


February 16, 1993

M E M O R A N D U M

TO: SENATOR DOLE
FROM: NINA OVIEDO 
SUBJECT: NATIONAL ASSOCIATION OF CASUALTY & SURETY
AGENTS (NACSA)

You are scheduled to speak to the NACSA on Wednesday, February 17. You may be asked about intangibles, specifically, customer lists.

To recap, last year Chairman Rostenkowski introduced legislation which required 14 year amortization of intangibles on a prospective basis. This would help curtail all future litigation on these issues.

During the tax bill, Senator Danforth argued that retroactive legislation would end on-going, expensive litigation thus helping out taxpayers and the government. He asked that taxpayers be allowed to deduct 75% of the cost of their intangibles in all open years. A Senate Amendment changed the percentage to 50%. Ultimately the House prevailed and HR 11 included a prospective provision only.

Currently, insurance agencies amortize customer lists over 5 to 7 years. Rosti's legislation would move it to 14 years -- reducing the deduction. There is a pending Supreme Court case which specifically deals with customer lists (Newark Morning Ledger Co. v. U.S.). A decision is due out in the next few weeks. If the Court decides that customer lists are goodwill, no deduction will be allowed; on the other hand the court may decide current law is correct and that customer lists have measurable lives. (The Court could also hold off on a decision pending legislation.) Everyone is anxiously waiting.

Chairman Rostenkowski introduced his intangible bill once again.

TO: Senator Dole
FR: Kerry

RE: National Association of Casualty and Surety Agents

*You will be speaking to approximately 100 casualty and surety agents.

*Format is 15 minutes of remarks on current events, followed by a few minutes of Q &A, if you have time.

*You will be met by Joel Wood, Government Affairs Vice President of NACSA. He and his wife were DFP volunteers in 1988.

Wed, Feb 11

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(202) 547-6616

FAX (202) 546-0597

February 8, 1993

Ms. Yvonne Hopkins
Office of the Hon. Bob Dole
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Ms. Hopkins,

I'm told that last week the Leader's Office informed you of our association's invitation for Senator Dole to address the upcoming Legislative Conference of our association, on next **Wednesday, February 17, at L'Enfant Plaza Hotel**.

We anticipate that the leaders of our association as well as representatives of the Washington insurance community will be in attendance. Ideally, we would like for the senator to speak at 8:30 a.m. in the Renoir room, following our organizational breakfast. He could be in and out in a half hour. We certainly can be flexible to accommodate the Leader's busy schedule.

NACSA represents 300 of the nation's largest and most influential commercial insurance agencies and brokerages. We believe that this conference offers Senator Dole an excellent forum to frame the major issues facing the 103rd Congress in a meaningful way before an important -- and friendly -- constituency.

Ms. Hopkins, it's shameless, but I'll mention a couple of other things. My wife and I volunteered a considerable amount of our time and resources in the '88 presidential campaign. In '89, my association had lined up the senator to speak (working with Betty Meyer), and at literally the last minute he was forced to cancel. The reasons were absolutely understandable -- it was the day the Tower nomination was on the floor of the Senate. There are no ill feelings regarding that event, but I hope that it might be a small factor in your consideration of this request.

Please give me a call at (202) 547-6616 if you have any questions or information. Thank you.

Sincerely,

Joel Wood

Joel Wood

Vice President, Government Affairs

THANKS!

1913—OUR 80th YEAR—1993

The voice of the nation's largest commercial, property and casualty insurance agencies and brokerage firms

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INSURANCE ISSUE BRIEF

THE AGENT/BROKER VIEW

TAXATION OF INTANGIBLE ASSETS

Just as other businesses are allowed to depreciate the value of acquired assets that have a wasting lifespan, insurance agencies and brokerages for decades have properly depreciated the value of the "policy renewal lists." These customer lists, also referred to as "insurance expirations," are the primary asset of an agency -- an "intangible" asset. When an agency is bought or sold, a certain percentage of the purchase price is usually allocated to the renewal lists, which can then be amortized; and a certain percent to "goodwill," which cannot be depreciated under current law. Recently, however, the IRS has been denying all intangible asset deductions for agencies. The IRS says that if "goodwill" is present anywhere in a transaction, no other intangible asset can be written off. NACSA believes the IRS is wrong, and that Congress must act to simplify this confusing and complicated area of tax law.

POLITICAL PROSPECTS

In 1992, Congress approved an omnibus tax bill containing intangibles simplification, but the bill was ultimately vetoed for unrelated reasons. Members on both sides of the political aisle united to support a provision that would allow all intangible assets -- including goodwill -- to be amortized over a uniform 14-year period. Though it is not perfect, NACSA supports this reform, which is revenue-neutral. In January, Chairman Rostenkowski reintroduced in the House the broad tax bill (H.R. 13) containing intangibles reform. Agents and brokers also strongly encourage Congress to enact "retroactive" relief for past transactions currently in the amortization pipeline, even if that means taxpayers must forfeit a portion (up to 25 percent) of their allowances made in open tax years. Tax-writing leaders in both chambers backed reasonable retroactive provisions in 1992, but were thwarted at the last minute by a late-in-the-session amendment by Senator Metzenbaum.

SUPPORT THE SIMPLIFICATION OF INTANGIBLES TAXATION

- H.R. 13 contains a good intangibles provision for prospective transactions. It would allow a 14-year depreciation schedule for all intangible assets, including goodwill.
- Goodwill must be a part of prospective reform because the IRS wrongly has deemed that most customer-based intangibles are inseparable from goodwill, and hence has denied depreciation deductions for many insurance agencies during the past two years.
- Any intangibles provision in a tax bill must address the treatment of prior transactions. Insurance agents don't want a windfall, they simply want equitable treatment.

Representing the nation's largest commercial, property and casualty insurance agencies and brokerage firms.

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INSURANCE ISSUE BRIEF

THE AGENT/BROKER VIEW

HEALTH INSURANCE REFORM

In tackling reform of America's health care system, policymakers face a classic dilemma of reconciling seemingly incompatible goals. Americans want the best health care system in the world. They want everyone to have health insurance. And they want to pay much less for it. NACSA members are among the nation's largest providers of corporate group insurance policies. Agents and brokers believe that change is necessary. Costs *can* be lowered, quality *can* be maintained, and universal insurance coverage is *not* unachievable. But as Congress ponders creative proposals, the private health insurance delivery system must be considered part of the solution. Many of the tenets of "managed competition" plans are very good. But managed competition isn't competition at all if consumers are ultimately denied choice among health insurance plans. Agents and brokers are willing to be constructive participants as the health insurance debate proceeds.

