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Session 5PD
Modified Endowment Contract Correction Procedure: To Remediate or Not to Remediate

Track: Product Development

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Summary: The Internal Revenue Service recently issued Revenue Procedure 99-27*, the long-awaited guidance that describes the process by which an insurer may remedy, through a closing agreement, an inadvertent nonegregious failure to comply with the modified endowment contract rules under Internal Revenue Code Section 7702A.*

Mr. Jeffrey M. Robinson: There are 344 days left until May 31, 2001. Do you know where your inadvertent modified endowment contracts (MECs) are?

First of all, on behalf of the other panel members and myself, I would very much like to thank all of you who took the time to reply to our MEC remediation survey.. We received an overwhelming response to our e-mail survey request: 43 companies responded out of approximately 250 solicited, which is roughly a 17% response rate. In addition, 9 companies responded to previous solicitations, prior to our presentation at the New York, Philadelphia, and Hartford actuarial clubs. In total, we received 52 responses to the survey.

We are very fortunate to have two panelists who are extremely experienced in the subjects of life insurance taxation in general and MEC remediation in particular. They will attempt to represent all of the various viewpoints on MEC corrections except those of the Internal Revenue Service (IRS), which is really a silent partner here. We have Irene Price, a tax attorney specializing in life insurance considerations, who is a

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Note: The tape malfunctioned for part of this session; therefore, this session is incomplete.

partner at the firm of McDermott, Will and Emery. And we have Dave Miller, consulting actuary at Actuarial Sciences Associates (ASA), who has extensive experience in helping life insurance companies develop and implement products and systems that comply with Section 7702 and 7702A of the Internal Revenue Code and this procedure. Both of them also have a lot of experience in this procedure. Irene's experience has been primarily in the area of income taxation of corporations, with emphasis on insurance companies and their products. She is involved in tax planning; representation of clients before the Treasury Department, IRS, and tax committees of Congress; and tax litigation, which you can see would be very helpful in implementing this procedure.

Dave is a consulting actuary in the life insurance consulting practice of ASA, specializing in providing product development and implementation services to life insurance companies. His experience with variable life insurance products includes design, pricing, and implementation of variable universal life (VUL) and survivorship VUL products. He also has experience with variable annuity, fixed annuity, term, and universal product development. Both Irene and Dave are frequent speakers at many of the industry meetings.

I should add that I am president of LIFE. LIFE is an acronym for Life Insurance Financial Essentials, which is a consulting firm that provides actuarial management and systems implementation services to life insurance companies, other consulting actuaries, and data-processing software firms. With regard to MEC remediation services, I'm working closely with ASA, the firm Dave works for.

The three of us have worked very closely together on at least one tax project. That project did demonstrate that we all bring different things to the table on a project of this type. I should also note, as I said before, that these panelists are not ivory-tower-thinker types. They are accustomed to rolling their sleeves up, thinking through the problem, and executing—getting the job done. I want to tell you one very short story that may put this MEC procedure in the proper perspective. I was talking to a friend about this meeting and the other presentations we were making on MEC remediation. He asked me if I thought his company might have a MEC problem. I thought about it really long and hard, for about half a second, and I said, "Well, the probability is only 99.999% that you do have a problem." I didn't mean it just for his specific company. I meant it in general.

In my roles of doing lots of actuarial systems work involving administration and financial reporting, I get to see lots of detailed insurance records, financial records, and systems records. I can say that at a particular point in time those records are usually pretty good. We can tell you what the reserves are at a particular point in time. How we got there, though, is a different story. Heavily involved in the MEC procedure is the ability to capture history or know what your history is. I don't think the industry does a particularly good job at that. Consider your legacy systems and all the conversions that have taken place in the last five or ten years. The records just may not be there. The consolidation movement also does not help that process.

Ms. Irene Price: We are going to advance here, Jeff, to the problem. The problem, of course, is that many of your life insurance contracts may have unintentionally become MECs, for a variety of reasons. Back up to the problem. There are a number of reasons why your contracts may have become unintentional MECs. The seven-pay test and even its correction mechanism, which is basically to allow you to return excess premiums plus interest within 60 days after the end of the contract year, are not easy to administer.

