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CURRENT TOPICS

Moderator: W. JAMES MacGINNITIE. Panelists: RICHARD J. DECKER, ROBERT E. HUNSTAD, ERNEST J. MOORHEAD, WILLIAM G. HALBY***

1. Availability and Affordability of Automobile Insurance in the 1970's;
2. Status report on the Activities of the Educational Policy Committee;
3. Activities of the Federal Trade Commission in the Life Insurance Cost Area;
4. The Impact of Federal Tax on the Demand for our Products; and, time permitting...
5. "Moments Greater than the First".

MR. W. JAMES MAC GINNITIE: Our first panelist will be Dick Decker, President of the Auto Insurance Plan Services Offices. Procedurally, it is my plan to allow a couple of questions at the end of each of the presentations rather than make anybody who wants to talk about assigned risk auto wait until we've gone through Federal Tax and Section 79. Time permitting at the end, we can have further discussion on any of the topics.

MR. RICHARD J. DECKER: Thank you for inviting me here today to talk to you about availability and affordability as these terms relate to automobile liability insurance.

I believe these words are used rather loosely both within and without our business, and I will begin my discussion of these subjects by giving you the dictionary definition of the words.

Availability

Webster defines availability as the quality or state of being available. Available is defined as meaning accessible or obtainable. Automobile insurance is made "available" in this country through two marketing devices, the competitive market and the shared market.

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The "competitive" market consists of those consumers a company believes it can include in the pool of customers it insures at the company rate level, as modified by class and territory, and which therefore can reasonably be expected, in accordance with the law of large numbers, to approximate the loss, expense and profit factors that make up said rate level.

The "shared" market consists of those consumers that apply to a company for insurance, which said company believes cannot be included in its book of business at its filed rate level. The business is shared in two ways. Applicants to be shared are divided equitably among the companies (AIP), or the experience of this pool of consumers is equitably shared (JUA & RF).

My discussion of availability will concentrate on how insurance is made accessible to consumers through the various shared market mechanisms.

There are four separate and distinct mechanisms currently in existence for servicing the shared market. In 42 states, the U.S. Virgin Islands, Puerto Rico, and the District of Columbia, we have an applicant sharing mechanism, called the Automobile Insurance Plan. In four states, namely Massachusetts, New Hampshire, North Carolina and South Carolina we have an experience sharing pooling mechanism known as the Reinsurance Facility. In Florida, Hawaii and Missouri we have an experience sharing mechanism known as the Joint Underwriting Association. And in Maryland we have a State Fund, which is a state run company for business having difficulty being insured in the competitive market.

All licensed agents are able to obtain automobile liability coverage for their customers through the shared market mechanism in existence in their state. To put the size of this industry commitment to availability in perspective, I can point out that for the 45 Plans AIPSO services we maintain a mailing list of 85,000 agents and company personnel, who receive a total of 265,000 Plan manuals, including reprint service. During 1977 we also filled over 40,000 requests for Plan application forms and similar documents, which resulted in the distribution to producers and companies of 9½ million forms, to be used to submit business to the shared market.

The 45 Plans account for 57% of the countrywide private passenger shared market business, and the 8 alternative mechanisms account for 43% of the shared market business.

In 1976, of the more than $25 billion in total automobile premiums, almost $1.5 billion, or 5.8%, was written through a shared market mechanism.

When the talk turns to social responsibility of American business, the insurance industry can hold its head high. I can't think of any other industry or service, banking, the utilities, doctors, lawyers, sociologists, psychologists, or the like, that has taken steps comparable to the shared market for making their product or service available to all comers, in the face of staggering loss

So much for availability. Let us now turn to the question of affordability.

Affordability - Tax-Subsidy

Affordable is the adjective of afford.

Afford - to be able to bear the cost without serious detriment.

tax - a pecuniary charge imposed by authority upon persons or property for public purposes.

subsidy - a grant by a government to a private person or company to assist an enterprise deemed advantageous to the public.

I earlier alluded to the fact that automobile insurance is being made available by this industry despite staggering losses.

Let me put some numbers on that statement. From their inception in 1973, 1974 or 1975 through fiscal year ending September 30, 1977 the four reinsurance facilities and three JUA's have developed a net operating loss of $604 million. Of this total, $174 million occurred in the year ending September 30, 1977.

