

**CIHM  
Microfiche  
Series  
(Monographs)**

**ICMH  
Collection de  
microfiches  
(monographies)**



**Canadian Institute for Historical Microreproductions / Institut canadien de microreproductions historiques**

**© 1997**

## Technical and Bibliographic Notes / Notes techniques et bibliographiques

The Institute has attempted to obtain the best original copy available for filming. Features of this copy which may be bibliographically unique, which may alter any of the images in the reproduction, or which may significantly change the usual method of filming are checked below.

- ☐ Coloured covers / Couverture de couleur
- ☐ Covers damaged / Couverture endommagée
- ☐ Covers restored and/or laminated / Couverture restaurée et/ou pelliculée
- ☐ Cover title missing / Le titre de couverture manque
- ☐ Coloured maps / Cartes géographiques en couleur
- ☒ Coloured ink (i.e. other than blue or black) / Encre de couleur (i.e. autre que bleue ou noire)
- ☐ Coloured plates and/or illustrations / Planches et/ou illustrations en couleur
- ☐ Bound with other material / Relié avec d'autres documents
- ☐ Only edition available / Seule édition disponible
- ☐ Tight binding may cause shadows or distortion along interior margin / La reliure serrée peut causer de l'ombre ou de la distorsion le long de la marge intérieure.
- ☐ Blank leaves added during restorations may appear within the text. Whenever possible, these have been omitted from filming / Il se peut que certaines pages blanches ajoutées lors d'une restauration apparaissent dans le texte, mais, lorsque cela était possible, ces pages n'ont pas été filmées.
- ☐ Additional comments / Commentaires supplémentaires:

L'Institut a microfilmé le meilleur exemplaire qu'il lui a été possible de se procurer. Les détails de cet exemplaire qui sont peut-être uniques du point de vue bibliographique, qui peuvent modifier une image reproduite, ou qui peuvent exiger une modification dans la méthode normale de filmage sont indiqués ci-dessous.

- ☐ Coloured pages / Pages de couleur
- ☐ Pages damaged / Pages endommagées
- ☐ Pages restored and/or laminated / Pages restaurées et/ou pelliculées
- ☒ Pages discoloured, stained or foxed / Pages décolorées, tachetées ou piquées
- ☐ Pages detached / Pages détachées
- ☒ Showthrough / Transparence
- ☐ Quality of print varies / Qualité inégale de l'impression
- ☐ Includes supplementary material / Comprend du matériel supplémentaire
- ☐ Pages wholly or partially obscured by errata slips, tissues, etc., have been refilmed to ensure the best possible image / Les pages totalement ou partiellement obscurcies par un feuillet d'errata, une pelure, etc., ont été filmées à nouveau de façon à obtenir la meilleure image possible.
- ☐ Opposing pages with varying colouration or discolourations are filmed twice to ensure the best possible image / Les pages s'opposant ayant des colorations variables ou des décolorations sont filmées deux fois afin d'obtenir la meilleure image possible.

This item is filmed at the reduction ratio checked below /  
Ce document est filmé au taux de réduction indiqué ci-dessous.

10x		14x		18x		22x		26x		30x	
						✓					
	12x		16x		20x		24x		28x		32x

The copy filmed here has been reproduced thanks to the generosity of:

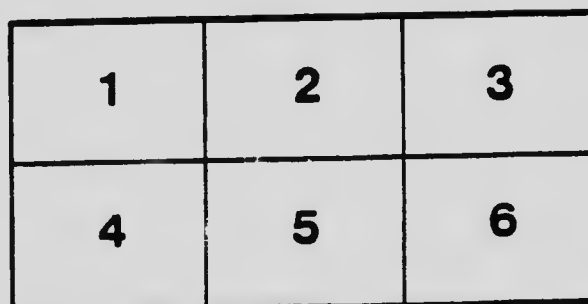
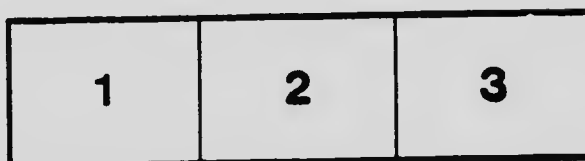
National Library of Canada

The images appearing here are the best quality possible considering the condition and legibility of the original copy and in keeping with the filming contract specifications.

Original copies in printed paper covers are filmed beginning with the front cover and ending on the last page with a printed or illustrated impression, or the back cover when appropriate. All other original copies are filmed beginning on the first page with a printed or illustrated impression, and ending on the last page with a printed or illustrated impression.

