

the future. And the third important change to my mind is that the whole group pension business has become so important. And now, what is required to make group pension schemes work is different than for individual businesses and I believe that some of the powers given by this bill are required in order to facilitate the operation of the scheme. I agree that there is a very strong case that annuities should not be subsidized. I think they should be based on realistic assumptions. As to what is realistic, it is very hard to say. The interest rate is probably the big question, and 4 per cent government funds may be a factor. The government of Alberta never took into account in their case anything over 3.5 per cent, and they do not today. In Britain the annuities are now on an effective rate of something like 4 per cent. In Britain the annuities are supposed to be loaded for expenses. I do not think the loading is very much, but it does remain a fact that British annuities today are a great deal cheaper than ones issued by the annuities branch here. My belief is that if you can decide a realistic cost basis the annuities will probably be cheaper than they are today, and I think that is a very important fact. Now, the corollary to the suggestion that there should be no subsidy in the annuity is that, if that is so, surely the government should be able to sell them with as few other restrictions as possible. I think that if the government do get into the annuity field they should run it on business-like lines which would make the fund work; and, to my mind, that means that, in theory at any rate, there should be no maximum and that they should be able to do anything that any other underwriter should do. That is going rather far perhaps, but it is a side to which consideration should be given—where there is no subsidy they should be free to get all the business which offers in the field. Now, I think that is all I have to say.

Mr. WELSFORD: There is just one comment I would like to add at this time for the committee's consideration. It would appear that possibly the major point at issue is still—

The CHAIRMAN: Mr. Welsford, would you be good enough to speak a little louder, please?

Mr. WELSFORD: It would appear that possibly the major point at issue in this bill is that dealing with cash value. There is no question that cash values are definitely more desirable if the government wishes further to encourage participation in its pension plan for both groups and individuals. There are, however, some quite serious objections from the life insurance industry. If the government rates are put on a realistic basis, as we have been talking about, there is no question that the government rate is substantially lower than that which the insurance companies can offer. I know that not only affects the annuity business the insurance companies have, but will have a quite serious effect upon the other divisions of their business; such as endowment policies, and so on; and will have a quite restrictive effect on the insurance industry as applied to the question of further increasing the percentage of participation of the underwriting business in this group insurance field, and further restrictions of the nature of their operations. That is all I have to say, Mr. Chairman.

*By Mr. Knowles:*

Q. Mr. Chairman, I have a few questions I would like to ask. I gather from what Mr. Mercer and his colleagues have said that at the present time they are independent people are not recommending to their clients the use of government annuities to underwrite pension plans. I believe they were doing that to a large extent between 1940 and 1948 but at the present time they are not doing it. May I ask—although I think I did put the question