

1886.
NEW ZEALAND.

GOVERNMENT INSURANCE ASSOCIATION COMMITTEE

(REPORT OF), TOGETHER WITH MINUTES OF PROCEEDINGS AND EVIDENCE.

Brought up 23rd July, 1886, and ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

WEDNESDAY, THE 9TH DAY OF JUNE, 1886.

Ordered, "That a Select Committee be appointed to inquire into and report on the subject of the investments made by the Government Insurance Association in land purchases, and also to report generally on the working of the institution; with power to call for persons and papers. Such Committee to consist of Mr. Montgomery, Mr. Gore, Mr. M. J. S. Mackenzie, Mr. Macandrew, Mr. Holmes, Mr. G. F. Richardson, Mr. W. D. Stewart, Mr. Levestam, Colonel Fraser, and the mover; four to be the quorum. To report within a month."—(*Mr. Ormond*.)

THURSDAY, THE 15TH DAY OF JULY, 1886.

Ordered, "That the Government Insurance Committee have leave to postpone making their report until Tuesday week."—(*Mr. Ormond*.)

REPORT.

YOUR Committee has inquired into and taken evidence at considerable length on the subjects referred to them, both as to purchase of building sites and the general working of the Government Insurance Association under the present Board.

As regards the purchase of building sites, the Committee finds that properties were purchased at Wellington and Dunedin prior to the Board coming into office, and that a purchase at Christchurch had been under negotiation, and was completed by authority of the Board; also that a site at Auckland was purchased by the Board.

It appears from the evidence that all these purchases were made with the object of securing sites for the erection of imposing buildings, on the ground that such were necessary to influence and promote business.

The Wellington purchase was made from the Government, the price paid being £18,000. The business of the association at Wellington is conducted in a portion of the building, the remainder of the space being let as offices to other Government departments. The results are estimated to represent 6 per cent. on the purchase. The Committee learns it is in contemplation to pull down the present building, and erect in its place a structure estimated to cost £35,000. Plans have been prepared and paid for, and architects are engaged in preparing working plans and specifications with the view of calling for tenders.

The Dunedin purchase was made in December, 1884. The price paid was £35,500, costs and expenses bringing the price up to £36,029 9s. 2d. The premises have not been used by the association, other offices being rented in another part of Dunedin at a rental of £75 a year. Portions of the premises are subject to leases which have some years to run. Some of the buildings are described as being in a dilapidated state. The present rents return £2,007. The evidence shows that to utilize the purchase a large expenditure on new buildings will be required.

The Christchurch property was purchased from two different parties, the larger portion from Mr. Maling for £10,250, and an adjoining section from Mr. Phillips for £1,500. The Maling property has since been let to him for twenty-five years at a rental of £500 per annum for five years and £600 per annum for twenty years. It has been proposed to build offices for the conduct of the association's business on Mr. Phillips's section.

At Auckland a property was purchased from Mr. Shera, the price paid being £19,000. The purchase was made on the 31st March, 1885, and the buildings have been unoccupied since the 31st October, 1885, although the association rents other premises as offices.

The Committee has to report in respect to these purchases that an outlay of £84,779 has been incurred; that, with the exception of the Wellington building, the premises are not used for offices

by the association; that costly buildings were intended to be constructed on the sites; that all the purchases must be regarded as having been made partly for speculative purposes, and that it was undesirable the funds of the association should have been so invested.

The Committee considers the erection of costly buildings, with the idea of thereby attracting business, quite unnecessary, and recommends that only such buildings be provided as are requisite for the proper and convenient conduct of the association's business.

The Committee considers it extremely advisable that any future purchases of land or buildings, and all salaries of officers, should be submitted for the approval of Parliament.

In respect to the general working of the association under the present Board, in the opinion of your Committee the evidence justifies the following conclusions:—

That the disagreements on the Board, and the publicity given to these disagreements, have acted injuriously to the interests of the association.

That the working expenses of the association have been considerably increased, and that no proportionate advantage has accrued.

That the interests of the policy-holders require that a portion of the funds should be invested in securities yielding a better return than can be obtained from Government securities.

That canvassing for lives is necessary to the success of the association.

Your Committee has agreed to the following resolutions, which it recommends to the consideration of the House:—

That the present Board should be abolished.

That the general management of the association's business should be intrusted to an officer of high character and attainments, possessing experience in the business of insurance.

That the Act of 1874 be re-enacted, subject to the recommendations of this Committee.

That not less than one-half of the funds of the association should be invested in Government securities and in debentures of public bodies in New Zealand secured by rates.

That the remainder of the funds should be invested in advances on policies and on mortgage of freehold properties in New Zealand; provided that no such mortgage shall exceed £10,000, and the money lent shall not exceed one-half the market-value of such property.

That all moneys lent on mortgage should be invested in the various provincial districts, as nearly as practicable, in the proportion in which the same have been derived from such districts, provided this can be done without loss to the association.

That applications for loans not exceeding £500, secured upon real property, should have priority over applications for larger sums.

That for dealing with investments a special Board should be appointed: such Board to consist of the Minister in charge of the department, the General Manager, the Surveyor-General, the Property-tax Commissioner, and the Public Trustee.

That no investment by mortgage or loan should be made without the unanimous vote of all the members of the Board present at the meeting at which such loan be considered, and that in all cases the assent of not less than three members shall be required.

That canvassing for lives should be continued, and that every encouragement should be given to the issue of small policies.

MINUTES OF PROCEEDINGS.

FRIDAY, 11TH JUNE, 1886.

The Committee met, pursuant to notice, at 12 o'clock noon.

Present: Mr. Ormond (Chairman), Colonel Fraser, Mr. Gore, Mr. Holmes, Mr. Levestam, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. W. D. Stewart.

On the motion of Mr. Montgomery, seconded by Colonel Fraser, Mr. Ormond was appointed Chairman.

Order of reference read.

Mr. Holmes suggested that printed copies of the order of reference should be supplied to members of the Committee.

On the motion of Mr. Holmes, *Resolved*, That there be obtained from the Manager of the association a schedule of the lands purchased by the association, and the prices paid in each case; stating whether the same be for purposes of investment or sites for offices of the company.

The Clerk was instructed to summon a meeting of the Committee for Tuesday next, at 11 o'clock forenoon; Mr. Luckie, Manager of the Association, to be summoned to attend at the above hour on that day, with all papers and books connected with the land-purchase operations of the company.

The Committee adjourned till 11 o'clock on Tuesday next.

TUESDAY, 15TH JUNE, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Holmes, Mr. Levestam, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. G. F. Richardson, Mr. W. D. Stewart.

Minutes of first meeting read and confirmed.

Mr. D. M. Luckie, General Manager of the association, was examined, and gave verbal and documentary evidence in respect of the property purchased in Christchurch on behalf of the institution.

The Committee adjourned till the following day at 11 o'clock.

WEDNESDAY, 16TH JUNE, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Gore, Mr. Holmes, Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

Mr. D. M. Luckie was further examined, and gave verbal and documentary evidence respecting the purchase of property in Dunedin for the association.

The Committee adjourned till half-past 10 o'clock on the following Friday.

FRIDAY, 18TH JUNE, 1886.

The Committee met, pursuant to notice, at half-past 10 o'clock forenoon.

Present: Mr. Ormond (Chairman), Colonel Fraser, Mr. Holmes, Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. G. F. Richardson, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

Mr. D. M. Luckie was further examined, and gave verbal and documentary evidence respecting the purchase of property for the association in Dunedin, Auckland, and Wellington.

The Chairman instructed Mr. Luckie to procure memorandum of commissions and expenses in connection with the Christchurch purchase; a schedule of investments, by whom introduced, with original titles where practicable; the names of those who approved of the applications, and those present at the meeting of the Board when they were approved. He was also instructed to inform the Secretary, the Actuary, and the Travelling Inspector that they will be required to give evidence before the Committee, and to request them to prepare data for examination on the general working of the institution, and in respect of its investments and purchases. Mr. Luckie was also directed to prepare a memorandum for the next meeting of the Committee, showing the working of the institution before its altered management, and its working under the present system; also the progress of business and cost.

The Committee adjourned till 11 o'clock forenoon on Monday next.

MONDAY, 21ST JUNE, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Holmes, Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

Mr. D. M. Luckie was further examined, and gave verbal and documentary evidence relative to the Dunedin and Wellington purchases. He was requested by the Chairman to furnish details of the disposal of the sum of £30,500 paid for the Dunedin property to Messrs. Sievwright and Stout on the 13th February, 1885, giving the dates, amounts paid, and to whom.

Plans of the proposed new building in Wellington were laid on the table.

The Committee adjourned till Tuesday at 11 o'clock forenoon.

TUESDAY, 22ND JUNE, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Holmes, Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

Mr. D. M. Luckie was further examined, and gave evidence respecting the various purchases.

Mr. L. Harper, M.H.R., was examined, and gave evidence with reference to the Christchurch purchase.

The Clerk was instructed to summon the Hon. Sir Julius Vogel to attend and give evidence at 11 o'clock forenoon on the following day.

The Committee adjourned till Wednesday at 11 o'clock forenoon.

WEDNESDAY, 23RD JUNE, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

Hon. Sir Julius Vogel attended, and gave evidence relative to the properties purchased for the association in Dunedin, Christchurch, and Auckland.

The Clerk was instructed to write to the Hon. Sir Robert Stout, requesting him to attend the Committee, at 11 o'clock forenoon on Friday next, for the purpose of giving evidence; also to summon Mr. Luckie to attend at the same hour on that day, and to bring with him all books, papers, &c., connected with the purchases.

The Committee adjourned till Friday at 11 o'clock forenoon.

FRIDAY, 25TH JUNE, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

Hon. Sir Robert Stout attended, and made a general statement of his opinions as to the working of the institution, and also with respect to the purchases of properties in Wellington and Dunedin. He was afterwards examined upon these questions.

The Committee adjourned till 11 o'clock forenoon on Tuesday next.

TUESDAY, 29TH JUNE, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Montgomery (Chairman), Mr. Holmes, Mr. Levestam, Mr. M. J. S. Mackenzie, Mr. W. D. Stewart.

On the motion of Mr. Holmes, Mr. Montgomery was appointed Chairman, in the unavoidable absence of Mr. Ormond.

Minutes of previous meeting read and confirmed.

Mr. D. M. Luckie was further examined. He gave evidence with respect to the various properties purchased for the association, the appointment of agents, and the salaries, commission, &c., paid for their services.

The Committee adjourned till 11 o'clock forenoon on Thursday next.

THURSDAY, 1ST JULY, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Montgomery (Chairman), Mr. Gore, Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. G. F. Richardson, Mr. W. D. Stewart.

Mr. Montgomery acted as Chairman in the absence of Mr. Ormond.

Minutes of previous meeting read and confirmed.

Mr. D. M. Luckie was further examined, and gave evidence respecting the nature and extent of the business done by the association, and the lapses that have taken place.

The Committee adjourned till 11 o'clock forenoon on Friday next.

FRIDAY, 2ND JULY, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Montgomery (Chairman), Mr. Gore, Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. G. F. Richardson.

Mr. Montgomery acted as Chairman, in the absence of Mr. Ormond.

Minutes of previous meeting read and confirmed.

Mr. S. W. D. Irvine was examined, and gave evidence with reference to the duties he has to perform as Inspector of Agents for the colony, and the general business and working of the institution.

The Committee adjourned till 11 o'clock forenoon on Tuesday next.

TUESDAY, 6TH JULY, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. G. F. Richardson, Mr. W. D. Stewart.

Mr. Ormond took the chair.

Minutes of previous meeting read and confirmed.

Mr. S. W. D. Irvine, Inspector to the Board, was further examined, and, at the close of his evidence, offered some suggestions regarding the future conduct of the business of the association.

Mr. J. H. Richardson, Secretary and Accountant to the Board, was examined, and gave evidence principally in reference to the duties of his twofold office, the appointment of agents and canvassers, the general working of the institution, and the mode in which the business is now carried on under the Board.

The Clerk was instructed to summon Mr. H. D. Bell and Mr. G. Fisher, M.H.R., to attend on Thursday next, for the purpose of giving evidence.

The Chairman was instructed to ask the House for one week's extension of time for bringing up the report.

The Committee adjourned till 11 o'clock forenoon on Thursday next.

THURSDAY, 8TH JULY, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Levestam, Mr. Macandrew, Mr. Montgomery, Mr. G. F. Richardson, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

Mr. J. H. Richardson, Secretary and Accountant to the Board, was further examined with reference to certain investments on mortgage, and the rates of interest on which loans are obtained from the association.

Mr. F. H. D. Bell, one of the Directors of the Board, was examined at considerable length respecting the recent purchases of properties for the association, and generally as to the working of the institution under the Board, and its results.

The Committee adjourned till 11 o'clock forenoon next day.

FRIDAY, 9TH JULY, 1886.

The Committee met, pursuant to notice, at 11 o'clock, forenoon.

Present: Mr. Ormond (Chairman), Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. G. F. Richardson.

Minutes of previous meeting read and confirmed.

Mr. J. H. Richardson was further examined in reference to certain property mortgaged to the association. He submitted a statement, which he had prepared for the Board in April last, explanatory of the expenses of management of 1885 as compared with 1884.

Mr. G. Fisher, M.H.R., was examined at considerable length, principally with regard to the constitution of the Board, the management of the business of the association in its several branches, and the recent purchases of properties in the four chief centres of the colony.

The Committee then adjourned.

TUESDAY, 13TH JULY, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Holmes, Mr. Levestam, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. G. F. Richardson, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

The Clerk was instructed to summon Mr. G. V. Shannon, Mr. Frankland, Actuary, and Mr. J. B. Bradshaigh-Bradshaw, M.H.R., to attend and give evidence on next sitting-day.

Mr. G. Fisher, M.H.R., and Mr. D. M. Luckie were further examined, and gave evidence at considerable length upon various points connected with the working of the association.

The Committee adjourned till 11 o'clock forenoon on Thursday next.

THURSDAY, 15TH JULY, 1886.

The Committee met, pursuant to notice, at 11 o'clock forenoon.

Present: Mr. Ormond (Chairman), Mr. Levestam, Mr. Montgomery, Mr. G. F. Richardson.

Minutes of previous meeting read and confirmed.

Mr. G. V. Shannon, an elected Director of the association, was examined, and gave evidence principally as to the working of the institution, the nature and results of investments, and the recent purchases of properties for the association.

Mr. J. B. Bradshaigh-Bradshaw, M.H.R., gave evidence as to the value of the property purchased in Dunedin.

The Committee adjourned till half-past 10 o'clock on Tuesday next.

TUESDAY, 20TH JULY, 1886.

The Committee met, pursuant to notice, at half-past 10 o'clock forenoon.

Present: Mr. Ormond (Chairman), Colonel Fraser, Mr. Gore, Mr. Holmes, Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. G. F. Richardson, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

The Committee entered upon the consideration of their report, and discussed certain resolutions submitted by the Chairman.

The Committee adjourned till half-past 10 o'clock forenoon on Thursday next.

THURSDAY, 22ND JULY, 1886.

The Committee met, pursuant to notice, at half-past 10 o'clock.

Present: Mr. Ormond (Chairman), Colonel Fraser, Mr. Holmes, Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. G. F. Richardson, Mr. W. D. Stewart.

Minutes of previous meeting read and confirmed.

The Committee resumed the consideration of their report.

On motion of the Chairman, the following resolutions were agreed to:—

Purchase of Building Sites.

The Committee find that properties were purchased at Wellington and Dunedin prior to the Board coming into office, and that a purchase at Christchurch had been under negotiation, and was completed by authority of the Board; also that a site at Auckland was purchased by the Board.

It appears from the evidence that all these purchases were made with the object of securing sites for the erection of imposing buildings, on the ground that such were necessary to influence and promote business.

The Wellington purchase was made from the Government, the price paid being £18,000. The business of the association at Wellington is conducted in a portion of the building, the remainder of the space being let as offices to other Government departments. The results are estimated to represent 6 per cent. on the purchase. The Committee learns it is in contemplation to

pull down the present building, and erect in its place a structure estimated to cost £35,000. Plans have been prepared and paid for, and architects are engaged in preparing working plans and specifications with the view of calling for tenders.

The Dunedin purchase was made in December, 1884. The price paid was £35,500, costs and expenses, bringing the price up to £36,029 9s. 2d. The premises have not been used by the association, other offices being rented in another part of Dunedin at a rental of £75 a year. Portions of the premises are subject to leases which have some years to run. Some of the buildings are described as being in a dilapidated state. The present rents return £2,007. The evidence states that to utilize the purchase a large expenditure on new buildings will be required.

The Christchurch property was purchased from two different parties, the larger portion from Mr. Maling for £10,250, and an adjoining section from Mr. Phillips for £1,500. The Maling property has since been let to him for twenty-five years at a rental of £500 per annum for five years and £600 per annum for twenty years. It has been proposed to build offices for the conduct of the association's business on Mr. Phillips's section.

At Auckland a property was purchased from Mr. Shera, the price paid being £19,000. The purchase was made on the 31st March, 1885, and the buildings have been unoccupied since the 31st October, 1885, although the association rents other premises as offices.

The Committee has to report in respect to these purchases that an outlay of £84,779 has been incurred; that, with the exception of the Wellington building, the premises are not used for offices by the association; that costly buildings were intended to be constructed on the sites purchased; that all the purchases must be regarded as having been made partly for speculative purposes, and that it was undesirable the funds of the association should have been so invested.

The Committee considers the erection of costly buildings, with the idea of thereby attracting business, quite unnecessary, and recommends that only such buildings be provided as are requisite for the proper and convenient conduct of the association's business.

The Chairman moved, The Committee further considers it extremely undesirable that any member of the Government should be placed in the position of initiating and dealing with purchases of this nature, and recommends that this be provided against in future.

Mr. Macandrew moved, as an amendment, The Committee considers it extremely undesirable that any purchases of this nature should have been effected without the express sanction of Parliament, and recommends that in future all expenditure in respect of salaries, office sites, and buildings should be submitted to the House of Representatives for appropriation.

The Committee divided:—

For the amendment—Mr. Macandrew, Mr. G. F. Richardson, Mr. W. D. Stewart.

Against—Colonel Fraser, Mr. Holmes, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. Levestam.

Amendment negatived.

Mr. Holmes moved, as a further amendment, "That the Committee considers it extremely advisable that any future purchases of land or buildings, and all salaries of officers, shall be submitted for the approval of Parliament."

Amendment agreed to, and original motion negatived.

On motion of the Chairman, the following resolutions were agreed to:—

"In the opinion of your Committee, the evidence justifies the following conclusions:—

"That the disagreements on the Board, and the publicity given to these disagreements, have acted injuriously to the interests of the association.

"That the working expenses of the association have been considerably increased, and that no proportionate advantage has accrued.

"That the interests of the policy-holders require that a portion of the funds should be invested in securities yielding a better return than can be obtained from Government securities.

"That canvassing for lives is necessary to the success of the association."

On motion of the Chairman, *Resolved*, That the present Board should be abolished.

On motion of the Chairman, *Resolved*, That the general management of the association's business should be intrusted to an officer of high character and attainments, possessing experience in the business of insurance.

The Chairman moved, That such officer should be appointed by the Governor in Council, but his appointment should be subject to confirmation by Parliament; that he should be a statutory officer, responsible to Parliament, but subject to suspension of office by the Governor in Council. That the General Manager should have full control and direction of the staff of officers of the association, and have power to suspend any officer, subject to inquiry by the Governor in Council. That the officers of the association should be appointed by the Governor, but that all appointments be first submitted to the Manager for his report and recommendation.

Mr. Macandrew moved, as an amendment, That the Act of 1874 be re-enacted.

The Committee divided:—

For the amendment,—Colonel Fraser, Mr. G. F. Richardson, Mr. Holmes, Mr. Macandrew, Mr. W. D. Stewart, Mr. Levestam, Mr. M. J. S. Mackenzie.

Against,—Mr. Montgomery.

Motion negatived, and amendment agreed to.

The Chairman moved, That not less than one-half of the funds of the association shall be invested in Government securities.

Mr. Macandrew moved, as an amendment, That, in the opinion of the Committee, the whole of the funds of the Insurance Association should be invested in Government securities.

The Committee divided:—

For the amendment—Mr. Holmes, Mr. Macandrew

Against,—Colonel Fraser, Mr. G. F. Richardson, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. W. D. Stewart, Mr. Levestam.

Amendment negatived.

Mr. Holmes moved, as a further amendment, The addition of the following words to the original motion, "and in debentures of public bodies in New Zealand secured by rates."

Amendment agreed to, and motion, as amended, agreed to.

On motion of the Chairman, *Resolved*, That the remainder of the funds should be invested in advances on policies and on mortgage of freehold properties in New Zealand, provided that no such mortgage shall exceed £10,000, and the money lent shall not exceed one-half the market-value of such property."

On motion of Mr. W. D. Stewart, *Resolved*, That all moneys lent on mortgage should be invested in the various provincial districts as nearly as practicable in the proportion in which the same have been derived from such districts, provided this can be done without loss to the association.

On motion of Mr. G. F. Richardson, *Resolved*, That applications for loans not exceeding £500, secured upon real property, shall have priority over applications for larger sums.

Mr. Holmes moved, That for dealing with investments a special Board should be appointed; such Board to consist of the General Manager, the Minister in charge of the Department, the Surveyor-General, the Property-tax Commissioner, and the Public Trustee.

The Committee divided:—

For the motion—Colonel Fraser, Mr. G. F. Richardson, Mr. Holmes, Mr. Macandrew, Mr. W. D. Stewart, Mr. Levestam, Mr. Mackenzie.

Against—Mr. Montgomery.

Resolution carried.

On motion of the Chairman, *Resolved*, That no investment by mortgage or loan should be made without the unanimous vote of all the members of the Board present at the meeting at which such loan be considered, and that in all cases the consent of not less than three members shall be required.

On motion of the Chairman, *Resolved*, That canvassing for lives should be continued.

Mr. G. F. Richardson moved, That the rate of interest shall be uniform on loans granted about the same time, irrespective of the amount of loan.

The Committee divided:—

For the motion—Mr. G. F. Richardson, Mr. Holmes, Mr. Montgomery.

Against—Colonel Fraser, Mr. M. J. S. Mackenzie, Mr. Macandrew, Mr. W. D. Stewart, Mr. Levestam.

Motion negatived.

The Committee then adjourned.

THURSDAY, 23RD JULY, 1886.

The Committee met, pursuant to notice, at half-past 10 o'clock.

Present: Mr. Ormond (Chairman), Colonel Fraser, Mr. Gore, Mr. Holmes, Mr. Levestam, Mr. Macandrew, Mr. M. J. S. Mackenzie, Mr. Montgomery, Mr. W. D. Stewart, Mr. G. F. Richardson.

Minutes of previous meeting read and confirmed.

The Committee finally revised and adopted report.

On motion of Mr. Macandrew, *Resolved*, That the resolutions be reported to the House.

On motion of Mr. Macandrew, seconded by Mr. Montgomery, the unanimous thanks of the Committee were voted to the Chairman.

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MINUTES OF EVIDENCE.

TUESDAY, 15TH JUNE, 1886. (Mr. ORMOND, Chairman.)

Mr. D. M. LUCKIE in attendance and examined.

1. *The Chairman.*] What is your position?—I am General Manager of the Government Life Insurance Association.

2. Have you brought a schedule of the properties purchased by the association?—Yes. [Schedule produced.]

3. Over what time does this extend?—The Wellington purchase was the first made. That property was bought before the association was formed.

4. *Mr. Stewart.*] Can you give us the date when the department was transferred from the Government to the Association?—On the 1st January, 1885, under the Act of 1884. Prior to that date I was Commissioner under the Government Insurance Act of 1874.

5. *The Chairman.*] Does this schedule contain the whole of the purchases or investments made by the association in land?—Yes.

6. This return shows four transactions?—Yes.

7. Well, now, will you take the different transactions in their order, and state to the Committee any particulars you know in respect of each of them. Take the first—the Christchurch property—for what purpose was it bought—as an investment or as a site for offices?—It was to be occupied as offices; that was the intention. It was purchased on the 31st January, 1885.

8. What was the cash paid?—The cash paid was £5,500; the mortgage taken over was £6,250; and the expenses were £141 12s. 2d: making a total of £11,891 12s. 2d.

9. You state that this property was bought for building purposes—for offices of the association?—Yes; it was purchased for offices of the association.

10. Is the land occupied as offices?—No; not by us.

11. When is it proposed to occupy it?—It was proposed to build on it. There was a proposal made some time ago for the purpose of building. It was a proposal to build on a vacant allotment adjacent to Maling and Co. It consists of two properties. One of them belonged to Maling and Co. The price paid to Maling and Co. was £10,250, and that to Mr. Phillips £1,500 net.

12. From whom did the proposal for this purchase come?—I got instructions from Sir Julius Vogel, in the beginning of December, 1884, to go down to Christchurch and Dunedin. My instructions were, in the first place, to see Mr. Harper, and consider about Maling's place. I may read the rough note of instructions which I got from Sir Julius Vogel at the time I speak of. It is as follows: "See Mr. Harper. (1) Consider about Maling's place. (2) Is the allotment next to it good and worth buying with it? We shall give it additional value by our going there. (3) Regarding letting basement, there must be strict covenant against bottling wines and spirits. (4) Query. Bonded store, shall we keep or let? (5) Query. Union Bank gardens, can they be bought? (6) Query. It might be well, after seeing all about it and getting place put under offer, to go on to Dunedin and communicate with me. (7) Can you pay off the £6,250 mortgage?"

13. What was that instruction founded upon?—Some communications which Sir Julius Vogel had had when he was down in Christchurch, I think.

14. Are there any letters explanatory of the commencement of those transactions?—Yes. An offer was sent from Christchurch, and also a letter from Dunedin.

15. We are not dealing with the Dunedin purchase?—No; but the two things come together.

16. *Mr. Levestam.*] Were the Dunedin and Christchurch properties bought at the same time?—No; the Dunedin property was bought first.

17. *The Chairman.*] What we want you to do is to read the communications which you have relating to the commencement of the negotiations for the purchase of the Christchurch property?—The first is a letter to Sir Julius Vogel, dated the 12th December, 1884, from J. T. Bell, Cathedral Square, Christchurch. It is as follows:—

SIR,—

Cathedral Square, Christchurch, 12th December, 1884.

Being informed of your wish to obtain, for the accommodation of the Insurance Department, offices in Christchurch which will be creditable both for outward and inward appearance, and convenience combined, with

central and prominent position for such an important branch of Government business, let me put forward for your consideration the premises of Messrs. T. J. Maling and Co., situated in Worcester Street, Cathedral Square West, almost adjoining the new premises being built for the Australian Mutual Insurance Company.

The frontage of the property is 67ft. 5in., with a depth of 85ft., two front entrances and a right-of-way at the back 15ft. wide. The building is of brick, with white-stone front, and of the most substantial character, having very strong walls with the view of, at a future time, adding a third storey to the height, which will make it one of the most prominent buildings in Christchurch. It contains spacious public and private offices handsomely fitted up, strong room, warehouse, large dry cellarage, and bonded store. Water-closets connected with the main sewer, and ample supply of water for all purposes. The position can hardly be bettered, being within a few yards of the post office, telegraph office, and customs on the one side, and the old provincial buildings, courthouses, and municipal offices on the other, and at the centre of the tramway system. The architect was Mr. J. C. Maddison, and the builder Mr. D. Reese, M.H.R. The title is freehold, subject to a mortgage of £6,250 at 7 per cent., and the price required for the equity of redemption is £4,000. If it were desired to let a part of the premises a tenancy can be arranged for what may not be at present required for Government purposes. To show that the position is considered an important one a prominent insurance company has already been in treaty for the premises, although the owners had not previously any idea of offering for sale, as the site was chosen and the buildings erected expressly for their own occupation. If you will appoint some one to inspect the premises Messrs. Maling and Co. will be very pleased at any time to give every attention and information required.

Sir Julius Vogel, Wellington.

I have, &c.,
J. T. BELL.

18. Who is the writer?—I do not know him; I do not think I met him at all.

19. Is there any other communication following—that which was made before you went to Christchurch?—No.

20. Was that letter brought back by Sir Julius Vogel when he returned from Christchurch, or when did it come into your hands?—I could hardly answer that question. I think possibly he may have given it to me when I went down to Christchurch. I recollect now the letter was given to me by Sir Julius Vogel before I went to Christchurch.

21. *Mr. Levestam.*] You got the letter at once, then?—Yes; so far as my memory goes, I think that is so.

22. *The Chairman.*] When you got to Canterbury, whom did you put yourself in communication with there with regard to the purchase?—With Mr. Scott, of Scott and Harper.

23. To what extent did the negotiations then go?—I saw Mr. Maling, and went and saw the property. I got it valued by Mr. Matson. No definite arrangement was made until the Board took it in hand. A Committee was appointed by the Board in the beginning of the year. Nothing was definitely concluded. The purchase was not concluded until the appointment of a Committee to inquire and report to the Board. That Committee was appointed to close the transaction.

24. Then, what recommendation did you make?—I recommended that the property should be bought.

25. On Mr. Matson's valuation?—After Mr. Matson's valuation.

26. What was that valuation?—Mr. Matson valued it at £10,350.

27. You recommended it to be bought on that valuation, did you?—No, not at Matson's valuation, because we had it offered at £10,250.

28. Did you consider the buildings suitable for offices at the time you made the inspection?—Yes; I was desirous of seeing a large building completed, with a sort of square tower erected on the vacant property. I thought that would bring the place into considerable prominence.

29. What was the tower for?—A four-storey building for office purposes, and also to draw attention to the offices.

30. With that addition, were the premises suitable?—They could have been made suitable.

31. At what additional cost would the buildings have been made suitable for the purposes of your offices?—I thought it was possible, at about £2,500, to build front offices on the adjacent vacant allotment. It was also proposed, or suggested at least, if we could arrange with Mr. Maling, that we might erect some additional buildings upon the vacant allotment to rent. No such building has been erected; nothing has been done.

32. Were not representations made to Mr. Maling that such buildings would be put up for him?—Maling himself suggested it.

33. Then, was it contemplated as part of the purchase that the property should be partly let to Mr. Maling?—Yes.

34. How much of it?—All the building that he might require except two rooms that we should have the right to secure in connection with the new building that was proposed to be put up for our own offices.

35. The new building, as I understand you, was proposed to be put up on this vacant allotment?—Yes.

36. Did this amount to an understanding with Mr. Maling, or was it only talked of?—It was talked of; there was no definite arrangement made.

37. Was anything said about the terms of such a proposed arrangement?—Not then.

38. Nothing definite at all, except that there was some idea held out that Mr. Maling might secure such occupation—is that what you mean?—Yes; that Mr. Maling would occupy a large portion of the property, including the bonded store and cellarage.

39. Was anything said as to what he was to pay for it?—No; the rent was to be afterwards arranged.

40. Did you give a report when you returned, accompanying your recommendation to the Board, in relation to the property; if so, have you it?—I think I did not make a formal report in writing. The Board decided to send down a Committee to inquire.

41. How did you report?—I think I just laid before the Board the facts and papers.

42. Verbally?—Yes.

43. *Mr. Levestam.*] Will that be on the minutes?—I could not say; I think so. At a meeting of the Board, held on the 27th January, 1885, it was resolved, "Christchurch freehold purchase. Christchurch. Resolved, That the Chairman, Mr. Graham, and Mr. Fisher be appointed a Committee to inquire and report as to purchase of premises, with power to purchase, reject offer, or

ask for extension of time." [Extract from minutes of meeting of Board of Directors held on the 27th January, 1885.]

44. *The Chairman.*] Is that all the note that appears in the minute-book?—Yes.

45. There is no record on the minutes of your report to the Board?—No.

46. *Mr. Levestam.*] Was that unanimously agreed to?—It was.

47. *The Chairman.*] Who were present?—Mr. Tole was acting for the Colonial Treasurer as Chairman, and all the members were present except Sir Julius Vogel and the Solicitor-General.

48. You reported verbally to the Board what you have now stated to the Committee as to the extension of the buildings to suit the purposes of the association, and as to letting a large portion of the premises?—Yes. Here is a telegram which I received from Sir Julius Vogel on the 16th December, 1884, when I was in Christchurch:—

D. M. Luckie, Esq., Govt. Insurance Department, Christchurch. Wellington, 16th December, 1884.
I think it would be better that any purchase you agree to make should be subject to approval of Board not later than 17th January. The vendors will agree on that condition, as Board are sure to view favourably acquisition of good sites.
JULIUS VOGEL.

My telegram, in reply, dated the 17th, is as follows:—

Hon Sir Julius Vogel, Wellington. Christchurch, 17th December, 1884.
Your telegram only delivered this morning. I purposed wiring you similar effect, as old Act gives no power of purchase. Am best pleased with site partly vacant on left-hand Godley statue, just opposite post office. The vacant piece is corner near Cathedral, 72 by 60, but we might get twice the area. Have seen Harper and Scott, and meet former this afternoon. Harper appears doubt propriety of spending large sum on site and buildings, as Government have great pull and established business; but I feel sure great impetus will be given by new departure.
D. M. LUCKIE.

49. I would ask whether Mr. Harper was not in the position of agent for the seller?—No; the firm was acting for us.

50. That was as adviser to the association?—Yes. The next day I found out more about the corner building, and I sent this telegram to Sir Julius Vogel on the 18th December, 1884.

Hon. Sir J. Vogel, Wellington. Waikouaiti, 18th December, 1884.
ALLOTMENT mentioned yesterday too dear. Cost £10,000 six years ago. Maling best investment, very substantial building. Have asked Matson to value adjoining ground, 23ft. frontage; goes double depth of Maling's, and has right-of-way at back; price about £1,500. Fine tower could be erected there for about £2,500. No chance of bank garden.
D. M. LUCKIE.

51. Has the association a valuer of properties in the different localities?—We have two or three valuers in different places. At that time we had no valuer as we had not begun to lend any money on mortgage; in fact, the association was not in being at that time—in December, 1884.

52. Was Mr. Matson the person selected as the Government valuer?—Yes, on that occasion he was.

53. By you, or how?—I think Sir Julius Vogel mentioned to me that I had better get Mr. Matson to value the property.

54. Did you acquaint yourself with the position of the title in this property when you were at Christchurch?—I knew nothing more about it than that there was £6,250 of a mortgage to the National Insurance Company.

55. Did you understand that the mortgage was to that company?—Yes, I was under that impression. That is what was stated.

56. You did not examine the register to see what the title was?—No; we leave that to the lawyer, as a rule. I was told that it was a freehold property.

57. And did your adviser not render you any written statement as to the position of the property for the information of the Board?—I do not think so.

58. Have you any particulars now of the mortgages held?—No; none that I know of. I have heard there was another mortgage, but I know nothing about it. We only had dealings with the mortgage to the National Insurance Company for £6,250.

59. Have you any papers connected with the release of these mortgages in your office?—No; they are in the Audit safe; but I can get them.

60. Are the mortgages paid off?—They are paid off now; but they were not paid off at the time of the purchase. After the Committee had decided to purchase the equity of redemption, I arranged with Mr. Maling to get the National Insurance Company to take the amount of mortgage rather earlier than the time of its expiry, because we wanted to pay it off.

61. When was it paid off?—Last year—the 27th June, 1885. The following is a copy of a letter received from Messrs. Harper and Co.:—

DEAR SIR,— Hereford Street, Christchurch, New Zealand, 27th June, 1885.
Yours of the 26th instant, also a cheque for £6,429 15s. 10d., duly received. We will pay off the National Insurance Company on Monday. Messrs. Maling and Co. have paid us £36 9s. 2d., being one month's interest on the principal. This, with the cheque sent by you, leave £2 10s. short remitted, as per memorandum on the other side.
D. M. Luckie, Esq., Acting General Manager, We have, &c.,
New Zealand Government Life Insurance Association, Wellington. HARPER AND CO.

	£	s.	d.
Principal	6,250	0	0
Interest, 31st December to 30th June	218	15	0
	6,468	15	0
Cheque from you, £6,429 15s. 10d.; cheque from Maling and Co., £36 9s. 2d.	6,466	5	0
Balance		£2	10 0

62. At what date was the whole transaction completed, and the first instalment of the purchase-money paid?—The first instalment of purchase-money was paid on the 31st January, 1885. A deposit of £500 was paid to Maling and Co., by me, on approval, after Messrs. Fisher and Graham directed me to purchase.

63. Your evidence, so far as it goes, has referred to a Committee being appointed to complete

the transaction. What steps did they take to give effect to their powers?—Messrs. Graham and Fisher went down to Christchurch, examined the property, and instructed me to buy it.

64. On their return?—There and then, at Christchurch. I was there at the time.

65. Did you go with them?—I either went with them or after them. I went down, I think, in the same boat with one of them.

66. Have you done anything in the way of occupation of the premises?—No.

67. What is it proposed to do?—It was proposed to put another storey on the building, and to erect some additional buildings on the vacant ground. Messrs. Graham and Shannon were down some time ago in Christchurch and recommended that this should be done, but the Board have delayed taking any action in the matter.

68. Has anything been done in the way of leasing or otherwise dealing with the property?—Yes; the whole of the property, with the exception of the vacant land, has been leased to Maling and Co.

69. That is, the whole of the property purchased from Maling?—Yes.

70. What are the terms on which it has been let?—For twenty-five years; five years at £500 per annum, the tenants paying all rates, taxes, and insurance; and for the balance of twenty years at £600 per annum, tenants also paying rates, taxes, and insurance.

71. Who keeps the building in repair?—I think the tenant is bound to do that. I have not got the lease finally completed, but the terms are those I have mentioned, and the tenants, I think, have to execute repairs. There is an engagement in the lease by which we are empowered to erect within a certain time—within, I think, two years—another storey; and we have a right to take from Maling two rooms which he occupies in the present building, provided we give him some additional accommodation behind in lieu of it.

72. Where is the agreement containing all the particulars you mention?—It is in Christchurch now.

73. Will the minutes of the Board give the details?—No; I do not think so.

74. So far as you know, you have given the main points as to rents, &c., in the evidence you have adduced?—Yes.

75. That agreement is now practically complete?—Yes; the terms were definitely settled by Mr. Bell, in Christchurch. The following is a copy of Sir Julius Vogel's telegram to N. Reid, Esq., dated the 26th November, 1885, which refers to terms of leasing to Maling, and also copy of Mr. Reid's reply thereto:—

N. Reid, Esq., Messrs. Turnbull and Co., Wellington.

Christchurch, 26th November, 1885.

MALING has offered, including unoccupied five hundred five years, then six hundred, we paying taxes. I consider this offer an affront, and propose replying not entertained, and give notice he must vacate premises without delay on expiration of tenure; meanwhile advertise Maling's premises to let, giving notice day we will give possession. This bring him to reason. Say if you approve, also on what day Maling's rights cease and bound to give up possession. He seems to think now he can do as he likes.

JULIUS VOGEL.

Sir J. Vogel, Christchurch.

Wellington, 26th November, 1885.

THINK Maling would give six hundred a year for ten years, and pay taxes. Anxious to get premises let, so that we can either build or get Grain Agency buildings. Plenty places to let in Christchurch, and Maling could get other premises without difficulty. Lease expires 1st February next.

N. REID.

This is another telegram from Sir Julius Vogel to Mr. Reid, Wellington, on the same subject, dated the 2nd December, 1885:—

N. Reid, Esq., Wellington.

Christchurch, 2nd December, 1885.

AFTER infinite negotiation Barnes has at length got following offer from Maling: Five hundred pounds per annum for five years, and six hundred pounds for twenty years afterwards, Maling to pay rates, taxes, and insurance. Association to pay cost of dividing upper floor and to receive six per cent. interest on outlay. This offer does not include spare bit of ground, and I think we should take it. I believe I have only got it because Maling wants to sell business and dreads my advertising premises to let. You must let me know at once—call special meeting. I fear delay, because Maling may draw back. Offer Maling made me was for same term and prices, only we were to pay insurance and to include the spare piece of ground. You will see the present offer is much better and makes the investment a good one, as we get between five and six per cent., and at the end of the lease the land will be worth a large sum.

JULIUS VOGEL.

76. Now, as to the vacant allotment, we have not got particulars as yet about that, only a mere reference to it. From whom was that allotment purchased?—From Mr. Phillips, of Christchurch.

77. Who commenced that negotiation?—That was included in the instructions of Sir Julius Vogel.

78. Did you commence it by instructions?—Yes.

79. Given you when?—In December, 1884.

80. Before you went to Christchurch?—Yes.

81. What was the instruction given you?—It was this: to inquire whether the allotment was good and if it was worth buying. That was included in the instruction from Messrs. Fisher and Graham for me to conclude the purchase on their behalf.

82. What did you do at Christchurch about it?—I just saw the property and got Mr. Matson to value it. He valued it at £1,200.

83. How many feet frontage?—23ft.

84. Into whose hands did you put the conduct of the purchase on behalf of the Government?—I did not put it into anybody's hands.

85. You simply made your own inquiries?—I made inquiries of the Messrs. Maling. They were authorized, on behalf of the association, by Messrs. Graham and Fisher to purchase from Phillips. Maling was acting on behalf of the association for that purpose.

86. When this authority was given them, had you come back from Christchurch and reported to the Board?—Yes.

87. Did they get any advice from you when in Christchurch?—I really cannot recall the fact at this moment. The matter was then in the hands of Messrs. Graham and Fisher.

88. What do you think?—There was no regular authority beyond the letter sent by Messrs. Fisher and Graham, who saw Maling at the time, and subsequently instructed me.

89. At what date was that?—On the 31st January; but they had been negotiating the affair with Messrs. Maling and Co. and Mr. Phillips, and it was resolved that we should purchase the property.

90. With whom did you hold your communication in Christchurch?—With Maling. I never saw Phillips at all.

91. What was the date of the authority from Graham and Fisher?—The 31st January, 1885. It is as follows:—

Sir,— Canterbury Club, Christchurch, New Zealand, 31st January, 1885.

You are authorized to arrange finally for the purchase of Messrs. Maling and Co.'s and Mr. Phillips's property in Worcester Street, Christchurch, for the sums respectively of £10,250 and £1,500 net. Vendor to give a clear title. Purchasers not liable for any commission-charge of any nature whatsoever. Rates and taxes to be paid to date. All policies of insurance on the property to be transferred to purchaser.

D. M. Luckie, Esq.,

Acting General Manager, Government Insurance Board.

GEORGE FISHER.

G. S. GRAHAM.

P.S.—On reading Messrs. Harper and Co.'s letter, recommending the purchase of the equity of redemption of Mr. Maling's property, we approve of that arrangement, and authorize accordingly.—G.F. G.S.G.

92. And the purchase was then completed on the terms of the offer?—Yes; namely, for £1,500. That was the offer of Phillips to Maling. Matson valued the property first at £1,200, afterwards at £1,100, being £50 a foot; but I think he told me afterwards that it was under a misapprehension—that he valued it at the same rate of frontage as Maling's own property, which is only about one-half the depth, and does not go back to the right-of-way—to the new street.

93. Where are Matson's valuations?—I will read you a letter, dated the 2nd January, 1885, from Mr. Matson to me, also a minute made by him.

Sir,— Christchurch, New Zealand, 2nd January, 1885.

In compliance with your request I have made a valuation of Mr. Phillips's section, Worcester Street West, and find the said value to be £1,100, equal to £50 per foot frontage on Worcester Street.

I have, &c.,

JOHN T. MATSON.

D. M. Luckie, Esq., Government Insurance Commissioner, Wellington.

Original letter quoted £1,200. The proper account is £1,100, at £50 per foot.

Minute.—I am of opinion that the sites under notice are very suitable for the purpose, being situate in a growing centre, around which many large buildings are being erected, close to post-office, customhouse, telegraph, and some day, ere long, opposite the new Union Bank, which institution owns the corner opposite.—J. T. M.

94. What do you say in explanation of the purchase being made in excess of the valuation put upon it by the valuer?—It was thought it would be well worth the money, as an adjacent property, for the purpose of building. The following is a minute, written by Sir Julius Vogel, in the early part of January, 1885. It was written on a rough sketch of the two properties: "I recommend Board to buy both properties for £10,250 and £1,500, but with no obligation to relet to Mr. Maling: that to be left for further consideration. His occupation might be extended for four months, during such consideration, at a rent to be jointly fixed; and, in event of dispute, to be subject to arbitration. Beyond the four months no obligation.—J. V."

95. Has it been at all the practice to buy property at different prices from the valuations recommended by your valuers?—No.

96. Any other case?—No. I do not know of any.*

97. Was any other recommendation made to the Board to purchase the section at this place besides the recommendation which has been read from Sir Julius Vogel?—I did make a recommendation to the Board to purchase at that price, because I learned from Maling, and also from Mr. Scott, that it was impossible to get it at any less, and also because a property of a similar kind had cost the Australian Mutual Provident Society £1,400—a small section at the Worcester Street side of the new building they have erected, to be included in the site of the new building. It was a section equally large, and, I think, it was the same depth.

98. Can you say why it was that Harper and Co. ceased to be employed by the association, and Garrick and Co. employed?—I met Mr. Garrick in Sir Julius Vogel's place at Christchurch. They had talked together on the subject of this lease, and they were discussing at the time the question of a loan to Sydenham, of which Mr. Garrick had charge. Sir Julius Vogel suggested that he had better draw out the lease to Maling and Co., and Mr. Garrick consented to do so. That was the arrangement.

WEDNESDAY, 16TH JUNE, 1886.

Mr. D. M. LUCKIE in attendance and further examined.

The Chairman: Mr. Luckie desires to put in evidence the report of the Committee upon which the Board authorized to purchase the Christchurch property for the association.

Witness read the following report of the Committee, consisting of the Chairman (Hon. Mr. Tole), Mr. Graham, and Mr. Fisher, appointed by the Board to inquire and decide as to the purchase of Messrs. Maling and Co.'s and Mr. Phillips's properties in Christchurch (under offer to the Board), to reject, or ask for extension of time. "The Committee have to report that Messrs. Fisher and Graham, with Mr. Luckie, Acting General Manager, inspected the properties, and, with the concurrence of the Chairman, decided to purchase the equity of redemption of Messrs. Maling and Co.'s property for £4,000, subject to a mortgage of £6,250 (= £10,250), redeemable on six months' notice or on payment of three months' interest; and also to purchase the adjoining allotment, belonging to Mr. Phillips, for £1,500. The purchase was completed accordingly, and £500 paid as a deposit out of imprest-moneys in Mr. Luckie's hands.—Jos. A. TOLE, Chairman. 3rd February, 1885." At the Board meeting on the same day the Board resolved "That the action of the Committee be confirmed, and the report adopted."

* I desire to correct this. In the case of the Wellington purchase the department paid a good deal more than the valuer named. £16,000 was the valuation: the department paid the Government £18,000.—D.M.L.

The Chairman : Mr. Luckie hands in the certificate of title which the Insurance Association holds, also search paper (Land Transfer).

Witness produced the following documents :—

CERTIFICATE OF TITLE (Register-book, Vol. 109, folio 220).

THE New Zealand Government Life Insurance Association is now seised of an estate in fee-simple, subject, nevertheless to such encumbrances, liens, and interests as are notified by memorial underwritten or indorsed hereon, in that piece of land situated in the City of Christchurch, containing 20 perches or thereabouts, edged green in the plan hereon, being Lots 8 and 9 on the plan deposited in the Lands Registry Office as Plan 360, part of Section marked 718, delineated in the public map of the said city, deposited in the office of the Chief Surveyor, originally conveyed the second day of June, 1851, by the Canterbury Association to Alfred Charles Barker.

In witness whereof I have hereunto signed my name and affixed my seal this twenty-third day of March, one thousand eight hundred and eighty-five.

(L.S.) J. M. BATHAM,

District Land Registrar of the District of Canterbury.

Signed in the presence of W. J. Kilgour, the 23rd day of March, 1885.

Mortgage 14295 produced 17th July, 1882, at 2.15 p.m. Richard Dunn Thomas to the National Fire and Marine Insurance Company of New Zealand.—J. M. BATHAM. Discharged 1/7/1885.—J. M. B., D.L.R.

Mortgage 16863 produced 11th September, 1883, at 2.45 p.m. Thomas James Maling and another to the National Fire and Marine Insurance Company of New Zealand.—J. M. BATHAM, District Land Registrar. Discharged 1/7/1885.—J. M. B., D.L.R.

CERTIFICATE OF TITLE (Register-book, Vol. 53, folio 246).

PURSUANT to Memorandum of Transfer No. 12311, from Lorenzo Moore and Leonard Harper. Charles Mand Phillips of Christchurch, gentleman, is now seised of an estate in fee-simple, subject, nevertheless, to such encumbrances, liens, and interests as are notified by memorial underwritten or indorsed hereon, in that piece of land in the City of Christchurch, containing 13 perches, or thereabouts, bounded as appears on the plan hereon and therein coloured green, being the Lot marked 7 on the plan deposited in the Land Registry Office as Plan 360, which said piece of land is part of the Section marked 714, delineated in the public map of the said city, deposited in the office of the Chief Surveyor, originally conveyed the second day of June, 1851, under the seal of the Canterbury Association, and hands of two of its attorneys, to John Draper.

In witness whereof I have hereunto signed my name and affixed my seal this third day of April, one thousand eight hundred and eighty.

J. M. D'O'LYX,

District Land Registrar of the District of Canterbury.

Signed in the presence of J. J. Dixon, this 3rd day of April, 1880.

Mortgage No. 9239 produced 10th March, 1880, at 1.10 p.m., Charles Mand Phillips to Lorenzo Moore and Leonard Harper.—J. M. D'O'LYX. Discharged 2/3/85.—J. M. B., D.L.R.

Transfer No. 24108 produced 2nd March, 1885, at 2.40 p.m., Charles Mand Phillips to the New Zealand Government Life Insurance Association.—J. M. BATHAM.

SEARCH PAPER.—(LAND TRANSFER.)

CERTIFICATE of title, Vol. 109, folio 220, 20 perches, Lots 8 and 9 on the deposited plan 360, part of freehold section 718, City of Christchurch, to the New Zealand Government Life Insurance Association.

Mortgage 14295, R. D. Thomas to the National Fire and Marine Insurance Company of New Zealand, to secure £2,000, interest £7 per cent. per annum, payable 31st December, and June term 15th July, 1887. Covenant to insure in the full insurable value all buildings on the land during continuance of the security, dated 14th July, 1882.

Mortgage No. 16863, Thomas James Maling and George Berkeley Hill to the National Fire and Marine Insurance Company of New Zealand, to secure £4,250, interest 9 per cent. per annum, reducible to 7 per cent. per annum, payable 30th June and 31st December, term 30th June, 1887, covenant to insure all buildings on the land during the continuance of this security in the full insurable value thereof. Dated 7th September, 1883.

99. *The Chairman*.] Will you have inquiry made at the Registrar's office as to whether this search-paper is complete, and, if not, request full particulars to be furnished?—I will.

100. Now, will you give the Committee information with reference to the Dunedin purchase?—I got instructions at the same time as I received instructions regarding the Christchurch property. This is part of the instructions relating to the Dunedin property :—

(Memorandum.)

Dunedin.

SEE Mr. Pym and Mr. Stout. Object is to get the best site and good premises. If you have to wait a little for tenants: lease to expire not of much consequence, because if we build it must take some time. Our present object is premises for immediate use and site upon which to put the finest building in Dunedin. Sooner or later freehold will be immeasurably best; price does not matter so long as you get good value for what you pay.

The origination of this was a communication from Mr. Pym to Sir Julius Vogel, in which two properties were offered—Section 39, Block IX., corner of Princes and Rattray Streets, and Section 53, corner of Princes and Dowling Streets. The first one is Wise's corner. It belonged to a large number of people—to Kilgour and others. The second property belonged to Major George, and has since been sold to the Australian Mutual Provident Society for £25,000.

101. We will take the property at Wise's corner first?—This is a telegram dated the 12th December, 1884, addressed to Sir Julius Vogel by Mr. Pym :—

Hon. Sir Julius Vogel, Wellington.

Dunedin, 12th December, 1884.

