

1928.  
NEW ZEALAND.

ANNUAL REPORT  
OF THE  
GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31st DECEMBER, 1927.

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

Government Insurance Office, Wellington, 6th June, 1928.

I HAVE the honour to submit the following report upon the transactions of the Department for the year ended 31st December, 1927, 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.*—The amount of new business has been satisfactory, 5,555 policies having been issued for assurances, totalling £1,791,845, with annual premiums amounting to £58,006. Twenty-three annuities were granted, the purchase-money being £14,329.

The total business now in force (including immediate and deferred annuities for £24,914 per annum) comprises 66,856 policies, bearing an annual premium income of £595,780. The total sum assured is £19,303,916, to which reversionary bonuses amounting to £1,973,434 have been added.

*Income.*—The total income of the Department for the year was £987,326—viz., premium income £586,535, interest and rents (after payment of land and income tax £15,235) £386,462, and annuity purchase-money £14,329.

*Outgo for Claims.*—During the year 1,046 policies matured for £275,069, and 495 policies became claims by the death of the assured, the amount payable being £198,130. These figures bring the amount paid in claims since the inception of the Office up to the large total of £10,732,053.

*Accumulated Funds.*—The total Assurance Fund now amounts to £7,303,925, being an increase for the year of £274,341. The Department also has an Investment Fluctuation Reserve Fund amounting to £209,707.

*The Balance-sheet.*—On the 31st December, 1927, the total assets of the Department amounted to £7,584,401. The total investments increased by over £300,000, practically all of which has been advanced on mortgages of freehold securities. Cash in hand and on current account stands at the low figure of £10,161 5s. 2d. Adequate provision has been made in respect of the item “£19,331 7s. 10d., properties acquired by foreclosure.” Further, this amount has been reduced to £10,226 by sales since the accounts were made up.

*Rate of Interest.*—The effective net rate of interest earned was £5 10s. 10d. per cent., as compared with £5 11s. 1d. per cent. earned during the previous year. The slight decrease has been caused by heavier income-tax, but it is satisfactory to note that the rate is still considerably greater than the rates earned in previous years.

*Expense Ratios.*—The expense ratios show satisfactory reductions, as will be seen by the following figures for the past four years :—

	1924.	1925.	1926.	1927.
(a) Total expenses to total income .. .. .	11·29	11·08	10·53	9·84
(b) Total expenses to total premium income .. .	18·46	17·99	17·28	16·17

*Annual Bonus Distribution.*—In accordance with statutory authority the Department is now for the first time in its history distributing its profits annually. The attached Report of the Actuary, pursuant to section 40 of the Government Life Insurance Act, 1908, discloses a net surplus of £207,351 (excluding interim bonuses paid during the year), and of this sum £190,500 has been allotted in the form of compound reversionary bonuses upon the sum assured and existing bonuses. The total reversionary bonuses thus allotted amount to £305,484.

The rates of bonus allotted under new endowment and whole-life assurances when taken as a percentage of the sum assured range from £1 18s. to £2 per cent. per annum, and increase up to £3 6s. per cent. per annum in the case of policies of longer durations.

In regard to the results of this distribution, I would point out that the above bonuses are considerably greater than those declared at any previous division. The stringency of the valuation basis (the details of which are required by sections 36 and 37 of the Act to be supplied triennially) has been fully maintained, and an additional £10,000 has been transferred to the Investment Fluctuation Reserve. These results cannot fail to prove very gratifying to the policyholders, and will have a beneficial effect on the efforts of the field staff in obtaining new business. In this connection, however, I consider it wise to point out that, having regard to the substantial cost of writing new business, a life-insurance office can only absorb a certain amount without straining its profit-earning powers. There is such a thing as overtrading even in life insurance, and an extensive new business does not in itself constitute an index to prosperity. It is therefore not the policy of the Department to achieve mere "big figures," but rather to progress in a steady manner and on safe and economic lines in order to consolidate the interests of the policyholders.

*General.*—The results of the Department's trading during the past year may be viewed with every satisfaction. The new-business figures have been up to expectation, and increased premiums and interest income have produced a substantial addition to the funds. The continued investment and reinvestment of the large funds of the Department naturally calls for a great deal of time and thought, but, taking into consideration the financial stringency through which the Dominion has been passing, the losses have been singularly few, and the rate of interest has been at a satisfactory level. The mortality experience has been favourable, and there has been a substantial decrease in the ratio of expenses, both to premium income and to total income. These favourable features are being well maintained, and they constitute the main source of the materially increased bonuses now declared at the inauguration of the system of annual profit distributions. The policyholders, therefore, can look forward to the future with every confidence.

