



Agency Advocacy Management Matters

NAIFA-California's political update designed especially for Field "Agency Management"

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LIFE INSURANCE IS UNDER ATTACK!

California State Assembly Member proposes taxing corporate owned life insurance (COLI) death benefits.

AB 31 c (Calderon): Corporate Income Tax Exclusion: Life Insurance – DEAD FOR 2008

In an effort to find alternative sources of revenue to assist the State of California with its budget crisis, Assemblymember Chuck Calderon introduced AB 31c in the Special Legislative Session on the Budget that would have taxed life insurance death benefits payable to corporations as well as the inside buildup in life insurance policies owned by corporations. Within hours of its introduction, NAIFA-California's lobbyist was in Assemblymember Calderon's office voicing strong opposition to the measure.

As a result of NAIFA-California's and its allies' efforts, the proposal was not considered as part of the FY 2008-2009 budget discussions; however, this detrimental proposal will likely be considered in future budget discussions. Any future efforts in this area would be considered a tax levy, which would require a 2/3 vote of the Legislature in order to pass the measure. While at this point in time NAIFA-California is confident it can avoid the 2/3 threshold to pass the measure, such confidence will remain only if the November election does not shift the political makeup in either house in the majority party's favor. If either house were to gain a supermajority, it would be much more difficult to defeat such a measure in the Legislature.

This proposal serves as yet another reminder of the importance of being a NAIFA-California member. Not only does NAIFA-California work hard to successfully defeat such detrimental proposals on behalf of its members, NAIFA-California is also working hard to support Assembly and Senate candidates that are business friendly and understand the importance insurance plays in Californian's lives.

NAIFA-California members can rest assured that NAIFA-California is on top of such detrimental proposals. We've also been working closely with NAIFA to ensure that similar proposals to remove the tax exemptions for life insurance proceeds – whether from corporate or individual life policies – are identified and defeated in any other State or at the Federal level that may attempt such efforts, particularly as more and more states and the Nation grapple with soaring budget deficits.

SB 1543 (Machado): Life Settlement Investments & Contracts – VETOED

Regardless of the significant support of NAIFA-California, its members, the life insurance companies and some of the life settlement companies, SB 1543 (Machado) was vetoed by the Governor on the last day he had to take action on legislation. SB 1543 passed out of both houses of the Legislature with an overwhelmingly bipartisan vote and the Governor chose to side with the few remaining life settlement companies that remained opposed to the bill.

SB 1543 would have provided for a regulatory framework for life settlement transactions in California and would have required individuals negotiating life settlements to be licensed by the California Department of Insurance. While NAIFA-California is supportive of legitimate life settlements, we are strongly opposed to stranger originated life insurance policies (STOLI), a type of life settlement, as they are considered contrived arrangements that hurt the purpose for which life insurance is based – financial protection for families and businesses.

NAIFA-California has already started to work with the other proponents and the Governor's office in an effort to address the concerns outlined in his veto message. NAIFA-California will continue to be a leader on this issue and is hopeful we will garner the Governor's support for similar legislation in 2009.

Veto Message: http://gov.ca.gov/pdf/press/SB1543_Machado_Veto_Message.pdf