



Contact: James Lee, AALU, 703-641-8128, Lee@aalu.org

Jack Dolan, ACLI, 202-624-2418, JackDolan@acli.com

Brendan Gleason, GAMA, 703-344-3688, BGleason@gamaweb.com

Sheila Owens, NAIFA, 703-770-8112, sowens@naifa.org

Susan Grimes, NAILBA, 703-383-3071, SGrimes@nailba.org

LIFE INSURANCE INDUSTRY REACTS TO ADMINISTRATION'S DEFICIT REDUCTION TAX PROVISIONS

Washington, D.C. (September 21, 2011) – As an industry helping 75 million families and thousands of businesses responsibly plan for their futures, we urge the administration to eliminate provisions in its deficit reduction proposal that amount to new taxes on products providing financial security and peace of mind.

The deficit plan attempts to revive two proposals – one on corporate-owned life insurance (COLI) and one on life insurers' dividends-received deduction (DRD)—that have been proffered annually by the administration since 2009 and have never been taken seriously by Congress.

In fact, 31 of 37 members of the House Ways and Means Committee earlier this year rejected consideration of this same proposal.

The COLI proposal would impose new taxes on life insurance used by businesses small and large. Many businesses use COLI to protect against financial or job loss stemming from the death of owners or key employees. COLI also is used to ensure business continuation. In addition, COLI is a widely-used funding mechanism for employee and retiree benefits. Congress affirmed the benefits and tax treatment of COLI and ensured its responsible use in bi-partisan legislation enacted in 2006.

Another proposal would undercut longstanding rules regarding life insurers' DRD that are designed to prevent double taxation of corporate earnings. The administration's proposal would reduce the DRD that life insurers use in accounts that fund variable life insurance and variable annuity contracts—key products for financial and retirement security.

The administration's life insurance tax proposals are self-defeating. While intended to reduce the budget deficit, they would in reality exacerbate the nation's savings crisis. Raising the cost of financial and retirement security represents bad public policy. Congress has three times rejected these proposed tax increases. We urge the administration to withdraw its proposals on COLI and DRD.

###

The **Association for Advanced Life Underwriting** (AALU) is a professional trade association representing 2,000 life insurance agents and professionals nationwide, who have significant expertise and are industry leaders in the sale and use of life insurance in estate planning, charitable planning, business continuation planning, retirement planning, deferred compensation and employee benefit planning. The mission of AALU is to promote, preserve and protect advanced life insurance planning for the benefit of its members, their clients, the industry and the general public. AALU's website can be accessed at www.aalu.org.

The **American Council of Life Insurers** (ACLI) is a Washington, D.C.-based trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. In addition to life insurance and annuities, ACLI member companies offer pensions, 401(k) and other retirement plans, long-term care and disability income insurance, and reinsurance. ACLI's public Web site can be accessed at www.acli.com.

GAMA International is a worldwide professional association serving 5,500 field leaders in the insurance and financial services industry. Its members recognize their critical role in finding, building and inspiring the next generation of top performers who will, in their turn, lead the industry into the future. To help build these leaders, the association provides its members with professional development resources and opportunities, including educational, networking and leadership. GAMA International's website is located at www.gamaweb.com.

Founded in 1890 as the National Association of Life Underwriters, the National Association of Insurance and Financial Advisors **NAIFA** comprises more than 600 state and local associations representing the interests of approximately 200,000 agents and their associates nationwide. NAIFA members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. The Association's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members. Visit NAIFA's website at www.naifa.org.

The **National Association of Independent Life Brokerage Agencies** (NAILBA) is the premiere insurance industry organization promoting financial security and consumer choice through the use of independent brokerage distribution. NAILBA member agencies represent 250,000 producers who deliver more than four billion dollars in first year life insurance premiums annually. For more information, visit www.nailba.org.
