

SESSION II.
1906.
NEW ZEALAND.

ANNUAL REPORT
OF THE
GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31ST DECEMBER, 1905.

Presented to both Houses of the General Assembly pursuant to the Provisions of the Acts relating to Government Life Insurance.

Government Insurance Office,
Wellington, 1st June, 1906.

I HAVE the honour to submit the following report upon the business of the Department for the year ending the 31st December, 1905. The Revenue Account, Balance-sheet, and Statement of business are appended.

New Business.—During the year 3,861 proposals were dealt with, for the assurance of £891,486, and the number of policies actually completed was 3,098, assuring £716,021, being £21,465 in advance of the new business for the previous year. The annual premiums on new policies amounted to £23,502, in addition to single premiums for £537. Eighteen annuities were also granted, on which the purchase-money amounted to £7,756. The result was a net increase for the year of 936 policies for £208,754, against £199,300 in 1904 and £163,690 in 1903, a progressive state of affairs which, as I have before pointed out, indicates permanency in the business obtained by the Department.

The Department has now on its books 44,809 policies, for the assurance at death or maturity of £10,468,316 (and £954,751 bonuses*), together with 328 immediate and deferred annuities for £49,305 per annum; the whole bearing an annual premium income of £319,221.

Civil Service Section.—In the Civil Service section, included in the foregoing total business, there are 730 policies, assuring £110,883 (and £2,348 bonuses†), and entitling the survivors, at age 60, to annuities amounting to £34,758. The annual premium income of this section now amounts to £5,811.

Income.—The income of the Department for the year has been £321,759 for premiums, and £169,153 for interest, making, with other receipts, a total of £490,925, which represents an increase of £10,209 upon the total income of the previous year.

The income from interest shows a considerable increase, and the average rate of interest realised on the total funds has risen from £4 8s. 2d. per cent. in 1904 to £4 10s. 4d. per cent.

Outgo.—During the year 361 policies became void by death, for claims amounting to £120,690, being £20,269 less than was paid on this account in 1904, and considerably less than the amount provided for in the tables of mortality used by the Department. Three hundred and eleven policies matured during the year, the total claims in this respect amounting to £82,230, as against £80,241. Here again, as I have before intimated, the increasing yearly amount payable on endowment assurances maturing is a testimony to the permanent nature of a class of business whose progressive popularity proves that it meets the requirements of the people more effectually than any other form of assurance.

The total amount paid by the Department, since its foundation thirty-six years ago, in respect of death claims and matured endowments, has been £2,995,204.

The total expenditure, including taxes, commission, and triennial investigation expenses, amounted to £63,829. The ratio of expenses (including the land and income tax) to total income now stands at exactly 13 per cent.

Accumulated Funds.—The total increase in the funds during the year amounted to £163,947, of which £6,953 was used to increase the investment fluctuation reserve, which now stands at £63,809. All the investments of the Department have been subjected to the usual triennial

* Since increased to £1,257,661 by the recent division of profits.
recent division of profits.

† Since increased to £4,963 by the

scrutiny, and the additions to the investment fluctuation reserve have been made upon a basis which it is believed will, in accordance with the established practice of the Department, maintain the reserve in advance of all requirements. The balance of £156,994 has been added to the assurance, annuity, and endowment funds, which now amount to £3,822,577. The following short statement will give some idea of the growth of the Department, in this and other respects, during the past fifteen years:—

Year.	Policies in Force.					Revenue from Interest.	Accumulated Funds.	Ratio of Total Expenses (including Taxes) to Total Income.
	Number.	Sum Assured.	Bonuses.	Annuities.	Premium Income.			
1890	28,102	£ 7,544,030	£ 263,762	£ 5,669	£ 223,610	£ 89,796	£ 1,715,193	Per cent. 16·5
1905	45,137	10,468,316	954,751	49,305	321,759	169,153	3,822,577	13·0
Improvement in 15 years	17,035	2,924,286	690,989	43,636	98,149	79,357	2,107,384	3·5 (Decrease).