The last recorded frame on each microfiche shall contain the symbol  $\longrightarrow$  (meaning "CONTINUED"), or the symbol  $\nabla$  (meaning "END"), whichever applies.

Maps, plates, charts, etc., may be filmed at different reduction ratios. Those too large to be entirely included in one exposure are filmed beginning in the upper left hand corner, left to right and top to bottom, as many frames as required. The following diagrams illustrate the method:



L'exemplaire filmé fut reproduit grâce à la générosité de:

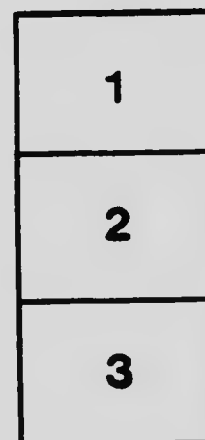
Bibliothèque nationale du Canada

Les images suivantes ont été reproduites avec le plus grand soin, compte tenu de la condition et de la netteté de l'exemplaire filmé, et en conformité avec les conditions du contrat de filmage.

Les exemplaires originaux dont la couverture en papier est imprimée sont filmés en commençant par le premier plat et en terminant soit par la dernière page qui comporte une empreinte d'impression ou d'illustration, soit par le second plat, selon le cas. Tous les autres exemplaires originaux sont filmés en commençant par la première page qui comporte une empreinte d'impression ou d'illustration et en terminant par la dernière page qui comporte une telle empreinte.

Un des symboles suivants apparaîtra sur la dernière image de chaque microfiche, selon le cas: le symbole  $\longrightarrow$  signifie "A SUIVRE", le symbole  $\nabla$  signifie "FIN".

Les cartes, planches, tableaux, etc., peuvent être filmés à des taux de réduction différents. Lorsque le document est trop grand pour être reproduit en un seul cliché, il est filmé à partir de l'angle supérieur gauche, de gauche à droite, et de haut en bas, en prenant le nombre d'images nécessaire. Les diagrammes suivants illustrent la méthode.



# MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



APPLIED IMAGE Inc

1653 East Main Street  
Rochester, New York 14609 USA  
(716) 482 - 0300 - Phone  
(716) 288 - 5989 - Fax

# **OTTAWA INSURANCE LEGISLATION**



**Arguments against  
proposed tax of 15%  
on fire insurances  
placed in companies  
not licensed in  
Canada.**

With the compliments of  
**WILLIS, FABER & CO.**  
LIMITED  
**MONTREAL**



KE1184

F5

W55

1909

\*\*\*

As general insurance brokers, we represent the owners of the property in insurance matters. Our position should not be confused with that of the agent representing, and acting for, the insuring company. We are not bound by the tariffs of insuring companies, nor wedded to any one set or class of companies or underwriters.

The oldest and most reputable insurance companies in the world are represented in Canada, and, under ordinary conditions, we are in favour of giving a reasonable preference to Canadian and local interests.

We are opposed to any legislation which will cut off competition.

The different points dealt with are the result of conversation and correspondence with many business men throughout Canada, and by summarizing these arguments we endeavour to show that there is in existence, at the present time, a natural preference in favour of the registered companies.

The Hon. Mr. Fielding expressed doubts as to the amount of tax to be imposed, and was evidently open to conviction on the point up to the time of the debate in the House of Commons on the 17th March, 1909, when the Minister of Finance decided not to press the Bill through the Senate until the public had had time to make further representations.

It is to be hoped that an emphatic contradiction will be forthcoming from the Canadian Manufacturers' Association, which was referred to in the House of Commons as having come forward with the suggestion of a tax.

For WILLIS, FABER & CO., LTD.,

RAYMOND WILLIS,

*Agent.*





## Ottawa Insurance Legislation.

*Clauses 70 and 139 of proposed new Act : fire insurance in Companies not licensed in Canada.*

The Bill as returned from the Banking and Commerce Committee, and passed by the House of Commons, imposes a tax of 15% on the net premiums paid for fire insurances placed with insurers not licensed in Canada; the tax is limited to 15c. on \$100 amount of policy.

A further clause is added requiring that returns be made to the insurance department showing the liabilities and premiums, etc., in Canada of the unlicensed insurers with whom the business is placed. In many cases such returns are not procurable.

The Bill as proposed allows the registered companies to reinsure without tax in unlicensed concerns, yet it denies the merchant the right to insure with the same concerns.

