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DIGEST OF REPORTS ON TOPICS OF CURRENT INTEREST

CURRENT LEGISLATIVE DEVELOPMENTS

MR. DALE R. GUSTAFSON: Even though the legislative pace in Washington has perhaps slowed a little with reference to life insurance interests under the new administration, the pace is still fast enough to give us a new worry every few weeks.

If you will pardon the terrible pun, this year we have to give a great deal of credit to Senator Proxmire for introducing two pieces of legislation that are being vigorously pushed, both of which have the word "credit" prominently displayed.

First, Senator Proxmire's credit insurance bill would require regulation of premiums, measured by loss ratios, by the Federal Reserve Board. In recent testimony the Federal Reserve Board has indicated a position of neutrality on the legislation, but it did indicate that it did not have any interest in taking on the regulatory responsibility. The Federal Trade Commission, on the other hand, has testified in favor of the bill and indicated eagerness to take on the regulatory chores. Our industry is somewhat schizophrenic on this legislation—we are generally in accord with its objectives but some are very concerned that its implications may potentially lead to expanded federal regulation of insurance.

Senator Proxmire's second effort in the credit area would impose some limitations and responsibilities on credit-reporting agencies which might serve to reduce severely the useful underwriting information that we now obtain from the reports of such agencies as the Retail Credit Corporation.

A bill has been introduced, with wide bipartisan support in both houses of Congress, that would grant a federal charter under which TIAA-CREF would operate exempting it from all state regulation and taxation except that imposed by New York. Again, many in the industry see very serious federal versus state implications in this legislation.

Under the Housing and Urban Development Act of 1968, a Technical Assistance Group composed of industry representatives was set up under the chairmanship of Morton Miller to make a technical analysis of the feasibility of an insurance program for homeowners covering death, disability, and unemployment. The Technical Assistance Group has completed its work and submitted its report, and we are now awaiting further developments.

Not quite so far along, but perhaps ultimately of substantially greater importance, is the work of the Presidential Commission on Income Maintenance. This group is exploring in depth all the ramifications of the negative income tax. J. Henry Smith is a member of this commission. It is expected that this commission's report will be completed within the next four to six months.

Consumer protection is receiving much attention currently, and, as you know, we are not being left out. With the increasing furor over cost-comparison methods, there is substantial interest in some quarters in Washington, and I am afraid that we may expect this interest to continue.

Comprehensive pension-regulation legislation has been introduced again this year, but we really believe that its time has not yet come and that action in this area is a few years away.

There are many aspects of federal taxation that are of current interest, but for this report I will only mention that it is expected that an effort will be made this year to alter the taxation of individual variable annuities so as to remove the double taxation impact.

At the state level there is great activity with regard to variable annuities. Perhaps most onerous at the moment are some of the unreasonable requirements being considered by Texas, such as $1\frac{1}{2}$ per cent of premiums as a specific charge for the usual return of premium death benefit, with the requirement that the entire $1\frac{1}{2}$ per cent must be accumulated as a reserve for such death benefit.

Bills to increase the policy loan interest rate from 5 to 6 per cent have failed in both Massachusetts and New York, leaving them the only two states not permitting a 6 per cent policy loan interest rate.

Holding company legislation is law in New York, and many other states are actively considering either holding company legislation or at least life insurance company take-over control legislation. The NAIC is actively developing a model holding company bill.

While every legislative season brings premium tax pressures, this year there are more states with serious revenue problems than usual. New York has one of the most serious problems, but the situation there now is that we have a reprieve until 1971 to devise a way out of the very serious retaliatory problem.

The NAIC development of a model replacement regulation is proceeding apace and most recently has been expanded to cover variable annuities and other variable contracts.

There are many other areas of significant legislative and regulatory activity, but I will mention only one; that is the complete revision of the Insurance Code being carried on in Wisconsin by a troika of academicians —Professor Spencer Kimball, from the University of Wisconsin Law School; Professor Herbert Denenberg, from the Wharton School; and last, but probably not least, Professor Joseph Belth, from the University of Indiana.