1949
NEW ZEALAND

ANNUAL REPORT

OF THE

GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31ST DECEMBER, 1948

Presented to Both Houses of the General Assembly Pursuant to the Provisions of the Government Life Insurance Act, 1908

Government Insurance Office,
Wellington, 1st April, 1949.

I HAVE the honour to submit the following report upon the transactions of the Department for the year ended 31st December, 1948, and its position at that date. The Revenue Account, Balance-sheet, and Statement of Business are appended.

New Business and Business in Force.—New business for the year amounted to 13,204 policies, assuring the sum of £8,077,867, the premiums thereon being £185,467 per annum. Thirty-three annuities were also granted, the purchase-money being £37,459. The total business in force at the end of the year (including immediate, deferred, and contingent annuities for £275,809 per annum) comprises 130,971 policies, bearing an annual premium income of £1,331,253. The total sum assured is £57,218,623, to which reversionary bonuses amounting to £4,549,261 have been added.

Income.—The total income amounted to £2,019,991, made up as follows:—

	£
Premium income	1,403,312
Interest income (net)	579,220
Annuity-purchase money	37,459

The total for the year exceeded that for the previous year by £90,210.

Outgoings.—During the year, 1,931 policies became claims either by death of the life assured or by maturity, the payment involved being £731,312. In addition, a sum of £46,794 was paid to annuitants and an amount of £86,952 to holders of policies who cashed bonuses or surrendered their contracts. The total amount returned to policyholders or their representatives since the inception of the Department is now in excess of £29,600,000.

Accumulated Funds.—Assurance, annuity, and endowment funds, apart from special reserves of £505,000, now stand at £15,661,997, an increase of £826,434 on the previous year.

Bonus Distribution.—The bonus investigation carried out by the Actuary discloses a net cash surplus of £271,061, including interim bonuses paid during the year, and this surplus enables bonuses to be allotted for 1948 to all participating policyholders at the same rates as for the previous seven years.

Expense Ratios.—The ratio of expenses to (*a*) total income and (*b*) premium income for 1946, 1947, and 1948 is as follows:—

Ratio of expenses to—	1946.	1947.	1948.
(*a*) Total income	12·13	11·67	12·22
(*b*) Premium income	17·77	16·42	17·13

Expense ratios show slight increases over all as compared with 1947, but these were mainly attributable to the strain imposed by writing a greatly increased volume of new business. The ratios covering management expenses included in the over-all figures showed a slight decrease, despite the high level of everyday costs due to prevailing conditions.

Investments.—The major problem faced by life offices to-day is the continued fall in interest yields on the funds, and this gradual decline has not yet been arrested, though the Department in this respect suffers no greater disabilities than its competitors. The funds are closely invested, and during the year the Department has succeeded in placing a greater proportion of new investments in loans on mortgage of freehold property, yielding a more adequate interest return.

General.—The Department has enjoyed another very satisfactory trading year, new business having again reached a record level, being over £1,000,000 in excess of the record amount written in 1947. The increase in funds of £826,434 is the largest increase registered in any one year and income for the first time has exceeded the £2,000,000 mark. This business is all confined to New Zealand and does not include any industrial insurance, as this type of business is not transacted by the Department, being considered unsuited to the economic needs of the people of this country.

There is an accumulation of evidence that the Department's contracts are meeting with full acceptance with all classes in the community, and further progress has been made in the establishment of group and staff superannuation schemes, which contribute a satisfactory quota towards new-business figures.

The life-insurance service rendered by the Department to the public of New Zealand is second to none, and appreciation is due to all members of the Office and field staff for the excellent work performed throughout the year in maintaining this high standard.

The Department enters on its eightieth year of business with undiminished confidence in its ability to meet any eventuality.

H. L. Ryan, Commissioner.

Revenue Account of the Government Life Insurance Department for the Year Ended 31st December, 1948

	£	£		£	£
Amount of funds at 1st January, 1948		14,835,563	Death claims under assurance policies, including bonus additions		275,136
Renewal premiums: Assurance, annuity, and endowment, less reinsurance premiums		1,135,110	Endowment assurances matured, including bonus additions		447,414
New premiums (including instalments of first year's premiums falling due in the year), less reinsurance premiums		170,161	Endowments matured		7,583
Single premiums: Assurance and endowment		98,041	Premiums returned on endowments		1,179
Consideration for annuities		37,459	Bonuses surrendered for cash		2,802
			Annuities		46,794
			Surrenders		55,209
Interest, rent, and other income	590,047		Loans released by surrender		28,941
Less property expenses and war-damage-insurance premiums	10,827		Commission—		
			New	119,512	
		579,220	Renewal	10,682	
					130,194
			Expenses of management		111,902
			Contributions to Public Service Superannuation Fund		2,775
			Agents' retiring-allowances		1,891
			Land and income tax		50,115
			Property depreciation		8,929
			Provision for income-tax		10,000
			Transfer to investment reserve		12,693
			Amount of funds at 31st December, 1948		15,661,997
		£16,855,554			£16,855,554

