Cost Price of Insurance

No Plan of Insurance Has Any Financial Advantage Over Any Other Plan

By George Gilbert

No one today can question the soundness of the basis upon which old-line life insurance calculations are made. It has been amply demonstrated that the premium is scientifically adequate to secure the benefits under the policy, regardless of the form such benefits may take. The underlying principle of all sound life insurance is that the value of the premium payment must equal the value of the benefit. Failure to recognize this basic truth has been the cause of much disappointment and loss to members of assessment insurance societies.

How the net premium is computed has been explained. This net premium is somewhat in the nature of the cost of production of the crops on a farm and must be distinguished from the selling price or the premium charged the policyholder. It is the exact financial equivalent of the risk assumed, according to the table of mortality and rate of interest employed in the calculation.

The loading, as it is called, is the amount added to the net premium for expenses and contingencies and, in the case of participating policies, for dividends to policyholders. The loading and the net premium combined make up the gross premium or the amount which is to be paid by the policyholder.

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According to the Dominion Government standard, which is the Om(5) Table of Mortality and $3\frac{1}{2}$ per cent interest, the net premiums on various plans of insurance, or, in other words, the cost prices of the goods, are as follows per $1,000 of insurance:—

The point to be remembered is that no plan of insurance has any financial advantage over any other plan so far as the net premiums are concerned, as the net premium on any plan of insurance at any age is the exact, mathematical equivalent of any other net premium at the same age. For example, the net annual premium at age 20 for a whole life policy, $13.14, is the exact equivalent of the 20-payment life net annual premium at the same age, $20.16.

An acquaintance with the foregoing table of net premiums would make it practically impossible for the average man to be misled as to any of the ordinary plans of life insurance. He would know, for instance, that a 20-payment life policy was not a 20-year endowment policy, owing to the material difference in the cost price of the two policies as shown in the table.

The amount added to the net premium for expenses, etc., runs from 5 to 10 per cent. in the case of non-participating policies, up to 35 or 40 per cent. of the net premium in the case of participating policies.

Most countries are ruled by a class. It may be by a landed aristocracy, it may be by a commercial oligarchy. And most people accept the rule of a class as the most natural thing in the world. In Denmark the people really rule, and they rule in the interests of a larger percentage of the people than in any country I know, unless it be Switzerland."—Frederic C. Howe.

NET PREMIUMS FOR $1,000 OF INSURANCE ON OM(5) $3\frac{1}{2}$% INTEREST BASIS

Age	Single Premiums	Ordinary Life	20 Payment Life	10 Year Endowment	15 Year Endowment	20 Year Endowment	1 Year Term	10 Year Term	20 Year Term
20	$279 76	$13 14	$20 16	$85 68	$53 79	$38 21	$6 30	$6 62	$7 16
21	284 89	13 47	20 55	85 72	53 84	38 31	6 37	6 71	7 30
22	290 19	13 82	20 95	85 76	53 89	38 38	6 42	6 80	7 45
23	295 66	14 20	21 37	85 81	53 95	38 46	6 49	6 91	7 62
24	301 31	14 58	21 80	85 86	54 02	38 54	6 57	7 02	7 80
25	307 15	14 99	22 25	85 92	54 09	38 63	6 66	7 15	7 99
26	313 16	15 42	22 72	85 98	54 17	38 73	6 75	7 29	8 21
27	319 37	15 87	23 21	86 05	54 26	38 84	6 85	7 44	8 45
28	325 77	16 34	23 71	86 12	54 36	38 97	6 97	7 61	8 70
29	332 38	16 83	24 23	86 20	54 46	39 10	7 08	7 79	8 99
30	339 15	17 35	24 78	86 29	54 57	39 24	7 22	7 99	9 29
31	346 14	17 90	25 34	86 38	54 70	39 40	7 36	8 20	9 63
32	353 33	18 48	25 93	86 49	54 83	39 58	7 51	8 44	9 99
33	360 72	19 08	26 54	86 61	54 99	39 77	7 69	8 70	10 39
34	368 32	19 72	27 18	86 73	55 15	39 97	7 88	8 98	10 83
35	376 12	20 39	27 84	86 87	55 33	40 20	8 09	9 29	11 30
36	384 13	21 09	28 53	87 02	55 52	40 45	8 31	9 63	11 82
37	392 35	21 83	29 25	87 19	55 74	40 72	8 56	10 00	12 38
38	400 77	22 62	29 99	87 37	55 97	41 02	8 84	10 40	12 98
39	409 39	23 44	30 77	87 57	56 23	41 35	9 13	10 84	13 66
40	418 23	24 31	31 59	87 79	56 51	41 70	9 45	11 32	14 38
41	427 26	25 23	32 45	88 03	56 82	42 10	9 80	11 85	15 17
42	436 50	26 19	33 32	88 29	57 16	42 52	10 20	12 43	16 03
43	445 93	27 22	34 25	88 57	57 53	42 99	10 62	13 05	16 96
44	455 55	28 29	35 22	88 88	57 94	43 51	11 08	13 74	17 97
45	465 37	29 44	36 24	89 23	58 38	44 07	11 59	14 49	19 07
46	475 36	30 64	37 32	89 60	58 87	44 68	12 14	15 31	20 25
47	485 53	31 91	38 44	90 01	59 41	45 36	12 75	16 20	21 54
48	495 87	33 26	39 62	90 46	59 98	46 09	13 41	17 17	22 93
49	506 38	34 69	40 87	90 96	60 62	46 90	14 13	18 24	24 44
50	517 03	36 20	42 19	91 50	61 32	47 78	14 92	19 39	26 06
51	527 84	37 80	43 58	92 09	62 09	48 75	15 79	20 66	27 81
52	538 78	39 50	45 05	92 74	62 94	49 81	16 72	22 04	29 70
53	549 84	41 30	46 62	93 45	63 86	50 97	17 77	23 54	31 73
54	561 01	43 22	48 27	94 23	64 87	52 23	18 90	25 18	33 92
55	572 28	45 25	50 04	95 08	65 98	53 62	20 13	26 96	36 26
56	583 63	47 40		96 02	67 20		21 47	28 90	
57	595 06	49 69		97 05	68 54		22 95	31 02	
58	606 54	52 13		98 17	70 00		24 55	33 30	
59	618 07	54 72		99 41	71 61		26 30	35 79	
60	629 62	57 49		100 77	73 37		28 23	38 50	
61	641 17	60 42		102 26			30 22	41 44	
62	652 71	63 56		103 90			32 50	44 63	
63	664 23	66 90		105 70			35 16	48 00	
64	675 70	70 46		107 67			37 80	51 83	
65	687 11	74 26		109 84			40 78	55 88	
66	698 43	78 32							
67	709 65	82 65							
68	720 76	87 28							
69	731 72	92 23							
70	742 53	97 53							