

dividends taken in cash, the net asset value of the average balanced mutual fund increased 94.7 percent and the net asset value of the average growth mutual fund increased 151.3 percent.

Thus, there is a remarkable similarity between whole life insurance policies and the mutual fund contractual plan. Both are a means of achieving financial protection by systematic savings. It must be recognized that the whole life insurance policy does not merely provide death benefits. It also is a method of saving on a regular, periodic basis. If death benefits were the only reason for life insurance and savings were not a significant element, then everyone would have term life insurance and pay the much lower rates for term insurance.

But the fact is that most ordinary life insurance protection provides for the accumulation of the cash value of the policy as the years go by, enables the policyholder to obtain loans from the insurance company, and also provides for payments to the policyholder during his old age. These provisions could not be in the policy unless the policy had some value or equity.

Since most policyholders do not die until they reach old age, in the average and typical case a fundamental purpose of a whole life insurance policy is, in fact, a planned method of savings. That is a key purpose of a whole life insurance policy. It is the objective of the mutual fund contractual plan in which an individual also makes monthly payments for a stipulated period of time.

THE UNSOUNDNESS OF THE SEC'S ARGUMENT AGAINST THE LIFE INSURANCE ANALOGY

The SEC, in its memorandum commenting on testimony on this legislation before the Senate Committee on Banking and Currency, attempted to avoid the impact of this life insurance analogy. Understandably the SEC cannot admit that the analogy is valid for if they did their whole case for trying to destroy contractual plans would collapse.

But, with all due respect, I feel that the SEC's attempted rebuttal in regard to permanent life insurance is inconsistent even on its face. The SEC says that:

The buyer of a mutual fund contractual plan * * * seeks to save money * * *. * * the front-end load does much to defeat the planholder's basic objective: saving and investing.

Later on, the SEC rebuttal says that:

To keep the premium (on permanent life insurance) from rising as the assured ages, savings must be accumulated from the early premiums.

It is obvious then that less goes into such accumulated savings on permanent life insurance as a result of the front-end load on life insurance sales. Therefore, to paraphrase the SEC, we might say, if we were adopting their point of view:

The front-end load on life insurance likewise does much to defeat the purchaser's saving objective.

The SEC in its rebuttal memorandum completely ignored the fact that there is full disclosure of selling costs in contractual plans and none at all in life insurance. To say that the front-end load, which the contractual plan purchaser is told all about, defeats the planholder's