

**NOTES ON LIFE  
INSURANCE: PART FIRST -  
THEORETICAL. PART  
SECOND - PRACTICAL**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649658985

Notes on Life Insurance: Part First - Theoretical. Part Second - Practical by Gustavus W. Smith

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.  
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

[www.triestepublishing.com](http://www.triestepublishing.com)

**GUSTAVUS W. SMITH**

**NOTES ON LIFE  
INSURANCE: PART FIRST -  
THEORETICAL. PART  
SECOND - PRACTICAL**



# NOTES ON LIFE INSURANCE.

---

PART FIRST—THEORETICAL.

PART SECOND—PRACTICAL.

*WITH APPENDIX.*

---

"The rate of premium which must be charged in order to carry out an insurance contract, is the problem which stands at the threshold of Life Assurance." DR. FARR.

---

SECOND EDITION

REVISED, ENLARGED, AND RE-ARRANGED.

BY

GUSTAVUS W. SMITH.

---

NEW-YORK:

S. W. GREEN, PRINTER, Nos. 16 & 18 JACOB STREET.

1875.

HG 8771  
.56

LIBRARY Spectator Co.

---

Entered, according to Act of Congress in the year 1876, by  
GUSTAVUS W. SMITH,  
in the Office of the Librarian of Congress, at Washington.

---

" DOES the system itself rest on principles and laws so certain and stable as to justify a reasonable conviction that if the system is fairly and honestly administered, the bread that is cast on its waters will be surely found, though after many days?"

(JOHN E. SANFORD, 1898.)

" WHAT is wanted is that the school-house and the press, the universal educators, shall take up the matter, not in the interests of companies or their agents, but in that of the public and its coming generations. The companies have nothing to fear but every thing to hope from the most thorough discussion of their plans and the exposure of all the details of their management."

(ELIZUR WRIGHT, 1872.)

In case a renewal premium is not paid, the policy-holder has no right in equity, at his own option, to demand the return to him of any portion of the reserve. The original contract was for insurance; the policy-holder's contributions to the reserve fund are intended to provide for future insurance, and all that he is in equity entitled to is the insurance that these contributions will at that time effect.

(SEE PAGE 129 OF THIS WORK.)

In case a policy-holder does not pay his renewal premium: "The company ought to give him paid-up insurance, and can base it upon his contribution to the reserve fund." "This being done, the policy-holder has received the full value of his payments, in the commodity in which the company deals." "The theory that all the computed reserve is the individual property of the insured, to be demanded and received at will, is unsound and unsafe."

(PROF. BARTLETT, 1875.)



## PUBLISHERS' NOTICES.

---

THE following extracts are from some of the many letters addressed to the author of *Notes on Life Insurance*, soon after the publication of the first edition, 1870.

Mr. JOHN PATERSON, mathematician, Insurance Department, State of New-York, writes :

"I hesitate not to say that, in matter and manner, the work opportunely meets a great public want. To the unmathematical portion of the business community, who may feel interested, or even only curious, about this great financiering speculation, which has so recently, as it were, flooded almost the entire continent, it reveals in plain words, by successive steps, the entire process of management, and dispels all the presupposed mystery in which the question was involved—all this by ordinary arithmetic, the well-selected examples in which are clearly solved. Further than this, the algebraic deductions will bear the strictest scrutiny, and might well serve to initiate the tyro in actuarial science, while the advanced student may find some corroboration in the author's critical views. It is a household word with him, that what is usually termed the reserve is a 'Trust Fund Deposit,' does not in any sense belong to the company, but is a debt due to the policy-holder.

"The comments in the second part of the treatise deserve the thoughtful consideration of all officials, as well as incumbents, who stand under the banner of this mammoth institution of the age."

Mr. H. A. GRISWOLD, of Louisville, Ky., writes :

"I have read your *Notes on Life Insurance* with the greatest interest, and congratulate you on the ability with which a subject, usually so intricate and incomprehensible, is made intelligible to ordinary minds. No great mathematical knowledge is required : the algebra is within the scope of ordinary school instruction, and even this moderate amount is not necessary, provided the inquirer will assume the accuracy of a few formulæ."

