1944
NEW ZEALAND

ANNUAL REPORT

OF THE

GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31st DECEMBER, 1943

Presented to both Houses of the General Assembly pursuant to the Provisions of the Government Life Insurance Act, 1908

Government Insurance Office, Wellington, 18th April, 1944.

I have the honour to submit the following report upon the transactions of the Department for the year ended 31st December, 1943, and its position at that date. The Revenue Account, Balance-sheet, and State of Business are appended:

New Business and Amount of Business in Force. New business for the year amounted to 5,111 policies, assuring the sum of £2,674,836, the premiums thereon being £56,330 per annum. Twenty-six annuities were also granted, the purchase-money being £20,365. The total business in force at the end of the year (including immediate, deferred, and contingent annuities for £101,220 per annum) comprises 98,477 policies, bearing an annual premium income of £840,241. The total sum assured is £34,815,381, to which reversionary bonuses amounting to £3,444,497 have been added.

Income. The total income amounted to £1,402,421, made up as follows: Premium income, £849,231; interest income (net), £532,825; annuity-purchase money, £20,365. The total for the year exceeded that for the previous year by £16,240.

Outgoings.—During the year 2,001 policies became claims by the death of the policyholders and by maturity, the payment involved being £720,317. The total amount paid in claims since the inception of the Department amounts to £19,892,616.

Accumulated Funds. Assurance, annuity, and endowment funds, apart from special reserves of £365,856, now stand at £12,664,713, an increase of £456,529 over the previous year.

Bonus Distribution. Owing to conditions arising out of the war, no allotment of the surplus was made for the years 1941 and 1942, but an allotment for the past three years has now been arranged. Interim bonuses have been paid on all participating policies which have become claims since the previous allotment.

The bonus investigation has been carried out by the Actuary, and his report appended hereto discloses a net cash surplus of £503,696 (excluding interim bonuses paid) for the past three years. Of this sum, £484,117 is being distributed in the form of compound reversionary bonuses upon the sum assured and existing bonuses. The total reversionary bonuses thus allotted for the three years amount to £793,230.

The rates of bonuses allotted compare favourably with those of other life offices operating in New Zealand.

Expense Ratios.—The ratio of expenses to (*a*) total income and (*b*) premium income for 1941, 1942, and 1943 is as follows:—

Ratio of Expenses to	1941.	1942.	1943.
(*a*) Total income	8·62	7·62	8·15
(*b*) Premium income	13·81	12·21	13·15

The slight increase in 1943 is due to the greater volume of new business. The Department conducts its business at a very low cost; in fact, it is in the class of life offices whose expense rates are the lowest in the world.

General.—Mr. W. E. Arnold retired from the office of Commissioner during the year, having served in that capacity for ten years and having completed over forty-two years of good and faithful service to the Department.

The results of the Department's trading during the year may be reviewed with much satisfaction. Considering the greatly reduced field staff, the new business obtained has been particularly satisfactory.

A large number of the Department's officers are on active service.

Excellent work has been done by the members of the depleted staff, who have cheerfully carried out the extra duties imposed on them. I wish to take this opportunity of paying a tribute to their efficiency, zeal, and loyal co-operation which have enabled the Department to continue to give good service to the policyholders and to maintain its position as one of the leading life-insurance offices in the Dominion.

J. W. Macdonald, Commissioner.

Revenue Account of the Government Life Insurance Department for the Year ended 31st December, 1943

	£	£
Amount of funds at 1st January, 1943 . .		12,208,184
Renewal premiums: Assurance, annuity, and endowment, less reinsurance premiums		778,297
New premiums (including instalments of first year's premiums falling due in the year), less reinsurance premiums		51,622
Single premiums: Assurance and endowment		19,312
Consideration for annuities		20,365
Interest, rent, and other income . .	546,081	
Less property expenses . .	13,256	
		532,825
		£13,610,605

	£	£
Death claims under assurance policies, including bonus additions		341,677
Endowment assurances matured, including bonus additions		364,657
Endowments matured		12,701
Premiums returned on endowments . .		1,282
Bonuses surrendered for cash		2,132
Annuities		36,296
Surrenders		26,401
Loans released by surrender		33,225
Commission, new	39,294	
Commission, renewal	6,327	
		45,621
Contribution to Public Service Superannuation Fund		596
Land and income tax		6,503
Agents' retiring-allowances		2,074
Expenses of management		62,623
War-damage-insurance premiums . .		3,431
Property depreciation		6,673
Amount of funds, 31st December, 1943 . .		12,664,713
		£13,610,605

Balance-sheet of the Government Life Insurance Department on 31st December, 1943

Liabilities	£	£
Total assurance, annuity, and endowment funds (as per Revenue Account) . .		12,664,713
Claims admitted, proofs not yet completed		117,400
Annuities		625
Medical fees		371
Premium and other deposits		23,405
Sundry creditors		10,649
Accident and Fidelity Fund		5,000
Investment Reserve Account		360,856
Sinking funds on local-body loans . .	2,694	
Interest accrued thereon . .	33	
		2,727
		£13,185,746

Assets	£	£
Loans on policies		1,001,200
New Zealand Government securities . .		3,981,131
Loans to local bodies		2,592,922
Landed and house property		500,545
Landed and house property (leasehold) . .		172
Mortgages on property		4,817,442
Properties acquired by foreclosure . .		26,934
Overdue premiums on policies in force	2,683	
Outstanding premiums due but not overdue	69,127	
		71,810
Overdue interest	2,760	
Outstanding interest due but not overdue	14,493	
Interest accrued but not due . .	116,899	
		134,152
Sundry debtors		4,974
Office furniture and fittings		2,000
Cash in hand and on current account . .		52,464
		£13,185,746

J. W. Macdonald, Commissioner.
H. L. Ryan, Secretary.

Government Life Insurance Department,
10th March, 1944.

