

1925.

NEW ZEALAND.

STATE FIRE INSURANCE OFFICE.

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31st DECEMBER, 1924.

Presented to both Houses of the General Assembly pursuant to the Provisions of the State Fire Insurance Act, 1908.

State Fire Insurance Office, Wellington, 4th June, 1925.

I HAVE the honour to submit the twentieth annual report of the State Fire Insurance Office, for the year ended 31st December, 1924, together with Revenue Account and balance-sheet.

Income.—The total net revenue from all sources amounted to £190,300, showing an increase of £21,051 over 1923. The net premium income was £165,070, as compared with £154,164 for 1923, the increase for the year being £10,906.

Claims.—The claims for the year totalled £60,817, as against £46,178 for 1923. A majority of the fires continues to arise from preventable causes, and an awakening of public interest in the problem of fire waste could hardly fail to have the effect of reducing the present annual loss, thus preserving national wealth, which at present is being dissipated, and warranting further reductions in insurance rates. All too often it is forgotten that from a community point of view fire insurance saves nothing: it merely distributes the loss. Official records show that the aggregate amount paid out by all offices in insurance losses in New Zealand during 1923 was £796,281. Figures are not yet available for 1924, but the loss will certainly be much higher than for 1923. Bearing in mind that the amount paid by insurance offices represents only part of the fire waste, it may be estimated that a million and a quarter pounds' worth of community-made wealth was converted into smoke and ashes and thus utterly lost during 1924.

Working-expenses.—Exclusive of Government taxes, which amounted to 8.68 per cent., the working-expense ratio to premium income was 29.48 per cent., and without Fire Board contributions and depreciation of office premises only 25.1 per cent. The expenses include the Department's contribution to the Public Service Superannuation Fund, which was paid for the first time, and expenditure on office equipment for the new Head Office, and new branch offices at Palmerston North and New Plymouth.

The average net working-expenses for all offices for 1923, as shown in the Government Statistician's returns, was 36.05 per cent. exclusive of Government taxes.

Bonus Rebate.—The first bonus rebate declared under the provisions of the State Fire Amendment Act, 1922, was fixed by the Board at 15 per cent. for twelve months from 1st August, 1923, and therefore operated during the first seven months of 1924. During this period the loss ratio rose very considerably above that of the same months of 1923, and the Board, after full consideration, considered it prudent to reduce the percentage to 10 per cent. for the period of the second rebate—viz., 1st August, 1924, to 31st July, 1925. The sum granted in rebates to State Fire policyholders during 1924 was £22,005, or an average of 13 per cent. of the premium income for the whole year. The amount granted during 1923 was £10,996, making a total of £33,001 for seventeen months. The institution of the rebate system by the State Office necessarily involved the associated companies in a similar concession to their policyholders, and the Government Statistician estimates the total saving to the insuring public on account of the first rebate as £340,000. On this basis the two rebates will have saved over £560,000.

Surplus and Assets.—The surplus for the year, after providing for the bonus rebate (£22,005), and all necessary reserve funds, and the writing-down and depreciation of office premises and furniture, amounted to £31,131, of which £5,902 was derived from underwriting profits for the year. The assets, £530,283, for the first time exceed half a million pounds, showing an increase of £36,322 over the total for 1923.

Review of Twenty Years' Progress.—The presentation of the twentieth annual report makes it opportune to recall that the Office was opened on the 4th January, 1905, with an advance of £2,000 borrowed from the Treasury, being at that time the first competitive State Fire Office in the world. Under fiercely competitive conditions, which involved a reduction in the then current rates of 10 per cent. on trade risks and 33½ per cent. on dwellings (which reductions have continued ever since), the Office showed at the end of the first year an income of £13,135 and a net surplus of £481. Twenty years later the annual income had grown to £190,300 and the assets to over £530,000. The only year in which the Office suffered a set-back was 1908, when £5,700 was lost as a result of exceptional circumstances—viz., bush-fires and the Christchurch conflagration. In 1913 the Office had recovered sufficiently to repay with interest the £2,000 originally borrowed, and since then has continued in the fortunate position of being able to conduct its large and increasing business entirely without the aid of borrowed capital.

The Office has had the support of the public in an increasing degree, and it now occupies the first position among fire offices of the Dominion, both in premium income and in the number of individual policyholders. This record is all the more notable in that the Office has, throughout its history, been in active competition with well-managed private companies, many of which were established in the Dominion over thirty years before the State Fire Insurance Act became law.

Firstly by the percentage reductions, and more recently by the institution of the rebate system, the State Fire Office may claim credit for having reduced fire-insurance rates to within reasonable distance of actual cost, at a working-expense ratio very considerably lower than the average of its competitors, and to have thus saved the public at least £4,000,000 in the last twenty years. Throughout its history the loss ratio of the Office has, fortunately, been consistently lower than the average of other offices, but it is recognized that an abnormal loss, due to a conflagration or bush-fires, such as occurred in 1903, is one of the hazards of the business, and for that reason strong reserves are essential. These are being established concurrently with the declaration of the rebates.

In concluding this brief review it is fitting that appreciation should be expressed of the ability and excellent team spirit of the staff, who have, throughout the history of the Office, given ungrudging service. The Office system embodies many suggestions made by members of the staff, which have materially assisted in promoting efficiency and in reducing the expense ratio to its present satisfactory level.

J. H. JERRAM.
General Manager.

REVENUE ACCOUNT OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED
31ST DECEMBER, 1924.

