

The rates of interest earned according to the above table show that the importance of investing funds profitably is receiving attention, as the average of 4·67 per cent. compares favourably with the previous year, 1904, when the rate was 4·52. I am of opinion that the rate earned would be still more satisfactory if central investment funds were generally established for the convenience of branches whose position and circumstances prevent them from obtaining suitable investments for small sums.

The practice of borrowing benefit funds for management expenses shows a tendency to increase, and must be checked, as the use of funds for this purpose is depriving the benefit funds of the earning-power necessary to maintain the profit-rate which will insure the solvency of the societies' finances, as based on contributions.

The following amounts were borrowed by the various societies from benefit funds for management purposes:—

								1904.	1905.
								£	£
M.U.I.O.O.F.	..	..	..	..	..	..	..	509	516
I.O.O.F.	..	..	..	..	..	..	..	325	393
A.O.F.	..	..	..	..	..	..	..	146	285
U.A.O.D.	..	..	..	..	..	..	..	151	97
I.O.R.	..	..	..	..	..	..	..	57	55
S.D.T.	..	..	..	..	..	..	..	4	..
H.A.C.B.S.	..	..	..	..	..	..	..	42	23
Total								£1,234	£1,369

The funds of societies can only be invested in those forms of securities specified by the Act and the rules, and it is the duty of the Registrar to closely scrutinise any investment outside those forms. Attention has before been drawn to the illegality of investing the funds on personal security, and in a recent instance of an investment by loan to a trustee on the security of his endowment policy, the Registrar declined to accept the balance-sheet containing the entry of such an item, with the result that the amount advanced had to be called in and invested in a legal manner. The borrowing of funds by trustees, no matter on what security, cannot be too strongly condemned, and societies should in every way discourage the practice.

VALUATIONS.

The valuations completed during the year 1906 are set out in Appendix V.

Mr. A. T. Traversi, Associate of the Institute of Actuaries, Great Britain and Ireland, of the Government Insurance Department, was appointed Actuary and Valuer attached to the Friendly Societies Department on the 1st November.

On taking up his duties, the Actuary made a preliminary examination into the bases which have hitherto been used for valuation purposes. Some years ago it was the practice to assume that the rates of mortality and sickness in New Zealand friendly societies would coincide with English friendly societies' rates; but as time went on it was found that this assumption did not accord with facts, and, indeed, was quite unsafe, thus causing in recent years the employment of New Zealand statistics—viz., sickness-rates deduced from the New Zealand friendly societies' experience, and mortality-rates deduced from the census returns embracing the population of New Zealand. The examination now made has shown that, whilst these sickness-rates agree well on the whole with the facts, the mortality of New Zealand friendly society members is somewhat lower than that of the general population, a result that might have been expected, seeing that—to mention only one reason—friendly society members are in a sense selected lives who have to pass a medical test before admittance. It is well known that in an ordinary friendly society, a light rate of mortality increases the liabilities by swelling the number who survive to participate in the sickness benefits, and the Actuary, Mr. Traversi, has deemed it desirable that he should be in a position to use the lighter mortality of the friendly societies in the valuations. The necessary tables have therefore been constructed, although in carrying out the work the Actuary has been unable for want of time to personally verify some of the detailed data. For the present, owing to paucity of data, the rates above age seventy have been taken from the Healthy English Table, which, of course, shows a very light mortality.

The new mortality table has been amalgamated with the New Zealand friendly societies' sickness rates, so that the Actuary is now able to value the societies by their own data exclusively as far as age seventy. The new tables have so far been subjected to several tests, which have all proved highly satisfactory.

It has been considered that a comparison with the mortality of the population of New Zealand on the one hand and New Zealand assured lives on the other hand would prove very interesting, and Mr. J. H. Richardson, the Government Insurance Commissioner, has very kindly agreed to the use for this purpose of the figures relating to an unpublished investigation into the mortality of lives insured in the Government Insurance Department. The accompanying diagram (No. 1) illustrates the comparison. As would be expected, the friendly society lives show a lower rate of mortality than the population of New Zealand, but a higher rate than that of New Zealand assured lives. The crossing of the curves at ages thirty-six to forty-six is to some extent due to peculiarities of graduation.

In order to illustrate the effect which a lighter mortality rate has in increasing the present value of ordinary sickness and funeral benefit liabilities in making a valuation, a diagram (No. 2)