

9. Is it compulsory?—That is so. I am speaking now more of those societies that have had an opportunity for adopting improvements. In old societies a great many Supreme Court cases have taken place in the endeavour to improve the methods. There is continual fighting going on.

10. What is the proportion of members of friendly societies who die unmarried?—I cannot say exactly, but from common-sense reasons it would seem probable that in the long run the proportion who die unmarried is less than the proportion who die married, because far the greater number die at the older ages and far the smaller number die at the younger ages; consequently it follows that those who die must include more married than single men.

11. Are there many members of friendly societies who get benefits on account of more than one wife?—There are a fair number. A good many of them do not insure the second wife.

12. You do not provide for that in any table?—No, it is not provided for in the table; but most lodges charge an additional contribution when the member registers his second wife, and then we take that additional contribution into account as well as the additional liability.

13. *Mr. Wood.*] Can you say if the American assessment societies are established on the same basis as the New Zealand friendly societies?—In answering that question I would say there were two kinds of societies in America: one was in the nature of a company transacting nothing but assessment insurance; the other kind are known as fraternal societies. These fraternal societies were on the same principle as the friendly societies of New Zealand in this respect: that they had other objects or benefits besides the assessment insurance. They were run entirely for the benefit of the members; there were no proprietary rights involved. They had lodge ritual. I cannot do better than read the legal definition of one of these societies: "The Royal Arcanum is a friendly society incorporated in the State of Massachusetts under a general Act. The purposes of the incorporation are declared to be fraternal union, aid to its members and their dependants, the education socially, morally, and intellectually of its members, assisting the widows and orphans of deceased members, establishing a fund for the relief of sick and distressed members, and one for a widow and orphans' benefit fund." The Judge, in dealing with this particular society described it as a friendly society.

14. In compiling a table of contributions do you allow for lapses?—You will find an answer to the question in my examination-in-chief, on page 39, paragraph 12, of the evidence already printed.

15. Is it a fact that there is $7\frac{1}{2}$ per cent. of members who have contributed to the lodge and have either resigned or died out of the lodge, and also $3\frac{1}{2}$ of wives of members who leave the lodge and die out of it? I want to know if any credit at all is given for those?—I can probably answer that question best by showing you the actual effect on a premium, of taking these lapses into account. I will illustrate it in the case of £100 insurance. I have already quoted the premium of 19s. 10d. at age 20 for £100 insurance. Now, if we take the full New Zealand lapse-rates into account—that is, the very highest lapse-rates in New Zealand—and calculate the premium anew, giving credit for all those lapses, the reduction that would be made in the premium would be about 1s. 6d.; from 19s. 10d. it would fall 1s. 6d. It is quite fallacious to take the average lapse-rates of a lodge without regard to the ages of the members. The way in which the lapse-rate must be looked at is this: You must take a body of men, say at twenty, and follow them right through life, excluding all new entrants, and then observe the lapse-rates. I found in two of the lodges of the North Island Druids, out of those who entered at ages under twenty-five, about 19 per cent. lapsed the first year after entry, 12 per cent. the second year, 7 per cent. the third year, 2 per cent. the fourth year, and 1 per cent. the fifth year. The lapse-rate falls off then to practically nothing. The fact that these lapses take place so early means that the profit produced by them is very small indeed. I would like to make another remark, and that is, when I quoted that premium reduced by 1s. 6d. for the lapse-rate I would like to say it would be quite unsafe for any society in New Zealand to try and run the business at that premium, because such a lapse-rate could never be relied upon. Besides, you would be sailing so close to the wind that there would be absolutely no margin for fluctuation. If you earned only $3\frac{1}{2}$ per cent. you would come out with a deficiency. You have absolutely no margin if you take that lapse-rate into account, and in effect you are dividing your profit before you make it. At present, as I have already said, the lodge gets the benefit of the lapse-profit *as it falls in*; and all past lapse-profit is given credit for it in the valuation. The members get it back as a surplus. With regard to the equal-levy system the lapses are a loss, not a profit, when the levy is only 8s. for £100. That is a fact which cannot be too strongly emphasized. If a man pays £1 a year for his insurance and then lapses, there is a little profit, but if he pays only 8s. a year and then lapses he has barely paid for the cost of his insurance; in fact, he has paid less than the cost of insurance, because he always escapes the last quarter's levy.

16. *Mr. Jennings.*] In your opinion are the contributions charged by the New Zealand friendly societies adequate for the ordinary benefits, not the levy system?—It is a difficult question to reply to generally. I would say that the contributions charged to new entrants in the ordinary New Zealand friendly societies are very creditable from an actuarial point of view, but there is no doubt that in most cases an improvement could be made nevertheless. A good many of the societies have a contribution which cannot be assailed—it is perfectly adequate—and I think I am correct in saying that the great majority of them are so little short of adequate that it is a pity they do not take that little step and make them adequate.

17. Can you tell me how they accumulate such large funds although they may have inadequate contributions?—I can best answer that question by showing you this diagram and explaining it. Take Diagram A: Here we have 7,220 young men who effect insurances at a proper actuarial premium of 19s. 10d. (or, for simplicity, say £1) per head per annum at age 20. We follow these men through life. The upright lines in the diagram marked 20, 25, 30, 35, and so on are the ages through which the men pass. They are the milestones. Now take the dotted line and follow