1932.
NEW ZEALAND.

STATE FIRE INSURANCE OFFICE.

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31st DECEMBER, 1931.

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 September, 1932.

I have the honour to submit the twenty-seventh annual report of the State Fire Insurance Office for the year ended 31st December, 1931, with the Revenue Account and Balance-sheet.

The following are the comparative figures for the last three years :—

	1929.	1930.	1931.
Income—	£	£	£
Premiums	217,990	221,909	216,007
Other receipts, less land-tax and bad debts	41,003	49,508	49,496
Profit on realization of investments	..	794	..
Outgo—			
Bonus rebate to policyholders	27,208	27,001	26,187
Claims	75,316	90,001	112,932
Working-expenses (exclusive of income-tax and Fire Board contributions)	52,194	52,624	50,479
Fire Board contributions	7,709	8,027	7,927
Income-tax	15,746	21,153	26,152
Cash stolen or burnt, Hawke's Bay earthquake	..	..	26
	Per Cent.	Per Cent.	Per Cent.
Ratio of claims to premium income	34·55	40·56	52·28
Ratio of working-expenses (exclusive of income-tax and Fire Board contributions) to premium income	23·94	23·71	23·38
Ratio of Fire Board contributions to premium income	3·54	3·62	3·67
Ratio of income-tax to premium income	7·22	9·53	12·11
	£	£	£
Carried to reserve for uncarned premiums	2,542	1,567	..
Surplus, apportioned as follows :—	£	£	£
Payment to Treasury under section 5, Finance Act, 1931 (No. 2)	..	..	2,612
Bad Debts Reserve	..	..	500
Written off Office premises	4,000	5,000	10,000
Investment Fluctuation Reserve Fund	6,000	6,000	7,000
Reserve Fund	57,276	45,336	21,687
Reinsurance Reserve Fund	10,000	15,000	..
Bonus Rebate Reserve	1,000	500	..
Total	£78,276	£71,836	£41,799
Reserves and funds at 31st December	£821,090	£889,494	£918,682

The published accounts of most insurance companies for the period under review show a severe contraction of income, due to prevailing economic conditions, and the consequential fall in premiums payable to the State Fire Office is no more than was to be expected. The application of reduced rates because of improved fire-fighting conditions in areas in which the Department has considerable business also contributed to the reduction shown. The surplus of £39,187 (after paying to the Treasury the 10 per cent. reduction in salaries under section 5 of the Finance Act, 1931 (No. 2)), was derived from income from investments, there being a loss in the underwriting account of £7,695. This was entirely due to the decision to make *ex gratia* payments to policyholders whose property was destroyed by fire resulting from the Hawke's Bay earthquake, but who had no legal claim against the Office. That the Office is able to show a surplus under the extraordinary circumstances affords justification of the prudent policy steadily pursued for many years past of building up reserves out of profits.

As regards reserves, economic conditions, as well as the risks attaching both to the business of fire and earthquake insurance and to investments confined to one country, indicate that it will be necessary to continue to add to them, so far as surpluses permit and the proper regulation of rates allows, for a period which at present cannot be determined. On a steady adherence to this policy also rests the best safeguard for the public against increases in rates.

Criticism is not infrequently expressed regarding the present system of indemnity insurance, under which an insured does not necessarily in the event of total loss recover the full amount for which he is insured, but only up to the actual loss which he has sustained ; and it has even been suggested that legislation is desirable compelling payment of the full amount of any policy, irrespective of value. It may be commented that the present form of contract generally meets public needs. No well-conducted insurance office seeks to over-insure, and in most cases reasonable precautions against over-insurance are undertaken when the insurance is effected. The present margin in premiums, however, is not sufficient to cover the cost of the more frequent expert revaluations which would be necessary if payment up to the full amounts of all policies were made obligatory. The contract, therefore, could not be extended as has been suggested, except by a general increase in premiums, which in the aggregate would absorb a sum greatly in excess of any loss of premium sustained by a comparative few as a consequence of their property being over-insured. Also it may be added that there is at least as much responsibility on an insured to see that over-insurance does not exist as rests upon an insurance office to avoid over-insurance. Even more important, perhaps, is the objection that if policies after a fire were worth the full amount of the insurance, irrespective of the value of the destroyed property, a very strong incentive would be afforded to dishonestly inclined people to make a profit by procuring fires. Consequent on the decline in values which has occurred recently, the Office is taking steps to specially reinspect its risks, with a view to reduction where necessary.

The rebate for the year was 12½ per cent., and cost the Office £26,187. Since 1923 the aggregate saving to the insuring public of the Dominion as a consequence of the declaration annually of State Fire rebates has amounted to the large sum of £2,300,000.

Contrary to what is sometimes stated, the Office not only pays income-tax, but, according to the published returns of the Government Statistician, has paid for years past more in tax than any other fire-insurance office. In 1931 the amount paid (£26,152) constitutes a record. This sum is in addition to the levy under section 5 of the Finance Act, 1931 (No. 2), to which insurance companies are not subject.

