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FOIA Number:

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# FOIA MARKER

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**Record Group/Collection:** George H.W. Bush Presidential Records  
**Collection/Office of Origin:** Speechwriting, White House Office of  
**Series:** Davis, Mark, Files  
**Subseries:** Subject File, 1989-1991

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**OA/ID Number:** 13871  
**Folder ID Number:** 13871-014

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**Folder Title:**  
Independent Insurance Agents, 3/14/89

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Stack:	Row:	Section:	Shelf:	Position:
<b>G</b>	<b>19</b>	<b>2</b>	<b>6</b>	<b>4</b>

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/ Bonner 3/7/89 /  
Day

✓ (1) - Lincoln: 2ND INAUGURAL, MARCH 165 -  
"TO CARE FOR HIM WHO SHALL BORE THE  
BATTLE AND FOR HIS WIDOW, AND HIS ORPHAN."

(2) LIFE MAG?

< (3) Bonita, Maureen + Michael?

< (5) BUCK PRIVATE?

DoF Interior

NETHERLANDS CARILLON (CARELOW)

✓ (6) Arlington Cem. / ~~Carillon~~ Carillon? DO ARMY  
Lt Col Merlson MARINES bury MARINES/etc. but  
ARMY DOES MANAGE OR ADMINISTER

545-6700  
664-0741  
MOPWASH

~~475-0843~~

✓ (7) TWO JIMA BRONZE?  
IT IS BRONZE - Dept. of Interior -

(8) ~~JEFF DAVIS~~ BRONZE? DOME OF MARBLE -  
Tom JEFFERSON [426-6822]  
yes

March 2, 1989  
DRB

THE WHITE HOUSE  
WASHINGTON

**MEMORANDUM**

**TO:** DAVID DEMAREST  
**FROM:** JOSEPH W. HAGIN  
**SUBJECT:** APPROVED PRESIDENTIAL ACTIVITY

**EVENT:** Address Annual National Legislative  
Conference for Independent Insurance  
Agents of America, Inc.

**DATE:** March 14, 1989

**TIME:** 10:15 - 10:45 am

**DURATION:** 30 minutes

**LOCATION:** Capital Hilton Hotel

**ATTIRE:** Business Suit

**REMARKS REQUIRED:** Yes

**MEDIA COVERAGE:** Open

**FIRST LADY  
PARTICIPATION:** No

**ADDITIONAL  
INFORMATION:**

**CONTACT:** \_\_\_\_\_

**TELEPHONE:** OFFICE \_\_\_\_\_ HOME \_\_\_\_\_

**NOTE: PROJECT OFFICER, SEE ATTACHED CHECKLIST**

Ed Rogers  
James Cicconi  
Fred McClure  
Susan Porter Rose  
Patty Presock  
Speechwriting Office  
Laurie Firestone  
Robert Guttman

Marlin Fitzwater  
David Demarest  
Jean Lamb  
Steve Studdert  
John Keller  
Tim McBride  
J. Bonnie Newman  
Tony Lopez

David Bates  
David Valdez  
USSS - PPD  
Operations - Executive Residence  
WHCA Audio/Visual  
WHCA Operations



*3 each what's up?*  
*LPSM*  
*#4*  
*(3)*

P.O. Box 606, Concord, N.H. 03302 — Tel. (603) 224-3965  
FAX (603) 224-0550  
WATS 1-800-852-3373

February 2, 1989

The Honorable John Sununu  
Chief of Staff  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

EXECUTIVE VICE PRESIDENT  
Anthony J. Juliano, CPCU  
DIRECTOR OF MEMBERSHIP SERVICES  
Stanley B. Burbank

Dear John:

On behalf of the Independent Insurance Agents of New Hampshire and our national association, the Independent Insurance Agents of America, I would like to request your assistance in scheduling President Bush to speak before our Annual National Legislative Conference in Washington, DC on March 14 and 15.

As you can see from the attached letter of invitation to the President, we are the largest insurance association in the country and one of the largest small business associations. Attending our conference at the Capitol Hilton Hotel, only a few blocks from the White House, will be approximately 800 small business people from all 50 states, including a large contingent from New Hampshire.

In the past, President Reagan, President Ford and other Republican luminaries have addressed our group, and we would be honored to have President Bush discuss any salient issues or topics at our conference.

The Independent Insurance Agents of New Hampshire is proud to have you serving in one of the most prestigious positions in the nation, and we trust you will not hesitate to call us if we can be of assistance to you in the future.

Thank you for your consideration of this matter.

Sincerely,

*Anthony J. Juliano*  
Anthony J. Juliano, CPCU  
Executive Vice President

AJJ/gj  
enc.

cc: David Carney, Deputy Director, Office of Political Affairs  
Henry A. Bechard, Jr., President, IIANH

ASSOCIATION OFFICERS  
1988-1989

PRESIDENT  
Henry A. Bechard, Jr., CIC  
Nashua

PRESIDENT-ELECT  
Donald T. Bragg, CIC  
Lancaster

VICE PRESIDENT  
Charles F. Worcester  
Milford

STATE NATIONAL  
DIRECTOR  
Peter J. McArdle, CIC, ARM  
Nashua

EXECUTIVE COMMITTEE

1989  
Allan R. Arkwell  
Dover

Peter P. Fresco  
Conway

Philip M. Reed, AAI  
Manchester

1990  
Rosemarie Glidden, CPCU  
Greenland

Thomas H. Keating  
Rochester

Donald V.C. Nelson, CPCU, CIC  
Laconia

1991  
E. Jon Barselle, CIC  
New London

William J. Harris, AAI, CIU  
Meredith

David A. Westover, CIC, AAI  
Keene

IMMEDIATE PAST  
PRESIDENT  
Joseph J. Gorman, Jr., CPCU, CIC  
Claremont



INDEPENDENT INSURANCE AGENTS OF AMERICA  
INCORPORATED



January 27, 1989

CAPITOL HILL OFFICE  
SUITE 200  
600 PENNSYLVANIA AVE. S.E.  
WASHINGTON, D.C. 20003

202/544-5833  
FAX 202/544-8712

The President  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20501

Dear Mr. President:

The Independent Insurance Agents of America, Inc. (IIAA), the nation's largest insurance agent association representing more than 220,000 agents and their employees and one of the nation's largest small business associations -- will hold its Annual National Legislative Conference on March 14 and 15 at the Capital Hilton Hotel in Washington, DC. On behalf of our national membership, I would like to extend to you an invitation to address approximately 300 small business people from all 50 states at our conference.

In the past, President Reagan, President Ford, Bob Dole, Jack Kemp, Alan Simpson, Guy Vander Jagt and other distinguished Republicans have addressed our group. We would be honored to have you join us this year to talk about salient issues of the day.

The people attending the convention are typically the most politically active and astute agents from all 50 of IIAA's state associations. These agents are often involved in local and community activities, state and federal politics, and frequently serve as campaign and finance committee operatives for federal candidates. In fact, many of them were active in your presidential campaign last year. Our Independent Insurance Agents of America Political Action Committee (InsurPac) is among the top ten business PACs in the country.

Our conference would provide you with an excellent opportunity to address a large crowd of small businessmen and women who are predominately conservative Republicans. Moreover, the close proximity to the White House makes the speech site convenient.

I will be in touch with your office shortly, and I appreciate your consideration of this matter.

Sincerely,

Robert A. Rusbuldt  
Director of Federal Affairs

# Withdrawal/Redaction Sheet

## (George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Notes	Handwritten notes, Re: Independent Insurance Agents [double-sided]. (2 pp.)	n.d.	<del>P-5</del>	

**Collection:**

**Record Group:** Bush Presidential Records  
**Office:** Speechwriting, White House Office of  
**Series:** Davis, Mark William  
**Subseries:** Subject File  
**WHORM Cat.:**  
**File Location:** Independent Insurance Agents 3/14/89

*Open on Expiration of PRA  
 (Document Follows)  
 By cap (NLGB) on 4/5/05*

<b>Date Closed:</b> 12/13/2004	<b>OA/ID Number:</b> 13871-014
<b>FOIA/SYS Case #:</b> S	<b>Appeal Case #:</b>
<b>Re-review Case #:</b> 2005-0481-S	<b>Appeal Disposition:</b>
<b>P-2/P-5 Review Case #:</b>	<b>Disposition Date:</b>
<b>AR Case #:</b>	<b>MR Case #:</b>
<b>AR Disposition:</b>	<b>MR Disposition:</b>
<b>AR Disposition Date:</b>	<b>MR Disposition Date:</b>

### RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-1 National Security Classified Information [(a)(1) of the PRA]
- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P-3 Release would violate a Federal statute [(a)(3) of the PRA]
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

- (b)(1) National security classified information [(b)(1) of the FOIA]
- (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- (b)(9) Release would disclose geological or geophysical information

Anthony Williams

Bob [redacted] (bait)

Rusbult West Div.

