance, Annuity, and Endowment ..	543,462	0	5	Endowment Assurances matured, including bonus additions	305,939	12	0
New premiums (including instalments of first year's premiums falling due in the year) ..	59,527	7	7	Endowments matured ..	9,136	19	0
Single premiums—Assurance and Endowment ..	6,215	9	8	Premiums returned on endowments ..	127	19	3
Consideration for Annuities ..	17,153	16	0	Bonuses surrendered for cash ..	8,796	2	10
Interest and Rent ..	423,221	18	3	Annuities ..	23,184	10	10
Less land and income tax, £22,193 9s. 5d.; property expenses, £3,630 6s. 1d. ..	25,823	15	6	Surrenders ..	41,311	13	7
	397,398	2	9	Loans released by surrender ..	53,268	7	0
				Commission, new* ..	35,389	6	11
				„ renewal ..	4,279	9	3
					39,668	16	2
				Contribution to Public Service Superannuation Fund ..	710	0	6
				Expenses of management—			
				Salaries—	£	s.	d.
				Head Office ..	22,534	12	1
				Branch offices and agents ..	12,226	1	3
				Extra clerical assistance ..	2,749	17	4
				Medical fees and expenses ..	3,963	6	1
				Travelling expenses ..	689	3	10
				Advertising ..	489	0	8
				Printing and stationery ..	1,644	4	3
				Rent ..	5,758	10	0
				Postage and telegrams ..	1,715	10	4
				Exchange ..	54	6	4
				General expenses ..	3,280	5	10
				Services rendered by Government Actuary ..	260	18	4
					55,365	16	4
				Transfer to Investment Fluctuation Reserve Account ..	10,000	0	0
				Amount of funds, 31st December, 1928	7,582,679	3	11
					£8,327,681	11	3

\* Including agents' allowances.

**BALANCE-SHEET OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT ON 31ST DECEMBER, 1928.**

<i>Liabilities.</i>	£	s.	d.	<i>Assets.</i>	£	s.	d.
Total Assurance, Annuity, and Endowment Funds (as per Revenue Account) ..	7,582,679	3	11	Loans on policies ..	999,041	5	0
Claims admitted, proofs not yet completed ..	31,981	18	3	New Zealand Government securities ..	2,263,002	0	0
Annuities ..	918	3	4	Municipal Corporation debentures ..	194,287	8	7
Commission ..	1,305	14	10	County securities ..	104,190	16	10
Medical fees ..	389	0	6	Harbour Board debentures ..	29,300	0	0
Premium and other deposits ..	8,133	11	5	Town Board debentures ..	32,051	18	0
Sundry creditors ..	3,742	7	4	Road Board debentures ..	21,800	0	0
Accident and Fidelity Fund ..	3,441	18	5	Drainage Board debentures ..	1,819	6	4
Investment Fluctuation Reserve ..	209,906	11	10	Power Board debentures ..	706,046	7	0
Sinking Funds on Local Body Loans	7,732	1	10	Landed and house property ..	140,710	4	6
				Landed and house property (leasehold) ..	1,775	9	3
				Mortgages on property ..	3,105,305	7	1
				Properties acquired by foreclosure ..	5,033	19	11
				Overdue premiums on policies in force ..	8,564	10	9
				Outstanding premiums due but not overdue	53,210	11	4
					61,775	2	1
				Overdue interest ..	6,889	8	1
				Outstanding interest due but not overdue	9,753	16	3
				Interest accrued but not due ..	101,690	18	9
					118,334	3	1
				Agents' balances ..	9,207	0	10
				Sundry debtors ..	1,352	14	9
				Cash in hand and on current account	55,197	8	5
					£7,850,230	11	8
					£7,850,230	11	8

A. E. ALLISON, Commissioner.

H. ROSE, Secretary.

Government Life Insurance Department, 26th March, 1929.

The Audit Office, having examined the Revenue Account and balance-sheet, and compared them with the relative books, documents, and securities, hereby certifies them to be in accordance therewith.—G. F. C. CAMPBELL, Controller and Auditor-General.

