

DISCUSSIONS OF PAPERS READ AT THE
NOVEMBER 17, 1950 MEETING

AUTOMOBILE ACCIDENT STATISTICS BY "AGE OF DRIVER"

L. W. SCAMMON

Volume XXXVII, Page 43

WRITTEN DISCUSSION BY J. A. MILLS

Mr. Scammon's paper on "Automobile Accident Statistics by 'Age of Driver'" is a valuable contribution to the Casualty Actuarial Society *Proceedings*. The figures lend factual support to the rate differentials by age of driver, and more importantly they are a challenge to the membership of the Society to uncover the basic causes of the differentials for the laudable purpose of promoting their elimination and thereby saving lives and property.

From an accident prevention standpoint, the accident rate per mile of driving is a more significant measure than is the accident rate per licensed driver. There is reason to believe that young and inexperienced drivers do not drive as many miles per year and, consequently, variations in the accident rate per licensed driver do not tell the real story. Statistics measuring the accident rate per licensed driver indicate that drivers under 18 have a better record than does the age group 18—24. This has been attributed to closer parental control, whereas lower mileage exposure is a more probable explanation.

In order to obtain at least a rough indication of the variations in the mileage accident rate by age of driver, the Kemper Insurance organization sent a questionnaire to all of its employees who are licensed to drive cars. This questionnaire asked each employee to provide an estimate of the annual mileage of all licensed drivers in the family by age of driver. The responses provided mileage information on 2,903 licensed drivers, and summarization of the information disclosed the following variations in annual mileage by age of driver:

<i>Age Group</i>	<i>Number of Drivers</i>	<i>Total Annual Mileage</i>	<i>Average Annual Mileage Per Driver</i>
Under 20	112	327,000	2,900
20—24	342	2,177,000	6,400
25—29	493	4,601,000	9,300
30—39	797	8,406,000	10,500
40—49	645	6,365,000	9,900
50—54	246	2,418,000	9,800
55—59	147	1,402,000	9,500
60—64	68	615,000	9,000
Over 64	53	304,000	5,700
All ages	2,903	26,615,000	9,200

Through the use of the available information from various states of the breakdown of licensed drivers by age groups, the following estimated country-wide distribution by age of all United States licensed drivers was obtained:

<i>Age Group</i>	<i>Number of Drivers</i>
Under 20	5,392,000
20—24	7,852,000
25—29	7,852,000
30—39	13,192,000
40—49	9,475,000
50—54	3,246,000
55—59	2,251,000
60—64	1,519,000
Over 64	1,571,000
All ages	52,350,000

The mileage information obtained by means of the Kemper organization's questionnaires was applied against the foregoing distribution of drivers by age. The sum of the products produced a countrywide total mileage for passenger cars of 447 billion miles. This figure exceeded the National Safety Council's estimate of the 1949 passenger car mileage by 33%. A logical explanation for the difference is that—(a) the drivers responding to the questionnaire were predominantly city drivers, and the annual mileage of city drivers averages 25% more than does that of rural drivers, and (b) those responding to the questionnaire include a disproportionate share of persons using their cars for business purposes, and their annual mileage is higher than that of the average licensed driver. In order to reproduce the National Safety Council's estimate of the annual passenger car mileage, the Kemper organization's mileage figures were reduced proportionately under each age bracket. This was done with the hope that the adjusted figures would come reasonably close to reproducing the true annual mileage in each age bracket.

These figures then were divided into the countrywide fatalities and accidents by age bracket in order to secure mileage fatality and accident frequency rates by age.

The necessarily crude statistical results that were obtained from this approach are given in Appendix "A". It will be observed that the fatality rate per mile of licensed drivers under 20 is 3.8 times as great as that of drivers in the 30—55 age bracket, and that the accident rate per mile is 2.7 times as great for drivers under 20 as for drivers in the 30—55 age bracket. The fatal accident frequency rate per mile is 3.0 times greater for drivers over 65 years of age than for drivers in the 30—55 age bracket, and the accident rate per mile is 2.4 times greater for drivers over 65 than for drivers in the 30—55 age bracket.

The study does not answer the pertinent question of whether age or inexperience is the predominant cause for the relatively bad record of teen-age drivers. It would be interesting to compare the fatality and accident record during the first 10,000 miles of driving of drivers who learned to drive after age 20 with drivers who learned to drive before age 20.

