

Alliance Assurance Company

REPORT, ACCOUNTS AND BALANCE SHEET FOR THE YEAR 1898

With Report on the Actuarial Valuation of the Assets and Liabilities of the Life Assurance Account of the Company for the Quinquennium ending 31 December, 1898, submitted to the Members at the Annual General Court, held at the Head Office of the Company, Bartholomew Lane, in the City of London, on Wednesday, the 8th day of March, at 12 o'clock, at noon.

The Directors have pleasure in submitting to the Members the following Report, Accounts and Balance Sheet.

LIFE DEPARTMENT.—In the year 1898, 1,672 Policies were issued for a total sum of £1,295,715. After deducting the amount reassured with other Offices there remain a net sum assured of £1,057,215, on which the new Premiums amounted to £42,325.

The Net Premium Income amounted to.....	£322,943	18	11
Annuity Consideration.....	27,358	6	6
Interest (less Income Tax) on the Life Funds.....	111,621	15	2
Registration Fees.....	132	15	2
Total.....	£462,056	15	9

The Claims, Surrenders, Annuities, and Cash Bonuses amounted to.....£250,986 7 11

Expenses of Management (including Agency Commission and £8 13s. 11d. in Bad Debts), being 10 per cent. of the net Life Premium Income.....	32,294	8	0
	283,280	15	11

Surplus on the year's Account.....£178,775 19 10

With the year 1898 ends the fifteenth quinquennial term of the Company, and the following is a short summary of the Life business transacted in the term (1894 to 1898 inclusive):—

Number of Life Policies issued, 7,610	
Gross amount assured under New Life Policies.....	£5,733,409
Average amount of each Policy, a fraction over.....	£753
Net Premiums received on New Policies and Renewals.....	£1,398,319 12 10
Amount of Annuity Considerations received.....	171,434 18 9
Interest (less Income Tax) and Registration Fees.....	501,389 5 7
Total Income.....	£2,071,143 17 2

Claims under Life Policies.....	£994,565 0 1
Annuities paid.....	39,436 17 6
Surrender of Policies and Bonuses.....	74,121 9 7
Expenditure, Commission and Bad Debts.....	144,481 17 11
Applied in writing down the value of the Company's Premises.....	8,577 17 9
Transferred to Profit and Loss Account the Members' Share of profits in the Quinquennium 1889 1893.....	55,000 0 0
	1,316,183 2 10

Excess of Income over Outgoings in the Life Department for the Quinquennium.....£754,960 14 4

ACTUARIAL INVESTIGATION.—The following is an extract from the Actuary's Report to the Directors:—

"I beg to report that I have now completed my investigation into the financial position of the Company in respect of its contracts in the Life Department as at 31st December, 1898, the close of the Fifteenth Quinquennial Period.

"I find that the Contracts in force on that day were as follows:—

"18,279 Policies assuring with Bonus additions.....£11,927,685

"195 Annuity Contracts securing.....17,671 per annum

"In accordance with the instructions of the Directors the Valuation has been made on the following basis:—

"Rate of Interest:—3 per annum throughout.*

"Mortality Table:—(1) The Institute of Actuaries, combined HM

"and HM (5) Tables of Mortality for Ordinary Whole Life Assurances

"more than five years in force, and the HM Table for other Assurances, excepting Contingent Survivorship Assurances.

"(2) The Carlisle Table for Contingent Survivorship Assurances.

* The rate of interest on the Funds (in which are included the uninvested Funds) of the Company during the Quinquennium averaged £3 10s. 6d. per annum, after deducting Income Tax.

"(3) The Government Annuitants Table 1883 for Annuities.

"The net or pure premium method of Valuation has been employed, according to which the whole of the future 'loading' (i.e., the difference between the net or risk premiums and the premiums actually payable) is reserved as a provision for expenses and profits. In addition to the liability thus brought out, special reserves have been made to provide for—

"(1) Future Expenses and profits in respect of Limited Premium and Paid up Policies.

"(2) The payment of claims immediately after proof of death.

"(3) The liability in respect of lapsed Policies capable of reinstatement and Policies kept in force under the Company's Non forfeiture regulations.

"The total net liability thus ascertained is £2,776,987 2s.

"The total Life Assurance and Annuity Funds on 31st December, 1898, as shewn in the

"Company's Balance Sheet annexed, amount to.....£3,125,358 16 2

"Deduct total net liability above referred to.....2,776,987 2 0

"Balance.....348,371 14 2

"Add Interim Bonuses paid during the Quinquennium.....13,190 00

"Ascertained Surplus for the Quinquennium.....361,561 14 2

"Deduct undivided Profit at the last Valuation (£41,500), with interest thereon.....48,100 0 0

"Net amount of Profit earned during the Quinquennium.....£313,461 4 2

The Directors have resolved:—

(1) To carry forward the sum of £3,461 14s. 2d.

(2) To apportion the balance of £310,000 between the Members and the Participating Policyholders in the proportion of one-fifth and four-fifths respectively, in accordance with the regulations of the Company, namely, £62,000 to the former (to be carried to Profit and Loss Account), and £248,000 to the latter.

The sum of £13,190 having been paid during the Quinquennium in the form of Interim Bonuses, there remains for the Benefit of the Participating Policyholders £234,810, making with the sum of £48,100 referred to above, a total of £282,910. Of this a sum of £41,500 has been carried forward, and the balance, viz: £241,410 has been dealt with as follows:—

(a) In providing Bonus Additions in respect of ALLIANCE Participating Policies effected on or before the 31st December 1893. In these cases the rate of bonus on individual Policies will vary according to the rate of premium and the duration of the policy.

(b) In providing Bonus Additions, at the rate of £1 10s. per cent. per annum on the sums assured for each year's premium paid since the last allotment of Profits, in respect of all other Participating Policies.

FIRE AND PROFIT AND LOSS ACCOUNTS.

The Fire Premium Income in the year amounted to.....£543,729 0 10

Interest (less Income Tax).....50,906 0 4

Total.....£594,635 10 2

Claims, including ample provision for all outstanding Claims.....£304,651 0 7

Commission and Expenses of Management and Bad debts (£56 11s. 8d.).....196,676 14 2

Income Tax (excluding Income Tax on Interest and Dividends).....3,009 2 3

504,336 17 0

Surplus.....£90,298 13 2

The Claims for the year amounted to £56 0s. 7d. per cent. of the Premium Income, a percentage largely in excess of the average loss ratio of the Company.

The losses in respect of the Company's business on the Continent of Europe were unduly heavy, resulting in a small adverse balance on the year's operations, and the losses on the Company's large Home business, particularly on Farming Produce and on property in Provincial Towns, were not only unusually numerous, but large in individual amounts. While it is difficult to account for such abnormal losses happening in a year of great national prosperity, the Directors believe that the cause may in some degree be attributed to the almost