

THE APPORTIONMENT OF THE SURPLUS.

In my preliminary report of the 25th October last, I recommended the substitution of the Compound Reversionary Bonus method of apportioning profits in place of the one formerly in use. That report, which contained detailed reasons for the proposed change, was submitted to the Department's Consulting Actuaries in London, Messrs. R. P. Hardy and George King, who approved of its adoption, and I was instructed to give effect thereto. I have accordingly apportioned £167,932 10s. of the surplus among the participating policyholders, distinguishing between General and Temperance policyholders in regard to profit from favourable mortality in the manner provided for by "The Government Life Insurance Acts Amendment Act, 1890." The result is that policies in the General and Temperance Sections respectively will, on this occasion, receive compound bonuses of 20s. per cent. and 19s. per cent. upon the sum assured and existing bonuses for each year's premium paid since the last valuation, the total reversionary bonuses so allotted amounting to £290,073 15s.

Since the abovementioned Act was passed in 1890, there have been five allotments of bonus: in 1890 and in 1899 the two sections received equal bonuses; in 1893 the Temperance Section had a higher rate of bonus; while in 1896 and on the present occasion the General Section obtained a slight advantage. It does not follow from these results that the vitality of the policyholders composing the Temperance Section is inferior to that of the General Section policyholders. The former section is too small to avoid fluctuations, and contains a large proportion of endowment assurances, from which class of business there accrues less mortality profit than from whole-life policies, of which the General Section is more largely composed.

The bonuses which have been allotted in the manner described will vest immediately, and are generally considerably greater than those granted three years ago. I beg to recommend, in addition, that interim bonuses at the same rates be allotted to all policies entitled to participate which go off the books during the current triennium, whether by death, maturity, surrender, or lapse.

The full details of the valuation and distribution have been arranged in the forms prescribed by "The Government Insurance and Annuities Act, 1874."

In conclusion I may express my opinion that the strong valuation which has been made discloses a very satisfactory position, and that there is every reason to look forward to equally good results being achieved during the current triennium.

Respectfully submitted,

MORRIS Fox,
Actuary.

The Government Insurance Commissioner.

Approximate Cost of Paper.—Preparation not given; printing (3,375 copies), £3 11s. 6d.

By Authority: JOHN MACKAY, Government Printer, Wellington.—1903.

Price, 3d.]