Gov. Cuyler - 544-5833 -

LEGIS CONF - MORE FROM

TEXAS - ALL STATES - MOST POLITICAL.  
by active + passive - RUC types -

Lloyd Benson before on try

ISSUES - Tent Lot after.

- ALL OWN AGENCIES "MARK

DAVIS INSURANCE Agency"

- Imperial Gains Great

- Mandated Bond - Note

- McCann - Jurisdiction -

STATE REG. OF insurance  
staff to open up business

THE WHITE HOUSE

WASHINGTON

~~The~~ Also, Fed. Res. board,  
~~Congress~~ etc. deregulating  
banking industry. REGULATORS,  
w/out PRESIDENTIAL or congressional  
OK, allowing banks to sell  
insurance. If this is the  
road, Fed is going to follow,  
~~the~~ banks must have proper

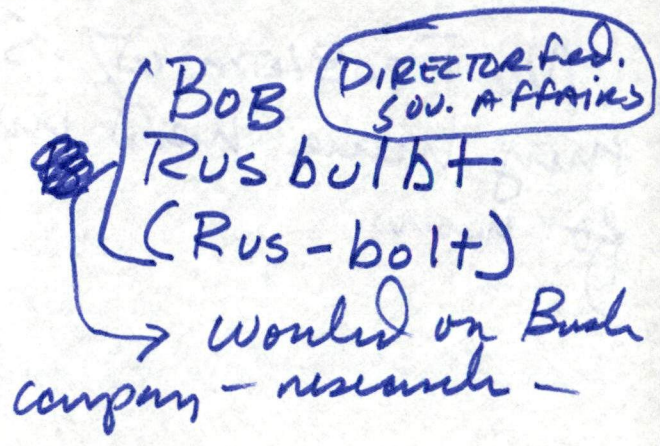
PRESIDENT'S  
No PROBLEM w/ S+Ls proposed  
they have had insurance  
for years.

- TAXES
- READ my lips
- McC. - F.

ENTREPRENEURS

EDUCATION - OK  
≡

BOB B. - ASKS





Independent Insurance Agents of America  
INCORPORATED

ROBERT RUSBULDT  
DIRECTOR OF FEDERAL AFFAIRS

600 PENNSYLVANIA AVENUE, S. E.  
WASHINGTON, D. C. 20003

(202) 544-5833

OLD DRAFT  
(M "WORD")

Davis/Dooley  
March 8, 1989  
6 p.m.

INDEPENDENT INSURANCE AGENTS OF AMERICA  
ANNUAL NATIONAL LEGISLATIVE CONFERENCE  
CAPITOL HILTON, MARCH 14, 1989

Thank you.

It is truly an honor to appear before this group. In this city, the currency of status is measured in titles and honorifics -- senator, ambassador, secretary. But in my book, you hold one of the most impressive titles of all -- that of entrepreneur.

I know the hunger you feel to own a firm of your own, to start from scratch, to build it and watch it grow. I know the satisfaction of matching resources to needs, of meeting deadlines and of meeting payrolls.

A few years after World War Two, I started my own business. It was a small business, but not too small to teach me the facts of economic life. I got my start by taking a risk; and I got my education by making that company grow.

Our company, Zapata Off-shore, did take some risks. There was a new technology, unproven, full of half-starts and failures, called off-shore drilling. We took a gamble, we invested in that technology and we succeeded in pioneering a new way to find America's energy. In 12 years, Zapata grew from a few employees to 425, from assets of \$1.5 million to \$15.8 million. It was always easy, even in the years we did well. I recall our despair when a hurricane hit our brand new rig on its first location -- and it disappeared.

But I learned some very important lessons. When that rig went down, people lost their jobs. When we rebuilt, people went back to work. I saw the strain on families, and I saw the joy.

So Washington may not always understand or appreciate the role of small business in creating jobs, or keeping America competitive. But rest assured that there is one person in Washington who does, and he is your President.

I have heard that your industry is under fire. I have also heard that you are looking into ways to voluntarily tighten your standards, and I salute you for that. But I do not understand how some can be so utterly blind to the vital social role of our nation's insurance industry.

Without insurance, the loss of a spouse could mean the loss of a home. Without insurance, the loss of a parent could keep a child from attending college. We cannot offer total protection against the inevitable. But we can prevent the compounding of a tragedy, so that a death or an illness doesn't leave a bitter legacy of poverty and despair for a whole family.

You prevent that kind of double tragedy. You add a little bit of comfort to the grieving, a little predictability for those who are victims of the unpredictable.

This is your service to society. It is as vital a service as that of any social welfare agency. And you cannot continue to do it if your industry is hamstrung by excessive regulation; or bled white to fund the cause of the week.

Since we turned this economy around, two-thirds of the job creation has come from small business. In fact, we have created more new jobs in the last six years than Japan and Western Europe combined.

I take considerable pride in the job I did as Vice President, heading the Task Force on xxxxxxxxxxxxxxxxxxxxxxxx. I believe this effort did a lot to spur the creative energies of America. And I am committed to keeping you free from excessive regulation.

And when it comes to necessary regulation, I am committed to letting the states take the lead -- not the federal government.

I am also committed to cutting the capital gains tax. The capital gains tax is a uniquely American tax. Japan doesn't have one. West Germany doesn't either. We are unnecessarily hurting our competitive position by drying up the formation of new capital, new businesses and new jobs. In 1978, when Congress cut the maximum tax rate on capital gains, the result was an explosion of new companies and new revenues. Why would anyone be opposed to doing that again?

Small businesses -- those with less than 500 employees -- employ more than half of U.S. workers. So any onerous new burden on small business will also throw workers out of their jobs.

It is for this reason that I am committed to resisting a form of creeping socialism called mandated benefits . . . In an era of tight budgets, there is always the temptation to drop the burden of social programs on the backs of employers.

Well, Western Europe has gone down this road. And Western Europe has grappled with chronic high unemployment ever since . . .

These are my stands on these issues of greatest concern to you and your colleagues. My stands are not the result of a policy paper I read or a briefing from an advisor. They are the result of a lifetime of experience, a knowledge of business and an deep and sincere appreciation for the vitality of the private sector.

I want to speak to you in more general terms, about my presidency, the challenges I hope to meet, the accomplishments I hope to make.

There are times in American history, spaced apart by decades, when we as a nation right an imbalance. I don't mean budget or a trade imbalance -- although these can be very serious problems. I mean an imbalance in our basic system of government, or our social and economic institutions.

In the last century, this nation resolved a fundamental Constitutional question of the independence of states, and of human liberty, in the Civil War.

In the 1930s, we reformed and transformed the economic role of business and government to meet social needs. In the 1960s, our society embarked on a wholesale change of almost all our public and private institutions to end discrimination. And I believe in the 1980s, Ronald Reagan and I came to Washington to

again right basic imbalances between the public and the private sector. And by doing so, we allowed the longest economic expansion in this history of America to take place.

But today, we do not face a need to alter the basic fabric of our society. There is no burning national crusade to either reduce government, or to rediscover the New Deal. But we do face a stiff challenge that is just as daunting -- change. Change as swift and fast as a torrent. Change in the American family, in our work habits. Change in technology. Change in the world economy. And the rate of change is rising exponentially.

I am a man of this century. I fought in the century's greatest war, and raised a family and built a business during the mid-century of American greatness.

But I want to be President who is remembered for preparing America for the next century. This is my definition of leadership, to see the shape of things to come, and to prepare for that 21st Century world -- only eleven years away.

