1937.
NEW ZEALAND.

ANNUAL REPORT

OF THE

GOVERNMENT INSURANCE COMMISSIONER

FOR THE YEAR ENDED 31st DECEMBER, 1936.

Presented to both Houses of the General Assembly pursuant to the Provisions of the Government Life Insurance Act, 1908.

Government Insurance Office, Wellington, 17th April, 1937.

I have the honour to submit the following report upon the transactions of the Department for the year ended 31st December, 1936, and its position at that date. The Revenue Account, Balance-sheet, and Statement of Business are appended.

New Business and Amount of Business in Force.—New business for the year amounted to 8,337 policies, assuring the sum of £2,863,801, the premiums thereon being £66,769 per annum. Eighty-two annuities were also granted, the purchase-money being £56,502. The total business in force at the end of the year (including immediate, deferred, and contingent annuities for £81,527 per annum) comprises 74,691 policies, bearing an annual premium income of £670,433. The total sum assured is £23,761,253, to which reversionary bonuses amounting to £3,136,722 have been added.

Income.—The total income amounted to £1,184,700, made up as follows: Premium income, £719,197; interest income (net) £409,001; annuity-purchase money, £56,502. The total for the year exceeded that for the previous year by £64,150.

Outgoings.—During the year, 1,602 policies became claims by the death of the policyholders and by maturity, the payment involved being £534,558. The toal amount paid in claims since the inception of the Department amounts to £15,295,337.

Accumulated Funds.—Assurance, Annuity, and Endowment Funds, apart from special reserves of £444,393, now stand at £9,952,311, an increase of £373,638 over the previous year.

Investments.—On the 31st December, 1936, the total assets of the Department amounted to £10,474,030, and were invested as follows:—

Class of Investment.	Percentage of Total Assets.
Mortgages of freehold property	37·2
Government securities, including rural advances bonds	32·5
Loans on policies	11·8
Local-body debentures	11·3
Miscellaneous assets	4·9
Landed and house property	2·3

Annual Bonus Distribution.—The usual bonus investigation was carried out by the Actuary, and his report, appended hereto, discloses a net surplus of £248,574 (excluding interim bonuses paid during the year) in respect of this year. Of this sum, £227,527 was allotted in the form of compound reversionary bonuses upon the sum assured and existing bonuses, the total reversionary bonuses thus allotted amounting to £369,083.

The bonus at the increased rate declared last year has been maintained. Since the inception of the Department in 1870, £5,088,931 in cash has been distributed by way of bonus, the corresponding additions to the sums assured being £8,463,650.

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.

Revenue Account of the Government Life Insurance Department for the Year ended 31st December, 1936.

	£	s.	d.	£	s.	d.
Amount of funds at 1st January, 1936 ..				9,578,672	11	7
Renewal premiums—Assurance, annuity, and endowment, less reinsurance premiums				599,322	18	2
New premiums (including instalments of first year's premiums falling due in the year) less reinsurance premiums				57,869	9	10
Single premiums—Assurance and endowment				62,004	5	5
Consideration for annuities				56,502	2	4
Interest, rent, and other income ..	434,941	15	4			
Less land and income tax, £24,645 7s. 5d.; property expenses, £1,295 8s. 7d.	25,940	16	0			
				409,000	19	4
				£10,763,372	6	8

	£	s.	d.	£	s.	d.
Death claims under assurance policies, including bonus additions ..				202,757	15	0
Endowment assurances matured, including bonus additions				320,651	16	0
Endowments matured				10,853	17	0
Premiums returned on endowments ..				294	14	5
Bonuses surrendered for cash ..				9,124	18	4
Annuities				31,489	6	1
Surrenders				40,689	15	8
Loans released by surrender				85,431	7	6
Commission, new* ..	45,916	5	2			
„ renewal	4,728	19	8			
				50,645	4	10
Contribution to Public Service Superannuation Fund				727	12	2
Expenses of management—						
Salaries	39,414	18	4			
Extra clerical assistance	526	9	6			
Medical fees and expenses	2,061	13	6			
Travelling-expenses	676	8	0			
Advertising ..	802	8	0			
Printing and stationery	1,593	16	1			
Rent	4,659	15	1			
Postage and telegrams	1,802	18	11			
Exchange	28	8	11			
Audit fees ..	325	0	0			
General expenses ..	5,421	12	2			
				57,313	8	6
Property depreciation				1,081	13	1
Amount of funds, 31st December, 1936				9,952,310	18	1
				£10,763,372	6	8

* Including agents' allowances.

