


MARCH 5, 1990

TO: SENATOR DOLE 
FROM: CAROLYN SEELY
SUBJECT: SPEECH TO NATIONAL ASSOCIATION OF INDEPENDENT
INSURERS

On Tuesday, March 6, 1990, you are scheduled to be the wrap-up speaker for the Sixth Annual Federal-State Legislative Seminar of the NAII. The audience will consist of approximately 100 CEOs and Board members of property, casualty insurers. Red Baxter from the Kansas Farm Bureau Mutual Insurance Company is expected to attend. Lowell Beck, President of NAII will introduce you.

During this Conference, NAII members will have heard from Senator Burns on campaign finance, Congressman Hyde on the McCarran-Ferguson Act and bank powers, Senator Gore on earthquake insurance, Senator Gramm on GRH reform, Bill Diefenderfer from OMB on the budget and two representatives from the Department of Transportation and NTSA on auto safety, risk retention, etc. You have been asked to give the summation overview of the Congressional agenda, taxes, the budget and politics, in general.

Specific issues of interest to this group include McCarran-Ferguson (state insurance regulation) repeal which is still stalled in Committee, grant of insurance powers to banks, and new tax rules for independent contractors and leased employees. (The group supports Senator Packwood's amendment on leased employee benefits which was not included in last year's Section 89 repeal although it was part of the original Finance Committee reconciliation bill.) According to Darryl Coover, the major concern of this industry with the pending clean air legislation is the effect of enhanced mileage requirements to lighten cars, making them less safe.

In addition, the President's budget contains a proposal to include estimates of salvage and subrogation recovery in the insurance tax base which the industry opposes -- no action has occurred to date. Finally, they oppose a possible initiative by Congressman Downey to apply whatever new rules are enacted for life insurance companies on policyholder dividends and investment income taxation to property, casualty companies, as well.

Copy to Jim
also copy to Jim
National Association



of Independent Insurers

499 SOUTH CAPITOL ST., S.W., SUITE 401, WASHINGTON, D.C. 20003
202/484-2350

12:00 SPEAK
November 16, 1989

March 6
Tues.
at L'Enfant Plaza Hotel
Carolyn
Greg
Darrell Coover
Senior Vice President
Government Relations

The Honorable Robert Dole
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Senator Dole:

On behalf of Lowell Beck, President of the National Association of Independent Insurers, it is my pleasure to invite you to address our Sixth Annual Federal-State Legislative Seminar, taking place at the L'Enfant Plaza Hotel, Washington, D.C. on March 4-6, 1990.

We would like to invite you to be our luncheon speaker on March 6 at 12:00 noon. Our company executives would be most interested to hear your comments and observations on the upcoming elections, as well as what is going on in the 101st Congress and the Administration.

We will pay the maximum honorarium of \$2,000 and expenses.

NAII is the nation's largest property and casualty insurance company trade association. Our approximately 550 member companies write nearly half the private passenger automobile insurance in force in the United States and have a substantial share of the market for other personal lines coverages.

We hope your schedule will permit you to be with us on March 6, and look forward to hearing from you in the very near future.

Sincerely yours,

Darrell
Darrell Coover, Sr. Vice President
Government Relations

cc: Lowell R. Beck,
President, NAI

11-21-89 Interim ltr.

MEMORANDUM

MARCH 5, 1990

TO: SENATOR DOLE
FROM: BILL WISECARVER
SUBJECT: VETERANS AFFAIRS HOME LOAN PROGRAMS

With your upcoming speaking engagements to the investment, insurance, and real estate groups, you may get a question on the Administration's proposal to change the current funding fees associated with the VA Home Loan Guaranty and Indemnity Fund.

As you know, the current program is designed to allow for favorable credit terms by private lenders to veterans for the purchase or improvement of homes. In the event of a default, the VA will compensate the loss to the holder of the loan. Service connected veterans with a 10% or greater disability, and surviving spouses are exempt from loan fees. The Administration has recently made a recommendation to change the fees associated with the loan program.

Current Program:

Loan Funding Fee..... 1.25%

With a 5% or greater downpayment on the loan.... 0.75%

Administration Proposal:

Loan Funding Fee..... 1.75%

A 4% loan origination fee on all loans over \$25,000

Veterans groups, in addition to the banking and realty communities oppose the recommendation. The VA has defended the increases to adequately fund the loan program in the future. The VA has experienced an increase in foreclosures in many high-cost areas of the country which have put a strain on the financial position of the loan program. The Administration's recommendation has no support on either of the Veterans Committees.