	£	s.	d.		£	s.	d.
Premiums after deduction of reinsurances	165,070	1	5	Bonus rebate to policyholders	22,005	5	3
Other receipts—Interest, commission, and rent	25,229	19	2	Losses by fire (after deduction of reinsurances)	60,817	6	11
				Appropriated to reserve for unearned premiums (in addition to £61,665 16s. 9d. already reserved)	4,362	3	9
				Government taxes	14,329	19	1
				Commission	8,240	6	2
				Salaries	20,647	2	8
				Contribution to Public Service Superannuation Fund	518	18	8
				Contributions to Fire Boards under the Fire Brigades Act, 1908	4,030	8	9
				Agents' defalcations	179	5	8
				Expenses of management—			
				Travelling-expenses .. 1,642 0 7			
				Printing, stationery, and advertising	1,958	0	2
				Rent	2,321	0	4
				Exchange	34	7	3
				Postages, telegrams, cablegrams, and sundry charges	3,059	19	2
					9,015	7	6
				Office equipment	2,767	18	1
				Office premises—depreciation	3,254	10	9
					150,168	13	3
				Reinsurance Reserve Fund	5,000	0	0
				Office premises—Written off	4,000	0	0
				Amount of fire-insurance funds at end of year	31,131	7	4
					£190,300	0	7
					£190,300	0	7

BALANCE-SHEET OF THE STATE FIRE INSURANCE OFFICE ON THE 31ST DECEMBER, 1924.

<i>Liabilities.</i>				<i>Assets.</i>			
£		s. d.		£		s. d.	
Capital authorized by the State Fire Insurance Act, 1908	100,000	0	0	Government war-loan securities ..	148,470	17	0
Less not raised	100,000	0	0	Other Government securities	65,550	0	0
				Local-authority securities	5,700	0	0
				Fixed deposits and at short call ..	30,000	0	0
			Nil.		£	s. d.	
Reserve Fund			381,847	3	11		
Investments Fluctuation Reserve Fund ..	10,000	0	0	Land and buildings	225,800	2	1
Reserve for unearned premiums	66,028	0	6	Less mortgages taken over on Office pre- mises purchased	7,000	0	0
Reinsurance Reserve Fund	10,000	0	0				218,800
Premiums and other deposits	1,068	10	0	Outstanding premiums			6,981
Outstanding fire losses	3,467	0	0	Interest accrued but not due			2,493
Government taxes	14,329	19	1	Rent accrued or due			150
Sundry creditors			252	15	8		
Other amounts owing by the Office—				Cash in Bank of New Zea- land at Wellington, or in transit to Wellington ..	51,803	6	0
Reinsurance premiums due	9,645	11	6	Imprest Account balances—	£	s. d.	
Commission	1,614	3	5	Head Office	41	11	0
Rent	34	6	9	Auckland	68	9	5
Printing, stationery, and advertising	17	4	10	Hamilton	20	4	9
Postages and sundry charges	847	1	4	N. Plymouth	37	0	3
			12,158	7	10		
Fire-insurance funds, as per Revenue Ac- count			31,131	7	4		
			£530,283	4	4		
					333	12	8
							52,136
							18
							8
							£530,283
							4
							4

1st April, 1925.

J. H. JERRAM, General Manager.
C. B. REDWARD, Accountant.

I hereby certify that the Revenue Account and balance-sheet have been duly examined and compared with the books and documents submitted for audit, and correctly state the position as disclosed thereby.—G. F. C. CAMPBELL, Controller and Auditor-General.

Approximate Cost of Paper.—Preparation, not given; printing (1,675 copies), £5 5s.

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BALANCE-SHEET OF THE STATE FIRE INSURANCE OFFICE ON THE 31st DECEMBER, 1934

Assets	
Government war loan securities	148,470 17 0
Other Government securities	49,530 0 0
Local authority securities	2,700 0 0
Fixed deposits and at short call	30,000 0 0
Land and buildings	222,800 2 1
Loans mortgages taken over on Office premises purchased	7,000 0 0
Outstanding premiums	218,200 2 1
Interest accrued but not due	6,000 18 0
Head account on the Cash in Bank of New Zealand	2,408 2 2
Head at Wellington	100 2 2
Transferred to Wellington	51,800 0 0
Investments	2 8 7
Investments	87 12 2
London	60 8 0
Christchurch	15 12 10
Palmerston N.	6 2 2
Hamilton	20 0 0
Wellington	37 0 0
Fixed deposits	11 11 0
Loans	44 11 0
Reserves	2 8 4
Other	11 11 0
Total	332 12 8

Liabilities	
Amount retained by the State Fire Insurance	100,000 0 0
Reserve fund	100,000 0 0
Reserve fund	381,217 3 11
Insurance Reserve Fund	10,000 0 0
Reserve for unearned premiums	68,628 0 0
Reserve for unearned land	10,000 0 0
Reserve for other deposits	1,498 10 0
Reserve for other classes	3,487 0 0
Reserve for other classes	14,229 18 1
Reserve for other classes	222 12 8
Amounts owing by the Office	
Insurance premiums	9,242 11 5
Commission	1,614 3 5
Interest	34 6 9
Printing, stationery and advertising	17 4 10
Postages and sundry charges	221 1 4
Total	332 12 8

J. H. THURMAN, General Manager.
G. R. REDWARD, Accountant.

1st April, 1935.

I hereby certify that the Revenue Account and balance-sheet have been duly examined and compared with the books and documents submitted for audit, and correctly state the position as disclosed thereby.—G. H. C. CAMERON, Comptroller and Auditor-General.

Approximate Cost of Paper—Preparation, not given; printing (4,675 copies) 25 5s.