

1916.
NEW ZEALAND.

STATE FIRE INSURANCE OFFICE:

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31ST DECEMBER, 1915.

Presented to both Houses of the General Assembly pursuant to the provisions of the State Fire Insurance Act, 1908.

State Fire Insurance Office, Wellington, 10th April, 1916.

I HAVE the honour to present the eleventh annual report on the State Fire Insurance Office, together with Revenue Account and balance-sheet, for the year ended 31st December, 1915.

The year under review established a record for the State Fire Insurance Office in successful underwriting—a record which will be not often surpassed in future years. The net profits exceeded those previously made in any year by 37 per cent. The loss ratio was 38·6 per cent. only of premium income, which is abnormally low. The net premium increase was considerably in advance of that of 1914, notwithstanding an appreciable diminution in building operations and other adverse conditions due to the war. This to my mind is very conclusive evidence of the growing popularity of the Office with the insuring public. Some conception of the magnitude of the Office's operations may be had from the fact that the total cover issued for the year 1915 exceeded seventeen and three-quarter million pounds.

The financial stability of the Office to-day is beyond question. Reserve funds totalling over £116,000 have been accumulated without any financial assistance from the Government beyond the guaranteeing of the first and only issue of £2,000 of debentures raised to enable the Office to commence operations, and which has long since been repaid out of accumulated funds.

Had the State Fire Office accomplished nothing more it would have done well, but its own financial success is quite a minor consideration when compared with the immense amount saved to the people of this Dominion in reduced rates—an amount totalling in eleven years considerably over £2,000,000. Whilst the cost of every necessary of life appears to have increased greatly during the past few years, the cost of fire insurance alone has decreased, due very materially, if not wholly, to the operations of the State Fire Office.

The success of the Office during the past six years has led to favourable consideration being given to further reduction in fire-insurance rates in cities and towns where good water-pressure and efficient fire-fighting appliances have been installed. During the past two years rates have been reduced in the following cities and towns: Parts of Auckland, Wellington, and Christchurch Cities, and Gore Borough, and the whole Boroughs of Hastings, Palmerston North, Waitara, Aramoho, and Gonville. In addition to reductions in cities and towns a very substantial reduction has been made in the rates charged on dairy and cheese factories and creameries throughout the Dominion. On the other hand, a careful review of the tariff has led to some slight increases where the rates have appeared to be insufficient to cover the hazard, but these increases are not appreciable when compared with the reductions above referred to. The principal increase will be found in the reinstatement of the charge of 2s. 6d. to cover cost of reinspection due to removal of goods to other premises, and for endorsements of policies due to removals or to transfers of interests. The charge now made will hardly cover the actual cost of the work, and I think is well justified.

The growth of the reserve funds of the Office has been so rapid during the past few years that it would appear that the time is near when it will be possible to bring into operation those clauses of the State Fire Insurance Act providing for a distribution of surplus profits among the policyholders who have not made claims for losses during the period for which the bonus is allotted. The matter is one requiring very careful consideration in view of the large amount annually underwritten. Our accumulated funds, however, now total over four times the average annual loss for the past four years, which constitutes a very healthy financial position. To just what extent bonuses can be paid depends on future profits and the support accorded the Office by the insuring public which contributes to profit-making. The past six years have been unusually successful, but it can hardly be hoped that the ratio of profits will continue so high in each successive year. The hazardous and fluctuating nature of the business is well demonstrated in the results of the business for the State of New South Wales for the year 1915. The published figures for the whole business of that State, with a premium income at least equal in amount to this country's, show the net loss to be £179,303, or over 20 per cent. for the year. New Zealand may at any time have to face a similar position. It must, however, be noted that the average working-expenses of the companies in New South Wales are 42·98 per cent. of premium income, as compared with this Office's working-expenses of 27·5 per cent.: therefore, with an equal loss ratio to that of New South Wales for 1915 our loss, instead of being 20·36 per cent., would be slightly under 5 per cent.

