1895.
NEW ZEALAND.

FRIENDLY SOCIETY FINANCIAL REFORM.

MEMORANDUM BY THE REGISTRAR OF FRIENDLY SOCIETIES.

Presented to both Houses of the General Assembly by leave.

The REGISTRAR of FRIENDLY SOCIETIES to the Hon. the COLONIAL TREASURER.

SIR,— 9th September, 1895.

I have the honour to lay before you a scheme of friendly society financial reform which is based on the assumption of the concurrence and voluntary action of societies.

On the question of compulsory registration and enforcement of the adoption of certified tables of contribution diametrically opposite views are entertained. I beg leave, therefore, to append an extract from the report of the English Royal Commission on the Aged Poor bearing on this subject, together with recent expressions of opinion on both sides of the controversy by English experts and friendly society leaders.

I have, &c.,
EDMUND MASON,
Registrar of Friendly Societies.

A SCHEME OF RECONSTRUCTION OF FRIENDLY SOCIETY FINANCE ON A SOUND BASIS.

IN the early history of New Zealand friendly societies, when as yet there was no record of their experience, it was frequently asserted that English sickness rates were unsuitable as a basis for the valuation of New Zealand societies, and that the use of values so calculated was not justified under new and, as it was assumed, more favourable conditions. The sickness statistics, however, which have since been collected afford sufficient evidence that the adoption of an English experience did not err on the side of severity. The total sickness rate of New Zealand societies during past years has approximated closely in amount and value to the standard which was selected. But there is a characteristic difference between the English and New Zealand experiences, the rate per member in the latter at the lower ages being less than in the former, and at the higher ages greater. In this difference lurks an unknown and possibly serious danger. Owing to the very light mortality in New Zealand generally, and among friendly society members in particular, the number of lives at risk at the higher ages is greatly increased. The conjunction of these two factors—the greater sickness rate at the higher ages and the light mortality—cannot fail to produce an increased total sickness after middle life. Again, while the sickness benefit is continued throughout life, it is probable that the rule which limits the benefit to members suffering from specific sickness will not be strictly enforced. The payment of old-age pensions under the guise of sickness benefit is, in England, understood to account for a considerable part of the existing deficiencies. This danger to friendly society finance is referred to by a capable critic in the following terms: "It is a well recognised truth that the best of tables will be made of none effect unless a society is also under sound and economic management; while first and foremost among the essentials of such management stands supervision of sick claims. In the present condition of things, old members have received, and are receiving, as sick-pay weekly annuities which cover the loss of earning powers arising from the disability of old age, and which have never been paid for. It is overlooked, oftentimes advisedly, that senile decay, a natural process, is not specific sickness. A friendly society sickness benefit was never intended to do more than secure the beneficiary against that loss of earnings which is liable to befall him during his working period of life. The period of past work should be separately insured for. And because this has not been, and is not, the rule, a heavy and increasing strain is put upon the sick funds, a strain, moreover, which they were never intended to bear." *

All friendly societies would therefore act wisely in removing this source of uncertainty and probable danger; while, for those in regard to which the choice lies between reconstruction and insolvency, the adoption of a fixed age at which benefits shall cease is not only advisable but necessary, and not only necessary but urgent. Many societies have defiantly disputed, or with a masterly inactivity ignored, expert advice and warning, and for them the sacrifice involved in the adoption of any scheme of reconstruction on a sound basis increases year by year. Every liability which an unsound society pays in full perpetuates the injustice whereby an undue share of the contributions of the other members are expended in discharging obligations which have not been fully provided for by the beneficiaries.

In devising a scheme of reconstruction which shall be applicable generally, principles only can be indicated. The details of application must depend on a number of varying circumstances, and on the voluntary acceptance by each society of one or more possible alternatives. Care must be

* From a paper read before the Royal Statistical Society, in April, 1895, by the Rev. J. Frome Wilkinson.