1939. NEW ZEALAND.

STATE FIRE INSURANCE OFFICE.

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31st DECEMBER, 1938.

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

State Fire Insurance Office, Wellington, 31st March, 1939.

I HAVE the honour to submit the thirty-fourth annual report of the State Fire Insurance Office for the year ended 31st December, 1938, with the Revenue Account and Balance-sheet.

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

1936 1937 1938

The following are the compare	ouve ng	uros .			•				
T				36.	_ I	937.		38.	
Income—			£	£		£	£	£	
Premiums			202,987	7	175,72		193,501		
Other receipts, less land-tax			42,432	2	47,72	4	46,099)	
-				-245,419	9	-223,450		-239,600	
					=				
Outgo									
Bonus rebate to policyholders			41,563	?	33,379	O.	37,747	,	
Claims	: •	. • •	43,517		34,798	9	30,839	,	
Working-expenses (exclusive of				_		_			
and Fire Board contributions)			53,347		53,78	1	58,657		
Fire Board contributions			8,225	5	9,609	2	10,492		
Income-tax			41,296	3	35.454	9,602 $ 35,454 $ $167,011$;	
				-187.948	3	-167.011	32,288	170.023	
				201,020	5	10.,011		110,020	
Carried to reserve for unearned prem	inma								
	nums	• •	• •		• •		• •		
Surplus, apportioned as follows:—			00 500		00.00	•			
Written off Office premises			23,500		26,000		23,000		
Reserve Fund			471		439	9	577		
Bonus Rebate Reserve			33,500)					
Reinsurance Reserve					30,000)	30,000)	
Investments Fluctuation Reserve						-	16,000		
THYESOMETHS PROCEEDINGS TO	• •	• •	• • •	57 471	l	56 420	10,000	60 577	
				. 91,411		- 50,459		09,511	
m . 1				045 416	-	222 450		220 400	
Total	• •			245,418	9	223,450		239,600	
					=				
Reserves and funds at 31st Decembe	r	1	,083,391		1,113,830) 1	1,160,407		
						= '=		•	
			Per Cent	_	Per Cent.		Per Cent.		
Ratio of claims to premium income			21.44	-	19.8		15.94		
Ratio of working-expenses (exclusive			#1 11		100		10 01		
tax and Fire Board contributions)	-		00.00		00.01		00.00		
income			$26 \cdot 28$		$30 \cdot 61$		$30 \cdot 32$		
Ratio of Fire Board contributions	to prem	ıum							
income			$4 \cdot 05$		$5 \cdot 46$		$5 \cdot 42$		
Ratio of income-tax to premium income			$20 \cdot 34$		20.18		$16 \cdot 68$		
1									

1. The premium income for 1938 increased by £17,775 over that for 1937 and is the largest

increase secured in any year since 1926.

2. Under the graduated system of bonuses out of profits instituted in 1936, the total sum credited during the year 1938 to policyholders was £37,746, as against £33,379 for the previous year. This represents the equivalent of an average bonus of over 22 per cent. of the amount of renewal premiums, on which bonuses are credited.

3. The aggregate saving to the insuring public directly and indirectly brought about through the establishment and operation of the State Fire Office since its inception was referred to in my last report as amounting to not less than £15,500,000 at the end of 1937, and the year under review has increased

that immense figure.

4. The loss ratio for the year is the lowest recorded in the history of the Office. This remarkable result follows a steady decline in loss ratio extending now over several years, but it is hardly to be expected that equally satisfactory underwriting figures will continue indefinitely. Fire losses appear to occur in cycles. It is not easy to explain what are the conditions which determine these cycles, but they seem to be rather of an economic than of a physical nature. While improvements in fire-fighting facilities are to some extent responsible for the reduction, these improvements cannot be credited with the very noticeable decline during the last few years in losses in country areas where previously much money was lost by all insurance offices, including the State Fire Office. There cannot be any doubt that people are, consciously or unconsciously, exercising greater care than formerly to prevent fire.

5. Earthquake insurance is increasingly sought by the public. This tendency is, I believe, worthy of encouragement in the national interest in order to avoid the serious financial dislocation which is inevitable when loss from earthquake occurs without insurance protection. Prudence. however, puts a limit to the amount of risk which can be underwritten by this Office with present reserves plus reinsurance facilities, and for many years to come it will be sound policy to carry to reserves whatever surpluses it may be practicable to provide from profits.

