

WHO WE ARE...



The Independent Insurance Agents & Brokers of America (IIABA) is a national alliance of 300,000 business owners and their employees who offer all types of insurance and financial services products.

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

IIABA agents and brokers not only advise clients about insurance, they recommend loss-prevention ideas that can cut costs. If a loss occurs, the independent agent or broker stands with the client until the claim is settled.

IIABA was founded in 1896 as the National Local Association of Fire Insurance Agents. With the expansion of property-casualty business and coverages, the organization's name was changed to the National Association of Insurance Agents in 1913. To emphasize its members' ability to work with a variety of insurance companies, the organization became the Independent Insurance Agents of America in 1975. The Association's name was changed in 2002 to the Independent Insurance Agents & Brokers of America to reflect the diversity of its membership, which includes both independent insurance agents and brokers.

IIABA is a voluntary federation of state associations and local boards. Its independent insurance agents and brokers are politically astute and are involved both locally and nationally. They monitor and affect insurance agent and broker issues in Washington through IIABA's active, professional staff on Capitol Hill. Their willing support has made IIABA's political action committee—InsurPac—one of the largest federal trade association PACs in the nation.

TRUSTED CHOICESM



Trusted ChoiceSM is a national consumer marketing brand created by the Independent Insurance Agents & Brokers of America (IIABA) and its insurance company partners exclusively for IIABA members.

Trusted ChoiceSM helps consumers identify independent insurance agents and brokers as the smart way to purchase insurance and financial services.

Extensive consumer research conducted by IIABA found that the three most important attributes influencing consumers in their choice of insurance providers were the value-added services that independent insurance agents and brokers offer to their clients—*customization of policies, claims advocacy, and choice of insurance companies.*

The Trusted ChoiceSM tagline “We Serve You First” conveys the message that Trusted ChoiceSM agents and brokers support their customers first. Consumers are responding to that message.

Through national advertising, public relations, local agency marketing, Internet communications, state association marketing and an innovative Web site—www.TrustedChoice.com—Trusted ChoiceSM is educating consumers and becoming the defining voice for agents and brokers nationwide. All media directs consumers to www.TrustedChoice.com where they find a cutting-edge Agency Locator and other consumer information.

For more information visit www.TrustedChoice.com.

CONTENTS

FEDERAL ISSUES

STATE INSURANCE REGULATION.....	4
AGENT LICENSING REFORM.....	5
TAX REFORM.....	6
ASBESTOS LITIGATION REFORM.....	7
PRIVACY/FAIR CREDIT REPORTING ACT.....	8
PENSION REFORM & RETIREMENT SECURITY...9	
INSURANCE CREDIT SCORING.....	10
FEDERAL CROP INSURANCE.....	11
MEDICAL & LEGAL LIABILITY REFORM.....	12
HEALTH INSURANCE REFORM.....	13
INSURPAC.....	14
IIABA PROGRAM.....	15
IIABA GOVERNMENT AFFAIRS STAFF.....	16
GRASSROOTS	

STATE INSURANCE REGULATION

Enactment of financial services modernization coupled with continuing frustration over the lack of insurance regulatory uniformity have sparked new interest in insurance regulatory reform. Three options have evolved for achieving reform: work through the National Association of Insurance Commissioners (NAIC) for reform, optional federal regulation, or adoption of federal law to create uniformity via national standards.

Virtually every industry stakeholder—insurance companies, agents and brokers, consumers and regulators—has voiced significant concerns with the current regulatory system, characterizing it as slow, inefficient and a patchwork of different laws and regulations that adds unnecessary expense.

But not everyone, IIABA included, believes state regulation should be abandoned. Although the need for greater efficiency and uniformity is clear, IIABA believes optional federal chartering, federal regulation and a new federal bureaucracy goes too far—equivalent to throwing the baby out with the bath water.

Rather than a one-size-fits-all scheme, IIABA is advocating a pragmatic, middle-ground approach that proposes federal legislative tools to fix state insurance regulation by creating a more uniform and streamlined regulatory system. This approach would overcome state-level impediments to reform and build on, rather than dismantle, the states' inherent strengths—diversity, geographical uniqueness, innovation and responsiveness to consumers—to meet the challenges of a rapidly changing insurance environment.