The Audit Office, having examined the Revenue Account and Balance-sheet and compared them with the relative books, documents, and securities, hereby certifies them to be in accordance therewith.—Cyril G. Collins, Controller and Auditor-General.

Statement of Business for the Year 1943

Year, 1943.	Number.	Sum assured.	Reversionary Bonuses.	Annual Premiums. Ordinary.	Annual Premiums. Extra.	Annuities. Immediate.	Annuities. Deferred.
Policies issued and discontinued during the Year 1943							
		£	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Policies in force at 31st December, 1942	96,858	33,388,155	3,620,884	808,460 14 0	3,598 13 7	35,079 5 8	62,918 15 10
New business	5,137	2,674,836	..	56,201 13 7	128 12 5	1,889 8 8	3,450 0 0
Bonus allotted ..	..	..	..	..	..	..	..
Total ..	101,995	36,062,991	3,620,884	864,662 7 7	3,727 6 0	36,968 14 4	66,368 15 10
Policies discontinued during 1943	3,518	1,247,610	176,387	29,746 6 4	-1,597 16 7	1,767 10 10	349 10 0
Total policies in force at 31st December, 1943	98,477	34,815,381	3,444,497	834,916 1 3	5,325 2 7	35,201 3 6	66,019 5 10
Particulars of Policies discontinued during the Year 1943							
How discontinued—		£	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.
By death	872	272,979	69,050	7,746 17 6	52 2 5	1,767 12 10	30 0 0
By maturity.. ..	1,129	288,999	81,753	10,500 9 4	7 4 8	..	..
By surrender ..	509	188,393	13,634	3,417 0 0	18 18 5	..	247 10 0
By change to other tables	29	10,739	1,012	225 8 4	0 8 8	..	72 0 0
By cancellation ..	98	39,254	..	952 13 9	..	..	..
By lapse	881	447,246	10,938	6,903 17 5	-1,676 10 9	—0 2 0	..
Total discontinued during year 1943	3,518	1,247,610	176,387	29,746 6 4	-1,597 16 7	1,767 10 10	349 10 0

Progress of Business of the Government Life Insurance Department since Date of Establishment to 31st December, 1943

	Number.	Sum assured.	Reversionary Bonuses.	Annual Premiums. Ordinary.	Annual Premiums. Extra.	Annuities.
		£	£	£ s. d.	£ s. d.	£ s. d.
Total issued	287,245	87,076,055	9,828,357	2,419,041 6 3	41,896 14 7	233,420 18 8
Total void	188,768	52,260,674	6,383,860	1,584,125 5 0	36,571 12 0	132,200 9 4
Total in force ..	98,477	34,815,381	3,444,497	834,916 1 3	5,325 2 7	101,220 9 4

ACTUARY'S REPORT

ON THE VALUATION OF THE

GOVERNMENT INSURANCE DEPARTMENT

AS AT 31ST DECEMBER, 1943

Presented to both Houses of the General Assembly pursuant to Section 40 of the Government Life Insurance Act, 1908

4th April, 1944.

IN accordance with your instructions, a valuation of the Department's liabilities under its policies has been made as at 31st December, 1943, with the object of ascertaining the net surplus available for distribution amongst the policyholders, and in accordance with section 40 of the Government Life Insurance Act of 1908, and amendments, I have the honour to report as follows:—

The liabilities arise in respect of 98,477 policies assuring, inclusive of bonus additions, the sum of £38,259,878 and £101,220 immediate and deferred annuities per annum; the Office premiums thereon amounting to £840,241 per annum.

The bases adopted for the valuation were as follows:—

(*a*) Endowments: 3 per cent. interest without mortality.

(*b*) Temporary Assurances: The proportion of the premiums corresponding to the unexpired risk.

(*c*) All other classes of assurance: The O^m mortality table with 3 per cent. interest.

(*d*) Annuities: The *a* (*m*) and *a* (*f*) mortality tables with 3 per cent. interest.

The net premium method of valuation was employed in respect of groups (*a*) and (*c*) above, and, in addition to the liability brought out on that basis, reserves were included for future bonuses, immediate payment of claims, and other contingencies, including those likely to arise out of the present war.

The valuation disclosed a total surplus of £517,992, as follows:—

	£
Total funds at 31st December, 1943	12,664,713
Less value of liabilities	12,161,017
Net surplus	503,696
Interim bonus paid during year	14,296
Total surplus	£517,992

I recommend that £19,279 of the net surplus be carried forward, and that £484,417 be divided amongst all participating policies in the form of a compound reversionary bonus on the sums assured and bonuses existing at the valuation date, at the following rates:

	Per Cent. £ s. d.
Policies issued under present premium tables—	
Whole-life assurances and endowment assurances maturing at ages eighty and over	3 10 0
Other endowment assurances	3 0 0
Pure and double endowment assurances	2 10 0
Policies issued under closed premium tables	3 0 0

The above rates apply in respect of policies on which three years' premiums have been paid during the triennium ended 31st December, 1943; proportionate rates apply in respect of policies on which less premiums have been paid during the same period.

S. BECKINGSALE, F.I.A., Actuary.

The Government Insurance Commissioner, Wellington.

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