

1937.
NEW ZEALAND.

ACCIDENT INSURANCE BRANCH OF THE STATE FIRE INSURANCE OFFICE

(ANNUAL REPORT ON THE) FOR THE YEAR ENDED 31ST DECEMBER, 1936.

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

State Fire Insurance Office, Wellington, 30th July, 1937.

I HAVE the honour to submit the thirty-sixth annual report of the Government Accident Insurance Office for the year ended 31st December, 1936, together with the Revenue Account and Balance-sheet.

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

	1934.	1935.	1936.
	£	£	£
Income—			
Premiums from all classes of accident insurance	84,727	97,766	113,649
Interest	15,170	14,936	15,111
Premium on conversion of securities	157	2,105	..
Profit on realization of securities	1,012
Outgo—			
Free-year bonus on personal accident policies	255	231	286
Claims	62,035	66,172	76,471
Working-expenses (exclusive of income-tax)	17,962	20,330	23,156
Carried to reserve for unearned premiums	1,662	7,941
Income-tax	5,504	4,127	6,622
	Per Cent.	Per Cent.	Per Cent.
Ratio of claims (all classes of business) to premium income	73·22	67·68	67·29
Ratio of working-expenses (exclusive of income-tax) to premium income	21·2	20·8	20·37
Ratio of underwriting surplus to premium income ..	5·28	9·58	5·1
Surplus, apportioned as follows :—	£	£	£
Reinsurance Reserve	10,000	10,000	10,000
Payment to Treasury under section 5, Finance Act, 1931 (No. 2)—10-per-cent. reduction in salaries	293
Reserve Fund	4,005	12,284	5,296
	<u>£14,298</u>	<u>£22,284</u>	<u>£15,296</u>
Reserves and funds as at 31st December	£356,513	£380,459	£403,697

1. The premium income of £113,649 is the largest ever recorded in the history of the Office. It is necessary to go back to 1930 for the previous record, when the income was £104,934. The increase reflects both a return to more prosperous conditions of employment and a growth of consciousness by industry and by the individual of the importance of insurance protection against accident. 4,395 accident claims (or an average of twelve a day), of which 3,060 were in the Workers' Compensation Branch, were dealt with, showing an increase of 928 above 1935. The total claim-cost (£76,471) was greater than in any previous year except 1931. The claim ratio to premiums of 67·29 per cent. is slightly lower than for the previous year (67·68 per cent.), but is unlikely to remain on such a favourable basis in future, for reasons referred to later in this report. The slight fall in working expense ratio despite the restoration of salary "cuts" is to be attributed to the large increase in income during the year.

2. During the 1936 session of Parliament legislation was passed substantially increasing the rights of injured workers to compensation. The amendments may be summarized as follows :—

- (1) Extension of definition of term "worker" to include "share farmers" as defined, and any person plying for hire with any vehicle the use of which is obtained from the owner thereof under any contract of bailment (other than a hire-purchase agreement) in consideration of a fixed sum or a share in the earnings or otherwise.
- (2) Extension of the scope of the Act to include casual workers and domestic servants, not employed in and for the purposes of the employer's trade or business, who have been engaged or employed by the employer by whom employed at the time of the accident for not less than three consecutive days during the twelve months immediately preceding the date of the accident in respect of which a claim for compensation is made.
- (3) Increase in minimum compensation in case of fatal accidents, where there is total dependency, from £300 to £500.
- (4) Increase in minimum weekly compensation to £2 for adult workers, and to full wages (not exceeding £2) for minors and apprentices.
- (5) Increase in maximum weekly compensation from £4 to £4 10s.
- (6) Alteration of method of computing compensation by providing that the basis shall be a full week's earnings (exclusive of any payment for overtime), or the "average weekly earnings" for the preceding twelve months or any lesser period the worker may have been employed by the same employer, if greater.
- (7) Provision against discontinuing or diminishing weekly compensation payments.
- (8) Provision that compensation is to rank equally with wages in the distribution of the assets of an employer who may become bankrupt.

With these amendments it is safe to say that the New Zealand Workers' Compensation Act under more than one heading gives benefits to the injured worker which are well ahead of Workers' Compensation benefits in other parts of the world. It is calculated that the new benefits will absorb ultimately a further 14 per cent. of premiums as at present calculated, which, added to the present average claim-cost of 70 per cent., would bring the total claim cost to 84 per cent., leaving approximately 16 per cent. for working-expenses on this particular class of accident business as against the previously approved margin of 30 per cent. It is not anticipated that the full effect of the legislation will be felt immediately, and the present not being a time to increase employers' costs, the Government, after considering all aspects of the question, decided that the State Accident Office would carry the increased benefits without any increase in insurance-rates meantime. It is understood that insurance companies generally have increased their premiums by a percentage sufficient to cover the anticipated increase in claim payments.

