of thousands of people in America over a period of thirty or forty years, causing untold distress and hardship. The system had been denounced by actuaries long before it was taken up in America, and it is no less remarkable that after the exponents of the theory had for years abused actuaries right and left for their predictions, the societies should then, after bitter experience and diligent research, have slowly and laboriously discovered for themselves the most elementary principles, and announced officially in their Congress the breakdown of the system. Mr. Hayes has read to you some of their findings.

There is another point I might refer to, but this has no connection with the equal-levy system. I understand it was stated by a witness, possibly with the object of discrediting actuaries, that English actuaries had years ago denounced surrender values as unsound in connection with insurance. That statement is quite wrong. It is true that English insurance companies were very much opposed to giving them at first, but their reasons for opposing them were precisely the same as those which now actuate friendly societies in New Zealand in opposing them. I can state that, subject to proper conditions, there is no actuarial objection to surrender values being given by a number of New Zealand friendly societies. Why then are they not given? The answer will explain the English case.

8. *Mr. Jennings.*] I have already asked the Registrar the following question: The A.M.P. Society charge £3 5s. per annum for a premium of £100, payable at death, for an insurer aged 30, 88 per cent. going to managemental expenses, leaving only the difference for the mortality risk, while the Druids only charge 8s. under their death-levy scheme?—I am not called upon to defend the A.M.P. Society's premiums, but I would say I would be prepared to certify for £100 at £1 7s. 2d. at age 30. It is admittedly more than the bare cost in the early years, but less in the later years of the man's insurance. I have already pointed out in my statement that if you do not charge more than the actual current cost at the outset you must have an increasing premium.

9. *Mr. Tanner.*] What are the lapse-rates at low ages as compared with those at high ages in friendly societies?—I recently took out the lapse-rates of the Druids, which society has a high lapse-rate. At the age of 20 to 25, the lapse-rate was about 19 per cent.; and at 45 to 50 about 2 per cent. That lapse-rate under the equal-levy system is of very little assistance—in fact, practically of no assistance to the society at all. It is quite clear that if members only pay 8s. they only pay for the bare cost of their own insurance, and leave no money behind if they lapse. They are therefore of no assistance whatever to the equal-levy system.

10. *Mr. Jennings.*] How do the rates of contributions charged by the Druids stand as compared with the adequate rate?—Does the question refer to any particular society of Druids—for instance, the North Island or the Otago Society?

11. That which is imposed by the friendly-society law, which says there must be £20 paid on the death of a member and £10 on the death of a member's wife. Take the North Island Druids?—The rates of contributions for the sick-benefits and the ordinary insurance of £20 in the North Island Druids would be short of adequate by about 3s per annum at most ages, and about 7s. at one group of ages. It is fairly adequate.

12. *The Chairman.*] In these actuarial calculations do you take into account the lapses of members and their wives in the contribution scale?—The lapses, in compiling a table for contributions for sick-benefits, are only taken into account indirectly at present—that is to say, considerable latitude is allowed in other directions on account of the knowledge we have that a certain amount of profit must come from lapses. It has been my intention to go very fully into this question to see what can be the greatest possible allowance for lapses; but up to the present I have been prevented from doing so by the tremendous amount of valuation-work that has fallen on me since I took charge. In connection with lapses, if you construct a table of contributions allowing fully for lapses you then receive no profit from the lapses every five years. You have anticipated that profit. Under the present system it is different, as the profit from the lapses falls in every year, and is given credit for in the balance-sheet by the actuary every five years. I recently valued one lodge where there was an extraordinary lapse-profit, and to show you how we deal with this, this lapse profit was dealt with as a surplus, and the lodge has applied for permission to use the surplus to reduce their future contributions. That is the way they at present get the benefit of these lapses.

13. There is a very small amount made on new lapses, because the members have necessarily paid very little?—Lapses at the lower ages bring in a very small profit. In the equal-levy system they bring in no profit. One member lapsing after being in an ordinary friendly society twelve or thirteen years brings in as much profit as five or six lapsing after one or two years.

14. *Mr. Jennings.*] Do not the insurance companies make large profits out of the surrenders and lapses?—Not in ordinary insurance offices. The lapses and surrenders add very little to the profits, for this reason: that in the case of surrenders the office practically pays over what amount it holds on account of its members; it practically gives them the reserve. In the case of lapses—we will take the case of a policyholder who has paid his premiums for five years and then ceases to pay further—the surrender value is applied to keep his policy covered for future years, and by that means it goes back to him. The profit going to the insurance company on lapses is particularly small as compared with friendly societies. I can mention the case of a man who took out an endowment insurance policy for twenty years in a local insurance office, and who paid up the premiums for five years only, and at the end of twenty years he received back a larger sum than he had paid in.

15. *Mr. Tanner.*] As a matter of fact, are not the lapses in friendly societies mostly those of single men? Have you any means of ascertaining the proportion?—I am afraid I have not looked into the question from that particular point of view, but it has been suggested that the members who lapse are generally inclined to be the healthy members, leaving in the society the unhealthy members.