

1932.
NEW ZEALAND.

ANNUAL REPORT
OF THE
GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31ST DECEMBER, 1931.

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

Government Insurance Office, Wellington, 30th June, 1932.

I HAVE the honour to submit the following report upon the transactions of the Department for the year ended the 31st December, 1931, and the position at that date. The Revenue Account, Balance-sheet, and Statement of Business are appended.

New Business.—During the year 4,033 policies were completed assuring £1,506,449, and providing for annuities amounting to £4,499. The annual premiums on new policies amounted to £40,529. The purchase-money on the immediate annuities granted during the year was £18,066.

Business in Force.—The total business now in force, including immediate and deferred annuities for £27,635, comprises 71,075 contracts, bearing an annual premium income of £660,399. The sum assured, payable at death or maturity, is £21,472,761, to which reversionary bonuses amounting to £2,580,587 attach. The total business on the books therefore amounts to £24,053,348.

Income.—The total income amounted to £1,143,730, made up as follows: Premium income, £662,380; interest income (net), £463,284; annuity purchase-money, £18,066. The total for the year exceeded that for the previous year by £29,408.

Outgoings.—During the year 552 policies became claims by the death of the policyholders, and 1,056 policies matured, the payment involved being £484,013. This is £47,995 less than the amount for the previous year. The sum paid in claims since the inception of the Department amounts to £12,753,940.

Accumulated Funds.—Assurance, Annuity, and Endowment Funds, apart from special reserves of £275,547, now stand at £8,568,627, an increase of £319,780 over the previous year.

The Balance-sheet.—On the 31st December, 1931, the total assets of the Department amounted to £8,912,858, and were invested as shown in the following statement, which also gives the distribution of assets at the end of the previous year for the purposes of comparison:—

Class of Investment.	As at 31st December, 1930.		As at 31st December, 1931.	
	Amount.	Percentage of Total Assets	Amount.	Percentage of Total Assets.
	£		£	
Mortgages on freehold property ..	3,677,924	43·0	3,777,109	42·4
Loans on policies	1,073,398	12·5	1,198,959	13·5
Government securities, including Rural Advances bonds	2,283,555	26·7	2,321,029	26·0
Local-body debentures	1,167,698	13·6	1,179,864	13·2
Landed and house property	145,023	1·8	126,584	1·4
Miscellaneous assets	210,965	2·4	309,313	3·5
	8,558,563	100·0	8,912,858	100·0

Interest Rate.—After deduction of land and income tax, the effective rate of interest realized on the Assurance Funds was £5 13s. 4d. per cent. The corresponding rate calculated on the whole of the funds—i.e., including Accident and Fidelity Fund, and Investment Fluctuation Reserve, was £5 9s. 10d. per cent.

Expense Rates.—The ratio of expenses to (a) total income and (b) premium income show a further reduction. The figures for 1931 and the two preceding years are as follows:—

Ratio of expenses—	1929. Per Cent.	1930. Per Cent.	1931. Per Cent.
(a) Total income	8·79	8·41	7·71
(b) Premium income	14·40	13·88	12·96

It will be observed that the difference between the ratios for 1931 and 1930 is much greater than the difference between those for 1930 and 1929. A part of the improvement must be attributed to the fact that the new business for 1931 was less than that for 1930. In all life-insurance offices the procuration of new business is very costly, and the payment of commission, medical fees, and other expenses absorbs the greater part of the first year's premiums. If the new business remains practically constant from year to year, the expense ratios will not be affected to an appreciable extent, but a substantial increase or decrease is at once reflected in the expense ratios.

Annual Bonus Distribution.—The attached Valuation Report, furnished in compliance with section 40 of the Government Life Insurance Act, 1908, disclosed a net cash surplus of £236,318 (excluding interim bonuses paid during the year). Of this sum, £228,646 was divided in the form of compound reversionary bonuses upon the sum assured and existing bonuses at the same rates as for the past two years. The total reversionary bonuses thus allotted amounted to £377,533. The maintenance of such high rates cannot but be regarded as eminently satisfactory. In view, however, of the operation of the Mortgagors' Relief Acts and the reduction in interest rates provided for by the National Expenditure Adjustment Act, it is not possible to forecast even the immediate future of the probable course of bonuses. In the past, reserves have been constituted with a view to equalizing profits in the event of any extraordinary contingency, or in the event of a sudden reduction—enforced or otherwise—in interest rates. A reduction in interest quickly reduces the fund from which bonuses are derived. If the recent legislation, combined with the results of the world-wide depression, does result in lower profits, policyholders may console themselves with the reflection that they suffer in common with insurers generally, as already practically all companies have been compelled by the exigencies of the times to reduce their bonuses. It is certain that a cautious judgment of the position from time to time is necessary until more stable conditions are reached.

