

Q. Do you think there is a trend among working people to save for a short time and then, if they see something which is attractive to them, to withdraw that money?—A. No. As a matter of fact, the annuity policies which are sold by the companies are not attractive as short term savings contracts. We advise all of our purchasers of deferred annuity contracts that they should not buy them unless they are contemplating long term savings and we tell them that the contract would not prove to be a good one if they have to surrender it within a few years.

*By Mr. Knowles:*

Q. A person actually will lose if he surrenders it within a short time?—A. Yes, Mr. Knowles, everybody loses. The company loses, the person who purchases loses, and our field men lose.

Q. Is there not a feeling on the part of your companies of opposition to the cash surrender value feature in government annuity contracts, and that they should not have it in their annuity contracts?—A. In one sense, as I have endeavoured to indicate, we want to grant as flexible contracts as we can. If it were possible for us in practice to grant contracts without a surrender value, we might do so for certain purposes; but it is completely impractical because we cannot make our contracts non-assignable. The government contracts have been non-assignable, but if we issued a contract today which had no cash surrender value, what would happen? If the individual wanted to cash in on it, he would do just as he would do in England, he would sell his contract to somebody, and perhaps he would do so at a substantial loss; so we do not think it would be fair for the life insurance companies to issue assignable contracts without cash surrender values.

*By Mrs. Fairclough:*

Q. I believe you stated that if the government annuities provide cash surrender values, it would leave the life insurance companies with no advantage over government annuities. Is there no other advantage that the insurance companies have over government annuities? What else do you have that makes them a more attractive purchase than a government annuity?—A. You are speaking of our deferred annuity contract as compared with a government annuity, if they both contain cash surrender values?

Q. Yes.—A. We provide a different type of service in the sense that we deal with people from time to time and endeavour to keep them saving systematically. We have this assignment privilege which we must grant, because there is not any satisfactory way for us to deny the purchaser the right to dispose of his own property. We are not in a position where we can legislate as the government can in connection with its contracts. We have provisions for loans and settlement options. There are certain other provisions which can be arranged but do not relate directly to contracts, such matters as provisions for disability income. It is our opinion that the situation will undoubtedly be one where the main elements of the contracts, the cash which is available, the annuity which is available, will be comparable under the two contracts, and the government contracts will be sold at lower rates. Under those circumstances it is rather difficult if not impossible for our agent to recommend to the purchaser that he should buy from the insurance company when the main contract is the same and the government price is lower.

Q. Would you say these additional services which you offer have a tendency to greatly increase your costs?—A. I would think offhand that the difference between the government rates and ours contains a significant element which relates to the cost of our more aggressive merchandising and our more extensive servicing.