

## POLICYHOLDERS BURDENED BY TAXES.

One of the effects of the gigantic growth of corporations is that they are composed of so many people, many things that concern each are not considered as affecting the individual members. Such, for example, is the question of taxation of insurance policyholders. If every one who remitted a premium for life insurance sent \$2 to some tax collector on each \$100 of premiums, there would be such an outcry about the taxation of life insurance as could not be withstood by our taxing authorities. Yet, as a matter of fact, more than this does go for taxes throughout the United States for each \$100 of premiums paid.

With the growth of this gigantic institution, the individual seems so infinitesimal a part of the whole and he seems so remote from the organization that his being affected is forgotten. If a tax were imposed on a partnership of two persons, of course both would know it and they would present every argument they could think of, if the tax was unfair, why it should not be levied. Similarly, if a small corporation were taxed so that every stockholder and officer could be communicated with and knew just how it affected his profits, they would resist it strenuously. But when it comes to taxing a railroad company, the steel corporation, or a body of life insurance policyholders, the difficulty is to make each policyholder understand that it affects him directly just as much as if the organisation consisted of three or four members instead of as many hundred thousand.

Unfortunately, years ago life insurance companies were not always conducted in a way that showed they were being managed for the policyholders' interests. Further, the taxation question was handled by the "Black Horse Cavalry" method and did not educate the policyholder to understand that he was affected. This must be overcome and lived down. The days of fighting taxation in this way will never return, and every real friend of insurance is glad they will not. But in the absence of these wrong methods, the enlightened opinion of policyholders must be aroused to the fact that they are the insurance company; that they own the securities, including railroad bonds, and all the assets of the company; that any increased expense, any loss, any tax imposed upon the insurance company comes right out of their pockets. It is safe to say that all officers of life insurance companies realize now, perhaps more than at any other time, that the governments of our various states, and even of the nation, will insist that insurance companies are public service institutions and must be run for the benefit of policyholders, who must be primarily considered. But the policyholder also must be made to feel this; and the more he considers the far-reaching effect of life insurance as an institution in equalizing losses, in promoting thrift, in averting dependency, in combating disease, in adding stability to the entire fabric of society, the more will he be interested in everything that adversely affects him and the more possible will it be to reduce taxation to a reasonable amount and at least place America on the basis of foreign countries; for it cannot be too often repeated that America is the *only country in the world* that so taxes life insurance. While it is favored by every other nation, even nations noted for heavy taxation, America is the one country that imposes an enor-

mous tax upon gross premiums paid by policyholders in almost every state.

Further, when policyholders of old line companies understand that fraternal organizations and assessment companies are not taxed—which is as it should be—they will resent scientific old line life insurance being picked upon for such a taxation burden as \$13,000,000 a year. Fraternal orders resist and successfully resist taxation because each member knows that it affects him and he is "on the job" at once if any tax measure is proposed and it is readily defeated. When the 25,000,000 policyholders of regular companies understand the same thing, it will be just as difficult—if not more so, because of their large numbers—to have legislation passed in their various states adversely affecting them.

A congress bringing insurance as an institution prominently before the people of the United States will further this appreciation of what life insurance is—not a private enterprise conducted for profit but the most gigantic public service institution in the world, comprising more people in its benefits than all other financial interests put together for the protection of the home, for provision for old age, for the reduction of dependents, and for the stability, prosperity and peace of all society.

EDWARD A. WOGGS.

## SELECTION OF BUSINESS.

The selection of business in fire insurance is very closely allied to discrimination in rates, but it is not exactly the same thing, for while, broadly speaking, any risk, or class of risks, may be profitable at a certain price, that price is not always obtainable. Just as in life assurance there are lives which are practically uninsurable, because an adequate premium is so high that it could not be paid, so in fire insurance there are risks from some cause or other so extremely hazardous as (taken by themselves) to debar their being written. We use the words "taken by themselves" advisedly, for underwriters will admit the same, and yet those very underwriters will occasionally accept the risks in question, upon the plea that they are brought by an agent or broker, who gives, or promises to give, an amount of desirable business to counteract the bad risks. The manager will argue that if he does not swallow the risk, "the other fellow" will get it along with the choice business, which is the sugar to sweeten the noxious pill; and so the game of grab goes on. We are afraid that expediency or apparent expediency triumphs too often over sound principle.

That the associated offices have inaugurated and carry out more inspection than formerly, we are free to allow; but does that inspection weigh with the Companies in the selection of their business to the extent that it should, and when a loss occurs are they not apt to blame the fire brigade or some other unhappy chance?

Perhaps there is no country where selection is more necessary than in a new one like Canada. Sound underwriting is to make a good showing in the face of adverse circumstances; and this can only be done by a careful selection of business, the managers make themselves acquainted through their inspectors and otherwise of the character of the risks offered for insurance, fixing the rates accordingly, and having sufficient backbone to reject the temptation of unsound competition offered by either agents or outside companies