POLITICAL PROSPECTS

While scores of approaches to health insurance overhaul have surfaced in Congress, all eyes are on the President's task force on health care reform. Three major initiatives are under consideration: 1) Single-payor systems, similar to Canada's, would establish a government-run public program financed through higher taxes; 2) "Play or pay" proposals would force employers to provide insurance to their employees or pay into a new public health insurance program; and 3) "Managed competition" plans would establish basic benefit packages, and health plan purchasing cooperatives as the only method for small employers to make tax-favored contributions toward their employees' health insurance coverage.

REFORM THE HEALTH CARE SYSTEM RESPONSIBLY

- In any proposal to overhaul the health insurance system, Congress should encourage more competition, not less.
- Agents and brokers are the essential link between the consumer and the insurance company, providing and servicing the products of the insurer while helping consumers to manage risks and make informed choices. The private health insurance delivery system must be preserved as an integral player in a competitive system.
- Tax incentives for employers are better than government mandates.
- Medical malpractice liability laws should be reformed in any comprehensive plan.

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INSURANCE ISSUE BRIEF

THE AGENT/BROKER VIEW

PRESERVING THE McCARRAN-FERGUSON ACT

The McCarran-Ferguson Act of 1945 is the federal statutory foundation for state regulation of insurance. This legislation provides a limited, narrow immunity from federal antitrust laws for the purpose of allowing insurers to pool together loss-cost data as a part of the rate-making process. Current legislative proposals to scale back or repeal McCarran run counter to congressional efforts to assure the solvency of insurance companies.

POLITICAL PROSPECTS

Legislation to restrict McCarran-Ferguson has been introduced in both the House and Senate. H.R. 9 is authored by Rep. Jack Brooks, chairman of the Judiciary Committee. Sen. Howard Metzenbaum has authored S. 84, which also would gut the protections afforded by the act. In each of the past two sessions of Congress, Brooks has moved his McCarran bill through the Judiciary Committee, only to fail to press for its floor consideration. When he introduced the legislation again in January, he vowed that the bill would be a priority for enactment in the 103rd Congress.

PLEASE OPPOSE H.R. 9 AND S. 84

- On the heels of the most catastrophic year of losses ever recorded in the insurance industry, the enactment of legislation to roll back McCarran-Ferguson would result in chaos and radical instability.
- The insurance industry doesn't fix prices, and the McCarran act doesn't allow improper behavior by insurers.
- Restricting or repealing McCarran could reduce the availability of coverage for difficult risks. It would undermine reliable rate-making, and jeopardize insurer solvency.
- Under the bills that have been introduced, state regulation of insurance would be jeopardized, and conflicting regulation would result.

INSURANCE ISSUE BRIEF

THE AGENT/BROKER VIEW

REAUTHORIZATION OF THE SUPERFUND PROGRAM

The Superfund program for environmental cleanup is a disaster. While well-intentioned, the current system has resulted in a cesspool of endless litigation. Only 12 percent of the billions of dollars spent on the program have actually gone toward cleanup. In 10 years of existence, EPA has cleaned up less than 4 percent of the 1,200 sites on the National Priorities List. The only ones cleaning up, in effect, are the lawyers. Without significant changes, the solvency of hundreds of major insurance carriers is jeopardized. Agents and brokers have an interest in protecting the viability of the companies they represent, as well as insuring the continued integrity and financial condition of insureds.

POLITICAL PROSPECTS

Insurers, manufacturers, municipalities, environmentalists and trial lawyers are gearing up for a giant, protracted battle during this session of Congress over the issue of reform of the Superfund program, which is facing reauthorization. The current system is based on the concepts of "polluter pays" and retroactive, joint and several liability -- concepts which have political appeal, but have failed miserably in practice. Under the law, someone who contributed as little as one percent of the toxic waste could be held responsible for 100 percent of the cleanup costs. A group of leading insurance companies has called for the creation of a National Environmental Trust Fund financed by a 2-percent national premium tax to be used to clean up waste sites.

SUPPORT A COMPLETE OVERHAUL OF THE SUPERFUND LAW

- It is a national outrage that plaintiffs attorneys have collected billions in litigation fees while so little cleanup has occurred. Given the track record of the past decade, the trial bar has no credibility in addressing the reauthorization of Superfund.
- Insurers continue to confront enormous potential liability for activities they never anticipated when they wrote their contracts and for which no premium was ever collected.
- Without reform, insurers will be increasingly unlikely to be major participants in the market for underwriting environmental risk.

Representing the nation's largest commercial, property and casualty insurance agencies and brokerage firms.

SENATOR BOB DOLE
NATIONAL ASSOCIATION OF
CASUALTY AND SURETY AGENTS
FEBRUARY 17, 1993

***THANK YOU.**

***YOU'RE CERTAINLY IN**
WASHINGTON AT A VERY
INTERESTING TIME. AS YOU ALL
KNOW, PRESIDENT CLINTON
WILL COME BEFORE CONGRESS

**TONIGHT TO PROVIDE A
"BLUEPRINT" TO HIS ECONOMIC
PLAN.**

***IT'S BEEN A ROCKY FIRST
MONTH FOR PRESIDENT
CLINTON. HE TOLD AMERICA
THAT ONCE IN OFFICE, HE
WOULD "FOCUS LIKE A LASER
BEAM ON THE ECONOMY."**

***INSTEAD, HE AND AMERICA
HAVE SPENT THE FIRST MONTH
FOCUSING ON AN
UNNECESSARY DEBATE OVER
GAYS IN THE MILITARY, A MESSY
SEARCH FOR AN ATTORNEY
GENERAL, AND A MEDIA FOCUS
ON THE POWER AND INFLUENCE
OF THE FIRST LADY--ISSUES
THAT DON'T HAVE ONE WHIT OF**

IMPACT ON THE ECONOMY.

***ALL THAT, HOWEVER, WILL
CHANGE TONIGHT. I'M GOING
TO THE WHITE HOUSE THIS
AFTERNOON TO RECEIVE A
BRIEFING FROM THE PRESIDENT
ON WHAT HE'LL SAY TONIGHT.**

***IF IT'S ANYTHING LIKE HE
TOLD THE AMERICAN PEOPLE
ON MONDAY NIGHT, WE WILL**

HEAR A LOT ABOUT "SACRIFICE."

