

1947

NEW ZEALAND

ANNUAL REPORT

OF THE

GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31st DECEMBER, 1946

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

Government Insurance Office,
Wellington, 26th May, 1947.

I HAVE the honour to submit the following report upon the transactions of the Department for the year ended 31st December, 1946, 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 11,188 policies, assuring the sum of £6,511,227, the premiums thereon being £144,377 per annum. Twenty-nine annuities were also granted, the purchase-money being £37,776. The total business in force at the end of the year (including immediate, deferred, and contingent annuities for £153,635 per annum) comprises 114,224 policies, bearing an annual premium income of £1,064,026. The total sum assured is £45,687,107, to which reversionary bonuses amounting to £4,235,874 have been added.

Income.—The total income amounted to £1,705,862, made up as follows: premium income, £1,126,456; interest income (net), £541,630; annuity-purchase money £37,776. The total for the year exceeded that for the previous year by £144,192.

Outgoings.—During the year 1,912 policies became claims by the death of the policyholders and by maturity, the payment involved being £724,286. The total amount paid in claims since the inception of the Department amounts to £22,132,089.

Accumulated Funds.—Assurance, annuity, and endowment funds, apart from special reserves of £524,691, now stand at £14,110,517, an increase of £602,114 over the previous year.

Bonus Distribution.—The bonus investigation carried out by the Actuary discloses a net cash surplus of £220,149, excluding interim bonuses paid during the year, and this surplus is sufficient to enable bonuses to be allotted for 1946 to all participating policyholders at the same rates as for the previous five years.

Owing to conditions arising out of the war and its aftermath, bonus notices were not sent to policyholders in respect of the bonus declarations for the years 1944 and 1945, but with some improvement in the staff situation it has been possible to arrange to distribute notices on this occasion.

Expense Ratios.—The ratio of expenses to (a) total income and (b) premium income for 1944, 1945, and 1946 is as follows :—

Ratio of Expenses to	1944.	1945.	1946.
(a) Total income	8·90	10·66	12·13
(b) Premium income	14·06	16·37	17·77

The increases in the percentages are principally due to the very substantial increases in the volume of new business, also to the increased expenditure for salaries and office requirements.

Investments.—The falling trend in interest rates and the difficulty in securing suitable outlets for the investment of the policyholders' funds has caused some anxiety, but the problems in this respect are no greater than those in general facing all life-insurance institutions, which act as reservoirs for the savings of the thrifty and provident. It must be mentioned, however, that if interest rates remain low all holders of life-insurance contracts must resign themselves to receiving less favourable bonus returns than have accrued in the past.

General.—The results for the past year have been particularly satisfactory, as the new business record created in 1945 has been substantially exceeded, the total of £6,511,227 for the year registering an increase of £1,587,418 over the figures written in 1945. It is desired to acknowledge the fine contribution made to this achievement by the field and agency staff, and the Department is gratified to know that its efforts to extend its sphere of operations are meeting with continued success.

There has been a corresponding increase in the volume of business written under group and staff superannuation schemes, and it is evident that the Department's reputation for prompt and efficient service has enabled it to compete with an increasing degree of success in this field of business.

In conclusion, it is desired to place on record a tribute to the loyalty and co-operation of the Department's staff, and also to make reference to the recent retirement of Mr. J. W. Macdonald from the position of Commissioner, an office which he filled with distinction. Mr. Macdonald spent his career with the Department, to which he gave over forty-four years of sterling service, whilst during this period the Department has attained a position of some eminence in the life-insurance world.

H. L. RYAN, Commissioner.

REVENUE ACCOUNT OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT FOR THE YEAR ENDED 31ST DECEMBER, 1946

<p>Amount of funds at 1st January, 1946</p> <p>Renewal premiums : Assurance, annuity and endowment, less reinsurance premiums</p> <p>New premiums (including instalments of first year's premiums falling due in the year), less reinsurance premiums</p> <p>Single premiums : Assurance and endowment</p> <p>Consideration for annuities</p> <p>Interest, rent, and other income</p> <p>Less property expenses</p>	<p>£</p>	<p>13,508,403</p> <p>921,850</p> <p>129,005</p> <p>75,601</p> <p>37,776</p> <p>£</p> <p>549,628</p> <p>7,998</p> <p>541,630</p>	<p>£</p>	<p>280,857</p> <p>430,641</p> <p>11,850</p> <p>938</p> <p>1,305</p> <p>37,858</p> <p>47,037</p> <p>27,287</p>	<p>Death claims under assurance policies, including bonus additions</p> <p>Endowment assurances matured, including bonus additions Endowments matured</p> <p>Premiums returned on endowments</p> <p>Bonuses surrendered for cash</p> <p>Annuities</p> <p>Surrenders</p> <p>Loans released by surrender</p> <p>Commission— New</p> <p>Renewal</p>	<p>£</p>	<p>92,574</p> <p>8,510</p>	<p>£</p>	<p>101,084</p> <p>751</p> <p>52,406</p> <p>2,457</p> <p>101,787</p> <p>789</p> <p>6,701</p> <p>14,110,517</p>
<p>(Contribution to Public Service Superannuation Fund</p> <p>Land and income tax</p> <p>Agents' retiring-allowances</p> <p>Expenses of management</p> <p>War-damage-insurance premiums</p> <p>Property depreciation</p> <p>Amount of funds at 31st December, 1946</p>									
<p>£15,214,265</p>									