The Law Reform Act, also passed last session, contains far-reaching provisions for the enlargement of the headings under which action for damages may be brought. The full implications of this law cannot be estimated at present, but some of its provisions will certainly add to the cost of motor-vehicle third-party claims. Part VI of the Act completely abrogates the defence of "common employment," and servants injured as the result of the negligence of fellow-servants may now proceed against employers without the restrictive limit of £1,000 which applied previously. New Zealand is the first country in the Empire, possibly in the world, to make this concession.

3. *Motor-car Insurance.*—Although the claims experience of the State Office continues to be better than average, the results both from motor-car comprehensive insurance and insurance under the Motor-vehicles Insurance (Third-party Risks) Act, 1928, give cause for anxiety as to the adequacy of premiums. The lamentable casualties on the roads have led to numerous claims for negligence and increasingly heavy payments for damages, with the result that claims have exceeded Third-party Act premiums during the last three registration years. As a consequence, some adjustments in Third-party Act premiums have been made for the current licensing-year, and, with the establishment of a Safety Council under the Chairmanship of the Minister of Transport, better results are hoped for in the future. Increases in cost of repairs to motor-cars and spare parts have made successful comprehensive motor-vehicle insurance also very difficult. Although it is understood competitors have raised their comprehensive insurance rates and imposed a franchise, the State Office has not increased its rates or similarly restricted its policy contract.

4. For the fifth year in succession the Accident Branch has acted as claims-settling agent for the Employment Division of the Labour Department without charge for the services rendered. Since 1932 a total of 3,232 claims has been dealt with on behalf of the Department.

5. It gives me much pleasure to again place on record the highly efficient manner in which the officers of the Accident Branch have carried out their duties during the year.

J. H. JERRAM, General Manager.

REVENUE ACCOUNT OF THE ACCIDENT BRANCH OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED 31ST DECEMBER, 1936.

	£	s.	d.		£	s.	d.
Premiums after deduction of reinsurances ..	113,648	10	4	Free-year bonus on personal accident policies ..	286	4	10
Interest	15,111	6	5	Claims	76,470	13	8
Less land and income tax ..	6,621	10	0	Commission	4,821	10	4
				Salaries	13,709	5	0
Profit on realization of securities				Contribution to Public Service Superannuation Fund	190	15	0
	8,489	16	5	Expenses of management	4,434	13	3
	1,012	9	1	Further appropriation to reserve for unearned premiums	7,941	4	3
					107,854	6	4
				Further appropriation to reinsurance reserve ..	10,000	0	0
				Amount of Accident Funds, 31st December, 1936	5,296	9	6
	£123,150	15	10		£123,150	15	10

BALANCE-SHEET OF THE ACCIDENT BRANCH OF THE STATE FIRE INSURANCE OFFICE AS ON THE 31ST DECEMBER, 1936.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
Accident funds, as per Revenue Account ..	5,296	9	6	Government securities	178,363	3	0
Outstanding accident claims	61,945	0	0	Local-authority securities	178,330	18	10
Government taxes	12,621	10	0	Rural Advances bonds	14,425	0	0
Commission	555	7	6	Property under agreement for sale and purchase ..	3,980	0	0
Premium and other deposits	286	6	11	Fixed deposits and at short call	40,000	0	0
Sundry creditors	58	14	1	Interest accrued but not due	3,890	15	3
Reinsurance premiums due	107	5	2	Interest overdue	199	0	0
Officers' Fidelity Fund	500	0	0	Agents' balances	4,191	9	10
Reserve for unearned premiums	56,824	5	2	Sundry debtors, including Motor-vehicles Insurance (Third-party Risks) Act pool ..	48,631	13	10
Investment Fluctuation Reserve	41,000	0	0	Cash in hand on current account	7,259	4	10
Reinsurance Reserve	30,000	0	0				
Bad Debts Reserve	1,000	0	0				
Reserve Fund constituted under section 6 of the Government Accident Insurance Amendment Act, 1924	269,076	7	3				
	£479,271	5	7		£479,271	5	7

9th September, 1937.

J. H. JERRAM, General Manager.
L. H. OSBORN, Deputy General Manager.

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.—
J. H. FOWLER, Controller and Auditor-General.

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