— NEW ZEALAND —

1. National Association

1.1 The membership of the Association of Consulting Actuaries of New Zealand has grown from 6 two years ago to 11 at the time of writing. There are 36 fully qualified actuaries in the country (25 two years ago).

1.2 This year we made a submission to Government regarding its proposals to change the previous Government's Superannuation legislation. The submission was well received and now we, together with a small number of other interested bodies, have been invited to comment on draft replacement regulations concerning private pension plans, prior to their promulgation.

1.3 For the first time, a definition of an actuary appeared in New Zealand law in the Superannuation Act 1974. The word "Actuary" appears but is not defined in Acts governing Life Insurance, Friendly Societies and Building Societies.

2. Superauuation

2.1 Three members of our Association worked on the Committee which advised the previous Government regarding superannuation. The culmination of the committee's work was the Superannuation Act 1974 which came into force on 1 April 1975.

2.2 Within a year the Government changed and the concept of compulsory, comprehensive, fully funded and fully preserved superannuation has been thrown out. The contributions made under the Act can be refunded together with the employer subsidy.

2.3 Most private schemes wanted one feature of the 1974 Act retained: the availability of Government guaranteed dynamised annuities, sold by the Superannuation Corporation at concessional rates. This was not agreed to by the new Government but such annuities already purchased will be honoured.

2.4 The present Government has announced that inside 3 years, Social Security pensions will be payable as from age 60, subject only to a residential qualification, at the following rates: for a married couple 80% of the national average ordinary time wage; for a single person, 60% of the rate applicable to a married couple. These pensions will be financed from general taxation.

3. Life Insurance

3.1 Fifteen of the 35 life companies operating in New Zealand were formed in the last 10 years and the operations of some of them disturbed the athorities. Controls were very light: initial capital could be as low as $10,000 and no actuarial involvement in setting premium or bonus rates was required. Valuations were mandatory only after 5 years of trading. In some quarters it was felt that a thorough revision of the life insurance legislation was due. Instead, a small amendment was passed last year requiring annual actuarial valuations, and an increase in the statutory deposit to $500,000 over a 5 year period. Of course, an increase in deposits does not ensure solvency of a life company, but this requirement will have the effect of deterring the formation of new companies.

3.2 In recognition of the loss of life cover in real terms during double digit inflation, some companies are allowing increases to existing policies without evidence of health. Policies are now available under which the sum assured increases annually either by some fixed percentage or else in step with the cost-of-living index; the premium increases correspond ingly.

3.3 Increases in premiium rates must be approved. Recently several offices have increased premium rates in order to offset the increased costs of administration. Flat policy fees are seen to be less useful when rates are controlled in a continuing high inflationary climate.

4 Sickness Insurance

4.1 The memberships of sickness societies operating on mutual principles are growing quite rapidly. The involvement of consultants is increasing probably because cash flow is deteriorating. Average claims are bloated with inflation and claim rates are growing with the maturity of the societies.

4.2 Friendly Societies on the English pattern abound in New Zealand and are valued at the public expense by the Government Actuary's office. Recently, consultants have been asked to advise in certain areas of their operations.

5. General Insurance

5.1 Very little work is done in this field now that the Accident Compensation Commission has taken over the long-tailed areas: third-party motor vehicle cover and workmens compensation insurance.

5.2 Consulting actuaries are still appearing as expert witnesses in damages cases involving personal injury arising from accidents occurring prior to 1 April 1974. Such work could take some years to run off completely.

6. Building Societies

6.1 Terminating Building Societies here operate on the principle that interest-free loans are available to members who win a ballot in accordance with their rules. Since the 1930's any new society had to obtain an actuary's certificate stating that each member had a reasonable chance of obtaining an appropriation within 30 years of formation of the group to which he belonged.

6.2 Although many societies existed at that time, they did not have to furnish an actuary's certificate unless requested to do so by the Registrar (who is the Government Actuary).

6.3 The first new registration occurred in 1974 and perhaps as a result of the negotiations which occurred then, many existing societies have asked consulting actuaries to investigate their position in case the Registrar should ask them to furnish a current certificate in respect of each existing group.

7 Investment

7.1 In the last 2 years, controlled institutional investments have been increased by 10% to 40% of assets: 20% in Government Stock, 10% in Local Body Stock and 10% in house mortgages or in Housing Corporation Stock.

7.2 For many decades our Governments have pursued low interest rate policies but the new Government recently decided that low interest rates were not assisting the fight against inflation. New issues have been floated at rates 2% higher than previous rates. This has been welcomed by the institutions, although existing holdings have been severely depressed in market value.

7.3 The Moneylenders Act 1908 has been an inhibiting factor for institutional investors and most life offices have not lent money at rates in excess of 10%, the rate specified in that Act. Superannuation funds felt similarly restricted until the Supreme Court ruled that the Moneylenders Act could be ignored by the Dairy Board pension fund. Unfortunately the decision is considered by some to be unhelpful to their particular circumstances and an urgent review of this Act is warranted.

7.4 Consultants compare the investment performance of pension funds but this province may disappear when the Association of Superannuation Funds conducts an annual survey as part of its services to members.