Of course, you have many life insurance contracts, and there are many premium payments on those. Policyholders ask for many changes in the contracts, so there are lots of opportunities for MECs to be made. You may also have systems errors, and those systems errors may be discovered too late. We have found that a lot of companies have discovered errors that caused MECs when they've been updating systems, and I think in particular when the seven-pay test was enacted, which now was 12 years ago. It was effective immediately and applied to existing contracts if certain changes were made. Many companies were in the position of having to quickly get their testing systems up and operating, and I think—and it is not surprising—some shortcuts were taken. As time passes and the original systems are being updated, errors are being found. Also, a lot of errors are being found when it comes to a company's attention that a contract has become a MEC. The question is, Why did that happen? And that often yields more information regarding a more systemic problem.

Manual processing, in my experience, can result in inevitable errors. Any time that you have manual intervention in the process, or are trying to respond to notices that your system produces, there's the chance for error.

The U.S. mail may be the source of your problem. In some cases, notices regarding excess premiums may not get to the policyholders on time because of the mail, or their instructions to remove excess premiums and avoid MEC status may not be received by the company in time. And the statutory 60-day rule, we assume, is strictly interpreted, because that has generally been the case with other, similar statutory 60-day rules in the Code.

There also may be interpretive errors. Companies may have determined that they were allowed to take into account some benefits or some expenses or some element in calculating the seven-pay test that now, with a little more knowledge, has turned out to be incorrect. And then, even if you have been perfect in all of that, there's always the chance that your company will be acquiring a block of business along with the errors that someone else made. The problem is made worse by the fact that once you have a MEC, and it's outside the 60-day period, there are really only two ways that I'm aware of to deal with the problem, assuming that it is unintended and the policyholder does not want to have a MEC.

One way is to try to arrange with the policyholder to surrender the contract. This will probably mean that the company, if it was the company's fault, will have to pay any tax due on the policyholder's behalf, and indeed will probably have to be grossed up for the imputed income that results from paying their tax. Hopefully, in that process you can convince him or her that the money should stay with the company, and that he or she ought to buy a new contract that won't be a MEC. There are problems getting existing money into a new contract without violating the seven-pay test again, however. That's a very difficult and expensive process.

The second alternative is to keep the contract as a MEC and report taxable lifetime distributions. I don't think "not-report" is a realistic solution. Also, when you think about it, I don't think that deciding to go ahead and report the distributions as coming from a MEC is all that realistic either. The first time that you report that and the policyholder gets upset about it, it know about the whole situation, and there's no reason why he or she is not going to start taking more distributions out. You may be faced with the first solution, really, as the only one.

At the time when the industry started talking with the IRS about a procedure, these were really the only solutions. The IRS was making informal remarks that it did not believe it had the authority on its own to enter into an agreement with the company to correct errors. The industry decided it needed to work with the Treasury and the IRS to come up with a voluntary correction program.

Of course, the IRS had, and has, a number of voluntary correction programs outside the MEC area. For example, in the qualified pension plan area, including 403B annuity contracts, there are quite generous correction programs. Then, of course, in the life insurance area there's the 7702(f)(8) waiver process that's been in the statute for some time. There are several other closing agreements and procedures in place, such as one for correcting errors in 817 diversification rules. Also, if you have made unreasonable errors in the definition of life insurance, you can enter into a closing agreement. There are also some informal processes for correcting reporting and withholding mistakes.

But anyway, the industry decided to seek a procedure to correct these inadvertent MECs. It was a long process. It was on the 1996, 1997, and 1998 business plans of the IRS and Treasury, and finally guidance was released in the form of *Revenue Procedure 99-27,* which was released well over a year ago. I'm not going to go through the painful details of this process.

It was a long process. It took at least three-and-a-half years from the start to the finish. We learned several things in the process, I think. First, it became clear fairly early on that the IRS did not want to include corporate-owned life insurance in the process. This was due to the IRS exam and litigation activity concerning corporate-owned life insurance. They didn't want to take away any opportunity for the litigators and the auditors to find error with corporate-owned life insurance programs.

It also became apparent that both the industry and the IRS wanted to have some sort of proxy approach—something that would be uniform and hopefully fairly simple to apply. And during this process it also became clear that the IRS viewed variable contracts, which have a potential for much higher earnings, as different from fixed or general account life insurance products. Of course, those contracts also have a potential for significantly lower earnings, but that was not of the same concern.

