

1933.
NEW ZEALAND.

ACCIDENT INSURANCE BRANCH OF THE STATE FIRE INSURANCE OFFICE.

(ANNUAL REPORT ON THE) FOR THE YEAR ENDED 31st DECEMBER, 1932.

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, 1933.

I HAVE the honour to submit the thirty-second annual report of the Government Accident Insurance Office, for the year ended 31st December, 1932, together with the Revenue Account and Balance-sheet.

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

	1930.	1931.	1932.
	£	£	£
Income—			
Premiums from all classes of accident insurance	104,934	102,061	87,068
Interest	14,860	16,316	15,654
Outgo—			
Free-year bonus on personal accident policies	307	337	279
Claims	61,040	82,561	63,760
Working-expenses (exclusive of income-tax)	19,121	18,745	17,707
Carried to reserve for unearned premiums	10,611	..	..
Income-tax	4,036	7,249	7,183
Loss on realization of securities	146	..	..
	Per Cent.	Per Cent.	Per Cent.
Ratio of claims (all classes of business) to premium income ..	58·17	80·89	73·23
Ratio of working-expenses (exclusive of income-tax) to premium income	18·22	18·37	20·34
Ratio of underwriting surplus to premium income	13·07	0·41	6·11
Surplus, apportioned as follows:—	£	£	£
Reserve for bad debts .. .. .	..	500	500
Investment Fluctuation Reserve	3,000	7,000	10,000
Payment to Treasury under Section 5, Finance Act, 1931 (No. 2)—10 per cent. reduction in salaries .. .. .	..	881	1,174
Reserve Fund	21,531	1,105	2,199
	£24,531	£9,486	£13,873
Reserves and funds as at 31st December	£303,448	£312,054	£324,753

1. A considerable fall in premium income is recorded in the above figures consequent mainly on lack of employment and greatly reduced wage returns. Some of the loss of income, however, is due to the lapsing of unprofitable workers' compensation risks which were accepted by the Office solely to assist certain employers who had found it difficult, if not impossible, to obtain insurance protection elsewhere. These employers have now been able to make other arrangements satisfactory to them.

2. The claim ratio shows an improvement over the previous year. The office working expense ratio of 20·34 per cent. (excluding taxes), although higher than for the previous year, compares very favourably with the average of competing offices, which in 1931, the last year for which figures are available, was 34·13 per cent. The working expenses of the State Accident Office include the cost of settling relief workers' claims for compensation, during the last three months of the year, on behalf of the Unemployment Board. This voluntary service, which involves time and expert supervision and some actual expenditure, has so far been performed without cost to the Unemployment Board.

3. The recent decision of the Privy Council admitting workers' compensation claims arising out of the Hawke's Bay earthquake of 1931 is of far-reaching importance. This is not so much because of the large sums which become payable in consequence of the disaster, but because of the liability which the Workers' Compensation Act now imposes definitely upon employers in the event of their workers being killed or injured as an indirect consequence of a severe earthquake in the future. The compensation payable in the event of an earthquake disaster of magnitude in a city such as Wellington might utterly ruin employers who carried their own risk, and certainly it would tax the resources of the strongest insurance offices.

Pending receipt of the text of the judgment, the risk is being carried as part of the indemnity provided by ordinary workers' compensation policies, but the huge liability involved makes it doubtful whether present insurance facilities are sufficient permanently to provide protection for employers. Even if cover is obtainable, the assessment of a special extra flat rate which would be necessary presents the objection that it must be in any case a heavy additional burden on industry, particularly where the normal hazard is a low one. An extra rate must also be contentious, because, while no one can ignore the possibility of serious earthquakes in this country, their time and place are uncertain, and employers are hardly likely to view with equanimity a loading on premiums for a risk which cannot be estimated and to which all sections of the community are exposed, whether in employment or not.

The alternative would be to amend the Workers' Compensation Act.

J. H. JERRAM, General Manager.

REVENUE ACCOUNT OF THE ACCIDENT BRANCH OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED
31ST DECEMBER, 1932.

	£	s.	d.		£	s.	d.
Premiums after deduction of reinsurances ..	87,067	18	8	Free-year bonus on personal accident policies ..	279	5	8
Interest ..	15,734	8	6	Claims ..	63,760	7	0
Less land and income tax ..	7,183	5	6	Commission ..	4,196	9	5
	8,551	3	0	Salaries ..	10,337	15	10
				Contribution to Public Service Superannuation Fund ..	160	0	0
				Expenses of management ..	3,011	19	7
					81,745	17	6
				Payment to New Zealand Treasury under section 5, Finance Act, 1931 (No. 2) ..	1,174	0	0
				Further appropriation to Investments Fluctuation Reserve ..	10,000	0	0
				Reserve for bad debts ..	500	0	0
				Amount of Accident Funds, 31st December, 1932 ..	2,199	4	2
	£95,619	1	8		£95,619	1	8

BALANCE-SHEET OF THE ACCIDENT BRANCH OF THE STATE FIRE INSURANCE OFFICE AS ON THE
31ST DECEMBER, 1932.

<i>Liabilities.</i>	£	s.	d.	<i>Assets.</i>	£	s.	d.
Accident funds, as per Revenue Account ..	2,199	4	2	Government war-loan securities ..	94,500	0	0
Outstanding accident claims ..	43,990	0	0	Other Government securities ..	69,000	0	0
Government taxes ..	7,183	5	6	Local-authority securities ..	95,560	18	7
Commission ..	392	5	10	Rural Advances bonds ..	14,425	0	0
Premium and other deposits ..	265	0	10	Property under agreement for sale and purchase ..	3,980	0	0
Sundry creditors ..	30	5	7	Fixed deposits and at short call ..	40,000	0	0
Reinsurance premiums due ..	93	7	4	Interest accrued but not due ..	4,580	1	4
Officers' Fidelity Fund ..	500	0	0	Interest overdue ..	199	0	0
Reserve for Unearned Premiums ..	47,220	13	10	Agents' balances ..	2,074	5	1
Investment Fluctuation Reserve ..	26,000	0	0	Sundry debtors, including Motor-vehicles Insurance (Third-party Risks) Act pool ..	47,728	3	3
Bad Debts Reserve ..	1,000	0	0	Cash in hand on current account ..	4,660	6	6
Reserve Fund constituted under section 6 of the Government Accident Insurance Amendment Act, 1924 ..	247,833	11	8				
	£376,707	14	9		£376,707	14	9

J. H. JERRAM, General Manager.

C. B. REDWARD, Accountant.

2nd June, 1933.

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.

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