

1938.  
NEW ZEALAND.

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# STATE FIRE INSURANCE OFFICE.

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31ST DECEMBER, 1937.

*Presented to both Houses of the General Assembly pursuant to the Provisions of the State Fire Insurance Act, 1908.*

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State Fire Insurance Office, Wellington, 31st March, 1938.

I HAVE the honour to submit the thirty-third annual report of the State Fire Insurance Office for the year ended 31st December, 1937, with the Revenue Account and Balance-sheet.

The following are the comparative figures for the last three years :—

	1935. £	1936. £	1937. £
Income—			
Premiums .. .. .	199,898	202,987	175,726
Other receipts, less land-tax .. .. .	39,303	42,432	47,725
Premium on conversion of securities .. .. .	329	..	..
Outgo—			
Bonus rebate to policyholders .. .. .	41,233	41,563	33,379
Claims .. .. .	53,151	43,517	34,795
Working-expenses (exclusive of income-tax and Fire Board contributions) .. .. .	53,779	53,347	53,781
Fire Board contributions .. .. .	7,994	8,225	9,602
Income-tax .. .. .	23,641	41,296	35,454
	Per Cent.	Per Cent.	Per Cent.
Ratio of claims to premium income .. .. .	26·59	21·44	19·8
Ratio of working-expenses (exclusive of income-tax and Fire Board contributions) to premium income .. .. .	26·9	26·28	30·61
Ratio of Fire Board contributions to premium income .. .. .	4·0	4·05	5·46
Ratio of income-tax to premium income .. .. .	11·83	20·34	20·18
	£	£	£
Carried to reserve for unearned premiums .. .. .	..	..	..
Surplus, apportioned as follows :—			
Written off Office premises .. .. .	27,000	23,500	26,000
Reserve Fund .. .. .	2,731	471	439
Bonus Rebate Reserve .. .. .	30,000	33,500	..
Reinsurance Reserve .. .. .	..	..	30,000
Total .. .. .	<u>£59,731</u>	<u>£57,471</u>	<u>£56,439</u>
Reserves and funds at 31st December .. .. .	£1,049,420	£1,083,391	£1,113,830

1. As regards premium income, the above comparison for this year does not indicate the true progress made by the Office, because of the fact that premiums for 1937 are shown after deduction of the original and special rebate, whereas premiums for 1936 are shown gross, inclusive of bonus rebate. This difference in method arises out of the decision made in December, 1936, to reduce premiums by the equivalent of the rebates then in operation, and to give policyholders on the premiums so reduced a further bonus out of profits.

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.

## REVENUE ACCOUNT OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED 31ST DECEMBER, 1937.

	£	s.	d.		£	s.	d.
Premiums after deduction of reinsurances ..	175,725	18	3	Bonus rebate to policyholders ..	33,379	4	3
Other receipts—				Losses by fire and earthquake (after deduction of reinsurances) ..	34,794	14	4
Interest, commission, and rent ..	49,682	19	6	Income-tax ..	35,454	0	0
Less land-tax ..	1,958	7	6	Commission ..	9,632	3	7
	47,724	12	0	Salaries ..	30,976	6	6
				Contribution to Public Service Superannuation Fund ..	473	5	5
				Contributions to Fire Boards under the Fire Brigades Act, 1908 ..	9,602	7	4
				Expenses of management—			
				Travelling-expenses ..	2,189	0	9
				Printing, stationery, and advertising ..	1,440	6	1
				Rent ..	1,176	5	7
				Exchange ..	43	15	8
				Postages, telegrams, cablegrams, and sundry charges ..	3,253	3	10
					8,102	11	11
				Office equipment ..	1,424	2	2
				Office premises: Depreciation ..	3,172	12	5
					167,011	7	11
				Reinsurance Reserve ..	30,000	0	0
				Office premises—Written off ..	26,000	0	0
				Amount of fire-insurance funds at end of year ..	439	2	4
					£223,450	10	3
	£223,450	10	3				

## BALANCE-SHEET OF THE STATE FIRE INSURANCE OFFICE ON THE 31ST DECEMBER, 1937.

<i>Liabilities.</i>				<i>Assets.</i>			
	£	s.	d.		£	s.	d.
Capital authorized by the State Fire Insurance Act, 1908 ..	100,000			Government securities ..	643,671	12	0
Less not raised ..	100,000			Local-authority securities ..	276,163	19	0
			Nil.	Rural Advances bonds ..	14,175	0	0
Bad Debts Reserve ..	1,500	0	0	Fixed deposits and at short call ..	70,000	0	0
Reserve Fund ..	746,144	8	8	Land and buildings ..	136,190	2	11
Investments Fluctuation Reserve Fund ..	59,000	0	0	Outstanding premiums ..	11,128	5	1
Reserve for unearned premiums ..	104,246	9	11	Interest accrued but not due ..	9,310	0	9
Bonus Rebate Reserve ..	112,500	0	0	Rent accrued or due ..	2,575	9	10
Reinsurance Reserve Fund ..	90,000	0	0	Rent overdue ..	138	0	0
Premium and other deposits ..	1,054	9	10	Cash in Reserve Bank of New Zealand at Wellington, or in transit to Wellington ..	93,372	2	11
Outstanding fire and earthquake losses ..	4,509	0	0	Imprest Account balances: Head Office and branches ..	581	9	6
Government taxes ..	70,454	0	0		93,953	12	5
Sundry creditors ..	55,769	2	7				
Other amounts owing by the Office—							
Reinsurance premiums due ..	7,087	13	9				
Commission ..	2,551	7	4				
Printing, stationery, and advertising ..	34	6	11				
Postages and sundry charges ..	2,016	0	8				
			11,689				
Fire-insurance funds, as per Revenue Account ..			439				
			£1,257,306				£1,257,306
			2				2
			0				0

3rd June, 1938.

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.

*Approximate Cost of Paper.*—Preparation, not given; printing (1,820 copies), £4 10s.

By Authority: E. V. PAUL, Government Printer, Wellington.—1938.

Price 3d.]