A. E. ALLISON, Government Insurance Commissioner.

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REVENUE ACCOUNT OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT FOR THE YEAR ENDED  
31ST DECEMBER, 1927.

	£	s.	d.		£	s.	d.
Amount of Funds at 1st January, 1927	7,029,583	16	2	Death claims under assurance policies, including bonus additions	197,785	19	0
Renewal premiums—Assurance, Annuity, and Endowment	526,769	4	4	Endowment Assurances matured, including bonus additions	264,792	1	0
New premiums (including instalments of first year's premiums falling due in the year)	55,037	2	11	Endowments matured	10,277	7	0
Single premiums—Assurance and Endowment	4,729	5	1	Premiums returned on endowments	343	11	4
Consideration for Annuities	14,329	1	2	Bonuses surrendered for cash	11,604	17	10
				Annuities	23,002	4	10
Interest and Rent	405,044	1	1	Surrenders	39,087	13	11
Less land and income tax, £15,235 9s. 7d.; property expenses, £3,346 17s. 1d.	18,582	6	8	Loans released by surrender	58,939	3	7
	386,461	14	5	Commission, new*	34,450	14	6
				„ renewal	4,045	13	1
					38,496	7	7
				Contribution to Public Service Superannuation Fund	777	10	5
				Expenses of management—			
				Salaries—	£	s.	d.
				Head Office	21,085	7	3
				Branch offices and agents	11,952	12	6
				Extra clerical assistance	2,590	11	9
				Medical fees and expenses	4,309	4	10
				Travelling-expenses	1,020	5	8
				Advertising	445	16	5
				Printing and stationery	1,931	6	2
				Rent	5,772	18	0
				Postage and telegrams	1,759	15	1
				Exchange	42	18	5
				General expenses	2,816	0	11
				Services rendered by Government Actuary	4,151	15	9
					57,878	12	9
				Transfer to Investment Fluctuation Reserve Account	10,000	0	0
				Amount of funds, 31st December, 1927	7,303,924	14	10
					£8,016,910	4	1

\* Including agents' allowances.

BALANCE-SHEET OF THE GOVERNMENT LIFE INSURANCE DEPARTMENT ON 31ST DECEMBER, 1927.

<i>Liabilities.</i>				<i>Assets.</i>			
	£	s.	d.		£	s.	d.
Total Assurance, Annuity, and Endowment Funds (as per Revenue Account)	7,303,924	14	10	Loans on policies	978,496	2	0
Claims admitted, proofs not yet completed	43,549	19	9	New Zealand Government securities	2,205,010	0	0
Annuities	811	8	11	Municipal Corporation debentures	205,934	18	9
Commission	689	19	1	County securities	104,890	19	9
Medical fees	389	11	0	Harbour Board debentures	30,200	0	0
Premium and other deposits	12,429	5	0	Town Board debentures	32,176	19	0
Sundry creditors	5,458	0	8	Road Board debentures	21,800	0	0
Accident and Fidelity Fund	2,980	0	0	Drainage Board debentures	1,847	2	3
Investment Fluctuation Reserve	209,707	7	5	Power Board debentures	779,505	14	1
Sinking Funds on Local Body Loans	4,460	16	5	Landed and house property	140,385	19	1
				Landed and house property (leasehold)	1,757	5	3
				Mortgages on property	2,875,494	14	4
				Properties acquired by foreclosure	19,331	7	10
				Overdue premiums on policies in force	8,760	2	3
				Outstanding premiums due but not overdue	48,439	6	10
					57,199	9	1
				Overdue interest	7,127	10	4
				Outstanding interest due but not overdue	8,924	3	7
				Interest accrued but not due	99,489	7	7
					115,541	1	6
				Agents' balances	3,136	8	0
				Sundry debtors	1,531	17	0
				Cash in hand and on current account	10,151	5	2
					£7,584,401	3	1
	£7,584,401	3	1				

A. E. ALLISON, Commissioner.

H. ROSE, Secretary.

Government Life Insurance Department, 10th May, 1928.

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.—G. F. C. CAMPBELL, Controller and Auditor-General.

