

It has been a basic feature of the Annuities Act since it was enacted forty-three years ago that no purchaser of one of these contracts should be permitted to surrender his contract for a cash value at any time. It is the absence of a cash surrender privilege which largely distinguishes a government annuity contract from the contracts offered by the life insurance companies. The life underwriters feel very strongly that, unless adequate provision is made in the price of government annuity contracts to cover all elements of cost the cash value privilege must not be included in such contracts.

Life underwriters are the principal advocates and merchandisers of thrift to the Canadian people. If cash values were included in government annuity contracts they could no longer continue to fill this role and successfully sell annuities and life insurance policies containing long term savings features.

To summarize:

(1) The 10,000 life underwriters on whose behalf we speak depend for their livelihood on the sale of annuity and life insurance contracts. The sale by the government of subsidized annuity contracts is unfair competition.

(2) The original intent of the Annuities Act was to offer annuity contracts at less than cost in the hope that it would encourage and assist people of moderate means to provide for their old age. The bulk of annuities have, however, been purchased by well-to-do individuals or corporate buyers of pension plans. Parliament has on at least one occasion in the past reduced the maximum amount of government annuity procurable. It is our opinion that there are today particularly valid reasons why the amount of annuity procurable should be still further reduced.

(3) The inclusion of cash values in these contracts will defeat the original intent of the Annuities Act by making it possible for purchasers to withdraw their savings in cash at any time.

(4) The original estimate of the cost of administration to be borne by the taxpayers was \$50,000 annually. These costs have already reached the substantial amount of over three quarters of a million dollars annually. In addition to administration costs the taxpayers have contributed many millions of dollars to help to maintain annuity fund reserves.

(5) The provisions of the Old Age Security Act will provide a basic income in old age for people of moderate means which was the purpose for which the Annuities Act was originally enacted.

(6) The people who in the future as in the past, will stand to benefit from subsidized government annuities will be those of substantially more than moderate means. We therefore submit that there no longer remains any justification for the marketing of government annuities at less than cost. If the government feels it cannot discontinue the sale of annuities on this basis then the maximum amount purchaseable should be very low and no cash withdrawal privilege should be permitted.

(7) In the field of industrial pensions the principal beneficiary of the subsidy involved in government annuities is the corporation or other employer.

(8) It was not intended that the Annuities Act should undermine the livelihood of any segment of the public. If Bill No. 23 is enacted without change the government will be operating a virtual monopoly in the annuity field. The effect on the livelihood of the life underwriters could be disastrous.

(9) For the reasons submitted we contend that Bill No. 23 should be withdrawn.

Respectfully submitted,
THE LIFE UNDERWRITERS ASSOCIATION
OF CANADA,

L. W. DUNSTALL,
General Manager.

Toronto, Ontario,
29th November, 1951.