And finally, it developed during the process that there was a pretty substantial concern, I think, on the part of the IRS and Treasury regarding the potential for gaming the process. There was a concern that companies would basically wait until policyholders tried to take distributions from MECs before they would come into the IRS and correct them, hoping that people never would take a distribution. Then it wouldn't matter whether or not the contract was a MEC.

I think the industry tried to convince the IRS and Treasury that that really wasn't very practical. Companies couldn't wait until somebody sought to take a loan or a distribution before trying to correct the contract. Throughout this revenue procedure this concern was present.

As I said, the procedure has been in effect for over a year now. The IRS has been looking at requests. The insurance branch of the IRS national office in Washington, D.C., is reviewing requests to correct contracts. These requests, I think, are at this point in time largely, if not exclusively, requests that were actually made before the revenue procedure was issued. The IRS decided to allow those applicants to go ahead and modify their requests to include all the information and rules that the MEC procedure requires. That took companies a fair amount of time.

From the Floor: How many companies were involved?

Ms. Price: I believe there are eight. And right now the IRS is actively considering those. The process appears to be that it is trying to look at all of the applications, see what sort of common issues run throughout them, and develop answers to those questions. We're beginning to see some answers emerging, at least on an informal basis. But there continue to be a number of open issues, and I'll try to mention what we have learned as we go along.

From the Floor: Irene, are these companies bound by the same rules as the new procedure, since they applied before the procedure became effective?

Ms. Price: The basic approach is that they are bound by the procedure. They must comply with all the information required. The limitations on the scope that I'll get into apply. There is one thing that they are not bound by, as I will discuss later; there is a rule that you basically can only apply once unless there are special circumstances. And because these companies were already in, the IRS is allowing the companies to proceed just on those contracts that had already been brought to the IRS's attention, without jeopardizing their opportunity to come back in with respect to the rest of their portfolio.

Here's the basic deal under the revenue procedure. On the one hand, the taxpayer—that's the insurance company—must agree to do several things. First it first must agree to pay tax and interest amounts. That will be discussed later. That's referred to in the industry as the *toll charge.* Second, the insurer must agree not to deduct the toll charge for purposes of its taxable income or to seek a refund of that amount. Third, it must agree not to increase bases for the toll charge or for overage earnings on which that toll charge is calculated. Fourth, it must agree to bring the contract into compliance. And finally, it must agree to correct whatever procedures or defects caused the error.

In return, the IRS agreed to several items. It agreed that the contract will not be treated as MECs. Second, it agreed to treat the corrective action as having no effect on the date that the contract was issued. This may be important if the contract was grandfathered for some reason, although I think it's largely a carryover from the 7702 agreement.

Third, the IRS agreed to treat no portion of the tax and interest paid by the insurer on the policyholder's behalf as income to the policyholders. As I said before, without this, the IRS could argue that any amount that the company was paying on behalf of the policyholder would create income to the policyholder for tax purposes, thereby aggravating the situation.

And finally, the IRS agreed to waive any civil penalties for reporting and withholding that should have been done on distributions, if the contract were a MEC. And this includes the deposit requirements.

I think from my perspective, the biggest disappointment in the deal was that the industry failed to convince the IRS and the Treasury that this procedure should really be more like the 7702-waiver procedure than the closing agreement procedure under 7702. Basically the deal is more like the 7702 closing agreement in that the IRS basically wants the insurance company to make the IRS whole for the tax being paid.

Let's turn now to the scope of the procedure. This is what contracts can be corrected. The general rule is that all contracts can be corrected, but there are four exceptions. And unfortunately, those exceptions are very broad. The four types of contracts that cannot be corrected are business-owned life insurance, what I call investment-oriented life insurance contracts, any life insurance contract of an issuer that has already gone through the process (the only-one-bite-of-the-apple or two-strikes-you're-out rule), and finally life insurance contracts that you don't get corrected by May 31, 2001.

From the Floor: Are there any exceptions to this?

Ms. Price: I think there are several possibilities there. One is if you acquire a company, that company has not gone through the process yet, and it's still not May 31, 2001; that company, as issuer of the insurance contract, could go through the process with respect to its contracts. Additionally, there's a general exception to this strike-two-you're-out rule.

Mr. Robinson: By the way, if you didn't hear me, there are only 344 days left until that date.

