

REPORT BY THE ACTUARY.

The Registrar.

A FEW remarks in the nature of a general review of the actuarial position of friendly societies in New Zealand will probably be of some interest, particularly as in the ordinary course only a portion of the societies fall in for review in each particular year.

As in other parts of the world, most of the New Zealand societies originally commenced on a basis which did not adequately take account of the more remote but larger liabilities that were bound to press in as members gradually drew nearer to old age, and their principal problem has consequently been that of financial reform.

Under the statutory policy which required societies to submit every five years to actuarial valuation, but otherwise left them free, the only force exerted upon the societies was the educative influence of the periodical actuarial reports. A serious drawback was that whilst, on the whole, societies made earnest efforts to carry out reforms on the spur of actuarial recommendations, there was frequently at other times a pressure by members resulting in haphazard increases in benefits, undoing the good work accomplished. So long as this was the case, it was in many instances impossible to speak confidently of the future of a society.

The 1909 Act has materially altered the actuarial outlook; for, by preventing the registration of rules tending to weaken the financial position, it gives a guarantee that no movement can be made except in an upward direction (a fact borne out by the experience of the Act to date). The Act also ensures that new branches commence with an adequate scale of contributions.

During the last six or seven years great advances have been made. Societies with an aggregate membership of considerably over forty thousand have improved their scales of contributions, not to speak of other reforms. Out of some thirty-four societies there are now only four whose scales of contributions for new entrants are markedly below the standard of adequacy, though, of course, the scales of some others also are capable of improvement.

On a careful consideration of the position I am bound to say that on the whole, so far as actuarial soundness is concerned, the outlook as regards the position and prospects of societies is distinctly good. The great majority of societies are either quite sound actuarially or are approaching that condition. Even the backward ones show some movement in the right direction. No doubt in a number of societies there are individual lodges whose position is weak, but many of these are small or subject to special circumstances. There are very few that fail to show some progress. Considering the fact that the New Zealand legislation (apart from its operation on new branches registered since 1909) leaves societies free to adopt measures of reform or not as they choose, these results, effected by voluntary effort, must, I think, be regarded as remarkably good.

Two matters which have exercised the minds of friendly societies during the last few years may be mentioned.

Some years ago a wave of assessmentism (or equal-levy insurance) swept over some of the societies, until somewhere over ten thousand members, involving a sum assured of about £1,000,000, were drawn into this very unsound form of insurance. Some strenuous educational work was called for, and now the evils of this system are generally recognized to the extent that it is for the most part either out of operation or superseded by a very much better method.

The other matter is consolidation of lodge Sick and Funeral Funds. The following societies have effected such consolidations: American Order I.O.O.F., New Zealand District Rechabites (Auckland), Auckland District Foresters, Sons and Daughters of Temperance National Division (Canterbury). It is of course too early yet to speak of the success or otherwise of the policy of consolidation, as its virtues naturally come into view very promptly, while its possible defects are of a more subtle nature and take longer to appear. So far, however, the results have been very good indeed. With the exception of the I.O.O.F. the districts so far consolidated are all restricted in area. Whatever dangers may lurk in the plan will be more likely to appear in those cases where consolidation covers too large an area. This applies in particular to the two questions of management of the society and control of sickness claims, both of which are matters of which societies must be their own judges.

As regards individual orders, the following remarks give the salient points in a general way:—

Manchester Unity.

(a.) *New Zealand Branch.*—The New Zealand Branch comprises twelve affiliated districts, each more or less financially independent but subject to the rules of the branch, which provide for adequate scales of contribution. As a whole the New Zealand Branch is in a position which is not far from complete actuarial solvency, and is constantly improving. Of the individual districts, Hawke's Bay, New Plymouth, Wellington, Marlborough, Nelson and Ashburton are in a particularly fine position, and practically beyond criticism from the actuarial point of view, while others, such as Wanganui and Ashley, are in a position but one degree removed. The membership of the branch is 15,830.

(b.) *Districts not affiliated to the New Zealand Branch.*—The districts of the Manchester Unity which are not affiliated to the New Zealand Branch include Lyttelton, South Canterbury, Otago, and Southland, with a membership of about 7,959 in all. The latter two districts some time ago increased their benefits without a corresponding increase in the contributions of the older members, but all four districts have in recent years adopted improved scales of contributions for new entrants. The first three are in a reasonably good position and have very good prospects. As regards Southland there is considerable leeway to be made up yet, but I expect to see an improvement at the next valuation.