

Mr. LOEFFLER. Not that I know of, sir. Technically under the Investment Company Act these funds are open end investment companies.

Mr. KEITH. Yes.

Mr. LOEFFLER. Open end investment management companies I believe is the technical phrase, and the term "mutual fund" is just a term that has come along.

Mr. KEITH. You mentioned face amount certificates.

Mr. LOEFFLER. Yes, sir.

Mr. KEITH. Is this a product that is generally sold throughout the industry or are you one of the few that still does it?

Mr. LOEFFLER. No, sir. IDS sells, I guess, 95 percent or more of the face amount certificates. There are one or two other small face amount certificates companies, but principally it is an IDS product.

Mr. KEITH. And what volume of business do you do in face amount certificates?

Mr. LOEFFLER. I think currently ISA, the IDS certificate company, the face amount certificate company, which is Investors Syndicate of America, has about \$800 million in assets, something over \$2 billion in face amount certificates outstanding, and I think our sales currently of face amount certificates are running in the neighborhood of approximately \$160 million a year in face amount.

Mr. KEITH. Would you briefly describe to the committee what your face amount certificate approach is, and what the compensation is?

Mr. LOEFFLER. The face amount certificate is in effect an installment savings contract. A customer purchases a face amount certificate and he pays in so much a month. Upon maturity, he is guaranteed a fixed amount, and that is the reason it is called a face amount certificate. Its assets are virtually all invested in fixed income securities. It pays a guaranteed yield plus a supplemental yield in the discretion of the directors of the company. I would equate it, sir, in effect to the savings portion of an ordinary life insurance policy. That is really what it is.

Mr. KEITH. What about the compensation to the agent selling it?

Mr. LOEFFLER. To the sales representative who sells it? The compensation to the sales representatives who sell face amount certificates is, well, I started to say it was about akin to that of the sale of an ordinary life policy of the same amount. It is not. It is less than that, I believe.

Mr. KEITH. But the law is very specific, I believe, the law with reference to a face amount certificate load.

Mr. LOEFFLER. Yes, sir. There are provisions in the law, as it is today, which would allow the deduction of 50 percent of the first year's payments, which can be used then for commission to the sales representative. The IDS certificate, however, does not do that. It deducts 20 percent from the first year's payments rather than the 50 percent.

Mr. KEITH. Are they uniform payments over a period of years?

Mr. LOEFFLER. They are uniform over a period of either 15 years or 22 years.

Mr. KEITH. So what are your total commissions, generally speaking?

Mr. LOEFFLER. Well, let me say the amount deducted doesn't necessarily all go to commissions but covers the total costs. In the case of one certificate, that is the 15-year certificate, it comes to 5.69 percent. In the case of the 22-year certificate, it comes to 3.74 percent.