## Statement of Business

YEAR 1927.	TOTAL.					Whole-life and Term Assurances.				
	No.	Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	Annuities. 1. Immediate or entered upon. 2. Deferred.	No.	Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	
POLICIES ISSUED AND DISCON-										
Policies in force at 31st December, 1926	65,396	18,743,397	1,475,007	{ 573,319 8 7 2,100 2 3 }	{ 22,857 13 4 2,139 2 8 }	11,054	4,007,241	576,435	{ 99,077 13 9 952 2 1 }	
New business ..	5,578	1,791,845	..	{ 57,913 14 1 92 5 10 }	{ 1,446 6 6 .. .. }	358	214,050	..	{ 6,081 2 10 19 10 2 }	
Bonus allotted ..	..	..	664,296	..	..	..	..	100,635	..	
Total..	70,974	20,535,242	2,139,303	{ 631,233 2 8 2,192 8 1 }	{ 24,303 19 10 2,139 2 8 }	11,412	4,221,291	677,070	{ 105,158 16 7 971 12 3 }	
Policies discontinued during 1927	4,118	1,231,326	165,869	{ 37,477 16 4 167 8 11 }	{ 1,445 3 8 84 4 4 }	649	275,130	46,399	{ 6,806 0 5 91 4 5 }	
Total policies in force at 31st December, 1927	66,856	19,303,916	1,973,434	{ 593,755 6 4 2,024 19 2 }	{ 22,858 16 2 2,054 18 4 }	10,763	3,946,161	630,671	{ 98,352 16 2 880 7 10 }	

## PARTICULARS OF POLICIES DISCON-

How discontinued.		£	£	£ s. d.	£ s. d.		£	£	£ s. d.
By Death ..	524	154,751	44,738	{ 4,792 6 10 69 16 11 }	{ 1,492 7 8 .. .. }	273	89,398	34,401	{ 2,258 13 10 56 11 10 }
Maturity ..	1,046	217,388	55,884	{ 8,284 9 4 21 11 3 }	{ .. .. .. .. }	..	..	..	..
Surrender ..	1,556	503,751	50,990	{ 14,491 0 4 46 11 10 }	{ .. .. 37 0 4 }	246	117,287	11,139	{ 2,824 13 4 18 6 7 }
Cancellation ..	183	51,450	72	{ 1,457 7 2 3 2 0 }	{ .. .. .. .. }	12	5,200	..	{ 107 11 7 .. .. }
Lapse ..	809	303,986	14,185	{ 8,452 12 8 26 6 11 }	{ (-) 47 4 0 (+) 47 4 0 }	118	63,245	859	{ 1,615 1 8 16 6 0 }
Total discontinued during year 1927	4,118	1,231,326	165,869	{ 37,477 16 4 167 8 11 }	{ 1,445 3 8 84 4 4 }	649	275,130	46,399	{ 6,806 0 5 91 4 5 }

## PROGRESS OF BUSINESS OF THE GOVERNMENT LIFE INSURANCE

Total issued ..	190,642	51,032,976	5,049,038	{ 1,574,688 2 4 40,062 17 1 }	{ 112,360 6 0 .. .. }	50,032	16,172,764	2,189,502	{ 422,831 1 10 18,485 3 1 }
Total void ..	123,786	31,729,060	3,075,604	{ 980,932 16 0 38,037 17 11 }	{ 87,446 11 6 .. .. }	39,269	12,226,603	1,558,831	{ 324,478 5 8 17,604 15 3 }
Total in force ..	66,856	19,303,916	1,973,434	{ 593,755 6 4 .. .. }	{ 24,913 14 6 .. .. }	10,763	3,946,161	630,671	{ 98,352 16 2 .. .. }
Extra Premiums ..	..	..	..	{ 2,024 19 2 .. .. }	{ .. .. .. .. }	..	..	..	{ 880 7 10 .. .. }
				£595,780 5 6					£99,233 4 0

