

The foregoing statements give a fairly comprehensive view of the Department's activities. The triennial period 1927-29 as compared with the corresponding 1921-23 period shows the following increases, viz.: New sums assured, £1,126,329; total income, £745,845; and funds, £1,722,623. The most outstanding feature, however, is the remarkable increase which has taken place in the amount of profits divided, which have increased from £317,563 to £604,975—an increase of over 90 per cent. The larger profits have arisen mainly from exceptionally favourable mortality, increase in interest earned, and economy in management—the three most important sources from which the profits of a life-insurance institution are derived. In this connection it is interesting to compare the average management expense and interest rates over the above periods with the corresponding rates in respect of the year 1929:—

| | 1921-23. Per Cent. | 1924-26. Per Cent. | 1927-29. Per Cent. | 1929. Per Cent. |
|--|-----------------------|-----------------------|-----------------------|--------------------|
| Ratio of expenses of management (including commission)— | | | | |
| To premium income | 19.3 | 17.9 | 15.3 | 14.4 |
| To total income | 11.9 | 11.0 | 9.3 | 8.8 |
| Gross average rate of interest before deduction of land and income tax | £ s. d. 5 7 5 | £ s. d. 5 12 6 | £ s. d. 5 15 10 | £ s. d. 5 16 3 |
| Net average rate of interest after deduction of land and income tax | 5 4 8 | 5 9 3 | 5 10 6 | 5 10 10 |

These figures show that since the 1921-23 period the average *net* rate of interest has increased from £5 4s. 8d. per cent. to £5 10s. 10d. per cent., while the economy which has been effected in management expenses is equivalent to 4.9 per cent. of the premium income or 3.1 per cent. of the total income. This aspect of the Department's administration is specially important from the policyholders' point of view because the combined effect of these improvements is equivalent to an additional cash profit of not less than 1s. in every £1 of premium paid.

Taxation.—In my report of last year I pointed out that the Department appeared to be bearing a relatively and probably a greater burden of taxation than any other life-insurance institution operating in the Dominion. There was considerable difficulty in regard to the interpretation of certain sections of the taxing Acts, and consequently an unintentional and inequitable burden of taxation was being borne by the Department. It was imperative in the policyholders' interests that the position should be clarified, and the Commissioner of Taxes agreed to join with the Department in a friendly action in order to get a definite ruling in the matter. As the result of this action, and in conformity with the decision of the Appeal Court, the remission sought was granted and the basis of taxation determined. I consider it advisable, however, to point out that notwithstanding this decision, the Department, as compared with other life-insurance institutions, continues to bear at least its full share of taxation. In the past year it paid land and income tax amounting to £20,558 2s. 2d.—a sum possibly greater than that paid by any of its competitors in respect of their New Zealand business.

Assets.—The Department's assets, which are held in trust solely for the benefit of the policyholders, are being invested in sound securities. It will be noticed by reference to the Balance-sheet that the item "Foreclosed properties" on the books at 31st December last amounted only to £1,394 9s. 4d. The property represented by this item has since been disposed of at a satisfactory figure. The distribution of the assets is as follows:—

| Class of Investment. | Percentage of Total Assets. |
|--|--------------------------------|
| Mortgages of freehold property | 41.0 |
| Government securities | 28.7 |
| Local-body debentures | 13.6 |
| Loans on policies | 12.3 |
| Landed and house property | 2.6 |
| Miscellaneous assets | 1.8 |
| | 100.0 |

Annual Bonus Distribution.—The usual bonus investigation has been carried out by the Actuary, and his report, which is appended hereto, discloses a net surplus of £222,540 (excluding interim bonuses paid during the year) in respect of this year. Of this sum, £214,188 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 £352,346. The bonus allotted under the present issue of ordinary endowment assurances is at the rate of £1 18s. per cent. per annum of the sum assured and existing bonuses, which is at the same rate as that of the preceding two years. In the case of the corresponding issue of long-term endowment and whole-life assurances, the rate has been increased from £2 to £2 2s. per cent. per annum of the sum assured and existing bonuses. These bonuses are very satisfactory, especially in view of the low premiums charged by the Department, and have been declared in conjunction with the maintenance of the strong valuation basis disclosed in the appended schedules.