

dates of the fourth valuation ranged—a very great change took place in market values. At the end of 1931, Stock Exchange securities stood at very low prices, but before the end of 1932 substantial rises had occurred which have since been maintained. In these circumstances the propriety of taking market values at a particular date of valuation would have been very questionable, since great inequalities would have occurred as between groups of societies valued at different dates. Moreover, in the case of some societies, which were due to be valued after the rise in security values, the figure placed upon their investments would have been so high as to give a yield below the valuation requirement of 4 per cent. per annum on all the funds of the society (including reserve values which carry no more than 3 per cent. interest). To obviate these difficulties it was provided that Stock Exchange investments held by or on behalf of societies should be valued at such an amount that the interest income would be equivalent to a yield of $4\frac{1}{2}$ per cent., appropriate provision being made in the case of redeemable securities. The margin of $\frac{1}{2}$ per cent. over the valuation rate was taken as a provision for the probable, though indeterminate, loss of interest income in respect of new investments and re-investments of redeemable securities.

THE VALUATION RESULTS.

18. The result of the valuation of each approved society (or a combined total for each society with separately valued branches) is given in the Appendix. In total, surpluses were disclosed in the case of 6,435 societies and branches, comprising 15,473,186 members, the aggregate amount of surplus being £37,484,686 corresponding to an average of £2.42 per member. In 228 cases, with a membership of 812,208, the assets and liabilities were equal, after the application of grants, amounting to £250,670, from the Central Fund under Section 3 of the Act of 1926, the resources of the Reserve Suspense Fund being at present insufficient to meet its liabilities under this head. Deficiencies were found on the valuations of 292 societies and branches, with a membership of 667,752, the total amount of the deficiencies being £740,983 or, on average, £1.11 a member; corresponding grants from the Central Fund, totalling £695,991 were made in these cases. The total of the grants under Section 3 was thus £946,661.

It should be explained that the grants referred to above are made on a certificate from the Government Actuary under Section 3 (1) of the Act of 1926. These grants were originally prescribed to make good, in part or whole, any worsening in the financial position of a society (or branch) in consequence of the provisions of that Act where it appeared to the valuer that a deficiency (termed an "apprehended deficiency") would be disclosed on valuation. As a result of the Acts of 1932 and 1935 the scope

of such grants has been extended to cover also losses due to arrears of contributions after taking into account (i) the value of amounts recoverable by way of reduction of benefits, etc. (Section 7 (1) of the Act of 1932), and (ii) the effect of the provisions relating to the Unemployment Arrears Fund (Section 11 (6) of the Act of 1935). The first of these modifications commenced to operate as from July, 1932; the related relief thus accrued in respect of units valued in 1932 or later, and in respect of a part only of the inter-valuation period. The second began two years later and its effect so far as the present valuations are concerned is necessarily negligible. In each case where there is an apprehended deficiency the appropriate grant is credited to the society before the valuation is completed. Thus the valuation result—whether an equality of assets and liabilities, or a deficiency—denotes the position after bringing the grant into account, and this fact should be borne in mind in reading the present report.

19. The following is a summary of the valuation balance sheets of all societies and branches:—

TABLE VIII.

SUMMARY OF VALUATION BALANCE SHEETS.

LIABILITIES.		ASSETS.	
	£		£
Present Value of Benefits, and cost of Administra- tion	550,905,913	Present Value of Contributions ...	340,500,696
	£	Present Value of State Grants ...	87,602,106
Surpluses ...	37,484,686	Total Benefit Funds...	157,495,239
less Deficiencies	740,983	Grants under Section 3 of the National Health Insurance Act, 1926	946,661
Net Surplus	36,743,703	Other Assets	1,104,914
	<u>£587,649,616</u>		<u>£587,649,616</u>

NOTE.—The amount of the total benefit funds in the above table includes the net amount of appreciation in the value of securities due to the prescribed method of valuing investments, and is to that extent in excess of the figure given for this item in paragraph 12.

The aggregated Valuation Balance Sheet thus shows a total net surplus of assets over liabilities amounting to £36,743,703. The net surplus carried forward from the third valuation, inclusive

of contingencies funds, was approximately £24,700,000; the increase of surplus in the period up to the fourth valuation is therefore about £12,000,000.

In addition to the net surplus of £36,743,703 the societies were in possession of contingencies funds totalling £3,254,000 on the valuation dates. Except where needed to extinguish deficiencies, these funds, though creating additions to surplus, are required by the Act to be carried forward to the fifth valuation.

20. Table IX (see page 21) summarises the valuation results geographically. As in Table I, those societies with centralised funds which operate in more than one country have been assigned to the countries in which their respective head offices are situated.