Professor WILLIAM H. C. BARTLETT, Actuary of the Mutual Life Insurance Company of New-York, says :

"It gives me great pleasure to say that the *Notes on Life Insurance*, by General G. W. Smith, is a very valuable contribution to our stock of information on the subject, and I very heartily commend the work to public favor. It should be in the hands of every insurance agent in the country."

General ROBERT TOOMBS, Georgia, says :

"I have read your book with great pleasure, and consider it a very valuable addition to the science of Life Insurance, now greatly needed, especially by the people—I mean policy-holders—and I doubt not will be of incalculable benefit to them.

"You have given a simple rule, simplified, by which to enable thousands of policy-holders to know something of the condition of companies in which such vast amounts of their annual earnings are invested for the noblest of purposes, and with the means of arresting gradual decay and ruin of such of these companies as may be badly managed. I am very anxious to see it largely circulated."

Hon. OLIVER PILLSBURY, Insurance Commissioner of New-Hampshire, says :

"I have been much interested in your 'Notes.' They are all that I expected and more. I wish they could be scattered as leaves of the forest, all abroad. You have literally turned the mysteries of Life Insurance inside out, and rendered them susceptible of comprehension by ordinary reflecting minds. I consider the unpretending pamphlet worth more to me than all the elaborated volumes I have ever purchased. Your style is peculiarly adapted to the common people."

Prof. A. L. FERRY, of Williams College, says :

"I have read this work with great care, and I may add, with great interest. It has cleared up to my mind a subject of which I was almost totally ignorant before, although I have had three policies on my life for several years. In taking them out, and paying the annual premiums, I have walked by faith and not by sight. I believe I know now the why and wherefore, as well as the *modus operandi*."

The Hon. LINTON STEPHENS, Georgia, says :

"Your *Notes on Life Insurance* go to the very bottom of a knowledge which has heretofore been a sealed book to all but the *initiated few*, and places it within the easy comprehension of all intelligent men of business. Even persons of quite limited education can acquire from this most useful little work a sufficient acquaintance with the principles of insurance to enable them to judge for themselves of the trustworthiness of the multitude of different insurance institutions which are now claiming the confidence and struggling for the patronage of the public. The importance of this timely work is to be measured only by the present vast and still-increasing magnitude of the business of Life Insurance."

Prof. DAVID MURRAY, of Rutgers College, New-Brunswick, N. J., says :

"I have read the *Notes on Life Insurance* with the greatest interest. I am free to say that I consider it the best popular explanation of the theory and practice of Life Insurance that I know. I have examined, with constantly increasing admiration, the lucid development of, to most, a complicated and dif-

fiicult subject. It seems to me exactly fitted to be put into the hands of the officers and agents of all our life companies, in order that they may be furnished with something more than a mere 'routine' knowledge of their business."

General A. P. STEWART, Assistant Actuary of the St. Louis Mutual Life Insurance Company, says :

"I have read the 'Notes' very carefully. The discussion of the mathematical theory of Life Insurance is the simplest and clearest I have seen, and would be a good text-book on the subject for schools and colleges. The practical part of the 'Notes' is also very valuable, and should be read by every one who is insured or who contemplates insuring."

Hon. WILLIAM BARNES, former Superintendent of the Insurance Department of the State of New-York, says :

"In my opinion, it is the most useful and valuable work ever issued in this country for the purpose of popular information in the mathematics and fundamental principles of Life Insurance. Indeed, I am not familiar with any foreign book which attains the object so fully and completely."

General S. B. BUCKNER, Louisville, Ky., says :

"I can not adequately commend your *Notes on Life Insurance*. Though not addressed to insurance people, I consider them, in the present condition of the business, almost indispensable to agents. Nowhere else in the English language can be found so complete and so intelligible an epitome of all the principles which constitute the basis of Life Insurance. In the hands of any intelligent reader, they will unlock the mysteries in which some seek to veil the business which should be exposed in the clearest light."