In any event, the crude statistics provide a potent argument for teaching our young people the skills of handling a car, and more importantly the grave moral responsibilities that must be shouldered by drivers, young and old, who have decided to exercise their right to drive a car.

APPENDIX "A"

MILEAGE BY AGE OF DRIVER

Driver Involvement in Accidents—1949

<i>Age Group</i>	<i>Estimated Drivers in United States During 1949 (In Thousands)</i>	<i>Kemper Questionnaire Average Mileage in 1949</i>	<i>Estimated Countrywide 1949 Mileage (In Millions)</i>	<i>Adjusted Kemper Mileage in 1949</i>	<i>Adjusted Countrywide 1949 Mileage (In Millions)</i>	<i>Number of Fatal Accident Drivers</i>	<i>Fatal Accident Drivers Per 100 Mill. Miles</i>	<i>Number of Accident Drivers</i>	<i>Accident Drivers Per 100 Mill. Miles</i>
Under 20	5,392	2,900	15,637	2,200	11,752	3,370	28.7	1,100,500	9,360
20—24	7,852	6,400	50,253	4,800	37,769	8,040	21.3	3,022,500	8,000
25—29	7,852	9,300	73,024	7,000	54,884	7,290	13.3	2,790,000	5,080
30—39	13,192	10,500	138,516	7,900	104,107	8,900	8.5	3,859,500	3,710
40—49	9,475	9,900	93,803	7,500	70,501	4,340	6.2	2,371,500	3,360
50—54	3,246	9,800	31,811	7,400	23,909	1,640	6.9	744,000	3,110
55—59	2,251	9,500	21,385	7,100	16,073	1,310	8.2	573,500	3,570
60—64	1,519	9,000	13,671	6,800	10,275	1,010	9.8	465,000	4,530
Over 64	1,571	5,700	8,955	4,300	6,730	1,500	22.3	573,500	8,520
All Ages	52,350	9,200	447,055	6,900	336,000	37,400	11.1	15,500,000	4,610
30—35	25,913	10,200	264,130	7,600	198,517	14,880	7.5	6,975,000	3,510

NEW YORK STATUTORY DISABILITY BENEFITS LAW,
 COVERAGE, RATES AND RATING PLANS

M. J. SCHWARTZ

Volume XXXVII, Page 57

WRITTEN DISCUSSION BY J. H. ROWELL

The description of the coverage and rate making concepts under the New York Disability Benefits Law have been excellently portrayed in Mr. Schwartz's paper. I can agree with and commend to students of this subject nearly everything he states and hence must confine this discussion to possible refinements and a few additional ideas.

The first point I want to make has to do with the rate *base*. Among the possible exposures mentioned by Mr. Schwartz are:

1. Aggregate weekly indemnity benefits.
2. Disability Benefits Payroll (first \$60.00 of earnings per week).
3. Workmen's Compensation Payroll (first \$100.00 of earnings per week excluding overtime bonuses).
4. Federal Social Security Payroll (first \$3600 of earnings during the calendar year).
5. Unemployment Insurance Payroll (first \$3000 of earnings during the calendar year).
6. Number of employees.

Mr. Paul Dorweiler has described the criteria of the best exposure medium for any line of insurance as follows*:

- (A) The magnitude of the medium should vary with the hazard, when the hazard is measured by the amount of the losses.
- (B) The medium should be practical and preferably already in use for other purposes.

I have arranged the above six possible exposure units in the order that I consider most nearly approximates the first criterion namely, that which most nearly measures the amount of losses.

For voluntary (as opposed to compulsory) coverage, the aggregate weekly indemnity benefit is the base traditionally used. Although this base does not meet the criterion of being already in use for other purposes, it has been practical for voluntary coverage, where the employees may be divided into a relatively few salary or length of service classes, and the weekly benefit then made a fixed amount within each class. Under the Disability Benefits Law, however, the number of benefit classes is interminable because the weekly benefit is a percentage (50%) of the average weekly wage and subject to a minimum of \$10.00 and a maximum of \$26.00 per week. This fact suggests that the exposure medium might be the weekly wage itself, subject to a maximum of \$52.00 per week. Such a base, however accurate as a measure of losses, is not practical, because it is not already in use for any other purpose. The typical New York State employer even now has four sets of payroll figures to compute (enumerated as 2 through 5 above). Far be it my intention to suggest another!

