

124. It does not apply to the Foresters?—They are separately managed.

125. From the commencement of the friendly societies many of the lodges have been quite insolvent from the very start, and have been recognized as such?—Yes.

126. Although they have been insolvent they have carried on without taking any notice of it and without any risk to the members?—There was not so much in New Zealand, but in England they failed all over the country. There they adopted at an early stage a uniform rate of contribution of, say, 6d., and soon met trouble. Many of them recovered like the Manchester Unity, which engaged actuaries, and found they had to adopt graduated rates for ages.

127. *Hon. Mr. Earnshaw.*] Is it not a fact that lapses are conditioned by the rise and fall of economic conditions in periods throughout the country?—The statistics of lapses would go to show that such is the case. I append a small return which I published in my 1911 Annual Report which illustrates the point for the ten years from 1902–1911 (inclusive). The rates are fairly even except for 1909, when the economic conditions were disturbed.

Year.	New Members initiated.	Members lapsed by Arrears.	Percentage of Lapses to New Members.
1902	4,635	2,818	60·8
1903	5,285	2,719	51·5
1904	5,264	2,965	56·3
1905	6,352	3,223	50·7
1906	6,564	3,178	48·4
1907	7,690	3,265	42·5
1908	7,700	3,754	48·8
1909	6,772	4,880	72·1
1910	7,453	4,751	63·8
1911	7,885	4,715	59·7

128. That such lapses apply with equal force and like results to lodges and orders, whose payments are actuarially sound (as viewed by the Registrar) as to those lodges and orders whose payments are held to be inadequate?—To ascertain this with any degree of certainty would require a very minute examination into societies' membership, which would only be warranted if the object to be attained is of prime importance. Speaking generally, I should say that as regards entrants the respective members would not make any distinction between lodges with adequate scales and those with inadequate scales. As to the lapses, the rate might be somewhat checked in the sound lodges by the fact that there may be special funds provided out of surpluses to keep members good in times of unemployment or other distress.

129. *Re* the payment of subvention: take those societies whose funds are large and those who are under difficulties, to what extent and in what manner would the State suffer loss or sustain disadvantage by assisting or making payments to members to insolvent lodges or make gain by payments to so-called solvent lodges?—I do not see how the question of State gain or loss can enter into the question of State subvention. If the State decides to help working-people to provide for these contingencies, the fact as to whether they belong to surplus or deficiency lodges is surely beside the question. If payments were made by the State to members in deficiency lodges there would require to be ample safeguards to ensure that the lodge would also do something itself towards gaining solvency. In the case of surplus lodges any surplus set free as a result of this subvention would be partially appropriated towards deficiency lodges in that society. In the scheme outlined by the Department last year it was provided that in such cases half of the surplus due to the subventions would be so available. This meets the question raised by the Hon. Mr. Fisher, who suggested that surplus lodges might by means of the subvention go on accumulating further surpluses *ad infinitum*, as the scheme puts on them obligation in respect of deficiency lodges.

130. Does the question rest upon the payments to funds, or is it not one relating to where the State by its extending relations of assisting the general public regarding old age, &c., does hinge upon the working and necessities of friendly societies?—I take it that what is meant here is, are the subvention payments to constitute a payment merely for the assistance of friendly societies' funds, or is the subvention to be regarded as an indication of the State's extended responsibilities to be carried out through the friendly societies. The question of friendly societies and subvention is an outcome of the world-wide consideration that is being given to social insurance, and subvention to friendly societies is one of the forms of social insurance. The question for the State to consider is whether, in extending its responsibilities, co-operation with the friendly societies would be effective.

131. *Mr. Harris.*] Is it not a fact that if you look up the statistics in connection with lapses, in one particular year there may have been a considerable number and in another year there may be less, whereas if you take them over a period of ten years they would be almost uniform?—We would have to take them in periods if we took them at all. The lapses question is really an important problem.

132. *Hon. Mr. Beehan.*] In regard to the subvention of friendly societies, I think the Minister wanted to know from you whether the branches of lodges showing a surplus would be entitled to subvention in the same way as others showing a deficiency, and I think you replied that it had