The SEC acknowledges that high turnover rates among salesmen are chronic in the securities industry generally and "particularly acute for the large contractual plan sales organization."

It is also recognized that about two-thirds of the contractual plan salesmen earn less than $1,000 a year in the securities business. A study of the turnover of sales personnel in 1961 revealed that over 40 percent of the sales force were hired and almost as great a percentage ceased working for the sales organizations during that year. Thus, in view of the high turnover of personnel and the low compensation for salesmen, it would seem evident that a substantial reduction of the sales load would only further aggravate the problem.

High turnover rates and low compensation have also been prevalent in the life insurance industry, which also utilizes the front-end load principle. This is no doubt due in large part to the fact that selling is hard work when the selling is other than to customers who come in seeking to buy the product.

According to statistics prepared by the Life Insurance Management Association, 75 out of every 100 who enter the business of selling life insurance fail to make it past the first 2 years.

The discussion of the compensation problem in life insurance selling has been frank and realistic. Some of the foremost leaders of the life insurance industry have advocated the revision of expense limits in the New York insurance law so that salesmen can be paid more than 55 percent of the first year's premium. One of these top leaders is Leland J. Kalmbach, chairman of the Massachusetts Mutual Life Insurance Co. In a speech in December 1964, when he was serving as chairman of the prestigious life insurance trade association, the Life Insurance Association of America, he said:

> There has been a steady decrease during recent years in the proportion of new Ordinary [life insurance] business sold by companies operating in the State of New York * * *.

I might interpolate to point out that if a company is licensed in New York, the commissions it can pay in any State have to be in accordance with the New York limits. Northwestern Mutual, a Wisconsin-domiciled company, since it is licensed in New York State, can only pay the New York permissible limits on insurance it sells in California or New Mexico.

The statement that Mr. Kalmbach made:

> There has been a steady decrease in the proportion of business sold by companies operating in the State of New York.
>
> All of this suggests that the New York limitations on compensation are having an adverse effect on the rate of growth of the companies subject to those limitations.

Other life insurance leaders have been saying the same thing.

The New York Association of Life Underwriters has been working diligently to get the New York Legislature to increase the limits on compensation of life insurance salesmen.

CONCLUSION

Life insurance, like contractuals, has always had its detractors. Every year or so someone comes out with a book that claims that permanent life insurance is overpriced, is a poor buy, and that every-