

LIFE COMPANIES AND ONTARIO PROVINCIAL TREASURER.

A STINGING REPLY TO WILD ACCUSATIONS —ACTION AGAINST UNFAIR TAXATION TAKEN BEFORE WAR BROKE OUT—TAXATION OUT OF ALL PROPORTION TO SIMILAR TAXES.

We print below the greater part of the letter addressed by the Canadian Life Officers' Association to Hon. W. H. Hearst, premier of Ontario, apropos of the unjust accusations made against the life companies by Hon. Mr. McGarry, provincial treasurer, in reference to the pending legal fight on the question of the powers of the province to impose taxes on the gross premium income of the life insurance companies. Many of the points made in this effective reply are of a wide use and interest and will be found of service by the insurance men of other provinces where similar taxes are imposed, as an apt summary of the strong position of the life companies in this matter:—

"The remarkable statements of the Provincial Treasurer in his Budget speech regarding the refusal of Canadian life insurance companies to pay the Provincial tax on gross premiums, pending a decision by the courts as to whether the tax has been legally imposed, is a matter of surprise not only because of the manifestly unfair light in which he seeks to place the companies and company directors, but also because of the threat he sees fit to utter regarding his intention to penalize the companies, irrespective of any decisions which may be handed down by the courts, and of any question of principle or of justice which may be involved.

AN UNJUST TAX.

"The whole trend of his statement would imply that the companies seek to embarrass the Government. His statement that they willingly paid this tax during the whole time of the late administration is a misrepresentation of the facts. The tax has always been held by the companies to be unjust, and delegations have waited not only upon the present administration but upon the previous one to protest against the tax and to seek relief. Instead of relief there has been an increase, and when the increase of last year was announced, and this was months before war was thought of, the companies immediately engaged counsel to advise them upon the legality of imposing what they always considered an indirect tax upon their policyholders. This action was taken, as just stated, long before the outbreak of the present war, and yet the Provincial Treasurer implies that we unpatriotically took advantage of the opportunity which the war offered, and of some consequent embarrassment to the Government, as a favorable opportunity to test our case. We admit our inability to follow his reasoning in this respect, but deny positively that he is right, either as to the reason why or the date at which it was decided to resist what we have always considered an unjust and illegal basis of taxation.

STRENUOUS OPPOSITION.

"When this tax was first proposed in Ontario, a strong representation against its imposition was made by the life insurance companies. The Hon. Mr. Hardy at that time frankly admitted the injustice of the tax, but upheld the action of the Government on the ground that the Province required the money, and

that the life insurance companies should not object to a modest tax on premium income. Even at that time the question of whether the tax was *ultra vires* was raised, although no attempt was made to bring the issue before the courts. So far as the life insurance companies are concerned, and here it should be specially emphasized that a life insurance company represents the policyholders, there is absolutely no question of policies or political affiliations. The directors are representative men in the community, and are attached to both political parties. They have resented this tax for the reason that, being imposed on gross premiums, it would increase the cost of insurance to policyholders. The tax is borne and intended to be borne by the policyholders, as was admitted by a member of the Provincial Government at the time of the last representation on behalf of the life insurance companies.

INIMICAL TO PUBLIC WELFARE.

"The issue as to whether the Province has the right to tax life insurance premiums, and, if so, as to whether the tax in principle is correct and defensible, will be brought before the public in due course. Already many thousands of policyholders have protested against the taxation of life insurance premiums because they regard it as a tax on thrift and inimical to the general welfare of the public. The present taxation, as may be shown, is out of all proportion to similar taxes imposed on financial and other corporations. Even in the United States, where practically alone the principle of the tax is supported, there is a growing feeling on the part of the public that the tax is inherently wrong and subversive of their best interests. The insurance experts, including the majority of the State Commissioners, have openly opposed the tax. Further, in the continental countries and in Great Britain, where income taxes are the chief sources of revenue, there is no such tax. On the contrary, in the United Kingdom, personal income is exempt to the extent of one-sixth of the amount where utilized in the payment of life insurance premiums.

AN UNFAIR CHARGE.

"Nor are the Canadian companies in any way open to the severe charge of unfair treatment in respect of insuring combatants in the present war. The Canadian life insurance companies as a whole have dealt most generously in the matter of insuring war risks. Practically all the Canadian companies openly agreed not to charge any extra amount in respect of existing policyholders entering active service abroad, and this notwithstanding the fact that in many cases the policies specifically provided that an extra might be charged.

"Since the Canadian companies have practically all their business on the lives of Canadians, many of whom have gone or are likely to go to the front, they have already a larger percentage of their whole business exposed to such risk than any United States company can ever have, no matter how large a number they may insure. The Canadian companies have many millions at such risk now, with a certainty of having more as fresh contingents are formed. They have gone and will continue to go as far as safety to the whole will permit. Their course has been taken solely with regard to the interests of the policyholders as a whole and not to any pecuniary interests of directors and officers.