This remarkable nation of ours is complex, even enigmatic. But there is one American quality that is timeless. We as a people are never truly ourselves, at least not our best selves, when we are complacent.

No. We are at our best when we are challenged, when we boldly face the future, welcoming change, not shrinking from it. Only then do we draw from our wellsprings of resilience and inventiveness. Take this away from us, and we are no longer Americans. We are merely a nation of consumers.

My agenda is this: to solve the problems of the future. A complacent society is doomed to comfortable decline. A restless society is dynamic, changing as fast as the times we live in. So call it that, the Restless Society.

A complacent society can take comfort that America is free and the world is at peace. But the events are moving too swiftly for us to relax in set ways, to cling to smug assumptions. The bipolar world of the last 45 years is evolving into a multi-polar world.

The balance of power in Europe, the rise of regional superpowers in Asia, the increasingly interdependent world economy, the proliferation of offensive technology, and the much-debated nature of the changes in the Soviet Union -- these are the areas that will irrevocably change in the next decade. And these are not minor matters. Will American foreign policy be flexible enough to meet these challenges?

With this question in mind, I have asked all the appropriate agencies to reassess our foreign policy and defense strategies. This report will set the basis of my future policies, and guide American foreign policy into the next decade, and the next century.

On economic policy, I have submitted the first budget in many years that was not declared Dead-On-Arrival by Congress. I have also submitted a proposal to solve a festering problem that threatens the prosperity of us all -- how to restore the integrity of our nation's Savings and Loans. Of course, we could allow the deficit to grow and insolvent S&Ls to continue doing business without paying a cost today. But that is not my approach. I want to work with Congress to work with me to start action on these matters this year, the sooner the better.

The changing nature of the American family, to one-parent families or to two parents who work, is putting pressure on our most basic social institution. How will we respond to this change? We must devise a child-care system that combines a public/private sector approach.

The environment, once the domain of activists, is becoming the top priority of diplomats. We must devise a global approach to the problems of ozone depletion and deforestation.

Homelessness involves a very small percent of our citizens. But for any American to have to sleep on a steam grate is an affront to the American Dream. We must explore the many causes, and seek practical solutions, to homeless Americans.

Ethics -- national service -- the danger that we, as a nation, could lose our precious connection to the past -- our sense of honor, decency and fair play. This is a matter for the corporation, the university and government at every level.

Finally, we are challenged to protect our educational system.

Stuff from NEH

If we can do that, we are the link between the past and the future. Can continue and carry on -- an America at work, a prosperous nation.

And our children can follow . . .

the traditional Foreign Policy and Defense -- world a changing.  
Debt, CIA-China, NICS -- what does this mean? That's why I  
ordered report.

A whole host of other problems --

The environment -- ozone, world action.

child care -- changing society

Homelessness -- an affront to the American Dream

EDUCATION

**REMARKS: INDEPENDENT INSURANCE AGENTS OF AMERICA  
ANNUAL NATIONAL LEGISLATIVE CONFERENCE  
CAPITAL HILTON  
MARCH 14, 1989**

**THANK YOU.**

**IT IS TRULY AN HONOR TO APPEAR BEFORE THIS GROUP.  
IN THIS CITY, THE CURRENCY OF STATUS IS MEASURED IN**

**- 2 -**

**TITLES AND HONORIFICS -- SENATOR, AMBASSADOR,  
SECRETARY. BUT IN MY BOOK, YOU HOLD ONE OF THE MOST  
IMPRESSIVE TITLES OF ALL -- THAT OF ENTREPRENEUR.**

**I KNOW THE HUNGER YOU FEEL TO OWN A FIRM OF YOUR  
OWN, TO START FROM SCRATCH, TO BUILD IT AND WATCH IT  
GROW. I KNOW THE SATISFACTION OF MATCHING RESOURCES TO  
NEEDS, OF MEETING DEADLINES AND MEETING PAYROLLS.**

**A FEW YEARS AFTER WORLD WAR TWO, I STARTED MY OWN  
BUSINESS.**

IT WAS A SMALL FIRM AT FIRST, BUT NOT TOO SMALL TO TEACH ME THE FACTS OF ECONOMIC LIFE. I GOT MY START BY TAKING A RISK; AND I GOT MY BUSINESS EDUCATION BY HELPING MAKE THAT COMPANY GROW.

OUR COMPANY WAS A HIGH-RISK VENTURE. THERE WAS A NEW TECHNOLOGY, UNPROVEN, FULL OF HALF-STARTS AND FAILURES, CALLED OFF-SHORE DRILLING. WE TOOK A GAMBLE; WE INVESTED IN THAT TECHNOLOGY; AND WE SUCCEEDED IN PIONEERING A NEW WAY TO FIND AMERICA'S ENERGY.

IT WASN'T ALWAYS EASY, EVEN IN THE YEARS WE DID WELL. I RECALL OUR DESPAIR WHEN A HURRICANE HIT OUR BRAND NEW RIG ON ITS FIRST LOCATION -- AND IT DISAPPEARED.

BUT I LEARNED SOME VERY IMPORTANT LESSONS. WHEN THAT RIG WENT DOWN, PEOPLE LOST THEIR JOBS. WHEN WE REBUILT, PEOPLE WENT BACK TO WORK. I SAW THE STRAIN ON THE FACES OF FAMILY BREADWINNERS, AND I SAW THE JOY.

SO WASHINGTON MAY NOT ALWAYS APPRECIATE THE ROLE OF SMALL BUSINESS IN CREATING JOBS AND KEEPING AMERICA COMPETITIVE. BUT REST ASSURED, THERE IS AT LEAST ONE PERSON IN WASHINGTON WHO DOES, AND HE IS YOUR PRESIDENT

I ALSO APPRECIATE YOUR INDUSTRY'S ROLE IN SOCIETY. WITHOUT INSURANCE, THE LOSS OF A SPOUSE COULD MEAN THE LOSS OF A HOME. WITHOUT INSURANCE, THE LOSS OF A PARENT COULD KEEP A CHILD FROM ATTENDING COLLEGE.

WE CANNOT OFFER PROTECTION AGAINST FATE. BUT WE CAN PREVENT THE COMPOUNDING OF A TRAGEDY, SO THAT A DEATH OR AN ILLNESS DOESN'T LEAVE A BITTER LEGACY OF POVERTY AND DESPAIR FOR A WHOLE FAMILY.

YOU PREVENT THAT KIND OF DOUBLE TRAGEDY. YOU ADD A LITTLE BIT OF COMFORT TO THE GRIEVING, AND PREDICTABILITY FOR THOSE WHO ARE VICTIMS OF THE UNPREDICTABLE.

- 7 -

**THIS IS YOUR SERVICE TO SOCIETY. IT IS AS CRUCIAL A SERVICE AS THAT OF ANY SOCIAL WELFARE AGENCY. AND YOU CANNOT CONTINUE TO PERFORM IT IF YOUR INDUSTRY IS HAMSTRUNG BY EXCESSIVE REGULATION.**

**THAT'S WHY WE WORKED TO REMOVE EXCESSIVE REGULATIONS, TO FREE THE CREATIVE ENERGIES OF SMALL FIRMS. BY ORDERING A REVIEW OF MORE THAN 100 GOVERNMENT REGULATIONS, THE TASK FORCE ON REGULATORY RELIEF, WHICH I CHAIRED AS VICE PRESIDENT,**

- 8 -

**SAVED THE PRIVATE SECTOR MORE THAN 600 MILLION MAN HOURS OF PAPERWORK AND BILLIONS OF DOLLARS IN GOVERNMENT COMPLIANCE COST. I WILL CONTINUE TO WORK TO KEEP YOU FREE FROM EXCESSIVE REGULATION.**

**AND WHEN IT COMES TO NECESSARY REGULATION OF YOUR BUSINESS, I AM COMMITTED TO LETTING THE STATES TAKE THE LEAD -- NOT THE FEDERAL GOVERNMENT.**

REDUCING THE REGULATORY BURDEN IS IMPORTANT, BUT WE MUST TAKE ACTION ON OTHER FRONTS AS WELL IF WE ARE TO KEEP AMERICAN SMALL BUSINESS STRONG.