The major loss producing states from their inception are as follows:

Florida JUA	- $143 million
Massachusetts R.F.	- $275 million
North Carolina R.F.	- $ 78 million
South Carolina R.F.	- $ 85 million

Hawaii is a small state, with less than 10,000 cars insured in the Joint Underwriting Plan. In three years the loss has amounted to "only" $8.5 million. However, it is a classic example of the definition of subsidy stated earlier, i.e., "a grant by a government to a private person or company to assist an enterprise deemed advantageous to the public".

In 1974 the Hawaii legislature established the JUP. It obviously deemed it advantageous to all its citizens that welfare recipients owning cars be able to obtain insurance. It therefore decreed that eligible public assistance recipients be granted coverage at no premium charge. However, they could not get the business serviced free of charge, so it is necessary for the JUP to determine what premium they would normally have charged if the welfare recipient was working, and take 10% of that amount from its treasury and pay it to the agent as a commission, and then take additional percentages of the phantom premium and pay it to the company servicing the business. The JUP treasury is replenished by periodic assessment against the companies licensed in Hawaii.

However, the experience of business insured through the Plan applicant sharing mechanism is equally bleak.

In the 5 year period 1972-1976, losses in the 42 Plan jurisdictions where AIPSO provides ratemaking services amounted to over $708 million. In 1975 alone this amounted to $179 million, and for 1976 the figure is $227 million.

During this 5 year period almost 80% of this loss was suffered in the States of New York and New Jersey, i.e., $316 million in New York and $245 million in New Jersey. These two states had 48% of the cars insured through a Plan during this five year period.

To summarize, during the last few years private passenger automobile business insured through the Plans, Reinsurance Facilities and JUA's has produced an underwriting loss of approximately $1.5 billion.

Quite obviously, the premium being charged shared market business has, on the whole, been grossly inadequate. This, in effect, results in shared market insureds being subsidized by insureds in the competitive market, who must in some way be "taxed" some amount in addition to their actuarially determined adequate rate level, in order to pay this subsidy.

Which brings me to a discussion of what is called the "tax-subsidy" issue.

Assuming we accept the definitions of "tax-subsidy" stated earlier as appropriate from the insurance point of view, I believe it is fairly easy to determine what is <u>not</u> a "tax-subsidy" situation.

For example, if on a particular line of insurance a <u>company</u> loses money due to errors of judgment in its underwriting or pricing activities, and the resultant underwriting loss is recouped from profits made on other lines of insurance, or from investment income, by definition it cannot be said that the line of business that was underpriced for the exposures insured was subsidized by the company's policyholders of the profitable lines of insurance, or the stockholders.

It is true that, because a loss on one line of insurance had to be made up by profits from another line of insurance, the rates for the profitable line could not be reduced and/or a dividend declared for these policyholders, or the dividend to stockholders had to be reduced because investment income was diverted to pay losses for the underpriced exposure.

However, I reiterate that this is not a "tax-subsidy" situation, as respects this <u>particular company</u>, but rather the natural by-product of the insurance mechanism itself.

In a reasonably free competitive climate, the market place imposes the disciplines necessary to cause a company to adjust its underwriting or pricing policies to bring all lines of insurance to the generally accepted combined loss and expense ratio of 95%.

Well then what are the situations that can legitimately be considered to be "tax-subsidy"?

I believe they are those situations wherein the regulator or legislature has taken action deemed to be advantageous to the public which results in some individuals being charged less than is actuarially justified, and others being charged more. It is not imposed specifically on any particular company, but applies to the industry as a whole.

I believe there are four "tax-subsidy" situations. They are as follows:

State vs State
By Line of Insurance
Underwriting Selectivity
Rating Criteria

State vs State

There are various state rate regulatory laws and a range of interpretations of those laws.

Because of the frustrations company managements have had with the regulation of prior approval laws in some states, e.g., New Jersey, there is strong support for competitive rating laws.

However, in some of the competitive rating law states, the charge is being made that the losses companies suffer in states such as New Jersey are made up by over charging insureds in states such as California. If such a charge ever becomes widespread, and can be sustantiated to even a small degree, the competitive rating state could well consider going to a prior approval law in order to "protect" its citizens. It is a variation of the trade barriers and tariff laws that are being seriously discussed in the Congress, because of our unfavorable balance of payments situation vis-a-vis the Japanese and other countries.

It can also be considered to be akin to the animosity developing between "Sun Belt" and "Snow Belt" states regarding jobs, government contracts and federal grants of various kinds.

