

TONTINE SAVINGS FUND.

With a view of meeting a popular desire, and at the same time rendering policies more enduring, there was, in the latter half of the year, introduced in the department a description of insurance termed the Tontine Savings Fund System. The object of this mode is to reserve all profits accruing on Tontine Fund policies, and at the close of the period to divide these profits *pro rata* among the survivors whose policies are in force at the time. The scheme has been eminently successful, and promises to accomplish the object aimed at—a more permanent class of insurance business.

GENERAL REMARKS.

Notwithstanding the continued commercial and agricultural depression which existed during the year, and to which is mainly due the high lapse-rate experienced in common with all other offices in this part of the world, and despite the continued unscrupulous opposition of several foreign offices, whose agents appear systematically to misrepresent this department, the new assurances completed by the department show an increase over the previous year, and the business of the future presents a healthy and steadily improving aspect.

With reference to the rivalry of private institutions abovementioned, it may be stated here that the specific form of unfair competition, which cannot be too strongly condemned, is that agents of some societies resort to the practice of obtaining assignments of policies from policyholders of the Government Department by means of misrepresenting the comparative advantages of that department and those of the competing offices. Thus they frequently mislead our policyholders, inducing numbers of them to make assignments to persons who are used as “dummy” assignees, of whom the clients have no personal knowledge, and from whom they do not receive adequate consideration for the policies they have been induced to give up.

In my report presented to Parliament last year the fact was announced that the Consulting Actuaries had reported a nominal deficiency in the Temperance Section, a consequence of the brevity of the period which had elapsed since its establishment. By reason of that deficiency, and the consequent non-allocation of any bonus to temperance policyholders, a decided check was given to the progress of business in the Temperance Section. Mr. Frankland, the Government Actuary and Statist, was of opinion that, although the Consulting Actuaries could not, in view of the wording of the prospectus, have dealt with the Temperance Section otherwise than as an entirely distinct fund, it would nevertheless be actuarially sound, and more in consonance with the objects for which the Temperance Section was founded, to amalgamate the funds of the General and Temperance Sections and differentiate the profits in so far only as the mortality experience of the two sections proves to be dissimilar. Mr. Frankland devised in detail a scheme by which this result could be with strict mathematical accuracy accomplished. This scheme he submitted to the Department's Consulting Actuaries during his recent visit to London, and at the same time suggested, in consequence of the great labour which rigid adherence to this strict mode would entail, that an approximate determination of profit from mortality might be found preferable. With this suggestion the Actuaries concurred, and specifically recommended a mode of distribution which they regard as substantially equitable.

It is proposed this year to ask legislative powers for carrying into effect this arrangement, by which the policyholders of the Temperance Section will benefit by whatever proportional longevity they may be found to enjoy in comparison with the policyholders of the General Section, while at the same time they fully share with these latter any profits arising from sources other than favourable mortality—these sources being excess of interest over the assumed rate, saving in management expenses, and other sources of a miscellaneous nature.

During his visit to England Mr. Frankland brought other matters of importance under the notice of the Consulting Actuaries. These are more fully specified in a parliamentary paper recently laid before the Legislature by command of His Excellency. It is only necessary to mention here one of the subjects discussed therein—namely, the method of allocating bonuses amongst individual policyholders, which at the present stage in the history of the office, now some eighteen years old, requires modification. The method recommended by Mr. Frankland has for its object the securing to the older policyholders in the allocation of profits their due share of the profit produced by the excess of interest over the assumed rate. This recommendation also the Consulting Actuaries have approved as the proper course to be followed for the future.

The Industrial Branch is now practically closed.

The investment of the department's funds is carefully supervised, the statutory Board of Investment having charge of the mortgage portion of the business. The amount invested is specified under the respective headings in the table of assets in the certified balance-sheet. Applications for loans on mortgage of freehold property continue to be received in considerable numbers. The majority of these applications are for loans of moderate amounts under the system of repayment by instalments. By the figures in the balance-sheet it will be seen that the total amount of investments on mortgage at the end of 1887 was £266,498 7s., as against £209,480 at the same time in the immediately preceding year; showing for the last year an increase in this class of investments of £57,018 7s. The amount lent during the year under the repayment-by-instalment system was £29,385, distributed among 104 mortgagors.

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Government Insurance Commissioner.