

1943
NEW ZEALAND

ANNUAL REPORT

OF THE

GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31st DECEMBER, 1942

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

Government Insurance Office, Wellington, 14th May, 1943.

I HAVE the honour to submit the following report upon the transactions of the Department for the year ended 31st December, 1942, 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 4,888 policies, assuring the sum of £2,218,367, the premiums thereon being £45,593 per annum. Thirty annuities were also granted, the purchase-money being £24,089. The total business in force at the end of the year (including immediate, deferred, and contingent annuities for £97,998 per annum) comprises 96,858 policies, bearing an annual premium income of £812,059. The total sum assured is £33,388,155, to which reversionary bonuses amounting to £3,620,884 have been added.

Income.—The total income amounted to £1,386,181, made up as follows: Premium income, £840,903; interest income (net), £521,189; annuity-purchase money, £24,089. The total for the year exceeded that for the previous year by £26,125.

Outgoings.—During the year 2,095 policies became claims by the death of the policyholders and by maturity, the payment involved being £753,298. The total amount paid in claims since the inception of the Department amounts to £19,172,300.

Accumulated Funds.—Assurance, annuity, and endowment funds, apart from special reserves of £383,202, now stand at £12,208,184, an increase of £353,930 over the previous year.

Annual Bonus.—In view of conditions arising out of the war, it was decided last year to postpone the allotment of the surplus. Experience has shown that this decision was a prudent one, as the death claims in respect of the war have been heavy. The Actuary's report appended hereto discloses a surplus of £342,130, excluding interim bonuses paid during the year. It has been decided as regards the allotment of the surplus to follow the course adopted last year. Policyholders generally have expressed approval of the Department's action. Interim bonuses will be granted at rates approximately two-thirds of the 1940 rates on all policies becoming claims during the year.

Expense Ratios.—The ratio of expenses to (a) total income and (b) premium income for 1940, 1941, and 1942 is as follows:—

	Ratio of Expenses to	1940.	1941.	1942.
(a) Total income	7·97	8·62	7·62
(b) Premium income	12·75	13·81	12·21

A large number of the Department's officers are engaged on active service.

I should like to pay a tribute to the good work done by members of the depleted staff, who have cheerfully undertaken the extra duties occasioned by the war. 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.

In conclusion, I may say that this report practically coincides with the occasion of my retirement after more than forty-two years' service with the Department. The Government Insurance Department was founded in 1869; it was a success from the outset, and epidemics, depressions, and wars have left it in an unassailable position. It can face with confidence whatever the future holds in store. I am proud to have been associated with a Department which has earned an enviable record for its just and liberal dealings with its clients, and which is universally recognized as a successful example of State enterprise.

W. E. ARNOLD, Commissioner.

REVENUE ACCOUNT OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT FOR THE YEAR ENDED 31ST DECEMBER, 1942

£		£	
Amount of funds at 1st January, 1942 ..	11,854,254	Death claims under assurance policies, including bonus additions	425,129
Renewal premiums: Assurance, annuity, and endowment, less reinsurance premiums ..	762,520	Endowment assurances matured, including bonus additions	317,321
New premiums (including instalments of first year's premiums falling due in the year), less reinsurance premiums	50,084	Endowments matured	10,046
Single premiums: Assurance and endowment	28,299	Premiums returned on endowments	802
Consideration for annuities	24,089	Bonuses surrendered for cash	3,561
	£	Annuities	35,643
Interest, rent, and other income ..	534,858	Surrenders	23,855
Less property expenses ..	13,669	Loans released by surrender	41,328
	£		£
	521,189	Commission, new	36,572
		Commission, renewal	5,950
			42,522
		Contribution to Public Service Superannuation Fund	594
		Land and income tax	42,216
		Agents' retiring-allowances	2,011
		Expenses of management	58,910
		War-damage-insurance premiums	1,613
		Property depreciation	6,700
		Transfer to Investment Reserve Account	20,000
		Amount of funds, 31st December, 1942 ..	12,208,184
	<u>£13,240,435</u>		<u>£13,240,435</u>

BALANCE-SHEET OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT ON 31ST DECEMBER, 1942

