

THE NEW PROVINCIAL TAXES.

In another page we give some extracts relating to the new direct tax imposed by the Quebec Legislature on commercial corporations, including insurance companies, and it is a measure which they consider inequitable and unjust. Had it gone into effect as at first proposed, it would certainly have tended to annihilate several of the most important industries in the Province. What inducement, for instance, would manufacturers have to establish new factories or works here? Might we not expect to see even Montreal capitalists starting mills in Ontario instead of Quebec, and many of our smaller manufacturing companies gradually removing to Toronto? What manufacturer would prefer to remain here when he could have equal advantages further west without these heavy taxes, and without what is perhaps worse, the sword of Damocles hanging over his head, in the shape of probable largely increased taxes in the near future?

But it is with the bearings of the measure on the insurance companies that we have chiefly to deal. Had it passed in its original shape, it is probably not too much to say that nearly four hundred agencies would have been closed, and the business of legitimate insurance brought almost to a standstill in the Province. But few of the smaller agencies could have borne the heavy load intended to be imposed on them. Even in the case of a large fire company like the Liverpool and London and Globe, the taxes would have amounted to between fourteen and fifteen per cent. of the gross premiums at all their agencies outside of Montreal and Quebec, and if Sherbrooke and one or two other places were omitted, the taxes for the other agencies would probably swallow up twenty-five per cent. of all the company's receipts there. In the case of the smaller companies, matters would be even worse.

Strange to say, there are a few people who think the law would not have been an unmixed evil even as it stood before being amended. They argue that fire business would soon have settled down as it has done in some parts of Brazil, where there appears to be a mutual understanding among the chief companies, that not more than one company shall be represented in any one of the smaller towns. There is consequently no competition and heavy rates are charged. Extra lines are covered by reinsurance, and the taxes which would be incurred by having several agencies are avoided. We are afraid, however, that the business is too demoralized in Canada to allow any hope that co-operation of any such kind would be possible except on a very limited scale.

The most important question is, how does the Act, as it stands, affect the companies. It will be noticed by a comparison of the text of the Act with that in the Budget speech, that very decided reductions have been made in the scale of fees. These reductions were obtained by deputations sent down to Quebec by the Montreal companies, and it is evident that if the Act is not *ultra vires*, they are of the utmost importance. To illustrate their real extent, we will take the case of a company doing fire and life business and having twenty-five agencies besides those at Montreal and Quebec. As first proposed, such a company would have had to pay \$2,200 per annum, but as amended, \$775.

It was announced at first that the municipal taxes in this Province would be abolished as far as concerned the cor-

porations now specially taxed. As was expected, however, the Government dropped this part of the programme. As many companies pay nearly five hundred dollars in municipal taxes annually, the two combined form a very serious burden.

The Act will greatly assist the mutual fire companies and co-operative life associations, as they are exempted from its operation, while the regular companies are taxed *out* of many places. Should the Act be proved to be constitutional, it is very probable that several companies will retire altogether from the Province, as for instance the Ontario Mutual, Federal Life, Life Association of Canada, Star, and Briton. It is seriously under the consideration, we believe, of at least one life company to deduct the taxes from the profits of its Quebec policy-holders, and to notify them of that fact; this would indeed create a stir.

The inequitable way of levying the tax is shown by the fact that companies like the *Ætna* and Briton, Royal and Sovereign, pay practically almost the same taxes. The rate ranges from about a third of one per cent. to twenty-five or thirty per cent. of the provincial income of different companies.

The Act is, we believe, likely to be contested, and we rather think that those who oppose it have a good cause. Justice at least is on their side whatever the law may be, for it is manifestly unjust to tax one section of the population for the benefit of another. The Provincial Treasurer, we hear, stated that as the amounts would be payable on the 1st of July, suits would be taken out simultaneously on the 2nd against those companies which had not paid. We may therefore expect lively times soon.

ADJUSTMENTS.

The use of competent adjusters is exemplified by an occurrence which recently took place in New York, where a grocery was damaged by water; the owner was insured for \$800, he first claimed \$600 and then scheduled his loss at the full \$800. Instead of having any words, the adjuster went over the whole stock carefully and patiently, and finally gratified the grocer with a check for \$75 in full of all demand!

Many losses in Canada are magnified by the ignorance or unreasonableness of the claimants, and many fires are caused by the examples of profit realized from unskilful adjustments, consequently Canada has not a good reputation amongst the underwriters of the world.

There is no doubt but that a systematic application of business rules in the adjustment of losses would lessen the loss ratios of Canada very materially; and although, in some cases, the popularity of the Companies who directed proper adjustments might be prejudiced, yet in the long run they would reap profit with comparative safety, because they would cease to be the mark for dishonest claimants.

In some parts of Canada the local agents are advertised as "adjusters of the losses of their agencies." We have no doubt of the competence of these gentlemen, but, locally, they must necessarily be embarrassed by their local necessities of business and social life, and it must require more than ordinary human nature to enable them to do exact justice in many cases.