NOTE.—The "ordinary" premium is the premium charged

## at End of Year 1927.

ASSURANCES.					ANNUITIES.					SIMPLE ENDOWMENTS, INVESTMENTS, ETC.					
Endowment Assurances.				Annuity Assurances.											
No.	Sum assured.	Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.	No.	1. Sum assured. 2. Rever- sionary Bonuses.	Annuities. 1. Immediate or entered upon. 2. Deferred.	Annual Premiums.	No.	Annual Premiums.	Annuities. 1. Immediate or entered upon. 2. Deferred.	No.	1. Sum assured. 2. Rever- sionary Bonuses.	Annual Premiums. 1. Ordinary. 2. Extra.		
TINUED DURING THE YEAR 1927.															
	£	£	£ s. d.		£	£ s. d.	£ s. d.		£ s. d.	£ s. d.		£	£ s. d.		
51,861	14,335,469	882,492	{ 462,994 19 10 1,147 0 8 }	43	{ 6,835 1,183 }	{ 572 12 8 1,539 2 8 }	339 7 9	407	518 5 10	{ 22,285 0 8 600 0 0 }	2,031	{ 393,852 14,897 }	10,389 1 5 0 19 6		
5,072	1,527,345	..	{ 48,697 0 9 72 15 8 }	..	..	..	..	23	..	{ 1,446 6 6 .. }	125	{ 50,450 .. }	3,135 10 6 ..		
..	..	555,782	..	..	379	..	..	..	..	..	..	7,500	..		
56,933	15,862,814	1,438,274	{ 511,692 0 7 1,219 16 4 }	43	{ 6,835 1,562 }	{ 572 12 8 1,539 2 8 }	339 7 9	430	518 5 10	{ 23,731 7 2 600 0 0 }	2,156	{ 444,302 22,397 }	13,524 11 11 0 19 6		
3,264	911,946	116,634	{ 29,591 13 9 76 4 6 }	2	{ 650 408 }	{ (-) 30 12 8 (+) 84 4 4 }	89 16 6	28	..	{ 1,475 16 4 .. }	175	{ 43,600 2,428 }	990 5 8 ..		
53,669	14,950,868	1,321,640	{ 482,100 6 10 1,143 11 10 }	41	{ 6,185 1,154 }	{ 603 5 4 1,454 18 4 }	249 11 3	402	518 5 10	{ 22,255 10 10 600 0 0 }	1,981	{ 400,702 19,969 }	12,534 6 3 0 19 6		

## TINUED DURING THE YEAR 1927.

£	£	£ s. d.	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£	£ s. d.	£ s. d.
51,861	14,335,469	882,492	{ 462,994 19 10 1,147 0 8 }	43	{ 6,835 1,183 }	{ 572 12 8 1,539 2 8 }	339 7 9	407	518 5 10	{ 22,285 0 8 600 0 0 }	2,031	{ 393,852 14,897 }	10,389 1 5 0 19 6
5,072	1,527,345	..	{ 48,697 0 9 72 15 8 }	..	..	..	..	23	..	{ 1,446 6 6 .. }	125	{ 50,450 .. }	3,135 10 6 ..
..	..	555,782	..	..	379	..	..	..	..	..	..	7,500	..
56,933	15,862,814	1,438,274	{ 511,692 0 7 1,219 16 4 }	43	{ 6,835 1,562 }	{ 572 12 8 1,539 2 8 }	339 7 9	430	518 5 10	{ 23,731 7 2 600 0 0 }	2,156	{ 444,302 22,397 }	13,524 11 11 0 19 6
3,264	911,946	116,634	{ 29,591 13 9 76 4 6 }	2	{ 650 408 }	{ (-) 30 12 8 (+) 84 4 4 }	89 16 6	28	..	{ 1,475 16 4 .. }	175	{ 43,600 2,428 }	990 5 8 ..
53,669	14,950,868	1,321,640	{ 482,100 6 10 1,143 11 10 }	41	{ 6,185 1,154 }	{ 603 5 4 1,454 18 4 }	249 11 3	402	518 5 10	{ 22,255 10 10 600 0 0 }	1,981	{ 400,702 19,969 }	12,534 6 3 0 19 6

## TINUED DURING THE YEAR 1927.

215	63,053	10,337	{ 2,472 14 2 13 5 1 }	1	..	16 11 4	..	28	..	{ 1,475 16 4 .. }	7	{ 2,300 .. }	60 18 10 ..
992	208,938	53,737	{ 7,980 8 10 21 11 3 }	..	{ .. 335 }	..	..	..	..	..	54	{ 8,450 1,812 }	304 0 6 ..
1,231	365,264	39,792	{ 11,218 17 11 28 5 3 }	1	{ 300 59 }	37 0 4	15 0 0	..	..	..	78	{ 20,900 .. }	432 9 1 ..
164	43,750	72	{ 1,311 6 10 3 2 0 }	..	..	..	..	..	..	..	7	{ 2,500 .. }	38 8 9 ..
662	230,941	12,696	{ 6,608 6 0 10 0 11 }	..	{ 350 14 }	{ (-) 47 4 0 (+) 47 4 0 }	74 16 6	..	..	..	29	{ 9,450 616 }	154 8 6 ..
3,264	911,946	116,634	{ 29,591 13 9 76 4 6 }	2	{ 650 408 }	{ (-) 30 12 8 (+) 84 4 4 }	89 16 6	28	..	{ 1,475 16 4 .. }	175	{ 43,600 2,428 }	990 5 8 ..