## Statement of Business

YEAR 1928.	TOTAL.					Whole-life and Term Assurances.			
	No.	Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	Annuities. 1. Immediate or entered upon. 2. Deferred.	No.	Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.
POLICIES ISSUED AND DISCON-									
Policies in force at 31st December, 1927	66,856	19,303,916	1,973,434	{ 593,755 6 4 2,024 19 2 }	{ 22,858 16 2 2,054 18 4 }	10,763	3,946,161	630,671	{ 98,352 16 2 880 7 10 }
New business ..	5,802	1,915,465	..	{ 63,002 6 1 135 4 3 }	{ 1,648 12 4 .. }	236	123,415	..	{ 3,794 5 5 19 5 0 }
Bonus allotted ..	..	..	305,504	..	..	..	..	37,834	..
Total..	72,658	21,219,381	2,278,938	{ 656,757 12 5 2,160 3 5 }	{ 24,507 8 6 2,054 18 4 }	10,999	4,069,576	668,505	{ 102,147 1 7 899 12 10 }
Policies discontinued during 1928	4,096	1,244,800	169,048	{ 41,087 18 1 187 8 4 }	{ 1,256 6 6 186 3 6 }	691	285,003	47,320	{ 7,113 14 2 96 18 7 }
Total policies in force at 31st December, 1928	68,562	19,974,581	2,109,890	{ 615,669 14 4 1,972 15 1 }	{ 23,251 2 0 1,868 14 10 }	10,308	3,784,573	621,185	{ 95,033 7 5 802 14 3 }
PARTICULARS OF POLICIES DISCON-									
How discontinued.									
By Death ..	553	152,321	45,981	{ 4,507 10 9 54 5 7 }	{ 1,429 0 0 .. }	302	91,734	37,153	{ 2,106 10 3 51 17 11 }
Maturity ..	1,103	249,557	64,017	{ 10,564 19 8 16 3 8 }	{ .. .. }	..	..	..	{ .. .. }
Surrender ..	1,459	490,926	47,512	{ 15,903 18 0 69 4 11 }	{ .. .. }	258	117,658	9,498	{ 2,870 19 3 29 15 8 }
Changes to other Tables	77	37,739	809	{ 1,182 16 8 .. }	{ .. .. }	37	24,489	146	{ 799 14 2 .. }
Cancellation ..	131	37,400	25	{ 1,139 1 3 1 10 0 }	{ 13 10 0 .. }	7	3,150	..	{ 103 5 1 1 10 0 }
Lapse ..	773	276,857	10,704	{ 7,789 11 9 46 4 2 }	{ (-)186 3 6 (+)186 3 6 }	87	47,972	523	{ 1,233 5 5 13 15 0 }
Total discontinued during year 1928	4,096	1,244,800	169,048	{ 41,087 18 1 187 8 4 }	{ 1,256 6 6 186 3 6 }	691	285,003	47,320	{ 7,113 14 2 96 18 7 }
PROGRESS OF BUSINESS OF THE GOVERNMENT LIFE INSURANCE									
Total issued ..	196,444	52,948,441	5,354,542	{ 1,637,690 8 5 40,198 1 4 }	{ 114,008 18 4 .. }	50,268	16,296,179	2,227,336	{ 426,625 7 3 18,504 8 1 }
Total void ..	127,882	32,973,860	3,244,652	{ 1,022,020 14 1 38,225 6 3 }	{ 88,889 1 6 .. }	39,960	12,511,606	1,606,151	{ 331,591 19 10 17,701 13 10 }
Total in force ..	68,562	19,974,581	2,109,890	615,669 14 4	25,119 16 10	10,308	3,784,573	621,185	95,033 7 5
Extra Premiums ..	..	..	..	1,972 15 1	..	..	..	..	802 14 3
				£617,642 9 5					£95,836 1 8

NOTE.—The "ordinary" premium is the premium charged

at End of Year 1928.

