FOURTH SCHEDULE.

STATEMENT RESPECTING THE VALUATION OF THE LIABILITIES UNDER LIFE POLICIES AND ANNUITIES OF THE GOVERNMENT INSURANCE DEPARTMENT, TO BE MADE BY THE ACTUARY.

Question 1.—The date up to which the valuation is made.

Answer.—The 31st December, 1893.

Question 2.—The principles on which the valuation and distribution of profits among the policy-holders are made.

Answer.—(*a.*) *The Principles adopted in the Valuation.*—The valuation has been strictly a "net premium valuation" at true age, with adequate extra reserves for limited-premium policies and prompt payment of claims. No extra premiums or loadings whatever have been treated as an asset in the valuation.

Valuation of Ordinary Whole-life Assurances, comprising 61 per cent. of the total sum assured. It being found that the total premium income of the office fell due on the average about six months from the date of valuation, the addition of $\frac{1}{2}$ was made to the annuity in the valuation formula.

The pure premium valued was the yearly premium, or equivalent annual premium where the policy was renewable more often than once a year, for an assurance payable at the moment of death.

The reversion used for valuing the sums assured and bonuses was the reversion payable at the moment of death.

The valuation formula was therefore—

$$\bar{A}_{x+n} - {}^{\infty}P_x^{(m)}\left(\cdot 5 + a_{x+n}\right).$$

The valuation age, $x+n$, was obtained by deducting the year of birth from the year of valuation, and adding half a year.

The entry age, x, is the true age at entry.

The ordinary class valuation by the method of year-of-birth groupings resulted in a net liability of £872,434, whilst the detailed valuation gave a net liability of £872,611; the difference being only £177.

The following table shows the amount reserved on ordinary whole-life policies payable by whole-life premiums for every £100 of sum assured:—