1936.
NEW ZEALAND.

STATE FIRE INSURANCE OFFICE.

ANNUAL REPORT OF THE GENERAL MANAGER FOR THE YEAR ENDED 31ST DECEMBER, 1935.

Presented to both Houses of the General Assembly pursuant to the Provisions of the State Fire Insurance Act, 1908.

State Fire Insurance Office, Wellington, 8th July, 1936.

I HAVE the honour to submit the thirty-first annual report of the State Fire Insurance Office, for the year ended 31st December, 1935, with the Revenue Account and Balance-sheet.

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

	1933.	1934.	1935.
Income—	£	£	£
Premiums	201,351	200,581	199,898
Other receipts, less land-tax	42,906	43,750	39,303
Premium on conversion of securities	..	45	329
Outgo—			
Bonus rebate to policyholders	30,060	41,211	41,233
Claims	49,005	54,751	53,151
Working-expenses (exclusive of income-tax and Fire Board contributions)	51,340	53,073	53,779
Fire Board contributions	7,968	7,940	7,994
Income-tax	33,912	34,929	23,641
	Per Cent.	Per Cent.	Per Cent.
Ratio of claims to premium income	24·34	27·3	26·59
Ratio of working-expenses (exclusive of income-tax and Fire Board contributions) to premium income	25·5	26·46	26·9
Ratio of Fire Board contributions to premium income	3·96	3·96	4·0
Ratio of income-tax to premium income	16·84	17·41	11·83
	£	£	£
Carried to reserve for unearned premiums	..	..	..
Surplus, apportioned as follows:—			
Payment to Treasury under section 5, Finance Act, 1931 (No. 2)	3,484	871	..
Written off Office premises	29,700	26,000	27,000
Investment Fluctuation Reserve Fund	15,000	..	..
Reserve Fund	3,788	25,601	2,731
Bonus Rebate Reserve	20,000	..	30,000
Total	£71,972	£52,472	£59,731
Reserves and funds at 31st December	£991,087	£1,016,688	£1,049,420

1. Despite extreme competition and an increasing restriction in the sources of insurance business open to the State Fire Office, due to the action of many mortgagees and solicitors requiring borrowers to insure elsewhere, the support given to the State Fire Office continues to be well maintained. While there has been a steady decline in the aggregate of premiums paid to all insurance offices for each year since the peak year of 1930—the decrease between that year and 1934 being 14·7 per cent.—the percentage of premiums received by the State Fire Office has increased in the same period from 12·75 per cent. to 13·33 per cent. of the total. Comparative figures for 1935 are not yet available, but the indications are that the relative advance in public support continues.

2. One aspect of competition which it may be permissible to touch upon in this report is that the value of the security behind the policy contract does not always receive proper consideration by the person who is about to insure; yet security such as a State Fire policy affords is the fundamental purpose of insurance. It is perhaps not recognized as it should be that protective legislation at present does not prevent insurance institutions which may be financially weak from soliciting business on superficially attractive terms.

3. The State Fire Office has now been established for thirty-one years, and has paid in claims the large sum of £1,667,000. It was the first competitive State Fire Office in the world, and started with a borrowed capital of £2,000, long since repaid with interest. As an immediate consequence of its operations, rates were reduced by an average of 25 per cent., and since 1923 premiums have been further reduced through the declaration annually of State Fire rebates. The total saving to the people of the Dominion as a direct result of the competition of the State Fire Office is estimated at not less than £13,500,000.

Throughout its history the State Fire Office has shown results, particularly as regards loss-ratio and expenses of management, which compare favourably with the very best achieved by its competitors.

In the face of the keenest competition the State Fire Office has built up the largest fire premium income in the Dominion, and is gradually accumulating substantial reserves, which are essential if the Office is to render its fullest service to the community in providing both fire and earthquake insurance at the lowest cost.

4. It is with much pleasure that I record a continuance of enthusiastic and loyal assistance from all members of the staff, whose service to the public maintains the reputation of the Office on a high level.

J. H. Jerram, General Manager.

Revenue Account of the State Fire Insurance Office for the Year ended 31st December, 1935.

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
Premiums after deduction of reinsurances		199,898 7 2	Bonus rebate to policyholders		41,233 6 2
Premium on conversion of securities		328 12 4	Losses by fire and earthquake (after deduction of reinsurances)		53,151 0 4
Other receipts—			Income-tax		23,641 1 6
Interest, commission, and rent	39,659 0 6		Commission		8,479 19 6
Less land-tax	356 2 6	39,302 18 0	Salaries		28,742 10 7
			Contribution to Public Service Superannuation Fund		533 13 8
			Contribution to Fire Boards under the Fire Brigades Act, 1908		7,994 2 9
			Expenses of management—		
			Travelling-expenses	2,796 8 4	
			Printing, stationery, and advertising	1,453 18 7	
			Rent	1,440 3 3	
			Exchange	42 19 0	
			Postages, telegrams, cablegrams, and sundry charges	4,063 14 9	9,797 3 11
			Office equipment		3,015 13 1
			Office premises: Depreciation		3,210 0 0
					179,798 11 6
			Bonus Rebate Reserve		30,000 0 0
			Office premises—Written off		27,000 0 0
			Amount of fire-insurance funds at end of year		2,731 6 0
		£239,529 17 6			£239,529 17 6

Balance-sheet of the State Fire Insurance Office on the 31st December, 1935.

Liabilities.	£ s. d.	£ s. d.	*Assets.*	£ s. d.	£ s. d.
Capital authorized by the State Fire Insurance Act, 1908	£ 100,000		Government securities		540,807 8 2
Less not raised	100,000	Nil	Local-authority securities		189,227 5 8
			Rural Advances bonds		14,175 0 0
			Fixed deposits and at short call		187,000 0 0
Bad Debts Reserve		1,500 0 0	Land and buildings		131,276 13 11
Reserve Fund		742,941 18 5	Outstanding premiums		10,499 3 9
Investments Fluctuation Reserve Fund		59,000 0 0	Interest accrued but not due		11,020 12 2
Reserve for Unearned Premiums		104,246 9 11	Rent accrued or due		3,076 8 8
Bonus Rebate Reserve		79,000 0 0	Rent overdue		26 8 7
Reinsurance Reserve Fund		60,000 0 0	Cash in Reserve Bank of New Zealand at Wellington, or in transit to Wellington	51,533 1 0	
Premium and other deposits		922 1 7	Imprest Account balances: Head Office and branches	305 13 7	51,838 14 7
Outstanding fire and earthquake losses		2,054 0 0			
Government taxes		48,641 1 6			
Sundry creditors		25,353 11 6			
Other amounts owing by the Office—					
Reinsurance premiums due	8,265 1 3				
Commission	1,414 12 4				
Printing, stationery, and advertising	13 15 3				
Postages and sundry charges	2,863 17 9	12,557 6 7			
Fire-insurance funds, as per Revenue Account		2,731 6 0			
		£1,138,947 15 6			£1,138,947 15 6

J. H. Jerram, General Manager.

3rd July, 1936. L. H. Osborn, Deputy General Manager.

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 (1,804 copies), £3 15s.

By Authority: G. H. Loney, Government Printer, Wellington.—1936.

Price 3d.]