

CONSULTING ACTUARIES' REPORT.

Second. In accordance with the scheme and by means of the tables given in our report above mentioned, the surplus attributable to favourable mortality should be ascertained for the General and Temperance Sections respectively, and should be allocated to them accordingly, and divided among the policyholders of each section in proportion to the loading on their premiums paid during the quinquennium.

Third. The balance of the £200,000 should be distributed among all the policyholders of the Department in proportion to the loading on their premiums paid during the quinquennium.

14. By "loading" is meant, in whole-term cases where premiums are payable annually throughout life, the difference between the premiums set out in the policies and the corresponding H^M 4-per-cent. premiums. If an extra has been charged on account of the life being under average, it is intended that the loading at the increased age be taken; but, if the policy has been charged with a fixed or sliding debt, then the loading at the true age.

15. To policies secured by a limited number of premiums the sum apportioned in cash under the second and third headings above should be the same as if the policies had been effected by premiums payable throughout life; and in the case of policies subject to half-yearly, quarterly, or monthly premiums the equivalent annual premium should be employed.

16. The same principles should be applied to policies of all classes.

17. Where the bonus is to be applied to increase the sum assured, or to reduce the future premiums, we recommend that the conversion of the cash appropriation should be calculated by the Institute of Actuaries' Healthy Males Table, at 4 per cent. interest.

18. The deferred-bonus policies must have their proper cash allotments on the above principles, and these will have to be converted into reversionary amounts vesting at the end of the stipulated periods.

19. In view of the method of distributing surplus which has now been adopted by the Department, we have thought it desirable (although the labour has been much greater) to value each contract separately, instead of in groups as formerly.

We return the 130 books containing the particulars for valuation. Against each policy has been placed its value on the 31st December, 1890. This information will be useful on the occasion of the next distribution of surplus.

20. In Table A of the Appendix will be found a statement summarising the contracts as valued, and the results of the valuation.

We are, Sir,

Your obedient servants,

A. H. BAILEY.

RALPH P. HARDY.

GEORGE KING.

The Hon. the Colonial Secretary.