

1888.

NEW ZEALAND.

## ANNUAL REPORT

OF THE

## GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 1887.

*Presented to both Houses of the General Assembly pursuant to the Provisions of "The Government Insurance Amendment Act, 1874," "The Public Revenues Act, 1882," and "The New Zealand Government Life Insurance Act, 1886."*

Wellington, 31st May, 1888.

I HAVE the honour, in accordance with statutory provisions, to submit the accounts of this department for the year ended the 31st December, 1887, together with tables specifying in detail the business done in the period reported on, and indicating the progress of the department since its establishment in 1870.

## NEW BUSINESS.

The number of proposals received and dealt with for the year was 4,517, representing the sum of £1,121,095 18s. 1d. During the year 3,124 proposals were completed and became policies, 405 were declined or deferred. The remaining proposals were not completed. The amount insured under these policies was £766,952 2s. 4d., being £49,487 12s. 11d. in excess of the amount of assurances effected in the year immediately preceding. The 3,124 policies issued were classed as follows: In the General Section, 2,607 assurance policies, amounting to £662,702, and 29 endowment policies, assuring £2,965 2s. 4d.; in the Temperance Section, 477 assurance policies, representing £101,285. The policies issued included 11 contracts for annuities, for which the annuitants paid £3,075 19s. 3d., the annual payments under these being £346 1s. 3d. The new annual premiums represented by the business above specified amounted to £22,061 3s. 9d., besides £7,659 11s. 9d. received as single premiums, and as the price of annuities granted as above mentioned.

## MORTALITY AND CLAIMS.

Claims by death were preferred under 177 policies, arising through the decease of 166 insured persons, and representing an assured sum of £59,973 9s., including bonus additions. Claims on endowment assurances matured numbered 15, the amount payable, including bonus additions, being £3,462 3s. The number of children's endowments which matured were 7, insuring the sum of £800. One annuitant, the annual payment to whom was £50, died during the year. A sum of £30,305 5s. 3d. was paid as cash value for reversionary bonuses surrendered. The mortality of the year is considerably under the expectation, although the accidental deaths during the period were 23, equal to very nearly 14 per cent. of the total mortality experienced, and representing claims paid amounting to £9,355, exclusive of bonuses, or nearly 17 per cent. of the total amount insured under the policies emerged by reason of death. Of the 23 accidental deaths 9 were caused by drowning and 4 by suicide. This large percentage of accidental deaths would appear to exhibit the low mortality referred to in a still more favourable light.

## ANNUAL INCOME AND INTEREST.

The gross income for the year from all sources was £268,372 6s. 5d., showing an increase on the income of the previous year of £11,220 17s. 11d. The interest on invested funds for the year amounted to £66,380 1s. 1d., being £8,104 3s. 1d. above that credited in the preceding twelve months, and £2,144 9s. 1d. in excess of the total amount payable for claims arising during the year, and bonuses thereon. The average rate of interest on the mean funds of the year was £5 3s. 8d., which was an increase of 3s. 11d. on the rate for the previous year.

## THE ACCUMULATED FUND.

The accumulated fund on the 31st December, 1887, amounted to £1,328,493 6s. 2d., showing an increase for the period of £96,535 11s. 3d., notwithstanding that £30,305 5s. 3d. was paid for reversionary bonuses surrendered, and £1,562 for bonuses on claims payable in the preceding year.

## TONTINE SAVINGS FUND.

With a view of meeting a popular desire, and at the same time rendering policies more enduring, there was, in the latter half of the year, introduced in the department a description of insurance termed the Tontine Savings Fund System. The object of this mode is to reserve all profits accruing on Tontine Fund policies, and at the close of the period to divide these profits *pro rata* among the survivors whose policies are in force at the time. The scheme has been eminently successful, and promises to accomplish the object aimed at—a more permanent class of insurance business.