MARCH 6, 1990

TALKING POINTS

NATIONAL ASSOCIATION OF INDEPENDENT INSURERS

O GOOD AFTERNOON. IT IS A PLEASURE TO BE HERE
NOW THAT YOU HAVE ALREADY GOTTEN ANSWERS
TO ALL OF THE TOUGH QUESTIONS.

- O AS YOU KNOW THIS IS AN ELECTION YEAR. AND FOR
A CHANGE, THE REPUBLICANS APPEAR LIKELY TO
MAKE GAINS IN A MID-TERM ELECTION.
- O UNLIKE RECENT SENATE CAMPAIGNS WHERE THE
DEMOCRATS HAVE BEEN ABLE TO RECRUIT BETTER
CANDIDATES, WE NOW HAVE 8 REPUBLICAN HOUSE
MEMBERS RUNNING FOR THE SENATE BEHIND A
PRESIDENT WHOSE POPULARITY IS BREAKING
RONALD REAGAN'S RECORDS.

O OF COURSE, PRESIDENT BUSH'S RATINGS WILL
NATURALLY COME DOWN SOMEWHAT, AND PUNDITS
NOW CONTEND THAT THE PRESIDENT'S COATTAILS
DO NOT HELP IN CONGRESSIONAL ELECTIONS. BUT I
THINK THAT BILL SCHUETTE IN MICHIGAN, TOM
TAUKE IN IOWA, LYNN MARTIN IN ILLINOIS AND
CLAUDINE SCHNEIDER IN RHODE ISLAND ARE EACH
POSITIONED TO UNSEAT AN INCUMBENT SENATOR.

- O IN THE MEANTIME, THE ELECTION WILL MAKE TOUGH DECISIONS IN CONGRESS, WHETHER ON DEFICIT REDUCTION OR CAMPAIGN FINANCE REFORM, THAT MUCH MORE DIFFICULT.

THE BUDGET PROCESS

- O JUST OVER A MONTH AGO, THE PRESIDENT SUBMITTED A BUDGET TO CONGRESS WHICH MEETS THE 1991 GRAMM-RUDMAN-HOLLINGS DEFICIT TARGET OF \$64 BILLION. IT IS NOT A BOLD PLAN.

IT RELIES ON OPTIMISTIC ECONOMIC ASSUMPTIONS;
IT IGNORES AS MUCH AS \$40 BILLION IN WORKING
CAPITAL NEEDED TO ADMINISTER THE S&L BAILOUT.
AND IT INCLUDES THE USUAL EXPEDIENTS, SUCH AS
ANOTHER PAYROLL TAX SPEED-UP, TO RAISE
REVENUE.

- O AS YOU KNOW, LAST YEAR WE BASICALLY TOOK A
WALK ON THE DEFICIT ALTHOUGH WE HAD AN
OPPORTUNITY, GIVEN THE ELECTION MANDATE, TO
ENACT SOME TOUGH PROGRAMS LIKE THE FLEXIBLE
FREEZE.

- O INSTEAD WE SPENT 10 MONTHS AND DEVOTED OVER
60% OF OUR ROLL CALL VOTES IN THE SENATE TO
REDUCE THE DEFICIT BY ONLY \$16 BILLION -- AND WE
NEEDED FOUR MONTHS OF SEQUESTER TO DO EVEN
THAT. THIS YEAR WE NEED \$36 BILLION -- MORE
THAN TWICE AS MUCH -- EVEN USING OMB'S
OPTIMISTIC ASSUMPTIONS.

- O SO YOU CAN SEE WHY THE PROCESS IS SO FRUSTRATING AND WHY THE BUDGET COMMITTEE PREFERS TO FOCUS ON REFORMING GRAMM-RUDMAN -- AGAIN! IN FACT, THE COMMITTEE WILL NOT EVEN BEGIN WORK ON A 1991 BUDGET RESOLUTION UNTIL AFTER THE MARCH RECESS, ONE WEEK BEFORE ITS APRIL 1 DEADLINE.
- O SOCIAL SECURITY
- O NEVERTHELESS, SOME BUDGET REFORM IS LIKELY TO PASS THE SENATE THIS YEAR.

