

according to age. How utterly inadequate these initiation fees are as a supplement to the contributions usually charged will be clear on its being pointed out that even an entrance fee of £5 is only equivalent to the following annual contribution, payable by weekly or monthly contributions :—

5s. 4d. for a member entering at age 20.

5s. 10d. for a member entering at age 30.

6s. 7d. for a member entering at age 40.

Whereas for a scale of benefits specified in Example 1, given above, the annual contribution required for a member entering at age 40 would be £2 17s. 6d., being, it will be seen, £1 5s. 9d. in excess of the annual contributions required for the same benefits for a member entering at age 20.

Again, in order to make up for the difference in the contributions necessary at ages 20 and 40 respectively to secure an allowance of £1 per week during sickness, an initiation fee of £26 2s. 10d. would be required at the latter age. It is therefore evident that the excess of payment to be required from members entering at the higher ages cannot practically be provided for by an ascending scale of initiation fees, and it is consequently indispensable that the periodical contributions should be graduated according to age.

Societies charging a uniform contribution, or a contribution which, although graduated according to age, is at a lower rate than that set forth in the subjoined table, are earnestly advised to reconsider their position, and to reflect on the disastrous consequences which are almost certain to result from the perpetuation of a scale of charges much lower than the scale which actuaries are unanimous in regarding as the lowest which can be adopted with safety. The fact that the funds of a society have been steadily accumulating since the time of its establishment is no guarantee against the approach of bankruptcy at no distant date, since, from the nature of the risks undertaken, it is evident that the heaviest liabilities must usually be long deferred. It is not, however, sufficient that the rate of contributions to the benefit funds of a society should come up to a certain standard. There are certain other conditions indispensable to the stability of societies, without the observance of which the rate recommended would be inapplicable, and some of which it is proposed here to enumerate. The first of these is, that *the number of members subscribing to a particular sick (or funeral) fund must not be very small*, as otherwise the sickness and mortality experienced will probably be very different from that *average* sickness and mortality which are assumed in the table. The amount of sickness and the length of life to be experienced by any particular individual are proverbially matters of the greatest uncertainty, and it is only when a large number of individuals are combined that the rate of sickness and mortality to be experienced can be predicted with any approach to accuracy. It is impossible to draw a definite line of demarkation between societies which are and those which are not sufficiently large to afford a fair basis for the operation of average; but it may be laid down, without hesitation, that where either the sickness or the mortality risk is spread over a smaller number of persons than one hundred, there can be no safety in the rate of contributions here recommended. A second and even more imperative condition of stability is, that *the contributions to the sick and funeral fund shall be closely invested at compound interest at a minimum rate of 4 per cent. per annum, and that neither the accumulated contributions themselves, nor the interest accruing therefrom, shall ever be appropriated, on any pretext, to any purpose whatever save the payment of the particular sick and funeral benefits for which the fund is established, except on its being ascertained by a duly-qualified valuer that a definite surplus exists, and on its partial or total appropriation to other purposes being authorized by him.* The table is calculated on the assumption that a rate of interest of 4 per cent. per annum is constantly being realized on the accumulated capital, and that neither capital nor interest is ever used for any other purpose but the payment of the benefits specified at the head of the several columns. No allowance is made in it for management or *medical expenses*, and these must therefore be defrayed from *an entirely separate fund*. It is evident that, if these conditions are disregarded, and if the society has an average sickness and mortality experience, and does not make any exceptional profits from other sources, the sick and funeral fund cannot accumulate with sufficient rapidity to enable the ulterior liabilities to be met. A third condition is, that *there should not be an unusual proportion of members residing in an unhealthy locality, or engaged in any occupation more than ordinarily unhealthy or hazardous.* The fourth and last to be here mentioned is, that there should be *a periodical investigation into the affairs of the society by a duly-qualified valuer, and, if necessary, an adjustment of the rates of contribution or of the scale of benefits in accordance with his recommendations.* Without an actuarial investigation of this kind it is impossible for any society to ascertain whether its capital in hand is sufficient, together with the future contributions expected to be received, to meet the future liabilities. Even with the most carefully-graduated scale of subscriptions, and with the best management, a society is always in danger of drifting into an unsound financial condition, owing to fluctuations or irregularities in its experience. There are many causes which may produce a difference between the actual and the anticipated experience of a society. The principal are the following :— (1.) The partial imperfection of the data as to sickness and mortality (especially at the highest ages) on which the rates of contribution are founded. (2.) The preponderance amongst the occupations in which the members are engaged of some particular trade or calling which may be exceptionally healthy or unhealthy, or which may have the effect of making very slight injuries seriously inconvenient, and of thus causing the members who follow it to claim very often on the funds. (3.) The exceptional salubrity or unhealthiness of the locality in which the majority of the members reside. (4.) Differences in the rules and in the practice regulating the dispensations of sick benefits and funeral allowances, the practice of some societies being much more stringent in this respect than that of others. (5.) Some general and widespread change in the value of life and the liability to sickness. On these various grounds, it is *absolutely essential* to the safety of every friendly society, as of every life insurance office, that it should undergo, periodically, an actuarial investigation into its affairs. A quinquennial valuation is rendered obligatory by the Act on all registered societies, but unregistered societies are earnestly counselled to adopt the same practice, and all are alike urged to call in *early* the assistance of competent valuers, in order that their financial position may be at once determined, and that any deficiencies which may disclose themselves may be remedied before they assume proportions of a too formidable nature.