*Basis of Valuation.*—Assurances were valued by the O$^{M}$ Table of Mortality, and annuities by the *a* (*f*) and *a* (*m*) Annuity Tables, based upon the mortality of British annuitants, 1900–20, 3 per cent. interest being used in each case. The valuation premiums were arrived at by deducting from the Office premiums a reasonable margin of loading for future expenses, and in no case was the resultant liability of any policy less than that which would be given by the "net premium" method of valuation.

| | £ |
|---|---|
| The value of the total liability under the several contracts is ... | 12,458,617 |
| Deduct the value of the future net premiums ... ... ... | 5,875,825 |
| | 6,582,792 |
| The *accumulated funds* are ... ... ... ... | 7,029,584 |
| Difference, being *net surplus* at 31st December, 1926 ... | 446,792 |
| Add interim bonuses paid during the triennium ... | 29,457 |
| Gross surplus ... ... ... | £476,249 |

THE SURPLUS.

Of this surplus of £476,249 the sum of £29,457 has been applied as shown above. Of the balance of £446,792 I recommend that £16,429 be carried forward, and that £430,363 be divided amongst all the participating policyholders in the form of compound reversionary bonuses per cent. on the sum assured and existing bonuses for each premium paid since the previous valuation. This will provide new reversionary bonuses of approximately £664,400.

As laid down by the Act, I have made a careful investigation of the General and Temperance Sections separately, and I find that for the triennium under review no differentiation should be made between the rates of bonus to be allotted to similar classes of policy under the two sections.

After making allowance for the difference between the present rates of premium and those charged prior to 1900 (hereafter referred to as the "old issue"), and for the experience of the various classes of assurance, the resulting scale of compound reversionary bonuses per cent. on the sum assured and existing bonuses will be as follows for policies paying three full years' premiums during the the triennium, viz.,—

| | £ s. d. |
|---|---|
| Whole-life and endowment assurances (present issue) ... | 5 0 0 per cent. |
| Whole-life and endowment assurances (old issue)... ... | 4 16 0 per cent. |
| Double endowments (closed series) ... ... ... | 4 0 0 per cent. |
| Pure endowments and double endowments (new series) ... | 3 12 0 per cent. |

In order to illustrate the effect of the compound reversionary bonus system I may add that in respect of those policies paying three years' premiums during the triennium, whole-life and endowment assurance contracts, which constitute the bulk of the business, will receive simple reversionary bonuses ranging from £5 to £9 per cent. of the sum assured according to the duration of the policy.

Policies entering during the triennium will receive bonuses in the same proportion to the above rates that the number of years' premiums paid during the triennium bears to the full three years' premium.

The rates of bonus now allotted are very much in excess of any declared in the past, and the progress made during the triennium under review is very well illustrated by the following comparison with the three previous triennums :—

| Triennium. | Cash Surplus divided. | | New Reversionary Bonuses allotted. | |
|---|---|---|---|---|
| | Amount. | Increase over Preceding Triennium. | Amount. | Increase over Preceding Triennium. |
| | £ | £ | £ | £ |
| 1924–26 ... ... | 430,363 | 112,800 | 664,400 | 187,400 |
| 1921–23 ... ... | 317,563 | 99,857 | 477,000 | 137,612 |
| 1918–20 ... ... | 217,706 | 12,415 | 339,388 | 17,298 |
| 1915–17 ... ... | 205,291 | ... | 322,090 | ... |

It will be seen that compared with the preceding triennium the increase in the amount of cash surplus divided moved from £12,415 in 1920 to £99,857 in 1923 and to £112,800 in 1926; and, further, that in the short space of six years since 1920 the new bonuses allotted have been practically doubled. These results, read in conjunction with the valuation basis, which is probably stronger than that of any Australasian life office, cannot fail to be very gratifying to policyholders.

C. GOSTELOW, F.I.A., Government Actuary.

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