THIS IS WHY I HAVE ALSO PROPOSED A CUT IN THE CAPITAL GAINS TAX RATE. MOST OF OUR MAJOR TRADING PARTNERS DO NOT TAX LONG-TERM CAPITAL GAINS. THEY UNDERSTAND THAT A HIGH CAPITAL GAINS TAX UNNECESSARILY HURTS OUR COMPETITIVE POSITION BY DRYING UP THE FORMATION OF CAPITAL, BUSINESSES AND JOBS.

IN 1978, WHEN CONGRESS CUT THE MAXIMUM TAX RATE ON CAPITAL GAINS, THE RESULT WAS AN EXPLOSION OF NEW COMPANIES AND NEW REVENUES. THE TREASURY ESTIMATES THAT THIS CUT WILL ADD \$4.8 BILLION TO THE REVENUE SIDE OF THE LEDGER IN FISCAL YEAR 1990.

SMALL BUSINESSES WITH LESS THAN 500 EMPLOYEES EMPLOY MORE THAN HALF OF U.S. WORKERS. SO ANY ONEROUS NEW BURDEN ON SMALL BUSINESS WILL ALSO THROW WORKERS OUT OF THEIR JOBS.

- 11 -

IT IS FOR THIS REASON THAT I OPPOSE THE MOVEMENT TOWARD MANDATED EMPLOYEE BENEFITS . . . IN AN ERA OF TIGHT BUDGETS, THERE IS ALWAYS THE TEMPTATION TO DROP THE BURDEN OF SOCIAL PROGRAMS ON THE BACKS OF EMPLOYERS. BUT THESE POLICIES, BORN OF THE BEST INTENTIONS, CAN HAVE UNINTENDED AND COUNTERPRODUCTIVE CONSEQUENCES.

IT IS UP TO BUSINESS AND LABOR TO NEGOTIATE THEIR DIFFERENCES.

- 12 -

AND MAKE NO MISTAKE, I SUPPORT THE RIGHT OF LABOR TO NEGOTIATE AS AN EQUAL. BUT BURDENSOME MANDATED BENEFITS SERVE NEITHER BUSINESS NOR LABOR. WE HAVE SEEN WHAT HAPPENS IN OTHER COUNTRIES WHERE MANDATED BENEFIT PROGRAMS CREATE OBSTACLES TO PRODUCTIVITY AND GROWTH. WE CANNOT BUILD A BETTER AMERICA IF WE WEIGH DOWN OUR PRODUCTION SECTOR WITH NEW BURDENS.

AND LET ME ADDRESS ONE OTHER AREA THAT CONCERNS YOUR BUSINESS -- TORT REFORM.

- 13 -

OF COURSE, THERE ARE MANY LITIGANTS WHO DESERVE A JURY'S SYMPATHY. BUT WHEN LOCAL GOVERNMENTS CANNOT INSTALL PLAYGROUNDS, WHEN BUSINESSES ARE BANKRUPTED, WHEN MOTHERS STRUGGLE TO FIND AN OBSTETRICIAN, WHEN VOLUNTEER ORGANIZATIONS HAVE TO PULL BACK, THEN IT IS TIME TO CONSIDER LIMITING DAMAGES. TORT REFORM IS CRITICAL TO THE HEALTH OF BUSINESSES AND VOLUNTEER ORGANIZATIONS ALIKE.

- 14 -

ALL OF MY POLICIES ARE DIRECTED TOWARD A SINGLE GOAL: BUILDING A BETTER AMERICA. TO ACHIEVE THIS GOAL, MY PLAN HAS FOUR BROAD OBJECTIVES -- ATTENTION TO URGENT PRIORITIES, AN ATTACK ON THE DEFICIT, NO NEW TAXES, AND AN INVESTMENT IN THE FUTURE.

WITHOUT A STRONG PRIVATE SECTOR, OUR NATION WOULD BE MIRED IN THE PAST, DOOMED TO FAIL. THE ENTREPRENEUR IS THE MAN OR THE WOMAN WHO IS NOT ONLY READY FOR CHANGE, BUT WHO RELISHES THE THOUGHT OF IT.

- 15 -

AND THIS THOUGHT LEADS ME TO SPEAK TO YOU IN MORE GENERAL TERMS, ABOUT MY PRESIDENCY, THE CHALLENGES I HOPE TO MEET, THE ACCOMPLISHMENTS I HOPE TO MAKE.

I AM A MAN OF THIS CENTURY. I FOUGHT IN THIS CENTURY'S GREATEST WAR, AND RAISED A FAMILY AND BUILT A BUSINESS DURING THE MID-CENTURY OF AMERICAN GREATNESS.

BUT I WANT TO BE A PRESIDENT WHO IS REMEMBERED FOR PREPARING AMERICA FOR THE NEXT CENTURY.

- 16 -

THIS IS MY ENTREPRENEURIAL DEFINITION OF LEADERSHIP, TO SEE THE SHAPE OF THINGS TO COME, AND TO PREPARE FOR THAT 21ST CENTURY WORLD -- ONLY ELEVEN YEARS AWAY.

BY THE YEAR 2000, WE WILL HAVE EXPERIENCED CHANGE AS SWIFT AND FAST AS A TORRENT. CHANGE IN THE AMERICAN FAMILY, AND IN OUR WORK HABITS. CHANGE IN TECHNOLOGY. CHANGE IN THE WORLD ECONOMY. CHANGE IN THE RATE OF CHANGE ITSELF.

- 17 -

THE MAKEUP OF OUR REMARKABLE NATION HAS BEEN EVOLVING CONSTANTLY. BUT THE QUALITIES ON WHICH IT WAS FOUNDED ARE TIMELESS AND TRUE. ONE OF THOSE CONSTANTS IS THAT WE ARE AN ENTREPRENEURIAL PEOPLE, AT OUR BEST WHEN WE ARE CHALLENGED, AND WHEN WE BOLDLY FACE THE FUTURE.

SO MY AGENDA IS THIS: TO CONFRONT THE EMERGING PROBLEMS OF THE FUTURE, TODAY. A COMPLACENT SOCIETY IS DOOMED TO COMFORTABLE DECLINE.

- 18 -

A DYNAMIC SOCIETY IS ONE THAT KEEPS PACE WITH THE TIMES. SO CALL IT THAT, IF YOU WILL -- A DYNAMIC AMERICA. BUT RECOGNIZE IN THE RESTLESS DRIVE AND VISION OF THE AMERICAN ENTREPRENEUR OUR BEST QUALITIES AS A NATION.

A COMPLACENT NATION WOULD TAKE COMFORT THAT AMERICA IS FREE AND THE WORLD IS AT PEACE. BUT WORLD EVENTS ARE MOVING TOO SWIFTLY FOR US TO RELAX IN SET WAYS, TO CLING TO SMUG ASSUMPTIONS.

- 19 -

THE QUESTION WE MUST ANSWER IS: WILL AMERICAN FOREIGN POLICY BE FLEXIBLE ENOUGH TO MEET THE EMERGING, AND POTENTIALLY DRAMATIC, NEW WORLD DEVELOPMENTS?

WITH THIS QUESTION IN MIND, I HAVE ASKED ALL THE APPROPRIATE AGENCIES TO REASSESS OUR FOREIGN POLICY AND DEFENSE STRATEGY. THIS COMPREHENSIVE REVIEW WILL SET THE BASIS OF MY FUTURE ACTIONS, AND GUIDE AMERICA INTO THE NEXT DECADE, AND TOWARD THE NEXT CENTURY.

- 20 -

ON ECONOMIC POLICY, I HAVE SUBMITTED TO THE CONGRESS A BUDGET THAT IS FISCALLY RESPONSIBLE. THIS BUDGET DOES FOUR THINGS: IT SUBSTANTIALLY REDUCES THE DEFICIT, IT INCLUDES NO NEW TAXES, IT ADDRESSES KEY PRIORITIES, AND IT STILL PROVIDES FOR IMPORTANT INVESTMENTS WHICH WILL HELP MAKE US MORE COMPETITIVE IN THE FUTURE. MY SPEECH TO CONGRESS WAS ACCOMPANIED BY 193 PAGES OF SPECIFIC RECOMMENDATIONS FOR THE BUDGET.

