

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.

Motor-vehicles Insurance (Third-party Risks) Act, 1928.—Figures published by the Government Statistician show that for the first two years of the operation of the Act claims paid and estimated absorbed over 88·5 per cent. of premiums, leaving an exceptionally narrow margin for working-expenses and profit. This margin would be far too low were it not for the special system of administration which was initiated with the active co-operation of this Office. Considering the novel aspects of the legislation and the lack of any previous experience here or elsewhere, the rates fixed in the first instance proved to be singularly accurate, and only small adjustments, which do not increase premiums in the aggregate, have since been found to be necessary. The support given to this Office by motor-vehicle owners continues to be substantial.

J. H. JERRAM, General Manager.

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

	£	s.	d.		£	s.	d.
Premiums after deduction of reinsurances ..	102,061	15	1	Free-year bonus on personal accident policies ..	337	3	10
Interest	16,316	11	9	Claims	82,561	10	5
Less land and income tax ..	7,249	0	6	Commission	4,585	16	11
	9,067	11	3	Salaries	10,920	0	0
				Contribution to Public Service Superannuation Fund	210	0	0
				Expenses of management	3,028	3	7
					101,642	14	9
				Payment to New Zealand Treasury under section 5, Finance Act, 1931 (No. 2)	881	0	0
				Further appropriation to Investments Fluctuation Reserve	7,000	0	0
				Reserve for bad debts	500	0	0
				Amount of Accident Funds, 31st December, 1931..	1,105	11	7
	£111,129	6	4		£111,129	6	4

BALANCE-SHEET OF THE ACCIDENT BRANCH OF THE STATE FIRE INSURANCE OFFICE AS ON THE 31ST DECEMBER, 1931.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
Accident funds, as per Revenue Account ..	1,105	11	7	Government war-loan securities	94,500	0	0
Outstanding accident claims	39,674	0	0	Other Government securities	54,000	0	0
Government taxes	7,249	0	6	Local-authority securities	93,548	5	0
Commission	595	15	7	Rural Advances bonds	14,425	0	0
Premium and other deposits	363	7	2	Property under agreement for sale and purchase ..	3,980	0	0
Sundry creditors	33	13	9	Fixed deposits and at short call	40,000	0	0
Reinsurance premiums due	121	18	6	Interest accrued but not due	4,687	8	9
Officers' Fidelity Fund	500	0	0	Interest overdue	199	0	0
Reserve for unearned premiums	47,220	13	10	Agents' balances	6,259	8	2
Investment Fluctuation Reserve	16,000	0	0	Sundry debtors, including Motor-vehicles Insurance (Third-party Risks) Act pool	38,619	14	4
Bad Debts Reserve	500	0	0	Cash in hand on current account	9,873	4	9
Reserve Fund constituted under section 6 of the Government Accident Insurance Amendment Act, 1924	246,728	0	1				
	£360,092	1	0		£360,092	1	0

2nd April, 1932.

J. H. JERRAM, General Manager.
C. B. REDWARD, Accountant.

I hereby certify that the Revenue Account and Balance-sheet have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—
G. F. C. CAMPBELL, Controller and Auditor-General.

Approximate Cost of Paper.—Preparation, not given; printing (1,315 copies), £2 17s. 6d.

Price 3d.]

By Authority: W. A. G. SKINNER, Government Printer, Wellington.—1932.