

experience of the Otago District throw much light on the influence of their specific occupation upon sickness and mortality

(b.) *Profitable Investment of Funds.*—On this subject the clearest light is thrown by those columns in the Schedule which show the average rates of interest credited to the Sick and Funeral Fund during the five years immediately preceding the valuation. In the case of several lodges there has been but little effort to secure remunerative investments, while in the case of others, though good investments were obtained, advantage was taken of the unfortunate permission accorded by the District in 1874 of crediting to the Management Fund the excess of interest realized over 4 per cent. As regards this practice, in any case vicious, its evil was aggravated by the fact that lodges appear to have interpreted this permission to refer to an excess over 4 per cent. *on the invested portion of the funds*,* so that the interest on the *total* funds usually fell below 4 per cent. Next to the inadequate contributions, this has been the main cause of the deficiency shown; and too much stress, therefore, can hardly be laid on the beneficial effect of the Friendly Societies Amendment Act of 1878, which, once for all, rendered these appropriations illegal. The resulting improvement is made manifest on comparing the interest columns for 1879 with those for the preceding years. In fairness, however, it should be stated that the permission accorded in 1874 seems in some cases to have stimulated lodges to obtain better investments than they had before done, the advantage of such investments being more immediately felt by a relief to the expense of managing the lodges.

A glance at the Schedule will show to what a large extent the Management Funds of these lodges have borrowed from the Benefit Funds. In these cases there is usually a complete loss of interest, often for long periods of time, and a very indifferent security for the repayment of principal. In some cases the practice has been even worse. Management Fund debts have been even *written off* by resolution of the Lodge, and contributions divided between the two funds otherwise than as enjoined by the rules.

Turning now to the recommendations made by the valuers to the several lodges, the Registrar finds that in respect of these the lodges can be arranged in four classes, according to the degree of their insolvency and the consequent stringency of the measures recommended.

1. *The Hand and Heart Lodge*, which, though slightly deficient in its Sick and Funeral Fund, is yet on the whole in a thoroughly sound condition, is informed that “when the numerical strength of the lodge is considered the deficiency brought out by this valuation is not of sufficient magnitude to call for a special recommendation from us with regard to its removal; but, if it be thought desirable that the solvency of the lodge should be made a matter beyond question, a transfer of a portion of the large amount standing to the credit of the Management Fund should be made to the Benefit Fund.”

2. *The Band of Friendship Lodge*, which shows a small nominal surplus, is reminded that “the surplus brought out by this valuation has been arrived at on the assumption that [its] future experience will be in accordance with the tables used—a result which can hardly be looked for with so small a body of members, as even two cases of sickness, if prolonged into the third period [*i.e.*, the period after twelve months of continuous sickness], would soon ruin the lodge. The lodge is therefore strongly advised to strengthen its position by every means in its power. To this end it is recommended (1) that as much as possible of the funds be invested on mortgage of real estate, instead of being kept as a bank deposit; and (2) that every effort be made to increase the membership of the lodge.”

3. *Lodges which showed a Deficiency, but not a very large one.*—The valuers express themselves “opposed to the view that a deficiency brought out by a first valuation should be immediately rectified,” and confine the scope of their recommendations to a “considerable reduction of the deficiency and a prevention of its further growth.” To this end they urge (1) the repayment of any debts outstanding by the Management Fund to the Benefit Fund, and at once making the former self-supporting; (2) the close and profitable investment of the funds; (3) the keeping down of arrears of contributions to the lowest possible limit; (4) in the case of the small lodges, efforts to increase the membership; (5) that careful scrutiny be made into all claims on account of chronic sickness; (6) in the case of the Alexandra Lodge, a transfer of property from the Management to the Benefit Fund.

4. *Lodges which showed a very large Deficiency.*—These are recommended, besides taking such auxiliary steps as have been noted under Class 3, to at once increase the contributions of existing members, or to reduce the scale of benefits—in one case, to do both. Usually the recommendation has been to either compel existing members to pay for the future what they would, according to the new and increased scale of contributions, have had to pay all along, or else to reduce the sick-pay to 15s., 7s. 6d., and 5s. per week at the various periods,† instead of 20s., 13s., and 10s. per week. In connection with this suggested alternative, the Registrar calls attention to the fact that the payment by this District of so high a rate in permanent invalidity as 10s. per week, though it undoubtedly is to be greatly approved on philanthropic grounds, imparts an element of instability to the lodges (unless the risk be reassured with the District, as is the case with the funeral benefits), which lodges paying only 5s., as *e.g.* the Canterbury lodges, do not share.

The valuers have very properly disregarded the possible profits to be anticipated from secessions. On this head they have the following instructive remarks and quotations in their report to the Hand and Heart Lodge: “Passing now to the matter of secessions, we find that the rate has varied from 13 per cent. in 1875 to 6 per cent. in 1879, and it may be admitted that a certain amount of profit has arisen from this source; but an amount very far short of what is generally supposed. The experience of your lodge in this matter agrees with all tabulated experience, in proving that the majority of lapses takes place among the younger or newer members, and that, as the members increase in age or mem-

* In some cases the *whole* of the interest was appropriated to expenses of management. This reduces the question of solvency to simple arithmetic, and no lodge can be excused for not seeing, without the aid of any actuary, that the existing contributions *uninvested* cannot possibly meet the liabilities attendant on an average experience of sickness and mortality.

† In one case, that of the Prince Alfred Lodge, which had assets to the amount of 14s. 9½d. in the pound, the scale recommended was 15s., 10s., and 7s. 6d.; in another, that of the Prince of Wales Lodge, worth 12s. 9½d. in the pound, the valuers recommended a scale of 15s., 10s., and 5s.