General.—The economic depression has, of course, affected the Department in common with similar institutions. In the circumstances, new business for the year cannot be regarded but as highly satisfactory. As might have been expected, the overdue interest is much greater than usual, but there is no reason to believe that the bulk of this overdue interest will not be paid. The Investment Fluctuation Reserve Fund, which was formed in 1890 to make provision for loss or depreciation in respect of the Department's securities, has been strengthened as a precautionary measure. This fund now stands at £270,694 12s. 10d. The wisdom of the fund will be manifest at the present juncture.

During the year a family income policy was introduced, and the applications for this class of business have justified its introduction.

A commencement was also made with the demolition of the Head Office building. This familiar landmark was erected about 40 years ago. Being of three storeys only, it had long been realized that the building was uneconomical, having regard to the value of the site, but it was not until the Hawke's Bay earthquake had shown the danger of structures built in brick without reinforcement that it was decided to erect a steel-framed building which would prove a sound investment and do justice to one of the finest sites in Wellington. It has been found during the course of the demolition that the condition of the old building more than justified the decision to rebuild.

Life insurance is a highly competitive class of business. It is only obtained by intensive canvassing, and, when it has been obtained, strenuous efforts are required to keep it on the books. For these reasons, it is fitting that I should express my appreciation of the good work performed by the members of the staff (office and field), which has materially assisted in maintaining the position of the Department in the forefront of life offices in the difficult times we are passing through.

A. E. ALLISON, Commissioner.

REVENUE ACCOUNT OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT FOR THE YEAR ENDED
31ST DECEMBER, 1931.

	£	s.	d.		£	s.	d.
Amount of funds at 1st January, 1931	8,248,847	5	9	Death claims under assurance policies, including bonus additions	200,425	5	0
Renewal premiums—Assurance, annuity, and endowment	611,608	16	6	Endowment assurances matured, including bonus additions	274,286	18	0
New premiums (including instalments of first year's premiums falling due in the year) less reinsurance premiums	45,889	6	6	Endowments matured	9,149	0	0
Single premiums—Assurance and endowment	4,881	14	7	Premiums returned on endowments	151	17	7
Consideration for annuities	18,065	18	11	Bonuses surrendered for cash	14,954	10	11
	£	s.	s.	Annuities	23,756	16	8
Interest and rent	484,526	13	11	Surrenders	68,394	0	6
Less land and income tax, £18,753 ls. 3d.; property expenses, £2,489 5s. 7d.	21,242	6	10	Loans released by surrender	88,428	16	1
	463,284	7	1	Commission, new*	28,288	9	1
				„ renewal	4,466	4	0
					32,754	13	1
				Contribution to Public Service Superannuation Fund	725	6	9
				Expenses of management—			
				Salaries—	£	s.	d.
				Head Office	19,949	4	0
				Branch offices and agents	11,872	17	4
				Extra clerical assistance	3,129	18	0
				Payment to Treasury under Finance Act, 1931 (No. 2)	2,748	18	0
				Medical fees and expenses	1,868	3	6
				Travelling-expenses	466	7	1
				Advertising	397	15	11
				Printing and stationery	1,520	3	3
				Rent	4,888	4	10
				Postage and telegrams	2,550	2	8
				General expenses	4,729	18	9
					54,121	13	4
				Contribution to Hawke's Bay Earthquake Relief Fund	500	0	0
				Cash lost in Hawke's Bay earthquake	51	6	5
				Written off on account of demolition of Head Office building	15,000	0	0
				Property depreciation	1,250	0	0
				Transfer to Investment Fluctuation Reserve Account	40,000	0	0
				Amount of funds, 31st December, 1931	8,568,627	5	0
	£9,392,577	9	4		£9,392,577	9	4

* Including agents' allowances.

BALANCE-SHEET OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT ON 31ST DECEMBER, 1931.

