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INSURANCE  
A Means of Investment  
ROBERTSON, F.F.A.

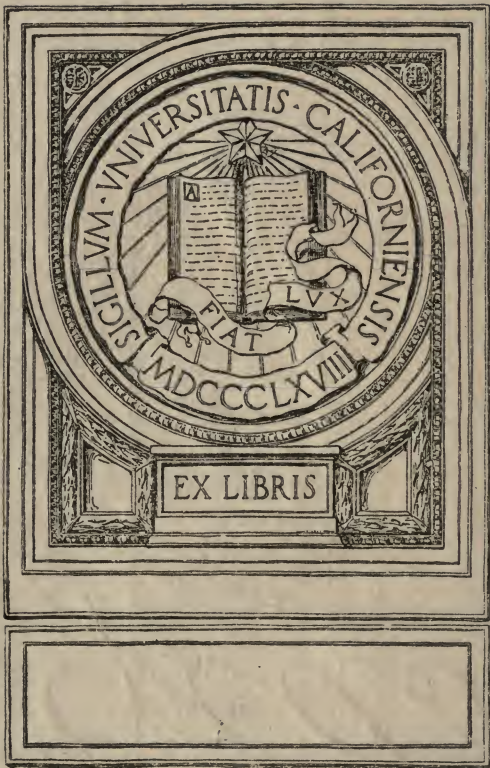
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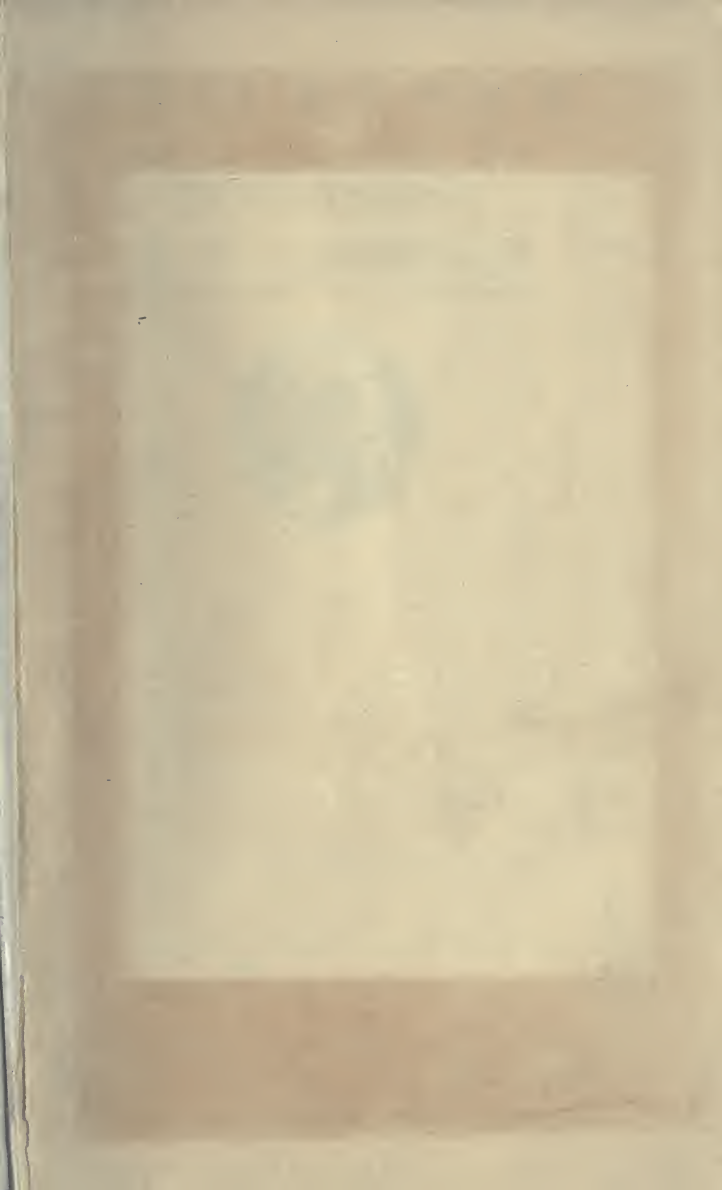
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# INSURANCE AS A MEANS OF INVESTMENT

By W. A. ROBERTSON

FELLOW OF THE FACULTY OF ACTUARIES IN SCOTLAND



UNIV. OF  
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## INTRODUCTORY

IN the following pages an attempt is made to explain the advantages of Life Assurance and Annuity Contracts and to remove some erroneous conceptions of their nature.

Life Assurance, as its name implies, is primarily a safeguard against early death, but it does not stop there. Most of the Assurances effected to-day include not only this provision for premature decease, but comprise also an Investment element. Investment Assurance is a natural corollary to Death Assurance.

The Assurance Offices with few exceptions conduct their business economically and invest their Funds advantageously. The Companies have the assistance of some of the ablest Financiers, and the risk of loss from Investments is reduced to a minimum.

When effecting an Assurance it is well to have the advice of one skilled in these matters. Such a one is not always available, and under these circumstances this treatise may be found helpful.

Many examples are given throughout the pages. These are based partly on definite Contracts, such as Contracts Without participation in the Profits of the Company and Contracts With Profits, but with a guaranteed amount of Profits. There are, however, other examples based on the assumption that the Office selected to illustrate the particular Contract maintains its present rate of Bonus. In these latter examples the figures are thus of a tentative nature, but

it was necessary to assume a maintenance of the Bonus rate if the true value of the Contract was to be appreciated by the Investor. The hypothesis is at once reasonable and convenient.

It is not to be supposed that the examples given show the best returns to be obtained in the Insurance Market. The determination of this must always be a matter of great difficulty. Especially is this so in regard to With Profit Contracts, for as a general rule those Offices which charge the higher premiums grant the higher Bonuses, and those with moderate Bonuses impose only a moderate premium.

It will perhaps be contended that there are too many examples in the course of the treatise. It is, however, by means of these examples that the value of Life Assurance as an Investment is made evident to the Investor. The examples show at a glance the Cash Profit from the Policy in case of a Claim during any year, and the figures are at least worthy of careful study.

The examples are for the most part worked out on the basis of a Policy for £1000. This is for the sake of convenience. The Insurance Offices are willing to issue Life Policies for a Sum Assured of £100, and in some cases even for £50, at a *pro rata* proportion of the premium for £1000.

If the examples prove anything it is surely this, that the tendency of late years to recognise Insurance as an Investment channel has not been based on false premises.

The Author would like to express his grateful thanks to Mr. J. S. B. Wilson, F.F.A., and to Mr. Arthur Cockburn, F.F.A., A.I.A., for very valuable assistance in correcting the proofs.



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# INSURANCE AS A MEANS OF INVESTMENT

It may be of interest to mention, as at least indicating the importance of Life Assurance as an Investment—

First, that the Life Assurance Funds of the Ordinary Life Companies established in the United Kingdom are no less than £348,545,470.

Second, that the Assurances in force of the Ordinary Companies established in the United Kingdom, as shown by the last Valuation Returns, are 2,863,851 Policies for Sums Assured £800,215,506.

Third, that the Premiums paid in the course of the year to the Life Assurance Companies—that is, Ordinary Life Companies—established both within and out of the United Kingdom, in respect of business in the United Kingdom, were £27,357,094.

Fourth, that the Claims paid by the Companies in the course of the year were £20,062,530.

Fifth, that the amount paid on account of Surrender Values in the course of the year was £2,264,685.

Sixth, that the new Life Assurances effected during the year of account were 252,468 Policies for Sums Assured £55,918,099 and Premiums £2,722,980, including Single Premiums of £445,776.

Seventh, that the amount received by the Companies in the course of the year as consideration for Annuities was £2,511,926, and the Annuities paid during the year were £2,563,933.

These figures take no account of the business effected with the Industrial Companies, and are taken from the Return of the Life Assurance Statements ordered by the House of Commons to be printed 11th December 1911.

It may also be pointed out that in the case of one of the Offices, which for a century and a half has granted Life Assurance to its members, the premiums received during that period are about 30 Millions, and the Claims paid no less than 44 Millions (that is, nearly 50 per cent. over and above the premiums received), besides about  $5\frac{1}{2}$  Millions in allowances to members in respect of Policies or Bonuses that have had to be dropped.

In discussing Life Assurance one frequently comes across a "doubting Thomas," who himself knows, or knows some one who knows, some person who has paid more to an Insurance Company than ever his Representatives can get back; and to this individual that fact is sufficient to condemn Life Assurance as an Investment root and branch.

Now, it is not denied that such a transaction is a possibility. A Whole Life Without Profits Policy may produce less than the premiums paid, since the amount is fixed from the outset and neither increases nor decreases; and yet this is only the one side of the case. The Life Assured elected to take the largest possible Insurance protection during the early years of the Insurance, and in Life Assurance, as in everything else, it is impossible both to eat one's cake and to have it. That no such experience, however, could happen under a With Profits Policy taken out in a first-class Office the Table given on the next page will sufficiently demonstrate.

It must, of course, be understood that the figures in this Table, and in all the Tables given in this treatise with reference to With Profit Policies, assume a con-

# PROFIT FROM ASSURANCE

tinuance of the rate of Bonus presently declared by the Office selected for the purposes of illustration.

Whole Life Assurance.

With Profits.

Age at entry, 30 next birthday.

Sum Assured, £1000.

Yearly Premium, £25 17 6.

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	Cash Sum paid in Premiums.	Cash Profit from the Policy.
After payment of			
1 year's Premium . . . . .	£1015 0 0	£25 17 6	£989 2 6
2 years' Premiums . . . . .	1030 0 0	51 15 0	978 5 0
3 " " . . . . .	1045 0 0	77 12 6	967 7 6
4 " " . . . . .	1060 0 0	103 10 0	956 10 0
5 " " . . . . .	1075 0 0	129 7 6	945 12 6
6 " " . . . . .	1103 16 3	155 5 0	948 11 3
7 " " . . . . .	1120 2 6	181 2 6	939 0 0
8 " " . . . . .	1136 8 9	207 0 0	929 8 9
9 " " . . . . .	1152 15 0	232 17 6	919 17 6
10 " " . . . . .	1169 1 3	258 15 0	910 6 3
11 " " . . . . .	1200 7 10	284 12 6	915 15 4
12 " " . . . . .	1218 2 7	310 10 0	907 12 7
13 " " . . . . .	1235 17 4	336 7 6	899 9 10
14 " " . . . . .	1253 12 1	362 5 0	891 7 1
15 " " . . . . .	1271 6 10	388 2 6	883 4 4
16 " " . . . . .	1305 8 7	414 0 0	891 8 7
17 " " . . . . .	1324 14 5	439 17 6	884 16 11
18 " " . . . . .	1344 0 3	465 15 0	878 5 3
19 " " . . . . .	1363 6 1	491 12 6	871 13 7
20 " " . . . . .	1382 11 11	517 10 0	865 1 11
21 " " . . . . .	1419 13 2	543 7 6	876 5 8
22 " " . . . . .	1440 12 9	569 5 0	871 7 9
23 " " . . . . .	1461 12 4	595 2 6	866 9 10
24 " " . . . . .	1482 11 11	621 0 0	861 11 11
25 " " . . . . .	1503 11 6	646 17 6	856 14 0
26 " " . . . . .	1543 17 6	672 15 0	871 2 6
27 " " . . . . .	1566 13 10	698 12 6	868 1 4
28 " " . . . . .	1589 10 2	724 10 0	865 0 2
29 " " . . . . .	1612 6 6	750 7 6	861 19 0
30 " " . . . . .	1635 2 10	776 5 0	858 17 10
31 " " . . . . .	1678 19 3	802 2 6	876 16 9
32 " " . . . . .	1703 15 6	828 0 0	875 15 6
33 " " . . . . .	1728 11 9	853 17 6	874 14 3
34 " " . . . . .	1753 8 0	879 15 0	873 13 0
35 " " . . . . .	1778 4 3	905 12 6	872 11 9
36 " " . . . . .	1825 17 5	931 10 0	894 7 5
41 " " . . . . .	1985 12 9	1060 17 6	924 15 3
46 " " . . . . .	2159 7 9	1190 5 0	969 2 9
&c.	&c.	&c.	&c.

At age 30 the average "expectation" of Lives Assured is 35 years; and it will be seen from the Table that a With Profits Policy for £1000 taken out at that age,

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even after 35 years have elapsed (that is, in case of death during the 36th year), will return to the Representatives of the Life Assured the sum of £1825, 17s. 5d., as against £931, 10s. paid in premiums, or an excess of £894, 7s. 5d. over the premium payments, *just a fraction short of double the amount.*

Even if the Life Assured should live to be 100, it is impossible under a Policy of this class to pay more to the Company than will be repayable by the Company. The figures in case of death between age 100 and age 101 would be: Premiums paid, £1837, 2s. 6d.; Cash Return from the Policy, £3284, 11s.; Cash Profit from the Policy, £1447, 8s. 6d.

Time was when the bulk of the business was transacted under the Whole Life Plan—that is, the Plan by which the Sum Assured is payable at the death of the Life Assured, while the premiums are payable during the lifetime of the Life Assured.

Nowadays the greater part of the business is transacted either under the Whole Life Plan by limited number of payments—that is, the Plan by which the Sum Assured is payable at the death of the Life Assured, while the premiums cease to be payable after a fixed number of payments or at the death of the Life Assured should that happen before the given number of payments has been made; or (and chiefly) under what is called the Endowment Assurance or the Investment Assurance Plan—that is, the Plan by which the Sum Assured is payable at the end of a given term of years if the Life Assured be then alive, or at the previous death of the Life Assured, the premiums being payable from year to year until the Sum Assured becomes payable by the death of the Life Assured or by his survivance of the term of the Assurance.

Life Assurance is not a popular subject. “All men

think all men mortal but themselves," and many men in some way or other are convinced that for them Life Assurance is an impossibility, *at least for the present*.

The Actuary may trot out his figures. He may point out that of 100,000 persons who effect Whole Life Policies at age 30, no less than 6660 on the average (that is, 6·7 per cent.) die during the first 10 years of Insurance, that only 82,745 on the average (that is, 82·7 per cent.) survive even to age 50, and that only 56,582 on the average (that is, 56·6 per cent.) survive their "expectation," which at age 30 is 35 years. These figures do not interest our friend the uninsured. He is convinced that he is to be one of these fortunate few who attain old age, and therefore to him Life Assurance—that is, Assurance payable at death—is, as we have said, an impossibility.

Now the Whole Life Plan, otherwise Assurance payable at death, is only one branch of the great business of Life Assurance. Even if a person is convinced that in his case it is not essential to insure against early death, he will surely admit that it is essential, or at least advisable, that he should provide for his own old age. All of which leads us to consider the system of Investment Assurance, that system by which it is possible to insure *and* to provide.

Before we go further we might give some points in support of the Investment Assurance Policy as a means of Investment. These may be said to be:—

First and chiefly, such a Policy provides for the dependants of the Life Assured—that is, in case of his death during the term of the Insurance.

Second, it also provides for the old age of the Life Assured—that is, in case he survives to the end of the term.

Third, the return in a first-class Office, even in case of the survivance of the Life Assured, is a particularly good one.

Fourth, it is a form of Investment, perhaps the only

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form of Investment, which induces one to save, as there is a natural desire to meet the premium as it falls due from time to time.

Fifth, the Investment is for the term of the Assurance, and thus the Investor has not the trouble of looking out year after year for a fresh Investment for his surplus savings.

Sixth, the Investment is gilt-edged. There is no possible loss of Capital, and there is no trouble or anxiety about the security of the Investment.

Seventh, in this way the Investor gets the benefit of the abatement of Income Tax that is allowed by the State.

It is proposed in the course of the paper to dwell on these various points.

The Investment value of a With Profit Endowment Assurance Policy will be evident from the following Table :—

Investment Assurance, Term 20 years.      With Profits.  
Age at entry, 30 next birthday.  
Sum Assured, £1000.      Yearly Premium, £50 9 2.

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	Cash Sum paid in Premiums.	Cash Profit from the Policy.
After payment of			
1 year's Premium . . . . .	£1015 0 0	£50 9 2	£964 10 10
2 years' Premiums . . . . .	1030 0 0	100 18 4	929 1 8
3 " " . . . . .	1045 0 0	151 7 6	893 12 6
4 " " . . . . .	1060 0 0	201 16 8	858 3 4
5 " " . . . . .	1075 0 0	252 5 10	822 14 2
6 " " . . . . .	1103 16 3	302 15 0	801 1 3
7 " " . . . . .	1120 2 6	353 4 2	766 18 4
8 " " . . . . .	1136 8 9	403 13 4	732 15 5
9 " " . . . . .	1152 15 0	454 2 6	698 12 6
10 " " . . . . .	1169 1 3	504 11 8	664 9 7
11 " " . . . . .	1200 7 10	555 0 10	645 7 0
12 " " . . . . .	1218 2 7	605 10 0	612 12 7
13 " " . . . . .	1235 17 4	655 19 2	579 18 2
14 " " . . . . .	1253 12 1	706 8 4	547 3 9
15 " " . . . . .	1271 6 10	756 17 6	514 9 4
16 " " . . . . .	1305 8 7	807 6 8	498 1 11
17 " " . . . . .	1324 14 5	857 15 10	466 18 7
18 " " . . . . .	1344 0 3	908 5 0	435 15 3
19 " " . . . . .	1363 6 1	958 14 2	404 11 11
20 " " . . . . .	1382 11 11	1009 3 4	373 8 7
At Maturity . . . . .	1398 13 7	1009 3 4	389 10 3



If the Life Assured die during the first year of the Assurance, there has been paid in premium the sum of £50, 9s. 2*d.* The Cash Return from the Policy is £1015, and the Cash Profit from the Policy is therefore £964, 10s. 10*d.* If the Life Assured die during the second year of the Assurance, there has been paid in premiums the sum of £100, 18s. 4*d.* The Cash Return from the Policy is £1030, and the Cash Profit is therefore £929, 1s. 8*d.*, and so on. If the Life survive to the end of the 20 years, the premiums paid are £1009, 3s. 4*d.* The Cash Return from the policy is £1398, 13s. 7*d.*, and the Cash Profit is therefore £389, 10s. 3*d.*

There are those who contend that they can do better than Life Assurance by investing even in the Savings Bank.

In the following Table there is compared the Cash Return from the Policy with the accumulation of £48, 11s. 4*d.* per annum (being the premium of £50, 9s. 2*d.*, less Income Tax at the rate of 9*d.* per £), Interest being assumed at the rate of 3 per cent. per annum. It will be noticed that the Cash Return from the Policy is *throughout* greater than the accumulated outlay; in other words, the Investment Assurance is superior to the 3 per cent. Investment not only during the 20 years that is represented by the Insurance, but also at Maturity.

The person who invests in the Savings Bank may be said to be an Investor, while the person who invests in an Investment Assurance with a first-class Office is not only an Investor but an Assurant as well; in other words, the Insurance portion of the Investment Assurance costs nothing. This will be evident from a study of the Table.

