

PARTICIPATING AND NON-PARTICIPATING BUSINESS.

Insurance Commissioner Frank H. Hardison, of Massachusetts, in his annual report, gives his views on the writing of participating and non-participating business by the same company. After stating that a bill recommended by him prohibiting the writing of both kinds by one company in Massachusetts was defeated, he says:

The reasons for the legislation, however, are sound, and if appreciated to their full force would justify the enactment of the measure. In the first place, the Massachusetts laws very properly prohibit the transaction by a domestic life company of a participating and a non-participating business at the same time. The reason for it is the obvious one that no one is wise enough to mete out exact justice to the two classes. The non-participating class have no interest in the profits of the company. Each person insured in that class pays a certain fixed premium which

does not vary, whether the profits of the company are small or large. He knows what he must pay and what he is to get for his money. The participating policyholder, on the other hand, knows what he is to get, but does not know what it will cost. He has an interest in the profits of his class, but not in the profits of the other class. His premium is fixed high, with a view of a saving for him. The premiums of the other class are fixed lower, and if the result be that they are too low, and the company does not receive from the policyholders in that class sufficient to pay the losses and expenses incurred directly in their behalf, and a due proportion of the general expenses of the company, the participating policyholders, who have paid more, must have their profits reduced accordingly, for the corporation is one and not two organizations, and the assets derived from the contributions of the participating policyholders can be taken to pay the deficiencies in the contributions of the non-participating, if any. This contingency is remote, it may be said. True, but it exists. Every participating policyholder in a company that writes both classes of policies is subject to it, although he may not realize the fact.

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