## WAR RISKS.

The effect of the war on the societies and on benefit funds in particular is occasioning some anxiety on the part of the managing bodies, the magnitude of the military operations having far exceeded what was anticipated three years ago.

In November, 1914, the Government, in response to a request by the societies, agreed to subsidize the reinsurance of death benefits of soldier members on active service to the extent of paying one-half of the premiums. The subsidy was granted to societies whether they reinsured this benefit with outside insurance companies or carried the risk on their own Funeral Funds. On this account the following sums were paid through the Department to the various friendly societies as the State's share of the liability under this system:—

							£s	. d.
Friendly Society Department's vote, 1915–16							1,577 6	8
	,,			1916-17		4	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	8 (
Defence I	Department	's War	Expenses	Account			7,422	) 5
	Total						£11.867	5 9

With the exception of some small outstanding liabilities the above account covers the State's liability up to the 30th September, 1916, in respect of this reinsurance.

As the number of members on active service rapidly increased and the liability assumed correspondingly augmented proportions—with the danger that the rate of expenditure might tend to drift beyond the Department's control—the Government decided to establish a Departmental Reinsurance Fund. This fund began operations as from the 1st October, 1916, being administered by a Board consisting of the Hon. the Minister of Finance, the Hon. the Minister in Charge of Friendly Societies, and the Registrar. The premium rate to be charged is fixed by the Board on consideration of reports from the Actuary as required from time to time. The societies pay into the fund one-half of the premium rate which had been so fixed, the State finding the remaining moiety. In the case of any profit at the close of the war the surplus is to be distributed pro rata amongst the participating societies and the Government; while, on the other hand, should the premium rate prove insufficient and a deficiency be shown, a levy pro rata will be struck for the proportion due from all parties to the scheme. This reinsurance method has been adopted by practically the whole of the societies of the Dominion. Up to the 31st March, 1917, there were 5,488 members insured in the fund, representing cover equal to £200,424. This number increases as the reinsurances with outside companies expire, and, of course, as new men go into camp. The fund protects societies against the effect of a mortality liability their funds were never intended to carry, and is based on as equitable a footing as can be expected to meet the exigencies of the crisis.

Apart from the reinsurance of the death benefits, one of the most difficult problems facing the friendly societies at the present time is the payment of contributions to the various Sick and Funeral Funds on behalf of their members who have gone to the front, the liability for which in some lodges is falling on a comparatively small number of the remaining members. It is satisfactory to state that in nearly all the societies the members have loyally and patriotically undertaken to keep their soldier members "financially good" while away on active service; and when it is remembered that the war has now lasted nearly three years, it can readily be understood that the pressure is seriously felt. In those societies which were fortunate enough to possess surplus or incidental funds which could be applied to this purpose, the strain at first was not felt; but in most cases these funds have now been depleted and special measures have to be taken to finance the position. In very few cases, fortunately, has any society so far found it necessary to "waive" the contributions of these members to the Sick and Funeral Funds. Such a course would be quite at variance with the sound policy which in the past has characterized the management of friendly societies' funds; and, in view of possibly increased sickness liabilities in the future as a result of the war, it is fortunate that this is so, as it is most important that the Sick Funds of the societies should be maintained with unimaired resources.

At the 31st March last there were about seven thousand members of societies on active service; the cost of one year's contributions of these members to their Sick and Funeral Funds is estimated at £10,500, and this sum represents what the members of societies in one form or another have to make good to the Benefit Funds at the present time on behalf of soldier members irrespective of fees for medical attendance and medicines. In order to lighten the burden some societies have adopted a method of spreading the liability over a long period with small levies, a system that ensures the Sick Funds eventually receiving credit for the whole of these contributions of the soldier members. If a sinking fund is established for this purpose on sound lines no exception can be taken to such a course, which will enable societies to conserve their funds and at the same time continue their patriotic efforts on behalf of the members at the front.

## AUDIT OF FRIENDLY SOCIETIES' ACCOUNTS.

It happens almost every year that cases come before the Department illustrating the evil results of the present lax method of audit as legalized in friendly societies. The auditors for the most part are members whose occupations utterly unfit them for this duty, and there is nowadays really less supervision over the finances than formerly when a keener personal interest in lodge work was shown by members. It is necessary therefore to propose some method that will ensure audit security to the benefit funds more in keeping with business requirements. The present audit system has not been strengthened since 1877, although the accounted funds have increased from £94,000 to almost £2,000,000.