Assuming that the Insurance Office maintains its present rate of Bonus, then a Sum Assured of £715

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will amount With Profits to £1000 at the end of 20 years. The yearly premium for an Investment Assurance, Sum Assured £715 With Profits, term 20 years, age at entry 30 next birthday, is £36, 1s. 7d. Allowing for Income Tax at the rate of only 9d. in the £,

Investment Assurance, Term 20 years. With Profits.

Age at entry, 30 next birthday.

Sum Assured, £1000.

Yearly Premium, £50 9 2.

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	Outlay on Account of the Policy, Interest 3 per cent.*	Difference in favour of Policy.
After payment of—			
1 year's Premium . . . . .	£1015 0 0	£50 0 6	£964 19 6
2 years' Premiums . . . . .	1030 0 0	101 11 1	928 8 11
3 " " . . . . .	1045 0 0	154 12 9	890 7 3
4 " " . . . . .	1060 0 0	209 5 6	850 14 6
5 " " . . . . .	1075 0 0	265 11 4	809 8 8
6 " " . . . . .	1103 16 3	323 11 1	780 5 2
7 " " . . . . .	1120 2 6	383 5 10	736 16 8
8 " " . . . . .	1136 8 9	444 16 6	691 12 3
9 " " . . . . .	1152 15 0	508 4 2	644 10 10
10 " " . . . . .	1169 1 3	573 9 7	595 11 8
11 " " . . . . .	1200 7 10	640 13 11	559 13 11
12 " " . . . . .	1218 2 7	709 19 1	508 3 6
13 " " . . . . .	1235 17 4	781 5 0	454 12 4
14 " " . . . . .	1253 12 1	854 14 8	398 17 5
15 " " . . . . .	1271 6 10	930 8 0	340 18 10
16 " " . . . . .	1305 8 7	1008 7 0	297 1 7
17 " " . . . . .	1324 14 5	1083 11 8	236 2 9
18 " " . . . . .	1344 0 3	1171 5 10	172 14 5
19 " " . . . . .	1363 6 1	1256 8 7	106 17 6
20 " " . . . . .	1382 11 11	1344 2 10	38 9 1
At Maturity . . . . .	1398 13 7	1344 2 10	54 10 9

\* The figures in this column include Interest to the end of the year.

the net outlay on account of the Life Assurance is £34, 14s. 6d., as against £36, 1s. 8d., which is the sum required to be invested at the beginning of each year at 3 per cent. Compound Interest to amount to £1000 at the end of the 20 years. Please keep in view in this connection that the return in case of death during the 20 years is greater by the Investment Assurance than

by the Investment, and in case of early death is very much greater.

It is interesting to go further and to examine the actual cost of the Insurance to the Investor.

In the Table which follows there is compared with

Investment Assurance, Term 20 years. With Profits.

Age at entry, 30 next birthday.

Sum Assured, £1000.

Yearly Premium, £50 9 2.

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	Outlay on account of the Policy, Interest 4 per cent.*	Difference between the Cash Return and the Outlay.	
			In favour of Investor.	In favour of Assurance Office.
After payment of—				
1 year's Premium . . . . .	£1015 0 0	£50 10 3	£964 9 9	
2 years' Premiums . . . . .	1030 0 0	103 1 3	926 18 9	
3 " " " " . . . . .	1045 0 0	157 13 0	887 7 0	
4 " " " " . . . . .	1060 0 0	214 9 6	845 10 6	
5 " " " " . . . . .	1075 0 0	273 11 7	801 8 5	
6 " " " " . . . . .	1103 16 3	335 0 4	768 15 11	
7 " " " " . . . . .	1120 2 6	398 18 7	721 3 11	
8 " " " " . . . . .	1136 8 9	465 8 5	671 0 4	
9 " " " " . . . . .	1152 15 0	534 10 7	618 4 5	
10 " " " " . . . . .	1169 1 3	606 8 2	562 13 1	
11 " " " " . . . . .	1200 7 10	681 4 1	519 3 9	
12 " " " " . . . . .	1218 2 7	758 19 2	459 3 5	
13 " " " " . . . . .	1235 17 4	839 16 5	396 0 11	
14 " " " " . . . . .	1253 12 1	923 18 10	329 13 3	
15 " " " " . . . . .	1271 6 10	1011 8 2	259 18 8	
16 " " " " . . . . .	1305 8 7	1102 7 6	203 1 1	
17 " " " " . . . . .	1324 14 5	1196 18 9	127 15 8	
18 " " " " . . . . .	1344 0 3	1295 6 8	48 13 7	
19 " " " " . . . . .	1363 6 1	1397 13 3	...	£34 7 2
20 " " " " . . . . .	1382 11 11	1504 1 5	...	121 9 6
At Maturity . . . . .	1398 13 7	1504 1 5	...	105 7 10

\* The figures in this column include Interest to the end of the year.

the Sum Assured and Bonus—that is, the Cash Return from the Policy—the net outlay for the Insurance accumulated at 4 per cent. Compound Interest free of Income Tax; from which Table the Investor will be able to see for himself exactly what he loses, so to speak, during the later years of the Insurance and at

Maturity for the Protection which he receives during the early years.

The Scheme of Insurance is as before. The net outlay per annum is £48, 11s. 4*d.*, being the premium of £50, 9s. 2*d.* less Income Tax at the rate of 9*d.* in the £.

It will at least be admitted that this is a fair statement of the case from the point of view of the Insurance Office and from the point of view of the Investor. It will also be admitted that the "loss" to the Investor during the later years of the Insurance and at Maturity is more than made up for by the fact that during the early years—that is, during the period when provision is a matter of necessity—the Investor is fully protected in case of decease. Remember also that there is a value to the Investor in this protection which is not to be represented in pounds, shillings, and pence. A well-known Doctor has expressed himself upon this point as follows: "Few will be found who would doubt that the certainty that in the event of death those nearest and dearest to him are provided for, enables a man to face trials and difficulties and risks which he would otherwise shrink from, and yet without these risks few of the prizes of life can be attained. Medical Men know well what an active ally they have in fighting serious illness when the patient is in a tranquil state of mind and free from harassing worries, yet how can a man possibly have this easy and quiet mind when lying haunted by the thought that the event of his death would plunge his family into a state of monetary distress. The fact of being insured relieves his mind of this doubt, and he can devote a tranquil energy to seconding the efforts of nature and his Medical Attendant, both striving to restore him to health."

The rate of Income Tax has been taken in these examples at 9*d.* in the £, which is the minimum. The

actual rate of Income Tax varies according to circumstances from 9*d.* to 1*s.* 2*d.* in the £ on all Incomes above £160. In addition, Super-Tax is payable at the rate of 6*d.* in the £ on excess of Income over £3000, should the Income be above £5000. Remission of Income Tax and of Super-Tax is allowed by the Inland Revenue on the amount of Annual Premiums paid for Assurance or Deferred Annuities on one's own life or on the life of a wife to the extent of one-sixth of the Income.

It may be pointed out that in the case of a person who is called upon to pay the maximum rate of Income Tax, the return from the Investment Assurance With Profits taken out at age 30 next birthday, the Sum Assured being payable at the end of 20 years or at previous death, *exceeds even 3 $\frac{3}{4}$  per cent. Compound Interest at the maturity of the Contract*—that is to say, the Investor is wholly covered during the 20 years to the extent of £1000 with Bonuses, and receives back at the expiry of the 20 years the premiums paid, accumulated at more than 3 $\frac{3}{4}$  per cent. Compound Interest.

Total exemption from Super-Tax is secured if, after the deduction of Life Premiums, the Income is brought below £5000. The value of this concession to the Investor can scarcely be overestimated. For example, if the Income of the Investor is £5010, the sum which is payable on account of the Super-Tax alone is £50, 5*s.* If this sum were applied to purchase Life Assurance, it would be nearly sufficient at age 30 next birthday to provide an Investment Assurance for £1000 With Profits, payable at the end of 20 years or previous death. If it were so applied, there would be absolutely no Super-Tax payable, and the net income of the Life Assured would not be diminished. In other words, the State would pay the whole of the premium for the Assurance.

It has been given as an objection to a Life Assurance Policy that the Life Assured may pay a premium year after year, and merely because he finds himself unable to meet even one year's premium the Policy must of necessity lapse and be of no effect whatever. It may be instructive to state what the exact position of the Life Assured would be at the end of any year of the Contract :—

First, the Life Assured may still desire Assurance, but simply cannot afford to pay any more premiums. In this case, after three years' premiums have been paid he has the privilege of converting the Policy into a Paid-up Policy. A Paid-up Policy is an Assurance for an amount less than the original Sum Assured, but exempt from payment of any premiums. The amount of such Paid-up Policy is the proportionate part of the original Sum Assured which the number of premiums paid bears to the number originally payable. For example, in the case of an Investment Assurance Policy for £1000 taken out at age 30 next birthday, Sum Assured payable at the end of 20 years or previous death, the Life Assured is entitled to the full Sum Assured so long as the premiums are paid; but should he wish these to cease after payment of 10 years' premiums, he is entitled to a Paid-up Policy for ten-twentieths of the Sum Assured, or £500, and after payment of 15 premiums to a Paid-up Policy for fifteen-twentieths of the Sum Assured, or £750. When the original Policy is under the With Profit Plan, the proportionate Sum Assured is increased by the addition of the whole of the Bonuses existing at the date of discontinuance. Thereafter the Paid-up Policy does not participate in profits.

Second, the Life Assured may find himself at a renewal date in temporary difficulty, and without sufficient funds wherewith to pay the premium. The Company will, at the request of the Life Assured, advance the premium, and, if requested to do so, every further premium, always provided that the total of the Sums so borrowed with interest is within the Surrender Value of the Policy. Every facility is given for keeping a Policy in force by means of a Loan to pay overdue premiums.

Third, the Life Assured may desire an advance for business or other reasons. The Company is prepared to grant an advance up to 95 per cent. of the Surrender Value, subject to production of satisfactory title. Interest is charged yearly at a rate even so low as 4 per cent. When the Policy has not been assigned or otherwise dealt with, the only expense is the Government Stamp Duty on the Bond, which is moderate in amount. This is one of the many advantages of a Life Policy. For example, at the time of the financial crisis in America during year 1907, millions of pounds were granted by the Assurance Companies by way of Policy Loans.

Fourth, it may happen that the reason for which the Policy was effected no longer exists. In this case the Policy may be surrendered. A Surrender Value is allowed in some cases even after payment of one year's premium.

Finally, the Policy will not be allowed to lapse on account of accidental omission to pay the premium provided three years' premiums at full rates have been paid. In this case the Policy continues in force until the expiry of thirteen calendar months from the date on which the

premium became due, subject to a charge in favour of the Company of the premium or premiums in arrear, and of an additional charge of  $2\frac{1}{2}$  per cent. on the amount thereof for each three months, or portion of three months, for which payment has been in arrear. Should the Life Assured die within the above period of thirteen months the Claim is paid in full, subject to deduction of the premium or premiums in arrear and the additional charge.

It might be as well here to remove another misconception. Frequently when recommending Life Assurance one is met with the remark that in the particular case there is nothing lost by deferring.

Consider the case of the Investment Assurance, present age 30 next birthday, Sum Assured payable With Profits at the end of 30 years or at previous death.

The yearly premium if the Policy is taken out now is £34, 10s. 10d. for an Assurance of £1000 With Profits. At the end of 5 years the Sum Assured, including the Bonus, is £1087, 10s. The Life Assured will at the end of 5 years be age 35 next birthday, and the term to run will be 25 years. Assuming that the same amount of provision is to be made at the end of the 5 years as would have been provided for under the Contract if effected now, the premium as from the end of the 5 years is £45, 14s. 5d., which is an increase from the end of 5 years of £11, 3s. 7d. per annum. If, then, the Life is alive at the end of the 5 years and is still insurable as a first-class Life—two very important considerations—the cost of the Insurance is increased by 32 per cent.

The Sum Assured, including the Bonus, at the end of 10 years is £1182, 13s. 2d. The Life is then age 40 next birthday—that is, at the end of 10 years. The



yearly premium at age 40 next birthday to provide the sum of £1182, 13s. 2d. With Profits at the end of 20 years or at previous death is £62, 13s. 8d., an increase of 81 per cent. in the premium payable, even if the Life is then alive and is acceptable to the Insurance Office.

Consider again the case of the Whole Life Assurance With Profits, premiums payable during the lifetime of the Life Assured.

If the Policy is taken out at age 25 next birthday, the premium per £1000 is £23, 4s. 2d., payable yearly, and the Sum Assured, including the Bonus Additions, will be as per the Table on the following page.

If the Assurance is deferred until age 30 next birthday, the premium of £23, 4s. 2d., payable yearly, will provide a Sum Assured of only £897, and the Sum Assured, including the Bonuses, will be as per the Table.

If the Assurance is deferred until age 50 next birthday, the premium of £23, 4s. 2d., payable yearly, will provide a Sum Assured of only £515, and the Sum Assured, including the Bonuses, will be as per the Table.

It will be evident that for the same yearly premium the Sum Assured is reduced the longer the Assurance is deferred, and the difference in the Sum Assured at the older ages attained is very material. For example :—

Age attained.	Sum Assured if Policy taken out at		Difference.
	Age 25.	Age 40.	
40	£1286 2 9	£701 0 0	£585 2 9
45	1398 13 7	762 6 9	636 6 10
50	1521 1 2	829 0 11	692 0 3
55	1654 3 0	901 11 8	752 11 4
60	1798 17 9	980 9 6	818 8 3
65	1956 5 9	1066 5 3	890 0 6
70	2127 9 5	1159 11 2	967 18 3
75	2313 12 5	1261 0 5	1052 12 0
80	2516 1 5	1371 7 2	1144 14 3
85	2736 4 5	1491 7 1	1244 17 4

## WHOLE LIFE ASSURANCE, WITH PROFITS.

Yearly Premium payable, £23 4 2.

Age attained.	Sum Assured at various ages attained if Policy taken out at									
	Age 25.	Age 30.	Age 35.	Age 40.	Age 45.	Age 50.	Age 55.	Age 60.		
25	£1000 0 0									
30	1087 10 0	£897 0 0								
35	1182 13 2	975 9 9	£798 0 0							
40	1286 2 9	1060 16 11	867 16 6	0 0						
45	1398 13 7	1153 13 4	943 15 3	762 6 9						
50	1521 1 2	1294 12 4	1026 6 9	829 0 11	£009 0 0					
55	1654 3 0	1364 7 10	1116 2 11	901 11 8	662 5 9	£515 0 0				
60	1798 17 9	1483 15 5	1213 16 1	990 9 6	720 4 9	560 1 3	£418 0 0			
65	1956 5 9	1613 12 1	1320 0 3	1066 5 3	783 5 2	609 1 5	454 11 6	£332 0 0		
70	2127 9 5	1754 15 10	1435 10 3	1159 11 2	851 15 11	662 7 3	494 7 0	361 1 0		
75	2313 12 5	1908 6 10	1561 2 4	1261 0 5	926 6 6	720 6 5	537 12 2	392 12 10		
80	2516 1 5	2075 6 4	1697 14 5	1371 7 2	1007 7 6	783 6 11	584 12 11	427 0 0		
85	2736 4 5	2256 18 3	1846 5 4	1491 7 1	1095 10 6	851 17 9	635 16 1	464 7 3		
					1191 7 7	926 8 7	691 8 8	504 19 10		

Our friend is, of course, entitled to boast that he is at present saving certain premiums. This much may be granted : certain premiums are perhaps being saved *at the expense of the future.*

But is the money saved ? Not in one case out of fifty ; and in that one case where the money is saved, who carries the risk ? Surely where a wife and family or other dependants are concerned, they carry the risk and they alone.

Life Assurance on the one hand combines the most perfect form of Investment with the most perfect form of Protection. On the other hand, a private Investor must be sure of living. He must regularly accumulate at Compound Interest a sum equal to the annual premium a Life Policy would involve, and he must make no bad Investment to even get a chance of doing for himself what Life Assurance will do for him completely *and at once.*

He who insures takes no risk, neither does his family. His saving is systematic, the transaction is profitable to himself if he live, and its benefits to his dependants are incalculable if he die, while it can never be obtained more cheaply than now.

*It may never be obtainable at all.* Consider the following cases :—

Case 1.—A called on B in November 1909. A definite promise was given to insure for £250 in the following February, February being the birthday month of B. A called in due course, and found that B had been buried two days previously.

Case 2.—C was soliciting business from a Local Doctor, and was promised a Proposal for £500. payable at death or at a given age. Procrastination, which is the thief of more than time, prevented the completion of the business. Later, when C called to complete, the Doctor had died

Case 3.—A Proposal was actually filled up and signed, but the Assurance was never completed. While the Insurance Representative was still hoping to get it carried through, the Proposer slipped on his doorstep on leaving his house one day, struck his head on a stone, and was fatally injured.

*Even if the Assurance is obtainable at the date when it is convenient to proceed, it will be at a cost that more than nullifies any apparent present advantage.*

The procrastinator will still be found, but the shrewd, prudent, and far-sighted man will act upon the advice, "Be wise to-day, 'tis madness to defer."

We might here refer to the person who admits the necessity for Insurance, but who argues that he does not intend to insure until he is in the position to take out a Policy, say, for £2000.

The point is, would it not be better to begin now and to proceed by easy stages, if only from an Investment point of view? Consider the Table on p. 25, in which the figures relate to the Whole Life Plan With Profits, premiums payable during the lifetime of the Life Assured.

A, whose age is 25 next birthday, takes out four Policies as he can afford these, each for £500, the first at age 25 next birthday, the second at age 30 next birthday, the third at age 35 next birthday, and the fourth at age 40 next birthday.

B prefers to wait until he is 40 next birthday, when he takes out a Policy for £2000.

In the Table there is compared with the premiums paid the Sum Assured and Bonus payable in case of death during any year. It will be noticed—

First, that the ultimate cost of the Insurance is £66, 5s. payable yearly in the case of B, as against £55, 12s. 11d. in the case of A.