From the Floor: Let's say you acquired a company, and one of the companies has completed the closing agreement, but the others have not. What does that mean for the other companies?

Ms. Price: It appears that each company can go in for a closing agreement. I don't think that there is anything stopping a company from going in at the same time on behalf of a number of their life insurance companies. And that may be an easier process to go through. There's some flexibility there. But the procedure says that the only-one-bite-of-the-apple rule applies on a company-by-company basis, not on an affiliated-group basis.

With respect to business-owned contracts, these contracts are basically excluded if they insure the life of an individual who is or was an officer, director, or employee of, or who has a financial interest in, any trade or business carried on by the contract holder. There's an exception to the exception. That is, you are allowed to correct a contract on such a person if it insures the life of a key person.

And that's defined under the tax code in Section 264(e)(3) as any officer or 20% owner of a corporation, except that the number of individuals who can be key persons is limited. It is limited to the greater of 5 individuals or the lesser of 5% or 20 individuals. The exception for business-owned contracts and the exception to that exception for key persons create a number of problems.

The industry pointed out, in comments that it made to the IRS just after the release of the revenue procedure, several problems with the business-owned life insurance exception. First, it pointed out that an insurer might simply not be able to tell whether or not a contract is business owned or covers a key person. The IRS has basically been immovable on this issue. The revenue procedure requires that the company represent that it is not including for corrections any contracts that are business-owned contracts unless they cover key persons.

I think that as a general matter, you need to do enough to feel comfortable with that representation. If your system indicates something that would suggest that it's a business-owned contract—for example, the contract holder sounds like a business or it has a federal employer identification number—then you probably need to exclude it unless you can do enough research to convince yourself that it can be corrected.

What the IRS was worried about were these big financed corporate-owned life insurance situations, and so they ought to allow at least nonleveraged corporate-owned life insurance. Basically, the insurance branch of the IRS has indicated that it doesn't have any authority to be flexible there. You are not going to be able to correct corporate-owned life insurance contracts. That is a problem, because it leaves you with basically the only two solutions that I talked about before. The solution of surrendering is often not a solution for corporate-owned life insurance because of the many legislative changes that have been made in the area, so most of those contracts are grandfathered in one respect or another.

Another class of contracts excluded from the correction procedure is investment-oriented contracts. There are two types. First, contracts are excludable if the contract status is a MEC and resulted from a failure to comply with 7702A that's attributable to a defective interpretation or a position that the IRS determines is a significant feature of a program to sell investment-oriented contracts.

That one actually, notwithstanding all those words, makes sense. Basically, I think it goes to the design of the contract. If you have one that was designed to be more investment oriented than the seven-pay test would allow, you're going to have trouble.

The second is that if a contract MEC status resulted from a failure to follow a provision that is clear on its face, and that failure results in a significant increase in the contract's investment orientation, then again the contract does not qualify for correction. I think this is more of a problem. I understand what it was trying to get at here, which is basically something that's very investment oriented. But it suggests that big mistakes, even though innocent, may not be correctable.

From the Floor: Can you give some examples of big mistakes?

Ms. Price: Actually, it gives some examples of what they would view as a big mistake. There are three examples of situations that do not qualify. The first is if the contract provides for paid-up future benefits after fewer then seven level annual premiums. That one I think goes to design. If you designed it to be paid up with fewer than seven level annual premiums, it would be considered too investment oriented to be corrected. The second one is that if amounts paid in any contract year of the testing period exceed three times the seven-pay premium for the contract year, it's considered too investment oriented. I think there are a lot of problems with this test. The industry has pointed out most of them. Unfortunately, so far the IRS insurance branch feels constrained by the revenue procedure and is strictly interpreting this one.

From the Floor: Is the 300% test fair?

Ms. Price: You could pass the 300% test if you paid in three times the seven-pay premium every year for seven years. And that would be a very investment-oriented contract. On the other hand, if you paid less than the seven-pay for six years, and then four times the seven-pay for the fourth year, you would not qualify. You would fail the 300% test, and that sort of a contract would obviously be a lot less investment oriented than the first one that I described. I think that there is recognition by the IRS of the unfairness, but my experience is that they feel they must strictly enforce this rule.

From the Floor: Is the contract looked at cumulatively?

Ms. Price: It's not looked at cumulatively. You look at the amount paid in each year and compare it with 1 seven-pay premium.