BALANCE-SHEET OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT ON 31ST DECEMBER, 1946

<i>Liabilities</i>		£	<i>Assets</i>		£
Total assurance, annuity, and endowment funds (as per Revenue Account)		14,110,517	Loans on policies		770,555
Claims admitted, proofs not yet completed		104,241	New Zealand Government securities		5,934,244
Annuities		230	Loans to local bodies		2,838,342
Medical fees		1,583	Landed and house property		495,386
Premium and other deposits		52,914	Mortgages on property		4,212,114
Sundry creditors		13,390	Overdue premiums on policies in force	£	2,907
Accident and Fidelity Fund		3,000	Outstanding premiums due but not overdue		100,807
Investment Reserve Account		519,691	Overdue interest		1,757
Sinking funds on local-body loans		3,435	Outstanding interest due but not overdue		8,830
Interest accrued thereon		42	Interest accrued but not due		135,844
		<u>3,477</u>	Sundry debtors		146,431
			Office furniture and fittings		4,729
			Cash in hand and on current account		920
					<u>304,608</u>
					103,714
					<u>146,431</u>
					4,729
					920
					<u>304,608</u>
					<u>£14,811,043</u>
					<u>£14,811,043</u>

Government Life Insurance Department,
28th April, 1947.

H. L. RYAN, Commissioner.
W. K. WATSON, Secretary.

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.—J. P. RUTHERFORD, Controller and Auditor-General.

STATEMENT OF BUSINESS FOR THE YEAR 1946

Year 1946.	Number.	Sum assured.	Reversionary Bonuses.	Annual Premiums.			Annuities.		
				Ordinary.	Extra.		Immediate.	Deferred.	
<i>Policies issued and discontinued during the Year 1946</i>									
Policies in force at 31st December, 1945	107,023	£ 40,837,857	£ 4,126,420	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New business	11,217	6,511,227	144,036 5 0	958,820 7 9	2,168 4 2	35,148 14 4	81,458 5 6	37,298 9 8	..
Bonus allotted	..	..	318,434	..	..	5,894 11 8	..	..	..
Total	118,240	47,349,084	4,444,854	1,102,856 12 9	2,509 2 7	41,043 6 0	118,756 15 2	4,183 1 0	..
Policies discontinued during 1946	4,016	1,661,977	208,980	41,076 16 8	262 13 5	1,982 0 10	..	..	..
Total policies in force at 31st December, 1946	114,224	45,687,107	4,235,874	1,061,779 16 1	2,246 9 2	39,061 5 2	114,573 14 2	..	..

Particulars of Policies discontinued during the Year 1946

How discontinued—	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
By death	670	223,375	6,729 17 7	34 6 3	1,867 8 6	20 0 0	0
By maturity	1,242	336,509	104,098	12,917 6 3	17 7 9	..	..
By surrender	997	451,921	21,745	11,284 8 2	15 18 1	..	3,268 18 0
By change to other tables	121	58,323	3,663	1,327 5 9	..	..	454 13 0
By cancellation	118	51,332	108	1,162 2 5	4 15 0	..	..
By lapse	738	328,355	11,033	7,467 18 10	189 18 4	114 12 4	439 10 0
By expiry	130	212,162	..	187 17 8	0 8 0	..	..
Total discontinued during year	4,016	1,661,977	208,980	41,076 16 8	262 13 5	1,982 0 10	4,183 1 0

Progress of Business of the Government Life Insurance Department since Date of Establishment to 31st December, 1946

Total issued	314,382	£ 102,353,787	£ 11,239,948	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Total void	200,158	56,666,680	7,004,074	2,755,269 1 11	42,547 1 3	300,248 2 6	146,613 3 2
Total in force	114,224	45,687,107	4,235,874	1,061,779 16 1	2,246 9 2	153,634 19 4	..

H. L. RYAN, Commissioner.
S. BECKINGSALE, F.I.A., Actuary.

ACTUARY'S REPORT

ON THE VALUATION OF THE

GOVERNMENT INSURANCE DEPARTMENT

AS AT 31st DECEMBER, 1946

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

Wellington, 16th May, 1947.

IN accordance with your instructions, a valuation of the Department's liabilities under its policies has been made as at 31st December, 1946, 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 114,224 policies assuring, inclusive of bonus additions, the sum of £49,922,981 and £153,635 immediate and deferred annuities per annum ; the office premiums thereon amounting to £1,064,026 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.

The valuation disclosed a total surplus of £224,879, as follows :—

	£
Total funds at 31st December, 1946	14,110,517
Less value of liabilities	13,890,368
	220,149
Interim bonus paid during year	4,730
	£224,879

I recommend that £204,442 of the above net surplus be divided amongst all participating policies in the form of a compound reversionary bonus on the sums assured and bonuses existing at the valuation date at the undermentioned rates for each full year's premium paid during the year, and that the balance of the net surplus—viz., £15,707—be carried forward :—

Policies issued under present premium tables—		Per Cent.		
Whole-life assurances and endowment assurances	maturing at ages eighty and over	£	s.	d.
..	..	1	4	0
Other endowment assurances	..	1	0	0
Pure and double endowment assurances	..	0	17	0
Policies issued under closed premium tables	..	1	0	0

S. BECKINGSALE, F.I.A., Actuary.

The Government Insurance Commissioner, Wellington.

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