1888.

NEW ZEALAND.

ANNUAL REPORT

OF THE

GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31st 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 $\pounds 1,121,095$ 18s. 1d. During the year 3,124 proposals were completed and became policies, 405were declined or deferred. The remaining proposals were not completed. The amount insured under these policies was $\pounds 766,952$ 2s. 4d., being $\pounds 49,487$ 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 $\pounds 662,702$, and 29 endowment policies, assuring $\pounds 2,965$ 2s. 4d.; in the Temperance Section, 477 assurance policies, representing $\pounds 101,285$. The policies issued included 11 contracts for annuities, for which the annuitants paid $\pounds 3,075$ 19s. 3d., the annual payments under these being $\pounds 346$ 1s. 3d. The new annual premiums represented by the business above specified amounted to $\pounds 22,061$ 3s. 9d., besides $\pounds 7,659$ 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 $\pounds 59,973$ 9s., including bonus additions. Claims on endowment assurances matured numbered 15, the amount payable, including bonus additions, being $\pounds 3,462$ 3s. The number of children's endowments which matured were 7, insuring the sum of $\pounds 800$. One annuitant, the annual payment to whom was $\pounds 50$, died during the year. A sum of $\pounds 30,305$ 5s. 3d. was paid as each 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 $\pounds 9,355$, 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 $\pounds 268,372$ 6s. 5d., showing an increase on the income of the previous year of $\pounds 11,220$ 17s. 11d. The interest on invested funds for the year amounted to $\pounds 66,380$ 1s. 1d., being $\pounds 8,104$ 3s. 1d. above that credited in the preceding twelve months, and $\pounds 2,144$ 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 $\pounds 5$ 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 $\pounds 1,328,493$ 6s. 2d., showing an increase for the period of $\pounds 96,535$ 11s. 3d., notwithstanding that $\pounds 30,305$ 5s. 3d. was paid for reversionary bonuses surrendered, and $\pounds 1,562$ 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 ratâ* 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 $\pounds 266,498$ 7s., as against $\pounds 209,480$ at the same time in the immediately preceding year; showing for the last year an increase in this class of investments of $\pounds 57,018$ 7s. The amount lent during the year under the repayment-by-instalment system was $\pounds 29,885$, distributed among 104 mortgagors.

D. M. LUCKIE, Government Insurance Commissioner. REVENUE ACCOUNT of the GOVERNMENT LIFE INSURANCE DEPARTMENT for the Year ended 31st December, 1887.

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Amount o					£ 1,231,957		d. 11	£ s. d. £ s. d Death claims under policies, Assurance, including bonus	1.
trial) at 31st December, 1886 1,231,957 14 11 Renewal premiums—Assurance, An- nuity, and Endowment								additions 59,973 9 Endowment Assurances ma- tured, including bonus ad-	0
£766,959 revenue	22s.4d.,a of £22,0	nd yieldi 61 3s. 9d	ng an an 1. (inclu	nual ding				ditions 3,462 3 Endowments matured 800 0	0
falling d	ents of f lue in the	year)		••	20,081	14	0	Bonus surrendered for cash 30,305 5	0 3
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Interest Fees	••	••	••	••	66,380	$\frac{1}{17}$	1 4	" renewal 1,222 3 11	A
rees	••	••	••	••	01	11	4	Property-tax 4,502 3	$\frac{1}{2}$
								Expenses of management,— Salaries—Head Office 10,273 19 0	
								" Branch Offices	
								and Agents 5,278 18 2 Extra clerical assistance 916 5 2	
								Medical fees 3,706 2 1	
								Travelling expenses 2,345 8 4 Advertising 543 15 2	
								Printing and stationery 1,743 17 8	
								Rent 1,423 5 2 Postage 1,001 2 6	
								Telegrams 742 6 1	
								Exchange 159 14 1 Office furniture deprecia-	
								tion 288 11 7 •	
							1	General expenses 1,531 2 3 Quinquennial expenses 2,343 14 1	
								Compensation for loss of	
								office $$ $447 \ 14 \ 2$ $ 32,745 \ 15 \ ($	6
								Amount of funds at 31st December, 1887 1,328,493 6	
				£	1,500,330	1	4	£1,500,330 1 4	- 4
				-					-

BALANCE-SHEET of the GOVERNMENT LIFE INSURANCE DEPARTMENT on 31st December, 1887.

LIABILITIES.	£	s.	d.	Assets.	£ s. d.
Total Assurance, Annuity, and Endow-				Loans on policies	185,387 9 3
ment Funds (as per Revenue Account)	1 328 493	6	2	Government securities	586,100 0 0
Claims announced not paid	10,130		õ	Railway debentures (guaranteed by Go-	000,100 0 0
	10,150		5	Tommont)	TO 950 0 0
	163		0		79,850 0 0
Annuities			-	Municipal Corporation debentures	71,572 0 0
Commission (new)	1,366		8	County securities	$1,000 \ 0 \ 0$
Medical fees	778		6	Otago University debentures	15,000 0 0
Postage	250	0	0	Harbour Board debentures	10,000 0 0
Property-tax	2,603	1	1	Landed and house property	90,035 18 9
Mortgage on property taken over by the				Office furniture (Head Office and	•
Association not yet paid	10,000	0	0	Agencies)	2,499 18 2
Premium deposits	3,085		3	Mortgages on property	266,498 7 0
TT-looptions for diamonstan	15		6	Overdue premiums on	200,100 1 0
T2: • • • • • • • • • • • • • • • • • • •	7,948		ŏ	policies in force £7,743 19 5	
Fire-insurance moneys in suspense	1,540	0	v	Outstanding premiums	
				due in December, 1887 17,314 12 5	
					25,058 11 10
				Interest outstanding 1,135 7 0	
				Interest accrued not due 14,141 9 1	
					15,276 16 1
				Agents' balances	959 11 10
				Sundry accounts owing	428 9 9
				Coch on augment account	15,174 4 11
				Cash on current account	10,114 4 11
	31,364,841	7	7	- £	1,364,841 7 7

Government Insurance Office, 31st March, 1888.

Audited and found correct.

JAMES EDWARD FITZGERALD, Controller and Auditor-General.

D. M. LUCKIE, Commissioner.

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STATEMENT of POLICIES ISSUED and DISCONTINUED during the Year ended 31st December, 1887.	
of Policies issued and Discontinued during the Year ended 31st December,	1887.
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	TOTAL.	Annua	Ordinary.		21,787 2	77 2	18,037 19	30 3		373 3 307 18	
			or	l. £ 0198,3	4 21,7	2 220,177	2 18,0	0202,1		0 1,673 0 307	# <u>70 70</u> # <u>11</u> #01_00
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				,670,7	766,952	,437,6	605,760 1	, 831, 9		55,728 0 3,950 0	2,541
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Authority : GEORGE DIDSBURY, GOVERNMENT Printer, Wellington.-1888.

[Approximate Cost of Paper.-Preparation, nil; printing (1,375 copies), £4 58, 0d.].

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

H.—12.

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