

TAXATION OF UNLICENSED INSURANCE COMPANIES.

HOUSE OF COMMONS DISCUSSION—SYMPATHY WITH LICENSED COMPANIES' CASE—BUT MINISTER OF FINANCE CONSIDERS PRESENT INOCCUPANT TIME FOR ACTION.

Following the activities of the All-Canada Fire Insurance Federation in calling pointed attention once again to the injustice to the licensed companies involved in the non-taxation of unlicensed insurance organisations, a discussion on the subject took place in the House of Commons on April 6th on the second reading of the Business Profits Tax Act. The following is an abstract of the discussion, to which we referred editorially in our last issue:—

MR. MACDONALD: I would like to have a statement from the minister in regard to a matter concerning which I have received, as, I think, other hon. gentlemen have received, communications. It is complained by the licensed fire insurance companies that, while they will be taxed, the fire insurance companies which are not licensed, and of which there is a large number in Canada, will escape. I do not exactly appreciate the distinction. I would like to know whether the minister has heard of the complaints, and what action will be taken with reference to them.

MR. GRAHAM: I think the situation is, that under the taxation Act of 1915, certain taxes were imposed on fire insurance companies having licenses in Canada, while other companies, which do business without a license in Canada were not taxed. I think that the point raised is by the insurance men who are interested in the licensed companies of Canada who object strongly that they should be taxed while companies that are not licensed are not taxed under the Act of 1915.

SIR THOMAS WHITE: My hon. friend will realize that this Bill could not apply to unlicensed companies which are carrying on business in Canada, because they could not be reached.

MR. MACDONALD: Why not?

SIR THOMAS WHITE: Because they have no offices in Canada. The companies, to which reference is made, are companies like the New England Mutuals, or other companies in the United States, or Lloyds, which have no offices in Canada, and which, therefore, can not be directly assessed in Canada. They do business in the Dominion in the way of insuring plants. The contracts for such insurance can be made outside the boundaries of Canada, or an agent may come to Canada and write a policy. But the Dominion cannot impose a tax directly upon them because they are not represented here. That is recognized by the licensed insurance companies, but the suggestion was put forward that as we would not be able to reach these companies by reason of their not being domiciled in Canada, a tax should be imposed upon the premiums paid by business people in Canada who insure in such companies, so as to equalize matters. There is a good deal to be said for a tax of that kind, but I may point out that five or six years ago a Bill was introduced for that purpose in this Parliament, that it passed the House of Commons, but was rejected in the Senate. It was quite a controversial measure, and I do not believe that at this particular time it is desirable to introduce a Bill which I think would give rise to a good deal of controversy, that is, a Bill imposing taxation upon the premiums paid by business houses in Canada to those unlicensed companies. Personally, I am of the view that, when the Insurance Act comes up for revision in this House, that question might properly be discussed, because there is a good deal to be said for the view of the licensed companies.

MR. GRAHAM: There is quite a large volume of business done by these New England companies, and it is quite unfair to the Canadian companies.

SIR THOMAS WHITE: The mutual companies will not come under the provisions of this Act.

MR. LEMIEUX: The fraternal societies are in the same position, are they?

SIR THOMAS WHITE: Yes.

TAXING PREMIUM PAYERS.

MR. GRAHAM: Objection is raised by the licensed companies to the non-taxing of unlicensed companies. These unlicensed companies do a large amount of business in

Canada amongst the manufacturers at a rate considerably lower than the licensed companies charge owing to certain conditions existing amongst themselves. I have had insurance agents come to me time and again last year about this very matter. I could not make out clearly why they were not taxed. I can see only one way of taxing the profits of these companies in Canada and that would be through the only people you could get at in Canada, namely, those who are paying the premiums. If these companies would allow those whom they insure a reduction equal to the amount of the tax they have to pay, I presume the manufacturers would not object to paying the tax. I see the difficulty which arises in taxing the premium directly. It might be done. I would urge the minister to consider it seriously, because, while by our tariff taxation and otherwise we are endeavouring to build up business in Canada, we seem to be putting a premium on companies that do not take out a license in Canada. I think the minister would be well advised if he would consider the matter very seriously and see if there is not some way of meeting this difficulty. Not only is there a very strong objection raised by the licensed companies themselves, but every representative they have in the Dominion is also deeply interested, as the minister can see, because these representatives do business largely on a commission basis and every premium they are deprived of not only injures the licensed company but really works detrimentally to the man in the field who solicits insurance.

THE SENATE'S ACTION.

MR. NESBITT: I have brought this question up for a number of years. Whenever the minister has changed his tactics I have brought it up. At the time the present Insurance Act was up for consideration there was a great deal of discussion over this question. The manufacturers and the licensed insurance companies met before the Banking and Commerce Committee at that time, and after two or three weeks of discussion arrived at a solution. The insurance companies based their argument on the fact that the manufacturers were protected in everything they manufactured, while the insurance companies were not protected at all. While they employed large staffs, invested their money practically all in Canada, erected large buildings in cities, and helped to build up the country to a very great extent, they were not protected at all and there was no inducement for them to take out a license. Yet they took out licenses not only in the Dominion, but in every one of the provinces. They took up the question of what they called underground companies, the New England Mutuals, the Reciprocal Underwriters, and the American, German and French Lloyds who do business in Canada without taking out any license whatever. The arrangement they came to in the Banking and Commerce Committee was that every assured person was to pay 50 per cent. of the premium. The proposal was sent to the Senate, but the Senate struck out the clause and put in a clause that the insured were to report to the Insurance Department the names of the underground companies that insured them and the amount of the premiums. I think they report that now. That is the way it ended, but there has always been a great deal of dissatisfaction on the part of the licensed companies because they have to take out a license if they want to do business in an honest and straight-forward way. They carry all classes of business and the reciprocal underwriters only carry sprinkler risks. Recently the Board of Insurance Underwriters also started a sprinkler department and they have a certain number of these risks themselves. At the same time they have to meet an unfair competition. These unlicensed companies do not pay anything towards the upkeep of this country, they derive a profit from their business, or they would not do business, and that is why I have always urged upon the present Minister of Finance, as I urged upon the former Minister of Finance, that it was only reasonable and fair that these unlicensed companies should be forced to pay a certain percentage on the premium which, of course, would have to be paid by the assured in this country. I think that ought to be included in this Bill.

MR. MACDONALD: I see that the minister has received a circular on this subject setting forth the arguments which are urged by the Insurance Federation in Canada in regard to the matter. They present the argument of the mutual companies that it would be inexpedient, having regard to the small amount involved, to impose taxation on these companies as it would involve a departure from the principle of the taxation of insurance companies directly. They suggest that the answer to this is that as a matter of general principle to impose a general tax upon one class of