The data presented on the previous page is the most current actuarial data available. Included in 1984 are total accumulated benefits of $111 million and plan assets of $206 million related to the terminated plans. The 1985 information excludes accumulated benefits and plan assets of the terminated plans and includes accumulated benefits and plan assets of the new plans, which are insignificant. The assumed interest rates used in determining the actuarial present value of accumulated plan benefits for the majority of the Company's plans ranged from 8.0 to 8.5 percent. These plans accounted for 94 percent of net plan assets available for benefits as of the latest actuarial valuations.

As of the latest actuarial valuation date, January 1, 1983, the value of fund assets and reserves of the Company's non-U.S. plans exceeded the actuarially computed present value of accumulated plan benefits. It is estimated that this relationship continues to exist as of January 1, 1985.

In addition to the retirement benefits discussed above, the Company provides health care and life insurance benefits to eligible retired United States employees. The cost of providing these benefits is recognized by expensing the amount the Company pays, which includes premiums on related insurance policies. In 1985 and 1984, $3.5 million and $2.7 million were paid, respectively, with respect to such benefits. Postretirement benefits, other than pension benefits, for non-U.S. employees are immaterial in amount.

12/Lease Commitments

The Company leases certain office facilities and operating equipment under cancelable and noncancelable agreements. Total rental expense amounted to $338 million in 1985, $292 million in 1984 and $236 million in 1983. At December 31, 1985, the minimum aggregate rental commitment under all noncancelable leases (net of subleases) was (millions): 1986, $237; 1987, $197; 1988, $160; 1989, $127; 1990, $100; and $1,028 for years thereafter. Certain of these leases provide for additional rentals based on increases in property taxes or the general cost of living index, or for payment of property taxes or other operating expenses by the lessee; in addition, most leases contain standard renewal clauses.

13/Income Taxes

The provisions for income taxes consist of the following (millions):

	1985	1984	1983
State and local	$ 79	$ 45	$ 42
Federal	258	194	170
Foreign	100	75	74
Total	$437	$314	$286

Net unremitted earnings of foreign subsidiaries for which Federal income taxes have not been provided totaled $356 million for years subsequent to 1982. These earnings are permanently invested outside the United States. Prior years' amounts were immaterial.

Deferred income tax provisions (benefits) result from items that are included in income for tax purposes in years different from those in which they are included in income for financial statement purposes. The current and deferred components of the provisions for income taxes consist of the following (millions):

	1985	1984	1983
Current	$438	$ 446	$337
Deferred:			
Prepaid policy acquisition costs	41	41	5
Changes in reserves for losses and expenses	(116)	(86)	(51)
Retirement plan expenses	(50)	(2)	(5)
Cash basis adjustments	33	(73)	(14)
Depreciation expense	36	10	12
All other	55	(22)	2
Total deferred	(1)	(132)	(51)
Total	$437	$ 314	$286

The cumulative tax effects of timing differences are included in the balance sheet in other assets, which also include deferred tax benefits on net unrealized losses on equity securities carried at market or at the lower of aggregate cost or market.

Investment tax credits are accounted for using the flow-through method whereby they are applied as a reduction of income tax expense in the year the qualifying assets are placed in service.

Aggregate income tax expense in 1985, 1984 and 1983 is less than that computed by using the 46 percent U.S. statutory rate. The principal causes of the difference in each year are shown below (millions):

	1985	1984	1983
Income tax expense	$437	$314	$286
Reductions in taxes resulting from:			
Tax-exempt interest income	91	79	70
Tax-exempt element of dividend income	24	21	14
Transactions taxed at capital gains rate	26	14	6
Foreign income taxed at rates other than U.S. statutory rate	58	37	36
Investment tax credits	21	12	9
Increase in taxes resulting from:			
Net loss of affiliates accounted for at equity	(27)	(11)	(26)
State and local income taxes	(43)	(24)	(23)
Non-deductible amortization	(35)	(35)	(7)
All other	22	18	3
Combined tax at U.S. statutory rate	$574	$425	$368