Mr. DAY. Well, that is true, but I assume you don't suggest that they just make a contribution which they never expect to get back.

Mr. KEITH. No; but I suggest that——

Mr. DAY. It is similar to——

Mr. KEITH. Similar to the ideas that have been adopted by many of the high-grade insurance companies, they pay salaries to the starting agent.

Mr. DAY. They do indeed and I want to comment on that.

Mr. KEITH. Recently they have gotten into a lot of career underwriting.

Mr. DAY. Yes; I wanted to comment on that statement of the chairman's, because it is the usual pattern to have financing plans for new agents, and to subsidize them and assist them during their training and orientation period, and the period when they are trying to get started.

But just as that is done in a life insurance company, the only place that money can come from is either out of the investment income or out of the money that has been paid in by some other policyholders. There is no brooding omnipresence of money up there that is not going to cost anybody anything.

Mr. KEITH. That I imagine is quite well kept track of by the insurance commissioner of the State involved, and that he has certain regulations with reference to the success or failure of these agents and they had better get out of the business of they don't produce. You have got to make the plan work. But even as it is good business for an insurance company to take it out of the investment income, it all comes out of the policyholder's pocketbook.

Mr. DAY. Well, the investment income is not used for that purpose in a life insurance company. I said these are the only two sources of money they have, but they do not use investment income for sales expense. That is used to support the reserves.

Mr. KEITH. It comes out of the policyholder's pocketbook in the average mutual company, and the expenses come out of the policyholder's pocketbook. In the case of a mutual company it is one and the same thing.

Mr. DAY. That is correct. It comes from the amount that is paid in by policyholders—to a large extent by the policyholder buying that particular policy as to which the sale is made—but it is also subsidized over a period of years, and, in effect, loaned to the sales expense of that particular policy, by taking it out of funds that have been received on policies previously sold.

Mr. KEITH. The point I am trying to make here is, that if you have an internally managed company, where it is good for the management company, to get increased increments of capital so that they are in a position to pay out when shareholders want their money, they have got to have money coming in. It is good company business to hire and train and pay for qualified people to come into the business to keep capital coming into the fund.

Mr. DAY. Well, I don't believe the commission would work that way, Mr. Keith, because while there is discussion here and in this proposal about the management fees, the fact of the matter is there isn't enough made or potential for profit out of simply managing the fund to be