

is only a case of history repeating itself. The men who established this high benefit in New Zealand were no doubt actuated by the best motives of charity and benevolence, and the desire to secure a cheap insurance for their members, but, unfortunately, they did not consider the enormous responsibilities and obligations the scheme would bring in its train. All the old-established orders in England know the fallacies of the equal-levy system, and in that country it would be very difficult to get any of them to countenance it. The scheme has been described to the Committee by various witnesses and its unsoundness exposed—in fact, it is difficult to understand how, when it is explained, any one can fail to see its weakness. It does not require an actuary to explain the process; and I will give a rough illustration applied to a body of 10,000 men which, we will say, are members of a society run on these lines. Now, this membership creates in the case of a death benefit of £100 a future liability of £1,000,000; but the advocates say the lapse or withdrawal rate is to be allowed for, so we will reduce the liability to £900,000. At present the annual rate or levies in New Zealand societies have not exceeded 8s.—so, to be generous, we will take 10s. as an average. Suppose these 10,000 men are all 20 years of age, and that they will live until they are 80—which, of course, is impossible; but we are giving the system an impossibly favourable trial—then, as they pay 10s. per year, the 10,000 raise annually £5,000, and they pay it for sixty years, which gives us an impossible asset of £300,000 to meet a certain liability of £900,000.

Mr. Jennings: It is an impossible position to assume.

Witness: It is clear that if they get three times the number of members in to pay the shortage the remaining members are left worse off still. Apart, therefore, from what has happened in other countries, there is surely sufficient proof here of the dangerous nature of the scheme. Its outstanding weakness is the non-accumulation of a fund, and the fact that members do not receive any aid from interest, which is such an important factor in providing for contingencies of this nature. And in this connection it should be clearly understood that the ordinary reserve funds of the orders are legally distinct and separate from this levy system. The funds of all the orders amount to about £1,100,000, accumulated to meet their ordinary sick benefits, and funeral payment of £20 or a similar sum; and not any part of these funds can be touched for a special death-levy benefit.

15. *Mr. Jennings.*] The benefits are absolutely guaranteed?—I think so.

Witness (continuing): This high death benefit which is now being offered in New Zealand has been referred to as a benevolence and not as an assured payment, but it is doubtful whether the members themselves so regard it.

It has already been mentioned that 31 societies running on this system in America failed between 1889 and 1897, leaving heavy liabilities and many lamenting members; and records are available showing the position of these concerns, with accounts of the Court proceedings their winding-up entailed.

16. *Mr. Aitken.*] Do you know how long these American societies have been in existence?—The first lot started about 1867, I think. It is said that the life of these societies has never been known to run much over twenty years without reconstruction.

Witness (continuing): I will not go into the question of mortality rates or other technical matters which are interwoven with the business, but wish to put in two tables which illustrate the workings of sixty of these companies during thirty years.

Table A.—Illustrating the Progress of Assessment Societies in America during Thirty Years, showing the Stages reached at each Period.

Date of Commencement of Business.	Number of Societies.	Membership.			Ratio of Death Losses per 1,000.		
		1895.	1900.	1905.	1895.	1900.	1905.
1867-75	10	175,673	127,774	92,058	17.26	23.32	29.68
1876-80	18	486,437	603,418	748,276	9.80	11.52	12.18
1881-85	13	490,734	1,097,750	1,433,935	6.11	6.01	7.16
1886-95	19	120,309	566,193	1,048,122	5.42	6.31	7.17

Table B.—Showing the Levies that would require to be made on the Living Members according to the Death-rates experienced above, assuming the Sum assured to be £100.

Companies established.	Levy on each Member, assuming £100 Insurance and no Expenses.		
	1895.	1900.	1905.
1867-75	£ s. d. 1 14 6	£ s. d. 2 6 8	£ s. d. 2 19 4
1876-80	0 19 7	1 3 0	1 4 4
1881-85	0 12 3	0 12 0	0 14 4
1886-95	0 10 10	0 12 7	0 14 4