Balance-sheet of the Government Life Insurance Department on 31st December, 1936.

Liabilities.	£	s.	d.	£	s.	d.
Total assurance, annuity, and endowment funds (as per Revenue Account)				9,952,310	18	1
Claims admitted, proofs not yet completed				43,781	9	6
Annuities				590	8	0
Medical fees				273	0	0
Premium and other deposits ..				12,480	2	7
Sundry creditors				9,001	13	9
Accident and Fidelity Fund ..				5,000	0	0
Investment Fluctuation Reserve ..				439,392	14	6
Sinking funds on local body loans ..	11,041	18	8			
Interest accrued thereon	157	14	10			
				11,199	13	6
				£10,474,029	19	11

Assets.	£	s.	d.	£	s.	d.
Loans on policies				1,235,647	13	9
New Zealand Government securities ..				3,403,545	0	0
Loans to local bodies				1,187,289	13	2
Landed and house property ..				242,092	3	7
Landed and house property (leasehold)				1,373	4	6
Mortgages on property				3,901,032	4	6
Properties acquired by foreclosure ..				35,786	2	9
Overdue premiums on policies in force ..	4,210	10	2			
Outstanding premiums due but not overdue	53,501	19	10			
				57,712	10	0
Overdue interest ..	28,794	7	9			
Outstanding interest due but not overdue	13,897	10	4			
Interest accrued but not due	94,809	12	5			
				137,501	10	6
Sundry debtors				1,483	15	4
Income-tax paid in advance				20,000	0	0
Cash in hand and on current account ..				250,566	1	10
				£10,474,029	19	11

W. E. Arnold, Commissioner.

J. W. Macdonald, Secretary.

Government Life Insurance Department.

The Audit Office, having examined the Revenue Account and Balance-sheet, and compared them with the relative books, documents, and securities, hereby certifies them to be in accordance therewith.

J. H. Fowler,
Controller and Auditor-General.

Statement of Business

YEAR 1936.	TOTAL. No.	TOTAL. Sum assured.	TOTAL. Reversionary Bonuses.	TOTAL. Annual Premiums. 1. *Ordinary.* 2. *Extra.*	TOTAL. Annuities. 1. *Immediate or entered upon.* 2. *Deferred.*	*Whole-life and Term Assurances.* No.	*Whole-life and Term Assurances.* 1. Sum assured. 2. Deferred Annuity.	*Whole-life and Term Assurances.* Reversionary Bonuses.	*Whole-life and Term Assurances.* Annual Premiums. 1. *Ordinary.* 2. *Extra.*
POLICIES ISSUED AND DISCON-									
		£	£	£ s. d.	£ s. d.		£	£	£ s. d.
Policies in force at 31st December, 1935	69,982	22,050,276	3,001,016	636,811 6 2 1,560 3 4	30,144 14 3 38,927 5 2	10,171	4,136,624 30,333 12s. p.a.	530,544	103,199 7 2 567 3 8
New business	8,419	2,863,801	..	66,666 5 8 102 7 2	5,039 7 2 11,199 2 8	1,626	765,316 8,935 4s. p.a.	..	15,152 5 3 61 3 4
Bonus allotted ..	..	..	350,381	..	..	..	..	40,075	..
Total.. ..	78,401	24,914,077	3,351,397	703,477 11 10 1,662 10 6	35,184 1 5 50,126 7 10	11,797	4,901,940 39,268 16s. p.a.	570,619	118,351 12 5 628 7 0
Policies discontinued during 1936	3,710	1,152,824	214,675	34,563 6 6 144 0 8	2,554 15 1 1,228 14 2	555	268,754 964 16s. p.a.	45,966	5,559 4 8 34 13 3
Total policies in force at 31st December, 1936	**74,691**	**23,761,253**	**3,136,722**	**668,914 5 4** **1,518 9 10**	**32,629 6 4** **48,897 13 8**	11,242	4,633,186 38,304 p.a.	524,653	112,792 7 9 593 13 9
PARTICULARS OF POLICIES DISCON-									
How discontinued.									
By Death	521	151,274	55,464	4,586 2 6 19 10 6	2,626 0 11 ..	234	77,107	36,019	1,808 1 10 9 4 0
Maturity	1,109	254,495	74,424	10,164 2 7 22 10 0	..	..	..	..	..
Surrender	1,032	321,233	51,256	9,734 0 0 61 9 7	.. 288 0 0	88	44,499 144 p.a.	4,849	1,047 0 3 4 15 0
Change to other Tables	69	27,101	2,070	650 7 10 10 4 0	.. 192 12 4	24	10,049 144 p.a.	88	149 17 5 8 19 3
Cancellation ..	105	35,583	139	917 16 11 0 10 0	..	13	7,474	14	135 5 11 0 10 0
Lapse	874	363,138	31,322	8,510 16 8 29 16 7	−71 5 10 748 1 10	196	129,625 676 16s. p.a.	4,996	2,418 19 3 11 5 0
Total discontinued during year 1936	**3,710**	**1,152,824**	**214,675**	**34,563 6 6** **144 0 8**	**2,554 15 1** **1,228 14 2**	555	268,754 964 16s. p.a.	45,966	5,559 4 8 34 13 3
PROGRESS OF BUSINESS OF THE GOVERNMENT LIFE INSURANCE									
Total issued	237,343	67,235,057	8,094,654	2,016,027 10 0 40,859 18 8	192,116 17 0	55,789	19,056,467 41,212 16s. p.a.	2,511,704	491,752 2 7 18,794 16 8
Total void	162,652	43,473,804	4,957,932	1 347,113 4 8 39,341 8 10	110,589 17 0	44,547	14,423,281 2,908 16s. p.a.	1,987,051	378,959 14 10 18,201 2 11
Total in force ..	**74,691**	**23,761,253**	**3,136,722**	**668,914 5 4**	**81,527 0 0**	11,242	4,633,186 38,304 p.a.	524,653	112,792 7 9
Extra Premiums	..	..	..	1,518 9 10	..	..	..	..	593 13 9
				£670,432 15 2					£113,386 1 6

