

January 28, 2021

**TO:** The Honorable Nancy Nathanson, Chair  
Members, House Revenue Committee

**RE: HB 2453 – SUPPORT**

Dear Chair Nathanson and Members of the Committee:

On behalf of the American Council of Life Insurers, I am writing to express our strong support of HB 2453, which would extend the sunset date of the Oregon Life and Health Insurance Guaranty Association (“Association”) assessment tax offset.

The Association was created in the 1980s to establish a financial safety net for insurance policyowners. It is a partnership born of an agreement among private life and health insurance companies, Oregon’s insurance regulators and the Legislature to protect Oregon consumers and the state economy in the rare event of an insurer insolvency. Oregon’s guaranty association assessment tax offset is a critical element of that partnership. It gives the state a financial interest in ensuring efficient and effective solvency regulation, which protects not only well-managed insurers, but their policyholders as well. The tax offset also mitigates the financial burden and unpredictability of guaranty association assessments, contributing to the financial stability insurers must maintain to meet their obligations to consumers.

As Chair of the Association from 1993 to 2000, I can personally attest that this partnership has worked exactly as intended. The Oregon Division of Financial Regulation works to ensure the financial strength of Oregon’s life and health insurers under a nationally accredited program of rigorous financial regulations. Association members agree to assess themselves to cover any financial shortfalls created by the insolvency, guaranteeing that all covered policyowners receive the benefits they have been promised. They also agree to donate their expertise and resources to keep policies in force and otherwise minimize the effect of the insolvency on Oregon’s economy. According to our records, the Association has never failed to provide guaranteed coverage to an Oregon policyowner.

In turn, the Oregon Legislature agreed to create the tax offset to recognize the financial investment made by Association members. This provision allows life and health insurers to offset all or part of their guaranty fund assessments against their Oregon tax liabilities. Currently, 44 states and the District of Columbia have some type of tax offset provision. The majority of these states, including Oregon, allow assessments to be offset over five years at a rate of 20 percent per year.

**American Council of Life Insurers** | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 95 percent of industry assets in the United States.

The assessment tax offset spreads the financial burden of a particular insolvency widely, mitigating the negative impact on insurers and their policyowners. However, even with the full offset over five years, sound and solvent insurers are financially burdened by the insolvency of a competitor. For example, if an insurer is assessed \$100,000 and takes the 20 percent offset for five years, its net recovery is only \$76,000, assuming a 10 percent discount rate based on the cost of capital. Without the assistance of the premium tax offset, responsible insurers face a capital loss that was both unpredictable and unquantifiable in the event of an insolvency.

Finally, without an adequate assessment tax offset, future life insurance policyholders may face higher premiums to cover the cost of those assessments. Unlike property and casualty policies that renew and can be priced annually, the premiums of most life insurance policies are fixed for many years into the future. The tax offset provides life insurers with a practical and equitable alternative to future premium increases.

Fortunately, the guaranty association tax offset has been used rarely. In fact, we all work hard to ensure that it never has to be used. However, it remains an important component of our partnership with you to protect Oregon's insurance consumers. We hope you will continue this partnership by **supporting HB 2453**.

Thank you for your consideration. Please let me know if you have any questions or would like further information.

Sincerely yours,

*John W. Mangan*

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