

1932.
NEW ZEALAND.

ACCIDENT INSURANCE BRANCH OF THE STATE FIRE INSURANCE OFFICE

(ANNUAL REPORT ON THE) FOR THE YEAR ENDED 31st DECEMBER, 1931.

Presented to both Houses of the General Assembly pursuant to Section 22 of the Government Accident Insurance Act, 1908.

State Fire Insurance Office, Wellington, 31st August, 1932.

I HAVE the honour to submit the thirty-first annual report of the Government Accident Insurance Office, for the year ended 31st December, 1931, together with the Revenue Account and Balance-sheet.

The following comparison with the previous two years shows the position in brief :—

	1929.	1930.	1931.
Income—	£	£	£
Premiums from all classes of accident insurance	81,353	104,934	102,061
Interest	13,342	14,860	16,316
Outgo—			
Free-year bonus on personal accident policies	166	307	337
Claims	49,853	61,040	82,561
Working-expenses (exclusive of income-tax)	18,340	19,121	18,745
Carried to reserve for unearned premiums	4,330	10,611	..
Income-tax	3,939	4,036	7,249
Loss on realization of securities	146	..
	Per Cent.	Per Cent.	Per Cent.
Ratio of claims (all classes of business) to premium income ..	61·28	58·17	80·89
Ratio of working-expenses (exclusive of income-tax) to premium income	22·55	18·22	18·37
Ratio of underwriting surplus to premium income	10·65	13·07	0·41
Surplus, apportioned as follows :—	£	£	£
Reserve for bad debts	500
Investment Fluctuation Reserve	3,000	3,000	7,000
Payment to Treasury under Section 5, Finance Act, 1931 (No. 2)—10 per cent. reduction in salaries	881
Reserve Fund	15,066	21,531	1,105
	£18,066	£24,531	£9,486
Reserves and funds as at 31st December	£268,306	£303,448	£312,054

The fall in premium income is a consequence of present economic conditions. The increase in losses, with a consequential reduction in underwriting profit to under $\frac{1}{2}$ per cent. of the premium income, has been contributed to by losses resulting from the acceptance of workers' compensation risks from employers engaged in hazardous industries who have sought insurance protection from the State Office because their risks had been declined elsewhere. This assistance to industry, resulting as it does in an undue aggregation of specially hazardous risks, carries with it a moral obligation on the part of employers to insure with the Office their more acceptable risks also; otherwise, owing to the narrow underwriting margin, the assistance which is now being given will require to be restricted.

As has been mentioned in previous reports, workers' compensation experience is investigated by this Office at suitable intervals and adjusted on a scientific basis which preserves equity between different industries. An investigation of the experience of insurance companies and this Office was made during the year, and new rates, involving increases and decreases, were fixed to take effect early in 1932. The margin allowed in rates for working-expenses and profit is estimated not to exceed 30 per cent. The actual average working-expense ratio of all accident offices for workers' compensation business alone is not known, but the actual average expense ratio of all offices for all classes of accident business is returned by the Government Statistician as 33·04 per cent. in 1930. The ratio of this Office for 1931 on a similar basis, including taxes, was 25·47 per cent.