

1908.  
NEW ZEALAND.

---

## FRIENDLY SOCIETIES CONSOLIDATION BILL - COMMITTEE

(REPORT ON); TOGETHER WITH MINUTES OF EVIDENCE.

MR. ARNOLD, CHAIRMAN.)

*Report brought up on the 9th October, 1908, and ordered to be printed.*

---

### ORDERS OF REFERENCE.

*Extracts from the Journals of the House of Representatives.*

TUESDAY, THE 25TH DAY OF AUGUST, 1908.

*Ordered*, "That Standing Order No. 219 be suspended, and that a Select Committee be appointed, consisting of nineteen members, to whom shall be referred the Friendly Societies Consolidation Bill, the Committee to consist of Mr. Aitken, Mr. Arnold, Mr. Ell, Mr. Flatman, Mr. Fisher, Mr. W. Fraser, Mr. A. L. D. Fraser, Mr. Graham, Mr. Izard, Mr. Jennings, Mr. Kidd, Mr. Massey, Mr. Poland, Mr. Seddon, Mr. Stallworthy, Mr. Tanner, Mr. Wilford, Mr. Wood, and the mover."—(Right Hon. Sir J. G. WARD.)

TUESDAY, THE 29TH DAY OF SEPTEMBER, 1908.

*Ordered*, "That the petition of the Star of the West Lodge of Druids, No. 36, be referred direct to the Friendly Societies Consolidation Bill Committee.—(Mr. R. McKENZIE, for Hon. Mr. GUINNESS.)

---

### REPORTS.

No. 625.—Petition of the Star of the West Lodge of Druids, No. 36, praying that section 16 of the Friendly Societies Consolidation Bill be struck out or amended.

I AM directed to report that as the subject-matter contained in the petition was considered in conjunction with the Friendly Societies Bill, the Committee has no recommendation to make.

9th October, 1908.

J. F. ARNOLD, Chairman.

---

THE Friendly Societies Consolidation Bill Committee, to whom was referred the above-mentioned Bill, have the honour to report that they have taken evidence thereon, and, in consequence of the late period of the session and the advisability of societies having an opportunity of perusing the evidence, recommend that it be printed for circulation.

9th October, 1908.

J. F. ARNOLD, Chairman.



## MINUTES OF EVIDENCE.

WEDNESDAY, 9TH SEPTEMBER, 1908.

FRANK JENNINGS examined. (No. 1.)

1. *The Chairman.*] Do you reside in Wellington?—Yes.

2. What do you represent here this morning?—Personally I am representing my lodge. Hitherto I have been acting as parliamentary agent for all the Druids in the Dominion, to watch legislation in the interests of the order; but to-day I represent the Druids generally, and my own lodge in particular.

3. Can you tell me how many lodges you have in the Dominion?—I should say there are between 110 and 120.

4. And their membership?—Over 13,000 in the aggregate.

5. Will you just make your statement in your own way?—Recognising, sir, that you do not want any undue trespassing on the time of the Committee, I will just run through the objections as they appear to me. In connection with the Bill, there are several sections of a drastic nature which, if they evolve into law, will, in my opinion, have a tendency to materially weaken the present position; therefore I will point out my objections, and suggest alterations of a remedial character. Section 34, in reference to Government audit: In this section the power proposed to be vested in the Registrar is one that I respectfully submit cannot commend itself to friendly societies generally, for, whilst the matter of public audit is welcomed in the examination of our financial transactions and other operations, yet it is only a fair and reasonable request to make that a limitation of power should be fixed, as the section, if approved by the Legislature, will confer authority on the Registrar to at any time (and as often as he deems proper) demand the production of the books, &c., of a lodge for purposes of either audit, inspection, or inquiry. I am not aware that ever a representative member of a friendly society suggested or anticipated that any part of the Bill would be susceptible of conferring power on those who will have the administering of the Act in the nature of machinery clauses which could be utilised to operate on societies in both a harassing and detrimental fashion. The stated periods of public audit ought to be definitely provided by the Act, and if this course of procedure is adopted it would, I am certain, eliminate any possible chance of friction between the Registrar and the various societies with reference to public audit. The section itself will give the Registrar power, and rightly so, to inquire into the financial position of the societies; but I submit we ought to know whether it is to be once in three months or six months. Section 41, subsection (3): The investing of lodge funds, and security for same, is a matter that requires serious consideration, and any person who is qualified to give an opinion on this subject will declare that sound and careful investment, in conjunction with securing the highest rate of interest consistent with absolute security, is the fundamental basis that a society has to look to in endeavouring to place it in a satisfactory financial position. In a number of instances trustees of a lodge carry out the valuations in connection with proposed investments, and in some of such cases the advances made are a bit more elastic in proportion to the proffered security than in the case of a Government Department or private individual advancing money on mortgage. To preclude the possibility of the existence of this condition of affairs a fixed principle could be affirmed in the transactions of friendly-society mortgages by the application of the methods and ratio of advances in proportion to security as authorised and carried out by the Government Life Insurance and Public Trust Offices. If it is necessary for the Government, acting through its Departments as the trustee of the Dominion, to provide such safeguards as I am alluding to in the investing of State funds, the necessity for similar safeguards becomes more accentuated in the controlling and investing of friendly-society moneys. The adoption of this procedure could not fail to elicit commendatory opinions from the large body of members, and secure for the societies all the requisite safeguarding in the mortgage transactions of the various bodies. And to corroborate this I put forward one of the remits sent to the Government by the Friendly Societies Conference of 1906, as follows: "Valuations—That in calculating the assets of a friendly society for quinquennial valuation the values of the properties held by societies as owners shall be based upon the value of a competent valuer, not upon the book value upon the society's books." If the course I suggest were adopted the question of book values would naturally devolve out of existence, for the reason that societies would have records in connection with the properties as furnished by the Valuer provided under the Act. Section 15: This section and the following one (16) are the cause of most of the trouble. The passing of this section would have the effect of creating at least one condition of affairs that is scarcely thought of at the present time and entirely unanticipated—viz., that in the future societies would be irrevocably deprived of the power of adjusting by means of their own rules a self-evident and inequitable anomaly that is at present in evidence in the major portion of the lodges throughout the Dominion. An analysis of the anomaly reveals the following facts: A large number of those lodges that were founded twenty years ago and over, commenced operations on a scale of contributions that is now almost universally admitted by friendly-society people to be markedly insufficient to provide for the benefits promised in the programmes propounded at the inception of the lodges alluded to. At various periods during the last twenty-five years attempts have been made from time to time by some of the orders to remedy the condition of affairs brought

about by the foregoing causes—namely, “inadequacy of contribution”—and in the process of putting their houses in order the operation of spring cleaning has resulted in a partial reformation only, the existing members always taking the precaution that when it became necessary to raise the scale of contributions an exemption was granted in their case, inasmuch as it was decided that they should continue at the old rate, while future entrants were to pay the increased rate, equal benefits being dispensed in all cases. At a Friendly Society Conference held in Wellington in 1906, at which delegates from all the societies were present—and it was the most representative Conference ever held in New Zealand, because the Prime Minister accorded the delegates the special privilege of a free pass over the railways—amongst their recommendations was a portion of the matter now contained in section 15, and I desire to emphasize the concluding portion of the recommendations—viz., “That all present members were to be exempted from the scale of contributions that was to be certified to by an actuary as sufficient to meet the benefits stated, and that the recommendation should come into effect on a given date.” If the present Bill becomes law it will come into operation on the 1st January next year. Self-condemnation in the shape of exemption appears to be written large in the finale of the recommendation, and a coincident factor that was simultaneously operating certainly deserves thoughtful consideration. The *personnel* of the Conference comprised a majority of men who had passed the meridian of life and were well up in years, a natural corollary being that possibly they were members of long standing in their respective orders, and consequently would be paying less per week than other members in their respective lodges who joined at the same age under the partially reformed condition of contributions, and all of whom receive equal benefits; and as there had been a large numerical increase in membership during the last ten years it is quite possible that members who have joined under the new *régime* will, at no far-distant date, commence an investigation into the indefensible position occupied by the other members, the position being that one section of members is penalised, and in an inverse ratio the other section is virtually subsidised. In the face of this existing state of affairs a justification certainly exists for a student of friendly-society problems to speculate in the opinion that the new members may move in the direction of straightening up the various scales of contributions for existing members by taking steps to carry into effect the equalisation of payments on a graduated scale, so that equal payments shall elicit equal benefits, the present adjustment of payments being disproportionate to the requirements of equity. The following is a copy of a remit from the 1906 Conference: “Adequate scale of contributions (existing societies)—That no society be allowed to carry on business without having an adequate scale of contributions commensurate with the benefits proposed and approved of by a competent actuary, which scale shall not disturb the contributions of existing members, but shall be brought into existence on a stated date, and shall apply to all those joining after that date.” I respectfully submit that if section 15 becomes law every avenue through their own rules by which the lodges could approach the question of unequal and inequitable contributions, with a view of righting the wrong, will completely vanish, and section 15, without retrospection, appears to a good many of us as the bolstering-up of a monopoly which will compel one member to compulsorily contribute towards liquidating the deficit of another member’s contributions. There is also another remit from the Friendly Societies Conference of 1906: “Recommendation to societies—That in the opinion of the Conference no scheme of friendly-societies benefits is complete which does not provide for cessation of sick and funeral fund contributions after the age of sixty-five years, and the substitution of a fixed annuity in lieu of sick-pay.” The testimony contained in a Bill (National Annuities) that was circulated under the sponsorship of the Right Hon. the Prime Minister is a confirmatory definition that the societies required some auxiliary means of increasing their funds, and the method proposed by the right honourable gentleman is contained in section 6, subsection (2), of the said Bill—namely, “That in cases of prolonged sickness the societies named receive a partial refund of sickness expenditure on a scale proportionate to the various ages of sick-pay recipients.” This was a broad and humanitarian proposal, and the ethics of it appeal to me in the following way: that it is distinctly more honourable and offers less liability to loss of dignity for a society to accept a refund of sick-pay from the State than to compel some individuals within their fold to make up for the deficiency of others. One case that I know of is where two men of the same age at the time of joining, but at different periods of initiation, are paying as follows: A pays a certain amount to the Sick Fund, and B pays 120 per cent. more, both being entitled to equal sick-benefits. Therefore it resolves itself as follows: Under the proposal contained in the Annuities Bill the societies would receive a sick-pay refund from the revenue of the Dominion, to which every member had contributed in either a direct or indirect way, whilst in the present state, if I may be permitted to coin a phrase, the efficiencies of a friendly society have to partially provide for the non-efficients. I therefore respectfully ask for the deletion of section 15. Section 16: This appears to be specially devised to deal solely with the “death-levy system” of the 13,000 members of the Druids Order. We are at present complying in the case of death allowances, by paying the usual one as disbursed by all of the societies, but with the addition of an extra £100 on the death of a member. Our *modus operandi* is of a simple nature: On the death of a member the governing body pays the £100, and at the end of each quarter all the subordinate branches of the order are called upon to remit to the executive a sum per member equal to the disbursement of special death levies paid during said quarter; and many of our members are insured for this moderate amount who under other circumstances would be unable to combine membership in both a friendly society and insurance company. The position is as follows: that under our co-operative system a sum of 15s. per member per annum by all friendly societies in the Dominion would have been sufficient to pay £100 for every member that died in all the societies during the past twenty-five years. We have no objection to any other society carrying on business on similar lines, but we do ask to be permitted to still carry on the benefits on the lines of practically demonstrating within a limited area being able to give the maximum of death benefit at a minimum of

cost. The present position is quite clear, and is not susceptible of being successfully controverted. I understand that actuaries do not view with favour our levy system, on the ground that no reserve fund is created. My answer to that is that a reserve fund is not required; and to amplify my answer I quote the words of Sir Joseph Ward when speaking a few years ago on an Imprest Supply Bill. The right honourable gentleman stated, *inter alia*, when discussing benefit societies, "I refer to these cases, among other things, to call attention to the fact that it is not so much upon the amount of accumulated capital they have to draw upon that such schemes should be judged as on what is at the back of them." I trust that section 16 will be deleted. Section 18, subsection (2): We ask that this may be amended so that an appeal can be allowed against the Actuary as well as the Registrar, and also that some simpler and less expensive a tribunal of appeal may be provided than that of the Supreme Court. An appeal is provided for, but there is a feeling of unanimity amongst members of friendly societies that as the expenses would come out of the incidental funds, which barely pay the cost of management, some more simple and less expensive tribunal should be set up. In the previous Bill the Actuary was never brought to light. He is a new importation, and we ask that the same principle of machinery shall apply to the Actuary as to the Registrar. Section 33, subsection (1): This is in relation to the annual returns that every society in the Dominion has to furnish. Hitherto it has been the custom that the secretary, after compiling his return, should have three months in which to send it in—to the 31st March. It is proposed in the Bill that only two months be given, and we say that the words "first day of March" should read "thirty-first day of March," and that provision be made in the subsection for the acceptance of annual returns from those societies who close their yearly balances at the end of November. This is an item which specially affects the Druids. We close our year at the end of November, and it is a vital question with us, and a matter of heartburning amongst all our secretaries. We close a month earlier than other societies, so that Christmas may be free to everybody, and in order that we may have a chance of getting our subscriptions in. Section 37: This is one of the most important matters in the Bill, for it not only concerns the Druids, but all the societies in the Dominion. We ask that the word "balance-sheet" be substituted for the word "return," or that the word "return" be deleted and the word "balance-sheet" be substituted. I might state for the information of the Committee that an annual return totally apart from the balance-sheet is sent in to the Government every year. In the Bill, further on, it is proposed to give every member of a society the right to demand a copy of the return, and it would be possible for half a dozen members to form a combination and put the secretary to the trouble of writing out these returns, as each lodge possesses only one copy of the return. We ask that our balance-sheet, which in most of the lodges is a printed copy of the transactions, be substituted. Sections 55 and 56: In reference to these we merely ask for the simplification of the machinery clauses. The present Bill mentions £50 as the amount to be dealt with, and it is proposed, briefly, that if a member dies and leaves no will, if the amount does not exceed £100, the trustees can administer the funds on what appears to them credible evidence, and we ask that, where the words "one hundred pounds" appear, the words "and fifty" be inserted, to make the limitation £150 instead of £100. There is a suggestion here made by Mr. Tanner of most vital importance to every member of a friendly society—viz., that all moneys from sick and other benefit funds be exempted from attachment by any legal process. If that is put in the Bill it will be of great benefit to every friendly society, and save the members a lot of trouble. In dealing with section 15 and the inadequacy of the contributions, I want to point out that this will mean giving a certificate of title to some societies which actuarially have not a leg to stand on. There are two societies in New Zealand that have manoeuvred a lot in endeavouring to engineer the retention of sections 15 and 16, and possibly they may have been actuated by the following motives: One society was valued in 1906, and the result disclosed the fact that they showed an actual deficiency of about £4 per member as compared with the result of the previous valuation. Another society in the South Island showed a deficiency in one of its lodges of £64 per member at its last valuation, the previous valuation being £47 deficiency—in other words, they went to leeward £17 per member during the intervening period of five years between the last and previous valuation; and the Government Bill, if passed with section 15 as it stands at present, would have the effect of giving the hall-mark of security to such a friendly society as I have stated, which society, in my opinion, requires straightening up. The last parliamentary paper shows that there are a number of societies which have not reached the period of valuation yet, but those that have been valued present the following results, as per friendly societies' annual reports for the years 1904 and 1907: 1904—Financial societies 105, unfinancial 286, total 391; 1907—financial societies 98, unfinancial 333, total 431. I submit it is a grossly unfair thing to saddle new members with a burden they are not entitled to bear. In conclusion I desire to state, in a recapitulation of my statement, that from our point of view the retention of section 16, if it becomes law without modification, will be the means of inflicting a considerable amount of hardship on the Druids; and in asking that our request may receive consideration at the hands of the Committee I beg to again call attention to the prophetic utterances that were expressed inferentially by the Right Hon. the Premier on the occasion I have referred to. In subjecting those words to an analytical test with a view of utilising them as a factor of advocacy the result that presents itself to me in its analogous bearing to our cause is that during the public career of the Prime Minister he has never phrased an expression in brevity of language that was impregnated with more truth. The nature of the inferential security is demonstrated by us that, no matter what differences may exist amongst us in the internal working and administration of our lodges, to-day every individual of the 13,000 members stands shoulder to shoulder on the question to us—viz., the proposal that is now staring us in the face—the sweeping-away of the machinery that enables us to pay a special death levy of £100 on the death of a member.

6. Do we understand that what you contend with regard to clause 15 is that an adequate scale—that is, a scale actuarially sound—should be formulated and allowed to apply to all societies both as to their present and future members?—Undoubtedly. As an exemplification of what I am endeavouring to say, a remit to the Conference asked the Government to make provision for the ceasing of contributions when a member became sixty-five years of age, or obtained payment of an annuity, when payment should cease. It is a coincident matter that the Bill circulated by the right honourable gentleman made this provision, but the friendly societies' delegates thought their honour was a little wounded by such a proposal, and did not like to approve of it without further consideration. They thought it was pauperism. Any scheme must be unsound which renders it necessary for a lapse of time to take place before the members are strong enough to carry the load.

7. Do you consider now that the time has arrived when the Government should formulate a scale—an adequate scale—of payments, and that the law should provide that that scale should apply to all the lodges in existence now and which may come into existence in future?—With the proviso that retrospectio should be added.

8. With regard to clause 16, I would like you to make clear to the Committee the *modus operandi* of your society: You pay £20 for sick-pay, is that so?—A member will be initiated to-night in my lodge. He is provided with a doctor and medicine for himself, his wife, and family. When six months in the lodge he gets half sick-pay, and if he or his wife dies they get the funeral benefit. After twelve months they get full benefits. But if a member dies (after being initiated) to-night in the ordinary way or through accident on a tram-car, or otherwise, £100 is given to his widow. We pay £100 out of the North Island Grand Lodge Special Levy Fund. Two pounds sixteen shillings a year is about the amount a man age thirty-six has to pay to an insurance company for an ordinary insurance of £100, payable at death. For the last twenty-five years, if every member of our society had been insured, £100 would have been paid at death for an expenditure of slightly under 15s. per annum.

9. How much do you pay for the benefits you have enumerated?—A graduated scale from 1s. 2d. to 1s. 8d. per week, and an additional levy to pay to the Special Death Fund from which the £100 is paid. That is the scale of pay since the graduated scale came in. The man who comes in to-day pays more than those who joined previous to a graduated scale of contributions being brought into operation.

10. Will you explain how you raise this extra money for the £100 benefit?—Say a death occurs in my lodge to-night, and the representative of the member puts in a claim to the lodge for the death levy and funeral allowances. The papers are filled up, and the lodge passes the claim. It is sent on to the grand secretary of the North Island Grand Lodge, and within twenty-four hours £120 comes along. At the end of the quarter the grand secretary sends out a circular stating how many members have died, and calling up 6d. from each member—in our lodges, although 6d. is called in, it is in reality only 3d. for the death levy—and £100 is put into the banking account. Four thousand members at 6d. is equal to £100. There is a levy of 6d. for each death, and the account is kept separate and distinct. The members have to pay this contribution of 6d. in addition to their ordinary contributions.

11. If the number of deaths increased, the levy would increase?—Of course, if there were more deaths. I worked out a table a few years ago from the Registrar's figures, and found that during the last twenty-five years the deaths had been slightly under 7 per thousand per annum.

12. *Right Hon. Sir J. G. Ward.*] Regarding this levy system, I want to try and find out a little about it, because the Committee should be cognisant of the whole position, and it is equally important to the future beneficiaries that we should know how you assess the levy on the basis of 6d. Other countries have tried that system. Take America, for instance: the levy system has been carried out there for a long period of years, and, unfortunately, the results have not been satisfactory. The system has proved disastrous to those concerned, and very pernicious in its effects. What steps have the Druids taken to prevent the disasters which have come about in America?—We anticipate an enormous influx of members, and I might, in reply, quote your own statements as given in *Hansard*, 29th August, 1905, when speaking on an Imprest Supply Bill, in which you dealt with friendly societies: "Now, I wish particularly to direct honourable members—for it is the kernel of the whole scheme placed before them now—to the point on which every one is anxious to try and satisfy himself that the scheme is sound; because if it is not sound then it is not desirable to have it in operation, and so delude either the country or the members of the service in connection with the fund. After a period of forty-five years the summing-up of the entire outgoings, making provision for debts, retirements, accidents of various kinds, and all expenses, of the London and North-western Railway Company was £336,880. Cash paid to representatives of deceased persons amounted to £55,874; cash returned to members on leaving the service, £61,680; cash paid to members superannuated, £190,927; cash paid to representatives of deceased superannuated persons, £10,770; cash paid to members in lieu of superannuation, £6,439; expenses of management, £8,368; expenses of actuaries and medical fees, £2,577 10s.; and auditors' fees, £241 10s.; and there was a balance in hand at the date referred to of £997,382; and on the 30th June, 1900, that amount had increased to £1,114,288. Now, if, as will doubtless be suggested, you are going to ask for a superannuation scheme to be established in this colony, or in any country, upon what may be termed from an actuarial point of view a sound basis, you would never get a scheme at all. If you take the position of some of the great friendly societies, such as the Manchester Unity of Odd Fellows, for instance, which has an accumulation of about ten millions sterling, if judged from an actuarial standpoint that society is not regarded to be in what is termed a sound position. Yet I have no hesitation in saying that it is a thoroughly sound one, and meets all the praiseworthy intentions of its promoters. Then, take the North-western

Railway Company, and submit their position to an actuary, and ask whether, upon an actuarial basis, their scheme is a sound one. He will tell you immediately it is not; and yet for forty-seven years, after making full contributions for every claim upon it, it has over a million pounds sterling of accumulated funds, which, invested, largely meets the annual outgoings in every direction. I refer to these cases, among other things, to call attention to the fact that it is not so much upon the amount of accumulated capital they have to draw upon that such schemes should be judged as to their soundness, as on what is at the back of them. In the matter I have just read to honourable members, you will find that, notwithstanding the fact that the actuaries said it was unsound, and that the basis of the payment both of the company and the employees was a lower one than provided in my Bill, yet the London and North-western Railway had over a million sterling accumulated at the end of forty-seven years. *In the light of the experience of that company, and of the experience of the Manchester Unity Society of Odd Fellows, and of other institutions of that kind, which upon the basis of the actuarial calculation ought to have been worse than insolvent many years ago—they are still going on in a flourishing way, and adding enormously to their reserve funds.* Our organization has increased 100 per cent. during the last three years. Our numbers—4,000—have developed into 8,000 in the North Island.

13. I am not quite clear in my own mind that, if you had 100 deaths, you would be able to meet them with a levy of 6d.?—We could never, under ordinary circumstances, have 100 deaths. As the membership increases the deaths must increase, but the ratio cannot increase except in the case of a catastrophe. During the last twenty-five years the actual deaths of friendly-society members have averaged about seven per 1,000 per annum, and in the parliamentary paper issued in 1907 the total deaths in all friendly societies during the last eleven years have averaged 7·3. A few years ago I worked out a calculation for the preceding twenty-five years, and the result showed a death-rate of 6·88.

14. Do you know the proportion of deaths in other societies?—No; but Mr. Bold will probably be able to tell you. The death-rate I have given is for all the societies in New Zealand.

15. What about clause 34, with regard to auditing: what do you suggest—because it is important that friendly societies should be maintained in a financial position?—The present Registrar of Friendly Societies, I may state, has made himself agreeable to the members of friendly societies, and is most obliging, but he may pass away, and I am contemplating the possibility of an officer occupying the position who, if you went to him for information, might say, “There is the Act: interpret it for yourself.” We want to provide for auditing, but we say, let it be once in three months or six months. Although the chief executive officer of a society may have his accounts financially square, yet on many occasions his books may not be fit to produce through not being posted up to date. He might be quite right so far as his funds were concerned, and yet not be in a position to hand over his books.

16. You have no objection to the auditing except that it is mandatory?—I court it, sir.

17. To whom do you suggest an appeal could be made except the Supreme Court?—I would submit that some one should represent the Government, and one or two others represent the friendly societies, and that they should form a tribunal which would meet the case.

18. Do you think the friendly society ought to have the right to appeal to a Magistrate?—Yes. It is the limit of expense which actuates us in asking for the modification of appeal.

19. Do you suggest a Magistrate?—Yes.

20. How many unfinancial societies do you say there were in 1906?—In the return for 1907 there are 431 societies, the financial position of which is shown as at valuation; but I calculated the thing hurriedly. Four hundred and thirty-one have been valued, and there are others that have not been in existence long enough to become valued; 333 were unfinancial, and 98 financial—I mean actuarially financial and unfinancial.

21. Will you give me your opinion regarding the 333 unfinancial societies, irrespective of the question of actuarial soundness: do you think they are safe for the members who are in them, or for those who may go into them in the future?—The broad answer will appeal to any business man. My own lodge started in 1879, and since then we have paid thousands of pounds away in sickness and funeral benefits. We have to-day nearly £6,000 in cash and securities, and our funds are increasing every year. We clear off all our liabilities every quarter, and have a credit balance as particularised by me.