In the last Congress, IIABA opposed separate federal chartering proposals offered by Sen. Charles Schumer (D-N.Y.) and then-House Financial Services Committee Ranking Member John LaFalce (D-N.Y.). Both proposals called for creation of an optional federal chartering system and oversight for insurers that choose federal regulation. The LaFalce bill went farther; it would have subjected insurance companies to Community Reinvestment Act requirements, repealed the insurance industry's McCarran-Ferguson Act antitrust exemption—even for companies that do not choose a federal charter—and instituted federal anti-redlining provisions for life and property-casualty insurance.

IIABA believes a variety of federal legislative “tools”—federal standards with state enforcement, national reciprocity or multi-state uniformity, incentives, and preemption of certain state laws—can be used issue by issue to achieve reform. This approach offers the best solution because it will promote more uniform standards and streamlined procedures from state to state; protect consumers and enhance marketplace responsiveness; and emphasize that oversight can best be met by improving the state-based system. The result for all stakeholders would be a more efficient, modern and workable system of state regulation.

IIABA opposes efforts by the U.S. Office of the Comptroller of the Currency (OCC) to preempt state insurance laws and regulations. Via regulatory fiat, the OCC continues to

attempt to free national banks from state insurance oversight. All facets of state law are threatened if the OCC deems that they “significantly interfere” with the ability of national banks to sell insurance.

IIABA POSITION: IIABA supports reform and modernization of state insurance regulation by making the system more uniform and streamlined. IIABA opposes creation of an optional federal chartering system and federal insurance regulation. IIABA is advocating a pragmatic reform approach that proposes federal legislative tools, such as national standards, that will create a more uniform and streamlined state-based regulatory system.

AGENT LICENSING REFORM

Significant progress was made the last two years in the area of agent and broker licensing reform. Nevertheless, IIABA will not rest until a system exists where all 50 states and the District of Columbia are reciprocal in their agency licensing laws.

Thirty-eight states have been officially certified by the National Association of Insurance Commissioners (NAIC) as reciprocal jurisdictions in compliance with the licensing provisions of the Gramm-Leach-Bliley Act (GLBA). An “act-or-else” provision contained in GLBA required states to streamline insurance agent and broker licensing laws and reform their nonresident licensing process by November 12, 2002. The necessary majority of states (at least 29) complied by the deadline. In order to be GLBA-compliant, states must adopt either uniform or reciprocal laws. Reciprocity is the easier test to satisfy and is the initial goal of state policymakers.

IIABA commends the NAIC and each certified state for meeting the challenge issued by Congress. Such Congressional leaders as House Financial Services Committee Chairman Mike Oxley (R-Ohio) and Oversight and Investigations Subcommittee Chairwoman Sue Kelly (R-N.Y.) have taken the lead and laid this foundation for streamlining the licensing system.

However, considerable work still needs to be done to realize the ultimate goal of insurance agent and broker licensing uniformity. Agents and brokers are obtaining more nonresident licenses and IIABA members increasingly struggle to clear logistical and bureaucratic hurdles and manage the extraordinary amounts of paperwork required. Reform of the licensing process will eliminate the current time-consuming efforts and financial expenditures endured by agents and brokers.

IIABA and its state affiliates are continuing to push agent licensing reform in states that have not enacted legislation and to help states modify previously enacted laws to gain certification.

In addition to working with states to adopt reciprocal agent licensing, IIABA also is advocating passage of a pragmatic state insurance regulation reform proposal in Congress (see “State Insurance Regulation” synopsis on previous page). This second track calls for the adoption of a more uniform, streamlined and efficient insurance regulatory system through the implementation of federal legislative tools. For example, IIABA supports a federal law that would mandate complete licensing reciprocity for all 50 states and the District of Columbia. These tools would create needed uniformity, preserve state oversight and foster a more uniform and streamlined state-based regulatory system.

