

If the 1937 premium income were shown on the same basis as in 1936, there would be a very satisfactory increase of over £13,000 over the previous year, and policyholders would be shown as having benefited by reductions and the new bonus to the extent of £33,000 more than in 1936.

The adjustment also requires to be taken into account as regards the apparent increase shown in the working-expense ratio for the year.

The progress of business is illustrated by an increase of £7,653,000 in the aggregate amount insured, while the number of policies increased by 8,166.

2. In December, 1937, the new system of graduated bonus to policyholders of one or more year's standing, which was instituted in December, 1936, was extended for a further period of one year, and from the approval given to the system there is justification for its permanent adoption. By crediting a bonus on renewal of existing insurances the policyholder profits by the results which his support has helped the State Office to achieve, and through an adjustment of bonus from time to time according to the profits made it becomes practicable to give policyholders in the aggregate insurance at the equivalent of cost price. The mutual intention of the State Fire Insurance Act of 1903 is thus fully attained.

3. The acquisition of areas of land adjoining the State Fire building in Wellington has enabled substantial building additions to be undertaken. The additions will provide accommodation of the most modern type for the growing staff of the Office, as well as for the needs of tenant Departments.

Provision is made in the accounts for the writing-off of old buildings which it becomes necessary to demolish in the process of rebuilding.

In Invercargill a new State Fire building approaches completion, and when finished will suitably and permanently house the Branch Office in that centre.

4. The following is a recapitulation of some of the services rendered by the State Fire Insurance Office since its establishment in 1905 :—

- 1905 : Reductions of 33½ per cent. on rates on dwellings and like risks, and 10 per cent. on other classes of risks. Special higher ratings abolished.
- 1923 : Rebate system established, and 15 per cent. rebate declared to policyholders. Since 1923 the rate of rebate has varied from 10 per cent. to 12½ per cent.
- 1933 : Additional special rebate of from 7½ per cent. to 12½ per cent. given on dwellings and farm risks.
- 1936 : (a) The rebate of 1923 and additional special rebate of 1933 made into a permanent rate-reduction.
(b) New system of graduated bonus rebates instituted, whereby policyholders of one year or more receive a rebate varying between 10 per cent. and 25 per cent. according to the length of time they have been insured with the Office, the maximum rebate being reached in three years.

The above-mentioned services have resulted in savings to insured persons amounting to not less than £15,500,000 in the aggregate.

These premium reductions have affected every class of risk, whether trade, farming, or residential. Within the largest class of risk—dwellings and the like—typical cases show that State Fire policyholders now pay 4s. per cent., 5s. 3d. per cent., and 5s. 8d. per cent. as compared with 10s. per cent., 13s. per cent., and 15s. per cent. paid for similar risks in 1904.

As the Office is entirely self-supporting, the above-mentioned service has been rendered without one penny of cost to the Consolidated Fund. Indeed, the Consolidated Fund has benefited by payment of income-tax by the State Fire Office to an extent in the aggregate greatly exceeding payments of a similar character made by any other fire insurance office. It may be claimed with confidence that the voluntary public support given to the Office and the service it renders to the community now far exceed the anticipations of its founders thirty-four years ago.

5. Once again I desire to express appreciation of the work of the staff, which reaches a high standard of competitive efficiency.

J. H. JERRAM, General Manager.