

# PRESS RELEASE



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## **LIFE INSURANCE INDUSTRY RESPONDS TO ADVISORY PANEL'S FEDERAL TAX REFORM OPTIONS**

The life insurance industry is reviewing the report of the Advisory Panel on Tax Reform.

While the goal of simplifying the U.S. tax law is an important one, the options included in the report represent a retreat from America's historic commitment to helping Americans achieve financial and retirement security. They make families less secure today and less prepared for tomorrow by setting arbitrary limits on the ability of Americans to protect their families through life insurance and annuities.

While the panel's options are intended to increase savings, they ignore crucial components of sound lifetime financial planning. Families need to save, but they also need to protect against the financial loss at death at any age through permanent life insurance. And they must guard against outliving their retirement savings through the guarantees only annuities can provide. The options would needlessly make millions of families vulnerable to the financial risks associated with death while also exposing millions of older Americans to the threat of outliving savings.

The options pose a risk to the nation as well: The insurance protection provided by permanent life insurance and annuities serves as a source of long-term savings and capital formation. Due largely to these products, the life insurance industry:

- Has invested \$3.9 trillion in the economy, including \$264 billion in new net investments in 2004.
- Is the largest source of bond financing for corporate America – including \$1.8 trillion invested in 2004.

- Held more than \$560 billion in government bonds in 2004.
- Held \$700 billion in commercial and residential mortgages, as well as mortgage-backed securities, in 2004.

These contributions to the nation's economic development represent one of the most significant domestic sources of long-term capital. Indeed, America relies too heavily on foreign capital – some \$1.6 billion a day. Tax reform options that threaten the ability of life insurers to invest in America will increase this dependence.

The life insurance industry agrees that simplification of the tax code is important. However, simplification is only one of several goals. Permanent life insurance is critically important to protecting American families, jobs, and facilitating the provision of employee benefits. With increased longevity, Social Security at risk, and fewer workers covered by traditional pensions, this nation faces a retirement crisis. Not only must Americans increase their savings, they must take steps to ensure they manage and protect their savings to guarantee lifetime income for themselves and for survivors at their death. Tax reform must help Americans achieve these objectives.

Congress has long recognized the important role life insurance and annuities play in financially protecting American families. The options offered to the U.S. Treasury Department by the Advisory Panel would, for the first time, impose taxes on these products – taxes that would discourage people from securing the lifetime protection they need.

It is important to recognize that the panel has presented only options, not recommendations, to the Treasury Department. The life insurance industry will work closely with the Treasury and the White House to ensure they are aware of the crucial role life insurance and annuities play in protecting families from financial loss at death and preserving financial security throughout retirement. We will similarly reach out to Congress about the importance of life insurance and annuities. As this process moves forward, we will be very vigorous advocates to strengthen, not weaken what permanent life insurance and annuities do for the American public.

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#### **About AALU:**

**The Association for Advanced Life Underwriting (AALU) is a nationwide organization of life insurance agents, many of whom are engaged in complex areas of life insurance such as business continuation planning, estate planning, charitable planning, retirement planning, deferred compensation and employee benefit planning. AALU represents approximately 2,000 life and health insurance agents and financial advisors nationwide. 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](http://www.aalu.org).**

#### **About ACLI:**

**The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association whose 356 member companies account for 80 percent of the life insurance industry's total assets in the United States. ACLI member companies offer life insurance, annuities, pensions, including 401(k)s, long-term care insurance, disability income insurance and other retirement and financial protection products, as well as reinsurance. ACLI's public Web site can be accessed at [www.acli.com](http://www.acli.com).**

**About NAIFA:**

**Founded in 1980 as the National Association of Life Underwriters, NAIFA comprises 800 state and local associations representing the business interests of 225,000 members and their employees nationwide. 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. NAIFA'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. Go to [www.naifa.org](http://www.naifa.org) to learn more.**

**About NAILBA:**

**The National Association of Independent Life Brokerage Agencies (NAILBA) is a nonprofit trade association with 330 member agencies in the U.S., representing 100,000 producers who deliver more than one billion dollars in first-year life insurance premiums annually. NAILBA is dedicated to fostering the growth of its member agencies by providing educational resources, industry standards and a collective voice for legislative and regulatory efforts. Each of NAILBA's members commits to a statement of responsibilities to ethically and responsibly serve their clients' best interests. For more information, visit [www.nailba.org](http://www.nailba.org).**