

There is an absolute prohibition (except upon the report of a valuer after a quinquennial valuation) from using any portion of the sick and funeral fund to meet the liabilities in respect of management, medicine, or medical attendance. It will be observed that this prohibition extends to the interest accruing to a benefit fund, and consequently any rule permitting the appropriation to management expenses of the interest, or of any portion thereof, earned by the sick and funeral fund, will henceforth be of no effect, and the continuance of the practice so permitted will entail prosecution.

As an illustration of the evil effects of defraying medical expenses from the sick and funeral fund, the following facts are commended to the attention of friendly societies generally:—

In a certain society, registered under the Friendly Societies Acts of this colony, the contributions to the sick and funeral funds of the branches are such that, in the present state of our knowledge respecting sickness and mortality, it cannot be pronounced certain that they will prove permanently sufficient to meet the sick and funeral benefits alone, on the assumption of an average experience. The probability is that, if sufficient, they will be found barely sufficient for that purpose. Yet the premium income so accruing, which should accumulate to meet the sick and funeral liabilities alone, is subjected to a tax of from 50 to 60 per cent. annually to meet the expenses connected with medical attendance. It is evident, therefore, that the funds cannot long bear the strain of this additional charge. If the present system were continued the bankruptcy of all the branches of this society would be inevitable. As a matter of fact, the benefit funds of some of them are at a very low ebb. This will be evident from the following figures, which represent the condition of five of the branches as at 30th June, 1878:—

	Established.	No. of Members.	Benefit Funds.			Benefit Funds per Member.		
			£	s.	d.	£	s.	d.
Branch No. 1 ...	1864	131	30	1	0	0	4	7
„ No. 2 ...	1864	28	28	1	7	1	0	0 $\frac{3}{4}$
„ No. 3 ...	1865	87	115	15	10 $\frac{3}{4}$	1	6	7 $\frac{1}{2}$
„ No. 4 ...	1868	41	16	8	7 $\frac{1}{2}$	0	8	0 $\frac{1}{2}$
„ No. 5 ...	1869	32	31	0	5 $\frac{1}{2}$	0	19	5

The average amount of funds per member shown in the above table is exceptionally low as compared with the generality of societies established at about the same date, and granting similar benefits. The average amount of the benefit funds per member at the end of the year 1876 was as follows:—

	£	s.	d.
In 75 lodges of the Manchester Unity of Odd Fellows ...	9	8	4 $\frac{1}{2}$
In 42 courts of the Ancient Order of Foresters ...	4	17	4 $\frac{3}{4}$
In 140 societies, chiefly branches of the two above-mentioned orders...	7	5	5 $\frac{1}{2}$

As these are not, on an average, much older than the five branches enumerated in the former table, and as the sick and funeral benefits granted by them are in the majority of cases nearly alike, while the total liability of the benefit fund would be very much greater in the five branches (owing to the extra charge for medical expenses) should the present system be continued, the perilous position of these five branches is at once apparent.

Two other branches of the same society have recently broken up, and the Registrar has been informed that the dissolution was owing to lack of funds.

Although, theoretically, it would be possible to defray medical expenses from the same fund as sick and funeral benefits, by means of a heavy loading to the subscriptions to that fund, yet, in the case of a society not under the permanent direction of an actuary, it is highly dangerous to attempt to provide for expenses of this kind in such a manner. The subscriptions which are designed to meet liabilities (such as sickness and funeral liabilities) the present value of which admits of definite actuarial computation, should be kept separate from those which are designed to meet expenses of a different kind—expenses in respect to which each year should be made to wipe off its own liabilities. Consequently the expenses connected with medical attendance should either be defrayed from an entirely separate fund, or else from the management fund.

9th November, 1878.

WM. R. E. BROWN,
Registrar of Friendly Societies.

APPENDIX.

Advantages accruing to a Society by Registration, no Fee being payable on the Registry of any Friendly, Benevolent, or Cattle Insurance Society, or Working-Men's Club.

1. It can hold, purchase, or take on lease, in the names of the trustees for the time being, any land, and can similarly hold other kinds of property, all such land and property vesting in any succeeding trustees immediately upon and as a consequence of their appointment.

2. All legal proceedings can be carried on in the names of the trustees.

3. A registered society has a remedy on summary conviction whenever any person—

(1.) Obtains possession of any of its property by false representation or imposition;

(2.) Having possession of any of its property, withholds or misapplies it;

(3.) Wilfully applies any part of such property to purposes other than those expressed or directed by the rules, and authorized by the Act;

the penalty for either of these offences being a fine not exceeding £50 and costs, and, in default of payment, imprisonment, with or without hard labour, for any time not exceeding six months.

4. The treasurer and other officers of the society, or persons acting in such capacity, are constituted servants of the trustees within the meaning of "The Larceny Act, 1867," and in cases of larceny and embezzlement can be proceeded against as in the case of larceny or embezzlement by a clerk or servant.

5. If an officer of the society dies, or becomes bankrupt or insolvent, or if an execution is issued against him whilst he has money or property of the society in his possession by virtue of his office, the trustees of the society are entitled to claim such money or property in preference to any other creditor.