

1938.
NEW ZEALAND.

ANNUAL REPORT

OF THE

GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31ST DECEMBER, 1937.

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

Government Insurance Office, Wellington, 26th April, 1938.

I HAVE the honour to submit the following report upon the transactions of the Department for the year ended 31st December, 1937, and its position at that date. The Revenue Account, Balance-sheet, and Statement of Business are appended.

New Business and Amount of Business in Force.—New business for the year amounted to 9,727 policies, assuring the sum of £3,431,940, the premiums thereon being £77,770 per annum. Fifty-three annuities were also granted, the purchase-money being £44,772. The total business in force at the end of the year (including immediate, deferred, and contingent annuities for £90,401 per annum) comprises 80,959 policies, bearing an annual premium income of £716,807. The total sum assured is £26,099,449, to which reversionary bonuses amounting to £3,309,687 have been added.

Income.—The total income amounted to £1,219,305, made up as follows: Premium income, £765,146; interest income (net) £409,387; annuity-purchase money, £44,772. The total for the year exceeded that for the previous year by £34,605.

Outgoings.—During the year 1,622 policies became claims by the death of the policyholders and by maturity, the payment involved being £553,308. The total amount paid in claims since the inception of the Department amounts to £15,848,645.

Accumulated Funds.—Assurance, Annuity, and Endowment Funds, apart from special reserves of £416,954, now stand at £10,349,248, an increase of £396,937 over the previous year.

Investments.—On the 31st December, 1937, the total assets of the Department amounted to £10,853,413, and were invested as follows:—

Class of Investment.	Percentage of Total Assets.
Mortgages of freehold property	42·2
Government securities, including rural advances bonds	23·2
Local-body debentures	16·6
Loans on policies	11·4
Landed and house property	3·4
Miscellaneous assets	3·2

Annual Bonus Distribution.—The usual bonus investigation was carried out by the Actuary, and his report, appended hereto, discloses a net surplus of £251,978 (excluding interim bonuses paid during the year) in respect of this year. Of this sum, £243,182 was allotted in the form of compound reversionary bonuses upon the sum assured and existing bonuses, the total reversionary bonuses thus allotted amounting to £398,855.

The bonus at the rate declared last year has been maintained. Since the inception of the Department in 1870, £5,332,113 in cash has been distributed by way of bonus, the corresponding additions to the sums assured being £8,862,505.

Expense Ratios.—The ratio of expenses to (a) total income and (b) premium income for 1935, 1936, and 1937 is as follows :—

Ratio of expenses to—	1935.	1936.	1937.
(a) Total income	8·62	9·17	10·35
(b) Premium income	13·39	14·01	15·58

The expense ratios must be regarded as very satisfactory in view of the fact that the new business (and consequently the commission payable) was the highest in the history of the Department.

General.—Summarizing the results for the year :—

- (1) The new business was again the highest ever transacted by the Department in any one year.
- (2) The total income increased by £34,605.
- (3) Claims increased by £18,750.
- (4) Total funds increased by £396,937.
- (5) Profits divided amounted to £243,182.

Last year I referred to the introduction of a new form of table mortgage in which the rates of interest are revisable every five years. This form of mortgage has proved popular, and the sum of £400,000 has been advanced under this system.

In conclusion, I should like to pay a tribute to the good work done by all members of the staff (both office and field). It is due to their efficiency, zeal, and loyalty that the Department holds such a high position in the keenly competitive field of life insurance.

W. E. ARNOLD, Commissioner.

REVENUE ACCOUNT OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT FOR THE YEAR ENDED
31ST DECEMBER, 1937.

	£	s.	d.		£	s.	d.
Amount of funds at 1st January, 1937..	9,952,310	18	1	Death claims under assurance policies, including bonus additions ..	209,161	4	0
Renewal premiums—Assurance, annu- ity, and endowment, less reinsurance premiums	630,885	9	10	Endowment assurances matured, includ- ing bonus additions	330,932	0	5
New premiums (including instalments of first year's premiums falling due in the year) less reinsurance premiums	75,094	7	10	Endowments matured	12,841	19	0
Single premiums—Assurance and en- dowment	59,166	6	8	Premiums returned on endowments ..	373	5	9
Consideration for annuities	44,771	18	3	Bonuses surrendered for cash	7,004	6	5
Interest, rent, and other .. £ .. s. d.				Annuities	33,563	7	0
income .. 444,911	10	6		Surrenders	37,501	8	7
Less land and in- come tax, £34,096				Loans released by surrender	63,759	6	0
17s. 1d.; property expenses, £1,427					£ .. s. d.		
4s. 4d. .. 35,524	1	5		Commission, new .. 56,213	16	6	
				„ renewal .. 5,398	13	2	
	409,387	9	1				
					61,612	9	8
				Contribution to Public Service Super- annuation Fund	732	1	4
					£ .. s. d.		
				Expenses of management—			
				Salaries	43,584	2	8
				Extra clerical assist- ance	568	9	0
				Medical fees and ex- penses	2,594	13	6
				Travelling-expenses	829	9	9
				Advertising	1,751	1	1
				Printing and station- ery	1,995	6	4
				Rent	4,660	19	7
				Postage and tele- grams	1,857	2	5
				Exchange	64	3	11
				Audit fees	325	0	0
				General expenses	5,574	13	10
					63,805	2	1
				Property depreciation	1,081	13	1
				Amount of funds, 31st December, 1937	10,349,248	6	5
	£11,171,616	9	9		£11,171,616	9	9

