

1950
NEW ZEALAND

**ACCIDENT INSURANCE BRANCH OF THE STATE
FIRE INSURANCE OFFICE**

(ANNUAL REPORT ON THE) FOR THE YEAR ENDED 31ST DECEMBER, 1949

*Presented to Both Houses of the General Assembly Pursuant to Section 22 of the Government
Accident Insurance Act, 1908*

State Fire Insurance Office,
Wellington, 31st May, 1950.

I HAVE the honour to submit the report and balance-sheet of the Government Accident Insurance Office for the year ended 31st December, 1949. Under the Workers' Compensation Amendment Act 1947, Part I, which came into effect as from the 1st April, 1949, an Employers' Liability Insurance Account was established, and I am required under the Act to submit a revenue account and balance-sheet as at the 31st December in each year in relation to the Employers' Liability Insurance Account as separate and distinct from the fund assets and liabilities of the other business of the State Fire and Accident Insurance Office. I therefore submit the report and supporting accounts in two parts, on the one part the forty-ninth annual report and balance-sheet of the Government Accident Insurance Office, and on the other part the first report and balance-sheet of the Employers' Liability Insurance Account for the period 1st April, 1949, to 31st December, 1949.

GOVERNMENT ACCIDENT INSURANCE ACCOUNT (GENERAL BUSINESS)

The following comparison with the two previous years shows the position briefly:—

| | 1947. | 1948. | 1949. |
|--|-----------|-----------|-----------|
| | £ | £ | £ |
| Income— | | | |
| Unearned premiums reserve at 1st January .. | 182,201 | 210,014 | 233,023 |
| Premiums | 420,028 | 466,046 | 337,716 |
| | 602,229 | 676,060 | 570,739 |
| Less unearned premiums reserve at 31st December | 210,014 | 233,023 | 179,931 |
| Earned premiums | 392,215 | 443,037 | 390,808 |
| Interest and other income | 27,826 | 30,160 | 30,179 |
| | 420,041 | 473,197 | 420,987 |
| Outgo— | | | |
| Bonus and profit-sharing schemes | 24,623 | 33,338 | 5,364 |
| Claims | 292,304 | 318,329 | 308,816 |
| Working-expenses | 81,905 | 98,062 | 80,798 |
| | 398,832 | 449,729 | 394,978 |
| Surplus, apportioned as follows— | | | |
| Government taxes | 8,268 | 14,570 | 22,900 |
| Reinsurance Reserve | 10,000 | .. | .. |
| Reserve Fund | 2,941 | 8,898 | 3,109 |
| | 21,209 | 23,468 | 26,009 |
| | 420,041 | 473,197 | 420,987 |
| Reserves and funds as at 31st December .. | 777,800 | 809,706 | 759,723 |
| | Per Cent. | Per Cent. | Per Cent. |
| Ratio of claims to earned premiums | 74.53 | 71.85 | 79.02 |
| Ratio of working-expenses to earned premiums | 20.88 | 22.13 | 20.67 |
| Ratio of underwriting deficit to earned premiums | 1.69 | 1.51 | 1.07 |

The net premium income for the year was £337,716, being £128,330 less than that of the previous year. This decrease is more than accounted for by the transfer of the workers' compensation insurance business previously carried on by the Office under the competitive system to the Employers' Liability Insurance Account set up under the Workers' Compensation Amendment Act, 1947. Notwithstanding this loss of premium income the business of the Office has shown considerable progress, and the result of the years working can be considered, in the circumstances, very satisfactory. The members of the staff have again rendered excellent service during the year, and I desire to express my thanks to them for their co-operation and efficient assistance.