NOTE.—The "ordinary" premium is the premium charged

at End of Year 1936.

ASSURANCES. Endowment Assurances. No.	1. Sum assured. 2. Deferred Annuity.	Reversionary Bonuses.	Annual Premiums. *1. Ordinary.* *2. Extra.*	Annuity Assurances. No.	1. Sum assured. 2. Reversionary Bonuses.	Annuities. *1. Immediate or entered upon.* *2. Deferred.*	Annual Premiums.	ANNUITIES. No.	Annual Premiums.	Annuities. *1. Immediate or entered upon.* *2. Deferred.*	SIMPLE ENDOWMENTS, INVESTMENTS, ETC. No.	1. Sum assured. 2. Reversionary Bonuses.	Annual Premiums. *1. Ordinary.* *2. Extra.*
TINUED DURING THE YEAR 1936.													
	£	£	£ s. d.		£	£ s. d.	£ s. d.		£ s. d.	£ s. d.		£	£ s. d.
55,117	16,018,348 7,290 p.a.	2,446,240	511,110 4 9 979 1 8	21	4,997 1,677	248 19 4 1,093 13 2	184 9 2	472	35 15 6	29,895 14 11 210 0 0	4,201	1,890,307 22,555	22,281 9 7 13 18 0
5,447	1,417,727 2,232 p.a.	..	44,797 8 5 37 7 10	..	50	.. 1 18 8	4 8 0	82	..	5,039 7 2 30 0 0	1,264	680,708 ..	6,712 4 0 3 16 0
..	..	307,636	..	..	117	..	..	..	..	..	..	2,553	..
60,564	17,436,075 9,522 p.a.	2,753,876	555,907 13 2 1,016 9 6	21	5,047 1,794	248 19 4 1,095 11 10	188 17 2	554	35 15 6	34,935 2 1 240 0 0	5,465	2,571,015 25,108	28,993 13 7 17 14 0
2,871	795,931 144 p.a.	165,954	27,594 4 4 108 2 5	1	100 184	71 5 10 119 18 2	19 8 6	28	..	2,626 0 11 ..	255	88,039 2,571	1,390 9 0 1 5 0
57,693	16,640,144 9,378 p.a.	2,587,922	528,313 8 10 908 7 1	20	4,947 1,610	320 5 2 975 13 8	169 8 8	526	35 15 6	32,309 1 2 240 0 0	5,210	2,482,976 22,537	27,603 4 7 16 9 0
TINUED DURING THE YEAR 1936.													
251	69,867	19,445	2,729 4 5 10 6 6	..	..	..	..	28	..	2,626 0 11 ..	8	4,300	48 16 3
1,046	245,845	72,122	9,834 12 6 22 10 0	.. ..	.. 133	..	..	..	..	..	63	8,650 2,169	329 10 1 ..
878	251,534 144 p.a.	46,406	8,265 8 2 56 14 7	..	.. 1	..	..	..	..	..	66	25,200	421 11 7
42	15,952	1,932	485 4 11 1 4 9	1	100 50	.. 48 12 4	.. 5 6 4	..	..	..	2	1,000	9 19 2
84	24,759	125	741 3 2	..	..	..	..	..	..	..	8	3,350	41 7 10
570	187,974	25,924	5,538 11 2 17 6 7	..	..	−71 5 10 71 5 10	14 2 2	..	..	..	108	45,539 402	539 4 1 1 5 0
2,871	795,931 144 p.a.	165,954	27,594 4 4 108 2 5	1	100 184	−71 5 10 119 18 2	19 8 6	28	..	2,626 0 11 ..	255	88,039 2,571	1,390 9 0 1 5 0
DEPARTMENT SINCE DATE OF ESTABLISHMENT TO 31st DECEMBER, 1936.													
167,053	44,209,760 10,612 16s. p.a.	5,517,161	1,451,834 12 5 22,025 5 6	1,131	179,150 9,159	60,174 19 6	9,364 18 9	1,467	888 2 2	80,116 5 6	11903	3,789,680 56,630	62,187 14 1 39 16 6
109,360	27,569,616 1,234 16s. p.a	2,929,239	923,521 3 7 21,116 18 5	1,111	174,203 7,549	58,879 0 8	9,195 10 1	941	852 6 8	47,567 4 4	6,693	1,306,704 34,093	34,584 9 6 23 7 6
57,693	16,640,144 9,378 p.a.	2,587,922	528,313 8 10	20	4,947 1,610	1,295 18 10	169 8 8	526	35 15 6	32,549 1 2	5,210	2,482,976 22,537	27,603 4 7 ..
..	..	..	908 7 1	..	..	..	..	..	..	..	..	..	16 9 0
			£529,221 15 11				£169 8 8		£35 15 6				£27,619 13 7

