

Expense Ratios and Rate of Interest.—The ratio of expenses to (a) total income and (b) premium income, and the effective rate of interest (after the deduction of taxes) earned on the funds for 1934, 1935, and 1936 are as follows :—

Ratio of expenses to				1934.	1935.	1936.
(a) Total income	..	..	..	7·51	8·62	9·17
(b) Premium income	..	..	..	11·68	13·39	14·01
Net effective rate of interest	..	..	..	£4 8s. 10d.	£4 6s. 9d.	£4 5s. 7d.

The expense ratios must be regarded as very satisfactory in view of the fact that the new business (and consequently the commission payable) was the highest in the history of the Department.

General.—Summarizing the results for the year :—

- (1) The new business was again the highest ever transacted by the Department in any one year.
- (2) The total income increased by £64,150.
- (3) Claims increased by £43,084.
- (4) Total funds increased by £373,638.
- (5) Profits divided amounted to £227,527.

In my report of last year I made reference to the conservative policy adopted in the investment of the Department's funds. Advances are now being freely made on first-class securities, and it is expected that the whole of the Department's funds will shortly be invested at a rate which will show a reasonable return to policyholders. While the surplus earnings of all life-insurance offices have been affected by the unusual economic conditions, it is safe to say that the Department has more than held its own in the difficult times of recent years, and that policyholders need have no misgivings as to the value and soundness of their insurance contracts.

During the year, legislation was obtained enabling the Department to reduce the rate of interest on all existing and new policy loans to 5 per cent. So far as we are aware the Department's rate now is lower than that of any other office carrying on business in New Zealand. At the same time, the mortgage-of-policy form was amended so that, in future, borrowers will always pay whatever happens to be the current rate of interest.

A new form of table mortgage in connection with loans on mortgage was also introduced during the year. Under the new system table loans are granted for terms of ten, fifteen, twenty, twenty-five, or thirty years. At the end of each period of five years the rate of interest is reviewed, and, if there has been any change in the Department's current rate of interest, the capital outstanding under the mortgage is converted into a fresh table loan for the balance of the term at the new rate of interest. Mortgagors are also given the right to repay the whole or a part of the loan at the end of each period of five years. The idea underlying the innovation is that the borrowers will pay, and the Department will obtain, the ruling current rate of interest. The new mortgage has met with a splendid response, and it seems possible that it will be adopted as the standard form of table mortgage.

In conclusion, I should like to pay a tribute to the good work done by all members of the staff (both office and field). It is due to their efficiency, zeal, and loyalty that the Department holds such a high position in the keenly competitive field of life insurance.

W. E. ARNOLD, Commissioner.