22. Your society is not in a financial position actuarially, but actually you are all right?—Personally I say we are in a sound business position.

23. With regard to clause 37, do you say the word “balance-sheet” should be substituted for the word “return”? Would that give the necessary information?—The balance-sheet discloses all the operations for the year. There are two half-yearly balance-sheets—one in May and the other in November—in our society. Some have a quarterly balance-sheet, and some half-yearly, and an annual return is presented to the Government by each lodge, in which respectively all these balance-sheets are incorporated.

24. You are of opinion that they would give all the information that is required?—Yes.

25. Where a number of friendly societies outside the number you represent are strongly urging that clause 15 should remain in the Bill, is there any reason why their position should not be met if your position is met? A number of them have communicated with me since the deputation, and asked that the clause should be inserted?—I would be quite willing if it is made retrospective.

26. With regard to the matter of trustees dealing with the amount of £100, you suggest that the amount should be increased to £150?—The present Act provides machinery in the case of a member dying without leaving a will, and if the amount payable at death does not exceed £50, then the trustees can pay to the people who in their opinion have the best right. It is proposed by this Bill to make the amount £100, and we are asking that it be made £150. In my own lodge

a young man died who was the main support of his four sisters. The amount of £120 from the grand lodge was sent along, but claims have been made against it, and the Public Trustee does not care to take the money over, and has suggested that it should remain for the present in our banking account. It is there now, and we cannot give these girls a penny, pending an arrangement being come to. I mentioned this matter to Mr. Tanner, and he suggested that these sick-benefits and funeral allowances should be protected from legal attachment, with which suggestion I concur.

27. You suggest that up to £150 the amount should be exempt from legal attachment?—Yes, and that in the absence of a will the trustees should have power to pay the amount to those whom they consider have a right to it.

28. With the exceptions you have referred to you have no objection to the other clauses in the Bill?—The Bill is, generally speaking, a step in the right direction, with the exception of the clauses I have mentioned.

29. *Mr. Jennings.*] How long has this levy been in existence?—In a minor degree the lodges of the North Island around Wellington have had it in existence for twenty years. The levy over all the lodges within the jurisdiction of the North Island Grand Lodge of Druids has been in existence for fourteen years.

30. Has any objection been made to it by any of the new members?—Not one.

31. What would be the position of those who have paid it for fourteen years if the clause were kept in the Bill?—I think the effect would be most disastrous.

32. *Mr. Wood.*] You said the Registrar considers lodges unfinancial which you think are still accumulating funds?—Yes. Business experience, as I have explained, is totally at variance with the actuarial results—that is, they are acting in inverse ratio. We are among the missing links, yet my lodge meets its liabilities, and is adding to its funds about £200 or £250 a year.

33. *Mr. Flatman.*] Do I understand that, on account of the increased number of members, you levy 3d. instead of 6d.?—For simplification of book-keeping we levy 6d., because a levy of 6d. pays for two deaths, therefore the sixpenny levy is in reality only a threepenny one, as the sixpenny levy realises a sum of £200, which pays for two deaths.

34. *Mr. Tanner.*] Is it not within your knowledge that the older societies, when they find themselves drifting to leeward, generally make some arrangement by which the newer entrants pay more, while the old members safeguard themselves by a lesser rate?—Yes, figuratively speaking, they are virtually putting a 50 lb. knapsack on the newer entrants, while they escape with a load half the weight.

35. Have you any knowledge of a society that raises its rates on existing members as well as on future entrants?—I have no knowledge, but I may state that the necessity exists for increased contributions, because on one page of the parliamentary paper I am referring to there are two societies shown, containing some thirty lodges, and in which the contributions have never been raised. Their average age—of lodges, not members—is from twenty-five to twenty-seven years, and they seem to be receding worse than other societies who have gone in for a graduated scale of increased contributions.

36. Do you know how many lodges in the country have advanced their rates of contributions, either partially or entirely, when going to the bad?—I believe all the Druids and the American Order of Odd Fellows and a portion of the Foresters got a graduated scale when faced with the difficulties I have mentioned.

37. Are there any lodges which, while well aware of their position, still maintain a passive attitude, and allow themselves to go from bad to worse?—Yes, there are lodges paying inadequate contributions, and remaining passive. In one such case the members are making a levy towards the Sick Fund. There are two societies which make no attempt to grapple with the question.

38. When asking that the Government measure should be made retrospective, your colleague interjected “After putting it before the lodges”?—He proposes that this matter should go before the lodges.

39. Is that to get the consent of the lodges—are they to have an option?—I presume he meant that they should have an opportunity of discussing the matter. The remit from the Conference of 1906 did not represent the true position, the unfair method of voting being palpably a farce.

40. If they are to have an option, what is the advantage of the clause? With regard to the levy, this seems to be a system of insurance independent of the ordinary £20 funeral allowance?—That is so.

41. Would it meet your case if that system could be detached from the objects of the Bill?—If any method can be provided to separate them so that it will not operate detrimentally, that will meet our case.

42. I mean, that your contribution for sick-pay and ordinary death-rate should be extraneous?—The accounts are kept separate and distinct.

43. Have you two Funeral Funds?—We have got the ordinary Funeral Fund, which is incorporated with the Sick Fund, and there is a separate Death Account kept in the transactions of the society. The Registrar gets a copy of every transaction.

44. But the ordinary Funeral Fund is incorporated in the Sick Fund?—That is so. The governing board controls the Funeral Fund, and the lodge itself controls the Sick Fund.

45. Then there ought to be no insuperable difficulty in adjusting this matter?—No. This clause would inflict serious injury on 13,000 members and their dependants.

46. *The Chairman.*] I suppose this levy is set out in your rule-book clearly?—Clearly, sir.

47. So that every candidate on becoming initiated is made aware of the rule as to the levy?—Not only that, but we have cards printed in our lodges setting out in clear, bold type what the member has to pay per week. In addition a charge is made for benevolence, and 6d. as a special levy.

48. *Mr. Stallworthy.*] On young and old alike?—Yes.

49. *The Chairman.*] It has been suggested that candidates have joined the Druids in ignorance of this levy, and after initiation have suddenly become aware that they have an obligation they previously had not anticipated?—If such a case as that has occurred it has not, as far as I know, come within the knowledge of any Druid in the North Island. The thing is set out with the utmost distinctness. It is clearly made known to every member that 6d. has to be paid on the death of a member, and that by paying this 6d. he becomes entitled to the benefit of this £100.

EDWIN BOLD examined. (No. 2.)

1. *The Chairman.*] You have had some experience with friendly societies?—I am a member of the North Island District Grand Lodge of Druids. I have been a friendly-society member for fourteen years, and was secretary of one of the large lodges for seven years. I have been asked to speak here on behalf of the Grand Lodge of the North Island in regard to clauses 15 and 16 of the Bill now before the Committee.

2. Are you an expert in any one department of friendly-society work?—When a man has been secretary of a lodge for seven years he has a pretty good idea of the work, and I have taken great interest in it.

3. Will you make a statement?—There are two points on which I have been asked to speak, particularly having reference to what we consider a drastic alteration in the policy of the law as it at present stands.

4. *Right Hon. Sir J. G. Ward.*] The one reason for uneasiness with regard to the system of levy, and one of the principal causes for having a provision in the Bill dealing with that—a matter which I think you want to keep in mind, even with the suggestion of exempting the Druids from the operations of the Bill—is the fact that they have had the same system in America. There the system failed, and left a hundred thousand people crying out against what is suggested here. That is underlying the whole trouble. Those lodges or societies were working exactly on the levy system as you have it here?—They were assessment societies absolutely.

5. That is so?—I do not understand that they were friendly societies. I understand they were solely life-insurance societies worked on the fraternalism system. A friendly society, with its multifarious benefits and advantages, has more to hold the members together than such one-legged institutions. I have read about those societies, and have here a pamphlet written by James W. Alexander, President of the Equitable Life Assurance Society of the United States. He goes through all the various phases of life insurance, and mentions the assessment principle. He sets out that in a great number of instances this assessment system has been an absolute failure. I think he says in his pamphlet that two thousand of such organizations have failed in the United States. I assume that these societies were for life-insurance purposes only, and that they do not combine other benefits such as the friendly societies do. Mr. Alexander says, in the course of his statement, that the assessment principle could be worked; he also says it has been worked successfully, and mentions as an instance an assessment which was adopted some years ago on the New York Stock Exchange, where the member's seat was security for the permanence of it. He considers that if an assessment company could be so formed that the members, once enrolled, are bound to continue to pay, and security given to that effect, the plan could be worked. We think that in connection with our friendly societies the condition exists in which he says it has and can be done—we say the condition is present in our case. Mr. Alexander says the seat on the Stock Exchange was a guarantee for the payment of the premium, and we think we have a similar guarantee in so far that, if during any quarter the deaths became so heavy that a member might want to throw the system up, he could not do so without throwing up all the other benefits connected with the society; and we think there is reason to believe that members will keep up their membership and pay the levies. I would like also to say that this system is not what you might call an absolute insurance contract. It was started about fourteen or fifteen years ago, and the method of starting it was this: As in the case of many other societies, very often a hat was sent round to collect funds in cases of hardship, and some of the members thought that they could devise some means by which they could avoid going round with the hat. The £20 which is paid out under the ordinary system when a member dies was found to be of no use, because it all went in funeral expenses and left the widow and children with practically nothing. In a fraternal spirit, and with a view of giving further assistance, it was resolved that each member should levy himself 6d. in the event of death in the case of any of the members. In those days the membership of the lodges was not very big, and the amount this levy produced was not very large, but the system has been continued ever since, and has been a continually growing one. It was allowed to grow until the levy of 6d. was capable of producing £100, and it was then thought that was as large an amount of benevolence as could reasonably be expected by anybody, and probably as much as members could keep going for any length of time. It was therefore decided by the society five or six years ago not to pay over the whole of the proceeds of the levy, but to limit it to the £100. Now, however, as has already been explained, this sixpenny levy is large enough to pay for two deaths, for, as the membership rises, the cost of the extra deaths by reason of the larger membership is met by the larger membership upon which the levy is made. We look upon it as a form of benevolence, and if the society found it was becoming a hardship on the members to carry on the system I have no doubt an adjustment would be made. But, instead of reducing the amount of the levy, members have told me that they would be quite willing to double it; though probably if we doubled it it might become a hardship to some members, and we do not want to do that. The limitation just mentioned shows that the society was not inclined to go on in a reckless manner, and we all hold that £100 is a handsome amount to give to any one who has lost the mainstay. If the levy became too heavy there is nothing to prevent the order from reducing it. I might say that practically

the £100 has not cost us more than 8s. per year per member, and if you compare that with the cost of obtaining £100 in any life-insurance company run on retail lines you will find that in our case it costs very much less. The premium for a person at the age of thirty to obtain £100 at death amounts to £3 5s. a year in the A.M.P. Industrial Insurance Office. Our members look to this system as their sheet-anchor, and would take it as a very great hardship if any legislation were passed preventing us continuing it to those not only in the order, but extending it to those in any new branch of the society. If clause 16 is passed, we shall, under subsection (3) of section 103, have at once to strike the provision for this system out of our rules. According to clause 16 we shall have to satisfy the Registrar as to the exact amount a member has to pay each successive year, and we could not comply with that provision, as it would be impossible to do so, and consequently we should be called upon to strike that system out of our rules. Clause 15 we consider to be a drastic alteration in connection with the law regarding friendly societies. Hitherto the principle has been that a friendly society should be allowed to manage its own affairs. It is provided in the present Act, section 5, clause (c), that the Registrar shall "cause to be constructed and published tables for the payment of sums of money on death, in sickness, or old age, or on any other contingency forming the subject of an assurance authorised under this Act which may appear to be calculable: Provided, nevertheless, that the adoption of such tables by any society shall be optional." Clause 15 of the present Bill changes that, and makes it compulsory, and I think that is an alteration which should not be entered upon without very serious reason. In describing the functions of the Registrar, the guide-book, issued by the English Friendly Societies' Office for the information of officers of such societies, says, "As regards the wisdom or unwisdom of the conditions under which a society is to be carried on, the Registrar has absolutely nothing to say"; but the Bill now under consideration gives the Registrar everything to say, and practically creates him a Director or General Manager of Friendly Societies, and takes away at one fell swoop the existing Magna Charta of friendly societies—viz., the right to manage their own affairs. If the societies had got into such low water that there was practically no capital left there might be some reason for it, but when we find by statistics how sound the New Zealand societies are as compared with societies in the other colonies it is a different matter. By such a comparison we find that New Zealand is absolutely at the top of the tree. The following figures are taken from the Registrar's report for the year 1907: Western Australia—Number of members 13,925, capital per member £6 19s. 11d.; Tasmania—members 16,500, capital per member £8 12s. 2d.; New South Wales—members 103,041, capital per member £9 8s. 6d.; Queensland—members 32,164, capital per member £11 3s. 6d.; South Australia—members 49,253, capital per member £13 14s. 8d.; Victoria—members 111,557, capital per member £14 11s. 7d.; New Zealand—members 51,103, capital per member £19 13s. 6d. This shows a tremendous jump in the amount of capital per member in New Zealand over the best of the Australian States, and we think the friendly societies here have shown that they are quite able to look after their own affairs. The financial position certainly does not seem to warrant any such drastic interference as is proposed in this Bill. It proposes to make compulsory what hitherto has been optional, and to give the Registrar practically everything to say. It is an alteration which we think there is no call for. A strong attempt was made in 1905 to get the Imperial Parliament to pass the same provisions, but it miserably failed. A large society, having failed to get the Government to bring in a measure, tried to introduce it themselves, but were informed by the Government that it would provide no facilities for doing so. The matter was brought before a conference representing three and a quarter million members, and they refused to have anything to do with it. It seems to me that there is only one society that really wants these alterations made, and, seeing that the matter is such a vital one, I think we are justified in endeavouring to find out what is at the bottom of the desired change. In the *Friendly Societies' Gazette* for March, 1906, we find the report of the annual meeting of the Independent Order of Oddfellows, M.U., which was held in Wellington on the 19th February. The chairman's address is practically taken up with references to our death-levy system, and he gives a table showing the relative positions of the M.U., A.O.F., and U.A.O.D., with regard to the number of members and the increases. After making a comparison he says, "It will thus be seen that during the two latter years (1902 and 1903) one of the kindred societies shows a greater increase in membership than our own society, and a greater percentage of increase in all three years. While these figures are not such as to give us cause for alarm, they nevertheless call for our serious consideration. The first question which naturally suggests itself to the mind is, we are being outdone? if so, why? In view of the figures before us, the first can only be answered in the affirmative. We have therefore to seek the reason. I cannot but recognise the fact that the system recently adopted by a kindred society of levying each member a certain sum on the death of a member has found favour in certain quarters, and has led to an accession of members." He goes on to say, "In view of possible legislation during the coming session of Parliament it is our opportunity to secure, if possible, those amendments in the Friendly Societies Act of 1882 which we consider desirable, not only in the interests of our own society, but of friendly societies in general." The table quoted shows that the Druids had drawn into its ranks a far greater percentage of new members than either the Manchester Unity or the Foresters had done, and that position had been greatly accentuated since. While he says the figures are not such as to give cause for alarm, he asks the question, "Are we being outdone? if so, why?" and we submit that this is the reason for the proposed alteration in friendly-society law. He says the answer to the question is "Yes," and then proceeds to give a column of his address to a description of our death-levy system. The system does not commend itself to him, and he "does not recommend the Manchester Unity to take it on." But what we object to is the declaration that they must aim to secure for all friendly societies a dead level of uniformity, and that they must secure for all friendly societies such legislation as they (the Manchester Unity) think good for

them. Well, we have no objection to the Manchester Unity carrying on their business in any way they like, but we consider it a piece of impudence for them to endeavour to compel other societies to carry on their business in any way that does not suit them. They also forwarded to the Conference the amendment which forms the basis of the two clauses in the Bill which I have referred to. But that was not the only Conference that has been held in New Zealand. One was held the year before, when the same question came up and was thrown out. I give the Manchester Unity credit for carrying their point at the second Conference, but an analysis shows that the Conference was arranged on anything but a fair basis of representation. The chairman said the council had fixed the representation in a rough-and-ready way, and no doubt he is right, for it was very much to the detriment of the Druids. The Manchester Unity gave a block vote of twenty, and their delegates, according to the Registrar's annual report, represented 17,000 members, while the Druids, representing 10,000, had only five votes; and we cannot admit the right of the friendly societies' council or Conference to legislate how any separate order should carry on its business. There is no need for an Act of Parliament to enable any society to make its own rules as strict and as actuarially sound as it likes.

6. *The Chairman.*] You quite understand that in considering the evidence, the Committee will consider the influence it has in connection with the Bill?—Yes. I may state that there is the solid weight of over 13,000 Druids behind the evidence I am giving. I might also say that a Friendly Societies Bill was circulated last year, and we assumed it to represent the Government's conclusions after considering the representations submitted by the Conference, and the clauses which we specially object to are not in that Bill. We concluded that the Government had come to the same conclusion as the Imperial Government—that is, that they were not going to place compulsory restrictions on any society. However, the new Bill comes down this session, and we find these two clauses in it. I might say that we do not wish it to be understood that the Druids are opposed to solvency in friendly societies; but there is certainly room, to our mind, for serious consideration as to what is solvency and what is not, and we think the standard set up by the actuaries is too high, and of a more stringent nature than is what is required in the particular circumstances under which the friendly societies are carried on. From such information as I have been able to gather as to how the actuaries construct their tables for friendly societies I find that, rightly enough, they debit the societies with the maximum liability for each benefit, but where I quarrel with them is this: that they do not give the societies credit for all the points in the societies' experience that tell in their favour, so that the result is not fair to the societies. That is one explanation why societies declared to have been unfinancial by the actuaries still go on and meet their obligations. One actuary states, "It is incredible that a society which was founded in the year 1843 should after sixty years be still dispensing benefits to its members in return for contributions which are inadequate and uniform for all ages." I think the explanation is that the actuary's conclusions were a little bit out. I might mention one or two points showing where we venture to differ from the actuaries in the way they build up their scale. An actuary assumes that every member who joins a society will become a claim upon it for the death benefit, and requires provision to be made accordingly; but the facts show that every member does not die while a member of the society. In fact, statistics show that the percentage of members who do not so die is quite as steady and level as the mortality statistics. Seven per cent. of them allow their membership to lapse without becoming a claim for the death benefit.

7. *Mr. Tanner.*] Are you giving us to understand that many members drop out of the societies and die afterwards, getting no benefits?—Yes. Taking the 60,000 who at the beginning of this year were members, the later statistics will show that at the end of the year 7 per cent. have dropped out without becoming a claim. The average over a good many years is 7 per cent.

8. And that percentage equals the annual deaths in the Dominion?—Seven per cent. in one case and seven per thousand in the other.

9. *The Chairman.*] Do you say that the experts do not take that into account?—They refuse to take that into account. The percentage of lapses is shown to be as steady as the death-rate, and should be fully allowed for in constructing the tables for the contributions for benefits before any compulsion is attempted in regard to the adoption of such tables.

10. *Mr. Fisher.*] And, roughly speaking, that disposes of half your liabilities?—I have not compared them like that. That discounts the accuracy of the deficit shown in the Registrar's returns. The actuary in connection with his table of contributions would require that you must pay as if every man must die while he is a member of the society, and we say that every man does not so die, and therefore the rate is too high to compel members to pay. That is one point. Another one is in connection with the benefit payment of £10 on the death of a member's wife: the actuary says you must provide for the £10 liability on account of the wife of every member, whilst, as a matter of fact, a great proportion of the members never marry, and where a member predeceases his wife it is very seldom that the latter continues her membership. The experience is that the proportion of deaths in the case of wives is only one-third of those of the members, and yet the actuary says you must pay as if every one were sure to claim the benefit. We say that the tables in this respect are too high. In an article I wrote in the *Friendly Societies' Gazette* about four years ago—and I do not think the position has altered since—I showed that in the construction of the tables the actuaries used the mortality experience of the whole colony, and not the mortality experience of friendly societies. We say that that practice is against us. The members of friendly societies are picked lives. They have to pass a medical examination, and the statistics show that the mortality of members of friendly societies is much lighter than that of the general community, and yet we are debited for the heavier liability. The valuations completed in 1907 by the Friendly Societies' Office, covering 131 lodges, representing a membership of 13,151, shows that the actual number of deaths were 466, as against the 594 deaths expected under the New

Zealand Population Table. The Registrar explained that this had now been altered. I do not presume to have exhausted the whole of the points which may be urged in connection with this matter, but what I have said leaves it open to the suggestion that the actuarial scale is too high, and that we should not be compelled to conform to it. It seems to me that this intended legislation will transform the friendly societies into something else altogether. Friendly societies are formed on terms agreeable to their members, who are allowed to join together with a view of helping one another according to their rules. It is quite a voluntary thing, and we have not even power to sue a member for overdue contributions. Every member who joins is entitled to the benefits of the society if he pays up, and if he runs on for a time without paying up we cannot sue him, as it is against the law. As to passing legislation to make the societies work on uniform lines, that would strangle all possibility of progress on new lines or ideas. There is not a friendly society going—even that which is asking for this change—which has not started some idea in a rough-and-ready way. Societies work away at these ideas and eventually put them on a safe workable basis, but this alteration in the law will prevent them doing anything except what is approved by an Actuary. Even the Manchester Unity, it is admitted, started its Widows and Orphans Fund in a voluntary sort of way. For thirty years the members carried it on in a voluntary manner, and if this Bill had existed at the time that praiseworthy proposition would probably have been strangled at its inception. To-day there is in England a society called the National Deposit Friendly Society which has taken up a scheme out of the ordinary groove of friendly societies generally—a combination of friendly society and savings-bank—and which has become popular with the British public even to a greater extent than our death levy has done here. That society was an object of envy to the other societies, and one society sought, by similar means to what is proposed in this Bill, to harass if not to destroy it. But they failed, and the late Chief Registrar of Friendly Societies, now Sir E. W. Braybrook, speaking on the subject of “Institutions of Thrift,” said, “I must not forget that in many parts of the country, and especially in Liverpool, the class of friendly society that, instead of accumulating its funds, hands each year’s surplus back to the contributors, and thus virtually commences a new existence each year, called in the North usually “tontines,” and in the South “slate clubs,” is vastly more popular than the permanent society. This is felt to be so great a grievance by the permanent societies that I am told they have actually drawn up a Bill to prohibit the registry of societies of the dividing class. I am sorry to hear it. People are not driven into dividing societies by force or fraud. They join them because they prefer them to the permanent societies. They know their own business perfectly well, and they prefer the plan of having their money returned to them for their own use, to the plan of leaving it in the hands of the society to accumulate for future years. What is there immoral in that? What right have the permanent societies to interfere with the freedom of others by prohibiting it? All that is best in them is due to the freedom by which they have been allowed to work out their own salvation. Why should they, at this time of day, ask for protection against trade rivalry, and ask that every society, forsooth! must obtain the certificate of an actuary approved by the Registrar, and tax itself with the payment of such fee as the select bodies of actuaries so approved may exact? What would they have said if such a Bill had been introduced by the Government? They would have risen as one man to repel such an assault on their freedom. The dividing society deals honestly with its members and satisfies them, and no one else has any concern in the matter.” That principle is, I say, exactly the situation with us. We have a system which appeals to a large number of members—which appeals and draws into our societies a large number of persons who would not join any other society at all. I admit that we are getting members.

11. *Mr. Wood.*] You do not object to other societies doing the same thing?—Certainly not. They have the same chance of taking up the scheme and getting members as we have; in fact, I am told that, unless this Bill strangles us, other societies are going to take the system up. Although they are willing to strangle it now, they are yet going to adopt it if it is not strangled. One member told me yesterday that, unless this Bill stops us, he is going to join our society, but I said, “I do not think we will take you.” It has been stated that clause 16 was asked for by the Friendly Societies’ Conference, but I cannot find a word in the proceedings of the Conference to show that. I read the report of the proceedings, and cannot find one reference which would suggest clause 16. I might say that the levy has been in force for fourteen or fifteen years. Members have been paying into it, and naturally expect the benefits under it, would be paid on that account; but if this Bill passes, their contributions will be practically confiscated. There is no question that the result of the scheme has gone as a perfect godsend to many a bereaved home, and the idea was adopted for the benefit of members who might strike adversity. Now, forsooth! it is proposed to subject a benevolent principle of this kind to cast-iron actuarial tables. It seems to be an unwarrantable interference with friendly societies as constituted, and I say that there can be no question that the successful working of the levy system in connection with our society is the top and bottom of this proposed alteration in the law. It is a matter of jealousy. We have no objection—never have had—to any other society adopting the same principle. If evidence is brought before this Committee and before Parliament to show that the principle of clause 15 should go into the Friendly Societies Act, we must in justice to the members of our society say that we are opposed to it, and every lodge in the district has wired to us to strongly oppose the inclusion of this clause. The continuation or prohibition of the death-levy system is no “academic” question with our members, and it will be a very sore point with the 13,000 Druids of this Dominion, and to their wives also, if the system is interfered with. If evidence is brought before Parliament to induce it to retain clauses 15 and 16, we ask, at any rate, that provision shall be made against any interference taking place with our present rules and system, or with our future liberty to take in new members and open new branches on conditions allowing us to pay out a

predetermined sum of money on the death of a member or his wife, such sum being raised by means of an equal levy on the members of our society. If the decision of the Committee is not in favour of striking out the obnoxious provisions in clauses 15 and 16 altogether, we certainly earnestly ask that you will protect our society to that extent. We do not ask for a monopoly, although at the same time we would not refuse it. If sections 15 and 16 should be deleted, sections 26 and 27 should go with them, as they bear on the same subject.