O SENATOR MOYNIHAN HIT UPON A SLOW NEWS DAY
WITH HIS PROPOSAL TO TO ELIMINATE THE SOCIAL
SECURITY TRUST FUND SURPLUS BY CUTTING
PAYROLL TAXES. PREDICTABLY, OTHER DEMOCRATS,
LIKE SENATOR HOLLINGS, IMMEDIATELY BEGAN
CALLING FOR TAX INCREASES TO PAY FOR THESE
CUTS, THEREBY EXPOSING THE REAL DANGER TO
THE ECONOMY OF THE MOYNIHAN PLAN.

O THE PRESIDENT HAS RESPONDED BY PROPOSING
ANNUAL REDUCTIONS IN THE NATIONAL DEBT, --
WHAT I CALL "PHASED INTEGRITY" -- TO END OUR
RELIANCE ON SOCIAL SECURITY FOR CURRENT
GOVERNMENT OPERATIONS. BUT ALTHOUGH THE
LAST TIME I LOOKED SENATOR MOYNIHAN ONLY HAD
ONE VOTE -- HIS OWN -- THIS DEBATE IS LIKELY TO AT
LEAST SLOW DOWN ENACTMENT OF CAPITAL GAINS
RELIEF.

O MOREOVER, THE ISSUE OF THE ROLE OF SOCIAL SECURITY IN THE BUDGET PROCESS IS SQUARELY BEFORE US. AND OTHER SENATORS, LIKE SENATOR HEINZ, ARE RENEWING THEIR CALLS TO REMOVE THE TRUST FUND BALANCE FROM THE DEFICIT CALCULATIONS.

CAPITAL GAINS

- O THE PRESIDENT'S BUDGET CONTAINS A REVISED
CAPITAL GAINS RATE REDUCTION PROPOSAL
MODELED ON THE PACKWOOD-ROTH PROPOSAL
INTRODUCED IN THE SENATE LAST YEAR. UNDER THE
PRESIDENT'S PROPOSAL, A 10% INCOME EXCLUSION
WOULD BE EARNED IN EACH OF THE FIRST THREE
YEARS THAT A CAPITAL ASSET IS HELD. IN ADDITION,
THE PROPOSAL HAS BEEN BROADENED TO INCLUDE
ALL CAPITAL ASSETS HELD BY INDIVIDUALS, WITH THE
EXCEPTION OF COLLECTIBLES.

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- O FINALLY, PRESIDENT BUSH HAS INDICATED THAT HE
IS WILLING TO WORK WITH MEMBERS OF CONGRESS,
WHO MAY WANT TO ADD CORPORATIONS OR
INDEXING, TO ENACT A PROGRAM THAT WILL
ENCOURAGE LONG-TERM INVESTMENT IN AMERICA.
- O IT IS THIS COMBINATION OF COMMITMENT AND
WILLINGNESS TO COMPROMISE WHICH ENSURES
THAT CAPITAL GAINS RELIEF WILL PASS THE
CONGRESS THIS YEAR.

SAVINGS INCENTIVES

- O AS AN ADJUNCT TO CAPITAL GAINS RELIEF, THE PRESIDENT'S BUDGET ADAPTS ANOTHER PROVISION FROM THE PACKWOOD-ROTH PACKAGE -- TAX-FREE SAVINGS ACCOUNTS. UNDER THIS PLAN, FIRST TRIED IN POST-WAR JAPAN, ALL INCOME EARNED ON FUNDS INVESTED IN A FAMILY SAVINGS ACCOUNT WOULD BE TAX-FREE IF THE FUNDS ARE NOT WITHDRAWN FOR AT LEAST SEVEN YEARS.

LIKE THE ROTH IRA PLUS, THESE ACCOUNTS WILL
ENCOURAGE LONG-TERM SAVINGS BY LOW AND
MIDDLE INCOME TAXPAYERS AND PROVIDE CAPITAL
FOR AMERICAN BUSINESS INVESTMENT AND
ECONOMIC GROWTH.

- O THE OBVIOUS NEED TO INCREASE OUR POOR
NATIONAL SAVINGS RATE SHOULD PRODUCE SOME
FORM OF SAVINGS INCENTIVE LEGISLATION,
WHETHER AN IRA EXPANSION OR A NEW ACCOUNT,
THIS YEAR.

