

**TRANSACTIONS OF SOCIETY OF ACTUARIES
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EXPENSE RATES

What has been the recent expense rate experience of smaller companies?

What expense rate changes are anticipated in the near future? What actions have been taken to keep expense rates down?

MR. THURSTON P. FARMER, JR. stated that expense rates of many smaller companies have been rising in recent years, although these rates are very difficult to measure in small companies because the work of most of the personnel may cover several functions and involve several lines of business, and also because the rates are likely to appear to fluctuate as the volume of new business fluctuates.

Looking at anticipated changes in federal income tax, Mr. Farmer stated that the change percentagewise will probably be greater on very small companies than on larger ones. The tax will be nil on new companies incurring a net loss from operations. The tax will be increased on small companies which are already established and have appreciable net gains from operations. These often have low assets per \$1,000 of insurance in force due to preponderance of recent issues, and their tax may increase five- or ten-fold.