and more recognized, even in quarters where, till lately, they were, owing to misconceptions on the subject, received with hostility and distrust. . . . . I regret to have to lay before you a statement showing so considerable a deficiency, but submit that it is better to be made aware of the true position of affairs, though unfavourable, in time to enable remedial measures to be taken. The cause of the deficiency disclosed by the valuation is very easily discoverable. It is to be found in the fact that the contributions to the fund are insufficient to provide the benefits promised. I think that a little consideration will convince even the most sanguine that such is the case. Calling the average funeral benefit £25, taking married and unmarried together, we find that the annual premium payable to the District Fund for every £100 assured is 16s. Now, compare this sum with the premium charged by any life-assurance society for the assurance of £100 at the age (thirty-two next birthday) which is the average age of your members, and, after making every allowance for the loading for expenses which forms part of the latter premium, you will still find a wide gap between the lowest of such premiums and that charged by your society. I am aware that an objection may be taken to my finding the Funeral Fund as exhibiting a deficiency at all. It may be urged that this fund cannot fail to meet its engagements, inasmuch as by the district laws power is given to levy on the separate courts to keep it up to a certain minimum. The objection, however, would be more technical than real. It only amounts to shifting the burden from one shoulder to another of the same person. For, by treating this power to levy as an asset, and thus wiping out the deficiency of the District Fund as such, the effect would be to increase the liabilities of each court by its share, according to its members, of this deficiency.

With regard to your rates of contribution for sickness benefits, I find that a graduated scale is prescribed in your district rules. This is, of course, an improvement on the old uniform rate of 6d. a week which, till quite recently, appears to have been considered sufficient by so many societies for the usual scale of benefits. I regret, however, to have to pass sentence on the new scale, as still insufficient for the purposes for which it is intended. It is a great pity that, while your society was making a change in its rates, they were not at once raised to a fairly sufficient standard.

It is frequently urged, as an excuse for continuing to work under a scale of contributions which are acknowledged to be insufficient, that to raise them would have the effect of driving away business, in that intending members would be likely to join other societies charging lower rates. Putting aside for a moment the obvious objections to promising what cannot be performed, this reason has, I am happy to say, less and less weight as time goes on. For there are in existence societies which possess a scale of contributions sufficient for their purpose, and fairly graduated according to age. These contributions are at the youngest ages little, if any, in excess of those charged in societies where the rates at the more advanced ages are quite inadequate. A natural consequence will be that, as the subject becomes better understood, the young men will gravitate towards the former class of societies, and the older ones to the latter. My experience has shown me that this tendency is already exhibiting itself in a marked degree, and that it is increasing. Under these circumstances it does not require the gift of prophecy to foretell the future of the two classes of societies. I observe that your contributions are equally divided between the Benefit and Management Funds. Now, there ought to be a very marked difference between the contributions payable to the former fund by entrants at different ages, but there does not appear any valid reason why the older members should contribute, in the same increasing ratio, to the management expenses. If this point be borne in mind in any future revision of rates, it will be possible so to adjust them that, while the older member shall pay their fair share to the Benefit Fund, their total contributions shall not increase as compared with those of younger ones in a greater ratio than at present.

I find that, at the valuation date, none of your funds were invested so as to bring in any return. No doubt this has since been rectified, but I am bound to call attention to this point: £164 is surely too large a sum to keep lying idle in a banker's hands. The prompt investment of funds at the best rate of interest which can be procured consistently with safety is one of the keystones of successful friendly-society finance.

To sum up. My advice to you is, to raise your contributions to a point which shall be reasonably sufficient for safety. I am aware of the difficulties in the way, but they are not insuperable. Your order in Great Britain has faced and overcome them. No great work has yet been achieved without difficulty.

Nelson District, A.O.F. (valued by Mr. A. G. Wiggins).

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As your society has been valued already, and the subject has no doubt occupied the attention of many of your members, I shall not dwell upon the question here at any length. In anticipation of possible objections, I would merely point out that, unless all friendly-society finance is to be based upon the wildest guess-work, some estimate must be formed of the probable amount of sickness and mortality which will be experienced by a given number of members. This estimate can only be reliable if it is based upon the observation of how such contingencies have occurred in the past. Such observations have been made, and their results carefully tabulated. One striking confirmation of the correctness of any estimate based on these observations is to be found in the fact that different series of them, made at sundry times and among different groups of individuals, give wonderfully similar results. They all agree in demonstrating the fact that sickness increases enormously with advancing years, and therefore in showing the necessity for making large reserves to meet the liabilities that must accrue as members advance in years. Take, as an example, the experience of your own order in England for the years 1871 to 1875, collected by Mr. Neison. It is there shown that in passing from twenty to seventy a member experiences 126 weeks of sickness. But how are they distributed? In the first ten years he experiences eight weeks', and in the last period, from sixty to seventy, he suffers sixty-four weeks'. This is not "theory," but actual hard fact. It will thus be seen how utterly fallacious is the popular idea that if a society can show a balance of receipts over expenditure year by year it is therefore in a sound position.

The experience on which this valuation is based is that of the Manchester Unity for the years 1866–70, compiled by the late Mr. Ratcliffe. Those tables, and those of your own order to which I have just referred, are, undoubtedly, the best that have as yet been formed. The former I have considered preferable for valuation in this colony, chiefly for these reasons: (1.) As they have been the standard adopted hitherto in this colony, they render possible correct comparison between societies, or between two periods in the history of one society. (2.) They are somewhat more favourable to societies than the latter, and therefore may be expected to approximate more closely to our actual colonial experience.

And this suggests an objection sometimes made to valuations in this colony. It has been urged that here the conditions of life are superior to those of the members of friendly societies in England, and that, therefore, better results may be expected. Now, it is undoubtedly true that at the younger age the sickness experience of New Zealand societies is somewhat below that of the English ones. But from the nature of the case it has as yet been impossible to collect a sufficient body of data respecting the experience at the more advanced ages to enable any satisfactory tables to be prepared. It must be remembered a lighter sickness and mortality experience at the early ages and during middle life affects the financial position of a society in two opposite directions, or, to use a homely expression, "cuts two ways." Its first and most obvious effect is to improve the position by lessening the demands upon the funds. But as time goes on, if the mortality has been lighter than the expectation, a larger number remain exposed to the risk of sickness, or, as Mr. Neison quaintly puts it, members theoretically dead turn up as very practical claimants for sick pay. On the whole, therefore, I am of opinion that, if the tables I have referred to do slightly over-estimate the sickness to be expected up to middle age, the error will be fully made up by the increased number exposed to risk at the higher ages.

The interest assumed in the accompanying valuation is 4 per cent.—that is, it is assumed that the funds will be kept closely invested, as fast as they accrue, at that rate of interest, and that the whole of the interest earned by the benefit fund will be credited to that fund. Experience shows that this is as high a rate as can safely be relied on. I am aware that for the present a somewhat higher rate could be obtained, but, with few exceptions, societies are so neglectful of this matter of prompt investment that on an average a less rate than the above is really earned. At the valuation date the value of the benefit funds of the courts, together with the District Funeral Fund, amounted to