IIABA POSITION: Obtaining agent licensing reform in non-certified states and securing greater uniformity in the licensing process remain vital IIABA objectives. IIABA continues to work with Congress, state lawmakers, individual insurance commissioners and the NAIC to ensure that all 50 states and the District of Columbia offer full reciprocity to nonresident agents without imposing additional obligations,

requirements or conditions. IIABA is advocating a pragmatic, middle-ground approach that proposes federal legislative tools to preserve state oversight and foster more uniform and streamlined state-based regulatory and agent licensing systems.

TAX REFORM

The national economy is sluggish and Main Street America is feeling the effects. Main Street businesses are the engine that drives a healthy U.S. economy and in this slow growth period it is tougher for business owners—small and large alike—to create the new jobs that will return the country to a healthy economy.

IIABA's 300,000 members are supporting several tax initiatives that will provide an immediate and beneficial boost to their operations and the overall U.S. economy.

IIABA believes Congress should address a discrepancy between marketplace reality and the tax code's **treatment of intangible assets**. Current law requires these assets be written off over 15 years. Business experience is that an intangible asset, such as a customer list, has a shelf life of just five years. Through a quicker depreciation schedule, Main Street service-oriented businesses will have more cash to reinvest in their operations.

IIABA supports **hastening and making permanent the income tax rate reductions** in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Many Main Street businesses, including 35 percent of IIABA member agencies and brokerage firms, are formed as Subchapter S corporations and thus pay taxes at higher individual rates. Lower income tax rates would enable these businesses to reinvest in the growth of their operations and, simultaneously, in the growth of the overall economy.

IIABA believes the **marriage penalty reductions in EGTRRA should be accelerated and made permanent**. With this tax savings back in their wallets, families will spend it on essential items or sock it away for retirement investment, both of which are vital to a sustained and strong economic recovery.

IIABA supports **increasing the small business expensing allowance** to \$75,000 for purchases of essential equipment like computers, technology infrastructure and factory machinery. This provision would provide an immediate stimulus on Main Street and lead to job creation.

IIABA also supports **raising the individual alternative minimum tax exemption** so Americans, especially small business owners, are not surprisingly thrown into a higher tax bracket.

IIABA also is calling on Congress to definitively spell out whether **the elimination of gift taxes** will extend beyond its Dec. 31, 2010 sunset. Estate taxes irreparably harm a family-owned farm or business's ability to pass on to the next generation. If business owners and farmers know that their life investment will be passed on to their heirs with minimal or no tax implications, they will be more apt to continue investing in its growth as they advance in years.

IIABA POSITION: IIABA supports a market-based depreciation schedule of five years for intangible assets (such as the customer list of an independent agency), accelerating and making permanent the income tax rate reductions and the marriage penalty reductions in EGTRRA; increasing the small business expensing allowance; raising the individual alternative minimum tax exemption; and making permanent the elimination of estate taxes in EGTRRA. IIABA believes these tax initiatives will help to expand business opportunities and lead to job creation—both critical to reinvigorating the national economy.

ASBESTOS LITIGATION REFORM

Spurred by a surge in claims for asbestos exposure filed by individuals who are neither sick nor exhibiting symptoms of illness, IIABA is calling on Congress to reform asbestos litigation.

Because asbestos was phased out of most non-essential uses by the early '80s, most experts predicted that exposure claims would have stabilized by now. But the contrary has happened; the number of claims is growing exponentially. At the current rate, the total number of claims could top 2.5 million and the insurance industry's total liability could top \$275 billion.

The sudden claims explosion comes from people who have little or no impairment. Of the 600,000 claims currently pending, the majority are filed by people who are not sick. *The New York Times* recently reported that the latest surge in asbestos claims includes many healthy plaintiffs. In 2001, both the RAND Institute and Tillinghast-Towers estimated that at least 90 percent of claims are filed by plaintiffs who do not have asbestos-caused cancer. For example, in one notorious case only 16 of 439 tile-workers who filed lawsuits (or 3.6 percent) exhibited chest abnormalities that *could* have resulted from asbestos. Amazingly, about two-thirds of compensation thus far has gone to claimants with non-malignant illnesses.

