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NAIFA, AHIA Applaud Congressional Efforts to Enhance Retirement Planning
Pension Reform Bill Provides Incentives to Purchase Long-term Care Insurance

December 15, 2005 – Two leading insurance agent groups, the National Association of Insurance and Financial Advisors (NAIFA) and the Association of Health Insurance Advisors (AHIA), applauded passage of pension reform legislation today by the U.S. House of Representatives, calling the action “an important step toward enhancing retirement security for more Americans.”

While the primary focus of the legislation, called the Pension Protection Act, requires companies to better fund pension plans and shores up the Pension Benefit Guaranty Corporation, it would also allow for the purchase of long-term care insurance coverage on a tax-preferred basis by including it in an annuity or a permanent life insurance policy. Under the terms of the provisions, the insurance carrier would charge the cost of the long-term care coverage against the insurance or annuity cash values. There would be no tax consequences to the policyholders from such a charge to cash values. Additionally, the provisions would permit tax-free exchanges of life insurance and/or annuities for long-term care insurance.

“Both NAIFA and AHIA have long advocated the need for Americans to include long-term care expenses in their retirement planning,” said NAIFA President David E. Smithkey, CLU, RFC. “The provisions in H.R. 2830 call attention to this important component to retirement planning and provide incentives to combine long-term care insurance with other products that also provide lifetime financial security. This is legislation this country desperately needs.”

“House leaders, particularly House Ways and Means chairman Bill Thomas, should be congratulated for recognizing the critical need for long-term care insurance,” Debra C. Newman, CLU, ChFC, LTCP, AHIA’s president. “The provisions in the bill will make

long-term care insurance more affordable to more Americans and give them the choice and independence they deserve.”

Both groups were also pleased to see the legislation would modify the “use-it-or-lose-it” rule in Flexible Spending Accounts (FSAs) to allow a \$500 annual carryover. Ms. Newman said the annual carryover will encourage those who feared losing their account balance to now participate in FSAs, and will discourage the frivolous spending by many participants at the end of the year to avoid forfeiting money in the accounts.

Both trade group leaders are now urging the U.S. Senate to act swiftly to pass the Pension Protection Act.

About NAIFA: Founded in 1890 as the National Association of Life Underwriters, NAIFA comprises 800 state and local associations representing the business interests of 225,000 members and their employees nationwide. Members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members. Go to www.naifa.org to learn more.

About AHIA: AHIA’s mission is to sustain and improve the business environment for NAIFA federation members who market a broad range of health-related products and services. AHIA advocates on issues that impact members involved in the sale of group and individual health-related products, including major medical, disability, long-term care, critical illness and Medicare supplement insurance.