12. *Mr. Stallworthy.*] I think you stated that about sixteen deaths occurred in the year, at a cost of 8s. per member?—It has never cost us more than 8s. a year. The deaths now amount to more than sixteen.

13. What is about the age of the members?—The average age is thirty-two or thirty-three. We take in members at sixteen and not over forty.

14. You said that the cause of the opposition was simply jealousy: do you not think it might be due to a desire for financial soundness as well?—That is a very good-sounding reason; but, in addition to other things that have come to our knowledge, we can point to the printed report of the Manchester Unity meeting to show that they desire to stop every society carrying on business on other lines than their own.

15. Your society objects to its young members bearing the old members' death levy?—No. We look upon the sixpenny levy as an act of benevolence, and the members as a whole decided to levy this amount on the death of every member.

16. Can you not frame some basis to meet this death duty on some sound financial scheme?—I presume you mean actuarially sound. It would be far more costly.

17. Because it would be sound and this is unsound?—We do not think it is unsound.

18. Why would it be more costly if this is sound?—We can only take the demands made by the actuary, and to comply with their demands it would be more costly. I have a table here of the A.M.P.'s Industrial Department, which has taken up weekly or fortnightly payments for insurance, and taking the age of a person at thirty it would cost £3 5s. a year to insure for £100.

19. You told us that you have an exceptional increase of members?—Yes.

20. And they contribute to this fund?—Yes.

21. Do you not think we should see that this system is on a sound basis before other societies join?—Many new members who join our society do so principally for this particular benefit. They understand the principle of the thing, and are quite willing to join. A member said to me only this week that he wished it was doubled.

22. *Mr. Jennings.*] Was not the form of levy adopted to stop the hat continually going round in the lodges when a member died?—That was one of the main objects, and practically since we started this scheme the hat has not been seen.

23. And there has been no complaint in connection with the levy?—No. I know if we proposed to strike it out we should "get the run" very quickly.

24. With regard to auditing, do you think the stringency of the clause is too great, or would you like to see it made stronger if possible (clause 34)?—Personally I think it a very admirable principle to put in the Bill, because I think something stronger is wanted with regard to audits than what is in at present. I have advocated the same thing for years. I have an article here which I wrote on this matter four years ago, and, as it is admitted that these societies save the Government a large amount of money which but for them would require to be spent on charitable aid, I think Government would be justified in going to some expenditure in auditing the societies' accounts. I believe a great deal of the present dissatisfaction is due to the incompetency of many of our secretaries in dividing the funds, and not so much due to the inadequacy of the contributions. The complex system of accounts and returns required by the Registrars is too much for the class of secretaries we get in some districts. Too much of a member's contributions sometimes goes into the Management Fund, and if the Government would provide some assistance in the way suggested a large amount of the clamour made with regard to the solvency of the societies would be done away with.

25. You will admit that the system of auditing in the past has been rather lax?—In a great many cases the audit is a perfect farce.

26. Section 52, "Loans to members on personal security": You will see that "Out of any separate Loan Fund, to be formed by contributions of deposits of its members, a registered society may make loans to its members on their personal security, with or without sureties." Do you think that is properly safeguarded?—The loan can only be made out of a special Loan Fund contributed for the special purpose.

27. If there was a special Loan Fund it might be abused: I take exception to the words "with or without security"?—It depends upon the societies themselves. This is another instance of the provision which allows members to combine together for any purpose they choose. I do not know of any lodge which has such a fund.

28. You are of opinion that if this right to levy a death contribution were taken from the Druids it would be inimical to the interests of the members?—Yes, half the members would drop out in twelve months.

29. *Mr. Wood.*] You said that only about one-third of the members had wives?—I think I said the mortality of members' wives was only about a third of the members, and in building up the tables the Registrar debits all the members as if they had wives.

30. As a practical member of a lodge, can you say that since you have had this death levy your funds have proportionately increased?—The death levy does not affect our funds.

31. The increased contributions must have increased your funds?—We get more members by reason of the death levy, and our ordinary funds are increasing largely every year.

32. You mentioned that the Registrar never gives you credit for the dropping-out of members?—I say that in building up the tables of contributions they debit us with the maximum liability for every member, and we say the amount is too high as the maximum liability never eventuates, owing to the percentage of lapses.

33. *Mr. Seddon.*] You mentioned a Conference at which one society exercised twenty votes representing 17,000 members, while another society exercised five votes representing 10,000: under what rule do they get that representation?—I believe it was decided by the Friendly Societies' Council which called the Conference together. They fixed the representation at one member for each district. Some of the districts had only a few hundred members, while our district had over five thousand members. At the Conference, owing to a protest, an additional vote was given to each delegate representing over 2,000 members, which gave the Druids five votes instead of four. At a former Conference a fairer system of representation was decided upon, but the council ignored it. At the Conference the year before the basis recommended was one representative for each friendly society council, one for each registered friendly society, and one additional representative for each complete 1,000 members of each registered society.

34. Of your own knowledge, are any societies in favour of clauses 15 and 16?—I can only speak with regard to clause 15, which was before the Conference. Clause 16 was never before the Conference at all.

35. What was the result in regard to clause 15?—The motion was carried by thirty-four votes to thirteen. The motion with regard to the contributions was, "Provided that no society or branch shall be registered until the actuary is satisfied that the tables of contributions are adequate to the benefits offered."

36. *Mr. Flatman.*] I think you said that at the present time you cannot sue for overdue subscriptions?—That is so.

37. Would you like to be placed in a position to do so?—That provision was in our rules, but the Registrar made us take it out because it was against the law. I think we had sued in one or two cases. We have a Benefit Fund by which we often make an unfinancial member financial.

38. *Mr. Tanner.*] Has any hostility been shown towards your death-levy scheme by any insurance society?—I have not heard of any.

39. Why did the American societies which were quoted fail?—The reason given was that after a while the numbers of deaths became too heavy, and the contributions increased in amount to such an extent that the members dropped out. They had nothing, so far as I can understand, to hold them together. A very large majority of the people who join a friendly society do so to get the benefits of doctor and medicine, and regard them as worth the whole of their contributions. We have that hold over the members, and if they do not pay their contributions they lose those benefits; and an additional hold is that if a member runs out of our society after he reaches the age of forty he cannot rejoin again on any conditions. This in itself makes a man think twice before giving up his membership.

40. But if your members ran up to a thousand, would not the contributions be too heavy for your members to bear?—Not necessarily, so long as we do not have to provide more than £100. With 24,000 members the levy would only work out at 1d. per death.

41. The calls would come more frequently?—Yes, but the amount would drop.

42. You would not favour limiting the application of this principle?—I think the wider you spread it the less fluctuating it would become. I have advocated making it general all over New Zealand.

43. Would you not get greater risks?—Not so long as you limited the amount to £100.

44. Supposing you had a million members in your society, how much would you require to pay up?—The average friendly societies death-rate is seven per thousand—that would be £700,000. The only difficulty would be where the percentage of deaths increased very largely. If the amount were based on the average mortality shown in the Registrar's return, the requirement would be 14s. per member per year. The average death-rate is seven per thousand, and we reach our individual limit of liability when we get 4,000 members. Seven times four are twenty-eight, so that on the average mortality-rate there would be twenty-eight deaths to provide for in the year. Unless the death-rate became very high, the contributions would not increase. The maximum has been 8s. per year per member. There is a certain amount of risk, and I am prepared for an occasional heavy quarter.

45. *Mr. Fisher.*] You have an equal chance of having a light quarter?—Yes. Only about two quarters ago we had no levy at all. The last quarter it was 3s. We had twelve deaths for that quarter.

46. Do you know anything about the causes which led to the collapse of the American societies?—I have heard of them.

47. To what do you attribute it: we have had no reason given?—I think the principal reason was because they had nothing tangible to bind them together. One reason given by Mr. Alexander is that "some of these enterprises were fraudulent; many honest, but ignorant." I myself have said I wished I could get a similar thing that would give me £1,000.

48. Supposing by any chance your society became unfinancial in twelve months' time and was unable to pay its liabilities, would the losses be very high individually?—The loss to every individual member would be that he would simply have to find some other means of getting a doctor and medicine and other benefits. If members refused to pay their contributions they would lose their membership and their claim. But the failure of the death-levy scheme would not affect our other benefit funds, as they are worked on quite as sound a basis as any friendly society in the Dominion.

49. Would that be ruination?—It would take nothing from anybody. A good many people join insurance societies and then do not pay up their premiums; in consequence they lose all they have paid in.

50. Then, the present proposition is practically equivalent to the National Mutual Life Association coming to Parliament and saying that "the Australian Mutual Provident Society have a better table than we have, and we want them to work on our table"?—That is so. Mr. Alexander says that there are other fallacies in the insurance world besides assessment societies: he shows that the surrender-value system is an absolute fallacy, yet other societies took it up.

51. *Mr. Izard.*] Are you in favour of the principle in the Act which enables a branch society which has fallen below a certain number to divide its funds amongst the existing members?—No.

52. I know of an instance where there was a somewhat large sum of money in the hands of a branch, and they applied to have the accumulated funds divided amongst the existing members: do you approve of that?—Certainly not.

53. You would approve of a clause being put in the Bill to prevent that?—Yes. I have read of cases where they tried to drive out as many members as they could, so as to divide the funds amongst the remainder.

54. *Right Hon. Sir J. G. Ward.*] I understood you to say that the annual premium to secure £100 in the industrial branch of an insurance society is £3 5s.?—Yes, at the age of thirty.

55. And the premium in the Druids is 6d.?—No, it has been 8s. a year.

56. But the contribution which takes the place of a premium to secure £100 to the successors of a deceased member is 6d.?—It is 6d. each death, but so many deaths have occurred that it amounts to 8s. a year.

57. But in the A.M.P. the insurers have to provide £3 5s. as against 6d.?—No, as against 8s. If a person is over forty we cannot take him in. I take it that the large proportion of the £3 5s. goes in working-expenses. I have read lately that last year's working of the A.M.P. Industrial Insurance Branch showed that over 88 per cent. of the total premium income was swallowed up in canvassing, collection, and management expenses, whilst our death-levy scheme does not even bear the expense of a penny stamp.

58. Do you have any difficulty in getting the 6d. from the members?—During all the years I was secretary I never had a single complaint.

59. To whom do they pay the contribution?—To the secretary of the lodge, along with their ordinary subscriptions.

60. It is such a small amount that there is no trouble about it?—Yes. Members have to clear themselves of all levies and fines each quarter.

DAVID LARNACH examined. (No. 3.)

1. *The Chairman.*] What are you?—Grand secretary for the Otago and Southland District Grand Lodge of Druids.

2. Will you make your statement with regard to the Bill before the Committee?—In reference to section 15, I think at the Conference it was agreed that if the Legislature of New Zealand thought fit to raise the amount of the contributions in connection with friendly societies they were quite agreeable to submit to it, but if that is their opinion I submit that a minimum scale of the contributions ought to be drawn up and submitted by the Registrar to the different lodges or bodies, so that they may be considered. With regard to section 16 I am inclined to speak a great deal more strongly than Mr. Bold has done. If you, gentlemen, only knew how this special death levy has been received by the widows and orphans of deceased members I am sure you would not for a moment hesitate about striking the clause out of the Bill. I am not speaking from mere sentiment, but from experience. The wives of deceased members have come to us, and asked to be allowed to advertise the fact that they were given £70 on the death of their husbands. It gives them time to look round and see what they are going to do. The contribution is very small, and where it is going to be a hardship to members I cannot see. The membership increases more rapidly than the deaths, while the amount is becoming less burdensome. My district started in 1897, and the fund was then £6,568 2s. 5d. To-day it is £21,747 11s. 1d. The membership was 630 when we started, and to-day it is 2,500 financial members. The membership when we started the death levy was 999, and to-day it is 2,500, so you will see by this increase whether the scheme is appreciated or not. As to this matter being before the Conference, I deny it. I was there, and it was never brought up. The matter of the contribution certainly was, and an agreement arrived at, but this was not before the Conference. With regard to the matter of making up the returns at the end of the financial year, I would impress very strongly upon you the desirability of providing in the Bill that we be allowed to close our year in November. This would be of very great benefit to us, because at the present time a great many of our members are young men, and go away for their holidays in December, just before quarter-night, without making any provision for the payment of their subscriptions. On returning again the amount possibly runs into two quarters, and is perhaps too much for them at the time, and they say they cannot pay it and will drop out of the society. It is during the holidays when the falling-out of members generally takes place. I desire to impress upon you very strongly the desirability of striking out section 16, because the death levy has been a blessing to many. I might state that in my district, with a membership of 2,500, the most we have paid for any one year was 6s., and that only once. The amount of the levy is £60, but our death benefit is limited to £50. That is £10 over and above, which enables us to levy for five deaths and give one free. We do not levy for the sixth. Tables have been made out by the Manchester Unity quoting the increases in the different societies for the years 1901, 1902, 1903. The increases in the Druids in 1901 was 0.66, as against 0.38 for the Man-

chester Unity; for 1902, for the Druids it was 0·73, as against 0·24 for the Manchester Unity; for 1903, for the Druids it was 110, as against 0·44 for the Manchester Unity. The Manchester Unity, you will see from extracts of their meeting in 1906 (already given you by Mr. Bold), have taken our levy very much to heart, and are trying their best to kill it by quoting some American scheme, of which they can furnish no particulars. I can assure you, gentlemen, that I feel very strongly in regard to the question of the death levy, because I know the benefit of it, and I do not see where this so-called octopus is to come in at all. We do not require to build anything up. It is simply a levy made and paid when a member dies. On the death of a member the secretary of the lodge sends in a claim to the Grand Lodge. The Grand Lodge takes from the previous quarter's returns the number of members, and decides what each lodge has to pay. The amount is immediately paid over to the lodge, and the friends of the deceased member get their money at once. Our rules at the present time make provision for levying our members should the funds come below a certain point through epidemic or otherwise. If section 16 is passed we shall be debarred from imposing this levy.

THOMAS WALKER examined. (No. 4.)

1. *The Chairman.*] You reside, where?—Christchurch.

2. What are you?—I am district secretary of the Druids in the Canterbury District, and for twenty-eight years secretary of a subordinate lodge. I do not wish to detain the Committee any longer than I can help. I think everything has been said that can be said on our behalf, and it is therefore not necessary that I should go over the same ground. I would like, however, to emphasize the feeling with regard to clause 16. In my district we have only had the levy system in operation for two years, and the members are so infatuated with it that they would not discard it on any account. They realise and appreciate the benefits of it. On the question of the annual returns, I think it would be a very good thing to make the clause read, instead of the 30th December, the end of the lodge's financial year. In the Canterbury District we have had the November quarter for a long time, and have always found it a great annoyance to make out two balance-sheets for the year. Mr. Mason always took our annual balance-sheet, but when Mr. Leslie took the office of Registrar he made us prepare the two balance-sheets. It is hard work on the secretaries, and if they put it off to the 31st March the Registrar gets on their track. If the clause were modified to make the period at the end of the lodge's financial year the secretaries could polish the work off in almost next to no time.

3. *Mr. Hayes.*] With regard to the operation of clauses 15 and 16, I suppose you know they do not touch the existing branches in the districts, nor future members in those districts?—Yes, but the trouble is that they will touch the new branches. It will be a knock-out for them.

4. Yes, but it does not touch future members in the existing lodges?—But by affecting the new branches it affects the old ones.

5. Yes, it attacks the whole system in that respect?—That is so.

JOHN N. GRANT examined. (No. 5.)

1. *The Chairman.*] What are you?—Grand secretary for the Grand Lodge of Druids in the North Island. We desire to run our society on business lines, and to conduct it in our own manner. We do not want to be told by the Registrar what we are to do, and if this Bill is passed the Registrar will practically have the whole conduct of our affairs. We shall practically have nothing to say.

2. What is done with the 6d. collected as a death levy?—The whole amount goes to pay the death benefit. Nothing is deducted in the way of printing, stationery, advertising, salaries, rents, or for the general management of the fund. The whole of these is borne by the ordinary Management Fund of the Grand Lodge. In the case of the Equitable Life Assurance Company of New York, which was reputed to be the richest insurance company in the world, but has since failed, why did not our Government take steps here to inquire into the operations and solvency of the life insurance company in New Zealand? With reference to the annual returns, we think these should be made at the end of the financial year of the society. Making up these returns in the case of my society, which finishes its financial year at the end of November, will cause a lot of trouble. My subordinate secretaries will have to make up two balance-sheets, and have two audits where one would do if the returns were accepted at the end of our financial year. The reason why we make the end of our financial year terminate in November is because our members are generally travelling during Easter and Christmas time, and we therefore found it advisable to dodge those two months, by making the quarters end in February, May, August, and November instead of March (Easter affects that quarter), June, September, and December. The Christmas holiday would be sure to fall on one of the holidays.

FRIDAY, 11TH SEPTEMBER, 1908.

WILLIAM JESSEN examined. (No. 6.)

1. *The Chairman.*] Whom do you represent?—I am parliamentary agent for the Wellington District of the Ancient Order of Foresters, representing 4,500 members.

2. Are you instructed by that body to appear here?—Yes.

3. Will you just make your statement?—With regard to clause 15 of the Bill, I was a member of the deputation which waited on the Premier to urge the addition of a clause which would provide that future members should contribute sufficient to secure the benefits provided for them. I was not present at the time the resolution was passed, but, after conferring with other members, they

quite approved of my action in this matter. If the Actuary is of opinion that the present contribution is not sufficient it stands to reason that the present members are not paying enough, and wherever there is a lodge or district that has not been returned as worth 20s. in the pound it would be most unfair to future members, because there would not be sufficient funds to pay their sick and funeral benefits. Present members have to make their claims before future members, because as they get up in years they are more liable to sickness, and they would swamp the funds. Consequently I suggest that the contributions of future members to the Sick and Funeral Funds should be kept separate and only drawn on for their benefit after the Act comes into force until such time as the combined funds are valued by the Actuary at 20s. in the pound, when the funds could be amalgamated. This would really mean that the future contributions would be quite sufficient to meet all possible claims by members. I should also like the Actuary to supply each branch and district with a table showing what was required to give the benefits—first, what would be sufficient to pay £1 per week for the first six months during illness; second, how much would be required to pay sick-allowance for the second six months' illness—because all the orders pay on a different scale for the second six months; third, how much would be required to pay the sick-allowance for the remainder of the illness; fourth, how much would be required to pay the funeral benefit for members; and, fifth, how much would be required to pay the funeral benefits for members' wives. It may be argued that different orders pay different amounts for benefits, but the Actuary would only need to state how much would be required for certain benefits, and the details could easily be worked out for the different orders.

4. *Mr. Hayes.*] That has already been given in the Registrar's reports at different times?—We have never had it. I would ask that the Actuary should make his tables from New Zealand experience. This is a very important matter.

5. That is now done?—It has not been done hitherto.

6. It was not done prior to 1906, but is done now except for over age 70?—I was not aware of that. Would that be a graduated scale?

7. Yes, for sick and funeral benefits?—With regard to clause 24, which provides for the registration of rules, I ask that consolidated rules, when containing no unregistered matter, shall be registered on application.

8. That rules submitted may contain matter which has not been registered?—No, only containing matter already registered—that the rules when corrected should be registered without comment from the Registrar. With regard to clause 32, which provides for voting by proxy, we ask that such a thing be not allowed in any society. As a rule the number attending lodge-meetings is very few compared with the total membership, and if proxies were allowed it would mean one man collecting proxies and swamping the meeting, and getting his views adopted in opposition to those who take great interest in lodge matters. With regard to subsection (2) of the same clause, this would be all right if it would not prevent a lodge secretary from being a district trustee, or a lodge trustee from being secretary of a district. As the section reads now he cannot occupy those two positions.

9. It does not mean that: it is only confined to the lodge or district, not the branch?—That would be satisfactory.

10. *Mr. Wood.*] I understood you to say you waited on the Premier with regard to clause 15 being put in the Bill?—Yes.

11. What was the object of putting that clause in?—In order to provide sufficient funds to meet the claims of members.

12. You also said you would like to get a valuation and that every lodge should be valued at 20s. in the pound per member?—That each lodge should keep a separate fund belonging to new members until the combined valuation reached 20s. in the pound.

13. How long has your lodge, the Foresters, been in existence in New Zealand?—About forty-four years.

14. What is your accumulated wealth?—Some £80,000.

15. Does that represent over 20s. in the pound per head?—I do not think, according to the last valuation, there was 20s. in the pound; but that is six and a half years ago. We only got the valuer's report about two years ago, and by delaying it that long it does not carry the weight it would carry if made within twelve months.

16. Have you got a graduated scale of contributions in your lodge?—Yes, but it is hardly satisfactory.

17. But you have the power in your own hands to make a graduated scale annually if you choose at every district meeting?—Only triennially.

18. Could it not be done triennially?—Yes.

19. And you do not do it?—No, it should be made compulsory.

20. You want the Government to force the lodges to do things instead of allowing them to be free to work among themselves—to say these things shall be compulsory according to law?—Yes.

21. Do you agree with the clause giving the Government power to step in and audit the accounts?—Yes, to a certain extent—if it does not carry too much expense. If you put the expense of providing an auditor for every small lodge it would kill many.

22. You approve of it if the Government undertake the audit?—Yes.

23. You wish the Government to take away the mutual understanding between the lodges in regard to certain contributions, so that you will have no voice in the matter and nothing but the law of the country?—It is in order to protect members and insure that they shall get the benefits promised.

24. But you must know, as an old society-member, that up to the present time there is about £1,100,000—I am speaking from memory—lying in the funds, taking the collective lodges of New Zealand, which has been accumulating from the beginning in the Dominion and is still accumulating?—Yes, I am aware of that, but we have been working on similar lines to those of the Old Country. We claim that New Zealand is a healthy country, and consequently the same contributions are not required.

25. *Mr. Hayes.*] The New Zealand experience shows that the societies' contributions must be heavier than they have been. The mortality is lighter and the sickness is heavier?—Is it?

26. *Mr. Wood.*] How many lodges have ceased to exist in consequence of the want of further contributions?—Not one, but we want a true table to show us what is required.

27. Does not this show it to be a true table?—About five years ago we increased our funeral benefits, and we went by our experience in forty years, by which time we had accumulated £10,000. We had a table of contributions for that fund, and increased the benefit to £50 without increasing the benefit to the member's wife. We based it on the 40 years' experience, and when we asked the Actuary's opinion he gave us a table providing for four times as much as we had decided to pay. That was going by the official tables.

28. *Mr. Jennings.*] Have you been long in a friendly society?—About twenty-four years.

29. What is your opinion with regard to investing lodge moneys in landed property? Have the investments always been successful?—As far as I am aware the money has always been secure.

30. Have you any knowledge of what the lodges have lost through investments in property?—To my knowledge nothing has been lost at all.

31. *Mr. Stallworthy.*] You seem anxious that the new members should have their benefits kept separate; you are also in favour of a compulsory graduated scale of contributions and Government audit. These matters have been urged, I presume, in your society before and opposed pretty strongly?—Yes.

32. Your desire is only to insure the beneficial soundness of your society?—Yes.

ARTHUR LEIGH HUNT examined. (No. 7.)

1. *The Chairman.*] What do you represent in friendly societies?—I represent the I.O.O.F., American Constitution—the American Order of Oddfellows.

2. Are you a member of the Parliamentary Committee?—I hold the position of parliamentary agent of the order for the whole of the Dominion.

3. Do you hold any particular office?—I am treasurer of the local Southern Cross Lodge.

4. Have you had a Committee sitting in Wellington to consider this Bill?—Yes, we have had an executive of parliamentary agents representing the different orders and different branches, and we have gone carefully through the Bill.