However, I do not believe a cross state "tax-subsidy" accusation can be sustained unless the all carrier annual statement page 14 of a state shows a loss and expense ratio greater than 100%, all lines combined. I believe that only under those circumstances are the citizens of other states, whose loss and expense ratios are below 100%, being "taxed" to bring the overall countrywide all lines loss and expense ratio below 100%. (I am deliberately utilizing 100% as a "break-point" for the "tax-subsidy" issue, since I do not believe the 5% underwriting profit can be included in this context.)

By Lines of Insurance

It is conceivable that either within a state, or on a multistate basis, one or more lines of insurance are chronically "in the red", while others are "in the black".

In recent years, Worker's Compensation has been a good example of the former case and Fire Insurance of the latter.

For example, to the extent that state legislatures expand the benefits under the Worker's Compensation laws, and the regulatory authorities refuse to permit the rates to reflect the full extent of such liberalizations, as well as generally holding down the rate level because of a refusal to recognize the extent of inflationary pressures and the effect of court decisions, then to that extent the governments of the states in which such actions take place are deliberately subsidizing one aspect of their business community at the expense of other aspects of their business community (commercial fire and liability policyholders) and their personal lines consumers.

Here again, individual company results will differ and the effect on companies will vary considerably based on the "mix" of business. However, as I noted earlier, I believe the "tax-subsidy" issue cannot be considered in the context of individual company results, but only on an all carrier basis.

I do not believe that state legislators or regulators deliberately make decisions that result in automobile owners and homeowners subsidizing manufacturers and other businessmen, and would be very defensive if such facts were brought to their attention. It may well be that this "tax-subsidy" argument would be helpful in convincing the authorities that all lines of insurance within a state should have a loss and expense ratio below 100%. If that argument is successful, we could go on from there to cement the need for a 5% underwriting profit for each line of business.

Underwriting Selectivity

"State vs State" tax-subsidy deals with the effect on other states of interference in the pricing of all lines of insurance by one or more state regulators. "By line of insurance" tax-subsidy deals with a state imposed underpricing of an entire line of insurance, at the expense of other "lines" of insurance, within the same state.

Under this section I intend to review regulator interference in the underwriting aspects of a single line of insurance, i.e., private passenger automobile liability insurance.

This is the type of regulator interference in the business that has given rise to the concept of "tax-subsidy", as articulated in many NIC and AIPSO circulars, and elsewhere.

As noted earlier, there are two "markets" for automobile insurance, the "competitive market" and the "shared market".

In all states, regardless of the regulatory law applicable to competitive market business, the shared market is subject to prior approval rating laws.

For a considerable period of time regulators in some states have deemed it "advantageous to the Public" that business insured through the shared market mechanisms should be subsidized, and they have utilized their "prior approval" powers to accomplish that end.

Their decision has been implemented in a number of ways, including the following:

1. New Jersey Method

   Regardless of the rate level indications of the actuarially valid Plan book of business, the Department insists that Plan rate levels must be the same as that approved for ISO. The ISO and individual company rate filers are permitted to include the experience of Plan produced business in with their voluntary business when filing for their voluntary rate level. The "pecuniary charge for public purposes", or "tax", on voluntary policyholders is inherent in this combined method of developing the voluntary rate level.

2. The New York Method (Stewart Formula)

   Plan rates are determined by developing the "all carrier" Plan rate level and the "all carrier" voluntary rate level and pegging Plan rates halfway in between. Companies are then permitted to add the resulting Plan subsidy into their own independently developed voluntary rate level.

3. The Texas Method

   "Bureau" rates are based on the combined voluntary and assigned experience of virtually all companies licensed in the state, who must belong to the state rating bureau and essentially use Bureau rates. Since the experience of voluntary business is better than assigned business, there is a built in hidden subsidy for assigned business, which is made up by the inherent overcharging of voluntary business through the use of a uniform rate level based on combined experience.

4. The Maryland Method

   Maryland Fund rates are subject to approval.

   Each year the Maryland Fund Board estimates its expected cash insufficiency for the next calendar year, and this amount is equitably apportioned among the companies writing automobile insurance. The companies are then permitted to surcharge voluntary policyholders in order to recover their assessment.

Interference in the underwriting process goes beyond the controlled pricing of shared market business. The restriction of the right to cancel business and the requirements in some states that virtually all business currently written in the voluntary market must be renewed in the voluntary market adds some unknown factor to the rates that must be charged business the companies find truly acceptable. It is a kind of "second layer" hidden tax.

