

**TAXES ON INSURANCE COMPANIES.**

The following is the text of a provincial government resolution respecting a change in the system of taxing certain insurance companies:—

Resolved—That, in lieu of the tax imposed by article 1145 of the Revised Statutes, every insurance company doing business in this province, in its own name, or through an agent, except mutual insurance companies, recognized or established under the seventeenth and eighteenth sections of chapter third, of title eleventh of the Revised Statutes, shall annually pay, if it is a life insurance company, a tax of one per cent., and if any other kind of insurance company, a tax of two-thirds of one per cent., calculated in both instances upon the gross amount of premiums, whether received or become due for original insurance or for re-insurance effected or renewed by such company in the province during the preceding calendar year.

That, in the case of re-insurance, however, the principal company shall be exempt from the said tax on the portion of the premium paid to the re-insuring company, if the latter does business in the province, and if such re-insuring company does not do business therein, the principal company shall be liable for the tax on the full amount of the premium:

That, in the case of insurance effected through an agent or broker, such agent or broker shall be obliged to pay the same tax as if the insurance effected through him were effected by a company doing business in the province.

By article 1145, referred to above, the following taxes are at present imposed:—

An assurance company carrying on the business of one kind of insurance is taxed only \$500.

An insurance company carrying on the business of two or more kinds of insurance at the same time, \$500.

For the first kind of insurance an additional sum of \$50 for each kind of insurance beyond one.

Without making any comment upon the object or purpose of the proposed change, we still venture to express regret at the appearance of a disposition on the part of the Quebec Government to follow the absurd and iniquitous course taken by Ontario in this matter of taxing insurance companies.

Those among our legislators who imagine the insurance companies pay these heavy taxes levied upon them without recouping themselves at the expense of the policy-holders are under a delusion deplorable to contemplate. The general public is very slow to learn some of the elementary principles on which insurance companies are compelled to transact business. The legislation in regard to them is too frequently based upon popular conceptions entertained by the people who elect the law-makers from their ranks. Ignoring the plain fact that the companies should only pay a tax on their property holdings, just as all other property is taxed, several forms of taxation, municipal and provincial, of a special character are levied to an

extent that calls for tribute such as is exacted from no other line of business.

These law-makers persist in ignoring 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 experience indicates must be charged for the assumption of the hazard. The companies must necessarily charge for the risk as they find it, or go out of business. It must then be manifest to all thoughtful men 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 add to their rates enough to cover this additional tax.

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, the profit has been small. If the municipal and provincial authorities continue to impose fresh burdens upon the backs of the underwriters, 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 did not enter, primarily, into the rate-making calculations of actuaries and others when the contracts of insurance were entered into.

Slowly but surely the public will be made to realize that the companies have been made to act on this principle, not of choice but of necessity.

When policy-holders begin to see that the companies are right, the prospects will be good for the abrogation of all obnoxious and iniquitous ordinances relating to insurance companies. If such a result is achieved, its educational value to the general public will be great. It is highly desirable, for their own good, that the people be made to understand that all taxes of an excessive nature, either by the province or a municipality, will simply be added to the cost, directly or indirectly, of a policy, and thus ultimately paid by the people who imposed them. The arguments against excessive taxation of the thrifty policy-holders are strong and numerous, and, when they are considered, our law-makers will cease searching for new points of vantage from whence to have a shot at the insurance companies.

Special taxes imposed upon insurance companies, resolve into an indirect discriminatory tax upon the thrifty who insure their lives and property. The insurance companies are simply trustees of certain funds placed in their hands by policy-holders.

Taxation should bear alike upon all classes: otherwise it is unfair, inequitable and discriminatory. Why tax the thrifty members of the community for the benefit of the whole, more especially as in return they receive no special benefit from the province?

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