WHOLE LIFE ASSURANCE, WITH PROFITS

In the event of the Life Assured dying between ages	In case of "A."		In case of "B."	
	Cash Return from the Policy.	Cash Sum paid in Premiums.	Cash Return from the Policy.	Cash Sum paid in Premiums.
25-26	£507 10 0	£11 12 1		
26-27	515 0 0	23 4 2		
27-28	522 10 0	34 16 3		
28-29	530 0 0	46 8 4		
29-30	537 10 0	58 0 5		
30-31	1059 8 1	82 11 3		
31-32	1075 1 3	107 2 1		
32-33	1090 14 4	131 12 11		
33-34	1106 7 6	156 3 9		
34-35	1122 0 7	180 14 7		
35-36	1659 12 0	219 16 3		
36-37	1684 2 6	258 17 11		
37-38	1708 13 0	297 19 7		
38-39	1733 3 6	337 1 3		
39-40	1757 14 0	376 2 11		
40-41	2312 6 3	431 15 10	£2030 0 0	£266 5 0
41-42	2346 9 8	487 8 9	2060 0 0	132 10 0
42-43	2380 13 1	543 1 8	2090 0 0	198 15 0
43-44	2414 16 6	598 14 7	2120 0 0	265 0 0
44-45	2448 19 11	654 7 6	2150 0 0	331 5 0
45-46	2514 12 10	710 0 5	2207 12 6	397 10 0
46-47	2551 16 0	765 13 4	2240 5 0	463 15 0
47-48	2583 19 3	821 6 3	2272 17 6	530 0 0
48-49	2626 2 5	876 19 2	2305 10 0	596 5 0
49-50	2663 5 8	932 12 1	2338 2 6	662 10 0
50-51	2734 13 6	988 5 0	2400 15 8	728 15 0
55-56	2973 19 2	1266 9 7	2610 17 2	1060 0 0
60-61	3234 3 7	1544 14 2	2839 6 4	1391 5 0
65-66	3517 2 4	1822 18 9	3087 15 0	1722 10 0
70-71	3824 18 5	2101 3 4	3357 18 6	2053 15 0
75-76	4159 12 1	2379 7 11	3651 14 10	2385 0 0
&c.	&c.	&c.	&c.	&c.

Second, that not only is the provision greater throughout in the case of A than in the case of B, but the premiums paid by A are less than by B at the older ages attained.

Third, B is running his own risk for the first fifteen years, during which period A is building up a substantial provision.

There are those who prefer the Whole Life Assurance with premiums limited in number. The Investment value of such a Policy is evident from the following Table :—

Whole Life Assurance, premiums limited to 20 payments. With Profits. Age at entry, 30 next birthday.  
Sum Assured, £1000. Yearly Premium, £35 6 8.

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	Cash Sum paid in Premiums.	Cash Profit from the Policy.
After payment of—			
1 year's Premium . . . . .	£1015 0 0	£35 6 8	£979 13 4
2 years' Premiums . . . . .	1030 0 0	70 13 4	959 6 8
3 " " . . . . .	1045 0 0	106 0 0	939 0 0
4 " " . . . . .	1060 0 0	141 6 8	918 13 4
5 " " . . . . .	1075 0 0	176 13 4	898 6 8
6 " " . . . . .	1103 16 3	212 0 0	891 16 3
7 " " . . . . .	1120 2 6	247 6 8	872 15 10
8 " " . . . . .	1136 8 9	282 13 4	853 15 5
9 " " . . . . .	1152 15 0	318 0 0	834 15 0
10 " " . . . . .	1169 1 3	353 6 8	815 14 7
11 " " . . . . .	1200 7 10	388 13 4	811 14 6
12 " " . . . . .	1218 2 7	424 0 0	794 2 7
13 " " . . . . .	1235 17 4	459 6 8	776 10 8
14 " " . . . . .	1253 12 1	494 13 4	758 18 9
15 " " . . . . .	1271 6 10	530 0 0	741 6 10
16 " " . . . . .	1305 8 7	565 6 8	740 1 11
17 " " . . . . .	1324 14 5	600 13 4	724 1 1
18 " " . . . . .	1344 0 3	636 0 0	708 0 3
19 " " . . . . .	1363 6 1	671 6 8	691 19 5
20 " " . . . . .	1382 11 11	706 13 4	675 18 7
During year 21 . . . . .	1419 13 2	706 13 4	712 19 10
" " 22 . . . . .	1440 12 9	706 13 4	733 19 5
" " 23 . . . . .	1461 12 4	706 13 4	754 19 0
" " 24 . . . . .	1482 11 11	706 13 4	775 18 7
" " 25 . . . . .	1503 11 6	706 13 4	796 18 2
" " 26 . . . . .	1543 17 6	706 13 4	837 4 2
" " 27 . . . . .	1566 13 10	706 13 4	860 0 6
" " 28 . . . . .	1589 10 2	706 13 4	882 16 10
" " 29 . . . . .	1612 6 6	706 13 4	905 13 2
" " 30 . . . . .	1635 2 10	706 13 4	928 9 6
" " 31 . . . . .	1678 19 3	706 13 4	972 5 11
" " 32 . . . . .	1703 15 6	706 13 4	997 2 2
" " 33 . . . . .	1728 11 9	706 13 4	1021 18 5
" " 34 . . . . .	1753 8 0	706 13 4	1046 14 8
" " 35 . . . . .	1778 4 3	706 13 4	1071 10 11
" " 36 . . . . .	1825 17 5	706 13 4	1119 4 1
" " 41 . . . . .	1985 12 9	706 13 4	1278 19 5
" " 46 . . . . .	2159 7 9	706 13 4	1452 14 5
&c.                      &c.	&c.	&c.	&c.

Under this Plan the Sum Assured With Profits is payable at death. The premiums cease after 20 payments, so that no payment falls to be made after the Life Assured has attained age 50. The Policy continues to participate in Profits throughout the entire duration of the Assurance.

If the object of the Assurance no longer exists, the Policy can, of course, be surrendered after the premiums are paid up, or at any time.

If the Life Assured desire Whole Life Assurance, then it is to his advantage to limit the premium payments, since—

First, the Life Assured knows at the outset the maximum sum that he is called upon to pay for the Assurance.

Second, it gets rid of the premium payments during the later years of life.

Third, each premium paid secures a proportionate part of the Sum Assured at death (*i.e.* in the event of the Life Assured deciding to discontinue the premium payments) and in the case of the Profit Policy there would be added an amount not less than the Bonus.

The following Table shows the advantage to the Life Assured in limiting the premium payments.

Column 2 shows the Cash Return from the Policy, which is the same under all the Policies. Column 3 shows the Cash Sum paid in premiums, if the premiums are payable during the lifetime of the Life Assured; while Columns 4, 5, and 6 show the Cash Sum paid in premiums if the premiums are limited to 20, 25, or 30 payments respectively.

Whole Life Assurance, Sum Assured, £1000 With Profits.

Age at entry, 30 next birthday.

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	Cash sum paid in Premiums.			
		If premiums payable during lifetime of Life Assured.	If premiums limited to 20 payments.	If premiums limited to 25 payments.	If premiums limited to 30 payments.
(1)	(2)	(3)	(4)	(5)	(6)
During year 1	£1015 0 0	£25 17 6	£35 6 8	£31 10 0	£29 1 8
" " 2	1030 0 0	51 15 0	70 13 4	63 0 0	58 3 4
" " 3	1045 0 0	77 12 6	106 0 0	94 10 0	87 5 0
" " 4	1060 0 0	103 10 0	141 6 8	126 0 0	116 6 8
" " 5	1075 0 0	129 7 6	176 13 4	157 10 0	145 8 4
" " 6	1103 16 3	155 5 0	212 0 0	189 0 0	174 10 0
" " 7	1120 2 6	181 2 6	247 6 8	220 10 0	203 11 8
" " 8	1136 8 9	207 0 0	282 13 4	252 0 0	232 13 4
" " 9	1152 15 0	232 17 6	318 0 0	283 10 0	261 15 0
" " 10	1169 1 3	258 15 0	353 6 8	315 0 0	290 16 8
" " 11	1200 7 10	284 12 6	388 13 4	346 10 0	319 18 4
" " 12	1218 2 7	310 10 0	424 0 0	378 0 0	349 0 0
" " 13	1235 17 4	336 7 6	459 6 8	409 10 0	378 1 8
" " 14	1253 12 1	362 5 0	494 13 4	441 0 0	407 3 4
" " 15	1271 6 10	388 2 6	530 0 0	472 10 0	436 5 0
" " 16	1305 8 7	414 0 0	565 6 8	504 0 0	465 6 8
" " 17	1324 14 5	439 17 6	600 13 4	535 10 0	494 8 4
" " 18	1344 0 3	465 15 0	636 0 0	567 0 0	523 10 0
" " 19	1363 6 1	491 12 6	671 6 8	598 10 0	552 11 8
" " 20	1382 11 11	517 10 0	706 13 4	630 0 0	581 13 4
" " 21	1419 13 2	543 7 6	706 13 4	661 10 0	610 15 0
" " 22	1440 12 9	569 5 0	706 13 4	693 0 0	639 16 8
" " 23	1461 12 4	595 2 6	706 13 4	724 10 0	668 18 4
" " 24	1482 11 11	621 0 0	706 13 4	756 0 0	698 0 0
" " 25	1503 11 6	646 17 6	706 13 4	787 10 0	727 1 8
" " 26	1543 17 6	672 15 0	706 13 4	787 10 0	756 3 4
" " 27	1566 13 10	698 12 6	706 13 4	787 10 0	785 5 0
" " 28	1589 10 2	724 10 0	706 13 4	787 10 0	814 6 8
" " 29	1612 6 6	750 7 6	706 13 4	787 10 0	843 8 4
" " 30	1635 2 10	776 5 0	706 13 4	787 10 0	872 10 0
" " 31	1678 19 3	802 2 6	706 13 4	787 10 0	872 10 0
" " 32	1703 15 6	828 0 0	706 13 4	787 10 0	872 10 0
" " 33	1728 11 9	853 17 6	706 13 4	787 10 0	872 10 0
" " 34	1753 8 0	879 15 0	706 13 4	787 10 0	872 10 0
" " 35	1778 4 3	905 12 6	706 13 4	787 10 0	872 10 0
" " 36	1825 17 5	931 10 0	706 13 4	787 10 0	872 10 0
" " 41	1935 12 9	1060 17 6	706 13 4	787 10 0	872 10 0
" " 46	2159 7 9	1190 5 0	706 13 4	787 10 0	872 10 0
&c.	&c.	&c.	&c.	&c.	&c.



It is interesting to compare the return from the Investment Assurance with the corresponding return from the Whole Life Assurance by limited payments.

In the Table on p. 30 it is assumed that a person age 30 next birthday takes out two Policies, *for the same amount of yearly premium*, as follows :—

First, an Investment Assurance With Profits, payable at the end of 20 years or previous death.

Second, a Whole Life Assurance With Profits, premiums limited to 20 payments.

It will be noticed that the return in case of death is very much greater by the Whole Life Assurance than by the Investment Assurance, but it must be kept in view that the cash sum is payable at the end of the 20 years under the Investment Assurance Policy as against the continued Assurance in the case of the Whole Life Policy.

It is, of course, for the Life Assured to decide which of these two Contracts is better fitted for the object which he has in view in effecting the Assurance.

It is well known that those who are fortunate enough to reach the allotted span of life grudge, or even find difficulty in continuing the payment of Life Assurance premiums, particularly so when, as happens occasionally, their Income is diminished.

To meet these cases several of the Companies offer the advantage of a Single Premium Assurance, to assist in payment of which a Loan will be granted by the Company of 95 per cent. of the premium at a rate even so low as 4 per cent. per annum.

To show the advantages of such an Assurance, take the case of a person aged 30 next birthday. The Single Premium for a Whole Life Assurance of £1000 With Profits (that is, Assurance payable at death) is £453, 9s. 2d. Assuming that the present rate of Bonus is

Whole Life or Investment Assurance. With Profits.

Age at entry, 30 next birthday.

Yearly Premium, £35 6 8, limited to 20 Payments.

In the event of the Policy becoming a Claim	Cash Return from the Investment Assurance Policy.	Cash Return from the Whole Life Policy by limited payments.
After payment of—		
1 year's Premium . . . . .	£710 10 0	£1015 0 0
2 years' Premiums . . . . .	721 0 0	1030 0 0
3 " " . . . . .	731 10 0	1045 0 0
4 " " . . . . .	742 0 0	1060 0 0
5 " " . . . . .	752 10 0	1075 0 0
6 " " . . . . .	772 13 5	1103 16 3
7 " " . . . . .	784 1 10	1120 2 6
8 " " . . . . .	795 10 3	1136 8 9
9 " " . . . . .	806 18 8	1152 15 0
10 " " . . . . .	818 7 1	1169 1 3
11 " " . . . . .	840 5 6	1200 7 10
12 " " . . . . .	852 13 10	1218 2 7
13 " " . . . . .	865 2 2	1235 17 4
14 " " . . . . .	877 10 6	1253 12 1
15 " " . . . . .	889 18 10	1271 6 10
16 " " . . . . .	913 16 0	1305 8 7
17 " " . . . . .	927 6 1	1324 14 5
18 " " . . . . .	940 16 2	1344 0 3
19 " " . . . . .	954 6 3	1363 6 1
20 " " . . . . .	967 16 4	1382 11 11
	(Contract Matures) (amount payable) 979 1 6	
During year 21 . . . . .	..	1419 13 2
" " 22 . . . . .	..	1440 12 9
" " 23 . . . . .	..	1461 12 4
" " 24 . . . . .	..	1482 11 11
" " 25 . . . . .	..	1503 11 6
" " 26 . . . . .	..	1543 17 6
" " 27 . . . . .	..	1566 13 10
" " 28 . . . . .	..	1589 10 2
" " 29 . . . . .	..	1612 6 6
" " 30 . . . . .	..	1635 2 10
" " 31 . . . . .	..	1678 19 3
" " 32 . . . . .	..	1703 15 6
" " 33 . . . . .	..	1728 11 9
" " 34 . . . . .	..	1753 8 0
" " 35 . . . . .	..	1778 4 3
" " 36 . . . . .	..	1825 17 5
" " 41 . . . . .	..	1985 12 9
" " 46 . . . . .	..	2159 7 9
&c.	..	&c.

continued, the Sum Assured With Profits at the end of 35 years, being the "expectation" at age 30, is £1798, 17s. 9d., which is more than the premium paid accumulated at even 4 per cent. Compound Interest.

As stated, the Company is prepared to advance up to 95 per cent. of the Single Premium at 4 per cent. Interest, thus :—

Single Premium	: . . . . .	£453 9 2
Less Loan (say)	: . . . . .	430 0 0
		<u>£23 9 2</u>

If no Loan be repaid, the future annual payment is £16, 3s. 11d., as follows :—

Interest at 4 per cent. on £430	. . . . .	£17 4 0
Less Income Tax at 1s. 2d. per £1.	. . . . .	1 0 1
		<u>£16 3 11</u>

The Sum Assured at the outset is £570, as follows :—

Original Sum Assured	. . . . .	£1000
Less Loan	. . . . .	430
		<u>£570</u>

If a Policy of the same amount With Profits were taken out by uniform payments, the premium would be £14, 15s., payable yearly. The Profits would in this event be calculated upon £570, while in the case of the Single Payment Policy the Profits are calculated on £1000. The effect is as follows, assuming the Office to maintain its present rate of Bonus :—

Policy, £570	Policy, £1000
Amount at end of 35 years, being the "expectation" at age 30.	Amount at end of 35 years . . .
£1025 7 4	£1798 17 9
	Less Loan . . .
	430 0 0
	<u>£1368 17 9</u>

The Loan may be repaid at any time without notice, and may also be re-borrowed. Any such payment—First, diminishes the Interest, otherwise the yearly payment.

Second, increases the amount payable at death.

In a successful year substantial reductions of the total premium payable may be made. In a bad year the Interest only on the balance need be paid, or, if necessary, the whole or any portion of the previous premium payments except the first may be reclaimed as a Loan at the 4 per cent. Interest rate. The system in fact allows one to pay as one pleases, and when he pleases, for a Policy which carries all the advantages, privileges, and options attaching to a fully Paid-up Policy.

To those who can afford it there is an excellent Investment available in the Investment Assurance by Single Payment. The value of the Contract is evident from the following Table :—

**Investment Assurance, Term 20 years. With Profits.**

**Age at entry, 30 next birthday.**

**Sum Assured, £1000. Premium, Single Payment, £675 10 0.**

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	Cash Sum paid in Premium.	Cash Profit from the Policy.
During year 1 . . . . .	£1015 0 0	£675 10 0	£339 10 0
" " 2 . . . . .	1030 0 0	675 10 0	354 10 0
" " 3 . . . . .	1045 0 0	675 10 0	369 10 0
" " 4 . . . . .	1060 0 0	675 10 0	384 10 0
" " 5 . . . . .	1075 0 0	675 10 0	399 10 0
" " 6 . . . . .	1103 16 3	675 10 0	428 6 3
" " 7 . . . . .	1120 2 6	675 10 0	444 12 6
" " 8 . . . . .	1136 8 9	675 10 0	460 18 9
" " 9 . . . . .	1152 15 0	675 10 0	477 5 0
" " 10 . . . . .	1169 1 3	675 10 0	493 11 3
" " 11 . . . . .	1200 7 10	675 10 0	524 17 10
" " 12 . . . . .	1218 2 7	675 10 0	542 12 7
" " 13 . . . . .	1235 17 4	675 10 0	560 7 4
" " 14 . . . . .	1253 12 1	675 10 0	578 2 1
" " 15 . . . . .	1271 6 10	675 10 0	595 16 10
" " 16 . . . . .	1305 8 7	675 10 0	629 18 7
" " 17 . . . . .	1324 14 5	675 10 0	649 4 5
" " 18 . . . . .	1344 0 3	675 10 0	668 10 3
" " 19 . . . . .	1363 6 1	675 10 0	687 16 1
" " 20 . . . . .	1382 11 11	675 10 0	707 1 11
At Maturity . . . . .	1398 13 7	675 10 0	723 3 7

It may be pointed out that (assuming, of course, the present rate of Bonus to be continued) the return at the maturity of the Contract is  $3\frac{3}{4}$  per cent. Compound Interest free of Income Tax—that is to say, the Life is insured during the 20 years for £1000 with Bonuses, and in case of survivance to the end of the 20 years, receives back the amount invested with  $3\frac{3}{4}$  per cent. Interest.

There are those who desire a Sum Assured which increases in amount with each premium paid, but who

**Investment Assurance, Term 20 years. With Guaranteed Profits.**

**Age at entry, 30 next birthday.**

**Sum Assured, £1000.**

**Yearly Premium, £53 6 8.**

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	Cash Sum paid in Premiums.	Cash Profit from the Policy.
After payment of—			
1 year's Premium . . . . .	£1020	£53 6 8	£966 13 4
2 years' Premiums . . . . .	1040	106 13 4	933 6 8
3 " " . . . . .	1060	160 0 0	900 0 0
4 " " . . . . .	1080	213 6 8	866 13 4
5 " " . . . . .	1100	266 13 4	833 6 8
6 " " . . . . .	1120	320 0 0	800 0 0
7 " " . . . . .	1140	373 6 8	766 13 4
8 " " . . . . .	1160	426 13 4	733 6 8
9 " " . . . . .	1180	480 0 0	700 0 0
10 " " . . . . .	1200	533 6 8	666 13 4
11 " " . . . . .	1220	586 13 4	633 6 8
12 " " . . . . .	1240	640 0 0	600 0 0
13 " " . . . . .	1260	693 6 8	566 13 4
14 " " . . . . .	1280	746 13 4	533 6 8
15 " " . . . . .	1300	800 0 0	500 0 0
16 " " . . . . .	1320	853 6 8	466 13 4
17 " " . . . . .	1340	906 13 4	433 6 8
18 " " . . . . .	1360	960 0 0	400 0 0
19 " " . . . . .	1380	1013 6 8	366 13 4
20 " " . . . . .	1400	1066 13 4	333 6 8
At Maturity . . . . .	1400	1066 13 4	333 6 8

prefer a Contract with a Guaranteed rate of Bonus to a Contract which merely participates in the Profits of the Company.