SECTION 39, Block IX., immediately opposite Bank of New Zealand, having frontage to Princes Street, 66ft., Rattray Street, 165ft.; price thirty-seven thousand, and rental now bringing in two thousand two hundred per annum. Section 53, Block IX., corner Princes and Dowling Street, same block as all the bank; price twenty-seven thousand, produces rent thirteen hundred and twenty. These are two finest sites Dunedin. Only freehold corners available. Please refer valuer to me for particulars.

M. Pym.

Here is another telegram on the same day from Mr. Pym to Sir Julius Vogel :—

Hon. Sir J. Vogel, Wellington.

Dunedin, 12th December, 1884.

SECTION 39, known as Wise's Corner, frontage Princes Street, do not expire till '85, '87, and '90; however, immediate arrangements could be made temporary office Rattray Street, frontage Section 53, Dowling Street. None of tenants extend beyond end '85, and temporary office could be arranged for in the Princes Street frontage. All buildings brick, and stone. Am posting you to-night full particulars both properties. There is vacant frontage 30ft. to Dowling Street back of Section 53.

MONTAGUE PYM.

After looking at both properties, and consulting with Mr. Stout, it was agreed that by far the best was Kilgour's property, known as Wise's Corner. I met Mr. Pym, and we went and looked at both the properties. After consulting with Mr. Stout, who was very strongly in favour of Wise's Corner, that was the property decided upon.

102. What do you mean by decided upon?—It was decided to recommend it.

103. Subject to what conditions?—To approval by the Minister.

104. Subject to these conditions of occupancy or what?—We were to take it over as it stood, subject to existing leases and mortgage. There was a mortgage for £5,000 to Captain Fraser.

105. And what arrangement was made for occupancy for the purposes of the offices?—That was left for further arrangement, inasmuch as it was intended to build on the land. The property is somewhat dilapidated in some of its parts. We were at that time in the post office. Since then we have taken temporary buildings in Manse Street—the old Provincial Council building at the corner of that street.

106. When is it proposed to utilize this property for offices?—So soon as the Board decide to build.

107. What present arrangements are there for the profitable use of the land?—None, beyond the existing tenants, whose rents produce now £2,007 per annum.

108. What are the arrangements under which these properties are now held or occupied?—They are all under monthly tenancies with the exception of Wise's—the lease of which expires on the 6th June, 1890; Seeger's, which expires on the 2nd July, 1890; and Glover and Co.'s, which expires on the 1st December, 1887. All the rest are now arranged as monthly tenancies in view of the probability of building.

109. Have you got the particulars of the rentals paid by the different tenants?—No; I shall obtain the information from the books.

110. Whose is the largest rental?—Wise's. Their rent is £400 a year.

111. Will those people who have leases until 1890 interfere with any possible building arrangements?—It was understood at the time that they would be willing to take places in the new buildings, but since then Mr. Wise has asked for compensation for his lease. The amount was so very large that negotiations were speedily discontinued.

112. Then, can the property be used before the expiration of these leases for the purpose of building for the association?—Yes; a building can be erected on the Rattray Street frontage.

113. That would not be interfered with by any existing leases?—No. What was proposed was to erect buildings that could be put up in blocks, and we got a plan from Mr. Wales to that effect; but nothing more was done.

114. That was with the view of utilizing the Rattray Street frontage?—Yes.

115. You said just now that the rents had been rearranged with the monthly tenants?—Yes.

116. Have they been much reduced?—Yes; they have been reduced about £200 odd a year. I am speaking from recollection, but will supply the exact figures.

117. Have any changes taken place in the occupancy?—There have been very few. A photographer has, I think, gone out. Heymanson, Low, and Co.'s building was vacant.

118. There is no arrangement at present by the association for building?—No; it has been under consideration for some time.

119. But was postponed?—It was postponed.

120. The offices used now are temporary offices?—Yes; we rent them.

121. At what rental?—£75 a year.

122. Could not any portion of the property purchased have been utilized as temporary offices?—Yes; but, in view of the intention to build, it was thought as well to wait until the building was decided upon.

123. Would it be any gain to the association to use the building purchased in preference to the offices rented?—No; it would not be any gain. To get as convenient an office would cause a loss, inasmuch as we should require the tenant to vacate a good place. That is my opinion.

124. In reference to the answer you gave previous to this last answer, have you not said that the building which is proposed would not interfere at all with those premises which are now let?—It would not interfere with the front premises.

125. Are Heymanson and Co.'s old premises empty?—They were empty for some time, but are now let.

126. Was that not suitable property?—No; it was too dilapidated.

127. On what terms was the property actually purchased?—For £35,500. I may say that Mr. Pym was requested to stand outside altogether from the business, on the advice of Mr. Sievwright, and not let himself be known. He was to keep silent about the transaction. Knowing that there were so many people connected with it, Mr. Sievwright recommended that another gentleman should be employed to arrange for the purchase, so as to avoid the chance of the matter getting wind—to prevent its being known that the Government Insurance Department were after the building. Several insurance people had been after the property. The Australian Mutual Provident Society had offered £34,000 for it some time before. In accordance with Messrs. Sievwright and Stout's recommendation, I put the matter into Mr. Sievwright's hands to make what arrangements he could.

128. Who did Mr. Pym represent himself to be acting for, and did he absolutely offer the property for sale?—I understood he was acting for the Government for the purchase.

129. In what capacity?—As commission agent, to buy the property.

130. Where did Mr. Pym get his offer from that he transmitted to the Government?—I do not know that he had any offer. This is the letter, dated Dunedin, the 12th December, 1884, which Mr. Pym addressed to Sir Julius Vogel:—

REPORT PROPERTIES, DUNEDIN.

(Memorandum.)

Dunedin, 12th December, 1884.

SECTION 39, Block IX., corner of Princes and Rattray Streets. Full particulars and plan attached (marked A). Price, £37,000.

Section 53, Block IX., corner Princes and Dowling Streets. Particulars of tenancies: Vacant land not let, 30ft. frontage (in Dowling Street), worth £75 per annum; Samson and Co.'s, auction-room, let by year at £2 10s. per week, £125; Peace and Co., per week, £1, £50; Peace and Co., office, per week 10s., £25; Stone, publisher, per week, 10s., £25; Leask, dentist, per annum, £70; Cook, lawyer, per week, £1, £52; Wertheim Sewing Machine Co. (tenancy expires next year), per week, £6, £312; McKay, lawyer, per month, £8 6s. 8d., £100; Rose, barber, £1 15s. per week, £91; Craver, auctioneer, £16 13s. 4d. per month, £200; Smith, fishmonger (lease expires at end of 1885), £208; Aitken, labour agent, monthly, £2, £24; tailor's shop (unlet), rental should be £150. Price, £27,000. The

particulars *re* terms of occupancy are, I believe, correct, but are furnished without reference to deeds. The buildings are two-storied brick building. In margin you will see cutting from plan Dunedin, showing position sections with reference to the leading banks. I also beg to hand you (marked B) plan Dunedin, with the two sections coloured red.

The section I mentioned to you in my telegram opposite Grand Hotel and at the corner of High Street and Princes Street is only a church lease, with a few years to run, when it will have to go up to auction. Owing to its being leasehold only is the reason of its not being occupied by bank or insurance. Any private valuator being referred to me I shall be happy to furnish any further particulars.

MONTAGUE PYM.

131. When you saw Mr. Pym at Dunedin you stated you went to see two properties?—Yes.

132. Those properties, you have stated, were purchased at certain prices?—Yes.

133. Did you have any particulars of them before you decided on the property which Mr. Stout eventually elected to purchase?—Yes; I had some conversation with Mr. Sievwright, Mr. Stout, and Mr. Pym together.

134. Did any particulars come out then as to the property being under offer?—No. That was understood to be the ruling price. Mr. Sievwright told me he believed the Australian Mutual Provident Society had offered £34,000 for it.

135. Then, as I understand you, Mr. Sievwright undertook to make inquiries?—Yes.

136. He then would be acting instead of Mr. Pym?—Yes.

137. Now, what was the result of Mr. Sievwright's inquiry?—This letter, which he addressed to me, dated Dunedin, the 24th December, 1884:—

DEAR SIR,—

Dunedin, 24th December, 1884.

Re Wise's corner: Herewith I beg to hand you copy offer of sale of Allotment 39, Block IX., Dunedin, made by the agents of the proprietors to my agent, Mr. Charles Reid, for £35,500; offer to remain open till noon on the 30th instant. As you wish my opinion as to the position and value of the land under offer, I beg to advise that I consider the land the choicest allotment in this city, and the most central, and consequently best adapted for offices for your department, and likewise a judicious investment for the money of the Insurance Department.

D. M. Luckie, Esq., Commissioner, Government Life Assurance.

I have, &c.,

BASIL SIEVWRIGHT.

P.S.—I may add that Mr. Montague Pym, who is considered a good judge of the value of land in Dunedin, agrees with me in the above opinion.—B. S.

Then here is a letter from McLandress, Hepburn, and Co. to Charles Reid, dated 23rd December, 1884:—

(Private and confidential.)

DEAR SIR,—

Dunedin, 23rd December, 1884.

We are instructed by the proprietors to place under your offer till Tuesday, 30th instant, at noon, that quarter-acre section at the corner of Princes and Rattray Streets known as "Wise's Corner," together with all the buildings thereon, for the sum of £35,500 cash to the proprietors, and subject to all existing leases, covenants, and agreements with tenants: the purchase to take effect as from the 1st January, 1885, from which date the buyer is to get the benefit of the rents; it being further understood that an adjustment of the property-tax, local rates and taxes, and fire insurance is to be made between buyer and seller as of that same date. Further, it is understood that the vendors are to retain their legal rights against all tenants who may happen to be in arrear with their rents until such arrears, up to the 1st January, are paid off. The buyer, as usual, to pay the cost of preparing and perusing the conveyance to the property.

We are, &c.,

MCLANDRESS, HEPBURN, AND CO.,

Agents for the proprietors.

Charles Reid, Esq.

P.S.—As you are aware, the interest of one of the proprietors is mortgaged for £5,000 to Captain Fraser, which mortgage does not expire until July, 1886. It would be desirable if the purchaser could see his way to take over this existing mortgage, as it would thereby save the present proprietor about eighteen months' interest.—McL., H., and Co.

138. Well, what took place upon this offer?—I telegraphed to Sir Julius Vogel:—

Hon. Sir Julius Vogel, Wellington.

Dunedin, 24th December, 1884.

CONFIDENTIAL. Wise's corner under offer at thirty-five thousand five hundred. Sievwright and Stout advise close, and that the land is choicest allotment in Dunedin—most central and best adapted for our offices, also judicious investment for our money. It is absolutely necessary to close without delay, and I strongly recommend that you authorize the purchase. Possession given first January. Details in Sievwright and Stout's hands. Please reply urgent, as I propose leaving to-night. I think property splendid investment.

D. M. LUCKIE.

That telegram is dated the 24th December. On the same day I received this telegram from Sir Julius Vogel:—

D. M. Luckie, Dunedin.

Wellington, 24th December, 1884.

I APPROVE purchase if the Hon. the Premier recommends it officially.

JULIUS VOGEL.

Here is a telegram from Mr. Stout to Sir Julius Vogel, dated the 24th December, 1884:—

Hon. Sir Julius Vogel, K.C.M.G., Wellington.

Dunedin, 24th December, 1884.

HAVE recommended purchase Wise's corner Insurance Association. Governor must, however, consent. I presume this will be obtained by Mr. Luckie, who leaves here to-night for Christchurch.

ROBT. STOUT.

Here is a telegram from me on the same day to Sir Julius Vogel:—

The Hon. Sir Julius Vogel, K.C.M.G., Wellington.

Dunedin, 24th December, 1884.

THE Hon. Premier has officially recommended the purchase of Wise's corner. Mr. Sievwright is authorized to complete. The Premier has also written a minute recommending the Governor to consent to purchase, and suggests that I should submit same to His Excellency to-morrow at Christchurch. Will you please so to direct me?

D. M. LUCKIE.

139. You got your authority from Sir Julius Vogel?—Yes. There is Mr. Stout's minute, approved by the Governor, and written on my memorandum as follows:—

The Hon. the Premier.

Government Insurance Office, Dunedin, 24th December, 1884.

ATTACHED hereto is a telegram from the Hon. the Colonial Treasurer respecting the purchase of "Wise's corner" allotment in this city, as originally recommended to the department by Mr. Montague Pym, and as more particularly described in Messrs. McLandress and Hepburn's letter to Mr. Charles Reid of the 23rd December current, and referred to and recommended in Mr. Basil Sievwright's letter to me of this day's date. The price is £35,500, and the terms are as narrated in Messrs. McLandress and Hepburn's letter above mentioned. The property is for the use of the Government Insurance Department, and will be paid for out of that department's funds. I to-day notified the Colonial Treasurer of the offer and the price stated above. In reply he telegraphs as follows: "I approve purchase if the Hon. the Premier recommends it officially.—JULIUS VOGEL." I have had conferences with yourself and with Mr.

Sievwright on the subject of the purchase proposed, and I now respectfully submit this memorandum and solicit your recommendation of the purchase as desired by the Hon. the Colonial Treasurer.

D. M. LUCKIE,
Government Insurance Commissioner.

D. M. Luckie, Esq., Commissioner of Assurance.

I do not know a better site for offices. The price I consider fair, and offices are required. All the other insurance associations have acquired or are acquiring sites, and it would be injurious to the department not to acquire one. I therefore recommend purchase.

24th December, 1884.

ROBERT STOUT.

I may add His Excellency the Governor must consent to the purchase, and I respectfully recommend His Excellency to consent.—ROBERT STOUT.

For His Excellency the Governor.

Approved.—W. F. D. J., 27th December, 1884.

140. Then, having obtained this assent, on what date did you signify to the vendors that the purchase was accepted?—On the 24th December, 1884, the following communication was sent:—

DEAR SIR,—

Government Insurance Department, Dunedin, 24th December, 1884.

I have the honour to acknowledge receipt of your letter of this day's date, covering copy of a letter from Messrs. McLandress, Hepburn, and Co., Dunedin, as agents for the proprietors of the allotment and buildings thereon, in this city, known as "Wise's Corner," as more particularly described in their letter, and offering that property for £35,500. By direction of the Hon. the Colonial Treasurer I am instructed to authorize you to accept the said offer.

I have, &c.,

D. M. LUCKIE,
Government Insurance Commissioner.

Basil Sievwright, Esq., Dunedin.

P.S.—You are also authorized to arrange the question of interest on Kilgour's mortgage to Captain Fraser.—D. M. L.

Memorandum.—The interest on this mortgage of Kilgour's is 7 per cent.; the department consents to allow 5 per cent., Mr. Kilgour paying the difference until expiry of mortgage in 1886. This according to Mr. Sievwright's advice.

141. That closes the transaction so far as the purchase is concerned?—Yes.

142. What steps were then taken to give effect to the purchase?—It was left entirely in Messrs. Sievwright and Stout's hands to prepare the deeds, and the purchase was completed.

143. When was the purchase money paid?—On the 10th February, 1885. The following communication was sent:—

Minutes for the Board.

I respectfully recommend that £30,500, as requested by Messrs. Sievwright, Stout, and Co., be remitted to that legal firm.—D. M. LUCKIE.—9th February, 1885.

Payment approved. Acting General Manager to arrange transmission of mortgage free of exchange.—N. REID.

Payments arranged by Mr. Luckie.—J. H. R.—11th February, 1885.

£30,500 was the purchase-money then paid.

144. Was this purchase ever submitted to the approval of the Board?—This purchase was concluded before the Board existed.

145. When did the Board begin to exist?—On the 1st of January, 1885.

146. When did you receive the claims for services rendered in connection with the purchase; and what were they?—Mr. Pym complained that he had not got his commission, and asked for payment for his services immediately after the transaction was closed. That was while I was in Dunedin.

147. What claim did he make?—He said that he considered himself entitled to $1\frac{1}{2}$ per cent. commission. As he had been told to stand out, he was afraid he was going to be entirely overlooked, and said so.

148. What answer did you make to his claim?—I said I thought he was entitled to commission, and Mr. Stout was of that opinion also—that he was entitled to commission from the vendors.

149. Was there anything said about commission to the vendors before the purchase was completed?—I do not know about the vendors; but Sir Julius Vogel said to me before I left, that the vendors ought to allow Pym commission—that it ought to come out of the vendors' pockets.

150. Was anything said to Mr. Pym about this when he was recommended to stand on one side?—I do not remember. I think Sievwright said that Pym's interest ought to be protected. Pym claimed at the time that his interest ought to be protected by the purchasers.

151. Then, what further took place upon Mr. Pym's claim?—On the 24th December, 1884, I wrote to the Premier,—

The Hon. the Premier.

Dunedin, 24th December, 1884.

In consideration of the valuable services which Mr. Pym has rendered to the department in connection with the purchase of the property at Wise's corner, which was first initiated by him, as he aided me in making the preliminary arrangements, and expected a fair commission on the transaction, I respectfully recommend that he be allowed a commission of $1\frac{1}{2}$ per cent. on the purchase-price of the property.

D. M. LUCKIE.

This is Mr. Stout's memorandum upon that:—

D. M. Luckie, Esq., Dunedin.

24th December, 1884.

I do not know that Mr. Pym cannot claim a commission. He put the department on to the bargain, and, though he was not agent at the close of the bargain, he is certainly entitled to be paid for his services, and I think $1\frac{1}{2}$ per cent. fair commission.

R. STOUT.

152. Did all that take place in Dunedin?—Yes, all on the one day. This is a telegram, dated Wellington, the 24th December, 1884, which Sir Julius Vogel sent to me:—

D. M. Luckie, Esq., Dunedin.

Wellington, 24th December, 1884.

Pym is a connection of mine, and I cannot authorize a special payment to him unless on direct recommendation of the Hon. the Premier, who is better cognizant of the circumstances than I.

JULIUS VOGEL.

On receiving that telegram I wrote the memorandum which I have already read, and upon that Mr. Stout made the recommendation.

153. Did Mr. Stout see the papers?—Yes.

2 I.—6.

154. He saw Sir Julius Vogel's telegram?—Yes. On the 24th December I sent this telegram to Sir Julius Vogel:—

Hon. Sir Julius Vogel, K.C.M.G., Wellington.

Dunedin, 24th December, 1884.

PREMIER in a minute considers Pym legally entitled to commission, having put department on the bargain, and says certainly entitled to be paid for his services, and that one and a fourth is a fair commission. Please approve. Shall I give him cheque out of imprest.

D. M. LUCKIE.

155. What did you do then—did you pay the money?—No; I went to Mr. Sievwright, and insisted upon the necessity of the vendors paying the commission, and he referred me to Mr. Reid, who agreed to pay Mr. Pym 1 per cent. on the part of the vendors. On the 26th December, 1884, I sent the following telegram to Sir Julius Vogel:—

Hon. Sir J. Vogel, K.C.M.G., Wellington.

Dunedin, 26th December, 1884.

I HAVE to-day succeeded in securing to Pym one per cent. commission on purchase-money. This was all I could do, and he will be content. I have reported this arrangement to the Hon. the Premier. In all things where necessary I was guided by Sievwright, and I assure you the others being after the property was no "bogie:" property could now be transferred for fully ten per cent. advance either here or in Melbourne.

D. M. LUCKIE.

156. What induced you to initiate this claim upon the vendors when you got the approval for payment by the Government?—Because I thought, after all, if commission was to be paid it was the proper thing for the vendors to do. I talked the matter over with Mr. Stout and Mr. Sievwright, and the latter said I had better see whether or not I could manage to induce Charles Reid to get the vendors to make an allowance. Here is the letter which I wrote on the 26th December, 1884, to Mr. Pym:—

DEAR MR. PYM,—

Dunedin, 26th December, 1884.

I have the pleasure to intimate to you that I this morning arranged with Mr. Reid that your claim for commission on the purchase of the Wise-corner allotment will be recognized to the extent of 1 per cent. on the amount of the purchase-price. Mr. Reid, who was the medium through whom the transaction was finally completed, this morning agreed that that amount should be paid to you as commission out of the amount paid to the vendor.

Thanking you for your assistance,

Believe me, &c.,

D. M. LUCKIE.

Montagu Pym, Esq., Dunedin.

On the same day Mr. Stout telegraphed to Sir Julius Vogel,—

Hon. Sir Julius Vogel, Wellington.

Dunedin, 26th December, 1884.

LUCKIE has arranged commission with vendors; so sale may be completed. He will leave here to-morrow.

ROBT. STOUT.

157. Then, was that the close of the transaction so far as claims for services went?—No.

158. What further occurred?—Mr. Pym wrote or communicated verbally, saying that he was not content with the 1 per cent., and that he considered himself entitled to 1½.

159. Then what took place?—This telegram was received from Sir Julius Vogel on the 26th December—

D. M. Luckie, Esq., Dunedin.

Wellington, 26th December, 1884.

You should have insisted on full amount certified by Premier. As it is, it seems to me we ought to pay Pym the quarter difference. Will wire A.D.C. approval purchase.

JULIUS VOGEL.

160. Did Mr. Pym express his dissatisfaction before or after Sir Julius Vogel's telegram to you on the same day?—It was before I got Sir Julius Vogel's telegram. He (Sir Julius Vogel) said I should have insisted on full amount certified by the Premier—that it seemed to him we ought to pay Pym the quarter difference.

161. What did you do on receipt of that telegram from Sir Julius Vogel?—I wrote this memorandum to him on the 29th December, after I had returned to Wellington:—

The Hon. the Colonial Treasurer.

I DULY intimated to Mr. Pym that the vendors, as represented by Mr. Reid, had, on my representation, agreed to pay him a commission of 1 per cent. on the purchase-money of Wise's corner property in Dunedin, it being acknowledged that he was the agent by whom the transaction was initiated and recommended, and therefore entitled to payment. He contended that he was fairly entitled to the very moderate allowance of 1½ per cent. on account of his services; and you will observe that to this amount the Hon. the Premier (who deems it moderate) appears to consider Mr. Pym is entitled. Mr. Pym has enabled the department to secure what both the Premier and Mr. Sievwright (whose opinions I share after careful inquiry and observation) consider as the very best available corner in Dunedin. One and a fourth per cent. is a low rate of commission, and I agree with you that the ½ per cent. should be paid to Mr. Pym by the department; and I beg to recommend that this amount, which is on £35,500, be paid to him accordingly. I could pay it out of the imprest lying at my credit in the Bank of New Zealand at Dunedin, and thus save exchange.

29th December, 1884.

D. M. LUCKIE.

Papers attached. Those respecting the purchase, final closing, &c., and Premier's recommendation are with His Excellency, to whom I transmitted on Saturday night.—D. M. L.

If you have not had a telegram respecting the Governor's signature, may I suggest the propriety of telegraphing the A.D.C. on the subject?—D. M. L.

Approve payment.—J. V.—29th December, 1884.

Telegraph Mr. Pym that will wire him to-morrow.—D. M. L.

162. What took place upon that?—Sir Julius Vogel made this minute: "Approved payment.—29th December, 1884."

163. You paid him?—I paid him ½ per cent., amounting to £88 15s.

164. Was there anything further in connection with this payment of commission?—Nothing.

165. No other question has arisen since in connection with the commission?—No.

166. Do you know if it was paid by the vendors?—I understand so.

167. The department has never been applied to in connection with it?—No. I heard nothing more about it.

168. What did the property cost altogether, including expenses and costs?—£36,029 9s. 2d.

169. What are the particulars of that amount?—Cash paid Sievwright and Stout, £30,500; Captain Fraser's mortgage taken over, £5,000; expenses in connection with purchase, £529 9s. 2d. There is one item of £119 16s. 9d. for repairs done to the property since the purchase was made. The lawyers' costs, stamps, registration, &c., amounted to £264 13s. 6d.; Pym's commission, £88

15s.; Wales's account for survey and looking after repairs, £29 2s. 4d.; Luckie's travelling expenses, £27 1s. 7d.

170. What was the amount of stamp duty?—£177 10s.

171. *Mr. Stewart.*] How is it that all this business connected with the offer from McLandress and Hepburn, the letter from Sievwright to you, your acceptance, and claim for commission, took place on one day?—I was in Dunedin at the time, and I wanted to get back to Wellington as soon as possible. I had arranged to leave on Christmas-eve.

172. Were these communications put in the shape of letters merely to make a record carrying out a previous understanding between yourselves, or were they originated stage by stage?—They were made by individual communication. It was necessary to have a record.

173. When you heard of this claim from Mr. Pym you did not go to Mr. Stout, but you wrote to him?—I believe I went to him first, but did not find him. I wrote the letter to him in the insurance office.

174. How did Mr. Pym come on the scene so quickly? Were you all present?—We were not all present. I suppose he was looking after his own interests.

FRIDAY, 18TH JUNE, 1886.

Mr. D. M. LUCKIE in attendance and further examined.

Witness handed in the following return of the annual rentals paid by the various tenants in Dunedin, showing the rents originally paid and those paid at the present time—18th June, 1886:—

Tenant.	Original Rental.	Present Rental.	Remarks.
	£ s. d.	£ s. d.	
G. H. Glover and Co.	312 0 0	312 0 0	
R. Rutherford	120 0 0	120 0 0	
J. Seager	312 0 0	312 0 0	
Wise, Caffin, and Co.	400 0 0	400 0 0	
Henry Neill	39 0 0	39 0 0	
F. Cresswell	15 0 0	..	Only remained a short time.
J. White	16 5 0	30 0 0	Taken Cresswell's shop in addition to his own at £30 per annum for both.
R. Brew	15 0 0	15 0 0	
A. Berger	96 0 0	..	Berger left.
E. Sonness .. ..	..	96 0 0	Sonness took the shop.
L. Court	400 0 0	300 0 0	Reduced from 30th September, 1885.
Lightband, Allan, and Co.	200 0 0	156 0 0	Reduced from 1st February, 1886.
J. and W. Gage	40 0 0	40 0 0	
H. Carrick	20 0 0	..	Carrick left.
J. Wells .. ..	..	15 0 0	Wells took Carrick's shop from 15th December 1885.
J. Stamper	20 0 0	20 0 0	
Morrison and Mitchell .. ..	..	102 0 0	Let 13th March, 1886.
Use of right-of-way—			
Ross and McNeill .. ..	..	20 0 0	From 1st December, 1885.
P. Hayman and Co. .. ..	..	5 0 0	"
Matheson Brothers .. ..	..	12 10 0	"
J. Wilkie and Co. .. ..	..	12 10 0	"
Total	2,005 5 0	2,007 0 0	

Witness: There is also a memorandum to which I referred in reply to the Chairman, but did not read, at the last meeting of the Committee. It relates to the Dunedin purchase. I addressed a memorandum to the Hon. the Premier on the 25th December, 1884, stating, "I called to inquire whether you have any instructions for me from Sir Julius Vogel respecting payment of Mr. Pym's commission." Mr. Stout's minute, in reply, is as follows: "Memorandum for D. M. Luckie, Esq.—I have had a telegram from the Hon. the Colonial Treasurer, stating that the commission due the agent who acted for the Insurance Department must be paid by the vendors. This means practically reducing the price to about £35,000. I shall wire. I doubt if the vendors consent to this." —R. Stout. Meantime I think you had better wait till matter finally arranged.—R. S. 25/12/84."

175. *The Chairman.*] Will you now give us some information with regard to the Auckland property?—The first information that I had about the Auckland property was a proposal from the Hon. Mr. Tole, who was then acting for the Colonial Treasurer, as chairman of the meeting of the Board.

176. What was the proposal?—This resolution: "That it is desirable for the Board to acquire premises in Auckland, and that the Hon. Sir Julius Vogel and Messrs. Graham and Shannon be a committee to consider the question."

177. That was the first motion on the subject?—Yes. At another meeting Mr. Fisher was also appointed on the sub-committee.

178. What proposal was then laid before the Board by Mr. Tole—was it in regard to any particular property?—No.

179. Was there any proposal from anybody for the sale of premises laid before the Board at this meeting?—This series of resolutions were agreed to: "By permission of the Board, the Hon. Mr. Tole moved, without notice—(a.) That it is desirable for the Board to acquire premises in Auckland for the business of the Association. Carried. (b.) That the Hon. Sir Julius Vogel, Mr. Graham, and Mr. Shannon be appointed a committee to consider the question of purchasing a

property for premises in Auckland; Mr. Graham and Mr. Shannon to proceed to Auckland and confer with Sir Julius Vogel on the subject, and after inquiry to report to the Board. Carried. (c.) That Mr. Graham and Mr. Shannon proceed to Auckland by first boat with a view of conferring with Sir Julius Vogel. Carried."

180. Who was present at the meeting?—The members present were Mr. Tole, the Secretary to the Treasury, the Public Trustee, Messrs. Bethune, N. Reid, Shannon, Graham, and Fisher.

181. Was any particular proposal ordered to be considered by this sub-committee?—No particular proposal then. They were to go and look at the different premises.

182. What is the next record in connection with the acquisition of premises?—The committee's report to the Board on the 19th March.

183. What did the sub-committee report?—They reported as follows:—

THE Building and Repairs Committee have the honour to report that, pursuant to the special resolution of the Board, dated the 18th February, relative to the purchase of sites for the transaction of the business of the Board in Auckland and Napier, they at once proceeded to Auckland, and immediately on arrival there had an interview with Sir Julius Vogel upon the subject of the offer made to the Board by Messrs. Shera Brothers.

The interview elicited a common expression of opinion on the part of the committee that the price asked—£22,000—was excessive; and, having decided to invite other offers—to all of which the committee have devoted very great attention—they have decided that these offers should be placed in the order of eligibility as follows: (1) T. and S. Morrin, (2) Shera Brothers, (3) Loan and Mercantile Company, (4) Owen and Graham. The other offers the committee cannot recommend to the favourable consideration of the Board.

It will be observed, in reference to the schedule of prices attached, that since the visit of the committee to Auckland the offer of Messrs. Shera Brothers has been reduced from £22,000 to £20,500, and it is the belief of the committee that, in regard to this offer, a still further reduction is possible.

The point having been raised by a member of the committee as to the power of the Board to enter into purchases which might possibly be construed as being *ultra vires* of the Insurance Association Act, and the opinion of the solicitors to the Board having been taken upon the point, it has been deemed desirable, for the information of the Board, to attach the solicitor's opinion to this report.

GEORGE FISHER, Chairman.

The next record on the subject in the minutes of date 19th March, is as follows:—

Special Committee's Report on Auckland and Napier Sites.

THE report of the special committee was considered and it was proposed by Mr. Graham and seconded by Mr. Bethune, That a committee, consisting of the Chairman and Messrs. Graham and Shannon, be appointed to conclude the purchase of either of the two properties offered respectively by Mr. Morrin and Mr. Shera, the latter property to include that of the National Insurance Company.

Mr. Fisher then moved, and it was seconded by Mr. N. Reid, as an amendment, That the proposal to purchase property in Auckland be deferred until the holding of the annual meeting of policy-holders, to be held in May or some time thereafter, as provided by section 50 of the New Zealand Government Insurance Association Act.

Mr. Fisher called for a division, when the Ayes for the amendment were Messrs. Fisher, Shannon, N. Reid, and Gavin; and the Noes were Messrs. Graham, Bethune, Hamerton, and Tole. The Chairman gave his casting-vote with the Noes, and the amendment was declared lost.

The motion originally proposed by Mr. Graham was then put, and agreed to without a division.

184. Where is the report of the Building and Repairs Committee *re* purchase?—It was received by the Board on the 19th March, and considered on that date. There was obtained an opinion from the Board's solicitors on the subject of purchasing property.

185. Who were the solicitors?—Messrs. Buckley and Stafford.

186. Did they give any opinion?—Yes.

187. How did this opinion come to be taken?—On the part of Mr. Fisher.

188. On his motion?—I am not sure, but I think it was on his own motion, acting as chairman of the Building Committee. Mr. Fisher submitted the following memorandum to the solicitors:—

QUESTION for solicitor to Board *re* clauses 76 and 77, New Zealand Government Insurance Association Act: Do these clauses empower Board to purchase land and buildings in any city in New Zealand at a cost of, say, £25,000 or any larger sum?

11th March, 1885.

GEORGE FISHER, Chairman Building Committee.

MEMORANDUM for Mr. STAFFORD.

THE definite point underlying the question submitted to you by me yesterday is this: Has the Board power to enter into speculative purchases, or purchases merely for the purpose of investing the funds of the Board?

Wellington, New Zealand. GEORGE FISHER, Chairman Building Committee.

MEMORANDUM for GEORGE FISHER, Esq., Chairman Building Committee, Government Insurance Department, *re* Powers of Board.

In reference to your memorandum of yesterday with reference to the question whether the Board has power to buy land, we are of opinion that the Board has power, under section 76 of the Act, to buy land. Such purchases must be made with the consent of the Governor, and the land must be intended at the time of the purchase to be used for the transaction of the business of the Board. We understand that the Board desires to be advised as to whether there is a power to buy land for purposes of the investment of the Board's funds without reference to the question of whether the land is intended to be used for the transaction of the Board's business. We are of opinion that the express giving of the power to the Board to buy land for the above-mentioned purposes by section 76 is an exclusion of any power that the Board might otherwise have, and that the Board has no power to buy land other than that given by section 76. This view is strengthened by section 74, which provides for the investment of the Board's funds. Among the authorized investments is found no power to invest the funds of the association in the purchase of lands.

Wellington, 13th March, 1885.

BUCKLEY AND STAFFORD.

189. In Mr. Fisher's report, as chairman, he speaks of an offer to the Board by Shera?—Yes.

190. Where is the offer?—This is the offer:—

SIR,— I submit the offer of Shera Brothers' freehold, Queen Street, and of the National Insurance Company adjoining, on the following terms.

The Chairman Building Committee, Government Life Insurance, Wellington.

I have, &c.,

J. M. SHERA.

(1.) Shera Brothers' freehold, price £3,500, (2) subject to existing mortgage of £10,000 to the New Zealand Land and Mortgage Company (3) and to Union Insurance Company's lease (of the portion of ground-floor marked on plan) for fifteen years at £3 a week. (4.) Shera Brothers will undertake to extinguish Union Insurance Company's lease for an additional £2,000; (5) Union Company to have the right to remove office-fixtures. (6.) Shera Brothers to give possession in six months; (7) but immediate possession can be given of the portion of ground-floor on plan No. 1. (8.) Terms: £1,000 on acceptance of offer, and balance on execution of conveyance. (9.) This offer is open to

Auckland, 5th March, 1885.

the 19th March, after which date it cannot be renewed, as the Union Insurance Company decline to extend time Annexed is the valuation of Vaile and Douglas. This valuation did not take into consideration the extinguishing of the Union lease; consequently the rental should be estimated at £250 a year more.

191. Then Shera's offer was to sell at, what?—£20,500.

192. Were there any particular advantages connected with that property as to depth of frontage or situation?—Yes, it is a good property.

193. Have you a detailed description of it?—Not here. It is a very excellent site; there is no doubt about that.

194. What was the other property recommended by the sub-committee as a better property than this?—Morrin's property.

195. Where is that situated?—Farther up the street. It is a larger property, but is not in such a good position. The dimensions are 70ft. 9in. by 216ft. 6in., or about double the size of the other.

196. What was the price at which it was offered?—£25,000.

197. Then, the Board considered these recommendations of the sub-committee?—Yes.

198. When?—Messrs. Shannon and Graham were appointed to go up and, in conjunction with Mr. Tole, to complete the purchase.

199. What was the next step towards the completion of the purchase?—Messrs. Graham and Shannon went to Auckland. Sir Julius Vogel had then left Auckland and gone to Dunedin. Various telegrams then passed between Mr. Tole and the members of the committee in Auckland. I have made a *précis* of the telegrams:—

23rd March, 1885. Hon. Mr. TOLE to Mr. GRAHAM.—Obtain best possible terms from National and their tenants for consideration. Why does Shera urge purchase of Union lease?

23rd March, 1885. Mr. GRAHAM to Hon. Mr. TOLE.—Coleman wants £2,000, and Lennox £500. Suggests leave their position till lease expires, or build over them. Asks authority to close.

24th March, 1885. Mr. GRAHAM to Hon. Mr. TOLE.—Recommend closing Shera or Morrin at once. Credibly informed syndicate forming to deal with both. Reply.

24th March, 1885. Mr. GRAHAM to Hon. Mr. TOLE.—Advantageous to buy Union lease if we build.

24th March, 1885. Hon. Mr. TOLE to Mr. GRAHAM.—Cannot decide until you return. Bring written offers and full information.

24th March, 1885. Mr. SHERA to Hon. Mr. TOLE.—This is the day we have to decide about mortgage with Board here.

24th March, 1885. Hon. Mr. TOLE to Mr. SHERA.—Private. Cannot decide till Graham's return. Would ask you keep your own and National offer open till then.

The following letter was written by Mr. Shera on the 25th March:—

SIR,—
Auckland, 25th March, 1885.
I hereby offer the following freeholds on the undermentioned terms, this offer to remain open until the 1st April, after which date it will be out of our power to extend the time.
Yours truly,
G. S. Graham, Esq., New Zealand Government Life Association.
J. M. SHERA.

(1.) Shera Brothers' freehold, price £7,000; subject to existing mortgage to the (2) Land Company for £10,000, at 7 per cent. for five years, and to Union Insurance Company, lease of the (3) portion of ground-floor marked on plan for fifteen years at £3 per week. (4.) Shera Brothers will undertake to extinguish Union Insurance Company's lease for an additional £2,000, (5) Union Company to have the right to remove office-fixtures not occupied by them. (6.) Shera Brothers to give possession in six months; but immediate possession can be given (7) of the portion of ground-floor on the plan No. 1. (8.) Terms £1,000 on acceptance of offer, and balance on execution of conveyance.

P.S.—The Union Insurance Company stipulate that if the Life Company do not require to build in six months, that they will be allowed to remain for three months longer.—J. M. S.

200. Well, what was the next step?—A letter from Mr. Morrin to Mr. Tole, dated the 25th March, 1885.

DEAR SIR,—
Northern Club, Auckland, 25th March, 1885.
In reply to your telegram of the 24th, and now hand this offer of my property to Mr. Graham, as submitted to Mr. Fisher, Mayor of Wellington, when in Auckland: 70ft. 9in. to Queen Street, by 216ft. deep, price £23,500, this offer to remain open until Saturday, the 28th March, 1885, at 10 o'clock a.m.
I have, &c.,
Hon. J. A. Tole, Wellington.
THOMAS MORRIN.

201. Did the sub-committee return then?—Yes.

202. Did anything more take place before they left Auckland?—There is a telegram from Mr. Tole to Sir Julius Vogel, dated the 27th March:—

Hon. Sir Julius Vogel, Dunedin.
Wellington, 27th March, 1885.
SHANNON, Graham, and self propose to purchase Shera's alone for present, and extinguishing Union lease, or, in all, nineteen thousand, which I find was offered you at twenty-two thousand five hundred. Terms demanded by National tenants to allow alterations so exorbitant we think better defer purchase National for short time. Believe they will come to reason. Graham and Shannon anxious to have your opinion before closing. We consider this the best site.
J. A. TOLE.

On the same day the following telegram was sent by Sir Julius Vogel to Mr. Tole:—

Hon. J. A. Tole, Wellington.
Dunedin, 27th March, 1885.
SHERA: I approve price—twenty-two was what he first asked, including lease-cancellation. Nineteen, inclusive cancellation is, I think, cheap; and site is undeniable. I doubt if we shall get National, but must do without it. Do not, however, close for a few days. If war breaks out, money scarce.
JULIUS VOGEL.

203. Was anything more done at Auckland?—On the 28th March the following telegram was sent by Mr. Tole to Mr. Shera:—

J. M. Shera, Esq., Auckland.
Wellington, 28th March, 1885.
COMPLICATION with tenants—Union and National—likely to jeopardize your sale. You must get Union to agree three months only at three pounds; then further extension can be arranged at such rent as may be agreed on.
J. A. TOLE.

Hon. J. A. Tole, Wellington.
Auckland, 30th March, 1885.
I HAVE not yet seen Union. Do you accept offer of our freehold subject to our arranging with Union Company as proposed in your Saturday's wire—that is, Union to become your tenant for three months at three pounds per week, further extension to be arranged at such rent as may be agreed on?
J. M. SHERA.

J. M. Shera, Esq., Auckland.

YEs. We will probably immediately close with you if arrangements made with Union in accordance with my telegram of Saturday. Reply quickly.

Hon. Sir Julius Vogel, Dunedin.

We will probably close with Shera to-morrow. The only money required will be nine thousand—that is, Shera's equity seven thousand, and Union two thousand.

Hon. J. A. Tole, Wellington.

THE Union Company have agreed to your proposal in Saturday's telegram.

The following is a minute of the proceedings of the Board at a meeting held on the 31st March, 1885:—

Mr. Tole produced certain telegrams which had passed between him and Messrs. Shera Brothers, and reported that the purchase of Messrs. Shera Brothers' property had been completed, 40ft. frontage and 100ft. deep, for £19,000; and it was resolved to transmit £1,000 on account of the price of the property through the bank, and a receipt to be taken therefor, and that the Acting General Manager be instructed accordingly.

204. Was there any outside valuation of this property during the progress of the negotiations?—Yes; I believe Mr. Vaile and Messrs. F. J. Moss and Co. both valued it.

205. Who were they employed by?—The valuation by Mr. Moss was made at the instance of Sir Julius Vogel. On the 21st February Messrs. Moss and Co. wrote to Sir Julius Vogel as follows:—

SIR,—

Auckland, 21st February, 1885.

In accordance with your request, we have inspected the premises offered to the Insurance Association by Messrs. Shera Brothers, and have the honour to report upon their probable value.

The position is unexceptionable. It is in the best part of the city, being practically a corner section in the blocks between the Wharf Hotel and the Bank of Australasia, which blocks have become the established business centre of Auckland. It has an unusually large frontage, and is therefore more available for subdivision into offices, auction-rooms, or similar means of fitting it to produce a good rental.

The frontage to Queen Street is 40ft., and to Gilfillan Lane 101ft. By the latter it is placed in direct communication with the passage to the Exchange. The frontage to this passage is 60ft., the odd 20ft. consisting of an area 20ft. by 20ft., attached to the section on the passage-front, as per sketch attached.

The building is insured for £2,500. In order to form a better idea of its value, we asked Messrs. Grey and Mitchell, architects, to give us a general idea of the cost of such buildings, as we did not think it necessary to ask at present for a more exact valuation. We enclose their reply. At the rate of 6d. per cubic foot stated by them, the value of the building would approach £3,000.

Judging by the recent sales of property in Queen Street, the excellent position of this property, and the permanent improvements going on around it, we think the lowest estimate that could be placed upon it would be £17,500. Quite possibly it would bring £20,000 if wanted for any special purpose, as it offers great facilities for subdivision and reletting any portion not required. Its capabilities in that respect could only be ascertained by consulting an architect, which we did not feel justified in doing without instructions.

We have, &c.,

The Hon. Sir Julius Vogel, K.C.M.G., Auckland.

F. J. MOSS AND CO.

SIR,—

Mutual of Victoria's Building, Queen Street, 21st February, 1885.

In reply to your query re approximate cost of ordinary store-buildings in Auckland, we beg leave to state that the cost per cubic foot would be 6d.

This price would, of course, be susceptible of increase or diminution in proportion to the quantity, quality, and situation of the proposed works, all of which, in approximating the cost, have to be taken into careful consideration.

We have, &c.,

GREY AND MITCHELL,
Architects.

F. J. Moss, Esq.

206. Was there any other valuation?—Yes. Messrs. Vaile and Douglas addressed this letter to Mr. Shera on the 14th February, 1885:—

DEAR SIR,—

Auckland, 14th February, 1885.

In compliance with your instructions we have valued your property in Queen Street. If altered in accordance with the plan submitted, and the building increased to three stories, we estimate the gross rental at £1,732 18s. per annum. From this we should deduct one-fifth for property-tax, insurance, empties, repairs, &c., which would leave a net rental of £1,386 per annum. Calculated on the basis of this rental, the property is worth from £22,000 to £23,000—that is to say, it would pay an investor from 6 to 6½ per cent. net on that amount.

Faithfully yours,

VAILE AND DOUGLAS.

J. M. Shera, Esq., Queen Street.

207. Have you got any other record showing how the business was initiated?—No.

208. Have you nothing on the papers showing the initiation of the purchase at Auckland?—No. Mr. Tole submitted certain telegrams to the Board at its meeting in February. I do not know of anything prior.

209. Will you look among your records for any information bearing on the initiation of this purchase prior to the meeting of the 17th February?—Yes.*

210. Was the purchase completed?—Yes—on the 31st March, 1885.

211. Who were present when the purchase was completed?—Mr. Tole, the Secretary to the Treasury, Messrs. Bethune, Shannon, Bell, Fisher, and Graham. No division took place.

212. Was anything said at that meeting?—There was no counter-motion. The purchase was approved.

213. What has the association done with the premises?—Nothing at all. We are arranging for the plan for new buildings. I received the plan to-day; it is for a new front-building.

214. Making it suitable for your offices?—Yes—for our offices, and offices to let up-stairs.

215. What rental are you getting from the building purchased?—No rental; it is not occupied. The matter has been in abeyance for some time, pending the question of building.

216. Is there no one in occupation?—It is now empty. It was occupied for some time after the purchase by Messrs. Shera and the Union Insurance Company.

216A. They paid rent?—Yes.

217. How much?—They paid £3 a week for three months after the purchase, and £7 a week thereafter.

* No record previous to that of minute-book on 17th February.—D. M. L.

218. What did Shera pay?—At the rate of £500 a year.

219. Will you also give the total rent paid up to date?—The total rent received to date was £423 10s., of which £12 was received for casual tenancy this year. The difference of £411 10s. comprised Shera Brothers, six months to 30th September, 1885, £250, and Union Insurance Company, seven months to 31st October, 1885.

220. What are your present arrangements with respect to offices?—We are occupying an office in Mr. Firth's premises at £3 10s. a week. The accommodation is very inadequate and inconvenient. I have not removed the offices pending the completion of arrangements for the new building.

221. What amounts for commission were paid in connection with this purchase?—None.

222. No commission?—None whatever; no commission was paid by us.

223. What fees were paid for valuation?—Mr. Moss got a fee of twenty-five guineas: that was the only fee paid.

224. Have you got a memorandum of the whole of the expenses in connection with this purchase?—Yes.

225. Who acted as legal advisers for the Government in completing the purchase?—Mr. Cave.

226. *Mr. Stewart.*] Who is Mr. Cave?—He was a partner with Mr. Tole.

227. *The Chairman.*] Is he a partner now?—I do not think so.

228. Who are the usual insurance valuers in Auckland?—The following are the names of the Auckland District valuers: Mr. Moss, Mr. Aitken, Mr. J. B. Whyte, Mr. Frater, Major Wilson, and Mr. W. A. Graham.

229. Is there anything else in connection with this purchase you would like to say?—I do not know of anything else I have to say.

230. Why did you not move into the building during the interval that elapsed after the purchase?—Because the Building Committee and the Board have been waiting to decide what kind of a building they would erect.

231. *Mr. Holmes.*] Did you ever propose to the Building Committee that they were paying £3 10s a week for office-accommodation elsewhere—that that money was being wasted?—They knew it.

232. Did you ever directly bring it under their cognizance that you were throwing away £3 10s. a week for twelve months?—I do not know that I brought it directly under their attention. We were always speaking about moving. They were holding back to decide whether they would build a new front or erect a new building altogether.

233. *The Chairman.*] During the time when all these telegrams went from Mr. Tole to Sir Julius Vogel, were the rest of the sub-committee in Auckland?—Messrs. Graham and Shannon were in Auckland. Mr. Tole was in Wellington; Sir Julius Vogel in Dunedin.

234. Then, there being a majority of the sub-committee in Auckland, why should they not communicate through the other members themselves?—I do not know. The arrangement did not come through me at all. After the whole thing was completed I got the telegrams that had been sent.

235. Did the telegrams referred to pass through the office?—No, they passed between the gentlemen themselves; and I got them only when the transaction was completed.

236. *Mr. Stewart.*] Does that answer apply to the telegrams that passed between Mr. Tole and Mr. Shera?—Yes.

237. You had no knowledge of what was going on?—Not of the details. I knew they were communicating, and I received the telegrams after completion of the transaction.

238. *Mr. Holmes.*] Did Mr. Fisher go up to Auckland?—Yes, he went up the first time, but not on the second occasion; he was not appointed on the second committee.

239. *Mr. Stewart.*] You say you got the telegrams after the purchase was completed on the 31st March: did Mr. Tole give you copies of the telegrams he forwarded to Mr. Shera?—Yes; I find a note from Mr. Tole to myself, received on 7th April, 1885, sending me the "offer and correspondence connected with the Auckland purchase and the telegrams concluding the purchase."

240. *The Chairman.*] Will you give the Committee the main points of the Wellington purchase?—It was valued on the 19th March, 1881, at £12,500; but the proposal then made to purchase was not acted upon.

241. To whom did the property belong?—It belonged to the Government. It was originally the property of the Provincial Government, but vested in the General Government after the abolition of provinces. On the 23rd April, 1881, an Order in Council authorized the removal of the head office to the Provincial Buildings. In September, 1884, the purchase question was revived by my memorandum to the Colonial Treasurer. I there stated that £15,000 was suggested as the price by the late Colonial Treasurer in February, 1884.

242. How was the price ultimately settled?—The Colonial Treasurer directed me to employ Mr. Toxward to value the building. That was in October, 1884. It was valued by him at £16,000. Eventually the Government decided to sell to the Insurance Department for £18,000.

243. Have you got any rental for it?—Yes.

244. What buildings were put up?—We put up no buildings except a lavatory. They are the Provincial Buildings; the buildings went with the property.

245. How much were they valued at?—They were valued roughly at between £3,000 and £4,000.

246. They are the offices of the department?—Yes. A portion of the buildings is occupied by the Crown Lands and Survey Department at a present yearly rental of £400. The Customs pay £66 for one room; and the Registrar of Births, £34; the Land and Deeds and Land Transfer, £276; Wellington Education Board, £100: thus making a return annually of £876, besides our own occupation, which we value at £500.

247. What is the meaning of the item £843, expenses, additions, &c.?—£409 was the price of

two double safe-doors, now in store, and which can be used for any strong-rooms that may be required.

248. When were they bought?—They were sent for the proposed new strong-rooms which were ordered to be built, but which the Board stopped in view of making other arrangements for a new building. A new lavatory was built and other additions made, and other expenses incurred.

249. What is proposed to be done in regard to the building?—After considerable deliberation, the Board decided to call for competitive designs for a complete building, cost not to exceed £35,000, exclusive of architect's commission. Two prizes were offered: £200 for the first, and £75 for the second design. The designs were received on the 15th January, 1886, and, after inspection and report by Messrs. O'Connor and Beatson, the premiums were awarded—the first to Mr. Joshua Charlesworth, of Auckland, and the second to Mr. Thomas Turnbull, of Wellington. The latter gentleman declined to accept the second premium, and his design was returned to him. There were, in all, twenty designs sent in. In March last the Board decided to intrust to Messrs. Toxward and Charlesworth jointly the carrying-out of the new building, and appointed them the architects for that purpose, and directed them to prepare working-plans and specifications, tenders to be subsequently called for, for the erection of the building, or such portion of it as the Board might decide to erect. The architects are now finishing the working-plans and specifications, which are nearly completed. Tenders have not been called for.

250. Is that building for the purpose of your business?—Yes; and also for giving accommodation to the Public Trustee and sundry other offices outside our department.

251. Have you sufficient accommodation for the conduct of your own department in the buildings now?—No, not enough.

252. Why could you not utilize the portion of the building you have let?—We could do that but it would inconvenience those who are in it.

253. Did the designs for the new buildings referred to contemplate the removal of the present building?—Yes, it was to be an entirely new building; though it is not yet definitely decided what portion shall be at first proceeded with.

Return of the Annual Rentals paid by the Various Tenants in Wellington, showing the Rents originally charged and those paid at the Present Time, 18th June, 1886.

