



**STATEMENT FOR THE RECORD ON THE KORUS FTA NEGOTIATIONS:
IMPORTANCE OF THE INSURANCE SECTOR**

March 20, 2007

The American Council of Life Insurers, the American Insurance Association and the Insurance Committee of the Coalition for Service Industries would like to express strong support for conclusion of a commercially meaningful free trade agreement with South Korea. Collectively, these groups represent over 800 U.S. insurance companies and millions of employees.

The life insurance sector is key to both the economies of South Korea and the United States, and a good outcome for the life insurance sector under the KORUS FTA will be beneficial for both economies. In the United States, for example, life insurers provide the products that protect against life's uncertainties. Our industry helps individuals and families manage the financial risks of premature death, disability, and long-term care. We enable employers to provide employees with critical retirement savings programs such as pensions and 401(k) plans. And through annuities, life insurers guarantee retirees an income for life, no matter how long they live.

With nearly \$4 trillion invested in the U.S., we help fuel our nation's economic growth. We're the largest holder of corporate bonds in the country, and with our long-term focus, life insurers provide businesses and governments the long-term capital they need to invest in roads, schools, and homes, and in the plants and equipment that create jobs. We fuel economic growth, help families secure their future, and guarantee a retirement income that lasts a lifetime. Our industry can serve similar functions in South Korea – and provide important means for enhancing the quality of life for families, households and workers in South Korea.

Property and casualty insurers, many of which are represented by the American Insurance Association, likewise support economic development, provide security and compensation in the event of injury and property loss and help prevent losses through public safety advocacy and loss control services. For example, property and casualty insurers have invested more than \$305 billion in municipal bonds, which provide critical infrastructure, including roads, bridges, schools, affordable housing and emergency services facilities. We can, if allowed, play a similar constructive role in Korea.

We support the FTA with Korea because of its economic and commercial significance. South Korea is the world's eighth largest insurance market with total premium volume of more than \$65 billion. The South Korean insurance and retirement security market would be by far the largest insurance market to be included in a FTA with the United States. The financial sector reforms that South Korea would undertake as a result of the FTA would contribute to a stronger and more resilient economy for the country and help it to deepen capital markets and investment for the long term.

The United States and South Korea have now completed eight rounds of negotiations and we are pleased with the progress on insurance issues to date. This agreement is important to the US insurance industry because, if concluded, it will set a new standard for addressing regulatory, as well as market access, barriers. Given the nature of the insurance business, regulatory hurdles and the need for a level playing field are often as critical as our ability to enter the market.

We are encouraged by progress in the FTA negotiations on issues of importance to the insurance sector such as an increase in the allowance of foreign currency reserves, bancassurance reform, more regularized and transparent regulatory procedures, more fair and equal treatment for foreign insurers, adoption of a negative list approach to financial sector regulation and regional integration of data processing. We are hopeful that the issues of importance to U.S. insurers that remain unresolved, including leveling the playing field and other issues between private insurance companies and the government-owned Korea Post, will be settled satisfactorily in the coming days. We are in regular consultation with the outstanding and highly professional U.S. negotiating team as they continue their efforts to conclude these negotiations positively.

From a strategic vantage point, South Korea is an important ally with whom the United States must work closely in order to continue advancing global security. From a trade standpoint, the consumers of both countries stand to gain significantly from the broad benefits of a comprehensive agreement, as well as from the expanded and more stable financial development in the Northeast Asian regional economy that such an agreement will bring. In addition, an agreement of this high quality will help set the standard for future bilateral and multilateral progress, including at the WTO.

Our industry is aware that a number of critical issues still need to be resolved in order for the United States to achieve its goal of concluding a strong and comprehensive agreement that will bring benefits across the board to the U.S. economy. However, we would like to share our optimism with regard to the current negotiations as they affect the insurance industry, as well as to emphasize the importance of the near-term conclusion of the agreement to our companies. We believe that the results achieved for the insurance sector to date in the KORUS FTA negotiations merit the Trade Subcommittee's considered examination and strong support. We are hopeful that the other outstanding issues will be resolved in the days ahead, thereby allowing for timely consideration of such an important potential free trade agreement between two longstanding allies.