

a sum far in excess of 8s. per annum for £100 insurance. Let any one figure out how long a man must live and pay 8s. per annum before his payments will produce £100, remembering that there is no aid from interest, and even ignoring altogether the early deaths. I make it 250 years.

These arguments hardly need emphasizing, but they are emphasized by the figures put in by Mr. Hayes (*vide* Tables A and B), and also by the numbers of failures of equal-levy societies in America.

I think it can be regarded as fully demonstrated that the levies must go up, and here we come to the important point that when they once exceed a certain figure new entrants will fail to come in, as they will find cheaper insurance elsewhere at a fixed premium not subject to increase; and this will send the death-rates up still higher, resulting in the lapsing of the healthy members, leaving the unhealthy ones to pay for their own risk. It has been suggested that the other benefits given in New Zealand societies will act as a tie, and prevent the lapsing of members at this stage. Well, this tie does not prevent lapses even now; much less will it do so when the levies go up: and it failed to keep members in the American societies. In fact, no levy society has yet found a means of retaining these members who lapse when the levies go up; but, if any New Zealand society can succeed in doing so, then the ultimate size of the levies will be worth going some distance to see.

Unluckily for me as an actuary, I can find no assessment society in the world which has held together long enough to fully develop the remarkable growth of these levies. The societies generally stop when the original death-rate of about 4 per thousand has increased to 69 or 70 per thousand, or long before, and many pathetic letters are received from deluded widows.

In any case, it is curious to find the advocates of the levy system claiming on the one hand that the lapses will be the salvation of the scheme, and then immediately changing their ground and claiming that they can improve on the American societies by preventing the lapses which were found to hasten the end there.

A point made by one of the witnesses was that the members will save expenses of management as compared with insuring in a life-insurance company. I would reply that there is no reason why they should not have a sound insurance scheme of their own, and also save management expenses. It is unnecessary to resort to an unsound scheme to accomplish this. In the present scheme this claim is quite fallacious, as whilst they save management expenses they lose the aid of interest. To illustrate this I may say that in the Government Insurance Department last year the management expenses came to £66,670, whilst the interest earnings came to £183,600. It would be a remarkable achievement to save £66,670 and lose £183,600. I am prepared to certify as sound and adequate a table of premiums for £100 far below that of any New Zealand insurance office, which would be free of management expenses, and also utilise the aid of interest.

It has been said that members understand the whole equal-levy system. I can personally state that I have met many members who did not understand it, and only one, or at most two, who did, and these objected to it.

A suggestion has been made that the usual accumulated funds or reserves might well be left to accumulate in the members' pockets, instead of being given into the hands of the society. Well, I have pointed out that if a fund is not accumulated in the hands of the society, and invested at interest, we *must have an increasing premium*. When the members are called upon for this increased premium it is always found that the healthy members prefer to keep the reserve in their pockets if it is still there. Besides, the society cannot earn interest on the fund if kept in the members' pockets. The members certainly will not pay interest on it. I have shown that if no interest is earned the ultimate premium must be higher, and this is self-evident.

It has been urged that the equal-levy system in New Zealand does not constitute an insurance contract, but is merely a benevolence. Surely it is a very one-sided benevolence, and dangerous in that it holds out a hope which it is absolutely certain cannot be fulfilled except in the case of those who die early and pay least for it.

No equal-levy society going on without accumulating a fund has ever lasted, nor is any likely to last, for the duration of a single human life. Those who join at age 20 and live to reach 60 or thereabouts will find that after paying for thirty or forty years they are left without insurance. Their money has gone to pay for the early deaths, and there is nothing left to pay for theirs.

I may refer incidentally to a point that has been urged, that the mortality rates over the whole of the friendly societies in New Zealand have for a good many years past shown a tendency to be constant at about 7 per 1,000. The suggestion is apparently made that an equal-levy system would have worked well hitherto in New Zealand if established years ago. I would say that such an average rate, taken over a number of societies, means nothing, and is of no assistance whatever to a society wishing to transact equal-levy insurance business. The rate of 7 per 1,000 includes one large society with a death-rate of 4 per 1,000, and another large one with a rate of 9 per 1,000. It is of no help to the society with 9 per 1,000 to know that another one has a rate of only 4, and it is absolutely certain that the latter society will show an increase in time just as the former one did. Moreover, it would be impracticable to carry on the system for many years with so high a rate as 7 per 1,000, as a new society starting at 4 per 1,000 would secure all the new entrants. This has been conclusively demonstrated in America.

As showing the uselessness of even looking at such rates averaged over a number of different societies, I would mention that sixty American societies taken and averaged in this manner show a constant mortality-rate for fifteen years, whereas each individual society shows an increase.

In the foregoing remarks I have not troubled to refer to a very obvious defect of the levy system as proposed in New Zealand. No discrimination is made between a member aged 50 and one aged 25. That is a comparatively minor point; but is yet a very serious defect in the scheme.

Before leaving this equal-levy system I may say that it is one of the most remarkable instances of human folly and credulity that a system of this kind, the unsoundness of which can be demonstrated to any man of intelligence in a few minutes, should yet have been able to delude hundreds