5. What is the membership of your order here?—3,915.

6. Will you tell the Committee what the views of your society and the Parliamentary Committee are in connection with this Bill?—I might say that I shall also speak on behalf of the other representatives here, because I am chairman of the Association of Parliamentary Agents, and I would like, if in order, to give you some figures in connection with that executive. The executive consists of representatives of seven different orders. We directly represented 33,213 members, but I think we can fairly claim to have represented at least forty thousand, because there are quite a number of separately registered districts which practically left the matter to the larger bodies. I think we are quite safe in saying we are speaking on behalf of forty thousand out of the sixty thousand friendly-society members in the Dominion. We have submitted a copy of the various amendments to the Bill we decided on to the Premier. The most important clauses in the Bill, to our mind, are clauses 15 and 16. In connection with clause 15, I wish to point out that this clause only provides for adequate contributions in the case of new societies; it does not affect existing societies or new branches of existing societies. Now, at the Conference which was held in 1906, which was representative of every society in the Dominion and of forty-five thousand friendly-society members, a motion was carried to this effect: "That no society be allowed to carry on business without having an adequate scale of contributions commensurate with benefits proposed, and approved of by a competent actuary, which (scale of contributions) shall not disturb the contributions of existing members, but shall be brought into existence on a stated date, and shall apply to all those joining after that date." We consider this a very important matter indeed, because as the clause stands it will only apply to new societies, and in this Dominion we are not likely to have many new societies, because the existing societies have ramifications all through the newly settled districts. It is likely to affect only a small number of members for many years to come. To give you an idea of how few are members of new branches I will take my order, which during the last eighteen months has introduced 1,900 new members, 250 only of which have been members of new branches. However, we strongly advocate that this shall apply to new members of existing branches; we do not want to violate any contract which has been entered into. We think time will efface anything in that direction. It will entail no hardship on present members, but if it includes new members of existing societies it must benefit all. This proposal was carried by the Conference on a voting basis of 30,549 to 8,541, so that we had an overwhelming majority of nearly four to one to apply it to new members of existing societies. There is provision in the same clause whereby any society having an adequate scale of contributions can apply for a certificate of adequacy of contributions. This no doubt is a very good thing in its way, but we think it would only work out satisfactorily where the new entrant was sufficiently wide-awake to make inquiries as to whether the society had the certificate. As a matter of fact, the young men who join our societies make little or no inquiry, but are very often induced to enter by friends without knowing anything about the financial position. We therefore do not think it would carry much

weight with the new entrants. Here are a few reasons why the clause should be passed as it left the Conference: That societies with adequate rates of contributions have for many years been in unfair competition with others not in a sound position owing to inadequate rates; that the tendency of the low-rate societies is to attract older men on account of the low rates they have to pay, and, as the average age increases, the position becomes worse, and the danger of collapse, of course, becomes more imminent—some few of the societies are practically bringing members in under false pretences, and unless some drastic measures are adopted their position will become irretrievable; that nothing unfair is contemplated in connection with the amendment of the clause we propose, for it is not intended to disturb the contract entered into with present members; that the longer coercive measures are delayed the longer it will take the societies to arrive at the normal results with regard to valuation, and the more unfair it will be to the young entrants whose contributions will be the means of bringing the society to a solvent condition. That is all I have to say in connection with clause 15, other than that the executive consider it to be desirable to strike out subsections (2) and (3) of the clause.

7. *Mr. Hayes.*] Why is that, Mr. Hunt?—Because we thought the Registrar should not have the right to make any exemption.

8. The exemption is intended to apply to societies which have dispensaries, and so on; we must have exemption for them?—We have no objection in that case. In connection with clause 16 I may say that, although we have not asked for what is contained in this clause, still we recognise that it has many virtues. We have for a long time felt the unfair competition which has been carried on, particularly by the Druids in connection with their death-levy scheme. They have a scheme which provides that on the death of any of their members they raise a levy of 3d. on every member of their order throughout the Dominion, thus providing a death benefit of £100 for the relatives of the deceased member. Now, we quite understand that, as this clause has been introduced by the Government, they must have had good and sufficient reason for putting it in, and we hope they will have good and sufficient reason before they remove it. We have only to turn to the enormous number of assessment companies which have been established in America from time to time to see the disastrous results which must inevitably come from any such scheme.

9. *The Chairman.*] Have you any figures or data with regard to that?—Yes, I have a few figures here. I would like to point out that the fallacy of the thing is obvious, inasmuch as for every new member the Druids take into their ranks they incur a liability of £100 from the very day he becomes a member. Now, at the present time I understand they are levying about 8s. a year. If you work that out you will find it is absolutely impossible for them to guarantee the benefit they say they will give. I have a table which has been worked out by a competent actuary.

Table showing the Necessary Increases in Membership required to equalise the Average Age of a Society at present consisting of 10,000 Members, Average Age 30 Years. In Five Years, the Average Age being 35 years, it will require—

| Years. |     | Number of<br>Members<br>required. | Average.<br>Age. | Years. |     | Number of<br>Members<br>required. | Average.<br>Age. |
|--------|-----|-----------------------------------|------------------|--------|-----|-----------------------------------|------------------|
| 5      | ... | 10,000                            | 25               | 35     | ... | 640,000                           | 25               |
| 10     | ... | 20,000                            | 25               | 40     | ... | 1,280,000                         | 25               |
| 15     | ... | 40,000                            | 25               | 45     | ... | 2,560,000                         | 25               |
| 20     | ... | 80,000                            | 25               | 50     | ... | 5,120,000                         | 25               |
| 25     | ... | 160,000                           | 25               | 55     | ... | 10,240,000                        | 25               |
| 30     | ... | 320,000                           | 25               | 60     | ... | 20,480,000                        | 25               |

This is favourable to the Druids at the present time, taking the average at thirty, and the table shows that in sixty years' time, if they had only a membership of 10,000 now, how they would have to introduce no fewer than 20,480,000 members whose age did not exceed twenty-five to maintain their present average age and be able to fulfil the obligations they have undertaken in connection with their death-levy scheme. My lodge, the Southern Cross, in Wellington, some three years ago, through the competition, thought it might do something similar, because we were not increasing our membership anything like what the Druids were; but before doing so we consulted a competent actuary, and the reply we got was to the following effect: The annual premiums for an allowance of £100 payable at death, and the annual death-rate per 100 living, are as follows:—

| Age. |     |     |     |     | Annual Premiums for<br>£100 payable at<br>Death. | Death-rate at each<br>Age per 1,000<br>living. |
|------|-----|-----|-----|-----|--------------------------------------------------|------------------------------------------------|
|      |     |     |     |     | £ s. d.                                          |                                                |
| 20   | ... | ... | ... | ... | 1 4 11                                           | 6                                              |
| 30   | ... | ... | ... | ... | 1 13 5                                           | 8                                              |
| 40   | ... | ... | ... | ... | 2 7 1                                            | 10                                             |
| 50   | ... | ... | ... | ... | 3 10 10                                          | 14                                             |
| 60   | ... | ... | ... | ... | 5 14 4                                           | 30                                             |
| 70   | ... | ... | ... | ... | 9 17 4                                           | 62                                             |
| 80   | ... | ... | ... | ... | 17 17 6                                          | 145                                            |
| 90   | ... | ... | ... | ... | 33 2 9                                           | 279                                            |
| 95   | ... | ... | ... | ... | 67 0 11                                          | 637                                            |

A comparison of the premiums shows that any system charging all alike, independent of their age, is very unfair to young men. The death-rate shows that while the members are young the assessments will be very small, but will increase with the age of the members until they become im-

possible to pay. The following are a few examples of societies run on the assessment principle, taken from the *Spectator* (18th July, 1901):—

|                              | Estab-<br>lished. | Membership. |         |         | Deaths per 1,000. |       |       |
|------------------------------|-------------------|-------------|---------|---------|-------------------|-------|-------|
|                              |                   | 1890.       | 1895.   | 1900.   | 1890.             | 1895. | 1900. |
| Albany Masonic Relief .. ..  | 1870              | 900         | 533     | 245     | 19·87             | 25·50 | 25·31 |
| Knights of Honour .. ..      | 1873              | 135,212     | 115,212 | 59,933  | 14·39             | 17·94 | 29·77 |
| American Legion of Honour .. | 1878              | 62,574      | 53,210  | 11,160  | 13·06             | 18·91 | 51·34 |
| Modern Woodmen .. ..         | 1883              | 42,694      | 158,781 | 537,858 | 5·06              | 4·43  | 4·25  |
| Knights of the Maccabees ..  | 1883              | 16,903      | 101,869 | 203,832 | 5·44              | 4·85  | 6·13  |

The first three societies are evidently rapidly approaching final dissolution, for the assessments have become so heavy that new members would be extremely difficult to obtain and impossible to keep, and old members who can assure elsewhere are joining other societies, leaving the old and infirm to carry on the business. The only two societies mentioned in this table which have been able to keep their rate at anything like normal figures are the Modern Woodmen and the Knights of the Maccabees. In the case of the latter there has been an enormous increase of membership from 1890 to 1900—an increase which could never take place in this Dominion—and there the death-rate has increased 1 per cent. Nevertheless, they are working on impossible lines, and it is really only a matter of time when they will be in the same condition as the older companies.

10. *Mr. Wood.*] Are these lodges or insurance companies?—They are what they call assessment companies.

11. Are they worked on the same basis as a lodge?—Supposing the Druids were to separate their other benefits from the death-levy scheme, then their benefits would be identical with those of the companies I am quoting. Mr. Muter, actuary to the Southern Cross Lodge, concludes his report by saying, “I would urge that premiums corresponding to the different ages be charged. Any attempt to do business on the assessment plan, however successful at first, cannot be permanent, and must sooner or later lead to trouble and disappointment.” From the *New York Spectator* of the 30th September, 1897, I find that thirty-one assessment companies failed or retired from 1889 to 1897. The insurances in force at winding-up were \$286,500,000, and the claims due and unpaid at winding-up were \$2,500,000. The *Spectator* says, “Allowing for the desertion of members prior to the winding-up, it is probable that these thirty-one companies deprived nearly a hundred thousand persons of insurance at a time when they most needed it, and were unable to replace it.” That is from one of the most reliable insurance journals in the world. Here is another extract from the *New York Spectator* of the 26th October, 1905: “A few years ago the experiment of providing cheap insurance was tried by certain misguided men, who proposed to insure people on the assessment plan at half the cost of the old life insurance. They offered to sell insurance at a low rate, not to be increased with the advancing age of the insured, and to collect the assessments as deaths occurred. A wave of assessmentism swept over the country, and the assessment companies sprang up on all sides like mushrooms in a night. These companies were officered by men without any knowledge of the insurance business, wholly ignorant of the fundamental principles that must govern if success is to be achieved, often merely speculators or worse, whose only desire was to get the people’s money without giving an equivalent for it. For a time the assessmentism or cheap insurance flourished, and thousands upon thousands paid their money to the companies. It was not long, however, before it was discovered that the whole system was a fallacy, that the death claims on the companies exceeded their incomes, and there was no hope of their salvation. Some companies struggled along for a few years, their deluded members hoping that matters would take a favourable turn, but finally they all succumbed, till at the present time there is scarcely one left to mourn the fate of the many hundreds that fell by the wayside. The failure of these assessment concerns was most disastrous to their members, many being uninsured, and they found themselves minus their money and their insurance.” Clause 16 brings into line one of the very rottenest schemes that was ever introduced into friendly societies’ work. One cannot get “something for nothing,” and if a man of sixty or sixty-five puts 6d. or 1s. into a funeral levy or pool, such as is run by the Druids, and dies in a few years, some one must eventually pay for his funeral donation. It is the young man who does so—the young man, who, after paying in for a lifetime, will find that when his turn comes he will have paid very dear for the benefit—that is, if the scheme survives until the time comes when by natural process his life would fall in. My opinion, however, is that it will not exist so long; the young men will get tired of contributing and it will fizzle out. It is rather a fascinating scheme for the unthinking mind, but it is a lottery.

12. *Mr. Jennings.*] Is that your opinion?—It is the opinion of my executive. We rely more particularly upon the fact that this clause was put in not by the societies, but by the Government for good and sufficient reason, and we hope it will remain there. In connection with clause 24, Mr. Jessen mentioned an amendment which I would like to point out has not been considered by the executive of the parliamentary agents. They considered the clause, but, in common with others, passed it over as satisfactory. In clause 33 there is a provision that the annual return shall be sent in before the 1st day of March. Hitherto it has been the 31st day of March. We ask that the word “thirty-first” should be reinserted, because there is not sufficient time for the returns to come in from the lodges to headquarters. If the clause is passed, the societies will send in incomplete returns, and consequently the value of them will be very largely impaired. The secretary of my order, who is one of the most businesslike of men, says it is impossible to complete

his return before the 31st March. In connection with clause 34, providing for special auditing, we are in favour, on the Registrar's order, of a special audit taking place at any time; but, like Mr. Jessen, we want the expense to be met by the Government, otherwise it would be disastrous to the lodges. We think it possible that it is intended that the Department shall bear the cost, but it is not made clear in the clause. Section 38: This is in connection with the distribution of the surplus as declared after the valuation of the society. Hitherto the societies have had the right to make a cash distribution of any surplus, and we think the principle of that is entirely wrong, and that the amount should be reinvested in some way for the benefit of the members. The amount is generally a very small one, and does the members no good, and we are against its distribution. We propose the following amendment of the clause: "Section 38, subsection (3): After the word 'may,' in the third line, delete the remainder of the sentence, and substitute the following words: 'in accordance with the rules of the society and with the consent of the Actuary making the valuation and the Registrar, appropriate so much of the said surplus as can be safely used to the following purposes: (a) Increased sickness benefit; (b) increased Funeral Fund; (c) reduction of the future contributions of members in old age; (d) provision for superannuation benefit, medical aid, distress, or management purposes; or (f) grants in aid of branches in deficiency. When an appropriation has been sanctioned for purposes other than reduction of contributions, the amount so appropriated shall be transferred from the Benefit Fund and placed to the credit of the fund or funds to which it is appropriated. Not more than forty per cent. of the available surplus shall be allowed to be appropriated for purposes other than increase of sick and funeral benefits, or reduction of future contributions.'" We think that is a much better way of disposing of the surplus.

13. *Mr. Hayes.*] I suppose the executive is aware that in putting the surplus to increase the sick-benefits it might have a tendency to increase the rate. If you raised the sick-benefits—? —But the Bill provides for a cash distribution.

14. Not at all. See line 53, "may transfer to the objects of the society." It is quite clear it cannot go outside the objects of the society?—I can only say we very carefully considered the clause. We think a restriction is desirable to prevent any cash distribution, if it can be done. In connection with the investment of funds—section 41, subsection (3)—we think the basis should be the same as that adopted by all the Government lending Departments—half the improved and three-fifths of the unimproved value of the security. Subsection (2) we consider a rather important matter, because some of the small lodges in the country districts have seen fit to invest in lodge property, which in some cases has resulted in the downfall of the society. Section 44: We have struck this out, and substituted an amendment. We think the present machinery is very cumbersome, and entails a great amount of work on the secretaries, and causes confusion. We propose to add a section to this effect: "44. All returns of the names of the trustees of any friendly society, and of the death, resignation, or removal of existing trustees, and of the appointment of new trustees heretofore furnished to the District Land Registrar, in pursuance of subsection five of section fourteen of 'The Friendly Societies Act, 1882,' shall be deemed records of the Deeds Register Office of the registration district to which such returns may relate, as effectually as if such returns had been duly recorded in such Deeds Register Office; that changes of trustees in a society or branch shall be made known to the Registrar of Friendly Societies, and that the Registrar notify the Lands Office and Post-Office Savings-Bank of such change, the secretary of the society or branch to supply the Registrar with the necessary particulars *re* change of trustee."

15. *The Chairman.*] What would the effect of that be?—That all the lodge has to do is to notify the Registrar of the change of trustees, and the Registrar will take all the formal steps to see that the notification is sent to the right quarters. Section 53 we have struck out altogether because we have already dealt with the disposal of the surplus in section 38. Sections 55 and 56: There is a limit to the amount which a member may nominate a person to receive in connection with his death. It is £100 in the Bill, and we have added the word "fifty" to make it £150.

16. Why?—It was put in because at the present time some societies are paying £120. Consequential amendments will need to be made in several clauses. In section 56 we have added the words "and that all moneys payable as sick and death benefits be exempt from attachment by any legal process." We are not quite clear that that is not the law at the present time, but we want it to be made more clear because it is a very important matter. We have added another subsection to section 56—section 58, subsection (2), of the Imperial Act, which deals with illegitimacy. In section 62, with reference to amalgamation, subclause (a) requires five-sixths in value of the members, and we think that two-thirds would be quite sufficient. Most of these amendments I am advocating emanate from the Conference, representative of 45,000 members, held in 1906, and not from our order alone. Section 89, in connection with the serving of any summons, writ, process, or other proceeding against an officer of the society: It says that if it is not served personally it will be sufficient to leave a copy at the registered office of the branch. I would like to point out that the registered office of a society is very often an empty hall, possibly only occupied once a week or a fortnight, and it would be a serious thing if it were served there and the person proceeded against only received it a week after it was served. The treasurer might be sued without being served, through the neglect of the secretary.

17. *Mr. Hayes.*] You must have a registered office under the rules?—Yes; but we think it is only fair that a summons should be served personally on the officer sued. In section 96, subsection (1), clause (b), there is a proviso which reads, "Provided that every cheque drawn on any bank under this subsection shall bear on the face thereof the words 'Friendly society's cheque, to be used only for the purposes of the society on behalf of which it is issued, and not for general circulation.'" This has reference to the concession in stamp duty. I might say that this concession has been in vogue for some time past; it was in the old Act, but owing to the restrictions it has been practically a dead-letter. The conditions are more stringent here, and it will kill the thing altogether. We think that proviso should be struck out.

18. It is only re-enacting the Stamp Act. If you do not do that, you will have to pay stamp duty?—If we have to get these cheques printed it will cost just as much. Then, supposing a cheque is made out to a member in the backblocks, the cheque is “not negotiable,” and it might entail hardship. We ask that section 98, providing that a copy of the regulations made by the Governor in Council shall be sent to every registered society or branch as soon as practicable after the making of them, should be amended to provide that they shall be sent at least four weeks previous to their being laid before Parliament; otherwise they might pass Parliament before the societies have an opportunity of considering them. We have added a number of recommendations. The first is that societies shall be allowed to operate by means of cheques on their funds in Post-Office Savings-Bank accounts and retain their old bank-books. As I pointed out to the Premier, this would be a concession which the societies would appreciate, as it would be of immense benefit to them. Not only would it save labour, but it would result in an enormous increase of revenue of societies in the way of interest. At the present time the societies have current accounts all over the Dominion bearing no interest whatever, and if we were allowed to keep our funds in the Post-Office Savings-Bank they would be earning something. The concession would be very much appreciated by every branch in the Dominion. We ask that a set of model rules be provided, as in Table A of the Companies Act, which is of very great benefit to small companies. They adopt that table as it stands, and it saves them a large amount in legal expenses.

19. I suppose you know there was a model set provided some time ago, and that the societies would not adopt them?—I was not aware of it. Recognising that the Bill gives very large powers to the Registrar, we think there should be some simple method of appeal against both the Registrar and Actuary. There is special provision for appeal to the Supreme Court, but that would be an expensive tribunal. We think some board of appeal composed of a Stipendiary Magistrate and two representatives—one for the friendly societies and one representing the Registrar—might be set up.

20. *The Chairman.*] Would a Stipendiary Magistrate by himself satisfy you?—I do not think he would have the necessary knowledge.

21. *Mr. Hayes.*] Do you not think such a tribunal would increase litigation amongst friendly societies?—We do not contemplate that, but we do not want anything that will impede our work. In the Second Schedule, paragraph 13 reads, “The establishment of a separate contribution or table of contributions to defray the necessary expenses of management.” We have put the following words in here: “including all the expenses incurred in the investment and collection of interest on invested funds.” At the present time the expenses in connection with these investments are being charged to the Sick and Medical Funds. We think that is only right and that they should be charged to the Management Fund.

22. *Mr. Wood.*] You laid great stress on the actuarial returns: do you know how the funds are worked actuarially?—I cannot say I know all about it.

23. Do you not think the actuaries should take into consideration the number of members who die out of the lodge, and give credit to the society accordingly?—I am not prepared to give an opinion on that. What we want is that an actuary shall compile an adequate table of contributions, taking all the circumstances in connection with the case.

24. I want to point out that in compiling this table the actuaries in New Zealand have debited the whole of the amount supposed to be paid for sickness and death, and not given any credit for the members who secede or die out of the societies: 7 per cent. either leave or die outside?—I think the actuary should take that into consideration.

25. The same thing applies to members' wives: there are a little over 3 per cent. of those who also die and receive no benefits from the lodges?—In compiling this adequate scale of contributions I think the actuary should certainly take all those things into consideration.

26. I understood you to say that your Parliamentary Committee had nothing to do with clause 16?—Yes.

27. You also said that some of the lodges took members in under false pretences?—Yes.

28. Name the lodges?—It is my opinion that the Druids do.

29. You said that there were some lodges taking members in under false pretences?—I meant that the Druids, under their death-levy scheme, were practically taking members in under false pretences, because they cannot possibly meet their obligations.

30. Are you losing members of your lodge who are joining the Druids?—No, we have gained in membership at a greater rate, I think, than the Druids, notwithstanding our higher rates.

31. There is nothing to stop your lodge carrying out the death-levy scheme the same as the Druids?—There is nothing to stop us if we want to, but we have a report from our actuary which states that the whole thing is rotten and unsound. The position is this: If we are not to abide by the advice of the actuary, to whom are we to go for advice?

32. You said that some lodges were taking in old men: what do you mean by “old men”? You know it is laid down that you can only take men in at a certain age? You said the lodges were attracting the old men?—I said the low rates are attracting the older men, and possibly you might get a larger percentage of men at the age of forty than otherwise.

33. Do you object to clause 16?—No, we are strongly in favour of it.

34. *Mr. Wilford.*] In reference to society deposits in the Post-Office Savings-banks, what would be the average amount to expect from an ordinary lodge, say, in a town like Wellington—would it be hundreds or thousands?—That is a question I would like you to ask of Mr. Kershaw. I have had no experience in regard to that.

35. It would require an amendment of the Post-Office Savings-Bank Act to allow you to deposit a larger amount than is provided for at present?—Yes, it might require that. The Premier raised the objection that, if he conceded that, it would mean keeping a separate fund at every post-office in the Dominion. I think the difficulty could be got over if the societies were willing to

allow the cheques to be presented and paid within a few days, so as to obviate keeping large sums of money at the post-offices in country places.

36. *Mr. Jennings.*] Have you been a member of a friendly society for long?—About ten years.

37. Have you been a member of any other friendly society than the one you are in?—No.

38. At this Colonial Conference you spoke of, I understand the question of clause 16 was never submitted?—No, it was never brought up.

39. Was any other question in connection with the Druids Order referred to at that Conference?—I would like to point out that the North Island Druids voted for the adequate contribution as contained in our amendment of clause 15.

40. There was no objection on behalf of the members representing the Druidical Order to the proposition to make the payments adequate?—There was some objection on behalf of the southern lodges, but the representatives of the North Island lodges agreed with it.

41. Personally, you object to clause 16 being continued because you think it is unsound?—I do not object to clause 16 at all. I am very much in favour of it.

42. Why do you object to the voluntary action of members paying a levy in regard to the death benefit?—Because it is actuarially unsound.

43. Can you prove that any voluntary action is unsound?—The actuary tells us that it cannot last many years.

44. Why not?—Because every member is guaranteed £100 at death, and as no member ever pays £100, because he could not live long enough, where is that money to come from? There are no funds accruing.

45. As a principle, do you object to men who, by the simple deprivation of a couple of cigars or a visit to a theatre, are willing to increase their contributions to enable their widows or children to obtain a great benefit?—No; but how is the widow to obtain the £100 if there is no fund from which to give it to her? That has been the experience in America.

46. This death-levy system has been in existence fourteen years: have you ever heard of any member of the order objecting to pay the levy?—Yes, within the last two days I have met two members who have been for some time past opposed to it. I might say that they are on the staffs of insurance companies, and have some technical knowledge of this sort of thing, and are able to see how absolutely rotten the thing is.

47. I would like you to understand that, as a member of friendly societies of various orders for thirty years, and as one of those who initiated the death-levy scheme on its inception, I am naturally very keen about it. You say you have no objection to its being continued by those lodges which have it in existence, but desire it to be stopped in future?—No. I was speaking of clause 15, in connection with the ordinary contributions, when I said that. I might say that we do not come here as a counterblast to the Druids' action. This Conference was contemplated long before they met the Premier.

48. With regard to clause 41, "Mode of investment of funds of society or branch": Do you think it is right that the majority of the branch should be able to instruct the trustees in every case with regard to the investments?—I think the majority of the members should have the prerogative, but they usually delegate the power to the trustees.

49. Can you not conceive it possible that a number of members might combine to force the hands of the trustees to invest in some property which would be against the interests of the members as a whole?—I must agree with that. If there was a small attendance at a meeting it might be awkward.

50. You hold the opinion in common with the Conference that an investigation of funds by a Government auditor would be a good thing?—Yes.

51. Supposing some of the members of a lodge were not satisfied with the ordinary audit—most of us know that it is often very loose—and wanted a proper audit by a Government audit, do you think they should have power to demand it?—My opinion is that in some societies excellent auditors can be obtained from amongst their members, but if anything suspicious occurs and reaches the ears of the Registrar, he will be able to allow an auditor to make a special audit.

