

You have some of the officials from the annuities branch here today and I am quite willing to have anything I say confirmed. Now, I think that if you want to be in the annuities business you should include your expenses and I think you should not use 1.6 per cent—or whatever you have worked it out to be—because I think that is probably not high enough. There are so many things which should go in there which I do not think you have included. For example, depreciation on buildings, and all that type of thing. Suppose it is 3 per cent or it may be 5 per cent, I do not know, but I could point out to you that if it is as high as 5 per cent, and even if you load your rate for 5 per cent, if you take 5 cents out of every dollar you receive and use a realistic rate of interest and a realistic mortality basis, which I think you are using now, and you allow a person to get back 95 cents out of every dollar he has put in plus the rate of interest, then government annuities will sweep across this country.

But you have got to decide whether or not you want that to happen. I am not sure. I do not know whether or not it is a good thing. But I do think you should include your expenses in there and I do not think that would stop the sale of government annuities.

The CHAIRMAN: Will you please continue with your next point.

The WITNESS: I think that summarizes my feelings, Mr. Chairman. I think the government must decide, as one member said that it already had—whether or not it is going to remain in the annuity business. If it does not want to continue, it can leave government annuities as they are at present, and they will wither and die. I think they have already started to do that, although it is not apparent because the volume of income is still high, but most of that money is in respect to old contracts.

On the other hand if you want government annuities to be healthy, you must pass a bill similar to the one which is before you. As a citizen I do not like to see a bill give so much power, or place so much power in the hands of the minister and the minister's department. I feel that way about all functions of government, not only this; also I agree entirely with the insurance industry and with other critics, that the annuities should be self-supporting. And I do not think you would have anything to fear in making them self-supporting.

At the present time I can buy an annuity from an insurance company at a lower cost than from the government for certain ages. So it would appear that you would not be losing very much money at the present time.

Mr. KNOWLES: Both individual and group, or just one of those?

The WITNESS: Individual immediate annuities can be bought at a lower price from certain insurance companies at about age 65. At age 65 and over individual annuities can be bought at lower prices from certain insurance companies than they can be bought from the government.

Mr. GILLIS: What about the tax features?

The WITNESS: The tax features are exactly the same. There is no tax advantage in government annuities. There was up to 1941.

That is about all I have to say but I would like to make the point very clear that we have no financial interest and we do not consider it our business to suggest to the government whether it should be in the annuities business or not. As an individual I must say I am against the government being in the business, but I cannot speak in that way on behalf of my clients.

However, to the extent the government is in the business it should be in it properly, I think.

Mr. LENNARD: Might I ask the witness a question?

The CHAIRMAN: Yes, surely.