***I TOLD THE PRESIDENT AND
THE AMERICAN PEOPLE THAT
REPUBLICANS WERE WILLING TO
COOPERATE, AS LONG AS
"SACRIFICE" ISN'T A CODE WORD
FOR MORE TAXES, MORE
SPENDING, AND MORE
MANDATES FROM WASHINGTON.**

***AND EARLY INDICATIONS**

**ARE THAT IS PRECISELY WHAT
THE CLINTON ECONOMIC
PACKAGE WILL BE**

***NO DOUBT ABOUT IT. OUR 4
TRILLION DOLLAR DEBT IS
'PUBLIC ENEMY #1,'
THREATENING NOT ONLY OUR
FUTURE, BUT THE ECONOMIC
FUTURES OF OUR CHILDREN**

AND GRANDCHILDREN, AS WELL.

***THE DEFICIT MUST BE
REDUCED, BUT IT CAN ONLY BE
REDUCED THROUGH RESTRAINT
IN FEDERAL SPENDING...AND I'M
UNSURE WHETHER THE
PRESIDENT AND THE
CONSTITUENCIES THAT ELECTED
HIM TRULY UNDERSTAND THAT
FACT.**

***THE PRESIDENT SAID THE
OTHER NIGHT THAT HE'S BEEN
IN WASHINGTON 27 DAYS, AND
HE HASN'T FOUND MUCH
COMMON SENSE YET. WELL,
THAT'S BECAUSE HE HASN'T
SPENT MUCH TIME TALKING TO
REPUBLICANS. SO LET ME GIVE
HIM A LITTLE COMMON SENSE
RIGHT NOW.**

***THE FACT IS THAT SINCE
1947, EVERY DOLLAR IN NEW
TAXES HAS RESULTED IN \$1.59
IN NEW SPENDING.**

***BEFORE PRESIDENT CLINTON
DEMANDS THAT AMERICANS
SEND ONE MORE DIME TO
WASHINGTON, AMERICANS
SHOULD DEMAND THAT THE
PRESIDENT AND CONGRESS**

**ENSURE THAT EVERY OUTDATED
PROGRAM, EVERY BLOATED
AGENCY, AND EVERY ITEM IN
THE FEDERAL BUDGET TAKE THE
HIT THEY DESERVE.**

***AND FROM WHAT I HEAR
COMING OUT OF THE WHITE
HOUSE, THAT'S JUST NOT GOING
TO HAPPEN.**

***THE WORD IS THAT THE**

**PRESIDENT WILL BE PROPOSING
\$200 BILLION IN CUTS OVER A
FIVE YEAR PERIOD--BUT
APPROXIMATELY \$150 BILLION
OF THAT WILL COME FROM
DEFENSE.**

***THE BI-PARTISAN NATIONAL
GOVERNOR'S ASSOCIATION
RECOMMENDED THAT FOR
EVERY DOLLAR IN PROPOSED**

**TAXES, THE PRESIDENT
PROPOSE 2.7 DOLLARS IN
SPENDING CUTS.**

***PRESIDENT CLINTON'S
PROPOSAL, HOWEVER, MAY BE
AT A ONE TO ONE RATIO...FOR
HE IS LIKELY TO PROPOSE A
MASSIVE \$250 BILLION
INCREASE IN TAXES OVER FIVE**

**YEARS...THE LARGEST TAX
INCREASE IN HISTORY.**

***AND AS GEORGE
STEPHANOPOLOUS ADMITTED
THE OTHER DAY, THOSE TAX
INCREASES WILL IMPACT
PEOPLE NOT JUST MAKING
\$200,000 AND MORE...NOT JUST
MAKING \$100,000 AND
MORE....BUT ALL THOSE**

**AMERICANS MAKING \$30,000
AND UP.**

***NOW, I REMEMBER IN LAST
FALL'S PRESIDENTIAL
CAMPAIGN, WHEN PRESIDENT
BUSH WARNED THAT CLINTON
WOULD BE RAISING TAXES ON
EVERY INDIVIDUAL WITH OVER
\$36,000 A YEAR IN INCOME.**

***CLINTON BACKERS AND THE**

**MEDIA WERE OUTRAGED AT THIS
ACCUSATION, SAYING THAT
CLINTON WAS PROMISING A TAX
CUT FOR THE MIDDLE CLASS,
AND THAT ONLY THE RICH
WOULD BE SOAKED.**

***TONIGHT WE'LL FIND OUT
JUST HOW MANY AMERICANS
WILL BE TAKING THE TAX-
INCREASE BATH.**

***PRESIDENT CLINTON ALSO
SPENT A GOOD DEAL OF TIME
ON MONDAY NIGHT BASHING
PRESIDENT BUSH FOR THE
STATE OF OUR ECONOMY.**

***THE FACT IS THAT INSTEAD
OF BASHING PRESIDENT BUSH,
HE SHOULD BE THANKING HIM,
AS THE GOOD NEWS ON THE
NATIONAL ECONOMIC FRONT**

CONTINUES TO POUR IN.

***GROWTH WAS UP 3.8% IN
THE FOURTH QUARTER OF 1992--
THE LARGEST INCREASE IN 4
YEARS, AND THE SEVENTH
CONSECUTIVE QUARTERLY GAIN.**

***THE LABOR DEPARTMENT
REPORTED THAT THE
PRODUCTIVITY OF AMERICAN
WORKERS JUMPED 2.7% IN 1992-**

**-THE BIGGEST ANNUAL
INCREASE IN 20 YEARS.**

***AMERICAN CAR SALES ARE
AT A 2 YEAR HIGH...HOUSING
STARTS ARE UP MORE THAN
16% FROM A YEAR
AGO...INDEED, HOUSING IS
MORE AFFORDABLE THAN ANY
OTHER TIME IN THE LAST 30
YEARS...FACTORY ORDERS UP**

**8.7%..AND EVEN THE STOCK
MARKET WAS SOARING--UNTIL
YESTERDAY, WHEN WALL
STREET GOT WIND OF THE
PRESIDENT'S TAX INCREASE
PLANS.**

