

VALUATION OF THE NEW ZEALAND CENTRAL DISTRICT, I.O.R., AS AT THE 31ST DECEMBER, 1887.
(Mr. Wiggins.)

58. In five of the tents of this district, out of the twenty-four included in the valuation, there is a surplus in respect of the branch sick fund, but in three only—viz., *Hope of Wellington*, *Hope of Napier*, and *Excelsior* (Waipukurau)—is there a net average surplus per member when the deficiency in the district funeral fund has been deducted. In tents *Haste to the Rescue* and *Sir Wilfrid Lawson* the average surplus is less, in the latter considerably less, than the average deficiency in the district funeral fund. As to the remaining nineteen tents, there is a deficiency, more or less serious, in the branch sick fund; and to the average deficiency in each branch must be added the average deficiency in the district funeral fund, in order to ascertain the total average deficiency per member. One argument employed by the advocates of total abstinence is that the amount spent in alcoholic drinks could be put to so much greater use, either as expenditure or savings, than poverty, if it did not actually cease, would be comparatively unknown in the community, if absolute prohibition were in force; but, if members of friendly societies founded on total-abstinence principles are able, in New Zealand the majority do not show themselves willing, to pay adequate contributions towards insurance against sickness and death. The following is extracted from the valuer's report to the district officers:—

“ I regret to have to lay before you a statement showing so serious a deficiency. As, however, your district has already been valued and found to show a deficit, you will probably be prepared for some such result. The reason which I assigned in my last report is still sufficient to explain the existence of the deficiency—namely, that your contributions are inadequate to provide the benefits promised. It is true that a considerable portion of your members pay contributions graduated according to age at entry, and this is so far an improvement on the old system of uniform rates. But, unfortunately, the rates which you have adopted are not sufficient, and the society starts with a balance against itself in the case of each member whom it initiates. I do not know whence the scale which you have adopted was derived, and can only conjecture that a scale which had been adopted by some other society was taken, and an all-round deduction made from the rates found therein, possibly on account of the total abstinence which forms a condition of membership in your society. If this has been done I think it has been a mistake. It would have been far better to fix the contributions at rates which you might have felt sure were safe, and left the profits which might have accrued from favourable experience to be appropriated after they had been earned. This is the plan which is adopted by life assurance societies which have a separate section for total abstainers. They do not assure the latter at lower rates than are charged to the general public, but they give them the profits which accrue in their own class, including any special profit derived from the practice of total abstinence. Now, if this is the only prudent system to adopt with regard to life assurance, it is still more necessary when to this risk is added the far more complex one of sickness assurance. For it must never be forgotten that a low rate of mortality works unfavourably as far as a sick fund is concerned. For it is evident that if your members die less rapidly than those of other societies you have a larger number exposed to the risk of sickness throughout each year of life, and at the advanced ages this becomes a very serious matter. With regard to the funeral fund itself, the present deficiency is greater, both absolutely and in proportion to the number of members, than it was five years ago. This increase is due to the fact that, since the date of the last valuation, you have largely increased the funeral benefits without raising the contributions. At the date of the last valuation the funeral donation was £20 on the death of a member and £10 on the death of a registered wife. It has now been increased to £30 on the death of a member whether married or single at the time of his death, and in the case of the married members £10 of this sum is advanced during the lifetime of the member if his wife dies before him. In the case of all members dying unmarried, and of the married members whose wives survive them, you have therefore increased the benefit by one-half, and these additional concessions have been granted without one sixpence being charged for them. Little wonder that the fund, which was in a bad position before, is now worse. I have heard the opinion expressed that the present benefit is simply equivalent to £30 payable on the death of each member, married or single. But this is not so. For, in the case of all members who become widowers, the society advances one-third of the sum assured before it would otherwise become due. I observe that there are still 157 members occupying the exceedingly anomalous position of being entitled to the above-mentioned liberal benefits and contributing absolutely nothing to the fund. Now, as nothing can come out of nothing, it is self-evident that, as these gentlemen do not contribute towards providing the benefits payable to themselves and their heirs, these benefits must be provided out of the contributions of the remaining members. It is as well for both parties to this arrangement clearly to understand the value of the transaction as it stands at present. As I before remarked, sickness assurance is of a much more complex nature than life assurance. The position of a funeral fund can therefore be much more easily comprehended by any man of ordinary intelligence and without any special technical knowledge than that of a sick fund. We all know that death is certain, and that human life has certain assigned limits. Now, let us see how the very simplest speculations bear upon the sort of contract which you are making with your members in this matter of life assurance. Making allowance for half-benefit members, you have in force 785 policies for £30 each, or a total of £23,550. Your premium income is a little over £150, or an average of 4s. per annum for each benefit member. Now, putting interest out of the question for the moment, each of your members would have to live one hundred and fifty years to provide the sum assured out of his contributions. I am quite aware that the question of interest does enter into the calculation, but can any one seriously maintain that its effect will be sufficient to make up for the enormous deficiency in length of life which you must experience? . . . A continuance of the present system