Rating Criteria

The latest "grant by a government deemed advantageous to the public" is the drive by some regulators to eliminate automobile class and territory differentials within a state, and have uniform statewide insurance rates with surcharges based only on an insured's accident record. The "tax-subsidy" aspects of this proposal were highlighted by the Stamford Research Institute, and in the numerous speeches and articles, so I will not reiterate them here.

Conclusion

In conclusion, let me say that while I hope I have given you some food for thought as respects the financial ramifications of the tax-subsidy issue, let me also iterate that we ignore at our peril the social implications of what is happening. Along these lines I commend to your consideration the presentation of Archie R. Boe, Chairman of the Board of Allstate, made at the NAII Annual Meeting in November 1977. If I may whet your appetite to obtain the entire speech, let me give a few quotes from his speech:

> "Unless we work diligently to mitigate the cost pressures placed upon our business, we may well witness the time when a large portion of American consumers will not be able to reasonably afford to purchase our product - and if this should happen, we will indeed have lost our reason to exist."
>
> "any major intensification of the insurance price pressure placed upon the consumer represents a very real threat to the long term viability of the property and casualty insurance industry."
>
> "when the legislatures act to resolve the problems of the few, their action will affect all."

Mr. Boe was talking to the needs and problems of the entire market, not just the shared market. To meet the challenge of affordability he speaks to the urgent need to make the necessary reforms and administrative changes that will result in holding down the rise in claim costs and operating expenses. This "macro" type problem is outside my operational area of responsibility.

However, wherever this business is going, the shared market will get there first. We are, therefore, with appropriate AIPSO committees considering how the product may be priced to strike a balance, and thereby provide equity to <u>all</u> policyholders, that is, the 95% insured through the competitive market, as well as the 5% insured through the various shared market mechanisms.

Thank you for your attention.

MR. MAC GINNITIE: Our next topic is a status report from the Educational Policy Committee.

MR. ROBERT E. HUNSTAD: This report is to give you information on this Committee and its activities to date. It's not a report of the Committee. Although this is a Society of Actuaries Committee, its work is of interest to the Casualty Actuarial Society as well.

The purpose of the Educational Policy Committee is to make recommendations to the Board of Governors of the Society on broad policy matters in the education area.

Now it may sound to those of you who have completed the Fellowship examinations like a topic which does not have much impact on you. However, given the changing environment that we are in, I am not sure that this is really the case--there may be significant effect on each one of you. Actions currently taking place in the regulatory area clearly may change the role of the Society of Actuaries from what it has been in the past and may also change the meaning and importance of the designation of Fellow, Society of Actuaries.

Let me give you some background.

<u>Why was this Committee created?</u>

Most of us are aware of the changes that have occurred over the last ten years in the pension area. There is now another actuarial organization in existence--the American Society of Pension Actuaries--and there has also been created a governmental "licensing" unit. As a result, there are a number of practicing pension actuaries in the United States today who have not had any exposure to the education structure of the Society of Actuaries. This is not to imply that they are not capable for the positions for which they are licensed. However, it would be inappropriate to assume they could all qualify or have all qualified for membership in the Society. The other unique thing about the licensing effort is that there are a number of Fellows who are not licensed--despite their extensive actuarial education. Thus, the Committee is looking at whether the Society of Actuaries examinations should be organized in a different way to better meet the needs of actuaries who want to become Enrolled Actuaries in the United States.

The licensing question is not the only current activity affecting the accreditation and recognition of actuaries. The National Association of Insurance Commissioners now requires that a qualified actuary certify to the adequacy of reserves in the Life Convention Blank. Proposals are currently being reviewed for similar qualifications of the actuary to certify property and casualty blanks. These and other changes will very likely affect actuarial work in the future.

Who makes up this Committee?

Essentially this is a Board Committee. There are four Board members on the Committee. The Committee also includes the General Chairmen of the Education and Examination Committee and the Continuing Education and Research Committee plus two additional members.

What are we trying to do?

The essentials would seem to be to structure the exams in a better way to integrate with government licensing needs, to make continuing education opportunities available for the retraining of current FSA's to reflect changes in law and methodology, to encourage basic actuarial training for Enrolled Actuaries who have not yet had exposure to this, and to improve our ability to respond to changes in technology, law, and certification requirements.

