

LYTTELTON HEARTS OF OAK LODGE, U.A.O.D. (valued by Mr. A. G. WIGGINS).

Valuation Balance-sheet as at 31st December, 1885.

<i>Liabilities.</i>			<i>Assets.</i>		
£ s. d.			£ s. d.		
To Present value of benefits assured by			By Present value of future contributions to		
the lodge—			benefit funds—		
Sickness	3,072	6 11	Sick fund	1,877	3 11
Funeral (assured by central body) ..			Funeral Fund (payable to central		
			body)		
			Value of accumulated benefit funds ..	432	14 9
			Deficiency	762	8 3
	<u>£3,072</u>	<u>6 11</u>		<u>£3,072</u>	<u>6 11</u>

I regret to have to lay before you a statement showing so serious a deficiency, but submit that it is better to be made aware of the true position of affairs, though unfavourable, than to go on under a mistaken notion that all was well, until perhaps the application of a remedy should have become impossible.

As to the cause which has led to the deficiency disclosed by the valuation, it is not far to seek. It is to be found in the fact that the contributions are insufficient to provide the benefits promised. This is true even at the youngest ages, but, as your contributions are uniform up to age thirty-five, of course the discrepancy increases considerably with age. It is true that an attempt is made to rectify this inequality by charging an initiation-fee varying according to age; but this is altogether insufficient. Take the case of a member admitted at age thirty, leaving out of consideration for the present the funeral benefit, the cash value of the sick benefit which you promise him is £27 6s. 6d. The value of the contribution available for this benefit (£1 2s. per annum) which he contracts to pay is £18 17s. 6d. Thus the lodge makes a losing bargain to the extent of £8 9s. Against this is to be set the proportion of the initiation-fee payable to the Sick Fund (20s.), and the contributions payable before the member becomes entitled to benefit. Thus, by the initiation of such a member the lodge creates an immediate deficiency of about £7. Now, if, instead of the initiation-fee, 1d. a week were added to the member's contributions, this would raise their present value by £3 14s. 4d., or, in other words, would be equivalent to an entrance-fee of that amount.

The fact is that the days of societies charging uniform rates of contribution at different ages are numbered. The system is so grossly unfair that the only wonder is that it has survived so long. The two great English orders—the Manchester Unity and the Foresters—have utterly abolished it, and will not allow it in any of their subordinate societies, even in the case of old members. Their affiliated societies here are rapidly introducing graduated scales of contributions. The more the subject is ventilated and discussed, the more averse will eligible members be to joining societies with uniform rates, and at no distant date your order, if it should be ill-advised enough to adhere to this system, will find itself in this position: All the young men will find it to their interest to join societies charging graduated rates, for they will discover that, in doing so, they will pay very little more themselves, while members joining at higher ages pay a fairly advanced rate, so that there is a reasonable probability of their contributions being reserved to meet their own claims in the future, instead of being prematurely used up in providing for the claims of the older members. The older candidates, and those who adhere to the selfish and short-sighted policy which I have heard expressed in the words, "There'll be enough left to bury me," will flock into your lodges, where they are offered the same benefits at lower rates. It does not require that one should be a prophet or the son of a prophet to foresee the end of such a state of affairs. Already things are working in a marked degree in the direction which I have indicated. The average age of members of your order, considering the short time most of the lodges have been established, is decidedly higher than that of other societies. Your own lodge forms no exception to the rule.

There is only one remedy for the present unfortunate position—only one method by which ultimate disaster can be averted. I understand that a movement is on foot in the order to establish a fairly graduated scale of contributions. On the action taken by members in regard to this question depends the ultimate fate of the order—whether it shall take an honoured position as one of those beneficent organizations which successfully combat some of the most serious ills to which humanity is heir, whether it shall prove itself a "certain friend in an uncertain contingency," or ultimately attain a dishonourable decrepitude and unlamented end, having served hardly any useful purpose but to act as a beacon and warning, showing the rocks and shoals which similar institutions must avoid if they wish to escape certain destruction. I have every confidence that men imbued with the true spirit of the order will take measures to avert such a catastrophe; but the longer the necessary reforms are delayed the more difficult does it become to initiate them. I would therefore counsel prompt action in this matter, and have no doubt that, if right measures be taken, you have a glorious future before you.

This valuation does not take into account the value of funeral benefits, or of contributions to the Funeral Fund, that fund being under the control of a central body. I have no means of judging of the solvency or otherwise of this fund, and of course if it is in an unsatisfactory position you must be prepared to assume your share of any deficiency which it might exhibit. I may state, however, that, in my opinion, the contributions to this fund, though ungraduated, and therefore unfair, are probably, taking all sources of profit into consideration, not altogether insufficient to provide the benefits promised. It is what remains to the Sick Fund which is so utterly inadequate.

NEW ZEALAND CENTRAL DISTRICT, I.O.R. (valued by Mr. A. G. WIGGINS).

There is another reason, besides utter ignorance of the subject, on account of which valuations are often treated with distrust, and, I might say, contempt. Objection is taken to valuations somewhat in this form: "You actuaries, by some jugglery of figures, make a society out to be insolvent; but the society goes on all the same fulfilling its mission, meeting all its claims, and adding to its funds. So we can afford to despise your prophecies, as we find them falsified by the event." Now, two fallacies underlie this argument. In the first place, no actuary would assert that, because a society exhibits a deficiency, it is necessarily insolvent. What he would say is that if a society, valued by a sufficiently rigid standard, exhibits a surplus, if this surplus has arisen from the financial basis of the society being a sound one, and its numbers are not too small—if these conditions are fulfilled, it is as certain as anything human can be that the society will be able to meet all its engagements. In this case the members really possess an assurance of receiving their benefits. Again, a society may be in so thoroughly a bad position that it is quite hopeless to expect that it can ever recover itself. But it is evident that between these two extremes there must be an indefinite number of gradations. Thus a society may exhibit a deficiency which may show it to be in this position: There is no certainty that it will be able to fulfil its obligations, but there is a considerable probability of its doing so. The members of such a society, instead of an absolute assurance, hold, as it were, tickets in a lottery, which are as likely to turn out prizes as blanks.

The second fallacy to which I have alluded is the idea that if a society has been pronounced to be insolvent it must immediately come to grief, or else the valuer is proved to have been in the wrong. This is by no means the case. A society which is hopelessly insolvent may go on for years before the crash comes. The broad distinction between the insolvency of commercial life and that of a friendly society is that, whilst the former generally implies incapacity to meet claims which have already accrued, the latter deals with future claims which, unless some modification in the contracts is in the meanwhile effected, will not be met when they ultimately arise.