Statement for the Record

Submitted to the

U.S. House Committee on Ways & Means

Regarding

"Paving the Way for Funding and Financing Infrastructure Investments"

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On behalf of

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The American Council of Life Insurers (ACLI) appreciates the opportunity to submit this statement for the record on “Paving the Way for Funding and Financing Infrastructure Investments.” We thank Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) for holding this important hearing to help address our country’s infrastructure needs.

ACLI advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers’ financial and retirement security. Ninety million American families depend on our members for Long-Term Care Insurance (LTCI), life insurance, annuities, retirement plans, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI represents member companies in state, federal, and international public policy forums that support the insurance marketplace and the families that rely on life insurers’ products for peace of mind. ACLI members represent 95 percent of industry assets in the United States.

Life Insurers Investments in Infrastructure

Life insurers are a bedrock of financial and retirement security to millions of Americans, paying out 1.7 billion dollars every day to American families through our products. We provide peace of mind for people who lose their spouses and we help people at all stages build secure financial futures.

Life insurers make long term promises and our liabilities stretch over decades. Given this long-term perspective and commitment, we look for stable, lengthy investments in projects whose duration and return support the guarantees that are the hallmark of the financial security and protection we provide.

In addition to investing prudently, stringent state-based insurance regulation directs us to high-quality, long-term investments. Infrastructure investments are understandably an excellent match for the character of our investment needs. They deliver predictable returns over decades.

Focusing on long-term value, and acting as patient investors, life insurers serve policy holders and strengthen the nation and its economy. In fact, the $6.5 trillion invested by our industry in the U.S. economy makes us one of the largest sources of investment capital in the nation.

We back up our guarantees, as required by state insurance regulators, through “asset-liability matching,” meaning the investment duration and returns need to be closely matched with the obligations we take on, while we provide stability and liquidity in the U.S. marketplace. It is a “win-win” situation.

Based on this contribution to America’s strength and wellbeing, we encourage Congress in its work on infrastructure to consider our industry’s appetite for investing in infrastructure as a means of leveraging limited federal, state and local funds to provide private investment. There are a number of specific ways that Congress could increase life insurers’ ability to leverage investment in U.S. infrastructure, including:

- Prioritizing taxable financing solutions (private debt or taxable municipal markets) to maximize limited federal resources and reduce the debt burden on state and local governments, including authorizing a permanent taxable direct payment infrastructure bond program;

- Facilitating faster delivery of projects: Infrastructure permitting and approval processes are inefficient and can be improved by requiring simultaneous agency reviews and requiring agencies to track and report their progress; and

- Encouraging the full range of project delivery options, including public-private partnerships (P3) for roads, bridges, waterways, airports, energy universities and hospitals, and prioritizing projects in jurisdictions using P3 "best practices" for planning and management.

Supporting Statistics

Life insurers are significant institutional investors with a major role in U.S. capital formation and the U.S. economy. For example:

- Life insurers' assets supporting insurance products ($7 trillion) reflect a substantial percentage of the U.S. equities and bond market.
- Life insurers' assets are invested in corporate bonds (35%), stocks (29%), government bonds (7%), commercial mortgages (7%), and other assets (22%).
- As the largest institutional investor in U.S. corporate bond financing, just under 50% of life insurers' $7 trillion total assets in 2018 were held in long-term bonds, and over 39% of long-term bonds purchased by life insurers have maturities exceeding 20 years (at the time of purchase).[1]

Conclusion

Life insurers have been a part of American life for generations, providing good jobs for workers and the long-term investment capital necessary for infrastructure and economic growth. The life insurance industry's investments stand the test of time, laying the foundation for important projects that make our country a better place to call home.

The U.S. infrastructure challenge is real and meeting it will be costly. Current levels of U.S. investment are falling short. Innovative approaches to providing funding is essential to infrastructure improvement that will help to fuel economic growth. A plan that complements public dollars with taxable direct payment bonds would help attract greater capital from long-term investors to narrow America's infrastructure investment gap. This, in turn, would create investment opportunity that would allow us to continue to do what we do best – provide financial products that bring peace of mind to Americans and their families.

The life insurance industry knows first-hand the value of long-term commitments. We stand ready to work together with Congress as consideration of infrastructure financing continues.

[1] These calculations are based on data from the 2018 NAIC Annual Statement Data and ACLI calculations based on the U.S. Federal Reserve Board, Flow of Funds Accounts of the U.S.