From the Floor: If you put in 350% in the first year and underpaid every year thereafter, you have failed the 300% test.

Ms. Price: I think that companies should continue to try to convince the IRS that this is a problem. But we've argued a number of things. We've argued that you ought to look at the leveling out on a cumulative basis. We've argued that it shouldn't apply to materially changed contracts—that once you've made it through seven years you should be okay. Or we argued that if you qualified before you had a material change, you should be okay. We've argued that it shouldn't apply to grandfathered contracts. And so far we have been unsuccessful.

From the Floor: My question is on premium definitions. Does that include 1035 exchange premiums including cash value?

Ms. Price: I think basically the question is, How do you apply this 300% to a contract that was exchanged, or was issued in exchange, for an existing contract? And I think a similar question can be asked: What do you do after a material change? I think that the Service would say that the way that you calculate is to figure out what the adjusted seven-pay premium would be for that contract, which is your initial seven-pay, less the cash value adjustment. And that times three is this test—compared with what's put in.

I should say that as a general rule, the problem that we have is that right now the IRS insurance branch is looking at these. They are feeling constrained by the revenue procedure. They have also indicated that they're willing to take your arguments to their superiors. But they do not feel that they can agree to interpret the 300% test more liberally. And this is a disappointment. Initial indications were that maybe they would treat the 300% test more as a safe harbor. That is, if you met the 300% test you were home free; otherwise you ought to be able to make some of these other arguments that your contract was not really egregious. But so far that has not been successful.

Mr. Robinson: By the way, *egregious* is defined as "outstandingly bad or flagrant." That might give you a flavor of what they meant by *egregious*.

Ms. Price: Another class of contracts that are excluded from scope includes any contract of a taxpayer for which you previously entered into a closing agreement. As I mentioned before, there is an exception for unusual or special facts and circumstances. They give us the case, the acquisition of a new company; that one is a little confusing, because if that new company had not filed before, it would be able to anyway.

The new discovery of different facts or legal assumptions—I call this the acquisition of a new actuary or a new tax attorney rule. Even if you have these unusual or special facts and circumstances, it cannot be the same or similar failure that you already went in for a correction on. It is a matter of IRS discretion whether or not they will grant a second request. There have been a lot of complaints about this rule. The IRS has also said they feel constrained by it. I think it's pretty clear that the IRS is not going to say before May 31, 2001, that they're going to extend the date.

Some practical considerations on what contracts can or should be included in your request for corrections. One is how to treat contracts that have terminated, for example, by death. No harm was done, so arguably those should not have to be included. You may have contracts that were inadvertent MECs but have since been surrendered. Arguably, with those, too, really not much harm has been done. All the income was recognized; potentially, the 10% penalty tax had not been paid when it should have been. I think you can argue that you shouldn't have to correct those, either.

And then, third, there are exchanged contracts. I think that's a little bit more of a problem. If it's an internal exchange you've still got the contract, so obviously you could correct it. If it is a contract that you no longer have because it was exchanged out, clearly you can't fix it, and the question is whether or not it should be included, at least for the toll charge purposes.

Mr. Robinson: We usually have enough problems with active records. You can forget dealing with terminated records. The industry just doesn't deal well with those, except maybe it's getting more important to have correct terminated records for the purposes of mortality and persistency studies. For purposes of the procedure, try to get the active records right.

Ms. Price: Another practical question is, What is the assumed seven-pay premium? The revenue procedure says that it's the seven-pay premium that was assumed by the insurer at issue. Maybe that's an illustrated premium or a scheduled premium. Maybe it's what the system produced when the contract was issued. There is the question, Well, what if you really didn't have a system or one that worked? I think most people can find some evidence of monitoring that went on. Maybe their system wasn't exact, but hopefully the IRS will be flexible here. They have been reasonably flexible on closing agreements for 7702, and so arguably they should be here as well.

Another question is, How much investigation is necessary to determine if the business-owned contract is on the life of other than a key person? I think we already discussed that. And then a final question is, How much looking should be done to identify errors? We're going to discuss that a little later.

Mr. David C. Miller: I have the privilege to speak to you about what the insurer must pay to the IRS concerning the toll charges.

The tape malfunctioned for the remainder of Dave Miller's presentation of the toll charge calculation. He may be contacted for information related to this topic.

