

1. The premium income for 1938 increased by £17,775 over that for 1937 and is the largest increase secured in any year since 1926.

2. Under the graduated system of bonuses out of profits instituted in 1936, the total sum credited during the year 1938 to policyholders was £37,746, as against £33,379 for the previous year. This represents the equivalent of an average bonus of over 22 per cent. of the amount of renewal premiums, on which bonuses are credited.

3. The aggregate saving to the insuring public directly and indirectly brought about through the establishment and operation of the State Fire Office since its inception was referred to in my last report as amounting to not less than £15,500,000 at the end of 1937, and the year under review has increased that immense figure.

4. The loss ratio for the year is the lowest recorded in the history of the Office. This remarkable result follows a steady decline in loss ratio extending now over several years, but it is hardly to be expected that equally satisfactory underwriting figures will continue indefinitely. Fire losses appear to occur in cycles. It is not easy to explain what are the conditions which determine these cycles, but they seem to be rather of an economic than of a physical nature. While improvements in fire-fighting facilities are to some extent responsible for the reduction, these improvements cannot be credited with the very noticeable decline during the last few years in losses in country areas where previously much money was lost by all insurance offices, including the State Fire Office. There cannot be any doubt that people are, consciously or unconsciously, exercising greater care than formerly to prevent fire.

5. Earthquake insurance is increasingly sought by the public. This tendency is, I believe, worthy of encouragement in the national interest in order to avoid the serious financial dislocation which is inevitable when loss from earthquake occurs without insurance protection. Prudence, however, puts a limit to the amount of risk which can be underwritten by this Office with present reserves plus reinsurance facilities, and for many years to come it will be sound policy to carry to reserves whatever surpluses it may be practicable to provide from profits.

6. Working-expenses show a slight reduction, but the cost of Fire Board contributions, which are levied on a flat basis without regard to underwriting results, are a very heavy charge on premiums. There was an increase in Fire Board expenditure during the 1933-37 period of 41·73 per cent., with a coincident reduction in premiums in Fire Board areas of 7·45 per cent. As a consequence, the percentage disbursed by insurance offices in contributions to Fire Boards out of premiums collected from Fire Board areas has risen from 6·92 per cent. in 1933 to 11·18 per cent. in 1937, and still rises. Out of every pound paid for insurance cover in Fire Board districts, more than 2s. 2d. is a tax paid for fire protection, while, in addition, insurance offices bear the whole cost of collection, including agents' commission. The substantial sum of £10,491 was paid in Fire Board contributions by the State Fire Office during 1938.

7. The recently published statistics of fire insurance for 1937 reveal the State Fire Office as again by far the largest taxpayer among fire-insurance offices operating in the Dominion. In the year mentioned the State Fire Office expended £37,412 in taxes, the next largest taxpayer contributing £7,683.

8. I desire to place on record appreciation of the work of the staff of the Office in achieving the very satisfactory results recorded in the accounts.

J. H. JERRAM, General Manager.