LOOKING BACK IN THE HISTORY BOOKS, WE FOUND THAT NO OTHER PRESIDENT IN RECENT HISTORY HAD PRESENTED QUITE SO MUCH INFORMATION TO CONGRESS AT SUCH AN EARLY DATE.

I HAVE ALSO SUBMITTED A PROPOSAL TO SOLVE A FESTERING PROBLEM THAT THREATENS OUR FUTURE PROSPERITY -- A PLAN TO RESTORE THE INTEGRITY OF OUR NATION'S SAVINGS AND LOAN INSTITUTIONS. I HAVE ASKED THE CONGRESS TO TAKE ACTION WITHIN 45 DAYS. THIS PROBLEM REQUIRES PROMPT, PRUDENT ACTION.

THE CHANGING NATURE OF AMERICAN SOCIETY -- TO MORE WORKING PARENTS -- IS PUTTING PRESSURE ON OUR MOST BASIC SOCIAL INSTITUTION -- THE FAMILY. HOW WILL WE RESPOND TO THIS CHANGE? WE SIMPLY CANNOT AFFORD TO CREATE ANOTHER ENTITLEMENT PROGRAM. THAT IS WHY I AM PROPOSING A CHILD-CARE PLAN THAT COMBINES TAX CREDITS AND PRIVATE-SECTOR RESOURCES TO OFFER PARENTS A CHOICE. I WANT TO EMPOWER PARENTS, NOT GOVERNMENT, TO SEEK THE BEST AND THE SAFEST ENVIRONMENT FOR THEIR CHILDREN.

- 23 -

THERE ARE MANY OTHER AREAS OF CHANGE. HOMELESSNESS AFFECTS A SMALL PROPORTION OF AMERICANS, BUT CONCERNS ALL OF US. BUT WHEN I LOOK OUT A WHITE HOUSE WINDOW AND SEE THE RAGGED PATHETIC FIGURES HUDDLED OVER THE STEAM GRATES OF THE ELLIPSE, I ALSO SEE AN AFFRONT TO THE AMERICAN DREAM. WE MUST SEEK THE ROOT CAUSES OF, AND DEVISE THE MOST PRACTICAL SOLUTIONS FOR, HOMELESSNESS.

- 24 -

THE ENVIRONMENT -- ONCE THE CONCERN OF A FARSIGHTED FEW, IS NOW A TOP PRIORITY OF MY ADMINISTRATION AT HOME AND ABROAD. WE MUST DEVISE A GLOBAL APPROACH TO THE PROBLEMS OF OZONE DEPLETION AND GLOBAL WARMING. WE INTEND TO MAKE RAPID PROGRESS ON ACID RAIN AND SEE THAT A NEW CLEAN AIR BILL IS PRODUCED. AND WE HAVE ALREADY BROKEN GROUND IN JOINING WITH OTHER NATIONS TO CALL FOR THE ELIMINATION OF CFCs AND IN ADOPTING A TOUGH NEW POLICY ON THE EXPORT OF HAZARDOUS WASTE.

- 25 -

**DRUGS -- THE SCOURGE OF DRUG ABUSE WILL TEST OUR RESOLVE AND OUR METTLE AS A PEOPLE. I AM ASKING THE CONGRESS FOR \$6 BILLION FOR OUR ANTI-DRUG PROGRAM IN 1990 TO BEEF-UP DRUG EDUCATION, REHABILITATION, LAW ENFORCEMENT AND INTERDICTION. I AM ALSO PLEASED TO HAVE BILL BENNETT NOW AT MY SIDE TO GUIDE AND COORDINATE THIS ALL-OUT EFFORT AGAINST DRUGS.**

**FINALLY, I WANT TO SINGLE OUT ONE AREA WHICH, IN SO MANY WAYS, IS PRE-EMINENTLY IMPORTANT TO OUR NATION.**

- 26 -

**I AM SURE IT IS OF PARTICULAR IMPORTANCE TO YOUR FAMILY. WE MUST PROTECT, AND STRENGTHEN, OUR SCHOOLS.**

**YOU AND I KNOW THAT EDUCATION IS OUR MOST ENDURING LEGACY. YOU AND I KNOW THAT EDUCATION IS NOTHING LESS THAN THE VERY HEART AND SOUL OF OUR CIVILIZATION.**

**AS WE FACE A NEW DECADE AND A NEW CENTURY BEYOND, WE ALSO FACE A NEW CHALLENGE -- TO REVITALIZE AND RESTORE THE SYSTEM OUR FOREBEARS BEQUEATHED TO US; TO ENSURE AMERICAN EDUCATION IS SECOND TO NONE.**

- 27 -

I HAVE MADE A NUMBER OF PROPOSALS TO WORK TOWARD THIS GOAL. AMONG THEM IS MY REQUEST TO REWARD THOSE SCHOOLS WHOSE STUDENTS SHOW MEASURABLE PROGRESS IN EDUCATIONAL ACHIEVEMENT, WHILE MAINTAINING A SAFE AND DRUG-FREE ENVIRONMENT.

I HAVE ALSO ASKED FOR AN ANNUAL FUND OF \$100 MILLION IN NEW APPROPRIATIONS TO HELP CREATE MAGNET SCHOOLS TO BROADEN THE EDUCATIONAL CHOICES OF PARENTS AND STUDENTS.

- 28 -

AND I HAVE MADE MANY OTHER PROPOSALS, INCLUDING PROGRAMS TO STRENGTHEN HISTORICALLY BLACK COLLEGES AND UNIVERSITIES, AND TO REWARD OUR BEST TEACHERS.

I APPEAL TO YOU TO GET ACTIVE IN YOUR SCHOOLS, TO SHARE YOUR KNOWLEDGE, EXPERTISE AND RESOURCES WHERE IT IS MOST NEEDED.

I'VE LAID OUT MY AGENDA FOR BUILDING A BETTER AMERICA. TRUE, IT IS AN AMBITIOUS ONE.

- 29 -

**BUT IT IS NO LESS AMBITIOUS, NO LESS DYNAMIC, THAN THE AMERICAN PEOPLE. AS BUSINESSMEN AND WOMEN, YOU CAN HELP ME TO FULFILL THIS AGENDA, TO MEET THE CHALLENGES THAT FACE OUR COUNTRY. BY WORKING TOGETHER, WE CAN ACHIEVE ANYTHING.**

**THANK YOU.**

**# # #**

# Independent Insurance Agents of America

INCORPORATED



January 27, 1989

CAPITOL HILL OFFICE  
SUITE 200  
600 PENNSYLVANIA AVE., S.E.  
WASHINGTON, D.C. 20003

202/544-5833  
FAX 202/544-8712

The President  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20501

Dear Mr. President:

The Independent Insurance Agents of America, Inc. (IIAA), the nation's largest insurance agent association representing more than 220,000 agents and their employees and one of the nation's largest small business associations -- will hold its Annual National Legislative Conference on March 14 and 15 at the Capital Hilton Hotel in Washington, DC. On behalf of our national membership, I would like to extend to you an invitation to address approximately 800 small business people from all 50 states at our conference.

In the past, President Reagan, President Ford, Bob Dole, Jack Kemp, Alan Simpson, Guy Vander Jagt and other distinguished Republicans have addressed our group. We would be honored to have you join us this year to talk about salient issues of the day.

The people attending the convention are typically the most politically active and astute agents from all 50 of IIAA's state associations. These agents are often involved in local and community activities, state and federal politics, and frequently serve as campaign and finance committee operatives for federal candidates. In fact, many of them were active in your presidential campaign last year. Our Independent Insurance Agents of America Political Action Committee (InsurPac) is among the top ten business PACs in the country.

Our conference would provide you with an excellent opportunity to address a large crowd of small businessmen and women who are predominately conservative Republicans. Moreover, the close proximity to the White House makes the speech site convenient.

I will be in touch with your office shortly, and I appreciate your consideration of this matter.