BALANCE-SHEET OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT ON 31ST DECEMBER, 1937.

<i>Liabilities.</i>	£	s.	d.	<i>Assets.</i>	£	s.	d.
Total assurance, annuity, and en- dowment funds (as per Revenue Account)	10,349,248	6	5	Loans on policies	1,242,926	19	9
Claims admitted, proofs not yet completed	44,444	5	0	New Zealand Government securities ..	2,519,160	0	0
Annuities	324	4	11	Loans to local bodies	1,798,322	1	9
Medical fees	361	4	0	Landed and house property	369,435	8	1
Premium and other deposits	19,013	4	7	Landed and house property (leasehold)	1,201	11	5
Sundry creditors	10,403	18	11	Mortgages on property	4,575,854	9	3
Accident and Fidelity Fund	5,000	0	0	Properties acquired by foreclosure ..	23,631	1	1
Investment Fluctuation Reserve ..	411,954	12	3	Overdue premiums on s. d.			
Sinking funds on local .. £ .. s. d.				policies in force .. 4,132	13	7	
body loans .. 12,485	16	11		Outstanding premiums			
Interest accrued there- on	177	14	0	due but not overdue	54,896	2	4
	12,663	10	11		59,028	15	11
				Overdue interest .. 26,245	13	7	
				Outstanding interest			
				due but not overdue	12,520	3	11
				Interest accrued but			
				not due .. 99,299	17	8	
					138,065	15	2
				Sundry debtors	1,481	19	2
				Income-tax paid in advance ..	30,000	0	0
				Cash in hand and on current account ..	94,305	5	5
	£10,853,413	7	0		£10,853,413	7	0

W. E. ARNOLD, Commissioner.

J. W. MACDONALD, Secretary.

Government Life Insurance Department.

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

Statement of Business

TOTAL.

YEAR 1937.

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.	1. Sum assured. 2. Deferred Annuity.	Rever-sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.
Policies in force at 31st December, 1936	74,691	23,761,253	3,136,722	{ 668,914 5 4 1,518 9 10 }	{ 32,629 6 4 48,897 13 8 }	11,242	{ 4,633,186 38,304 p.a. }	524,653	{ 112,792 7 9 593 13 9 }
New business	9,780	3,431,940	..	{ 77,593 8 5 176 12 5 }	{ 3,491 0 2 7,572 2 4 }	2,063	{ 1,112,513 5,616 p.a. }	..	{ 19,197 8 2 65 12 11 }
Bonus allotted .. ..	..	..	369,083	..	..	..	..	45,243	..
Total	84,471	27,193,193	3,505,805	{ 746,507 13 9 1,695 2 3 }	{ 36,120 6 6 56,469 16 0 }	13,305	{ 5,745,699 43,920 p.a. }	569,896	{ 131,989 15 11 659 6 8 }
Policies discontinued during 1937	3,512	1,093,744	196,118	{ 31,278 11 4 117 9 4 }	{ 1,484 2 0 704 15 8 }	562	{ 264,611 504 p.a. }	37,879	{ 4,926 19 2 38 8 5 }
Total policies in force at 31st December, 1937	80,959	26,099,449	3,309,687	{ 715,229 2 5 1,577 12 11 }	{ 34,636 4 6 55,765 0 4 }	12,743	{ 5,481,088 43,416 p.a. }	532,017	{ 127,062 16 9 620 18 3 }

