

MEMO# 2297

October 29, 1990

MAINE ISSUES SUPPLEMENTAL REPORT ON CONTRACTUAL PLAN FEES

October 29, 1990 TO: CONTRACTUAL PLANS COMMITTEE NO. 13-90 RE: MAINE ISSUES
SUPPLEMENTAL REPORT ON CONTRACTUAL PLAN FEES

As we previously informed you, the Maine Securities Division issued a study, dated March 26, 1990, analyzing the fees assessed by contractual plans offered by one sponsor. (See Memorandum to Contractual Plans Committee No. 5-90, dated May 16, 1990). As a result of this study, several states have raised questions concerning contractual plans and a meeting has been scheduled between the NASAA Investment Company Registration/ Trading Practices Committee and contractual plan sponsors to discuss state concerns with contractual plans. (See Memorandum to Contractual Plans Committee No. 11-90, dated October 26, 1990.) The Maine Securities Division recently has issued a supplemental analysis (a copy of which is attached), which incorporates data from other plan sponsors. The supplemental study states that although these other sponsors generally reported higher persistency rates, "the problem does not appear limited to [the first] sponsor". The study notes that the overall persistency rate for all plans sold in Maine was under 50%. The study concludes that unless either a means can be found to guarantee that plans sold will have high persistency rates or the plans are restructured so costs "are spread more equitably" (presumably through reduced loads on early payments), the "final alternative is to prohibit the plans, as has been done in California and Wisconsin". Patricia Louie Assistant General Counsel Attachment

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