

Income.—On the income side, the augmented new business is reflected by the increase of £52,360, or 62 per cent., in new premiums. The total premium increase amounts to £112,441. The consideration for annuities has increased by £21,071, or 59 per cent., and the interest income by £49,712, as compared with 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.
1915	...	...	4	11	1	1918	...	...	4	13	8
1916	...	...	4	15	1	1919	...	...	5	2	4
1917	...	...	4	16	2	1920	...	...	4	19	2

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.

Outgo.—The death claims of the triennium were abnormally high, though showing but a slight increase over the preceding triennium. They include claims amounting to £132,465 due to war service, and £96,000 to the influenza epidemic, total £228,465. Taking the period from the commencement of the war to 31st December, 1920, the total claims due to the war and the epidemic amount to £453,514, a sum that might constitute a serious strain upon an institution lacking the solidity of the Department.

The sum paid to the holders of endowment assurance or endowment policies who survived the selected terms amounted to £543,621, and illustrates how popular this form of investment has now become.

THE VALUATION.

The business to be valued consisted of 57,321 policies, assuring £16,259,310, inclusive of bonus additions, and £24,159 immediate and deferred annuities per annum, the ordinary annual premiums thereon amounting to £447,152. The Department also receives £1,920 per annum representing additions to the tabular premiums. 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	...	9,481,073	
Deduct the value of the future net premiums	...	4,177,225	
		5,303,848	
The Accumulated Funds are	...	5,542,552	
Difference, being excess of assets over liability, or Gross Surplus at 31st December, 1920	...	£238,704	

THE SURPLUS.

Of the surplus, £238,704 (which does not include the interim bonuses paid during the triennium, amounting to £18,320), I recommend that £20,998 be carried forward, and that £217,706 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.

After giving due consideration to the more favourable mortality in the Temperance Section, the result is that the General and Temperance Sections respectively will receive compound bonuses of 20s. per cent. and 21s. 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 £339,388. The compound bonus of 20s. per cent. in the General Section is equivalent to a simple bonus commencing at 20s. per cent. per annum to new policies, and increasing with the duration of the contracts to 35s. per cent. per annum in the case of the older policies.

In conclusion I would point out that, as the valuation has been made at a rate of interest 1½ per cent. below that earned, to say nothing of the sums transferred from time to time to the Investment Fluctuation Reserve, totalling £288,686, of which little short of the whole will ultimately be available for re-transfer, the position can be regarded as very strong.

A complete valuation statement, prepared in accordance with the Government Life Insurance Act, 1908, is given on page 9.

Respectfully submitted,

PERCY MUTER,
Actuary.

The Government Insurance Commissioner.

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