<i>Liabilities.</i>				<i>Assets.</i>			
	£	s.	d.		£	s.	d.
Total Assurance, Annuity, and Endowment Funds (as per Revenue Account)	8,568,627	5	0	Loans on policies	1,198,959	12	11
Claims admitted, proofs not yet completed	33,523	16	0	New Zealand Government securities	2,235,460	0	0
Annuities	220	10	4	Rural Advances Bonds	85,569	0	0
Commission	640	14	4	Municipal Corporation debentures	262,910	3	5
Medical fees	131	5	0	County securities	122,070	1	7
Premium and other deposits	8,309	8	2	Harbour Board debentures	26,500	0	0
Sundry creditors	7,237	19	1	Town Board debentures	27,129	9	11
Accident and Fidelity Fund	4,851	18	5	Road Board debentures	21,800	0	0
Investment Fluctuation Reserve	270,694	12	10	Drainage Board debentures	1,727	4	0
Sinking Funds on Local Body Loans	18,621	0	10	Power Board debentures	717,726	17	5
				Landed and house property	124,746	0	1
				Landed and house property (leasehold)	1,837	15	8
				Mortgages on property	3,777,109	0	10
				Properties acquired by foreclosure	10,042	7	0
				Overdue premiums on policies in force	10,788	5	2
				Outstanding premiums due but not overdue	60,238	13	1
					71,026	18	3
				Overdue interest	50,992	13	1
				Outstanding interest due but not overdue	15,072	15	2
				Interest accrued but not due	116,832	0	8
					182,897	8	11
				Agents' balances	51	19	5
				Sundry debtors	733	11	5
				Deposited with bank	20,000	0	0
				Cash in hand and on current account	24,560	19	2
	£8,912,858	10	0		£8,912,858	10	0

Government Life Insurance Department.

A. E. ALLISON, Commissioner.

H. ROSE, Secretary.

The Audit Office, having examined the Revenue Account and Balance-sheet, and compared them with the relative books, documents, and securities, hereby certifies them to be in accordance therewith.—G. F. C. CAMPBELL, Controller and Auditor-General.

Statement of Business

YEAR 1931.	TOTAL.					Whole-life and Term Assurances.			
	No.	Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	Annuities. 1. Immediate or entered upon. 2. Deferred.	No.	Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.
POLICIES ISSUED AND DISCON-									
		£	£	£ s. d.	£ s. d.		£	£	£ s. d.
Policies in force at 31st December, 1930	71,868	21,418,413	2,426,621	{ 663,655 16 10 1,790 14 9 }	{ 23,686 8 0 1,465 17 2 }	9,388	3,450,314	595,645	{ 88,144 13 8 630 11 0 }
New business	4,033	1,506,449	..	{ 40,462 6 10 66 7 11 }	{ 1,827 19 0 2,671 4 0 }	99	56,100	..	{ 1,965 15 9 17 1 0 }
Bonus allotted .. ..	..	..	371,096	..	..	..	..	35,787	..
Total.. ..	75,901	22,924,862	2,797,717	{ 704,118 3 8 1,857 2 8 }	{ 25,514 7 0 4,137 1 2 }	9,487	3,506,414	631,432	{ 90,110 9 5 647 12 0 }
Policies discontinued during 1931	4,826	1,452,101	217,130	{ 45,430 16 3 145 9 4 }	{ 2,012 0 4 4 0 4 }	594	239,332	49,503	{ 6,148 9 8 73 10 9 }
Total policies in force at 31st December, 1931	71,075	21,472,761	2,580,587	{ 658,687 7 5 1,711 13 4 }	{ 23,502 6 8 4,133 0 10 }	8,893	3,267,082	581,929	{ 83,961 19 9 574 1 3 }
PARTICULARS OF POLICIES DISCON-									
How discontinued.									
By Death	552	151,818	49,833	{ 4,456 18 6 59 19 11 }	{ 2,012 0 4 }	260	83,246	36,067	{ 2,068 13 6 51 16 7 }
Maturity	1,056	222,321	59,695	{ 8,404 10 10 10 6 2 }	.. ..	..	..	..	..
Surrender	1,834	568,528	75,935	{ 17,922 6 3 30 6 10 }	{ 4 0 4 }	179	75,905	9,393	{ 1,953 3 10 6 17 5 }
Changes to other Tables	61	27,700	1,234	{ 777 5 0 .. .. }	.. ..	13	11,750	..	{ 279 11 5 }
Cancellation	170	54,100	91	{ 1,426 12 2 .. .. }	.. ..	3	3,400	..	{ 100 11 0 }
Lapse	1,153	427,634	30,342	{ 12,443 3 6 44 16 5 }	.. ..	139	65,031	4,043	{ 1,806 9 11 14 16 9 }
Total discontinued during year 1931	4,826	1,452,101	217,130	{ 45,430 16 3 145 9 4 }	{ 2,012 0 4 4 0 4 }	594	239,332	49,503	{ 6,148 9 8 73 10 9 }
PROGRESS OF BUSINESS OF THE GOVERNMENT LIFE INSURANCE									
Total issued	212,021	58,319,812	6,402,858	{ 1,802,529 10 3 40,438 15 10 }	{ 122,220 4 4 }	50,708	16,537,654	2,336,914	{ 435,086 14 10 18,547 13 10 }
Total void	140,946	36,847,051	3,822,271	{ 1,143,842 2 10 38,727 2 6 }	{ 94,584 16 10 }	41,815	13,270,572	1,754,985	{ 351,124 15 1 17,973 12 7 }
Total in force	71,075	21,472,761	2,580,587	{ 658,687 7 5 }	{ 27,635 7 6 }	8,893	3,267,082	581,929	83,961 19 9
Extra Premiums .. ..	..	..	..	1,711 13 4	.. ..	..	..	..	574 1 3
				£660,399 0 9					£84,536 1 0

