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STATE FIRE INSURANCE OFFICE.

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31st DECEMBER, 1917.

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

State Fire Insurance Office, Wellington, 1st June, 1918.

I HAVE the honour to present the thirteenth Annual Report of the State Fire Insurance Office, together with Revenue Account and Balance-sheet for the year ended 31st December, 1917.

The year under review has proved the most successful one in the history of the Office. Taking the figures on the same basis as previous year—i.e., free of income-tax—the profits are the highest yet made, and the increase in gross income is also greater than in any previous year. The exceptionally large increase in income, however, is due largely to war conditions and may be expected to prove more or less temporary. The work has been carried on under great difficulties owing to depletion of trained staff. It is now being found almost impossible to continue the absolutely necessary activities of the Department. Of the present staff of seventy-two, fifty-four are cadets and temporary officers with little or no experience of the higher branches of the work. Of a pre-war trained and partially trained male staff of fifty-five only eighteen remain. Seven of these have been medically rejected for military service, and three are returned soldiers unfit for further active service. At the same time the total sum assured has risen from £16,000,000 in 1914 to £22,000,000, and in addition the Department has carried on the Imperial Government war insurance scheme and other war work, involving a considerable amount of work and attention.

The gross surplus for the year amounted to £40,610 6s. 10d., of which £13,923 19s. 6d. has to be paid in income-tax on 1916 profits, leaving a balance of £26,686 7s. 4d. This sum has been allocated as follows: Unearned Premiums Reserve, £3,084 18s. 1d.; Investment Fluctuation Reserve, £1,000; leaving a net profit of £22,601 9s. 3d. The net income amounted to £91,380 13s., an increase of £8,686 1s. 2d. over the previous year.

The assets of the Office at the close of the year stood at £208,220, as compared with £166,880 at close of 1916.

Investments total £152,608, and of this sum £55,000 was invested in war bonds during the past year. Since the close of the year a further £30,000 has been invested in war bonds, making a total of £85,000, in addition to £13,923 paid in income-tax.

The loss ratio is 32 per cent., which, notwithstanding the Dannevirke and other serious conflagrations, is exceptionally low, and considerably less than the average loss ratio for the whole Dominion. It cannot be expected that this low loss ratio will be maintained. The history of fire insurance shows great fluctuations, and the State Fire Office is bound to experience these fluctuations in common with other like businesses. Already there is evidence of a backward swing of the pendulum, due chiefly to the disastrous bush-fire conflagration of Raetihi, which occurred early this year. Losses are also occurring which could be avoided were there sufficient trained staff available to give proper supervision to the business. If the profits of the past three years could be regarded as stable, then obviously the rates charged to the insuring public would be capable of considerable reduction. Overinsurance, which I have dealt with in several previous reports, is still a very unhealthy factor in fire-insurance business generally.

Following are the particulars of profits, net income, losses, working-expenses, and funds for 1917 as compared with the year 1916:—

Profits.—The net surplus (inclusive of income-tax charges, which are this year levied for the first time), after appropriating a further sum of £3,084 18s. 1d. to Unearned Premiums Reserve, and a further sum of £1,000 to Investment Fluctuation Reserve, amounted to £36,525 8s. 9d., as compared with £35,697 5s. 6d. for 1916. The total accumulated profits at the close of 1917 amounted to £144,516 11s. 7d., as against £121,915 2s. 4d. for 1916.

Net Income.—The net income from all sources amounted to £91,380 13s., as against £82,694 11s. 10d., for 1916, showing an increase of £8,686 1s. 2d. The net premium income was £85,321 7s., as against £77,609 1s. 10d. for 1916, an increase of £7,712 5s. 2d.

Losses.—The net losses were £27,302 4s. 11d., as compared with £21,897 14s. 2d. for 1916, the ratio to premium income being 32 per cent. and 28·22 per cent. respectively.