

experience to regard increased discounts as a sign of increased business, than to consider their increase as a sign of national decay.

We submit the above to the English and Scotch journals who have recently made disparaging remarks upon Canadians and Canada, feeling confident that when they are made cognizant of the facts they will, at least, cease from such criticisms as we have referred to, against which we in this Dominion have a just right to protest, as they are most unfair to our country and most injurious to our credit and character as a people.

#### THE INSURANCE COMPANIES AS TAX COLLECTORS.

The general public is very slow to learn some of the elementary principles on which insurance companies are compelled to transact business. In fire insurance rate-making, as respects its basic idea, is extremely simple and capable of being easily understood. Nevertheless the public persists in maintaining crude notions on the subject, and as legislation is based on popular conceptions entertained by the people who elect the law makers from their ranks, the legislators do and have long done some exceedingly absurd things in devising statutory regulation of the insurance business. Both in this country and in the United States, notably in the latter, legislation has come to take the form of devices designed to regulate the methods and curtail the scope of the business in a great variety of ways. Ignoring the plain fact that the companies pay to the government a tax on their invested capital such as is exacted of corporations in general and, that they are taxed on their property holdings just as all other property is taxed, several forms of taxation, municipal and state, of a special character are levied to an extent that calls for tribute such as is exacted from no other line of business. Gross premiums are soundly taxed, fees for filing charters and for certificates of authority to do business in a state or a province are called for, and city councils vie with each other in compelling tribute for the support of fire departments, and the like, on the mistaken plea that the companies engaged in fire underwriting are benefited by whatever limits or lessens the extent of the fire loss.

The people persist in forgetting the fundamental fact that the province of fire insurance is to discover and classify the hazard insured against, and then to fix a price which long and widely extended experience indicates must be charged for the assumption of the hazard. If an efficient fire extinguishing service and solid, fire-resisting construction of buildings exist in a town or city, the hazard assumed is materially less than where these conditions are lacking, and the premium rate charged is correspondingly less, just as the risk of insuring a well-selected, healthy life is less than that of insuring an impaired or sub standard life. The enforcement of good building laws and the maintenance of an efficient fire department are purely prudential arrangements for the benefit of the owners of property and not for the benefit of the underwriters. They must neces-

sarily charge for the risk as they find it or go out of business.

It follows that if the people, through their law makers, add to the cost of assuming the hazard certain special exactions in the form of taxes, the companies must either add to their rates enough to cover this additional tax or forego any satisfactory profit on the business. Taking one year with another, the premiums collected by the companies, as a whole, have been graded so low that, after paying losses and expenses, scarcely five per cent. has been realized as a trade profit. The only logical and business-like way open to the companies is to act as tax-gatherers, and collect as a part of the premium rate the special tax which is levied on them, and which does not enter, primarily, into the rate-making calculations of underwriting, pure and simple. Slowly but surely the public is coming to see that the companies are disposed to act on this principle, not of choice but of necessity.

The latest somewhat striking object lesson on the adjustment of oppressive tax burdens has been given, we notice, by the Chicago Underwriters' Association. The legislature of Illinois, at its last winter's session, passed an act authorizing the municipal authorities of any city or incorporated town in the state to levy upon the fire insurance companies a special tax of two per cent. on the gross premiums collected in the city or town for the benefit of the fire department. Several cities hastened to avail themselves of the provisions of this law and passed ordinances accordingly. After due consideration, the companies, through their rating organization in the state, ordered the addition of five per cent. to the existing premium rate in the towns which had enacted the tax ordinance. The result was eminently satisfactory, for in less than thirty days after the increased rate went into effect the municipal authorities, in almost every case, repealed the tax ordinance. In Chicago, where a similar but more stringent ordinance was passed in February last, the companies deferred action, hoping for its repeal before July 1, when the first semi annual payment of the tax was due. No signs of such repeal appearing, the Chicago Underwriters' Association took action and voted to raise the rate on all city property five per cent, the increase to go into effect on August 1.

It was an important move, courageously made, and has naturally attracted wide attention. The city council, after putting up a bluff or two and threatening to institute proceedings against the Underwriters' Association under the anti-trust law of the State, has met the suggestion made by the underwriters for a conference on the subject by creating a committee of the council to confer with a like committee from the Underwriters' Association. The property owners who pay heavy premiums begin to see the point quite clearly, and the prospect is pretty good, for the repeal of the obnoxious ordinance will take place. If such a result is achieved, its educational value to the general public elsewhere will be great. It is highly desirable, for their own good, that the people be made to understand that all taxes of an excessive character, either by the