Tenant.	Originally charged.			Present Rental.			Remarks.
	£	s.	d.	£	s.	d.	
Crown Lands and Survey ..	440	0	0	400	0	0	The rate was originally fixed at £440 per annum, but was afterwards reduced to £400 per annum as from the commencement, 8th October, 1884. Left 27th August, 1885.
Registrar of Friendly Societies ..	34	0	0	..	..	..
Her Majesty's Customs ...	66	0	0	66	0	0	
Registrar of Births, &c. ...	34	0	0	34	0	0	
Land and Deeds and Land Transfer	276	0	0	276	0	0	
Wellington Education Board ..	100	0	0	100	0	0	
Total	950	0	0	876	0	0	

MONDAY, 21ST JUNE, 1886.

Mr. D. M. LUCKIE in attendance and further examined.

Witness handed in certified copies of certificates of title of Christchurch properties. He also submitted a schedule of mortgages.

Witness: The following is a complete list of the Auckland valuers, which I promised to furnish on a previous day: W. Aitken, town and country; J. Frater, town and country; F. J. Moss, town and country; Major Wilson, country; J. B. Whyte, country; W. A. Graham, country.

254. *Mr. Stewart.*] Will the schedule of mortgages show the interest in arrear?—There is no arrear. All interests on mortgage have been paid up to the 31st May last. I shall furnish the Committee with a schedule of total investments, as it was not quite ready this morning.

The Chairman: After what had taken place at a previous meeting, I thought it desirable to obtain further information about the Dunedin purchase; and, after consulting members, I sent a telegram on the 16th to Messrs. Hepburn, McLandress, and Co., to which I received the following answer:—

SIR,—

Dunedin, 18th June, 1886.

Your telegram of the 16th instant came duly to hand, as follows: "Please communicate by letter, for information of Select Committee inquiring into purchase site Wise's corner, Dunedin, by Insurance Association, whether price put upon property was influenced by consideration commission to be paid; how much commission was paid by vendors, and to whom; and any other information you can give connected with the purchase." In answer, we beg to lay before you the following: In March, 1884, we were instructed by the proprietors to offer at auction the property known as "Wise's corner." This was accordingly done; but, the bidding not reaching the vendor's limit, the property was withdrawn. It remained in our hands for private sale, the proprietors fixing the limit at £35,000 clear of any charge, we to get our commission over that amount. Shortly after, we received a communication from Mr. Charles Reid, asking the lowest price that would be taken for the property. As the transaction was rather a large one, we wished to know with whom we were dealing. We replied, asking who the purchasers were. We were told by Mr. Reid he was not at liberty to state, but that we would be paid in cash as soon as the transaction was finished. On that being done, it turned out the Government were the purchasers. On Mr. Reid finding that nothing less than £35,000 would be taken, he said he must have £500 commission. We replied we did not care what price he put it at, so long as the vendors got their price—viz., £35,000 net. He then said to make the price £35,500 in the contract, which was done. As we, as brokers, were getting no commission from the vendors, we arranged with Mr. Reid to divide commissions. The contract was completed, and the purchase-money—viz., £35,000—was paid to the different owners in their proportions by cheques from Messrs. Sievwright, Stout, and Co., which were duly paid. The £500 added on to the purchase-money we never handled. On completion of the purchase we called on Mr. Reid for our share of the

commission; but he said he had to pay the most of it away to other parties, but whatever amount he obtained he would divide with us, as he thought we were entitled to it. It turned out that Mr. Reid got £150, of which we got £75 from Mr. Burton, Mr. Reid having left the colony. We also learned from Mr. Burton that the balance of commission went to Mr. Montagu Pym, at which we were much surprised, as his name was never mentioned in the negotiations. We then called on Mr. Pym, claiming half his commission. He replied he had to share it with others, and refused to give us anything. The vendors of the property never paid one shilling commission to any one; and we maintain we are still entitled to the £250, less the £75 paid to us by Mr. Reid's agent, Mr. Burton. Where the balance of the £500 went we do not know, further than stated above.

We have, &c.,

McLANDRESS, HEPBURN, AND Co. (per G. D. HEPBURN).

J. D. Ormond, Esq., Chairman, Government Insurance Committee.

255. *The Chairman.*] When you were in Dunedin were you acquainted with the circumstance that the property was under offer at the £35,000, and that £500 was added for commission?—I was not.

256. Did you see Mr. Reid in the transaction?—Yes. When it was found that there was very little likelihood of Pym getting the commission he required, Mr. Sievwright asked me to go and see Mr. Reid myself. I did so, and Mr. Reid told me that he would give 1 per cent. commission to Mr. Pym.

257. That was for the purchase?—Yes.

258. Before the purchase, in what capacity did you meet Mr. Reid?—I did not meet him until after I had got Mr. Sievwright's letter enclosing copy of letter from McLandress, Hepburn, and Co., addressed to Mr. Charles Reid, sent by him to Mr. Sievwright, and copy of which he sent to me, offering the property for £35,500.

259. That letter came to you from Mr. Sievwright?—Yes.

260. What you are now referring to was before the completion of the purchase?—Yes.

261. Have you in these Dunedin papers any correspondence from Sievwright, Stout, and Co., informing your department of the completion of the transaction?—This is a telegram from Messrs. Sievwright, Stout, and Co. to myself, dated 6th February, 1885: "If Board remit £30,500, being the purchase-money less Kilgour's mortgage £5,000, we will provide further sum required, if any, and account to Board." I replied on same date, "Board will not meet till Tuesday. Matter will then be arranged. Please post particulars early as possible, so as to arrive here Sunday."

262. Would you have advised the Government to pay the 1½ per cent. commission claimed by Mr. Pym if you had understood that commission had already been provided for in the purchase-money?—No, certainly not.

263. Did you consider that the £35,500 named to you by Messrs. Sievwright and Stout was the actual purchase-money of the property?—I did, most distinctly. I understood the vendors would pay the commission.

264. Was there any question about commission until after the completion of the purchase?—I understood that the vendors would pay 1½ per cent. Sir Julius Vogel said Pym ought to get that commission.

265. Was that before or after the purchase?—Before. I thought that Mr. Pym would be deprived of commission, although he was the initiator of the sale and was entitled to it.

266. When did you first hear of this difficulty about the payment of commission?—Just after the purchase was completed.

267. When did this question of doubt about Pym getting commission first come to your knowledge?—Just after the closing of the bargain.

268. Will you render a statement of accounts from Messrs. Sievwright, Stout, and Co. of the disposal of the money they paid for this property?—This voucher shows that the sum of £30,500 was paid to Sievwright and Stout on the 13th February, 1885.

269. Will you obtain and furnish details of the disposal of this money, giving dates, amounts paid, and to whom?—I will.

270. I asked you to bring the plan of the Wellington building?—Yes. [Plan produced.]

271. Whose plan is that?—That is Mr. Charlesworth's plan.

272. That plan supposes that the present buildings are to be altogether removed and a new building erected?—Yes. In my former evidence it was stated, "or such portion as the Board might decide to erect." They would put up that building, or such portion of it as they elected to build at first.

273. About how much of that building is wanted for the purposes of your business?—About three-fourths of one section. It was proposed that the clerks' office should be at the upper storey—the third storey.

274. What was the rest of the building for?—The Public Trustee was to go on the first-floor rooms in the same wing, and it was proposed to let the lower storey of that wing on the ground-floor for a shipping office.

275. Then, in addition to providing offices for your department, this building was chiefly to be let as an investment?—Yes.

276. This design was a competitive design?—It was.

277. How much did Mr. Charlesworth get for it?—£200.

278. Who was second?—Mr. Turnbull, of Wellington.

279. What more has been done with regard to this plan? Have any steps been taken to give effect to it in any way?—The Board appointed Messrs. Toxward and Charlesworth jointly as architects to complete the design and prepare working-plans and specifications.

280. Why was Mr. Toxward brought into the business? Did Mr. Charlesworth agree?—Yes, Mr. Charlesworth agreed. It was thought advisable, after conference between the Building Committee and Mr. Charlesworth, to join Mr. Toxward with him as having had large experience.

281. And it was by Mr. Charlesworth's consent?—Yes.

282. Under ordinary circumstances the designer would have had the privilege of being the person employed to give effect to his design?—Yes. The Board was not bound to employ the

designer under the terms of the invitations for designs. The Building Committee, with the consent and approval of the Board, agreed to take in Mr. Toxward.

283. What engagements have you entered into in connection with what is going on now?—The Building Committee “Resolved that Mr. Fisher interview Messrs. Charlesworth and Toxward, with the view of bringing about an arrangement whereby the Board would secure the services of both these gentlemen in the construction of the head office building.” On 15th March the Building Committee reported as follows to the Board: “(1) Committee has arranged with Messrs. Charlesworth and Toxward to carry out the new building; (2) Recommend, so soon as necessary revision of design is completed, Committee be empowered to instruct Messrs. Toxward and Charlesworth to prepare, without delay, working plans and specifications for head office buildings, and that tenders be at once called for erection of building, or such portion of it as Board may decide to erect; (3) Recommend also that, in revision of design, the Public Trustee, the Lands and Survey Department, and any other Government department which may require accommodation be consulted in regard to their respective requirements, and that an agreement to lease be entered into with those departments before tenders for the erection of the buildings are called for.” These recommendations of the Building Committee were on the 18th May. That was the report of the Building Committee submitted to the Board, and which the Board approved.

284. *Mr. Holmes.*] Was there any special agreement made with these architects?—Yes.

285. *Mr. Stewart.*] Can you speak from memory as to what it was?—Five per cent. was agreed to.

286. Was there anything extra through Toxward being introduced?—No. The following is the arrangement which was arrived at: “At a meeting of the Building Committee held on the 15th March—present, Messrs. Fisher (Chairman), Shannon, Graham, and Reid—the subject of the commission to be paid to the architects employed to superintend the construction of the new buildings for head office was considered, and it was resolved that the commission to be paid them be at the usual professional rate of 5 per cent. on the total outlay, and that the Manager inform the architects accordingly. Also resolved, That Messrs. Toxward and Charlesworth be informed that the Board will employ a clerk of works.”

287. *The Chairman.*] Where is your letter to the architects?—This is the letter I received from Messrs. Toxward and Charlesworth:—

GENTLEMEN,—

We, the undersigned Christian Julius Toxward and Joshua Charlesworth, architects, have agreed jointly to carry out the erection of the proposed new buildings as architects for the above association after the prize design prepared by Mr. Joshua Charlesworth, subject to such alterations, &c., as the Board may desire, or as the architects may deem expedient.

The Board of the New Zealand Government
Life Insurance Association.

Wellington, 15th March, 1886.

We have, &c.,
C. JULIUS TOXWARD,
JOSHUA CHARLESWORTH, } Architects.

This is my letter in reply:—

GENTLEMEN,—

New Zealand Government Life Insurance Association, Wellington, 15th March, 1886.

I have the honour to acknowledge the receipt of your letter of this date, addressed to the Board of this Association, intimating that you had agreed jointly to carry out the erection of the proposed new building for this association in Wellington. This letter was duly laid before my directors, by whom I am instructed to inform you that they have appointed you architects for carrying out the said building, subject to arrangement as to the terms of commission to be paid by the Board.

C. Julius Toxward, Esq., and Joshua Charlesworth, Esq.,
Architects, Wellington.

I have, &c.,
D. M. LUCKIE,
General Manager.

288. Where have you named the terms of commission?—This letter was sent to Messrs. Toxward and Charlesworth:—

GENTLEMEN,—

New Zealand Government Life Insurance Association, Wellington, 16th March, 1886.

With reference to my letter to you of yesterday, notifying that the Board had appointed you architects jointly to carry out the new buildings of this association in Wellington, I have now the pleasure to inform you that the architects' commission to be paid by the Board will be at the usual professional rate of 5 per cent. on the total outlay. I have also to notify that during the progress of the building the Board will employ a clerk of works.

I shall be glad to receive an acknowledgment of this letter and also that of yesterday's date referred to herein.

C. Julius Toxward, Esq., and Joshua Charlesworth, Esq.,
Architects, Wellington.

I have, &c.,
D. M. LUCKIE,
General Manager.

SIR,—

Wellington, 16th March, 1886.

We have the honour to acknowledge the receipt of your yesterday's letter, appointing us architects to carry out the erection of the Government Life Insurance Association building in this city, and also that of this day's date, stating that the Board have fixed the architects' commission at the usual rate of five per centum (5%) on the total outlay, and, further, that the Board will employ a clerk of works.

In reply, we have much pleasure to accept the appointment and commission mentioned in the above letters.

D. M. Luckie, Esq., General Manager,
Government Life Insurance Association, New Zealand.

We have, &c.,
C. JULIUS TOXWARD,
JOSHUA CHARLESWORTH, } Architects.

289. *Mr. Macandrew.*] In the event of the building not being proceeded with, what would be their claim?—I do not know sufficient of the professional practice on the subject.

290. That contingency has not been contemplated by the Board?—No.

291. *The Chairman.*] Will you produce your report on the working of the institution?

Witness read the following statement:—

New Zealand Government Life Insurance Association,
Head Office, Wellington, 21st June, 1886.

In accordance with the request of the Committee, I respectfully supply a narrative of the history and working of the Insurance Office, its mode of doing business, its progress, funds, and expenses of management, both before and subsequent to the establishment of the Board under which it is now administered.

The department was established by Act in 1869, an amending Act was passed in 1870, and

in 1874 a new Act was passed consolidating and extending the powers of the department, which Act remained in force until abolished by the Act of 1884 incorporating the department as an Association.

Up to the end of 1884 the office was a department of the Civil Service, administered by a Commissioner possessing specific statutory powers, and acting under the Colonial Treasurer as the political head. Under regulations by the Governor in Council, the Commissioner made contracts for life insurance and annuities. These contracts were made on the report of the Chief Medical Officer, who examined all the papers and the reports of the medical examiner, and advised the Commissioner as to the eligibility or otherwise of the life proposed for insurance. The papers were afterwards carefully examined by the Actuary and the Commissioner before decision. Practically this system of examination still exists under the Board, as only cases in which differences of opinion arise between the examining officers (the Chief Medical Officer, myself, the Actuary, and the Secretary) are referred to a Committee and, if necessary, subsequently to the Board, it being obviously impossible for the Board to examine individually from 90 to 120 cases per week.

Prior to 1885 the office was subject to a pre-audit by the Audit Office, the Controller and Auditor-General being required to countersign all bank-orders for payments. Now the Board authorizes these payments, which are subject to a post-audit by the Audit office, an Inspector of Audit being specially appointed to check all accounts of this office and that of the Public Trustee, giving his whole time to the work of the two offices.

Regarding the mode of conducting the office—the work of which has grown greatly with its duration—I may say here that from its establishment the new business has almost entirely been obtained by means of agents, who devote their whole time to canvassing. Very little has come over the counter at any time, and less now comes than ever, as this office and seven other offices doing business in New Zealand have canvassing-agents in all parts of the colony.

While on this subject of canvassing-agents, I venture to observe that opinions have been freely expressed that the Government office, trusting to the great advantages it offers in the way of premiums lower than those of any competing office, and the inviolable security of the State, should cease the system of canvassing-agents, and let the people come spontaneously to it for insurance. But our experience is totally opposed to this idea; and the Actuary informs me (and both the Secretary and Inspector entirely agree with him, as I do myself) that were such a course adopted in the face of the keen competition and the steady misrepresentation and calumny to which this association is subjected by agents of rival offices, the business would run rapidly off the books, new business would fall away, surrenders and lapses would increase, and the institution would ere long be reduced to insignificant proportions. Mr. Frankland estimates that our total amount insured would most probably diminish under such a system by nearly half a million a year, while the new business would also be certain to seriously decrease.

The method of providing for obtaining new business has been subject since 1873 to various tentative changes. In that year chief agents were appointed in the larger cities, with canvassing-agents under them. The chief agents occupied their time mainly in canvassing, and the Postmasters in these cities attended to the collection of renewal premiums. In consequence of the great increase of business and the rapid growth of competition by branches of foreign offices, it was found necessary to place the whole business in the different divisions of the colony in the hands of chief agents, and hold them responsible for collection of renewal premiums and the limitation of lapses. These were allowed at one time a salary and a commission on the net increase—that is, on the difference between the new business obtained during the year and the business which emerged from all causes—lapses, surrenders, &c. Later on, in 1882, a Superintendent of Agents was appointed, with a salary of £450 and a commission on the new business of 5s. per cent. The canvassing-agents were then paid 15s. per cent. on the new business they obtained. This arrangement was not found satisfactory; the services of the superintendent were dispensed with early in 1884; the overriding commission was abolished, and the amount of it transferred as additional remuneration to the canvassing-agents themselves. The present Inspector of Agents was appointed at a salary without commission. He has general charge of all the agencies, inspects and reports on the different branch offices and their condition, and sees to the proper location and efficiency of the canvassing-agents.

One of the reasons for abolishing the Superintendent's overriding commission on new business was that under that system the person obtaining it was interested in the quantity of the new business merely, without due regard to its quality or permanence. The essential feature of the new arrangement is that the head of the outside staff is an official paid by salary only. The office has every reason to be satisfied with the result of this change.

Regarding the work of Postmasters as receivers of renewal premiums in the less important localities where no resident agent is stationed, that work was and still is paid for by a commission of $1\frac{1}{4}$ per cent. on the collections. This commission was for a time paid in a lump sum to the Postal Department. Dissatisfaction arose from this method of payment, which failed to give to Postmasters a sufficiently direct interest, and was believed by them to interfere with their promotion by way of postal salaries. These commissions are now, under the Board, paid directly to the Postmasters.

In August last a new scale of commission to canvassing-agents was authorized by the Board, at the same time as the new rates of premiums were authorized by the Governor. Instead of being paid £1 per cent. on all new business completed by them, the remuneration of the canvassing-agents was changed to the following sliding-scale: On policies completed for £100 to £150, 15s. per cent.; for sums of £200 to £250, £1 per cent.; for sums of £300 to £1,450, £1 5s. per cent.; and for sums of £1,500 and over, £1 10s. per cent. This scale of payment was recommended to the Board after due consideration, and on computation and report by the Actuary and Secretary, and was adopted. It has been found satisfactory, and has not materially increased the total amount of commission paid as compared with the total amount of new business.

Growth of the Business.

The subjoined table shows the amount of new business in each year since the opening of the office up to 31st December, 1885:—

Period.	Number of Policies issued.	Sums assured.
		£
Period ending 30th June, 1871	462	206,474
Year ending 30th June, 1872	1,355	456,225
Year ending 30th June, 1873	1,161	429,450
Year ending 30th June, 1874	1,499	506,910
Year ending 30th June, 1875	1,450	498,716
Year ending 30th June, 1876	1,485	504,509
Year ending 30th June, 1877	1,422	564,608
Year ending 30th June, 1878	1,991	680,600
Year ending 30th June, 1879	2,071	686,283
Year ending 30th June, 1880	2,274	725,254
Year ending 30th June, 1881	1,790	550,351
Year ending 30th June, 1882	2,523	702,912
Half-year ending 31st December, 1882	2,547	631,279
Year ending 31st December, 1883	5,113	1,039,915
Year ending 31st December, 1884	3,309	800,016
Year ending 31st December, 1885	4,379	857,769
Total	34,831	9,742,271

Increase of the Funds.

The increase in the amount of the accumulated funds from year to year, and the annual revenue up to 31st December, 1885, are shown in the table below:—

Period.	Funds.	Increase in Funds.	Annual Revenue.
	£	£	£
Period ending 30th June, 1871	5,045	...	...
Year ending 30th June, 1872	15,056	10,011	18,100
Year ending 30th June, 1873	36,802	21,746	31,490
Year ending 30th June, 1874	67,105	30,303	45,735
Year ending 30th June, 1875	109,967	42,862	63,700
Year ending 30th June, 1876	153,717	43,750	78,935
Year ending 30th June, 1877	219,394	65,677	91,995
Year ending 30th June, 1878	292,523	73,129	111,202
Year ending 30th June, 1879	371,890	79,367	132,622
Year ending 30th June, 1880	459,336	87,446	146,205
Year ending 30th June, 1881	557,231	97,895	156,615
Year ending 30th June, 1882	653,890	96,659	171,315
Half-year ending 31st December, 1882	704,888	50,998	189,578
Year ending 31st December, 1883	846,159	141,271	215,550
Year ending 31st December, 1884	972,775	126,616	228,434
Year ending 31st December, 1885	1,102,034	129,254	240,776

Investments.

A return specifying the investments of the association is herewith produced. By that it is seen that there is invested in New Zealand Government securities the sum of £559,100, yielding an average interest of £4 14s. 10d. per cent.; in debentures of local corporate bodies, £170,572, yielding an average interest of £6 1s. 9d. per cent.; in mortgages of real property, £135,530, which produces an average interest of £6 4s. 6d. per cent. Under the old Acts there was no authority for lending the funds of the institution on security of mortgage; and to provide for the making of such investments was, I believe, one of the main reasons which led to the establishment of a corporate Board.

The Act limits any investment by way of mortgage to not more than one-half the value of the property to be mortgaged, as such value is determined by a valuator or valutors appointed by the Board (clause 74). The mode of procedure with respect to loans is, that all applications for loans are first submitted for the consideration of the Finance Committee. If, on examining the particulars, the committee deem the security worthy of further consideration, they recommend it to be entertained; and, if the Board agrees, a valuator or valutors are appointed, and their reports are again submitted to the Committee, and again reported to the Board, with a recommendation to approve or reject as the circumstances require. It may be stated that the interest on all our investments is paid up to the end of May: practically there are no arrears.

Expenses of Management.

The following table shows the expenses of management annually for the period from the 1st July, 1881, to the 31st December, 1885, inclusive :—

Period.	Expenditure.	Amount.	Total.
		£ s. d.	£ s. d.
Year to June, 1882	Commission	7,313 7 6	21,063 4 2
	Expenses of management ...	13,749 16 8	
Half-year to December, 1882	Commission	6,147 1 1	16,342 18 4
	Expenses of management ...	10,195 17 3	
Year 1883 ...	Commission	10,386 15 5	31,356 6 3
	Expenses of management ...	20,969 10 10	
Year 1884 ...	Commission	8,123 11 4	29,035 12 9
	Expenses of management ...	20,912 1 5	
Year 1885 ...	Commission	8,840 7 10	37,045 8 0
	Expenses of management ...	28,205 0 2	

The increase in the expenditure for the year 1885 is referred to in the annual report of the Board in the following terms: "A large portion of the increased expenditure is due to the three causes of the transfer of the business from the Government department to the incorporated association, and the additional expenses entailed by the new organization, and by the quinquennial investigation. The alphabetical list of electors, the expenses in connection with voting and with the elections, the larger advertising required, the reprinting of policies, forms, and prospectuses, the directors' fees, the travelling expenses, postages, and telegrams, all incidental to the causes referred to, are estimated to have absorbed £3,400 of the additional expenditure; the balance may be set down to the expansion of the business."

A comparative table of the particular heads of expenses of management in 1884 and 1885 is attached to this memorandum. The figures given do not embrace the payment of property-tax, of which the first instalment, amounting to £1,846, was paid last year, and the second instalment, of a like amount, was paid in February last; making an additional annual expenditure of about £3,700.

Estimate of Probable Expenditure of the Board for the Year 1886.

SALARIES—	£ s. d.	£ s. d.
General Manager ... ..	...	1,000 0 0
Actuary ... ..	...	600 0 0
Secretary and Accountant ... ..	...	600 0 0
Inspector of Agents ... ..	...	500 0 0
Chief Medical Officer ... ..	...	400 0 0
Chief Clerk... ..	...	300 0 0
Sub-Accountant ... ..	...	250 0 0
Lecturer ... ..	...	500 0 0
Messenger ... ..	...	109 4 0
Assistant Messenger ... ..	...	39 0 0
District Manager	800 0 0	3,240 0 0
2 District Agents, 1 at £450, 1 at £300	750 0 0	
Cashier	300 0 0	
6 Resident Agents, 1 at £260, 1 at £250, 1 at £200, 1 at £185, 1 at £175, 1 at £170	1,240 0 0	1,335 0 0
Chief Canvasser, Wellington District	150 0 0	
5 Clerks at Agencies, 1 at £225, 2 at £200, 1 at £125, 1 at £100	850 0 0	
9 Cadets at Agencies, 2 at £70, 1 at £65, 1 at £60, 2 at £50, 3 at £40	485 0 0	5,740 0 0
29 Clerks at Head Office, 2 at £260, 1 at £225, 1 at £210, 1 at £185, 2 at £180, 1 at £175, 1 at £170, 4 at £160, 1 at £156, 4 at £150, 3 at £140, 2 at £135, 2 at £125, 1 at £115, 1 at £104, 2 at £100	4,600 0 0	
20 Cadets at Head Office, 2 at £90, 4 at £70, 3 at £60, 6 at £50, 5 at £40	1,140 0 0	
Directors' fees ... ..	...	600 0 0
Extra clerical assistance ... ..	...	2,000 0 0
Commission ... ..	...	10,000 0 0
Medical fees ... ..	...	5,000 0 0
Travelling expenses ... ..	...	2,000 0 0
Advertising, printing, and stationery ... ..	...	4,000 0 0
Postage and telegrams ... ..	...	1,800 0 0
Contingencies (including fees to the London Actuaries) ... ..	...	4,000 0 0
Total ... ..	...	44,013 4 0

In quoting these estimates of probable expenditure I may mention that, by the Act incorporating the association, its officers, from and after the passing of the Act, were deprived of the privileges that would have accrued to them under the Civil Service Act.

In conclusion, it should be stated that under the new Act the Governor in Council is invested with powers as to regulating the business conducted by the Board similar to those vested in him under the old Act, except that the Board appoints its officers. All the funds which were formerly vested in the Commissioner are now vested in the Board.

D. M. LUCKIE.

Comparison of Expenses of 1884 with 1885.

	1884.	1885.	Increase.	Dissection of Increase.					
				Occasioned by Incorporation, and Non-recurring.	Board, Extra Charges.	Quinquennial Special Expenses.			
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Salaries	10,418 16 3	11,463 13 4	1,044 17 1	..	600 0 0	..	..	..	..
Medical fees	4,383 10 10	4,812 16 11	429 6 1	..	..	..	..	..	..
Travelling expenses	1,158 17 11	2,055 12 3	896 14 4	..	200 0 0	..	..	..	..
Advertising	439 19 5	730 18 4	290 18 11	..	175 1 9	..	..	..	..
Printing and stationery	1,238 14 6	2,350 3 0	1,111 8 6	700 0 0	391 8 7	..	..	..	..
Rent	554 15 1	991 8 2	436 13 1	..	..	..	..	..	..
Postage	850 0 0	1,000 0 0	150 0 0	..	..	..	..	..	..
Telegrams	386 12 5	718 18 8	332 6 3	..	..	..	..	..	..
Exchange	116 6 9	158 6 1	41 19 4	..	..	..	..	..	..
Office-furniture depreciation	215 14 7	252 4 8	36 10 1	..	..	..	..	..	..
General expenses	1,148 13 8	2,170 18 9	1,022 5 1	586 17 9	188 11 0	..	..	..	..
Directors' fees .. .. .	..	600 0 0	600 0 0	..	600 0 0	..	..	..	..
Quinquennial expenses .. .. .	..	900 0 0	900 0 0	..	..	900 0 0	..	..	..
Commission	8,123 11 4	8,840 7 10	716 16 6	..	..	..	..	..	..
Total	29,035 12 9	37,045 8 0	8,019 5 3	1,236 17 9	2,155 1 4	900 0 0	..	..	..

Estimates of 1885 and 1886 compared.

Expenditure.	1885.	1886.	Increase.
	£ s. d.	£ s. d.	£ s. d.
Salaries at head office	8,429 4 0	9,538 4 0	1,109 0 0
Salaries at branches	2,745 0 0	5,075 0 0	2,330 0 0
Directors' fees .. .. .	..	600 0 0	600 0 0
Extra clerical assistance	1,500 0 0	2,000 0 0	500 0 0
Commission	10,000 0 0	10,000 0 0	..
Medical fees	5,000 0 0	5,000 0 0	..
Postage and telegrams	1,800 0 0	1,800 0 0	..
Printing, stationery, and advertising	3,000 0 0	4,000 0 0	1,000 0 0
Travelling expenses, agents, &c.	2,000 0 0	2,000 0 0	..
Contingencies (including valuation and preliminary expenses)	4,000 0 0	4,000 0 0	..
Total	38,474 4 0	44,013 4 0	5,539 0 0

Salaries.—Increases: Principal increase at the branches—namely, £2,330; head office increase, £1,109.

Directors' Fees.—£600: This was not included in the probable expenditure for 1885, as it was fixed by statute, and it was not then deemed necessary to include it.

Extra Clerical Assistance.—Additional £500 because of extra work in connection with the quinquennial division of profits.

Printing, Stationery, and Advertising.—Additional £1,000 because of the same reason.

TUESDAY, 22ND JUNE, 1886.

Mr. D. M. LUCKIE in attendance and further examined.

Witness: I hand in, as desired, the original certificate of title of the Christchurch property for the inspection of the Committee; also the following schedule, showing particulars, rate of interest, and value of the investments, which is referred to in my memorandum to the Chairman submitted yesterday:—Treasury debentures, $4\frac{1}{2}$ per cent., £288,100; ditto, 5 per cent., £171,000: total, £459,100. Deficiency bills, 5 per cent., £100,000. Ashburton County Council, 7 per cent., £1,000. Railway debentures, 6 per cent., £40,000; ditto, $6\frac{1}{2}$ per cent., £35,000: total, £75,000. Wanganui Harbour Board, $6\frac{1}{2}$ per cent., £10,000. Otago University, 6 per cent., £15,000. Fixed deposit, Colonial Bank, 5 per cent., £25,000. *Borough securities*—Arrowtown, 7 per cent., £2,500; Parnell Drainage, 6 per cent., £4,608; * Parnell Waterworks, 6 per cent., £2,064; * Wanganui, 7 per cent., £1,000; Queenstown, 7 per cent., £3,500; Feilding, 7 per cent., £5,800; New Plymouth, 7 per cent., £4,000; South Dunedin, 6 per cent., £9,700; * South Invercargill, 7 per cent., £3,400; Marton,

* The Parnell Debentures were purchased some years since at 96; those for South Dunedin at 97. The nominal value of the former is £6,950; of the latter, £10,000, and for these sums the association holds debentures; but in this statement only the actual price paid is set down.—D. M. L.

7 per cent., £5,000; Sydenham, 5 per cent., £25,000; Blenheim, 6 per cent., £3,000: total £69,572. *Mortgages on property*—M—, 6½ per cent., £1,600; S—, 7 per cent., £500; G—, 6½ per cent., £6,000; L—, 7 per cent., £450; G—, 6½ per cent., £5,500; R—, 6½ per cent., £1,300; C—, 6 per cent., £3,000; C—, 6 per cent., £2,500; Wellington College, 6 per cent., £5,000; C—, 7 per cent., £400; C—, 6½ per cent., £3,000; C—, 6 per cent., £2,500; S—, 6 per cent., £25,000; S—, 6 per cent., £4,500; B—, 6 per cent., £10,000; M—, 7 per cent., £350; R—, 7 per cent., £5,000; R—, 6½ per cent., £1,000; C— M—, 6 per cent., £7,000; W—, 6½ per cent., £2,000; R—, 6½ per cent., £10,000; G—, 6½ per cent., £700; W—, 7 per cent., £500; S—, 6½ per cent., £1,600; H—, 7 per cent., £350; M—, 7 per cent., £900; M— S—, 6 per cent., £20,000; R—, 6 per cent., £4,250; M—, 7 per cent., £650; S—, 7½ per cent., £2,000; S—, 7 per cent., £600; A—, 6½ per cent., £1,100; W—, 7½ per cent., £500; M—'s trustees, 6 per cent., £5,000; H—, 6½ per cent., £780: total, £135,530. Grand total, £890,202.

N.B.—1. The following assets are not included in the above return: (a.) Loans on policies, £128,748 11s. 6d., which bring in interest partly at 6 and partly at 7 per cent. (b.) Landed and house property, £86,057 15s. 3d., which is subject to mortgages, £15,000. (c.) Cash on current account, £46,808 2s. 4d., which earns 3 per cent. 2. The mortgages are shown in the above statement to the middle of June. 3. The non-interest-bearing assets, such as outstanding premiums, accrued interest, office-furniture, agents' balances, and outstanding rent, are not shown, as it is presumed that only the money actually invested is required to be known.

I also produce the following return of rent received from the Auckland property to date, 21st June, 1886: Messrs. Shera Brothers, from the 1st April to the 30th September, 1885, £250; Union Fire Insurance Company, from the 1st April to the 31st October, 1885, £161 10s.; Mr. James Hall, from the 10th February to the 24th March, 1886, £6; Mr. L. Solomon, from the 31st May to the 28th June, 1886, £6: total, £423 10s.

292. *Mr. Holmes.*] What is the amount of rent received in Auckland?—£423 10s.

293. For what period of time from the date of purchase up till now?—From 1st April, 1885, to this date.

The Chairman: Mr. Luckie telegraphed yesterday to Messrs. Sievwright, Stout, and Co. for further information, as we had directed. This is the telegram:—

Wellington, 21st June, 1886.

I AM directed by the Chairman of the Government Insurance Association Committee of the House of Representatives to request you to supply by telegram, without delay, particulars of payments of the purchase-money of Wise's corner to the vendors, and for commission, showing amounts paid, names of parties to whom moneys were paid, and dates of payment. The matter is urgent. Please reply promptly.

Siewwright, Stout, and Co., Dunedin.

D. M. LUCKIE.

This is the answer received from them:—

Re Wise's corner: The vendors were four in number, and at their request we agreed to divide the purchase-money among them in proportion to their several interests, and to draw a separate cheque for the commission payable by them to their agent, Charles Reid, as follows: James Kilgour, £12,500; Mrs. Hepburn's trustees, £8,750; Mrs. Park's trustees, £4,375; Mr. Brindley Ross's assignee, £4,375; Mr. Charles Reid, commission, £500: total, £30,500.—13th February, 1885. Captain Fraser's mortgage for £5,000 was subsequently paid by the Government Association; total, £35,500. We forward receipts by post. SIEWWRIGHT, STOUT, AND CO.

294. *Mr. Holmes* (to witness).] When you went to Christchurch and first saw Mr. Harper, what did you say to him?—Well, generally, I can only give you the purport of what I said from recollection. I said, "Sir Julius Vogel has told me to call and see you. I have been talking to Scott about various sites on my way down here. I would like to take your advice on some of the points." He said, "Well, you know my brother-in-law is connected with it, and I would rather you would go to Maude, my partner."

295. Did not Mr. Harper tell you that he would have nothing at all to do with advising in connection with the purchase of these buildings?—Substantially he said that.

296. Did he not state specifically that he would not have anything to do with it?—Practically that was the purport of what he said to me. That was at the time we were looking at the sites. I met him in the street.

297. After that did he have anything to do with advising you?—No; he referred me to Mr. Maude, his partner.

298. Were Harper and Co. employed directly by the association in connection with the conveyance, or were they acting simply as the agents of some solicitors here in Wellington?—They were acting for the office.

299. Directly?—Yes. We have solicitors in Wellington, but it was not considered necessary to refer the deeds to them.

300. Did you employ Harper and Co. before in any business connected with the association?—No; they were never employed on any business of the department before—not to my knowledge. I cannot recollect anything.

301. Did Maude advise you to buy Maling's buildings?—No.

302. When did you complete and pay the money for this building?—We completed on the 31st January. I wrote a letter to Messrs. Harper and Co. enclosing a copy of a letter which I sent to Mr. Maling, by instructions from Mr. Fisher and Mr. Graham, who were the committee appointed to go and examine the property and complete the purchase. They did decide; and, by their directions, I instructed Harper and Co. to prepare the conveyance.

303. When was that done—when was the money paid?—The money was paid on the 10th February. Mr. Maude telegraphed me that the title was complete, and requested me to remit £5,500. On the 9th February the Board passed the cheque, and it was sent to Mr. Maude through the Bank of New Zealand.

304. Was not the mortgage from Maling to Harper and Douglas paid off before the 23rd March, the date on which the deed was signed?—Yes; it was paid off on the 5th March, 1885.

305. *Mr. Stewart.*] Did Sir Julius Vogel explain to you why he wanted you to call on Mr. Harper before you left Christchurch?—No.

306. Did you have any reason assigned you for calling upon him?—No.

307. Was he surprised when you spoke to him about the matter?—No; I do not think so. As far as I remember, it was Mr. Scott who introduced him to me in the Club, and I had only the one conversation with him on the subject.

308. Did he walk round the buildings with you?—No. I met him on the street the next day, and we walked round the place. I had been looking round the possible sites myself.

309. Why did you and he go round the buildings?—I never was round the buildings with him. We walked down the street to the vacant corner at Clark's.

310. You did not look at Maling's buildings with him?—No—not with him.

311. Did he give any reason for referring you to his partner, Mr. Maude?—Yes; he said he was Maling's brother-in-law, and, therefore, he did not wish to have anything to say to it—that, if I wanted any information or any law advice connected with the matter, he referred me to Mr. Maude, his partner.

312. Were you advised or recommended by any person to buy this property?—No. Mr. Matson thought it a very good property.

313. No one else recommended the property to you?—No. I was very much pleased with the property when I went through it. I considered it to be in a place likely to continue to improve, and that it would be one of the best sites in Christchurch.

314. Who first suggested the purchase of these properties?—The Wellington property was purchased before the Board came into existence.

315. Who first suggested the desirability of acquiring property of that kind?—It was Sir Julius Vogel, who sent for me and said that there were two or three places we ought to have properties in. I was the first to suggest the purchase of the Wellington property, some years ago. Then Sir Julius Vogel said we ought to have good offices in all the large towns. He asked me to go down and see about properties in Christchurch which had been under offer to him. He showed me the letters which I have already shown to the Committee—a letter from Mr. Bell, in Christchurch, respecting Maling's property, and a letter from Mr. Pym respecting the Dowling Street property and Wise's corner.

317. Were you paying rent for the Wellington property?—Yes.

318. What rent?—£250.

319. You bought it at £18,000?—Yes; but there are other offices in the building paying rent.

320. Of what advantage is it to the policy-holders that it should be bought?—Well, it is a property that will always pay itself. It is a cheap property. If we were to sell it to-morrow we should get £25,000 to £30,000 for the land alone. With the land occupied we might sit rent-free.

321. Are you aware that there is land that has been valued in New Zealand at £80,000, and that you cannot get £20,000 for it now?—I dare say in some parts of the colony that is the case.

322. Do you consider it is for the interest of the policy-holders to acquire land all over the colony as investments?—The law does not allow us to make investments of that kind unless we intend to occupy the buildings as offices.

323. Then, if it is the intention of the law that you should occupy, if you occupy but one room that gets over the law?—I suppose it does.

324. *Mr. Montgomery.*] Was Mr. Matson valuing at Christchurch for the association?—Yes.

325. Did you ask him verbally or by letter?—I asked him by letter.

326. Has it been handed in?—No; it is a letter I wrote to him in Christchurch.

327. Can you produce that letter?—I do not think I can; it was a letter I wrote to him at the time I was there.

328. Was his valuation given in writing?—Yes.

329. Was he paid a commission by the Government for the valuation?—He was paid twenty-five guineas.

330. When did you ask him by letter?—It was the morning before I went to Dunedin. I was in Christchurch at the time.

331. Did any person recommend Mr. Matson to you as a valuer?—Yes; I think he was recommended to me by Sir Julius Vogel.

332. Anybody else?—I may have mentioned his name to Mr. Maude.

333. Did Mr. Maude recommend him?—I suppose he did, for I employed him. He said he was a suitable man.

334. Was there any other person asked to value the property but Matson?—No.

335. Do you know the reason why Bell sent up an offer for this property?—No, I do not.

336. Do you know if any communication had been held with Mr. Bell by any member of the Government?—I do not know. That letter was sent by Mr. Bell to Sir Julius Vogel. That is all I know of the origination of the business.

337. That letter offers the premises that were bought eventually from Maling?—Yes.

338. It is in evidence—is it not—that Harper and Co. recommended this purchase?—No; they only acted for us in looking after the title.

339. Did they make any recommendation at all?—No; nothing was done in the matter practically until the two directors went down and examined the property for themselves, and bought it.

340. *Mr. Stewart.*] When was it that Mr. Harper stated it was not a desirable site, but to build on the other site?—It was the day after I had met him one evening at the Club that he said it was not desirable.

341. That was when you were walking down the street together?—Yes.

342. Was that after Maling's property had been offered?—Maling's property was offered before

I went to Christchurch at all. At the time I met Mr. Harper I had not seen Maling's property except the outside of it.

343. Had you been discussing the matter with him when he said he did not think it was desirable the Government should build on this vacant piece of ground?—Yes; we were discussing the question of building—not the relative positions of the properties, except that I said the corner-piece was a very good one; it took my fancy better than any other. He said he was doubtful whether it was desirable to spend such a large sum of money for land and buildings.

344. Were you not discussing the relative advantages or disadvantages of buying one of the properties in preference to the others?—We were talking generally on the subject, and it was on that occasion he referred me to Mr. Maude.

Mr. L. HARPER, M.H.R., in attendance and examined.

345. *The Chairman.*] We have been inquiring into the different purchases made on behalf of the Government Insurance Association, and, among others, into the Christchurch purchase. In the process of the inquiry it has come out in evidence that your firm acted as the legal advisers of the Government in the purchase of the Christchurch property: is that so?—Yes.

346. Towards the end of the inquiry Mr. Luckie produced the certificate of title to the property, accompanied by a letter from your firm to him dated the 4th June, 1885. [Letter read.] The documents accompanying this letter are the certificate of title and a document purporting to be a copy of the search-paper (Land Transfer). We have also had from Christchurch a certified copy of that search-paper. We find that it omits the third mortgage to yourselves and Douglas; and the first object in asking you to be here is, to explain how it was that the search-paper omitted all mention of this mortgage, and why it was omitted?—I produce the following letter from the chief clerk, explaining the reason:—

DEAR SIR,—

Hereford Street, Christchurch, N.Z., 19th June, 1886.

Re Maling: I enclose search-papers herein as requested. You will observe that five are certified to as correct by the Registrar. The other is a copy of that forwarded with the deeds, and shows the position of the title at the time it was sent, and is a correct search-paper. When searching a Land Transfer title as agents for other solicitors the search-paper would be sent in this form; as on the issue of a fresh certificate the incumbrances, if any, are brought down on same, and, unless there were special reasons for it, or it was asked for, it would be absurd to furnish a search-paper showing all dealings from the commencement, as the title would not be in any way affected by them. Trusting this information will be sufficient,

I have, &c.,

L. Harper, Esq., M.H.R., Wellington.

THOS. PAPPRILL.

This is all I know as to the reason why it was not mentioned in the search-paper. The mortgage was released previously to the completion of the sale, in order, I presume, to enable Mr. Maling to give a clear title. It was not treated as an ordinary mortgage, as there were special circumstances attending it.

347. Do you know anything personally of the deed?—No, I know nothing about it.

348. How much was the amount of this third mortgage?—I believe it was £1,300. It was practically a second mortgage, as the prior ones were to the same company, to secure one advance, but made at different times.

349. This mortgage was entered into by yourself and Mr. Douglas as trustees?—Yes; merely in that capacity, without personal responsibility.

350. Did you advance any money on the mortgage?—No. The mortgage was taken to cover certain moneys which he had some time previously received from a relation, who wished them to be protected for the benefit of Maling's family, and which had been laid out by Maling in the purchase of some land in his own name, and afterwards partly dealt with by him.

351. On the release of the mortgage did any money pass to Mr. Maling?—I presume so; but I should say that until the other property was sold this money would be kept by the trustees.

352. What conversation had you with Mr. Luckie when he came to put himself in communication with your firm?—I had not the pleasure of knowing him by sight before that time. He was introduced to me when at luncheon at the Club. The next day or the day afterwards he came to my office, and informed me that Sir Julius Vogel had requested him to see me with reference to the purchase of two or three properties—Morton's block and other properties. The probability is, he mentioned Maling's property. I knew that Maling had made a proposal to the Government through agents. I said, "Perhaps you are not aware that Mr. Maling is a connection of mine. I wish you would be kind enough not to consult me in any matter connected with Maling in any shape or form. I do not wish to know what is going on at all. If there is any occasion for you to take any advice on the subject, you will be good enough to see Mr. Maude, one of my partners, who is in no way connected with Mr. Maling." From that time until after the transaction I never spoke to Mr. Luckie on the subject, or to Mr. Maling, nor did I even know the terms of the transaction until after it was completely finished. I did not even inquire how it was going on; I carefully avoided doing so, in the office or outside of it. Before this, the only communication I had from Sir Julius Vogel was to ask me if I could ascertain for him whether Mr. Morton would sell his block of land opposite the Bank of New Zealand which was not built upon. I approached him (Morton) on the subject, and he informed me that he had already entered into a contract for building—that it was not in the market; but that he had another property in Cathedral Square which he was willing to offer. Mr. Clarke, agent, also told me he had property to offer there, and I said, "You had better make your offer in the ordinary way." It did not come through me. I did not consider myself as agent for the Government for the purchase. I was only asked to arrange with Mr. Morton, if possible.

353. Did Sir Julius Vogel ask you for any particulars of this property?—No. He only asked me to ascertain particulars of Morton's property. I had no knowledge at that time that Maling's property was likely to be offered, nor had I had any communication from him on the subject until he informed me that he would also sell. I then told him to make any proposal he wished to make himself direct.

354. *Mr. Holmes.*] Did you ever suggest, directly or indirectly, to Sir Julius Vogel that Maling's property was for sale?—I mentioned it, together with the others, in my reply-letter to Sir Julius Vogel.

355. *The Chairman.*] Did you communicate to Maling that the Government were looking out for suitable premises?—No, I do not think I did; but I was aware that Maling had informed the Government that he was ready to sell: and when Mr. Luckie came down my opinion was asked as to whether it was a suitable place.

356. It was not under offer to you?—No; I believe it was offered by Mr. Bell, commission agent, who always transacted Mr. Maling's business.

357. When you get the information you expect as to the disposition of the £1,300, will you communicate that to the Committee?—Yes. I should like to say that, looking at the matter in the light of after-events, if my advice had been asked, I should have recommended Mr. Maling's premises, amongst those that were offered at that time to the Government, as the most suitable. The locality is most decidedly progressing, and it was one of the best positions in Christchurch, and the building is substantial, and well adapted for offices of any kind.

WEDNESDAY, 23RD JUNE, 1886.

Hon. Sir JULIUS VOGEL in attendance and examined.

358. *The Chairman.*] You are Chairman of the New Zealand Government Insurance Association?—Yes.

359. I may explain to you that we are only at present taking evidence with respect to the purchase of the building-sites. We shall be going into the larger question of the management of the association later on, and we shall have to ask you again to attend and give evidence. Will you state when the first idea was entertained of purchasing sites for buildings?—As soon as the Government put the department into a separate association, the idea seized my mind that it would be absolutely necessary to secure good sites and buildings in the chief towns.

360. Were not some steps taken to secure some sites before the association was handed over?—The Wellington and Dunedin sites were bought before the association was handed over.

361. What was done by you?—I made inquiries of an informal nature from persons whom I had opportunities of communicating with, whether there were any choice sites to be obtained in Christchurch and Dunedin. I think I particularly asked whether we could get some land to advantage about the Cathedral Square, Christchurch. To the best of my recollection I also spoke about property in Dunedin to more than one person—amongst others, I think, to one of my colleagues who was about to go to Dunedin. In a private note I had written to Mr. Pym, I think, I put a postscript to the effect that, if there were any good properties for sale in Dunedin, the association might buy one after it became incorporated. I may here say that it did not enter into my mind, after the session was over, to make any definite purchases until the association came into existence. Therefore, when, later on, Mr. Luckie went down to Dunedin and Christchurch, it was on the understanding that he was to try and get properties put under offer to the association within a reasonable time after the coming into existence of the Board. I received a photograph and plans of the property belonging to Mr. Maling, at Christchurch. As far as I can recollect, about the same time I received from Mr. Pym descriptions of two properties in Dunedin.

362. Who did the information about the Christchurch property come from?—I cannot say positively. I am under the impression it was from Mr. Maling himself. I believe the plans or photographs, whichever they were, came from him. The description which Mr. Pym gave of the properties in Dunedin was so very attractive that I decided to send Mr. Luckie down there on the understanding, as stated before, that he would endeavour to get any properties we might desire to recommend placed under offer, so that the Board could decide upon them. I had better go on to speak of the Christchurch property first, as it is the one on which I have fewest words to say. With regard to the Christchurch property, Mr. Luckie, on his return, recommended it highly. I indorsed upon the paper, "Recommended to the Board," or words to that effect. I had nothing more whatever to do with the whole matter; it was entirely settled by the Board. I was away for a considerable period after the Board first met, and before I ever took my seat at the Board the Board completed the purchase. I wish to state that subsequent investigation on my part convinced me that it was an excellent purchase—that we should get fair interest out of it—that the spare piece of ground which we purchased alongside would enable us to build over the building occupied by Mr. Maling, and get an office and a fine building for a low price. Speaking for myself, I am sorry that, owing to the agitation that was got up on the subject, the Board subsequently relinquished the idea of buying the whole of the land which intervenes between ours and the Australian Mutual Provident Office, which would have taken our land alongside the Chamber of Commerce, and given to us the finest site, I believe, in Christchurch. We could have bought the intervening land very cheaply. And, if it comes within the cognizance of the Committee, I really think it is worth their while to recommend its purchase. The street is likely to be an important one, because the municipal buildings are being erected lower down. If we had the site for our buildings up to the Australian Mutual Provident Office, I am under the impression we should have a very fine site, and one which would be very profitable in the future. At the same time I wish to say this: that my opinion about sites is to be taken with the qualification that I have not been able to walk about for the last two or three years, and therefore am not so well qualified to judge as those who are able to do so. With regard to the Dunedin purchase, I was looking through the papers last night, and I consider that that is really the only purchase besides the Wellington one for which I am responsible, or about which I can give any definite information. I find, on looking through the papers, that I was urged in the strongest possible terms by Mr. Luckie to complete the purchase—that if I did not do so the property would be at once taken up by several other persons who were after it; and that, if the purchase were completed, we could at once obtain a profit from it in Dunedin or Melbourne. I should like to show the Committee that I did not contemplate the purchase from a speculative point of view. Mr. Luckie telegraphed to me on the 20th December, 1884, as follows:—

The Hon. Sir J. Vogel, Wellington.

Dunedin, 20th December, 1884.

Am detained here till Monday, when project will have ripened. Stout strongly favour of larger matter, as by far the best in every way. Fully six per cent. certain. Several after it. Will have to close at once if negotiation satisfactory. Stout and partner strongly advise this course. Once settled could realize more. Will advise you on Monday for sanction or otherwise. Future prospects of position are declared to be excellent by best judge in Dunedin.

D. M. LUCKIE.

On the 21st, I sent the following telegram in reply :—

Wellington, 21st December, 1884.

I COULD not sanction purchase as a speculation with the view of resale, but only with view to occupation now or later on as soon as possible. Of course, rent from parts we do not want would be an important element, and when we build rent from portion of building not required will be equally important.

JULIUS VOGEL.

363. Did he give prices at this time?—The price, I think, was sent up by Mr. Pym—it was £37,000. There were two telegrams received from Mr. Pym on the 12th December, giving descriptions of the building before Mr. Luckie went down.

364. Where is the paper from Mr. Pym, dated the 12th December, 1884, containing a statement of the Dunedin property?—This is the report received from Mr. Pym :—

REPORT PROPERTIES, DUNEDIN.

Dunedin, 12th December, 1884.

(Memorandum.)
SECTION 39, Block IX., corner Princes and Dowling Streets. Full particulars and plan attached (marked A). Price, £37,000.

