2. Premiums are received in most cases either yearly, half-yearly, or quarterly, at the option of the Assured.

3. Premiums may be paid at any Money Order Office in Great Britain, Ireland, or the Australian Colonies, on the due dates.

4. Days of grace are allowed for payment of premiums; and in case of death whilst any premium is in abeyance, the amount in arrears will be deducted from the sum payable to the Assured.

5. Voyaging and residence are permitted in any part of the Australasian Colonies situated south of the 25th parallel of latitude, and in any other part of the globe distant not less than thirty-one degrees south or thirty-three degrees north of the equator, without payment of any extra premium.

6. Surrender values are granted after a contract has existed for three years, and may extend to the whole or part of a contract, or if it has been forfeited by the felonious act of the Life Assured.

7. The Commissioner, even on default of payment, may revive a contract at any period not exceeding six calendar months after forfeiture, on proof of unimpaired health.

8. Any contract open to surrender may be exchanged for any other contract within the provision of the Acts, on reasonable terms.

9. Payments are made immediately on proof of death and compliance with the regulations in relation thereto.

A complete series of the usual Life Assurance and Children's Endowment Tables, and an Immediate Annuity Table, have been published, and copies can be obtained at every Money Order Post Office in the Colony. Deferred Annuity Tables have recently been received from the Consulting Actuary, and will forthwith be brought into force. Endowment Tables for older ages are in course of preparation, and Valuation Tables have been ordered for the purpose of preparing Tables of Surrender Values for indorsement on Policies, thereby greatly facilitating their negotiation and thus increasing their commercial value.

Steps have also been taken, by the appointments of agencies, by advertisements, and otherwise, to make known as widely as possible the provisions of the Government Insurance Acts and Regulations, to explain them in those respects in which they were not understood, and give every practicable facility to persons of all classes to take advantage of their provident operation.

I am glad to be able to report that the progress which has been made is satisfactory, and shows that not only those in easy circumstances invest in comparatively large policies, but that persons of less means apply their savings to securing a safe though small provision for the future. An increasing number of small policies indicates the wider spread of prudent and economical habits, the more powerful means of lessening destitution and crime, and the better prospect of fulfilling the object of the Legislature, which has provided in the Government Insurance System as in the Post Office Savings Banks, an unimpeachable security (for the Colony itself is the security) for provident investment in the hope that such provision may be to the greatest and most general public advantage.

The Insurance system was practically brought into operation in New Zealand on 1st March, 1870, and from that date up to 30th June last 667 proposals for Assurances, amounting to £295,874, have been received (more than half of this number were received during the last quarter), of which 448 have been accepted and taken up, and policies issued amounting to £205,374, at an annual premium of £5,810 4s. 8d. The number declined out of the 667 proposals is 75 for Assurances, amounting to £31,300; this may be taken to show that great care is exercised in the selection of lives. The number of proposals not taken up on 30th June was 30, and 114 were under consideration on that date; the large proportion of the latter class is attributable to the fact, that many of the proposals were then of quite recent date. There had then also been received, 15 Endowment Proposals, of which 10 were completed, and 7 Annuity Proposals, of which 4 were granted. I enclose a return of policies issued during the two last quarters of the past year, as compared with the total number issued during the three previous quarters, ending 31st December, 1870.

The present rate of annual expenditure for the Department, exclusively of commissions and medical fees (dependent on the amount of business transacted), and of the salary of the Commissioner, which is not drawn while he also holds office as a Minister, is about £1,400.

The 11th section of "The Government Annuities Act, 1869," guarantees to the insurer the security of the Colony, and specially provides that all money received by the Government under the Act shall be paid into a separate account in the Public Trust Fund, to be kept by the Commissioner and the Colonial Treasurer, and that "the accumulation of moneys so received shall be subject to be dealt with as the General Assembly shall determine." The accumulation of a special and reproductive fund to cover insurance liabilities is essential to the efficiency and success of the system; and to assist in producing such a fund, the Government have advanced £2,000 to cover the expenses of first bringing the Act into operation, which will be repaid after a short period. The receipts have been invested in Treasury Bills, bearing six per cent. interest, which will continue to be placed to the credit of the fund.

I have the honor to be,

Your Excellency's most obedient servant,

W. Gisborne,

Commissioner.

His Excellency Sir George Bowen, G.C.M.G.