1946
NEW ZEALAND

ANNUAL REPORT

OF THE

GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31st DECEMBER, 1945

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

Government Insurance Office,
Wellington, 30th May, 1946.

I HAVE the honour to submit the following report upon the transactions of the Department for the year ended 31st December, 1945, and its position at that date. The Revenue Account, Balance-sheet, and Statement of Business are appended.

New Business and Amount of Business in Force.—New business for the year amounted to 8,786 policies, assuring the sum of £4,923,809, the premiums thereon being £108,892 per annum. Twenty-seven annuities were also granted, the purchase-money being £20,251. The total business in force at the end of the year (including immediate, deferred, and contingent annuities for £116,607 per annum) comprises 107,023 policies, bearing an annual premium income of £960,989. The total sum assured is £40,837,857, to which reversionary bonuses amounting to £4,126,420 have been added.

Income.—The total income amounted to £1,561,670, made up as follows: premium income, £996,049; interest income (net), £545,370; annuity-purchase money, £20,251. The total for the year exceeded that for the previous year by £72,004.

Outgoings.—During the year 2,057 policies became claims by the death of the policyholders and by maturity, the payment involved being £772,633. The total amount paid in claims since the inception of the Department amounts to £21,407,803.

Accumulated Funds.—Assurance, annuity, and endowment funds, apart from special reserves of £532,644, now stand at £13,508,403, an increase of £378,685 over the previous year.

Bonus Distribution.—Owing to war conditions no bonus notices were distributed to policyholders last year, but bonuses were allotted for the year ended 31st December, 1944, at the same rates as for the three previous years.

The bonus investigation for the past year has been carried out by the Actuary, and his report discloses a net cash surplus of £214,477, excluding interim bonuses paid during the year. The surplus is sufficient to enable bonuses to be allotted at the same rates as for the past four years. Owing to shortage of staff, however, bonus notices will not be distributed to participating policyholders.

Expense Ratios.—The ratio of expenses to (*a*) total income and (*b*) premium income for 1943, 1944, and 1945 is as follows:—

Ratio of Expenses to	1943.	1944.	1945.
(*a*) Total income	8·15	8·90	10·66
(*b*) Premium income	13·15	14·06	16·37

The increase in 1945 is principally due to the substantial increase in the volume of new business.

General.—The results for the past year have been very satisfactory.

The record new business obtained in 1944 has been eclipsed during the past year, the total written being £1,081,113 in excess of the 1944 figures. The result achieved reflects great credit on our field staff and justifies the efforts being made to more extensively advertise the work of the Department.

A substantial portion of the increased business is due to group and staff superannuation schemes, and it is very gratifying that the Department's progressive methods enable it to compete successfully in this sphere of life insurance.

It is appropriate this year that we should honour and extend our grateful thanks to all the members of the Department's staff who served in the cause of freedom. The majority of those who were in the Armed Forces have now resumed duty, and it is pleasing to find that they are settling down very well. We deeply regret to record that six of our young men lost their lives whilst on service overseas.

In conclusion, I wish to pay a tribute to the excellent work of the staff, many of whom are still carrying out extra duties. Without their loyal co-operation it would have been impossible to maintain the Department's reputation for prompt and efficient service.

J. W. MACDONALD, Commissioner.

Revenue Account of the Government Life Insurance Department for the Year ended 31st December, 1945

	£	£
Amount of funds at 1st January, 1945		13,129,718
Renewal premiums: Assurance, annuity, and endowment, less reinsurance premiums		852,186
New premiums (including instalments of first year's premiums falling due in the year), less reinsurance premiums		100,390
Single premiums: Assurance and endowment		43,473
Consideration for annuities		20,251
Interest, rent, and other income	555,192	
Less property expenses	9,822	
		545,370
		£14,691,388

	£	£
Death claims under assurance policies, including bonus additions		304,972
Endowment assurances matured, including bonus additions		459,723
Endowments matured		7,481
Premiums returned on endowments		457
Bonuses surrendered for cash		1,736
Annuities		35,651
Surrenders		32,882
Loans released by surrender		24,154
Commission, new	72,896	
Commission, renewal	7,173	
		80,069
Contribution to Public Service Superannuation Fund		747
Land and income tax		133,013
Agents' retiring-allowances		2,206
Expenses of management		82,601
War-damage-insurance premiums		792
Property depreciation		6,501
Transfer to Investment Reserve		10,000
Amount of funds at 31st December, 1945		13,508,403
		£14,691,388

Balance-sheet of the Government Life Insurance Department on 31st December, 1945

Liabilities	£	£
Total assurance, annuity, and endowment funds (as per Revenue Account)		13,508,403
Claims admitted, proofs not yet completed		95,594
Annuities		528
Medical fees		573
Premium and other deposits		44,438
Sundry creditors		11,086
Accident and Fidelity Fund		5,000
Investment Reserve Account*		527,644
Sinking funds on local-body loans	3,176	
Interest accrued thereon	39	
		3,215
		£14,196,481