The real culprit is not those abusing the system, but the current legal system that makes such abuse possible. For more than a decade, the U.S. Supreme Court and lower courts have urged Congress to pass laws to curb the absurdity of asbestos litigation.

Independent insurance agents and brokers are concerned that the asbestos litigation crisis could impact other insurance markets. Faced with more than a quarter-trillion dollars of potential claims, insurance companies are increasing reserves for asbestos-related claims. While a sound business decision, these increased reserves also could significantly impact their operations in other markets, their capacity and their rates.

IIABA has made asbestos litigation reform a top legislative priority. IIABA believes Congress must bring order to the out-of-control asbestos litigation system. To that end, IIABA is advocating a common-sense reform proposal: If you are sick from asbestos exposure then your financial and medical needs should be compensated. But if you are not currently sick, you should not receive financial compensation unless you become ill. This approach would bring a measure of rationality to asbestos litigation and remove the "get-rich-quick" mentality from the judicial system.

A bill introduced by Sen. Don Nickles (R-Okla.) to establish medical criteria for asbestos claims is a big step in the right direction. The Asbestos Claims Criteria and Compensation Act (S. 413) would ensure only claims of sick individuals are addressed; identify specific asbestos-related conditions, such as mesothelioma, that an individual must exhibit before their claim can be litigated; extend the statute of limitations so

individuals who become sick from asbestos exposure in the future can still file claims; and prohibit venue shopping.

IIABA POSITION: IIABA believes Congress must bring rationality to the out-of-control asbestos litigation system. IIABA urges Congress to immediately act on asbestos litigation reform by first spelling out that a claim will not be heard until an individual becomes sick from asbestos, and then addressing other underlying litigation problems.

PRIVACY/FAIR CREDIT REPORTING ACT

IIABA is committed to advocating for consumer protection, prohibiting the misuse of confidential information, and championing uniformity and simplicity in privacy laws and regulations. The Gramm-Leach-Bliley Act (GLBA) imposes new privacy requirements upon financial services providers, and serves as a significant decree for financial services privacy and a level of consumer control over the dissemination of personal information.

GLBA requires financial services entities, including the insurance industry, to inform customers of their privacy policies and how they will use confidential information. These regulations have been implemented by federal regulatory agencies and all 51 state insurance departments.

IIABA believes that a consumer's right to "opt out" is the central mechanism for protecting privacy. IIABA urges state insurance commissioners, regulatory agencies and state legislatures to mandate that opt-out materials be proactively provided by financial institutions so this right can be easily and practically exercised. In most cases, the "opt-in" option would prove onerous for business and counterproductive to consumers.

For agents and brokers, privacy also concerns the treatment and sharing of client proprietary information, for example when providing confidential information to a lending institution for a loan transaction. Agents and brokers are concerned about the protection of policy expiration dates and coverage levels. IIABA strongly opposes the dissemination of such information following a non-insurance financial transaction. IIABA is seeking clarification under the Fair Credit Reporting Act (FCRA)—in conjunction with GLBA—to ensure that agent and broker customer information remains confidential. In some instances, data aggregators are selling this information, and even offering to sell it back to the original independent agent or broker who already owns the information.

To that end, IIABA is advocating that Congress add an amendment to the credit act while it is under review this year that would prohibit reports or applications that contain insurance information submitted by a consumer from being shared or used for purposes other than verification of insurance coverage.

Several members of Congress, particularly Senate Banking Committee Chairman Richard Shelby (R-Ala.) and Ranking Member Paul Sarbanes (D-Md.), believe the GLBA and FCRA need additional privacy protections and are seeking to build on the bill's provisions. Committee hearings are expected this year.

GLBA permits states to enact more stringent financial privacy requirements. IIABA is working with Congress, the National Association of Insurance Commissioners (NAIC), state legislators and the insurance industry to ensure uniformity in privacy laws and regulations. Simplicity for consumers and protection of confidential consumer information are the paramount goals. IIABA also seeks straightforward agency privacy disclosure forms. IIABA's primary concern amid the differing privacy bills being offered

in state legislatures is that a convoluted patchwork system could result. This would leave consumers, business customers and financial services providers confused.