Section 53, Block IX., corner Princes and Dowling Streets. Particulars of tenancies: Vacant land not let, 30ft. frontage (in Dowling Street), worth £75 per annum; Samson and Co.'s auction-room, let by year at £2 10s. per week, £125; Peace and Co., per week, £1, £50; Peace and Co., office, per week, 10s., £25; Stone, publisher, per week, 10s., £25; Leask, dentist, per annum, £70; Cook, lawyer, per week, £1, £52; Wertheim Sewing Machine Co. (tenancy expires next year) per week, £6, £312; McKay, lawyer, per month, £8 6s. 8d., £100; Rose, barber, £1 15s. per week, £91; Craver, auctioneer, £16 13s. 4d. per month, £200; Smith, fishmonger (lease expires at end of 1885), £208; Aitken, labour agent, monthly, £2, £24; tailor's shop (unlet), rental should be £150. Price, £27,000. The particulars re terms of occupancy are, I believe correct, but are furnished without reference to deeds. The buildings are two-storied brick buildings. In margin you will see cutting from plan Dunedin, showing position sections with reference to the leading banks. I also beg to hand you (marked B) plan Dunedin, with the two sections coloured red.

The section I mentioned to you in my telegram opposite Grand Hotel and at the corner of High Street and Princes Street is only a church lease, with a few years to run, when it will have to go up to auction. Owing to its being leasehold only is the reason of its not being occupied by bank or insurance. Any private valuator being referred to me I shall be happy to furnish any further particulars.

MONTAGUE PYM.

This is a telegram from Mr. Pym on the same date :—

Hon. Sir Julius Vogel, Wellington.

Dunedin, 12th December, 1884.

SECTION 39, known as Wise's corner, frontage Princes Street, does not expire till '85, '87, and '90; however, immediate arrangements could be made temporary office Rattray Street, frontage Section 53, Dowling Street. None of tenants extend beyond end '85, and temporary office could be arranged for in the Princess Street frontage. All buildings brick and stone. Am posting you to-night full particulars both properties. There is vacant frontage 30ft. to Dowling Street back of Section 53.

MONTAGUE PYM.

Then, here is another telegram of the same date :—

Hon. Sir Julius Vogel, Wellington.

Dunedin, 12th December, 1884.

SECTION 39, Block IX., immediately opposite Bank of New Zealand, having frontage to Princess Street, 66ft., Rattray Street, 165ft.; price thirty-seven thousand, and rental now bringing in two thousand two hundred per annum. Section 53, Block IX., corner Princes and Dowling Streets, same block as all the bank; price twenty-seven thousand, produces rent thirteen hundred and twenty. These are two finest sites Dunedin. Only freehold corners available. Please refer valuer to me for particulars.

M. PYM.

365. Did Mr. Pym give you to understand those properties were under offer to him at those prices?—He simply gave me to understand that they were purchasable. I understood he could sell them at the time. I am quite sure that in the private letter I wrote to Mr. Pym I merely stated—probably attaching very little importance to it—that if he knew of any fine properties in Dunedin for sale, we might be able to buy one.

366. That, you think, was the initiation of Mr. Pym's proposal?—I think it was. He then sent up the particulars of the properties. He had the properties under offer to him, or he found he could obtain them, for the price stated. I suppose he was acting as agent in the matter. I had a succession of strong recommendations to consent to the purchase. I received a strong recommendation from Mr. Stout to do so. I would like to show that I acted as a prudent man. On the 24th December the following telegram was received by me from Mr. Luckie :—

Hon. Sir Julius Vogel, Wellington.

Dunedin, 24th December, 1884.

CONFIDENTIAL. Wise's corner under offer at thirty-five thousand five hundred. Sievwright and Stout advise close, and that the land is choicest allotment in Dunedin—most central and best adapted for our offices, also judicious investment for our money. It is absolutely necessary to close without delay, and I strongly recommend that you authorize the purchase. Possession given first January. Details in Sievwright and Stout's hands. Please reply urgent, as I propose leaving to-night. I think property splendid investment.

D. M. LUCKIE.

367. Was this not a purchase that was commenced and completed before the association dealt with these matters?—It was under strong recommendation that it was necessary to do so that I agreed to the purchase without waiting to refer it to the Board.

368. There was no Board then?—The Board was not to come into existence until January.

369. When Mr. Luckie was sent down to Dunedin, what did you instruct him to do in the way of dealing with these purchases?—I sent him the following :—

(Memorandum.)

Dunedin.

SEE Mr. Pym and Mr. Stout. Object is to get the best site and good premises. If you have to wait a little for tenants: lease to expire not of much consequence, because if we build it must take some time. Our present object is premises for immediate use and site upon which to put the finest building in Dunedin. Sooner or later freehold will be immeasurably best; price does not matter so long as you get good value for what you pay.

That appears to have been put down as a memorandum, but I think there were some verbal instructions as well.

370. Mr. Luckie eventually pressed upon you the completion of this purchase in various telegrams?—Yes.

371. Did you refer him to Mr. Stout, then in Dunedin?—Yes.

372. Did it come to your knowledge at that time, when Mr. Luckie put himself in communication with Mr. Stout, that it was arranged Mr. Pym was to stand on one side, and that all negotiations were to be undertaken by Messrs. Sievwright and Stout?—That appears from the telegrams, but I am not sure whether it came to my knowledge before the final ratification of the purchase. I think Mr. Luckie told me about it at the time of the conclusion, when he recommended that Mr. Pym should have a remuneration. This is the telegram received from Mr. Luckie, dated the 24th December:—

Hon. Sir J. Vogel, Wellington.

Dunedin, 24th December, 1884.

TRANSACTION very good one for department, and greatly indebted to Pym. Unfortunately, although the originator of the purchase, Pym has literally been cut out of all profit. The manoeuvres of agents of the various proprietors and mortgagors necessitated, by advice of Sievwright and Stout, that Pym should stand aside. I think his service should be substantially recognized. Had he not assisted, and kept silence, the price would have been jumped up to fort thousand. I would recommend one and a fourth per cent. for his special services. We have a large contingency vote. Please reply.

D. M. LUCKIE.

I may state that Mr. Pym is a connection of mine—he is brother-in-law to my wife. I should like to put the whole of the evidence referring to Mr. Pym distinctly before the Committee, in order that there may be no misunderstanding as to my position in the matter:—

D. M. Luckie, Esq., Dunedin.

Wellington, 24th December, 1884.

PYM is a connection of mine, and I cannot authorize a special payment to him unless on direct recommendation of the Hon. the Premier, who is better cognizant of the circumstances than I.

JULIUS VOGEL.

The Hon. the Premier.

Dunedin, 24th December, 1884.

IN consideration of the valuable services which Mr. Pym has rendered to the department in connection with the purchase of the property at Wise's corner, which was first initiated by him, as he aided me in making the preliminary arrangements, and expected a fair commission on the transaction, I respectfully recommend that he be allowed a commission of $1\frac{1}{4}$ per cent. on the purchase-price of the property.

D. M. LUCKIE.

This is Mr. Stout's memorandum upon that:

D. M. Luckie, Esq., Dunedin.

24th December, 1884.

I do not know that Mr. Pym cannot claim a commission. He put the department on to the bargain, and, though he was not agent at the close of the bargain, he is certainly entitled to be paid for his services, and I think $1\frac{1}{4}$ per cent. fair commission.

R. STOUT.

Hon. Sir Julius Vogel, K.C.M.G., Wellington.

Dunedin, 24th December, 1884.

PREMIER in a minute considers Pym legally entitled to commission, having put department on the bargain, and says certainly entitled to be paid for his services, and that one and a fourth is a fair commission. Please approve. Shall I give him cheque out of imprest?

D. M. LUCKIE.

Mr. Luckie, Dunedin.

Wellington, 25th December, 1884.

My view is, that we should not ask House to vote payment to Pym: vendors must pay it. You tell me Premier has minuted that he is entitled to payment. We must compel vendors to pay it, or the bargain is off.

JULIUS VOGEL.

Hon. Sir J. Vogel, K.C.M.G., Wellington.

Dunedin, 26th December, 1884.

I HAVE to-day succeeded in securing to Pym one per cent. commission on purchase-money. This was all I could do, and he will be content. I have reported this arrangement to the Hon. the Premier. In all things where necessary I was guided by Sievwright, and I assure you the others being after the property was no "bogie:" property could now be transferred for fully ten per cent. advance either here or in Melbourne.

D. M. LUCKIE.

D. M. Luckie, Esq., Dunedin.

Wellington, 26th December, 1884.

YOU should have insisted on full amount certified by Premier. As it is, it seems to me we ought to pay Pym the quarter difference. Will wire A.D.C. approval purchase.

JULIUS VOGEL.

373. Upon the authority therein stated, did Mr. Pym receive that $\frac{1}{4}$ per cent.?—I think so. I should like to say this generally upon the subject: My own view was this: that, the Premier having recognized that Mr. Pym was entitled to $1\frac{1}{4}$ per cent., I wished it to be obtained from the vendors. When only 1 per cent. was obtained, I thought it would be cowardly on my part to refuse to take the responsibility of authorizing the balance of $\frac{1}{4}$ per cent.

374. Had you ever any knowledge that others claimed this commission at that time?—No; I do not think I knew anything more about it at that time. I heard something about it afterwards. I do not recollect that I had any knowledge of it at that time.

375. Did Sievwright and Stout, within your knowledge, apply for authority to pay that commission of £500 to a Mr. Reid?—I cannot say without going through the papers, except that I have no recollection of it.

376. Have you any knowledge of what commission Pym did get in the end, and how the commission was shared?—To the best of my belief he got his $1\frac{1}{4}$ per cent. commission.

377. You do not know of his sharing it with any one?—No.

378. Would it not have been a strange thing for the department to have paid that commission, as advised by the Premier, they being the purchasers?—I cannot exactly say. If I were wanting to buy an estate privately I should adopt the course of engaging some one to act for me, and pay him a commission, so that he would have no inducement to act for the other side. I think that is a good plan for a purchaser to adopt who has little knowledge of what he is purchasing.

379. But do not the papers show that in this transaction Mr. Pym had no dealing with the negotiations?—The papers show, apparently, to my mind that he was acting more for us than for the vendors.

380. Does not Mr. Luckie report that Pym was asked to stand on one side, so that Sievwright and Stout could conduct the whole transaction?—Not that they could conduct the transaction, but that other agents might be brought in.

381. There was a telegram that Pym was to stand on one side, and not let himself be seen?—All I know is what is stated in the telegram.

382. Is it not a matter of fact that Mr. Reid was then employed by Sievwright and Stout, and did conduct all the transactions?—I have no knowledge of that.

383. Do you know that the commission was all paid by Sievwright and Stout to this Mr. Reid?—No; I have no knowledge on that subject at all.

384. Well, you cannot verify the statement of Sievwright that £500 was paid to Mr. Reid as commission?—No, I cannot. My impression was that it was thought Pym's continuing to act might create embarrassments with other agents, who, I understood, were acting for the vendors. I objected to Mr. Pym being paid by ourselves, and wished that his commission should be thrown upon the vendors. I suppose that created a jealousy. I dare say that if Mr. Pym had not been a connection of mine I should not have been so stiff in insisting on the vendors paying him, because, as I have said, I think it quite reasonable that when a person is making a large purchase he should employ an agent to get all the information he can, and pay him himself, so that his interest should be entirely with the purchaser.

385. Had you known that Mr. Reid was to obtain this £500 commission, would you still have given Mr. Luckie the same authority to pay the $1\frac{1}{4}$ per cent. to Mr. Pym?—I did not give Mr. Luckie authority to pay the $1\frac{1}{4}$ per cent.; and I had no knowledge whatever of Mr. Reid in the matter.

386. Would you have given him authority?—The fact was simply this: The Premier said that Mr. Pym was entitled to be paid this amount, for which amount, to my mind, he might prefer a claim. I therefore said that I would not sanction the completion of the transaction until the vendors had agreed to pay Mr. Pym his commission. When Mr. Luckie reported that he had obtained from the vendors the 1 per cent. to Mr. Pym, I then considered that I was bound to authorize the payment of the other $\frac{1}{4}$, as it was established that Mr. Pym was entitled to it. My telegram, already read, of the 25th December, explains my views.

387. And you were not aware at that time that Sievwright and Stout intended, as your agents, to pay Reid £500 commission on this purchase?—As our agents to pay Reid! Certainly not; nor am I now aware of it. I was never conscious of any agent being employed, except so far as you consider Pym was employed. My idea of the matter is this: There was a large family-circle interested in this property, some of whom were engaged in the business of agents; and if Mr. Reid was paid, as you say, Mr. Sievwright must have obtained their consent to letting Reid have the commission. Mr. Hepburn, an auctioneer, was also, I believe, interested in it. I did not authorize Mr. Sievwright to pay anything on our account.

388. You do not know, as a matter of fact, that Sievwright reports that he did pay the £500 to Mr. Reid?—No, I do not.

389. But would you not have hesitated to deal in the way this commission was dealt with if you had known that £500 was to be paid to another agent?—In my opinion Mr. Pym richly earned his commission. I think it would have been cowardly on my part to have refused to take the responsibility of paying the whole if it had been necessary. Whatever may have been done by others, Mr. Pym was certainly entitled to a commission; but, as he was a connection of mine, I never expressed an opinion until now—I left the matter to be dealt with by my colleague. I do not think I could have done anything else when the Premier had minuted that he should be paid.

390. That would have been a double commission, would it not?—I knew of no other commission.

391. Would you have done that had you known those circumstances?—I am not now acquainted with the circumstances to which you refer, and I cannot reply to hypothetical questions.

392. I ask you whether you do not think your agents ought to have put you in possession of those facts?—I practically left the matter in the hands of the Premier.

393. And the price you understood to be payable to the vendors for the property was £35,500?—Yes.

394. *Mr. Stewart.*] Did you notice in Mr. Luckie's telegram that he stated Mr. Pym would be satisfied with the 1 per cent.?—Yes.

395. If Mr. Pym was satisfied with the 1 per cent. for what he had done, why did you recommend him to get this quarter extra?—I thought he was entitled to it, and that he should have it.

396. What services did he render—what did you understand he had done for his commission?—I understood that he had brought the property under our notice, highly recommended it, and acted afterwards in the way the solicitors directed him. Mr. Luckie said he was richly entitled to it. I refused to entertain it until the Premier had also said so. He stated that he did not know but Mr. Pym could claim it at law. As I did not wish to leave any unsettled claim open, I deemed it necessary to have it settled. I think I could show you from the papers that Mr. Luckie did afterwards state that Mr. Pym became dissatisfied.

397. What I gather from the evidence is this: That Mr. Luckie had ascertained from Mr. Pym that he was satisfied with the 1 per cent. commission; but, on communicating with you, and shortly after he heard from you in reply, he learned from Mr. Pym that he was dissatisfied?—There was no communication between me and Pym. It is difficult to tell what feelings one had at the time, but I probably conjectured that he would not continue contented with less than he considered himself entitled to. I refer you to my telegram to show that I thought he was entitled to the percentage that the Premier had certified he was entitled to. I do not know what Mr. Luckie's evidence has been. Mr. Luckie simply telegraphed that "he will be content," which seemed to me rather to mean that he thought he would be—that it was a supposition rather than that he had ascertained it.

398. All the recommendations to purchase this property were by the telegrams produced? Were there any recommendations outside these?—No.

399. *Mr. Montgomery.*] Was the telegram from Pym to the effect that the property could be purchased for £37,000?—That is the price that was first mentioned.

400. Was that the only price Pym mentioned that the property could be purchased for?—That is the only one of which I have any recollection.

401. Then, if it were generally well known that the property could be purchased for £35,000,

and it was actually afterwards purchased for £35,500, why should Pym have got a commission? What services did he render entitling him to a commission?—He had brought the matter before us. Mr. Luckie said he had rendered great service. The Premier certified that he did not know that he could not claim the commission by law, and that $1\frac{1}{4}$ per cent. was a reasonable amount to pay him. I saw no other course to ward off from the House and the Government a claim which, sooner or later, would have to be paid than that I adopted—namely, to say if Pym was entitled to it the vendors must pay it. When, by the vendors paying 1 per cent., it came to be narrowed down to a small amount, not worth while leaving undecided, and as we were handing the institution over to a Board, I authorized the payment of the $\frac{1}{4}$ per cent. As to the reduction in price, one would expect, in buying a large property, to get something off the price. I had no knowledge that the property had been offered at a lower price.

402. Were you aware that Pym had anything whatever to do with the reduction of the price below £37,000?—I had no more knowledge of Mr. Pym's services than what was disclosed by the telegrams.

403. *Mr. Levestam.*] Did any communication pass between yourself and Pym about the 26th December?—No; I have no recollection of any.

404. *The Chairman.*] We will now deal with the purchase of the Christchurch property. Was it not on information from Mr. Harper that you first thought of this purchase?—I simply asked Mr. Harper to let me know what he knew of any properties in Christchurch. There were several properties I thought might be had in the Square.

405. When Mr. Luckie went to Christchurch, who did you tell him to put himself in communication with there?—I told him to see Mr. Harper.

406. Was he to take his advice as to negotiations?—The understanding was, Mr. Luckie was not to bind the association at all; it was to be left open to the Board. I suggested Mr. Harper, who, I thought, would give him good advice. I may state that I had no knowledge whatever that Mr. Maling was any connection of Mr. Harper's.

407. Was Mr. Luckie to put himself in communication with anybody else in Christchurch in reference to the purchase?—I do not recollect. I think I mentioned to him that, if he wanted to have a valuation made, I thought Mr. Matson would be a good man to make it.

408. Mr. Luckie did recommend the purchase of the Maling property, did he not?—Yes.

409. At what price, do you remember?—No. I indorsed Mr. Luckie's recommendation to the Board.

410. And you are of opinion that the purchase was a desirable one?—I think the purchase will turn out very well. I think it is a very good investment for the association.

411. *Mr. Montgomery.*] You stated, I think, that you had received information from Mr. Maling, and a photograph of the property, and that the papers would show this?—I received a photograph of the property from some one. My impression is that it was from the owners. I have not the Christchurch papers here. I only brought the Dunedin papers.

412. Prior to Mr. Luckie going down, had you any communication with Mr. Maling?—I received from some one a photograph and description of the building. I cannot say whether it was from Mr. Maling or not.

413. Is that in the papers?—I should think so; but I have not looked over them.

414. How did Mr. Maling come to send you particulars of his property? How did he know that you wanted the property?—I suppose he heard from Mr. Harper that we intended to buy a property: that is the impression on my mind. So far as I can remember, I had spoken only to Mr. Harper and Mr. Richardson. It is possible I may have spoken to others.

415. Can we have those papers?—I shall ask Mr. Luckie to show me the papers if they were filed in the office.

416. *The Chairman.*] We now come to the Auckland property. How was that purchase initiated? Do you remember?—When I was at Waiwera, I think, Mr. Shera intimated to me that he was willing to sell his property.

417. About what time would that be?—I was at Waiwera in January or February, 1885. I telegraphed to the Board, recommending them to inquire into it, as I was impressed with the way Auckland was advancing. They informed me that a Committee, consisting of two or three directors and the Manager, would go to Auckland. I saw those gentlemen. They came to see me when they arrived in Auckland. I explained to them that I could not say what price might be taken, as I knew nothing about the building except having passed the front of it. The site seemed a very good one. I thought that they should inquire into that and other sites. An objection to the site was that it was too narrow; and I thought it would be better to try and arrange for the adjoining building as well, which I understood could be obtained. I then went down to Christchurch and Dunedin. I was not present at any Board meeting before the purchase when the question was brought up. I really took no part in connection with the purchase beyond what I have described.

418. Do you know of the building not having been used since its purchase in 1885?—I am sorry to say, Yes.

419. We have had it in evidence that another place is being used for which rental is paid?—The circumstances are these: For some time we did not get possession—there was another office there. After we got possession something was to be done at once. When I inquired, I was constantly told that the Building Committee, to whom was confided the charge of these matters, could not be got together. Afterwards, when there was so much excitement against our spending money on buildings, the matter was probably not proposed.

420. That is how the building has lain idle?—That is the reason.

421. Do you know what commission, if any, was paid on Shera's purchase?—I do not know of any commission. The Board paid none.

422. *Mr. Stewart.*] Did you take any means to ascertain the value of the property at all? Was

Mr. Moss employed to value the property?—When I was at Auckland lately I had a meeting of the policyholders, and a gentleman present asserted that the property was bought at auction very much below what we gave for it. I asked Mr. Shera how it was that the price was so different; and it appears that it was offered at auction encumbered by long leases, with powers of renewal, Mr. Shera being, I think, the principal lessee. Mr. Shera gave me the papers showing what took place at the auction, and the leases by which the property was encumbered.

423. Was Mr. Moss employed as a valuer?—Yes. I suggested to the Board, pending the Committee coming up, that Mr. Moss might be asked to value it.

424. You do not know anything about the completion of the matter?—No. I had nothing to do with it. Mr. Moss valued it at considerably less than the price asked; but, as I was in no position to negotiate for the purchase, I left it to the Committee, and the Committee got it for less.

425. *The Chairman.*] Do you not think it is undesirable that members of Parliament should act in any of these capacities for the Board?—When I am acting for the Insurance Board I try to do the best I can for that Board. I thought Mr. Moss would be the last man in the world to make an exaggerated value of the property.

426. My question was a general one—whether you do not think it is desirable they should not act?—In some parts of the country it is desirable. Mr. Whyte, for instance, is a very good valuer. I do not see any reason why we should refuse to avail ourselves of the best services we can get.

FRIDAY, 25TH JUNE, 1886.

Hon. Sir ROBERT STOUT in attendance and examined.

Witness made the following general statement: I have been for many years, and am still, a director of the Colonial Mutual Life Insurance Company; and when I joined the Government the question of the Government Insurance came up. I then stated to my colleagues my position, and also stated that any action the Government might take ought to be based on representations made by the Government that had been previously in office, and who had had the management of the Government Insurance for some years. I spoke to Major Atkinson on the subject, and he strongly advised that the Bill which he had prepared should be passed—namely, a Bill constituting a Board to manage the Government Insurance. I and my colleagues thought it would be proper to give that system a trial. To my mind there were two ways of looking at Government insurance; and I still hold the same opinion. First, whether the Government Insurance should be managed the way the Post-Office Savings-Bank is managed—in connection with some Government department—inexpensively, having no canvassers, advertisements, buildings, &c., but simply having a Government department open to any one who may choose to go and insure his life. The other view of the Government Insurance business was to have it “run” like a business concern, and like other insurance offices in the colony. As I understood it, the passing of the Act was to place the Government Insurance in a position similar to other insurance companies in New Zealand—namely, to carry it on as a business concern, and to be freed from governmental control. That being the intention, the question arose, was it necessary to have buildings? I thought, and still think, that, if the Government Insurance was to be managed like other insurance societies, it would require to have buildings. I may point out that the freehold land and buildings for offices owned in New Zealand by the Australian Mutual Provident Society at the end of last year were valued at £85,000, and that sum did not include, I think, the last Dunedin purchase, amounting to upwards of £20,000. I forget whether it was £23,000 or £25,000. I may also state that the society of which I am a director has as its chief directors in New Zealand the following gentlemen: Mr. Spence, of Dalgetty and Co., the Hon. George McLean, Mr. Larnach, and myself. It has also local directors in Wellington—Mr. Beetham, M.H.R., and Mr. Harcourt—and local directors at Auckland. We have all thought that it was necessary to have special buildings of our own. We have bought land in Auckland, Wellington, Christchurch, and Dunedin. We intend to erect a very fine building in Dunedin, and we are also getting plans prepared for a building in Wellington, at Krull’s corner, opposite the Bank of New Zealand. I might also add that the National Mutual and the Mutual Life Association of Victoria have bought buildings in the colony; and, indeed, if the Government Insurance Association is to be managed like any business concern it will require buildings in the best positions in the principal cities. I mention this fact to show with what view I approach the question of the Government Insurance Association having buildings. If the Government Insurance Association is not to be managed as a Government department, I believe, in order to compete with other insurance associations, it will require special buildings. I shall mention further on what my views are as to what the Government Association should be; and I shall give my opinion quite impartially. As to the purchase of buildings for the Association, I was consulted about the purchase of the Provincial Government Buildings in Wellington. I thought that a cheap purchase—in fact, too cheap a purchase for the vendors. I thought that a building of some kind was necessary for the Government Insurance Association in Wellington, and I do not think it could be got cheaper. As to the Dunedin purchase, I did not advise the purchase, but I said, if a purchase was to be made, the building that was ultimately purchased was a cheap purchase; and I further said, if a building was not purchased the Insurance Association would have to rent offices, for it was impossible, and is now impossible, for them to carry on their business effectively in the present buildings. The result at present is that the Government of New Zealand have to pay many hundreds a year as rent for other offices, being driven out of its own buildings to make room for the Government Insurance. We have got to pay for the Immigration Officer’s room in Dunedin, for rooms for the Official Assignee, also rooms for Railway Audit, for the Inspector of Machinery, and other officers. The rents we pay in Dunedin for Government offices amount to something like £700 or £800 a year. That is leaving out, I think, the rents we have to pay for the Magistrate’s Court, Police-

offices, &c. In fact, Dunedin is not sufficiently supplied with Government buildings. I cannot remember that I was in Dunedin when the first negotiation for the purchase of the site for the association began. My impression is that I was not; but I heard that the price asked for the building was £37,000. I knew that several companies were after it. I believe that our own company—the Colonial Mutual—would have bought it. I had nothing to do with the negotiations. I was only asked if I thought it was a bargain; and I believed it was. I was not aware that Mr. Hepburn was the agent for the property; I understood Mr. Charles Reid was the agent. I knew he had been agent for Mr. Kilgour, one of the proprietors. This I knew because of a mortgage transaction between Mr. Kilgour and Captain Fraser. Mr. Reid negotiated it through me. I do not think I had anything to do with the purchase save this: that, when my opinion was asked if I thought it was a good purchase for £35,000, I said I believed it was; and I still believe it was. I believe even now, although property has fallen, that that money could be got for the land and buildings. As to the commission, I was asked by Mr. Luckie about it, and my impression is that everything I stated to Mr. Luckie I gave in writing, so that there might be no mistake about what I advised. I stated that Mr. Pym, who I understood had negotiated the purchase, was entitled to his commission. I told him that I believed Mr. Pym could legally claim a commission. As Mr. Stewart is here, he will know that there have been two or three cases tried in the Supreme Court which show this. I thought $1\frac{1}{2}$ per cent. was the usual commission, and a fair commission. I believe that is the commission allowed by the Chamber of Commerce rules. I do not know that I have anything further to say about the Dunedin purchase. I know nothing about the other purchases, and was never consulted. I may further add that the Government, as a Government, so far as I know from individual members of it, has never interfered with the management of the Government Insurance Department since the present Board was constituted. In fact, I declined to attend any meetings. I was asked if I could act as chairman, and I said I could not attend any meetings, as I was a director of another company. If the Government had not given over the Insurance to a Board, I should have resigned my position as a director on the Colonial Mutual Life Insurance.

427. *Mr. Macandrew.*] Should not the matter of these purchases have been approved of by Parliament?—I do not know. I understood they were approved of by the Board.

428. But had the old Board power to go into such large transactions without the authority of Parliament?—They have been in the habit of doing so, apparently. I have never looked at it from that point of view. I was only asked to advise as to whether the Dunedin purchase was a good one or not. I might be allowed to add this: that, from what has happened since the Board was constituted, I believe that the constitution of the Board has not been a satisfactory arrangement. But, being, as I am, a director of a rival institution, I would ask the Committee to take my opinion—to adopt the usual phrase—“with some salt.” If I had my own way in the matter, and if I was asked what the Government Insurance should be, I would say that I believe it ought to be looked upon the same as the Post-Office Savings-Bank, and that it ought to be managed most cheaply. Of course it will have to rent or purchase offices to carry on its working, but it ought to be tried to be worked with the Post Office. Of course the policy-holders would have to pay something for the use of the offices and rooms and towards salaries of officers. It ought not to have those canvassing and touting agents that it now possesses. I believe, if that course were adopted its business might not be so great, because of the keen competition with other companies—Parliament would have to look to that—but I believe that, in the end, it would manage its business soundly, it would manage its business cheaply, and, on the whole, it would be a greater gain to the colony.

429. *The Chairman.*] Well, of the two systems you sketched at the first, your opinion would be in favour of Government management, and the utilizing of the Post Office and other departments?—Yes. The only difficulty that comes in the way is as to what Board or body is to look after the investment of the money; and, in my opinion, that ought not to be left to the Government of the day, whoever they are. That is the difficulty; and I would suggest, in order to meet that difficulty, that the investments should be intrusted to the Public Trust Board, that Board receiving a very small percentage—say one-eighth, or perhaps less—for the trouble of investment. The Insurance could collect the rents, but the Public Trust Board ought to approve of the investments. I see an enormous danger in allowing the Government itself to deal with investments in real property. The political element is very strong, and that needs to be particularly guarded against. I think leaving it to the Public Trust Board would be the best. Let it be separate altogether from the Insurance management, and let the Public Trust Board manage and approve of every investment made.

430. *Mr. Macandrew.*] Who are the Public Trust Board?—The Board consists of the permanent heads of departments, the Controller-General, Solicitor-General, Public Trustee, Colonial Treasurer—I forget who the others are. I may say that the Attorney-General is put down as a member, but I have never attended the meetings of the Public Trust Board except when the Solicitor-General was absent or could not attend.

431. *The Chairman.*] Would your opinion go towards the exclusion of all political officers whatever from the department?—The position is this: that if you leave the department in the Government, you must have some one responsible to Parliament for its management. You might have a permanent Commissioner, who would report to Parliament; and you might look upon him as you look upon the Auditor-General—as a high officer of Parliament. If that was done, of course the Ministry would be relieved of another responsibility. That is one way out of the difficulty. If that were done, however, you would need to have an officer of a very high standing and very high salary, and who had had large experience in dealing with such a concern as this is and is likely to become.

432. *Mr. Macandrew.*] Had the Commissioner not to report to Parliament under the original

Act?—Yes, he had to report to Parliament; but, of course, though he was nominally Commissioner, the Colonial Treasurer really was supposed to control the business.

433. Mr. Gisborne was the first Commissioner?—Yes, he was the first Commissioner.

434. *The Chairman.*] Do you think what you have stated would be a desirable mode of management?—You would need to associate with the Commissioner some of the officials to look over the granting of policies. I may say that I have been, as already stated, for some years a director of a company, and we have a very good secretary, a man who was trained in Edinburgh at the Standard Office, and was also in the Government Department—who has had large experience in insurance; and even we find that very difficult questions come before the Board for decision—as to accepting policies, and other questions—to which we need to apply all our mind. Therefore I do not know that it would be safe to leave in the hands of one man the important position even of accepting policies without the aid of a Board. All the other questions, such as appointing officers, could be left to him. Seeing that it is to be managed as a *quasi* Government department, and as the Public Trust Office would have to manage investments, as I suggested, the only thing would be to associate with him two or three men who would be a Board of Advice, to whom might be referred the question of whether lives would be accepted or not. That is all that would be necessary.

435. And you think they could be found among the head officers of the Government?—I think so. I mean to say this: that in my opinion the Government Insurance now, by getting men like Mr. Gavin, Mr. Reid, and others to work long hours at night and paying them nothing, is most unfair, and that if they remain a Board of Advice they ought to get some allowance for the services they render.

436. You have spoken of the present Board as being, in your opinion, anything but satisfactory: do you think the political element has been the cause of the Board working so unsatisfactorily?—I should not like to say that the Board has done anything wrong, or not done its work faithfully, to the best of its ability and light, but the impression has gone abroad that it has been unsatisfactory, and that of itself is enough to condemn it. I feel certain, from the discussions that have taken place in regard to the management of the Government Insurance, that the association has been greatly injured, and I am afraid that on the Board political feeling has been manifested. I do not like to blame anybody, but that is my opinion.

437. You spoke of the Wellington building as being a good purchase?—Yes.

438. Are you aware that that building is only to a very small extent utilized for the purposes of the association?—I should imagine that fully one-third is utilized, and as the business increases it will need more room. The Government have no rooms. In fact, the Government have had to rent rooms even for the Public Trust Office. This question of Government buildings is pressing upon us in all directions. The want of extra Government buildings is much felt, and I have done what I could to keep down the expense out of loans on buildings.

439. You have heard of the proposal to build large new offices?—I have heard of it, and I have seen it in the papers. I may say that, although I am a policy-holder, I have not attended the meetings, or taken any interest in them, or even voted, because I am a director of another company.

440. Do you know that the intention was to take down the present building altogether, and erect upon the site buildings estimated to cost £37,000?—I believe so.

441. Are you aware that these buildings are only proposed to be used to a small extent for the purposes of the association, and that they will principally be to accommodate other departments of the Government?—Yes. We need accommodation; and, to save us putting up buildings and to lessen the interest on the sinking fund we should have to pay on the buildings, I believe the Government said they would be willing to rent certain buildings from the association. I have not gone into the question as to whether it would pay the association to do this or not. I never looked at it from that point of view, and, except I had before me the cost and the probable return, I should be unable to give an opinion whether it would be a wise thing to do or not. It all turns upon what interest the association is to get for its investment.

442. Would not such investment tend to operate against the returns which the shareholders are expecting to get from the association?—That depends on the interest they would get on their investment. One has to look at two things—first, the probable rise in the value of land in towns; and, second, the probable deterioration of the buildings. You have to look at both these things. If the matter was left to me, I should hesitate very much before I went into expensive buildings in every town for the Government Insurance. I do not say it would be a wrong thing to do, but I should be rather cautious.

443. Did you say that the Government in Dunedin was inconvenienced by the offices occupied by the Insurance?—Yes, we have been inconvenienced; because if we had the rooms the Government Insurance now possess, we should put in them offices we have to pay rent for now.

444. You know nothing of any of the purchases except the Wellington purchase and the Dunedin one?—I have heard of them, but I know nothing particular about them.

445. Did Mr. Luckie put himself in communication with you when he went to Dunedin?—I am not sure whether I was in Dunedin before Mr. Luckie or not. I was only asked one thing, because I explained to my colleagues the position I was in as a director of another company. I was simply asked my opinion as to whether the purchase was a good one. I have no doubt Mr. Luckie put himself in communication with me if he said so in his evidence. I advised that the purchase was a good one, and I still believe it was a good one. At one time there was, I believe, £42,000 asked for that block.

446. Did you hear of Mr. Pym being connected with this business when you were in Dunedin?—Yes. I understood he was acting for the Government for the purchase, and had been so acting before Mr. Luckie came to Dunedin.

447. Of what he did you have no knowledge?—No; only when Mr. Luckie asked my opinion

about the commission I said, "If what you say is correct—that Mr. Pym had been the negotiator, and rendered service until the purchase was completed—if you employ a man to do that your are entitled to pay him." I do not say that I used these exact words, but that was the effect of what I said.

448. Did you know at the time the purchase was determined to be negotiated for that Pym was told to stand on one side and not let himself be seen at all in the transaction?—I do not recollect anything of that at all. I was kept out of this matter on another ground. They knew that there were several people after this building. If I recollect rightly, the Australian Mutual Provident Society had not made their second purchase. They bought Mr. Reid's property in High Street, and found that that would not be suitable, and they ultimately bought the corner of Princes Street and Dowling Street. Mr. Sievwright is a man who has great knowledge of property and investments; and he pays special attention to that business. He is also a director of several companies. I should say, as to knowledge of property there are very few people in Dunedin who have a better knowledge. I have no recollection of Mr. Pym having been asked to stand aside. I do not know that I was not consulted about that.

449. You did not know of another gentleman, Mr. Reid, having been employed by your firm?—No. I understood Reid was the agent for Kilgour, one of the part owners.

450. Did you advise that Mr. Pym should be paid the $1\frac{1}{4}$ per cent. commission?—Yes. I understood that he had led up to the negotiation, and hence was entitled to his commission. Of course that is the rule. I could name several cases where that principle has been affirmed in the Supreme Court.

451. But would it not be usual for the vendors to pay that commission?—No; the vendors never pay the vendee's agent.

452. Did it come to your knowledge at that time in Dunedin that the property was offered for sale at £35,000?—No.

453. And that £500 was added on for commission?—No. My impression was that it was offered for £37,000. I am sure that I was told so either by Mr. Luckie or somebody—that £37,000 was the price.

454. It appears from the evidence that the property was put under offer for £35,500, and that £500 was added, by agreement on the part of Mr. Reid, to be available for commission?—I do not know that. The sum mentioned to me was £37,000.

455. *Mr. Levestam.*] You spoke of the Mutual Society, and said they intended to erect large buildings in Dunedin?—Yes.

456. Was it their intention to erect those larger buildings for their own requirements, or to let portions of them?—For both, the same as they have done in Christchurch. They have one of the most elegant buildings in Christchurch. It was opened this year.

457. Are we to understand that the Government considered the advisability or otherwise of the association purchasing buildings?—No; it never came before the Government. The matter came before the Government as to the Wellington buildings.

458. You stated that the Government had to pay hundreds in Dunedin for rent?—Yes.

459. And because the association occupied certain buildings?—That was partly the reason. I mean to say, if the Government got the rooms the Government Insurance occupy they would have less rent to pay.

460. Are the Government letting rooms to the association at a loss? I mean, do they get less rent than they have to pay for other offices?—I think they do.

461. As to the management of the association, you say the difficulty is in lending out money, and you recommend that a Trust Board should do that?—Yes.

462. Would not an honorary Board of Advice do perhaps as well, and better?—Well, if you have a machine in existence that can perform your work, what is the use of creating a new machine?

463. Those gentlemen who form that Trust Board are Government officials?—Yes.

464. Have they any special training that would at all qualify them to be such Board of Advice as to investment of money?—No; I do not think they have any special training. I believe they are careful men, and that in their advice they would be swayed by no political or personal considerations. I do not say that they might not make mistakes.

465. But do you not think that good business-men would be more likely to give better advice to the manager?—The great difficulty is to get business-men to undertake what is, in fact, a new business outside their own business—namely, the lending of money. Nothing is more difficult than dealing with investments in land, considering the sudden rise and fall to which colonial property is subject.

466. You say the necessity for the Board of Advice is to give advice as to whether lives should be accepted?—That is the function of the Board of Advice.

467. Is not that rather a question that should be decided by medical men than by Government officers?—No. The medical man reports on each individual case, and makes a recommendation; but we may have often to ignore the medical man's recommendation. We do not always accept it.

468. Would people engaged in general business not be qualified to give advice?—I may say that this question of life insurance is a very difficult thing to deal with. Before I attempted to perform any duties as a director I read very largely on the subject, and obtained all the information I could gather as to what is done both in England, America, and the Continent, in order to fit me for work I had to perform as a director.

469. Then, as to the buildings, you think it is wise for the Government Association to erect buildings and let portions of them, and one of the considerations would be the rise and fall—probably the rise—in the value of property?—Yes, that is one of the considerations.

470. In accordance with the law, has this association only the right to hold property for its own purposes?—It is limited to that.

471. If you take into consideration the rise in value, you are really going outside what you are permitted to do?—Not necessarily.

472. If you build to let?—No doubt you are if you build to let.

473. *Mr. Montgomery.*] You spoke of investment of money: did you mean investment in real property?—Yes, I meant that, of course. I may here add that it may be a question whether the Insurance Association should be allowed to invest in real property; but I am afraid that the policy-holders will not be content if that is not done, because there is the chance of getting greater interest from the mortgage of real property than from other securities, such as Government bonds.

474. Then, do you think that the Insurance funds should be invested in real property, in order to get the greatest interest from these funds?—I do not think, myself, that the Government Insurance ought to invest all their money on real property. I think a part ought to be invested. I think that is the prudent thing to do.

475. With respect to lending money on mortgage, would it not require the greatest possible care on the part of the directors?—I quite agree with you: it needs especial care.

476. Then, with the utmost care that is taken, in case of depressed times may not some of these securities be found inadequate to return the money?—I have no doubt of that whatever.

477. In fact, there is very considerable danger?—There is; I quite agree with that. In fact, if the Government Insurance were to get 5 per cent. on its money outside of investments on mortgages altogether, it would be a safer thing to do. I mean 5 per cent. for Government securities, outside of mortgages.

478. Then, in order to make this national insurance a perfectly safe concern, you must either have a first-class Board of Management, or else the securities must be outside of mortgages?—Yes, I think so.

479. In speaking of the management generally you said, if the matter came back to the Government, the Manager should be a good officer, of high standing, high salary, and trained qualifications?—Yes.

480. From your knowledge of those companies—I mean information derived from reading—what salary do you think a first-class man should have as manager of our Insurance Association?—I am not able to fix the figure. I can only say what other companies pay. Some of their managers get up to £2,500 and £3,000 a year.

481. Would it require a much more able man, do you think, for this association, than would be required for a fire and marine insurance office?—Well, I think it requires an equally able man, if not a higher class of man. I think the National Fire Insurance Company, in Dunedin, pays its manager £1,500 or £2,000 a year.

482. If this Insurance came back to the Government, the present Board abolished, and a new Board appointed, do you think the Manager should be an officer appointed by Parliament, and be in the same position as the Controller, or should he not?—In my opinion, he should.

483. That his position should depend upon Parliament?—Yes.

484. The same as a Judge?—Yes.

485. He should be a statutory officer?—Yes. You must have it free from Ministerial responsibility, unless you assign a new Minister for the purpose. I do not think any one of the present Ministers could manage it along with his other functions. We find, from the nature of New Zealand, having different centres, that we have little time to attend to even the functions cast upon us now. If such a big business as this was cast upon any Minister I do not think he could perform his duties unless he did nothing else, and you would require a new Minister specially to deal with the subject.

486. Do you think it is an advisable thing to remove this Insurance Association entirely from the control of the Government of the day?—Well, my own opinion is that it is. I look upon it in this way: although I am in favour of having Ministerial responsibility in everything possible, yet this is a business of a peculiar nature, and so mixed up with finance that it would be better to have a high statutory officer than even Ministerial responsibility.

487. Then, do you think that the only way to remove it from political influence is to have a high statutory officer?—I think so.

488. Then, respecting the Board of Advice you spoke of, you mentioned Mr. Gavin, Mr. Reid, and others as intelligent, honest men?—Yes.

489. You also spoke of their working long hours, and that they should have remuneration?—Yes—working at night.

490. These men are officers of the Government?—Yes.

491. Their day-duties are arduous and important?—Yes, very. I should say that Mr. Gavin does more important work than any bank-manager in the colony, and he does not get half the salary.

492. If their energies are taxed largely and fully during the day, is it to the advantage of the public service to work them during the night?—I do not think it is. The difficulty is that if you are to have a Board you must have some men in an independent position. If you do not do that you will have to call in outside men; and I think there is a great danger of that. I understand what you mean. If they were only constituted a Board of Advice to deal with policies their duties would not be half so arduous as they have been during the past year.

493. Then, from your knowledge, acquired from reading and otherwise, you say there is great difficulty at times about accepting lives?—Yes.

494. Have all insurance companies medical advice?—Yes—medical referees. I may say, in addition to the ordinary doctor who examines, our company submits generally everything to

Dr. Coughtrey as medical referee. We find his suggestions often very pointed, and always exceedingly useful.

495. In your opinion, would the difficulty arise in refusing lives that the medical man might think safe, or does it arise from having to consider how those lives should be loaded?—Both points arise. We sometimes reject lives that the doctors have recommended us to accept.

496. Do you think that there would be any danger of the Board accepting lives against the advice of the medical man?—There is that danger sometimes, though I should imagine it is rare. But there is also the danger of the Board accepting lives on the recommendation of the medical man. I do not think that danger would arise often. I am not aware of our Board having ever looked at or considered the lives that the medical man recommended us to reject.

497. This would point to the all-important fact that, in order to have this insurance safe for the Government and safe for the investors, the Manager of the Board should be a first-class trained man?—Yes.

498. With very high qualifications, with honesty of purpose, and so on, and that he should also have a Board of Advice to act with him?—Yes—to act with him in dealing with lives, and only with lives. I assume, of course, that there will be an actuary or actuaries always connected with the association, who will advise on tables, valuations, &c.

499. I understood you to say that your opinion was that it was not the best way to have Government men touting for lives?—No; I do not think it is proper at all.

500. I ask you, further, does not that touting for lives and employing so many agents necessarily cause considerable expense?—Great expense.

501. Does it not also cause a great deal of additional work on the part of the Board when they have to consider those lives?—Yes; a great deal of extra work is imposed in every way.

502. Do you think that those men who are touting will endeavour to do as much business as possible, leaving a good deal of responsibility upon the Board, and thinking very little themselves, in some cases, as to whether the lives should be taken or not?—Well, I have no doubt the agents will try to make as big commission as they can. I am not aware that any agent would act in a way he thought dishonest; but he may think he does not require to exercise so much care as the medical officer of the Board.

503. He would leave it to them to make objections?—He would cast the responsibility on the medical officer of the Board.

504. *Mr. Stewart.*] You expressed an opinion in reference to the way in which the association should be managed. What would you do with the present buildings which have been purchased?—I would sell them if the Insurance went back to the Government; but so far as Dunedin is concerned, they will have to get some offices, as the present offices are not suitable. There would have to be something done in Dunedin in regard to General Government offices, as we are now paying high rentals.

505. Looking at the matter purely from the Insurance Association point of view, and in the event of the institution being managed on the lines you have already indicated, do you think that the purchases already made would have to be got rid of?—Well, so far as Dunedin is concerned, they might arrange to have their offices in part of the buildings, and sell the rest. If the market goes up they might so arrange it. My opinion is that, if the Government took over the association, they might arrange to build on part of the land, and make that available for the Official Assignee and various other officers they have now. The men are living now almost in lobbies.

506. When you recommended the purchase of Wise's corner, how did you expect the purchase to turn out—that is to say, as to percentage?—I thought, from the percentage on the rentals, that $5\frac{1}{2}$ or 6 per cent. might be considered as the return for the property.

507. You are aware that the buildings were of a dilapidated character, and would have to be pulled down?—I do not think they required immediate pulling-down. Wise's corner would always have yielded a good rent. It is a fine business-site. The building is old, but the Otago Hotel is not a dilapidated building, and the building north of Wise's building is new.

508. Speaking generally, do you think that such a class of buildings was required by the association?—If you want to go into business like the other insurance associations you would have to put up a new building on a part of the site.

509. Is the land not too valuable for the buildings now upon it and for the price paid?—I do not disagree with you. No doubt it is the most valuable building-site in Dunedin.

510. Did you not take into consideration, when recommending the purchase of the site, the question as to how it could be made a paying concern?—I have no doubt whatever that, if it could return 6 per cent. with the present buildings, which are in part dilapidated, then, with the cost of the new buildings added, it ought to give a higher percentage. I may say that the way to test the value of the purchase would be to take what the Australian Mutual Provident Society paid for the corner at Dowling Street and Princes Street, and compare it with what the Government Insurance paid for Wise's corner. Every one who has been in Dunedin knows that there is no comparison between the two corners for business purposes. The latter is worth double for business purposes; and yet the Australian Mutual Provident Society paid from £23,000 to £26,000, although the buildings on the site were not half so good as the buildings on the site purchased for the Government.

511. I understand you looked at the property simply in its then state?—Yes. I will say this: that, supposing I had the money to invest, I would have given that money for it. I considered it a good investment, and I still think so. Of course, during the last two years, through the fall in the price of wool and other staples, Dunedin has been in a very depressed state. If the property is kept for a year or two and utilized, the Government Insurance will make money out of it.

512. You stated that there is a great danger in investing money on real property?—Yes.

513. Do you think there is any real danger if there is a margin of 50 per cent.?—That depends on the valuer.

514. If you limit the maximum loan?—That is a thing you cannot always do if you are to do any business.

515. When speaking of the Board of Advice being a non-political Board, you said the Colonial Treasurer was on the old Board?—He was the Manager of it, and was responsible for it to Parliament. That was under the old system.

516. Then, in the Board you suggest, would you propose to eliminate him from it?—I am giving suggestions on the assumption that the Parliament is to carry on the Government Insurance business. I have assumed that it is desired by the people of the colony and the Parliament of New Zealand that the Government is to carry on the business. I see enormous advantages and disadvantages in it. I have not touched the point whether it is wise for the Government to deal with insurance at all or not. I assume that it is. That opens a very wide question, which I would have to take time to consider and discuss.

517. At the time you gave the opinion that Pym was entitled to the $1\frac{1}{4}$ per cent. from the department, were you not aware that Mr. Reid had been employed by the department?—I knew he had something to do with it, but I could not tell you exactly his position. I thought he was acting for Mr. Kilgour. I could not see how you could get rid of paying Mr. Pym. I assumed that what Mr. Luckie told me was correct.

518. *Mr. Macandrew.*] I understand you as a policy-holder would be content that the accumulated funds should be invested solely in public security, even if by so investing the amount of bonus might be less than it would be if they were invested in real property—that, in your opinion, would get over the difficulty as to Investing Boards?—Yes; I should be quite content to do that. At the same time I have no doubt that with a Board you might get more profit by investing part of your funds in mortgage of real property.

519. You would be content, in order to get over the difficulty, that it should be confined to public securities?—Yes.

520. You stated that the policy-holders might not be content, or will not be content?—Yes.

521. Do you think that the State, which is running all the risk, should be influenced by policy-holders in this matter?—Of course, there, again, is a very difficult question. The way the State ought to look at the thing is this: the State ought not to do anything that would frighten the policy-holders, or prevent them insuring, and it must consider even their prejudices, as well as their rights; but, at the same time, if you start fair by saying to a policy-holder, "Well, you can insure with us. We guarantee a certain thing. We intend to invest our funds on such-and-such security"—then, if a man takes a policy after he knows what you intend to do, he cannot make a complaint. He has no right to do so, and you could invest the funds in the way you think best.

522. I presume if we were to poll the intelligent policy-holders they would say that the security was of more value than any prospect of bonus?—I reply, security is the first thing. This insurance is to make a provision for those we have to leave behind us, and I do not think anything could be more calamitous than to imagine that they would not ultimately get the money insured.

523. In the event of this institution coming back to the Government, would you approve of a local honorary Board of Advice being appointed by the Governor in Council, composed of men of standing who are themselves policy-holders, with power to accept or reject lives within their respective districts, and who might be advised with and consulted by the Public Trust Board?—I should not object to that, but there are objections to it. I will give you an example of what we do in our insurance company: We have local Boards. I often sit at the local Board in Wellington; and we deal with lives that seem to us plain. If there is any question at all in the matter we refer it to the head Board. All questions of investment we refer to the head Board. If asked our opinion as to property we may give it. I would point out this difficulty to you: it is very difficult to find men to take these honorary positions and really pay attention to the business.

The Chairman submitted the following telegrams:—

J. M. Shera, Esq., Auckland, 22nd June, 1886.—Please state, for information Committee inquiring into Government Insurance Association, did you pay or allow any commission, bonus, or payment of any sort in respect to the property sold by you in Queen Street to Government Insurance Association. If so, state to whom such payment made, and particulars of same. Reply franked.—J. D. ORMOND, Chairman, Government Insurance Committee.

Auckland, 23rd June, 1886. J. D. Ormond, Esq., M.H.R., Chairman, Government Insurance Committee, Wellington.—I paid rather less than $2\frac{1}{2}$ per cent. on purchase-money, which I divided between Vaile and Douglas, valuers, and W. Aitken and James B. Graham, commission agents, who had interested themselves in the sale. I paid no other sum to any person or persons.—J. D. SHERA.

Wellington, 22nd June, 1886. Messrs. McLandress, Hepburn, and Co., Dunedin.—From evidence taken by Government Insurance Committee it appears Mr. Pym brought purchase Wise's corner before Colonial Treasurer about 12th December, 1884. Did he apply to your firm for particulars as to terms of purchase? If so, what terms did you name? and was the property placed under offer to Mr. Pym? Reply by telegram franked.—J. D. ORMOND, Chairman, Insurance Committee.

Dunedin, 23rd June, 1886. J. D. Ormond, Esq., Chairman, Government Insurance Committee, Wellington.—Mr. Pym never got any definite particulars other than those advertised, nor was the property ever in his hands on any terms other than offered to the general public.—McLANDRESS, HEPBURN, AND CO.

Wellington, 22nd June. McLandress, Hepburn, and Co., Dunedin.—Mr. Sievwright telegraphs purchase-money Wise's corner was paid by request of vendors in separate cheques to four vendors, and commission of £500 to Reid. Please state whether, as agent vendors, you authorized, or can you state if vendors authorized, the payment of £500 to Mr. Reid.—J. D. ORMOND.