The Balance-sheet.—On the 31st December, 1905, the total assets of the Department amounted to £3,927,804, and were invested as shown in the following comparative statement:—

At 31st December, 1904.		Class of Investment.	At 31st December, 1905.	
Amount.	Percentage of Total Assets.		Amount.	Percentage of Total Assets.
£ 1,966,913	52·3 per cent.	Mortgages on freehold property ...	£ 2,132,039	54·3 per cent.
667,950	17·8 "	Government securities ...	667,965	17·0 "
660,262	17·5 "	Loans on policies ...	679,493	17·3 "
135,768	3·6 "	Local bodies' debentures ...	154,334	3·9 "
123,580	3·3 "	Landed and house property ...	122,436	3·1 "
102,383	2·7 "	Miscellaneous assets ...	103,119	2·7 "
103,659	2·8 "	Cash on current account ...	67,614	1·7 "
1,004	0·0 "	Properties acquired by foreclosure...	804	0·0 "
£3,761,519	100·0 per cent.	Total	£3,927,804	100·0 per cent.

It will be seen that there has been an increase of £18,566 in local bodies' debentures, and an increase in loans on policies of £19,231, which is smaller than usual, and is suggestive of easier financial conditions enabling more policyholders to avoid trenching upon their life-insurance accumulations. Properties acquired by foreclosure have virtually disappeared from the balance-sheet, the small amount shown being the balance due on a property sold on terms, which at the date of this report has been actually liquidated in cash. The Department now stands in the highly gratifying position of having no foreclosed properties on its hands. The asset which shows the greatest advance is that of mortgages on freehold property, which has been increased by £165,126, and is now well into the third million.

Triennial Investigation.—The valuation of the Department's liabilities on the 31st December last was completed early in the present year, and the full particulars are contained in the Actuary's report. After applying the severe test of a strict net premium valuation on the basis of H^m 3½ per cent. there was found to remain a surplus of £195,881 over and above the liabilities valued at £3,626,695. Of this surplus £16,887 was carried forward as a reserve against possible future fluctuations, and the sum of £178,994 was applied to provide bonus additions to all participating policies. The individual bonuses were allotted by the compound-reversionary-bonus method introduced three years ago, which has given general satisfaction. The total reversionary bonuses allotted amounted to £302,910, and policyholders in the General Section received larger bonuses than at the previous investigation. It is a matter for regret that on this occasion it has been found necessary to allot somewhat smaller bonuses to the Temperance policyholders than at the last distribution, not because there was not sufficient surplus available on the Department's business as a whole to provide increased bonuses for them also, but because the Department is obliged by law to distinguish between the mortality profit derived from the separate sections, General and Temperance. An honest effort (extending over twenty years) has been made to give abstainers the benefit which they claim as their due on account of superior vitality; but unfortunately this intention has been frustrated by the small amount of support given to this separate section and by one or two other subsidiary causes not necessarily associated with the mortality of the Temperance Section, in respect of which there is, as will be seen from the report of the Actuary on the triennial valuation, no reason to think that it is inferior to that of the General Section. It is therefore considered that it would be to the advantage of every one concerned if the section were merged in the general business of the Department, thus effecting a considerable economy in the general administration and ensuring to the present Temperance policyholders the more stable conditions as regards bonuses enjoyed by the General policyholders of the Department.

J. H. RICHARDSON,
Government Insurance Commissioner.

REVENUE ACCOUNT of the GOVERNMENT LIFE INSURANCE DEPARTMENT for the Year ended
31st December, 1905.