NOTE.—The “ordinary” premium is the premium charged

at End of Year 1931.

ASSURANCES.				ANNUITIES.				SIMPLE ENDOWMENTS, INVESTMENTS, ETC.		
<i>Endowment Assurances.</i>				<i>Annuity Assurances.</i>						
No.	Sum assured.	Reversionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	No.	1. Sum assured. 2. Reversionary Bonuses.	Annuities. 1. Immediate or entered upon. 2. Deferred.	Annual Premiums.	No.	Annual Premiums.	Annuities. 1. Immediate or entered upon. 2. Deferred.
No.	Sum assured.	Reversionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	No.	1. Sum assured. 2. Reversionary Bonuses.	Annuities. 1. Immediate or entered upon. 2. Deferred.	Annual Premiums.	No.	Annual Premiums.	Annuities. 1. Immediate or entered upon. 2. Deferred.

TINUED DURING THE YEAR 1931.

	£	£	£ s. d.		£	£ s. d.	£ s. d.		£ s. d.	£ s. d.		£	£ s. d.
59,861	17,430,146	1,807,262	{ 563,467 1 6 1,156 11 9 }	25	{ 5,747 1,318 }	288 4 9 1,165 17 2 }	210 9 6	411	91 12 6	{ 23,398 3 3 300 0 0 }	2,183	{ 532,206 22,396 }	11,741 19 8 3 12 0 }
3,223	1,085,086	..	{ 34,579 1 9 44 18 11 }	25	{ 18,550 .. }	.. 2,671 4 0 }	714 16 1	30	..	{ 1,827 19 0 .. }	656	{ 346,713 .. }	3,202 13 3 4 8 0 }
..	..	332,018	..	..	132	..	..	..	..	..	..	3,159	..
63,084	18,515,232	2,139,280	{ 598,046 3 3 1,201 10 8 }	50	{ 24,297 1,450 }	288 4 9 3,837 1 2 }	925 5 7	441	91 12 6	{ 25,226 2 3 300 0 0 }	2,839	{ 878,919 25,555 }	14,944 12 11 8 0 0 }
3,958	1,153,169	164,907	{ 37,963 11 11 71 18 7 }	..	{ 50 1 }	.. 4 0 4 }	3 11 0	48	..	{ 2,012 0 4 .. }	226	{ 59,550 2,719 }	1,315 3 8 ..
59,126	17,362,063	1,974,373	{ 560,082 11 4 1,129 12 1 }	50	{ 24,247 1,449 }	288 4 9 3,833 0 10 }	921 14 7	393	91 12 6	{ 23,214 1 11 300 0 0 }	2,613	{ 819,369 22,836 }	13,629 9 3 8 0 0 }

TINUED DURING THE YEAR 1931.

