



Statement for the Record  
U.S. House Ways and Means Committee  
Hearing titled "Hearing on President Obama's Trade Policy Agenda  
with U.S. Trade Representative Michael Froman"

April 3, 2014

The American Council of Life Insurers (ACLI) is pleased to submit this statement for the hearing record expressing support of the life insurance industry for a robust US international trade agenda.

The American Council of Life Insurers is a Washington, D.C.-based trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI advocates in federal, state and international forums. Its members represent more than 90 percent of the assets and premiums of the U. S. life insurance and annuity industry. In addition to life insurance, annuities and other workplace and individual retirement plans, ACLI members offer long-term care and disability income insurance, and reinsurance. Its public website can be accessed at [www.acli.com](http://www.acli.com).

ACLI is a strong supporter of international trade liberalization, open markets and regional global efforts to remove unnecessary barriers for the efficient provision of insurance, reinsurance, and retirement security products. We thank the Chairman and Ranking member of the House Ways and Means Committee for holding this important hearing, and we support the Administration's robust trade agenda, which includes the Trans-Pacific Partnership (TPP), the Trade in Services Agreement (TISA) and the Trans-Atlantic Trade and Investment Partnership (TTIP) initiatives.

ACLI also supports passage of a modernized Trade Promotion Authority (TPA) for purposes of providing Congressional, and thus stakeholder, input into the negotiating process and to support conclusion and Congressional consideration of the aforementioned trade initiatives. TPA is critical to a seriously dedicated and effective trade agenda.

Trade issues presently of concern to the insurance industry include:

- Foreign equity caps - A threshold issue is the need for elimination of unjustifiable and anticompetitive foreign equity caps, which are particularly prevalent in Asia (China, India, Malaysia, Myanmar, Philippines, Thailand, Indonesia, etc.) and truly alter and restrict ACLI's member companies' ability to operate effectively and holistically overseas.
- Limitations on the conduct of cross border reinsurance – reinsurance is a global risk transfer mechanism designed to diversify risk, reduce risk concentrations in local markets and provide additional capacity and coverage to local markets often against the occurrence of low frequency high intensity events. Therefore, the changes in Brazil and Argentina in 2012, India in 2013 and now potentially Indonesia not only place constraints on reinsurers' business operations, but also risk pushing up prices, limiting capacity for local consumers and increasing local risk concentrations.

- Restrictions on cross border data flows - ACLI believes that all requirements that data be maintained in a given jurisdiction should be prohibited. Foreign companies doing business in a foreign country should be permitted to transfer electronic information out of that country for processing offshore. Companies should be free to supply data from headquarters, through affiliates, through regional centers, and through third party vendors as long as the data protection requirements of the local jurisdiction are satisfied. Forced domestication of data processing in Korea is already the subject of dispute with several of its trade partners, and proposals in other countries would put many global companies in a conflict of laws predicament between their home country supervisor's requirement for comprehensive group risk management and reporting.
- Reversal of Private Account Pensions – ACLI supports the maintenance and expansion of the World Bank model of individually funded pensions managed by the private sector. We believe now more than ever that the twin pressures of increased longevity and lower fertility rates will only increase funding gaps for national governments in both developed and developing markets. While still relatively new in some markets (India 2013), these systems have substantially reduced underfunding of government liabilities and created deep and sustained markets for long term investment instruments.
- Other issues of strong interest include provisions supporting regulatory predictability and transparency, provisions addressing unfair competition from State-Owned Enterprises and clearly articulated and transparent investment protections.

We appreciate the Administration's dedicated work on the TPP, TISA and TTIP initiatives, as well as on issues of implementation and enforcement of a bilateral nature – such as the cross border data flows issues currently under review in KORUS. We look forward to Congressional passage of TPA as soon as is practicable. ACLI believes that such efforts will result in an open, strong and sustainable global marketplace. A recent progress report from the Financial Stability Board to the G20 recognized the link between “the openness of the global financial system and consequently the strength and sustainability of global growth.”

The insurance industry is not only a provider of financial security by indemnifying risks faced by individuals and business – such as sickness, loss of life, liability, and property damage, to name a few, but also one of the world's largest institutional investors. A strong global marketplace with clear, transparent and dependable trade rules is critical to the health of our industry and to global security. We appreciate the opportunity to submit this statement for the record.