

LIFE INSURANCE LEGISLATION

Résumé of Recent Enactments—Unfairness of Taxation.

Life insurance companies of Canada have had an extended period of comparative calm since the troublous days of investigations and legislative proposals and enactments. It has been frequently remarked that few, if any, other commercial or financial interests could have withstood the assault so well, had they been stacked with the same energy and virulence as has been experienced by the life companies. Mr. D. E. Kilgour, the well-known Toronto actuary, thought that this showed that above the men and the management is the institution of life insurance itself, which, in the absence of fraud and treachery, is unassailable and invulnerable.

The Dominion Insurance Act, he continued, while safeguarding the business to the extent of requiring publicity and providing for a proper audit and valuation, has left the management comparatively unrestricted. The moot question of the value of government inspection has been brought to a head by recent events in Canadian life insurance, but whatever our opinion may be, I think we must conclude that inasmuch as good faith and common honesty are prerequisite in any business, we cannot hope that by using the most rigid system of inspection we may protect the public against every form of delinquency.

In Canada and in England we have not yet accepted socialistic standards of legislation, and we are for some time to come largely committed to an individualistic form of government. Whether or not some of the vexing problems which have concerned our management would have been partly solved by certain legislative restrictions, I hold that it is in the interests of the business and the public that we should continue to base our legislation on comparative freedom of action, personal managerial responsibility and true publicity with proper means to ensure the same.

While there have been no radically important changes in our insurance legislation, there have been a number of minor bills presented in the last few years affecting the business.

Bill Met With Defeat.

In February, 1911, a bill entitled "An Act to Amend the Insurance Act" was introduced before the Senate of Canada. The object of the bill appeared to favor the borrower by providing that if a mortgage was due it might be paid at any time to suit his convenience by giving one month's notice and paying a bonus of one month's interest. As matters stood the borrower had the privilege of paying off his mortgage at any time before maturity by paying a bonus of six months' interest. This bill met with defeat.

In March, 1911, a bill entitled "An Act to Amend the Corporation Taxation Act" was introduced into the legislature of the province of Manitoba by the provincial secretary. By it it was proposed to impose a tax of three-quarters of one per cent. on investments in the province in addition to the one per cent. tax on gross premiums. This bill was strenuously opposed by the life insurance interests, and while it was not withdrawn entirely, the tax was reduced to one-quarter of one per cent. on the gross income investments of all kinds in Manitoba.

In March, 1911, a bill was introduced in the province of Nova Scotia entitled "To Supplement the Revenues of the Crown." The new bill provided that every insurance company transacting business in the province should pay a tax of one per cent. calculated on the gross premiums received in the province. A strong effort was made to have the tax reduced to one-quarter of one per cent. and for the inclusion in the act of a provision giving the companies relief from municipal and local taxation. The original tax was, however, allowed to remain, the government agreeing to amend the municipal act so that no further tax would be imposed upon the companies, though leaving still in existence the tax imposed in the cities of Halifax and Sydney.

Foreign Companies in Alberta.

In the early part of 1911, information was received to the effect that foreign companies had been soliciting business in the province of Alberta without the necessary license authorizing them to do so. Steps were taken and legislation procured to prevent this form of poaching, and it was enacted that after the first of January, 1913, no foreign company would be allowed to carry on business in that province until such company furnished the provincial secretary with evidence that it was conducting its business satisfactory to the Dominion Government.

In the same year, legislation was also enacted by the Ontario Government in the form of a revision to the insurance act. This was introduced as a part of the recommendations of the special judicial committee appointed to revise the statutes of Ontario. While the alterations suggested were, for the most part, of minor significance, there were one or two sections involving principles which it was thought proper to assert; for instance, special exception was taken to the clause—placing in effect policies as soon as delivered. While in drafting the section the committee no doubt had in mind classes of insurance other than life, still no effect was given to the representations of the life interests. The position taken by the government was that it could not very well in-

terfere with the work of its own commission, however much they might appreciate the effect of our position.

In April of this year, new insurance acts were passed by the legislatures of the provinces of British Columbia and Alberta. Companies operating under a Dominion license were not affected to any extent.

Proof of Age.

In March last the following amendment to the Ontario Insurance Act was introduced:—Where the age of a person is material to a contract of insurance such age shall be inserted in the policy issued at the time of the issue, and in the absence of fraud such age shall be binding on all parties to the contract of insurance, unless within one year from the date of the said issue an error in the age so inserted is discovered, when the said policy may be rectified accordingly. The proposed amendment met with defeat at the hands of the special parliamentary committee, although the amendment which went into effect on July 1st was not much more satisfactory to the life insurance interest. This is as follows:—

"Every insurance corporation registered under this Act shall send to every person with whom the contract is made within one month thereafter a printed notice mailed to the last known address of the insured in such form as the superintendent shall approve, and annually thereafter until the proof of age is admitted, stating that the age of the insured is material to the contract and evidence that the age stated in the application is the true age of the insured will be required before the policy is paid."

This notice was also to be printed in red ink in type not smaller than ten point upon all notices to the insured and upon all receipts for premiums.

Life Insurance Legislation.

While on the whole we may agree that our Provincial and Dominion legislation on life insurance is sane and fair, we cannot overlook the fact that life insurance taxation is not only improper but entirely inimical to the best interests of the public whom the legislation is supposedly designed to serve. There are not lacking signs of prospective attempts to oppose additional taxation on life interests. As men actively engaged in the business, we must all not only resolutely oppose any addition to our taxation, but use our best efforts in an attempt to do away with all forms of life insurance taxation. The final arbiter is the public, and, as the public pay, it is a question of feasibility whether we should not consult them in advance. Taxes on accumulated capital are not only a tax on thrift, but are opposed in every respect to the principle of income taxation on the grounds of which premium income taxation is improperly and unfortunately defended.

GOVERNMENT RECOGNIZES IMPORTANCE OF LIFE INSURANCE

So Said Premier Borden, but First Consideration Must Be Always Security of Policyholders.

In his welcome to the life underwriters, Premier Borden made it plain that he realized the importance of the business of life insurance and that he and his colleagues would always give the greatest consideration to the suggestions of the underwriters so long as consistent with the public interest.

Life insurance, said the premier, was certainly a work which should commend itself to the judgment of all right thinking people. It was under the supervision of a special department of the government, who thought, as he was sure did the underwriters, that the security of the policyholders should always be the first consideration. The department was under the direction of the Hon. W. T. White and consistent with the public interest, every possible consideration would be given to the suggestions and representations of members of the association.

Life Insurance in Universities.

The premier was struck with the suggestion made at the convention, that there should be established in the universities courses of life insurance. This would be a desirable innovation.

With a country of vast area such as Canada, partly unexplored, with a relatively small population, such gatherings as the Life Underwriters' Association convention helped the units of the nation to understand each the other. Men from various parts of the country were brought together, east was brought face to face with the west; those who gazed on the Pacific began to understand the interests and ideals of the maritime provinces.

In this great country, the only danger seemed to be the danger of too rapid development, a development which might overreach itself in some sphere of activity. The good sense of the Canadian people, however, should check anything of that kind. The upbuilding of national character should not be overlooked.

As to National Insurance.

There was other than individual insurance, there being the great question of national insurance, the safeguarding of our national heritage.

Finally, said Mr. Borden, the government was prepared to co-operate with the Life Underwriters' Association in every way, so far as the public interest would permit.