* *Proceedings Casualty Actuarial Society*, Volume XVI, page 321.

The next most desirable base—the first \$60.00 of wages per week—is a fairly close approximation to the measure of hazard and it does have the advantage of being already in use for the purpose of determining the amount the employer may deduct from wages as the employees' share of the disability benefits cost. It is a better base than the first \$3000 (or \$3600) of calendar year wages because the latter are unstable for those employees whose yearly wage is in excess of the maximum: that is, too much of the exposure medium occurs in the early quarters of the year and too little in the later quarters. Furthermore, a calendar year payroll base, when initially determined, is subject to revision where an employee moves from one employment to another resulting in a "new start" on his \$3000 (or \$3600) with each new employer and consequently refunds have to be made during the next calendar year. For these reasons I believe the \$60.00 a week base is superior to the \$3000 (or \$3600) a year base.

The major disadvantage of the \$60.00 a week base is that the figures required by the Workmen's Compensation Board for assessment purposes—the first \$3000 of calendar year payroll (in 1950 the portion paid in the last 2 quarters)—are not automatically available and the insurance carrier has to make special provisions to obtain them.

This maze of definitions of payroll must confuse many small employers and cause no end of harassment to the larger employers. It is my private opinion that many employers simply give up and report the same figure on all occasions.

It would be most constructive if the Federal Social Security Board, the State Unemployment Agencies, the Workmen's Compensation Board and the National Council on Compensation Insurance could agree to a common limitation of taxable payroll to be used for the Federal Social Security contributions, State Unemployment Insurance taxes, employees' contribution for disability benefits and Workmen's Compensation Insurance payroll. This is probably too much to hope for, but it would be helpful if any two or three of these agencies could agree on a common definition.

Having decided on the exposure base to be used, the ratemaker is next confronted with the problem of considering other variables contributing to the amount of losses. Well defined statistics are not available in any great exactness with respect to sex and age. Any study by age without regard to sex is of doubtful value, and analyses by sex without regard to age are based on the hazardous assumption that age distributions do not vary by employer.

Hazardous though it may be to disregard age distributions, the several studies by sex—referred to by Mr. Schwartz indicate that the amount of disability to be expected among females is about twice as much as among males. But in all of these studies benefits were payable for disability caused by pregnancy. As Mr. Schwartz points out, it has been assumed that pregnancy has caused about half the extra disability among females and consequently this assumption calls for a rate charge of one and one-half times as much for female exposure as for male.

On this point I have made two studies which may be of interest.

The first was on Voluntary Group plans which provide maternity benefits and was based on \$2,000,000 of claim payments. In this study the six week maternity benefit was found to result in .16 weeks of disability per female

1951 PAYROLL SHEET FOR AN EMPLOYEE EARNING \$110 PER WEEK

Week of Calendar Year	Gross Weekly Wages	Federal Social Security Wages		New York Unemployment Insurance Wages		New York Workmen's Dis- ability Insurance Wage		Com- pensation Insurance Wage	SS Tax Deduct	DB Ins. Deduct
		Weekly	Cum.	Weekly	Cum.	Weekly	Cum.	1½% of (2)	1½% of (4)	
	(1)	(2)	(2A)	(3)	(3A)	(4)	(5)	(6)	(7)	
1	110	110	110	110	110	60	100	1.65	.30	
2	110	110	220	110	220	60	100	1.65	.30	
.										
27	110	110	2970	110	2970					
28	110	110	3080	.30	3000	60	100	1.65	.30	
29	110	110	3190	0		60	100	1.65	.30	
30	110	110	3300	0		60	100	1.65	.30	
31	110	110	3410	0		60	100	1.65	.30	
32	110	110	3520	0		60	100	1.65	.30	
33	110	80	3600	0		60	100	1.20	.30	
34	110	0		0		60	100		.30	
35	110	0		0		60	100	0	.30	
.										
52	110	0		0		60	100	0	.30	
TOTALS	5720		3600		300	3120	5200	54.00	15.60	

From this Exhibit it is apparent that the most practical solution of the employer's bookkeeping problem would be for the Federal Social Security Board and the State Unemployment Division to establish weekly maximums as substitutes for calendar year maximums. This would do away with the necessity for the cumulative columns (2A) and (3A) as well as eliminate the necessity for refund adjustments when an employee works for more than one employer during a calendar year.

life year exposed. It should be noted that the amount of disability is independent of the number of days of waiting period and the limiting number of weeks of benefits for non-maternity disabilities and hence it would seem that the appropriate method to obtain pure premiums for female exposures would be to obtain the proper female pure premium for the plan including maternity benefits and deduct the constant of .16 weeks per life year.

