

Premiums.—The premium income shows a satisfactory increase of £59,404 over that of the previous triennium. There was also a considerable increase in the money received for the purchase of annuities.

Interest.—The interest income of £479,702 exceeded by £52,812 the corresponding item of the previous three years. The average rate of interest realised each year for the past six years will be seen from the following :—

	£	s.	d.		£	s.	d.
1900	4	9	3	1903	4	8	5
1901	4	8	5	1904	4	8	2
1902	4	8	6	1905	4	10	4

These figures, which are obtained by finding the rate yielded each year on the mean of the funds at the beginning and end of the year, show that the rate of interest has been more than maintained, and it is evident that a continuance of these favourable conditions will tend to materially augment future profits.

Claims.—The death claims have increased, as might be expected in consideration of the growth of the business, but the rate of mortality experienced has again been extremely favourable, and the surplus has, as usual, derived a considerable accretion from this source. The amount paid on policies which have become claims by survival to maturity has also increased in a perfectly natural manner, the increase being fully provided for in the reserves held by the Department.

Surrenders.—The amount paid under this heading was £124,820, representing a decrease of £31,416, notwithstanding the fact that the extension of the interim bonus principle to surrenders and lapses has increased the amount paid as prospective bonus from £8,674 to £10,873. For the surrender of reversionary bonuses £17,442 was paid in cash, against £28,915 for the previous three years, being a smaller amount than has ever been disbursed under this head since 1890, after which year triennial valuations became the rule. These results are extremely satisfactory in view of the growing amount of business in force and the increasing pressure at which life insurance is now acquired.

Commission and Expenses of Management.—The commission paid during the triennium increased by £6,697, this being partly due to the greater amount of both new and renewal business and partly to the growing difficulty of obtaining new business, already referred to. The expenses of management have shown great steadiness for many years, the amounts involved for the last three triennial periods being £107,724 (1896–99), £108,439 (1899–1902), and £109,690 (1902–5). It must not be inferred from the increase in commission and expenses taken together, however, that the business is now conducted at greater expense than formerly, the exact opposite being the case, as the following table will disclose :—

RATIO OF COMMISSION AND EXPENSES (excluding Taxation).

Year	To Total Income.	To Premium Income.
1890	14·4 per cent.	20·2 per cent.
1893	13·4 "	19·0 "
1896	12·0 "	17·5 "
1899	11·9 "	17·5 "
1902	11·3 "	16·8 "
1905	11·0 "	16·7 "

From this it will be seen that the expense-ratios have consistently diminished since the introduction of triennial valuations, and that they are now materially lower than they were fifteen years ago.

The taxation, not included in the above, has now increased to 3·1 per cent. of the premium income of the Department.

THE VALUATION.

The business to be valued consisted of 45,137 policies, assuring £11,423,067 inclusive of bonus additions, and £49,305 immediate and deferred annuities per annum, the ordinary annual premiums thereon amounting to £316,284. The Department also receives £2,936 per annum, representing additions to the tabular premiums imposed when assurances are effected on lives which are estimated to fall below the requisite standard for any reason. These extra premiums are held to cover the current extra risk, and are not brought into the valuation as an asset.

Basis of Valuation.—Since the last valuation the results of an investigation of the mortality experience of sixty British offices for thirty years, from 1863 to 1893, have been published in the British Life Tables. These new mortality tables doubtless form the most reliable exponent of the mortality of assured lives in Great Britain, and they are being adopted by nearly all British offices. It does not follow, however, that the new table (O^m) must necessarily supersede the old table (H^m) in the case of a New Zealand life office. Indeed, in my opinion the labour and expense involved in a change would not at present be warranted, in the case of this Department, by any compensating advantages, as each of the tables referred to is based on quite a different mortality from that experienced by assured lives in this country, and the additional reserve resulting from the use of the new experience would be barely $\frac{1}{4}$ of 1 per cent. of the H^m liabilities.