I desire to take this opportunity of expressing thanks to the staff of the Office for the excellent work they have performed throughout the year under unusually difficult competitive conditions. Particularly would I mention the Napier Branch manager and staff, who, after the destruction of the Office building with its records in the fire following the earthquake, voluntarily remained in the locality to attend to Office requirements. Their cheerful assistance given under trying circumstances was most praiseworthy.

J. H. Jerram, General Manager.

Revenue Account of the State Fire Insurance Office for the Year ended 31st December, 1931.

	£ s. d.	£ s. d.
Premiums after deduction of reinsurances ..		216,007 5 10
Other receipts — Interest, commission, and rent	49,968 7 7	
Less bad debts written off and land-tax	472 5 8	
		49,496 1 11
		£265,503 7 9

	£ s. d.	£ s. d.
Bonus rebate to policyholders		26,187 5 5
Losses by fire and earthquake (after deduction of reinsurances) and including *ex gratia* payments, Hawke's Bay earthquake		112,931 19 10
Income-tax		26,151 10 11
Commission		9,814 4 2
Salaries		25,739 7 4
Contribution to Public Service Superannuation Fund		636 19 9
Contributions to Fire Boards under the Fire Brigades Act, 1908		7,926 13 9
Expenses of management—		
Travelling-expenses	2,134 2 8	
Printing, stationery, and advertising	1,202 11 1	
Rent	1,800 8 0	
Exchange	46 5 8	
Postages, telegrams, cablegrams, and sundry charges.. ..	4,388 19 2	
		9,572 6 7
Cash stolen or burnt, Hawke's Bay earthquake..		26 3 4
Office equipment		1,512 5 5
Office premises—Depreciation		3,203 19 7
		223,702 16 1
Payment to New Zealand Treasury under section 5, Finance Act, 1931 (No. 2)		2,612 18 3
Investments Fluctuation Reserve Fund ..		7,000 0 0
Bad Debts Reserve		500 0 0
Office premises—Written off		10,000 0 0
Amount of fire-insurance funds at end of year ..		21,687 13 5
		£265,503 7 9

Balance-sheet of the State Fire Insurance Office on the 31st December, 1931.

Liabilities.

	£ s. d.	£	s.	d.
Capital authorized by the State Fire Insurance Act, 1908	100,000			
Less not raised	100,000			
		Nil.		
Bad Debts Reserve		500	0	0
Reserve Fund		689,730	15	2
Investments Fluctuation Reserve Fund ..		29,000	0	0
Reserve for unearned premiums		88,763	19	8
Bonus Rebate Reserve		29,000	0	0
Reinsurance Reserve Fund		60,000	0	0
Premium and other deposits		1,301	0	11
Outstanding fire and earthquake losses.. ..		9,109	0	0
Government taxes		26,151	10	11
Sundry creditors		5,423	8	7
Other amounts owing by the Office—	£ s. d.			
Reinsurance premiums due ..	13,728 17 11			
Commission	1,844 2 0			
Printing stationery, and advertising	14 10 4			
Postages and sundry charges ..	1,221 15 6			
		16,809	5	9
Fire-insurance funds, as per Revenue Account ..		21,687	13	5
		£977,476	14	5

Assets.

	£ s. d.	£ s. d.	£	s.	d.
Government war-loan securities			112,140	11	3
Other Government securities			284,950	0	0
Local-authority securities			131,149	14	5
Rural Advances bonds			14,175	0	0
Rural Intermediate Credit bonds			20,000	0	0
Fixed deposits and at short call			150,000	0	0
Land and buildings			191,376	13	5
Outstanding premiums			10,408	3	4
Interest accrued but not due			11,217	2	6
Interest overdue			49	10	0
Rent accrued or due..			222	17	8
Rent overdue			125	3	4
Cash in Bank of New Zealand at Wellington, or in transit to Wellington		51,341 9 4			
Imprest Account balances—					
Head Office ..	67 17 5				
Auckland ..	0 1 0				
Hamilton ..	0 0 4				
New Plymouth ..	90 19 8				
Palmerston North..	41 4 10				
Napier	16 17 10				
Nelson	44 8 10				
Christchurch ..	0 0 9				
Timaru	3 11 7				
Dunedin ..	0 11 6				
Invercargill ..	54 15 5				
		320 9 2			
			51,661	18	6
			£977,476	14	5

2nd April, 1932.

J. H. Jerram, General Manager.
C. B. Redward, Accountant.

I hereby certify that the Revenue Account and Balance-sheet have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—G. F. C. Campbell, Controller and Auditor-General.

Approximate Cost of Paper.—Preparation, not given; printing (1,765 copies), £4 10s.

By Authority: W. A. G. Skinner, Government Printer, Wellington.—1932.

Price 3d.]