52. We all know from experience that things have sometimes turned out badly?—Quite so.

53. Do you think it is right that loans should be granted to members on personal security?—I think the provision can do no harm. If that were not in the Bill we should have to make grants in certain cases. This provision here would make it obligatory to repay the grant.

54. *Mr. Flatman.*] I understood you to say that some few societies were bringing members into their lodges under false pretences: I want to know from your own knowledge whether any members have left your lodge and joined any of the lodges you have referred to?—No, I do not know of any case.

55. *Mr. Izard.*] Are you in favour of the right of a branch, when its membership has fallen below a certain number, to disband, and divide its accumulated funds among the existing members?—No, we are very much opposed to that. That is already provided against in the Bill.

56. In which clause is it provided for?—Clause 64. If it is not provided for now, the executive will be very pleased if it is.

57. *Mr. Stallworthy.*] I understand you desire the adequate scale of contributions to apply to the existing as well as the new members?—To the new members only, not to the existing members. We think it would be a breach of contract to apply it to existing members.

58. Do you agree with Mr. Jessen that the accounts of the new members who join under the adequate scale should be kept separate from those of the old members?—Yes, we are thoroughly in sympathy with that.

59. You said that young entrants are not of an inquiring mind, and do not inquire into the stability of the society when joining?—That is so. New entrants pay very little attention to the society or its financial position. Their joining is generally a personal matter.

60. Do you not know that some societies have closed their doors practically to new entrants with a view to the subdivision of the funds?—I know that some branches have done that, and we want to prevent the distribution of the funds.

61. If the death-levy system of the Druids had been in existence in other societies, would it not have acted as a preventive to a branch closing its doors? You have suggested to us that it is only the enrolling of new members that can make it possible for the Druids' scheme to pay?—That is so.

62. And, therefore, the scheme would act as a preventive to the closing of a branch for the benefit of the old members?—We think it would be rather a dangerous remedy. The most advisable course is to prevent the branch disposing of its funds.

63. You do not think the older men, who are nearer death, should pay the same death levy as the younger men?—We think they should pay more. We are not in sympathy with the scheme at all, but if it should exist we think the old men should pay more.

64. *Mr. Aitken.*] I think you made it perfectly clear that clause 16 was not put in the Bill at the instigation of the Conference of 1906?—I might say that I was present at that Conference, and have been chairman of most of the gatherings since in connection with the Bill, and I have never heard any suggestion whatever in connection with clause 16.

65. That is to say, it was not from the combination of friendly societies you represent that the suggestion arose that clause 16 should be put in the Bill?—No, we have discussed the injustice of the levy system in our lodge, but it has never been brought up at any Conference I have been at.

66. You do not know the origin of it?—No.

67. *Mr. Fisher.*] I understand your membership has actually increased since the death-levy scheme was started?—Yes, notwithstanding that our rates are higher.

68. Your objection is only based on the fact that you regard it as actuarially unsound?—Yes, we think it is a very unsafe element.

69. You do not think you are in the position of an insurance company coming to Parliament and objecting to the tables of a rival company because it is doing more business?—No.

70. Have you ever heard of the representative of an insurance company regarding the tables of another company as unsound?—I suppose I have.

71. You referred to the fact that it may be possible some of these days for the widows to come along and find that there was no death benefit for them?—That has been the experience of the American scheme.

72. The American companies were, in some cases, frauds?—Not frauds; they simply broke down.

73. Were they giving the same benefits as the Druids?—It was on the same basis. They levied a certain sum, and undertook to pay a certain sum on death.

74. But there is something given in addition here: the American societies did not provide doctors and medicine?—Not in connection with most of them.

75. Are you in a position to state emphatically, in connection with the failures in the United States, that some of them were not due to fraud, while others were overweighted with the benefits?—The largest number of them failed simply because the scheme was unstable.

76. And actuarially unsound?—Yes.

JOHN KERSHAW examined. (No. 8.)

1. *The Chairman.*] What position do you fill in friendly societies?—I am corresponding secretary of the New Zealand Branch of the Manchester Unity Independent Order of Odd Fellows, and have been acting as parliamentary agent during the whole of the consideration of this Bill, in the absence of my friend Mr. Smith, who has been on a visit to Rarotonga.

2. Has your society branches right through the Dominion?—The New Zealand Branch has the whole of the branches in the North Island under its jurisdiction and four districts in the South Island.

3. Can you give us the number of your membership?—The membership of the New Zealand Branch is 11,738, but in addition I was requested to represent the Southland District, which has 1,547 members.

4. What would be the total for the whole of the Dominion?—21,228—that is, including the whole of the Manchester Unity, not under our immediate jurisdiction, but the whole of the order.

5. And practically your evidence will represent the views of the whole society?—Yes, there has been no objection raised to what has been done.

6. Will you make your own statement?—Mr. Hunt has so fully covered the ground that there is very little left for me to say. There is one matter, however, I wish to refer to, with regard to what was said by the deputation of the Druids to the Premier. When they were pleading they said there was no necessity for interfering with present arrangements; and the reason given was that the position of the friendly societies in this Dominion was so much superior to that in the Australian Colonies—that is, in New South Wales—and that the amount of funds per member in this Dominion averaged about £19 10s. Now, I wish to draw your attention to the fact that the societies which are favouring sections 15 and 16 comprise those which are in the best financial position. They are supporting section 15, which provides for adequate contributions for all the benefits offered, and clause 16 necessarily follows. I will give you particulars of the funds relating to the respective societies. The Manchester Unity funds stand at £25·7 per member; Independent Order of Rechabites, £25·2; Ancient Order of Foresters, £19·8; Independent Order of Odd Fellows, distinguished as the American Constitution, and differing from the Manchester Unity, £19·3; while the United Ancient Order of Druids is only £9·75, or not half of the least of the other societies. So that we make a strong point for the retention of clause 15 of the Bill particularly—viz., that the societies ought if possible to be brought up to what is considered to be a proper financial standard. That is all I have to say with regard to section 15. With reference to section 16

I just simply make this note: that the Government themselves put this section into the Bill, and, as Mr. Hunt wisely said, he supposed they had good reasons for doing so and hoped they would show good reasons before taking it out. My society is strongly in favour of the retention of this section, because, on the broad principle which has been mentioned, if it is necessary to have adequate rates of contribution for the ordinary benefits offered—that is, the sick and funeral benefits which all the societies provide—as drawn up by the Actuary, it is equally necessary that there should be an adequate rate of contributions for the increased funeral benefits offered by this particular society. We do not claim anything further than that. We just desire to give the Government our very hearty support in reference to this particular section. With regard to the other matters, as I have already stated, Mr. Hunt has so fully covered the ground that unless there are any questions put that I may answer I am so thoroughly in accord with what he has said that it will not be necessary for me to take up your time with any further remarks. I just want to emphasize the fact that the societies which are pressing the necessity for an adequate rate of contributions can show—the least of them—double the funds per member of the one society which is opposing this section.

7. *The Chairman.*] You heard the question which was put to Mr. Hunt with regard to clause 16: I wish to put the same question to you, but apply it only to your society; the M.U.I.O.O.F.: Did clause 16 originate from your society? No. I was not aware that there would be such a clause in the Bill until I saw it.

8. Do you know of any resolution passed by any lodge or meeting asking the Government for that clause?—No.

9. Do you know whether there is any kind of jealousy between your society and the Druids in consequence of the death levy?—We are not jealous on their particular lines. Why should we be jealous when we consider that something is being done which is wrong? But we may be jealous in the matter of persons being drawn into this society by reason of the excessive benefit which is offered for the contribution. And there is no doubt about it, it does affect other societies to some extent. I have noticed during the questions which have been put an endeavour to ascertain whether other societies were suffering. I might say that every society is making an increase, notwithstanding the extraordinary increase made by the Druids; every society is increasing in the natural order of things. People are looking to the societies to provide them with sickness and funeral benefits, and a large number are being drawn in the direction of the Druids. I know it has attracted some who would have been members of our society, and members have been attracted from our society to the Druids.

10. Is that the reason why your society asks for clause 16?—No, not solely. As I have already said, if there is to be an adequate contribution for one benefit there should be an adequate contribution for another. It is a funeral benefit, and if you make provision for actuarial calculation in one case you should have an actuarial calculation in the other. And we contend that the ultimate result of the system being introduced by the Druids will have a detrimental effect on all the societies, as we believe from actuarial information that it will utterly fail, and consequently persons are being led to join this society who would probably join other societies and retain their membership. We believe the levies will become so heavy that the members will ultimately drop out and the benefits will not be forthcoming when required.

11. *Mr. Jennings.*] Of course, your order, the Manchester Unity, is a very old-established one?—Yes.

12. In instituting your comparison of the figures, why did you not pursue the matter further, and show the financial position of other orders under the Friendly Societies Act? You have directed the whole of your criticism to the Druids?—I am directing my arguments to show that the societies which are in favour of clauses 15 and 16, and are desirous that an adequate rate of contributions should be provided, and the section retained, are the societies which are in the best financial position, while the society which is opposing these sections is the one which is in a worse position.

13. Not the worst?—Well, one of the worst positions. We are not in opposition to Druidism; we wish that clearly to go forth. With regard to section 16, seeing that the Government have put it in the Bill, we are going to support it as heartily as we can, because we believe it is a good thing.

14. You are personally favourable to the friendly-society movement?—Certainly.

15. Then, by its action in increasing the interest in friendly societies has not the Druidical Order conferred a benefit in that respect?—My opinion is that it is a very questionable one.

16. What ground have you for thinking the members cannot keep their payments up?—On the ground previously stated. The Druids are working on the same lines as we are (and we can work shoulder to shoulder with them) in regard to the ordinary benefits, but by this scheme they offer an extraordinary benefit.

17. *Mr. Flatman.*] Giving the financial position of the various lodges, you said certain lodges were in a sound position: are they not liable for payments at death without further contributions, while the Druids can contribute specially for the death benefit to each member?—Yes, but the difference is this: A direct promise is made of £100 additional funeral benefit, for which a levy is made, as Mr. Hunt said. It is only going over the same ground again to say that we believe that that is not a proper basis to provide for this benefit. Mr. Hunt has said that a direct liability of £100 is taken over by the lodge when a new member joins, and a cash liability is created. If a member was thirty years of age when he joined, he would have to pay for fifty years £2 per annum to cover his liability. Well, is he going to do it? We are told now that the levy is 8s. a year. It is shown clearly that it cannot be done. This levy is made on the death of a member, and whatever balance is over is carried forward until it reaches another £100; then there is no levy for that death, so that the capital is swept away, whatever it may be. If the levy were made continuous and provision for interest made it would be different, but there is nothing of the kind. We say

the system is wrong, but it is not a matter for our opinion, it is a matter for the actuary. Remarks are sometimes thrown out by members that they cannot take much notice of actuaries. I have looked into accounts connected with friendly societies as carefully as most people, and I am prepared to say I have great faith in the actuarial calculations of this Dominion with regard to friendly-society matters. I know an instance of one branch which, when it commenced, made money because its members were young. They thought that as they were increasing their wealth they could increase their benefits without increasing their contributions, but the time came when they got into a very bad position. We had to review their case, and to insist on them either reducing their benefits or increasing their contributions, and when the actuary looked into the matter he found that the short-paid contributions with compound interest would about have made up the amount of their deficiency. If they had done what they had set out to do they would have been all right, but they thought they could increase the benefits without increasing the contributions, and failed. The same thing will apply right throughout the whole system: you cannot get something for nothing—you must provide for it.

18. If their contribution for payment on death were collected previously, as in other lodges, would it not show them to be in a better position financially?—No. I might say that the system in vogue now is rather different from what obtained previously. Formerly, when this death-levy scheme was inaugurated, they simply collected the amount of the levy and paid it over. You can realise that there would be no deficiency then. They collected the amount like going round with the hat, and handed it over to the widow.

19. *Mr. Fisher.*] There was no fund for it?—No. But now there is a direct benefit of £100, and if the member survives for a year he is entitled to £120.

20. *Mr. Flatman.*] I suppose you know of no instance where a member has refused to pay the levy?—Rumour says there are many, but I know of none. I have heard it said there is a difficulty, but further than that I do not want to go, because I do not want to discredit them in any way.

21. Are you in favour of the branches being compelled to keep separate accounts as between the new members admitted under the adequate scale of contributions and the old members?—That is a question I am not prepared to answer, because I should deal with that according to the circumstances of the society in which it was brought into operation. I only know this, with regard to the difficulty in New South Wales, that was one of the great stumbling-blocks. We have taken these men into our societies, and I for one would be very loth to increase their contributions if it can be avoided when they get old. As far as the equity is concerned, I should have to say Yes, because if these men have been paying too little it is only right that they should have to pay for what they are getting; but as a matter of expediency I should say No.

22. When you quoted the amount per head of some of the societies were you including the management funds or benefit funds?—The benefit funds.

23. Do not funds accrue from the investments in property?—Yes, that is how they do accumulate.

24. There is nothing to prevent your society instituting a similar scheme to that of the Druids?—No.

25. But you consider it would be unsafe to do so?—We do. We have had the matter of providing an increased funeral benefit before us for some years. We have provided the most liberal scale of contributions. The Department only recently supplied us with one which is more liberal than the scale in our rules, and when we put this before our members we found that they would not accept it as against the benefit provided by the Druids. The Manchester Unity has always been to the fore in financial stability. We have suffered in the Old Country by sticking to what was required in the way of adequate contributions, and we are not prepared to go back on it.

26. Are you in favour of decreasing the funeral benefit?—No, I am in favour of increasing it.

27. *Mr. Fisher.*] You make yourself quite clear that your objection is not on account of any rivalry in connection with any of the lodges?—Yes; it is only in so far as persons are being attracted to the Druids' society who have not considered the position.

28. You consider they are attracted by a principle which is unsound, and which is likely in the long-run to affect all societies?—I do.

29. What was your basis—you must have an actuarial report?—I have seen the figures of other societies established on somewhat similar lines, but I endeavoured to bring whatever little knowledge I have to bear on this matter myself. If I create a liability of £100, and there is no fund from which that liability can be discharged, I expect to pay for my liability; and I find it would be utterly absurd to expect the promises made to be kept.

30. But have you actually had the report of the Actuary upon the Druids' scheme?—No, I cannot say we have had a report, but we have had reports from similar organizations.

31. In the Dominion?—No, not in the Dominion.

32. Then, your objection to it as being unsound financially is based on your own knowledge?—No.

33. I mean your society?—No; they base it upon information coming from similar societies outside the Dominion. I desire to emphasize this: that, seeing that the Government have introduced this section of the Bill, it devolves upon the Government to provide the actuarial advice. I can only say this, as I have already said: If I am promised a certain benefit, I want to know how it is going to be provided.

JOHN SMITH examined. (No. 9.)

1. *The Chairman.*] What society do you belong to?—The Manchester Unity, I.O.O.F.

2. Do you represent it here in any way?—I am parliamentary agent, but I have been away from the Dominion for some time, and Mr. Kershaw, the corresponding secretary, has been taking up my duties for the time being.

3. Make your statement in your own way?—I think it is hardly necessary to make a statement. I agree with the last two witnesses that what is stated in the Bill is what we actually require put in if possible this session. Section 16 has got in without our knowledge, but we believe it should be agreed to, the same as section 15. A great deal has been said about contributions irrespective of age, and certainly it is an important question with the older societies, especially the Manchester Unity and the Foresters. They have long ago adopted an adequate scale of contributions. There is no good reason why they should depart from the principle of an adequate scale, because it is manifestly unfair that young men of sixteen or seventeen should have to pay the same as men of forty or fifty, as they have a longer time to live and consequently more to pay. It has been said that the older members would be willing to give more, and if they joined a new branch they would have a very much larger amount to pay. I think you may rest satisfied with the information you have already obtained from the previous speakers, and it is no good reiterating what has been said. Any further information will be readily given if asked for. We hope the Government will put the societies on such a basis that they will never go wrong, and we believe it is the honest intention of the Government to do so. With regard to the matter of societies not allowing new members to join, so that the membership may dwindle down to five or six, in order that the surviving members may seize the funds, we have in our rules means to prevent that to a large extent, but we would prefer that the Government should make it impossible. I am happy to say that all friendly-society members who have any authority are averse to societies and branches breaking up, and we are asking that the Government shall make provision in the Bill whereby the funds can be saved to the district, and enable members who choose to do so to become district members.

4. *Mr. Stallworthy.*] Have you had any society advocating the death-levy scheme?—Yes, but when we brought the matter home to them they did not agree with it. As an old member I might very well want to take advantage of such a scheme as that, because I have not many more years to live.

5. *Mr. Fisher.*] You are an old member of your society?—For half a century.

6. Are the whole of the societies of the Dominion against this scheme, with the exception of the Druids?—To the best of my knowledge and belief, they are. I do not know of any other society that has advocated it. I do not think there is one.

JAMES ROBIN examined. (No. 10.)

1. *The Chairman.*] What district do you represent?—I represent the Otago District, M.U.I.O.O.F., with 4,261 members last January, and with an accumulated capital of £116,791.

2. Can you add anything to what has been said by the other witnesses in reference to this Bill?—They have said so much, and have said it so well, that I feel in the same position as the gentleman who was returned for Bristol at the same time as Edmund Burke. After hearing Mr. Burke speak he said, "I say 'Ditto' to Mr. Burke." The gentlemen who have spoken before me have spoken so well that I do not think I will trouble you with anything I might say myself, but if you will pardon me I will read a paragraph or two from some correspondence I have had with the members of my district. With regard to clause 16, this is what one correspondent says: "The M.U.I.O.O.F. in England, as shown in the last quarterly report, are finally settling this equal-levy system which has been fought in England for so many years. I see in the last report that a whole district was suspended for refusing to drop the method, although it was only an adjustment in accounts. I quote this to show that in friendly-society management the equal-levy system has been found by experience to be unsound, and will not stand the test of time. The unsoundness is that men at forty are asked to pay the same as men at twenty; therefore the man who joins at twenty has to pay for his own insurance and the greater part of the older man's, which is an excellent principle of mutual help if it would work, but it will not. Average capital per head, 1906, compiled from annual report of Registrar: M.U.I.O.O.F., £25 12s. 4d.; A.O.F., £19 17s. 2d.; Druids, £9 12s. 7d. Druids' secessions in 1906 were 753." Mr. Hunt and Mr. Kershaw referred to the amount per head. It has been said that there are lodges here making new members under false pretences. The Druids have stated the average value of all friendly societies at £19, and have asked men to join them on that account; but they did not help to make up the £19, but are taking advantage of the good management of others.

3. *The Chairman.*] Where do you find the statement that has been made?—In the newspapers. I am told they are trading by advertising that the average is £19 per member, in order that they may get more members. It appears to me that there is something wrong with the Druids because of their heavy secessions, and we in my district are trying to find out why our members are leaving, and whether it is because of carelessness or distress. The last report of the Druids for 1906 shows that the secessions were 753 members in one year. This is more than double the rate in my district. Why is this?

4. *Mr. Stallworthy.*] Is that in New Zealand?—Yes. Another correspondent says, "It is all very well when we are young, but when the law of average begins to assert itself then it will—and is now in other places—absolutely fall to pieces." Another correspondent says, "Societies which endeavour to work on sound financial bases must be protected." And with regard to clause 16 another correspondent says—and let this suffice—"This seems to be a wise provision, because Government recognition could never be given to any society whose contributions in whole or in part were levied in an irregular way, and whose benefits were conferred in an irregular manner as well." With regard to section 18, subsection (2), Mr. Hunt omitted to refer to the amendment the executive made in reference to the Actuary having power to prevent us from appealing. We propose that, if the Registrar refuses to register a society, the Actuary shall not have power to prevent us from appealing. Another correspondent says, "As it is proposed the rates of contributions must be certified to as adequate before a society can be registered, should there

not be some provision for appeal from the dictum of the Actuary as there is provision for appeal from the Revising Barrister and the Registrar? There is the possibility of the Actuary acting on such stringent and exaggerated lines as to make it desirable that his conclusions should be checked by some competent authority." The amendment to the second subsection of this clause was agreed to by the executive. With regard to the Second Schedule, paragraph 13, I am instructed not to support the alterations made in that. My executive wish it to remain as printed.

5. *The Chairman.*] That is to say, they do not agree with the amendment suggested?—Yes. With regard to the savings-bank proposal, I hope some means will be found by which we shall be able to make use of the Post-Office Savings-Bank for our ordinary accounts. The contributions are based upon 4 per cent. interest being realised. In the district I belong to there is over £3,000 returning no interest according to the 1906 report, and I believe there is about £44,000 in the Dominion not bearing one iota of interest. Most of these branches are in the country, where the officers do not appear to know the value of interest, and allow their money to lie in the bank without getting anything. If this money were allowed to lie in the Post-Office Savings-Bank it would return  $3\frac{1}{2}$  per cent., which would materially add to the stability of the societies. There is no necessity for our cheques being paid directly they are presented. The objection Sir Joseph Ward had to the proposal was that he did not know how it could be done, because it would mean keeping a large sum of money in the banks in country districts; but that could be obviated by the cheques being made payable when the cash was received from the head office. From what I can hear, there is not the slightest difficulty about it.

6. *Mr. Jennings.*] You said the management of your district had been so successful that you were in a good position; but did the Manchester Order receive any grants from the Government in the early days that would add to the stability of your order?—Not a single solitary sixpence by the Otago District. My lodge is going to hold its diamond jubilee this year, and its total value at the end of 1907 was over £30,000.

WEDNESDAY, 16TH SEPTEMBER, 1908.

ROBERT EDWARD HAYES examined. (No. 11.)

1. *The Chairman.*] What are you?—Registrar of Friendly Societies.

2. Can you tell us how many friendly societies there are in the Dominion—societies, not lodges?—There are eleven orders. These are cut up into different districts. There are thirty-eight central societies or bodies.

3. About how many lodges are there?—About 560.

4. And the membership?—The membership, in my return which was presented to Parliament yesterday, is 56,817—that is up to the 31st December last. Of course, that does not comprise the returns of lodges which have not furnished them according to the Act.

5. *Mr. Jennings.*] That shows an increase on the previous term?—Yes, the increase for 1907 was 7.6 per cent., compared with 6.01 per cent. in the previous year.

6. *The Chairman.*] And if the full returns were in there would be a still larger increase?—I would say there would be somewhere about sixty thousand members. That is taking a conservative estimate that the outstanding returns would be about the same as last year.

7. Can you give us the amount of the aggregate funds?—£1,118,217, to be exact.

8. *Mr. Flatman.*] That is the accumulated funds?—Yes, the reserve funds.

9. *The Chairman.*] What does that represent per head?—The average capital per head represents £19 13s. 7d.

10. You have heard the evidence that has been given by the representatives of the various societies?—Yes.

11. The chief evidence surrounded clauses 15 and 16: do you mind telling us where those clauses originated?—

*Witness:* Well, sir, a good deal has been said by several of the witnesses about the influences of some of the orders in this matter, and I have even seen it stated that clause 16 is the work of insurance companies. Now, I think it is to be regretted that distinctions and comparisons between the orders were so largely introduced into this question, which after all rests on its merits or demerits. The clauses were, after consideration, left out of the first Bill circulated in 1906, although the Friendly Societies Conference recommended their inclusion. A report was subsequently furnished by the Department's Actuary without influence or pressure from any order. Extensive investigations into the workings of the societies were made, and a mass of information was collected, with the result that, as requests were made to reinsert the clauses in accordance with resolution of the Conference, the conclusion was arrived at that the Department would be wanting in its duty and without a proper conception of its functions if the question of adequacy of contributions was provided for and no attention was directed to the equal-levy scheme. In the Australian Acts the system is dealt with in one section—that is, the adequate-contribution section—but it was made a separate clause here in order that the intentions and extent of legislation should be clearly understood. The clause was so drafted that the rates chargeable at the various ages might be shown should any society desire to adopt such a scheme, the object being to insure that members might clearly understand what the system means and how the levies will increase. As to the influences of insurance companies, the best refutation I can offer is a reference to my annual report for the current year, where it is demonstrated to societies by a special table prepared in the Department that societies can offer to members a high benefit at a much lower rate than industrial insurance companies are quoting. For a £50 benefit at the lowest ages in those tables the contribution for friendly societies is 8s. 11d. per annum, compared with £1 0s. 4d. and £1 1s. 8d.

quoted for outside insurance. It can hardly be said that this indicates a susceptibility to the influence of insurance companies.

