



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement of Sen. Chuck Grassley
Hearing on Company-owned Life Insurance
Thursday, Oct. 23, 2003

Good afternoon and thank you for joining us at today's hearing on company-owned life insurance or COLI. The Internal Revenue Code provides strict rules on the tax treatment of all life insurance contracts. In response to concerns about the misuse of company owned life insurance, Congress has legislated three times in the past 17 years to limit some of the uses of COLI. These rules affect the treatment of death benefits, limits on the amount of premiums that can be paid and prohibitions on the deductibility of premium payments and rules addressing the treatment of interest on policy loans. But some concerns on the uses of COLI remain, or we wouldn't be here. Senator Bingaman has had a long-standing interest in ending what he believes are abuses of COLI. That is his right. Whether or not any other member agrees, or disagrees, with Senator Bingaman is their right. For over a year, Senator Bingaman has made it clear that he intended to raise the COLI issue as soon as an appropriate vehicle appeared. On September 16, 2003, he filed an amendment for the mark-up of the pension bill. That same day, the insurance industry met with my staff. My staff asked that they work out a compromise with Senator Bingaman. But they refused. After the mark-up, some people in Washington feigned surprise at the Bingaman amendment. They have demanded that I stop Senator Bingaman. That is absurd. I will not trample on another senator's rights.

My own feeling is that we dealt with the majority of perceived abuses with COLI in 1996 and 1997. But, that is not Senator Bingaman's feeling, and I respect that. Even if we did not deal with Senator Bingaman's issue in this committee, we would be dealing with it on the floor. And any such refusal would, I promise you, make it worse for COLI. I want to say that I hope this hearing will help to clear the air on this issue. I am troubled by the testimony from the GAO. GAO will testify that they tried to complete a survey on COLI so that we could learn more about its scope and uses. It is difficult for Congress to legislate or decide not to legislate without information. And it is part of our oversight responsibility to understand these issues. Unfortunately, GAO was not able to complete its survey because some in the industry "did not have the information" or "did not have it in a usable form."

At the same time, I understand that there is a COLI survey that was published by a consultant. It is available for \$7,000. But it will only be sold to approved parties within the industry. If insurance companies could give this consultant access to information on COLI, why couldn't GAO get it? Lobbyists tell my staff that COLI is 25 percent of their business. How is it that companies don't have information about a quarter of their business? If the industry is telling us that we are legislating in an area where legislation is not needed, then we need to know why. If we've got

questions, you need to give us answers, and that includes data.