

ACTUARY'S REPORT

OF THE VALUATION OF THE

GOVERNMENT INSURANCE DEPARTMENT

AS AT 31ST DECEMBER, 1929.

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

Wellington, 16th April, 1930.

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, 1929, with the object of ascertaining the net surplus which may be distributed amongst the policy-holders, and I have the honour to report as follows:—

The total contracts consisted of 70,189 policies, assuring £22,965,608 inclusive of bonus additions, and £24,951 immediate and deferred annuities per annum, the office premiums thereon amounting to £642,140 per annum.

The average net rate of interest earned by the funds of the Department during the year was £5 10s. 10d. per cent. after deduction of taxes, and the expenses of management were 14·40 per cent. of the premiums, or 8·79 per cent. of the total income. The corresponding rates of the previous year were £5 9s. 9d. per cent. and 15·29 per cent. or 9·35 per cent. respectively.

The experiences 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 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 additional reserves have been included for future bonuses, expenses, and other contingencies.

The valuation has disclosed a total surplus of £225,806, as follows:—

	£
Total funds at 31st December, 1929	7,926,525
Less value of liabilities	7,703,985
Net surplus	222,540
Add interim bonuses paid during the year	3,266
Total surplus	£225,806

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:—

<i>Policies Issued under Present Premium Tables.</i>	Per Cent.
	£ s. d.
Whole-life assurances, and long-term endowment assurances (Tables A and B)	2 2 0
Endowment assurances (excluding Tables A and B)	1 18 0
Double endowment assurances and pure endowments	1 7 6

<i>Policies Issued under Premium Tables which have been closed.</i>	£ s. d.
Whole-life and endowment assurances	1 16 0
Double endowment assurances	1 10 0

The above bonuses will absorb £214,188, and I recommend that the balance of the net surplus—viz., £8,352—should be carried forward.