INSURANCE TAXATION.

Synopsis of a Valuable Paper read before the Insurance Institute of Toronto, by Mr. L. A. Winter, Secretary Manufacturers' Life Insurance Company.

It is not going too far when it is maintained by those who have given some thought to the subject, that insurance is to-day one of the most heavily taxed institutions making directly for the welfare of the population and for the diminution of public burdens.

It has become a common occurrence on occasions of local need for additional revenue, to further tax the insurance companies' premium income, and yet it requires but a brief consideration of the real interests involved and of the real nature of the business, to make it clear to those free from bias or prejudice, that such taxes upon insurance are a tax upon prudence, a tax upon thrift, a tax upon a business which should be free from all burdensome restrictions to enable it to develop and expand to the highest possible degree of usefulness.

WHAT IS LIFE INSURANCE?

Life insurance which touches almost every phase of the body politic is only indirectly a creator of wealth, but directly a distributer. Over three quarters of a billion in Canada and thirteen billion dollars in the United States, under existing contracts, will change hands and the major portion of it will, within a single generation, provide for dependents, for widows and orphans and for the sustenance of the thrifty citizen who has provided for his old age. During 1905 over fifteen million was paid in Canada and two hundred and sixty-five million dollars in the United States in claims and losses—an average of over nine hundred thousand for each week day of the year. (This does not include the fraternal societies who paid about sixty-five million in claims.) During the past 20 years the enormous sum of over three billions of dollars has been paid to beneficiaries and policy-holders by the life insurance companies in Canada and the United States. In 1905, policyholders in the same countries paid in premiums to the regular life companies the sum of over five hundred and thirty-five million dollars, and the total amount of outstanding insurance at the end of that year was nearly fourteen billion dollars, including industrial and assessment companies, the number of policies being over six million ordinary, nearly seventeen million industrial, and four hundred thousand assessment, a total of about twenty-three million four hundred thousand policies.

If life had not a money value there would not be a basis for insurance or indemnity. The object of life insurance is to transfer loss from the immediate family to a corporate organism, composed of a large number of individual units. This principle underlies all insurance—that it furnishes indemnity (not profit), the making good, in a measure at least, for a loss which has occurred.

While it is not necessary in this paper to go exhaustively into details or statistics to show the inestimable value of life insurance to society, it is an established fact that pauperism has been materially decreased through the institution of life insurance. The great decrease of paupers in the almshouses of the United States according to published statistics, has been contributed to largely by life insurance. In Great Britain in 1832, a Royal Commission reported that through the operation of life insurance and friendly societies, no less than ten million dollars was saved annually to tax-payers. It was reported at the inaugural address of the Actuarial Society of Edinburgh (session of 1896-97) that the reduction in the poor rates was then equal to fifteen million dollars per annum, and from the large amount of insurance written since then by the British companies in consequence of the exemption from taxation, it is evident that this benefit would now be greatly increased.

THE RELATION OF THE STATE TO INSURANCE.

Irrespective of the form of control, whether mutual or stock, and the slight tax put upon the earnings for the stockholders, if it be a proprietary institution, the business of life insurance is essentially mutual in its character. The company is created, built up, maintained, and enabled to fulfil its purpose of indemnifying the families of those of its members who die, solely because a large number of persons in advance of any benefit paid, entrust the substantial sums represented by their premium payments to the small group who are actually charged with the administration of the company. There is no higher form of trusteeship than that which a life insurance company undertakes and it is right that the trustees of such enormous funds, contributed by so many different individuals from all sections, should be held to a strict responsibility by the Government, which has authorized the inception and development of the business. The object and purpose of this regulation is obviously that a government should protect such of its citizens as are policy-holders by seeing to it that the insurance companies soliciting their patronage and contributions are maintained in a healthy, financial condition, that they are honestly and prudently conducted and that the funds collected from the people are applied solely to the purpose for which contributed. The only object which justifies the State in regulating the operations of its life companies, is the safeguarding of the interests of its citizens insured. The taxation of life insurance premiums discourages the making of provision for dependents by adding to the cost; it penalizes the thrifty, and though a popular form of raising money, is clearly against public policy and the interest of the people.

CONDITIONS IN GREAT BRITAIN.

The details of the actual practice of different governments in our own country and in the United States, affecting insurance taxation, will be more clearly understood and appreciated if some reference is first made as to how the question is looked upon in Great Britain, and how differently insurance is regarded there. England