Under the Guaranteed Bonus System a Bonus at a

given rate is added to the Policy immediately the first premium is paid, a Certificate being issued for the Bonus simultaneously with the Policy itself. The payment of each subsequent premium immediately secures an additional Bonus.

The advantage of this form of Assurance over the Profit or the Non-Profit Policy may be said to be—

First, that the Bonus portion of the Contract is just as much guaranteed as is the Sum Assured itself; and

Second, that the Sum Assured—that is, including the Bonus—continues to increase with the payment of each premium.

The Investment value of such a Contract will be evident from the Table on p. 33.

It is interesting to examine the relative value of the Profit and the Guaranteed Bonus System. This is evident from the Table on p. 35.

In arriving at the figures in the Table the following assumptions are made:—

First, that *the same amount of premium* is payable under the Profit as under the Guaranteed Bonus Contract; and

Second, that the Office represented by the Profit Contract maintains its present rate of Bonus.

It is clear from the Table that in a first-class Office the Assured under the Profit Contract receives the superior benefits, and it will be evident on consideration that this should be the case. The Life Assured under the Guaranteed Bonus Contract is like the Debenture Holder who receives a return-certain on his Investment at an agreed-upon rate. The Life who is assured under the With Profit Contract is, on the other hand, like the ordinary Shareholder, who in one sense might be looked upon as a partner in the Insurance Company.

# GUARANTEED BONUSES

35

Investment Assurance. With ordinary Profits or with  
Guaranteed Profits.  
Age at entry, 30 next birthday.

In the event of the Policy becoming a Claim.	Cash Return from the Profit Policy.	Cash Return from the Guaranteed Bonus Policy.		
		Endowment Assurance		
		Term 20 years.	Term 25 years.	Term 30 years.
After payment of—				
1 year's Premium . . .	£1015 0 0	£964 18 5	£956 15 2	£953 14 0
2 years' Premiums . . .	1030 0 0	983 16 10	975 10 4	972 8 0
3 " " . . .	1045 0 0	1002 15 3	994 5 6	991 2 0
4 " " . . .	1060 0 0	1021 13 8	1013 0 8	1009 16 0
5 " " . . .	1075 0 0	1040 12 1	1031 15 10	1028 10 0
6 " " . . .	1103 16 3	1059 10 6	1050 11 0	1047 4 0
7 " " . . .	1120 2 6	1078 8 11	1069 6 2	1065 18 0
8 " " . . .	1136 8 9	1097 7 4	1088 1 4	1084 12 0
9 " " . . .	1152 15 0	1116 5 9	1106 16 6	1103 6 0
10 " " . . .	1169 1 3	1135 4 2	1125 11 8	1122 0 0
11 " " . . .	1200 7 10	1154 2 7	1144 6 10	1140 14 0
12 " " . . .	1218 2 7	1173 1 0	1163 2 0	1159 8 0
13 " " . . .	1235 17 4	1191 19 5	1181 17 2	1178 2 0
14 " " . . .	1253 12 1	1210 17 10	1200 12 4	1196 16 0
15 " " . . .	1271 6 10	1229 16 3	1219 7 6	1215 10 0
16 " " . . .	1305 8 7	1248 14 8	1238 2 8	1234 4 0
17 " " . . .	1324 14 5	1267 13 1	1256 17 10	1252 18 0
18 " " . . .	1344 0 3	1286 11 6	1275 13 0	1271 12 0
19 " " . . .	1363 6 1	1305 9 11	1294 8 2	1290 6 0
20 " " . . .	1382 11 11	1324 8 4	1313 3 4	1309 0 0
	1393 13 7	1324 8 4		
	Maturity	Maturity		
21 " " . . .	1419 13 2	..	1331 18 6	1327 14 0
22 " " . . .	1440 12 9	..	1350 13 8	1346 8 0
23 " " . . .	1461 12 4	..	1369 8 10	1365 2 0
24 " " . . .	1482 11 11	..	1388 4 0	1383 16 0
25 " " . . .	1503 11 6	..	1406 19 2	1402 10 0
	1521 1 2	..	1406 19 2	
	Maturity		Maturity	
26 " " . . .	1543 17 6	..	..	1421 4 0
27 " " . . .	1566 13 10	..	..	1439 18 0
28 " " . . .	1589 10 2	..	..	1458 12 0
29 " " . . .	1612 6 6	..	..	1477 6 0
30 " " . . .	1635 2 10	..	..	1496 0 0
	1654 3 0	..	..	1496 0 0
	Maturity			Maturity

The With Profit Assurant is entitled to a better return for his premiums to compensate him for the risk that he runs as compared with the Guaranteed Bonus Assurant.

There is, again, a section of Policyholders who desire from the outset the largest amount of Insurance Provision which their premiums can secure, but who wish at the same time to retain some interest in the Profits of the Company.

The Discounted Bonus Rates are quoted upon the assumption that a Bonus at a certain rate per annum is added to the ordinary With Profit Policies.

Under the conditions of the system the Lives Assured are held to receive in the reduced premiums charged, as compared with "With Profits" premiums, an equivalent for a Bonus at the rate assumed. Further, the Sums Assured, as a rule, are subject to increase or diminution according as the additions made to the With Profit Policies at the successive Divisions of Profits exceed or fall short of a Bonus at the rate which was applied to reduce the premiums payable.

It is interesting to compare the results by the Dis-

Whole Life Assurance.

Age at entry, 30 next birthday.

At End of Year.	Sum Assured with Profits on the Basis of the Full Profit Policy.	Sum Assured with Profits on the Basis of the Discounted Bonus Policy	
		Premiums Payable during Life.	Premiums Limited to 25 Payments.
(1)	(2)	(3)	(4)
5	£1087 10 0	£1343 11 9	£1342 11 6
10	1182 13 2	1360 7 8	1359 7 2
15	1286 2 9	1377 7 9	1376 7 0
20	1398 13 7	1394 12 1	1393 11 1
25	1521 1 2	1412 0 9	1410 19 5
30	1654 3 0	1429 13 9	1428 12 2
35	1798 17 9	1447 11 2	1446 9 4
40	1956 5 9	1465 13 1	1464 11 0
45	2127 9 5	1483 19 6	1482 17 1
50	2313 12 5	1502 10 5	1501 7 10
&c.	&c.	&c.	&c.



counted Bonus System with the results by the With Profits System. This will be seen from the Table on p. 36.

The figures in columns 2 and 3 and columns 2 and 4 respectively are on the assumption that *the same amount of premium* is payable in respect of each of the Contracts.

It will be noticed that the Discounted Bonus Policyholder receives what might be called a substantial Immediate Bonus as compared with the Full Profit Policyholder, but that after a term of years the return to the Full Profit Policyholder is greater than to the Discounted Bonus Policyholder.

It is, of course, understood that these figures relate to one Office only and to one age at entry. Further, these are worked out on the assumption that the existing rate of Bonus is maintained under the Full Profit Policy, and therefore under the Discounted Bonus Policy.

The Discounted Bonus System may be said to fulfil one of the chief objects of a Life Assurance Contract—that is to say, it provides a substantial return in case of the early death of the Life Assured, while the Discounted Bonus Assurant participates in the Profits of the Company along with the Full Profit Policyholder after the Full Profit Policyholders have received a Bonus at the rate which was applied to obtain the Discounted Bonus premiums.

We find the same principle in the Deferred Bonus Scheme of a few of the Offices.

The premiums of these Offices are but little higher than the average Without Profit premiums, and the surplus is reserved for those of the Policyholders who survive the period, say, at which the premiums, if

accumulated at 4 per cent. Compound Interest, would amount to the original Sum Assured, no share being given to those by whose earlier death there is a loss to the Common Fund.

An Assurance under such a Scheme is well adapted for inclusion within a Family Settlement on Marriage or otherwise, where it is of importance to secure from the first for the smallest present outlay an adequate provision of definite amount in the case of early death.

Briefly the advantages of the Deferred Bonus Scheme are :—

First, the premiums are fixed on so moderate a Scale that at early and middle ages the yearly premiums charged for £1000 With Profits will secure *from the first*, say, £1200 with Deferred Profits. The difference of £200 is clearly an immediate and certain Bonus.

Second, the Surplus yields considerable Bonus additions to the Policies of those who would on the ordinary principle of Life Assurance have come to be losers by having assured.

There is a section of Policyholders who require a Contract-certain—that is to say, the Sum Assured is to be fixed at the outset, and is not to be dependent on the rate of profit that may be realised by the Assurance Office.

Such a Policy is, for example, frequently more suited than a Profit Policy for protection of Capital in connection with Partnership or other business arrangements.

The Investment value of such a Contract will be evident from the following Schedule :—

Investment Insurance.      Term 20 years.      Without Profits.

Age at entry, 30 next birthday.

Sum Assured, £1000.      Yearly Premium, £42 16 8.

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	Cash Sum paid in Premiums.	Cash Profit from the Policy.
After payment of—			
1 year's Premium . . . . .	£1000	£42 16 8	£957 3 4
2 years' Premiums . . . . .	1000	85 13 4	914 6 8
3 " " . . . . .	1000	128 10 0	871 10 0
4 " " . . . . .	1000	171 6 8	828 13 4
5 " " . . . . .	1000	214 3 4	785 16 8
6 " " . . . . .	1000	257 0 0	743 0 0
7 " " . . . . .	1000	299 16 8	700 3 4
8 " " . . . . .	1000	342 13 4	657 6 8
9 " " . . . . .	1000	385 10 0	614 10 0
10 " " . . . . .	1000	428 6 8	571 13 4
11 " " . . . . .	1000	471 3 4	528 16 8
12 " " . . . . .	1000	514 0 0	486 0 0
13 " " . . . . .	1000	556 16 8	443 3 4
14 " " . . . . .	1000	599 13 4	400 6 8
15 " " . . . . .	1000	642 10 0	357 10 0
16 " " . . . . .	1000	685 6 8	314 13 4
17 " " . . . . .	1000	728 3 4	271 16 8
18 " " . . . . .	1000	771 0 0	229 0 0
19 " " . . . . .	1000	813 16 8	186 3 4
20 " " . . . . .	1000	856 13 4	143 6 8
At Maturity . . . . .	1000	856 13 4	143 6 8

It might be as well to consider the relative values of the Profit and the Non-Profit Policies. This will be evident from the Table on p. 40.

In arriving at the figures in the Table the assumption is made that *the same amount of premium* is payable under the Profit and the particular Non-Profit Contract, the premium in each case being the premium for £1000 With Profits.

The Table is to be read as follows: In the case, for example, of the Whole Life Assurance, premiums payable for 25 years only, the Sum Assured during the first year is £1331 in the case of the Non-Profit Policy, as against £1015 in the case of the Profit Policy, repre-

# INSURANCE AS INVESTMENT

With or Without Profit Assurance.

Age at entry, 30 next birthday.

In the event of the Policy becoming a Claim.	Cash Return from the Profit Policy.	Cash Return from the Non-Profit Policy.
During year 1 . . .	£1015 0 0	
" " 2 . . .	1030 0 0	
" " 3 . . .	1045 0 0	
" " 4 . . .	1060 0 0	
" " 5 . . .	1075 0 0	
" " 6 . . .	1103 16 3	
" " 7 . . .	1120 2 6	
" " 8 . . .	1136 8 9	
" " 9 . . .	1152 15 0	
" " 10 . . .	1169 1 3	
" " 11 . . .	1200 7 10	
" " 12 . . .	1218 2 7	
" " 13 . . .	1235 17 4	
" " 14 . . .	1253 12 1	
" " 15 . . .	1271 6 10	
" " 16 . . .	1305 8 7	
" " 17 . . .	1324 14 5	
" " 18 . . .	1344 0 3	
" " 19 . . .	1363 6 1	
" " 20 . . .	1382 11 11	
	1398 13 7	
	Maturity	
" " 21 . . .	1419 13 2	
" " 22 . . .	1440 12 9	
" " 23 . . .	1461 12 4	
" " 24 . . .	1482 11 11	
" " 25 . . .	1503 11 6	
	1521 1 2	
	Maturity	
" " 26 . . .	1543 17 6	
" " 27 . . .	1566 13 10	
" " 28 . . .	1589 10 2	
" " 29 . . .	1612 6 6	
" " 30 . . .	1635 2 10	
	1654 3 0	
	Maturity	
" " 31 . . .	1678 19 3	
" " 32 . . .	1703 15 6	
" " 33 . . .	1728 11 9	
" " 34 . . .	1753 8 0	
" " 35 . . .	1778 4 3	
	1798 17 9	
	Maturity	
" " 36 . . .	1825 17 5	
" " 41 . . .	1985 12 9	
" " 46 . . .	2159 7 9	
&c.	&c.	

		<b>WHOLE LIFE ASSURANCE</b>
Premiums payable during	life . . . . .	£1339
Premiums payable for	15 years only	1310
"	20 "	1331
"	25 "	1331
		<b>INVESTMENT ASSURANCE</b>
Payable at the end of	20 years or previous death	1178
25 "	" "	1200
30 "	" "	1219
35 "	" "	1227

senting an Immediate Bonus of £316. The Sum Assured in the case of the Profit Policy exceeds the Sum Assured under the Non-Profit Policy after payment of the eighteenth year's premium, and during the forty-sixth year of the contract the Return under the With Profit Policy is £2159, 7s. 9d., as compared with £1331 under the Non-Profit Policy, showing an excess of £828, 7s. 9d. Again, in the case of the Investment Assurance, payable at the end of 20 years or previous death, the Sum Assured during the first year is £1178 in the case of the Non-Profit Policy as against £1015 in the case of the Profit Policy, representing an Immediate Bonus of £163. The Sum Assured in the case of the Profit Policy exceeds the Sum Assured under the Non-Profit Policy after payment of the eleventh year's premium, and the Sum Assured at the maturity of the Profit Policy is as much as £1398, 13s. 7d., showing an excess of £220, 13s. 7d. over the £1178 which is payable at the maturity of the Non-Profit Policy.

It is, of course, understood that the figures relate to one Office and to age at entry 30, also the assumption is made that the Office maintains its present rate of Bonus under the Profit Contract. The actual results will vary according to the age at entry, the scheme of Assurance, and the particular Office.

It will be clear from the Table that in a first-class Office—

First, the Assured under the Non-Profit Contract receives a substantial Immediate Bonus.

Second, the Assured under the Profit Contract receives on the whole the superior benefits.

It is interesting to examine the subject from another point of view. Consider the following Schedule, in which the figures relate to an Investment Assurance payable at the end of 20 years or at the previous death of the Life Assured.

Investment Assurance, Term 20 years. Sum Assured, £1000.

Age at entry, 30 next birthday.

In the event of the Policy becoming a Claim.	Debt.*	Bonus Additions.
After payment of—		
1 year's Premium . . . . .	£7 18 8	15 0 0
2 years' Premiums . . . . .	16 3 8	30 0 0
3 " " . . . . .	24 15 1	45 0 0
4 " " . . . . .	33 13 6	60 0 0
5 " " . . . . .	42 19 1	75 0 0
6 " " . . . . .	52 12 0	103 16 3
7 " " . . . . .	62 12 8	120 2 6
8 " " . . . . .	73 1 5	136 8 9
9 " " . . . . .	83 18 5	152 15 0
10 " " . . . . .	95 4 2	169 1 3
11 " " . . . . .	106 19 0	200 7 10
12 " " . . . . .	119 3 2	218 2 7
13 " " . . . . .	131 17 1	235 17 4
14 " " . . . . .	145 1 2	253 12 1
15 " " . . . . .	158 15 10	271 6 10
16 " " . . . . .	173 1 6	305 8 7
17 " " . . . . .	187 18 5	324 14 5
18 " " . . . . .	203 7 4	344 0 3
19 " " . . . . .	219 8 8	363 6 1
20 " " . . . . .	236 2 10	382 11 11
At Maturity. . . . .	236 2 10	398 13 7

\* The figures in this column include interest to the end of the year.

This Schedule is to be read as follows: A, whose age is 30 next birthday, effects an Investment Assurance for £1000, payable Without Profits at the end of 20 years or previous death, at a yearly premium of £42, 16s. 8d. B, whose age is also 30 next birthday, takes out a corresponding Policy With Profits, paying the same amount of premium as A, and allowing the difference between the Non-Profit and the With Profit premiums (that is, £50, 9s. 2d. less £42, 16s. 8d. equal to £7, 12s. 6d.) to remain over as a debt on the Policy at 4 per cent. Compound Interest.

Now A on the one hand will receive, in case of death or at maturity, as the case may be, £1000 without any debt but without any Bonus. On the other hand, B will receive £1000 subject to diminution by deduction

of the debt, but subject also to augmentation by addition of the Bonus.

The Schedule shows us that no matter when the Policy-moneys become payable the debt is always less than the Bonus additions. It is, therefore, clear that in consideration of the same annual cash disbursement B will receive a larger sum than A will, assuming, of course, that the Office maintains its present rate of Bonus.

In other words, we have demonstrated that, if the Life Assured can only afford a Without Profit Premium, he would be well advised to effect a With Profit Policy in a first-class Office, and to borrow each year at 4 per cent. Interest the amount by which the Without Profit Premium he can afford to pay falls short of the With Profit Premium payable.

The Double Endowment Scheme provides a very good Investment in case of survivance, combined with a substantial provision in the event of early death.

The Scheme is worthy of the attention of healthy young lives who cannot save much out of their Income, and for whose small savings there would be difficulty in finding an Investment to yield a good return.

For example, a person age 25 next birthday will for a premium of £11, 12s. 6d., payable yearly, secure £250 at death if within 30 years, With Profits in case of death after 20 years have elapsed, or £500 on survivance of the 30 years.

The Table on p. 44 compares the Sum Assured payable with the premiums actually paid.

Many lives which under the ordinary Table would only be accepted at an additional premium on account of impaired health, unfavourable family history, or unhealthy occupation are accepted at the normal rate under the Double Endowment Table.

In the event of the Policy becoming a Claim.	Sum Assured payable if death occurs.*	Sum Assured payable on Survivance.	Cash Sum paid in Premiums.
After payment of			
1 year's Premium . . .	£250	..	£11 12 6
6 years' Premiums . . .	250	..	69 15 0
11 " " . . .	250	..	127 17 6
16 " " . . .	250	..	186 0 0
21 " " . . .	350	..	244 2 6
26 " " . . .	375	..	302 5 0
At Maturity . . . . .	..	£500	348 15 0

\* It is assumed that the particular Office will maintain its present rate of Bonus.

The usual Paid-up Policy Condition also attaches to this Table. For example, if the term selected is 30 years, and five annual premiums are paid, a Free Policy for five-thirtieths, or one-sixth of the original Sum Assured would be granted.

There is a section of Policyholders who desire Immediate Insurance, but who cannot afford at present to pay the Full Contract Premium.

