

is what it does, it invests in bridges, buildings, and so on. So, any rate of interest less than the rate of inflation is a good bargain for the government—but we better not get into a philosophical discussion like that.

What you want to ask is whether it is fair? I think probably it is an unfair thing that the government does not have to put up reserves whereas the insurance company does. It makes it difficult for the insurance industry, certainly.

Q. Do you think it has any bearing on the wide variance in administration costs?—A. I said that the best thinking today is that the mortality basis is amply conservative, and if that is the case then there will be no more transfers. If those transfers to reserves are proper figures, it is a result of past mistakes.

Q. I do not want you to think I am confusing actual administrative costs with the transfers to maintain reserves, but I just wonder whether one influences the other to any marked degree?—A. No, I think they are entirely separate.

The CHAIRMAN: Mr. Mercer, you said you had your actuary here to enlarge upon one point?

The WITNESS: I would like both Mr. Welsford and Mr. Coward to speak.

The CHAIRMAN: Which one would you like to call first?

The WITNESS: Mr. Coward.

Mr. COWARD: I will try to avoid repeating what has already been said and to keep it fairly brief.

We have already emphasized that we do not think we should make any remarks on the basis of the decision as to whether or not the government should issue annuities. Presumably that has been done by the will of the people and presumably, to my mind, they envisaged that annuities would be competitive and that they would really sell them—and not that the plan would be practically inoperative through having certain restrictions on it and such high rates as to be unattractive.

My own view is that the annuities have done a good service. They have proved attractive at times and there has been great expansion in fairly recent years, particularly in the group business. There is one point there which I think is important and it is that the original object of the Act was stated to be to encourage thrift and to enable savings to be made by, shall I say, poor people. I think that object has never been so well achieved as in recent years, because you have a limit on the amount of annuity now of \$1,200, as compared with \$5,000 at one time. So much of the money is now in respect of group pension plans which by their nature urged a very large number of people, and not the highly paid people, to save.

I would just, generally, like to say that I think the annuities have worked out favourably to the government and have done service to other people. I think the reason for this new Act is changed conditions, and the big changes, of course, are the increase in capital amounts and the interest rates. I am not going to argue very much about the profit factor up to 1931, but if that rate were—

The CHAIRMAN: Mr. Coward, would you speak a little louder, please, so members of the committee can hear you?

Mr. COWARD: And the reasons were that \$1,200 was considered a proper figure for a minimum annuity in 1931. But if that figure was correct then I think it is undoubtedly true that the maximum to date is twice, or more than twice that amount. Then, the second change which occurred is in the interest and mortality rates, and evidently the annuities branch wishes power to come in there as and when it is necessary. There have been three amendments in the last 15 years and I imagine you will have to have further amendments in