I have listened carefully to the evidence given by the various orders, and there appears to be very little doubt that the greater majority favour legislation providing for an adequate scale of contributions, and I do not think any evidence has been given to prove that the system affected by clause 16 is sound or safe. The objectors to these adequacy-of-contributions clauses take up the stand that, as the British legislation studiously disregards the question, the Legislature in New Zealand should also leave it alone. Now, to be consistent on this ground it would be fair to say that no legislation on important matters affecting large bodies in the community should have been passed in New Zealand during the last twenty years, because there was no precedent in the English Acts. I have only to mention the land laws and old-age pensions to illustrate my point; and as regards the latter we now see the British Government adopting the New Zealand plan almost wholly in principle. All students of friendly-society administration are aware that some sixty years ago many societies in England were in a very bad way, and the reforms which were taken in hand at that time are just about bearing fruit in a broad sense. In these new lands to which the friendly-society movement has been transplanted the first thing that naturally appeals to Governments is how to avoid the evils that have caused so much trouble, distress, and disappointment in the Old Land. Certainly only by improving if possible on the original legislation. And it is now a fact that all of the States in the Commonwealth have provided in their legislation for an adequate rate except Queensland and South Australia; and in the latter State I believe a Reform Bill is now before the House. I will read the sections from these Acts as applying to adequacy of contributions, covering also the equal-levy system:—

*Victoria* (10th July, 1890).—No society shall be entitled to registry unless the tables of contributions, certified by some actuary, approved by the Governor in Council, who has exercised the profession of actuary for at least five years, be sent to the Registrar with the application for registry.

*New South Wales* (5th December, 1899).—A society assuring to any member thereof a certain annuity or certain superannuation, deferred or immediate, or any sum or sums payable as endowment, or in case of sickness or death, or in pursuance of any other object authorised by this Act, which is susceptible of calculation by way of average, shall not be entitled to registry unless the tables of contributions payable for such kind of assurance, certified under the hand of an actuary who has exercised his profession for at least five years, are transmitted to the Registrar, together with the copies of the rules aforesaid.

*Western Australia* (23rd November, 1894).—No society shall be entitled to registry unless the tables of contributions, certified by the Registrar or by some actuary, approved by the Governor in Council, who has exercised the profession of actuary for at least five years, be lodged with the Registrar with the application for registry.

*Tasmania* (6th December, 1887).—No society or branch shall be entitled to registry unless the tables of contributions, certified to by some actuary or other person approved by the Governor in Council, be sent to the Registrar with the application for registry.

Let us further apply this policy of adherence to the British Act to other branches of friendly societies legislation, as, for instance, actuarial valuations and audit. The British Act and the practice of the office there as regards valuations is to-day what it has been for over thirty years—that is, valuations are conducted outside the Department by such persons as the societies choose, and at their own charge; whereas the New Zealand practice for sixteen years has been to carry out the work in the Registrar's office free of cost; and it is safe to say that the high degree of soundness the New Zealand societies enjoy compared with those elsewhere, but particularly in England, is largely due to this wise and helpful policy. The New Zealand practice has of late years been adopted in some of the Australian States with apparent advantage. Take the audit question: the English Act to-day lays down the same procedure as in 1875, but is it to be held that in Australia or New Zealand no steps are to be taken to effect reform in this most important matter? Several Australian States have variations from the English model in the direction of enlarging the powers of the Department and central bodies to insure an independent audit, and very few will be found, I think, to question the powers in that direction which this measure proposes.

It has been urged that this proposed reform hits at the voluntary nature of the conditions under which members join societies; but in what way it is difficult to see. No one is compelled to join a friendly society any more than I am compelled to join an insurance society. If this legislation can have that effect, then why make any compulsory legislation at all dealing with societies? For a very long time societies have been compelled to comply with statutory requirements in respect of their rules, valuations, audits, annual returns, and in other matters, all of which are for the protection of members, and in nowise interfere with the free right of people to join or leave a society.

There is another important point in this adequacy-of-contributions question which I think should be brought out. At the time I referred to, in England some fifty years ago, many reforms in the rates of contributions were adopted by friendly societies, and I would like to emphasize the fact that these reforms were not imposed on societies by outside professional men such as insurance actuaries, but that the movement sprang from the members of the orders themselves. These men found by hard practical experience that their system of charging inadequate rates such as an equal contribution for all ages would not work, and they studied the subject for themselves, and educated themselves in order to scientifically deal with it, and by their instrumentality the fullest statistics and information were collected from the lodges.

12. *Mr. Tanner.*] Was not that the result largely of employing their own actuaries?

*Witness:* I have only to mention the names of Ratcliffe, Reuben Watson, and Niesen, whom all friendly-society authorities will recognise as members of the orders who have led the way in

this reform. In New Zealand we had men who in the early days tackled the question and assisted in applying these reforms to our societies. I suppose there are very few friendly-society managers nowadays who fail to recognise the necessity for these actuarial reserve balances and for adequate contributions. As I have mentioned, in England bitter experience taught the lesson, and as it takes many years for the crisis in a lodge's affairs to be reached—fifty years at least—we have not in New Zealand come to anything like that stage except in some of the very old lodges.

It will be instructive to those who have not yet realised the necessity for reserves if I give a few instances of New Zealand lodges which illustrate the point. The first I quote is the Wanganui Lodge of the M.U.I.O.O.F., established in 1858. Here the outgo for sick and funeral benefits during the last twenty years amounted to £6,365, whereas the income from contributions was £4,252; and in this case it is interesting to observe that the membership has nearly doubled.

| Year. | Number<br>of Members. | Contributions<br>and<br>Entrance Fees. | Sick<br>Benefits. | Funeral<br>Benefits. | Total<br>Benefits. |
|-------|-----------------------|----------------------------------------|-------------------|----------------------|--------------------|
|       |                       | £                                      | £                 | £                    | £                  |
| 1887  | 148                   | 131                                    | 93                | 10                   | 103                |
| 1888  | 152                   | 139                                    | 171               | ...                  | 171                |
| 1889  | 149                   | 134                                    | 156               | ...                  | 156                |
| 1890  | 139                   | 136                                    | 169               | 50                   | 219                |
| 1891  | 143                   | 132                                    | 203               | 15                   | 218                |
| 1892  | 146                   | 144                                    | 244               | 21                   | 265                |
| 1893  | 152                   | 149                                    | 249               | ...                  | 249                |
| 1894  | 165                   | 172                                    | 266               | 40                   | 306                |
| 1895  | 175                   | 176                                    | 243               | 38                   | 281                |
| 1896  | 180                   | 197                                    | 267               | 60                   | 327                |
| 1897  | 172                   | 196                                    | 317               | 45                   | 362                |
| 1898  | 171                   | 200                                    | 279               | ...                  | 279                |
| 1899  | 175                   | 197                                    | 214               | 15                   | 229                |
| 1900  | 187                   | 207                                    | 289               | ...                  | 289                |
| 1901  | 197                   | 232                                    | 333               | 28                   | 361                |
| 1902  | 208                   | 233                                    | 385               | 15                   | 400                |
| 1903  | 215                   | 247                                    | 347               | 40                   | 387                |
| 1904  | 220                   | 266                                    | 374               | 35                   | 409                |
| 1905  | 227                   | 294                                    | 411               | 60                   | 471                |
| 1906  | 255                   | 321                                    | 386               | 10                   | 396                |
| 1907  | 267                   | 349                                    | 457               | 30                   | 487                |
|       |                       | 4,252                                  |                   |                      | 6,365              |

The next table refers to Court Star of Canterbury of the A.O.F., established 1852. During the last twenty years the membership has kept steady, and during that time the outgo has been £15,411, and the contribution income £13,011.

| Year. | Number of<br>Members. | Contributions<br>and<br>Entrance Fees. | Sick<br>Benefits. | Funeral<br>Benefits. | Total<br>Benefits. |
|-------|-----------------------|----------------------------------------|-------------------|----------------------|--------------------|
|       |                       | £                                      | £                 | £                    | £                  |
| 1887  | 423                   | 574                                    | 483               | 100                  | 583                |
| 1888  | 425                   | 576                                    | 419               | 160                  | 579                |
| 1889  | 420                   | 570                                    | 461               | 70                   | 531                |
| 1890  | 424                   | 669                                    | 384               | 60                   | 444                |
| 1891  | 410                   | 646                                    | 543               | 250                  | 793                |
| 1892  | 430                   | 666                                    | 534               | 80                   | 614                |
| 1893  | 425                   | 669                                    | 419               | 80                   | 499                |
| 1894  | 414                   | 662                                    | 596               | 80                   | 676                |
| 1895  | 407                   | 646                                    | 621               | 160                  | 781                |
| 1896  | 406                   | 621                                    | 482               | 102                  | 584                |
| 1897  | 405                   | 627                                    | 517               | 80                   | 597                |
| 1898  | 406                   | 611                                    | 656               | 190                  | 846                |
| 1899  | 406                   | 627                                    | 667               | 160                  | 827                |
| 1900  | 411                   | 612                                    | 631               | 150                  | 781                |
| 1901  | 407                   | 623                                    | 787               | 280                  | 1,067              |
| 1902  | 414                   | 613                                    | 720               | 130                  | 850                |
| 1903  | 406                   | 602                                    | 615               | 110                  | 725                |
| 1904  | 417                   | 613                                    | 624               | 250                  | 874                |
| 1905  | 422                   | 600                                    | 656               | 360                  | 1,016              |
| 1906  | 429                   | 604                                    | 505               | 275                  | 780                |
| 1907  | 416                   | 580                                    | 724               | 240                  | 964                |
|       |                       | 13,011                                 |                   |                      | 15,411             |

The Marlborough Lodge of the M.U.I.O.O.F. offers a still more striking illustration. This lodge was established in 1860, and its membership has very slightly increased during the last twenty years, during which period £5,033 has been paid in benefits, and the contribution income was £2,862. It is particularly interesting to note in this case the excess of outgo for each of the more recent years.

| Year.       | Number of Members. | Contributions and Entrance Fees. | Sick Benefits. | Funeral Benefits. | Total Benefits. |
|-------------|--------------------|----------------------------------|----------------|-------------------|-----------------|
|             |                    | £                                | £              | £                 | £               |
| 1887 ... .. | 113                | 154                              | 157            | 40                | 197             |
| 1888 ... .. | 112                | 151                              | 174            | ...               | 174             |
| 1889 ... .. | 113                | 148                              | 155            | 40                | 195             |
| 1890 ... .. | 112                | 146                              | 188            | ...               | 188             |
| 1891 ... .. | 109                | 142                              | 159            | 30                | 189             |
| 1892 ... .. | 105                | 140                              | 125            | 40                | 165             |
| 1893 ... .. | 107                | 141                              | 229            | 20                | 249             |
| 1894 ... .. | 101                | 135                              | 241            | 90                | 331             |
| 1895 ... .. | 98                 | 127                              | 175            | ...               | 175             |
| 1896 ... .. | 96                 | 129                              | 178            | 10                | 188             |
| 1897 ... .. | 100                | 124                              | 214            | 10                | 224             |
| 1898 ... .. | 100                | 118                              | 203            | 50                | 253             |
| 1899 ... .. | 98                 | 118                              | 201            | 20                | 221             |
| 1900 ... .. | 103                | 130                              | 157            | 20                | 177             |
| 1901 ... .. | 111                | 128                              | 293            | 60                | 353             |
| 1902 ... .. | 122                | 137                              | 191            | ...               | 191             |
| 1903 ... .. | 117                | 128                              | 298            | 20                | 318             |
| 1904 ... .. | 121                | 134                              | 268            | 20                | 288             |
| 1905 ... .. | 126                | 139                              | 225            | 20                | 245             |
| 1906 ... .. | 134                | 148                              | 266            | 60                | 326             |
| 1907 ... .. | 131                | 145                              | 226            | 160               | 386             |
|             |                    | 2,862                            |                |                   | 5,033           |

These lodges, I may say, are actuarially sound, and their heavy expenditure is caused by no abnormal experiences, which, on the contrary, have been generally favourable. The question might well be asked, where would their members be to-day without these reserve balances?

13. *Mr. Tanner.*] That is to say, after the experience of so many years they are actuarially sound?—Yes. Those early lodges in New Zealand invariably earned very high rates of interest, but they would never do it again.

14. Is not that a source of income you have overcome?—No, because the tables of contributions were then inadequate. They were probably on a 4-per-cent. basis, but the interest they earned might have gone up to 8 per cent.

*Witness* (continuing his statement): Before I leave this subject I should refer to the opinion expressed during this hearing, that the adoption of a compulsory adequate scale of contributions would have a deadening effect on the initiative of societies—and one witness instanced a widow-and-orphans society, which I inferred from his remarks would probably never have been formed had a compulsory scale of contributions been in operation. It must strike any one that an adequate scale of contributions applies equally to any form of assurance, whether for widow and orphans, sickness, or accident; and if such a society be formed on an unsound basis, then it has no more right to exist than any other society. I do not know which widow-and-orphans society was referred to, but the Wellington society stands in the unique position of having adopted its own scale of contributions at such a high rate that, in the case of the oldest member, the original benefit of £7 10s. is now worth over £100. I have no doubt, had a compulsory scale of contributions been in force in those days, the rate of contributions need not have been nearly as high as those charged; but, of course, such enormous surpluses or bonuses would not have been enjoyed by the beneficiaries. The right of societies to take up fresh benefits is not touched by clauses 15 and 16—their rights in this respect are governed by clause 11, which is very wide in its application.

The executive of the friendly societies' parliamentary agents have proposed an amendment to clause 15 in order to make the reform apply to all future entrants into existing societies and branches, and it has to be noted that the Friendly Societies Conference in 1906 recommended this course. There are good reasons for the proposed amendment, but I think it will be agreed that it is better to take an important change like this gradually, although I have no doubt it will ultimately be found necessary to adopt the principle in full as suggested, and on similar lines to New South Wales and Victoria. There are, however, great difficulties surrounding the whole question which this hearing has clearly shown, and I am of opinion that it is better to take them one at a time in order that we may be prepared for each step as it is reached.

Now, as to clause 16 taken by itself, I have already referred to the fact that clause 15 really covers the whole question and that the two clauses stand together. It would be obviously illogical to prevent societies from adopting an inadequate graduated scale and at the same time exempt the equal-levy system, which is more unsound. This system is not a new one, and its adoption here

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<br>of Business. | Number of<br>Societies. | Membership. |           |           | Ratio of Death Losses<br>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.<br>1 14 6                                             | £ s. d.<br>2 6 8 | £ s. d.<br>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            |

These tables show conclusively that, notwithstanding an enormous increase of membership during the early years, the death-rate increases.

It has been suggested that these American orders and societies which so dismally failed are not synonymous with our friendly societies, and that therefore the additional benefits offered in New Zealand, such as medical treatment, dispensaries, and sick-pay, would operate in the direction of keeping the system together. Now, these "fraternal orders," as they are called in America, are regarded as the type that we in British countries know as friendly societies. I quote from a text-book called "Life Assurance Primer," by H. Moir, published in New York, dealing with this class of death benefits: "This form originated in the funeral societies, guilds, and friendly societies already mentioned; but its development was very slow until about thirty years ago, when it was adopted and forced to the front in America." He goes on to say that in this class of insurance "it was usually necessary to have some strong force to bind the members together other than the mere assurance benefit. This cohesive force frequently consisted in benefits derived from membership as a guild." It will be noticed here that the necessity for a binding force was also recognised in the American institutions, and was introduced, but failed to keep members in or make them pay more for their benefits than they reckoned they could get them for elsewhere. It might easily be argued that the fact there are other benefits to pay for would come harder on working-men than if only the special levies were to be met; but, no matter what other benefits are undertaken by the societies, the New Zealand levy system is on the same basis as the American scheme, if not worse, and the liability is created, and must be dealt with or provided for in some way. One of these large American societies did make an attempt to get a footing in Australia and New Zealand many years ago—the Independent Order of Foresters—but colonial good sense would have none of it. I have the prospectus here, from which it can be seen that the society catered for sick, medical, accident, and death benefits at option. This society is now said to be raising its rates, and its experience shows that, despite an enormous increase of membership of 86,521 in 1895 to 233,293 in 1905, the death-rate, which they reckoned to keep down, rose from 5·27 to 7·18 per thousand. I should state that this society is in no way connected with the Ancient Order of Foresters in New Zealand and England.

There is one final and very important conclusion which was arrived at by these American societies. In 1896 a Congress (the National Fraternal Congress) was held in the United States of 100 delegates from forty leading orders transacting assessment insurance. The president referred to their great trouble, the death-rate, and said, "Is not the real natural premium that which averages the annual cost of each life from its age at admission to the period of life's expectancy"? The Chairman of the Statistics Committee read a report dealing with the committee's findings on the whole system of assessmentism. He pointed out that, taking a large number of orders, the membership increased from 626,000 in 1887 to 1,430,000 in 1895. In spite of this increase of 100 per cent. the death-rate increased from 7·17 to 10·04, or over 40 per cent. He then took separately the societies which started before 1880, and found that they had a membership of 254,354 at 1880 and 811,194 at 1895, and yet the death-rate went up from 6·38 to 12·17 in spite of a quadrupling of the membership. He pointed out that after experience they had now altered their opinions as to what they could do with assessmentism, and said they had two elements to deal with: (1.) An increasing death-rate which might to a great extent be kept down for a longer or shorter time by an increase in membership; but does any one, he asked, claim the necessary increase can always be maintained? (2.) An improper rate of contribution, whereby the present draws upon the future to an unjustifiable extent. "Neither of these can be entirely remedied by increasing the frequency of assessments or by any method that shall leave the cause unchanged. The gross inequality between contribution and return must be properly adjusted. A general move should at once begin to educate all our members to a full realisation of the fact that impossibilities, even if labelled 'fraternal,' are still impossibilities. Your Committee . . . do unanimously recommend to this Congress that, as the representative of our fraternal system, it shall declare that it is the imperative duty of the several orders represented here to make, at the earliest practicable date, proper provision for meeting the inevitable increase in the rate of mortality by an adjustment of rates so that contributions shall be equitably proportioned to the hazard at risk." (*Vide New York Spectator*, 26th November, 1896.) In 1899 the president wished all to clearly understand that not only is it impossible to control the death-rate by any system, but it is not influenced by a large enrolment of new members—the contrary supposition being the most common error of advocates of assessmentism.

These remarks are very convincing indeed, if anything further is needed to show the futility of endeavouring to run a business of this nature except on properly defined and sound lines. This Congress was comprised of men whose societies had been established and conducted without actuarial advice, and their investigations were carried out without actuaries, but they reached the same and sure conclusion that the scheme had to be abandoned, and the ordinary method of charging proper rates adopted. I may add that in some States legislation has been passed prohibiting the formation of companies operating on the equal-levy or assessment plan. Whatever points I have not dealt with on this subject the Actuary will refer to. I hope I have demonstrated what the clauses mean. To deal with this matter of adequate contributions and at the same time exempt the equal-levy system would, in my opinion, put the work of friendly societies back forty years, and the fight to get these organizations on a sound financial basis would have to be taken up afresh.

There were one or two points brought up by the parliamentary agents in connection with some of the clauses. One was a rather important amendment in clause 18. They proposed to alter the appeal from the Supreme Court to some other tribunal. Well, I think very great care will have to be exercised before any alteration is made in that direction, because if the tribunal is lowered in any way I think it will have a tendency to increase litigation. The Government have supplied the very best advice they can get on legal and actuarial matters, and the societies can expect to

get very little better by taking the matter to the Courts. The appeal, as far as the Actuary is concerned, is contained in section 15 itself—that is, if a society is dissatisfied with the departmental Actuary's scale it is at liberty to obtain another actuary and have him approved by the Governor, and we should have to accept his scale. Clause 38 deals with the surplus funds, and the parliamentary agents have recommended an alteration in that. There is no great objection to the alteration at all—in fact, it ties the societies up a little more than was necessary, but there could be no objection to it.

17. *Mr. Seddon.*] What about clause 44? That is a new clause, is it not?—The amendment is intended to bring about a new form of notifying trustees appointed by the societies. They propose to throw the responsibility upon the Department. There is no objection to that so long as the Department is exempted from responsibility as to any wrong names furnished by lodges. But there might be other objections which I have not had time to go into. In clause 56 there was a suggested alteration, that it should be made clear that the friendly society benefits should be made exempt from legal process. I think everybody is agreed that, if possible, that should be done. Insurance policies are to a certain extent exempt, and I think the same principle should apply to friendly societies.

18. *Mr. Aitken.*] Insurance policies are exempt up to £500?—Yes, to more than that. In clause 98 it is suggested that copies of the new regulations should be sent to the societies before they go to Parliament. I see no objection to that. The old Act provided for the societies getting copies, and I should say the practice ought to be continued. I do not know that there is anything more of importance in the Bill which I need to refer to. The other suggestions are very minor alterations, and I do not know whether it is worth while going into them.

19. *Mr. Jennings.*] Are you a member of any friendly society?—No.

20. Have you ever been a member?—No.

21. You said that there had been a great increase in membership in New Zealand: to what do you attribute the increase?—It would be difficult to attribute it to any one thing. I think the Druids are responsible for a large increase during the last few years.

22. Of course, you know that comparisons were directed particularly by the representatives of other orders to the contributions of the Druids: the references seemed to be pointed?—I do not think there is any ground for it. If they were aiming at the Druids, I think that in the North Island the Druids have a fairly good scale for their ordinary benefits.

23. I see in your report of this year, in the table on page 4, that there is very little difference indeed in most of the orders in regard to contributions?—That is so.

24. As a matter of fact, so far as the Druids are concerned, do they not stand very well?—Yes.

25. Following up the tables you have submitted in page 5, you will see that in regard to other orders the Druids again stand very favourably?—Yes. The chief differences in rates is in the very small societies, where the investments are smaller and made more closely. As a matter of fact the interest-rate earned by the societies as a whole has steadily improved, and the improvement in that respect is illustrated by a table just below the table you quote. It shows that the tendency during the last few years has been to increase the mortgage security, and decrease the amount invested in halls and such like investments.

26. My reason for briefly pointing this out is that I think an attempt has been made to prove the unsoundness of the Druidical Order, which is not altogether warranted?—I do not think I have done so. They compare very favourably with some other societies, apart from the equal-levy system.

27. What do you think would be the amount per head required to place a member in a financial position?—The Actuary might be able to tell you that.

28. Going back to the point with regard to the special levy, which undoubtedly has been particularly attractive to young men, as you suggested, is not that an argument why there has been a very great increase in membership all round, and that it has increased the usefulness of what is generally admitted to be the good feature in the friendly-society movement?—Anything that tends to induce men to take up thrift is useful. It was very attractive in America, but the ultimate outcome of the death-levy system was that many thousands of widows were left without their money.

29. I do not admit that the comparison is a fair one, because I know from practical experience in friendly-society matters that their conduct of the business and in other essentials differed entirely?—They might differ in management, but the basis on which they work is the same. Some of those American societies may have been badly managed though.

30. We are particularly careful about the admission of new members, and practically, so far as the Druidical Order is concerned, the members are young men?—But they have to become old. They cannot expect to escape what other societies have had to experience.

31. Do you know of any lodge in New Zealand that has had to succumb to financial troubles?—It is very difficult to get a case where a lodge has actually had to shut its doors, but there undoubtedly have been cases where they have had to put up their contributions or reduce their benefits. I have in my office the returns of a lodge which is about to be dissolved, and it is, I think, typical of what you illustrate. It is now composed of old members. It had a bad scale of contributions, but in spite of this the funds at first increased until they reached £600, but during the last thirteen years have gradually fallen to £300. The society want this lodge wound up to get rid of it, because they cannot ask young men to join it. While I cannot say the lodge is closing up because it has no funds, I should certainly say the shortage was the reason.

32. Have not the Druids adopted the graduated scale?—Yes. I may say that the officers of the Druidical Order have shown themselves very ready to adopt any reforms which I have pointed out to them, and they have been ahead of some other orders in that respect.

33. Take the A.M.P. Society: I have a bulletin here which shows that every person aged thirty has to pay a contribution of £3 5s. per annum for £100; yet the management in connection with that particular institution requires over 80 per cent. of the money for office expenses and government?—That is more a question for the Actuary.

34. Now, speaking generally, the management expenses of friendly societies are very low indeed?—They do not come into the tables we quote at all. The table I quoted in comparison with the industrial insurance does not include management expenses at all for friendly societies.

35. Following up the A.M.P. Society's rate, that leaves 7s. 10d. for the purposes of insurance, yet it is admitted that, so far as the Druids are concerned, in connection with the levy system it is only 8s.?—That is a point you might ask the Actuary about.

36. Have you any idea of the actuarial position in America?—No, I do not think they are valued as the New Zealand Societies are.

37. *Mr. Stallworthy.*] Is there anything in the Bill objecting to the positions of secretary and treasurer being held by one person?—No.

38. Is it your experience that the system of the Druids has a tendency of increasing their lapses?—I cannot say.

39. Can you tell what the lapses in the Druids have been?—My annual report, at page 40, gives the number of members who left the Druids, by which it appears there were 835 last year.

40. How does that compare with the others?—The Manchester Unity, New Zealand Branch, is 644.

41. Have the Druids a higher percentage of lapses?—It would seem to be a bit higher. The Foresters had 697 lapses; but I do not think their membership is so high. The total membership of the Manchester Unity was 21,049; Foresters, 14,465; Druids, 11,572. The table shows the entrants and those who left through arrears. The total lapses from the whole Manchester Unity were 1,034; Foresters, 697; and the Druids, 835.