The second study was on the Disability Benefits Law experience and was based on \$220,000 of settled claims.

In both studies the conclusion was reached that on an 8 day waiting period, 13 week plan, excluding maternity benefits, female employees have about one and three-quarters as much disability as males. The final word has yet to be said on this subject, however, because in neither of the studies were the age exposures known.

I have attached an exhibit containing the payroll figures each New York State employer must compile to meet his present various requirements. The purpose of the exhibit is to show the essential elements of the computations, although there are short cut methods which may be developed.

EXCESS LOSS RATIOS VIA LOSS DISTRIBUTIONS

D. R. UHTHOFF

Volume XXXVII, Page 82

WRITTEN DISCUSSION BY EDWARD S. ALLEN

The development of excess loss charges is a somewhat perplexing problem due to the sparseness and instability of the available experience. Mr. Uthoff's paper describes a unique but practical approach to this problem.

Only one minor criticism is apparent. The retrospective premium formula in the first paragraph provides that claim expense will be charged in the same manner as losses are charged. Since in Plan D there is no lower limit to the loss conversion factor, some or all of the claim expense may be included in the basic premium.

Mr. Uthoff properly suggests that the method he describes might contribute to solutions of excess rating problems in general. He also mentions briefly the variation in excess hazard between individual risks. This immediately suggests an extension of this method by developing ratios to total losses of death, permanent total and major permanent partial losses for each classification for use in Table II. Substantial difficulties would be encountered in the development of such ratios, particularly if the experience of more than one state is to be used, but this procedure seems worthy of consideration for any state in which the excess loss charge is a substantial portion of the premium.

EXCESS LOSS RATIOS VIA LOSS DISTRIBUTIONS

D. R. UHTHOFF

Volume XXXVII, Page 82

WRITTEN DISCUSSION BY ROGER A. JOHNSON

Mr. Uthhoff's paper gives in some detail the method used by the National Council on Compensation Insurance for determining insurance charges by state for the limitation of losses in retrospective rating.

In New York, losses had been limited to \$10,000 per claim since the introduction of retrospective rating. The New York table of excess pure premium ratios, used in the determination of insurance charges, were based on data with losses limited to \$10,000, so that no further adjustment was necessary. With the introduction of Plan D on December 31, 1949, and the desire for combination with "unlimited" National Council states, it was necessary to use a single table of excess loss ratios (Table M), and provision for the New York loss limitation was accomplished by reducing the permissible loss ratio. New York, contrary to most other states, has sufficient volume so that up-to-date loss tabulations can be used to determine the proper charge for excess losses.

In many of the National Council states, because of lower benefit levels, there had been no particular need for loss limitation. The National Council, however, adopted Item R-837 to be effective on September 1, 1950 providing for the election by certain sized risks of limitations on a per accident basis to \$10,000, \$15,000 or \$25,000. Failure to elect any limitation automatically provides for the use of losses without limit.

Since, in most states, the available data on excess losses is too thin to have much value per se, the method outlined in Mr. Uthhoff's paper was employed. That is, such data as were available were combined into a single group of tables, from which charges for excess losses varying by state were determined with due recognition given to state average values and distributions. The method, admittedly an approximation, appears to give results which are equitable as state-wide averages.

Other states having caught up with New York by the introduction of loss limitations (albeit on an elective basis), New York then took another step forward with the introduction of variation in charges by hazard group. An exhaustive study undertaken by a Subcommittee of the Actuarial Committee of the Compensation Insurance Rating Board resulted in the assignment of classifications to five hazard groups with charges for limitations of \$10,000, \$15,000 and \$25,000 per accident. This procedure was incorporated into the New York Retrospective Rating Plan effective October 1, 1950.

It is the writer's opinion that the National Council has taken a step in the right direction by adopting loss limitation in retrospective rating. It should now continue forward by adopting variation by hazard group. As Mr. Uthhoff points out in the conclusion of his paper, the underwriter may be misled into thinking he is getting an adequate premium for the loss limitation, whereas, that premium may be excessive or woefully inadequate, depending on the hazard group in which the risk would normally fall.

