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"COFIRENTES +"

"A violet by a mossy stone,
Half-hidden from the eye;
Fair as a star, when only one
Is shining in the sky."

It may seem peculiar to apply Wordsworth's lines "To Lucy" to anything so prosaic as the report of a committee established by a government to study the financial security of the elderly, but we hope to show that they are not inappropriate.

In February 1976 the Government of Quebec set up a committee to evaluate the respective roles of public and private pension plans in providing financial security for the elderly. A consulting actuary, Mr. A. Hervé Hébert, was named chairman of the Committee. It adopted the name "Cofirentes +" — "co" is for "comité" (French for committee), "fi" for financement" (French for financing) and "rentes" is French for annuities or pensions. The plus sign was apparently added to evoke thoughts of future development.

Unfortunately the report is "half-hidden from the eyes" of many North American actuaries by being published only in French. This is regrettable as it is a thorough and scholarly review. It is also the only complete report on the subject of pensions shining in the Canadian firmament at the present time.

Another thorough study is being made in Ontario by the Haley Commission, which is now hearing witnesses, among them a number of actuaries.

For American readers, it may be helpful to mention that old age security in Canada stands, like a milk-stool, on three legs. The first is a universal pension paid by the federal government to nearly all Canadians over age 65; payments are currently approximately $150. per month but this may be supplemented on a means test basis to as much as $260. This plan is financed by public funds with no tax collected specifically for it.

The second leg is the Canada Pension Plan, or in Quebec, the Quebec Pension Plan; the two plans are virtually identical in most respects. They provide a pension at 65 of 25% of so-called adjusted earnings. At the present time earnings above $10,400 are excluded and the maximum pension is approximately $190. per month. This plan is financed by a tax on employers, employees and self-employed, of 3.6% of earnings between $1,000 and $10,400. As in the case of United States Social Security, present contributions will not be sufficient to maintain the benefits.

The third leg is employer and individual pension plans. There are, as also in the United States, arguments over what proportion of workers are covered by employer-sponsored plans; there is general agreement on the numerator of the fraction, but different writers use different denominators. Large numbers of Canadians subscribe to individual "registered plans"; many of them are also members of plans sponsored by their employers.

The "Cofirentes +" committee put forward several new and stimulating thoughts which should be of interest to all actuaries in the pension field. It could be rewarding to sit down with the report and a French dictionary and find out what they have to say.

Many of the proposals of the Committee are controversial and its members may find they will resemble Lucy who was a "maid whom there were none to praise/ And very few to love."

Lucy is, of course, in the grave, and was, even in Wordsworth's time. Let us hope the Report will not, like Lucy, and like the work of so many committees, be buried.

C.E.J.

LETTERS

Par *vs* Non-Par

Sir:

The recent correspondence in *The Actuary* concerning non-par versus par insurance prompts me to express my views on this important subject.

I think any company with sufficient capital, surplus, or participating business in force should be able to sell non-participating insurance but I do question who should be buying this type of business. I certainly wouldn't although I'm not a good example as I wouldn't buy par permanent insurance either. Perhaps we should put a mandatory message on all non-participating policies: "The Insurance Commissioner has determined that this policy could be harmful to your financial health." The concepts of providing good value to the customer and good solvency for the actuary are not always compatible in these days of high inflation. Getting rid of guaranteed cash values would help considerably in the pricing but th could be the subject of another whole letter.

I agree with Robin Leckie's suggestion (November 1977, *The Actuary*) that large mutual companies with a strong backing of participating business are in as good a position as any to offer non-participating business at reasonable rates (although New York Mutual's would be out of luck) but I don't believe they should be the ones to offer it. I see no conceptual difference between a mutual company investing in common stocks and investing in non-participating business. Both are risky investments with the possibility of substantial profits to benefit the participating policyholders' dividends or vice-versa. The proportion of non-participating business which the mutual company has in force should perhaps be limited by prudent management and this leads to the subject of 'gearing' which I learned about in my actuarial studies. A highly geared company with a high proportion of non-par would also be a high risk company.

All companies are in the risk-taki business and any as mentioned above company with sufficient capital, surplus or participating business should be able to offer non-participating policies. The question still remains as to whether we

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