Balance-sheet of the Government Life Insurance Department on 31st December, 1948

Liabilities			*Assets*		
		£			£
Total assurance, annuity, and endowment funds (as per Revenue Account)		15,661,997	Loans on policies		761,193
Claims admitted, proofs not yet completed		89,934	New Zealand Government securities		7,645,815
Annuities		362	Loans to local bodies		2,704,026
Medical fees		279	Landed and house property		490,610
Premium and other deposits		43,739	Mortgages on property		4,322,578
Sundry creditors		11,331		£	
Accident and Fidelity Fund		5,000	Overdue premiums on policies in force	4,352	
Provision for income-tax		100,000	Outstanding premiums due but not overdue	82,531	
Investment Reserve Account*		400,000			86,883
	£		Overdue interest	516	
Sinking funds on local-body loans	3,994		Outstanding interest due but not overdue	5,465	
Interest accrued thereon	50		Interest accrued but not due	151,215	
		4,044			157,196
			Sundry debtors		7,946
			Income-tax paid in advance		50,000
			Cash in hand and on current account		90,439
		£16,316,686			£16,316,686

* Decreased owing to adjustment of value of investments held in London consequent on exchange reverting to parity with sterling—book value of these investments written up in 1945 to equivalent of New Zealand currency.

H. L. Ryan, Commissioner.
W. K. Watson, Secretary.

Government Life Insurance Department,
9th March, 1949.

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 1948

Year 1948.	Number.	Sum assured.	Reversionary Bonuses.	Annual Premiums.		Annuities.	
				Ordinary.	Extra.	Immediate.	Deferred.
Policies Issued and Discontinued During the Year, 1948							
	£	£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Policies in force at 31st December, 1947	121,737	50,999,042	4,383,315 18 0	1,188,272 2 5	2,662 17 3	45,366 18 4	187,397 6 8
New business	13,237	8,077,867	..	184,925 14 10	541 2 6	2,847 8 0	56,752 5 8
Bonus allotted	..	..	371,600 8 0	..	..	..	..
Total	134,974	59,076,909	4,754,916 6 0	1,373,197 17 3	3,203 19 9	48,214 6 4	244,149 12 4
Policies discontinued during 1948 ..	4,003	1,858,286	205,655 5 0	45,017 13 10	131 13 0	— 271 15 2	16,827 1 4
Total policies in force at 31st December, 1948	130,971	57,218,623	4,549,261 1 0	1,328,180 3 5	3,072 6 9	48,486 1 6	227,322 11 0
Particulars of Policies Discontinued During the Year 1948							
How Discontinued—		£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
By death	641	233,597	58,698 18 0	7,160 8 10	21 3 3	1,802 16 2	592 10 0
By maturity	1,290	341,675	110,166 18 0	12,296 0 10	19 6 9	..	..
By surrender	990	550,823	25,478 18 0	14,467 4 5	33 17 8	..	12,960 19 0
By change to other tables ..	101	46,628	3,625 4 0	873 10 5	..	..	172 10 0
By cancellation	214	109,655	185 9 0	2,671 7 3	12 1 0	..	..
By lapse and alteration ..	584	289,240	7,499 18 0	7,150 1 2	45 4 4	—2,074 11 4	3,101 2 4
By expiry	183	286,668	..	399 0 11	..	..	..
Total discontinued during year ..	4,003	1,858,286	205,655 5 0	45,017 13 10	131 13 0	— 271 15 2	16,827 1 4
Progress of Business of the Government Life Insurance Department Since Date of Establishment to 31st December, 1948							
		£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	
Total issued	339,162	117,483,873	11,953,628 19 0	3,110,857 18 9	43,595 2 9	452,562 12 2	
Total void	208,191	60,265,250	7,404,367 18 0	1,782,677 15 4	40,522 16 0	176,753 19 8	
Total in force	130,971	57,218,623	4,549,261 1 0	1,328,180 3 5	3,072 6 9	275,808 12 6	

H. L. Ryan, Commissioner.
S. Beckingsale, F.I.A., Actuary.

ACTUARY'S REPORT

ON THE VALUATION OF THE

GOVERNMENT INSURANCE DEPARTMENT

AS AT 31st DECEMBER, 1948

Presented to Both Houses of the General Assembly Pursuant to Section 40 of the Government Life Insurance Act, 1908

Wellington, 5th April, 1949.

In accordance with your instructions, a valuation of the Department's liabilities under its policies has been made as at 31st December, 1948, 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 130,971 policies assuring, inclusive of bonus additions, the sum of £61,767,884 and £275,809 immediate and deferred annuities per annum; the office premiums thereon amounting to £1,331,253 per annum.

The bases adopted for the valuation were as follows:—

(*a*) Endowments: $2\frac{1}{2}$ per cent. interest without mortality.
(*b*) All other classes of assurance: The A1924–29 ultimate table of mortality with $2\frac{1}{2}$ per cent. interest.
(*c*) Annuities: The *a* (*m*) and *a* (*f*) ultimate tables of mortality with 3 per cent. interest.

The net premium method of valuation was employed in respect of groups (*a*) and (*b*) 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 £271,061, as follows:—

	£
Total funds at 31st December, 1948	15,661,997
Less value of liabilities	15,395,928
Net surplus	266,069
Interim bonus paid during year	4,992
	£271,061

I recommend that £250,427 of the above net surplus be divided amongst all participating policies in the form of 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., £15,642—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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