

As regards reserves, economic conditions, as well as the risks attaching both to the business of fire and earthquake insurance and to investments confined to one country, indicate that it will be necessary to continue to add to them, so far as surpluses permit and the proper regulation of rates allows, for a period which at present cannot be determined. On a steady adherence to this policy also rests the best safeguard for the public against increases in rates.

Criticism is not infrequently expressed regarding the present system of indemnity insurance, under which an insured does not necessarily in the event of total loss recover the full amount for which he is insured, but only up to the actual loss which he has sustained; and it has even been suggested that legislation is desirable compelling payment of the full amount of any policy, irrespective of value. It may be commented that the present form of contract generally meets public needs. No well-conducted insurance office seeks to over-insure, and in most cases reasonable precautions against over-insurance are undertaken when the insurance is effected. The present margin in premiums, however, is not sufficient to cover the cost of the more frequent expert revaluations which would be necessary if payment up to the full amounts of all policies were made obligatory. The contract, therefore, could not be extended as has been suggested, except by a general increase in premiums, which in the aggregate would absorb a sum greatly in excess of any loss of premium sustained by a comparative few as a consequence of their property being over-insured. Also it may be added that there is at least as much responsibility on an insured to see that over-insurance does not exist as rests upon an insurance office to avoid over-insurance. Even more important, perhaps, is the objection that if policies after a fire were worth the full amount of the insurance, irrespective of the value of the destroyed property, a very strong incentive would be afforded to dishonestly inclined people to make a profit by procuring fires. Consequent on the decline in values which has occurred recently, the Office is taking steps to specially reinspect its risks, with a view to reduction where necessary.

The rebate for the year was 12½ per cent., and cost the Office £26,187. Since 1923 the aggregate saving to the insuring public of the Dominion as a consequence of the declaration annually of State Fire rebates has amounted to the large sum of £2,300,000.

Contrary to what is sometimes stated, the Office not only pays income-tax, but, according to the published returns of the Government Statistician, has paid for years past more in tax than any other fire-insurance office. In 1931 the amount paid (£26,152) constitutes a record. This sum is in addition to the levy under section 5 of the Finance Act, 1931 (No. 2), to which insurance companies are not subject.

I desire to take this opportunity of expressing thanks to the staff of the Office for the excellent work they have performed throughout the year under unusually difficult competitive conditions. Particularly would I mention the Napier Branch manager and staff, who, after the destruction of the Office building with its records in the fire following the earthquake, voluntarily remained in the locality to attend to Office requirements. Their cheerful assistance given under trying circumstances was most praiseworthy.

J. H. JERRAM, General Manager.

# REVENUE ACCOUNT OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED 31ST DECEMBER, 1931.

	£	s.	d.		£	s.	d.
Premiums after deduction of reinsurances ..	216,007	5	10	Bonus rebate to policyholders ..	26,187	5	5
Other receipts—Interest, com- ..				Losses by fire and earthquake (after deduction of			
mission, and rent ..	49,968	7	7	reinsurances) and including <i>ex gratia</i> payments,			
Less bad debts written off and ..				Hawke's Bay earthquake ..	112,931	19	10
land-tax ..	472	5	8	Income-tax ..	26,151	10	11
	49,496	1	11	Commission ..	9,814	4	2
				Salaries ..	25,739	7	4
				Contribution to Public Service Superannuation			
				Fund ..	636	19	9
				Contributions to Fire Boards under the Fire			
				Brigades Act, 1908 ..	7,926	13	9
				Expenses of management— ..			
				Travelling-expenses ..	2,134	2	8
				Printing, stationery, and adver-			
				tising ..	1,202	11	1
				Rent ..	1,800	8	0
				Exchange ..	46	5	8
				Postages, telegrams, cablegrams,			
				and sundry charges..	4,388	19	2
					9,572	6	7
				Cash stolen or burnt, Hawke's Bay earthquake..	26	3	4
				Office equipment ..	1,512	5	5
				Office premises—Depreciation ..	3,203	19	7
					223,702	16	1
				Payment to New Zealand Treasury under section 5,			
				Finance Act, 1931 (No. 2) ..	2,612	18	3
				Investments Fluctuation Reserve Fund ..	7,000	0	0
				Bad Debts Reserve ..	500	0	0
				Office premises—Written off ..	10,000	0	0
				Amount of fire-insurance funds at end of year ..	21,687	13	5
					£265,503	7	9
					£265,503	7	9