

The Commonwealth of Massachusetts.

RECOMMENDATIONS OF THE INSURANCE COMMISSIONER.

(a) In view of the fact that the law of this and many other states now requires provisions in life insurance policies for giving the insured the right to loans and surrender values, and of the further fact that many policies contain provisions for making such loans upon demand and paying surrender values without notice, it appears to be necessary to protect by legislation the large amount of funds held by life insurance companies in case of a panic or other event causing a "run" upon them. I believe that there should be inserted in life insurance policies hereafter issued a provision which shall give the company the right to withhold loans and surrender values for a period of sixty days after the application therefor in case the best interests of the company require it. We have a similar law with reference to withdrawal of deposits from savings banks, which is in the interest of the safety of the funds of the banks. The bill herewith presented and marked "A" has the approval of the Insurance Commissioners' Convention, which is an association comprising the Insurance Commissioners of the various states.

(b) In Volume 2 of the Fifty-seventh Massachusetts Life and Miscellaneous Insurance Report, beginning on page

xxvi, is a brief discussion of policies of accident and health insurance. The particular question discussed is as to whether the law should not prescribe the language of the provisions used in such policies. It is there set forth that the idea of a standard form of policy in unchanging language is not repugnant to the legislative mind in Massachusetts when it is for the interest of the public to have such a standard form. The Insurance Commissioners have unanimously agreed that standard provisions for health and accident policies are desirable and at the expense of considerable time and effort have prepared a bill for use in the various states, which is in accordance with their belief on this question. I recommend the enactment of that bill, which is enclosed herewith and designated "B."

(c) The legislature of this state has determined by the enactment of a statute to that effect that a domestic life insurance company may not transact both a participating and a non-participating business. Life insurance companies of other states, however, admitted to this commonwealth may issue policies of both kinds. This is discrimination against domestic companies, and if the Massachusetts law respecting home companies is in the interest of equity and safety, as I believe it is, the same rule ought to be applied to the business of foreign life insurance companies transacted here. This matter is also briefly discussed in Part II of the Fifty-seventh Report of the Insurance Department, and for reasons therein set forth and other reasons I recommend the enactment of the accompanying bill designated as "C."

(d) Chapter 628, Acts of 1911, is an act to provide for the control and regulation of fraternal benefit societies. Section 23 thereof relates to the procedure to be followed in case the valuation of the certificates of a fraternal society shall not on December 31, 1917, reach a certain minimum per cent of the present value of its promised benefits and accrued liabilities. This section has been the subject of a good deal of discussion and was indorsed by the Commissioners and by fraternal leaders generally as the best solution of the difficulties, which had then been presented. A

solution is proposed now, however, which appeals to students of the situation as being a better remedy than the one set forth in said section 23. The representatives of the three large fraternal associations, in the membership of one or the other of which is represented a very large proportion of the fraternal societies of the United States, and the Insurance Commissioners have agreed that the later proposition for handling the situation is preferable. I recommend, therefore, the amendment of said section 23 as set forth in the accompanying bill designated as "D."

(e) It is becoming more and more desirable that legislation be enacted for regulating what is known as "Reciprocal or Inter-Insurance." By this method one thousand persons, for example, in a given line of trade will each insure the other nine hundred and ninety-nine for a stated amount, each one thus becoming an underwriter for a considerable sum. The business is carried on by a person located at some convenient point, who is appointed an attorney in fact for each underwriter, binding him for a stated sum on each risk, and generally to transact the business for the associates. If the attorney is not located in Massachusetts and the business connected with the system is transacted outside the commonwealth, neither the attorney nor the business is amenable to the law of this commonwealth, as the Attorney-General views the situation. It would appear to be desirable, since property in this commonwealth is being insured in this manner, to provide for the transaction of such business herein in an open and straightforward manner by giving it standing under the laws. If it proves to be better and cheaper insurance than insurance by corporations, then it would appear that this system should have a right to compete for business, but in competing should be regulated and be required to bear the same burdens that are placed upon other agencies that are engaged in the insurance business. Moreover, certain safeguards should be thrown around it by law. There is herewith presented a bill for effecting this purpose, designated as "E."

(f) It seems desirable that the Insurance Commissioner

have authority to issue what may be called limited broker's licenses, and I recommend an amendment to the statute for that purpose, as set forth in the accompanying bill designated "F."

All of which is respectfully submitted.

FRANK H. HARDISON,
Insurance Commissioner.