age 40, on a 1,000-pound policy the total annual premiums paid in fifteen years would be £469 7s. 6d., cash value of total policy and bonuses, £508; cash value of the bonus, £256 9s. 2d., equivalent value in paid-up policy, £960, or £1,000 at death and premium reduced to £1 18s. 4d. [Book handed in.] This is a book containing various colonial companies' prospectuses, issued fifteen or twenty years ago.

Mr Richardson That is the same as I was reading, only it is given in a different form.

4. *Mr Allen.*] If you had had to make up a similar table to that, Mr Fox, what would have been the difference?—I should not have made it up like that. I wrote that circular that Mr Richardson has read from, and you will notice that, although it was issued in 1888, I there referred to the probability of a decline in the rate of interest. The people who were responsible for making those estimates should have been prepared for a fall in the rate of interest, and should not have estimated on the basis of its keeping up The rate dropped very rapidly in the next few years—altogether over £1 10s. per cent. But, of course, they could not foresee the falling-in of the Melbourne land boom a few years afterwards. That affected the Colonial Mutual more than it would have done many societies. If I had had to make up those figures, I should not have based them on 6 per cent. interest. Mr Richardson was asked about the Department issuing estimates. As he said, we never have issued estimates in the ordinary sense. When we have given estimates of any kind—for instance, when a policyholder has wanted to know what his position would be in so-many years—we have always given a most guarded estimate—a distinct underestimate.

5. *The Chairman.*] Have your estimates invariably worked out on the conservative side?—I know of none that has not.

6. *Mr Allen.*] With regard to that table, do you think that that was a fair table, assuming that the rate of interest had remained as it was, Mr Fox?—No, I do not think so even then, for the simple reason that if the rate of interest had kept up at 6 per cent. it could not have given those estimated results. The expense-rate would have had to be kept very much lower

7 You think it was an exaggerated estimate—a misleading estimate?—Yes. We said so at the time. But I do not wish to say anything about the estimates or the figures, for, although, as Mr Richardson has pointed out, we knew that the estimates put forward were not likely to be achieved, I think the point that is exercising the minds of members of the Committee most is with regard to legislation in this matter I wish to put on record my opinion that no legislation is necessary, for the simple reason that all the offices that issued rosy estimates in the past will never be likely to do so again—they have had such a shock from their experience. The Colonial Mutual Office is having a great deal of trouble through it. Ten years ago our tontine fell in, and, although we have never issued any estimates, agents are so prone to colour matters—without any estimates being given to them—that policyholders had been led to believe that they would get more than they did get. Therefore trouble naturally arises on the winding-up of a tontine, even without overestimates having been made. Therefore I think that no office will be likely to err in future in giving estimates. No office in Australia now as far as I know, gives estimates.

8. *The Chairman.*] Do you not think it possible, Mr. Fox, that in America, or Australia, or somewhere there might be a reckless company formed that might wish to start business in New Zealand, and would represent what apparently was represented in this case, and induce a large number of people to put their money in, and these people would find afterwards that the rosy anticipations were not realized?—It is possible.

9. *Mr Fraser.*] There are a good many companies doing life business in New Zealand, are there not, Mr Fox?—Yes.

10 If a new company were to start and make rash estimates of that kind, do you not think that the companies already in existence would take care to make public the state of affairs, and so save the public from being led astray?—Yes.

11. That is why, I suppose, you assume it is not necessary for legislation to be passed?—Yes.

12. You see the difficulty if legislation were attempted, in restricting people from doing that class of work?—Yes.

13. I understood you to say that one of the reasons why the anticipations of the Colonial Mutual Society were not realized was because they had not allowed sufficiently for a fall in interest. There was also adduced the fact that they had suffered losses in consequence of depreciation in property Do you know whether their loss from depreciation in the value of securities was greater than the loss from the fall in interest? They have written off £225,000 from the time of the Melbourne land boom till last year

14. That was a loss which no man could foresee, was it not, Mr Fox?—Yes.

15 Therefore part of the discrepancy between their anticipations and realization was owing to circumstances which they could not possibly have foreseen?—Yes.

16. *Mr Reed.*] What do you think, Mr Fox, would be the objection to legislation being introduced insisting upon the review of pamphlets, such as that issued twenty years ago, not only with reference to tontines, but any other new scheme that might be evolved—in America or elsewhere?—I see objections. Who is going to review the pamphlets, for instance? The able managers and actuaries of the A.M.P Society would be subjected to an unnecessary indignity if they had to be examined by myself or some one else.

17 Do you think that the directors and actuaries of the Colonial Mutual Society would have suffered an indignity had they had that pamphlet reviewed by somebody twenty years ago?—I wonder if the people in the Government service would be able to review it! I think there would be many difficulties in the way of every pamphlet put forward by any life office having to bear the Government stamp. If you did it with one, you would have to do it with all. It would hamper the administration of a life office enormously to subject them to that.

18. *The Chairman.*] You published a criticism of this particular scheme for circulation, Mr. Fox?—Yes.