## DEPARTMENT SINCE DATE OF ESTABLISHMENT TO 31st DECEMBER, 1927.

131788	33,647,173	2,820,500	{ 1108974 4 3 21,556 4 6 }	1,106	{ 160,450 8,050 }	57,497 16 6	8,619 15 8	1,094	866 6 8	54,862 9 6	6,622	{ 1,052,589 30,986 }	33,396 13 11 21 9 6 }	
78,119	18,696,305	1,498,860	{ 626,873 17 5 20,412 12 8 }	1,065	{ 154,265 6,896 }	55,439 12 10	8,370 4 5	692	348 0 10	32,006 18 8	4,641	{ 651,887 11,017 }	20,862 7 8 20 10 0 }	
53,669	14,950,868	1,321,640	482,100 6 10	41	{ 6,185 1,154 }	2,058 3 8	249 11 3	402	518 5 10	22,855 10 10	1,981	{ 400,702 19,969 }	12,534 6 3 ..	
..	..	..	1,143 11 10	..	..	..	..	..	..	..	..	..	0 19 6	
			£483,243 18 8				£249 11 3				£518 5 10			£12,535 5 9

at the true age; the "extra," the additional premium charged for any reason whatsoever.

A. E. ALLISON, Commissioner.  
GEO. W. MELVILLE, Actuary.

# ACTUARY'S REPORT

## ON THE VALUATION OF THE

# GOVERNMENT INSURANCE DEPARTMENT

### AS AT 31st DECEMBER, 1927.

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

Wellington, 5th April, 1928.

IN accordance with your instructions and in compliance with section 40 of the Government Life Insurance Act, 1908, and amendments, an investigation and a valuation in respect of the assurance and annuity contracts of the Department has been made in respect of the year ending 31st December, 1927, with the object of ascertaining the net surplus which may be distributed amongst the policy-holders, and I have the honour to report as follows :—

The total contracts consisted of 66,856 policies, assuring £21,277,351 inclusive of bonus additions and £24,914 immediate and deferred annuities per annum, the Office premiums thereon amounting to £595,780 per annum.

The average net rate of interest earned by the funds of the Department during the year was £5 10s. 10d. per cent. after deduction of taxes, and the expenses of management were 16·17 per cent. of the premiums, or 9·84 per cent. of the total income. The corresponding rates of the previous year were £5 11s. 1d. per cent. and 17·28 per cent. or 10·53 per cent. respectively.

The experiences of the Temperance and General Sections during the past year have been separately investigated in accordance with the Act, and this investigation has disclosed that the bonus rates recommended below should be declared in both sections.

The tables of mortality employed were the British Offices O<sup>M</sup> Table, 1893, and the British Offices Annuity Tables, 1920, in the case of assurance and annuities respectively, at 3 per cent. interest.

The net premium method of valuation has been followed in arriving at the value of the liabilities in respect of the Department's contracts on the above bases, and where necessary additional reserves have been made for future bonuses, expenses, and other contingencies.

The valuation has disclosed a total surplus of £211,335, as follows :—

	£
Total funds at 31st December, 1927 .. .. .	7,303,925
Less value of liabilities .. .. .	7,096,574
Net surplus .. .. .	207,351
Add interim bonuses paid during the year .. .. .	3,984
Total surplus .. .. .	<u>£211,335</u>

The results of this valuation have been carefully considered, and I recommend that the following rates of compound bonus should be declared on the sum assured and existing bonuses in respect of each full year's premium paid during the year :—

Policies issued under present premium tables :—	Per Cent.
Whole-life assurances, and long-term endowment assurances maturing at age 80 (Tables A and B) .. .. .	£ s. d. 2 0 0
Endowment Assurances (excluding Tables A and B) .. .. .	1 18 0
Double Endowment Assurances and Pure Endowments .. .. .	1 7 6
Policies issued under premium tables which have been closed :—	
Whole-life and endowment assurances .. .. .	1 16 0
Double-endowment assurances .. .. .	1 10 0

The above bonuses will absorb £190,500, and I recommend that the balance of the net surplus—viz., £16,851—should be carried forward.

In conclusion I would point out that the rates of bonus recommended above are substantially greater than those hitherto declared, and, in addition to calculating the value of the liabilities on a strong valuation basis, the Department has a substantial Investment Fluctuation Reserve of £209,707.

The profit-earning capacity of a life-assurance company is dependent on the average rate of interest combined with adequate security of the investments, favourable mortality, and economical management. During the past year the Department's favourable experience in these respects has produced the excellent results disclosed by this valuation, but I consider it wise to emphasize that the future of the Department is dependent on the maintenance of these favourable features.

GEO. W. MELVILLE, F.F.A., Actuary.

The Government Insurance Commissioner, Wellington.

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