It will be observed from this table that, taking the system as a whole, societies insuring 91.3 per cent. of the membership are in the possession of surplus; this compares with 92.9 per cent. at the previous valuation. The proportion of persons insured in societies exhibiting a deficiency has also fallen very slightly, viz., from 4.4 per cent. to 3.9 per cent., the proportion in "equality" cases increasing correspondingly from 2.7 per cent. to 4.8 per cent. The average surplus per member in surplus cases, and the average deficiency per member in deficiency cases, are both almost identical with those disclosed at the third valuation. Considering the results for the separate countries, however, it will be seen that, whereas the proportion in surplus cases for societies in England is 94 per cent. and in Scotland is 80 per cent., the proportions for societies in Wales and in Northern Ireland are only 46 per cent. and 50 per cent. respectively. Further, in the Welsh societies the average surplus per member in surplus cases is much below the averages for the other countries. These unfavourable results are to be attributed in great measure to occupational conditions.

21. In Table X (see page 23) the valuation results are shown separately in respect of units insuring men only, women only, and men and women in common funds. It will be seen that the average amount of surplus in the case of men who are insured separately from women is £2.61, while the average in the case of the corresponding class of women is £1.52. As in previous valuation results, the figure for men is substantially higher than that for women, but it is to be remarked that the women's average (£1.52) on the present occasion shows a substantial improvement upon that for the third valuation, namely £1.11. On the other hand a larger number of women "insured alone" than at the third valuation are included in societies the valuations of which have disclosed a deficiency, and the average deficiency per member in such cases (£1.22) is higher than the corresponding average at the third valuation (£.75).

Country.	Valuations showing Surplus.				Valuations showing Equality of Assets and Liabilities.		Valuations showing Deficiency.			
	Number of Valuations (Societies and Branches).	Number of Members.	Total Amount of Surplus.	Average Surplus per Member.	Number of Valuations (Societies and Branches).	Number of Members.	Number of Valuations (Societies and Branches).	Number of Members.	Total Amount of Deficiency.	Average Deficiency per Member.
England...	5,753	13,879,688 (94%)	32,819,928	£ 2.36	171	552,915 (4%)	222	298,553 (2%)	£ 413,622	1.39
Scotland	402	1,328,103 (80%)	4,111,406	3.10	12	176,313 (17%)	12	153,046 (9%)	149,783	.98
Wales ...	265	169,919 (46%)	312,290	1.84	41	47,376 (13%)	47	153,985 (41%)	90,493	.59
Northern Ireland	15	95,476 (50%)	241,062	2.52	4	35,604 (18%)	11	62,168 (32%)	87,085	1.40
Total ...	6,435	15,473,186 (91.3%)	37,484,686	2.42	228	812,208 (4.8%)	292	667,752 (3.9%)	740,983	1.11

TABLE IX

Summary of Valuation Results with reference to Country

[The percentages in brackets indicate, for each country, the proportions of insured persons in the three categories]

The societies in which men and women are insured together show relatively favourable results, the average surplus of £3.12 per member in surplus cases being nearly 20 per cent. above the average in respect of units insuring men alone. This result is to be regarded not as an indication of the benefits of common insurance but as a reflection of the fact that in the group of societies with the smallest average surplus per member, viz. the industrial assurance group, only a very small proportion of the membership is now comprised in societies which include men and women in common insurance. The truth of this will be seen from an inspection of the results in Table XI (see pages 24-25) in which the valuation results are shown separately for the several groups of societies.

A significant feature is the continued reduction in the proportion of the insured population who are insured in common funds. In the inter-valuation period the proportion of men in common insurance with women has fallen from 20½ per cent. to 16 per cent. of the total insured population, and the corresponding proportion of women has fallen from nearly 8 per cent. to 5½ per cent. In consequence the total proportion insured in funds restricted to members of one sex has increased from 71½ per cent. to 78½ per cent.

22. Table XI provides a further analysis of the results given with reference to sex of insured persons in Table X, the figures being subdivided into five groups in accordance with the departmental classification of the approved societies. This table, though of interest as showing the distribution of the insured population among the various types of society and the differences in the results of the working of the several types, must be interpreted with reserve. Thus, in Group (2) (Friendly Societies without branches) there is a certain number of societies which are industrially allied to the trade union group, though so constituted as to be classified with friendly societies, and the relatively unfavourable experience of these societies, due to the occupations involved, affects the averages for the whole of the group. Such exceptional elements in particular society groups naturally acquire an undue prominence when surpluses and deficiencies are separately exhibited.

The results shown in this table are not strictly comparable with the corresponding table given in the report on the third valuation for two reasons. First, certain friendly societies with branches have in the interim centralised their administration (see paragraph 3 above) involving a substantial transference from Group (1) to Group (2). Secondly, as already stated, the proportion of men and women in common insurance has appreciably decreased during the inter-valuation period.