Owing to the Office having outgrown its present accommodation, and recognizing the immediate necessity for providing suitable office space for its present and future requirements, the State Fire Insurance Board, early in 1915, on my recommendation, determined that the best course to pursue was to provide a permanent home for the Office by the purchase of a suitable area of land and the erection of its own building, ample Office funds being available for this purpose. After very careful and exhaustive inquiry the Board, with the consent of the Government, purchased a section of land having a frontage of 104 ft. 6 in. to Lambton Quay and 83 ft. 10 in. to Waring Taylor Street, at a cost of £25,500. The price paid is undoubtedly not beyond the present value of the land, and the site being one of the finest in the City of Wellington, there is every reason to believe that it has a considerably enhanced prospective value.

An excellent design has been secured for the proposed building, and plans and specifications are being prepared. The building when completed will be of handsome appearance, earthquake and fire resisting to the highest possible extent, and in all respects one of the most modern and up to date in the Dominion. Apart from the present requirements of this Office, there will be a large amount of space available which it is estimated will let at rates which will provide a very satisfactory return for the money expended, thereby securing a profitable investment for a considerable portion of the accumulated funds of the Office.

The work of the Office during 1915 has been carried on under great difficulties owing to some 30 per cent. of our male permanent staff and a number of our agents having gone to the front. It is very creditable to the other members of the staff, many of whom have worked very long hours, that the year's work has been so successfully conducted. The special incentive to extra effort afforded by the bonus-on-profits system, installed some three years ago, continues to make for most excellent results, and I am firmly of the opinion that the amount expended on this system is a splendid investment for the policyholders and is in the best interests of the Office generally.

Following are the particulars of profits, net income, losses, working-expenses, and reserve funds for 1915 as compared with the year 1914.

Profits. The net profits, after appropriating a further sum of £2,608 0s. 10d. to unearned premiums reserve, and a further sum of £1,000 to investment fluctuation reserve, amounted to £25,652 19s. 4d., as compared with £18,660 1s. 2d. for 1914. The total accumulated profits at the close of 1915 amounted to £86,217 16s. 10d., as against £60,564 17s. 6d. for 1914.

Net Income. The net income from all sources amounted to £76,299 11s. 8d., as against £67,693 7s. 11d. for 1914, showing an increase of £8,606 3s. 9d. The net premium income was £71,165 18s. 2d., as against £64,645 16s. 2d. for 1914, an increase of £6,520 2s. The increase for 1914 over 1913 was £5,228 5s.

Losses. The net losses were £27,476 10s. 5d., as compared with £28,109 17s. 5d. for 1914, the ratio to premium income being 38·6 per cent. and 43·5 per cent. respectively.

Working-expenses. The ratio of working-expenses to premium income for 1915 was 27·5 per cent., being exactly the same as for 1914.

Reserve Funds. The reserve funds at close of 1915 amounted to £116,684 4s. 2d., and for 1914 £87,123 1s., showing the very substantial increase of £29,261 0s. 2d.

C. R. C. ROBIESON,
General Manager.

REVENUE ACCOUNT OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED
31ST DECEMBER, 1915.

	£	s.	d.		£	s.	d.
Premiums after deduction of reinsurances	71,165	18	2	Losses by fire (after deduction of reinsurances)	27,476	10	5
Other receipts—Interest, commission, and rent	5,133	13	6	Appropriated to reserve for unearned premiums (in addition to £25,858 6s. 6d. already reserved)	2,608	0	10
				Investments Fluctuation Reserve Fund	1,000	0	0
				Commission	6,548	16	9
				Salaries	7,762	7	0
				Contributions to Fire Boards under the Fire Brigades Act, 1908	1,321	1	5
				Expenses of management—			
				Travelling-expenses	383	7	8
				Printing, stationery, and advertising	814	15	9
				Rent	1,001	12	1
				Exchange	17	14	0
				Postages, telegrams, cable-grams, and sundry charges	1,365	5	10
				Office equipment written off	347	0	7
					3,929	15	11
				Profit for the year appropriated to Reserve Fund	25,652	19	4
					£76,299	11	8
					£76,299	11	8

17th February, 1916.

C. R. C. ROBIESON,
General Manager.

Examined and found correct. R. J. COLLINS, Controller and Auditor-General.

