1939.
NEW ZEALAND.

ACCIDENT INSURANCE BRANCH OF THE STATE FIRE INSURANCE OFFICE

(ANNUAL REPORT ON THE) FOR THE YEAR ENDED 31ST DECEMBER, 1938.

Presented to both Houses of the General Assembly pursuant to Section 22 of the Government Accident Insurance Act, 1908.

State Fire Insurance Office, Wellington, 31st March, 1939.

I HAVE the honour to submit the thirty-eighth annual report of the Government Accident Insurance Office for the year ended 31st December, 1938, together with the Revenue Account and Balance-sheet.

The following comparison with the previous two years shows the position briefly:—

	1936.		1937.		1938.	
Income—	£	£	£	£	£	£
Premiums from all classes of accident insurance	113,649		147,719		202,279	
Interest	15,111		15,837		18,082	
Profit on realization of securities	1,012		132		486	
		129,772		163,688		220,847
Outgo—						
Free-year bonus on personal accident policies	286		269		327	
Claims	76,471		99,502		140,806	
Working-expenses (exclusive of income-tax) ..	23,156		30,118		32,994	
Carried to reserve for unearned premiums ..	7,941		17,035		31,649	
Income-tax	6,622		5,417		6,066	
		114,476		152,341		211,842
Surplus, apportioned as follows:—						
Investment Fluctuation Reserve	..		..		9,000	
Reinsurance Reserve	10,000		10,000		..	
Reserve Fund	5,296		1,347		5	
		15,296		11,347		9,005
Total		129,772		163,688		220,847
Reserves and funds as at 31st December ..	403,697		432,080		472,734	
Ratio of claims (all classes of business) to premium income	Per Cent. 67·29		Per Cent. 67·36		Per Cent. 69·61	
Ratio of working-expenses (exclusive of income-tax) to premium income	20·37		20·39		16·31	
Ratio of underwriting surplus to premium income	5·1		0·54		*1·73	

* Deficit.

1. In 1937 the total premium income and also the increase over the previous year constituted records for the Office. Both these records have been broken by the figures for 1938. The increase in premiums for the year was no less than £54,560.

2. The aggregate underwriting results show a deficit of 1·73 per cent., due to loss on the substantial revenue derived from insurance under the provisions of the Motor-vehicles Insurance (Third-party Risks) Act, 1928. Increases in premiums under the above Act have since been authorized by Order in Council. The benefit derivable from the new premiums, however, accrues only from the beginning of the new licensing year, viz., 1st June, 1939; thus unpayable results are likely to extend well into the current year. All other branches of accident business provided a margin of profit. The underwriting deficit is more than covered by interest from investments, and the year ended with a surplus of £9,005 7s.

3. Following the decision of Government that the increased liabilities under the Workers' Compensation Amendment Act, 1936—referred to in detail in my 1936 report—were, if possible, to be borne by the State Accident Branch without an increase in rates, the Office continues to underwrite

workers' compensation risks at rates less than are generally charged by competitors. This added liability reduces the previous narrow margin available in premiums for working-expenses much below usual competitive requirements, and industry benefits thereby as though an actual reduction in rates had been brought about by the State Accident Office. While many employers recognize this by giving the Office all their business, others, unfortunately, approach the Office only when they are in difficulties for insurance cover. Every risk unacceptable to competitors seems to find its way to the State Accident Office. While the Office recognizes a special obligation to meet the requirements of employers, the burden of an undue proportion of the more hazardous and non-payable risks on its books places it at a disadvantage comparatively with insurance carriers who pick and choose risks from the purely profit-making point of view.

4. Comprehensive motor-vehicle insurance with its high accident frequency and the increased cost of repairs made particularly heavy demands upon the judgment, experience, and tact of officers during the year. The State Accident Office initiated in 1935 and has since maintained a policy contract of insurance more generous than is generally available elsewhere, and offers it at a lower premium. The volume of business induced to the Office by these advantages continues to be very great.

5. Owing to the fact that increased business was greater in the second half of the year than in the first, an increased percentage for unearned premium reserve has been provided in the accounts.

6. A total of 7,693 claims, or 2,347 more than in the previous year, under all accident headings was handled by the Office during 1938, including 51 "unidentified motorists" claims, and, in addition, for the seventh successive year the Office dealt with the settlement of claims on the Employment Division of the Labour Department free of administrative cost to that Department.

7. It is again pleasing to record the unstinted service rendered by officers of the Accident Branch during an exceptionally busy year.

J. H. JERRAM, General Manager.

REVENUE ACCOUNT OF THE ACCIDENT BRANCH OF THE STATE FIRE INSURANCE OFFICE FOR THE YEAR ENDED 31ST DECEMBER, 1938.

	£ s. d.	£ s. d.		£ s. d.
Premiums after deduction of reinsurances		202,279 10 0	Free-year bonus on personal accident policies	327 1 5
Interest	18,082 4 5		Claims	140,806 1 1
Less land and income tax	6,066 2 6		Commission	7,179 0 3
		12,016 1 11	Salaries	18,699 16 5
Profit on realization of securities		485 18 7	Contribution to Public Service Superannuation Fund	194 3 7
			Expenses of management	6,920 14 3
			Further appropriation to reserve for unearned premiums	31,649 6 3
				205,776 3 3
			Further appropriation to Investment Fluctuation Reserve	9,000 0 0
			Amount of Accident Funds, 31st December, 1938	5 7 3
		£214,781 10 6		£214,781 10 6

BALANCE-SHEET OF THE ACCIDENT BRANCH OF THE STATE FIRE INSURANCE OFFICE AS ON THE 31ST DECEMBER, 1938.

Liabilities.	£ s. d.	*Assets.*	£ s. d.
Accident funds, as per Revenue Account	5 7 3	Government securities	212,515 0 0
Outstanding accident claims	102,510 0 0	Local-authority securities	214,480 18 11
Government taxes	6,341 0 0	Rural Advances bonds	4,725 0 0
Commission	1,503 0 1	Property under agreement for sale and purchase	3,980 0 0
Premiums and other deposits	1,049 0 0	Fixed deposits and at short call	32,620 0 0
Sundry creditors	155 0 0	Interest accrued but not due	4,147 16 10
Reinsurance premiums due	524 15 3	Agents' balances	10,855 6 11
Officers' Fidelity Fund	500 0 0	Sundry debtors, including Motor-vehicles Insurance (Third-party Risks) Act pool	80,619 0 1
Reserve for unearned premiums	105,508 19 9	Cash in hand on current account	20,873 17 4
Investment Fluctuation Reserve	50,000 0 0		
Reinsurance Reserve	40,000 0 0		
Bad Debts Reserve	1,000 0 0		
Reserve Fund constituted under section 6 of the Government Accident Insurance Amendment Act, 1924	275,719 17 9		
	£584,817 0 1		£584,817 0 1

14th June, 1939.

J. H. JERRAM, General Manager.
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.—J. H. FOWLER, Controller and Auditor-General.

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