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I.—*Is Fire Insurance a proper subject for Taxation ?* By W. Neilson  
Hancock, LL.D.

[Read March 23rd, 1856.]

OF the questions which the good feeling now subsisting between England and France has given rise to, perhaps the most remarkable is the competition in Fire Insurance between French and English Companies.

A French Company has started in London, and has offered to insure at 2s. per cent. the same risks as an English company would charge 4s 6d. per cent. for.

Whence the difference of price? The English have capital and skill in the business, and great competition amongst the Insurance Companies to reduce the price to the lowest amount. It is found, however, that the difference of price arises from the amount of the tax imposed by the English government.

It is stated in the *Times* that there is no annual duty in France; in England it is 3s. for £100. The premium of Insurance, exclusive of duty, in England is 1s 6d. The scale of taxation is, consequently, on common risks 200 per cent.\*

The contrast thus raises the question whether Fire Insurance is a proper subject for taxation at all. If we examine the tax, we shall see that it offends against the fundamental principles of taxation.

The tax is not proportioned to the means of the tax payers. The saving capitalist who invests his savings and spends little and the

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\* It is stated in the *Spectator* of 12th April, that the duty is equal to 7½ for £100. I have instituted inquiries in France, but have not got an answer in time for this publication, as to which is correct.

large landed proprietor do not pay in proportion to their means. The capitalist who has extensive machinery or a large stock of goods, the professional man who lives in a city, and the owner of house property, all pay largely for fire insurance.

Again, to whatever extent the amount of the duty deters people from insuring, and impedes the developement of insurance business, the community suffers to an extent far beyond what is brought into the coffers of the state. It appears that out of 923 fires in one year in London, in only 442 was there complete insurance; in 283 there was no insurance at all. Whilst in France seven-eighths of the property is said to be insured.

The manner of imposing the tax introducing a calculation and set of entries in every policy and every receipt, imposes a very considerable burden in addition to the tax.

The exemption of farming stock from the tax makes it partial and unequal in its application to different classes, whilst it shows the impression of the agricultural interest as to the impolicy of the tax.

The common sense objection to the tax is, however, the strongest. Why should the most provident act of civilized life be taxed at all? or, if taxed, why should the scale of taxation be of the enormous amount of 200 per cent., a higher rate than almost any of our indirect taxes?

It is idle to object to a tax without proposing a substitute. The duty of each citizen to contribute his share to the expenses of the state is one of the foundations of government. The whole question is, how is this duty to be discharged? I have in a former paper\* explained the advantages of a perfect income tax, and do not on this occasion propose to enter on that question. I shall only explain the amount of income tax that would be equivalent to the sum now produced by the duties on Fire Insurance.

From a calculation which I laid before this Society in December, 1854, and published in the first number of our Journal,† it appears that the Income Tax and that taxes on successions as at present levied in the United Kingdom, produce for each penny in the pound a sum of £1,600,000: that if these taxes were extended to all classes of the community, one penny in the pound would produce £2,000,000.

Now the duty on fire insurance has for the last four years produced about £1,200,000. It follows that an increase of the Income and Succession taxes by three farthings in the pound would produce the entire amount of the duty on Fire Insurance; and, under a perfect income tax, an increase of six-tenths of a penny would produce the required amount. Now the peculiarity of the increase of the income tax, as a substitute for an indirect tax, is that the labor and expense of imposing and collecting the tax is scarcely raised at all by a slight alteration of the amount; whilst each indirect tax, by interfering with a large class of human transactions, imposes such trouble and expense (far beyond what it produces to the state), as frequently to double the burden of the tax.

\* See Paper republished in this part, p. 285.

† Paper entitled "What a perfect Income Tax of Ten per Cent. would produce."