

LIFE INSURANCE PREMIUMS TAXES UNJUST

Legislatures Placing Penalty Upon Thrift—Do Not Recognize Value to State

The relation between the love of country and the economic value of life insurance, or the patriotism of life insurance, was the theme of the address of Mr. J. F. Weston, managing director of the Imperial Life, at the underwriters' banquet. He took occasion also to complain of the continued tendency of the federal and provincial governments to tax far too heavily the premium income of the insurance companies, a tax which was paid by the policyholder—a penalty upon their thrift.

"The value of life insurance to the state is great," said Mr. Weston, "but I cannot find that our legislatures take that view. They vie with each other in placing taxes on the premium income, finding it an easy source of income. The people who pay the premiums make no protest, although it is a tax upon the thrift they practise. Our legislatures do not see in life insurance an institution which serves a patriotic end.

Ten Per Cent. Tax.

"A few weeks ago a member of the legislature in one of the United States introduced a bill to tax the premium income of companies with head offices outside the state 10 per cent. and that of home companies 5 per cent. This may possibly indicate patriotism to the state 50 per cent. greater than patriotism to the union, but the 5 per cent., as well as the taxes levied by all other states and provinces, is conclusive evidence that life insurance has not yet come to be regarded as a patriotic institution by our legislators, and that it has not taken hold of the imagination or esteem of the people to the point where they resent a tax upon it."

Continuing his unusually thoughtful address, Mr. Weston said: "Aggregations of capital for the carrying on of modern industries and commerce have been rendered possible by the relative immunity from loss which the individual investor or concern may secure by pooling its risks with a great number of similar risks through the medium of insurance. Fire insurance to protect against loss by fire, marine insurance to protect against damage or destruction of goods in transit, guarantee insurance to protect against breach of contract or dishonesty of employees. Capital guarantees itself against liability for injury to its workmen through employers' liability insurance and by any and every means made obligatory by law, or which hold the element of protection against any form of risk. More and more it is coming to recognize the inestimable value of good management by insuring the lives of the men who display such qualities in its service. It protects itself by as many varieties of insurance as it has risks to run which can in any way be made subject to insurance. This is the great underlying principle of security employed by capital for its protection.

Insuring of Lives.

"Is it less important to the body politic that the comfort and happiness of its individual members should be protected by the insuring of the lives upon which the means of such comfort and happiness depend? A nation's happiness and security is simply the aggregate of the happiness and security of its individuals. The vast bulk of our people depend entirely upon what they can earn by employing their strength, technical skill and whatever ability they have in the service of organizations, or under systems in which they have no vested interest, and which lack the power to support them when their usefulness is gone. It is appalling, if you pause to think of it, in what a preponderating number of cases the modern family depends solely on the earnings of a single life.

"The functions of, and need for, life insurance were recognized as soon as the risks associated with modern industrialism began to be felt. Its growth has been the most remarkable incident in the financial history of the last century. Within three-quarters of that time a number of companies on this continent have grown to be the largest single financial institutions in the world. The whole institution of life insurance, comprising all companies, has steadily developed in times of depression, as well as in times of prosperity, which demonstrates the increasing appreciation felt by the people for the protection which insurance gives. The number and amount of risks carried by the companies is

stupendous, but is still pitifully inadequate to cover the value of the lives upon which depend the maintenance of the homes of the country, the welfare of the next generation and the comfort of the worker of to-day when his period of usefulness is over. In a great majority of cases his insurance is all the average man has to show for his life's work, or to establish the claim of his family on the advantages of the community.

To Stimulate Business.

"Here on this continent we have been too busy exploiting the riches of a new country to have our governments do much towards stimulating the business of covering the risks underlying the lives of the people. In fact, the tendency has been opposite, by making insurance organizations tax collectors, and thereby reducing the amount carried through making it more expensive. The employers of labor, however, are coming very rapidly to encourage it in a very practical way through group insurance and by other plans.

"Wide as the recognition of the value and need of life insurance has become, it still requires, and will always require, a great educational propaganda to be carried on amongst the people. It requires all the initiative and combined force of the great organizations of all our companies to make its advantages apply to the great and growing need of the people. We have a field of limitless scope to develop in which the possibilities are constantly increasing. Our business will grow more rapidly in the future than it has done in the past because of the wider recognition on the part of the public of its paramount importance under present-day conditions. We can accelerate or retard its growth according to the methods we employ. No slipshod, drifting policy of mere expediency from the past has any chance of success in the brighter, keener period of the present. We need to employ practice which applies to all classes of insurers with absolute fairness if we are to avoid reactions and escape bringing the business into disrepute and ultimately involving it in legislative interference. Surely this should not be difficult in a business which rests on such a sound, scientific basis.

As to Salesmanship.

"Then as to salesmanship. I do not know why this greatest business of all businesses, in that it is sold to men in every class of business, should have the largest percentage of failures amongst its salesmen unless it is that it is too big for us to gain a clear enough perception of its real character and the breadth of its application. The agent of average ability who gets a comprehensive grasp of the business of life insurance, of the absolute need which exists for it amongst all classes of people, and of how its benefits can be made to apply to every department of human necessity, can make, and does make, a greater success than salesmen engaged in any other work. To such men every field holds a bountiful harvest for them to gather, but to the man who cannot secure this vision every field is a sterile waste.

Investments of Companies.

"In addition to the great personal advantages to be gained in the occupation, there is always the consciousness that in this business you are benefiting the community and the state. Look at your business from any angle in its relation to the state and you will discover that it is always rendering a patriotic service. As a concrete example of this, there is already invested over \$400,000,000 of life insurance funds in this country of eight millions population. The securities embrace government, municipal and high-class debentures of many varieties, mortgages on farm lands and other classes of property, all furnishing the means to develop and carry on the business of the country, and when an emergency arose, as it did on account of the war, and the minister of finance required to issue a domestic Canadian loan, the companies were able to subscribe a very substantial amount, and I have reason to know that they are now preparing to make a larger subscription to the next loan when it issues. This enormous amount of money is made up of the many small savings which the people have been educated to make by the persistent campaign of education which has been carried on by the life insurance agents everywhere. It is the result of thrift practised by the people, and the effect of that practice is not only shown by the millions of dollars which are yearly being paid to the dependants of those who have carried insurance, but is also shown in these vast investments which are contributing to the support of the community and the state."