IIABA POSITION: IIABA seeks uniform state privacy laws and subsequent regulations that are consumer friendly and easy to comprehend. IIABA believes consumers should be able to “opt out” of the sharing of their confidential financial information in most instances. IIABA also maintains that agent and broker proprietary information, including policy expiration dates and coverage levels, is confidential data that must be protected.

PENSION REFORM & RETIREMENT SECURITY

Pension reform continues to pique legislative interest following public concern over the Enron bankruptcy and volatile stock market returns. The 107th Congress enacted two key pension reforms through the Sarbanes-Oxley Act. One ensures that workers receive a 30-day notice prior to a 401(k)/pension plan “blackout” period, and the other stipulates that senior corporate executives have the same limitations that all other plan participants have during blackout periods. IIABA supported these provisions.

IIABA also testified last year before the House Education and the Workforce Committee’s Employer-Employee Relations Subcommittee hearing on pension oversight, expressing support for meaningful reforms that provide real safeguards without hindering company sponsorship of retirement plans.

IIABA supports House Education and the Workforce Committee Chairman John Boehner’s (R-Ohio) Pension Security Act (H.R. 1000). This legislation would allow agents and brokers to provide advice to retirement plan participants without having to become a registered investment advisor (RIA). It also allows plan sponsors to have a financial advisor offer investment advice to employees. When remuneration conflicts are disclosed, the employer would not have fiduciary responsibility if issues arise from the advisor’s counsel. H.R. 1000’s lead cosponsor is House Employer-Employee Relations Subcommittee Chairman Sam Johnson (R-Texas) and has 51 other cosponsors.

IIABA applauds a number of provisions in the Pension Security Act, including the requirement of additional investment choices to allow plan participants to diversify their portfolios without requiring an arbitrary cap on the amount of company stock that a worker can hold in a plan. Another favorable provision ensures workers receive timely information about their 401(k) accounts on a quarterly basis. The President’s Retirement Security Plan would increase American workers’ access to professional investment advice that can help them make informed investment decisions. The 401(k) service providers best understand their products, their plan sponsors, and the participants. IIABA agrees with this approach.

President Bush recently unveiled the Administration’s proposals for strengthening the economy. His priorities include lowering taxes; simplifying the rules for 401(k) plans, IRAs and other retirement savings vehicles; and increasing contribution amounts. The expansion of Roth-type retirement accounts, which are tax-deductible when made but grow tax-free, could have a dampening impact on the motivation for small businesses to establish retirement plans for rank-and-file employees. IIABA generally supports lowering taxes and expanding retirement savings accounts, but will closely monitor evolving retirement plans and proposals on Capitol Hill to ensure that they will expand retirement opportunities for employees without resulting in a rollback of existing plans.

IIABA POSITION: IIABA strongly believes that Congress should continue to take a reasoned approach to reforms of retirement plans. IIABA supports the Pension Security Act and will review all proposals to ensure that they boost employer sponsorship of

retirement plans for their employees. IIABA will oppose proposals that would restrict rather than expand workers' freedom to choose how they invest their funds. Overregulation of 401(k) plans creates a disincentive for businesses to sponsor retirement plans.

INSURANCE CREDIT SCORING

In recent years, insurers have increasingly utilized consumer credit histories and credit-related scores during the underwriting and rating process, and the use of such information has become commonplace. The expanded use of such histories and scores at times also has been controversial.

IIABA supports the use of underwriting and rating tools that foster enhanced competition and the fair and accurate pricing of risk and recognizes that consumer credit information is a powerfully predictive tool.

The policies and underwriting practices of some companies using credit information have been a problem for some consumers and agencies, resulting in legitimate concern and skepticism among policyholders, policymakers, and independent agents and brokers. Independent agents and brokers believe that such credit histories and credit-related scores must be used in sensible, balanced and consumer-friendly ways.