***AND HERE'S ONE THAT MAY
SURPRISE YOU GIVEN WHAT YOU
HEAR FROM THE MEDIA--BUT
THERE ARE 1.5 MILLION MORE**

**JOBS IN THE AMERICAN
ECONOMY THAN THERE WERE A
YEAR AGO.**

***GIVEN THESE NUMBERS, I'VE
TOLD THE PRESIDENT THAT I
DON'T THINK THERE A NEED
FOR AN ECONOMIC STIMULUS
PACKAGE--WHETHER IT'S \$15
BILLION, \$20 BILLION OR \$25**

**BILLION--I DON'T THINK IT WILL
HELP MUCH IN A TRILLION
DOLLAR ECONOMY...BUT IT WILL
ADD TO OUR \$300 BILLION
DEFICIT.**

***MORE TAXES AND MORE
SPENDING ARE BAD ENOUGH.
BUT PRESIDENT CLINTON AND
THE DEMOCRAT CONTROLLED
CONGRESS ARE ALSO FOUR**

**SQUARE IN FAVOR OF MORE
MANDATES.**

***THE FIRST BILL PASSED BY
CONGRESS WAS THE PARENTAL
LEAVE BILL. PARENTAL LEAVE
IS A NICE IDEA AND MOST
EMPLOYERS WERE ALREADY
PROVIDING IT. BUT NOW WE
HAVE UNCLE SAM STEPPING IN
WITH A ONE-SIZE FITS ALL**

**POLICY FOR ALL BUSINESS WHO
EMPLOY 50 PEOPLE OR MORE.**

***GIVEN THE COSTS OF THIS
BILL, I THINK YOU'LL SEE A LOT
OF EMPLOYERS NOT EXPANDING
BEYOND 49 EMPLOYEES.**

***ANOTHER MANDATE MIGHT
COME IN THE AREA OF HEALTH
CARE...AN ISSUE WHICH
AMERICANS NOW PLACE AT THE**

**TOP OF THE LIST OF ISSUES
THEY WANT GOVERNMENT TO
ADDRESS.**

***I MET WITH MRS. CLINTON
LAST WEEK, AND TOLD HER
THAT REPUBLICANS WANTED TO
BE PART OF THE
SOLUTION...THIS IS AN ISSUE
THAT MUST HAVE BI-PARTISAN
COOPERATION. LAST YEAR,**

**THERE WERE MORE THAN
THIRTY HEALTH REFORM
PROPOSALS IN CONGRESS, FEW
OF WHICH HAD MORE THAN A
HANDFUL OF SPONSORS.**

***I ALSO TOLD MRS. CLINTON
THAT WHATEVER PLAN WE
ARRIVE AT MUST BE FLEXIBLE
ENOUGH TO ADDRESS NOT
ONLY THE NEEDS OF NEW YORK**

**CITY...BUT ALSO OF RUSSELL,
KANSAS.**

***I BELIEVE THAT STATES
SHOULD CONTINUE TO HAVE
THE FLEXIBILITY TO FIND OUT
WHAT WORKS BEST FOR THEIR
OWN NEEDS, WITHOUT BEING
SADDLED WITH MANDATES.**

***I'LL STOP HERE, SO I CAN
SPEND A FEW MINUTES TAKING**

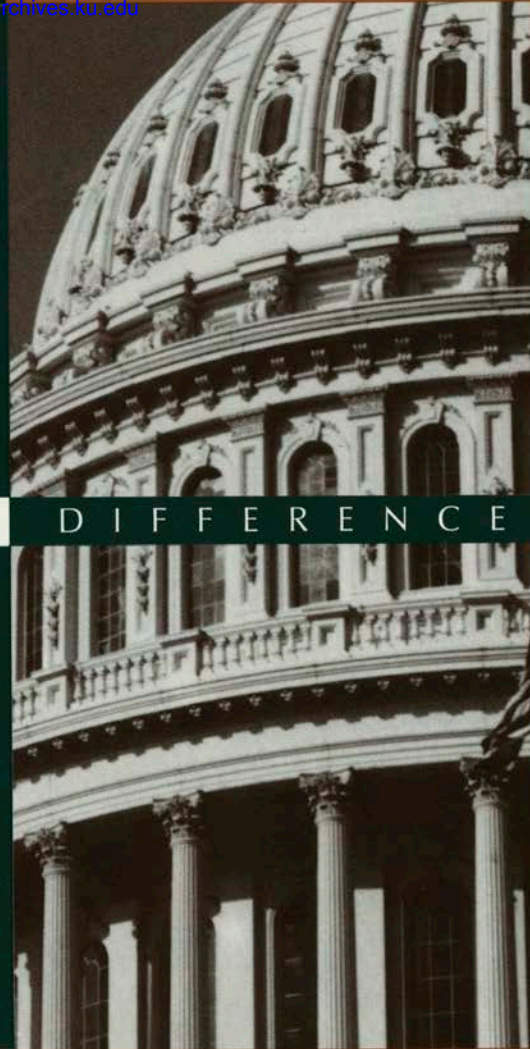
QUESTIONS AND HEARING

WHAT'S ON YOUR MIND.

T H E N A C S A

D I F F E R E N C E

NACSA



*"NACSA keeps
us on the cutting
edge of industry
training and
technology and
in today's market
that's the key
to success."*

J. Bransford Wallace
*Chairman
Willis Corroon
Nashville, TN.*



Making a Difference

What makes the difference between you and your competitors? We bet it's a healthy mix of professionalism, dedication to servicing your clients, hard work and good business skills.

How do we know that? Because that describes a NACSA member.

For nearly 80 years, the National Association of Casualty and Surety Agents has made the difference for the nation's most important, successful and prestigious insurance agencies and brokerage houses specializing in the commercial property/casualty business.

Some 300 leading firms throughout the United States and Puerto Rico, placing over \$70 billion in premiums annually, look to NACSA for the resources to help them keep that competitive edge in the industry.

So, what's the difference between NACSA and other agent/broker associations? That's easy.

- ◆ Industry leadership.
- ◆ Highly visible, effective political representation before government.
- ◆ Agency management executive training programs designed for NACSA members.
- ◆ NACSA's annual Greenbrier meeting where world industry leaders meet.
- ◆ Access to domestic and international insurance markets.