How are we proceeding?

There is in place a subcommittee structure of the parent committee dealing, individually, with pensions, life insurance and health insurance. In addition to the parent committee being chaired by a Board member, each of the subcommittees is as well. Each of these subcommittees will view the problems and opportunities from their particular viewpoint.

Secondly, we are attempting to get input from interested actuaries. Obviously, because of the broad nature of the areas facing us, this will include discussions with other actuarial bodies as well as discussions within the Society of Actuaries.

Fianlly, we have had some discussions with government agencies responsible for licensing.

What has been accomplished?

There has been a meeting of certain Society officers (along with representatives of other actuarial organizations) with the Joint Board for the enrollment of actuaries. Our hope is to attain joint sponsorship, with the Joint Board, of an examination which will qualify actuaries for enrollment and will also count towards Fellowship in the Society of Actuaries.

An alternative syllabus structure has been discussed within the Committee. We are not ready to make any proposals on this as yet. We have concluded, however, that any attempts to make modifications to accommodate enrolled actuaries' education and other specialty education should not be constrained by our current syllabus.

We have also prepared a letter to be sent to essentially all actuaries. It will be sent to members and affiliates of the Academy in addition to members of the Society, the Casualty Actuarial Society, the Conference, the Canadian Institute of Actuaries, and the Fraternal Actuarial Association. This letter solicits thoughts of those addressed on educational matters. Attached to the letter is a questionnaire asking two basic questions concerning the education and examination system--Is our current system providing the most appropriate opportunities; and, if you had the opportunity to completely restructure the education and examination system, what changes would you make? Two similar questions are also asked in the area of continuing education.

An environmental research paper has been prepared for the Committee analyzing the various environmental factors that affect the work of the actuary today and in the future.

Finally, a series of seminars has been established for basic pension education.

Conclusion

Tackling this particular subject is a difficult assignment and is often hard to determine what essential questions we are asking. Thus, to successfully complete our assignment, we do need your help. I encourage you to respond to the letter you will receive and give us the benefit of your ideas.

MR. MAC GINNITIE: Our third topic this morning relates to the activities of the Federal Trade Commission.

MR. ERNEST J. MOORHEAD: The F.T.C. and the insurance industry have several items of business begun but unfinished. These include life insurance cost disclosure, products and sales methods for Individual Retirement Accounts, and the relevance and uses made of information gathered for selection of risks. This report will cover only the first of this trio, and will consist partly of description, partly of advocacy of a personal position.

Questions about policy cost comparison have now been in the public arena for a full ten years; it was in early 1968 that Professor Belth notified the late Senator Philip A. Hart of the absence of information that would enable veterans who were converting their servicemen's group insurance to choose intelligently among the many whole life policies being offered by private companies. The decision by the Veterans Administration to decline to furnish such information led to a long succession of events, including recommendation for use of the interest-adjusted method, Senator Hart's Truth In Life Insurance bill, enquiries by Mrs. Virginia Knauer and Senator Stone, development of the N.A.I.C. Model Life Insurance Solicitation Regulation, and most recently the start of the present F.T.C. study.

Solving the question of what information should be given to interested buyers has been further complicated by the existence of two important intertwining issues. One of these is the fear by state insurance commissioners of a possible federal take-over of life insurance supervision. The other has been the efforts by stock companies to solve the insoluble problem of making nonparticipating whole life insurance appear attractive under current conditions in competition with participating whole life.

The F.T.C. study is still in its early stages. Where it stands and what may lie ahead can be learned and surmised from an Interim F.T.C. Staff Statement on Life Insurance Cost Disclosure dated February 14, 1978 which interested actuaries should obtain and read.

There is not much that actuaries can do to raise promptly the level of public understanding of our products which is a prerequisite to exercising intelligent choice. But there are some steps to help clear the air that actuaries can talk. These I shall now enumerate and advocate.

First, actuaries might vigorously work for and support a better system of state policy form approval so that legitimate accusations cannot be made that some policies are manipulated for the purpose of thwarting cost comparison. Is it really impossible to picture a cooperative state approval office, at least centralized within each of the N.A.I.C. Zones, well staffed with experienced actuaries and lawyers?

Second, actuaries might show livelier interest than you did in Boston last October, in promptly getting a recommendation on uniformity in dividend illustrations from the Society committee that has been toiling for the past two years.

