and realistic mortality rate. I do not think you will lose money when you stick to about 4 per cent, but you are getting into the field which you have just gone through with old age security.

Q. But, Mr. Mercer, would it not result in your recommending to your clients to write their group plans on the basis of government annuities for that class of people?—A. Yes. As consultants we are not interested in policy or political economy or anything else. We have to recommend to our clients, we have to show them what their costs are. I suppose some day we will run across a client who says that he will not deal under these circumstances—and, strangely enough, we do run into that kind of people—who seem to take what costs less; as long as it costs less, it does not matter who supplies it. You are quite right, if you do have that then we would have to point out to our clients the resulting costs, and I suppose that many of them would use that basis because it cost less.

Mr. COWARD: Mr. Chairman, may I speak to the question?

The CHAIRMAN: Certainly, Mr. Coward.

Mr. COWARD: You were talking about the suggestion that if annuities were on what you might call a self-sustaining basis they would be cheaper than they are at the present time. Now, I think the whole point there is, what is money worth to the government. Normally, anyone who sells annuities has in mind an annuity fund which earns a definite rate of interest, and a realistic rate is the real point by that test. Now, the government hasn't got it. We know that they are prepared to borrow money up to about, nearly 3·5 per cent, I think, on their bonds; but the value of money under the annuities is the thing which is going to determine; money must have some value to it. And just to clear up another point I think, as Mr. Welsford said, there is only one main issue, and that is whether there should be a cash value; that is the big novelty, the big new thing that is introduced by this bill. I believe the insurance industry has taken the view that since annuities are subsidized they should be strictly limited in their scope; that the insurance industry is quite willing for the annuity to be subsidized providing there is no maximum amount of annuity; and, provided there are no cash values and other little restrictions.

I think that completes that proposition. If annuities are placed on a theoretically realistic basis and include a proper loading for expenses, then there is no theoretical need for the maximum and for the cash values not to be allowed. That does seem to me to be a point. The reason for the restriction, as I understand it from the insurance companies arguments, is that the annuities are subsidized, and if that subsidy were not there, I think they would probably argue very differently.

Whether annuities should or should not be subsidized, or whether they should or should not be limited are questions to which I would not like to give a definite yes or no answer, but I do think that the two things are connected.

The CHAIRMAN: Are there any further questions you want to ask this witness, Mr. Coward? Mr. Knowles.

Mr. KNOWLES: Mr. Chairman, I think it came out in the discussion this morning as it did on other days that perhaps our main interest in this whole business is in group plans, and I think from that standpoint it has been valuable to have these witnesses here this morning because that is their business almost exclusively. There is no doubt in my mind that as time goes on it is the group certificates and the group plans that are going to be important rather than the individual contracts.

The figures which the department gave us in a table which was presented some days ago seem to show a rather alarming decrease in the number of group certificates issued for government annuities since the change of the rates.