LIFE INSURER PRODUCTS: GUARANTEES FOR FAMILIES

For more than 175 years, life insurers' mission has been to deliver financial guarantees that protect Americans across a lifetime.

We plan ahead today so people can live confidently tomorrow. The **financial strength of the life insurance industry** underpins the guarantees we make, making sure that benefits get paid even in the hardest of times.

90 million American families rely on life insurer products for financial protection across a lifetime.

A UNIQUE SECTOR

From no other industry can a person, with the stroke of a pen and the payment of a premium, financially protect their family for decades to come. From no other industry can a retiree ensure that they will never outlive their savings by obtaining protected income for life to supplement Social Security. When the life insurance industry says it is unique, it means that no other industry operates like it. No other industry makes a promise today without knowledge of when it will have to fulfill that promise. Life insurers deliver on promises made days or even decades before. In the case of annuities, life insurers do not know how long they will have to provide lifetime income to a retiree. With many Americans living longer than ever before, delivering on those promises can be the difference between a retiree simply surviving or thriving later in life.

Life insurers take in premiums for income to **make guarantees that will last a lifetime.**

HOW WE PROVIDE GUARANTEES

To make guarantees for life insurance and annuities — as well as for benefits connected to paid family medical leave, supplemental benefits, long-term care and disability income — life insurers must maintain sufficient **reserves** — amounts life insurers are legally required to set aside to satisfy their long-term policy obligations to provide benefits to people, families and businesses whenever they need it. These amounts increase over time — as the anticipated (but uncertain) date of payment approaches.

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DISTINCT TAXATION

Life insurer taxation can be divided into two categories: product and company. At the company level, the unique nature of the insurance business — promises made to be fulfilled at some uncertain date in the future — prompted the U.S. Congress to create a distinct section of the tax code called **Subchapter L.** This is a way for insurers to be taxed like other corporations, while at the same time recognizing that an insurer's earnings are not realized in the same way. It can take decades for a life insurer to learn the true financial cost of the guarantees it has made to policyholders.

> **Subchapter L** recognizes that a life insurer's earnings are not realized in the same way that they are for most other corporations.

THE BOTTOM LINE

Americans depend on life insurer products to manage financial risk over a lifetime. From celebrating a retirement to mourning the loss of a loved one, life insurers are there for families in good times and bad. No matter what. That's the **unique nature of the life insurance industry** — appropriately reflected in a distinct section of the tax code dedicated to ensuring that we can deliver on our guarantees.

