

I append a comparative statement of your positions as disclosed by this valuation and that which took place five years previously.

Date of Valuation.	Number of Members.	Average Age.	Total Liability.	Total Assets.	Deficiency.	Deficiency per Head.	Proportion of Assets to Liabilities per £1.
1880	182	34.27	£ s. d. 9,197 11 3	£ s. d. 6,508 7 2	£ s. d. 2,689 4 1	£ s. d. 14 15 7	£ s. d. 0 14 2
1885	212	34.36	10,971 14 1	7,634 2 4	3,337 11 9	15 14 10	0 13 11

You will thus perceive that your society has retrograded during the past quinquennium. There are two reasons which, in my opinion, have contributed to bring about this result. One is that the sickness experienced by your court has been in excess of the expectation. According to the tables used for each valuation, the sickness which your court might have expected to experience during the five years just ended amounts to 945 weeks, while, as a matter of fact, you have experienced 1,477 weeks 5 days, being 56 per cent. over the expectation. As no data of your previous experience were furnished to the gentlemen who conducted the former valuation, I cannot compare the sickness experience of the two periods, and am therefore unable to form an opinion as to whether this excessive sickness rate is likely to be permanent. As, however, it is very evenly distributed over the five years, I am afraid that it is due to some causes other than temporary ones. It is often assumed by members of friendly societies in New Zealand that they have a right to expect a very much lighter sickness rate than that deduced from the experience of similar institutions in Great Britain, and valuers are complained of for adopting an unnecessarily rigid standard. Now, your court is by far the largest in the Nelson District, so that your sickness is not a mere accident due to small numbers, and yet your sickness has amounted to more than half as much again as that anticipated in the valuation. You will see, therefore, that in the case of your court, at any rate, too rigid a standard has not been adopted.

Another circumstance which has helped to increase your net liability has been the fact of your having increased in numbers. This may sound paradoxical, but, unfortunately, it is too true. To a society which charges adequate rates of contributions every admission of a suitable candidate means an accession of strength. But in your case the position is very different. Your rates are insufficient to provide the benefits promised, and consequently the initiation of every new member increases your deficiency. If your rates were sufficient it would mean that the value of the benefits which you promise the candidate would not exceed the value of the contribution which he contracts to pay for the same. But how does the case stand at the rates chargeable at the valuation date? Here is an example. We will suppose the new member to be twenty-five years of age, and married; and this is the sort of bargain the court has been in the habit of making:—

Value of sickness benefit	£ s. d. 29 9 4
" funeral benefit, at £35	9 15 4
" funeral benefit of wife, at £10	1 7 10
Total value of what the society sells	£40 12 6
Value of £1 6s. per annum to be contributed by the member	£23 7 11
Balance against the society	£17 4 7

Now, since you start with so considerable a deficit on account of each member, no wonder that your court exhibits a large deficiency at any periodical investigation.

At the request of your District Secretary I have prepared an alternative valuation of your court on a 5-per-cent. basis. In the preceding valuation it has been assumed that all funds will be invested as fast as they accrue at 4 per cent. This is the rate at which as yet all friendly societies in New Zealand have been valued. It is only at this rate, therefore, that any comparison can be instituted between one society and another. Judging by the experience of the past, too, it is quite as high a rate as can generally be assumed for the future. Though higher interest could, no doubt, be obtained at present, yet societies are generally so indifferent on the subject of investment that in many cases a merely nominal rate of interest is earned. In the case of your court, however, I am gratified at being able to compliment you on the evident attention which has been paid to the profitable investment of the funds. The rates of interest credited to the benefit funds during the five years 1881 to 1885 have been £5 5s., £6 5s. 10d., £6 3s. 7d., £6 14s., and £5 13s. respectively. Still, it must be remembered that the assumption of 5 per cent. as a basis for valuation means that this rate will be maintained, not for a few years, but during the lifetime of existing members, or say for the next fifty years. On this probability you are, no doubt, as men of business, quite as good judges as I can be, and I will not therefore dwell upon it. I feel bound to mention it, however, as some persons are under the impression that, if a given rate can be relied upon for the next few years, it would be justifiable to value at that rate. The following is the valuation balance sheet at 5 per cent:—

Liabilities.	£ s. d.	Assets.	£ s. d.
To Present value of benefits assured by the Court—		By Present value of future contributions to benefit funds	3,828 12 0
Sickness	6,572 2 6	Total funds as per Secretary's return ..	3,317 3 2
Funeral	2,491 2 9	Share of District Funeral Fund ..	128 14 1
Value of Management Fund	221 15 11	Balance—Deficiency	2,010 8 2
	£9,285 1 2		£9,235 1 2

You will perceive that even by this more favourable method of valuation a large deficiency is disclosed. I think that it is well that you decided to have this alternative valuation made, as if it had not been done it is quite possible that its probable effect, being unknown, would have been exaggerated.

As to remedial measures, the evil lies in the inadequacy of the contributions. It is plain therefore that, if you desire to regain a solvent position, you must either increase the contributions or reduce the benefits. I understand that a new and graduated scale of contributions has been introduced into your district, but that it is not applicable to existing members. You must allow me to say that this is not sufficient. To go on at your present rates simply means that the earlier claimants will benefit at the expense of the later ones. To introduce a graduated scale among old members would probably be difficult. In default of this being done, the next best thing would be to raise the rate uniformly. If all existing members agreed to pay £1 19s. instead of £1 6s. per annum for the future, that is, an additional 3d. per week, it would have the effect of *at once* nearly wiping out the deficiency according to the 5 per cent. valuation. A question in simple proportion will show you the effect of any addition to present rates of contributions which you may decide to make. For at £1 6s. the present value of future contributions is £3,828. Therefore if these future contributions were increased by one-half, their present value would be £3,828 + £1,914 = £5,742; and in like proportion for any other increase which may be decided on.