Dunedin, 23rd June, 1886. J. D. Ormond, Esq., Chairman, Insurance Committee, Wellington.—As vendors' agents we claimed one cheque for £35,500; but purchasers' agent (Mr. Charles Reid) stated that each proprietor would be paid his or her proportion of purchase-money in separate cheques, which was done by Sievwright, Stout, and Co.'s cheques, as stated in letter of 18th instant. We never handled the £500, nor authorized Mr. Reid nor anybody to receive it.—McLANDRESS, HEPBURN, AND CO.

Wellington, 22nd June, 1886. B. Sievwright, Esq., Solicitor, Dunedin.—*Re* Insurance-purchase Committee asks how is it that £500 not paid to Hepburn. I understand Reid was vendors' agent, and you obeyed him. To whom was it paid, and why?—ROBERT STOUT.

Dunedin, 22nd June, 1886. The Premier, Wellington.—Wired Chairman last night. I did not know Hepburn in the matter except as a principal on his wife's behalf. Reid made his own arrangements with the vendors, who demanded thirty-seven thousand; but I put down my foot at thirty-five thousand five hundred, and declined any liability for commission. There were other agents concerned, and for all I know they may have divided commission, which the vendors were certainly at liberty to pay, and as much as they pleased; but Hepburn did nothing to entitle him to £500, or any other sum, so far as I know. Ask him what he did, and how much he got from Reid (if any). At the request of the parties and their solicitor, Mr. Hodgkin, I consented to apportion the purchase-money. The reason is obvious where interests are diverse. My intervention saved fifteen hundred, perhaps.—BASIL SIEWWRIGHT.

24th June. G. Hepburn, Esq.—Siewwright states he did not know you in purchase Wise's corner, except as principal on your wife's account; that Reid made his own arrangements with the vendors, who demanded thirty-seven thousand pounds. Please state whether Reid got particulars of price from you as agent for vendors, what price you quoted, and date on which you gave quotation to Reid; also, what was the reserve price when property was offered by auction, and was property after the auction open to purchase at such reserve price.—J. D. ORMOND.

Dunedin, 24th June, 1886, J. D. Ormond, Esq., Chairman, Government Insurance Committee, Wellington.—Never knew Sievwright in the transaction till completion of purchase, when his firm paid the different proprietors 67, their cheques in Howorth and Hodgkin's office, solicitors for the proprietors. The trustees for my wife acted for, and received her share. Mr. Sievwright ought to know I could not act as principal on my wife's account. Mr. Reid never made his arrangements with the vendors, but dealt only with McLandress, Hepburn, and Co. The property was placed under offer by McLandress, Hepburn, and Co., by letter dated 23rd December, 1884, to Mr. Reid, at the price of £35,500. The proprietors expected to get about £38,000, at auction. The property, after being offered, remained in my firm's hands for private sale, at a price to be approved of by the vendors.—WM. HEPBURN.

TUESDAY, 29TH JUNE, 1886 (Mr. MONTGOMERY, Chairman.)

Mr. D. M. LUCKIE in attendance and examined.

Witness: I produce, as requested by the Committee, voucher for purchase-money and commission paid by Messrs. Sievwright, Stout, and Co., Dunedin, in respect of the property at Wise's corner purchased for the association. It is headed, "Settlement-note, Kilgour and others to the New Zealand Government Insurance." "Mr. James Kilgour, £12,500; Mrs. Hepburn's trustees, £8,750; Mrs. Park's trustees, £4,375; Mr. J. W. Brindley (Ross's assignee), £4,375; Mr. Charles Reid's commission, £500: total, £30,500." The name of the recipient in each case is signed opposite the sum paid, and duly stamped. The following shows the whole of the transaction in reference to the building bought in Auckland. As directed by the Committee, I obtained schedules from the District Land Registrar, Auckland, which show the following transactions: Costley, leased to Shera, at rental to be fixed by arbitrators, lease for twenty-one years from the 15th March, 1883. 10th January, 1884: executors of Costley to J. M. Lennox for £5,600; sold at auction subject to outstanding leases. Conveyance, 12th December, 1884: Lennox to Shera Brothers for £4,000, subject to outstanding leases and mortgage; Lennox to Auckland Savings-Bank for £4,000 (mortgage subsequently paid off by 91,764). Assignment (dated the 29th December, 1884) of outstanding lease, Nathan and others to Shera Brothers, for £2,500. Conveyance of equity of redemption, 29th April, 1885, Shera Brothers to New Zealand Government Life Insurance Association for £9,000, subject to mortgage by Shera Brothers to New Zealand Land and Mortgage Company to secure £10,000.

524. *Mr. Holmes.*] How much did Shera Brothers pay altogether for the property, as shown by this schedule?—They paid to Lennox, £4,000; to Savings-Bank, £4,000; to Nathan and others, £2,500: total, £10,500.

525. *The Chairman.*] I have received from Mr. Ormond, who is unavoidably absent, a number of questions which he wishes me to put to you in continuation of his examination *re* purchase of buildings: Are any of the three sites purchased at Dunedin, Christchurch, and Auckland made use of for offices for the business of the association?—No.

526. Were those purchases made as much with a view to being held as investments as for providing offices?—The object was, as stated to me by the Colonial Treasurer, and also by the Board at the time, to obtain excellent and attractive offices. That was the first point. The renting of parts of the building was looked upon as a secondary, but still an important point. That will be seen by reference to the rough note of instructions I got from Sir Julius Vogel, which is already in evidence.

527. Is not the purchase from Maling an investment of funds chiefly, seeing the premises are let for twenty-five years?—Yes; the whole of the premises are let, but we have a blank space on which it was intended to build. Practically, that is the result at present.

528. In your evidence, at page 9, in memorandum to the Hon. the Premier dated the 24th December, you state, "In consideration of the valuable services which Mr. Pym has rendered," &c. Will you explain specifically what these services were?—I think the main services that he rendered were in standing out as he did after proposing the sale of the property to the Government, and holding his tongue—in point of fact, keeping out of the thing altogether and not doing anything. My reason for saying that is this: I was told by Mr. Sievwright that, if I talked at all about it, or allowed Pym to speak about it, immediately the vendors would raise the price, if they knew or suspected a Government department was negotiating.

529. Did not Pym quote £37,000 as the price of the Dunedin property?—He did.

530. Did you understand he had made inquiries, and got the property under offer at the lowest price?—He did make inquiry, as I understood from himself, but what was the result I could not say. I do not think he made inquiry of any one except Mr. Sievwright after I went down to Dunedin.

531. He had inquired of somebody before—had he not?—Most probably. I do not know of whom. I could not answer that question.

532. Who acted as agent when it was decided Pym should stand aside?—Mr. Charles Reid,

I was afterwards told, acted as agent, but that name was not disclosed until after the property was absolutely under offer.

533. You say you were told: by whom?—Mr. Sievwright told me afterwards.

534. Did not Mr. Reid, as agent, get from the vendors the offer of the property at £35,500 from Hepburn and Co.?—Yes, he did. That appears in the letter.

535. Were you told at the time that the vendor's price was £35,000, and that £500 was added to pay agent's commission?—No; I never knew anything of it.

536. Had you been aware that the vendors' price was £35,000, and also aware of the foregoing circumstances, would you have recommended that Mr. Pym should receive $1\frac{1}{4}$ per cent. commission, and would you have considered yourself justified in describing his services as you did in your memorandum to the Premier of 24th December?—No, I do not think I should; although, as far as the services were concerned, if the transaction had been completed they would have been equally the same.

537. Is it correct that all the service rendered by Mr. Pym was to give a list of properties which he understood to be for sale?—He only gave a list of two properties, and I believe he made considerable inquiry as to both. He told me he had a communication with Major George about the property. I think, myself, he did no little service in holding his tongue, and standing out of it altogether.

538. *Mr. Holmes.*] Is it true that the property was ever put under offer for £35,000?—No, never to me. The only offer I know of is that which was contained in the letter from McLandress, Hepburn, and Co., in which £35,500 was stated.

539. *The Chairman* (for Mr. Ormond).] Will you obtain from the Property-tax Department their valuation of the four properties purchased? Also, will you obtain the borough valuations of the same properties?—Yes.

Christchurch property-tax roll for 1885.—(1) Maling and Co.'s section, 66ft. by 82 $\frac{1}{2}$ ft.—land £2,400, buildings £7,000; (2) Phillips, 22ft. by 165ft., £1,100: total, £10,500. Property-tax valuation in 1882.—(1) 68ft. by 82 $\frac{1}{2}$ ft. in name of R. D. Thomas (land), £1,450; (2) 22ft. by 165ft., Phillips's (land), £750: land only in 1882, £2,200.

540. *Mr. Levestam.*] I understood you to say that you thought the £35,500 was purchase-money, and that it did not include £500 for commission?—Quite so.

541. Did you get an account somewhat similar to the one you have produced to-day?—The voucher I gave in was £30,500, being the amount of purchase-money less mortgage. It had not the details given in the settlement-note produced to-day.

542. Was not Maling's property simply bought for his convenience, and that the institution did not wish to make any use of it?—No; the institution did intend to make use of it.

543. Only two rooms?—Yes, only two rooms reserved to be used in addition to the new building proposed to be put up.

544. But this new building was to be put up on another piece of ground not bought from Maling?—Yes, adjoining.

545. Then, in reality, the piece of ground bought for £1,500 was the only piece of ground you wanted for the insurance business?—That was not the opinion of the directors.

546. Then, if that was not the opinion of the directors, did not they enter into an engagement with Maling to let him his old premises for twenty-five years?—Yes, that was done.

547. Then, the directors must have had the opinion that they did not require Maling's property for their business?—I cannot say what their opinion was. The directors had an idea of building the tower that I spoke of, also of putting one or two stories on the top of Maling's buildings if they deemed proper. They made conditions reserving a right to do that.

548. They still had only the right to take two rooms if they put up the building?—No; if they put a higher building up they had the right to dispose of the additional offices.

549. *Mr. Holmes.*] Who had the right?—The association.

550. *Mr. Levestam.*] You were told that the title to Maling's property was freehold?—I was: so it is.

551. You had no written statement as to what the title was?—I do not remember.

552. You have said so in your previous evidence?—We never enter into questions of title. If we get the word that it is freehold title we refer that to the lawyer, and the lawyer discovers whether or not there is any flaw in the title. It is sufficient for us to be told that it is freehold. The engagement would be made on the basis of freehold property. If not freehold, the engagement would be at an end. The following telegram, dated the 29th June, I have just received from Mr. F. T. Hoskins, Town Clerk of Christchurch:—

D. M. Luckie, Wellington.—Assessed value, 1884, Maling £6,000, Phillips £750; 1885, Maling £8,500, Phillips £750; 1886, Maling £9,400, Phillips £1,100. Annual value, 1884, Maling £470, Phillips £45; 1885, Maling £470, Phillips £45; 1886, Maling £500, Phillips £70.—F. T. Hoskins, Town Clerk.

553. *The Chairman.*] There was an appointment made of insurance agent in Dunedin?—Yes.

554. Who was the person appointed?—Mr. Henry Driver.

555. Did he apply for the appointment?—Not to me.

556. What were the circumstances, to your official knowledge, which caused his appointment?—It was considered advisable to change the position of Mr. Clapcott, and put him in the office of lecturer for the whole colony instead of being district agent in Dunedin. That was an idea that had been entertained for some time.

557. Entertained by whom?—By myself and the Inspector, and also by the Chairman and other members of the Board. Mr. Clapcott was not in good health.

558. Was that done upon your recommendation?—There was no recommendation made then. It was merely talked about; nothing definite was decided upon.

559. Well, did you communicate with Mr. Driver?—No.

560. Who communicated with Mr. Driver?—I do not know.

561. What was the first you knew of his proposed appointment?—On the 30th December, or about that time.

562. What were the circumstances?—There was a special meeting of the Board called for the 31st December, and held on that date.

563. Who were present?—The Colonial Treasurer, the Public Trustee, Mr. N. Reid, Mr. Graham, Mr. Fisher, Mr. Bethune, and Mr. Shannon. There had been a committee, who reported orally; there was no written report on the subject.

564. Is there anything on the minutes to show that a committee was appointed to discuss the question of the Dunedin agency?—Yes.

565. Why not give us that first?—That was not as to Driver's appointment. There was a report made by Mr. Reid bearing on the agency matters in Dunedin and Christchurch, but it does not mention Mr. Driver. On the subject of Mr. Driver the committee reported orally.

566. What took place at the special meeting held on the 31st December?—The following is taken from the minutes of that meeting:—

Dunedin District Agency.

Mr. Fisher moved, That the recommendation of the committee relative to the Dunedin district agency and the appointment of a resident agent for that district be deferred for one month, and that applications be publicly invited from persons willing to accept the office of district agent at Dunedin at a salary of £600 per annum.

Mr. N. Reid then moved, as an amendment, That Mr. Driver be appointed manager of the Otago and Southland Branch of the Assurance Association at a salary of £800 a year, and an overriding commission of 2s. 6d. per cent. on the net new business.

Mr. Fisher's motion was put first and was lost.

Mr. N. Reid's amendment was then put, and was declared to be carried.

Mr. Fisher called for a division, which was taken and found to be as follows:—*Ayes*—The Hon. the Chairman, the Public Trustee, Mr. N. Reid, Mr. Graham, Mr. Bethune, and Mr. Shannon. *Noes*—Mr. Fisher.

567. Are there any other records?—A meeting of the Board was held on the 6th January, and I take the following from the minutes of that meeting:—

Mr. N. Reid moved, That the following be added to the resolution passed at the last Board meeting appointing Mr. Driver district manager at Dunedin for Otago and Southland at a salary of £800 per annum: That the Board guarantee that the 2s. 6d. per cent. commission on the net increase will yield at least £200 for the first year.

Two divisions were called for: (1.) Whether or not the motion be put. *Ayes*—Secretary to Treasury, Mr. N. Reid, and Mr. Bethune. *Noes*—Public Trustee, and Mr. Bell. The Chairman did not vote. (2.) On the motion, which was declared approved. *Ayes*—Mr. N. Reid, Mr. Bethune, Mr. Bell, and the Secretary to the Treasury. *Noes*—Public Trustee, and Mr. Shannon.

568. Then, what took place next?—After that meeting I wrote to Mr. Driver.

569. Have you got a copy of that letter?—Yes; the following is the letter:—

New Zealand Government Life Insurance Association,
Head Office, Wellington, 8th January, 1886.

DEAR SIR.—

I have the pleasure to inform you that the Board of Directors of this association has appointed you to the office of district manager for the Provincial Districts of Otago and Southland, on the terms following: (1.) Your remuneration will consist of (a) £800 per annum, payable monthly; (b) an overriding commission at the rate of 2s. 6d. per cent. on the net increase in the sum assured under Tables I., II., III., and IV. by policies in your district. Such net increase will be computed by deducting the total of the sum assured under the tables above specified, by policies discontinued during the year from all causes, from the sum assured by new policies issued during the year under the same tables. The overriding commission will be calculated at the close of each calendar year. The Board guarantees that the amount payable to you as such commission during the first year of your office shall be at the least £200. (2.) In the event of your at any time resigning or otherwise ceasing to hold the appointment, the overriding commission accrued up to the end of the calendar month immediately preceding the date of the discontinuance of your appointment will be computed and paid to you. Should such discontinuance occur during your first year of office, then the amount of overriding commission which shall have then accrued shall in like manner be computed and paid to you, it being hereby provided that the amount of commission for such broken period of the said first year shall not be less than the proportionate part of the said guaranteed sum. (3.) Your duties as district manager, in addition to those connected with the ordinary current routine of the office-work, and preparing returns for Inspector's branch, &c., will involve your superintending the operations of all canvassing-agents within your district, providing for the whole being properly canvassed, including those sub-districts under the more immediate charge of the resident agents at Invercargill and Oamaru, mapping out such suitable routes for individual canvassers as shall prevent their clashing with each other, recommending suitable men for appointment as canvassers when required, and generally the supervision of the affairs of the association, and the representation of its interests within the limits of your district, and subject to the control and inspection of the head office. (4.) You will be expected also to give the office the benefit of your experience and observation in the matter of applications for loans on mortgage, and in the selection of sound securities for the investment of the office funds. (5.) It is obviously impossible here to enumerate all the duties which appertain to the office, and you will therefore be good enough to hold yourself in readiness to carry out such additional instructions concerning the business of your district as may from time to time be given by the General Manager. (6.) In accordance with the rule of the office, you will require to provide from the Victoria Insurance Company a fidelity policy for the sum of £500, and send the same to me. The first year's premium payable on this policy must be paid by yourself. Subsequent payments of premiums on such policies are defrayed by the association. (7.) By another resolution of the Board with respect to new appointments, your connection with the association is terminable by one month's notice on either side. Mr. Clapcott, who holds the office of district agent, will be prepared to hand over charge of the office to you on your formally signifying to me your acceptance of the office, which may be done by telegram at your earliest convenience. Mr. Clapcott will be requested to remain in Dunedin for some time in order to explain to you various formal matters connected with the business of the office. Meanwhile, feeling assured that your large and personal influence will be devoted to the welfare and progress of the association,

I have, &c.,

D. M. LUCKIE,
Acting General Manager.

Henry Driver, Esq., Dunedin.

570. Did he accept that appointment?—He did.

571. *Mr. Stewart.*] Without any communication?—He telegraphed; and on the 14th January, 1886, he wrote a long letter suggesting some alterations in the conditions stated.

572. *The Chairman.*] Did Mr. Driver, in accepting that appointment, say whether he was content with the one month's notice?—No; he objected to one month's notice, and wished twelve months' notice.

573. Did Mr. Driver accept the conditions laid down in your letter? If not, what alterations did he wish made in those conditions? Tell us what he objected to?—In the first place, he wished twelve months' notice instead of one. He expected that the salary and commission would in no way be less than £1,000 a year. I think these are really all the principal objections he made; the others were of minor importance.

574. Then, what took place—what reply, if any, was made?—There was a reply to the effect that the Board adhered to the original terms. That was stated in my letter to him.

575. He then entered upon the office, and has since performed the duties?—Yes.

576. What was Mr. Clapcott getting for performing the same duties?—£410 a year, and the 2s. 6d. per cent. on net increase; also travelling-allowance while lecturing.

577. *Mr. Mackenzie.*] Was he performing the same duties?—He was district agent and lecturer.

578. Was he performing the same duties as Mr. Driver is now performing?—Yes, practically he was.

579. Was there one important branch of the business which Mr. Driver now performs which Mr. Clapcott had not to perform?—Yes; that was with reference to applications for loans.

580. *The Chairman.*] Was Mr. Clapcott lecturing also?—Yes.

581. Does Mr. Driver lecture?—No.

582. So he was doing the lecturing part of the business in excess of the ordinary duties?—Yes; but they were found to be incompatible sometimes.

583. *Mr. Stewart.*] Has any alteration been made in the terms of Mr. Driver's appointment?—No.

584. Is he entitled to any increase of salary from year to year beyond the £1,000?—No.

585. And he holds his term of office subject to a month's notice?—Yes.

586. Have any investments been made in Otago since January last?—No, I do not think there have been any investments made.

587. Have there been any applications?—There have been a number of applications made, on which Mr. Driver reported, and gave his advice.

588. I suppose you found Mr. Driver's opinion of considerable service in respect to valuations?—Yes, it has been very useful in several cases.

589. What effect has his appointment had on the general business of your association in Otago and Southland—has it increased it materially?—There has been a slight increase during the last quarter as compared with the corresponding quarter of the previous year.

590. Does Mr. Driver supply the clerks?—No; we supply the clerks.

591. Does he supply the offices?—No; we rent those offices that are now occupied.

592. So that, besides rents of the offices, all the agency expenses are borne by Mr. Driver?—No; they are borne by the office.

593. How many clerks are employed under Mr. Driver?—Three. The names of the clerks are Mr. Niven, Mr. Burnes, and Mr. D. R. Niven.

594. Has there been any increase in the office expenditure since Mr. Driver's appointment?—Yes—nearly £700.

595. Has there been any increase in the clerical assistance—any additional salaries for clerks or other expenditure?—Yes; the addition is about £240, besides Mr. Driver's salary.

596. Is Mr. Clapcott still retained as lecturer?—He is lecturer for the whole colony, but, being unwell, he has got leave of absence.

597. It has been suggested that the Canterbury District has been starved, and that the Otago District was, so to speak, nursed fat: is that the case?—No, that is not the case. One travelling-agent wanted to go down to Otago and he did go down.

598. Who has the direction as to where the lecturer has to go?—The Head Office.

599. *Mr. Mackenzie.*] As I understand it, delivering lectures for the benefit of the association and the office-work in which Mr. Driver is now engaged, are two distinct and separate lines?—Yes, properly so.

600. Did you ever find much new business follow the delivery of lectures?—Yes, a great deal, after Mr. Clapcott's lectures.

601. While by public lecturing you may get some new policies, does it tend to prevent lapses?—It tends to do so very largely.

602. Are those lectures well attended?—Yes. Mr. Clapcott is very well adapted for that work. He has been very successful, and wherever he goes he is very popular.

603. Can you give any reason why other companies have not followed out the lecturing business?—I do not know.

604. Has Mr. Driver, since he has been in office, been instrumental in preventing investments—stopped the association from making investments which otherwise they would have been inclined to enter upon?—He has advised regarding more than two or three investments.

605. Has his advice been followed?—Yes; but I must say I was of the same opinion before his advice was given, in one important case. I do not think the application would have gone through even if he had not advised against it. Still, his advice has been valuable in various cases.

606. Did Mr. Clapcott ever advise about investments?—No.

607. He had nothing to do with it?—No. Very little came to the office through him. It generally came direct to ourselves. There did not come many applications from Otago.

608. *Mr. Stewart.*] What I gather from you is this: that Mr. Driver advised against investments which were bad, or which were unsatisfactory?—Yes.

609. *Mr. Mackenzie.*] I presume you admit that local advice coming from capable business men would be of great service to you here in Wellington?—Certainly.

610. Do you consider Mr. Driver a capable man?—I do.

611. *The Chairman.*] We will now take the Auckland appointment. What are the circumstances attending that appointment?—I recommended the appointment of Mr. Speight myself.
612. Was it to fill a vacancy, or what?—It was considered necessary to make a change in the district agency there, and send the agent back again to Invercargill, where he had been before and had done good work. We believed that Mr. Speight was suited to the Auckland District.
613. Finding it necessary to make a change, you recommended Mr. Speight?—Yes.
614. At what salary?—£400 per annum to begin with, and the promise of an increase of salary of £50 at the end of six months should he give satisfaction to the Board, and commission of 2s. 6d. per cent. on the net increase of the business.
615. What salary had his predecessor?—£300 a year.
616. Had he the promise of £50 increase?—He had the half-crown commission on the net increase, but he had not the promise of £50.
617. Why did you think it necessary to increase the salary?—Because we could not get Mr. Speight for anything less. He has been a very successful agent in the department for between two and three years.
618. He is engaged there now?—Yes.
619. *Mr. Stewart.*] Are his duties similar to those of Mr. Driver?—Yes.
620. Is the branch as important as the Otago one?—No, not so important: it is not so large. It is very difficult to work, because it is a place where there is very keen opposition.
621. Then, do I understand the reason for the difference in the salary between the Dunedin Branch and the Auckland Branch is partly the difference in the importance of the Otago Branch, and Mr. Driver being more experienced?—I can only say, for myself, that, as far as regards Auckland, I recommended £400, with the prospect of £50 increase, as I thought he was well worth it.
622. *Mr. Mackenzie.*] What was the special consideration that induced you to make the difference between Driver and Speight?—I did not make the appointment. Mr. Driver is a man of large business experience.
623. *Mr. Stewart.*] Do you know what reason induced the Board to make a difference in the salary of Driver and Speight?—I believe it was thought that such a large sum would be too extravagant for Auckland, and evidently the Board believed that Mr. Driver was worth the money. I cannot give any other answer than that. The Board believed that Mr. Driver was a more capable man. I believe the Board considered that Mr. Driver was worth the money from his long experience as a practical business man, well known in the district.
624. Can you state generally whether the business in Auckland has increased much since Mr. Speight's appointment?—I know he helped to keep down lapses very much. He has done good service to the association since his appointment in keeping down lapses.
625. Have you had any investments in Auckland since Mr. Speight's appointment?—Yes; I think we have had two or three.
626. Do you take his recommendation?—We refer to him occasionally; but we take generally the opinion of the local valuator. He has been of service in advising that certain loans might not be desirable, and that there were others which he might recommend.
627. Do you ask him to give a report on each proposed security?—Yes, as a rule, when the Board requires it.
628. And you have found that he has given valuable opinions?—Yes.
629. Do you know whether there is any intention to appoint an agent in any other centre in the colony?—No.
630. In Christchurch?—No; we have a good officer there already.
631. What salary is paid to the man in Christchurch?—He has £450 a year. The salary was raised from £280. He has been a long time in the service. He also gets 2s. 6d. per cent. commission on the net increase.
632. Are his duties similar to those of Mr. Driver and Mr. Speight?—Yes.
633. Is the branch equally important?—I think Christchurch and Dunedin are pretty much on a par. Dunedin, from its size, should be the most productive.
634. But, speaking generally, what is the difference in the business?—The business is about equal in the Dunedin and Christchurch Districts. At least, it was until Nelson was created a resident agency.
635. Does the Christchurch agent report on securities?—Yes; he supplies information.
636. What staff of clerks has he?—He has two clerks.
637. You say you have an agent in Nelson?—Yes.
638. Over what area do his duties extend?—He has a portion of the West Coast and all Marlborough.
639. Were those places previously included in the Christchurch District?—Yes, a portion of them; but Nelson was worked principally from Wellington. Mr. Lorrie is the agent at Nelson. He gets £250 a year. He is allowed to do canvassing business, and gets 10s. per cent. for all the new business, and 2s. 6d. per cent. of overriding commission on the net increase.
640. Is he supposed to devote his whole time to the work of the Board?—Yes; he is required to do so.
641. Is he a young man?—He is about thirty years of age.
642. Does he report on securities?—We have never had any application from Nelson on which he was required to report.
643. Is there any agent at Hawke's Bay?—Yes, a resident agent.
644. Does he devote all his time to the business of the association?—Yes.
645. What salary does he get?—£175 a year, and he has a cadet who gets £50.
646. And he has an office provided?—Yes.
647. Have you any agent in Wanganui?—Yes—Mr. Quinn, who gets £175 a year.

648. Have you any agent at New Plymouth?—No.
 649. Have you any agent at Oamaru?—Yes.
 650. What does he get?—£175 a year: he is a young man.
 651. Is not that in Mr. Driver's district?—Yes; it is a resident agency and part of the Dunedin District.
 652. Have you any agent at Invercargill?—Yes; that is where Mr. Naylor, formerly of Auckland, has gone. He gets £300 a year.
 653. Does he devote all his time to the business of the association?—Yes.
 654. Has he any clerks assisting him?—Yes; there is a cadet who gets £70 a year.
 655. Does he report on securities in that district?—Yes, when necessary: they are sent to Mr. Driver principally.
 656. Do you communicate directly with the Invercargill office?—Yes. We must do that, or there would be delay.
 657. Does Mr. Driver supervise the business done in Invercargill and Oamaru?—It is referred to the head office direct; but he has records of the business done—they are transmitted to him.
 658. Does he pronounce any judgment on the business done in those places?—No; unless it is specially referred to him.
 659. *The Chairman.*] Do you require reports from any other valuers than the agents?—Yes; we have special valuers in all the districts.
 660. Have you valuers in the Otago and Southland Districts?—Yes.
 661. So that you would require valuers' reports besides your agents' reports, from Dunedin as well as elsewhere?—Yes; it is a *sine qua non*.
 662. Has the man in Christchurch, who has been a long time in office, given you satisfaction?—Yes; he is an efficient officer.

THURSDAY, 1ST JULY, 1886. (Mr. MONTGOMERY, Chairman.)

Mr. D. M. LUCKIE in attendance and further examined.

663. *Mr. Stewart.*] Can you state generally what progress has been made in the business?—For the first eight years there were issued 10,825 policies, for a total sum of £3,847,000 in round numbers. Up to June, 1878, the business done was 10,800 policies.

664. When did your connection with the department begin?—In the beginning of 1879. Since that time we have done 24,000 policies, insuring £5,885,000. In June, 1878, the total funds of the institution amounted to £292,520, and the annual revenue was £111,000.

665. That is from investments?—Yes—interest on investments and other sources of income.

665A. What is the amount of your accumulated funds?—At the present moment we have upwards of £1,200,000 of accumulated funds, and the income is about £250,000.

666. What percentage does the revenue yield to the capital money invested?—A little over 5 per cent.

667. What do your investments yield per annum?—About 5½ per cent. gross. Of Government securities we have £559,100, yielding an average interest of £4 14s. 10d. per cent. In debentures of local corporate bodies we have £170,572, yielding an average interest of £6 1s. 9d. In mortgages of real property, which have been invested during the Board's existence, we have £135,530, yielding £6 4s. 6d. per cent. per annum.

668. What property-tax do you pay?—About £3,700.

669. Upon what basis is the property-tax computed?—It is seven-eighths of a penny per pound on the amount of the accumulated funds.

670. You are not charged on premiums?—Yes, we are. The net income from current premiums and interest, &c., forms part and parcel of the accumulated funds from year to year, and we are assessed accordingly.

671. In what respect do you consider the property-tax operates unfairly in respect of your association?—Because it makes policy-holders pay on the surrender-value of their policies, although in a great majority of cases they themselves would be exempt from taxation because of the exemption of £500.

672. That is to say, the association pays property-tax on the surrender-value of the policy-holders' policies.—Quite so.

673. Does the association in this respect differ from any other insurance company?—No, I believe not.

674. *Mr. Levestam.*] Have you got any rule by which the rate of interest is fixed in accordance with the amount of money borrowed?—We have no fixed scale.

675. I see in the table you furnished there is one amount of £5,600 which pays 6½, and a smaller amount of £2,500 which pays 6 per cent. Can you state the reason of this?—It may have been because the Board assumed there was a fuller margin upon the smaller property, and at certain times the interest varies. We are charging more now than we did six months ago.

676. One of the reasons is because the property is better security?—Yes.

677. For some of the securities, which are of a first-class character?—They are all first-class; but there are some of larger margin.

678. It is a generally-accepted dogma, I may say, that the more risky the security is the higher the rates of interest are: seeing that on the smaller property you charge a higher interest than for the other, the security cannot be so good?—All the securities are good, for they have been carefully examined. That £5,600 was one of the first loans made under the Board.

679. *Mr. G. F. Richardson.*] Have you not a fixed rule that the advance you make shall not exceed 50 per cent. on the property?—Yes—50 per cent. on the value of the property: that is the law.

680. If that is the law, do you not consider that 50 per cent. margin gives ample security?—Clearly so.

681. Who appoints the local agents for lending money on mortgage?—There is no local agent appointed for lending.

682. Was not Mr. Pearson the local agent in Invercargill?—No, he is not a local agent; he has no authority from us.

683. Are you aware that he advertised and stated terms of interest?—He has denied that.

684. He has denied the advertising?—Yes.

685. How came it about that he denied it?—Because I wrote to him about it.

686. What led you to write to him about it?—I heard of the advertisement. If I remember rightly, some one wrote me complaining that we asked higher interest than Mr. Pearson advertised. I then obtained a copy of the advertisement, in which it was not stated that he was authorized to lend money on behalf of the Government.

687. Did not the advertisement purport that he would lend the funds of this company at 6 per cent. up to 50 per cent. property-tax valuation?—No; it was couched in general terms. He has been an agent of ours for canvassing; but we have a local resident agent there through whom all applications ought to come. Mr. Pearson has sent us various applications, a great many of which have been rejected.

688. Who appoints the local valuers for properties?—The Board, or, rather, the Finance Committee—which includes the whole Board.

689. On whose recommendation are these appointments mostly made?—At the outset a considerable list of persons was made up on the recommendation of our bankers. Afterwards names were added on the recommendation of various members of the Board, who knew something of the suitability of the persons they proposed as valuers.

690. Who is now valuer for you in Southland?—Mr. Wilson, of the firm of Wilson, Taine, and Co., is the person to whom the valuations are principally now given.

691. *Mr. Levestam.*] I see in your list one mortgage for £25,000 where 6 per cent. is paid, whereas the mortgage of £2,000 does not pay any more. Now, in the large property of £25,000, if the man has to insure and pay 6 per cent., do you not call that first-class security?—I should say it was.

692. A man borrows £2,000 and pays 6 per cent., and the man who borrows £25,000 also pays 6 per cent.: can you give any reason why no reduction is made in such a large amount?—That is the lowest rate we have charged on mortgage. I cannot give you any other explanation; it is the decision of the Board. We have no fixed scale.

693. Is it simply a matter of caprice on the part of the Board as to the amount of interest they charge in relation to the amount borrowed?—I should certainly not call it caprice; I should call it the exercise of business judgment on the part of responsible men.

694. You say you wrote to the person in Invercargill when you heard of the advertisement appearing in the newspaper?—Yes.

695. Is it not the duty of the Inspector to see that everything was done as it should be done?—Yes, if there were anything actually wrong.

696. Did he know anything whatever about this man advertising?—I cannot remember his reporting to me about it.

697. Are you aware whether this advertising had been going on for any length of time?—It was going on for some time; but the advertisement does not mention the association.

698. *Mr. Stewart.*] Was the percentage of lapses greater before the association began to canvass and advertise so largely?—No, the percentage of lapses was not greater in proportion to the new business.

699. Have they been greater since?—The lapses have decreased a little in 1885, while the surrenders have somewhat increased in the present year; but I should like to interject that the office has always advertised, and we have always canvassed, as is stated in my memorandum.

700. Can you say whether the association has made any profit by this canvassing, taking into consideration the large amount of lapses?—Yes; the business has increased, the funds have increased, the annual income has regularly and steadily increased.

701. Has the annual expenditure increased correspondingly?—The annual expenditure has increased, necessarily, with the increase of new business.

702. Was it more profitable to the association to have the offices in the post-office or to rent independent buildings—or, rather, does the business compensate for the increased expenditure?—It does, most decidedly.

703. *Mr. Gore.*] Have you any recommendation from the persons who act as valuers as to their ability, and guarantee that they are qualified men?—First of all we appealed to our bankers, and subsequently names were added on the recommendation of members of the Board who had personal knowledge of the individual characters.

704. Do the applications for appointment come in writing or verbally?—Sometimes they come in writing, and occasionally, I should say, by recommendation of the members of the Board themselves direct.

705. *Mr. Levestam.*] Is the appointment of a valuator always ratified by the Board?—No; the Board gave authority to the Finance Committee—which is a committee of the whole—to select valutors.

706. *Mr. Mackenzie.*] I suppose as much care is taken in the selection of valutors as would be taken by a private company?—Yes; all reasonable care is taken to secure persons of capacity and good repute.

707. You have compiled no statistics, I understand, that would enable you to judge with any approach to accuracy whether the more active canvassing and touting has had a decided effect in

preventing lapses?—We have no special schedule of that kind, except what the annual and periodical reports of the business show. It is difficult to assign the actual causes.

708. Have the lapses increased out of ordinary proportion to the new business, in consequence of more active canvassing?—I do not think so. In various cases it helps to prevent lapses.

709. You are not speaking from any information gathered from statistics on the point?—No.

710. *Mr. Levestam.*] You do not think the lapses have increased in consequence of that?—No.

711. Have the lapses increased from any cause out of proportion to the new business?—For a time the lapses exceeded the average.

712. Well, can you give any reason why they have increased?—To a large extent I attribute this to attacks made by agents of rival offices on the association.

713. If it is in consequence of those attacks, are we to draw the conclusion that other insurance agents are smarter than those employed by the association?—I cannot say what conclusion you may draw. I do not think they are.

714. Then, is it not the duty of canvassers to repel the attacks that are made against the association?—Yes.

715. Then, if the attacks made by canvassers from other companies are not repelled, either they must have truth on their side, or they must have better canvassers?—I do not know. That is a matter of opinion.

716. What is your opinion?—My opinion is that when systematic attacks are made upon a department that may be supposed to be public and governmental, some of the mud will occasionally stick until time clears it away; and that is what has happened.

717. Did not Government canvassers at one time very largely make attacks upon other rival associations?—Yes, some of them did.

718. Are the canvassers of other associations more unscrupulous than those of the Government?—I should say that we do not keep unscrupulous men; and, if any impropriety of the kind is discovered on the part of any persons employed, we dispense with their services. That has been done several times with good effect.

719. *Mr. Macandrew.*] May you not attribute the increase of lapses to the fact that the policy-holders are unable to pay through being much poorer, in consequence of the bad times?—There is no doubt about that. I receive letters daily from policy-holders saying, "We cannot pay now, but will in a month or so."

720. Do you not think that the lapses may be attributed much more to that cause than to the other cause you have just been indicating?—It certainly is a contributing cause.

721. *Mr. Mackenzie.*] Do you not think that cause for the lapses is quite as potent as the attacks made?—It may be. No doubt it has considerable effect.

722. Do you not think it is more potent?—I could not say that.

723. What induced you to believe that a considerable cause of lapses was the attacks made by rival associations?—I get frequent letters from various people on the subject, and our agents complain to the Inspector very frequently in the same direction.

724. I presume that other associations are liable to retaliation in this way from the Government canvassers in the exercise of their duty?—No; not from us. We do not attack in that fashion, at any rate.

725. Do you not think that when a Government canvasser, in the legitimate exercise of his duty, points out the advantages which the Government association properly has over other companies, it is not in the nature of an attack upon the others?—Not in the direction of the attacks to which I have referred of rival offices, because that would simply be stating the truth; and my instructions are to stick to that: but it is the gross and persistent misrepresentations to which we have had reason to object.

726. Then, you term an attack upon the institution the circulation of a false statement about it?—I do.

727. And you think that those false statements have had a bad effect upon the business of the association?—Yes.

728. *Mr. G. F. Richardson.*] Do you think that any considerable proportion of the lapses have been caused by the want of confidence engendered in the policy-holders by what they consider to be extravagant purchases of city property and unnecessary appointments?—I have had reason to know that several complaints have sprung from these alleged causes.

729. Do you think it has caused lapses?—I believe it has, in some instances.

730. *Mr. Levestam.*] Do you think any other companies suffered lapses owing to depressed times?—I do not know; but I have no doubt they did.

731. Do not all the companies periodically publish statements as to the amount of lapses?—Yes.

732. And from these it would be easily ascertained whether they had a corresponding amount of lapses?—No; because we are confined to New Zealand, and the operations of the other companies extend over Australasia.

733. *Mr. Mackenzie.*] Are not separate returns made for New Zealand by the other companies?—There have never yet been separate returns published with respect to lapses.

FRIDAY, 2ND JULY, 1886. (Mr. MONTGOMERY, Chairman.)

Mr. S. W. D'ARCY IRVINE in attendance and examined.

734. *The Chairman.*] What is your position?—Inspector of Agents for the Government Life Insurance Association.

735. When were you appointed?—I was appointed Inspector in June, 1884. I had previously been in the service of the Insurance Department since 1874.

736. What were your duties before entering upon the office of Inspector?—I was District Manager in Auckland.

737. What are your duties in connection with the office of Inspector?—I am Inspector of Agents. I have to inspect all the branches and post-offices in the colony which conduct life-insurance business. I have to supervise all the travelling agents in the colony, to see that their work is performed efficiently, and that they send in a proper amount of business. I have also the control of the district and resident agents and their clerks in all parts of the colony where we have branches. I have also to report upon all the medical referees employed in the association—to see that they are men of standing, and whether or not they are carrying out their duties satisfactorily, or whether or not their habits of life are such as become their position. I have to report to the association regarding their capacity generally. I am also responsible for the entire new business throughout the colony. I have also to see that lapses are prevented as far as possible, that ephemeral business is not introduced into the office, and that surrenders are kept down as far as possible.

738. To whom do you report?—I report to the General Manager.

739. Is your report verbal or in writing?—In writing.

740. Have you anything to do with the supervision of the lecturers?—Yes; the lecturer is under my supervision. Mr. Clapcott is the only lecturer.

741. Do you think these lectures are of great benefit?—I do.

742. Do they induce people to insure?—Yes, to a certain extent they induce people to insure; but they do a large amount of good in this way: that, while agents of other offices are going about the country undermining the association, Mr. Clapcott introduces into his lectures facts and figures regarding the office, thus enabling us to contradict the untrue statements of other agents. He also introduces anecdotes into his lectures, and generally we find he has done great good in bringing the association under the notice of the public throughout the colony.

743. Do you think that the lecturing induces many people to insure who would not otherwise insure?—I think so.

744. Do you know whether the agents pester people to insure?—No, they do not.

745. Then what is your opinion about what is called "touting"?—I think it is a very undignified, undeserved, and improper term to be applied to hard-working respectable agents, who are going about the country, not unduly pressing the settlers and the public to insure, but simply bringing under their notice the special advantages that the Government Life Insurance offers, and showing how cheaply insurances can be granted as compared with those in other offices.

746. Then, do they draw a contrast between the Government Insurance Office and the other offices?—They show the Government office to be the cheapest and best.

747. Do they speak against the other offices?—No. My instructions to them are not to run down any office doing business in the country—to work as far as possible without interfering with them—to point the special advantages that are held out by the Government office, and to make the most of the figures and small cost of management, particularly the advantage of the State guarantee.

748. Has it come to your knowledge that any of your agents have spoken in terms derogatory of other offices?—I do not know that it has ever been reported to me since I have been in office.

749. I am asking you this question in your official position as Inspector?—I do not know of any case having been officially brought under my notice where agents have spoken disparagingly of other offices. I may say that there is an action pending against one agent in Wanganui by the National Mutual, and I believe the agent in question is going to defend the case. We have not interfered with him in any way—we have left it entirely to himself.

750. Is it correct, within your own knowledge, that they do not speak disparagingly of other offices?—Yes, that is correct.

751. If any of your agents did speak disparagingly of other offices, what course would you adopt?—I should immediately inform them not to run down other offices, to adhere strictly to their duties in canvassing for the Government, stating the facts and figures given concerning the Government office.

752. When agents are appointed, and you are giving them instructions, do you warn them that they are not to speak disparagingly of other offices?—Yes; there are printed instructions telling them what they have to do. When an appointment is made I always advise the district agent, who is himself aware that they are not to speak disparagingly of any other institution working in the colony.

753. Then, do I understand that you do not yourself give instructions to the agents on this point?—Well, the district agents in whose districts these agents work have already verbal instructions from me that they are not to run down any institution; and when I go round the colony inspecting the agents in the several districts I inform them myself that they are not in any way to speak disparagingly of any other offices.

754. Have there been many lapses during the last year or so?—Yes; they have increased during the last two years.

755. What is the cause of their increasing?—There are several causes: First of all, the depression existing throughout the country; secondly, the great efforts that are now being made by the Equitable (United States) Office and other private offices, who are doing their best to induce our policy-holders to lapse and insure with them. I think it my duty to say this: that there is no

doubt the recent purchases of building-property have not given satisfaction to a good many policy-holders, and they have lapsed the policies in consequence. Although the agents of other offices have largely exaggerated these matters, the fact remains that, in my opinion, those purchases have done us harm. Mr. Driver's appointment has also done us injury.

756. I wish you now to speak of surrenders. Why are there surrenders?—Well, the surrenders arise from the depression—people getting short of cash throughout the colony—and also the other reasons that apply to lapses.

757. What has been the new business within the last year?—The new business has been £860,000.

758. Has the new business been what you reasonably expected it should be?—I did hope to be able to get a million of new business for the year; but I think, considering the many offices in the field, we have done very well in getting what we have.

759. Why was the Dunedin agent superseded?—Mr. Clapcott, who was previously in charge, was both chief agent for Otago and lecturer for the whole colony. It was found that the two positions did not go together very well. I found, as Inspector, that when it was necessary that Mr. Clapcott should be, perhaps, lecturing in Invercargill, the Dunedin business could not be properly attended to. I thought it was unfair to put a man in a position where he was expected to keep down lapses and surrenders and attend to the ordinary business in Dunedin, and at the same time require him to be lecturing out of Dunedin. I did not think the two offices were compatible. In the course of my inspection I proceeded to Dunedin and reported fully upon the matter. I think Mr. Clapcott gave me a letter, saying that if it was thought his services could be more useful to the association in the capacity of lecturer, he would be willing to take that appointment. I forwarded my report, enclosing the letter, to the General Manager for the decision of the Board.

760. What did you recommend?—I recommended that, if Mr. Clapcott were appointed lecturer for the colony, his place should be supplied by a man of previous experience in insurance business; but my report was not acted upon, nor do I know that it ever went before the Board.

761. *Mr. Mackenzie.*] What date was this report?—I think it was in November last.

762. *The Chairman.*] Were you consulted about the appointment of Mr. Driver?—I was not.

763. As to the 2s. 6d. overriding commission given to the agents: how much would the 2s. 6d. overriding commission of the Dunedin agent amount to in the year?—It entirely depends on the amount of business introduced. I think, taking Mr. Clapcott's business as a guide, it would amount to something like £70 a year.

764. Do you know what it amounts to in Christchurch or in Auckland?—Last year in Christchurch it amounted to £196. Of course, it depends upon the lapses and surrenders being kept down and the business increased in the district.

765. Did you advise respecting purchases of buildings?—I was never consulted, nor did I give an opinion upon them. It is outside my province.

766. As Inspector in this insurance business, do you think it is necessary for the association to have large buildings?—Well, no doubt in the past we have had complaints made of the small premises in some of the larger post-offices, on account of the business generally increasing and the great additional traffic in the post-offices. If we had those large buildings we ought to certainly conduct our business in them.

767. *Mr. Levestam.*] You say that the lapses have increased largely owing to bad times?—Yes.

768. Did you canvass as actively in the bad times as in the good times?—We canvassed in districts where we thought business could be obtained.

769. And still the result is that the proportion of lapses has been greater during the past year?—I think the lapses have been nearly as large during the last year; but I do not attribute that in any way to any excessive canvassing.

770. It appears the expenses during the last year have increased: is that chiefly through more active canvassing?—No; but the increased difficulty in getting new business has helped to increase the expenses.

771. Do you know what the increase of expenditure has been during the last year?—I know it has increased by 4 per cent.: it is from 16.1 to 20.6.

772. Do you know what the increase of funds has been during that year?—You can see that from the balance-sheet.

773. You say that the agents are to make out that the Government office is the best, and to make the most of the figures?—Yes.

774. By doing so are they not running down the other offices?—I do not think it runs them down. We give the facts and figures of the other offices—their accumulated funds, their premium income, and generally the conditions upon which their policies are issued; and we also state correctly the same figures and conditions about our own office.

775. Do not the other offices show that they are more advantageous to insurers?—I have no doubt they try to do so.

776. Do you know if any of the agents have advertised that they would lend money belonging to the association at a certain percentage?—No; not to my knowledge.

777. Have you never heard about that in Invercargill?—Now you mention it, Mr. Luckie did point out an advertisement which Mr. Pearson had published, and said he had given instructions to him to withdraw it. The agent had no right to publish such an advertisement.

778. Do you report regarding the capacity of medical referees?—When I am going the rounds of inspection throughout the colony I make inquiries regarding the professional ability of the referees, their position and habits, and report confidentially to the Manager as to whether it is safe or not that they should hold the appointment of referees.

779. But do you base this recommendation really upon your own judgment of their capacity—their general conduct in other respects—their sobriety and so forth?—Their medical reports come before the chief medical officer in Wellington, and he can test their capacity from seeing the reports. As Inspector, I ascertain as far as possible the opinion held of the referees in local places, and very often supply information regarding them that may be of use to the office. Of course I am not a medical man, but I can report upon the medical referees so far as our office is concerned, and my duty as Inspector.

780. *Mr. Gore.*] Does the fact that the Government guarantee the payment of policies increase the business?—If we had the Government guarantee alone, without agents, I think we should do no business at all, or very little business. It assists the agents in canvassing.

781. Does it increase, or has it any effect on the business?—Yes.

782. Can you supply the Committee with a copy of the instructions given to the agents?—Yes.

783. Do the agents unduly press their business by decrying other insurance companies, or is it simply by drawing a fair comparison?—They only draw a fair comparison. In some cases it is not necessary to do that. When an agent calls upon a person for the purpose of insuring his life the rate of insurance is quoted to him, and he may be satisfied and take a policy upon his life. It is not necessary then to go into the figures of other offices. But, in cases where other offices are spoken of as holding out better inducements than the Government office, the agent endeavours to show that the latter is the cheapest and best to insure in, and merely gives a comparison of the figures of the other offices and those of the Government office.

784. You say the purchases of properties and Mr. Driver's appointment have injured the business?—Well, from reports that have reached me I am bound to say, as Inspector, that they have injured the business. Although I know the reports concerning the purchases and the appointment have been exaggerated by private offices, the fact remains that they have injured the business.

785. Can you say the proportion of premiums taken in Otago last year as compared with the rest of the colony?—I think I am right in saying that Otago is the largest district agency in the colony. I could not say accurately from memory as to the exact figures without taking them out; but I know that in Dunedin the renewal-schedules are heavier than in any other agency in the colony.

786. Do you think that, considering the depressed times, Otago has done as much business last year in proportion to previous years?—The business has not been so large in 1885 as it might have been, but I cannot, without reference to the statement, correctly state the figures, as I have only been Inspector for two years.

787. Do you not think that the depression and the competition of other offices had more to do with the falling-off in business than the purchases of properties, or the appointments?—I stated that as one of the reasons.

788. Had it not more to do with the decrease in business?—I do not think it had.

789. *Mr. Mackenzie.*] You mention several causes which are operating against the association in this order: General depression, competition, recent purchases, and Mr. Driver's appointment. I presume you intend to convey that the general depression has been the first and potent cause?—I would put it this way: Having travelled over the colony frequently during the last twelve months, I have become aware that a large amount of depression has existed in the colony, and that it has caused a great many lapses in the association.

790. Is it your opinion that the depression has operated against the association to a greater extent than Mr. Driver's appointment in causing lapses?—I can only say that in the reports I have received from the various agents throughout the colony they attribute the falling-off in business more to the purchases and Mr. Driver's appointment than to the depression.

791. Have you formed some judgment of your own?—Yes.

792. Then, do you not think that the general depression existing, we will say, in Otago, at any rate, is not a greater cause of lapses in the association than any one of the other causes mentioned?—I cannot say whether it has operated more injuriously than the other causes, but it is a cause.

793. Were the lapses, in your opinion, caused by the appointment of Mr. Driver as agent, or by the discussion and comments made upon the appointment by the general public?—There was great agitation everywhere about both.

794. Do you think the lapses due to the appointment of Mr. Driver *per se* or to the comments of the public generally upon it?—The falling-off of business was due both to the appointment and the agitation. His appointment was considered to be a political appointment.

795. Have you any control of Mr. Driver?—I inspect his office the same as I do any other, and I am his superior officer.

796. Did you gather that the policy-holders were under the impression that, apart from the political nature of the appointment, Mr. Driver would not be a good man for the office?—I have heard some people speak very favourably of him, and I have heard others speak unfavourably.

797. Apart, then, from Mr. Driver, the separation of the lecturing from the business agency in Otago was in accordance with your own report?—Yes; I was in favour of making the two offices of lecturer and district agent distinct.

798. The position as it now stands meets with your approval, apart from the particular individual appointment?—Yes; but I think the person occupying the position should be an insurance expert. I think the district agent should give his whole and undivided attention to our insurance work in Dunedin.

799. In addition to the Government guarantee as a protection to the public, are your premiums low as compared with other associations?—Yes.

800. Do you think the attraction of the Government guarantee to the public, together with low premiums, would be more than a set-off to large and attractive buildings?—Yes; I do think it would be a greater attraction than the large buildings occupied by other associations.

801. In your opinion, would not lectures such as we are having, standing advertisements in the newspapers, and the use of the Postal Department throughout the country, do instead of Government canvassing?—No; I do not think so.

802. Can you give an idea of the average sum assured yearly?—I think it has been higher last year than for some considerable time past. I think it is between £200 and £300.