ASSURANCES.				ANNUITIES.				SIMPLE ENDOWMENTS, INVESTMENTS, ETC.					
<i>Endowment Assurances.</i>				<i>Annuity Assurances.</i>									
No.	Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	No.	1. Sum assured. 2. Rever- sionary Bonuses.	Annuities. 1. <i>Immediate or entered upon.</i> 2. <i>Deferred.</i>	Annual Premiums.	No.	Annual Premiums.	Annuities. 1. <i>Immediate or entered upon.</i> 2. <i>Deferred.</i>	No.	1. Sum assured. 2. Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.

TINUED DURING THE YEAR 1928.

£	£	£	s.	d.	£	£	s.	d.	£	s.	d.	£	£	s.	d.								
53,669	14,950,868	1,321,040	(482,100	6 10	41	(6,185	603	5 4	249	11	3	402	518	5 10	(22,255	10 10	1,981	(400,702	12,531	6 3	19,969	0 19	6
			1,143	11 10		(1,154	1,454	18 4							600	0 0							
5,400	1,763,250	..	(58,323	5 5	..	..	..	..	20	..	..		..	..	(1,648	12 4	146	(28,800	884	15	3	..	..
..	..	264,130	115	19 3	..	133	..	..	..	..	..	..	..	..	..	..	..	3,407	..	..	..	..	..
59,069	16,714,118	1,585,770	(540,423	12 3	41	(6,185	603	5 4	249	11	3	422	518	5 10	(23,904	3 2	2,127	(429,502	13,419	1 6	23,376	0 19	6
			1,259	11 1		(1,287	1,454	18 4							600	0 0							
3,188	896,835	119,046	(30,677	10 1	..	(250	(-)186	3 6	12	8	8	30	..	..	(1,442	10 0	187	(62,712	3,234	5 2	2,586	..	
			90	9 9		(96	(+)186	3 6							..	..							
55,881	15,817,283	1,466,724	(509,746	2 2	41	(5,935	789	8 10	237	2	7	392	518	5 10	(22,461	13 2	1,940	(366,790	10,134	16 4	20,790	0 19	6
			1,169	1 4		(1,191	1,268	14 10							600	0 0							

TINUED DURING THE YEAR 1928.

219	58,987	8,828	{ 2,353 4 9 2 7 8 }	..	..	..	..	29	..	{ 1,429 0 0 }	3	{ 1,600 47 15 9
1,046	242,145	62,208	{ 10,304 12 11 16 3 8 }	..	{ .. } 95	..	..	..	..	..	57	{ 7,412 260 6 9 1,714
1,120	333,368	38,013	{ 10,282 8 3 39 9 3 }	..	{ .. } 1	..	..	..	..	..	81	{ 39,900 2,750 10 6 ..
40	13,250	663	{ 383 2 6 }	..	..	..	..	..	..	..	..	{ .. ..
118	33,050	25	{ 995 6 8 }	..	..	..	..	1	..	{ 13 10 0 }	5	{ 1,200 40 9 6 ..
645	216,035	9,309	{ 6,358 15 0 32 9 2 }	..	{ 250 (-)186 3 6 .. (+)186 3 6 }	12 8 8	..	..	..	..	41	{ 12,600 185 2 8 872
3,188	896,835	119,046	{ 30,677 10 1 90 9 9 }	..	{ 250 (-)186 3 6 96 (+)186 3 6 }	12 8 8	30	..	{ 1,442 10 0 .. }	187	{ 62,712 3,234 5 2 2,586	

DEPARTMENT SINCE DATE OF ESTABLISHMENT TO 31st DECEMBER, 1928.

137,188	35,410,423	3,084,630	(1,167,297 9 8 21,672 3 9)	1.106	(160,450 8,183)	57,497 16	68,619 15	8	1,114	866 6 8	56,511 1 10	6,768	(1,081,389 34,281 9 2 34,393 21 9 6)
81,307	19,593,140	1,617,906	(657,551 7 6 20,503 2 5)	1.065	(154,515 6,992)	55,439 12	10,838 13	1	722	348 0 10	33,449 8 8	4,823	(714,599 24,146 12 10 13,603 20 10 0)
55,981	15,817,283	1,466,724	509,746 2 2	41	(5,935 1,191)	2,058 3 8	237 2 7		392	518 5 10	23,061 13 2	1,940	(366,790 10,134 16 4 20,790 .. ..)
..	..	..	1,169 1 4	..	..	..	..	..	..	..	..	..	..
			£510,915 3 6			£237 2 7			£518 5 10				£10,185 15 10

at the true age; the "extra " the additional premium charged for any reason whatsoever.