42. *Mr. Poland.*] Would you add the admissions during the same period?—Admitted by the Manchester Unity, 2,052; by the Foresters, 1,566; by the Druids, 2,576.

43. *Mr. Tanner.*] Then the Druids lost about one-third or nearly a third of those who entered, while the other societies lost nearly a half?—The Druids lost about a third and the others a half.

44. *The Chairman.*] Will you make out a short table in regard to that information, and hand it in to the Committee—say, for ten years?—Yes. I will furnish it with my evidence.

*Friendly Societies' Membership, 1898 to 1907.*

| Name of Order.   | Year. | Number of Members. |                         |                  | Percentage of Members. |         | Ratio per Cent. of Lapses to Admissions. |
|------------------|-------|--------------------|-------------------------|------------------|------------------------|---------|------------------------------------------|
|                  |       | At End of Year.    | Admitted by Initiation. | Left by Arrears. | Admitted.              | Lapsed. |                                          |
| M.U.I.O.O.F. ... | 1898  | 13,944             | 1,649                   | 787              | 11·8                   | 5·6     | 47·7                                     |
|                  | 1899  | 15,192             | 1,754                   | 921              | 11·5                   | 6·1     | 52·5                                     |
|                  | 1900  | 16,043             | 1,833                   | 971              | 11·4                   | 6·1     | 53·0                                     |
|                  | 1901  | 16,800             | 1,710                   | 965              | 10·2                   | 5·7     | 56·4                                     |
|                  | 1902  | 17,315             | 1,643                   | 1,101            | 9·5                    | 6·4     | 67·0                                     |
|                  | 1903  | 18,021             | 1,829                   | 947              | 10·1                   | 5·3     | 51·8                                     |
|                  | 1904  | 18,537             | 1,626                   | 968              | 8·8                    | 5·2     | 59·5                                     |
|                  | 1905  | 19,435             | 1,888                   | 973              | 9·7                    | 5·0     | 51·5                                     |
|                  | 1906  | 20,155             | 1,926                   | 1,030            | 9·6                    | 5·1     | 53·5                                     |
|                  | 1907  | 21,049             | 1,948                   | 1,034            | 9·3                    | 4·9     | 53·1                                     |
| I.O.O.F. ...     | 1898  | 1,501              | 176                     | 147              | 11·7                   | 9·8     | 83·5                                     |
|                  | 1899  | 1,550              | 216                     | 116              | 13·9                   | 7·5     | 53·7                                     |
|                  | 1900  | 1,941              | 315                     | 173              | 16·2                   | 8·9     | 54·9                                     |
|                  | 1901  | 2,009              | 253                     | 131              | 12·6                   | 6·5     | 51·8                                     |
|                  | 1902  | 2,148              | 326                     | 147              | 15·2                   | 6·8     | 45·1                                     |
|                  | 1903  | 2,196              | 303                     | 166              | 13·8                   | 7·6     | 54·8                                     |
|                  | 1904  | 2,421              | 297                     | 167              | 12·3                   | 6·9     | 56·2                                     |
|                  | 1905  | 2,607              | 308                     | 195              | 11·8                   | 7·5     | 63·3                                     |
|                  | 1906  | 2,961              | 446                     | 250              | 15·1                   | 8·4     | 56·1                                     |
|                  | 1907  | 3,832              | 986                     | 240              | 25·7                   | 6·3     | 24·3                                     |
| A.O.F. ...       | 1898  | 10,713             | 1,209                   | 728              | 11·3                   | 6·8     | 60·2                                     |
|                  | 1899  | 11,251             | 1,203                   | 727              | 10·7                   | 6·5     | 60·4                                     |
|                  | 1900  | 11,487             | 1,181                   | 661              | 10·3                   | 5·8     | 56·0                                     |
|                  | 1901  | 11,519             | 1,096                   | 696              | 9·5                    | 6·0     | 63·5                                     |
|                  | 1902  | 11,797             | 1,087                   | 707              | 9·2                    | 6·0     | 65·0                                     |
|                  | 1903  | 12,079             | 1,116                   | 702              | 9·2                    | 5·8     | 62·9                                     |
|                  | 1904  | 12,830             | 1,393                   | 719              | 10·9                   | 5·6     | 51·6                                     |
|                  | 1905  | 13,342             | 1,339                   | 758              | 10·0                   | 5·7     | 56·6                                     |
|                  | 1906  | 14,087             | 1,364                   | 727              | 9·7                    | 5·2     | 53·3                                     |
|                  | 1907  | 14,465             | 1,506                   | 697              | 10·4                   | 4·8     | 46·3                                     |

*Friendly Societies' Membership, 1898 to 1907—continued.*

| Name of Order.    | Year. | Number of Members. |                         |                  | Percentage of Members. |         | Ratio per Cent. of Lapses to Admissions. |
|-------------------|-------|--------------------|-------------------------|------------------|------------------------|---------|------------------------------------------|
|                   |       | At End of Year.    | Admitted by Initiation. | Left by Arrears. | Admitted.              | Lapsed. |                                          |
| U.A.O.D. ...      | 1898  | 4,985              | 870                     | 379              | 17.5                   | 7.6     | 43.6                                     |
|                   | 1899  | 5,778              | 922                     | 519              | 16.0                   | 9.0     | 56.3                                     |
|                   | 1900  | 5,964              | 839                     | 473              | 14.1                   | 7.9     | 56.4                                     |
|                   | 1901  | 6,301              | 913                     | 489              | 14.5                   | 7.8     | 53.6                                     |
|                   | 1902  | 7,012              | 1,046                   | 543              | 14.9                   | 7.7     | 51.9                                     |
|                   | 1903  | 7,763              | 1,448                   | 602              | 18.7                   | 7.8     | 41.6                                     |
|                   | 1904  | 8,040              | 1,285                   | 723              | 16.0                   | 9.0     | 56.3                                     |
|                   | 1905  | 9,753              | 2,111                   | 793              | 21.6                   | 8.1     | 37.6                                     |
|                   | 1906  | 10,434             | 2,243                   | 753              | 21.5                   | 7.2     | 33.6                                     |
|                   | 1907  | 11,572             | 2,576                   | 835              | 22.3                   | 7.2     | 32.4                                     |
| I.O.R. ...        | 1898  | 1,594              | 197                     | 133              | 12.4                   | 8.3     | 67.5                                     |
|                   | 1899  | 1,702              | 198                     | 128              | 11.6                   | 7.5     | 64.6                                     |
|                   | 1900  | 1,737              | 152                     | 96               | 8.8                    | 5.5     | 63.2                                     |
|                   | 1901  | 1,671              | 190                     | 134              | 11.4                   | 8.0     | 70.5                                     |
|                   | 1902  | 1,908              | 221                     | 133              | 11.6                   | 7.0     | 60.2                                     |
|                   | 1903  | 1,960              | 184                     | 132              | 9.4                    | 6.7     | 71.7                                     |
|                   | 1904  | 1,996              | 183                     | 152              | 9.2                    | 7.6     | 83.1                                     |
|                   | 1905  | 2,019              | 175                     | 181              | 8.7                    | 9.0     | 103.4                                    |
|                   | 1906  | 2,102              | 167                     | 99               | 7.9                    | 4.7     | 59.3                                     |
|                   | 1907  | 2,200              | 253                     | 149              | 11.5                   | 6.8     | 58.9                                     |
| All Societies ... | 1898  | 35,501             | 4,310                   | 2,354            | 12.1                   | 6.6     | 54.6                                     |
|                   | 1899  | 38,202             | 4,565                   | 2,608            | 12.0                   | 6.8     | 57.1                                     |
|                   | 1900  | 40,257             | 4,546                   | 2,544            | 11.3                   | 6.3     | 55.8                                     |
|                   | 1901  | 41,236             | 4,420                   | 2,587            | 10.7                   | 6.3     | 58.5                                     |
|                   | 1902  | 43,408             | 4,635                   | 2,818            | 10.7                   | 6.5     | 60.8                                     |
|                   | 1903  | 45,255             | 5,285                   | 2,719            | 11.7                   | 6.0     | 51.4                                     |
|                   | 1904  | 47,302             | 5,264                   | 2,965            | 11.1                   | 6.3     | 56.3                                     |
|                   | 1905  | 51,103             | 6,352                   | 3,223            | 12.4                   | 6.3     | 50.7                                     |
|                   | 1906  | 53,759             | 6,564                   | 3,178            | 12.2                   | 5.9     | 48.4                                     |
|                   | 1907  | 56,817             | 7,690                   | 3,265            | 13.5                   | 5.7     | 42.5                                     |

45. *Mr. Tanner.*] Is it not a fact that the bulk of the secessions generally take place in the first year or two of membership?—Yes, that is generally the case.

46. In that case, there has not been much money paid in by anybody?—That is so. It is very high at the low ages, and goes off to nothing.

47. *Mr. Stallworthy.*] When one of the witnesses was giving his evidence you seemed to raise an objection to clause 38, applying the surplus to an increase of the benefits?—I merely pointed out that so far as increasing the sick-benefits is concerned it might not operate favourably to the society if they were to apply surpluses to that purpose.

48. With regard to clause 18, you think it is the proper thing to leave in the Bill the provision that there shall be absolutely no appeal from the Actuary?—I cannot see how you can get one. In clause 15 we left in the provision that some other actuary could be referred to. That was to meet the difficulty if objection was taken to the Department's Actuary. There are other men in New Zealand who are capable of compiling a table, and their tables would have to be accepted.

49. *Mr. Tanner.*] You have given us the figures with regard to various orders, their memberships, values, and so on: does that include all the registered societies in New Zealand?—No, there are some other societies. The figures I gave would not include societies like dispensaries, clubs, &c.

50. Is it a fact that there are a fairly large number of lodges, courts, or whatever term may be used, that have failed to send in returns, and which are consequently not included in these figures?—Yes. In the figures I gave, the total membership is 56,817. I said that this did not represent outstanding lodges of about four thousand members, the returns for which have not reached me in time for the compilation in the annual report.

51. They have failed to send in returns for successive years?—There may be one or two cases in which they have not done so.

52. Are there not some cases where they have not sent in returns for seven or nine years?—I cannot say as to that. I have a list of some of these societies.

53. I wanted to know if these figures included all the friendly-society people in New Zealand?—No; my report only includes members given in the returns sent in to the Registrar.

54. And some might come in after the compilation of the report, while others might never arrive?—Yes; but for valuation purposes we require to get information over a term of years. There were returns from thirty-one friendly societies' branches proper outstanding at the end of last month.

55. Thirty-one that failed to give any return?—Yes.

56. Now, with regard to this death-levy system which is practised by one of the orders, certain American societies have been repeatedly quoted: what has induced you to suppose that they were on all-fours with this particular order?—I did not say they were, except that they practised the levy system.

57. Is there evidence to show that the American system is practically the same as it is here?—I believe in America they began on the same principle—that is, actual payments at each death. Then I believe the movement took different steps, which the Actuary will describe.

58. One can understand that, if societies of that kind had a fixed contribution for the payment at death, the increase in membership would soon make the contribution intolerable; but there is evidence before the Committee that that is not the practice in New Zealand?—It has not had time yet to operate here. If you take the Druids, for instance, you will find that they have a very low death-rate indeed—I think about 5·2; but the average for all societies was 7·5, and one society had an average death-rate of 9·4. I should say all societies have to reach the same stage some time.

59. Was not your illustration rather grotesque where you said 10,000 people had to meet in sixty years a certain liability of £900,000?—I know it is excessively favourable to the assets. I gave the illustration to point out the huge gap between assumed assets and liabilities. My conditions or assumptions were most favourable to the scheme, and if the assumptions are fulfilled the liability is there.

60. Suppose we take 10,000 adult male citizens from eighteen to fifty (which would represent the friendly societies' position, would it not?) and we took them at the ages in the same proportion as these ages bear to the general population of the Dominion, and then subject them to the ordinary laws of mortality, would not that be favourable?—It must be less favourable if you take men at thirty, who have not as long to live as men taken in at twenty.

61. Take the whole 10,000 picked out as an average sample of the population of the Dominion?—You could take men at fifty on the equal-levy system, but how long are they going to continue their levies—only for a few years, whereas I have actually assumed them to pay for sixty years.

62. I do not think any claim has been made that payments from members will be in any sense equal?—I do not know about that. I think it is contended that levies will not greatly increase, but they must inevitably do so.

63. Would it be possible to separate this levy arrangement which brings in the £100 at death absolutely from the other benefits?—In what way?

64. In this way: I suppose you know that in one order—the Foresters—a man may be a Forester simply, but he may in addition join an inner order called the Shepherds; he cannot be a Shepherd without being a Forester, but he might be a Forester without being a Shepherd?—That is a question for the order itself. As a matter of fact, I insist upon all the accounts in connection with the special-levy system being separated from the ordinary Sick and Funeral Fund. There are in some instances small balances held by lodges on account of this.

65. Can you give us in plain, simple language the reason why you speak of the death-levy system as unsound, and refer to it as a fallacious system?—The fallacies are that all men are asked to pay the same amount annually, no matter what age they may be; no fund is accumulated, and no interest is earned.

66. You have just pointed out that they cannot pay the same amount: who supposes that they pay an equal amount?—I mean an equal amount per annum.

67. *Mr. Jennings.*] The age-limit is fixed, and a man of fifty would be excluded, while the man who joins the Druids at forty would pay more?—The man at forty pays the same rate for this levy as the man aged twenty.

68. *Mr. Tanner.*] The total he pays up to the time of his death is nothing like what is paid by the man at twenty?—That is so, although his risk is very much greater.

69. Have you any statistics of fallen societies?—I should hardly like to say that. It is not a matter that we have investigated altogether. Some societies do not do so well as others—we know that—but I would not like to draw comparisons in that respect between any of the orders.

70. I am speaking of the unit—the society: have you any knowledge of societies that have closed their doors absolutely?—No society has that I know of in New Zealand. Do you mean lodges?

71. Yes?—We have lodges that have had a very bad experience. Lodges that have had very heavy and unfavourable experience have come under our notice, and investigation has shown that a very serious position of affairs has been arrived at. There is a lodge now in the Wellington District where during the last two or three years they have had several men over the age of sixty who have drawn large sums of money out of the lodge, but fortunately the lodge in the past has been very sound, and has been able to pay for the unusual experience.

72. You gave us to understand that there was a Wellington society whose contributions were heavily in excess of what was necessary, and which had had a very good experience?—Yes.

73. Is not that society in receipt of a very good income from land?—I do not think that affects the income at all. I am not aware that the Widow and Orphans Society gets anything from that source.

74. Suppose we pass clauses 15 and 16, will they not have the effect of increasing the number of societies which prefer to keep themselves outside?—Lodges or branches will have to be registered.

75. Registration is not to be achieved unless the scale of contributions is one which every new entrant knows he will have absolutely to pay, and which will be unvarying?—It is not unvarying. What I mean is, the contributions may vary according to the benefit, but, once fixed, should not increase.

76. Would it not be likely that they would be refused registration on the ground that they could not give the information required by the Act to the intending member?—That is clause 16. My principal objection to the levy scheme is that members do not understand what will happen. Do they understand that these rates are going to increase as they get older?

77. Has it not been claimed by some of the witnesses that they are strongly in favour of societies being put on a really sound financial basis, and that they propose to do this by increasing the rates for new entrants?—Yes.

78. And did not the Conference two years ago stipulate that present members should be free from that?—Yes.

79. If the rates of an existing society were insufficient to keep it going, and a higher rate was charged on new entrants, would not that be somewhat disastrous?—The older lodges have had the advantage of a high rate of interest, but I do not think the interest will keep up to what it has been in the past. Five per cent. gross will be as high a rate of interest as any society may expect, whereas we have had it in the past as high as 8 per cent. It is hard to say what effect that will have on members who join at the later stages, at a higher rate.

80. Is it within your knowledge that some lodges have twice raised their contributions within the last twenty years, and now have three classes of members?—Quite so.

81. Is that not an indication that they have been able to recognise this difficulty?—Yes, that may be so.

82. Of course, you cannot give specific instances?—We could get them. Probably Mr. Traversi could give you some particulars.

83. With regard to the question of valuation, has any complaint reached you of the delay in getting the results of valuations—that they are practically useless because of them being belated?—Yes.

84. Is there any way by which that can be obviated?—Before the appointment of Mr. Traversi the position of Registrar and Actuary was held by one officer, who could not easily do the whole work, especially at at one time the office conducted other business; but since Mr. Traversi's appointment we have been able to clear off more valuations. It will take time to wipe off the arrears of work.

85. The real reason was that the officials were overburdened?—Probably so.

86. *Mr. Flatman.*] Did I understand you to say that there were a number of lodges which had not sent in their annual returns?—Yes.

87. Do you think it necessary that legislation should be provided to compel them to do so?—Penalties are imposed on them now.

88. How often are they imposed?—We have the greatest reluctance to go to extremities. If the Bill passes with the audit clause in it, it will enable us to get over a lot of difficulty. Where there is a reluctance to send in returns, and there is anything to cause suspicion, there is power provided for a special audit.

89. *Mr. Jennings.*] What is the experience of your Department, generally speaking, in regard to the investments of the various orders: are they safe, do you think, generally?—Taking them all round, I think they are.

#### ANTONIO THOMAS TRAVERSI examined. (No. 12.)

1. *The Chairman.*] What are you?—I hold the position of Actuary in the Friendly Societies Department.

2. How long have you held that position?—Since December, 1906.

3. Can you tell me what qualifications as an actuary you hold?—I am an Associate of the Institute of Actuaries of Great Britain and Ireland.

4. For how many years?—Since 1902, by examination.

5. What experience had you previous to this appointment?—I was formerly employed in the Government Insurance Department of New Zealand in the Actuarial Branch.

6. You have read this Bill?—Yes, I have been through the Bill.

7. And have you a statement prepared which you would like to give us?—Yes:—

I propose to deal at first more particularly with clause 16, which is aimed at the principle of assessmentism, and at the outset I wish to make it clear that assessmentism is merely another name for the equal-levy system—that is, the system whereby members of a society are called upon to pay for death claims as they arise, or, in the briefest possible phrase, it is the system of “passing round the hat,” all members making an equal contribution. I will proceed to show, apart from the practical examples which have been put in evidence, that it is quite delusive to suppose that life insurance can be carried on on the equal-levy plan.

Every one who considers the question for a moment should agree to the two following propositions: Firstly, every man should pay for his own average risk; secondly, the risk increases with the age of the person insured.

This latter fact is well known to all. As an example, according to the mortality of New Zealand friendly societies,—

At age 20 the death-rate is about 4 per 1,000.

|      |   |   |     |   |
|------|---|---|-----|---|
| “ 40 | “ | “ | 5   | “ |
| “ 60 | “ | “ | 22  | “ |
| “ 80 | “ | “ | 125 | “ |

There you see an increase from 4 to 125 per 1,000. The fact that the risk is an increasing one in both sickness and life insurance is at the root of the whole matter, and is almost always ignored by laymen. It is the crux of the question, and differentiates life from fire and other insurance at once.

Now, if we have to insure an increasing risk we can either charge a premium which will increase exactly with the risk, or we can average the risk for the remainder of the man's life, and charge a fixed or level premium which will never increase.

If we adopt the first course and charge the bare cost year by year the premium will increase very slightly for fifteen or twenty years in the case of a man aged 20, but the increase will be very great after twenty years. In fact, it would be about 8s. per £100 when the insured was 20, and would increase to £5 when he reached 70, £12 when he reached 80, and £25 at 90.

If, however, it is desired to charge a fixed annual premium which will never increase, it must be an amount which is in excess of the cost in the early years, whilst below the cost in the later years. It will be a sort of average, in short. The excess payments in the early years form the familiar funds of friendly societies and insurance offices, and it is absolutely impossible to dispense with them if we wish to have a fixed annual contribution or premium. By investing these funds year after year we call in the powerful aid of interest, and thus reduce the cost.

As an illustration, if we did not invest our fund at interest the fixed or level premium for a man aged 20 would be about £2 per £100 per annum. If the fund can be invested at 4 per cent. a premium of 19s. 10d. (or less than half) can be quoted. If 8 per cent. could be guaranteed the premium would be much lower still.

We therefore have the alternative of a constantly increasing premium on the one hand and a fixed premium accompanied by an accumulated fund on the other hand. I have shown how the aid of compound interest in the latter case reduces the premium from £2 to less than half at age 20.

Now, I have pointed out that if we desire to have a fixed or level premium per annum which will never increase we must charge more than the cost in the early years of a man's insurance. No sooner, however, is this done than some ingenious individual discovers that insurance can be given cheaper by charging only the actual cost. He always overlooks the fact that I have emphasized—namely, that with an increasing risk the premium must ultimately increase enormously if you charge only the bare cost at first. This explains how the levy system always arises. Theory and practice both show that it works more or less satisfactorily for some fifteen or twenty years, or perhaps longer, but then invariably goes to the wall, causing much distress.

I have thus demonstrated in a general way the genesis and underlying error of the assessment plan. The error is due, then, to two simple facts—the neglect to remember that a man's risk continually increases as he grows older, and the neglect to require him to pay the cost of his own average risk.

I will now proceed to deal with the matter from another point of view. It is clear that, where a society pays for its deaths by a levy covering only the current cost, and accumulates no fund, all the money must come direct from the members' pockets, and the powerful aid of interest is lost. In such case it is unnecessary to repeat that the ultimate cost must be higher than under a scheme where the contributions are supplemented by interest. This in itself should show the futility of the assessment or equal-levy plan.

Further proof may be given as follows: Take a body of men aged 20. On the average they will die at about age 70. Giving them therefore fifty years each to live, it will be seen that they must pay in about £2 each per annum to provide £100 in fifty years, assuming they get no aid from interest. If, however, the levy commences with only 8s. a year, as struck in one New Zealand society recently, it follows there must be a very large increase at some future time. The lower the levy is at first, the greater will be the ultimate increase. In the fifty years which these members aged 20 would live on the average they would only have paid in £20 if the levy were 8s.; and, as there is no other source of revenue, where is the £100 to come from?

The lapses give little or no aid, as will be clear if we consider the case of 1,000 men joining with the idea of lapsing in a year or two. These 1,000 men will produce a number of deaths which will practically swallow up their own levies, seeing that they are only being levied to the extent of the current cost. The case would be different if a proper fixed annual contribution were charged, as this would be higher than the initial current cost, as I have shown. In an equal levy society, on the contrary, the lapses ultimately give the death-blow to the business.

The figures I have quoted apply to members aged 20. It must be clear that with members entering at 30 or 40 the position must be worse still, as these members have not so long to live; their claims will fall in earlier, and, owing to their shorter lifetime, they will not have paid in nearly so much as members entering at 16 or 20.

These remarks should be quite sufficient to convince any one of the radical unsoundness of the principle, but it may be of interest to examine some of the particular arguments used in defence of the system.

It is frequently urged that the death-rate can be kept down in a society by increasing the number of new members.

In the first place it is impossible to keep the death-rate down to a sufficiently low figure. Amongst the scores of fraternal (*i.e.*, friendly) societies in America I am aware of one that managed to do so for a period of some twenty years, and this was accomplished by approximately quadrupling its membership every five years. To keep up such a rate of increase in the membership for another twenty years would exhaust a population equal to that of the Chinese Empire, and sooner or later the death-rate would increase. In that particular society the rate has since increased. In the second place, we cannot shut our eyes to the fact that not a single one of all these persons, even to the number of 400,000,000, could possibly pay for his own risk unless he paid

a sum far in excess of 8s. per annum for £100 insurance. Let any one figure out how long a man must live and pay 8s. per annum before his payments will produce £100, remembering that there is no aid from interest, and even ignoring altogether the early deaths. I make it 250 years.

These arguments hardly need emphasizing, but they are emphasized by the figures put in by Mr. Hayes (*vide* Tables A and B), and also by the numbers of failures of equal-levy societies in America.

I think it can be regarded as fully demonstrated that the levies must go up, and here we come to the important point that when they once exceed a certain figure new entrants will fail to come in, as they will find cheaper insurance elsewhere at a fixed premium not subject to increase; and this will send the death-rates up still higher, resulting in the lapsing of the healthy members, leaving the unhealthy ones to pay for their own risk. It has been suggested that the other benefits given in New Zealand societies will act as a tie, and prevent the lapsing of members at this stage. Well, this tie does not prevent lapses even now; much less will it do so when the levies go up: and it failed to keep members in the American societies. In fact, no levy society has yet found a means of retaining these members who lapse when the levies go up; but, if any New Zealand society can succeed in doing so, then the ultimate size of the levies will be worth going some distance to see.

Unluckily for me as an actuary, I can find no assessment society in the world which has held together long enough to fully develop the remarkable growth of these levies. The societies generally stop when the original death-rate of about 4 per thousand has increased to 69 or 70 per thousand, or long before, and many pathetic letters are received from deluded widows.

In any case, it is curious to find the advocates of the levy system claiming on the one hand that the lapses will be the salvation of the scheme, and then immediately changing their ground and claiming that they can improve on the American societies by preventing the lapses which were found to hasten the end there.

