

A policy dated Nov. 23rd, 1885, for three years: term premium \$21.90: to be cancelled pro-rata June 1st, 1887. What will be the earned premium?

Solution: From Nov. 23rd, 1885, to June 1st, 1887, are 555 days, which divided by 3, the number of years, will give 185 days as the annual figure, for which the multiplier is

$$50,685 \times 21.90 = \$ 11.10$$

Proof: 180 days remaining, multiplier is $49,315 \times 21.90 = 10.80$

Total..... \$21.90

Process 2.—Divide the term premium by the number of days in the term; multiply the result by the expired days for earned premium, or unexpired days for unearned premium.

Using the last example we have as follows:—

$$\text{Days in 3 years—} 1095 \div 21.90 = 2 \times 555 = \$11.10.$$

Proof, as above.

Process 3.—Where more than a single year remains unexpired, estimate the expired, or unexpired, days of the part of the year only, by the annual process above, and add thereto the yearly premium—that is the term premium divided by the number of years—for the one or more unexpired years, the result will be premium sought.

A policy for five years, premium \$250—or \$50 yearly—is to be cancelled after running two years and 39 days. What would be the return premium thereon?

Solution: Multiplier for 39 days, $10,685 \times 50.00 =$ \$5.34

Plus earned premium, two years 100.00

Total earned premium..... \$105.34

Proof: Unexpired time 2 years and 326 days.

Multiplier 326 days $89,315 \times 50.00 =$ \$44.66

Plus 2 years' unearned premium 100.00 144.66

Total premium..... \$250.00