IIABA urges companies to proactively adopt and implement fair-minded and appropriate business practices regarding their use of credit information. There are several simple steps IIABA believes insurers should take to restore consumer confidence in credit scoring practices. Among other steps, companies should:

- Provide consumers a list and meaningful description of the primary factors in the event that an adverse action is taken due to a consumer's credit history.
- Treat an individual's lack of credit history or credit-related score neutrally or otherwise refrain from penalizing such consumers.
- Consider other applicable underwriting factors beyond credit information or credit-related scores when evaluating whether to underwrite, deny, cancel or non-renew insurance policies.
- Re-underwrite and re-rate a consumer's insurance policy within 30 days after being notified by a credit bureau of a correction in his or her credit history.
- Hold agents and brokers harmless from civil and administrative actions and liability, costs and fees when their actions are consistent with company procedures.

IIABA also calls on credit bureaus, credit reporting agencies and providers of credit-related scores to:

- Recognize that independent agents and brokers own their expirations, and therefore not share, sell or otherwise use any data or information provided in the credit scoring or insurance application process for any purpose other than the intended purpose.
- Recognize the importance of maintaining accurate records and undertake efforts to ensure that data is current and correct.

IIABA also recognizes that appropriate regulation of the use of credit information by the insurance industry can be effective in ensuring that this powerful tool is used in reasonable ways. IIABA has worked with public policymakers and other interested parties on the development of model legislation by the National Conference of Insurance

Legislators (NCOIL) and on individual state proposals. The Association will continue to support proposals that strike the right balance between the concerns of consumers and the needs of the industry.

IIABA POSITION: IIABA supports the use of underwriting and rating tools that foster enhanced competition and the fair and accurate pricing of risk. IIABA urges companies to proactively adopt and implement fair-minded and appropriate business practices regarding their use of credit information. Independent agents and brokers believe that credit scores must be used in sensible, balanced and consumer-friendly ways.

FEDERAL CROP INSURANCE

IIABA has been a key player in the Federal Crop Insurance Program's (FCIP) evolution as it moved from a federally provided program to a private-sector/government-partnership product. Initially, crop insurance was sold, delivered and administered exclusively by federal employees. Today, the federal government reinsures policies that are administered by the private sector (insurance companies) and delivered to farmers by independent insurance agents.

Congress has addressed the needs of American farmers by frequently modifying the program since it was enacted in the early '80s. IIABA has played a major role in the program's modifications and will continue with a watchful eye. IIABA will strive for continued cooperation between the private sector, Congress and the U.S. Department of Agriculture (USDA) through its Risk Management Agency (RMA) to provide an improved product.

IIABA's objectives are to ensure farmers are well-served and protected, and independent agents continue to be the most effective distribution channel for crop insurance. Any reforms should continue to enhance and promote private-sector delivery as well as the crop insurance and servicing expertise of independent agents and their knowledge of the insurance needs of the American farmer. It is imperative that free-market incentives remain to ensure maximum coverage of farms.

IIABA has pointed out significant problems with the "Premium Discount Plan" (PDP) pilot program approved by the Federal Crop Insurance Corporation (FCIC) in December for Crop1 Insurance Company. The PDP is a new online service that allows farmers to purchase crop policies and have them serviced primarily through the company's Internet Web site. Crop1 has established a network of affiliates such as seed dealers, implement dealers and farm creditors to assist farmers.

IIABA believes this program allows the selling, soliciting and servicing of crop policies contrary to rules authorized and outlined by the FCIC as well as state insurance licensing laws. IIABA believes an unlevel playing field has been established through the PDP pilot program, which will ultimately hurt farmers and reduce the professional service, advice and counsel they receive from independent agents who specialize in crop and farm insurance. Specifically, this program may encourage rebating by employing networks of affiliates that, in offering crop insurance at a reduced premium, may bundle this discount with offers of other goods and services. These tying arrangements are strictly prohibited under the Standard Reinsurance Agreement (SRA) and most tying arrangements are anti-consumer, which is why both federal and state statutes prohibit them.