TABLE X
Summary of Valuation Results with reference to Sex of Insured Persons

[The percentages in brackets indicate, for each sex status, the proportions of insured persons in the three categories]

	Valuations showing Surplus.				Valuations showing Equality of Assets and Liabilities.		Valuations showing Deficiency.			
	Number of Valuations (Societies and Branches).	Number of Members.	Total Amount of Surplus.	Average Surplus per Member.	Number of Valuations (Societies and Branches).	Number of Members.	Number of Valuations (Societies and Branches).	Number of Members.	Total Amount of Deficiency.	Average Deficiency per Member.
Men insured alone	2,622	7,946,702 (93%)	£ 20,715,896	£ 2.61	87	359,351 (4%)	72	265,418 (3%)	£ 298,488	£ 1.12
Women insured alone ...	577	4,192,430 (88%)	6,373,866	1.52	30	268,246 (6%)	108	280,926 (6%)	341,970	1.22
Men and Women in common insurance	3,236	2,461,135* (97%) 872,919† (92%)	10,394,924	3.12	111	126,791* (5%) 57,820† (6%)	112	100,698* (4%) 20,710† (2%)	100,525	.83
Total ...	6,435	10,407,837* (93%) 5,065,349† (89%)	£ 37,484,686	2.42	228	486,142* (4%) 326,066† (6%)	292	366,116* (3%) 301,636† (5%)	£ 740,983	£ 1.11

* Men.

† Women.

TABLE XI

Summary of Valuation Results according to Type of Society

Group.	Valuations showing Surplus.				Valuations showing Equality of Assets and Liabilities.			Valuations showing Deficiency.			
	No. of Valuations (Societies and Branches).	Number of Members.	Total Amount of Surplus.	Average Surplus per Member.	No. of Valuations (Societies and Branches).	Number of Members.	No. of Valuations (Societies and Branches).	Number of Members.	Total Amount of Deficiency.	Average Deficiency per Member.	
<i>Men insured alone—</i>											
(1) Friendly Societies with branches ...	2,287	866,528	3,341,350	3.86	74	58,988	60	10,579	14,654	1.39	
(2) Friendly Societies without branches ...	222	1,988,752	5,988,228	3.01	8	99,517	8	139,260	203,975	1.46	
(3) Industrial Assurance and Collecting Societies	10	4,390,942	8,601,234	1.96	4	174,643	—	—	—	—	
(4) Trades Unions ...	81	649,798	2,549,249	3.92	1	26,203	4	115,579	79,859	.69	
(5) Employers' Provident Funds ...	22	50,682	235,835	4.65	—	—	—	—	—	—	
Total ...	2,622	7,946,702	20,715,896	2.61	87	359,351	72	265,418	298,488	1.12	

Group.	Valuations showing Surplus.				Valuations showing Equality of Assets and Liabilities.			Valuations showing Deficiency.			
	No. of Valuations (Societies and Branches).	Number of Members.	Total Amount of Surplus.	Average Surplus per Member.	No. of Valuations (Societies and Branches).	Number of Members.	No. of Valuations (Societies and Branches).	Number of Members.	Total Amount of Deficiency.	Average Deficiency per Member.	
<i>Women insured alone—</i>											
(1) Friendly Societies with branches ...	484	265,742	574,537	2.16	24	9,209	90	40,471	30,346	.75	
(2) Friendly Societies without branches ...	74	971,996	1,746,637	1.80	5	70,352	10	55,489	85,649	1.54	
(3) Industrial Assurance and Collecting Societies	8	2,866,213	3,919,095	1.37	1	188,685	5	115,735	115,763	1.00	
(4) Trades Unions ...	9	85,363	126,559	1.48	—	—	3	69,231	110,212	1.59	
(5) Employers' Provident Funds ...	2	3,116	7,038	2.26	—	—	—	—	—	—	
Total ...	577	4,192,430	6,373,866	1.52	30	268,246	108	280,926	341,970	1.22	
<i>Men and Women in common insurance—</i>											
(1) Friendly Societies with branches ...	2,753	1,196,729*	5,497,098	3.45	100	52,730*	98	50,610*	40,514	.66	
(2) Friendly Societies without branches ...	393	817,478*	3,490,016	3.07	10	11,146†	13	10,808†	59,540	1.00	
(3) Industrial Assurance and Collecting Societies	8	318,757†	40,097	.77	1	29,992*	—	50,030*	—	—	
(4) Trades Unions ...	39	32,075*	1,196,023	2.43	—	12,075†	—	9,311†	—	—	
(5) Employers' Provident Funds ...	43	19,668†	171,690	2.88	—	44,069*	—	—	—	—	
Total ...	3,236	2,461,135*	10,394,924	3.12	111	34,599†	1	58* 591†	471	.73	
		872,919†				126,791*	112	100,698*	100,525	.83	
						57,820†		20,710†			

* Men.

† Women.