Sincerely,

Robert A. Rusbuldt  
Director of Federal Affairs

# NEWS



## Independent Insurance Agents of America

INCORPORATED

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FOR FURTHER INFORMATION CONTACT:

Rebecca J. Newman  
(703) 922-2707

R-4-89

**SUBJECT: IIAA PROPOSES SWEEPING CHANGES  
IN INSURANCE INDUSTRY**

**RELEASE: IMMEDIATE**

WASHINGTON D.C., January 15 -- In an unprecedented move within the insurance industry, the Independent Insurance Agents of America (IIAA) have adopted a policy statement that proposes sweeping changes in the fundamental way in which the insurance industry does business. Changes in policies, policyholder services, communications and rating organizations are being recommended along with suggestions to re-examine the current auto insurance classification system and to intensify efforts to reduce underlying auto insurance costs.

R. C. Riley, CPCU, the IIAA executive committee member who chaired the subcommittee that drafted the policy statement, introduced the report saying that "over the last several years the insurance industry has suffered an erosion in the public's confidence. We believe this perception results from the failure of our industry, in many instances, to provide the public with reasonably stable markets, affordable prices, responsive service, and regular communications explaining the reasons for price increases, cancellations, nonrenewal, and other major policy changes," he said.

(more)

"We also believe that the industry will not improve its standing with the public unless individual insurance companies and agents find ways to reduce these problems and change day-to-day business practices that are currently creating stress with the public," Mr. Riley stated.

Developed during the past year, the IIAA statement acknowledges the growing trend in Congress and in other bodies to inaccurately blame the McCarran Ferguson Act for perceived problems within the industry, according to IIAA President Lawrence E. Hite, AAI. "We felt that as agents and consumer advocates, our association should provide a framework for debating solutions to real problems, as well as to deal with the storms brewing on the state level. The problems facing our agents, such as California's Proposition 103, can begin to be resolved once these principles are adopted," Mr. Hite said.

With regard to the territorial rating systems, the report states that the industry should work with insurance regulators, legislators, and consumers to re-examine current automobile insurance classification and territorial rating systems. "Existing systems clearly have produced extreme differences in some areas with the result that rates appear to have become unfair to certain classes of insureds," the report says.

While the policy statement strengthens IIAA's commitment to the McCarran Ferguson Act and state regulation, it also calls for rating organizations not to produce final advisory rates, leaving it up to the individual insurance company to file those final rates with the insurance department. The statement also suggests that policyholders, regulators and insurance agents/brokers be added as voting members to the form development committees and the boards of directors of rating organizations. The fundamental data and form service that rating organizations provide are deemed "extremely important" by the authors of the report and should, therefore, remain intact.

(more)

R-4-89

Since one of the most visible insurance consumer issues today is auto insurance rates, Mr. Riley said that it is important to educate consumers about the three economic issues that drive auto rate increases -- theft, replacement parts, medical costs. "But it is most important that we also work towards stronger well-written no fault laws, such as in New York and Florida, which go a long way to control cost," he added.

Finally, the report asserts that while the insurance industry has actively sponsored various loss control programs like mandatory seat belt laws and auto theft prevention, the industry needs to increase overall loss control efforts and communicate these efforts to the public. The underlying message appears to be that the insurance industry is as concerned as the public about escalating auto insurance premiums.

Some of the other business changes IIAA is recommending include a broader pursuit of market assistance programs and multiple-year policies for better stability in rates and availability

"IIAA pledges to use this statement as a starting point for discussions with legislators, regulators, consumers and business groups. We hope the industry leaders will join us to make these changes a reality," Mr. Hite concluded.

(Note: Attached is full text of IIAA's policy statement)

###

# Independent Insurance Agents of America

INCORPORATED



CAPITOL HILL OFFICE  
SUITE 200  
600 PENNSYLVANIA AVE., S.E.  
WASHINGTON, D.C. 20003

202/544-5833  
FAX 202/544-8712

March 8, 1989

Mr. Mark Davis  
The White House  
Old Executive Office Building  
Room 122  
Washington, D.C. 20500

Dear Mark:

Enclosed is a copy of Where We Stand, which contains several of our legislative concerns and some background on the Independent Insurance Agents of America (IIAA). I have also enclosed the original letter of invitation to the President for your information.

As we discussed, our Annual National Legislative Conference is held each year in Washington, D.C. in order for our members to personally lobby on Capitol Hill and to hear invited senators and congresssmenten speak to our agents on salient issues of the day. This year, Senator Lloyd Bentsen will be addressing our group on Tuesday, March 14, prior to the President's speech, and Senator Trent Lott will address IIAA on Wednesday morning. We expect approximately 750 agents from all 50 states, with a sizeable contingent from Texas. These agents are the most politically astute and active members of our association with many of them serving in elected office (ie. Senator Wendell Ford and Congressmen John Rowland, Dan Burton, Jim Quillen and Norm Mineta are members of IIAA), while others serve as campaign finance chairmen, county councilmen, etc.

IIAA has the 12th largest business political action committee (InsurPac) in the nation that supports candidates attuned to our interests and small business concerns in general.

As you know, IIAA's Board of Directors adopted a policy statement calling for fundamental, voluntary reforms within the insurance industry. These reforms, which have received strong bipartisan support from Capitol Hill, would enhance the availability and affordability of insurance. Enclosed is a copy of our press release

on the policy statement. The policy statement is in sync with the President's position that voluntary reforms are preferential to federally mandated changes and regulation, and his reference to our statement would be beneficial for the Administration both politically and substantively. IIAA also supports the McCarran-Ferguson Act and the state regulation of the insurance industry.

Please feel free to call me if you have any additional questions or comments.

With kind regards,



Robert A. Rusbuldt  
Director of Federal Affairs

RAR:dh

Enclosures

# who we are

The Independent Insurance Agents of America is 220,000 small business owners and their employees who sell all types of insurance.

Unlike company-employed agents, IIAA members represent more than one firm, so they can offer clients a wider choice of auto, home, business, life and health insurance products.

IIAA members not only advise clients about insurance, they recommend loss prevention ideas that can cut costs. If a loss occurs, the independent agent stands with the client until the claim is settled.

IIAA was founded in 1896 as the National Local Association of Fire Insurance Agents. With the expansion of property/casualty business and coverages, the name became too limiting and was changed to the National Association of Insurance Agents in 1913. To emphasize the independence of its members, the organization became the Independent Insurance Agents of America in 1975.

IIAA is a voluntary federation of state associations and local boards. Its members are politically astute and are involved both locally and nationally. They keep track of progress on agents' issues in Washington through the work of an active professional staff in the IIAA Capitol Hill office. Their willing support has made the IIAA's Political Action Committee (InsurPac) one of the largest federal trade association PACs in the nation.

**Where We Stand**

**On  
Legislative  
Issues**



**Independent Insurance Agents  
of America**  
  
600 Pennsylvania Avenue, S.E.  
Suite 200  
Washington, D.C. 20003  
  
(202) 544-5833

**Independent Insurance Agents of America**

1989



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# ANTI-REBATE STATUTES

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## BACKGROUND

Anti-rebate statutes were enacted around the turn of the century to bring stability and fair business practices to a tumultuous insurance market and to prevent discrimination in price for insurance purchasers within the same class.

In its generic form, anti-rebate laws prohibit agents from reducing the amount of commission fixed by the company, or offering other inducements to buyers. All states (except Florida and California) have anti-rebate laws of some kind.

Opponents of anti-rebate statutes say they are anti-competitive. Proponents believe rebating would among other things, seriously corrupt current market practices by:

- (a) Discriminating against insureds among the same class;
- (b) Emphasizing the cost consideration to the exclusion of product quality and agent counseling and service;
- (c) Encouraging the concentration of agency forces, thereby limiting competition;
- (d) Fostering discrimination against consumers without economic leverage (i.e. those purchasing small amounts of coverage).

## IIAA POSITION

IIAA supports retention of anti-rebate statutes as being in the consumer's best interest.

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# AUTO INSURANCE REFORM

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## BACKGROUND

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The public's frustration with high automobile insurance rates has led to extreme measures such as the passage of California's Proposition 103. Mandatory rate roll backs, a central feature of Proposition 103, is not in the public's best interest. It may have the unintended effect of reducing the safety of protection purchased by increasing the likelihood of company insolvency.

The public should expect the insurance industry to provide reasonably stable markets, affordable prices and responsive service. Meaningful reform must address the underlying costs which greatly contribute to escalating premiums. One solution would be to adopt strong well written no-fault laws with effective thresholds. This is a proven method to reducing costs through greater efficiency, timely payments and fairness in compensation levels.