## GENERAL REMARKS.

Notwithstanding the continued commercial and agricultural depression which existed during the year, and to which is mainly due the high lapse-rate experienced in common with all other offices in this part of the world, and despite the continued unscrupulous opposition of several foreign offices, whose agents appear systematically to misrepresent this department, the new assurances completed by the department show an increase over the previous year, and the business of the future presents a healthy and steadily improving aspect.

With reference to the rivalry of private institutions abovementioned, it may be stated here that the specific form of unfair competition, which cannot be too strongly condemned, is that agents of some societies resort to the practice of obtaining assignments of policies from policyholders of the Government Department by means of misrepresenting the comparative advantages of that department and those of the competing offices. Thus they frequently mislead our policyholders, inducing numbers of them to make assignments to persons who are used as “dummy” assignees, of whom the clients have no personal knowledge, and from whom they do not receive adequate consideration for the policies they have been induced to give up.

In my report presented to Parliament last year the fact was announced that the Consulting Actuaries had reported a nominal deficiency in the Temperance Section, a consequence of the brevity of the period which had elapsed since its establishment. By reason of that deficiency, and the consequent non-allocation of any bonus to temperance policyholders, a decided check was given to the progress of business in the Temperance Section. Mr. Frankland, the Government Actuary and Statist, was of opinion that, although the Consulting Actuaries could not, in view of the wording of the prospectus, have dealt with the Temperance Section otherwise than as an entirely distinct fund, it would nevertheless be actuarially sound, and more in consonance with the objects for which the Temperance Section was founded, to amalgamate the funds of the General and Temperance Sections and differentiate the profits in so far only as the mortality experience of the two sections proves to be dissimilar. Mr. Frankland devised in detail a scheme by which this result could be with strict mathematical accuracy accomplished. This scheme he submitted to the Department's Consulting Actuaries during his recent visit to London, and at the same time suggested, in consequence of the great labour which rigid adherence to this strict mode would entail, that an approximate determination of profit from mortality might be found preferable. With this suggestion the Actuaries concurred, and specifically recommended a mode of distribution which they regard as substantially equitable.

It is proposed this year to ask legislative powers for carrying into effect this arrangement, by which the policyholders of the Temperance Section will benefit by whatever proportional longevity they may be found to enjoy in comparison with the policyholders of the General Section, while at the same time they fully share with these latter any profits arising from sources other than favourable mortality—these sources being excess of interest over the assumed rate, saving in management expenses, and other sources of a miscellaneous nature.

During his visit to England Mr. Frankland brought other matters of importance under the notice of the Consulting Actuaries. These are more fully specified in a parliamentary paper recently laid before the Legislature by command of His Excellency. It is only necessary to mention here one of the subjects discussed therein—namely, the method of allocating bonuses amongst individual policyholders, which at the present stage in the history of the office, now some eighteen years old, requires modification. The method recommended by Mr. Frankland has for its object the securing to the older policyholders in the allocation of profits their due share of the profit produced by the excess of interest over the assumed rate. This recommendation also the Consulting Actuaries have approved as the proper course to be followed for the future.

The Industrial Branch is now practically closed.

The investment of the department's funds is carefully supervised, the statutory Board of Investment having charge of the mortgage portion of the business. The amount invested is specified under the respective headings in the table of assets in the certified balance-sheet. Applications for loans on mortgage of freehold property continue to be received in considerable numbers. The majority of these applications are for loans of moderate amounts under the system of repayment by instalments. By the figures in the balance-sheet it will be seen that the total amount of investments on mortgage at the end of 1887 was £266,498 7s., as against £209,480 at the same time in the immediately preceding year; showing for the last year an increase in this class of investments of £57,018 7s. The amount lent during the year under the repayment-by-instalment system was £29,385, distributed among 104 mortgagors.

D. M. LUCKIE,  
Government Insurance Commissioner.



STATEMENT OF POLICIES ISSUED AND DISCONTINUED during the Year ended 31st December, 1887.

