established section receives none. The conclusion is thus suggested that recent entrants of the old-established section are favoured; and, as, on the supposition that separate funds are kept, the entrants of the newly-established section are disentitled to bonus, it would seem that the favour is not at the expense of the latter, but at the expense of the older entrants in the section to which they themselves belong. As the profit is derived not solely from the loading on the premiums, but also in part from the excess of interest realised over and above that assumed in the immediately preceding valuation, it would seem that some extra profit might fairly be allocated to the older policy-holders in consideration of the excess interest earned during the inter-valuation period by the reserves held on their policies.

Apart from the question of equity, the consideration arises that, although, from the peculiar circumstances of the department's history, the method of distribution hitherto adopted has brought out a higher reversionary bonus at the last division than at the earlier one, yet its ultimate tendency is to produce diminishing reversionary bonuses to the same policy-holder at successive divisions. Such a result would be fraught with grave danger to the future progress of the department, owing to the extreme unpopularity of diminishing reversionary bonuses in the colony. The competition of life insurance offices in New Zealand is now excessively and increasingly severe, and every element of popularity tells with great force on the acquisition of new and retention of old business. The principal rival of the Government office adopts a method which brings out increasing reversionary bonuses, and it makes this a point in its competition.

The Consulting Actuaries' opinion is therefore requested as to whether it would be equitable and expedient to change the method of allocating bonus hitherto adopted for one which would tend to secure approximately constant or, if possible, increasing reversionary bonuses, and, if so, what method it would be best to adopt. One element which should be borne in mind in the choice of a method, and which certainly constitutes an advantage of the method now followed by the department, is the importance of being able to give a conclusive answer to policy-holders who compare their bonuses with those allotted to others and consider themselves aggrieved as a consequence of the comparison. This consideration becomes especially important in view of the fact that the rates of premium have quite lately been largely increased.

(iv.) *Establishment of a Separate Branch for Insurance without Medical Examination.*

It has often been considered a defect in life assurance as at present carried on that persons in ill-health, or with very unfavourable family history, cannot participate in its benefits, and efforts have from time to time been made to remedy this defect. For a Government Insurance Department, which has been founded on high grounds of State policy, and which aims at the encouragement of thrift in the general population and the prevention of pauperism, the question is an especially urgent one. From the point of view of mere commercial success the opening of a separate branch for diseased lives might be to some extent positively disadvantageous, owing to the danger of unscrupulous misrepresentations on the part of agents canvassing for rival offices; yet it has been felt for some years past that, from the higher point of view of the public welfare, the scheme of Government life insurance would not be complete without some provision for the acceptance, under special conditions, of persons who cannot pass the medical examination successfully. The Government Actuary was therefore asked by the New Zealand Government whether some special scheme could not be devised to attain this object, and he devised the following plan:—

ON A NEW METHOD FOR THE INSURANCE OF DISEASED LIVES.

The Hon. the Colonial Treasurer.

In accordance with your instructions, I beg to explain the new method I have devised for the insurance of persons who cannot be accepted in the Ordinary Branch even at extra rates.

2. The reason for the non-acceptance by ordinary insurance offices of lives the vitality of which is below a certain level is that, in the present state of our knowledge, it is impossible to frame a reliable estimate of the risk which such lives bring with them. It has appeared to me, therefore, that the only way of insuring such lives is by dispensing with the necessity of any estimate of the mortality which will take place amongst them.

3. This can only be done by leaving uncertain the sum payable at death, and allowing it to be decided by the mortality actually experienced among the persons who have effected insurances. The greater the mortality experienced the smaller must be the sum payable at death.

4. I would propose, therefore, that a separate section be opened in the Life Insurance Department in which persons shall be allowed to insure without regard to health, habits, or family history. No fixed sum should be guaranteed as payable at death; but a certain proportion of the pure premium income should be periodically divided among the representatives of persons dying