The industry's commitment to the enhancement of auto safety efforts has been longstanding. Continued progress must be made for better highway safety, stronger bumpers, mandatory seat belt laws, required airbags, auto theft prevention, fraud detection and other loss prevention efforts.

The spiraling cost of replacement car parts must be addressed. The potential for significant savings to the public can be achieved by fostering a competitive market in replacement car parts.

Territorial rating and other classification systems have caused disparity in some locations to the extent where rates become unfair for certain insureds. The industry, insurance regulators, legislators, and consumer groups need to reexamine the systems employed in those cases.

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## IIAA POSITION

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IIAA has adopted a comprehensive policy statement which in part calls for: 1) Increased responsiveness to consumer problems; 2) Adoption of a state no-fault system with strong thresholds; 3) Reexamination of rate classification systems; 4) Renewed commitment to auto safety measures; 5) A competitive market in replacement car parts.

# FEDERAL ISSUES

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# FINANCIAL INSTITUTIONS DEREGULATION

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## BACKGROUND

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Since Congress reaffirmed the traditional separation of banking and insurance in the 1982 Garn-St Germain Act, pressure has built for dramatic revision of bank law and regulation. Bills are introduced every year in Congress to expand the powers of bank holding companies (BHCs) to permit insurance, real estate, and securities activities, but legislation has not been adopted.

In order to give Congress the time to study the issue of expanded bank powers and craft a comprehensive bank reform bill, Congress enacted the Competitive Equality Banking Act of 1987, which contained a one-year moratorium on the ability of regulators to expand banking powers. Unfortunately, the moratorium deadline expired without Congress fulfilling its promise of enacting legislation.

In the states, large aggressive BHCs have sought ways around congressionally imposed insurance restrictions by encouraging enactment of laws and regulatory changes broadening powers for state-chartered banks. By acquiring these banks, BHCs hope to gain powers denied them at the federal level.

At the federal regulatory level, the Federal Reserve Board (Fed) and the Comptroller of the Currency (OCC) have continued to "discover" and promote loopholes and regulatory glitches in the system which provide banks a route to insurance and other expanded powers otherwise limited by federal law. Banks are using the "international competitiveness" argument to buttress their push for expanded powers, but the insolvent Federal Savings and Loan Insurance Corporation (FSLIC) crisis, coupled with the impending taxpayer bailout of the fund, has slowed their drive for new powers. The ability of banks to use Federal Deposit Insurance Corporation (FDIC) insured funds for commercial ventures (i.e. insurance) is a sobering thought for Congress, especially since deregulation was a major contributor to the downfall of the savings and loan industry.

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## IIAA POSITION

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IIAA supports separation of banking and insurance and opposes legislation to empower BHCs to enter the business of insurance. IIAA urges reexamination of banking law in light of traditional features of banking and public policy: safety and soundness, separation of banking and commerce, and the special powers associated with banks' control of credit (credit tie-ins).

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# INSURANCE COMPANY INSOLVENCY

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## BACKGROUND

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The legal responsibilities of insurance agents toward their clients and the companies they represent, in the event of a company insolvency, involve an ambiguous and evolving set of standards. The IIAA Committee on Insolvency and Guaranty Fund Laws was created to develop an improved system for preventing insolvencies and determining agent liability. The Committee has developed a set of recommendations to improve both NAIC Model Insolvency and Guaranty Fund Laws and to make the system more equitable and less burdensome on consumers and agents.

The IIAA recommendations include provisions to clarify an agent's responsibility to a liquidator in cases of insolvency by holding the agent liable to the extent determined by the laws of his domiciliary state. One of the major provisions calls for an end to agent liability for unearned premiums which an agent is unable to collect from the policyholder.

The recommendations also include changes to guaranty fund laws which include provisions extending insurance policies of insolvent companies to 60 days from the date of insolvency. The guaranty fund laws also call for the addition of an agent to the guaranty fund board of directors so that consumer and agent interests will be adequately represented.

On Capitol Hill, Congress is increasingly using company insolvencies to justify federal regulation of insurance, although this is not a workable solution. A combined effort in the state legislatures and in the courts will bring about the changes necessary to alleviate undue hardships to agents and their clients.

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## IIAA POSITION

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IIAA is working with the NAIC to change model laws to conform with the IIAA Committee recommendations and is urging the states to introduce bills in their own legislatures to improve their insolvency and guaranty fund laws.

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# STATE BANKS IN INSURANCE

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## BACKGROUND

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For over 100 years the United States has required the separation of banks and insurance. The National Bank Act of 1864 prohibited national banks from engaging in insurance and was later reinforced by the Bank Holding Company Act of 1956 and the Garn-St Germain Act of 1982. The bankers, unable to prove their case to Congress, are now turning their sights on state legislatures where they perceive the road might be easier.

The combination of allocation of credit and the offering of insurance is potentially a very destructive one. Insurance involves risk - a risk most banks depositors do not want to back up with their federally insured deposits. In addition to the risk factor, banks' power over credit gives them great potential to unfairly influence consumers' decisions as to their purchase of insurance. Consumers should not be subjected to this type of coercion.

The quest by banks for expanded powers to create a "level playing field" and attain "competitive equality" is an illusion. Banks' funds are secured by FDIC insurance. In addition, banks have access to the Federal Reserve Discount Window for low-cost money. Neither of these advantages are available to insurers or insurance agents. This is anything but a level playing field.

According to a 1986 report by the House Energy and Commerce Committee, "ten bank holding companies...hold...assets equal to the total assets of all life insurers, and almost three times the assets of all property-casualty insurers." Allowing banks to acquire community-based independent insurance agencies to reduce industry concentration is not in the public's best interest.

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## IIAA POSITION

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IIAA calls for the continued separation between banking and insurance on the state level.

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# REGULATOR'S LOOPHOLES

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## BACKGROUND

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Following enactment of the Title VI insurance limits in 1982, bank holding companies (BHCs) began looking for ways around this federal barrier to insurance activities. In addition to advocating congressional initiatives and probing the federal regulatory agencies, the BHCs turned to the states to see if the door to expanded powers could be unlocked at the state level.

Over the past several years the regulators have attempted to contravene federal law and intent by issuing rules, regulations and orders to increase insurance powers for banks. The "South Dakota" loophole, most recently embodied in the Merchants National ruling attempts to provide a way for federally regulated BHCs to enter through the states into activities prohibited by Congress. The "comptrollers loophole" allows national banks to use towns of less than 5,000 as launching pads for nationwide insurance sales, and the "Exemption D" loophole allows a BHC to acquire the grandfathered insurance rights of another bank. A regulatory change in Exemption C now allows BHCs to sell insurance in small towns if they have a lending office located there, rather than their "principle place of business," which was the requirement prior to the modification. All of these and other backdoor loopholes have produced extensive litigation.

In 1987, Congress enacted the Competitive Equality Banking Act, which contained a moratorium on the expansion of insurance powers to banks. However, the regulators disregarded congressional intent and proceeded to expand insurance powers during the moratorium, which resulted in litigation that temporarily vindicated the agent's position. The 100th Congress attempted to step in and clarify permissible bank/insurance activities (S.1886 and H.R.5094), but a jurisdictional dispute between the House Banking Committee and the Energy and Commerce Committee produced a stalemate that effectively killed any legislation.

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## IIAA POSITION

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IIAA supports immediate congressional action to foreclose circumvention of Title VI and close all insurance loopholes created by the regulators. IIAA believes that Congress, and not the regulators or the courts, should determine the banking policy of the United States.

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# McCARRAN-FERGUSON ACT

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## BACKGROUND

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Enacted to offset a Supreme Court opinion declaring the business of insurance to be interstate commerce subject to federal antitrust laws, the McCarran-Ferguson Act has stood since 1945 as the insurance industry's Magna Carta, asserting as a matter of public policy the state regulation of insurance and the industry's limited exemption from antitrust laws.