EMPLOYERS' LIABILITY INSURANCE ACCOUNT

The following shows the financial result briefly:—

| | | | | | | | | |
|--|----|----|----|----|----|-----------|---------|-------------------|
| Income— | | | | | | £ | £ | £ |
| Premiums | .. | .. | .. | .. | .. | 1,498,435 | | |
| Less unearned premiums reserve | .. | .. | .. | .. | .. | 499,478 | | |
| Earned premiums | .. | .. | .. | .. | .. | | 998,957 | |
| Interest | .. | .. | .. | .. | .. | | 8,663 | |
| | | | | | | | | <u>1,007,620</u> |
| Outgo— | | | | | | | £ | £ |
| Claims | .. | .. | .. | .. | .. | | 691,479 | |
| Working-expenses | .. | .. | .. | .. | .. | | 145,982 | |
| Alterations to buildings and furniture and equipment written off | .. | .. | .. | .. | .. | | 35,888 | |
| | | | | | | | | <u>873,349</u> |
| Surplus apportioned as follows— | | | | | | | | |
| Provision for Government taxes | .. | .. | .. | .. | .. | | 85,570 | |
| Net surplus | .. | .. | .. | .. | .. | | 48,701 | |
| | | | | | | | | <u>134,271</u> |
| | | | | | | | | <u>£1,007,620</u> |
| | | | | | | | | |
| Ratio of claims to earned premiums | .. | .. | .. | .. | .. | .. | .. | 69·22 |
| Ratio of working expenses to earned premiums | .. | .. | .. | .. | .. | .. | .. | 14·61 |
| Ratio of net surplus to earned premiums | .. | .. | .. | .. | .. | .. | .. | 4·88 |

As the premiums received are for a twelve months' period up to the 31st March, 1950, and the outgo for a nine months' period only up to the 31st December, 1949, it has been necessary to take into account the value of unearned premiums in making calculations.

During the period covered by this report approximately 90,000 employers were insured under the Fund. The claims ratio of 69·22 per cent. is not unduly high in view of the increase in compensation benefits. At the same time, a nine months' period is insufficient time in which to obtain a reliable guide as to what the experience on the present premium rates and benefit basis is likely to be. The working-expenses are a little higher than was hoped would be the case, but as the period covered was the initial period certain expenses will not recur and there is reason to expect that these will be capable of reduction in the future.

In taking over the administration of the Employers' Liability Insurance Account this Office undertook a task which made it necessary to increase the existing staff very considerably, to provide additional accommodation and reorganize systems and methods to cope with the big expansion and increased volume of business, and at the same time give efficient service. In this connection both the older and experienced and the new and inexperienced members of the staff gave of their best, and I would like to place on record my appreciation of their able and efficient attention to their duties and their co-operation and enthusiasm which added so much to the satisfactory result achieved.

R. H. NEWBOLD, General Manager.

GOVERNMENT ACCIDENT INSURANCE ACCOUNT

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1949

| | £ | s. | d. |
|--|----------|----|----|
| Reserve for unearned premiums at 31st December, 1948 | 233,023 | 2 | 11 |
| Premiums after deduction of reinsurances | 337,716 | 0 | 2 |
| Interest | 29,355 | 10 | 1 |
| Less income and social security taxes on interest | 14,003 | 17 | 9 |
| Profit on realization of investments | 15,351 | 12 | 4 |
| Commission on profits | 812 | 0 | 0 |
| | 11 | 5 | 0 |
| | £586,914 | 0 | 5 |

| | £ | s. | d. |
|--|----------|----|----|
| Bonus rebate to policyholders | 5,363 | 18 | 3 |
| Claims | 308,815 | 15 | 3 |
| Commission | 8,863 | 3 | 6 |
| Salaries | 54,807 | 0 | 0 |
| Contribution to Government Superannuation Fund | 1,656 | 0 | 0 |
| Expenses of management | 15,471 | 19 | 3 |
| Reserve for unearned premiums at 31st December, 1949 | 179,931 | 2 | 11 |
| | 574,908 | 19 | 2 |
| Income-tax and social security tax on underwriting account | 8,895 | 13 | 4 |
| Accident Funds at end of year | 3,109 | 7 | 11 |
| | £586,914 | 0 | 5 |