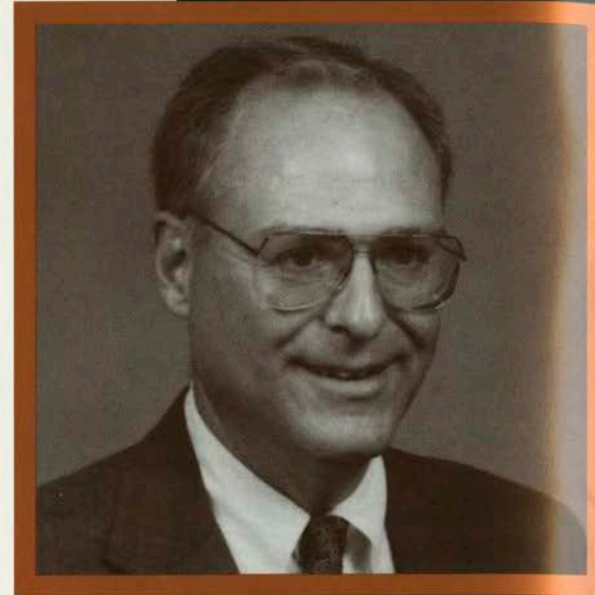
- ◆ Timely information on regulatory and industry trends.
- ◆ An errors and omissions program for agents and brokers.
- ◆ Peer financial review analysis.
- ◆ A non-resident and continuing education licensing service.
- ◆ Countersignature services.
- ◆ Continuing education courses and seminars.
- ◆ Employment referral service.
- ◆ Good value for your membership dollar.

Now that's a *real* difference!

Successful agents and brokers know that today's competitive market depends on their ability to keep up with emerging technology and new market opportunities. Like never before, agents and brokers must make smart choices in the face of constant change.

Deciding what changes to make can be difficult and time consuming. With pressures to increase efficiency and customer service with fewer resources, it takes a special knack to make the right choice. One wrong decision can mean thousands of dollars in lost revenues or hundreds of hours wasted.

The nation's largest and most prestigious insurance agencies and brokerage houses know what it takes to make that difference. And that's why they belong to NACSA.



Erland P. Stevens, Jr.
CPCU
*Senior Vice President,
Putnam Agency, Inc.,
Ashland, KY.*

"We've found new markets, new ideas and new techniques for improving our agency. The relationships we've forged with members and companies make NACSA our most valuable association membership."

Unlike other organizations, NACSA caters specifically to you, the larger commercial lines agent and broker. Each project, each testimony before Congress, and each presentation to legislators, regulators and the industry, is made with your interests in mind.

A Strong Political Voice

Getting your message to key decision-makers in government can make a difference in whether your interests are fairly represented or not. That's why NACSA has put together an effective professional team that takes your message directly to legislators and regulators making decisions about your business.

Whether supporting favorable tax treatment of intangible assets, streamlining the agent licensing system, or keeping regulators off your back, NACSA has one goal in mind — fostering a regulatory environment that allows you to devote your time and energy to your business — providing insurance services and products to your clients.

In addition, NACSA's effective political action committee, NACSAPAC, ensures that men and women supportive of agents' and brokers' goals are elected to Congress.

And, the annual Legislative Conference held in Washington, D.C. gives our members the unique opportunity to discuss face-to-face with key Members of Congress those critical issues affecting their firm's future.

A Leader in the Industry

NACSA makes the difference by setting the agenda on agent/broker issues within the industry. NACSA is always there to remind our colleagues that agents and brokers play a vital role in getting insurance products and services to clients.

NACSA's acknowledged expertise has won our members many spots on key industry advisory committees and boards. NACSA diligently pursues policies that preserve the agency system and improve its efficiency.

NACSA's annual Greenbrier Conference, hosted with leading insurance company executives, is the industry's most important forum of the year. Insurance executives and leaders from around the world gather each year to meet with their peers and discuss the industry's most pressing issues.

NACSA members sit on the boards of ACORD and IVANS and work to solve agency automation and technology issues. In addition, NACSA works with state regulators and is a member of ISO's producers' liaison panel. NACSA advocates state licensing reform, regulatory simplification and opposes efforts to eliminate or reduce policy coverages.

Access to New Markets

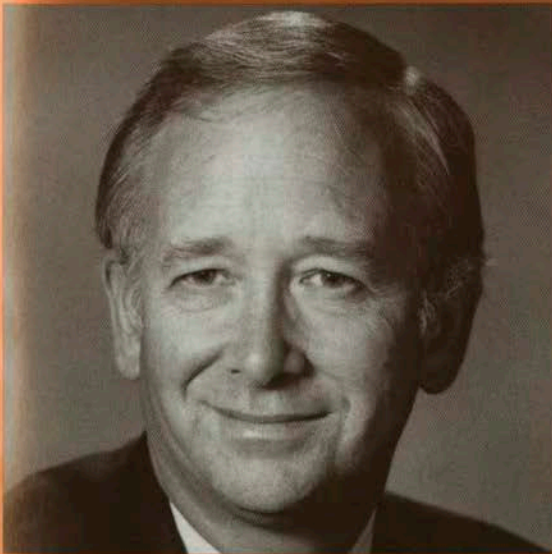
Through NACSA resources, members are able to find markets for their clients around the world. NACSA provides members with a list of other members who specialize in par-

"NACSA membership provides us with professional representation at every level of the political process, something we couldn't achieve on our own."

George W. Brown
*President and CEO,
Jardine Insurance Brokers, Inc.
San Francisco, CA.*

ticular insurance products and services. In addition, through NACSA's membership in BIPAR, an international organization of agents and brokers, members can find and access markets in Europe. These services help NACSA members provide service to their clients in an increasingly global economy.

Executive Training



To help our members train their young managers to take on leadership roles, NACSA has developed a series of workshops and specialty courses for agency managers. Our training program covers a range of subjects depending on our members' needs. We currently run workshops in commercial lines placement, sales, finance management, and total quality control.

NACSA also sponsors a unique program for senior agency managers at the highly acclaimed Wharton School of Business. This course focuses on sharpening leadership skills, human resource management, decision-making, organizational structure, controlling expenses and motivating employees to be more productive — the skills today's manager needs to keep his/her firm ahead of the competition.