Assets	£	£
Loans on policies		835,349
New Zealand Government securities		4,741,918
Loans to local bodies		2,939,669
Landed and house property		507,613
Mortgages on property		4,498,268
Overdue premiums on policies in force	2,611	
Outstanding premiums due but not overdue	78,924	
		81,535
Overdue interest	2,225	
Outstanding interest due but not overdue	7,860	
Interest accrued but not due	128,053	
		138,138
Sundry debtors		9,745
Office furniture and fittings		1,000
Income-tax paid in advance		49,000
Cash in hand and on current account		394,246
		£14,196,481

* Increased by amount of exchange on loan of £625,900 held in London and now shown in accounts in New Zealand currency.

J. W. MACDONALD, Commissioner.
H. L. RYAN, Secretary.

Government Life Insurance Department,
28th March, 1946.

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.—J. P. RUTHERFORD, Controller and Auditor-General.

Statement of Business for the Year 1945

Year 1945.	Number.	Sum assured.	Reversionary Bonuses.	Annual Premiums. Ordinary.	Annual Premiums. Extra.	Annuities. Immediate.	Annuities. Deferred.
Policies issued and discontinued during the Year 1945							
		£	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Policies in force at 31st December, 1944 ..	101,893	37,318,708	4,027,374	886,495 3 6	5,147 10 4	33,912 16 6	74,524 7 6
New business	8,813	4,923,809	..	108,732 14 10	159 1 5	1,770 11 0	9,390 2 8
Bonus allotted	..	..	299,928	..	..	..	..
Total	110,706	42,242,517	4,327,302	995,227 18 4	5,306 11 9	35,683 7 6	83,914 10 2
Policies discontinued during 1945 ..	3,683	1,404,660	200,882	36,407 10 7	3,138 7 7	534 13 2	2,456 4 8
Total policies in force at 31st December, 1945	107,023	40,837,857	4,126,420	958,820 7 9	2,168 4 2	35,148 14 4	81,458 5 6
Particulars of Policies discontinued during the Year 1945							
How discontinued—		£	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.
By death	779	245,437	62,908	7,226 16 4	55 7 5	1,283 12 10	..
By maturity	1,278	357,578	109,036	15,053 14 8	10 17 11	..	72 0 0
By surrender	743	289,901	19,824	6,572 7 4	24 18 9	..	1,293 5 0
By change to other tables	48	19,446	1,062	414 15 7	..	..	215 5 0
By cancellation	104	48,681	89	1,095 13 3	..	..	..
By lapse	625	249,338	7,963	5,724 8 5	3,040 2 8	—748 19 8	875 14 8
By expiry	106	194,279	..	319 15 0	7 0 10	..	..
Total discontinued during year 1945	3,683	1,404,660	200,882	36,407 10 7	3,138 7 7	534 13 2	2,456 4 8
Progress of Business of the Government Life Insurance Department since Date of Establishment to 31st December, 1945							
		£	£	£ s. d.	£ s. d.	£ s. d.	
Total issued	303,165	95,842,560	10,921,515	2,611,232 16 11	42,206 2 10	257,055 1 2	
Total void	196,142	55,004,703	6,795,095	1,652,412 9 2	40,037 18 8	140,448 1 4	
Total in force	107,023	40,837,857	4,126,420	958,820 7 9	2,168 4 2	116,606 19 10	

J. W. Macdonald, Commissioner.
S. Beckingsale, F.I.A., Actuary.

ACTUARY'S REPORT

ON THE VALUATION OF THE

GOVERNMENT INSURANCE DEPARTMENT

AS AT 31st DECEMBER, 1945

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

29th May, 1946.

In accordance with your instructions, a valuation of the Department's liabilities under its policies has been made as at 31st December, 1945, 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 107,023 policies assuring, inclusive of bonus additions, the sum of £44,964,277 and £116,607 immediate and deferred annuities per annum ; the office premiums thereon amounting to £960,989 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.

The valuation disclosed a total surplus of £219,173, as follows :—

	£
Total funds at 31st December, 1945	13,508,403
Less value of liabilities	13,293,926
Net surplus	214,477
Interim bonus paid during year	4,696
	£219,173

I recommend that £191,344 of the above net surplus 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 undermentioned rates for each full year's premium paid during the year, and that the balance of the net surplus—viz., £23,133—be carried forward:—

	Per Cent. £	s.	d.
Policies issued under present premium tables—			
Whole-life assurances and endowment assurances maturing at ages eighty and over	1	4	0
Other endowment assurances	1	0	0
Pure and double endowment assurances	0	17	0
Policies issued under closed premium tables	1	0	0

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

The Government Insurance Commissioner, Wellington.

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