BALANCE-SHEET AS AT 31ST DECEMBER, 1949

| | £ | s. | d. |
|---|------------|----|----|
| <i>Liabilities</i> | | | |
| Accident Insurance Funds as per Revenue Account | 3,109 | 7 | 11 |
| Outstanding accident claims | 283,297 | 14 | 0 |
| Government taxes accrued but not due | 24,469 | 11 | 1 |
| Commission | 1,268 | 0 | 0 |
| Premium and other deposits | 3,787 | 4 | 7 |
| Sundry creditors | 1,602 | 4 | 2 |
| Employers' Liability Insurance Account | 88,779 | 13 | 7 |
| Officers' Fidelity Fund | 500 | 0 | 0 |
| Reserve for Unearned Premiums | 179,931 | 2 | 11 |
| Bonus Reserve | 60,000 | 0 | 0 |
| Investments Fluctuation Reserve | 70,000 | 0 | 0 |
| Reinsurance Reserve | 66,000 | 0 | 0 |
| Bad Debts Reserve | 1,000 | 0 | 0 |
| Reserve Fund constituted under section 6 of the Government Accident Insurance Amendment Act, 1924 | 379,183 | 0 | 0 |
| | £1,162,927 | 18 | 3 |

| | £ | s. | d. |
|---|------------|----|----|
| <i>Assets</i> | | | |
| Government securities | 719,537 | 0 | 0 |
| Local-authority securities | 81,718 | 11 | 10 |
| Interest accrued but not due | 8,573 | 0 | 0 |
| Outstanding premiums | 8,520 | 1 | 10 |
| Motor-vehicles Insurance (Third-party Risks) Pool | 236,658 | 2 | 1 |
| Sundry debtors | 6,819 | 1 | 6 |
| Cash at bank | 101,102 | 1 | 0 |
| | £1,162,927 | 18 | 3 |

R. H. NEWBOLD, General Manager.
T. L. SEATOR, Deputy General Manager.

1st May, 1950.

I hereby certify that the Revenue Account and Balance-sheet have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—J. P. RUTHERFORD, Controller and Auditor-General.

EMPLOYERS' LIABILITY INSURANCE ACCOUNT
REVENUE ACCOUNT FOR THE NINE MONTHS ENDED 31ST DECEMBER, 1949

| | £ | s. | d. | £ | s. | d. |
|----------|----|----|-----------|---|----|-----------|
| Premiums | .. | .. | 1,498,435 | 1 | 5 | 691,479 |
| Interest | .. | .. | 8,663 | 6 | 9 | 111,205 |
| | .. | .. | | | | 3,194 |
| | .. | .. | | | | 31,583 |
| | .. | .. | | | | 499,478 |
| | .. | .. | | | | 1,336,939 |
| | .. | .. | | | | 85,570 |
| | .. | .. | | | | 23,244 |
| | .. | .. | | | | 12,643 |
| | .. | .. | | | | 48,701 |
| | .. | .. | | | | 3 |
| | .. | .. | | | | 8 |
| | .. | .. | | | | 3 |
| | .. | .. | | | | 11 |
| | .. | .. | | | | 2 |
| | .. | .. | | | | 2 |

BALANCE-SHEET AS AT 31ST DECEMBER, 1949

| | £ | s. | d. | £ | s. | d. |
|-------------------------------------|----|----|---------|---|----|---------|
| Reserve for unearned premiums | .. | .. | 499,478 | 7 | 1 | 750,000 |
| Outstanding claims | .. | .. | 326,265 | 0 | 0 | 16,935 |
| Government taxes | .. | .. | 85,570 | 0 | 0 | 2,897 |
| Sundry creditors | .. | .. | 10,540 | 0 | 0 | 11 |
| Premium and other deposits | .. | .. | 255 | 9 | 5 | 4 |
| Employers' Liability Insurance Fund | .. | .. | 48,701 | 3 | 11 | 9 |
| | .. | .. | | | | 5 |
| | .. | .. | | | | 5 |
| | .. | .. | | | | 5 |

1st May, 1950.

I hereby certify that the Revenue Account and Balance-sheet have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—J. P. RUTHERFORD, Controller and Auditor-General.

R. H. NEWBOLD, General Manager.
T. L. SEATOR, Deputy General Manager.

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