POLICIES ISSUED AND DISCON-

PARTICULARS OF POLICIES DISCON-

How discontinued.									
By Death	577	164,673	50,799	{ 4,984 11 3 52 3 9 }	{ 1,484 2 0 }	256	83,561	31,604	{ 2,238 14 2 26 18 1 }
Maturity	1,045	260,855	81,093	{ 9,944 8 10 9 15 7 }	..	..	..	..	..
Surrender	955	305,265	44,039	{ 8,644 7 1 18 16 3 }	{ 288 0 0 }	139	{ 68,106 144 p.a. }	4,881	{ 1,301 16 9 7 10 4 }
Change to other Tables	66	26,053	1,833	{ 422 13 6 2 0 0 }	{ 128 15 8 }	31	{ 14,828 72 p.a. }	128	{ 151 4 3 2 0 0 }
Cancellation	188	55,114	121	{ 1,411 2 9 1 14 8 }	{ }	17	6,332	17	{ 106 18 5 }
Lapse	681	281,784	18,233	{ 5,871 7 11 32 19 1 }	{ 288 0 0 }	119	{ 91,784 288 p.a. }	1,249	{ 1,128 5 7 2 0 0 }
Total discontinued during year 1937	3,512	1,093,744	196,118	{ 31,278 11 4 117 9 4 }	{ 1,484 2 0 704 15 8 }	562	{ 264,611 504 p.a. }	37,879	{ 4,926 19 2 38 8 5 }

PROGRESS OF BUSINESS OF THE GOVERNMENT LIFE INSURANCE

Total issued	247,123	70,666,997	8,463,737	{ 2,093,620 18 5 41,036 11 1 }	{ 203,179 19 6 }	57,852	{ 20,168,980 46,828 16s. p.a. }	2,556,946	{ 510,949 10 9 18,860 9 7 }
Total void	166,164	44,567,548	5,154,050	{ 1,378,391 16 0 39,458 18 2 }	{ 112,778 14 8 }	45,109	{ 14,687,892 3,412 16s. p.a. }	2,024,929	{ 383,886 14 0 18,239 11 4 }
Total in force	80,959	26,099,449	3,309,687	{ 715,229 2 5 }	{ 90,401 4 10 }	12,743	{ 5,481,088 43,416 p.a. }	532,017	127,062 16 9
Extra Premiums .. ..	..	..	..	1,577 12 11	..	..	..	..	620 18 3
				£716,806 15 4					£127,683 15 0

NOTE.—The "ordinary" premium is the premium charged

at End of Year 1937.

ASSURANCES.								ANNUITIES.				SIMPLE ENDOWMENTS, INVESTMENTS, ETC.			
Endowment Assurances.				Annuity Assurances.											
No.	1. Sum assured. 2. Deferred Annuity.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	No.	1. Sum assured. 2. Rever- sionary Bonuses.	Annuities. 1. Immediate or entered upon. 2. Deferred.	Annual Premiums.	No.	Annual Premiums.	Annuities. 1. Immediate or entered upon. 2. Deferred.	No.	1. Sum assured. 2. Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.		
TINUED DURING THE YEAR 1937.															
	£	£	£ s. d.		£	£ s. d.	£ s. d.		£ s. d.	£ s. d.		£	£ s. d.		
57,693	16,640,144 9,378 p.a.	2,587,922	{ 528,313 8 10 908 7 1 }	20	{ 4,947 1,610	{ 320 5 2 975 13 8 }	169 8 8	526	35 15 6	{ 32,309 1 2 240 0 0 }	5,210	{ 2,482,976 22,537	27,603 4 7 16 9 0		
6,531	1,703,691 1,656 p.a.	..	{ 52,010 19 0 109 2 0 }	..	50	{ .. 2 4 }	22 18 0	53	..	{ 3,491 0 2 300 0 0 }	1,133	{ 615,686 ..	6,362 3 3 1 17 6		
..	..	321,008	..	..	114	..	..	..	..	..	..	2,718	..
64,224	18,343,835 11,034 p.a.	2,908,930	{ 580,324 7 10 1,017 9 1 }	20	{ 4,997 1,724	{ 320 5 2 975 16 0 }	192 6 8	579	35 15 6	{ 35,800 1 4 540 0 0 }	6,343	{ 3,098,662 25,255	33,965 7 10 18 6 6		
2,630	729,699 144 p.a.	155,144	{ 24,791 3 3 79 0 11 }	1	{ 150 77	{ .. 56 15 8 }	8 6 8	42	..	{ 1,484 2 0 .. }	277	{ 99,284 3,018	1,552 2 3 ..		
61,594	17,614,136 10,890 p.a.	2,753,786	{ 555,533 4 7 938 8 2 }	19	{ 4,847 1,647	{ 320 5 2 919 0 4 }	184 0 0	537	35 15 6	{ 34,315 19 4 540 0 0 }	6,066	{ 2,999,378 22,237	32,413 5 7 18 6 6		

TINUED DURING THE YEAR 1937.