A point made by one of the witnesses was that the members will save expenses of management as compared with insuring in a life-insurance company. I would reply that there is no reason why they should not have a sound insurance scheme of their own, and also save management expenses. It is unnecessary to resort to an unsound scheme to accomplish this. In the present scheme this claim is quite fallacious, as whilst they save management expenses they lose the aid of interest. To illustrate this I may say that in the Government Insurance Department last year the management expenses came to £66,670, whilst the interest earnings came to £183,600. It would be a remarkable achievement to save £66,670 and lose £183,600. I am prepared to certify as sound and adequate a table of premiums for £100 far below that of any New Zealand insurance office, which would be free of management expenses, and also utilise the aid of interest.

It has been said that members understand the whole equal-levy system. I can personally state that I have met many members who did not understand it, and only one, or at most two, who did, and these objected to it.

A suggestion has been made that the usual accumulated funds or reserves might well be left to accumulate in the members' pockets, instead of being given into the hands of the society. Well, I have pointed out that if a fund is not accumulated in the hands of the society, and invested at interest, we *must have an increasing premium*. When the members are called upon for this increased premium it is always found that the healthy members prefer to keep the reserve in their pockets if it is still there. Besides, the society cannot earn interest on the fund if kept in the members' pockets. The members certainly will not pay interest on it. I have shown that if no interest is earned the ultimate premium must be higher, and this is self-evident.

It has been urged that the equal-levy system in New Zealand does not constitute an insurance contract, but is merely a benevolence. Surely it is a very one-sided benevolence, and dangerous in that it holds out a hope which it is absolutely certain cannot be fulfilled except in the case of those who die early and pay least for it.

No equal-levy society going on without accumulating a fund has ever lasted, nor is any likely to last, for the duration of a single human life. Those who join at age 20 and live to reach 60 or thereabouts will find that after paying for thirty or forty years they are left without insurance. Their money has gone to pay for the early deaths, and there is nothing left to pay for theirs.

I may refer incidentally to a point that has been urged, that the mortality rates over the whole of the friendly societies in New Zealand have for a good many years past shown a tendency to be constant at about 7 per 1,000. The suggestion is apparently made that an equal-levy system would have worked well hitherto in New Zealand if established years ago. I would say that such an average rate, taken over a number of societies, means nothing, and is of no assistance whatever to a society wishing to transact equal-levy insurance business. The rate of 7 per 1,000 includes one large society with a death-rate of 4 per 1,000, and another large one with a rate of 9 per 1,000. It is of no help to the society with 9 per 1,000 to know that another one has a rate of only 4, and it is absolutely certain that the latter society will show an increase in time just as the former one did. Moreover, it would be impracticable to carry on the system for many years with so high a rate as 7 per 1,000, as a new society starting at 4 per 1,000 would secure all the new entrants. This has been conclusively demonstrated in America.

As showing the uselessness of even looking at such rates averaged over a number of different societies, I would mention that sixty American societies taken and averaged in this manner show a constant mortality-rate for fifteen years, whereas each individual society shows an increase.

In the foregoing remarks I have not troubled to refer to a very obvious defect of the levy system as proposed in New Zealand. No discrimination is made between a member aged 50 and one aged 25. That is a comparatively minor point; but is yet a very serious defect in the scheme.

Before leaving this equal-levy system I may say that it is one of the most remarkable instances of human folly and credulity that a system of this kind, the unsoundness of which can be demonstrated to any man of intelligence in a few minutes, should yet have been able to delude hundreds

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.

16. *Mr. Fisher.*] Is it not correct that the insurance company or society which has the most popular table is the one that has the higher proportion of lapses?—It depends upon what would be called the most popular table.

17. Is not the proportion of lapses under the tontine system very high?—That is a point I cannot speak about just at the moment. I can say, as regards popularity, that the insurance office with the highest scale of premiums tends to attract most people. I refer to ordinary insurance, and not industrial.

18. You said that the insurance companies with the highest premiums attract the most people?—Yes, because those offices are able to give bigger bonuses as a rule.

19. *Mr. Stallworthy.*] Do you know the average age of members in the Druidical Order of the North Island?—I can say that the average age is very low. I cannot give you at the moment the exact average age, but there are not more than twenty-eight or thirty of the members over age 65.

20. I understand that the average age is somewhere about 32?—That would not be very far wrong.

21. What is the payment chargeable for the funeral benefit of £20 for that average age?—The adequate contribution for the funeral benefit of £20 at age 32 is 5s. 10d.—that is, at 4 per cent.

22. For £100 would it be five times as much?—Yes. For £100 the contribution would be £1 9s. 2d.; but that would never increase for the remainder of the person's life.

23. On that scale, therefore, the Druids would require £1 9s. 2d. to find the £100 according to the adequate scale at age 32?—Yes. That is the contribution for age 32. Other ages would, of course, be different.

24. *Mr. Fisher.*] How do the proportion of lapses compare with the percentage of lapses in the insurance offices?—There is not a great deal of difference. I recently had to make a comparison, particularly in England, and I found that the rate of lapses among insurance offices and friendly societies was almost identically the same. I have not examined the matter quite so particularly in New Zealand, but there is not very much difference between them here, I should say.

25. You consider the Druids' scale of benefits unsound, regardless of the number of members—that is, as regards the levy system?—I certainly consider it is unsound as regards the levy system, regardless of numbers.

26. That is to say, that even with the limited number it could not be made safe?—It is not safe with either a limited or an unlimited number. There is only one way in which it could be made safe, and that is by charging premiums sufficiently high to allow of a fund being accumulated.

27. *Mr. Stallworthy.*] There seems to be some doubt cast on the actuarial calculations because of the increasing surpluses in some societies—that is to say, that the predictions of the actuaries have not been fulfilled?—In dealing with the matter like that, the actuary is in this position: that he has to look into the future. An actuary may tell you that a scale of contributions is inadequate at 4 per cent, but he cannot say that any scale is inadequate absolutely. He can only say it is inadequate on reasonable assumptions. If an actuary says a scale is inadequate at 4 per cent., and the lodge can earn 14 per cent. or 16 per cent., that would make the scale adequate. I can quote lodges which have made their scales adequate by earning 8 or 9 per cent., and if the actuary had been told that they were going to earn 8 or 9 per cent. he would have said that the scale was adequate. But such a lodge might not have a similar experience in the future. On the other hand, I can point to lodges where the contributions are adequate at 4 per cent., but the lodges afterwards fail to earn 4 per cent., with the result that they do not show surpluses. No actuary can tell what a body of men in charge of a lodge are going to do, and that is where actuarial science fails. We cannot tell what the human mind is going to do. I do not think it would be a safe thing for any lodge at the present day to adopt the scale of contributions on the assumption that 8 per cent. is going to be earned; yet, in spite of that, some lodges may earn 8 per cent.

28. Actuarial methods are an exact science if certain experiences come out?—Certainly, if that assumption is fulfilled.

29. *Mr. Jennings.*] Your objection is merely to the special extra levy in connection with the Druids?—That is so. My objection is confined to the special levy. As regards the North Island Druids' Society, a valuation is now being made, and, of course, any remarks or criticisms I may have to make on that society, in common with other societies, will be made when I make that valuation.

30. *Mr. Stallworthy.*] Is it not a fact that the process in a friendly society should be as follows: that on a certain number of persons forming the lodge, and the finances being properly managed, the payment of the sickness and death benefits would be absolutely secured throughout life down to the last member, even should there never have been a single new member introduced?—Yes.

WEDNESDAY, 30TH SEPTEMBER, 1908.

ANTONIO THOMAS TRAVERSI, Actuary, re-examined. (No. 12.)

1. *The Chairman.*] Members of the Committee desire to put a few questions to you in regard to your former evidence?—To begin with, Mr. Hayes, on page 35, indicated that I should describe the different steps taken by the American societies transacting assessment business. In the first place, they mostly commenced on a somewhat similar system to that followed in New Zealand—that is, collecting the exact current cost of the insurance as they went along. One of the first things they found out was that the lapsing members caused a loss to the societies, inasmuch as

they got twelve months' insurance for nine months' payments. Then some of them commenced collecting the levies in advance. After a while they found the levies persisted in going up. Then the next step was to charge a premium which was a little more than the current cost. Taking one particular society, they formed a fund of about £1,000,000 in that way, and in the course of some years that was absorbed, and still the death-rate and cost were going up. The next step taken by the society was either to dissolve or to place the payments on a proper actuarial basis; and whether they dissolved or not a great deal of hardship was caused. In the latter case the healthy members would leave and allow the unhealthy ones to pay for their own insurance. I might say that at present many of the societies in America have a much more scientific system than that followed in New Zealand at the present time. Of course, the movement took many other forms besides those I have described.

2. Can you say why, if the friendly societies can offer high funeral benefits at the low rates quoted in the annual report, the public prefer to take their insurance at the higher rates charged elsewhere?—The principal reason is that the friendly societies have neglected somewhat to cater for this line of business. I might say that people who go in for industrial insurance have to pay for various luxuries. In the first place, there is no medical examination, and if you take a lot of men without medical examination you must charge on a basis of higher mortality. In the second place, people wait to be canvassed by canvassers, and that means the payment of commission. In the third place, the premiums are called for by collectors once a fortnight or once a month, and that is a luxury the poor man has to pay for. If the friendly societies cared to go into this class of business on a proper actuarial basis they could do it at half the cost charged by the industrial insurance offices.

3. Can you say if the equal-levy system on the lines adopted in New Zealand is the same as the American system?—As I have already mentioned, the American societies now have a more scientific system than that followed in New Zealand; but still they are finding out that the business cannot be transacted on anything short of an actuarial premium. In the earlier days a great many of them thought they could do the business more safely if they introduced the lodge system and granted other benefits to members, such as sick and medical benefits; but they found, as they must find, that, whether they have other benefits or not, they cannot keep the levies down, as no system can keep the death-rates down nor force new members to join when the levies go up. Although run on more scientific lines, they are still finding out that they cannot do the business on anything but actuarial premiums.

4. Are you aware whether anything in the nature of an epidemic caused the high death-rate experience in the American societies?—No epidemic, except that of old age. I have compared the death-rates experienced by those American societies, age for age, with those experienced by the friendly societies in New Zealand, and I find they are almost the same; they are just a trifle higher. Perhaps I may refer to the fact that I have noticed in the newspapers a statement to the effect that the actuaries require provision to be made for earthquakes or epidemics, or calamities of that sort, but that statement is quite absurd: no such provision is ever made. We rely upon the law of averages to take its course.

5. The statement was made that the actuary counts all lodge members as married men, and debits them accordingly with their wives' liability?—That statement is not correct. In any case, there is a great deal of misapprehension on that point. It is quite clear that in the case of a single member it costs something to insure his prospective wife. If a thousand single men aged twenty-five came to me and asked for a cover of £10 to be paid on the death of their prospective wives I could not work that insurance without charging something for it; that is quite clear. It is also quite clear that if you have two men aged twenty-five, one married and the other unmarried, the prospective wife of the single man may die before the wife of the married man. That shows there is a risk, so it would be quite wrong for us to treat them as having no risk. There is another point: in connection with this I have seen this statement very frequently made, that only one-third of the members of a lodge are married, or one-half are married. That statement involves a fallacy similar to that of the equal-levy system. It is overlooked that those members are mostly young and will nearly all marry in the course of their lives. You are introducing new members—new entrants—and you are keeping down the proportion. As a matter of fact, the proportion of lodge-members who eventually marry is a great deal higher than one-third or one-half.

6. *Mr. Tanner.*] Is the proportion of those who marry as members of friendly societies above that of the general population?—So far as I have examined into it, it is. I have had one or two old lodges before me where there have been no new entrants for a good many years, thus allowing it to be seen clearly what is the marriage position; and in those cases there was hardly a member unmarried.

7. *Mr. Stallworthy.*] You have been speaking of the scientific methods in America: what scientific methods are adopted in America that are not adopted here. In what respect do the equal-levy systems differ?—It would take a good deal of time to answer that question fully. There are very many systems adopted in America, but the main improvements are these: Firstly, they charge members according to age at entry—that is to say, if one member enters the society at twenty-five and another at forty they would continue to charge the man who joined at forty a higher levy all through his life. That is one improvement. Another improvement is that they take care that a member cannot lapse and leave his levies unpaid. He must pay something in advance. In New Zealand the member who lapses after twelve months gets twelve months' cover for nine months' payments. Another improvement is, recognising that the cost will go up later in life, they collect a little more than the cost in the early years to equalise the contributions in the later years. But at present they do not collect quite enough to do that. I think those are the main improvements when compared with the system here in force.

8. Is it general in America that they pay their contributions in advance?—I would not say it is general. I would say it is done in many of the cases.

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.

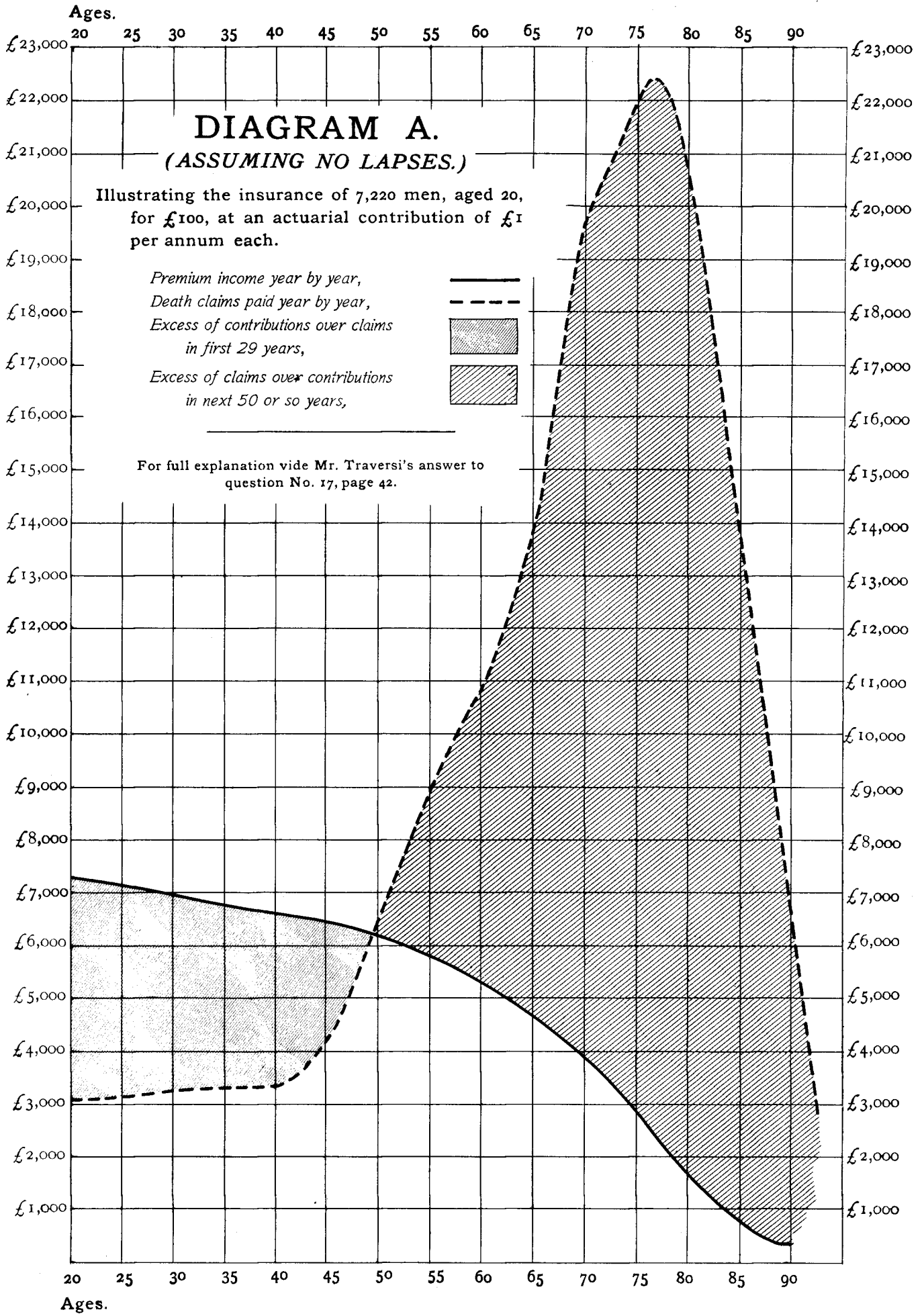
13. *Mr. Wood.*] Can you say if the American assessment societies are established on the same basis as the New Zealand friendly societies?—In answering that question I would say there were two kinds of societies in America: one was in the nature of a company transacting nothing but assessment insurance; 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.

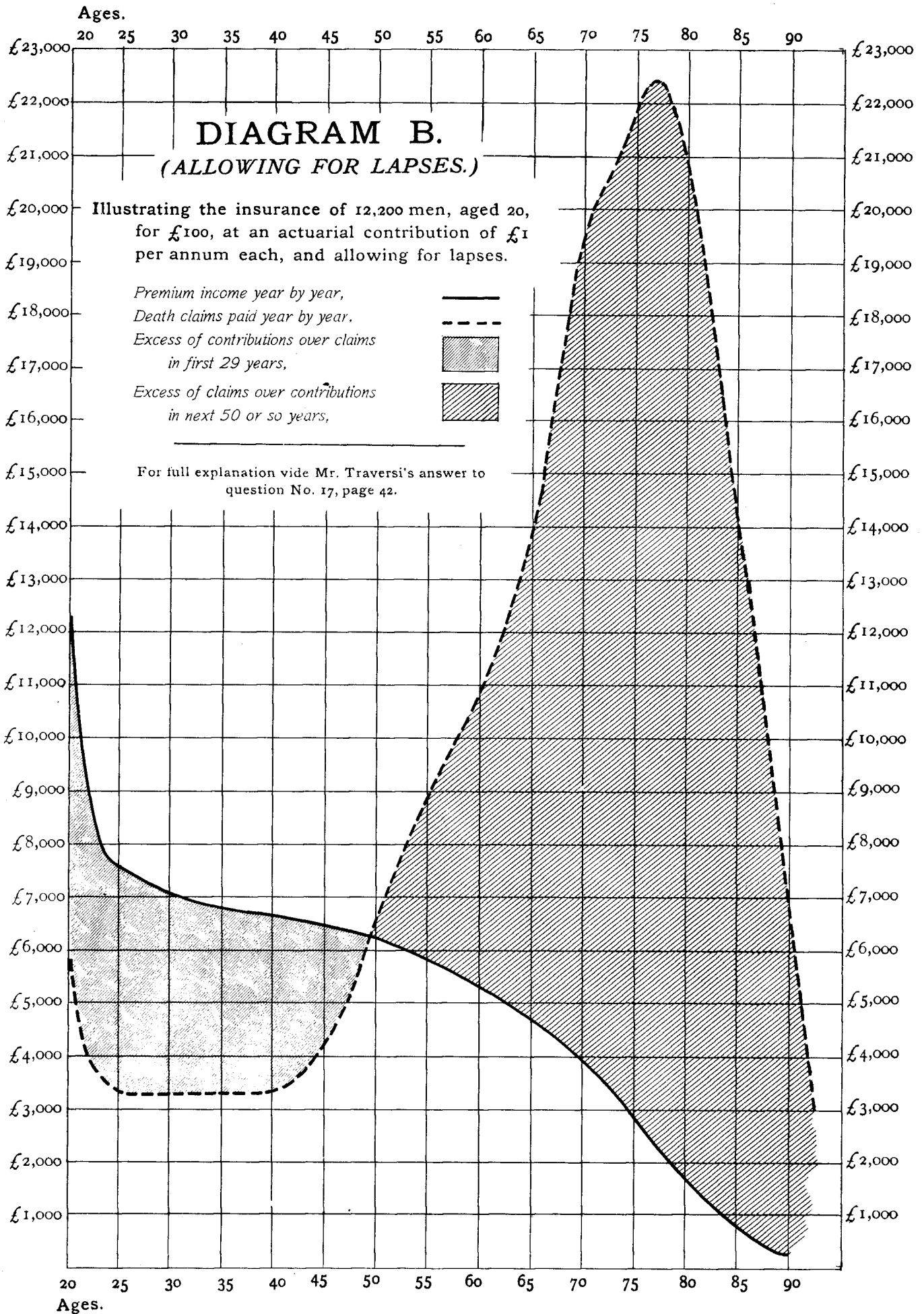
15. Is it a fact that there is  $7\frac{1}{2}$  per cent. of members who have contributed to the lodge and have either resigned or died out of the lodge, and also  $3\frac{1}{2}$  of wives of members who leave the lodge and die out of it? I want to know if any credit at all is given for those?—I can 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









it from left to right. That line illustrates the claims paid from year to year as the men die off. The line starts at age 20 at about £3,000, and is nearly level for the first twenty years until age 40, but then commences to increase until at age 76 it reaches an enormous height. You do not require figures to follow this—the increase can be seen by the eye; but it may be stated that the outgo for claims is only about £3,000 a year for twenty years (up to age 40), and it increases to over £22,000 a year at age 76, in spite of the fact that there is only half the number of members left there.

Now take the other line, the thick black line. That illustrates the premium payments made by the men. They pay £1 each every year, the income commencing at about £7,220 at age 20, but as they die off there are fewer left to pay the £1, and consequently the income from contributions gradually decreases, as the falling of the line shows.

Now, you see clearly with the eye that the contribution income is considerably in excess of the outgo for about twenty-nine years. You have only to look at the coloured space which, in fact, represents the excess of contributions over outgo in the first twenty-nine years.

Look now at the shaded portion of the diagram. That portion represents excess of outgo over contributions in the next fifty years. Now, it is plain that the coloured area is not nearly as large as the shaded area; that is, notwithstanding the excess of contributions in the first twenty years, there is not nearly sufficient to make up the excess of outgo in the later years.

How is the difference made up? The answer is, that the amount represented by the coloured area must be invested at interest, and thus made to grow until it is as large as the shaded area. A mere glance shows that a large amount of interest must be earned to make the coloured area fill the shaded space.

Now, this diagram shows many things. It shows why the actuarial premium always seems too high at first. It shows that, in fact, it is not high enough unless supplemented by a large amount of interest. It shows why the fund of the lodge exists; that such fund is nothing more nor less than the amounts of the coloured space lying for years till they accumulate the proper amount of interest, and grow large enough to fill the shaded area. A portion of every member's contribution must go into that fund and lie there to fructify until the appointed time. All lodges and life-insurance offices must ultimately reach the point represented by the shaded area where the outgo exceeds the contribution income. On pages 28 and 29 you will find three practical New Zealand lodge examples of this given by Mr. Hayes. I might here state that the accumulations of the societies are *not* there for the benefit of posterity, as is frequently suggested. Indeed, in most cases they are not sufficient to provide for the *present* members' own liabilities. It is a fact that in some New Zealand societies to-day posterity in the shape of new members is actually coming in and paying for the earlier members, instead of the contrary being the case.

I am now in a position to answer the question put by Mr. Jennings, and show you why a lodge may have an inadequate contribution and yet accumulate funds. You have only to look at the diagram to see that the contribution income might be reduced to a great extent without completely obliterating the coloured space. That is to say, with a premium considerably below an adequate one there would still be an accumulation; but it would not be sufficient, particularly when it is remembered that if you shift the black line lower you not only reduce the coloured space, but you also increase the shaded area. That explains how a lodge with inadequate premiums may have a large and increasing fund for many years. *The accession of an increasing number of new members tends to keep this going for a longer time.*

Now, if, instead of charging a fixed contribution, we merely levy as the deaths occur, the amount to be raised by levy would have to follow the dotted line. You would have to raise by levies only about £3,000 a year for twenty years, but later on as much as £22,000 a year at a time when the members are reduced in number. The levies would be only about 8s. or 10s. a year per member for twenty years, but would eventually increase to an enormous amount, and, of course, no aid is got from interest.

18. *Mr. Stallworthy.*] Could you show what the levies per member would be at, say, the higher ages?—Yes. They would be as follows: Age 40, 10s. 2d.; age 50, £1 3s. 5d.; age 60, £2 3s. 5d.; age 70, £5 6s. 9d.; age 80, £12 9s. 10d. Of course, an accession of new members would simply delay the increase in the levies, but the increase would eventually be all the greater.

19. *Mr. Tanner.*] How many of the 7,220 would be alive at age 40?—There would be 6,579; and 5,209 at age 60. In case, however, any one objects that I have not taken the lapses into account, I will show you Diagram B. This diagram needs no additional explanation. It is on the same lines as Diagram A, except that I have started with 12,200 members instead of 7,220, and I have allowed the full lapse-rate observed over some New Zealand lodges, with a large number of lapses. In Diagram B, out of the 12,200 original members there are only 6,579 left at age 40, nearly one-half having lapsed or died. Altogether over one-third of the original members lapse in Diagram B., and yet you can see that it makes very little difference. The same contribution of £1 is employed as in Diagram A. In both diagrams the thick black line representing the contribution income can also be taken as representing the number of members. I may add that the contribution of £1 contains no provision for expenses.

