anticipation of these profits may tend to prevent secessions taking place, and thus falsify itself. Other things being equal, members are more likely to secede from a society which is in a bad financial position than from one which appears thoroughly solvent. Now, if by anticipating secessions a valuation brings a society out as sound which would otherwise appear unsound, this very circumstance will tend to check secessions and thus falsify the valuer's prediction.

Further, it seems to me that a society which relies on profits from secessions to enable it to keep its contracts occupies a very undignified, not to say immoral, position. It says in effect to its members, "Unless a certain proportion of you go out every year without claiming any return for your subscriptions we shall not be able to fulfil our contracts with the remainder." This seems to me the plain English of the desire to reckon on secessions in framing tables of contributions or estimating the solvency of a society.

But, in point of fact, the profit derived from secessions is generally considerably over-estimated. If adequate rates are charged most secessions would mean a loss rather than gain to the society. For who are those who secede? Generally the young and healthy members. The selection is against the society. Members who have once experienced its benefits will strain every nerve rather than lose a membership which promises to be so valuable an aid to them. This is not mere conjecture. For the record of withdrawals in the Foresters' experience, 1871–75 shows the following ratios: Members under twenty-five, 32,575; over twenty-five, 24,490. Members who had not been sick, 45,977; who had been sick, 12,088. It will thus be seen what an enormous influence age and health have upon the rate of secessions from a society, and what a mistake it is to suppose that they are invariably even financially beneficial to the society.

But, whatever the profits are which accrue to a society from secessions, they are necessarily taken into account in the valuations. Every shilling which has been gained by your society from this source appears in the accompanying valuation, in that all the liabilities of the society in respect of members who have seceded have ceased, while the payments made by such members remain as a portion of the funds. Any secessions which may take place during the current five years will equally affect the next valuation; so that the rate of secession does influence the results as disclosed by valuation, only it is allowed to do its work first, and is only taken account of when its results have been experienced. . . . .

ASHLEY DISTRICT, M.U., I.O.O.F. (valued by Messrs. LESLIE and BLACK).

. . . . The data as regards sickness and mortality used in estimating the present value of your benefits and contributions are those of the Manchester Unity in Great Britain, as compiled from the returns of the society for the years 1866 to 1870, by the late Mr. Henry Ratcliffe, C.S. of the order. Since the bringing into operation of the New Zealand Friendly Societies Act of 1877, the department constituted under the Act in Wellington has, with praiseworthy assiduity, under many difficulties, devoted itself to the task of collecting the sickness and mortality experience of societies in this colony, for the purpose of being ultimately used for the guidance of societies; but, as yet, the data collected are not sufficiently extensive to be used for valuation purposes with any degree of safety. It is therefore evident that, in the valuation of societies in New Zealand, we must, in the meantime, be content with the adoption of data collected elsewhere, possessing the necessary quality of extensiveness, and being as nearly adapted as possible to the conditions of the societies dealt with. Such being the case, the propriety of adopting the Manchester Unity experience in the valuation of societies constituted as you are has been too frequently demonstrated in former reports of this character to call for repetition here.

In respect of the rate of interest to be employed in the valuation of New Zealand friendly societies, there seems to exist great diversity of opinion among members. In our opinion there are but two points upon which a decision has to be arrived at before answering this question: first, what rate of interest can we with safety calculate on receiving during the lifetime of the present members, allowing at the same time a fair margin for contingencies? and, second, what capacity has the society to be dealt with evinced in the matter of profitably investing their funds? In considering the first point, we must bear in mind that in all cases a very wide margin has to be allowed between the rates of interest obtainable on actual investments and that adopted in a valuation, since it is a necessary condition in the latter case that the rate of interest calculated upon must be received upon the whole of the benefit fund during the existence of the mutual contract between present members of the society, in order to realize the results of the valuation. At the present time from 7 to 8 per cent. can be obtained on investments of the nature most desirable for societies to enter upon; but in consideration of the fact that societies do not always act wisely in respect of the remunerative character of their investments, and also that even under the most favourable circumstances it is impossible for the whole of the benefit fund to be producing interest, it would be absurd and misleading for valuers to calculate upon a rate of interest anything nearly approaching the rates above named. It has also to be remembered that the rate of interest for money has of late years been, and is now, slowly but surely declining, and the inference is that before the present generation passes away it will have declined much further. In regard to the second point, the average of rates of interest realized by your lodges during the five years preceding the date of valuation varied from £4 10s. 1d. per cent. per annum in the case of the Nil Desperandum Lodge to 5s. 1d. in the case of the Ohoka Lodge; and in one lodge—viz., the Sefton—no interest whatever has been received. . . . . After careful consideration of your circumstances, and in view of all that has been said, we are of opinion that 4 per cent. is as high a rate as can with prudence be reckoned upon, and have accordingly adopted that rate in the valuation of your society. . . . . After a careful perusal of your rules, we fail to find the existence of any practical bond of unity among the lodges comprising the district, outside of mere combination for the purpose of meeting funeral liabilities. No provision whatever seems to have been made for the continuance of benefits to members in the event of individual lodges, through misfortune or otherwise, failing to meet their engagements. This cannot be regarded as other than a serious defect in the constitution of the district, since no member—more especially in the smaller lodges—can have assurance that his prudence and forethought in becoming a member of the order will be rewarded by the promised, or indeed any, benefits. Under your present constitution, it seems that each lodge must stand or fall by its own experience, and, as the number of members in the majority of your lodges is far too small to yield average results in the working, failure on the part of some of them through adverse fluctuations in the sickness experience is by no means an impossible contingency. In view of this fact, we have felt it incumbent on us to add small reserves to the sickness liability of all the lodges except the Rangiora Lodge, a circumstance which makes the position of these lodges, as revealed by the valuation, somewhat more unfavourable than would otherwise have been the case.

Referring to the financial operations of the various lodges, we find that the practice of borrowing from the Sick and Funeral Fund to meet management expenses has generally prevailed. At the date of valuation, in eight lodges the Management Fund stood indebted to the Sick and Funeral Fund, the aggregate amount of the various debts being £219 15s. 10d. It need scarcely be pointed out that this practice is a gross violation both of the rules of the order and the law of the land. . . . . We beg to impress upon you the necessity of at once taking steps to render the various Management Funds self-supporting, so that this practice of borrowing from the benefit fund to make up Management Fund deficiencies—a practice wrong in principle, and fraught with danger to the financial stability of the society—shall be discontinued for the future. It may be necessary to state here that the various Management Fund debts have not been taken into account by us as assets in this valuation. Judging from the low rates of interest realized during the quinquennium, a matter previously commented on by us, it would seem that the judicious and profitable investment of the funds has not received that care and attention which it should have done. The comparatively small return in the shape of interest must, in a great measure, be attributed to the fact of a considerable portion of the funds being invested in land and buildings. We have frequently had occasion to remark before, in investigations of this kind, that such investments are not generally of that remunerative character which is essential to the welfare of societies; and we are sorry to state that your district affords no exception to the rule. It therefore behoves the various lodge officers and members to at once bestir themselves in the matter of obtaining a better return for their invested capital, for it is only by so doing that they can assure themselves of receiving to the end the benefits promised by the society.