at the true age; the "extra" the additional premium charged for any reason whatsoever.

W. E. Arnold, Commissioner.
S. Beckingsale, F.I.A., Actuary.

ACTUARY'S REPORT

ON THE VALUATION OF THE

GOVERNMENT INSURANCE DEPARTMENT

AS AT 31ST DECEMBER, 1936.

Presented to both Houses of the General Assembly pursuant to Section 40 of the Government Life Insurance Act, 1908.

Wellington, 10th May, 1937.

In accordance with your instructions, a valuation of the Department's liabilities under its policies has been made for the year ended 31st December, 1936, with the object of ascertaining the net surplus available for distribution amongst the policyholders, and in accordance with section 40 of the Government Life Insurance Act of 1908, and amendments, I have the honour to report as follows:—

The liabilities arise in respect of 74,691 policies assuring, inclusive of bonus additions, the sum of £26,897,975, and £81,527 immediate and deferred annuities per annum; the Office premiums thereon amounting to £670,433 per annum.

The bases adopted for the valuation were as follows:—

(*a*) Endowments: 3 per cent. interest without mortality.
(*b*) Temporary Assurances: The proportion of the premiums corresponding to the unexpired risk.
(*c*) All other Classes of Assurance: The O^{m} mortality table, with 3 per cent. interest.
(*d*) Annuities: The $a^{(m)}$ and $a^{(f)}$ mortality tables, with 3 per cent. interest.

The net premium method of valuation was employed in respect of groups (*a*) and (*c*) above, and, in addition to the liability brought out on that basis, reserves for future bonuses, immediate payment of claims, and other contingencies were included.

The valuation has disclosed a total surplus of £253,256, as follows:—

	£
Total funds at 31st December, 1936	9,952,311
Less value of liabilities	9,703,737
Net surplus	248,574
Interim bonus paid during year	4,682
Total surplus	£253,256

As required by the Act, surplus arising from favourable mortality has been investigated separately for the General and Temperance Sections, the result indicating that the same rates of bonus should be allotted to policies of the same class in both sections.

I accordingly recommend that the following rates of compound reversionary bonus be declared on the sum assured and existing bonuses in respect of each full year's premium paid during the year:—

Policies issued under Present Premium Tables.

	Per Cent. £	s.	d.
Whole-life assurances, and long-term endowment assurances maturing at ages 80 and over	2	0	0
Other endowment assurances	1	15	0
Double endowment assurances and pure endowments	1	5	0

Policies issued under Premium Tables which have been closed.

	£	s.	d.
Whole-life and endowment assurances	1	15	0
Double endowments	1	10	0

The above bonuses will absorb the sum of £227,527, and I recommend that the balance of the net surplus—£21,047—be carried forward.

S. Beckingsale, F.I.A., Actuary.

The Government Insurance Commissioner, Wellington.

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