In the Civil Service Insurance Section, which is included in the foregoing total business, there are now 206 policies in force, insuring £30,761, and entitling the survivors, at age 60, to annuities amounting to £7,872 per annum.

The statement of business which is appended to this report shows in full detail the particulars for the year and the progress of the Department from its inception, so far as concerns new and discontinued business. It will be seen, from a comparison of this statement with the one for 1896, that there has been a material decrease in the total number of policies which have gone off the books of the Department from various causes during the year. A most marked improvement was shown in connection with the lapses, which declined from £328,267 in 1896 to £199,204 in 1897, showing the large decrease of £129,063. The increase in the new business and the diminution in the discontinuances result in showing a net increase of £247,800, and I am pleased to say that there is every indication of a continuance of these healthy conditions during the present year.

Income and Outgo.—The full details of both income and outgo are given in the Revenue Account and Balance-sheet attached to this report. The income for the year was £398,121, and was derived from the following sources:—

	£ s. d.
From new premiums (including single premiums)...	20,600
„ renewal premiums	240,235
„ purchase-money for annuities	8,852
„ interest	128,424
„ fees	10
Total income for 1897	£398,121

In the premium income (exclusive of consideration for annuities) there is shown the substantial increase of £10,059 over the income for the previous year; and the revenue from interest has also risen from £124,255 to £128,424, although the rate of interest earned has decreased in common with the general experience of other offices. The fall in the rate of interest has, however, been guarded against by making such reserves from time to time as will in future permit the Department's liabilities to be valued upon a basis of 3½ per cent. I am pleased to be able to say that an official valuation of the policies as at 31st December, 1897, discloses the fact that the Department is at the present time in a position to make a net premium valuation of its liabilities at 3½ per cent., and retain a substantial surplus in hand towards the next bonus. It may be mentioned that, as an actual fact, an average rate of £4 16s. 7d. per cent. was earned during the past year, so that in preparing to value at 3½ per cent., care is being taken to keep well in advance of all possible requirements.

There was a considerable decrease in the money received during the year for the purchase of annuities, doubtless owing to the fact that the Department's annuity rates were recently increased in order to meet the fall in the rate of interest. I do not, however, regard the decrease as a matter for regret. Owing, doubtless, to the difficulties experienced by small investors in placing their savings, annuity purchases had of late years shown a tendency to assume larger proportions than it appeared to me desirable to encourage, having regard to the condition of the money market, and the present return to smaller figures is not, in my opinion, unsatisfactory.

Claims by death amounted to £92,706, which is well within the amount provided for in the Tables of Mortality used by the Department.

Claims by maturity of policies amounted to £53,392, showing a large increase on the previous year. As, of course, the full amounts necessary to meet these claims have been carefully reserved, they do not entail any loss, but, on the contrary, may be regarded as a subject for congratulation, and the best evidence of the esteem in which our policy-contracts are regarded by their holders, leading them to persevere with their payments, in many instances through prolonged periods, to reap in the end the provision for an independent old age which an endowment assurance so admirably supplies. It may be mentioned that the total amount paid in claims since the establishment of the Department is £1,515,800.

The Accumulated Funds.—The funds have increased during the year from £2,591,342 to £2,725,106. The progress of the Department in this and other respects during the last twenty-five years will be appreciated by an examination of the following statement, showing the position at the end of every five years:—

Year.	Policies in Force.				Revenue from Interest.	Accumulated Funds.	Year.
	Number.	Sum Assured.	Bonuses.	Premium Income.			
		£	£	£	£	£	
1872 ...	1,689	625,400	...	18,400	500	15,200	1872
1877 ...	7,149	2,716,900	...	87,000	9,100	219,400	1877
1882 ...	15,892	5,176,200	96,900	162,100	36,100	704,900	1882
1887 ...	25,439	6,831,900	305,000	207,100	66,400	1,328,500	1887
1892 ...	30,316	8,036,200	544,600	237,600	100,600	1,980,300	1892
1897 ...	36,174	9,002,600	854,400	266,600	128,400	2,725,100	1897