

Mr. Moss. Mr. Watkins?

Mr. WATKINS. Thank you, Mr. Chairman.

I differ a little bit with my distinguished chairman. I think, Mr. Day, your testimony has been most enlightening, even though it is a contrast. I think you have given us a very fine view of the insurance business and just what happens there. I just wonder many times, after listening here today and reading some of the other briefs, why I did not go into the insurance business instead of the motorized business that I am in, instead of being in a grease pit. But I think your testimony has been most helpful to me.

I certainly feel as though, without an opinion at this time as to how I feel about the SEC's decision, I do not know, it is just amazing to me to sit here and listen.

How do you sell your insurance if you do not sell it with salesmen? I am just not junior and I have been buying insurance, a little of it. In fact, in the early days the banks made me buy it so I could protect my loans.

Mr. KEITH. Will the gentleman yield?

Mr. WATKINS. No, you talked long enough.

Mr. KEITH. I want to know if you bought term insurance or if you bought permanent insurance.

Mr. WATKINS. Straight life. It was cheaper and I could hock it more easily. It was mostly in hock. But we must have salesmen, I do not think there is any question about it.

The big question here is that the SEC feels as though it should be paid differently and they want to rule the business out, and I have heard you make a remark and I would like to question Mr. Kostmayer on that.

You would be out of business. What do you mean you would be out of business if you hock this sales plan out?

Mr. KOSTMAYER. Well, sir, I am now talking specifically about, of course, the contractual plan business.

Mr. WATKINS. You said the business would be through?

Mr. KOSTMAYER. Yes, sir. The SEC's proposal is that the sales charge, which is allowable over the life of the contractual plan which is now a total of 9 percent, be reduced to 5 percent. That is approximately in half. And that the front-end load be eliminated.

Now what this means, Mr. Watkins, is simply this: That instead of being allowed to take 50 percent of each payment in the first year, we would be allowed to take 5 percent of each payment. In other words, the SEC has proposed that our first-year revenues be reduced to 10 percent of what they presently are, assuming that the payments would be persistent, which we think they would not.

Mr. WATKINS. Let me ask you one other question. I will address this to Mr. Kostmayer.

What does the average salesman make in this business?

Mr. KOSTMAYER. Well, sir, I would say that the average salesman—

Mr. WATKINS. Per year. I do not mean per week or month. What does he make in a year?

Mr. KOSTMAYER. Oh, maybe \$1,000, \$1,500, because we have many part-time salesmen. I would say that the average full-time salesman probably makes—

Mr. WATKINS. What does a full-time salesman make?