

CONSOLIDATED REVENUE ACCOUNT.

Triennium ending 31st December, 1917.		Previous Triennium.	Triennium ending 31st December, 1917.		Previous Triennium.
	£	£		£	£
Funds at beginning of triennium ..	5,033,884	4,699,970	Death claims	722,586	485,688
Renewal premiums ..	1,050,081	986,253	Matured claims	486,537	433,855
New premiums	84,273	89,689	Annuities paid	56,421	53,269
Consideration for annuities ..	35,580	39,264	Surrenders	156,280	166,724
Interest	774,482	700,918	Bonuses surrendered for cash ..	17,394	18,694
Fees	..	22	Commission	66,583	72,045
			Taxes	49,013	46,947
			Expenses	124,462	129,552
			Investment reserves	99,704	75,458
			Funds at end of triennium..	5,199,320	5,033,884
Totals	£6,978,300	£6,516,116	Totals	£6,978,300	£6,516,116

Income.—The chief item of importance on the income side, besides a substantial increase in the premiums, is the revenue from interest, which exceeds by £73,564 the interest earnings of the previous three years. The average rate of interest realized each year for the past six years has been as follows:—

Rate of Interest (deducting Taxes from Interest).

	£	s.	d.		£	s.	d.
1912	4	7	11	1915	4	11	1
1913	4	8	10	1916	4	15	1
1914	4	10	7	1917	4	16	3

These figures were obtained by dividing the interest, less land and income tax, by the mean of the funds at the beginning and end of the year, and they show that the net rate of interest earned on the Department's investments has materially increased.

Outgo.—The claims show an increase of £236,898, of which £224,073 represents claims on the lives of soldiers on foreign service and others who died abroad and whose deaths are directly attributable to the war. For the first time in the history of the Department, and for the reason indicated, the rate of mortality for the triennium has exceeded that assumed in the valuation.

The sum paid to the holders of endowment assurance or endowment policies who survived the selected terms amounted to £486,537, and illustrates how popular this form of investment has now become.

Commission and expenses of management show a reduction of over £10,000, and for the year ended 31st December, 1917, amount to 9·3 per cent. of the total income less taxes, as compared with 11·2 per cent. for the corresponding year of the previous triennium.

THE VALUATION.

The business to be valued consisted of 53,058 policies, assuring £14,188,774, inclusive of bonus additions, and £22,123 immediate and deferred annuities per annum, the ordinary annual premiums thereon amounting to £374,210. The Department also receives £13,102 per annum representing additions to the tabular premiums, mainly imposed on policies recently effected to cover active military service abroad. These extra premiums are assumed to cover the current year's extra risk, and are not brought into the valuation as an asset.

Basis of Valuation.—The net premium method of valuation has been strictly adhered to, whereby the whole margin of loading has been reserved as a provision for future expenses. The H^m Table of Mortality, with 3½ per cent. interest, has been used for assurances, and the British Offices Life Annuity Tables (1893), using 3 per cent. interest, for annuities.

The value of the total liability under the several contracts is ..	£ 8,371,093
Deduct the value of the future net premiums	3,388,485
	4,982,608
The ACCUMULATED FUNDS (after making further provision of £99,704 towards the Investment Reserve Fund) are	5,199,320
Difference, being excess of assets over liability, or GROSS SURPLUS at 31st December, 1917	£216,712

THE SURPLUS.

Of the surplus, £216,712 (which does not include the interim bonuses paid during the triennium, amounting to £19,770), I recommend that £11,421 be carried forward, and that £205,291 be divided amongst all the participating policyholders in the form of a uniform reversionary bonus per cent. on the sum assured and existing bonuses for each premium paid since the previous valuation.