It is likely that the procedures which are the subject of Mr. Uthhoff's paper could be further refined to produce variation by hazard group.

THE COMBINED FIRE AND CASUALTY ANNUAL STATEMENT BLANK

THOMAS F. TARBELL

Volume XXXVII, Page 74

WRITTEN DISCUSSION BY H. O. VAN TUYL

When Mr. Tarbell wrote his original papers in 1929 on "Casualty Insurance Accounting and the Annual Statement Blank," the casualty blank had not changed in any important aspect in the previous twenty years. As respects the balancing of the increase or decrease in ledger assets through the Income and Disbursements statement this procedure had been adopted in 1896 and had become the essential and distinguishing feature of the casualty blank. This requirement had an all pervasive influence on the accounting procedures of practically all casualty companies.

In 1941 these two papers were revised by the author so that the references to items etc. might conform to the blank as then constituted. The principal changes in this 12 year period were the appearance of Schedule T and the elimination of Schedules J and K.

During the years 1941 to 1948 there was added Schedules M I-IV but as respects the form of statement the 1948 blank was the same as had been in use for nearly half a century. When one considers how entrenched this form had become and how closely it was tied in with the companies' accounting records, and further, how conservative most supervising departments are, it is quite remarkable that in spite of these obstacles the new combined blank for fire and casualty companies should have won approval in 1949 and become the official blank for the following year.

It was my privilege, as president of the Association of Casualty and Surety Accountants and Statisticians, to appoint in 1945 a committee of six accountants to meet with a similar committee of the (Fire) Insurance Accountants Association to consider the development of a revised form of annual statement blank. Mr. Tarbell as Chairman of our Uniform Accounting Committee was the logical leader of this group and became Co-chairman of the joint committee. While credit is due to every member of this committee for the cooperative pooling of ideas which followed, it is well known that the eventual success of the entire effort was due in large degree to his sound judgment and thorough knowledge of accounting principles aided by the exercise of unusual tact and perseverance.

The modernization of our annual statement blank marks a new era in insurance accounting and it is fitting that the individual who had a major part in bringing this about should prepare for preservation in our *Proceedings* both the history of the development of the annual statement blank and likewise the detailed description of the present blank as set forth in the paper under review.

The first section of the paper deals with Pages 1 to 3, the main Financial Statement, which in the new blank has been completely rearranged. This portion of the paper is entirely new and the changes between the 1948 and 1950 blanks are set forth in detail. Since many of the Exhibits and Schedules are

the same, much of the latter portion of the paper is a repetition of that set forth in his contributions of previous years.

The former "Underwriting and Investment Exhibit" was a means of overcoming the weakness of the old blank. With the establishment of a new blank developed on the accrual basis in accordance with modern accounting practice, it became unnecessary to continue this exhibit and no such caption or expression appeared in the original draft of a combined blank. It is unfortunate that the appearance of the finally adopted blank has to be marred by the redundant caption "Underwriting and Investment Exhibit" at the top of pages 4, 5, 6, 7, 8, 9, and 10. I understand this is done for the enlightenment of our Federal Internal Revenue Inspectors. Let us hope that when the Inspectors have become thoroughly familiar with the new blank, these unnecessary captions can be eliminated.

Another Exhibit which has been included to meet the views of certain supervisory officials is Exhibit 3 "Reconciliation of Ledger Assets". This seems to some to be in the nature of a useless appendage and perhaps this also may in some future day be subject to suitable surgical treatment.

The adoption or the rejection of these suggestions will not materially affect the blank since the essential features of the revised statement are the use of the accrual basis, the elimination of statistical data from the main statement and the adoption of a single form for fire and casualty. Whatever minor adjustments are made in future years, it would seem that the basic structure will long endure as it is based upon firmly established accounting principles and practice.

Students of the new blank will have reason to thank the author of the paper under review for the concise but complete description of the new financial statement and the make up of the various exhibits and schedules. The task has been well performed and the result is a valuable contribution to our *Proceedings*.

