
America's Life Insurers: Providing Critical Protection to America's Families

In these times of economic uncertainty and individually managed retirements, the role of the life insurance industry is more important than ever before. Our industry helps families manage the financial risks associated with life's uncertainties—whether the death of a loved one, a disability during working years, the need for long-term care, or outliving savings in retirement. Very few Americans can self-insure against these risks.

Congress has long recognized the important social and public policy served by encouraging individuals to manage their own risk, rather than depending on the government for support. Given the current stress on federal and state budgets, it is more important than ever to give individuals the tools they need to maintain financial independence and retirement security.

Life Insurance: Vital Protection for All Families

The financial protection provided by life insurance has secured the American dream for countless families and small business owners.

- 65% of American households own life insurance.
- In 2007, life insurers paid \$58 billion to beneficiaries of life insurance policies.
- There were 11 million life insurance policies purchased and 158 million total life insurance policies in force in 2007.

Americans purchase roughly the same level of life insurance protection, regardless of income. Households with an annual income less than \$35,000 have protection that equals 3.7 times their income. Those with an annual income more than \$35,000 have protection that equals 3.9 times their income.

Since its inception in 1913, the tax code has provided that death benefits—and the cash value in permanent life insurance—are not subject to income tax. Life insurance premiums are paid with after tax dollars and there is no deduction for premiums paid. Earnings on a policy's cash value are not taxed as long as the policy remains in force. However, if a policyholder gives up his or her insurance protection, earnings in excess of the total premiums paid are subject to tax.

Annuities: Essential Component of Retirement Security

Americans of all ages face greater challenges planning for retirement. With the shift from defined benefit to defined contribution plans and increased longevity, the role of the annuity has never been more important. An annuity can help individuals accumulate savings during working years and provide guaranteed income that can't be outlived in retirement, similar to a pension check.

Taxes are deferred on annuity earnings while savings accumulate and there is a tax penalty for withdrawals before 59 ½ in addition to ordinary income tax due on earnings—helping to promote financial discipline and encourage long-term savings.

- 77% of individual annuity owners report they set aside more for retirement than they would have if the tax-deferred growth of annuities was not available.
- In 2007, life insurers paid \$43 billion to individual annuity owners.
- According to industry estimates, nearly 13 million individual annuity contracts were in force at the end of 2006. Another 20 million annuities were issued through retirement plans.

In this volatile economic climate and 77 million baby boomers on the verge of retirement, the security our products offer is unparalleled.