

# 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.

**Cost Price of Insurance**  
According to the Dominion Government standard, which is the O.M.S. Table of Mortality and 3 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 O.M.S. 3 1/2% INTEREST BASIS

| Age | Single Premium | 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           | \$38.24           | \$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  | 332.36         | 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         | 10.37        |
| 34  | 368.32         | 19.72         | 27.18           | 86.73             | 55.15             | 39.97             | 7.88        | 8.98         | 10.78        |
| 35  | 376.12         | 20.39         | 27.84           | 86.87             | 55.33             | 40.30             | 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        | 12.99        |
| 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         | 32.43           | 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       | 13.06        | 16.96        |
| 44  | 455.55         | 28.29         | 35.22           | 88.88             | 57.94             | 43.51             | 11.08       | 13.74        | 17.97        |
| 45  | 465.37         | 29.41         | 36.24           | 89.23             | 58.38             | 44.07             | 11.59       | 14.49        | 19.07        |
| 46  | 475.36         | 30.61         | 37.32           | 89.60             | 58.87             | 44.68             | 12.14       | 15.31        | 20.25        |
| 47  | 485.53         | 31.91         | 38.44           | 90.01             | 59.40             | 45.35             | 12.73       | 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           | 91.51             | 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         | 51.92           | 96.02             | 67.20             | 55.17             | 21.47       | 28.90        | 38.75        |
| 57  | 595.06         | 49.69         | 53.93           | 97.05             | 68.54             | 56.87             | 22.95       | 31.02        | 41.40        |
| 58  | 606.54         | 52.13         | 56.07           | 98.17             | 70.00             | 58.71             | 24.55       | 33.39        | 44.22        |
| 59  | 618.07         | 54.72         | 58.34           | 99.41             | 71.61             | 60.70             | 26.30       | 35.79        | 47.23        |
| 60  | 629.62         | 57.49         | 60.74           | 100.77            | 73.37             | 62.85             | 28.20       | 38.50        | 50.46        |
| 61  | 641.17         | 60.34         | 63.28           | 102.26            | 75.28             | 65.17             | 30.25       | 41.44        | 53.93        |
| 62  | 652.71         | 63.36         | 65.96           | 103.89            | 77.34             | 67.76             | 32.50       | 44.63        | 57.66        |
| 63  | 664.23         | 66.56         | 68.79           | 105.66            | 79.56             | 70.63             | 35.00       | 48.09        | 61.66        |
| 64  | 675.79         | 69.94         | 71.76           | 107.57            | 81.94             | 73.78             | 37.65       | 51.83        | 65.93        |
| 65  | 687.31         | 73.50         | 74.89           | 109.64            | 84.48             | 77.28             | 40.48       | 55.88        | 70.48        |
| 66  | 698.83         | 77.24         | 78.17           |                   |                   |                   |             |              |              |
| 67  | 709.65         | 81.16         | 81.60           |                   |                   |                   |             |              |              |
| 68  | 720.76         | 85.26         | 85.19           |                   |                   |                   |             |              |              |
| 69  | 731.72         | 89.54         | 88.94           |                   |                   |                   |             |              |              |
| 70  | 742.53         | 93.99         | 92.86           |                   |                   |                   |             |              |              |



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