803. The higher the sum assured the more profit for the association?—Yes.

804. At what sum, in your opinion, does the operation cease to pay as you go down the scale?—I do not think hundred-pound policies pay. The reason is this: If the assured pays one quarterly payment and then lapses the policy, it is very often a loss to the office, because the association has to pay the medical referee's fee and also commission.

805. Then, according to the present system, there is some inducement for agents of the association to look out for big policies?—My instruction to the agents, when going about the country inspecting, is that they are not to take proposals from men unless they see that their positions warrant such proposals.

806. *Mr. Levestam.*] Is the commission the same on £100, no matter what the premium may be?—Yes, the commission is the same.

807. *Mr. Mackenzie.*] I presume you are aware that the original intention of the association was to encourage thrift?—Yes.

808. That the association is not to be regarded as a thing purely for the benefit of policy-holders as against the rest of the community?—Certainly the first object was that of thrift, which concerns the whole community.

809. Does the acceptance of small policies encourage thrift?—It encourages thrift in the poorer classes.

810. The lower down you go the more thrift is encouraged in the poorer classes?—Yes.

811. You are aware that the other associations do not care for small policies?—Well, they prefer large ones when they can get them.

812. Then it is quite conceivable that the interest absolutely of the policy-holders in the concern, as a trading concern, may not be to the interest of the general community as regards the encouragement of thrift?—The association has provided two kinds of insurances to meet all classes, and, being a mutual assurance association, the profits are divided amongst the policy-holders as a whole.

813. *Mr. Levestam.*] You stated that the agents were instructed not to discourage the small policies for £100?—Yes, certainly.

814. Were they not instructed to discourage all policies under the Industrial Branch?—The Board decided that it was desirable to close the Industrial Branch because it was found it did not pay.

815. Was the interest of the poorer classes set aside so as to increase the profits of the association?—No; it was found that the Industrial Branch did not pay.

816. And thrifty people who were poor were debarred from insuring because it would not pay?—The Industrial Branch was closed by the Board; but persons of thrift can insure at present in the ordinary branch for sums of £100 if they wish to do so, and pay their premiums quarterly.

817. *Mr. Macandrew.*] I understand you recommended that Mr. Clapcott, the Dunedin agent, should be replaced by an insurance expert?—Yes—by a man of experience—an expert.

818. Do you think that there may not be other qualities of greater importance in the selection of a chief agent for Otago than that of an insurance expert, the object being to popularize the institution and to bring to bear upon it the greatest personal local influence and business tact and experience available?—I think that in a large business such as that in Otago, and with the opposition we have to contend against, it is essential that the agent should possess insurance experience.

819. I understood you to say you were responsible for all new business: what was meant by that?—The new insurances effected.

820. Responsible in what way?—To the Manager, who holds me responsible, as Inspector, for the introduction of new business to the office.

821. That the business is sound?—That the business is brought in.

822. You said you were also responsible for any ephemeral business that may be brought in: what is meant by that?—Any bogus business that is likely to come in.

823. Does it mean that every application throughout the colony must come through your hands, and be recommended by you?—No: it means that the agents I select shall be men who will introduce a good business and not an ephemeral one.

824. Then you are not directly responsible?—No.

825. With regard to the proposed Christchurch office, of which a plan is now on the Table, it appears that a rival institution has a building close to the site that has been purchased by the Government Association. That building is so far imposing, being a great height from the ground. It is proposed to erect on the Government site a square tower, surmounted by domes and minarets and all sorts of things, at a cost of several thousand pounds, so as to throw the other into the shade. Will the building with the tower attract more business than the office without the tower?—No; I do not think it would.

826. *Mr. G. F. Richardson.*] With regard to the increase of business, must not the insurance business be limited by population?—The greater the population, the greater the prospects of insurance; but with the growing population in New Zealand there is always a field for insurance.

827. Is it probable, with the population of New Zealand and the competition of other offices, that the increase in business which has obtained in the Government Association can be maintained?—I think so. If things can only go on quietly, and the office is managed properly, with the staff of agents we have we should be able to keep up the same results.

828. I should like you to give the Committee your opinion as to the advisability or otherwise of the association being handed back to Government control, and the effect that would have on the business?—Do you ask my opinion as Inspector?

829. From your knowledge of the business I ask you to say whether it would be beneficial or otherwise to the association?—I may say that I have watched the career of the Insurance Department from its earliest days in 1874. I worked under various Colonial Treasurers as Ministerial heads of the department, and I have also watched the working of the whole institution under that system. I have also for the last two years watched the working under the Board. I am of opinion that the office has reached such dimensions now that, with the voluminous work the Treasurer has to perform, he cannot give that attention to the work which a body of men could give. For that reason, I believe, Major Atkinson proposed that a Bill should be introduced for the constitution of a Board, instead of a Ministerial head as previously. I believe he recognized that his time was so much taken up in other matters he could not give that attention to the insurance business which it required. For that reason a Board was appointed.

830. *The Chairman.*] You are giving us Major Atkinson's opinion; we are asking your opinion?—I am of opinion that there should be a Board to carry on the business.

831. *Mr. Mackenzie.*] You have referred to the business of the Treasurer being of a voluminous nature: I presume you are aware that any Board formed would be composed of business-men—that it would not likely be formed of men having nothing else to do?—Yes, I am aware of that.

832. You could not have a Board formed of men who would give all their time to the business?—No.

TUESDAY, 6TH JULY, 1886. (Mr. ORMOND, Chairman.)

Mr. S. W. D'ARCY IRVINE in attendance, and further examined.

Witness handed in printed book of instructions to agents, general letter of agreement and form of bond, and form of Inspector's confidential report; also the following return showing the percentage of persons in the colony insured in the Government Insurance Office:—

Total in force at the 31st December, 1885, insured in Government: Out of every 100 persons in the colony, 4; out of every 100 adults, 7; out of every 100 male adults, 12. Issued during 1885: 8 policies were issued for every 1,000 persons in the colony, 14 for every 1,000 adults, and 23 for every 1,000 male adults. Total population, exclusive of Maoris, 578,820 (1886 census); total adult population (sixteen and over) according to proportion in 1881 census, 322,982; total male adult population according to proportion in 1881 census, 186,586. In force at the 31st December, 1885: Average number of policies for each person, .04; policies for each adult, .07; policies for each male adult, .12: average amount insured for each person, £11 3s. 5d.; for each adult, £20 0s. 5d.; for each male adult, £34 13s. 1d. Issued during 1885: Average number of policies for each person, .008; for each adult, .014; for each male adult, .023: average amount insured for each person, £1 9s. 8d.; for each adult, £2 13s. 3d.; for each male adult, £4 12s. 2d. 1886 census: Total population, exclusive of Maoris, 578,820; estimated total adult population, exclusive of Maoris (sixteen and over), 322,982; estimated total adult male population, exclusive of Maoris (sixteen and over), 186,586. The ages of the people enumerated at the census of 1881 have not yet been tabulated. The foregoing estimates of the adult population have been arrived at by applying to the number of the whole population recently ascertained the proportions of adults (sixteen and over, as per formula) that obtained in 1881. Thus: In 1881, the population over sixteen amounted to 55.8 per cent. of the whole number; the males over sixteen amounted to 59.7 per cent. of the total number of males.—WM. R. E. BROWN, Registrar-General. 3rd July, 1886.

833. *Mr. Gore.*] Do you, in your reports, recommend any appointments of managers or agents?—Yes; I do when occasion requires.

834. Who do you send in your reports to?—To the General Manager.

835. You do not send them to the Board direct?—No.

836. Are they submitted to the Board?—It has not been the practice of the General Manager in the past to place them before the Board. He peruses them himself. The figures in the report are checked by the Accountant's branch; but the reports are not laid before the Board. I may say that, in some cases, the directors have asked for certain reports, and have been supplied with them.

837. Did you recommend any one for the Dunedin appointment?—No. I recommended that an expert should be appointed, and I was prepared to submit an officer who, I thought, would carry out the duties efficiently.

838. *The Chairman.*] With reference to that appointment, was the former agent at Dunedin satisfactory in his management of the office?—Fairly so.

839. Is Mr. Clapcott more efficient in his present capacity than in the combined office?—I think so.

840. Does Mr. Driver give his whole time now to the business of the association?—I believe the Board have had some correspondence in reference to that matter, and he has written to the Board on the subject. So far as I know, I expect that he should give all his time.

841. Is it the practice for the chief agents in the different large districts to give their whole time?—Yes.

842. And, as a matter of opinion, do you consider that the business ought to have in those cases the whole time of the agent?—Yes.

843. Would the conducting of other business by an agent operate injuriously upon the business of the association?—Yes. We have so much opposition from other insurance companies to contend against that it is absolutely necessary the agent should give his whole time to the work of the association.

844. *Mr. Gore.*] Did you report against the appointment of any gentleman to the position of agent?—No.

845. *The Chairman.*] For what portion of the business of the association, in your opinion, is a Board specially required?—Well, I think, for all the business.

846. Could not the ordinary departmental business be conducted efficiently by one General Manager, he being an expert?—The office has now reached to very large dimensions, and, I think, in all similar institutions there is a Board of Management.

847. Would not a Board be more essential for the purpose of considering investments?—That would be a very important part of its functions.

848. What have you, in your position as Inspector, to do with investments?—Nothing.

849. You do not know anything of the system under which valuers are selected?—No; the names are not submitted to me, not being in my department.

850. You have already stated in your evidence that the necessity for a Board of Management arises from the Colonial Treasurer's time being too much occupied to permit of his giving the attention required to the business?—Yes.

851. Did you arrive at the conclusion that a Board of more than one person could deal more satisfactorily with the administration of the general business than any one holding the powers which the Colonial Treasurer formerly held?—Yes, I did.

852. *Mr. Levestam.*] Who recommended the appointment of Mr. Pearson, the agent at Invercargill?—Mr. Driver recommended his appointment. I was out of Wellington at the time.

853. Then appointments are not always referred to you?—When I have been out of Wellington appointments of agents have been made without any reference to me.

854. Is it usual to do so?—I think I ought, as Inspector of Agents, to be advised of appointments.

855. Was this a case of great urgency?—No: merely to add his name to the list of canvassers.

856. Who appointed him?—The Board.

857. I understood you to say the General Manager made the appointments irrespective of the Board?—No; the Board makes all appointments.

858. Is it not an important function of the Inspector to ascertain whether appointments are satisfactory or not?—Yes.

859. *The Chairman.*] Are the canvassers all remunerated on the same basis of percentage?—Yes, there is a uniform rate of commission.

860. There is no variation?—No.

861. Would you like to make any general statement to the Committee on any points which would further elucidate the evidence you have given?—Yes. I think it only right to inform the Committee that private offices are doing their utmost throughout the colony to disparage the work of the Government Insurance Association, and to get rid of all its agents. In the past we have done the largest business, and the directors, many of whom are members of Parliament, are very jealous of the success of the association. I am quite sure of this: that if the staff of agents were dispensed with, and the business left in the hands of the Postmasters, in a few years hence the office would be in a very serious state. Had it not been for the work of the agents last year, we should have had a net decrease of business of something like £480,000. With such opposition and the feeling that now exists, without the assistance of the agents the office would in a few years be gradually wound up. I think the principal officers of the association should be brought more in contact with the Board. They should have direct communication with the Board upon matters of importance. The General Manager has so many things to attend to it is almost impossible for him to bring them under the notice of the Board. In large institutions the principal officers are in communication with the Board direct. The principal officers of the association are the Actuary, Secretary and Accountant, and the Inspector. At present all our communications pass through the General Manager.

Mr. J. H. RICHARDSON in attendance, and examined.

862. *The Chairman.*] You are Secretary to the association?—I am Secretary and Accountant.

863. What are your chief duties?—I am responsible for the whole correspondence of the office, with the exception of that connected with properties and mortgages. I am also responsible for the whole of the books kept in the office, with the exception of those in the Actuary's department. I have the control of the staff, with the exception of the Actuary's staff and the Inspector's clerks.

864. Do you mean that you have any duties in connection with keeping a record of investments, purchases, &c.?—Of course I have to see to all the details with regard to the investments. I attend the meetings of the Finance Committee and the Board, and make a minute of the Board's decision on the papers.

865. You act as secretary to the Board at its meetings?—Yes.

866. Can you give the Committee a brief sketch of the ordinary business conducted at the Board's meetings?—The whole of the work first goes to the Finance Committee, which meets on Monday evenings. That committee consists of the whole of the members of the Board.

867. What business does that comprise?—They deal with loans on mortgage and all investments, and pass the death-claims, surrenders, annuities, &c., and payments in connection with the management of the office.

868. Why is that called a "committee-meeting"?—Simply to get the business of the Board meetings done more expeditiously.

869. All the members attend?—Yes, with the exception of Sir Julius Vogel, who never attends the meetings of the Finance Committee.

870. There is no reason why the Chairman should not be there?—The committee is a committee of the Board as a whole; he has a right to attend if he likes. The Board practically takes the position occupied by the Commissioner under the previous Act.

871. Then, after dealing with the various questions you have referred to, does this committee of the whole make recommendations formally to the Board?—A report is drawn up the following day, stating exactly what occurred at the Finance Committee meeting, and is signed by the chairman of the committee: this report is placed before the Board at its next meeting.

872. Who is chairman of the Finance Committee?—Mr. Nicholas Reid was until last week. Mr. Bethune is now chairman.

873. Is it a temporary chairmanship?—No; a permanent chairmanship. Mr. Reid has been chairman hitherto.

874. Would the Colonial Treasurer, if present, take the chair at those meetings?—He has never been present, and the question has consequently not arisen. Any changes with regard to the staff, and matters outside ordinary routine, go before the Board after they have been considered by the committee, and the Board approve of the proposals every week in a body, except those which are specially reserved to the Board by the committee. The proposals are dealt with once a week by Mr. Luckie, Mr. Frankland, Dr. Johnston, and myself, the first two and myself sitting together as a sub-committee after Dr. Johnston has previously gone through the applications; and, if there are any cases about which we differ in opinion, such are referred to the Finance Committee; and if the committee do not agree to deal with them, they are then sent to the Board to be dealt with specially.

875. Do you receive proposals with recommendations from the Inspector?—No.

876. Whom do they come from?—They come from the travelling agents, and are usually sent to the nearest district or resident agent, who then forwards them to us. This does not apply to the medical papers prepared by the medical referees, as such are confidential.

877. Then, practically the first committee which deals with the finance business is composed of the whole of the members of the Board excepting the Colonial Treasurer?—Yes; practically it is a committee of the whole.

878. What advantage is gained by reporting this finance business to themselves for confirmation?—The only advantage is, that they go through the business, and put it in a shape to be passed rapidly at the Board. A *précis* or summary of the business that is to be done by the Board is issued.

879. Would that be full enough to convey the conclusions the Finance Committee had come to?—No; their conclusions are embodied in a report which I prepare for the signature of the chairman of the committee.

880. Were you the Secretary under the old management?—No, I was Accountant; but for the last year practically Secretary.

881. Had you the same knowledge of the mode of transacting the business as you have now?—Yes—practically the same knowledge.

882. You knew the manner in which the business was then conducted?—Yes, thoroughly.

883. What, in your opinion, led to the necessity for the establishment of the Board?—It was felt to be necessary to give the policy-holders a larger control over the institution, in order to popularize it and improve the management.

884. Was it also caused from the large increase of business making it impossible for the Colonial Treasurer, who was the Chairman, to attend sufficiently to that business?—I think that had a good deal to do with it. No doubt the dealing with investments of over a million becomes a serious matter. It involves a great deal of care and time, which the Colonial Treasurer could not bestow. Then, again, there were the officers to deal with. Of course, it became necessary to give the officers of the institution what they were entitled to in the market, and to deal with them apart from ordinary Civil servants.

885. In your opinion, has the change led to the general business being more efficiently dealt with?—I think the work of the office has been greatly improved under the Board. The expenses have gone up, but we are getting a considerable amount of money out on mortgage, and improving the rate of interest.

886. The rate of interest on Government securities is now not very high?—Upon a considerable amount it is $4\frac{1}{2}$ per cent.; but that was arranged before the Board came into existence.

887. Has the appointment of the Board, in your opinion, led up to increased business?—The new business has not very largely increased during the year 1885 as compared with 1884; but the lapses and surrenders have been less, and I think the former will be still less during the present year. The indication up to the present is that way.

888. Has the expenditure increased under the Board?—Yes.

889. Can you say to what extent?—It has increased from 16.1 to 20.6.

890. Has this increased expenditure brought proportionate business?—No, it has not; but the increased expenditure that can be apportioned to the new business has been caused by the paying of a higher rate of commission, and by the greater competition in the colony owing to the existence of so many companies.

891. Has the increase of expenditure arisen in part from increased salaries?—Not materially.

892. Do you think the business has been checked by the publicly-known disagreements which have taken place on the Board?—Unquestionably.

893. Do you know whether the proposal to go into expensive buildings has had any effect upon the business of the association?—The people in the country I know have been greatly against it. I have seen several letters from policy-holders grumbling about it.

894. Do you think that it has checked the ordinary extension of the business?—I think we should have had a better year but for all the trouble on the Board—the dissensions between the members of the Board.

895. Have you any knowledge of whether the recent appointments made by the Board have had any effect in the districts where they were made or elsewhere on the business of the association?—They have not had so much effect in the Otago District as in Canterbury and other districts in the colony.

896. What is the general capacity of the premises used all over the colony for the business purposes of the association?—Is it sufficient?—I think the office accommodation in the post-offices in Christchurch and Dunedin is not sufficient. This remark also applies to the Auckland Post-office.

897. Do you consider large and expensive business-places would have any effect in inducing business, provided the premises were sufficient for the ordinary carrying-on of the business?—I am

somewhat doubtful about that: I do not know whether it would really have very much effect, because the great majority of the policy-holders think more of the guarantee.

898. You are of opinion that the guarantee gives a large stimulus to the business?—Yes; it is a good argument in the hands of those carrying on the business. Of course it would be of little avail without the canvassers.

899. What is your opinion as to the necessity of continuing canvassing?—If we did not canvass we should very soon become a “burnt-out cinder.”

900. Is there anything objectionable, in your opinion, in the present mode of canvassing?—I do not think so. I think if the office is to be kept up—if it is to get the necessary influx of new lives to keep down the mortality—there must be canvassing.

901. Is care taken, in the instructions given to the canvassers, not to depreciate other institutions?—I think so. I think the Inspector exercises a reasonable care.

902. Speaking of the class of canvassers generally, can you say that they are efficient, and such as the association's business requires?—I think so. Every care is taken to inquire about them. We get a bond from them of £100 or £150. A man must be entitled to some respectability, or else he could not get the bond.

903. You do not think it would be sufficient to abolish the canvassers, and deal only with the insurance business through the post-offices?—No; the new business would be reduced to a minimum.

904. Is the retention of the services of the canvassers at all dependent upon their success in promoting business?—Yes. If they do not obtain a reasonable amount of business the Inspector gets them removed by the Board.

905. How are your medical referees selected?—Their applications are referred to the Chief Medical Officer in Wellington. If he is satisfied with their qualifications, they are selected for recommendation to the Board by the General Manager.

906. Who are they recommended by?—Dr. Johnston.

907. Who recommends them to Dr. Johnston?—The recommendations usually come from the district and resident agents.

908. And, as a rule, do the recommendations made by the medical referees prove satisfactory?—Yes, I think so, in the majority of cases. Of course some of the medical referees are indifferent. I think, however, the majority of them are as good men as we could get. The association is much more careful in that respect than the private offices.

909. What is the present mode of dealing with investments?—The applications are put before the Finance Committee at the Monday evening meetings each week. The applications for loans on mortgage are made on printed forms, in which the applicant has to answer a series of questions, and furnish particulars of the property on which the money is sought to be obtained. In addition, we usually have a report from our nearest district or resident agent, containing general remarks. The papers are then placed before the Finance Committee, accompanied by a schedule of particulars, a copy of which is placed before each member, giving details somewhat similar to those in the application-forms. The chairman of the committee has a paper placed before him showing the business to be dealt with, and the Manager explains the nature of each case as it comes on.

910. Then, who initiates these applications in the first place?—They come from various sources. People may apply direct, or through the district or resident agents.

911. Is there any examination by the solicitor to the association before these cases come before the Board?—No, not until afterwards. If the Board decide to entertain the application, a valuator is appointed, usually on the recommendation of the Finance Committee. His valuation, when received, is placed before the Finance Committee, which makes a recommendation to the Board either to grant the application, or refuse it, or to grant it for a smaller amount.

912. Then the Board entertains the application before the valuation takes place?—Yes.

913. What have they to guide them—the statement of the applicant, or what?—We find out the property-tax value of the property; and, generally, we hear from the agent his opinion of the value; besides which the application-form contains the full particulars.

914. Then, what rule is adopted with regard to the interest—is there any rule?—No fixed rule. The members of the committee are generally controlled by what they think is the market rate.

915. Supposing the market rate of interest is 6 or 7 per cent., is that the rate on which the business is done?—Yes: the committee is guided by the market rate. We have never been below 6 per cent. on loans on mortgage.

916. Are there not in the list of investments submitted to the committee investments on mortgage bearing rates of interest varying from $5\frac{1}{2}$ up to 7 per cent?—There are no loans on mortgage at $5\frac{1}{2}$ per cent.

917. You start on the basis that a margin of 50 per cent. is required?—Yes; we are limited to that by the Act.

918. Then, with reference to the table of investments, can you state how it is that the rate of interest varies from 6 to $7\frac{1}{2}$ per cent.?—The Finance Committee practically settle these rates, and is influenced by the rates ruling in the different places.

919. You know of nothing else?—No.

920. Has the amount any bearing on the rate of interest charged?—In some cases it would have. If the amount was small a larger interest would be expected.

921. How are your valuers selected?—The first valuers were recommended by the Bank of New Zealand. Others have been nominated by members of the committee from time to time, and placed in the book containing the names of the valuers.

922. Who selects the valuers in all cases?—The committee recommends the applications to be entertained by the Board, subject to valuation by the particular valuer it thinks should be selected.

923. *Mr. Levestam.*] In one case you stated that the interest was less because the security was exceptional?—Yes.

924. Are we to infer from that, where the same interest has been charged upon a far larger amount, the security was not good?—No.

925. *Mr. Montgomery.*] How often does the Board meet?—Once a week—every Wednesday.

926. How long does it generally sit?—From three to half-past four or five o'clock.

927. How often does the Finance Committee meet?—Every Monday evening.

928. What is the length of its sittings generally?—I should think from half-past seven till half-past nine or ten o'clock, or sometimes later.

929. Is it an executive body as well as an advising body? Has it the power to make appointments, and so forth?—No; it has no power whatever under the Act: it can only recommend.

930. Does it, in fact, make appointments?—No appointments except valuers, and then such are reported to the Board at its next meeting.

931. I wish to know whether it is an executive or advising body?—It is simply an advising body.

932. How did the appointment of the Board prevent lapses?—When the Board came into operation it made arrangements with regard to the collection on renewals. Then, again, the business during the latter half of 1884 and during 1885 has not been of such an ephemeral nature as that before introduced. The appointment of an Inspector was a step in the right direction, because he had not a direct pecuniary interest in the amount of business introduced. His salary is fixed. Previously, for a considerable time, the new business was let out by contract. His predecessor practically got commission on all business introduced to the office.

933. When did Mr. Thorne cease to be a servant of the Board?—I think it was about April, 1884. The Board was not then in existence. Mr. Luckie terminated Mr. Thorne's agreement.

934. When was the Inspector appointed?—About two months afterwards.

935. And it is from that date that the business ceased to be less ephemeral than previously?—Yes; the business has improved since then. All appointments of travelling agents and doctors having to go before the Board, that fact has exercised a powerful influence in getting better business.

936. How did the appointments to which you have referred affect business in Canterbury?—The agents of private companies made so much use in Canterbury of the appointments as an argument.

937. What appointments are you referring to?—Mr. Driver's appointment.

938. Do you think, if sufficient accommodation could be obtained in the principal post-offices, it would be to the advantage of the institution to have the district agents located in the post-offices?—I am afraid that, with the growing requirements in the large centres of the colony, sufficient accommodation could not be got in the post-offices.

939. How many clerks are there under the district agents in the chief towns?—Auckland has two clerks under the agent; Christchurch has two clerks and a cadet; I believe there are the same number in Dunedin.

940. Would it require large office-accommodation for two or three clerks and a district agent?—It would require, at all events, three rooms.

941. Do you know the post-office buildings in Christchurch?—No, not the new buildings.

942. Do you know whether accommodation could be obtained there or not?—No.

943. Do you know that the Collector of Customs and the Public Works offices are in the new building?—No.

944. And the Property-tax Department?—No.

945. Who pays the valuers?—The people who borrow—the applicants. They deposit a fee, and when the valuator is appointed and has made the valuation, we pay him.

946. Can you furnish, for the information of the Board, documentary evidence as a specimen of how property on which money has been lent was borrowed and recommended?—Yes.

947. *Mr. G. F. Richardson.*] What is meant by "Introduced by" in the list of mortgages?—That means when the application comes through a second party, and is not directly introduced by the applicant.

948. Is it not unusual for such business to be introduced and valued by the same person?—Yes. We would not allow the same person to value and recommend.

949. Have you not done so?—I do not think such has been done intentionally.

950. Was not one property in this list introduced and valued by the same person?—I cannot say, but I will furnish the information.

THURSDAY, 8TH JULY, 1886. (Mr. ORMOND, Chairman.)

Mr. J. H. RICHARDSON in attendance, and further examined.

951. *The Chairman.*] The Committee desired your attendance to-day for the purpose of obtaining information as to the investments. In the list of mortgages there is an investment of £25,000: where are the general terms and particulars of that property?—In the papers now produced. The valuations of the property by Mr. — and Mr. — are respectively £31,180 for land, £16,645 for buildings. £22,000 was granted, and an additional £3,000, subject to £4,000 additional being expended on the buildings. The £3,000 was to be paid in progress-payments.

952. Are these the valuers usually employed by the Government at —?—These gentlemen are two of the three valuers in —.

953. *Mr. Levestam.*] Who recommended these valuers?—They were put on by members of the Committee.

954. Did any correspondence take place with regard to the fitness of these valuers?—Yes.

955. What was the result?—It was unfavourable as to one of them.

956. Did the Board, notwithstanding this unfavourable report, still act upon the valuation and make the loan?—The loan was made.

957. Is it not one of the rules of the association not to lend more than 50 per cent. of the value?—Yes; that is the limit defined by the Act.

958. In this case, did they exceed their limit?—The limit would be reached when the £4,000 was expended on the buildings.

959. Does the Board take into consideration the value of the security when fixing the rate of interest?—Of course, if they had a large margin of security they might do business with a client at less than they would otherwise.

960. In loans of undoubted security, do the Board charge less than 6 per cent?—No; we never lend money at less than 6 per cent. on mortgage.

961. If the security is undoubted, does the Board charge a less rate of interest than 6 per cent?—No.

962. Do you know of any instances of the Board having lent money upon security that was not first-class, and only charged 6 per cent?—I should not like to say, because it has not been part of my duty to acquaint myself with the current value of property in the various districts of the colony.

Mr. F. H. D. BELL in attendance, and examined.

963. *The Chairman.*] We have asked you to attend to give such information as you may wish in reference to the working of the association. Would you like to make a brief general statement to the Committee before being asked any questions?—I do not desire to make any statement.

964. When did you first take your seat at the Board?—Sometime in January. I then sat for only one or two meetings. I did not again sit until, I think, March. I was ill.

965. You were an elected member?—Yes.

966. Would you state whether, in your opinion, the business of the association was in a satisfactory condition when the Board commenced its operations?—In one or two respects I think it was not. In the important respect of the precautions taken before a life was accepted, I think it was unsatisfactory.

967. Will you state the reasons?—The proponent was first examined by the medical officer of his district, and his report came to Wellington, where it was examined and further reported upon by the Chief Medical Officer, and, in some cases only, by the Actuary and the Secretary, but always by the Commissioner, who is now the General Manager. We found that, in many cases, where the officers disagreed as to what loading should be imposed, or as to whether a life should or should not be accepted, the Commissioner determined the question, and apparently without reference to, or without sufficient consideration of, the opinions of the officers. In some cases which I brought before the Board myself, a loading had been imposed by the Commissioner which was less than that recommended by any officer. The Board at once altered this, upon my motion, and passed a general resolution to the effect that the maximum loading recommended by any officer should always be adopted, unless the Board should otherwise specially order, and that the utmost precaution should be taken.

968. Do you remember if there was any other alteration made in the practice of the business in the way of reform?—Of course an important question was that relating to investments. Previously the Commissioner had no power alone to make investments; his power was very limited, and was subject to such precautions taken by the Colonial Treasurer, not only to protect the institution, but also to protect himself from any suspicion of partiality, that investments could not properly be made under the management as it existed before we took office. We found an immense amount of money out on Government bills and debentures, and on deposits. I think we remedied that to a considerable extent.

969. Those funds were, then, practically not being invested to the best advantage?—We thought not. We thought that 4 to 4½ per cent. was not sufficient.

970. Speaking on the question of investments, will you briefly describe your present mode of dealing with applications for loans? How did you, as a member of the Board, and the Board deal with them?—They are always dealt with at the meetings of the Finance Committee, which is a Committee of the whole Board, and sits on Monday evenings. It reports to the Board at its meetings held on Wednesday evenings. The applications are received from all parts of the colony, and the Finance Committee first considers whether the security suggested is such as it would in any case recommend an advance upon. It reports its opinion on that point to the Board, with a recommendation either that the application should be declined, or that a valuation should be made. Then, we have a number of valuers in each district, whose names were, in the first instance, suggested by the Bank of New Zealand, our banker. To these lists of valuers additions have been made from time to time, at the suggestion of members of the Board. The Board refers the applications which have been recommended by the Committee to one of its valuers in the district, and upon receipt of the valuation, with remarks by the District Agent (in many cases, not in all), the Finance Committee again considers the matter upon the valuer's report. It either recommends the Board to accept or decline. It must recommend the Board to decline if the valuation does not show a margin of 50 per cent. But, even if the valuation does show the required margin, the Finance Committee may, and in some cases does, recommend that the application should not be granted; but in that case it pays the valuation-fee itself.

971. Will you state to the Committee how far the new system adopted by the Board has worked satisfactorily or otherwise?—I think it has worked very satisfactorily in the matter of investments. The results of our investments, exclusive of Government securities, but including the railway debentures, which were the investments of a previous Government, show an interest of £6 1s.; and if you take in the loans on policies, of which the less we get the better for our own business, the interest

amounts to £6 10s. per cent. These are my own calculations. They have not been checked by the officers, but the figures upon which I made the calculations were supplied to me by the office. I think in every other respect the change has been disadvantageous.

972. Do you attribute the non-proportionate increase of business to the causes you have just named?—I think there has been no such non-proportionate increase. The business of 1883 was an utterly unwholesome and improper business. It was business conducted under a system by which an overriding commission was given to one gentleman who had the charge of all the agents. Then, again, so far as I can judge, the doctors were appointed to take lives and not reject them. I think, compared with any other year than 1883, the business of 1885 does not show any falling off at all, but rather an increase. I do not think there has been any large number of surrenders in consequence of the publication of the fact of difficulties existing on the Board or of the Board's management. I attribute surrenders to the competition of the Equitable Association of New York, which has offered inducements which were not open to policy-proponents upon any system before in vogue in the colony.

973. Do you think the differences on the Board have led to the new applications being more limited than they would have been?—I confess I see no trace of that at all. It is a subject which I have considered very carefully, from comparing the papers of this year with the papers of previous years. Our population is not increasing so fast as that we should expect any very great increase in any year. Besides that, the insured of New Zealand are now so numerous already that it is actually difficult to find a man who is not insured, and who can be asked by an agent to insure.

974. The investment of money by the association for the purpose of buildings has been much commented on. Do you think that has had any deterrent influence in the way of preventing fresh applications and renewals?—I do think that has had some effect. I do not attribute it to the investments upon the properties, but rather to what has been said about those investments.

975. Do you think that the business of the association necessitated such provision as is proposed to be made for buildings?—I say that the Board found itself in possession of a large property in Wellington and a large property in Dunedin. I was not a party to the purchase of any site, because the purchases took place when I was unable, through illness, to take my seat at the Board; but I did think, and do think, that it was not impolitic to provide for as good buildings in Auckland and Christchurch as we were practically pledged to by our large purchases in Dunedin and Wellington. But, as to the general question asked me, I should say I do not see any reason for large or handsome offices, but I do think it necessary to have offices in the business centre of each large town.

976. Since you have been on the Board purchases have been made in Auckland and Christchurch?—Yes; they were made since I have been a member of the Board. I was absent, but I hold myself responsible for everything that has been done.

977. Can you explain whether anything has been done in the way of making these various purchases available for the business of the association?—As to Dunedin we cannot. The site which we should use is of course the corner-site, known as "Wise's Corner." There are two unexpired leases which our tenants have refused to surrender, except at an exorbitant premium.

978. To what extent do you consider those purchases were looked upon as investments when made rather than as providing sites for business purposes?—I do not think we had any legal right to make the purchases for purposes of investment. It seems to me to be prohibited by the Act.

979. How is it that a large portion of the Christchurch property is practically disposed of by a lease for twenty-five years?—I do not agree that it is. We got in Christchurch, as everywhere else, more than we required for our own offices. That must be perfectly obvious. The piece of land left us in Christchurch, with the arrangement which entitles us to have two rooms in Maling's building, will, in my opinion, give us ample space for our offices. I had the opportunity of examining it the other day.

980. Then, in that case, the investment must be looked upon as an investment of the funds outside the necessary provision for offices?—Yes, in the sense in which you put it. I have already said that, in my opinion, you must have offices in the business centres. If you have offices in the business centres, the price per foot will be such that you must have a three-storeyed building, and therefore a great deal more room upon the land than you require yourself. I admit that that does not apply to the Christchurch building.

981. Was not the Christchurch property purchased in two distinct allotments from different persons?—I think so.

982. And in the proposal to build, which has been considered by the Board, was there not ample space on the smaller sites to provide all necessary buildings for the association?—Yes, I think so; but I should like to add that, if we have a property with two storeys on it, I think there is nothing in the Act to prevent us building a third storey, so as to make that property more valuable than before. If I had been a member of the special committee which was appointed to consider the question of the Christchurch purchase, I do not think I should have recommended the purchase of Messrs. Maling's property.

983. How far do you think the post offices in the colony could be availed of as offices for the conduct of the ordinary business of the association?—In the country towns I think it is possible. In the large cities there is not sufficient space in the post-offices to afford us the accommodation required. In Wellington it would be impossible. In Dunedin we have, I think, three clerks, a District Manager, and a cadet; but a public office is required, where the public can come in, and also a private office, where the District Manager can be seen. More accommodation is required by us than can be supplied by the post-offices in the large towns.

984. In the case of the Wellington office, do you consider the present accommodation as ample?—If we took the whole building it would, I think, be ample, but as we are at present it is dreadful; the clerks are penned together.

985. Is not that building absolutely the property of the association?—Yes.

986. And the association lets two-thirds of it?—We found the tenants there, and kept them on.

987. It would be easy for the owners of the property to have possession of those offices for the necessary purposes of the association?—It was always open to us, and it is quite so now.

988. Do you think there was any necessity for the proposed pulling-down of those offices and erecting a building, of which we have seen the plan, which is estimated to cost £35,000?—Yes; I think there was. I still think so. The building stands upon only a portion of the land, and the frontages to two streets are entirely unused. There is not sufficient depth in my opinion, and in the opinion of professional men, to those two side streets on which to erect two separate and independent buildings. We have paid £18,000 for the site, and if we make up our minds to occupy the whole land and the present building, without having any tenants, then I think we shall be living at a higher rent than we ought to live at. The building is one storey, of fairly good rooms, and part of it only a second storey. The old Provincial Hall has nothing above it. We are, therefore, occupying part of one of the most valuable sites in the city with a building which has two storeys only as to part, and one storey only as to another part. As I have already said, if your land is worth £100 a foot, you must have a building of three storeys upon it if you are going to live profitably at a rental founded upon such a basis. That being so, we endeavoured to ascertain whether we could get Government tenants for the buildings which we proposed to erect, and we found that we could get Government tenants for a considerable part of it, though we had only made a bargain with one, namely, the Public Trustee, who is a new tenant. What we felt was, that if we could get Government tenants at a rental which would give us 6 per cent. upon the cost of the building and the land, we should practically get permanent tenants, because the Government service in Wellington grows, and does not diminish.

989. Then, that would practically be spending on purposes of building with a view to investment of the funds of the society?—Yes; but only as to property which we are actually possessed of.

990. In reference to the proposed alterations in the constitution of the Board, will you state briefly what alterations you think would be most desirable?—I think it is most desirable that the association should be returned to the charge of the Government.

991. Would you return it to the charge of the Government, retaining the same Government control as at present, that is to say, with the Colonial Treasurer as ministerial head of the association?—Yes; but I would give the investments to the Public Trust Office.

992. Do you not think that the association would be worked more in the interest of the policy-holders and more efficiently were an expert of high position intrusted with the management of the affairs of the association, subject to the control only of Parliament?—Yes; I have no doubt about that at all. What is really wanted is an insurance expert at the head of the concern.

993. Then, if that were possible, do you think it would be a preferable course to returning the institution to the control of the Government?—I have not considered that at all; but it seems to me to be immaterial, if you have really a good man at the head, whether he is subject to Parliament or to the Minister.

994. Must there not, in your opinion, be a very great difference in the position of an officer who is subject only to the control of Parliament, and one who is working as a manager under a ministerial head?—Of course a man subject only to Parliament would be in a far more independent position.

995. And you think the general affairs of the Board, and outside investments, could be efficiently conducted by such an officer?—Yes. I think the Board is perfectly useless for all purposes except the purposes of investments. What I mean is, that the Board is perfectly useless, and ought not to be referred to on matters of general business.

996. What sort of a Board would you suggest to assist such an officer in the matter of investments?—I think the Public Trust Board is or ought to be the kind of Board that would be required for that purpose. It is intrusted with large powers of investment already.

997. Who compose that Board?—Three or four of the highest public officers under the Government.

998. And you think that that Board, with the advice of its valuers and district officers, would be able to act efficiently in the consideration of investments?—I think so. It would only have the duties which are already intrusted to it by statute.

999. Are those powers extended to investments on mortgage?—Yes; there are large sums invested on mortgage by the Public Trust Board.

1000. Do you consider the business of this association would be too much to place upon officers who are already performing very considerable duties?—I think not, because of those gentlemen three are already members of the Insurance Board, and do perform those duties at present, and I do not think they have complained of the labour—I refer to the Public Trustee, Secretary to the Treasury, and the Solicitor-General.

1001. Will you state your opinion as to the necessity of canvassing for the business of the association?—I have no doubt that it is essentially necessary. I was at one time of a contrary opinion. People will not come to be insured, and you cannot reach the people whom, as I conceive, the Government Insurance Association is specially bound to insure—I mean the £50 and £100 policies. I have taken that view of it since I have been a Director. If we have the Government guarantee we ought to be specially careful to see that smaller policies are taken. I may explain that other offices would not take small policies beyond a certain number, because of the necessity of keeping the average life above a certain amount.

1002. Have the expenses of the association considerably increased since the appointment of the Board?—Yes.

1003. Are you of opinion that, with a return to a more simple form of management without the Board, the business could be done with a diminution of expenses?—Yes; there is no doubt whatever in my mind about that.

1004. What is your opinion as to the effect of some recent appointments on the business of the Board?—I presume you refer to Mr. Driver's appointment. I think his appointment has been attended with great advantage to the business—not the special appointment of Mr. Driver, but the appointment of some really competent man, with a knowledge of the people and the property of Otago, to manage the Otago and Southland Districts.

1005. *Mr. Levestam.*] Have you any reason to suppose that the increase of business in 1885 was due to a cause beyond the natural increase of population?—No. 1883 was a year of exceptional business, which nobody proposes to pursue again; and 1884 and 1885 are too recent to enable me to form any idea of the average business.

1006. Would the Trust Board do as well as the Board of Advice as to investments?—Yes.

1007. Do you think that they have any special qualifications by previous training or otherwise?—I do not know that any special training is necessary.

1008. If no special training is required, would not any other body of men do equally as well?—The Public Trustee has special experience as to mortgages; and the Secretary to the Treasury as to banking business.

1009. Supposing you had an expert as Manager, as suggested, would he not be supposed to have special knowledge of the banking business required?—No; I do not think so at all.

1010. What has been the rule as to lending money on mortgage: Did the amount borrowed bear any relation to the rate of interest?—Yes; but we never fixed a definite relation. The larger the sum, the less the interest.

1011. If it is found that two amounts have been lent on mortgage varying very much in magnitude, and paying the same amount of interest, am I justified in drawing the conclusion that the security on the larger amount is not first-class?—Certainly not.

1012. Then, what conclusion am I to draw?—We are required to have a margin of 50 per cent., which we insist upon in every case; but there are people to whom it is better to lend than to others. The name carries some weight, and it carries weight in the market. There are gentlemen in New Zealand who can get money at 6 per cent., where any other man, upon the same property and security, could not get the amount at less than $6\frac{1}{2}$ or 7 per cent., for this reason: that there are a larger number of people who will lend to such men. The personal character of an applicant always has great weight with money-lending institutions, in addition to the security offered.

1013. Then, the individual is of greater importance than the value of the security?—No.

1014. I suppose you would hardly lend a man large sums of £20,000 or £30,000 unless he was a person in whom you had confidence?—The exceptional men are very few.

1015. What do you mean by "exceptional:" those to whom you would not lend?—Those to whom you are anxious to lend are very few.

1016. It appears from the list of mortgages furnished by the Manager that a certain property was mortgaged to the association?—I was not present when that was done and had no knowledge of it.

1017. *Mr. Stewart.*] Assuming that canvassers were employed throughout the colony, could the ordinary branch business be carried on through the Post Office Department receiving applications and premiums?—No; I do not think so. It is very important that you hold a policy effected and not allow it to lapse.

1018. You mean that it is part of the business of the agents to try and persuade persons from surrendering?—Yes.

1019. *Mr. Montgomery.*] You stated that there would be an outer public office and a private office for the clerks required in the buildings in the principal towns?—Yes; that would be required.

1020. How many clerks are in the office in Christchurch?—I do not know.

1021. Have you seen the plan (produced) of the new buildings in Christchurch?—Yes.

1022. Are you aware that the piece of ground is 22ft. or 23ft. wide?—Yes.

1023. And that the building is proposed to be four or five storeys in height?—The plan shows four storeys.

1024. If there were three clerks and a manager employed in Christchurch do you not think that building would be sufficient and good?—Yes; I have already explained what we proposed in reference to the Christchurch building.

1025. Looking at the proposed new building and the accommodation it affords, do you think it necessary to have two other rooms in Maling's building besides?—It was rather a question of the ground-floor—of having enough rooms on the ground-floor.

1026. You have stated that it would be to the advantage of the Insurance Association that there should be a first-class statutory officer to have the management?—Yes.

1027. Do you think that officer should be as independent of political influence as the Auditor-General or the Judges?—Yes, I think so. I had not considered the matter before being asked questions by the Chairman, but, from the short time I had for its consideration, my answer expresses the opinion I entertain.

1028. If there were associated with that statutory officer the Public Trustee and Solicitor-General, the whole to form a Board to decide upon loans or investments, do you think that would be sufficient to conduct the business safely and well?—I do not think that is a large enough Board of Advice. It is throwing too much responsibility upon them, and I think the effect would be to make them too cautious. I think a larger Board of the same class of public officers would be quite sufficient.

1029. Do you think that that Board should or should not be free from the control of political officers?—I do not know; I have not considered the question. So far as I have had time to consider the matter, I do not think there is any disadvantage in political control.

FRIDAY, 9TH JULY, 1886. (Mr. Ormond, Chairman.)

Mr. J. H. Richardson in attendance, and further examined.

Witness handed in the following statement which he prepared for the Board in April last, as bearing on the expenses of management of 1885 as compared with 1884. This statement gives full particulars with respect to questions previously asked him :—

MEMORANDUM for the MANAGER *re* ACCOUNTS for 1885.

Government Insurance Office, Wellington, 16th April, 1886.

EXCLUDING new and renewal commission and property-tax, the total of the expenses of management as printed is £28,205 0s. 2d. The total for the previous year was £20,912 1s. 5d. The gross increase is £7,292 18s. 9d. I attach tabular statement, showing the increases on the various lines, as also the increased expenses occasioned by the incorporation of the association.

Salaries.—I should think, after careful consideration, and the Chief Clerk agrees with me, that £600 might fairly be charged to Board expenses, on account of the salaries of the officers at the head office. The salaries at the head office would then be about the same as they were in 1884. The gross increase is, say, £1,000; the remaining £400 being occasioned by increases at the branches.

Medical Fees.—The increase—£529 6s. 1d.—is caused by the larger new business.

Travelling Expenses.—£896 14s. 4d. increase is in a great measure occasioned by the higher cost of procuring new business and keen competition, making it necessary to pay liberal travelling allowance to doctors and canvassers. £200 may, however, be fairly charged to the Board.

Advertising.—The chief addition has been caused by the advertisements in connection with Board matters.

Printing and Stationery is largely augmented, owing to the incorporation of the association having necessitated the reprinting of all our policy-forms, as well as the proposal and other forms. I should think that the incorporation occasioned the destruction of old forms mentioned, including prospectuses, &c., to the value of £700. This is of course entirely a special charge. The Board has also itself occasioned an additional increase of £391 8s. 7d.

Rent.—The increase of £436 13s. 1d. is caused by the fact that, in 1884, we had not the head-office premises for the whole of that year, whereas we did so in 1885.

Postage shows an increase of £150, as last year we did not charge anything against the Industrial Branch.

Telegrams.—The additional charge of £332 6s. 3d., as already explained, arises from the fact that the district and resident officers have been rather reckless in the use of the telegraph.

General Expenses.—The greater part of the increase of £1,022 5s. 1d. was caused by the incorporation of the association necessitating the preparation of an alphabetical list of policy-holders entitled to vote. The Board itself has also occasioned some extra charges in respect of elections.

J. H. RICHARDSON, Secretary.

Comparison of Expenses of 1884 with 1885.

	1884.		1885.		Increase.	Dissection of Increase.		
						Occasioned by Incorporation and Non-recurring.	Board: Extra Charges.	Quinquennial Special Charge.
	£	s. d.	£	s. d.	£	s. d.	£	s. d.
Salaries	10,418	16 3	11,463	13 4	1,044	17 1	600	0 0
Medical fees	4,383	10 10	4,812	16 11	429	6 1	..	..
Travelling expenses	1,158	17 11	2,055	12 3	896	14 4	200	0 0
Advertising	439	19 5	730	18 4	290	18 11	175	1 9
Printing and stationery	1,238	14 6	2,350	3 0	1,111	8 6	391	8 7
Rent	554	15 1	991	8 2	436	13 1	..	..
Postage	850	0 0	1,000	0 0	150	0 0	..	..
Telegrams	386	12 5	718	18 8	332	6 3	..	..
Exchange	116	6 9	158	6 1	41	19 4	..	..
Office furniture, depreciation	215	14 7	252	4 8	36	10 1	..	..
General expenses	1,148	13 8	2,170	18 9	1,022	5 1	188	11 0
Directors' fees .. ..	..	..	600	0 0	600	0 0	600	0 0
Quinquennial expenses .. ..	..	..	900	0 0	900	0 0	..	900 0 0
Totals	20,912	1 5	28,205	0 2	7,292	18 9	1,286	17 9
							2,155	1 4
								900 0 0

1030. *The Chairman.*] Yesterday you were to obtain the property-tax valuation of the property in ———, on which a loan of £25,000 was obtained: can you produce it?—I have received information from the Property-tax Department, which shows £33,282. There appear to be two properties included by the valuers but omitted by the property-tax, amounting in all to £1,200. Since the property-tax valuation, improvements to the extent of, say, £4,565 have been made, thus bringing the total value to, say, £39,047, on the basis of the property-tax assessments.

1031. Is it the custom of the Board in dealing with loans to obtain the property-tax valuation or the county or borough valuations?—It is usually the practice to obtain the property-tax valuation, but that was not done in this case. I understand that this property-tax valuation is the most recent one, and was taken about the time the valuation of the properties was made by the valuers.

1032. *Mr. G. F. Richardson.*] You remember the loan of £900 to Mr. ———, of ———?—Yes.

1033. What was the property-tax valuation of this property?—We searched the Doomsday Book when the application was made, but it was not to be found there, and about that time there was some difficulty in getting the most recent property-tax valuations from the department, as it did not then care about giving them to us.

1034. Then, you did not get the property-tax valuation on this property?—No.

1035. Did you get the county valuation?—No; not at that time. The assessed value of the land stands in the County Council's book on the 3rd July last at £750.

1036. Who made the valuation on which your Board acted?—The association's valuer.

1037. Is he the usual valuer for the department in that district?—Yes; he was one of the six valuers, but is now no longer employed.

1038. What amount did he value this property at?—£1,800.

1039. Had you information of previous mortgages on this property?—There was a mortgage to an investment company of £600.

1040. Are you aware of any application having been made for this mortgage to be increased to £800?—Information reached the office about the beginning of June respecting the mortgage, and we telegraphed and got a reply from our Resident Agent regarding it, saying that an additional amount had been declined.

1041. Have you any information as to how this application came before the Board at first?—It was introduced by a communication from one of the gentlemen who acted as valuers. He was struck off the list of valuers directly the Board had knowledge of this transaction. I wish to add a brief explanation to my previous evidence with respect to canvassing, and my remarks that canvassing would keep down the mortality. It is the experience of British offices that the mortality amongst business which comes unsolicited is much higher than that which is solicited through the aid of canvassing. We are much more likely to get worse lives by ceasing canvassing than we would if we continued canvassing.

1042. What was the condition of the office before the Board came into existence?—When I took over the books in 1883 they were in a great state of confusion, and shortly afterwards I discovered that the head-office Cashier had been embezzling the funds, and it took me a considerable time to get matters straight.

Mr. GEORGE FISHER, M.H.R., in attendance, and examined.

1043. *The Chairman.*] Will you state about when you first took your seat as a member of the Board?—Under the Act the Board itself was supposed to come into existence on the 1st January, 1885; but we formally met for the first time on the 23rd January.

1044. You are an elected member?—Yes.

1045. Will you state what was your view of the condition of the management of the business of the association when you first became acquainted with it: was it satisfactory in all respects or not?—As to the working-staff it was satisfactory. There was, and is, a defect at the head.

1046. Can you particularize in what direction?—I should put it generally as a want of business capacity.

1047. You are now referring to the management?—Yes.

1048. Did you find any material points, such as the manner in which lives were being obtained, or investments made, requiring reform?—No. As to the manner of getting lives—that is, new business—that remains the same. There is no fault to be found with that. The question of investments rests not so much with the managerial head as with the Board itself; and I feel bound to say generally that I think the Board has failed to manifest a proper conception of the largeness of the functions and responsibilities intrusted to it. Especially do I think it has manifested a want of understanding of the investment-side of its business. I have frequently endeavoured to induce the Board to more particularly devote some portion of its attention to this branch of its business; and I am bound to say, at the end of the year and a half's experience, that the results connected with that side of the business of the association have not been satisfactory. I regard that as being of almost equal importance to the primary business of the association itself, because it is the judicious investment of the association's funds which produces to the policy-holders the bonus or dividend which every investor in a mutual life office looks for and is entitled to look for. One of the reasons which induce people to insure in other associations or companies is, that they get large bonuses upon the amount insured. We compare in that respect very unfavourably with the Australian Mutual Provident Society, which distributes annual bonuses amongst its policy-holders.

1049. Will you state as briefly as you can the mode of operation of the Board with regard to investments?—The mode of application is cumbrous and circumlocutory, and many applicants for loans have had to abandon their applications, after initiating them, because of the many forms to be gone through. An applicant has to fill in his application form. That has to wait for a week for consideration by the Finance Committee. Valuers are then appointed. The application itself, if recommended by the Finance Committee, has to go before the Board; and so time is, I think, unnecessarily and tediously eaten up.

