It is sometimes argued that the limit of $1,200 should be raised because of the lowered purchasing power of the dollar. Actually the present limit is much too high for subsidized annuities. There is literally no justification for subsidizing annuities of an amount which, together with the universal old age pension, would give the annuitant a purchasing power greater than the average expenditure per person in Canada. As well as this, the limit should be within the savings ability of the great majority of Canadians and within the area where old age assistance benefits may otherwise be required.

For these reasons, it is submitted that, if the practice of offering annuities at subsidized rates is continued, the maximum amount of annuity purchaseable should be reduced substantially from the present level.

V

The proposed introduction of cash surrender values is a radical departure from the tradition and purpose of the government annuities system and of major concern to the life insurance business.

Heretofore the government has always been in the annuity business in a limited way—limited as to the maximum annuity purchaseable and limited as to the type of contract offered. Its contracts have always been deliberately inflexible. In particular example, it has always been a cardinal feature of the Act that owners of government annuities have not been permitted to withdraw their funds except as life annuities. The purpose of the legislation has always been to provide retirement income solely in the form of life annuities.

Attention is directed to the following significant statement made on June 14, 1934, to the Special Committee of the Senate on Public Accounts and Estimates by Mr. E. G. Blackadar, A.S.A., then Superintendent of the Annuities Branch:

> "... We absolutely refuse to pay out a man's money. We protect him against doing anything foolish. He has got to draw the money in an annuity. If he is destitute at forty-five and has enough to his credit to buy an annuity we give him an annuity then."

Many people have always felt that the only possible justification for the sale of government annuities below cost was that its contracts were inflexible and that all contributions were "locked in" so that they could never be used by the purchaser under any circumstances for any purpose except to provide an annuity.

There is ample evidence to indicate that it has never been the government's intention to interfere with the operations of the life insurance companies in such a way as to restrict the services they are offering to the public. For instance, the late Hon. Mr. W. S. Fielding remarked in the House of Commons on March 12, 1920, that "it was never intended that this should be a scheme to compete with insurance companies." And yet, the introduction of cash surrender values would accomplish exactly this result. It would not only drive the companies out of the annuity field but it would also interfere seriously with the sale of all insurance policies involving long term savings.

It is axiomatic that no private business of any kind can survive if the government offers at less than cost, on exactly the same terms, the identical service or product as that of the private firm. This is precisely what will happen in the life insurance business as now conducted if future purchasers of government annuities are given a cash surrender privilege because this privilege is presently the most significant difference between government annuities and company annuities.