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HAWKES' BAY DISTRICT, M.U., I.O.O.F. (valued by Mr. A. G. WIGGINS).

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Reverting to the position of the district as a whole, I think you are fairly to be congratulated on the state of affairs disclosed by the valuation. Four of your lodges come out with a surplus. In another (the Abbotsford) the deficiency, considering its fund, is quite unimportant. In the cases of the remaining three lodges the deficiencies may be accounted for by the circumstance that your rules appear to have been ignored in many instances. I have pointed this out in detail in my report to the lodges concerned, but will briefly recapitulate them here, as a guide for you as district officers.

1. Hastings Lodge: Deficiency, £242 13s. 11d. Deficiency per member, £2 16s. 5d. In this lodge no less than twenty-six members—one-third of the whole—appear to be paying the old minimum contribution of 6d. a week. Many of these were initiated since the new graduated scale came into operation, and of the remainder several ought to be paying the additional annual contribution provided for in Rule 27.

2. Meanee Lodge: Deficiency, £123 16s. 2d. Deficiency per member, £4 (very nearly). 3. Tavistock Lodge: Deficiency, £103 18s. 5d. Deficiency per member, £3 3s. In these two lodges the Benefit Fund has been trespassed upon for management purposes; profitable investment of the fund has been neglected; and in the Tavistock Lodge half of a very small amount of interest earned has been appropriated by the Management Fund.

I think it will be satisfactory to you to learn that the deficiencies that have been disclosed by this valuation are not caused by inadequate contributions, or some circumstance which it would perhaps be very difficult to remedy. On the contrary you have an admirable scale of contributions fairly graduated at the different ages, and I have little doubt that, if your district laws are only strictly enforced and loyally obeyed by the various lodges, the next valuation will show that the present deficiencies have nearly, if not quite, disappeared. Having fulfilled my duty by calling attention to the matter, I can now only leave it in your hands to deal with as may seem most expedient.

Before concluding this report there is one other point to which I feel bound to call your attention: I allude to the manner in which the funeral benefits are provided for. The system of spreading the funeral liability over the whole district, and thus equalizing the risk, is an excellent one. The wider the area over which such risks can be spread the better. The system of equal levies, too, you have inherited from the fathers of your order, and there is no doubt that the plan was intended to be equitable, and at the commencement of the operations of the society it may have been tolerably so. It is, however, perfectly clear that the system becomes utterly inequitable and the inequalities inseparable from it increase as time goes on, while the better it is understood the more will the numerical progress of your society be hindered, unless some remedy be applied in time. If a new lodge be started in an old district where there is no accumulated Funeral Fund, the effect is that it is at once burdened with a liability in the shape of its share of the funeral liabilities of the older lodges. Supposing its contributions to be just adequate to secure the benefits promised, it would on valuation show an immediate deficiency on this account. Or, to put the case in another way, the contributions of a hundred young and healthy men, instead of being reserved against the time when they will be required to meet claims arising among themselves, are used up to provide for claims arising among a hundred older members for which no reserve has been made. The effects of this system have not as yet had time to develop themselves in your district, none of the lodges in which can be called old ones. For this reason, however, a remedy can be much more easily applied than will be the case in the future, when the inequalities in point of duration of membership have become more pronounced.

NELSON DISTRICT, M.U., I.O.O.F. (valued by Mr. A. G. WIGGINS).

Before laying before you the results of this investigation, it may be well, seeing that a great amount of misconception prevails on the subject, to explain briefly what the valuation of a friendly society is, and why it is a necessity for every society which desires to be in a position to meet its engagements. A valuation, then, is exactly equivalent to the periodical stock-taking which every prudent man of business takes care to have made, in order that he may ascertain what his financial position really is. No prudent merchant can afford to neglect this precaution, but all the considerations which affect the trader apply with even greater force to the case of a friendly society. For the latter receives moneys saved by the thrifty and self-denying of the wage-earning class; these payments may often be continued for a long term of years, and are frequently made at the cost of great temporary inconvenience. In return the society promises help when that help is most sorely needed—when the bread-winner is stricken down by sickness, or laid low by the inevitable hand of death. How great is the responsibility, therefore, of those who direct the operations of such institutions!

The assignment of cash values to sums payable on the occurrence of certain contingencies, as sickness or death, is not the haphazard business founded on guesswork which those who have not studied the subject might be disposed to imagine. Patient and laborious investigation, and the observation of millions of cases, have demonstrated that, though it would be absurd to predict of any individual the time of his decease, or the amount of sickness he will experience during his lifetime, yet it is quite reasonable and feasible to form certain expectations concerning the occurrence of these contingencies among groups of individuals sufficient in number. In other words, given a number of individuals at certain known ages, and we can predict with remarkable accuracy—(1) the number of years of life which they will enjoy between them; (2) the amount of sickness they will experience in passing through those years; and (3) how this sickness will be distributed—that is, how much will occur in each year or group of years. These assertions may seem rash to many persons who have never studied the subject; but they are incontestably true, as demonstrated by experience; and if they were not true it is evident that all life-assurance and friendly-society finance would be based on the wildest guesswork, and it would be a pure matter of chance whether these institutions failed to meet their engagements on the one hand, or became possessed of enormous surplus funds on the other.

At present the large majority of members of friendly societies, consisting as they do of young men, or men in the prime of life, fail to realize two important facts, which it is essential to grasp in order to understand friendly-society finance. They do not comprehend that their chance of longevity is anything like what experience has demonstrated, and more difficult still is it to effectually impress upon them the high rates of sickness appertaining to advanced life. According to the experience of the English friendly societies, out of 100 persons living at the age of eighteen, no less than 58 survive to age sixty, 48 to age sixty-five, and 37 to age seventy. Now let us glance at the sickness experience. In passing from age twenty to seventy a man may expect to experience something over 120 weeks' sickness. But, of this total, only *seventeen* weeks' will be experienced during the first twenty years, from age twenty to forty, while *sixty-two* weeks' may be expected during the last ten years, between sixty and seventy. Once grasp the significance of these figures and it will readily be seen how fallacious is the idea that because a society is paying its way and increasing its funds by a few pounds it is therefore providing sufficiently for the future. One practical example may perhaps carry more weight than the foregoing figures, absolutely accurate though they are. One society which I valued was in the following position: It numbered over two hundred members, and during the five years preceding the valuation date it had disbursed in sickness benefits £350 over and above the total amount of contributions received. And yet the sickness had not exceeded the expectation; but the society was an old-established one, and consequently had several old men on its roll. Now, every society which exists long enough must reach such a position as this. Are there many which are accumulating capital at a sufficiently rapid rate to be able to meet such a strain when it comes? I am afraid that the answer must be in the negative.

In anticipation of an objection which is frequently made to the reliability of these valuations I may, perhaps, be permitted to refer briefly to the question of secessions or withdrawals. It is admitted that a certain amount of profit does accrue to societies from members who go out and thereby forego any claim on the society. The question is, whether the profits which may be derived from this source in the future should be anticipated, and treated as a realized asset. The best authorities are agreed that this should not be done. Two reasons appear to me to be conclusive on this point. First, it is impossible to estimate these profits with any degree of accuracy. I have shown that sickness and mortality can be so estimated; but secession, depending as it does upon human volition, changes in demand for labour, and numerous fortuitous circumstances, cannot be correctly appraised. Secondly, the very