Those who supported the amendments referred to the proposed tax more in the light of a handicap to be imposed on the licensed companies than as a protection to them by compliance with Government restrictions. It was apparently intended as a compensatory measure to put the licensed companies on the same footing as the unlicensed insurers, and it was not intended to introduce the question of tariff protection generally into insurance.

Not asking  
for protec-  
tion.

The words of the representative of the Canadian Fire Underwriters' Association, at Ottawa, were:

"It is a mistaken idea to say that we are asking for protection; we are simply asking for fair play and to be placed on an equal footing."

If the licensed companies are not getting fair play and are not, at least, on an equal footing, legislation is certainly necessary.

Object of  
tax.

Presumably such a tax will only be imposed if it is decided that the registered companies do not, in other ways, get a preference and adequate compensation as a result of their registration and compliance with Ottawa Government regulations. The proper amount of such a tax will surely then be such as would somewhat exceed such additional expense as may be imposed on the licensed companies by reason of the Government regulations.

Amount of  
tax.

The licensed companies claim that they are losers by the difference in interest obtainable on the class of securities demanded for deposit by the Government and the interest which they could obtain by investing their money elsewhere. In the case of a Canadian company the deposit is fixed at a minimum of \$50,000. In the case of a foreign company a minimum of \$100,000 is demanded, and this figure is usually increased by the Government regulation that a foreign company shall show assets in the country in a certain relation to its liabilities to the public.

The following two examples will show that even if an insurance company's funds would not ordinarily be in the high class securities demanded by the Government, the total expense by loss of interest is not a very large figure compared to the premium income of the company, and it is on the premium income of the unlicensed insurers that the proposed tax is to be levied.

For example, according to the Report of the Superintendent of Insurance for 1907:

*Foreign Company—*

The Hartford Fire Insurance Company:

On deposit at Ottawa . . . . \$490,073

Net Cash received for Premiums . . 655,510

*Canadian Company—*

The Western Assurance Company:

On deposit at Ottawa . . . . \$ 63,553

Net Cash received for Premiums . . 418,823

Practically the only other expense imposed on the companies by the Ottawa authorities is the contribution to the up-keep of the Insurance Department, and this contribution does not amount to as much as \$1000 in the case of the largest company.

From this it will be seen that if the companies' loss of interest on the securities deposited be admitted at as high a figure as 1%, the total cost of the Ottawa Government regulations is, in the case of the Hartford Fire Insurance Co., less than \$6000, being under 1% of net cash received for premiums; the Western Assurance Co. less than \$1650, being under  $\frac{1}{2}$  of 1% of net cash received for premiums.

It is, therefore, to offset a charge of less than 1% that a tax of 15% is imposed!

*N.B. The above figures respecting contribution to the Insurance Department are outside estimates, and may be inaccurate, but the information could be easily supplied by the Superintendent's office.*

The class of securities provided for by the Ottawa Government are such as would be sought by insurance companies all over the world, yielding, as they do, a higher rate of interest than similar securities in other parts of the world. Investments desirable on their merits.

Provincial  
taxation.

Much has been heard from the representatives of the licensed companies of the burden of Provincial taxation. They have apparently overlooked, or at least made no reference to, the fact that the owner procuring insurance in unlicensed concerns is also subject to taxation on the part of the Provincial authorities. For instance, in the Province of Quebec every insurance placed with unlicensed insurers has to be declared within thirty days and a tax paid of 1% on the premiums, which would have been paid if the insurance had been effected in licensed companies.

Tariff pro-  
tection in  
insurance  
generally.

Some gentlemen have gone further, and advocate for the fire insurance business a general protective tariff such as is granted to the manufacturer. Insurance companies are not on the same plane as the manufacturer, who commits his capital irrevocably to the country. Insurance companies are not producers; are not employers of labour, to any extent; or builders up of the country except in a negative degree; the majority of the offices are branches of British or Foreign institutions; they are mostly large and reputable institutions, but the dividends, for the most part, go out of the country.

Serious mis-  
understand-  
ing.