1050. How would you recommend the system to be simplified?—I should have it very considerably shortened, by giving the Manager power to appoint a valuer at once. In connection with that point, I think the Board ought to have, in all parts of the colony, reliable valuers from whom it could immediately and confidently select. At the present time—and this is one of the wants of management, as I term it—we have to take up haphazard, as it were, a valuator in any particular district. It is true we have on our books a list of three or four, perhaps more, valuers in different districts from whom we may select; but the Board is in the position that, excepting in one or two rare cases, it does not sufficiently understand the character and capacity and reliability of the valuers, so that it might immediately appoint in the way I suggest.

1051. Is not the Board always in the position of possibly employing a valuer who might have special interest in the application or might influence the application; or would that be generally remedied by the information you get from your resident agents?—I have frequently suggested at meetings of the Board that, in order to perfect the investment branch of the association, we should have picked out in each principal division of the colony some man of standing and integrity who should be regarded as our loan agent, or through whom loan applications from his part of the colony should come, and who should also have placed at his disposal a reliable and competent valuator, so that there should be no loss of time in passing through the preliminary forms in connection with the granting of loans. Instead of adopting that course, we now drift about, taking from our list one valuer for to-day and another for to-morrow, to give them a turn, as it were. That I hold

to be a very defective and dangerous system or want of system. These valuers have then to be communicated with from Wellington, and sometimes a month or more elapses before it is decided whether a loan shall be granted or declined.

1052. With reference to the constitution of the Board itself, will you state to the Committee in what respect you think that capable of amendment?—As is known, I proposed formally at the statutory annual meeting of the policy-holders that there should be a Board consisting of seven persons, four to be elected by the policy-holders and three to be nominated by the Government; the Board so constructed to elect its own Chairman. I think a Board so constituted would work very well. It has been said that the great bulk of the policy-holders throughout the colony would know nothing of the personal qualifications of the four members to be elected; but the candidates themselves, the four men to be elected, whoever they were, would visit the different centres of the colony during the election, as was the case in the recent election. And indeed, Mr. Bell and myself, who were not candidates, at the request of policy-holders in the institution, went to Dunedin recently, at our own cost, to address the policy-holders there upon points connected with the management of the association. So that I do not think there is very much in the statement that the policy-holders would not know whom they were electing.

1053. Do you think the change you speak of would popularize the association?—I am confident it would do so. I believe that if it were known to those policy-holders who are opposed to this too-popular elective system as they term it, and if it were known even to members of the House who have expressed themselves as opposed to the elective principle, that there exists in the Act legislative provisions of the most restrictive character, the constitution of the Board which I have suggested would not be objected to, for here the Government is safe-guarded in every possible direction. I have said at meetings of the Board, and to the Colonial Treasurer, that, so far as the interests of the colony are concerned, it really would not matter if the Government had not a single representative at the Board, so well is every interest of the Government protected by this Act. There are provisions which enable the Governor to make regulations respecting the investment of the association's money, and he is authorized to take steps, if need be, for the effectual recovery of principal and interest in every case. Under section 65 the Colonial Treasurer has what is technically termed his "right of inspection." He may step in at any moment and bring us to a standstill. Then, there are provisions relating to the periodic audits, which must be taken monthly and yearly by the Controller and Auditor-General, or by his officers. Then, under clause 67, the Governor shall at a stated time—so that it is mandatory—cause an investigation to be made into the financial condition of the affairs of the association by an actuary or actuaries. I mention this because many people are not aware that such restrictive provisions are to be found in the existing Act of Parliament.

1054. Under the Board you propose, would not the General Manager remain practically the carrier out of the instructions of the Board?—He would be the chief executive officer, acting under directions from the Board.

1055. That would be practically the difference between the position of a manager under the Board you propose and of a manager who would act if the other resolution were carried of handing the affairs of the association back to the hands of the Government?—Yes. My belief and my desire is that under the Board which I have proposed the business of the association should be placed upon a purely business basis. I hold that it is at the present moment more or less subject to governmental or political control; and that evil—for I call it an evil—I think would be intensified if the institution went back to the Government.

1056. Do you look on the going back to the Government practically as meaning that there must be a Responsible Minister of the Crown directing its affairs?—It would amount very nearly to that. Of course, it is impossible for me to say how much of the time of the Minister would be taken up—that is to say, how much time he would care to devote to the affairs of the association. But this I know: that, if he were to devote to the duties of the position as much time as the duties would legitimately demand, he would have little time to devote to his ministerial duties. One or other must suffer under such a combination of duties.

1057. What would be your opinion of an alteration of the system which would transfer the management of the association to a high statutory officer, he being a life-insurance expert, in place of a Board, such officer to be appointed by and responsible to Parliament? Have you considered that point?—The high statutory officer, whoever he may be, should be a man trained in the science of life insurance. That point has been well elaborated by Mr. Sprague, the leading modern English authority on life insurance, in a lecture recently delivered by him before the London Institute of Actuaries.

1058. Would not such an officer necessarily require the assistance of a Board of Advice on the subject of investment of the funds?—Certainly, there should be a Board of Advice; but very much of the success of the institution depends on the qualities and character of the manager. Its prosperity must depend largely on the character of its chief officer. The Board should be composed as far as possible of men of large experience in regard to current rates of interest, the classes of security offered for investment, and so on, so that the security taken by the association may in all cases be the best obtainable. May I say that I have observed this: It appears frequently to be assumed that, because a man is what is known as a good business-man in his own line of business, that therefore he is necessarily and naturally qualified to become a member of a Board such as the Government Life Insurance Board. Now, I have found some of those gentlemen, who, otherwise may be regarded as good business-men, not at all the sort of men whom I should appoint for the carrying-out of such a function. Special qualities are required, and men should be selected for their special fitness.

1059. Will you say, then, what your opinion would be as to the fitness for such a position of a Board, consisting of, we will say, two or three of the highest officials here, who would be eligible

for such a position. I will say such men as the Controller-General, the Public Trustee, and the Secretary to the Treasury?—I should say that they are not gentlemen possessed of the class of experience to which I have just referred. They themselves would have to get their information from other persons, at whose mercy they would be, so to speak, and they, therefore, in my opinion, should not be appointed to such positions. It is not for me to comment upon the composition of the Public Trust Board, but I am aware that in many parts of the colony that Board has given very great dissatisfaction. I should be totally opposed to a Board so composed.

1060. Now, with regard to the question of canvassing, are you of opinion that canvassing is essential for the successful working of the institution?—I should say that the person who recommends that canvassing should be discontinued entirely misconceives or misunderstands the principles of life insurance. You must do the amount of new business required to make good the natural losses by death, maturity, and surrender. The new business is the vital element which counteracts the forces of decay or decline; because if a company is reduced to the position of paying death-claims, surrenders, and the amounts payable upon matured policies, while at the same time the volume of new business is diminishing, it must be apparent that that society must slowly and surely sink. I brought with me, for the purpose of elucidating that point, a number of the *Insurance Times*, of New York, containing an article upon what they term "The Injurious Effects of Contraction in Life Insurance." The object of the article is to point out the injurious effects of "contracting" or reducing the canvassing staff. Of the eight most powerful American companies the Connecticut Mutual stood at the top of the list in 1865. The *Insurance Times* took three carefully-marked periods to show the effect of this "contraction" upon the business of the Connecticut Mutual: In 1865 it stood at the top of the list; in 1872 it receded to the position of fifth on the list; in 1881 it was lowest of the eight companies. And this is all the result of what the editor of the journal calls the "mistaken policy of contraction."

1061. Then you would say that the continuance of canvassing is essential to the success of the institution?—Quite essential. Without it you might as well close your doors.

1062. Will you state to the Committee whether, in your opinion, it is necessary, in order to secure business, that the association should have imposing and costly buildings for its offices in the chief centres?—With the State guarantee, I am decidedly of opinion that it does not require imposing buildings. The canvassing-staff brings all the business which it is supposed the imposing buildings would bring.

1063. You are aware of the investments which the association has made in the four principal centres for building-sites?—Yes.

1064. Have those investments been made for business-sites mainly, or as business-sites coupled with the object of investment?—I cannot to this day tell for what object they were bought. As business investments, they are exceedingly bad investments. They cannot have been purchased, either, for the purpose of providing office-accommodation for the association, because, except in the case of the Wellington building, we do not occupy them.

1065. Are you especially acquainted with the circumstances of the purchases of any of these investments? Had you anything to do yourself personally with any of them?—I am specially acquainted with the circumstances connected with the purchase of all.

1066. For instance, with respect to the purchase at Auckland, will you state to the Committee, from your own personal knowledge, the substance of the negotiations for the purchase of that property?—At a meeting of the Board, the date of which I cannot remember, at the end of the ordinary business the chairman, Mr. Tole, produced a communication from Sir Julius Vogel which stated, in effect, that Shera's building in Auckland had been offered to him for £22,000. Mr. Tole further stated that Sir Julius Vogel had suggested that two members of the Board, Messrs. Graham and Shannon, should proceed to Auckland to inspect this site. As the whole subject was quite new to the Board, I suggested that, before deciding to purchase Shera's or any other site, we should at least pass a general resolution affirming the desirability of purchasing premises in Auckland; and the Board, as a matter of form, passed that resolution in a moment. Then we proceeded to discuss the proposal which Sir Julius Vogel, through the chairman, had made in regard to Shera's property; but, instead of the Board confining itself to one site, we decided by resolution that Messrs. Graham and Shannon, when they went to Auckland, should inspect any sites that were available. On the next day, for reasons still unknown to me, Mr. Shannon declined to go to Auckland unless Mr. Fisher went with him; and next day the Board held an extraordinary meeting and passed a resolution to the effect that I should go to Auckland with Messrs. Graham and Shannon. Immediately upon arrival there we called upon Sir Julius Vogel and spoke shortly upon the question of the Shera purchase. Sir Julius said it was better that we should look at the building for ourselves, and any others that might be available. I looked at Shera's building, and decided at once—as I think any man of ordinary business capacity would do—that not only was the price altogether too high, but that the building was totally unsuited to the purposes of the association. We received many other offers, amongst them one from Mr. T. Morrin, which, to my mind, would have been an exceedingly advantageous purchase. In our report to the Board we placed that property first upon the list, upon the ground of price and eligibility. Shera's property was placed second on the list. Embodied in our report to the Board was the opinion of the solicitors to the Board, which I had obtained upon my own authority as chairman of the Building Committee, to the effect that we were restricted by section 76 of the Act from effecting such purchases at all.

1067. Did that opinion not relate to the purchase of properties for investment, and not for offices?—The burden of the opinion was that we were entitled only to purchase such buildings as were necessary for the purpose of transacting the business of the association.

1068. What did your committee do? Did they make any further recommendation to the Board with respect to the Auckland site?—At the meeting of the Board at which we presented our report it was suggested that Shera's site should be bought, and not Morrin's. I then requested

that my name should be removed from the committee, as I did not wish to be held responsible in any degree whatever for the purchase. My name was removed accordingly, the name of the chairman, Mr. Tole, was substituted, and the purchase was effected. I also, at the same meeting, proposed that the purchase should not be effected until the policy-holders had had an opportunity of expressing their opinions upon the subject of the purchase, as the annual meeting was to be held in a period of about five weeks from that day. That motion was rejected on the casting-vote of Mr. Tole.

1069. What was the amount eventually paid for the property?—The amount eventually paid was £19,000. As I have said, firstly it was £22,000, then it became £20,500—this was Shera's second offer—and finally it became £19,000. If the association had held out, I am pretty confident the amount would have come down to £15,000. Mr. Moss, who made a valuation for the association, said, in a subsequent official communication to the Board, that he believed he could have bought the property for £17,500.

1070. Has any use been made of this building during the time it has been the property of the association?—None whatever. Mr. Shera remained there a few months after receiving the purchase-money. He then left. It has been unoccupied ever since, and I calculate that during the last year we have lost a thousand pounds in interest.

1071. In what way could those premises be made suitable for your business at Auckland? Are they capable of being made suitable without large expenditure?—The premises themselves are not capable of being made suitable to the purposes of the association. They are twenty-five years old, and the only way to utilize the site would be to pull the building down at once and build, and in that way as soon as possible get some return for the money spent upon the purchase.

1072. Can you give any opinion as to what this property would realize if it was put in the market?—Any opinion that I could give upon that point must be based upon these facts: that about a year or fifteen months previous to the date of our purchase I am informed that the land and building as they stand were sold, firstly, for £6,000; after the lapse of about three months sold again for £8,000; and my own opinion—which must be taken, of course, for what it is worth—is that the property is worth £12,000 at the very outside.

1073. Do you know what you are paying as rentals for office accommodation in Auckland?—I think it is about £75 a year. The reason why we do not go into Shera's building is, that it is in a dilapidated and wretched condition—so much so that we could not go into it.

1074. Were not two of the purchases of building-sites made prior to the establishment of the Board?—Yes—Wellington and Dunedin; and the third purchase—that of Christchurch—was virtually concluded prior to the establishment of the Board.

1075. How long was the Dunedin purchase completed before the association came into existence?—The purchase was completed in December; the Board came into existence in January; and, although the transaction itself was completed, it devolved upon the Board to issue the cheque for the purchase-money.

1076. The Board were not in any way responsible for the negotiations for that purchase?—The Board had nothing to do with it.

1077. You provided for the payment?—Yes.

1078. Has the Board been able to avail itself usefully of those buildings?—No. We are at present renting offices in High Street, above the Occidental Hotel. We are not occupying Government offices in Dunedin.

1079. What rent are you paying?—£75 a year.

1080. How far are the buildings purchased suitable, and when is it expected they will be available for the purposes of your association?—They are not at all suitable for the purposes of the association. The portion of the buildings occupied by Wise and Co. will not come into our hands for four years, that being the unexpired term of their lease. Another portion—occupied, I think, by a man named Glover—will not come into our possession for seven years, that being the unexpired term of his lease. The buildings as a whole are very dilapidated. The Otago Hotel is tumbling to pieces, and is really held up by a little stone building alongside of it; for the foundation of the hotel is sunk at least six inches on that side.

1081. Did the Board anticipate that before these premises could be utilized a further expenditure must take place in the way of renovation and alteration of buildings?—We have altered them as far as it is possible to alter them, to make them fit for occupation; but they will never be fit for the purposes of the association. The Board contemplated pulling down all the buildings, as in the case of the Auckland purchase, and putting up an entirely new building.

1082. Are you of opinion that, supposing that intention were carried out, the transaction would be a profitable one to the association—that the whole transaction would be a profitable one to the institution?—I do not say it would be profitable, but it is the only means I can see of getting back interest on our money. It is making the best of a bad bargain.

1083. The Wellington purchase was also made prior to the Board coming into existence?—Yes.

1084. Is that building suitable for the business purposes of the association?—With some necessary alterations, yes.

1085. Is not a very considerable portion of the building at present let to other offices of the Government?—Every portion available for letting is let; and I may say, in regard to the proposed new building, that every portion of that is by anticipation let. We could, if we decided to do so, let another storey, if built, in addition to the three which it is proposed to build.

1086. The proposal was to erect a building, a plan of which we have had before us, at an estimated cost of £35,000?—Yes.

1087. And that building, as you have said, provided first for the offices of the association and then very largely for suitable offices to let?—Yes.

1088. Then, would not the expenditure of that sum be an expenditure which must be regarded as an investment of the funds of the association?—Yes.

1089. Would you further say, so far as you have been able to examine into the matter, that such expenditure would be profitable—that is to say, would it yield interest justifying, from a business point of view, the expenditure?—I think it would not yield enough by $\frac{1}{2}$ per cent. The suites of apartments are to be let upon the basis of a 6-per-cent. return; but I have a fixed opinion that all our investments should yield a return of 6 per cent. net; and a rental which yields 6 per cent. gross makes no allowance for outgoings upon alterations and repairs. I think there should be an additional $\frac{1}{2}$ per cent. to cover alterations and repairs.

1090. Was not the Christchurch purchase made since the Board has been in existence?—The final act in the purchase was performed by the Board; but all arrangements relating to the purchase had already been completed before the Board came into existence.

1091. Do you know by whom?—There has become detached from the Christchurch papers this sheet (produced), which I found on the Board's table. It exactly explains the position of the matter. And I want to call the attention of the Committee to this fact: that, while the Board by Act was supposed to have come into existence on the 1st January, 1885, it really was not brought into existence until the 23rd January, when it held its first meeting—a meeting held more for the purpose of introducing the members of the Board to each other than for anything else. It held its first business meeting on the 27th January; and here is the recommendation of Mr. Luckie in regard to the Christchurch purchase. It is dated the 26th January, one day before the Board itself held its first business meeting as a Board. In this document Mr. Luckie says, "In regard to purchase of site for offices of association at Christchurch, it is respectfully recommended that the Board purchase both the properties offered, in terms of the recommendation of Hon. Sir Julius Vogel. I have carefully examined the property, and consider the purchase a desirable one for the Board, and experts in Christchurch so advise.—D. M. LUCKIE, 26th January, 1885." Then, as I have said, on the 27th—the day following, when we had been three days in existence as a Board—the Board appointed myself and Mr. Graham a committee to go to Christchurch. Upon examination of the papers I found that the whole transaction was virtually completed. It is perfectly true that it was within our power to have stopped the purchase if we had chosen to do so; but, although I did not look upon the purchase as an advantageous one, I thought it might appear that we were beginning very early to cut up rough—if one may so express it—if we had stopped the purchase. The thing being completed, I put my signature to the purchase, and, having put my signature to it, I am prepared to take the full responsibility of that act.

1092. Is the paper you have produced, in your opinion, a report which was before the Board in reference to this purchase so assented to?—Most certainly.

1093. Was not the purchase made in two divisions—one a property belonging to Mr. Maling, and another to Mr. Phillips?—Yes.

1094. In your opinion, would the site purchased from Phillips have been sufficient to allow of the erection of all necessary buildings for the purposes of the association: was it suitable, and was it sufficient?—The question is a somewhat curious one to answer. No; it was not suitable, and it was not sufficient, because to build upon 22ft., the size of Phillips's section, would give us an altogether insignificant building, and yet 22ft. would cover all the absolute office requirements of the association.

1095. The association has let Maling's property for a term of twenty-five years, has it not, reserving the right to the use of two rooms on the lower floor?—It has let the property back to Maling for five years at a rental which yields 4·3 per cent., and for a further term of twenty years at a rental which yields 5·1 per cent. I should explain that this lease was entered into in the month of November, when I was absent in Melbourne. I think, had I been present at the Board, the present lessee would not have got the property at such a rent.

1096. Then, you are not of opinion that the arrangement has been a desirable one for the association, so far as the disposal of the property under this lease?—I think it is a very bad one.

1097. In this case, then, must we accept the position that the purchase was largely, or is largely, one of investment of funds?—I think we must accept the position that they are all investments and very bad ones, and we must make the best we can of them. There was a further proposal to purchase the Grain Agency building in Christchurch, but upon investigation of the circumstances that proposed purchase was abandoned. Then came a further proposal to purchase properties to the extent of £7,500, adjoining Maling's; and it was suggested by a Committee of the Board that went to Christchurch that the fronts of the buildings—Maling's and Morton's—should be pulled down; that two storeys more should be built upon the top of the whole, and a tower erected. I was again asked, in conjunction with Mr. Graham, to go to Christchurch, not to negotiate in regard to the matter, for again the negotiations were finished, but to complete the purchase. The negotiations, as in other cases, being carried to the point of completion, we were to complete merely; and, as I had been placed in this position once before, I determined not to complete in this case without proper investigation. I found that, in addition to the £7,500 for the purchase of the buildings, it would have required an expenditure of £10,000 to remodel them—to take down the fronts, put up the two additional storeys and the tower—making together an expenditure of £17,500. I declined to complete, and, upon my representation to the Board on my return, the Board decided to abandon that purchase.

TUESDAY, 13TH JULY, 1886. (Mr. ORMOND, Chairman.)

The Chairman: I have received the following from Mr. Bell, which he desires to be read as part of his evidence:—

SIR,—

Wellington, 9th July, 1886.

I have the honour to request that I may be permitted to add to my evidence given yesterday the following statement, which I ought to have made when referred to the question of a Board of Advice upon investments: "If I could see any way in which a true representation of the policy-holders upon a Board of Advice or Control could be obtained, I should advocate the addition to such Board of Advice of elected members. But the policy-holders already number 23,000, scattered over all parts of the colony; and it is impossible for such a body to know enough of Wellington men to enable them to select the best. Obviously, all members of such Board must be resident in Wellington."

I have, &c.,

The Chairman of the Committee on the Government Insurance Association.

H. D. BELL.

Mr. GEORGE FISHER, M.H.R., in attendance, and further examined.

1098. *The Chairman.*] Have you any further evidence to give regarding the properties purchased for the association?—I should like to make this one addition with reference to the Dunedin property only: that from the 1st April, 1885, to the 1st April, 1886, the rentals received show a net return of something less than $4\frac{1}{2}$ per cent., and that since the property has been in our possession we have endeavoured to lease or sell one-half of it, which is useless to us, but have been unsuccessful.

1099. *Mr. Holmes.*] Have you tried to sell the whole of it?—No, not the whole. Finding that we could not lease the half of it, it was proposed that we should rebuild the Otago Hotel. I objected to an expenditure of the association's funds for such a purpose, and the proposal to rebuild the hotel was abandoned.

1100. *The Chairman.*] In reference to the Auckland purchase, can you inform us whether this telegram (produced) is the telegram which relates officially to that business?—I copied this telegram from the original. It is a telegram received from Messrs. Moss and Co., Auckland, in reply to a telegram sent them by Mr. Luckie, offering them ten guineas for their valuation. It reads thus: "Thanks. Shall decline. Were to get 1 per cent. from Shera when offering the property, but got nothing. Forfeited claim through valuing for association. Graham never consulted us. Not our fault. Believe could have bought at our lowest valuation, £17,500.—MOSS AND CO." I took a copy of this telegram at the time of its receipt by the office.

1101. What other point do you desire to give information to the Committee upon?—There is one special point to which I wish to call the attention of the Committee, and it is this: A good deal has been made of what is called the Government risk. Some people say the Government takes all the risk in the matter, referring, of course, to its risk under the State guarantee. Now, I want to point out that the Government risk is purely and entirely mythical. The effect of the "risk" is, that the colony annually absorbs profits to the amount of about £10,000, which properly belong to us, the policy-holders. There is not much room for complaint on the part of the colony there: the boot is on the other leg. I think the policy-holders, who invest their money as insurers in the association, are entitled to a return upon the investment of their moneys, equal to that which other life insurance companies get, namely, an average of 6 or $6\frac{1}{4}$ per cent. For instance, the average rate of interest at which the funds of the Australian Mutual Provident Society were invested during the past year was £6 3s. 4d. per cent. The average rate at which the funds of the Government Life Insurance Association were invested during the past year was under $5\frac{1}{4}$ per cent., so that there is a loss in the investment of our funds of 1 per cent. as compared with the investments of other similar associations. I may explain the loss in this way: During the last year £559,000 of our money was invested in Government securities, £359,000 of the amount at $4\frac{1}{2}$ per cent., which, compounded at that rate for the quinquennial period, would yield £88,379; whereas, at $6\frac{1}{4}$ per cent., compounded for the quinquennium, it would yield £127,379. There is a difference or loss to the policy-holders of £39,000. Then, the remaining £200,000 of the £559,000 is invested in Government securities, bearing 5 per cent. interest, yielding, at that rate for the quinquennium, a return of £55,256. At $6\frac{1}{4}$, and compounded at that rate for the quinquennium, the amount would produce £70,256. This represents a difference or loss to the policy-holders of £15,000. Therefore, upon these two sums, in the difference between the $4\frac{1}{2}$ and 5, and the $6\frac{1}{4}$, there is represented a loss to the association, on the quinquennium, of £54,000. Then, again, I desire to point out that any investment at $4\frac{1}{2}$ per cent. cannot possibly pay the association. It must necessarily involve a loss, because the actuarial valuations of the association are calculated upon a $4\frac{1}{2}$ -per-cent. basis; that is to say, when the Actuaries take into account the liabilities of the office they assume that we shall get $4\frac{1}{2}$ per cent. on our investments, so that, unless we invest at $4\frac{1}{2}$ per cent., *plus* the cost of investing—by which I mean the cost of the Board, and the use of its officers and its machinery—we lose to that extent. In reality very little gain is derived from a 5-per-cent. investment.

1102. Then, do you come to the conclusion that in making the regulation that a certain proportion of the investments should be in Government securities the Board has entered into an unproductive business?—I say that any investment which yields less than $4\frac{1}{2}$ per cent. produces a loss.

1103. And you say that that has been done by resolution of the Board?—It was done before the Board came into existence. The Board has always insisted upon getting 5 per cent. from the Government. The sum of £359,000, to which I have been referring, is secured upon $4\frac{1}{2}$ -per-cent. debentures, issued under "The Consolidated Stock Act, 1884," which have a currency of seven years. That transaction was completed by the Government before the Board came into existence.

1104. *Mr. Holmes.*] You mean it is neither a losing nor paying business at 5 per cent., and, as we are only getting 5 per cent., is there not a very great risk that the colony will be called upon some day to make good the claims of the policy-holders?—That question is very easily answered. The 5 per cent. is sufficient to meet all demands of any sort whatever, but I maintain that the funds should be so invested as to return a profit to the investors—the insured—beyond the payment of all legal demands. It should be remembered that the moneys we are dealing with are the moneys of the policy-holders; they are not the moneys of the Government.

1105. You started by stating that there was no risk—that the security of the colony was mythical. Now, from the fact you have stated, have you not conclusively proved that there is a very great risk incurred by the colony in carrying on the business of the association as it has been carried on?—I do not think I have proved anything of the kind. I have shown this: that we are getting $4\frac{1}{2}$ per cent. for one moiety of our investments with the Government, and 5 per cent. for the other moiety. That is a rate of interest which would just a little more than cover the cost of managing the association. But, beyond that, we have other investments to the amount of about £130,000, made by the Board, which yield $6\frac{1}{2}$ and 7 per cent.; and I hold that we ought to be investing nearly the whole of our funds at nothing less than 6 or $6\frac{1}{2}$ per cent. I speak of what it is possible to get upon the authority of the last report of the Australian Mutual Provident Society, which says: "There seems little reason to suppose that any difficulty will be experienced for many years to come in maintaining a minimum effective rate of 6 per cent."

1106. Does that report refer to investments in the other colonies as well as in New Zealand, or does it refer to New Zealand only?—It refers to the whole of the five millions invested by the Society, wherever invested. That is shown in a table accompanying the report.

1107. Is Mr. Luckie's statement, as given in evidence, untrue, that the investments of the Government Insurance Association in New Zealand yield $5\frac{1}{2}$ per cent?—I do not think the average yield is $5\frac{1}{2}$ per cent.

1108. Is that statement correct or not?—I should say it is incorrect.

1109. Then, is it also incorrect that the Government securities yield an average interest of £4 14s. 10d. to the association?—I should think that is about the all-round average.

1110. That is, about $4\frac{3}{4}$ per cent.?—That is what I have said: and we cannot pay bonuses out of $4\frac{3}{4}$ per cent.

1111. *Mr. Levestam.*] You say that the Government make a profit out of the association by borrowing from them at a lower percentage?—Do you not understand: the position has to be inverted? I do not say they make a direct profit; but certainly we make a loss through the investment of our money at such low rates.

1112. You say that the Government make a profit out of the association?—I say the Government cannot borrow £500,000 in this colony, outside the association, at $4\frac{1}{2}$ per cent., or at an average of $4\frac{3}{4}$.

1113. If the Government has borrowed this money from the association, they must have borrowed it from the Board?—No.

1114. From whom, then?—I have already explained that we hold £359,000 worth of $4\frac{1}{2}$ -per-cent. debentures, having a currency of seven years, which investment the department had made before the association came into existence.

1115. Then, that has only reference to past transactions—to the Government making a profit out of the association, or the association suffering a loss by the Government—that cannot be used as an argument as far as the present state of affairs is concerned?—The Board has steadily declined to deal with any security bearing less than 5 per cent. interest, because, as I have said, our valuations are based upon a $4\frac{1}{2}$ -per-cent. calculation, and any investment which is not equal to $4\frac{1}{2}$ per cent. *plus* the cost of investment means a loss.

1116. You stated that money ought not to be invested at a less rate of interest than $6\frac{1}{4}$ per cent?—That is the minimum I should fix for the present time. The market-rate varies, of course.

1117. Then, if that is the minimum that you would fix, how is it that the Board has lent very large sums at 6 per cent.?—My view is not paramount at the Board. I stated, on my first examination here, that the investment-side of the business of the association has not received the amount of attention it should have received.

1118. And still you advocate having a Board on which the policy-holders should be more strongly represented?—Yes; by one more member.

1119. I believe you have stated that the business-capacity of the Board was not very great?—I did not put it in those words.

1120. You said the defect was a want of business-capacity?—Will you allow me to explain that I directed that remark to one particular individual, whom I thought I had sufficiently indicated. He is not a member of the Board; he is the Manager, if I must speak plainly.

1121. The investments are made by the Board as a whole?—Yes.

1122. Has the Board made investments which were bad and unbusiness-like?—To that I say decidedly, Yes.

1123. Then, if the Board has made unbusiness-like investments, it may do it again?—The same Board might do it again; but I did hope to get a better Board. It does not follow, because this Board has not proved a success, that another Board, properly and more carefully constituted, should fall into the same errors and make the same mistakes. But I will say this for the present Board, that I am confident, with the experience it has undergone, it will be more circumspect in all its future acts, if it continues to exist.

1124. You want an increased elective element on the Board?—I say that the gentlemen who compose the present Board have not developed the business-powers they possess, for the reason, principally, according to my view, that they have been dominated by a stronger will.

1125. You say they have been "dominated by a stronger will": are you aware that the elected members, or the majority of them, voted on the Board when these unbusiness-like transactions were carried out?—Yes; and, for so having voted, the policy-holders themselves have effectually disposed of one of them.

1126. Very well; but you say in your evidence that you do not think there is much argument in this—that the policy-holders do not know the Directors, because yourself and Mr. Bell have travelled to Dunedin to address the policy-holders?—I do not attach much importance to the statement that the policy-holders are not likely to know whom they are electing to the Central Board, because, as is alleged, they must of necessity be all Wellington men. It should be borne in mind

that the position is regarded as one of great honour, and the candidates themselves spend considerable sums of money in travelling to the different centres for the purpose of interviewing and addressing the policy-holders; and I mentioned that Mr. Bell and myself, who were not candidates, had travelled as far as Dunedin, at our own cost, to interview in public meeting the policy-holders there. All this goes to show that the policy-holders are beginning to take great interest in the affairs of the association.

1127. Do you think that the policy-holders could form any idea as to your business-capacity from hearing you make a speech to them?—Surely you have not asked me to come here to blow my own trumpet.

1128. You say the interest of the Government is well protected because they have power to regulate the investments?—I say that the Governor in Council and the Government—of course, they are one and the same—are invested with very stringent restrictive powers under the existing Act.

1129. Will you say what those powers are—those regulations of the Governor in Council?—Do you wish me to go through them again in detail? I have already detailed them to the Committee.

1130. Are they to the effect that you are only allowed to lend a certain percentage of the value of the property?—We have a 50-per-cent. margin.

1131. Is that by order of the Governor in Council?—That is the provision in the Act.

1132. Then, are you aware that the Board has gone deliberately outside of this regulation?—I am not aware that the Board has deliberately done so; but I am aware of one or two cases in which it has injudiciously lent money, and, in one or two of those cases, I have been instrumental in getting the valuator removed from the list of valuers. I succeeded with some little difficulty in convincing the Board that one of the valuers in Invercargill was not by any means a safe man.

1133. Will you say that, on a property valued at £700, the association lent £900?—Yes.

1134. *Mr. Holmes.*] Do you think it is for the benefit of the association that the Board should have constant changes of members: would it not be better that the Board should consist of permanent members?—That is a very pertinent and a very important question. I should say that, if it were possible to get the exact stamp of man required, it certainly would not be advisable to change him; but there is the difficulty of getting the exact man. Some who were elected and some who were nominated to the present Board were not such men as I would have selected. There is a difficulty in getting that class of man who, upon perhaps a short but close and accurate study of the subject, would acquire an intelligent grasp of the business of life insurance—a man who, outside the requirements of his own ordinary business-pursuits, would be able to discriminate in the selection of securities; who would be able to discern the characters of the men to be appointed as valuers and the characters of the persons to be employed as loan agents; and who should be familiar with the current rates of interest and the state of the money-market generally. To my mind, he ought to have a deeper insight into business-matters of this nature than is usually possessed by ordinary business-men.

1135. In order to get that insight, does it not require experience?—It does.

1136. Can you get that experience without having members appointed, at all events, for some term of years?—I think you could. If the primary object is to secure the success of the association, I think the persons intrusted with the power of appointment should have some little time during which to gauge the capabilities of the men who are likely to seek positions at the Board. Take the case of the recent appointment to the Board. Here is a man who is a strong political opponent of my own—a man who misses no opportunity of injuring me politically. Still, that does not prevent me saying that he is one of the first men I would have picked for that position. I refer to Mr. Duthie. As near as it is possible to get them he possesses the exact qualities required. He is a man who can seize the point of a thing while others would be diving about it for days.

1137. Can you ever get a really effective Board, that would take a thorough interest in the working of the institution, until you have members on the Board who have a large pecuniary interest in the welfare of the institution, either as being paid a considerable annual salary, or having other pecuniary interest in connection with the association?—I would much prefer to see them have a large pecuniary interest as investors or insurers in the association. The receipt of a salary, as we all know, lays a man open to the suspicion that he goes there for the salary.

1138. I should like you to give a full answer to the question?—I should say that, if it were not for the unpleasant and undeserved suspicion which attaches to a man because he receives a salary, it would be well to pay him. Take the case of the late Professor Smith, who was chairman of the board of directors of the Australian Mutual Provident Society. Although Professor Smith was well paid for the services he rendered as chairman of the board of directors, everybody knew that he was the backbone of the society. The shareholders knew that the success of the society was his life-study; they knew that he had the interest of the shareholders and the interest of the society at heart; and nobody ever grudged that man one penny of the money he took in the form of honorarium.

1139. What was that?—I forget what the amount was.

1140. Over £2,000 a year?—Yes. I ought to say that Professor Smith was a man whose honesty, integrity, and business-capacity were beyond question.

1141. *Mr. Mackenzie.*] I understood you to say that, in your opinion, the moneys invested at 5 per cent. were neither a loss nor a gain to the association?—Five-per-cent. investments leave a small margin of profit.

1142. May I ask whether you have traced the history of this association backwards—whether you are aware of the history of the association before the constitution of the present Board?—I have not read it up very carefully.

1143. You are aware that actuarial reports have been received?—Yes.

1144. And that the last report was in 1880?—Yes.

1145. Are you aware that in the last actuarial report the actuaries suggested the distribution, in the form of bonus, of £60,000 upon the basis of $4\frac{1}{2}$ per cent. interest?—Yes; it was possible at that stage in the history of the Government Life Insurance to do that. We were then at what may be called the “infantile” stage—our liabilities, our death-claims, had hardly begun to fall in upon us. But we are now approaching the dangerous period in the existence of any life insurance company—namely, the end of the first twenty years, when the death-claims, the claims under matured policies, and the withdrawals or surrenders begin to tax the resources of a company most severely. Those claims which really formed the liabilities of the association had not fallen in to any extent, and thus it was possible at that period of the association’s existence to distribute the sum of £60,000 out of investments which were not yielding more than $4\frac{1}{2}$ or 5 per cent.

1146. Well, are you aware, then, that in the same report of 1880 the London actuaries, on the ground just stated by you, that claims would fall in in the future faster, probably, than they had in the past, still maintained $4\frac{1}{2}$ per cent. as the amount of interest that the association would safely require?—I have not read the report.

1147. Then, you are not aware of that?—No. Our minds evidently run in the same groove in regard to the increasing liability of the association in years to come; but I cannot conceive their having said that $4\frac{1}{2}$ per cent. would pay us. I can understand their having said that $4\frac{1}{2}$ per cent. would be sufficient to cover our liabilities—that is the strictly actuarial question—but I am certain $4\frac{1}{2}$ per cent. would not provide a bonus as now.

1148. Would you be astonished to find from the report of 1880 that the actuaries suggested that $4\frac{1}{2}$ per cent. interest was rather too high to calculate upon?—I am not aware of the fact. I answer the question in this way: that the actuaries themselves have calculated our liabilities upon a $4\frac{1}{2}$ -per-cent. basis—that is to say, we must get a return of $4\frac{1}{2}$ per cent. to cover our liabilities; but, then, we should get $4\frac{1}{2}$ per cent. *plus* cost of investing, cost of Board management, use of offices, &c., else we lose. I take the statement of $4\frac{1}{2}$ -per-cent. valuation of the actuaries as net. It takes $4\frac{1}{2}$ to save us from absolute loss.

1149. *Mr. Holmes*] Then, 5 per cent. interest would be ample?—It would just cover us. But, as the moneys dealt with by this association are the moneys of the policy-holders and not the moneys of the Government, why should we not get the best return from our investments? I may mention that, owing to the excellence of its investments, the Australian Mutual Provident Society at the present time distributes annual bonuses, and in very many cases those bonuses are greater than the annual amount of premium paid. Therefore it is hardly to be supposed that we can continue to compete successfully with a company which treats its policy-holders upon such favourable terms.

1150. *Mr. Mackenzie*.] Were you in favour of closing the industrial branch?—Yes; upon the actuarial representation that it did not pay.

1151. Am I justified in gathering from your remarks that you require this association to be worked as a trading-concern for the interests of the policy-holders?—Certainly. I want the best return I can get for my own investment as a policy-holder.

1152. Are you aware that this association was originally started for the purpose of encouraging thrift?—Yes; but it has within the past five years drifted entirely away from that position: It has asked people to join upon the principles which prevail in respect to other life insurance companies.

1153. But you are aware that it was started originally for the purpose of encouraging thrift?—Yes; on the lines of the English Government Life Insurance, which limited policies to £50.

1154. And that it should still be supported for that purpose—that it exists according to law for that purpose?—Excepting that, as I have said, the association has gradually and surely drifted away from the lines upon which it was originally founded.

1155. You admit that, while the object was originally the encouragement of thrift, that is the object still?—No; I do not say that. I want to encourage thrift in my own particular case by getting a return upon my investment equal to what I can get elsewhere.

1156. You have stated already that the State started this insurance for the express purpose of encouraging thrift?—Yes.

1157. Then, if the interest of the policy-holders *per se* and the interest of the public should come into conflict, you think that the policy-holders are entitled to the highest consideration?—I say Yes, most decidedly. The moneys dealt with are the moneys of the policy-holders. They are not the moneys of the public.

1158. *Mr. Holmes*.] Does not this association charge a lower rate of premium than any of the life insurance offices?—Yes.

1159. Then, do you expect this association to charge a less rate of premiums and also yield an equal bonus?—I should be willing to receive a bonus less in amount in proportion to the reduced rate of premiums paid.

1160. Do you care personally about the State guarantee?—Personally I care nothing for the State guarantee. The association is strong enough financially to stand upon its own legs without any aid whatever from the Government.

1161. So that the element of certainty weighs nothing with you?—Nothing whatever. There is a financial certainty of soundness in the association which is sufficient for me, independently of any State or Government guarantee. I should like to see it separated from the Government altogether.

1162. The tendency of your evidence is this: that in your opinion the association should be carried on upon purely mercantile principles, disassociated from the Government?—Yes; it would be better for the policy-holders.

1163. *Mr. G. F. Richardson*.] Do you think the interest of the policy-holders would be conserved if a fixed rate of 6 per cent. on a 50-per-cent. margin of value were adopted?—Their interests would be well conserved under such a regulation.

1164. And do you think that a public benefit would accrue from the association adopting a fixed rate of 6 per cent. and lending in sums down to £100?—Yes; I have endeavoured to induce the association to lend small sums, but it has decided otherwise, and has declined

to reduce the amount of loans below £350. I think the smaller loans pay best. They give more trouble; but, as we have a staff whose duty it is to attend to such matters, the trouble should not be taken into account.

1165. *Mr. Holmes.*] Is it not most injudicious to have any considerable proportion of the funds of the association invested on mortgage upon land or any sort of real or personal property?—No; I should not like to go so far as to say that. There was great danger a short time ago in investing large sums in either Otago or Canterbury, but I hope that danger will not long exist; and the safeguard of the association, in the interests of the policy-holders, is that you shall have as a Board of Directors men who can analyze the existing condition of things, whatever the existing condition of things may be. While upon the question of mortgages, perhaps the Committee would permit me to read a brief extract from the “Australasian Insurance and Banking Record”—the highest authority in this hemisphere upon insurance and banking matters—commenting upon the last annual report and balance-sheet of the association. It is as follows: “With regard to mortgages, little has really been done in placing out the funds in this way, while the wish of the Government has been abundantly complied with, Government securities being larger on the year by £201,000, the sum thus invested being about three-fifths of the total funds. The withdrawal of £225,000 from fixed deposit to invest for the most part in New Zealand Government $4\frac{1}{2}$ per cents. has distinctly depreciated the rate of interest obtained. Two interests of the first magnitude clash: that of the Government, which desires to use the funds of the association at $4\frac{1}{2}$ per cent.; and that of the policy-holders, who are justly entitled to obtain as high a rate—say $6\frac{1}{2}$ per cent.—on their funds as that obtained by other offices. . . . It seems to us that the association’s complete emancipation, if the funds can be withdrawn from investment in Government $4\frac{1}{2}$ per cents., is much to be desired. But, while any Colonial Treasurer can manipulate the funds, no change is likely to be productive of good.”

1166. Is it advisable, no matter what the security is, to lend money on real or personal property, or, in other words, should not the largest part of the funds be invested in debentures?—I should like to see the funds invested, as far as possible, in debentures, but the Colonial Treasurer will not advance beyond 5 per cent.

1167. What prevents your investing in debentures of local bodies?—We take with avidity all the debentures of local bodies we can get.

Mr. D. M. LUCKIE in attendance, and further examined.

Witness: In connection with the evidence given before the Committee by Mr. J. H. Richardson, Secretary to the association, I hand in a schedule, furnished by the Town Clerk, of properties, with the borough valuations, relating to the investment of £25,000 by the association. The annual value is £2,093; that, according to the rule of deduction in assessments in boroughs, is equal to four-fifths of the actual annual value or rental of the property. The property-tax valuation for 1885–86 is £33,282; but there are properties to the value of £1,200 which are not included in that valuation. There have also been, since then, improvements made in the property, as per architect’s certificate, amounting to £4,565, making altogether the value £39,047.

1168. *Mr. Stewart.*] Do you know in what office this property is insured?—Yes; it is insured in the Phoenix Office.

1169. *Mr. G. F. Richardson.*] Do you consider that a number of small town building allotments form an equally good security to a large freehold property?—I think sometimes they are better. The course of recent events has shown that country property is decreasing in value in very many cases, while on properties in towns and in the neighbourhood of towns an increase in value is absolutely taking place, and may be expected still to go on. With regard to the property just referred to, the annual rental specified in the mortgagor’s schedule amounts to £2,614.

1170. *Mr. Stewart.*] What is the amount of interest payable yearly?—The interest is £1,500.

1171. That shows a surplus of £1,100?—Yes.

1172. *Mr. Montgomery.*] Do you consider hotel-property safe property for investment?—No, I do not as a rule.

1173. But part of this large security was hotel-property?—It was.

1174. And valued at £500 a year?—No. It was rented at £650 at the time of the transaction, and has since been increased.

Witness handed in the following return, showing the valuation of the different properties belonging to the association:—

	1883–84.	1884–85.	1885–86.
<i>Auckland Property—</i>	£	£	£
Property-tax valuation	7,000	7,000	12,500
Borough annual value	425	350	400
<i>Wellington Property—</i>			
Property-tax valuation	28,000	28,000	21,000
Borough capital value*	28,000	28,000	...
Borough annual value ... ..	...	...	1,400†
<i>Christchurch Property—</i>			
Property-tax valuation	6,750	9,250	10,500
Borough annual value	515	515	570
<i>Dunedin Property—</i>			
Property-tax valuation	33,000	33,000	35,500
Borough annual value ... ..	...	1,618	1,808

* Rated by arrangement with the Government at $1\frac{1}{4}$ d. per pound on capital value up to 1885.
= estimated annual rental, £1,750, less 20-per-cent. deduction allowed by borough authorities.

† £1,400

1175. *Mr. G. F. Richardson.*] Was the increased property-tax valuation of the Auckland property not caused by the price paid for the site by the association?—I should suppose it was.

1176. The same will apply to the property-tax valuation of the Christchurch and Dunedin purchases?—Yes; I should say so.

1177. *The Chairman.*] Before closing your evidence, there are one or two questions I should like to ask. You have not given any evidence on the proposed alterations in the constitution of the Board?—No, I have not.

1178. Will you inform the Committee of your opinion as to which is the most advantageous to the business of the association of the three proposals upon which the policy-holders are to express an opinion?—I have considered the question very closely, and I think it would be very advisable to have a Board of some kind continued. I do not think the existing Board has yet got what may be termed a fair trial. There have been some unfortunate misunderstandings on the part of members, which, no doubt, in consequence of the publicity they obtained, have caused some dissatisfaction in the minds of certain policy-holders, and have done us temporarily some injury in the business. From that I am satisfied we are now recovering. I think if a smaller Board were appointed, with similar powers to those which exist, we could get on very well.

1179. Do you think that the Board should be an elective Board or partly elective?—There is always this difficulty about an elective Board: that it necessitates a kind of appeal to the public; and more or less of what may be termed the political element intervenes. I think, however, having once given to the constituents of the association—that is, the policy-holders—a certain corporate power, it might be damaging to withdraw it.

1180. Judging, then, by your opinion just given, you do not think it would be desirable to adopt the system of one officer directing the affairs of the association?—No; I do not think it would be. It is a very large responsibility to put upon the shoulders of one man.

1181. I am asking the question, supposing such an officer to have the direction of, and be responsible for the direction of, the ordinary business of the association, outside the investments?—Yes; I think he could do all that.

1182. If such an officer were appointed, would it, in your opinion, be to the advantage of the institution that he should be made an officer responsible to Parliament, instead of being under the Government as formerly?—Yes, I think it would. My reason for saying so is, that the fact of a Minister, who is a year or two in power, being succeeded by another, there is always an opening for accusations of favouritism on the part of a Minister, and of applying pressure to an officer who has charge in such matters as investments. That was one of the great reasons why a proposal I made to the Ministers some five or six years ago was not considered satisfactory, inasmuch as they thought it was necessary to have an independent Board, who would not be influenced by Ministers, in order to prevent the appearance of favouritism and the accusation of such. I suggested some years ago the appointment of a Board, mainly for investment purposes, constituted something like that of the Public Trust Board.

1183. With reference to the Government guarantee, do you consider that the association is now in a sufficiently sound and firm position to be able to stand on independent ground outside that guarantee?—I believe it could; but, at the same time, I think it would be a great mistake for an establishment which has the Government name, and which was started under Government auspices, to lose the Government guarantee. I think the guarantee of the Government does not cost the Government anything—that there is really no actual risk, provided anything like reasonably prudent management is exercised. The object of the starting of the department originally would be very much injured if that guarantee were withdrawn.

1184. Do you think it would affect the business of the association—that is, the procuring of new lives?—It would, unquestionably. Withdrawal of the guarantee is an object which the rival offices are as anxious as possible to bring about. They would like to see the removal of the Government guarantee and the stoppage of canvassing on the part of the association.

1185. You have already, I think, stated your opinion that canvassing is indispensable?—I have.

1186. Are you strongly and firmly of that opinion?—I am—after seven and a half years of experience in the department.

1187. Speaking now of the investments, and looking to the interest of the policy-holders, are you of opinion that that regulation which prescribes that a certain proportion of the investments shall be in Government securities—not realizing more than $4\frac{1}{2}$ and 5 per cent.—should be continued?—I think a portion should be invested in Government securities—not at $4\frac{1}{2}$ per cent.; I think we should not get less than 5 per cent.: $4\frac{1}{2}$ per cent. is not sufficient to give a fair return for our investments. I would like to say that there is a fund provided by the Act of 1884 by which 10 per cent. of the net surplus of profits available for distribution at each quinquennial investigation with respect to policies issued after December, 1884, shall be set apart as a reserve, by way of guarantee, and that reserve is to be paid into the Public Account to a separate account to be called the "Investment Guarantee Account," and to be invested as the Governor in Council shall direct. Such contributions shall cease when the amount so set apart shall reach a million. As yet there has been nothing set apart, and for the quinquennium recently closed there can be but very little, because we have only been a year and a half in existence under the new arrangement; but in the course of years a very large amount would be so set apart, and I think it would be a pity to be obliged to invest such sums at such a low rate of interest as we should be likely to receive under such method of investment.

1188. There is a telegram [produced] which Mr. Fisher has handed in, and which did not appear in the former evidence: can you state whether that is an official telegram, which came through the department?—It is.

1189. *Mr. Montgomery.*] Is a Board required or necessary for the consideration of granting

policies on lives?—I think it might be useful as a safeguard for reference on special occasions, such as I have mentioned, of differences of opinion between the principal officers who examine the proposal-papers.

1190. Do you know how fire and marine insurance offices are conducted?—No; I have never had very much acquaintance with fire and marine insurance.

1191. Do you know that the manager of a fire and marine insurance office accepts risks without consulting the directors?—Yes; I know that.

1192. Do you know how banks are conducted?—Generally the manager has certain powers.

1193. Do you know that the managers of banks whose headquarters are in London exercise very large powers and responsibilities?—Yes.

1194. Make large advances, and discount bills?—Yes.

1195. Then, do I understand that the necessity for a Board is almost entirely confined to accepting securities upon which they advance money by way of loan?—I think that is the main object of a Board, and would, with few exceptions, embrace its principal duties. I should like to add that, when a new line of action is projected, such as the construction of large buildings, the arrangements and responsibilities for such a course ought properly to be placed on the shoulders of a Board. Regarding the issue of policies and the acceptance of lives, I think I have already explained how carefully that is looked after.

1196. *Mr. G. F. Richardson.*] In lending its funds, do you think there would be any objection to the association adopting a fixed rate of interest of 6 per cent., with a 50-per-cent. margin, and lending in sums as low as £100?—Yes; I do. We are charging 7 per cent. on loans made on the surrender-value of the policies.

1197. Would you explain why this fixed rate would be objectionable?—The collection of interest on such small sums would be so expensive, and the work so very largely increased, that 6 per cent. would not pay on such small amounts. The Board has already fixed £350 as the minimum amount to be lent on mortgage; and I may say that, as a general rule, without fixing any particular scale, the interest runs from 7 per cent. for sums under £1,500, to 6½ per cent. for sums up to £5,000, and occasionally 6 per cent. for larger sums. As a matter of fact, the rates are now hardening, and the banks are now giving 6 per cent. on deposits for a year.

THURSDAY, 15TH JULY, 1886. (Mr. ORMOND, Chairman.)

Mr. G. V. SHANNON in attendance, and examined.

1198. *The Chairman.*] You are, I believe, an elected member of the association?—Yes.

1199. Are there any special points with regard to the conduct of the business of the association on which you desire to give information to the Committee?—No; but I am prepared to answer any questions put to me by the Committee.

1200. You have no desire to make any special statement?—No.

1201. When did you first join the Board?—I became a nominated member at its inauguration.

1202. In what condition did you find the conduct of the business of the department?—As we proceeded in our work, a great many improvements were, in my opinion, made by the Board in the conduct of the business.

1203. Can you particularize any points in which reforms or alterations in the management were effected?—I think a more close scrutiny of the canvassing was adopted; that medical officers and their duties were perhaps better looked after; and that investments of the funds by the association at larger rates of interest—a matter which, in my opinion, is of great moment to the policy-holders—were made with great care, and to the advantage of the association generally. To enumerate all the improvements would, of course, require a little consideration, and I have not come prepared to do so. I may, however, state that the Board was a great improvement on the Government management, as it was a notorious fact that the business had not been conducted satisfactorily under Thorne and others; and, until Mr. Richardson was appointed to the position which he now occupies, the books were in a very disorderly state. This applies also to the actuarial department. I think you will find that this fact is set forth by Mr. Frankland, the Actuary, and Mr. Richardson, the Secretary, in a letter which they addressed to the Board a short time ago, making application for an increase of salary. The Inspector, Mr. Irvine, joined in that letter.