For these Policyholders there is what is known as the Convertible Term Plan. A Policy is taken out under this Plan for a term of, say, 15 years, or 20 years, or 25 years. The Sum Assured is payable in case of death during the term of years, and the Life Assured has the option to convert the Policy into a Whole Life or Investment Assurance without further Medical Examination at any time on payment of the ordinary premium rate at the age when the transfer is made, provided always that the option be exercised before the original Insurance has entered upon the last five years of its specified term.

There is, however, another plan, which is known as the Credit Plan and which may in certain cases be expected to yield more favourable results to the Policyholder. Under this plan the Policy is taken out under



the Full Premium Table, and a portion of the premium is allowed to remain over as a Debt for, say, the first five or seven years, Interest being charged on the Debt in advance at an agreed-upon rate. The following Schedule, in which the figures relate to a Whole Life Assurance With Profits, age at entry 30 next birthday, will serve to show the working of the Scheme :—

Year.	Amount payable by Life Assured at beginning of year.			Debt.
	Premium.	Interest.	Total.	
1	£12 18 9	£0 10 5	£13 9 2	£12 18 9
2	12 18 9	1 0 9	13 19 6	25 17 6
3	12 18 9	1 11 1	14 9 10	38 16 3
4	12 18 9	2 1 5	15 0 2	51 15 0
5	12 18 9	2 11 9	15 10 6	64 13 9
6	25 17 6	2 11 9	28 9 3	64 13 9
7	25 17 6	2 11 9	28 9 3	64 13 9
&c.	&c.	&c.	&c.	&c.

The advantages of the Credit Plan may be said to be—  
First, the Life Assured is enabled to assure straight away for a substantial Sum Assured and at a moderate payment ; and

Second, the Policy, if effected With Profits, participates *from the outset* and on the full Sum Assured.

Several of the Offices issue what are called Debenture Policies. The special feature of these Policies is the arrangement by which the Company undertakes the responsibility of investing the Sum Assured when it becomes payable, and guarantees to pay Interest at, say, 5 per cent. per annum for, say, 20 years, the Sum Assured itself being payable at the end of the 20 years. The premiums charged for a Debenture Policy exceed those charged for an Ordinary Policy. The addition compensates the Office for the favourable rate of interest it allows during the period of 20 years.

There is also the System by which the Company

undertakes to pay, say, £100 a year for life after a certain age, and £100 a year for a certain number of years after death, whenever it may occur.

Most of the Offices are prepared to give certain options in lieu of the Sum Assured under the ordinary Profit or Non-Profit Contract. In the case of one of the Offices the options are as follows :—

Instead of the Policy-monies being immediately paid over, the Company is willing, if desired, for the amount to be dealt with in any of the following ways :—

- (a) The amount may remain deposited with the Company for such time as may be agreed upon (for a term of years or during the existence of any life), the Company meantime paying interest thereon.
- (b) The capital sum may be exchanged for an equivalent annual payment for any agreed period of years.
- (c) The amount may be applied to purchase an annuity for the Widow of the Life Assured, or his daughter, or other nominee; or, in the case of an Investment Assurance payable on the Life Assured surviving, an annuity on his own life.

Several of the Offices issue Policies to provide for the Estate Duties.

It is, of course, well known that even within the last eighteen years there has been a remarkable increase in the taxation of property by Death Duty. This is illustrated by the following Table, which relates to four actual Wills :—

Estate.	Duty under 1909 (Lloyd-George) Budget.	Duty under 1907 (Asquith) Act.	Duty under 1894 (Harcourt) Act.
£659,193	£91,300	£59,350	£49,500
377,480	45,290	30,190	28,400
249,085	29,890	17,430	16,180
240,006	28,800	16,800	15,600

It may be added that the Duties are somewhat lower than might have been expected, as they consist almost entirely of Estate Duty. In each case practically the whole of the property was left to the wife and children, and these bequests are not subject to Legacy Duty in addition to Estate Duty.

The following is a Table of the rates of Estate Duty now payable :—

Where the Principal Value of the Estate		Rate per cent. of Estate Duty.	Amount of Estate Duty.
Exceeds			From
£10,000 and does not exceed	£20,000	£5 0 0	£500 to £1,000
20,000     "     "	40,000	6 0 0	1,200     "     2,400
40,000     "     "	70,000	7 0 0	2,800     "     4,900
70,000     "     "	100,000	8 0 0	5,600     "     8,000
100,000   "     "	150,000	9 0 0	9,000     "     13,500
150,000   "     "	200,000	10 0 0	15,000   "     20,000
200,000   "     "	400,000	11 0 0	22,000   "     44,000
400,000   "     "	600,000	12 0 0	48,000   "     72,000
600,000   "     "	800,000	13 0 0	78,000   "     104,000
800,000   "     "	1,000,000	14 0 0	112,000   "     140,000
"     "     "     "     "	£1,000,000	15 0 0	Upwards of 150,000

For example, a person now aged 40 next birthday wishes to provide for the Estate Duty payable on his decease. The following Table exhibits the premiums payable yearly to secure the payment of the Duty :—

Estimated value of Estate.	Estate Duty payable being Amount for which a Life Policy should be effected.	Yearly Premium.
£20,000	£1000	£26 0 10
50,000	3500	91 2 11
100,000	8000	208 6 8
1,000,000	140,000	3645 16 8

This means that the payment of a yearly premium of £26, 0s. 10d. during the lifetime of the person aged 40

is sufficient to provide for the Duty payable on an Estate of the estimated value of £20,000.

In other words, a yearly outlay of £26, 0s. 10d. during the lifetime of the person aged 40 is sufficient to retain the Estate at its full value of £20,000, which means that the Income from the Estate will be benefited for the heirs of the person aged 40 by no less than £40 in perpetuity, on a 4 per cent. basis.

It may perhaps be considered advisable to effect the Policy With Profits to allow for an increase in the value of the Estate, in which case the yearly premiums would be £33, 2s. 6d., £115, 18s. 9d., £265, and £4637, 10s. respectively.

Briefly the advantages of these Estate Duty Policies are :—

1. A Policy can be granted in such a way that the Sum Assured shall be applied in payment of the Duties as soon as these become due, and before Confirmation or Probate of the Will has been granted.
2. The Death Duties being thus provided directly they are required, there is no need to mortgage the estates or to realise any part in order to meet the Duties.
3. The cost is borne in its least burdensome form—viz. as an annual payment out of income during the lifetime of the present owner; and even if he should die early, the payments which he has made would suffice to provide the whole of the Duties payable on his death.

Life Assurance supplies the only satisfactory way of providing the Duties, and the advantages of this plan have been referred to by more than one Chancellor of the Exchequer.

Several of the Offices are prepared to grant Policies to Naval and Military Officers as follows, the Policies

to be World Wide and Unconditional, and to include the risks of actual service :—

*Scheme I.*—The Policy is issued at the ordinary With Profit rate of the Company. The Profits, however, only accrue after the Life Assured's retirement from the service.

*Scheme II.*—The Policy is issued at an addition of 10s. per cent. to the tabular With Profit rate. This extra premium is payable until retirement from the service. The Policy in this case carries Profits from the outset.

The importance of these Policies cannot be over-estimated, since under any other Scheme the Policy would of necessity be limited in regard to foreign residence and would exclude War risks.

Now it will be remembered that in the case of existing Policies which excluded War risks, and in the case of new Policies, the rates of extra premium charged by the Offices for the War in South Africa were something like £5, 5s. to £7, 7s. per cent. for the first year, and £2, 2s. per cent. afterwards. These extra premiums were at the time considered to be exorbitant, and later the Offices were requested in many cases to make a refund of a portion of the extra premium in the case of those Officers who had returned from the War in good health.

Yet the actual death-rate for the first year of the War, obtained from the Experience of the Officers of all the Forces, was no less than 7·8 per cent., decreasing in the second year to 4·13 per cent., and in the third year to 4·24 per cent., these extras being for the period of the War, and taking no account of the deterioration in the health of any of the Officers due to the War.

It is clear, then, from these figures that, so far as the War in South Africa was concerned, the rates of extra premium that were fixed by the Offices were too low and should have been increased even by 50 per

cent. ; all of which goes to prove what has been already stated—viz. the advisability of Officers paying the small extra premiums from year to year if only as an Investment, and in order to provide for the extra risks of the future.

The Schemes which are here referred to are only applicable in time of peace, and provided the Proposer has no immediate prospect of being sent abroad.

There are few desires more prevalent or more natural than that of a rent-paying householder to become his own landlord, and the Scheme of House Purchase which is a feature of a few of the Insurance Companies is adapted to the attainment of this desire.

Rent is a dead charge upon a householder's ordinary Income, but under the Scheme of House Purchase each payment becomes a high-class investment, being, in fact, an instalment of the price of the house.

The purchaser who has a suitable property to submit—this may be either a property about to be purchased or one already owned under Mortgage—and who can furnish at least one-fourth of the price, may obtain an advance of the balance of the Purchase Price from the Insurance Company, entering into a Contract to make a half-yearly payment to the Company during a period of 15, 20, or 25 years. The first half-yearly payment is deducted from the loan.

Should the borrower die (even after only this one payment has been made), the debt is cancelled, and his family is left with a rent-free home. Should the borrower survive the period, the house becomes absolutely his own property, and he will have made an admirable provision for his old age, when possibly his earning powers may have diminished, and the house rent would, but for a Scheme such as this, be a heavy burden.

In the case of an ordinary loan, the cost of the survey and the whole of the legal expenses, not only of the borrower in proving his title, but also of the lender in investigating it and carrying through the loan, fall, as a matter of course, on the borrower.

Under the Plan described the borrower has only the expense of furnishing a title to the property satisfactory to the Company's Solicitors, together with any other necessary particulars, unless there may be a special license or registration fee, which he will also have to pay. An extra charge may in some instances be made to cover Surveyors' travelling expenses, where the property offered is situated a considerable distance from any of the Offices of the Company.

The Company bears the remainder of the cost, including Stamp Duty, Surveyor's Fee, and the charges of the Company's Solicitors for investigating the title and completing the transaction.

With an ordinary loan the borrower is always liable to the possibility of the lender calling up the money, which will necessitate the finding of a fresh lender and the payment of fresh Survey and Law costs. Under the Scheme of House Purchase the money is never called in so long as the terms of the Mortgage are complied with.

Life Assurance may be put to very many uses.

Take, for example, the Partners in a Firm. Not for a day would they incur the risk of loss of their property by a Fire; that risk is covered by Insurance, and the premium debited against the Firm in their accounts. But what about the very much larger question—viz. the loss to the Firm through the death of one of the Partners? How often do we see a business practically ruined on account of financial difficulties through the death of one of the Partners which might have been

altogether obviated if only a sum of money were at once available.

The remedy is simple. The Partners merely decide on the sum to be assured. The amount is payable at the first death. The Life premium, like the Fire premium, is debited against the Firm. All difficulty is removed, since immediately at the first death Capital is forthcoming to pay out the Representatives of the Deceased. There is another and a material point. It may be that at some future date further Capital will be required to extend the business. How valuable a Life Policy is in this connection every shrewd man knows.

A Without Profit Policy is perhaps to be recommended for a business Contract, in which case the points to be looked into are—first, security; and second, the rates of premium charged.

Some of the Offices include a condition in the Contract that at the option of the Lives Assured the Partnership Policy may be divided into two separate Policies on the single lives, each for one-half of the Sum Assured, the premiums for the Single Life Policies to be calculated as at the ages at the date the original Joint Life Policy was effected. Such a condition is a valuable one in the case, say, of a Dissolution of Partnership.

It sometimes happens that the success of a business depends on the continuance in life of one of the Partners, in which case an Assurance Policy on the life of the Partner, and either for life or for a term of years, depending on the Copartnership Deed, is a *sine qua non*.

The primary object of Life Assurance is to minimise the loss to dependants in event of early death. The late Lord Selborne said: "By the discovery of Life Assurance a man is enabled to save in the most scientific manner and to acquire *at once* a position which he could only otherwise reach by long years of studious saving."



This, after all, is the chief argument in favour of Life Assurance, the fact that "from the moment it was made it was good for all it cost, *and carried with it a guarantee that there was protection in that Investment.*"

It is interesting to recall that so far back as April 1757 the following words appear in the preamble to a Petition which was presented to the Crown for securing the establishment of a Life Assurance Society :—

"Great numbers of His Majesty's subjects, whose subsistence principally depends on the salaries, stipends, and other incomes payable to them during their natural lives, or to the profits arising from their several trades, occupation, labour and industry, are very desirous of entering into a Society for insuring the lives of each other, in order to extend after their decease the benefit of their present incomes to their families and relations, who may otherwise be reduced to extreme poverty and distress by the premature death of their several husbands, fathers and friends."

The Table on p. 54 is given to prove the value of the Life Assurance Policy as a means of provision.

It was recently given out that during year 1908 one of the American Offices paid 124 Claims for \$449,000 upon the lives of persons who died *within one year after insuring*. Five Policies had been in force less than a month, 11 less than two months, and 13 less than three months. All these lives had been thought by the Medical Advisers to the Company to possess good prospects of longevity.

It has been shown in these Notes that by means of the Investment Assurance Policy it is possible to realise even at the maturity of the Contract a rate of Interest on the premiums invested which will compare favourably with the rate of Interest that is realised from year to year on what might be called conservative Investments—those Investments, that is to say, in regard to which the Investor has perfect confidence, and in respect of which there is no risk of loss of Capital.

Place of Death.	Yearly Premium.	Premiums Received.	Amount Paid.	Cause of Death.
Hove . . . .	£33 16 1	£33 16 1	£690 6 6	Cancer of Intestine, Suppuration, Operation.
Brighton . .	9 9 7	18 19 2	256 18 0	Pneumonia.
St. Dennis . .	81 18 0	81 18 0	1215 0 0	Heart Failure, Bronchitis.
Leeds . . . .	76 11 8	229 15 0	830 0 0	Erysipelas, Acute Nephritis, Uraemic Convulsions.
Norwich . . .	12 15 0	17 4 2	1000 0 0	Headaches and Convulsions.
London . . . .	240 0 0	720 0 0	4000 0 0	Cerebral Hæmorrhage.
San Stefano Casino	45 5 0	90 10 0	2000 0 0	Cerebral Hæmorrhage.
Stevenston . .	52 0 0	156 0 0	1045 0 0	Accidentally Shot.
Sutton Coldfield	10 12 11	21 5 10	500 0 0	Pregnancy, Puerperal Albuminuria, Eclampsia.
Cheltenham . .	51 4 0	76 16 0	763 3 6	Influenza, Double Pleuro-Pneumonia, Nephritis.
Walsall . . . .	71 1 8	213 5 0	1030 0 0	Phthisis Pulmonalis, Exhaustion.
Nottingham . .	5 12 11	5 12 11	500 0 0	Pulmonary Tuberculosis, Heart Failure.
Glasgow . . . .	20 10 0	20 10 0	1000 0 0	Syncope.
Walton le Dale	43 7 11	43 7 11	505 0 0	Cerebral Hæmorrhage.
Steyning . . .	13 3 6	65 17 6	500 0 0	Cardiac Failure, Fatty Heart.
Swansea . . . .	3 5 10	3 5 10	101 5 0	Acute Tuberculosis.
Liverpool . . .	20 15 0	40 13 9	306 0 0	Meningitis, Status Epilepticus, Exhaustion.
Pontypool . . .	11 13 10	11 13 10	255 0 0	Peritonitis, Obstruction of Bowels, Asthenia.

“ Leaves have their time to fall  
 And flowers to wither at the north wind's breath,  
 And stars to set ;—but all—  
 Thou hast all seasons for thine own, O Death !”

If, then, it is the case that *the ordinary Investment is an Investment pure and simple, while the Investment Assurance is not only an Investment but an Assurance as well*, is it not worth the while of the Investor to give more thought to the Investment Assurance as a means of Investment ?

The Investor who desires a safe rate of Interest will obtain that rate of Interest by investing, say, in Government Securities. The Investor who invests in an Investment Assurance will obtain the same rate of Interest, or nearly the same rate of Interest, *and Protection besides.*

The Investor who has a sufficient amount of Capital may invest in a high-class Stock or Bond with its Market fluctuations. The Investor in an Investment Assurance by single payment runs no risk of Market fluctuation, and realises, *even at the maturity of the Contract*, practically the same rate of Interest, and—carefully note—*the Investor in Investment Assurance has the Insurance protection during the period of the Investment*, while the ordinary Investor carries his own risk; or, to put it more truly, the dependants of the Investor are allowed to carry the risk of death of the Investor.

Income Tax is at any time a burden that few men bear cheerfully. Even at the rate of 9*d.* in the £ it cuts deeply into one's earnings. And yet so many men, shrewd and wideawake where other profits are to be made and other economies practised, go on paying the whole of this Tax when at least a portion of it might readily be converted into a saving.

Up to one-sixth of his Income the Investor in Life Assurance is entitled to deduct Life Premiums in making his return for Assessment. Hence, while £100 saved and invested in any other security than Life Assurance would all be taxed, the amount invested in Life Assurance would not be taxed at all.

And so a profit is realised of no less than £3, 15*s.* even at the rate of 9*d.* in the £, where this sum of £100 is invested in Life Assurance instead of in other Securities.

This sum of £3, 15*s.* invested annually in Life Assurance would in the case of a person whose age is 30 next

birthday provide a Sum Assured at death of £145 With Profits, which sum in case of death during the thirty-sixth year of the Insurance (the "expectation" of Lives Assured at age 30 being 35 years) would amount to £264, 15s.

It means a free Government gift of this large additional Assurance or its equivalent in Cash, and as there is no other high-class security obtainable which is so safe, certain, and satisfactory, the astonishing thing is that men have to be persuaded to take advantage of it.

It is sometimes contended that the person can do better by investing the premiums in his own business.

The comparison is not a fair one, since *it assumes that the man of business will continue to live to look after his business*, which is one of the reasons, perhaps the chief reason in the particular case, in support of Life Assurance. *If only the man of business were certain to live*, but "the one thing every man knows is that die he must, the one thing that every man does not know is when he must die."

Not only so, but if the man is of value to his business, is he not of still more value to his dependants? Is it then fair of the man of business to ask his dependants to carry the risk of his death, and should the risk not be transferred and at once from those who are least able to bear it to those whose business it is to undertake the risk?

Suppose the man of business to possess a property which brings in a steady income, will the man of business not insure that property against loss by Fire? And if the property is of value to the man of business, is the man of business not of value to his dependants? Is the man of business not the property of his dependants?

There is a further point. What is the object of the man of business in investing the premiums in his own

business? Is it not to provide for those who are near and dear to him as well as for his own old age? In this case would it not be better, *first*, to make sure of the objective, and *then* to apply the balance of the savings to the development of his business. The profits from the business might be reduced *but the provision is secure*.

