

MEMBERS ON ACTIVE SERVICE : REINSURANCE.

An account is submitted herewith showing the amount of the subsidies payable by the Government to the societies and representing half the cost of reinsuring the funeral benefit of members with the Expeditionary Forces :—

	£
Claims paid and in hand at 31st March, 1916	5,995
Claims received since 31st March, 1916	2,105
Total to date	£8,100

This amount represents half of the premium cost (which is £16,200) of reinsuring the death benefits of 4,860 members of friendly societies.

HALL PROPERTIES.

I have on previous occasions referred to the practice of transferring to Management Funds the building properties belonging to Sick and Funeral Funds. An important judgment on this point was given in the New South Wales Courts in the case "Trustees of the Loyal Ryde Lodge, M.U.I.O.O.F., *versus* the Directors and Trustees of the Head Society of the M.U.I.O.O.F." In this case it was shown that the lodge had as far back as 1867 purchased land with money advanced out of the Sick and Funeral Fund, and subsequently built a hall with moneys also advanced out of Sick and Funeral Fund, including a small sum raised by concert and subscriptions. None of these sums had ever been repaid or the indebtedness acknowledged by the Management Fund, and the property had appeared in the balance-sheet as an asset of the Sick and Funeral Fund. The Judge therefore laid it down that once the asset is treated as part of the Sick and Funeral Fund it must be definitely regarded as so allocated. This ruling applies to the attempts made in several New Zealand societies to deal with hall properties in an improper manner, and the judgment is quoted as a warning to officials who endeavour to carry out these illegal transactions.

VALIDITY OF FRIENDLY SOCIETIES' RULES.

The following judgment bearing directly on the powers of friendly societies to amend their rules was delivered by the Appeal Court during the year in the case *Cook and Others v. Donaldson and Others* :—

A district branch of the Ancient Order of Foresters and courts or branches thereof were registered under the Friendly Societies Act, 1909. The rules provided that the society should form a district branch in conformity with and amenable to the General Rules of the order, but the parent order was not registered in New Zealand. Under the rules each court has a Sick and Funeral Fund to which the members had to contribute according to a specified scale, and the district society had two separate funds, a Sick Fund and a Funeral Fund, consisting of contributions from the courts, each court having to make payments to those funds in respect of each of its members according to a specified scale. The Sick Fund was to meet cases of sickness continuing beyond twelve months, and the Funeral Fund was a fund out of which the district society, in consideration of the contributions thereto by the courts, indemnified the courts in respect of their liability to their members for funeral benefits. Subject to the liability to make these contributions a court Sick and Funeral Fund was the property of the court, and was held in trust for its members. The rules of the parent order provided that the funds of each branch (court or district) should vest in the trustees thereof for the sole use and benefit of the members of such branch, and should be under the exclusive control of the members and trustees thereof, subject only to the General Rules of the order. In 1914 the district society made rules purporting to abolish the two District Funds and to establish in substitution therefor one fund, a Sick and Funeral Fund, out of which all sick and funeral benefits should be paid, and for that purpose the rules required each court to transfer to the district society its Sick and Funeral Fund (except any surplus) and all future contributions thereto. The effect of these rules (if valid) would be to transfer the Sick and Funeral Fund of each court, which was for the benefit of the members thereof, to the Sick and Funeral Fund of the district society, which was for the benefit of the members of the society generally.

Held, That the transfer of each court's Sick and Funeral Fund to the new District Sick and Funeral Fund was in contravention of section 40 of the Friendly Societies Act, 1909, and was invalid.

The effects of the judgment were far-reaching :—

- (1.) The validity of established Sick Funds and Funeral Funds of societies was touched.
- (2.) The consolidating rules of societies which had been in operation for some years were invalidated.
- (3.) It was doubtful if a New Zealand society had power to control its own constitution independent of the original parent body in Great Britain.

Without going into the details of this important case, it must be pointed out that the judgment avoids consideration of the obvious and well-established fact that all societies had from the earliest years consolidated their funeral benefits. The objections that may be applied to the consolidation of sickness benefits would, in principle, have equal weight when applied to the consolidation of funeral benefits.

The Court of Appeal judgment meant that the Friendly Societies Act prohibited a society from effecting an important alteration in its financial constitution. (It should be noted that legislation on similar lines in other States has no such effect.) The freedom of members of societies to deal on legitimate financial lines with their own funds was thus seriously affected, and this was quickly realized by those who understand the close association and the obligatory relationship, financial and otherwise, that exist between a society and its branches. The prohibition against members altering