National Association of Insurance and Financial Advisors

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Dear Countdown Producers:

The October 7, 2009, airing of the "Countdown with Keith Olbermann" show included a wildly erroneous segment focused on corporate-owned life insurance, commonly referred to as COLI, as well as a direct attack on the National Association of Insurance and Financial Advisors (NAIFA) and its political action committee, IFAPAC. I appreciate the opportunity to educate your audience regarding NAIFA and IFAPAC and to correct the misstatements about COLI. Although I don't see the connection between the business use of life insurance issue that Mr. Olbermann initiated and the current health care reform debate taking place in Congress today, I'd like to address Mr. Olbermann's seeming view of NAIFA's efforts to improve the healthcare and health insurance systems in this country.

For the record, NAIFA is an association of individual insurance agents and financial advisors. NAIFA has no insurance company members. NAIFA members do not – and cannot – set or manipulate prices, establish or raise premiums, or determine benefits or coverage. Simply stated, NAIFA members work with their individual and business clients to provide them competent and professional guidance so that they can make informed choices about the vast array of insurance and financial products available in the marketplace—including life and health insurance. Our members' primary objective is always to help their clients to achieve financial protection and security for their loved ones and their employees.

Let me comment about healthcare reform first. Because NAIFA members work closely with individual and business clients in local communities, and because they understand that health insurance is at the foundation of a solid financial plan, NAIFA members are as interested in making sure people have appropriate health insurance coverage as is the person who needs that health insurance. For this reason, NAIFA supports legislation to improve individual and business access to affordable health insurance for all Americans—and has been far longer than most of the current members of Congress and current public commentators.

Regarding COLI, Mr. Olbermann's assertions on COLI are beyond factually incorrect; they are distorted characterizations. Unless "Countdown with Keith Olbermann" is intentionally produced as fiction, and not intended to be a credible source of opinion, news and information, your viewers deserve clarification.

COLI is simply life insurance used by employers 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 for potentially all employees of a firm, that is funded through life insurance coverage on highly paid employees—not lower 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 the placement of COLI contracts on the lives of highly compensated employees and require the informed consent of the insured individuals.

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

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

The Countdown report also included gross errors regarding the federal tax rules applicable to business-owned life insurance. Interest paid on a loan used by a business to buy life insurance is not deductible. Contrary to Mr. Olbermann’s report, tax law does not protect life insurance owned by businesses from creditors in the event of a bankruptcy. Further, no loan is subject to federal income tax. Only income is subject to income tax, so the fact that a loan from life insurance is not taxable income is the usual rule, not an exception.

There are many business reasons for a company to own life insurance on its highly compensated workers, and 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. Predictability is perhaps their 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 protects lines-of-credit, provides employers with business continuation and financial assurance following the loss of a highly compensated talent, and allows them to plan for the future and meet the benefit needs of today’s and tomorrow’s retirees.

In closing I suspect arguing the value and nature of political action committees, as legally provided by Congress, with Mr. Olbermann is likely a fruitless effort. So I’m not going to do it. But for the record, contributions to any of America’s more than 4,300 PACs (including IFAPAC) are strictly limited by federal law and do not “buy politicians.”

Thank you for your attention to this matter, and for any efforts that can be made to correct the errors presented during the October 7 segment. I offer any assistance I can provide.

Sincerely,

Tom Currey

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