This fact should not be lost sight of, that a Life Assurance Policy is a bond from fate, that is to say, that he who possesses a Policy of Life Assurance for an adequate Sum Assured is able to attend to his business in the knowledge that "a Life Assurance effected in youth means so much peace of mind for an honest man every year afterwards." The same idea has been expressed by Mr. John Wanamaker (the great American Millionaire) as follows: "I believe that Life Assurance is a kind of everyday, common righteousness to our fellows, and the faith that has been in me since my boyhood, when I soon after placed my first policy of Insurance while working at a small salary, is still growing. *So long as it continues to be true that men often die first and leave helpless wives and children, they have no right to be supposing or shuffling when it is possible for them to make absolute provision.*"

It is frequently urged against the Life Assurance Companies that the Reserves are too great, are indeed unfair to the existing Policyholders. The reply to this statement is

First, that the Reserves are merely the equivalent, the actuarial equivalent if you like it, of the Liabilities of the Office, which Liabilities include provision not only for the Sum Assured and existing Bonuses *but also for future Bonuses* to the participating Policyholders, at the rate which is at present declared.

Second, that the Funds are not, so to speak, hoarded

by the Insurance Office but are invested partly in readily realisable Securities for current demands, but chiefly in securities which are not readily realisable, but extend over a fairly long period of years as bringing in a higher return to the Office for the benefit of the Policyholders.

There is another point that might here be referred to, and that is the rate of Interest assumed in Valuation.

The usual rate of Interest that is assumed in the Valuation of the Liabilities of an Insurance Office is 3 per cent., but there are Offices that employ even  $2\frac{1}{2}$  per cent. in estimating their Liabilities. Do these rates of interest not appear to be altogether too low when regard is had to the rate of interest which is being realised at present, and are the critics of Insurance Offices correct when they say that the Reserves of the Insurance Offices are really too strong and are quite unfair to the Policyholders ?

It is necessary here to remember that the great bulk of Life Assurance Business is effected With Profits. In arriving at the Liabilities therefore we have to take account of three different factors: Sum Assured, existing Bonus, and Future Bonus.

Now as one Division of Profits succeeds another, the time when the Policy-moneys shall become payable draws nearer and the addition to the Policy of Bonus which shall be payable with the Sum Assured involves an increasing cost to the Office. It is the practice in the great majority of Offices to make a reserve only for the Sum Assured, and existing Bonus, *but at such a rate of Interest that the Office will be able to earn the future Bonus out of profit from Interest.* The amount of this profit will increase with the duration of the Contract, and, as pointed out, this increase is necessary to provide the increasing cost of the successive allotments of Bonus.

A Company, therefore, which values at 3 per cent. does not assume that it will only earn 3 per cent. during the subsistence of its Contracts. Rather if investigation were made, it might be found that it is counting upon making 4 per cent., the difference between the apparent and the true rates of Interest being required to maintain the rate of Bonus which the Office is at present declaring.

The principal source from which the Profits of an Insurance Company are derived is that of surplus Interest, and it is therefore of the first importance that an Insurance Company's Investments be chosen so that these should show the greatest possible earning power consistent with security of capital.

There are several reasons why an Insurance Company should have specially favourable opportunities of remunerative investment, but first of all it should be emphasised that the individual Investor, wishing to safeguard an annual saving of restricted amount, is limited in his choice to the Savings Bank, the Post Office or other Deposits, where the Interest return is but nominal. On the other hand, the Insurance Company, through the co-operation of its individual Policyholders, has large sums available for investment, which can and do command a much more remunerative return. The science of Life Insurance is an exact one, and the liabilities of a Life Insurance Company under its Policies are postponed liabilities, so that the Company may with practical certainty make provision for these liabilities as they fall due. In this respect the Insurance Company has a great advantage over Banks or kindred institutions where the liabilities to the public are practically cheques payable on demand.

Further, the progressive Insurance Company has a considerable and increasing income from premiums and

interest much more than sufficient to meet all current demands. An Insurance Company is therefore in the happy position of having considerable funds which it is prepared to lock up in securities which run for a fixed period of years, or are not so readily marketable, and of course it will be understood that such investments can only appeal to a limited number of Investors and that a considerably higher rate of Interest is necessary to render them attractive.

Another point which works out greatly to the advantage of Insurance Companies is that through the steadiness of their income they are never forced into the position of requiring to realise investments in a weak or falling market, but can afford to wait until a favourable opportunity of realising occurs.

Again, it very often happens that an Insurance Company will take a large line of Stock on specially favourable terms, or may assist in the underwriting of some public issue, and thus obtain their investments at a special price with a resultant gain in Interest earnings.

There are certain other channels of Investment open to Insurance Companies, which are not available to the individual Investor and which command a superior rate of Interest. Purchase of Reversions and Loans on Reversionary Interests, Advances on the Company's Policies, and Loans of other descriptions are available, which are safe from a capital point of view and attractive from an Interest-earning point of view, while from the world-wide ramifications of the business, opportunities of foreign investment present themselves where the security is undoubted and the return far in advance of anything that can be obtained in this country.

It may therefore be conceded that an Insurance Company can use its available funds in a manner which the individual Investor can never hope to do, and if we consider that Insurance Companies have specialised, and



are specialising in investments, that every investment passes through the hands of men who are daily dealing with the subject of investment, and investment alone, and that years of experience and judgment are behind every investment that an Insurance Company makes, we can at once realise that in the spreading of risks, in the safeguarding of capital, and in the development of Interest-earning power, Insurance Companies bring a skill and expert knowledge to bear which the individual Investor cannot hope to attain.

In this connection it should be kept in view that an Investment Assurance Policy taken out in a First-class Office is the safest Investment that is open to the Investor.

It is an Investment which is absolutely free from worry, one which never depreciates in value but is always appreciating by the addition of the Bonuses, it is an Investment which is easy to understand, is free of expense and involves no careful study of the various Investment Lists, it is an Investment which does not require to be paid for straight away but is payable by yearly instalments of comparatively small amount, it may for certain Policies be realised at the death of the Investor practically without any delay, and it is the only form of Investment which enables one to create an Estate straight away.

Even to the wealthy man a Life Assurance Policy is a *sine qua non*, if only for the purpose of providing ready money to his dependants at his death.

It has been contended that Life Assurance is a gambling transaction. It cannot too strongly be pointed out that this is not the case ; but rather that the person who is not insured is engaged in a gambling transaction. The Actuary is able from the Mortality Table to tell

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with a fair degree of accuracy *the proportion of deaths* out of a group of Policyholders that is likely to occur during each year of Insurance. *That* indeed is the point. The Actuary does not say that any one person is likely to die during the first year of assurance, or during the second year of assurance, or during the thirtieth year of assurance. The Actuary does say that, according to past experience, out of so many persons who take out Life Policies at age 30, so many die during the first year of assurance, so many die during the second year of assurance, so many die during the thirtieth year of assurance, and so on. In other words, *the Actuary is ignorant in regard to the individual risks, but is certain as to the working out of the average of the risks.*

Take by way of further illustration the case of Fire Insurance. The premium is, say, 2s. per cent. The person who is uninsured is saving 2s. per annum and is risking £100. The Fire Insurance Office is receiving in premiums a sum that enables it after paying expenses to pay the Fire Claims as these arise. The Uninsured is betting against a possible contingency. The Fire Insurance Office is working its business on the law of averages.

In Life Assurance it is necessary to lose sight of the individual—that is to say, the Office is not concerned with those who die early or with those who attain old age. The Policyholder is merely regarded as one of a group of lives who have agreed that, whenever they may die, be it in early life or be it in old age, they are to receive the same Sum Assured for the same yearly premium payable during life. Life Assurance removes a possibility, that is the possibility of no provision on account of the early death of the Life Assured, and creates a certainty, that is “a position which he could only otherwise reach by long years of studious saving.” It is the unity of many for mutual self-help.

Mr. Lloyd George in an introduction to a pamphlet

by Mr. R. D. Morris, Fellow of the Royal Statistical Society, says :

“Risk is inseparable from civilised life, but though we cannot avoid risk, we can by a suitable organisation of society place nearly the whole burden of risk on the shoulder of those who are able to bear it. The willingness to take risks is, in the great merchant or capitalist, a virtue. It is to him what courage is to a soldier or statesman, or imagination to a poet. But the willingness to take risks is in the wage-earner or the salary-earner a weakness or, in great excess, a vice. *The contrary of the vice of gambling is the virtue of thrift*, and the system of Life Insurance has given the thrifty man an opportunity of practising his virtue, compared to which the stocking, the small mortgage, and the savings bank are but clumsy and ineffective devices.”

There is a type of man that is frequently met with in connection with Life Assurance. He may be described as the “fully insured man,” but who, as a matter of fact, has practically no Insurance worth mentioning.

He has perhaps an Income of £500 a year, and with his wife and family lives in a comfortable home under very happy conditions.

He is insured for £250 with Bonuses, *and he is satisfied with the provision*. He is a keen, shrewd, level-headed, business man when dealing with ordinary matters, but when considering the value of his own life either to himself or to his family his ordinary shrewdness seems to be a vanished quantity.

He admits that he is not saving. The keeping up of the home, the education of his children, &c., leave him very little margin, and so if he died his wife and children would have left between them and cold charity a sum of £250, or, say, half a year's Income. This sum if invested at, say, 4 per cent. would yield £10 a year.

Insurance is the one thing that stands between him and uncertainty.

If he would only lay aside a matter of £1 per week, he could enjoy the remainder of his Income along with his family and feel no self-reproach, but even then the "fortune" left to his family would not allow them to live in the "lap of luxury."

If such a man would only realise—

First, that it is necessary to insure for such a sum as will, when invested, provide a reasonable Income to the widow and children, and

Second, that by Insurance it is possible to obtain a very satisfactory rate of Interest even at the maturity of the Investment Assurance Contract.

This means that the protection against death is "free, gratis and for nothing."

"If a man, despite his utmost industry, *can earn no more than suffices for immediate necessities, then he is entitled to leave the future to the Providence of God*; but if he can, he is bound to make provision for his own maintenance when he is past work, and for the comfort of his helpless dependants in the event of his death; and so long as he has made no such provision, he is guilty of dishonesty and selfishness every time he spends a shilling which he might save" (Rev. Prof. David Smith, D.D., in the *British Weekly*).

"No matter what may be the object of your solicitude—be insured—whether you are thinking of the maintenance of your general health, or of comfort and competence in your old age, or of the interests of wife and children when you may be no more, or of a provision for your boy when he reaches mature age, or of the happy marriage and the wedding portion of your little daughter, one day to be, you hope, a blushing bride, now a tiny, prattling fairy of two or three years—never mind the subject matter—be insured" (Charles Dickens).

There is a number of persons who recognise the value of Insurance as a means of Investment, but who are not prepared to face the Medical Examination.

These persons as a rule believe themselves to be in good health, but on the principle that "where ignorance is bliss 'tis folly to be wise" they do not wish to run the risk of learning that there is anything the matter with them.

It cannot too strongly be pointed out that there is a fallacy in this reasoning, since if it should be the case that there is anything amiss, then the sooner it is taken in hand the better for the Applicant. The adage that "a stitch in time saves nine" is also true in matters of Life Assurance.

It is common knowledge that many a man owes his present state of health to the Medical Examination in connection with a proposal for Life Assurance; that is to say, the Applicant has been advised by the Doctor in regard to some malady from which he was suffering, but of which he was unaware, and forewarned is, of course, forearmed.

The rate of mortality is very light among medically examined Assurants, and the reasons are not far to seek. In the first place, those lives only are accepted who are able to pass the Medical Examination, and in the second place it is undoubtedly the case that the person who is assured has a certain amount of freedom from worry, and is able to risk more in his business, if only for the reason that he is assured.

Still there is, as we have said, this section of persons to whom the benefits of Life Assurance are open though necessarily in a somewhat restricted form.

Not every Insurance Office issues Policies Without Medical Examination. Some of the Offices, however, are prepared to issue in approved cases a Policy under one or other of the following Schemes :

1. The Company offer to such persons a Contract under any full premium Table (that is a Contract under the Whole Life or the Investment Assurance Plan by uniform premiums) at the ordinary rate of premium. The Policy to be issued is the usual Policy save only as follows :

(a) The Company in the event of a Claim through death in the first year of Assurance, retain two-thirds of the Sum Assured and of any Bonuses that may have accrued thereto, or if death occur in the second year of Assurance, the Company retain one-third of the Sum Assured and Bonuses. If, however, death arises directly and immediately from some violent, accidental, external, and visible means capable of direct proof, and provided the death occurs within three calendar months after the date of the accident, the full sum is payable irrespective of the duration of the Policy.

(b) It is not competent to assign or deal with the Policy in any way (unless for the purpose of forming a provision for the family of the Life Assured), until after the expiry of two years.

2. The Company offer a Contract under any full premium Table at the Prospectus rate of premium together with an extra premium of £1 per cent. on the Sum Assured for the first year and 10s. per cent. for each of the second and third years.

3. The Company offer to such persons a Contract under the Double Endowment Assurance Scheme at the ordinary tabular rate.

There are, of course, certain exceptions. For example, in one of the Offices which cater for Without

Medical Examination Assurants, no application will be received under any of these Schemes when the Proposer has been previously declined or accepted at an extra premium (except for residence) by the particular Company or by any other Company, or if the Proposer's age exceed 50, or if he has suffered from rheumatic fever, or any affection of the heart, or kidneys, or if he is engaged in certain unhealthy occupations such as plumbing, mining, stone-hewing, marine engineering, or in the sale of alcoholic beverages.

The Companies issuing such Policies retain the power to reject any Proposers whom they consider ineligible for the Scheme without reason given.

Some of the Offices give special facilities for increasing the amounts insured to those of their Lives Assured who have already been medically examined. Provided the Life Assured was accepted at ordinary rates after Medical Examination within the last five years, one of the Offices is prepared to accept proposals in approved cases for additional sums under the full premium Tables without putting Proposers to the trouble of undergoing a fresh Medical Examination. The Proposer must be under 55 years of age, and able to state that he has not suffered from any serious illness or injury since the date of the previous proposal.

It is of importance that a person about to take out a Profit Contract should satisfy himself in regard to the rate of Bonus that has been declared by the Office in the past. Consider the following Table (see page 68), in which it is assumed that *the same amount of premium* is paid to each of two Offices. The calculations are made on the assumption that each of the Offices maintains the rate of Bonus declared at the last Investigation.

The example is not intended to be an extreme one—some of the Offices have unfortunately found themselves

Investment Assurance, Term 25 years. With Profits.

Age at entry, 30 next birthday.

Yearly Premium, payable to  
each Office, £40 14 2.Sum } Office "A," £1000.  
Assured } Office "B," £1058.

In the event of the Policy becoming a Claim.	Cash Return from the Policy.	
	Office "A."	Office "B."
After payment of—		
1 year's premium . . .	£1015 0 0	£1058 0 0
2 years' premiums . . .	1030 0 0	1058 0 0
3 " " . . .	1045 0 0	1058 0 0
4 " " . . .	1060 0 0	1058 0 0
5 " " . . .	1075 0 0	1058 0 0
6 " " . . .	1103 16 3	1103 15 2
7 " " . . .	1120 2 6	1111 7 8
8 " " . . .	1136 8 9	1119 0 2
9 " " . . .	1152 15 0	1126 12 8
10 " " . . .	1169 1 3	1134 5 2
11 " " . . .	1200 7 10	1153 5 4
12 " " . . .	1218 2 7	1162 15 9
13 " " . . .	1235 17 4	1172 6 2
14 " " . . .	1253 12 1	1181 16 7
15 " " . . .	1271 6 10	1191 7 0
16 " " . . .	1305 8 7	1209 1 4
17 " " . . .	1324 14 5	1219 19 1
18 " " . . .	1344 0 3	1230 16 10
19 " " . . .	1363 6 1	1241 14 7
20 " " . . .	1382 11 11	1252 12 4
21 " " . . .	1419 13 2	1268 0 4
22 " " . . .	1440 12 9	1279 13 1
23 " " . . .	1461 12 4	1291 5 10
24 " " . . .	1482 11 11	1302 18 7
25 " " . . .	1508 11 6	1314 11 4
At Maturity.. . . .	1521 1 2	1318 6 4

without any distributable surplus at a Division of Profits—but is given merely to indicate the difference in the return as between the various Offices.

It will be noticed that, although the same amount of premium is being invested in each of the Offices the return in Office "A" is very much greater than in Office "B," if we are to judge by the rate of Bonus declared at the last Investigation.

It is also of the greatest importance that a person taking out a Profit Policy should satisfy himself that the



Office which is selected is in the position to at least maintain its present rate of Bonus.

The Surplus in a Life Office is derived mainly from three sources—

First, *Interest* profit, that is Interest realised over and above the rate assumed in the Valuation.

Second, *Loading* profit, that is profit derived from economical management, being the saving as between the actual and the estimated expenditure.

Third, *Mortality* profit, that is the saving as between the actual and the estimated claims.

There are, of course, other sources of Surplus such as profit from the Non-Profit business, profit from Investments, profit from Annuity Business, and so on, but as we have said the chief sources of Surplus are Interest, Loading, and Mortality.

If, for example, an Office earns Interest on its Investments at the rate of 4 per cent. and assumes in its Valuation the rate of 3 per cent., then clearly the Office is realising 1 per cent. of Surplus Interest on its Invested Funds, which is a substantial contribution towards the profits of the Company.

Then if the Office is reserving, say, 18 per cent. of the Office premiums for expenses and profits and is spending at the rate of 10 per cent. of the Premiums, here also the difference is a substantial contribution towards the profits of the Company.

In several of the Offices the expected deaths are compared with the actual for each year, and the results are stated in the Annual Reports of the Offices. This, of course, is at the best only a guide to the profit from Mortality, but none the less testifies to the vitality of the Lives Assured. Some of the Offices investigate the Mortality profit year by year, or at least for each quinquennial period, and this, of course, shows the true position of the Office in the matter of Mortality profit.

## 70 INSURANCE AS INVESTMENT

The record of the past and the rate of Bonus at present declared by the Office are, as we have said, of importance to an intending Assurant. It is, however, with the future that his interest chiefly lies, and it is important in the case of a Profit Contract that the Bonus prospects of the Office should be carefully examined.

It is impossible to exaggerate the importance of this point. Take by way of illustration the case of the Office which at one period of its career was declaring a Bonus at the rate of £3 per cent. per annum. At the next succeeding Investigation the rate of Bonus was reduced to £2, 10s. per cent. per annum, and at the two following Investigations the rate was still further reduced to £2, 5s. per cent. and to £1, 10s. per cent. respectively. The effect of these reductions in a Policy taken out immediately after the Declaration of the £3 per cent. Bonus is as follows :—

**Whole Life Assurance With Profits.  
Policy for Sum Assured, £1000, effected July 1895.**

At End of Year.	Amount of Policy assuming Rate of Bonus declared at 1895 to be continued.	Actual Amount of Policy including Bonus.	Ratio per cent. of total declared Bonus to Total Assumed Bonus.
5	£1150 0 0	£1125 0 0	83
10	1300 0 0	1237 10 0	79
15	1450 0 0	1312 10 0	69

In considering the Bonus prospects of an Office the following points should be kept in view :

First, the Valuation basis, that is the Table of Mortality and the rate of Interest used, the general principles adopted in the Valuation, the Surplus shown at the last Valuation, the amount of same distributed, and the amount that was carried forward.

