

WAR TAXES ON UNLICENSED INSURANCE.

To the Editor of The Chronicle.

Sir—The perusal of your article on this subject in your last issue afforded much satisfaction, until the anti-climax was reached. As usual, your argument was most forceful and cogent—but all leading up to a beggarly 1%!

Have you any idea of what taxation the licensed companies are subjected to? They pay 1% alone to the Dominion Government under the War Revenue Act, 1915, besides being called upon to give up, under the Business Profits War Tax, 1916, a goodly portion of any "profits" they may be fortunate enough to make.

Then the various Provincial Governments take their whack out of the premiums, while some of the provinces admit of taxation by municipalities, of which privilege the municipalities are not slow to avail themselves.

The amount directly contributed by way of taxes to the Government treasuries is not the beginning and the end of licensed insurance's contribution. The licensed insurance interests become part and parcel of the body politic, and support the institutions of the country the same as every other business regularly established in the country. Unlicensed insurance does not. For instance, licensed insurance contributes to the military force of the country in the number that have left its ranks and are now to be found in the ranks of our army. What does unlicensed insurance contribute in this way?

When this thought was elaborated before the Senate Committee in 1910 some of the senators thought it a good joke. The amusing side of it does not stand out so prominently to-day.

In addition to the foregoing there are the time-worn arguments in support of protection which should apply in the case of insurance, for if the Government want free trade in insurance why don't they throw down the bars unreservedly?

Your article is all right up to the point of asking for 1%—make that 25% so as to about equalise the conditions and then it would be flawless!

January 15, 1916.

LICENSEE.

[The vigour of "Licensee's" arguments and style are admirable. But, in his haste he appears to have overlooked the fact that our argument last week for a "beggarly one per cent." was concerned solely with immediate war taxation by the Dominion Government—it had nothing whatever to do with the general taxation of the unlicensed concerns, which we cordially agree is a crying necessity. If "Licensee" will refer to articles appearing in our issues of August 18, 1916, page 901, September 15, page 965, and November 17, page 1105, he will see that we have some slight idea of what taxation means to the licensed insurance companies in Canada in terms of dollars and cents.—Editor.]

SOMETHING LIKE A SUBSCRIPTION.

The Prudential of London, the big British industrial life company, the cables state, has subscribed £20,000,000 (approximately \$100,000,000) to the new British War Loan. Presumably a large proportion of this subscription is represented by conversions. But even so, the action is a striking example of the enormous financial power existing in insurance institutions whose funds really represent the savings of hundreds of thousands of the poorer classes.

VALUATION OF INSURANCE COMPANIES' SECURITIES.

The Insurance Department at Ottawa has sent out to the insurance companies its annual volume containing the entire list of securities held by insurance companies in Canada as at December 31, 1916, together with the valuations thereof which will be allowed by the Department in its annual report. The valuations shown in this volume are to be used in the annual statements prepared by the companies for the year 1916.

It will be noticed, says the Department, that while the government securities of countries engaged in the war have shown in most cases a depreciation during the past year there has been a substantial increase in the value of practically all Canadian securities, particularly in the case of municipal securities.

The Department takes this opportunity of suggesting that as a measure of precaution against possible adverse conditions arising after the war the increase in the value of securities resulting from this re-valuation should be wherever possible set aside to create or increase an investment reserve fund.

In the case of companies for which a deduction from ledger assets is necessary on account of market values the excess of such deduction made a year ago over the corresponding amount necessary this year may be carried as an investment reserve fund or added to a fund of this nature already being maintained. In the case of companies for which no such deduction is necessary the same object will be attained by the increase in values as a result of the re-valuation being disregarded in arriving at the company's surplus.

In the case of companies which a year ago provided for the excess of book values over market values by the creation of an investment reserve fund equal to, or greater than, the amount of such excess, the same object will be attained by that fund being continued this year without reduction.

There are indications, concludes the Department, that security values as at December 31, 1915, will in a great majority of cases prove to be minimum values for a considerable number of years and by setting aside as an investment reserve fund the appreciation from year to year above those minimum values, the companies will be protected against a future depletion of surplus as a result of temporary depressions in market values, which are almost certain from time to time to occur.

THE NEW YORK LIFE.

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—i.e., refunds of premiums paid consequent upon low mortality and good management. Against the assets, already noted of \$866,988,842, legal liabilities are \$728,226,426 and there is reserved for dividends and contingencies, \$138,762,415. In spite of the fact that the Company has for many years transacted a large European business, actual death losses are only 71 per cent. of the expectation two points less than the experience for each of the three preceding years. The Company sums up leading features of the 1916 experience in the formula: mortality rate and expense rate reduced, interest rate and new business increased. Better evidence of continued vitality could not be desired.