carry out his part of the agreement. The company, in the early years of the insurance, exacts this penalty by deducting from the reserve a percentage and allowing the policyholder only the balance of the reserve as a surrender value.

It is generally believed, too, that policyholders who surrender or lapse their policies exercise a selection against the company. That is to say, those who withdraw are generally the healthiest risks, who are sure of being able to get insurance elsewhere; if a man knows himself to be a poor risk, he is not likely to drop the insurance that he carries. It is probable, therefore, that when very many policyholders claim their cash surrender values and withdraw, the standard of the company's risks from a health standpoint is lowered; because the good risks go out while the poor ones stay. This is an additional reason why the company should not grant too liberal a proportion of the policy value to the policyholder who surrenders his contract.

PAID-UP INSURANCE—The retiring policyholder is generally given the option of taking his surrender value in paid-up insurance instead of in cash. Thus, the man who surrenders an ordinary life policy may be given the choice of, say, $500 in cash or $900 in paid-up insurance; if he takes the paid-up insurance, he will be insured for the rest of his life for $900, without having any more premiums to pay. Similarly, if the assured under a 30-year endowment policy takes his surrender value in paid-up insurance, he will have no further premiums to meet, and the paid-up policy will be payable either at his death or at the end of the 30 years (the time when his original policy was payable).

The amount of paid-up insurance that most companies will grant under a limited payment life policy