The Valuation basis is of extreme importance as affecting the very existence of the Office.

Second, the Securities in which the Funds are invested, and the method adopted in valuing the Stock Exchange Securities.

The question of the distribution of investments is a vital one from an Insurance Company's point of view. If the investments are concentrated in one security, or in one class of security, the Investor runs the risk of depreciation in capital and loss of income at one and the same time. The safety and prosperity of an Insurance Company is necessarily based upon the security of capital and stability of income, and this security of capital and steadiness of income is the basis upon which the Policyholder has to depend for the continued progress of the Company and for his participation in its well-doing.

It is essential, therefore, that the investments of a Life Company be judiciously distributed in order that on the average stability may be counted upon with certainty, and securities should be chosen which are not inter-dependent upon one another.

We have recently had brought home to us the manner in which the prosperity of our own Country can be disturbed by industrial confusion, the Coal Strike having affected practically every form of industry. Our Railways lost enormously and business in certain communities was practically at a standstill. Even making all allowance for undue speculation in Home Railway Stocks, there is the not welcome fact that the Investor who put his money into such securities early in the year has lost more money in the recognised heavy stocks even than in the more speculative

securities. If one could imagine an Investor who was so short-sighted as to sink all his capital in, say, Railways, Shipbuilding Yards, and Iron Works, one can see at once how very much his capital may be jeopardised and his income affected by occurrences outside the particular investment in which his money is sunk, and the same line of argument would apply in many other instances. We might have a flourishing industry severely hit by local depression or economic disturbances which could not be controlled.

It is therefore apparent that there is an absolute necessity for a wide distribution of capital, if its stability is to be ensured, and that no Insurance Company, which is dependent upon its investments for its very existence, can afford to ignore this cardinal point.

Under the Assurance Companies Act 1909, it is necessary to state how the values of the Stock Exchange Securities are arrived at, and a Certificate must be appended to the Balance Sheet to the effect that the Assets set forth in the Balance Sheet are in the aggregate fully of the value stated therein less any Investment Reserve Fund taken into account. Some of the Offices go further than is required by the Act, and publish very full particulars of their Investments.

Third, the average Rate of Interest realised. This should be compared with the rate assumed in the Valuation.

Fourth, the provision made in the Valuation for future Expenses and Profits. This should be compared with the expense at which the business is worked.

In this connection it must be kept in view that the expense rate of some of the Offices may be greater than the average, merely because the

New Business of the Office is a considerable percentage of the Total Business, and New Business is, of course, more costly to obtain than is the Old Business to retain. For this reason it is important to examine not only the ratio of Expenses including commission to Premium Income, but also the expense of obtaining the New Business after making a reasonable allowance for the expense of retaining the Existing Business, and the expense of retaining the Existing Business after making a reasonable allowance for the expense of obtaining the New Business.

Fifth, the progress of the Life Assurance Fund as shown from the Annual Reports and Accounts.

Here it is necessary to point out that the fact of a Company having several millions of Funds is no criterion of the Bonus earning power of the Company or even of the stability of the Company. It is necessary to compare with the Fund the Liabilities of the Company. It is also necessary to examine the basis of the measurement of these Liabilities and to apply to the particular Office, the tests of an Office generally.

Consider by way of illustration the following Offices :

Results of Latest Valuation.

	Office "A," Established 1845.	Office "B," Established 1840.
Mortality Tables . . . . .	0 <sup>m</sup> and 0 <sup>m</sup> (5)	0 <sup>m</sup>
Interest rate assumed . . . . .	£2, 10/- %	£2, 10/- %
Interest rate earned free of Income Tax . . . . .	£4, 1/- %	£4 %
Percentage of Premiums reserved for expenses and profits . . . . .	18	15
Percentage of Premiums absorbed in expenses . . . . .	12	15
Sum in hand for each £10,000 of net liability . . . . .	£10,145	£10,050

## Results of Latest Annual Account.

	Office "A."	Office "B."
Premiums received . . . .	£350,000	£1,200,000
Expense at which the business is worked :—		
Ratio % of Expenses on New Premiums . . . .	50	75
Ratio % of Expenses on Renewal Premiums . . . .	5	7½
Fund in hand at end of year . . . . .	£5,500,000	£8,000,000

The important points to be noticed here are—

First, the basis of Valuation is more stringent in Office "A" than in Office "B." This follows from the fact that Office "A" employs the  $O^m$  and  $O^m$  (5) Tables while Office "B" is content to employ the  $O^m$  Table. In other words, each Office takes credit for the same Premiums payable in arriving at its liabilities, but Office "A" assumes that the claims will be heavier than represented by Office "B," so that assuming the same careful selection of lives in both Offices, the profit from Mortality will be greater in Office "A" than in Office "B."

Second, the Surplus carried forward is greater in Office "A" than in Office "B." This follows from the fact that the sum in hand for each £10,000 of net Liability is £10,145 in Office "A" as against £10,050 in Office "B."

Third, the profit from Interest is greater in Office "A" than in Office "B." The margin in Office "A" is £1, 11s. per cent. (viz. £4, 1s. per cent. earned less £2, 10s. per cent. assumed) as against £1, 10s. per cent. in Office "B."

Fourth, the profit from Loading will be greater in Office "A" than in Office "B." This follows

from the fact that Office "A" reserves 18 per cent. of the premiums for expenses and profits, and is spending only 12 per cent. Result, a margin for Bonuses of 6 per cent. Office "B" reserves 15 per cent. for expenses and profits, and is spending 15 per cent., so that there is no margin for Bonuses in Office "B," that is out of the premiums to be received in the future.

Fifth, the expense of obtaining the New Business and the expense of retaining the Existing Business are very much less in Office "A" than in Office "B," the figures being 50 per cent. and 5 per cent. as against 75 per cent. and  $7\frac{1}{2}$  per cent. respectively. This means that while Office "A" spends 50 per cent. of the New Premiums in obtaining the New Business and 5 per cent. of the Renewal Premiums in retaining the Existing Business, Office "B" requires 75 per cent. of the New Premiums and  $7\frac{1}{2}$  per cent. of the Renewal Premiums. It is, of course, obvious that premiums saved represent Bonuses earned, and that the Office which spends least will have most to give away in Bonus.

The Premium Income of Office "B" is greater than that of Office "A," likewise the Fund in hand. The point, however, is that these figures by themselves mean very little, and must be considered in conjunction with the points to which we have referred.

All over the Bonus prospects in Office "A" are brighter and considerably brighter than in Office "B."

In examining the rate of Bonus of the different Offices it is important to have regard to the following :

First, the method of calculating the Bonus—that is, whether the Bonus is calculated on the Sum Assured only or on the Sum Assured and exist-

ing Bonus Additions, also whether the Bonus is given for each premium paid or in respect of each completed year.

Second, whether the Bonus is given from the outset or whether the Bonus accrues only from the end of the first year or after the first few years.

Third, whether the Office gives Interim Bonus, and if so at what rate and whether from the outset or only after the date of the first Investigation.

There are, of course, many women to whom Life Assurance is just as necessary as to men, women that is to say on whom wholly or partially falls the responsibility of a breadwinner.

There is, however, a growing Section of women who are earning their own Incomes, and who may be said to have no dependants, but who desire to provide for their own old age. For these the cheapest and best form of Policy is perhaps the Adult Endowment, under which Plan every shilling goes to provide the object intended, no part being absorbed in providing for the Insurance which is not required. The Premiums are, as a rule, returnable in the event of death before the maturity of the Endowment, so that the entire savings which were being laid aside for old age become available for friends or relatives. Briefly the benefits are as follows :

1. A capital sum in one cash payment on attaining the agreed-on age with the option to the Life Assured of exchanging it for
2. A Pension payable half-yearly for the remainder of life.
3. A return of all the premiums paid in the event of death before reaching the age.
4. A Paid-up Policy, free from future premium, for a sum exactly proportionate to the number of premiums originally payable and those already



paid, in the event of withdrawal after payment of a few years' premiums.

5. A Guaranteed Surrender Value in those cases where the Life Assured is unable or unwilling to continue the premium payments, that is in lieu of the Paid-up Policy.

There is also the Deferred Annuity, either With or Without return of premiums in event of death during the probationary period. One Office has a Scheme with benefits as follows :—

1. An Annuity to commence at age 55 and to be payable half-yearly for the remainder of life.
2. In the event of the Annuitant surviving until age 55 the Company will make at that date a cash payment in lieu of the Annuity.
3. In the event of the death of the Annuitant before age 55 all premiums paid are returned together with Compound Interest thereon from the respective dates of payment at the rate of 3 per cent. per annum less £1 per cent. of the Cash Option mentioned in preceding paragraph.
4. At anytime prior to entry upon the Annuity the Policy may be surrendered. The Company guarantees a Surrender Value of all the premiums paid together with Compound Interest thereon from the respective dates of payment at the rate of 3 per cent. per annum less £1, 10s. per cent. of the Cash Option.
5. Subject to the condition that three full years' premiums have been paid, the Company guarantees a Paid-up Policy for such proportion of the original Annuity as the number of full years' premiums paid bears to the number originally payable. In the event of the Annuitant surviving to age 55 the Company will pay at that date the same proportion of the equivalent Cash Payment in lieu of the Paid-up Annuity.

For example. A yearly premium of £5 (30 payments) will at age 25 next birthday secure an Annuity of £17, 4s. 8d. payable half-yearly after age 55. Alternatively at age 55 a Cash Payment of £245, 0s. 3d. may be taken at the option of the Annuitant in lieu of the Annuity and irrespective of her then state of health.

Another Office has a Scheme under which the Annuity is entered upon at any time after the age of 50 is attained, with the option of a Cash Payment in lieu of the Annuity and with an Insurance of the amount of the Cash Payment in the event of death after the age of 50 before making choice of the Annuity or the Cash Option.

For example, a yearly premium of £5 (26 payments), will at age 25 next birthday secure an Annuity of £12, 17s. 8d. payable half-yearly to be entered upon between age 50 and age 51 with the option of taking a Cash Payment of £200 in lieu of the Annuity. The premium payment may be continued after age 50, in which case the Annuity and the equivalent Cash Payment will be increased as follows :—

Age attained when Option is exercised.	Annuity.	Equivalent Cash Payment.
50-51 . . . . .	£12 17 8	£200 0 0
51-52 . . . . .	13 13 3	211 10 0
52-53 . . . . .	14 19 9	223 0 0
53-54 . . . . .	16 3 2	235 0 0
54-55 . . . . .	17 7 6	247 0 0
55-56 . . . . .	18 15 3	260 0 0
56-57 . . . . .	20 4 4	273 0 0
57-58 . . . . .	21 16 0	286 10 0
58-59 . . . . .	23 10 4	300 10 0
59-60 . . . . .	25 7 9	315 0 0
60-61 . . . . .	27 8 1	330 0 0
61-62 . . . . .	29 11 5	345 0 0
62-63 . . . . .	31 18 3	360 10 0
63-64 . . . . .	34 10 2	377 0 0
64-65 . . . . .	37 6 2	393 10 0
65-66 . . . . .	40 9 1	411 0 0

The premiums are returned in full in the event of death before the attainment of the age of 50 years.

The Policies are non-forfeitable, each premium securing a proportionate part of the Annuity or the equivalent Cash Payment at age 50 on application after 3 years' premiums have been paid.

There is also a Scheme of Deferred Annuity under which the payments may be made at any time, and in any amounts to suit the convenience of the Policyholder, also at any time before the attainment of the agreed-upon age the Policy may be surrendered, the Surrender Value being all the premiums paid together with Compound Interest at the rate of 3 per cent.

No Medical Examination is required under any of these Schemes, the transaction being completed with great facility and without any trouble. The Policies that are issued are very simple in form, are World Wide, and are free from any conditions other than the due payment of the premium.

Competition nowadays is more keen than it used to be, and the practice is becoming more and more common to provide to some extent for this competition by making provision for the children.

Time was when the Parent,<sup>1</sup> who desired to provide for his Child's future, bought a Money Box with a slot in it, and dropped in an occasional coin as circumstances permitted. Every such box was started with high intentions, but the achievement was rarely high. The coins too frequently seemed to be needed for some more pressing purpose, or the Box containing them was always too handy.

The Savings Bank superseded the Money Box, and many prudent Parents opened Bank Accounts for their Children's benefit, seeking in this way to discharge the

<sup>1</sup> Although the Parent is here specially mentioned, the arrangement may be made with any person, whether related to the Child or not.

always difficult duty of making provision for the future needs of their little ones. The drawback to complete success was found in the absence of a definite obligation to save, coupled with the readiness with which Savings could be withdrawn from the Bank. The Interest element, too, was necessarily small, and for years contributed but little to the effort.

Insurance, which in these days is so many-sided, has now come to the help of the Parent in this matter, and the manner in which the help is given is so simple, complete, convenient, and profitable, that one is inclined to wonder "why it was not thought of before."

There are several ways by which this provision is made.

There is first the Scheme of Endowments for Children. Under this Plan the Sum Assured is payable on the Child attaining (say) age 21 while the premiums are as a rule returnable in case of the death of the Child before age 21. This Table enables Parents or Guardians to set aside each year a sum of money in order to provide for the education of their Children or to supply the ready money to permit of their Children entering some business or profession on the attainment of an agreed-upon age. The following is an illustration of the Plan.

A Policy is taken out for £500 before the Child attains age 1, the sum being made payable at age 21. The Annual Premium is £17, 16s. 3d. The total payments in the 20 years will amount to £356, 5s., and therefore the sum to be withdrawn will exceed the sum paid in by £143, 15s. The excess of return over payments made is more than 40 per cent., which in itself proves how excellent is this method. Should death occur before age 21 the whole of the premiums paid are returned. The actual Savings only work out at £1, 9s. 8d. per month for a Policy of £500, and few Parents really concerned for a Child's career—and what well-conditioned Parent is not—should find this tax beyond their means.

An objection to this Plan is that the premiums are payable during the lifetime of the Child until the maturity of the Endowment. If, therefore, the Father were to die before the maturity of the Endowment the Widow might have a difficulty in meeting the future premium payments, though even in this event the Widow could, of course, take advantage of the Paid-up Policy privilege. The usual rule of the Offices is that each premium paid secures a proportionate part of the Endowment at age 21, proportionate, that is to say, to the number of premiums originally payable, so that if the Father were to die after, say, 5 premiums were paid out of 20 originally payable, the Child would be entitled to five-twentieths of the Endowment at age 21, even although no further premiums were payable.

There is, however, a modification of the ordinary Scheme under which the Endowment is payable on the Child attaining, say, age 21, while the premiums are only payable so long as the Father survives jointly with the Child until age 21, the premiums being returnable in event of the Child dying before age 21. The premiums under this Scheme are, of course, higher than under the ordinary Scheme, but the Father has the knowledge, that in case of his death the provision is certain for the Child. The following is an illustration of this Scheme :

A Policy is taken out for £500 before the Child attains age 1. The Annual Premium, if the Father's age is 30 next birthday, is £19, 10s. 10d. The total payments if the Father lives until the Child attains age 21, amount to £390, 16s. 8d. and therefore the sum to be withdrawn will exceed the sum paid in by £109, 3s. 4d. The excess of return over payments made is nearly 28 per cent. Should the death of the Child occur before age 21, the whole of the premiums paid are returned.

A modification of this latter Scheme is known as the Educational Endowment Plan. The expense of a

family increases as a rule as the Children get up in years, and just at the time when it is most necessary that income should be available for educational purposes, it is often a matter of difficulty owing to other and pressing claims. It is in order that the Father may begin to make the payments straight away, may indeed spread his liabilities over many years instead of over a few years, that the Offices have devised the Plan of the Educational Endowment. Briefly, the benefits are as follows :—

1. An Annuity of £100, to commence as soon as the Child attains age 16 and to continue for 6 years, the last payment being made at age 21.
2. In the event of the Child dying after age 16, but before age 21, the Annuity payments to continue as if the Child were still alive.
3. The premiums to cease on the death of the Father and to be returnable in full should the Child die before age 16.

The following is an illustration of this Scheme.

A Policy is taken out before the Child attains age 1 for an Annuity of £100. The Annual Premium if the Father's age is 30 next birthday is £30, 16s. 7d. The total payments if the Father lives until the Child attains age 16 amount to £462, 8s. 9d. The sum to be withdrawn in the course of the 5 years being £600, this exceeds the sum paid in by nearly 30 per cent.

There is another and perhaps the best plan of making provision for the Children, and that is the Endowment Assurance Plan. Suppose the Child is age 1 next birthday. The Policy is taken out payable, say, at the end of 20 years (that is when the Child attains age 21), or at the previous death of the Father. If then the Father survive until the Child attains age 21, the Sum Assured is available to serve as a provision for the expense of the Child entering upon a profession or business,

while if the Father die before the Child attains age 21, the Sum Assured is available as a provision for the Widow and Child just when a provision is most needed. An incidental advantage of this last Scheme is, that the Policy issued is, of course, a Policy of Assurance on the Life of the Father and the Father is, therefore, entitled to an abatement of Income Tax in respect of the premiums payable.

We come now to the Deferred Assurances for Children. Under this Plan the Sum Assured is payable in case of the death of the Child after, say, age 25, while the premiums are as a rule returnable in case of the death of the Child before age 25. The advantages of such a Scheme may be said to be—

1. No Medical Examination is required, and provision is thus made against the possibility of the Life being otherwise unassurable at age 25, from ill-health or other cause.
2. The Policy may be issued for an Assurance payable at death, after age 25 ; but on the date of attainment of that age several Guaranteed Options are available which admit of an alteration to that Class of Assurance which may then best suit the circumstances of the Life.
3. The Parent retains full control over the Policy until his Child reaches the age of 25 by his power to cancel the Contract before the assurance begins.
4. The Parent therefore does not commit himself irrevocably at the outset to a gift that he may come for any reason to regard as unsuitable. His pecuniary risk, too, is reduced to a minimum by the following provisions :
  - (a) In the event of the Child's death before age 25, all the premiums paid will be returned.

- (b) If the Policy is discontinued before the anniversary of the Policy preceding the attainment of age 25 by the Child, a Cash Surrender Value will be allowed of *not less than* all the premiums paid, except the first.
- (c) If the option to cancel the Contract is exercised on the anniversary of the policy preceding the attainment of age 25 by the Child, a special Cash Surrender Value will be allowed equal to a return of all the premiums paid accumulated with  $2\frac{1}{2}$  per cent. compound interest.

Policies may be effected either with the right of participation in profits after age 25, or at still lower rates of premium without such right of participation.

In the case of a Child aged 1 next birthday, an Annual Premium of only £8, 12s. 6d. secures £1000, payable at death after age 25—with right to participate in profits from that age.

The Policy need not be continued in this form, but on attainment of age 25, any one of the following options may at that date be selected.