- O FINALLY, AS A LONG TERM PROJECT, SECRETARY BRADY IS COMMITTED TO ENDING THE BIAS IN OUR TAX LAWS TOWARD DEBT FINANCING BY ENHANCING THE INCENTIVES FOR EQUITY INVESTMENT. THE FIRST OF THESE PROPOSALS SHOULD BE MADE PUBLIC THIS SPRING. LIKE CAPITAL GAINS, THIS DEBATE WILL CALL ATTENTION TO THE EXCESSIVE COST OF CAPITAL WHICH IS HAMPERING AMERICAN BUSINESS.

INSURANCE

- O AS YOU KNOW, THE NEAR UNANIMOUS AGREEMENT
BY TREASURY, THE GAO AND INDUSTRY EXPERTS
THAT THE PROXY TAX ON MUTUAL LIFE INSURANCE
COMPANIES SHOULD BE REPEALED WILL PUT
INSURANCE TAXATION ON THE CONGRESSIONAL
AGENDA THIS YEAR.

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- O WHILE THE MAJOR FOCUS OF THIS EFFORT WILL BE
DIRECTED AT LIFE INSURANCE, PROPERTY, CASUALTY
COMPANIES SHOULD NOT RELAX. AS YOU KNOW,
ANY NEW LIFE COMPANY REGIME MIGHT SOMEDAY
BE APPLIED TO YOUR INDUSTRY, AS WELL.

MCCARRAN-FERGUSON

- O THE SENATE JUDICIARY COMMITTEE IS STILL PLANNING
TO SCHEDULE ADDITIONAL HEARINGS ON SENATOR
METZENBAUM'S BILL TO REPEAL THE

MCCARRAN-FERGUSON LAW. HOWEVER, THE INITIAL
MOMENTUM BEHIND THIS INITIATIVE SEEMS TO HAVE
BEEN LOST, AND I DOUBT THAT THERE WILL BE ANY
ACTION ON SENATOR METZENBAUM'S BILL IN THIS
CONGRESS.

BANKING POWERS

- O SIMILIARLY, LEGISLATION TO EXPAND BANK POWERS
INTO FIELDS, SUCH AS INSURANCE OR SECURITIES,
HAS BEEN PUT ON HOLD, PERHAPS AS A RESULT OF

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THE EXCESSES RESULTING FROM SAVINGS AND
LOAN DEREGULATION. I DO NOT EXPECT THAT
GLASS-STEAGALL REFORM WILL REACH THE SENATE
FLOOR THIS YEAR.

CLEAN AIR

- O IN THE MEANTIME, PRESIDENT BUSH HAS MADE
GOOD ON HIS CAMPAIGN PROMISE TO BECOME THE
ENVIRONMENTAL PRESIDENT BY PROPOSING A \$19
BILLION REVISION TO OUR CLEAN AIR LEGISLATION --
ITS FIRST MAJOR REVISION IN 12 YEARS.

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O HOWEVER, THE COST OF THE CLEAN AIR
LEGISLATION NOW PENDING ON THE SENATE FLOOR
IS STAGGERING -- \$42 TO \$100 BILLION -- TO BE
PAIDBY AMERICAN BUSINESS. THIS DEBATE IS NOT
PARTISAN SO MUCH AS REGIONAL. CITIZENS OF MY
STATE OF KANSAS DO NOT WANT TO PAY THE ENTIRE
BILL FOR CLEANING UP THE AIR IN NEW ENGLAND.

O AS WITH ANY HASTILY DRAFTED LEGISLATION OF THIS
MAGNITUDE, THERE WILL BE UNINTENDED
CONSEQUENCES. I CALL UPON ALL OF YOU TO
STAND BEHIND THIS EFFORT SO THAT BOTH
PERSONAL AND BUSINESS SAFETY ARE ENHANCED.

CONCLUSION

O BECAUSE THIS IS AN ELECTION YEAR, BI-PARTISAN
COOPERATION WILL BECOME MORE AND MORE
DIFFICULT. HOWEVER, I BELIEVE THAT WE WILL

FINALLY AGREE ON CLEAN AIR, ON CHILD CARE, ON
CAMPAIGN FINANCE REFORM AND ON A CRIME
PACKAGE, AS WELL AS ON SOME FORM OF CAPITAL
GAINS RELIEF. HOWEVER, AS ALWAYS, THE SERIOUS
DEBATE ON THE BUDGET AND THE BUDGET PROCESS
WILL CONTINUE TO DOMINATE OUR AGENDA UNTIL
BOTH CONGRESS AND THE PRESIDENT FACE UP TO
THE TOUGH CHOICES.

O THANK YOU.