

REPORT.

1. MOTOR-VEHICLES INSURANCE (THIRD-PARTY RISKS) ACT, 1928.

For the year ended 31st May, 1931, forty-one insurance concerns gave the prescribed notice to undertake business under the Act, and carried on business accordingly. The premiums for that year, excluding, of course, any relating to the 1931–32 licensing year, amounted to £248,656 6s. 5d., after taking into account adjustments between the insurance concerns and the insured on account of extra premiums and refunds due to changes in the classification of the vehicle and the cancellation of registrations. The commission of the Post and Telegraph Department, at the rate of 6d. per transaction, amounted to £5,791 13s., leaving a balance of £242,864 13s. 5d.

Claims settled during the year, including costs, amounted to £98,454 8s. 1d., while the liability in respect of outstanding claims at the 31st May, 1931 (including costs), was estimated by the concerns carrying on the third-party business at £122,865 17s. 10d. Assuming that this estimated liability will eventuate, this means that the total payments on account of compensation (including costs) will amount to £221,320 5s. 11d., or 91·13 per cent. of the net total of premiums received.

For the two years ended 31st May, 1931, the premiums collected amounted to £489,287 4s. 2d.; the commission of the Post and Telegraph Department amounted to £11,416 0s. 4d., leaving a balance of £477,871 3s. 10d.

The amounts involved in the settlement of claims and the estimated liability in respect of claims outstanding for the years ended 31st May, 1930 and 1931, are given hereunder:—

	£	s.	d.
1. Year ended 31st May, 1930—			
(a) Claims paid	182,313	18	9
(b) Estimated liability in respect of outstanding claims ..	20,012	15	3
2. Year ended 31st May, 1931—			
(a) Claims paid	98,454	8	1
(b) Estimated liability in respect of outstanding claims ..	122,865	17	10
Total	£423,646	19	11

The amount of estimated liability in respect of outstanding claims for the 1929–30 year as at the 31st May, 1930, was apparently underestimated, as outstanding claims amounting to £97,354 0s. 3d. were actually paid by the 31st May, 1931, while there still remained at that date an estimated liability in respect of outstandings of £20,012 15s. 3d.

Assuming that the estimated liabilities will eventuate, this means that the total payments on account of compensation (including costs) will amount to 88·65 per cent. of the net total of premiums received for the two years.

Attention is specially directed to the fact that the statistics cover the period of two years only and must be interpreted with the utmost caution. It is quite impossible to state to what extent they represent normal or abnormal conditions. Experience over a longer period is the only way of ascertaining figures that will be typical of the third-party business in all its ramifications. The developments of the scheme are being closely studied with a view to ensuring that due equilibrium is maintained between premiums and benefits, but definite conclusions cannot be reached until more experience has been recorded.

It is of interest to note that the percentage ratio of claims actually paid (including costs) to premiums for all classes of insurance undertaken in accordance with the provisions of the Accident Insurance Companies Act, 1908—accident (including motor accidents), disease, employers' liability, &c.—was 54·03, 57·98, 60·62, 58·68, and 61·66 per cent. respectively for the five calendar years ending with 1930. As the outstanding claims for any particular year would be paid during the succeeding or subsequent years, these figures are comparable, up to a point, with those for the third-party business alone, which show corresponding percentage ratios at 86·09 and 91·13 per cent. for 1930 and 1931, and a ratio of 88·65 per cent. for those years combined.

CHANGES IN PREMIUM RATES.

Notwithstanding the lack of conclusive data regarding the general level of the premiums, the results of the experience up to the 31st December, 1931, recorded by the third-party risks pool, which comprises organizations which account for approximately 90 per cent. of the whole of the third-party risks business, showed the following results:—

- (a) That the annual premium (15s.) payable in respect of motor-cycles was too low, having regard to the risk involved in connection with these vehicles.