

Quinquennial Investigation.—The fourth quinquennial investigation has been completed in London, and the Consulting Actuaries—Messrs. Bailey, Hardy, and King—have reported the result of the valuation as showing a surplus of £239,475, and, in accordance with their recommendation, the sum of £200,000 has been divided amongst the participating policyholders. Full particulars regarding the investigation will be found in the Consulting Actuaries' report, but it may be mentioned that the surplus is large, notwithstanding that the rate of interest assumed in the valuation has been reduced from $4\frac{1}{2}$ to 4 per cent., making, of course, the valuation much more stringent.

The department's Actuary, Mr. Fox, has also made a valuation of the net liability under policy contracts, which was completed by him as early as April of last year. The surplus reported by Mr. Fox was £6,823 less than that of Messrs. Bailey, Hardy, and King, the relatively trifling difference being due to extreme caution on the part of Mr. Fox in estimating the liabilities under the department's policies, leading him to constitute some small additional reserves which the London Actuaries do not appear to have thought it essential to provide.

No time was lost by the Actuary and his department in allocating the surplus; indeed, the bonus certificates were in the hands of policyholders in less than two months after the receipt of the cable from the Agent-General intimating the divisible surplus.

General Remarks.—The accounts and statements appended are given in such detail that there is little for me to add. I may, however, state that the Actuary has made a valuation as at 31st December last, and that the result shows that the rate of profit is being maintained, and that a satisfactory bonus is accruing for distribution amongst policyholders at the end of the present triennium.

The London Actuaries, in their report, allude to the fact that the ratio of expenses, including commission, to the premium income is greater than in the last-preceding valuation period. Competition has admittedly been much more severe than formerly, but, as for several years the ratio of expenses had shown a practically continuous increase, I had already considered it advisable to make determined efforts to effect a reduction. Alterations in this respect, without material contraction of the volume of new business, have been effected, as will be seen from what I have said in regard to the expenses of management. My opinion is that there is a point in regard to expenditure beyond which it is against the interests of the general body of the policyholders to go. The question is a most material one for consideration in the management of a life office, and during the last year or two great attention has been given to it not only by eminent insurance officials but by the insurance Press throughout the world, especially in connection with expenses incurred in the procuration of new business; and there is at present an unmistakeable tendency on the part of the best offices to refrain from unduly competing for new business at a high cost. It is remarked by one leading journal that that office is wise which devotes its energies to the care of the business it has on its books, looking after the interests of the policyholders, aiming only for a healthy increase in business from year to year, and reducing expenses to lessen the cost of assurance to each one. During the year under review it is pleasant to be able to chronicle that, whilst there has been an increase in the accession of new business to the department, both the expense and lapse rates have been still further reduced. It is also satisfactory to be able to state that steps have been taken which I feel confident will result in the continuance of a favourable tendency in these directions.

JOSEPHUS H. RICHARDSON,
Commissioner.