Third, the Society or the Academy might consider expressing a committee opinion on whether or not it really is wise and necessary to present buyers with four indexes for a non-par and six for a par policy, contrary to the 1970 recommendation of the Joint Special Committee on Life Insurance Costs.

Fourth, United States actuaries might make an effort, which I think would be successful, to reconcile the interest-adjusted method with the enthusiasm for the "Actuaries' Index" (essentially the Belth company retention method) that was expressed by the committee of the Canadian Institute of Actuaries.

Fifth, why shouldn't actuaries officially take a look at the alleged need for, and the feasibility of providing, yardsticks for use in buyer cost comparisons, on which subject the F.T.C. has tentatively expressed itself? We all know very well that within a few years computer terminals, capable of easily solving present problems of placing detailed information within reach, will be widely and conveniently available to the buying public. Ought we behave as though we thought that nothing beyond hand-carried printed booklets will always be the limit of industry capability?

In answer to a question: What do I recommend that companies do about answering the F.T.C. questionnaire now in your hands for voluntary response? All I will say is that I deeply hope that any who decline will provide explanations of their refusals that will be a credit to the industry and will not strain the credulity of the authorities.

MR. MAC GINNITIE: Our final section of the program relates to federal tax and its impact on the demand for our products.

MR. WILLIAM G. HALBY: Federal taxes have an important impact on insurance products today as never before.

There are many "hot" topics today in Washington. I will discuss but a few: Section 79, deferred compensation, and the Carter tax proposals on deferred annuities, employee welfare plans, and pension integration with Social Security.

The Treasury has proposed new regulations under Section 79 which will permit the industry to continue to market that product, although the formula for allocating a portion of the premium to permanent benefits is not as favorable as the formula previously in use. Indeed, the new formula imputes gross income in excess of the gross premium several years after issue. Table I rates continue to be used for imputing income to the term portion of a permanent policy used in a Section 79 plan. The additional income elements consist of the employer-paid permanent portion plus any dividends. Conventional group term insurance is not affected by the new proposed regulation. Hearings on the regulation will take place on April 26-27.

The Treasury's proposed regulations on unfunded nonqualified deferred compensation would overturn prior rulings permitting the deferral of compensation. The genesis of the proposed regulation is the public employee sector, where the deferral results in significant revenue loss, as compared with the private sector, where current taxation to the employee results in an offsetting employer deduction. Nevertheless, the rationale behind the proposed regulations would apply equally to deferred compensation in the private sector. A recent case which bears on the treatment of unfunded deferred compensation is Goldsmith, a trial judge's opinion in the Court of Claims (March 1978) which holds that the employee is not in constructive receipt of current income but is subject to current taxation, under the "economic benefit" doctrine, on the portion of deferred compensation used by the employer to pay premiums on the life insurance and accidental death and disability benefit portions of a life endowment policy owned by the employer and used by it to fund the deferred compensation arrangement. There is also proposed legislation to prevent the proposed regulations from coming into effect with respect to public employee plans. This could lead to the anomalous result of continued tax deferral status for public employee plans while subjecting private sector plans to current taxation where the revenue effects are comparatively less significant.

Another major area of impact on the life insurance industry are the Administration's tax legislative proposals relating to, among other things, deferred annuities, employee welfare plans, and integrated pension plans.

The proposals share in common a desire on the part of the Administration to benefit rank and file employees or low bracket taxpayers at the expense of middle and upper income taxpayers.

The deferred annuity proposal would, with a limited exception, tax the inside buildup on deferred annuities. The industry has offered a counter-proposal which, in essence, would only tax withdrawals prior to annuitization, but with an added "late charge" as a penalty for not annuitizing the contract. In view of the industry's proposal, a compromise proposal seems likely of enactment.

The proposed welfare plan rule would deny favorable tax treatment to employee life and health plans unless extended on a nondiscriminatory basis to rank and file employees. The proposal would have severest impact on owner-employee plans where benefits or contributions on behalf of owner-employees would be limited to 25% of total benefits or contributions. This might make such plans impossible for the rank and file, because provision of adequate coverage for the owner-employee at his premium rate would require coverage of younger workers in excess of insurance company underwriting limits.

The Treasury would change pension plan integration rules to permit qualified plans for middle and upper income employees only if some benefit is provided by the plan for lower paid employees. The proposal would eliminate "pure excess" plans and would have disruptive effects throughout industry.

MR. MAC GINNITIE: No time is left for "Moments Greater than the First".