The tape malfunction also affected Irene Price's entire presentation on the correction of contracts. She may be contacted for information related to this topic.

The tape malfunction also affected the beginning of Dave Miller's presentation on whether to remediate or not to remediate. The transcription resumes in the middle of his presentation on that topic.

Mr. Miller: What's the limit of that? Once you declare it a MEC and declare that you're going to pay the tax, how much of that are you going to pay? If the policyholder keeps putting in premium, there is some antiselection risk there. You could also surrender the contract and issue a new contract. They need to be independent steps. If it's a guideline premium-tested contract, there may be limitations as to how much premium you can put in the contract. Both alternatives are potentially expensive. But I think it's worthwhile to go through the cost benefit analysis, because I think you can find some situations where the alternative is preferable or the lesser of two evils.

What are the potential consequences? What's my risk if I don't find errors and do nothing? I don't think anyone can really put a probability on these things, but here's a list of some things to think about.

If there are taxable distributions that you haven't reported or withheld, there are penalties associated with these that could range up to 10% of the taxable amounts. If you don't correct before the deadline and it later becomes public knowledge that you have these inadvertent MECs, it could be a bad public relations situation resulting in policyholder complaints, and there's also the potential for audit risk.

I think that people think this risk is pretty minimal. I don't think anyone's going to go on record saying that. But one thing to keep in mind is that there are eight companies in there, which have given the IRS reams of information. And the IRS is getting educated on where the problems are and what kinds of problems are occurring. What's the probability? Your guess is as good as mine. It depends on how much you want to take the risk.

Ms. Price: I think the other consideration on the audit point is that we have been seeing questions raised in exams. They may be fairly general questions, such as, "Do you know if you have any contracts that fail the definition of life insurance?" or "Do you know if you have any contracts that are MECs that you are not treating as MECs?" Even if the Service doesn't audit your actual data-processing systems, you need to be able to answer those types of questions.

Mr. Robinson: That's assuming your actual data-processing system is auditable to begin with, which is probably not the case.

Mr. Miller: Since we are running short on time, let me cover the following question quickly: What actions can I take short of a full review? This is where you have to be a little careful if all you do is look at your procedures that are currently in place. We have talked to companies that believe they have procedures in place, and when they take a closer look, they find those procedures haven't been implemented.

I think there are some ways to approach this review using a high-level diagnostic and sampling technique. In a nutshell, looking at your products and the tax compliance systems platform they're on, you can categorize those products and systems combinations into high-risk categories. At least approach it that way, saying, "Here's an area where I think that if we're going to have a problem, it's most likely to be, so let's start here." Then you break down the overwhelm factor. I think that's a cost-effective way to approach it.

What are some other considerations? We've talked about some of these:

- The human element for any manual procedures.
- The fact that your systems may be performing appropriately, but the data may not be there or may be incorrect. That doesn't help you much.

- If you use a third-party agreement, the liability remains with you. You need to find out what they're doing and how they're administering these things.
- Jeff talked a little bit about system conversions.
- We've talked about acquired blocks.

Those are some of the things you need to keep in mind if you consider how you're going to approach this.

Mr. Robinson: I would say this: we have a good range of companies, all sizes, responding to the survey. The immediate answers are 19 are not going to remediate, 18 are, and 15 are undecided. Either way, you can see what everybody else is going to do.

The amazing part is that while the companies seem to understand the procedure, and they know when they're going to file, because it is a given, they don't know how much it's going to cost. They are only 20% done in a process they've said is going to be, on average, 15 months to do, and as you know, we only have 344 days left. And they don't really know how they are going to correct the contracts, which to me is truly amazing.

Really, where the industry appears to be, except for the eight companies that are already in, is that they're just finding out where their inadvertent MECs are. They are in the investigative stage. I was really floored by the fact that almost everybody put down 2 (out of 10) for the stage that they are in. Everybody answered that question (what stage are they in), by the way. They don't know what it's going to cost or really how long it's going to take, but they're all in stage 2 (20% finished).

The industry is behind in this effort. We're behind getting clients, but they are going to come. It just seems to me that around September our study of delicatessens and bakeries and how they give out numbers to customers is going to come in handy. There's going to be a rush at the end of this thing. And you can't underestimate the amount of time that it's going to take, even if you think you know what you're doing. Until you start to look and figure out what you're going to do, you really don't know.