IIABA believes a program that is vulnerable to rebating, anti-consumer tying arrangements or unfair marketing would undermine the integrity of the FCIP. The precedent established by the PDP creates an unlevel playing field that jeopardizes the efficacy of the crop insurance delivery system.

IIABA POSITION: IIABA strongly believes that local, state-licensed insurance agents selling for private companies can best handle the sales and service of the FCIP. IIABA opposes the sale of crop insurance through federal agencies—RMA, Farm Services Agency (FSA) or other federal entities. IIABA is concerned with the new PDP pilot program because it circumvents FCIC rules and state insurance licensing laws and is vulnerable to rebating, anti-consumer tying arrangements or unfair marketing.

MEDICAL & LEGAL LIABILITY REFORM

The rapid rise in frivolous and unwarranted lawsuits sparked a 14.3-percent increase in the cost of the U.S. tort system in 2001—the highest one-year percentage increase since 1986. Legal reform is already a hotly debated topic in the new Congress, and thanks to early bipartisan support of various reform bills offered in both chambers, the prospects for passage are better now than they have been in a long time.

Sen. Charles Grassley (R-Iowa) has reintroduced the Class Action Fairness Act (S. 274) and received a pledge from Senate Judiciary Committee Chairman Orrin Hatch (R-Utah) that it will be debated and voted on by the Judiciary panel this session. This is a significant step forward after identical legislation was never voted out of a Senate committee during the last Congress.

IIABA supports S. 274 because it would allow litigants to move interstate class action suits to federal courts that are generally more protective of consumer and defendant rights. Federal courts are better equipped to deal with these complex cases. This legislation would not alter an individual's right to sue and there are a number of other strong consumer protections in the bill. The American Bar Association recently endorsed class action reform—a major philosophical shift for the nation's largest legal body. Grassley's legislation enjoys bipartisan cosponsors. Reps. Rick Boucher (D-Va.) and Bob Goodlatte (R-Va.), both members of the House Judiciary Committee, are reuniting to shepherd class action reform legislation in that chamber.

President Bush has set the stage for an end to the medical liability crisis in America by calling for medical liability reform in his State of the Union address. Double-digit increases in medical malpractice insurance premiums are prompting doctors to flee states with the highest rates, refuse to perform high-risk procedures, practice defensive medicine, or retire early. Unwarranted lawsuits are crippling the delivery of health care in America and rapidly driving up health insurance costs for everyone.

IIABA and its coalition partners are actively seeking enactment of medical liability reform legislation this year. IIABA supports the goal of the Help Efficient, Accessible, Low-Cost, Timely Healthcare (HEALTH) Act (H.R. 5) introduced by Rep. James Greenwood (R-Pa.). This legislation would improve patient access to health care services and provide improved medical care by reducing the excessive burden the current liability system places on the health care delivery system. H.R. 5 was approved by the House Energy and Commerce Committee and is expected to gain full House approval soon.

In the last Congress, Greenwood's bill was passed by the House, but stalled in the Senate. Hopes for enactment are higher this year because surgeon Bill Frist (R-Tenn.) is the Senate's new majority leader. IIABA urges Congress to pass legislation that will effectively resolve the medical liability crisis.

IIABA POSITION: IIABA supports legal reform to discourage frivolous and unwarranted lawsuits. IIABA seeks a resolution to the medical liability crisis that will

safeguard public access to medical care. IIABA also supports the Class Action Fairness Act (S. 274), which would allow litigants to move interstate class action suits into federal courts that better protect consumer and defendant rights while not hindering an individual's right to sue.

HEALTH INSURANCE REFORM

In the 108th Congress, the health care reform debate is focused squarely on expanding coverage for uninsured Americans. Currently, more than 40 million Americans are without health insurance coverage.

IIABA is working closely with the Bush Administration and key members of Congress to craft legislation that will help more Americans find affordable health insurance coverage.

IIABA believes the key to providing better access to health insurance for uninsured Americans is through the passage of market-based reforms. IIABA supports such market-based reforms as creating appropriately balanced association health plans and expanding medical savings accounts.