While Congress retains the ability under the McCarran-Ferguson Act to explicitly legislate federal jurisdiction over particular areas of insurance and antitrust should a need arise (i.e. Risk Retention Act of 1986), instances of direct congressional intervention in the business of insurance have been rare. The McCarran-Ferguson Act has endured, with both Congress and the courts repeatedly reaffirming the public benefit of the Act's fundamental policy prescriptions.

Past events in the marketplace, principally the capacity shortage in commercial liability insurance and the problems associated with automobile insurance in certain states, have led some members to re-examine the McCarran Act - and it is clear the Act has become a target for both political and economic reasons.

Congress has produced proposals to repeal, modify or study the McCarran Act, highlighted by Senator Metzenbaum's (D-OH) and Representative Edwards' (D-CA) bills to repeal the limited antitrust exemption. For the first time, a subcommittee of the 100th Congress reported a bill to significantly modify the McCarran Act, and it appears political pressure against the Act will not subside. While purporting to promote competition, such measures could harm availability and price competition, undermine the effectiveness of state regulation, and prevent insurers from engaging in certain activities which are actually in the public interest.

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## IIAA POSITION

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Retain McCarran-Ferguson intact because state regulation serves the public well, has stood the test of time, and provides consumer protection. IIAA supports enhancement of state regulation, where necessary. In addition, IIAA has adopted a policy statement calling for fundamental changes in the way the insurance industry conducts its business (i.e. rating organizations should not produce final advisory rates; each insurance company should be responsible for filing its rates with the insurance department where required; and rating organizations should include policyholder, regulator, and insurance agent/broker interests as voting members of their boards of directors).

# STATE ISSUES

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# PRODUCT LIABILITY REFORM

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## BACKGROUND

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Skyrocketing costs and greatly reduced availability in the early 1970's set the stage for federal scrutiny of product liability insurance. A mid-decade review by a Commerce Department task force of the problems in this type of insurance led to recommendations for model state tort laws, and passage of the Product Liability Risk Retention Act of 1981, permitting manufacturers to form self-insurance and insurance purchasing groups. This cosmetic reform failed to address the underlying legal problems in the tort litigation system resulting from conflicting state law.

Legislation introduced in past Congresses would have set uniform federal standards for product liability suits while still allowing state courts to retain jurisdiction. During the 100th Congress, a compromise measure by Representatives Bill Richardson (D-NM), Jim Florio (D-NJ), Norm Lent (R-NY) and Chairman John Dingell (D-MI) was reported out of the House Energy and Commerce Committee, but was never considered by the full House. During the debate, it became apparent that many members favored the collection of insurance data by a federal entity as a way to gain insight into the true cost of insurance, as well as the "mysterious" ebb and flow of the insurance cycle.

The insurance industry shares Congress' concern over the failure of a state-by-state approach in addressing the unique interstate concerns associated with a product liability law. Such a law is necessary for consumers and manufacturers to know their respective rights and responsibilities, and to provide the requisite predictability for accurate insurance rates.

To that end, the insurance industry supports the push for a uniform national product liability law which incorporates incentives to settle sanctions for frivolous suits, elimination or modification of the application of joint and several liability and a liability system based on fault.

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## IIAA POSITION

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IIAA supports a national uniform product liability law in order to provide for a predictable, marketable product liability insurance policy.

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# TAXES

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## BACKGROUND

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Both the House and Senate budget reconciliation bills of 1987 contained a provision to deny the amortization of intangible assets, including insurance expirations. The provision would have prohibited the taxpayer from demonstrating that the acquired asset has a determinable useful life, despite the rulings of the IRS and courts which have found that assets such as insurance expirations and other intangibles can be wasting assets with a determinable useful life, and that taxpayers should be allowed to depreciate them. This provision, which was eventually deleted in a conference committee after intense opposition by agents, would have significantly reduced the value of agencies at a time when acquisitions of independent agencies are rising. According to one report, disallowing the depreciation of expirations would reduce the borrowing power of agencies since loans are based on the value of renewals, and reduce the value of independent agencies by 20 to 30 percent.

In 1982, Congress enacted legislation that indefinitely extended the moratorium protecting the independent contractor status and banned Treasury regulations on independent contractors. However, Congress has periodically shown renewed interest in ideas such as imposing withholding on payments to independent contractors, which was listed as a proposal in a 1987 Ways and Means Committee report titled "Description of Possible Options to Increase Revenues." The report stated it is difficult to distinguish the employment status of many independent contractors from that of employees, and that withholding would increase compliance with the tax laws. When the report was released, the Committee estimated that 10 percent withholding on independent contractors would raise \$2 billion for the government over a three-year period.

As long as pressure continues to build to reduce the federal budget deficit, these important tax provisions will come under congressional scrutiny.

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## IIAA POSITION

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The ability of the IRS and the courts to address individual situations, taking into account relevant facts and circumstances concerning specific taxpayers, demonstrates the sensitivity and fairness of the present law concerning intangibles. Withholding on independent contractors would impose a substantial administrative burden on those required to do the withholding, and the withholding on payments to independent contractors would not approximate ultimate tax liability, which depends on net income after expenses. IIAA opposes changes in the treatment of intangible assets and independent contractors.

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# FEDERALLY MANDATED BENEFITS

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## BACKGROUND

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The Family and Medical Leave Act proposes a federally mandated unpaid leave policy upon the birth or adoption of a child, or in the case of serious illness of the employee. This proposal guarantees employees of businesses employing 50 or more people the opportunity to take unpaid leave and be reinstated in the same or comparable position upon return. The proposals in both the House and the Senate call for 10 weeks parental leave, over a two-year period. There are other differing provisions in the House and Senate versions, including calling for a two-year study of the proposed program, and requiring employees taking such leave to sign a contract agreeing to return to the company at the end of the leave.

The mandated health benefits legislation would require health insurance for all workers, while at the same time setting out the parameters of the types of insurance which could be offered and how much the premiums could be. There could be no premium adjustment for age, gender or other factors relating to usage. The employer would be required to pay at least 80 percent of the premium for most employees, and all of the premium for any employee earning under minimum wage.

The health legislation would cause two major problems for agents, setting aside the issue of the federal government mandating benefit programs. First, it calls for all agents interested in offering this insurance to be certified by the Secretary of Health and Human Services, in addition to state licensing. Second, it allows the agent no flexibility in setting premium rates or in paying those rates to cover his or her own employees.

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## IIAA POSITION

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IIAA urges the establishment of voluntary guidelines between employers and employees. IIAA remains opposed to any federally mandated benefits package which would prove onerous for small businesses.

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# FARM AGRI-BUSINESS

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## BACKGROUND

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The federal crop insurance program enacted in 1980 replaced the government's program of disaster relief payments. However, as the program has grown, problems have arisen. Allegations of fraud, abuse and mismanagement continue to grow while little increase in farmer participation has many worried about its future. To restore congressional confidence and increase farmer participation, the Federal Crop Insurance Commission (FCIC) was established.

The duties of the Commission are to investigate shortcomings within the program and formulate solutions. Representation on the Commission consists of reinsured companies, independent agents (Bob Fulwider is the IIAA representative to the Commission), master marketers, producer groups, farm bureaus, the FCIC and Congress. In accordance with the law, the Commission will release periodic reports throughout its existence, ending December 31, 1990.

The major objective of the Commission is to increase voluntary farmer participation in the program, while turning a greater percentage of the program and its risks over to the private sector. However, it is important to remember that any privatization plan be fair and equitable to ensure the integrity of the program while properly protecting the farmer.

The passage of legislation two years ago to bail out the financially troubled Farm Credit System created a program where the farmer is presented with a variety of insurance choices at the time of his loan. There was also a provision instituting uniform public standards of criteria for any company wanting to offer insurance to the member/borrower through the Production Credit Associations (PCAs). These changes in the law were enacted due to concerns about competition, the economic welfare of the farmer, and the integrity of the system itself.

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## IIAA POSITION

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IIAA supports the maximum qualified private sector participation in the federal crop insurance program. As a member of the Commission, IIAA will work with others on the Commission to address shortcomings in the program and to devise solutions. IIAA actively opposes any attempt to limit the farmer's choice of competitive insurance policies through a circumvention of congressional intent. IIAA is also strongly opposed to any attempt by the PCAs to become more actively involved in the insurance business beyond the current regulatory parameters.