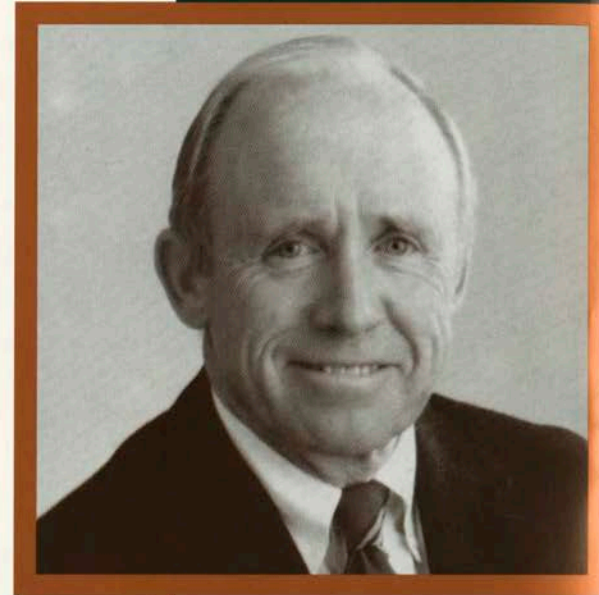
NACSA runs a second Wharton program just for CEOs. This course focuses on issues that concern CEOs as they struggle with agency perpetuation and competitiveness.

Countersignature Service

Countersignature is just a phone call away to a NACSA member. NACSA members provide countersignature service to each other for no fee where allowed by state law. The membership directory, published annually, provides a list of members in each state and Puerto Rico. Regular use of this service can recoup the cost of your membership.

Agent/Broker Licensing Service

We know that our members have more important things to do with their time than struggle with multistate licensing. NACSA's subscriber service for non-resident agent/broker licensing reduces the cost and hassle of the process. The service handles the paperwork and filings for new licenses and renewals. The service also tracks continuing education requirements and prepares a periodic status report.



*"Membership in
NACSA is an
investment our firm
can't afford not to
make. The agency
management
program alone
is worth the cost
of membership."*

James J. Kilbride

President

*Morse, Payson & Noyes Insurance
Portland, ME.*

Errors and Omissions Insurance

E&O is available to members through NACSA's PAR (Professional Agencies Reinsurance Ltd.) program. PAR is owned by more than 60 large regional insurance agents and brokers. Policies are issued by Fireman's Fund Insurance Company, and each insured receives a claims-made policy with multi-million-dollar limits per claim. Rates and deductibles are based on an agency's annual income.

Timely, Relevant Information

Good information does make a difference. Through newsletters, bulletins and a variety of publications, NACSA keeps its members informed about the issues that affect them.

Legislative and regulatory changes in OSHA and environmental requirements, health insurance, tax treatment of intangible assets, agent/broker liability, and many other subjects are reported on a regular basis.

Members rely on our newsletters to alert them to upcoming NACSA meetings, workshops and seminars on agency management. Special articles on topics like automation, E&O, employment discrimination laws and agency efficiency issues are featured as well.

NACSA also has a library of publications available to members on insurance laws and regulations for state workers' compensation, environmental laws and auto insurance to name a few.

Foundation For Agency Management Excellence

Through its non-profit organization, the Foundation for Agency Management Excellence (FAME), NACSA promotes leadership and excellence in the industry. FAME supports programs that train agency managers to meet the challenges of our industry's future.

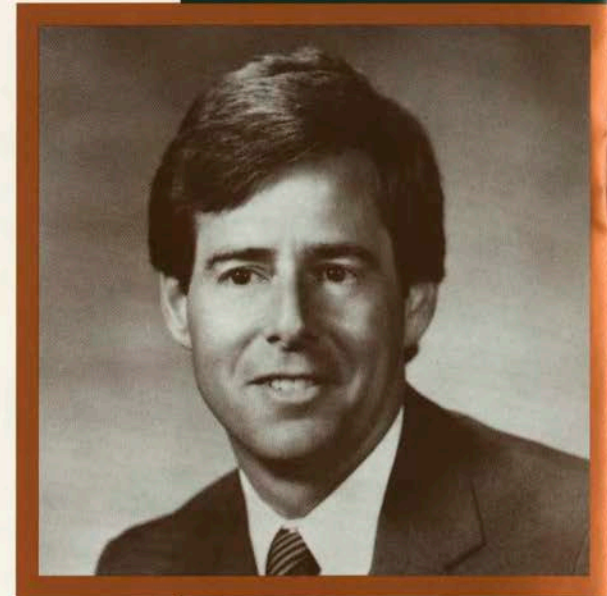
Requirements for Membership

NACSA membership is open to retail agents and brokers headquartered in the United States and Puerto Rico. Prospective applicants must be sponsored by two NACSA members from their state or region. Upon notification of your interest in joining, NACSA will solicit sponsors in your behalf.

Once two sponsors are secured, NACSA sends a membership application for you to complete. At the time application is made, a one-time \$500 administration fee is required. The fee is fully refunded in the event membership is not accepted.

For more information, please contact NACSA Member Services at 202/547-6616.

NACSA - it makes all the difference in the world.



**Harry F. Custis, CPCU,
CLU, ARM, ChFC**
*Chairman & CEO
The CIMA Companies, Inc.
Alexandria, VA.*

*"For us and others
who have met the high
standards of member-
ship, NACSA provides
the representation,
support and communi-
cations necessary to
grow and succeed.
NACSA has clearly
positioned itself to
service its members
well into the future."*

NACSA is an organization of the nation's leading agencies and brokerage firms doing business in the United States and internationally. NACSA members specialize in a wide range of property/casualty insurance products and services. NACSA members have expertise in self-insurance, workers' compensation, employee benefits, risk management and specialty programs. In all, NACSA members place about \$70 billion in premiums annually.

NACSA devotes the majority of its resources to the unique interests of the larger agent and broker, who serve the insurance needs of business, industry, government and the public.

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NACSA - WORKING FOR YOU!

The past year and a half has been an exciting and dramatic time for NACSA and the membership.

When we set out NACSA's new mission and goals last year, there was a lot to accomplish in a relatively short time.

And, I am pleased to report we are meeting those goals.

When you take a moment to consider how NACSA has developed its products and services since July 1, 1991, when NACSA and NASBP became two separate administrative entities, I'm sure you'll agree that we can be proud of our progress.