Individual representations of certain members of the Canadian Manufacturers' Association, who appeared at Ottawa with the Insurance representatives of the Association, seem to have been interpreted by the Minister and Members to have been representations on behalf of the Association. The Hon. Mr. Fielding, before the Committee of Banking and Commerce, referred to the proposed tax as an "innocent little" tax, and spoke of it in the light of a concession to the Manufacturers' Association, which would be willing to agree to a tax of 35%. Mr. Fielding, in the House of Commons on Monday, May

17th, in the final debate on this Bill, is reported to have spoken as follows:

“.....But, after the question had been discussed, after it had been threshed out for several hours in the Committee, and after the view which I have endeavoured very imperfectly to present here to-day had been presented very forcibly by the Insurance Men, the delegation of the Canadian Manufacturers' Association came back and said: 'We want to make a further statement; we admit the reasonableness of the statement made by the Insurance Men; at the same time we point out that your Bill will make this business practically prohibitory, you impose your penalties in such a way that these New England Mutnals and other companies will not be able to do business here at all; do not prohibit them, do not shut them out, do not place upon us that burden, for we cannot always get the amount of insurance that we want or, sometimes, when we can, we have to pay too high a rate; we admit the reasonableness of the case, and that the Canadian companies and these licensed companies ought to have some measure of protection; and, if you want to put a moderate tax on this class of business, we think it reasonable, and are willing to submit to it.' That is the source of this clause; the suggestion came from the Canadian Manufacturers' Association.”

There are many other businesses that would immediately claim protection, and perhaps with greater justice. For instance, the wholesale merchant risks his capital in the country, maintains large offices, pays taxes and employs labour. His profits are spent in Canada, and he is a builder up of the

A greater claim to protection than insurance companies.

country, and yet is subject to the unrestricted competition of the British or Foreign firm, which can send an agent to travel through Canada selling in the same market, the same class of goods, imported subject to the same duties. The duties in such a case, of course, protect the manufacturer but do not protect the wholesale merchant.

Nature of  
business  
constitutes  
adequate  
protection.

The wholesale merchant's claim to protection would be a far stronger one than the insurance companies', since he is dealing in commodities which can be manufactured as well, if not better, outside of the country, and perhaps in commodities which must of a necessity be imported, and cannot be obtained in Canada. Insurance, on the other hand, deals with Canada peculiarly; the very nature of the business constitutes a preference in favour of "home manufacture," if the term can be applied to insurance. In other words, insurance is a local business, and under normal conditions will always be transacted locally.

Banks.

The banks are subject to expense and restriction; would it not be as reasonable for them to seek legislation imposing a tax on all money borrowed, except through the Chartered Banks of Canada?

Bounty on  
Canadian  
Companies.

If protection is introduced in insurance, should it not rather take the form of a bounty on Canadian companies to foster and strengthen Canadian companies as opposed to branches of British and Foreign companies, which could withdraw from the country at a moment's notice? It is a question whether the Canadian companies would be flattered by the suggestion that they needed assistance, but such a plan would be more in keeping with the principle of protection than would be the general tax proposed.

Other points are:

The proposal to base the tax on the premium produces the following result as an example: Basis of tax.

For \$1000 insurance protection on which the rate charged is \$1 per \$100 the tax will be \$1.50.

For \$1000 insurance protection on which the rate charged is 8c. per \$100 the tax will be 12 cents.

The amount of indemnity purchased in each case is the same.

The law already provides that underwriting companies which wish to do business here must comply with certain regulations. The Act, very properly, also provides that companies which do not comply with these regulations shall not be allowed to carry on business. Existing law.

The section of the existing Act reads:

No company or person, except as hereinafter provided, shall accept any risk or issue any policy of fire or inland marine insurance or policy of life insurance, or grant any annuity on a life or lives, or receive any premium, or carry on any business of life or fire insurance or inland marine insurance in Canada; and no company shall prosecute or maintain any suit, action or proceeding, either at law or in equity, or file any claim in insolvency relating to such business, without obtaining a license from the Minister to carry on such business in Canada. Business not to be carried on without license.

The unlicensed insurer is in the position of being sought by the owner of the property, or the owner's representative; and it is not seeking business from him. Unlicensed insurer not seeking business.

For instance, if content with the class and the volume of business, and their ability to handle it at long range, there is no reason why the directors of the Hartford Fire Insurance Company, as an example, should not withdraw the Company's deposit, retire from the country, and accept such Canadian business as will seek the company at its head office

at Hartford, Conn. The Hartford is represented in Canada presumably in order to be in close touch with the insuring public, and to secure a large share of the business by being on the spot.

Protection  
of public.

The original object of the whole Act was the protection of the public, and not of the insurance companies.

Registration  
an asset.

It was contended that allowing an owner to seek insurance abroad was according a privilege to one class of community not accorded to others. The position is rather that the registered companies want to have servants and offices in Canada, and want to deal in close contact with the public. The Government has decided that as a safeguard to the public it must impose certain restrictions and regulations on such companies, but there is no obligation on them to comply with these restrictions if they are content to remain out of the country and to accept such business as will seek them at their head office.