	Assurances.						Endowments and Investments.						Annuities.						TOTAL.					
	Whole Life and Term.			Endowment.			Sum Assured.			Annual Premium.			Sum Assured.			Annual Premium.			Sum Assured.			Annual Premium.		
	No.	Sum Assured.	Annual Premium.	No.	Sum Assured.	Annual Premium.	No.	Sum Assured.	Annual Premium.	No.	Sum Assured.	Annual Premium.	No.	Sum Assured.	Annual Premium.	No.	Sum Assured.	Annual Premium.	No.	Sum Assured.	Annual Premium.	No.	Sum Assured.	Annual Premium.
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
Total Policies in force at beginning of year ..	14,597	4,478,540	15,211	839	6,244,293	9,109	2,155,462	16,077,830	3,108,847	8,939	36,737	13,811,800	10,669	19,244,282	6,524,714	6,670,741	4,101,988,389	19,85,140	17,64,232	6,5				
Add Policies issued during the year ..	1,980	548,742	0	13,660	6,227	7,410,420	8,000	16,463	7,463	29	2,965	2,4126	0	7,346	1,38,124	766,952	2,421,787	2,10,274	0,11,346	1,3				
Total ..	16,577	5,022,282	15,213	2,132,399	12,44,520	16,918,830	19,11,894	1,894	1,894	8,968	39,702	16,01,926	11,180	19,24,578	7,827,838	7,437,693	2,220,177	2,65,414	18,54,578	7,8				
Deduct Policies discontinued during the year ..	1,235	380,029	0	9,834	15,533	4,934	8,815	4,881	5,251	17,917	5,457	2,251	17,917	9,1	51	2,399	605,760	1,2,18,037	19,6,423	0,1,51	2,4			
Total Policies in force at end of year ..	15,342	4,642,253	15,212	2,122,564	16,11,418	12,007,913	7,805	6,479	6,479	7,966	35,131	10,101,674	13,479	19,24,527	5,425,439	6,881,933	0,202,139	3,04,991	18,44,527	5,4				

PARTICULARS OF POLICIES DISCONTINUED during 1887.

How Discontinued	By Death		By Maturity		By Surrender		By Lapse		By Changes		By Other causes	
	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.
By Death ..	130	42,628	0	1,163	4,80	2,111	47	18,100	0	509	18,111	2,008
By Maturity ..	..	..	..	..	..	..	15	3,150	0	263	8,101	1,128
By Surrender ..	250	89,924	0	2,301	18,875	1,771	212	59,515	0	2,050	1,739	12,739
By Lapse ..	853	245,477	0	6,001	12,316	8,271	715	144,894	16	5,073	12,537	19,937
By Changes ..	..	..	..	..	..	..	..	..	..	..	..	..
By Other causes ..	2	2,000	0	276	2,114	7,384	2	500	0	17	14,617	1,600
Total void during the year ..	1,235	380,029	0	9,834	15,533	4,934	991	221,159	16	7,951	6,488	15,488

PROGRESS OF BUSINESS OF THE GOVERNMENT INSURANCE DEPARTMENT since Date of Establishment to 31st December, 1887.

	1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875	
	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.	No.	Sum Assured.
Total issued ..	23,831	7,411,142	6,219	5,586	15,38	5,438,811	3,481	6,137,642	13,51	8,921,154	1,1,600	72,320	2,83	6,351,491	103	124,111	85,603	14,841	188,111	294,811	4,10	340,989	14,810	4,361,525,603	14,8	
Total void ..	8,489	2,768,888	11,0	7,021	18,44,357	7,106,432	1,656,800	16,059,762	19,101,087	9,080	37,188	11,101,961	1,524	104,121	11,076	9,415,749	4,462,877	18,10	138,850	11,85,444	16,10	1,076,94				
Total in force	15,342	4,642,253	15,212	2,122,564	16,11,418	12,007,913	7,805	6,479	6,479	7,966	35,131	10,101,674	13,479	19,24,527	5,425,439	6,881,933	0,202,139	3,04,991	18,44,527	5,4						

NOTE.—The Ordinary Premium is the premium at the real age; the extra, the additional premium imposed for any reason whatsoever.

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