	£	s.	d.		£	s.	d.
Amount of Funds at 1st January, 1905	3,665,582	16	11	Death-claims under policies, Assurance, including bonus additions ..	120,690	7	0
Renewal premiums—Assurance, Annuity, and Endowment ..	292,052	0	8	Endowment Assurances matured, including bonus additions ..	80,516	11	0
New premiums (including instalments of first year's premiums falling due in the year) ..	21,414	0	10	Endowments matured ..	1,713	7	5
Single premiums—Assurance and Endowment ..	537	0	0	Premiums returned on endowments ..	64	18	0
Consideration for Annuities ..	7,756	0	6	Bonuses surrendered for cash ..	1,568	8	10
Interest ..	169,152	17	8	Annuities ..	13,314	10	4
Fees ..	12	10	8	Surrenders ..	24,416	0	7
				Loans released by surrender ..	20,863	18	1
				Commission, new ..	£14,962	18	1
				" renewal ..	2,305	12	1
					17,268	10	2
				Land and Income tax ..	9,989	5	5
				Expenses of management—			
				Salaries—			
				Head Office ..	£12,102	4	8
				Branch offices and agents ..	6,613	4	3
				Extra clerical assistance ..	1,386	13	5
				Medical fees and expenses ..	4,398	7	11
				Travelling-expenses ..	720	11	6
				Advertising ..	1,079	18	2
				Printing and stationery ..	1,238	0	7
				Rent ..	2,485	0	0
				Postage ..	1,284	1	8
				Telegrams ..	380	7	8
				Exchange ..	82	16	7
				Office-furniture depreciation ..	312	0	3
				General expenses ..	3,209	0	5
				Triennial expenses ..	1,207	19	6
				Compensation for loss of office ..	71	4	9
					36,571	11	4
				Investment Fluctuation Reserve ..	6,953	3	6
				Amount of Funds, 31st December, 1905	3,822,576	15	7
					£4,156,507	7	3
					£4,156,507	7	3

BALANCE-SHEET of the GOVERNMENT LIFE INSURANCE DEPARTMENT on 31st December, 1905.

LIABILITIES.				ASSETS.			
	£	s.	d.		£	s.	d.
Total Assurance, Annuity, and Endowment Funds (as per Revenue Account) ..	3,822,576	15	7	Loans on policies ..	679,493	5	6
Claims admitted, proofs not yet completed ..	25,041	12	1	Government securities—			
Annuities ..	83	8	2	Consolidated stock ..	625,900	0	0
Commission ..	278	17	10	Railway debentures (guaranteed by Government) ..	40,000	0	0
Medical fees ..	375	18	0	Debentures issued under "The Immigration and Public Works Act, 1870" ..	2,064	14	5
Premium and other deposits ..	5,534	8	7		667,964	14	5
Fire-insurance moneys in suspense ..	15	0	0	Municipal Corporation debentures ..	114,245	6	4
Tontine Savings Fund No. 2 ..	10,088	18	2	County securities ..	588	5	9
Investment Fluctuation Reserve ..	63,808	19	11	Harbour Board debentures ..	39,000	0	0
				Town Board debentures ..	500	0	0
				Landed and house property ..	122,436	4	11
				Office furniture (Head Office and agencies) ..	2,656	16	3
				Mortgages on property ..	2,132,039	10	1
				Properties acquired by foreclosure* ..	803	14	11
				Overdue premiums on policies in force ..	5,724	5	4
				Outstanding premiums due but not overdue ..	38,773	6	0
					44,497	11	4
				Overdue interest ..	684	19	7
				Outstanding interest due but not overdue ..	5,924	6	11
				Interest accrued but not due ..	46,559	4	6
					53,168	11	0
				Agents' balances ..	2,171	4	3
				Sundry accounts owing ..	624	14	0
				Cash in hand and on current account ..	67,613	19	7
					£3,927,803	18	4
					£3,927,803	18	4

* Sold under agreement for sale and purchase; amount represents balance of purchase-moneys.

Government Life Insurance Department, 26th March, 1906.

Audited and found correct.

J. K. WARBURTON,
Controller and Auditor-General.

J. H. RICHARDSON,
Commissioner.

W. B. HUDSON,
Secretary.

at end of Year 1905.