THE COMBINED FIRE AND CASUALTY ANNUAL STATEMENT BLANK

THOMAS F. TARBELL

Volume XXXVII, Page 74

WRITTEN DISCUSSION BY JOHN R. LANGE

Mr. Tarbell's papers on the combined fire and casualty annual statement blank for business of 1950 record in his Introduction (Vol. XXXVII, Part I, Page 74) the historical development of the final product. This permanent record is of great value to the students of state supervision and company examination procedures. In his timely paper (Vol. XXXVIII, Part II, Page 113) on the new financial statement, exhibits and schedules, he clearly weaves the items of the old blank into the new, which gives the reader an "at home" feeling and the confidence that nothing has been omitted or sacrificed in adopting the new form. Like a cardiograph, it records that chapter in the history of the blank when the insurance industry was pulsating under the changes brought about by Uniform Accounting and Multiple Line Under-

writing. And last, but not least, the tracks of "intent" are preserved which is always important.

The reaction of the public to the new presentation of financial condition and results of operation may not as yet have been fully tested. Another year or two will complete the story as to that. The transition did not or may not produce the jar that was anticipated. The life insurance policyholders who receive more annual financial statements and are more statement conscious will be tested in 1952. It is customary for Wisconsin Governors to have an annual conference with each department head. This writer was interviewed a few weeks ago. One of the first questions asked by the Executive's financial secretary (an experienced accountant borrowed from the Department of Taxation) was, "When will these insurance companies put out understandable financial statements?" The writer had with him the combined form and the 1951 life form and brought the secretary up to date.

Multiple writing power laws are effective now in all but one or two states. The combined fire and casualty blank fills an important need and becomes the required tool for the reporting of multiple lines. The fire insurance examiner must also become a casualty man and vice versa. The line of demarcation as between the fire and casualty business and personnel is fading. Annual reports of the state insurance departments are gradually going through a changing process and the so-called casualty section and fire section of such reports will eventually disappear and such reports no doubt will be divided according to primary and secondary lines of business regardless of whether the companies were originally incorporated as a fire company or a casualty company. Tax laws need revision so that a company will not pay one rate on fire premiums and another rate on casualty lines. Agents' license laws in some states need revision so that an agent may write a fire risk and workmen's compensation risk under one agent's license.

There has been a demand among state insurance departments for a check list or audit procedure on annual statements. Mr. Tarbell's paper, which first covers pages 2, 3 and 4 of the new blank and then all of the exhibits and schedules, is the answer to this demand and should also serve as a guide for the zone examiner to use. The discussion on the various supporting schedules giving alternative ways to handle the various account items was particularly fine, bringing up to date the currently accepted usages of these supporting schedules. His paper might well be used as an appendix to the Manual of Convention Examination Practice and Procedure adopted by the National Association of Insurance Commissioners, revised in December, 1950. It is hoped that reprints of the paper will be widely distributed among the supervisory offices of all states.

The supplementary worksheet to Schedule P for the derivation of Item 16, page 3, and the related items on page 9, is an examiner's timesaver and of value in the auditing of part of the Insurance Expense Exhibit. It was very thoughtful to have added the worksheet to his paper.

State officials, their deputies and examining staff, and the industry which Mr. Tarbell represents are very much indebted to him and should now begin to pray for another angel from the life companies who would prepare and distribute a similar paper on the 1951 life blank.

AUTHOR'S REVIEW OF DISCUSSIONS
THOMAS F. TARBELL

The complimentary discussions submitted by Messrs. Lange and Van Tuyl present no areas of disagreement. However, a few words of explanation on Mr. Van Tuyl's comments on the Underwriting and Investment Exhibit may be clarifying.

Mr. Van Tuyl is correct in his statement that in the original draft of the Blank the caption "Underwriting and Investment Exhibit" did not appear on Pages 4-10. The caption seemed to be unnecessary from the standpoint of a blank designed to produce operating results of Fire and Casualty Companies. However, it was subsequently decided that in view of the fact that Section 204 of the Internal Revenue Act makes specific reference to the "underwriting and investment exhibit of the annual statement approved by the National Convention of Insurance Commissioners", such exhibit should be identified in the Statement. While it is possible that the inclusion of the caption on Page 4 only would have met the situation, it was deemed advisable to include it on the other pages mentioned since some of the data appearing on Pages 5-10 of the new blank were incorporated in the Underwriting and Investment Exhibit of the superseded blank.

As respects Exhibit 3, "Reconciliation of Ledger Assets", the Committee which developed the Blank was in agreement with Mr. Van Tuyl's thoughts. However, this, as indicated by Mr. Van Tuyl, was a matter beyond the control of the Committee.