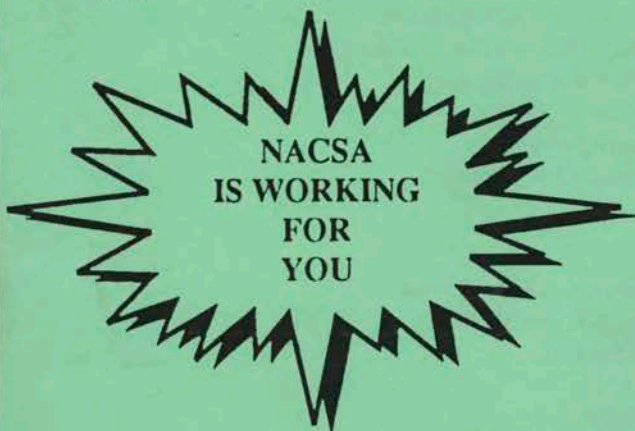
Our number one goal is to make NACSA the association that provides you with the most value for your membership dollar.

These economic times are tough for everyone. The current climate makes it absolutely necessary to fully utilize all of your business' resources, including time, money and personnel.

That is why NACSA is continually looking for new and creative ways that you, as larger agents and brokers, can maximize your resources and provide insurance products and services to your clients more efficiently.

I hope you will take a moment to read through the list of activities and services NACSA took on this year. Even in today's economy, NACSA's membership is increasing because the benefits that NACSA has to offer its members are substantive.

Agent licensing reform, tax treatment of intangible assets, accessing international markets, and executive education -- these are just a few of the issues NACSA has tackled this year to protect and promote the interests of its members -- the nation's leading property/casualty agents and brokers.



Whether it's testifying before Congress or coordinating a week-long agency management seminar at the Wharton School of Business, NACSA has launched and completed more projects this year than ever to advance the cause of large commercial agents and brokers.

Some of NACSA's projects include:

Executive Training.

- Developing an executive management training program designed specifically for large commercial agents and brokers and exclusively for NACSA members;
- Creating a series of workshops on specific agency problems and issues, including financial management, commercial placements and sales and quality control management (TQM);
- Publishing *Planning for the Best, Preparing for the Worst*, a timely monograph on agent/broker liability for insurer insolvency;
- Hosting the industry's most important forum of the year at The Greenbrier; and
- Convening a major seminar on agency automation and productivity.

Government Affairs.

- Testifying before Congress on banks in insurance and successfully defending members interests;
- Successfully negotiating a national state of legislation allowing the fair tax treatment of agent customer lists and other intangible assets;
- Providing comments to the General Accounting Office and the Department of the Treasury on the fair tax treatment of intangible assets;
- Submitting written comments to the U.S. House of Representatives on legislation to regulate the long-term health insurance market;
- Conducting two 3-day insurance awareness seminars for key congressional staff members;
- Hosting the 11th annual *NACSA Legislative Conference*, featuring discussions on federal solvency regulation and health insurance reform;
- Attending more than 120 congressional fundraisers and other events to educate policymakers on agent/broker issue; and
- Serving on the Board of Directors of IVANS and ACORD;

- Continued -

- Opposing efforts to change accounting procedures for agents and brokers to a "one size fits all" standard;
- Successfully lobbying state regulators to reject changes in the CGL contractual liability policy;
- Attending more than 95 congressional hearings on matters of vital interest to NACSA.

Communications and Industry Affairs.

- Chairing the Joint Producers Advisory Committee (JPAC), which advises the industry on automation, productivity and efficiency;
- Attending quarterly meetings of the NAIC and serving as advisors to state regulators on issues affecting NACSA members;
- Co-sponsoring with the U.S. Chamber of Commerce the publication of *Workers' Compensation Laws*, an annual analysis of state workers' compensation laws;
- Working with federal administrators of the National Flood Insurance Program to discuss agent/broker concerns;
- Publishing a monthly newsletter, *Capitol Comments* highlighting legislative and regulatory action affecting agents and brokers; and
- Publishing *NACSAreporter*, a quarterly report on NACSA activities.
- Effectively placing articles in the press on issues and events of interest to NACSA.
- Providing members with information and publications on important insurance topics, such as the *Americans With Disabilities Act*.

International Affairs.

- Establishing an International Committee at NACSA to address international insurance issues;

- Providing members with access to markets in Europe through membership in BIPAR, an international organization of insurance agents and brokers based in Brussels;
- Meeting with representatives of the international insurance community in London, Paris and Brussels to forge stronger liaisons with European insurers and agents;
- Meeting with representatives of the Chilean insurance agents' association to discuss banking reform; and
- Briefing executives of Japan's largest insurance company on the American agency system.

Other Services.

- Peer Review Analysis that provides a comparison of operating results of NACSA members and the agent/broker community at large;
- A subscriber service NACSA for non-resident licensing for NACSA members;
- NACSA also continues to monitor and provide expertise on issues of importance to agents and brokers: expanded bank powers, antitrust and solvency regulation, and product liability reform and health insurance reforms;
- Plans are also underway for a workshop for sales managers in March; NACSA's annual 1993 *Legislative Conference* in February; the second NACSA/Wharton management program; and a Wharton program for CEO's;
- NACSA is also co-sponsoring with PIA, BIPAR's 1993 Congress in Washington, D.C.

Thank you for your suggestions and support during the past year. Your input and participation are vital to our continued success in serving you. Please let us know if there are other ways we can help. ■

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Joel Wood
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Page 49 of 54

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INSURANCE ISSUE BRIEF *THE AGENT/BROKER VIEW*

TAXATION OF INTANGIBLE ASSETS

Just as other businesses are allowed to depreciate the value of acquired assets that have a wasting lifespan, insurance agencies and brokerages for decades have properly depreciated the value of the "policy renewal lists." These customer lists, also referred to as "insurance expirations," are the primary asset of an agency -- an "intangible" asset. When an agency is bought or sold, a certain percentage of the purchase price is usually allocated to the renewal lists, which can then be amortized; and a certain percent to "goodwill," which cannot be depreciated under current law. Recently, however, the IRS has been denying all intangible asset deductions for agencies. The IRS says that if "goodwill" is present anywhere in a transaction, no other intangible asset can be written off. NACSA believes the IRS is wrong, and that Congress must act to simplify this confusing and complicated area of tax law.

