



May 14, 2009

The Honorable Charles B. Rangel
U.S. House of Representatives
2354 Rayburn House Office Building
Washington, DC 20515-3215

The Honorable Max Baucus
United States Senate
511 Hart Senate Office Building
Washington, DC 20510-2602

The Honorable Dave Camp
U.S. House of Representatives
341 Cannon House Office Building
Washington, DC 20515-2204

The Honorable Charles E. Grassley
United States Senate
135 Hart Senate Office Building
Washington, DC 20510-1501

Dear Sirs:

On behalf of the life insurance industry, our respective organizations would like to express deep concern with, and register unified opposition to, Treasury Department proposals to increase taxes by nearly \$12 billion on life insurance policyholders and companies.

At all times, but especially during a financial and economic downturn, increasing taxes on products and on an industry that encourages American consumers and businesses to plan for the future and effectively manage risk is unwise public policy. Seventy-five million American families rely on the products offered by life insurers for their financial and retirement security. Treasury's proposals would make it more expensive to obtain the security and peace of mind our products provide.

One proposal is a provision that Congress considered and rejected on a bipartisan basis more than 10 years ago that would attack the core tax treatment of life insurance and impair the ability of businesses to use life insurance to protect jobs and secure employee benefits. It would indirectly tax the earnings or "inside buildup" of life insurance policies owned by businesses by disallowing a proportionate amount of deductible interest expenses for unrelated borrowing. Moreover, just a few years ago and on a strong bipartisan basis, Congress undertook a thorough examination of the business use of life insurance resulting in the COLI Best Practices Act.

Another proposal concern the life insurance company "dividends-received deduction" (DRD) would increase taxes by undercutting longstanding rules that prevent double taxation of corporate earnings. All corporate taxpayers are entitled to a DRD. There is no good policy justification for singling out the life insurance industry for an additional DRD disallowance.

It's also important to note that the life insurance industry, like many other industries in this country, is weathering an economic downturn not seen since the Great Depression. We are keeping our promises during these difficult times, paying policyholders and beneficiaries on average nearly \$2 billion every business day. In addition, life insurers are the single largest U.S. source of corporate bond financing. This is the wrong time to change long-established tax policy and impair the ability of a vital industry to help

families, businesses, employees, and the American public. Life insurance products and the life insurance industry are key elements of the solution for Americans' financial health and protection.

We ask your help and leadership in communicating with those on your committee and the broader public that you oppose these proposals, which represent an attack on life insurance products, the life insurance industry and life insurance policyholders. We look forward to discussing these issues further with you and with other members of your committees.

Sincerely,

Association for Advanced Life Underwriting
American Council of Life Insurers
GAMA International
National Association of Insurance and Financial Advisors
National Association of Independent Life Brokerage Agencies

Founded in 1957, the Association for Advanced Life Underwriting (www.aalu.org) is a professional trade association representing 2,000 life insurance agents and financial advisors nationwide. Most members are engaged in complex uses of life insurance such as in business continuation planning, estate planning, charitable 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. www.aalu.org

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association whose 340 member companies account for 93 percent of the life insurance industry's total assets in the United States, 94 percent of life insurance premiums and 94 percent of annuity considerations. In addition to life insurance and annuities, ACLI member companies offer 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 website 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 comprises nearly 800 state and local associations representing the business interests of 60,000 members 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. Visit NAIFA's website at www.naifa.org.

The National Association of Independent Life Brokerage Agencies (NAILBA) is a nonprofit trade association with 375 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.