1204. In your opinion, was the Board, as constituted, in a position, since its inauguration, to take action independently of Government control?—I can hardly understand what is meant by Government control.

1205. Were the Colonial Treasurer and Government officials, in your opinion, a controlling power on the Board?—I have never yet known Sir Julius Vogel to intimate from the chair his desire to carry any particular resolution which he did not carry, with the exception of one that has not been carried. That one was a proposition made by him after meeting the policy-holders in Auckland. He promised them that he would bring forward a proposition at the Board to the effect that the Board should meet a Committee from the policy-holders to arrange for the reconstitution of the Board. This proposition was brought forward by him, and was not carried.

1206. When you resigned your position as a nominated member of the Board, and stood for election, you did so on the ground that you desired to take a more independent position?—That is so. I may say that I was not many months on the Board when I waited on Mr. Ballance, who had requested me to take a seat on the Board, and told him that I did not feel in a free and independent position, considering that I was a nominated member, and that I would resign. He asked me not to do so, but to use my own judgment in a free and independent manner.

1207. Then, it was more from a general feeling or desire to become an elective member than from any interference with your action or position, that induced you to desire a change?—Sir Julius Vogel had intimated at the Board that he expected nominated members to vote with him on all

large questions of policy. Previous to my interview with Mr. Ballance, Mr. Tole, who was acting as Chairman of the Board while Sir Julius Vogel was in Auckland, intimated to me that Sir Julius thought we should vote with the Colonial Treasurer as if in a Ministry; but the immediate cause of my resignation was the fact that the Board had carried, by a large majority, a resolution asking the Government to take back the conduct of the association. No one was likely to oppose Mr. Graham, and I considered it my duty as a policy-holder to place myself in nomination, so that I might bring the matter fully before the policy-holders in the colony.

1208. Was it a general intimation that Sir Julius Vogel made to the nominated members that he expected them generally to vote with the Government on large questions of policy?—He stated that at the Board; but he said he had never interfered. Mr. Fisher took it down in shorthand at the time; I took a note of it myself.

1209. Then, you think, on the whole, that the business and management of the association have been improved by the Board?—I consider that it has been vastly improved; and, if the questions of buildings and Mr. Driver's appointment had not been introduced, my opinion is that it would have been one of the best Boards in the colony.

1210. Do you think the Board is able to work advantageously and with full knowledge as to investments on mortgage and that class of investments in the colony?—I do. I think the greatest care is taken by the Finance Committee, which is a Committee of the whole, and many mortgages, especially for large sums, have been refused. I think the desire of the majority of the members of the Board is to lend out money so as to spread it well over the colony in moderate amounts. Very large sums have been placed before us, but in nearly all cases they have been refused.

1211. Do you consider the advice you get from the district officers, coupled with that of the valuers, sufficient information to guide the Board in investments at a distance?—The Board in many cases gets information outside these sources respecting investments. I have been connected with institutions of a similar class, and I do not know another Board that, on the whole, is more particular.

1212. What do you think of the reliability and value of the information you get from those officers to whom I have referred—those officers who give you information on which you act in the different parts of the colony away from Wellington?—I believe, as far as I know, they are reliable men. We are careful in selecting them, and in some of those whom I know personally I have the utmost confidence.

1213. What is your opinion of the necessity or otherwise for continuing the canvassing system for lives?—I am of opinion that if the canvassing is discontinued the business will diminish very considerably. Without the canvassing in a legitimate way the whole association will become a failure, and the other larger offices will step in and take the business. This, I think, has been the experience of all offices that have tried to discontinue canvassing. I do not approve of the touting that was in vogue under Government management. The Board has been careful to select as canvassers the most reliable men that they can get, and have, since they took office, discontinued the services of a great number of the class to which I refer.

1214. Will you state to the Committee what is your opinion of the suitability of the four principal officers for the positions they occupy—that is to say, the General Manager, the Secretary, the Actuary, and the Travelling Inspector?—The three latter are unquestionably, to my mind, as efficient officers as the association could secure. In two of the cases other associations have tried to induce them to leave by offering them larger salaries; and, privately, some of the members of the Board have advised those gentlemen not to do so, but to remain in the service of the Government. My impression is that either of those three gentlemen could do better, as regards salary, if they desired to sever their connection with the association. I think it would be a great pity if they did so.

1215. Have any recent changes been made in the salaries of those officers?—Yes.

1216. Which of them?—In the three just mentioned. In March last the General Manager's salary was increased. Sir Julius Vogel was in the chair. It was then decided that on the 30th June the salaries of the other three gentlemen should be increased.

1217. Was it a material increase?—About £100 each, I think.

1218. You have referred to the question of the sites of buildings as having been one of the disturbing causes on the Board: what is your opinion as to the necessity of the sites that have been purchased for offices in which to conduct the business of the association?—I think the association wanted better offices. They were, undoubtedly, in a very disreputable state, both in Christchurch, Dunedin, Auckland, and Napier. They were anything but creditable to the association; there was not sufficient convenience to carry on the work. As to the advisability of going into such expensive purchases, that is a matter which is, in my opinion, doubtful.

1219. Two of those purchases—the Wellington and Dunedin properties—were made prior to the association being inaugurated?—Yes.

1220. In the case of the Christchurch purchase, it was commenced before the existence of the Board, and concluded with the assent of the Board?—Yes; a few days after it was called into existence the transaction was closed.

1221. Then, the only purchase that the Board dealt with itself was the Auckland purchase?—Yes.

1222. Had you anything special to do with that purchase as a member of the Board?—Yes.

1223. Did you go to Auckland as one of the Board to inspect the property?—Yes. Sir Julius Vogel was in Auckland at the time, and he telegraphed to Mr. Tole, saying that a site was offered belonging to Mr. Shera, and asked that Mr. Graham and myself should be sent up there with powers to purchase.

1224. What did you do?—I refused at the Board to take powers to purchase; but I recommended that we should go to Auckland, come back here, and report before any purchase was completed.

1225. Did you report in favour of completing the Shera purchase?—I voted against the pur-

chase of any property in Auckland. The Shera property was offered at £22,000—£550 per foot. I considered this an enormous price to ask for any property in Queen Street.

1226. Did you not reduce that price before the purchase was completed?—After the vote was carried in favour of purchasing, I allowed my name to go on the purchasing Committee, believing that I should be able to considerably reduce the price. That price was reduced, I believe, to £19,000—£475 per foot—which I still consider too much.

1227. Do you know whether the valuations were such as to guide the Board to giving that price?—We went there on our own judgment to look round.

1228. You did not take any valuation from the usual valuer of the association?—We had no valuer for that purpose. We relied upon our own information; but Mr. Moss, I believe, gave Sir Julius Vogel a valuation.

1229. Do you know how much it was?—I do not remember.

1230. Had the Board Mr. Moss's valuation before it when it decided upon the purchase?—I think so.

1231. The building has never been used, although it has been purchased over twelve months ago?—It has not.

1232. And offices are still rented elsewhere in Auckland for the business of the association?—Yes.

1233. Is that because the premises purchased are unsuitable, or what?—The notion was to pull down the old buildings and rebuild, but the matter has been hung up from time to time.

1234. The old buildings, you say, were not suitable for conducting the business of the association?—Not on the scale that apparently it was intended the association should carry on its business.

1235. But could they have been utilized for carrying on the business in?—Yes; they could.

1236. Have you, as a member of the Board, been opposed to the proposed expensive buildings that were intended to be erected in the different large centres of the colony, or have you been in favour of them?—I have not been opposed to more suitable office-accommodation than we now have. My opinion is that you not only require canvassers, but decent offices in which to conduct your business.

1237. In the proposals for building, has it not been contemplated, in all the plans that have been prepared, to build in such a way as that part of the premises would be available to let for other purposes?—Yes.

1238. Was that done for purposes of investment for the association, or was the object to have attractive buildings, and in that way promote business?—I think the idea was to have attractive buildings, and at the same time secure a revenue of at least 6 per cent. from the investments.

1239. Have you any knowledge of what the return from those investments for purchases of sites has been or is likely to be?—I do not remember the exact figures, but they are all computed and placed on record.

1240. *Mr. Levestam.*] You say among the many improvements made in the conduct of business was a closer scrutiny of canvassing?—Of the appointment of the canvassers.

1241. Did you ever receive any reports from the Inspector?—Yes.

1242. By the Board?—Yes.

1243. Then you would be surprised to hear that it has been given in evidence that no such reports were sent by the Inspector?—I would, because you will find them on the table in the Board-room. From what date do you speak?

1244. It is since the establishing of the Board I am speaking. You say the investments of funds were better—that greater care was taken in the investment of funds by the Board under the new management?—Yes, from a policy-holder's point of view. Moneys were invested at from 6 to 7 per cent., whereas previously they were given to the Government at from 4½ to 5 per cent.

1245. Do you think the investments were better from a policy-holder's point of view if they were in excess of what they ought to be, considering the value of the property upon which you lent the money; in other words, do you think it is good for the policy-holders to lend a greater amount upon a property than it is worth?—We are guided by the Act, which prohibits us from lending more than 50 per cent. on the ascertained value made by the Board's independent valuers, and my own opinion is that moneys lent upon half the value of the property are safe investments. At one time it was suggested at the Board by Sir Julius Vogel that we should obtain power to lend up to two-thirds of the value. I believe the majority of the members of the Board agreed with him, but after experience he, as well as the Board, found that we could get as many really good investments as we wished to make at 50 per cent. of the value. Therefore, I think that it is undoubtedly to the advantage of the policy-holders that the Board should lend out their money on such security, and not to the Government at 4½ and 5 per cent.

1246. I suppose you mean to add to that, not exceeding 50 per cent. of the value of the security?—That is what I have already said.

1247. Are you aware that the Board has lent money in excess of the total value of property as ascertained by the county valuation, and in excess of what a private company would lend on that property?—The county valuation, the assessment of borough valuers, the Doomsday-book, and the opinion of Mr. McKerrow, Surveyor-General, are almost in all cases referred to before loans are granted, and I am not aware of any case where the money lent has exceeded the valuation of the property-tax or that of other valuers. At the same time, I do not place a great deal of reliance on the Doomsday-book, or the property-tax, or other valuations that are made in this way. I rely more on our own valuers, and we take care, as far as possible, to find that they are independent men.

1248. Would it weigh with you if you were informed that a private office had refused a lesser amount than you were asked to grant on a certain property?—That would entirely depend upon the office, and the conditions under which the loan was refused by another office.

1249. Are you aware that some valuers of the Board have been dismissed for over-valuing,

and that the association had been cautioned as to their excessive valuing before they lent money on those properties and before they dismissed those valuers?—I do not believe that such facts were ever brought before the Board as a Board. I never heard of such a case.

1250. You claim, as one of the improvements instituted by the Board, a more satisfactory keeping of the books under the present Accountant, and a more satisfactory canvassing than previously existed under Mr. Thorne?—Yes; that is my opinion.

1251. Is it not a fact that both the present Accountant and the present Inspector of Canvassers were appointed long before the existence of the Board?—They were appointed before the existence of the Board, but still I am of opinion that the supervision of the Board and their direction has been a great improvement on the then existing state of things under the Government.

1252. You said that the greatest care was exercised by the Board in getting reliable canvassers?—Yes; and getting rid of undesirable ones.

1253. Had you ever an undesirable canvasser who was appointed by the Board without any reference to the Inspector, and who was afterwards, through the Inspector, got rid of?—I do not remember such a case.

1254. The real reason of your resigning your position at the Board was because you wished to address the policy-holders upon the desirability of not handing back the business to the Government control?—That was one of many reasons.

1255. *Mr. Montgomery.*] Were all the periodical reports of the Inspector laid before the Board and considered?—My impression is that at the earlier period of the Board's existence the General Manager did not lay them all before the Board.

1256. Was the Board influenced by the local knowledge of some members in granting loans?—Not that I am aware of. The valuers and their reports, as far as I am aware, influenced the Board.

1257. And the opinion of independent members with regard to the value of a property had no influence with the Board?—Not as far as I am aware.

1258. Was any recommendation from any member or members of the Board made to purchase the Auckland property at the price asked?—When Mr. Graham, Mr. Fisher, and myself went to Auckland, we called on Sir Julius Vogel. He said that he had only seen the property from the outside when passing, but he thought we might safely give £22,000 for it. That is the only recommendation that I am aware of.

1259. Was there any estimate made of the cost of the new building in Auckland?—Not that I remember.

1260. How did the Board arrive at the conclusion that it would secure a 6-per-cent. interest for the money invested in the proposed new buildings?—Personally, I am not aware that the Board went into the calculations.

1261. When was Mr. Driver's name mentioned, and by whom, as Manager for the Dunedin branch?—On the 31st December, 1885, and by Sir Julius Vogel, before a Committee that was appointed to inquire into and reorganize the Dunedin business. On the 11th November, Sir Julius Vogel proposed that a Committee, composed of himself and Mr. N. Reid, should proceed to Dunedin, and report. Sir Julius Vogel met with an accident in Christchurch. Mr. Reid returned; and on the 2nd December he reported on the Dunedin branch, and stated that Sir Julius Vogel was not able to proceed with him on account of the accident. This extract is a portion of Mr. Reid's report on the Dunedin agency, of 28th November, 1885:—

I agree with the Manager and the Inspector that the person selected for this important post should be one who has had good experience in insurance business, and who will be able to refute the falsehoods directed against this office.

On the adoption of Mr. Reid's report the following gentlemen were appointed a Committee to consider the condition of the Dunedin office: Mr. Gavin, Mr. Graham, Mr. N. Reid, and Mr. Shannon. Nothing was done in the matter until the 30th December, when, at the regular meeting of the Board, Sir Julius Vogel brought the subject forward and said it was necessary that something should be done, and that he would call a special meeting both of the Committee and the Board. A special meeting of the Committee was called on the 31st, half an hour before the special meeting of the Board, and it was then that Mr. Driver's name was first mentioned by Sir Julius Vogel. Mr. Reid had stated unofficially at the Finance Committee meeting that the only likely individual for the office was a Mr. Wills, but he was already in the service of an insurance company, and it might be difficult to secure his services. There were present at the meeting of the Committee: Messrs. Graham, N. Reid, Sir Julius Vogel, and myself. Sir Julius Vogel spoke highly of Mr. Driver's ability; that he would be able to get large policies; that the position was equal to that of a bank manager; and suggested that the salary should be £800 a year, and stated that Mr. Luckie had informed him that an overriding commission of 2s. 6d. would amount to £200 or more. The Board met afterwards. The £800 a year was carried and the 2s. 6d. overriding commission. Sir Julius Vogel went next week to Auckland, but on the eve of his departure he ascertained that the overriding commission would only amount to about £64. Sir Julius Vogel communicated with Mr. Reid, and he, at the meeting held on the 6th January, brought forward a proposition that the £200 overriding commission should be guaranteed for the first year. This I voted against and strongly opposed, as I considered any overriding commission should be earned without guarantee.

1262. Mr. Driver was appointed?—Yes; and the £200 a year was guaranteed, making his remuneration £1,000.

1263. Do you consider the present Board the best that could be devised?—No; I think it could be improved in its constitution.

1264. How?—As a policy-holder I should be satisfied, if I could not get better representation, with three nominated and three elected members.

1265. *Mr. G. F. Richardson.*] Do you think that one of the main objects of this association should not be to encourage small-life premiums?—Yes; more particularly as it has been argued

that this association established by the Government is based on beneficent lines and for the good of the people generally.

1266. Would it detrimentally effect the interests of this association to establish a fixed rate of interest—say, of 6 per cent.—on advances on land, with a 50-per-cent. margin, down to sums of £100?—I have always at the meetings of the Board advocated lending in small sums, and spreading our risks over the colony generally, thereby benefiting those who contribute most to our funds, as our average, if I remember rightly, of amounts insured is about £250. In my opinion, this institution might do great good in the direction indicated by the question, and I think with benefit to the association and the colony.

1267. *Mr. Levestam.*] You stated that any intimations given by Sir Julius Vogel from the chair were carried excepting one?—What I meant to convey was this: that I do not remember Sir Julius Vogel ever speaking in favour of a resolution but it was carried, excepting one.

1268. Then, do you give this piece of evidence to show that members of the Board can, and do, vote without restraint; or is it to show that his proposals are so good that they generally meet with the approval of the Board?—I give the evidence as a matter of fact, not as a matter of opinion. You have heard my evidence and can no doubt read between the lines.

Mr. J. B. BRADSHAIGH-BRADSHAW, M.H.R., in attendance, and examined.

1269. *The Chairman.*] The only questions we have to ask you are in relation to the Dunedin properties. We understand you once had the property purchased for the association placed in your hands for sale?—Yes; I have tried to effect the sale of that property on more than one occasion. I had a client who was inclined to purchase it.

1270. When was that?—It is three or four years since.

1271. What was then the price demanded for the property?—I myself recommended my client to give £40,000 for it.

1272. But the purchase did not eventuate?—The purchase did not eventuate, but I believe it went home to London for consideration.

1273. What was the price then asked for the property?—I never could get the owners to fix a price under £50,000.

1274. With whom did you deal? Who represented the owners of the property?—Mr. McLandress and, I believe, Mr. Kilgour. There were more than one interested in it.

1275. Was any one person a particular agent for it?—No; I believe Mr. McLandress was the agent, although Mr. Kilgour spoke to me. From memory I cannot say whether I had in writing the absolute sale of it; but I know they were willing that I should negotiate the sale if possible. I never reveal the names of my clients, and up to the present time I believe they do not know who my client was who desired to purchase.

1276. Did you hear in later times of this property being in the market, and of different prices being asked for it?—No, I did not. I was surprised when I heard it had been sold at the prices stated.

1277. Was it in the market for some time at £37,000?—No; I was not aware of its being in the market for £37,000.

1278. Would the difference of valuation account for any such large depreciation in value as between your estimate of what it would have fetched three years ago, and the value at which it was sold?—The valuations of property in that locality would depend very much upon the rents received.

1279. Have you known of any inquiry for the property except that of your client?—I was told at the time I recommended my client to buy it that a bank wished to purchase it. I am only giving you hearsay; I do not know this of my personal knowledge.

1280. You have no knowledge of any offer having been made by an insurance company for the property just before the association purchased it?—No.

1281. Would it, in your opinion, have been a profitable purchase at £40,000?—Yes; I consider it was worth more, considering the rents which were then obtained in that particular locality.

1282. Would the rents obtainable in the market now justify an expenditure beyond the amount which has been paid for the site?—I believe so. I should like to know what rents they are receiving now. I know what rents were being received, but I do not know the present rents. I do not know any value except that of the intrinsic value of any property and rarity of position.

1283. You say your valuation would be based on the rental obtainable from the property?—Yes.

1284. What interest would you allow in that particular locality?—5 per cent. I may explain that properties have been sold by public auction—not corner sections like the association's property—and have realized £6,000 on a rental of £300 a year.

1285. Can you particularize the property you refer to?—I can. Part of it is leased by a chemist, another part of it is leased by a broker, agents, and a lawyer. I know of another property directly opposite, not so well situated, on the same side of the street as the Government purchase, and which I had for sale subsequently to the purchase made by the Government. The rents were £1,000 a year, and the price was £20,000. I recommended a banking institution to buy it, but I had previously sold a property to the same bank in another locality, and they did not purchase it. Before the time had elapsed—the two months that I had it in my hands for sale—the owner withdrew it, and it was not disposed of. He had leased the property again, and therefore it was withdrawn from sale.

1286. *Mr. Montgomery.*] In what year did you recommend the £40,000 for the property purchased by the Government?—I cannot say the exact year without reference to my papers, but I think it was three or four years ago.

1287. Why do you consider 5 per cent. from rents for buildings a fair percentage for capital invested?—In that locality it is, and especially in that block.

1288. Why?—Because it is capable of improvement.

1289. What do you mean by "improvement?" is it rise in value or putting up new buildings?—By putting better buildings on it. The present buildings are not adapted for getting better rents. I should be satisfied, without putting up any building, to start any business like an insurance business in the existing building. If you want to purchase a freehold property, say between Brown and Ewing's and the Oriental Hotel, you will not be able to procure it any cheaper than at 5 per cent.

1290. *The Chairman.*] Would there be any inducement to make such investment in New Zealand when there are so much better investments of capital elsewhere?—That would depend very much upon circumstances. If you say positively that you can make better investments anywhere else, I should say No, certainly; but I do not know where you can get a better investment than 5 per cent. for capital at the present time in town properties in that particular locality.

Hon. Sir JULIUS VOGEL made the following statement:—

I understand that the Committee, through its Chairman, invites me to make any comments upon the evidence (as far as I have seen it—page 58) that seem to me desirable; also on the business that is at present carried on by the association, and its future prospects. With regard to the evidence, I will refer to two or three points that, as yet, seem to require notice. I have, however, to observe that the evidence of the two witnesses who were opposed to me at the Board has not yet been seen by me. The Government are distinctly responsible for the purchase of the Wellington and Dunedin properties; the Board are responsible for the Christchurch and Auckland properties. With regard to the latter, my personal share in the purchase was very small, as, owing to ill-health and other causes, I was absent from the Board; but I accept the full responsibility of what the Board has done. I consider that all the purchases were made for office use. Mr. Bell has explained how it is necessary, in making such purchases, to provide beyond the immediate requirements of the institution, and to let such portions of the buildings as are not required. I am still of opinion that good buildings are one of the best modes of advertising the institution, and of inducing persons to bring business unsolicited by canvassers. I think if the Board is to continue to carry on the business, and to compete with other institutions, it will, like them, have to have fine buildings. I am utterly unable to recognize the logic of those who contend that we must canvass as much as other institutions, and that it is not necessary that we should have equally good buildings. However, I may refer to those points later on. Meanwhile I will say that, if the institution returns to the Government, I am of opinion that we should be able to do without display, but that we should have buildings with quite sufficient room, and with a means of access that would be likely to be satisfactory to those using them. In such large centres as Dunedin, Christchurch, and Auckland there should be a doctor's room, a room for the Manager, and one or more waiting-rooms, besides the room required for clerical purposes. The enormous saving made by taking business over the counter is such that a very few policies during the year would cover the cost of the whole management. This may be judged when I state that on a £4,000 policy the canvassers receive £60. If the business revert to the Government, I am of opinion that the building in Auckland should, at a moderate expense, be put into a condition for future use, and any part not required by the association might be let for such time as was thought desirable. I cannot express an opinion as to the building at Christchurch until I am more thoroughly aware of what space could be spared by the post-office; but, seeing the great annoyance to which persons who are supposed to be anxious to insure their lives are subject from canvassers, I am of opinion that in the large cities persons would be more likely to go to the office and do the business themselves if there were thoroughly convenient means of entry and egress apart from the portion of the building used for postal purposes. The Dunedin property is yielding a good rate of interest, and I am certain that the time will come when we may provide for our own wants in Dunedin and find the rest of the property a very remunerative investment. I certainly should not recommend its sale at present. Mr. Bell has so explained the want of economy of leaving a large part of the Wellington land unused that it is not necessary for me to say more; but I would remark that, by having offices suitably built according to the modern views on the subject, a great deal more work could be got out of the officials. The custom in large cities now is to have a building so fitted up that the whole interior economy is open to the view of the superior officers. I have seen this system adopted in London, Paris, and New York with regard to banking institutions. I cannot speak positively on the subject as regards insurance institutions, but I believe, as a matter of fact, the same system more or less prevails. With such a staff as we must necessarily have at the head office, anything which conduces to efficiency of work or economy of management must amply remunerate the initial expenditure. I agree also with Mr. Bell that the question of building in Wellington should be made to depend upon our obtaining in advance—which I understand we are able to do—good tenants at remunerative rents. I may say something more on the buildings when I come to consider the question of canvassing. A great deal has been said about the appointment of Mr. Driver. I wish to place upon record the facts that are within my own knowledge. I was asked by the Board to examine into the Dunedin business in conjunction with Mr. Nicholas Reid. After I met with the accident in Christchurch I found I was unable to go to Dunedin. I asked Mr. Reid whether he would go down there by himself, and he was kind enough to agree to do so. On his way back from Dunedin he conferred with me at Christchurch, and he told me quite sufficient to make it evident that a very strong man was necessary in Dunedin. Mr. Reid was in Christchurch investigating carefully the working of the Christchurch office; and it became evident to us that the great value of the Manager's services at Christchurch depended upon the strength and judgment with which he could deal with persons who, turned against the office by the canvassers of other offices, were disposed to surrender their policies. We carefully considered the services the Christchurch Manager was rendering in the way of keeping the business together, and we entirely agreed that it was necessary to get some one who could speak to the people in Dunedin with the authority

both of a man of business and as one more or less well known to the persons whom he would have to meet. Mr. Reid had been unable to find any one whom he could recommend, and we came to the conclusion that, if Mr. Driver could be induced to take the business, it was important he should do so. After several weeks, Mr. Driver intimated that he was willing to take the appointment at £800 a year, and a commission added which would yield £200 the first year. This was brought before a special committee in Wellington, and agreed to be recommended to the Board. The recommendation was made to the Board, and adopted. It almost immediately afterwards transpired that the overriding commission was not calculated, as agreed, to yield £200 the first year. The Board thought it was better to guarantee the amount of £200 for the first year than to raise the amount of commission. As the matter now stands, Mr. Driver would be entitled the first year to £800 and a guaranteed commission of £200 for the year; but, after the expiration of the first year, he would only be entitled to a salary of £800 and so much as the commission may yield him; and if that commission yielded him no more than it would have yielded him in 1885, it would not exceed £60 or £70. So that he has to depend upon his being able to increase the net results of the business threefold to get £200 next year. I notice that the evidence of various officers—especially that of Mr. D'Arcy Irvine—is strongly adverse to what he calls the introduction of persons who are not experts. I have a high opinion both of Mr. Irvine's ability and honesty of purpose; but, knowing what I do of life insurance, his pretensions about experts seem to me almost ridiculous. Of course, it is natural with every occupation to set up a trade-unionism; but, while special knowledge is certainly required by some officers in a life insurance department, it is very little required in others. For example, not one of the present members of the Board, before they joined it, I believe, gave any study to the subject of life insurance. But they certainly soon enough mastered its details to enable them to introduce valuable reforms in the management of the institution. Mr. Bell has really not done himself justice in what he tells you about the reforms which he was mainly instrumental in introducing in the way of securing a careful selection of lives. I have always considered that his action in this matter has been so valuable that, no matter what else has taken place, it stamps the value of the services of the Board since it has been in existence. It is equally of value to the policy-holders, whether or not business has increased or decreased. I trust I may be allowed to say something on the subject of life insurance generally. Contracts for life insurance are considered to extend over a period of some thirty years. There is no guarantee whatever of the solvency of an institution furnished by the amount of its reserve fund or by the splendour of its surroundings. I need scarcely say that frightful sufferings have been occasioned by offices which, apparently in the very zenith of their prosperity, have been compelled to succumb to actuarial calculations which proved them to be unsound. When I was first the means of introducing the Government Life Insurance in New Zealand the ground was virtually uncovered by any other institution. Since then there are a great number of insurance offices, but they are all of the kind known as mutual offices; and mutual offices are offices which do not give the security which is afforded by offices in which there is the share-capital to back up the assets of the association. The amount of the reserve fund of a mutual office does not afford the smallest guarantee of its soundness, unless that amount is considered in comparison with its liabilities. The mutual offices make it the practice to divide profits periodically, those periods being from one to five years. And, although, no doubt, in making the division of profits, they are very liberal in the way of retaining sufficient margin for their outstanding liabilities, yet in theory, when the division takes place their assets balance their liabilities, and they are left without any capital. It is clear, then, that if they have a disastrous period, during which there has been an actual loss, they have not the means of calling up capital; and then they can be as rudely subjected to a panic as can a bank whose solvency is called in question. Most of the mutual offices undertake to pay a certain value on policies after they have been two years in existence; so that policies two years old are, like bank-notes, capable of being placed before the officers and gold demanded for them. It is very evident that, in the event of a panic, persons with good lives would take the withdrawal-value, making up their minds to insure in other offices, and the office be thus left with the lives that were not reinsurable. Another drawback to which mutual offices are subjected is the inequality of their risks. The chief office in the colonies averages about £300 on all its policies, and yet it takes some risks as high as £10,000. Under these circumstances it would be seen what may be the possible effect of an epidemic in any of the chief cities in which these institutions do business. It is clear to my mind, therefore, that whatever reasons existed for the Government of New Zealand undertaking life insurance at the time when it commenced to do so exist more powerfully at the present time. The New Zealand Government office, combining as it does the absolute security of the State with the division of profits to policy-holders, offers inducements which no other office in the world can offer. Under these circumstances the question arises, why should it be necessary for the Government to have resort to canvassing as those offices do? I have already mentioned that the business brought to an office over the counter means the saving of a large cost for canvassing expenses; but I may further say that there is a class of business enormously pursued in other countries which is, I believe, altogether absent in New Zealand—the class of insurance for covering large business operations, marriage settlements, and other transactions of the kind, in which the element of the life of the person concerned forms an important part. The difficulty with regard to pushing such a business is that our limit is only £4,000, and that there are no proprietary offices in the country in which it would be safe for the Government to reinsure. Clearly the Government could not reinsure with mutual offices. Therefore I may say that it is for the interest of the Government institution that some large proprietary offices should be induced to come here. You have heard the evidence of the officers of the institution to the effect that the business would dwindle to nothing in the absence of canvassing, and you will consider how much weight should be attached

to the opinions expressed, and how much may be attributed to the natural desire to set up professional exclusiveness. Mr. Bell, who inquired into the subject at Home, has come back with the belief that canvassing is to a large extent necessary. I am bound to say that other inquiries which I have made show me that some large proprietary offices have departed more or less from the old conservative policy of waiting for business to be brought to them. It is impossible for me, therefore, in the face of the strong opinions arrayed against me, to undertake the responsibility of urging that the business could go on without canvassing. I held that opinion very strongly when the Board was first formed, and thought that the policy-holders themselves, for a moderate commission, would be the best canvassers. I have received no support in this view from the officers of the institution. I am bound to say that I believe they are unconscious of any yielding to trade-unionism or professional jealousy, and that their opinions really are that canvassing is necessary to the full extent. I will frankly add that my belief is somewhat shaken, and that I would not take the responsibility, without express direction of Parliament, of carrying on the business without canvassing. I may be altogether wrong in my idea as to the extent to which business could be pushed by mere advertising, and by agents whose duty it would be only to intimate that they are available for explanation if desired. Still, I cannot help thinking that, if the institution reverts to the Government, canvassing may to some extent be reduced, and a more dignified attitude taken up. But I should hesitate to reduce the canvassing without the express sanction of Parliament, as I am sensible that it might possibly lead to a diminution of business. And there is especial truth in what Mr. Bell says as to its affecting the small policy-holders, who, above all others, I hold are entitled to the utmost consideration at the hands of the institution. The officers have not, in my opinion, at all exaggerated, in the evidence which they have given, the difficulties to which the association is subjected by the efforts of other offices. There is one example on record which is sufficient, without anything else, to give the Committee an idea of what the Government office has to contend with. At a great celebration in New Zealand of one of the offices its representative deliberately stated that the policies in the Government Insurance were not protected by a Government guarantee, and threw doubts upon the probability of Parliament voting such guarantee. I need scarcely say, as a matter of fact, that the guarantee is to the fullest extent made legally absolute, that it is placed on the footing of a permanent appropriation, and that no vote is required to enable the Colonial Treasurer from time to time to make up any deficiency there may be in the funds. The decision which the policy-holders came to, that local Boards were not necessary, deprived the course adopted, of handing over the department to a Board, of much of its value. Indeed, it almost seems to me that when the policy-holders thought the existence of local Boards unnecessary, they indicated such a desire for a central management as left it comparatively unimportant whether that management was in the hands of the Government or in the hands of the Board. I do not believe the policy-holders can obtain any large power in working the details of the institution without local Boards. And, as regards what I might perhaps call the policy of the institution, I consider that that is a matter which primarily belongs to the determination of the Legislature and of the administrative Government. The salient points for which Government or parliamentary control is necessary are all those relating to the investment of money, to the scale of charges for life insurance, to the expenses, whether in the shape of commissions or salaries, and to all questions relating to the division of profits. I do not think the taxpayers can leave these questions in any sense to the unfettered control of the policy-holders. Nor, as far as the policy-holders are concerned, do I think they should desire it. What the Government requires is safety, and that is also what is most beneficial to the policy-holders. Great stress, I observe, is placed upon lending money on mortgage. I am bound to say that the experience of the Board does not lead me to recommend that this process should be continued. All over the country traps are set to get money from the Government institution. As I showed lately at the public meeting, we have lent £135,000 to thirty-five people; and, although we have obtained for it an interest of over 6 per cent. for a period of from three to seven years, my feeling is that we should be much better off if we had a local-body or Government loan at 5 per cent. extending over a long period. I have observed, from questions put to some of the witnesses, that the Committee entertain some suspicion about one particular loan, of a large amount. This loan has not come under my notice, and was made, I believe, during my absence. I am quite convinced that the Board exercised careful discretion, and, if it made a mistake, is equally liable to make others of the same kind. I do not think that when large amounts are at issue it is possible almost to avoid mistakes being sometimes made. Experience shows us that where persons become impecunious, and have too large a claim on particular money institutions, the desire is strong to get them to take part of their liabilities elsewhere. With the enormous sums the association has at its command, the temptation is, of course, strong to try what can be done with it. Although it is unquestionably the case that large loans are more profitable, yet I should be inclined to most strongly advise, if loans are to be made on mortgage, that they only be for small amounts, not exceeding from £750 to £1,000, and that they only be made on the condition of the persons borrowing insuring their lives for the full amount during the period of the loan. This would aid the institution, and, although the profit on each transaction might be less, the risks would be much more largely distributed. There is no question that the Public Trustee, with the assistance of his Board, could safely make loans of this character; but I should not be inclined to trust to the Public Trustee the making of loans for large amounts. Not that I have any doubt as to his judgment or the judgment of the Board, but I think it would be placing him in the unfair position of being shot at by marksmen all over the country. If it is considered desirable that money should continue to be lent in large sums, I do not think it can be better done than by such a Board as at present exists. But even then the responsibility is a large one. I do not think there is a single loan institution in the colony that lends outside of the provincial district in which it has a regularly constituted office or agency and staff.

The evil of the present management is that the Board frets at Government control; but,

nevertheless, on the points which I have indicated, it is supremely ridiculous to suppose that the Government, on behalf of the taxpayers, can abandon control of funds which represent liabilities of many millions of money. The particular questions to which public attention has been directed, such as the erection of buildings and the appointment at Dunedin, are, of course, questions which come within what I have generally referred to as the details which the policy-holders may fairly take charge of. As to difference of opinion existing upon questions of this kind, in the case of an ordinary Board the directors in the minority might mention their objections at the annual meeting, and there leave the matter. It will be observed, however, that the mixed character of the Board affords excuse for persistent and publicly urged objections of a character injurious to the business. I have noticed some of the evidence given with regard to the course which should be adopted if the Government resume control. The idea of placing the management in the hands of an officer holding office during good behaviour seems to me essentially a mistake. There is no form of control or government more autocratic, imperious, and personal than that carried on by officers placed in such a position. In some cases it is necessary—as, for example, in no other way could the Auditor and Controller-General exercise his high functions; but to place any one individual in such a position as regards the immense institution under discussion would be to give him a power which, as far as I am aware, no man in any country possesses. To all intents and purposes he would be irresponsible. His removal would depend upon the votes of two Houses, and it would be impossible to make it through incompetence or any other cause than defective character. On the other hand, it is perfectly true that the Colonial Treasurer cannot do justice to the duty of managing the institution. It is clear to my mind the remedy is either a special Minister to attend to the Insurance Department, or—which I think would work equally well—the charge of the institution being placed under an Under-Secretary, through whom all communications between the Minister and the Manager would come. This plan could, I think, be adopted with economy; but it would be useless for me to enter into details about it until it is decided whether or not the Government would resume control. If this be decided it would be the duty of the Government, before the end of the session, to place the House in possession of its views as to the future management of the institution, and to take the opinion of the House upon the subject—as, indeed, must necessarily be the case, because the vote would have to be passed. When the Government brought down the measure of transfer to the association originally there was a clause contained in it giving a power to extend the business beyond the colony. That clause was struck out with the sanction of the Government; but it was stated that the time would probably arrive when the Board would find it desirable to extend the business. It is right I should observe the object of extending the business would be to place the risks upon a larger basis of average, so that a calamity in this colony might less affect the well-being of the institution. If it is considered that at some future time it would be desirable to extend the operations of the institution, then I do not think it should be returned to the charge of the Government, as obviously it would be better that such extension should be made by the Board. This is one point the Committee should take into consideration in coming to a decision upon the question. If the institution was returned to the Government I should have no hesitation in recommending that the 10-per-cent. guarantee-fund be abandoned. The policy-holders must not run away with the idea that because large interest is not secured by mortgage investments therefore they are likely to fare worse than other institutions in divisions of profits. The first division, which was made some years ago, was based upon the assumption that the securities would continue to yield $4\frac{1}{2}$ per cent.; whilst other institutions base their division on the assumption of only a 4-per-cent. accumulation. If the institution were in Government hands I should see no objection, with the actuaries' consent, to continuing, at any rate for a long time, a division upon the $4\frac{1}{2}$ -per-cent. basis; and, as the tables are calculated upon a less amount, it would follow the policy-holders would do very well so long as the expenses are kept down. There are two other matters which I would like to bring before the Committee, and as to which I earnestly ask them to be good enough to make a recommendation. The first is, that since the Board has been established the official members have constantly attended the evening sittings of the Finance Committee; and I think I may say that all the members of the Board wished to see them paid, and resolutions to that effect were passed. It transpired, however, that under the terms of the Act the funds of the institution could not be expended in that manner. An application was made to the Government. The Government declined to advance money, as was asked by the Board, for the purpose, but undertook, if a Bill was introduced to authorize payment, to support it. The sum proposed to be paid to the official directors on the Finance Committee amounted to £50 a year each; and I strongly think, whatever course may be taken as to the institution, that authority should be taken to allow this payment to be made for past services. It does not, I may mention, apply to me, as I have never attended the Finance Committee, and am unable to do so. I come to the next point: It is impossible that the examination which the actuaries are making of the results up to the end of last year can come before us in time to procure the assent of the Assembly to the division of profits, as required by law. The Board are of opinion that the House might by legislation authorize the Governor in Council to make the division of profits upon the basis of the actuaries' report, without putting the policy-holders to the delay of waiting until after next session of Parliament. I strongly recommend this to the approval of the Committee. I trust the opportunity will be afforded to me of seeing Messrs. Fisher and Shannon's evidence, and of replying to it if I think it necessary.

Since the above was written I have seen Mr. Fisher's evidence. It occurs to me to remark on it that I observe Mr. Fisher does not consider, any more than I do, that lending money on mortgage is a safe operation as at present carried on. The way he proposes to remedy it, in answer to question 1051, would involve an expenditure which would deprive these short loans of any advantage whatever over loans on purchase of local body or Government debentures, whilst I doubt if his plan would be safer than the present one. Either we should have to give the valuers and agents large salaries to confine them to attending to our business only, or we should run the risk of their being more or less connected occasionally with business sent to us. I do not say they would

conceal such connection, but they would not be free of prejudice. By large staffs of valuers from which to choose, we, to some extent, reduce risks.

Answer to question 1072: Mr. Fisher, I believe, omits, in the prices he gives, to state that the property was subject to a long lease at a low rental, whilst we bought free of any such incumbrance.

As to answers to questions 1070, 1090, 1091, 1095: The delay in building at Auckland, I am told, is principally attributable to the differences of opinion created by Mr. Fisher himself. It is not the case that the Board was bound to make the Christchurch purchase: it was entirely free to refuse it. Mr. Fisher is incorrect in his statement as to the return derived from the lease to Maling. He includes, I believe, in his calculation the cost of the adjoining property, which has not been let. Seeing that we can build on this, and over Maling's property, the lease we have made will give us a good return, besides the certainty of rise in the capital-value of the property.

As to answer to question 1089: The "fixed opinion that all our investments should yield a return of 6 per cent. net" is inconsistent with safety. The danger would be serious of placing the institution in the hands of those who would act on the principle of investing only for such an average return. Any financial authority will bear me out in saying that to give effect to such a principle would lead to wild investments.

I have seen Mr. Shannon's evidence since writing the above, and I wish to observe that I feel sure he is mistaken in stating that I said at Auckland we might safely give £22,000 for the property. I distinctly remember saying something to the effect that I could not give an opinion as to the price asked. I think Mr. Graham, who was present, will bear me out in this.

SATURDAY, 17TH JULY, 1886.

The following note was sent to the members of the Government Insurance Board:—

SIR,—

Parliament Buildings.

By direction of the Chairman of the Government Insurance Association Committee, I enclose, for your information, portion of evidence given by Mr. G. V. Shannon before the Committee on Thursday last.

I am also directed to ask you to make any remarks you may think proper thereon, and forward them to me on or before Monday next.

I have, &c.,

W. MITCHELL.

[ENCLOSURE.]

1204. In your opinion was the Board, as constituted, in a position, since its inauguration, to take action independently of Government control?—I can hardly understand what is meant by Government control.

1205. Were the Colonial Treasurer and Government officials, in your opinion, a controlling power on the Board?—I have never yet known Sir Julius Vogel to intimate from the chair his desire to carry any particular resolution which he did not carry, with the exception of one that has not been carried. That one was a proposition made by him after meeting the policy-holders in Auckland. He promised them that he would bring forward a proposition at the Board to the effect that the Board should meet a Committee from the policy-holders to arrange for the reconstitution of the Board. This proposition was brought forward by him and was not carried.

1206. When you resigned your position as a nominated member of the Board, and stood for election, you did so on the ground that you desired to take a more independent position?—That is so. I may say that I was not many months on the Board when I waited on Mr. Ballance, who had requested me to take a seat on the Board, and told him that I did not feel in a free and independent position, considering that I was a nominated member, and that I would resign. He asked me not to do so, but to use my own judgment in a free and independent manner.

1207. Then, it was more from a general feeling or desire to become an elective member, than from any interference with your action or position, that induced you to desire a change?—Sir Julius Vogel had intimated at the Board that he expected nominated members to vote with him on all large questions of policy. Previous to my interview with Mr. Ballance, Mr. Tole, who was acting as Chairman of the Board while Sir Julius Vogel was in Auckland, intimated to me that Sir Julius thought we should vote with the Colonial Treasurer as if in a Ministry; but the immediate cause of my resignation was the fact that the Board had carried, by a large majority, a resolution asking the Government to take back the conduct of the association. No one was likely to oppose Mr. Graham, and I considered it my duty as a policy-holder to place myself in nomination, so that I might bring the matter fully before the policy-holders in the colony.

1208. Was it a general intimation that Sir Julius Vogel made to the nominated members that he expected them generally to vote with the Government on large questions of policy?—He stated that at the Board; but he said he had never interfered. Mr. Fisher took it down in shorthand at the time; I took a note of it myself.

1267. *Mr. Levestam.*] You stated that any intimation given by Sir Julius Vogel from the chair were carried excepting one?—What I meant to convey was this: that I do not remember Sir Julius Vogel ever speaking in favour of a resolution but it was carried, excepting one.

1268. Then, do you give this piece of evidence to show that members of the Board can, and do, vote without restraint; or is it to show that his proposals are so good that they generally meet with the approval of the Board?—I give the evidence as a matter of fact, not as a matter of opinion. You have heard my evidence and can no doubt read between the lines.

The following written replies have been received :—

The Treasury, Wellington, 17th July, 1886.

Re Shannon's Evidence sent to me.

THE following are replies or comments :—

1. I have no knowledge of what is alleged to have taken place with Mr. Ballance.
2. Neither have I of what is alleged to have taken place with Mr. Tole. I think Mr. Shannon must have misunderstood Mr. Tole, as the remark as to how Ministers vote could not have enlightened Mr. Shannon, and Ministers at Cabinet meetings (to which I suppose such a remark, if made, would apply) do not always vote unanimously.
3. I deny that Mr. Shannon has correctly rendered my opinions as to the duty of nominated members.
4. My view on the subject was and is that I made no conditions with nominated members, and wished to make none; that there might be occasions on which, on behalf of the Government which nominated them, I might appeal to them to support me on questions vitally affecting the Government and the association; that such occasions had not arisen, and I thought it was unlikely they would arise, though conceivably they might do so.
5. I owe it to Mr. Shannon to add that of all the directors he appeared to me, up to the period of the proposed change to which he refers, to be the one most ready to support me.

The Chairman, Select Committee Insurance Association.

JULIUS VOGEL.

SIR,—

Wellington, 17th July, 1886.

I have to acknowledge your note, covering extracts from Mr. Shannon's evidence before the Government Insurance Committee, and asking for any remarks I have to make thereon.

I have no knowledge of the proceedings of the Board at the time referred to, my appointment being more recent. No suggestion has ever been made to me; but that I was free to act as seemed to me best. On the contrary, Mr. Ballance, the only member of the Ministry with whom I have been intimate, well knows that I was not a political friend, and when the offer of the seat vacated by Mr. Shannon was made to me by Sir Julius Vogel—supposing that possibly, since he had been some years out of the colony, he was unaware of my political sympathies—I wrote mentioning this, to which he replied that the Government was aware I was not with them. I never supposed nominated members were expected “to vote with the Chairman on all large questions of policy,” and the circumstances of my appointment confirm my belief that nothing is expected but that I will act in all matters to the best of my judgment.

I am, &c.,

W. Mitchell, Esq., House of Representatives.

JNO. DUTHIE.

OBSERVATIONS on the portion of Mr. Shannon's evidence, a copy of which has been sent to me :—

I have read Mr. Shannon's evidence relating to alleged control exercised by the Colonial Treasurer at the Insurance Board. I do not in the least agree with the inference he invites the Committee—by his answer to question 1268—to draw. Sir Julius Vogel has frequently stated that he never on any occasion endeavoured to influence the vote of any member of the Board otherwise than by argument at the Board; and I have no reason to doubt the accuracy of his statement. The occasion referred to by Mr. Shannon, when Sir Julius stated that there might be large questions of policy on which the Government might expect the nominated and official members to vote with it, I well remember. It happens that I took exception to the theory, while Mr. Shannon offered no objection to it—at the time, at all events. In answer to my objection, Sir Julius explained that in his view the object of having a majority of nominated and official members was to give the Government a control in large questions of policy, where the interest of the Government—that is, of the taxpayers, who guarantee—might seem opposed to the interests of the insured, or rather opposed to the views of the representatives of the insured on the Board.

I was dissatisfied then, and said so; but further reflection has convinced me that the position adopted by Sir Julius was correct, and that the object of Parliament in creating a Board in which Government officials and nominees formed a large majority must have been to give the Government a practical veto on anything it thought unwise.

But I consider that the suggestion that views advocated by Sir Julius were carried into effect by Government pressure upon nominee and official members is answered by the honourable reputation of the public officers and the nominated members with whom it has been my pleasure to serve as a colleague.

H. D. BELL.

SIR,—

Government Buildings, 19th July, 1886.

In reply to your note of Saturday, forwarding certain portions of the evidence given by Mr. G. V. Shannon before the Committee on Thursday last, I beg to say that my recollection differs from that of Mr. Shannon in several particulars.

I have, &c.,

W. Mitchell, Esq., Government Insurance Inquiry Committee.

W. S. REID.

SIR,—

Wellington, 19th July, 1886.

I have the honour to acknowledge receipt of your letter of Saturday last (July 17), in which you inform me that you are “directed by the Chairman of the Government Insurance Inquiry Committee to make any remarks I may think proper on the enclosed portions of the evidence given by Mr. G. V. Shannon before the Committee on Thursday last”—the portions of the evidence referred to me being questions 1204, 1205, 1206, 1207, 1208, 1267, 1268, and their accompanying answers.

I would have preferred not to be asked this question, because the notes made upon my agenda 11—I. 6.

papers were at the time made, it is true, on account of the remarkable nature of the statements to which they relate, but they were not made for the purpose of subsequent or future reproduction. I wish it to be understood, therefore, that I answer only because I do not wish to appear discourteous to the Committee.

Upon my agenda papers, which are filed in chronological order, I find these two notes:—

- (1.) On the question of the reinvestment of the sum of £200,000—a deposit which had come to maturity—the Chairman proposed that the amount should be reinvested in Treasury or deficiency bills bearing $4\frac{1}{2}$ per cent. interest. Mr. Bell proposed that the rate should be 5 per cent., and a discussion followed, during which the Chairman, according to the note which I find on my agenda paper, said, “I put it to the nominated members whether, as a matter of good taste, they should vote against the Government on the question of the interest to be paid upon such a large sum.”
- (2.) In regard to the Auckland purchase, which I strongly opposed, at the end of the discussion, the Acting-Chairman, Mr. Tole—according to the note which I find on my agenda paper—said, “If there are any more of these objections, the Government will have to consider the question of abolishing the Board and reverting to the old system of management.”

Many indications of this peculiar view were thrown out in various forms and at various times, but these are the only notes, made at the time, which I find on my papers.

W. Mitchell, Esq., Secretary,

Government Life Insurance Inquiry Committee.

I have, &c.,

GEORGE FISHER.

SIR,—

Wellington, 19th July, 1886.

In reply to the letters addressed to us, enclosing extracts from the evidence given by Mr. Shannon, we have to say that, as to the statement that the nominated members of the Board were under the control of the Colonial Treasurer or of the official members of the Board, no condition whatever was imposed or even suggested, and from the first we have acted without any interference, direct or indirect, on the part of the Colonial Treasurer.

One part of Mr. Shannon's evidence is quite correct. Sir Julius Vogel, as Mr. Shannon states, did, in the course of some general observations at the Board, say that on large questions of policy, vitally affecting the association, and bearing on the responsibility of the Government and its guarantee, he should expect the support of the nominated members. He also said on a later occasion that he had never interfered with the free action of either the nominated or official members. We desire to state that, in fact, there has been no interference of the kind on any question that came before the Board. In no instance have our actions or convictions been controlled by the Colonial Treasurer or by the official members.

It is considered only proper for us to say that on various occasions the Chairman has made suggestions regarding the business of the Board, which we found of valuable practical usefulness.

The Chairman of the

Government Life Insurance Association Committee.

We have, &c.,

N. REID.

J. H. BETHUNE.

SIR,—

The Treasury, Wellington, 19th July, 1886.

I have the honour to acknowledge the receipt of your note, dated Saturday, enclosing a printed copy of a portion of Mr. G. V. Shannon's evidence, which was supplemented by a further portion received yesterday.

In reply to the request of the Chairman that I should make any remarks I may think fit on the evidence submitted to me, I can only say that I have no recollection of Sir Julius Vogel having, as stated by Mr. Shannon, intimated at the Board that he expected nominated members to vote with him on all large questions of policy. I may not, however, have been present on the occasion referred to. I wish to add that the Colonial Treasurer has never, within my knowledge, on any occasion, interfered with the voting freedom of either the nominated or official members of the Board.

W. Mitchell, Esq., Secretary,

Government Insurance Association Committee.

I have, &c.,

J. C. GAVIN.

Memorandum for the Chairman of the Government Insurance Association Committee.

I UNDERSTAND from a note received from Mr. W. Mitchell that it is desired that I should make such remarks upon certain printed evidence forwarded to me (and which is herewith returned) as I may think proper.

As regards question 1204, I must reply that I believe the Board, as constituted, was in a position to take action independently of Government control.

With respect to 1205, the Government officials were perfectly free to vote as they chose, and it cannot be said that they constituted a “controlling power” on the Board. I have never known the Colonial Treasurer to use any influence with any of the Government officials upon any question connected with the business of the association.

The questions unnumbered—(1206, 1207, 1208)—do not appear to call for any comment from me, except, perhaps, the last. So far as I can recollect, Sir Julius stated on the occasion referred to that he could conceive that important questions might arise between the Government and the association where he might be justified in asking for the support of the Government officials and the nominated members.

R. C. HAMERTON.