6. Working-expenses show a slight reduction, but the cost of Fire Board contributions, which are levied on a flat basis without regard to underwriting results, are a very heavy charge on premiums. There was an increase in Fire Board expenditure during the 1933-37 period of 41.73 per cent., with a coincident reduction in premiums in Fire Board areas of 7.45 per cent. As a consequence, the percentage disbursed by insurance offices in contributions to Fire Boards out of premiums collected from Fire Board areas has risen from 6.92 per cent. in 1933 to 11.18 per cent. in 1937, and still rises. Out of every pound paid for insurance cover in Fire Board districts, more than 2s. 2d. is a tax paid for fire protection, while, in addition, insurance offices bear the whole cost of collection, including agents' commission. The substantial sum of £10,491 was paid in Fire Board contributions by the State Fire Office during 1938.

7. The recently published statistics of fire insurance for 1937 reveal the State Fire Office as again by far the largest taxpayer among fire-insurance offices operating in the Dominion. In the year mentioned the State Fire Office expended £37,412 in taxes, the next largest taxpayer contributing

8. I desire to place on record appreciation of the work of the staff of the Office in achieving the very satisfactory results recorded in the accounts.

J. H. Jerram, General Manager.

REVENUE ACCOUNT OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED 31ST DECEMBER, 1938.

Description of noingarmones	£ s. d. 193,500 11 1	Bonus rebate to policyholders	£ s. d. 37,746 13 10
Premiums after deduction of reinsurances Other receipts £ s. d		Losses by fire and earthquake (after deduction of	01,110 19 10
Other receipts £ s. d Interest, commission, and rent 48,247 7		reinsurances)	30,839 9 6
Less land-tax 2,148 7		Income-tax	32,288 0 0
3301/0 100120 00012	46,098 19 6	Commission	10,109 11 3
	•	Salaries	32,347 16 10
		Contributions to Public Service Superannuation	
	•	Fund	430 0 0
		Contribution to Fire Boards under the Fire	10 401 10 7
		Brigades Act, 1908 Expenses of management— £ s. d.	10,491 12 7
		ή γ	
		Printing, stationery, and adver-	
		tising 2,172 3 10	
		Rent 1,296 3 1	
		Exchange 54 6 4	
		Postages, telegrams, cablegrams,	
		and sundry charges 3,380 9 2	0 mam 0 m
		0.00	9,727 2 7
		Office equipment	$2,322 12 4 \\ 3,719 12 5$
		Office premises: Depreciation	3,719 12 3
			170,022 11 4
		Investments Fluctuation Reserve	16,000 0 0
		Reinsurance Reserve	30,000 0 0
		Office premises: Written off	23,000 0 0
		Amount of fire-insurance funds at end of year	576 19 3
	£239,599 10 7		£239,599 10 7

BALANCE-SHEET OF THE STATE FIRE INSURANCE OFFICE ON THE 31ST DECEMBER, 1938.

Liabilities.					Asset	ts.					
Capital authorized by the State Fire £		£	s.	d.					£		d.
Insurance Act, 1908 100,000)				Government securities				642,930		0
Less not raised 100,000)				Local-authority securities				270,166	6	11
	-	N	il.		Rural Advances bonds				14,175	0	0
Bad Debts Reserve	. 1	1,500	0	0	Fixed deposits and at short call				90,000		0
Reserve Fund	746	3,583	11	0	Land and buildings				164,892	3	2
Investments Fluctuation Reserve Fund .		5,000		0	Outstanding premiums				12,187	18	7
Reserve for unearned premiums		1,246		11	Interest accrued but not due				10,359	13	3
Bonus Rebate Reserve	. 112	2,500	0	0	Rent accrued or due				3,725	13	11
Reinsurance Reserve Fund	. 120	000,0	0	0	Rent overdue				138	0	0
Premium and other deposits		1,257	7	7	Cash in Reserve Bank of New						
Outstanding fire and earthquake losses .	. 2	2,275	0	0	Zealand at Wellington, or in	£	s.	d.			
Government taxes	. 32	2,967	2	0	transit to Wellington	48,298	0	8			
Sundry creditors	. 48	3,951	17	4	Imprest Account balances: Head						
Other amounts owing by the Office— £ s. d		,			Office and branches	946	3	1			
)								49,244	3	9
Commission 2,283 16)										
Printing, stationery, and adver-											
tising 64 8)										
Postages and sundry charges 3,146 16	•										
	- 16	3,961	4	6							
Fire-insurance funds, as per Revenue Account .		576									
in the state of th					(
:	257	7.819	11	7	·			£1	,257,819	11	7
•		- ,		-				_			
					1						

14th June, 1939.

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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