

basic objective, amounts to saying that people are too dumb to be trusted to make their own decision as to an objective even when all the pertinent facts are given to them in writing. That does not strike me as a particularly democratic attitude.

I doubt if the public really expects to be led by the hand and mothered every minute by Government particularly when all the pertinent facts are available to permit them to make a choice.

There are other important reasons why the life insurance analogy is valid here and must be dealt with.

First, annual premium deferred annuities now sold by life insurance companies are sold with a front-end load of as much as 50 percent. They involve no death benefit. They are merely accumulation plans during the period before annuity payments begin. There are well over a million of these individual annuities in force, not too many less than there are contractual plans. I would like to know how the SEC distinguishes the front-end load on these annuity plans from the front-end load on contractual plans.

Second, many mutual fund contractual plans are sold with completion life insurance. This combination product is, in effect, a life insurance endowment policy with cash values invested in common stocks.

Third, more and more of the leading life insurance companies are moving into the selling of variable annuities, which are life insurance company annuities backed by investments in common stocks. Many of these variable annuities are offered under a front-end load plan. The decision by many of the companies in the life insurance industry to move into selling common stock investment plans confirms and recognizes the public's interest in and demand for contractual plans such as we are talking about here.

Fourth, many experts feel it will not be long before life insurance companies generally will be selling variable life insurance with the death benefit and cash values varying to reflect investment results of investments in common stocks. Granted, the primary motivation for purchasing life insurance might very well be support for dependents. However, that objective can be met by the purchase of term life insurance which provides pure insurance protection with no savings element.

The fact is that the cost of providing the pure death benefit on a year-to-year basis—that is, the mortality cost—in a life insurance policy is remarkably low—far lower than most people realize. For a whole life policy issued to a man age 40 at standard rates by a typical large life insurance company, this pure mortality cost—entirely aside from loadings, expenses, taxes, and profit—is only \$1.20 per \$1,000 of life insurance coverage in the first policy year. For this policy the mortality cost is only \$4.40 per \$1,000 of coverage in the 10th policy year when the man is age 50. The premium for this policy is \$20 per \$1,000 of coverage each year. Since there is no cash value at the end of the first year, 94 percent of the gross premium is available for expenses, including commissions, and for taxes and profit. Actually, more than this 94 percent of the gross premium on the policy involved is typically used, even by conservative life insurance companies, for first-year expense.

To meet total first-year expense, which will often be over 100 percent of the first year premium, the company, in effect, borrows more money