238	66,372	13,766	{ 2,415 0 2 8 3 4 }	..	..	..	..	48	..	{ 2,012 0 4 }	6	{ 2,200 .. }	33 4 10
996	214,921	57,962	{ 8,115 8 0 10 6 2 }	..	..	..	..	..	..	..	60	{ 7,400 1,733 }	289 2 10
1,552	462,623	66,541	{ 15,231 15 7 23 9 5 }	..	{ 50 1 }	{ .. 4 0 4 }	3 11 0	..	..	..	103	{ 29,950 .. }	733 15 10
48	15,950	1,234	{ 497 13 7 .. }	..	..	..	..	..	..	..	..	{ .. .. }	..
145	39,250	91	{ 1,226 0 6 .. }	..	..	..	..	..	..	..	22	{ 11,450 .. }	100 0 8
379	354,053	25,313	{ 10,477 14 1 29 19 8 }	..	..	..	..	..	..	..	35	{ 8,550 986 }	158 19 6
3,958	1,153,169	164,907	{ 37,963 11 11 71 18 7 }	..	{ 50 1 }	{ .. 4 0 4 }	3 11 0	48	..	{ 2,012 0 4 .. }	226	{ 59,550 2,719 }	1,315 3 8

DEPARTMENT SINCE DATE OF ESTABLISHMENT TO 31st DECEMBER, 1931.

50,980	39,939,850	4,013,621	{ 1,316,285 0 2 21,862 12 0 }	1,131	{ 179,100 8,580 }	{ 60,173 0 10 .. }	9,360 10 9	1,205	866 6 8	62,047 3 6	7,997	{ 1,663,208 43,743 }	40,930 17 10 28 10 0
91,854	22,577,787	2,039,248	{ 756,202 8 10 20,732 19 11 }	1,081	{ 154,853 7,131 }	{ 56,051 15 3 .. }	8,438 16 2	812	774 14 2	38,533 1 7	5,384	{ 843,839 20,907 }	27,301 8 7 20 10 0
59,126	17,362,063	1,974,373	560,082 11 4	50	{ 24,247 1,449 }	{ 4,121 5 7 .. }	921 14 7	393	91 12 6	23,514 1 11	2,613	{ 819,369 22,836 }	13,629 9 3 ..
..	..	..	1,129 12 1	..	..	..	..	..	..	..	..	..	3 0 0
			£561,212 3 5				£921 14 7				£91 12 6	£13,637 9 3	

at the true age; the "extra" the additional premium charged for any reason whatsoever.

A. E. ALLISON, Commissioner.
S. BECKINGSALE, Acting-Actuary.

REPORT

ON THE VALUATION OF THE

GOVERNMENT INSURANCE DEPARTMENT

AS AT 31st DECEMBER, 1931.

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

Wellington, 10th March, 1932.

IN accordance with your instructions, a valuation of the annuity and the assurance contracts of the Department has been made for the year ended 31st December, 1931, with the object of ascertaining the net surplus available for distribution amongst the policyholders, and, in compliance with section 40 of the Government Life Insurance Act, 1908, and amendments, I have the honour to report as follows:—

The business to be valued consisted of 71,075 policies, assuring, inclusive of bonus additions, £24,053,348, and £27,635 immediate and deferred annuities per annum; the Office premiums thereon amounting to £660,399 per annum.

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 assurances and annuities respectively, with 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. Adequate additional reserves have been included for future bonuses, expenses, and other contingencies.

As shown below, the valuation has disclosed a total surplus of £240,010, of which the sum of £3,692 has been applied to the payment of interim bonuses during the year, the balance—£236,318—being available for distribution.

Total funds at 31st December, 1931	..	..	..	..	£	8,568,627
Less value of liabilities	..	..	..	..	£	8,332,309
Net surplus	..	..	..	..		236,318
Add interim bonus paid during year	..	..	..	..		3,692
Total surplus	..	..	..	..		<u>£240,010</u>

As required by the Act, separate investigations of the sources of surplus in the General and Temperance Sections have been made, the results of which indicate that the same rates of bonus should be allotted to policies of the same class in both sections.

I accordingly recommend that the following rates of compound reversionary bonus be declared on the sum assured and existing bonuses in respect of each full year's premium paid during the year:—

Policies issued under present premium tables—

	Per Cent.
Whole-life assurances and long-term endowment assurances (Tables A, B, and A special)	£ s. d. .. 2 2 0
Endowment assurances (excluding Tables A, B, and A special)	.. 1 18 0
Double endowment assurances and pure endowments	.. 1 7 6
Policies issued under premium tables which have been closed—	
Whole-life and endowment assurances	.. 1 16 0
Double endowments	.. 1 10 0

The above bonuses will absorb the sum of £228,646, and I recommend that the balance of the net surplus—£7,672—be carried forward.

S. BECKINGSALE, A.I.A., Acting-Actuary.

The Government Insurance Commissioner, Wellington

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