President Bush is employing a similar approach to address the uninsured issue, pursuing a plan to allow employees and employers to make tax-free contributions to medical savings accounts. The Administration also is backing a plan to provide tax credits to help people buy health insurance. These credits would be refundable, giving low-income people who have no federal tax liability the funds to use toward the purchase of health insurance coverage.

Specifically, the President's budget proposal includes a refundable individual tax credit for the purchase of health insurance. The credit would provide a subsidy of up to 90 percent of the health insurance premium with a maximum credit of \$1,000 per adult and \$500 per child (up to two children).

Another major proposal contained in this year's White House budget plan would allow individuals an above-the-line deduction for their share of the cost of employer-provided long-term care insurance coverage. The employee must be paying at least 50 percent of the cost. The deduction would be subject to the same annual dollar limitations that currently apply to the deductibility of long-term care insurance.

Some in Congress are similarly preparing a tax-based plan to help people afford health insurance or expand their current coverage.

IIABA is supporting the components of the President's budget that will help increase the numbers of people with health insurance and will address these kinds of health care reforms as they arise in the Congress.

IIABA POSITION: IIABA supports health care reform, but legislation must be carefully crafted to avoid increasing costs, raising the number of uninsured or damaging the role of the private sector. IIABA believes that Congress needs to increase access to health insurance so uninsured people can obtain the coverage they need. This can be accomplished through creation of appropriately balanced association health plans and expansion of medical savings accounts.



**INDEPENDENT INSURANCE AGENTS & BROKERS OF AMERICA
POLITICAL ACTION COMMITTEE**

InsurPac, the political action committee (PAC) of the Independent Insurance Agents & Brokers of America (IIABA), was established in 1975 to complement IIABA's legislative program. It is the largest property-casualty insurance industry PAC in the country.

By pooling the voluntary and individual financial contributions of thousands of independent insurance agents and brokers, InsurPac helps elect candidates and re-elect members of the U.S. House of Representatives and U.S. Senate who share IIABA's business philosophy. IIABA's government affairs department, in conjunction with the appropriate state association, selects the federal campaigns that are to receive InsurPac financial support.

InsurPac and IIABA are separate but affiliated organizations. InsurPac's governing board of trustees is appointed by IIABA's Executive Committee. All InsurPac disbursements are reported to the Federal Election Commission (FEC). Copies of InsurPac reports are available for purchase at the FEC office in Washington, D.C.

**INDEPENDENT INSURANCE AGENTS & BROKERS OF AMERICA
GRASSROOTS PROGRAM**

HOW TO PROTECT AND PROMOTE YOUR BUSINESS

The Independent Insurance Agents & Brokers of America's (IIABA) grassroots program is the backbone of legislative advocacy on agent and broker issues on Capitol Hill and in state capitals. IIABA's 300,000 agents, brokers and their employees are a formidable grassroots constituency that ranks among the most respected on Capitol Hill. They play a key role in shaping legislation involving insurance regulation issues, small business tax issues, pension reform, tort reform, privacy issues, natural disaster reform, terrorism insurance issues and health care reform.

IIABA's grassroots strength lies in the number of concerned agent and broker activists that can be mobilized at a moment's notice by an "Action Alert" system. These calls to action are shared with all employees in an agency or brokerage firm, including support staff and producers, so they, too, can have their voices heard on issues affecting their livelihood.

Additionally, IIABA always has encouraged its members to be active in local, state and national politics. In fact, more than 35 former insurance professionals currently hold seats in the U.S. Congress. With literally hundreds of agents, brokers and their employees in every congressional district, IIABA grassroots activists not only play an important role in their community as local business and civic leaders, but also play a critical role in supporting federal, state and local candidates for elective office.

New challenges in Washington and the financial services marketplace necessitate that more IIABA members become informed and involved in the political arena. IIABA's grassroots program will play a vital role in shaping and promoting the agency system. Call IIABA at (202) 863-7000 to become actively involved in the Association's grassroots efforts or to obtain legislative information and political background materials.

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