Apart from any national sentiment, the business man has a marked preference for a company which is subject to Government regulation and Canadian law, and the ordinary business man generally is willing to give, and gives to-day, a substantial preference to the local registered company. In this way the Government regulations and restrictions become an asset to the company rather than a burden.

At own risk.

The man who insures in unlicensed companies knows that he has to scrutinize his contracts, and that the Government is in no way sponsor for the security that he obtains.

Confusion  
of issue.

Apparently the impression imparted to the Minister, and to the Members generally, was that the licensed companies merely asked to be protected against law breakers. The issue was confused, and



argument was carried on as if the representative of the owner of the property was on the same footing as the representative of the underwriting company. In other words, a broker, representing the owner of the property, will place insurances all over the world, whereas the acting agent of an insurance company has the interests of that particular company to look after.

Emphasis has been laid on the fact of there being enough competition among licensed companies to protect the owner of the property against the possibility of excessive rates. Generally speaking, this is not a fact. Whilst the companies outside of the Canadian Fire Underwriters' Association are numerous in number, a reference to the last Blue Book, issued from the office of the Superintendent of Insurance at Ottawa, will show that for the year 1907 out of

\$16,114,475 net cash received in premiums by companies then under Dominion License,  
 \$14,219,632 was paid to members of the Canadian Fire Underwriters' Association, and  
 \$ 1,894,843 to companies outside of the Canadian Fire Underwriters' Association.

These figures do not include the many companies, mutuals and class insurers, under Provincial Charter.

With over 88% of the business reported to the Dominion authorities in the hands of companies who are members of one Association, observing uniform rates and clauses, it is not fair to contend that the business will be properly regulated by competition, if all outside competition is cut off.

A representative of the Canadian Fire Underwriters' Association admitted at Ottawa that five years ago the members of the Canadian Fire Under-

Competition  
among  
licensed  
companies.

Necessity of  
competition.

writers' Association were not in a position to meet the new conditions as recognized by the mutual companies. The nature of class insurance, the perfection of its control by specialists, and the natural distribution of risks, practically release class insurers from loss by conflagration; they are thus in a position to do a profitable business at figures that, under present conditions, no company doing a general business can meet. This same representative admitted that the mutual companies had taught them that certain protective appliances warranted special consideration. If this applied five years ago, and, assuming, for argument's sake, that competition is not required at the moment, will it not be required again in a very few years' time should the proposed Aet become law? For instance, apart from the cost of insurance, and in the matter of the form of the policy alone, competition is necessary to compel consideration of the insurer's needs. As in England, when fire insurance was first introduced, the applicant who wanted to insure a stock of goods was compelled to carry the building uninsured as an incentive to him to protect the stock; as in England only three years ago practically no fire insurance company could be found to undertake the risk of loss of profit contingent on fire; whereas to-day the field for this very class of business is being vigorously canvassed; so in Canada to-day there are still new conditions to be met which will not be met so readily if competition is cut off.

Special  
forms of  
policy.

Many large firms in Canada to-day are able to obtain fire insurance which will automatically protect the fluctuation in value of their stock, for which they pay a premium according to the exact amount that is actually at risk. This may be only in anticipation of what the companies generally will one day concede, but in the meantime it is of inestimable

value to a merchant to be able to obtain such a policy, and it will be a great hardship to him to be hindered in obtaining it.

If it is decided that the companies registered in Canada do not get an adequate preference, such a preference could be brought about beyond all doubt by a revision of the present statutes whereby insurance brokers, representing the owner of the property, could be licensed as insurance brokers, and made to contribute to the up-keep of the Insurance Department in accordance with the volume of the business which they transacted; such business to be declared by them at regular intervals to the Insurance Department, and, if necessary, a deposit exacted as a guarantee that the returns will be duly filed and that certain regulations laid down by the Government will be followed out. One of these regulations might well be that every policy of an unlicensed company procured for the owner by a broker, should be stamped in red ink with the words, "This Company has no deposit or assets in Canada." The result of such a ruling would be:

1. To safeguard the unsuspecting public in accordance with the policy of the Government.

2. To impose an expense on the representative of the owner, which expense would not make his attention to the interests of the owner impossible, but would result in his placing the business with registered companies where possible.

3. To lighten the expense of the registered companies by distributing the cost of the up-keep of the Insurance Department.