ASSURANCES.								ANNUITIES.			SIMPLE ENDOWMENTS, INVESTMENTS, ETC.		
<i>Endowment Assurances.</i>				<i>Annuity Assurances.</i>									
No.	Sum Assured.	Rever- sionary Bonus.	Annual Premiums. <i>1. Ordinary. 2. Extra.</i>	No.	1. Sum Assured. 2. Rever- sionary Bonus.	Deferred Annuities.	Annual Premium.	No.	Annual Premium.	Annuities. <i>1. Immediate. 2. Deferred.</i>	No.	Sum As- sured.	Annual Premium.

TINUED DURING THE YEAR 1905.

	£	£	£ s. d.		£	£ s. d.	£ s. d.		£ s. d.	£ s. d.		£	£ s. d.
27,952	5,836,172	323,576	(198,762 17 10) 856 10 5	613	(83,700 1,986)	31,335 19 4	4,417 10 8	314	60 15 1	13,140 2 9	677	85,116	3,117 18 2
2,907	686,957	..	(21,926 19 0) 50 1 0	106	(17,500 ..)	5,785 9 10	945 16 4	18	46 19 6	819 6 6	81	10,600	472 7 1
30,859	6,523,129	328,576	(220,689 16 10) 906 11 5	719	(101,200 1,986)	37,121 9 2	5,363 7 0	339	107 14 7	14,147 10 11	758	95,716	3,590 5 3
1,554	339,878	19,319	(11,561 15 10) 62 5 5	31	(4,200 104)	1,556 14 9	218 19 10	11	30 4 0	407 6 8	62	7,533	281 11 8
29,305	6,183,251	309,257	(209,128 1 0) 844 6 0	688	(97,000 1,882)	35,564 14 5	5,144 7 2	328	77 10 7	13,740 4 3	696	88,183	3,308 13 7

TINUED DURING THE YEAR 1905.

113	22,617	1,737	(832 19 10) 12 17 0	3	(450 15)	133 6 0	22 10 0	11	..	407 6 8	..	..	..
294	66,229	12,532	(2,793 14 1) 14 13 2	..	..	..	..	..	..	..	17	1,713	79 19 2
266	56,905	2,174	(1,996 0 5) 12 2 0	27	(3,650 89)	1,371 14 5	190 8 10	..	..	..	30	3,920	141 2 6
..	..	892	..	..	..	..	..	..	..	..	..	..	..
831	194,127	1,984	(5,898 3 9) 14 4 1	1	100	51 14 4	5 8 0	..	..	..	15	1,900	60 5 4
..
..	..	..	..	..	..	..	..	..	30 4 0	..	..	..	..
..	..	..	(40 17 9) 8 9 2	..	..	..	0 13 0	..	..	..	..	..	0 4 8
1,554	339,878	19,319	(11,561 15 10) 62 5 5	31	(4,200 104)	1,556 14 9	218 19 10	11	30 4 0	407 6 8	62	7,533	281 11 8

DEPARTMENT SINCE DATE OF ESTABLISHMENT TO 31st DECEMBER, 1905.

54,003	11,774,567	622,793	(410,683 18 3) 3,323 12 5	811	(114,050 2,281)	41,811 9 4	6,042 17 6	529	265 2 0	23,259 17 4	2,661	199,989	8,594 3 6
24,698	5,591,316	313,536	(201,555 17 3) 2,479 6 5	123	(17,050 399)	6,246 14 11	898 10 4	201	187 11 5	9,519 13 1	1,965	111,806	5,285 9 11
29,305	6,183,251	309,257	(209,128 1 0) 844 6 0	688	(97,000 1,882)	35,564 14 5	5,144 7 2	321	77 10 7	13,548 2 7	696	88,183	3,308 13 7

at the true age; the Extra, the additional premium imposed for any reason whatsoever.

J. H. RICHARDSON, Commissioner.
MORRIS FOX, Actuary.

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