A. E. ALLISON, Commissioner.  
GEO. W. MELVILLE, Actuary.

ACTUARY'S REPORT

OF THE VALUATION OF THE

GOVERNMENT INSURANCE DEPARTMENT

AS AT 31ST DECEMBER, 1928.

*Presented to both Houses of the General Assembly pursuant to Section 40 of the Government Life Insurance Act, 1908.*

Wellington, 22nd March, 1929.

IN accordance with your instructions and in compliance with section 40 of the Government Life Insurance Act, 1908, and amendments, an investigation and a valuation in respect of the assurance and annuity contracts of the Department has been made in respect of the year ending 31st December, 1928, with the object of ascertaining the net surplus which may be distributed amongst the policyholders, and I have the honour to report as follows :—

The total contracts consisted of 68,562 policies, assuring £22,084,471, inclusive of bonus additions and £25,120 immediate and deferred annuities, per annum, the Office premiums thereon amounting to £617,642 per annum.

■ The average net rate of interest earned by the funds of the Department during the year was £5 9s. 9d. per cent. after deduction of taxes, and the expenses of management were 15·29 per cent. of the premiums, or 9·35 per cent. of the total income. The corresponding rates of the previous year were £5 10s. 10d. per cent. and 16·17 per cent., or 9·84 per cent. respectively.

The experience of the Temperance and General Sections during the past year have been separately investigated in accordance with the Act, and this investigation has disclosed that the bonus rates recommended below should be declared in both sections.

The bases adopted for the valuation (the details of which are required by sections 36 and 37 of the Act to be supplied triennially) were as follows :—

- (a) The British Offices Om Table, 1893, and the British Offices Annuity Tables, 1920, were employed in the case of assurance and annuities respectively, at 3 per cent. interest; and
- (b) The net premium method of valuation has been followed in arriving at the value according to the above tables of the liabilities in respect of the Department's contracts, and where necessary additional reserves have been made for future bonuses, expenses, and other contingencies.

The valuation has disclosed a total surplus of £216,115, as follows :—

	£
Total funds at 31st December, 1928 .. .. .	7,582,679
Less value of liabilities .. .. .	7,370,160
Net surplus .. .. .	212,519
Add interim bonuses paid during the year .. .. .	3,596
Total surplus .. .. .	£216,115

The results of this valuation have been carefully considered, and I recommend that the following rates of compound bonus should be declared on the sum assured and existing bonuses in respect of each full year's premium paid during the year :—

Policies issued under present premium tables :—	Per Cent.
Whole-life assurances, and long-term endowment assurances maturing at age 80 (Tables A and B) .. .. .	£ s. d. 2 0 0
Endowment assurances (excluding Tables A and B) .. .. .	1 18 0
Double endowment assurances and pure endowments .. .. .	1 7 6
Policies issued under premium tables which have been closed :—	
Whole-life and endowment assurances .. .. .	1 16 0
Double-endowment assurances .. .. .	1 10 0

The above bonuses will absorb £200,287, and I recommend that the balance of the net surplus—viz., £12,232—should be carried forward.

In my report in respect of the previous year attention was drawn to the sources from which the bonuses of a life-assurance institution are mainly derived—viz., interest earned in excess of the valuation assumption, combined with adequate security of investments, favourable mortality, and economical management. The profit derived from those sources during the past year has been satisfactory, and the financial strength of the Department has been fully maintained in conjunction with the continuance of the high rates of bonuses declared at the previous valuation.

I have, &c.,

GEO. W. MELVILLE, F.F.A., Actuary.

The Government Insurance Commissioner, Wellington.

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