(a) Continue payment of the Annual Premium for the term of Assurance selected for:—

1. An Assurance in the original form payable at death for . . . . .	£1000
or 2. An Assurance payable at age 60 or death for . . . . .	839
„ 3. An Assurance payable at age 55 or death for . . . . .	768
„ 4. An Assurance payable at age 50 or death for . . . . .	686
in each case with participation in profits.	

(b) Discontinue payment of the Annual premium and surrender the Policy (subject to all Premiums falling due prior to age 25 having been paid) for:—

5. A Cash Payment of . . . . .	£294
or 6. A Paid-up Assurance payable at death without Profits for . . . . .	920

(or for reduced amounts under the Endowment Assurance Class).



The Investment value of the Whole Life Assurance will be evident from the following Table, in which the Assurance is treated from age 25 onwards.

Whole Life Assurance to commence at age 25, With Profits after age 25.

Age at entry, 1 next birthday.

Sum Assured, £1000.

Yearly Premium, £8 12 6.

In event of death between ages	Cash Return from the Policy.	Cash Sum paid in Premiums.	Cash Profit from the Policy.
25-26 . . . . .	£1015 0 0	£215 12 6	£799 7 6
26-27 . . . . .	1030 0 0	224 5 0	805 15 0
27-28 . . . . .	1045 0 0	232 17 6	812 2 6
28-29 . . . . .	1060 0 0	241 10 0	818 10 0
29-30 . . . . .	1075 0 0	250 2 6	824 17 6
30-31 . . . . .	1103 16 3	258 15 0	845 1 3
31-32 . . . . .	1120 2 6	267 7 6	852 15 0
32-33 . . . . .	1136 8 9	276 0 0	860 8 9
33-34 . . . . .	1152 15 0	284 12 6	868 2 6
34-35 . . . . .	1169 1 3	293 5 0	875 16 3
35-36 . . . . .	1200 7 10	301 17 6	898 10 4
40-41 . . . . .	1305 8 7	345 0 0	960 8 7
45-46 . . . . .	1419 13 2	388 2 6	1031 10 8
50-51 . . . . .	1543 17 6	431 5 0	1112 12 6
55-56 . . . . .	1678 19 3	474 7 6	1204 11 9
60-61 . . . . .	1825 17 5	517 10 0	1308 7 5
65-66 . . . . .	1985 12 9	560 12 6	1425 0 3
70-71 . . . . .	2159 7 9	603 15 0	1555 12 9
&c.	&c.	&c.	&c.

If the Option is exercised to continue the Annual Premium for the term of the Assurance, and to alter to an Assurance payable at age 50, or at previous death, the Investment value of the Assurance will be as in the Table on p. 86.

It is interesting to compare the cost of the Child's Deferred Assurance if effected now with the cost of the same Assurance if delayed until age 25. This will be evident from the Table on p. 87, in which the cost is compared from age 25 onwards.

It is assumed in the Table that if the Assurance is delayed until age 25, the Child will still be assurable as a

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first-class Life, which is one of the reasons, perhaps the chief reason, why the Policy should be taken out now and not delayed until age 25, since, of course, when the Child attains age 25, he may be unassurable or assurable only at a very heavy rate of premium.

It will be generally conceded that, apart from the  
**Investment Assurance payable on attainment of age 50 or at  
 previous death if after age 25, With Profits after age 25.**

Age at entry, 1 next birthday.

Sum Assured, £686.

Yearly Premium, £8 12 6.

In event of death between ages	Cash Return from the Policy.	Cash Sum paid in Premiums.	Cash Profit from the Policy.
25-26 . . . . .	£696 5 9	£215 12 6	£480 13 3
26-27 . . . . .	706 11 6	224 5 0	482 6 6
27-28 . . . . .	716 17 3	232 17 6	483 19 9
28-29 . . . . .	727 3 0	241 10 0	485 13 0
29-30 . . . . .	737 8 9	250 2 6	487 6 3
30-31 . . . . .	757 4 3	258 15 0	498 9 3
31-32 . . . . .	768 8 0	267 7 6	501 0 6
32-33 . . . . .	779 11 9	276 0 0	503 11 9
33-34 . . . . .	790 15 6	284 12 6	506 3 0
34-35 . . . . .	801 19 3	293 5 0	508 14 3
35-36 . . . . .	823 9 5	301 17 6	521 11 11
36-37 . . . . .	835 12 10	310 10 0	525 2 10
37-38 . . . . .	847 16 3	319 2 6	528 13 9
38-39 . . . . .	859 19 8	327 15 0	532 4 8
39-40 . . . . .	872 3 1	336 7 6	535 15 7
40-41 . . . . .	895 10 5	345 0 0	550 10 5
41-42 . . . . .	908 15 1	353 12 6	555 2 7
42-43 . . . . .	921 19 9	362 5 0	559 14 9
43-44 . . . . .	935 4 5	370 17 6	564 6 11
44-45 . . . . .	948 9 1	379 10 0	568 19 1
45-46 . . . . .	973 17 7	388 2 6	585 15 1
46-47 . . . . .	983 5 5	396 15 0	591 10 5
47-48 . . . . .	1002 13 3	405 7 6	597 5 9
48-49 . . . . .	1017 1 1	414 0 0	603 1 1
49-50 . . . . .	1031 8 11	422 12 6	608 16 5
Maturity . . . . .	1043 8 10	422 12 6	620 16 4

value of the Assurance as a means of Investment, the gift to a young man of a Policy of Life Assurance, the terms of which make it easy for him to keep in force the Assurance, is at once an example of thrift and forethought on the part of the Parent, and an encouragement to the young man to exercise the same virtues on his own account.

Professor de Morgan, the eminent Mathematician, has declared that "there is nothing in the commercial world which approaches even remotely the security of a well-established Life Office."

The investment of Capital in the purchase of a Life

Child's Deferred Assurance. Sum Assured, £1000.

Assurance to commence at age 25, with Profits after age 25.

In event of death between ages	Cash Sum Paid in Premiums.	
	If Assurance taken out at Age 1 next Birthday.	If Assurance de- ferred until Age 25 next Birthday.
25-26 . . . . .	£215 12 6	£23 4 2
26-27 . . . . .	224 5 0	46 8 4
27-28 . . . . .	232 17 6	69 12 6
28-29 . . . . .	241 10 0	92 16 8
29-30 . . . . .	250 2 6	116 0 10
30-31 . . . . .	258 15 0	139 5 0
31-32 . . . . .	267 7 6	162 9 2
32-33 . . . . .	276 0 0	185 13 4
33-34 . . . . .	284 12 6	208 17 6
34-35 . . . . .	293 5 0	232 1 8
35-36 . . . . .	301 17 6	255 5 10
36-37 . . . . .	310 10 0	278 10 0
37-38 . . . . .	319 2 6	301 14 2
38-39 . . . . .	327 15 0	324 18 4
39-40 . . . . .	336 7 6	348 2 6
40-41 . . . . .	345 0 0	371 6 8
45-46 . . . . .	388 2 6	487 7 6
50-51 . . . . .	431 5 0	603 8 4
55-56 . . . . .	474 7 6	719 9 2
60-61 . . . . .	517 10 0	835 10 0
65-66 . . . . .	560 12 6	951 10 10
70-71 . . . . .	603 15 0	1067 11 8
&c.	&c.	&c.

Annuity in a first-class Life Office is a means of obtaining the maximum return on the Capital during the lifetime of the Annuitant, and with perfect security, and the minimum of trouble and inconvenience.

There are different systems of Annuity Business.

There is what might be called the Immediate Annuity System. Under this System, the Annuitant deposits

a certain Purchase Price with the Office, and in consideration receives an Annuity payable half-yearly or quarterly during his or her lifetime, and either with or without a proportionate payment from the date of the last half-yearly or quarterly payment to the date of death of the Annuitant.

Under the Immediate Annuity System the Purchase Price is paid to the Office once and for all, that is to say, no part of the Purchase Price is returnable by the Office in case of the early death of the Annuitant, and, on the other hand, no greater Purchase Price is claimable by the Office in case the Annuitant survives to extreme old age. The Contract is definite as between the Company and the Purchaser of the Annuity.

It might be as well to give a few examples of the System.

Example I.—A male Life whose age is not less than 70 years, may for each £1000 paid down obtain a return of £131, 5s. payable half-yearly for the remainder of his Life. The account will work out as in the Table on p. 89.

Example II.—A lady whose age is not less than 60 years has a sum of £10,000 invested in a security which yields a yearly Income of £350, being Interest at the rate of  $3\frac{1}{2}$  per cent. She is anxious to provide for her son during her lifetime, the son at present having an exceptional opportunity for developing his business. The sum of £5000 paid down to an Insurance Office is sufficient to provide an Income of £410 to the lady during her future lifetime (being Interest at a rate exceeding even 4 per cent. on £10,000), leaving £5000 to be transferred to the son. In this way the lady has increased her income by a matter of £60, and has at the same time provided for the future welfare of her son.

Several of the Companies pay the Annuities in full without deduction of Income Tax, when the Inland Revenue Authorities are satisfied that the total Income of the Annuitant is less than £160.

In event of death during	Amount Received in Annuity.	Difference between Purchase Price and Amount received in Annuity.	
		In favour of Company.	In favour of Annuitant.
1st half-year . . .	Nil.	£1000 0 0	
2nd " . . .	£65 12 6	934 7 6	
3rd " . . .	131 5 0	868 15 0	
4th " . . .	196 17 6	803 2 6	
5th " . . .	262 10 0	737 10 0	
6th " . . .	328 2 6	671 17 6	
7th " . . .	398 15 0	606 5 0	
8th " . . .	459 7 6	540 12 6	
9th " . . .	525 0 0	475 0 0	
10th " . . .	590 12 6	409 7 6	
11th " . . .	656 5 0	343 15 0	
12th " . . .	721 17 6	278 2 6	
13th " . . .	787 10 0	212 10 0	
14th " . . .	853 2 6	146 17 6	
15th " . . .	918 15 0	81 5 0	
16th " . . .	984 7 6	15 12 6	
17th " . . .	1050 0 0		£50 0 0
18th " . . .	1115 12 6		115 12 6
19th " . . .	1181 5 0		181 5 0
20th " . . .	1246 17 6		246 17 6
21st " . . .	1312 10 0		312 10 0
22nd " . . .	1378 2 6		378 2 6
23rd " . . .	1443 15 0		443 15 0
24th " . . .	1509 7 6		509 7 6
25th " . . .	1575 0 0		575 0 0
26th " . . .	1640 12 6		640 12 6
27th " . . .	1706 5 0		706 5 0
28th " . . .	1771 17 6		771 17 6
29th " . . .	1837 10 0		837 10 0
30th " . . .	1903 2 6		903 2 6
31st " . . .	1968 15 0		968 15 0
&c.	&c.		&c.

A few of the Offices issue Annuities with return of a portion of the Purchase Price in case of the early death of the Annuitant. It must, of course, be understood that the Annuity payable under these special Schemes is less than in the case of the ordinary System, that is

for the same Purchase Price. There are several Schemes of this description.

Under one Scheme, if the Annuitant die before having received an amount equal to the Capital deposited, the Annuity is continued to the heirs of the Annuitant, until the whole of the Purchase Price has been returned. In the event of the Annuitant surviving after having received back the whole of the Purchase Money, the Annuity continues to be payable in full until the death of the Annuitant as in the case of an ordinary Life Annuity.

Under a second Scheme, if the Annuitant should die during the first three years three-fourths of the Purchase Price is returned, if the Annuitant should die during the fourth or the fifth year one-half of the Purchase Price is returned, or if the Annuitant should die during the sixth or the seventh year one-fourth of the Purchase Price is returned.

Under a third Scheme, if the Annuitant should die before the Annuity Payments equal the Purchase Price, the balance of the Purchase Price is returned to the Legal Representatives of the Annuitant.

For example. A female Life whose age is not less than 55 years may, under the first Scheme, for each £1000 paid down, receive an Annuity of £64, 3s. 4d. payable half-yearly during her lifetime. Or a male Life whose age is not less than 65 years may, under the same Scheme, and for each £1000 paid down, receive an Annuity of £81, 19s. 2d. payable half-yearly.

Again, a female Life whose age is not less than 55 years may, under the second Scheme, and for each £1000 paid down, receive an Annuity of £66 payable half-yearly during her lifetime. Or a male Life whose age is not less than 65 years may, under the same Scheme, and for each £1000 paid down, receive an Annuity of £91, 16s. 8d. payable half-yearly.

By way of guidance it may be pointed out that the rate

of Immediate Annuity to a female whose age is not less than 55, is approximately £71, 10s. payable half-yearly per £1000, and in the case of a male whose age is not less than 65 is, say, £107, 18s. 4*d.* payable half-yearly per £1000. The Annuitant is asked to sacrifice the difference as between the Immediate and the Special Annuity in order to receive the Insurance benefits over and above the Immediate Annuity benefits.

The important point to notice is that, under the first and the third Schemes, there cannot be a loss of Capital to the Annuitant, while in the case of survivance beyond the probationary period there may be a substantial gain, although nothing like the gain that would in these circumstances have accrued if the annuity had been taken out under the Immediate System.

Some of the Offices issue what are called Guaranteed Annuities. Under this System the Annuity payments are guaranteed for, say, the first 10 years, whether the Annuitant lives or dies, while should the Annuitant survive the 10 years, the payments are continued during the after lifetime of the Annuitant.

A few of the Offices offer a larger rate of Annuity under the Immediate Annuity System, where the health of the Annuitant is impaired. Under this Plan a Medical Examination of the Annuitant is, of course, required.

This Scheme is of importance. There are many persons to whom an Annuity would be a most suitable Investment on account of the increased Income receivable, but who are deterred from the Purchase of the Annuity by reason of the fact that they are suffering from some complaint which in the long run will tend to shorten their lives. To such persons an Annuity is available, and at an increased rate, provided, of course, the Office is satisfied that an increased rate is warranted by the facts of the case.

There are other forms of Annuity. There is, for example, the Deferred Annuity. Under this System the Annuity commences on the Annuitant attaining a fixed age and the premium is payable either by Single Payment or by Annual Premium. It is, as a rule, a further condition that the premiums are returnable in the event of the death of the Annuitant before attaining the fixed age.

For example, a Doctor whose age is 40 next birthday, and who has no dependants, may decide to set aside so much per annum out of his Income in order to provide an Annuity to be entered upon after he attains age 55. Or a Schoolmaster who is to retire upon a Pension, say, at age 65 may decide to supplement this Pension by providing from year to year for a Deferred Annuity to be entered upon at age 65.

Other examples of Deferred Annuities are given on pages 77 to 79 of these Notes.

There is, again, the Joint Annuity, where the Annuity is payable only so long as two or more lives survive jointly, or the Joint and Survivor Annuity where the Annuity is payable during the joint lives and the lifetime of the Survivor of two or more lives.

For example: Two ladies whose ages are not less than 60 and 65 may decide to sink the sum of £2000 in the purchase of an Annuity of £140, payable half-yearly during the joint lives and the lifetime of the survivor. Frequently, however, the expenses are less while only one of the ladies is alive than while both the ladies are alive, in which case an alternative to the above would be to take an Annuity of £162, 12s. payable half-yearly during the joint lives, to be reduced to £108, 8s. payable half-yearly after the first death.

There is also the Contingent or Survivorship Annuity, under which the Annuity is entered upon on the death of one person, and is thereafter payable to some other



person, as for example an Annuity payable only so long as a wife may survive a husband.

For example, a Clergyman whose age is 30 next birthday desires to provide an Annuity of £100 for his Wife, whose age is not less than 30, the Annuity to be entered upon at his death and to be payable thereafter in half-yearly instalments to his Wife during her lifetime. The yearly cost of such an Annuity would be about £26, 5s.

For those who wish an Annuity during life together with the return of the Capital sum with Bonuses at death, there is the combination of the Immediate Annuity and the Single Premium Assurance. Thus if a male whose age is 50 invests the sum of £1000, he can secure (subject to Medical Examination) the following benefits :

1. An Assurance of £1000 fully Paid-up insuring the return of the Capital at death with Bonuses.
2. An Income of £27, 3s. for life payable in half-yearly instalments.

The fixed Income during life is fully £2, 14s. 3d. per cent., while if the Office which is selected for the Paid-up Policy maintains its present rate of Bonus, the Capital that is returned at death is as follows :—

In the event of the Policy becoming a Claim during	Capital Returnable.
Year 1 . . . . .	£1015 0 0
" 2 . . . . .	1030 0 0
" 3 . . . . .	1045 0 0
" 4 . . . . .	1060 0 0
" 5 . . . . .	1075 0 0
" 6 . . . . .	1103 16 3
" 11 . . . . .	1200 7 10
" 16 . . . . .	1305 8 7
" 21 . . . . .	1419 13 2
" 26 . . . . .	1543 17 6
" 31 . . . . .	1678 19 3
" 36 . . . . .	1825 17 5
&c.	&c.

If the Capital that is returnable at death is limited to £1000, being the amount invested, the return during life works out for a male whose age is 50 at £3, 9s. 6d. per cent. per annum.

It is of extreme importance that the Purchaser of an Annuity should satisfy himself in regard to the security which is offered by the Company which is to grant the Annuity. It must be kept in view that the Contract is not for a few years only, but is during the lifetime of the Annuitant.

It is not, therefore, sufficient to have regard merely to the return on the Purchase Price or to the cost of the Annuity. It is necessary to examine the security, and to make certain that the Office is not extravagantly managed. The main points in regard to the security may be said to be—

First, the Valuation basis—that is, it is necessary to make sure that the Table or Tables of Mortality that are used in the Valuation are up to date and that the rate of Interest which is assumed is certain to be realised during the currency of the Contracts.

Second, the Investments forming the Funds. It is necessary to see that these are not only sound Investments which are bringing in a good return, but that the Investments are well distributed over the various classes of securities. This is of the greatest importance to an Annuity Office, which is, of course, dependent for its existence on its Investments.

It may be pointed out that by Section 3 of the Assurance Companies Act 1909, an Assurance Company, which transacts other business besides that of Life Assurance, must keep a separate account of all receipts in respect of the Life Assurance Business, and the Life Fund is as

absolutely the security of the Life Policyholders as though it belonged to a Company carrying on no other business than Life Assurance Business.

It may be of interest to conclude these Notes on Insurance as a Means of Investment with the carefully considered opinion of Mr. John Wanamaker.

First.—That at that time I knew I was insurable, and I could not be certain of immunity from accident or ill-health, and it might be that at some future time I would not be insurable. *That was the first step to the building of sixty-two policies.*

Second.—That Life Insurance was one of the best forms of investment, because, from the moment it was made, it was good for all it cost and carried with it a guarantee that there was protection in that investment that I could not get in any other.

Third.—That Life Insurance in the long run was a saving fund, that not only saved, but took average care of my deposits and took me in partnership into possible profits, that not infrequently returned principal and interest and profit.

Fourth.—That Life Insurance, regarded from the standpoint of quick determination, was more profitable than any other investment I could make.

Fifth.—That it enabled a man to give away all he wished during his lifetime and still make such an estate as he cared to leave.

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