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CORPORATE OWNED LIFE INSURANCE

Washington, D.C. (October 6, 2009) — Michael Moore’s most recent documentary, “Capitalism: A Love Story” includes a small focus on a segment of the life insurance marketplace called corporate-owned life insurance, commonly referred to as COLI. Mr. Moore’s assertions on COLI, and subsequent media reports, mischaracterize the truth about these insurance policies.

COLI is a life insurance policy used by employers both to protect against the financial cost of losing a key employee as well as to help provide funds for the payment of employee and retiree benefits through coverage on highly paid employees.

Congress has reaffirmed the benefits of COLI for more than two decades. Most recently in 2006, Congress passed, and the President signed, the Pension Protection Act. This legislation not only strengthened the nation’s pension system, but also codified COLI best practices into federal law. The COLI provisions limit COLI to coverage of highly compensated employees and require the informed consent of the insured individuals.

Specifically, the legislation, which had the support of the industry and a broad, bi-partisan majority in the House and Senate:

- Limited the coverage to officers, directors and “highly compensated employees” – those in the top 35 percent by compensation.
- Required employers to obtain the informed consent of any employee before enrolling him or her in a COLI plan, and must disclose the amount of coverage and that the policy remains in force post-employment.
- Required employers to report information about their COLI plans to the Internal Revenue Service.

COLI policies, like all life insurance policies, must demonstrate a clear insurable interest between the owner of the policy and the insured. Employers have long been held to have an insurable interest in the lives of their employees. In fact, the National Association of Insurance Commissioners’ (NAIC) guidelines provide that states should recognize that employers have a lawful and substantial interest in the lives of their employees. This guidance clearly demonstrates that state insurable interest laws are followed when issuing COLI policies. Additionally, the federal government has the authority to enforce the provisions contained in the Pension Protection Act, establishing multiple layers of employee protection.

COLI policies provide employers with a predictable stream of future income vital to long-term planning. Its predictability is perhaps its most important feature. Businesses gain the peace of mind that they will not have to close their doors or reduce employee benefits following the death of key employees. COLI policies are not used for short term profits. In fact, companies do not receive a tax deduction for the premiums paid on COLI policies. COLI provides employers financial assurance following a substantial loss of talent, and allows them to plan for the future and meet the benefit needs of today’s and tomorrow’s retirees.

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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 Web site can be accessed at www.acli.com.

Founded in 1957, the Association for Advanced Life Underwriting 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. AALU's website can be accessed at www.aalu.org.

About NAIFA: NAIFA comprises more than 700 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.