<i>Liabilities</i>		<i>Assets</i>	
£		£	
Total assurance, annuity, and endowment funds (as per Revenue Account) ..	12,208,184	Loans on policies	1,089,140
Claims admitted, proofs not yet completed ..	126,835	New Zealand Government securities	3,618,532
Annuities	492	Loans to local bodies	2,161,098
Medical fees	224	Landed and house property	505,519
Premium and other deposits	30,419	Landed and house property (leasehold)	343
Sundry creditors	14,555	Mortgages on property	4,947,154
Accident and Fidelity Fund	5,000	Properties acquired by foreclosure	21,827
Investment Reserve Account	378,202	Overdue premiums on policies in £ force	3,426
	£	Outstanding premiums due but not overdue	84,497
Sinking funds on local-body loans ..	2,470		87,923
Interest accrued thereon ..	30	Overdue interest	3,322
	2,500	Outstanding interest due but not overdue	10,717
		Interest accrued but not due	112,445
			126,484
		Sundry debtors	3,492
		Office furniture and fittings	2,500
		Cash in hand and on current account ..	202,399
	<u>£12,766,411</u>		<u>£12,766,411</u>

W. E. ARNOLD, Commissioner.
J. W. MACDONALD, Secretary.

Government Life Insurance Department,
22nd April, 1943.

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.—
CYRIL G. COLLINS, Controller and Auditor-General.

STATEMENT OF BUSINESS FOR THE YEAR 1942

Year, 1942.	Number.	Sum assured.	Reversionary Bonuses.	Annual Premiums.		Annuities.	
				Ordinary.	Extra.	Immediate.	Deferred.
<i>Policies issued and discontinued during the Year 1942</i>							
Policies in force at 31st December, 1941	95,581	£ 32,445,977	£ 3,814,177	£ s. d. 796,627 6 0	£ s. d. 3,275 9 5	£ s. d. 34,567 10 4	£ s. d. 61,064 0 10
New business	4,918	2,218,367	..	45,498 0 1	95 6 4	1,911 16 10	2,358 14 0
Bonus allotted .. ..	..	..	..	..	..	..	..
Total	100,499	34,664,344	3,814,177	842,125 6 1	3,370 15 9	36,479 7 2	63,422 14 10
Policies discontinued during 1942	3,641	1,276,189	193,293	33,664 12 1	--227 17 10	1,400 1 6	503 19 0
Total policies in force at 31st December, 1942	96,858	33,388,155	3,620,884	808,460 14 0	3,598 13 7	35,079 5 8	62,918 15 10

Particulars of Policies discontinued during the Year 1942

How discontinued—		£	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.
By death	1,085	344,775	84,589	10,871 16 1	88 10 6	1,452 6 6	20 0 0
By maturity	1,010	247,700	75,118	9,216 10 2	14 19 2	..	..
By surrender	507	191,997	19,303	4,348 5 0	4 12 9	..	144 0 0
By change to other tables	14	4,498	199	109 2 9	..	..	..
By cancellation	114	36,818	7	866 5 5	..	..	..
By lapse	911	450,401	14,077	8,252 12 8	--336 0 3	-52 5 0	339 19 0
Total discontinued during year 1942	3,641	1,276,189	193,293	33,664 12 1	--227 17 10	1,400 1 6	503 19 0

Progress of Business of the Government Life Insurance Department since Date of Establishment to 31st December, 1942

		£	£	£ s. d.	£ s. d.	£ s. d.
Total issued	282,108	84,401,219	9,828,357	2,362,839 12 8	41,768 2 2	228,081 10 0
Total void	185,250	51,013,064	6,207,473	1,554,378 18 8	38,169 8 7	130,083 8 6
Total in force	96,858	33,388,155	3,620,884	808,460 14 0	3,598 13 7	97,998 1 6

ACTUARY'S REPORT

ON THE VALUATION OF THE

GOVERNMENT INSURANCE DEPARTMENT

AS AT 31ST DECEMBER, 1942

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

12th May, 1943.

In accordance with your instructions, a valuation of the Department's liabilities under its policies has been made as at 31st December, 1942, 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 96,858 policies assuring, inclusive of bonus additions, the sum of £37,009,039 and £97,998 immediate and deferred annuities per annum, the Office premiums thereon amounting to £812,059 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 were included for future bonuses, immediate payment of claims, and other contingencies, including those likely to arise out of the present war.

The valuation disclosed a total surplus of £353,773, as follows:—

	£
Total funds at 31st December, 1942	12,208,184
Less value of liabilities	11,866,054
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Net surplus	342,130
Interim bonus paid during year	11,643
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Total surplus	£353,773
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In view of circumstances arising out of the war, I recommend that the above net surplus be carried forward and that interim bonuses be allotted on the sums assured and existing bonuses of all policies becoming claims at the following rates for each annual premium paid since 31st December, 1940:—

- Double-endowment assurances (present issue) and pure endowments: 10s. per cent.
- All other participating assurances: 15s. per cent.

S. BECKINGSALE, Actuary.

The Government Insurance Commissioner, Wellington.