POLITICAL PROSPECTS

In 1992, Congress approved an omnibus tax bill containing intangibles simplification, but the bill was ultimately vetoed for unrelated reasons. Members on both sides of the political aisle united to support a provision that would allow all intangible assets -- including goodwill -- to be amortized over a uniform 14-year period. Though it is not perfect, NACSA supports this reform, which is revenue-neutral. In January, Chairman Rostenkowski reintroduced in the House the broad tax bill (H.R. 13) containing intangibles reform. Agents and brokers also strongly encourage Congress to enact "retroactive" relief for past transactions currently in the amortization pipeline, even if that means taxpayers must forfeit a portion (up to 25 percent) of their allowances made in open tax years. Tax-writing leaders in both chambers backed reasonable retroactive provisions in 1992, but were thwarted at the last minute by a late-in-the-session amendment by Senator Metzenbaum.

SUPPORT THE SIMPLIFICATION OF INTANGIBLES TAXATION

- H.R. 13 contains a good intangibles provision for prospective transactions. It would allow a 14-year depreciation schedule for all intangible assets, including goodwill.
- Goodwill must be a part of prospective reform because the IRS wrongly has deemed that most customer-based intangibles are inseparable from goodwill, and hence has denied depreciation deductions for many insurance agencies during the past two years.
- Any intangibles provision in a tax bill must address the treatment of prior transactions. Insurance agents don't want a windfall, they simply want equitable treatment.

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INSURANCE ISSUE BRIEF

THE AGENT/BROKER VIEW

HEALTH INSURANCE REFORM

In tackling reform of America's health care system, policymakers face a classic dilemma of reconciling seemingly incompatible goals. Americans want the best health care system in the world. They want everyone to have health insurance. And they want to pay much less for it. NACSA members are among the nation's largest providers of corporate group insurance policies. Agents and brokers believe that change is necessary. Costs *can* be lowered, quality *can* be maintained, and universal insurance coverage is *not* unachievable. But as Congress ponders creative proposals, the private health insurance delivery system must be considered part of the solution. Many of the tenets of "managed competition" plans are very good. But managed competition isn't competition at all if consumers are ultimately denied choice among health insurance plans. Agents and brokers are willing to be constructive participants as the health insurance debate proceeds.

POLITICAL PROSPECTS

While scores of approaches to health insurance overhaul have surfaced in Congress, all eyes are on the President's task force on health care reform. Three major initiatives are under consideration: 1) Single-payor systems, similar to Canada's, would establish a government-run public program financed through higher taxes; 2) "Play or pay" proposals would force employers to provide insurance to their employees or pay into a new public health insurance program; and 3) "Managed competition" plans would establish basic benefit packages, and health plan purchasing cooperatives as the only method for small employers to make tax-favored contributions toward their employees' health insurance coverage.

REFORM THE HEALTH CARE SYSTEM RESPONSIBLY

- In any proposal to overhaul the health insurance system, Congress should encourage more competition, not less.
- Agents and brokers are the essential link between the consumer and the insurance company, providing and servicing the products of the insurer while helping consumers to manage risks and make informed choices. The private health insurance delivery system must be preserved as an integral player in a competitive system.
- Tax incentives for employers are better than government mandates.
- Medical malpractice liability laws should be reformed in any comprehensive plan.

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INSURANCE ISSUE BRIEF

THE AGENT/BROKER VIEW

PRESERVING THE McCARRAN-FERGUSON ACT

The McCarran-Ferguson Act of 1945 is the federal statutory foundation for state regulation of insurance. This legislation provides a limited, narrow immunity from federal antitrust laws for the purpose of allowing insurers to pool together loss-cost data as a part of the rate-making process. Current legislative proposals to scale back or repeal McCarran run counter to congressional efforts to assure the solvency of insurance companies.

POLITICAL PROSPECTS

Legislation to restrict McCarran-Ferguson has been introduced in both the House and Senate. H.R. 9 is authored by Rep. Jack Brooks, chairman of the Judiciary Committee. Sen. Howard Metzenbaum has authored S. 84, which also would gut the protections afforded by the act. In each of the past two sessions of Congress, Brooks has moved his McCarran bill through the Judiciary Committee, only to fail to press for its floor consideration. When he introduced the legislation again in January, he vowed that the bill would be a priority for enactment in the 103rd Congress.

PLEASE OPPOSE H.R. 9 AND S. 84

- On the heels of the most catastrophic year of losses ever recorded in the insurance industry, the enactment of legislation to roll back McCarran-Ferguson would result in chaos and radical instability.
- The insurance industry doesn't fix prices, and the McCarran act doesn't allow improper behavior by insurers.
- Restricting or repealing McCarran could reduce the availability of coverage for difficult risks. It would undermine reliable rate-making, and jeopardize insurer solvency.
- Under the bills that have been introduced, state regulation of insurance would be jeopardized, and conflicting regulation would result.

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INSURANCE ISSUE BRIEF

THE AGENT/BROKER VIEW

REAUTHORIZATION OF THE SUPERFUND PROGRAM

The Superfund program for environmental cleanup is a disaster. While well-intentioned, the current system has resulted in a cesspool of endless litigation. Only 12 percent of the billions of dollars spent on the program have actually gone toward cleanup. In 10 years of existence, EPA has cleaned up less than 4 percent of the 1,200 sites on the National Priorities List. The only ones cleaning up, in effect, are the lawyers. Without significant changes, the solvency of hundreds of major insurance carriers is jeopardized. Agents and brokers have an interest in protecting the viability of the companies they represent, as well as insuring the continued integrity and financial condition of insureds.

POLITICAL PROSPECTS

Insurers, manufacturers, municipalities, environmentalists and trial lawyers are gearing up for a giant, protracted battle during this session of Congress over the issue of reform of the Superfund program, which is facing reauthorization. The current system is based on the concepts of "polluter pays" and retroactive, joint and several liability -- concepts which have political appeal, but have failed miserably in practice. Under the law, someone who contributed as little as one percent of the toxic waste could be held responsible for 100 percent of the cleanup costs. A group of leading insurance companies has called for the creation of a National Environmental Trust Fund financed by a 2-percent national premium tax to be used to clean up waste sites.

SUPPORT A COMPLETE OVERHAUL OF THE SUPERFUND LAW

- It is a national outrage that plaintiffs attorneys have collected billions in litigation fees while so little cleanup has occurred. Given the track record of the past decade, the trial bar has no credibility in addressing the reauthorization of Superfund.
- Insurers continue to confront enormous potential liability for activities they never anticipated when they wrote their contracts and for which no premium was ever collected.
- Without reform, insurers will be increasingly unlikely to be major participants in the market for underwriting environmental risk.

Representing the nation's largest commercial, property and casualty insurance agencies and brokerage firms.