262	73,812	19,195	£ 2,676 3 0 25 5 8	..	..	..	..	42	..	1,484 2 0	17	7,300	69 14 1
970	250,805	78,336	£ 9,545 9 4 9 15 7	..	..	..	..	..	..	..	75	10,050 2,757	398 19 6 ..
745	211,725 144 p.a.	39,158	£ 6,886 16 2 11 5 11	..	..	..	..	..	..	..	71	25,434	455 14 2
32	10,075	1,628	£ 251 11 9 ..	1	{ 150 77	.. 56 15 8	8 6 8	..	..	..	2	1,000	11 10 10
155	40,482	104	£ 1,213 4 1 1 14 8	..	..	..	..	..	..	..	16	8,300	91 0 3
466	142,800	16,723	£ 4,217 18 11 30 19 1	..	..	..	..	..	..	..	96	47,200 261	525 3 5 ..
2,630	729,699 144 p.a.	155,144	£ 24,791 3 3 79 0 11	1	{ 150 77	.. 56 15 8	8 6 8	42	..	{ 1,484 2 0 ..	277	99,284 3,018	1,552 2 3 ..

DEPARTMENT SINCE DATE OF ESTABLISHMENT TO 31st DECEMBER, 1937.

173,584	45,913,451 12,268 16s. p.a.	5,838,170	£ 1,503,845 11 5 22,134 7 6	1,131	{ 179,200 9,273	60,175 1 10	9,387 16 9	1,520	888 2 2	83,907 5 8	13036	4,405,366 59,348	68,549 17 4 41 14 0
111,990	28,299,315 1378 16s.p.a	3,084,384	£ 948,312 6 10 21,195 19 4	1,112	{ 174,353 7,626	58,935 16 4	9,203 16 9	983	852 6 8	49,051 6 4	6,970	1,405,988 37,111	36,136 11 9 23 7 6
61,594	17,614,136 10,890 p.a.	2,753,786	£ 555,533 4 7 938 8 2	19	{ 4,847 1,647	1,239 5 6	184 0 0	537	35 15 6	34,855 19 4	6,066	2,999,378 22,237	32,413 5 7
..	..	..	938 8 2	..	..	..	..	..	..	..	..	..	18 6 6
£556,471 12 9				£184 0 0				£35 15 6				£32,431 12 1	

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

W. E. ARNOLD, Commissioner.
S. BECKINGSALE, F.I.A., Actuary.

ACTUARY'S REPORT
ON THE VALUATION OF THE
GOVERNMENT INSURANCE DEPARTMENT
AS AT 31st DECEMBER, 1937.

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

Wellington, 6th May, 1938.

IN accordance with your instructions, a valuation of the Department's liabilities under its policies has been made for the year ended 31st December, 1937, with the object of ascertaining the net surplus available for distribution amongst the policyholders, and, in accordance with section 40 of the Government Life Insurance Act of 1908, and amendments, I have the honour to report as follows :—

The liabilities arise in respect of 80,959 policies assuring, inclusive of bonus additions, the sum of £29,409,136 and £90,401 immediate and deferred annuities per annum, the Office premiums thereon amounting to £716,807 per annum.

The bases adopted for the valuation were as follows :—

- (a) Endowments : 3 per cent. interest without mortality.
- (b) Temporary Assurances : The proportion of the premiums corresponding to the unexpired risk.
- (c) All other Classes of Assurance : The O^m mortality table with 3 per cent. interest.
- (d) Annuities : The a(m) and a(f) mortality tables with 3 per cent. interest.

The net premium method of valuation was employed in respect of groups (a) and (c) above, and, in addition to the liability brought out on that basis, reserves for future bonuses, immediate payment of claims, and other contingencies were included.

The valuation has disclosed a total surplus of £256,913, as follows :—

					£
Total funds at 31st December, 1937	..	..	..	..	10,349,248
Less value of liabilities .. .. .	..	..	..	..	10,097,270
					<hr/>
Net surplus .. .. .	..	..	..	..	251,978
Interim bonus paid during year .. .. .	..	..	..	..	4,935
					<hr/>
Total surplus .. .. .	..	..	..	..	£256,913
					<hr/>

As required by the Act, surplus arising from favourable mortality has been investigated separately for the General and Temperance Sections, the result indicating 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 maturing at					£ s. d.
ages 80 and over .. .. .	..	..	..	..	2 0 0
Other endowment assurances .. .. .	..	..	..	..	1 15 0
Double-endowment assurances and pure endowments .. .. .	..	..	..	..	1 5 0

Policies issued under Premium Tables which have been closed.

Whole-life and endowment assurances .. .. .	..	..	..	..	1 15 0
Double endowments .. .. .	..	..	..	..	1 10 0

The above bonuses will absorb the sum of £243,182, and I recommend that the balance of the net surplus (£8,796) be carried forward.

S. BECKINGSALE, F.I.A., Actuary.

The Government Insurance Commissioner, Wellington.

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