

Federal Update

Benjamin McKay III, JD, MPA

April 11, 2011

Economy

- Jobless Rate
- Budget Cuts vs. Stimulus Spending
- Externalities: Crises in the Middle East + tsunami in Japan = Gas prices and sale of US bonds

Health Care: Can it be Repealed

- Short Term: No, some reforms possible
- Long Run: Only if Republicans take White House
- Representative Ryan approach

Taxes

- 2011 marks 25th anniversary of Tax Reform Act of 1986
- House Committee on Ways and Means holding a series of hearings on Fundamental Tax Reform
- Senate Finance Committee discussing if current tax structure supports job creation and economic growth

On the horizon for accounting

- Significant changes in accounting are being considered for insurance companies
- Impact of considered changes
 - Staffing for the development and implementation of changes
 - Training in the use of new systems
 - Education for professional accounting staff as changes occur
 - Coordination of all retraining efforts
 - Different skill sets need to be considered for new hires

House Republicans

- Mandate to cut budget
- 87 members in the freshman class
- Many elected on budget-cutting
- Only 9 Democrats
 - Smallest number elected in either party since 1914

President Obama

- Budget dilemma
 - Spending to create job vs. supporting electoral mandate to cut budget

Senate Democrats

- Stuck in the middle
 - Pet projects vs. Cut the budget

What's next?

- Vote on whether to raise the debt ceiling
- Likely happens mid-May

Business-friendly Obama?

- Bill Daley, former JPMorgan Chase exec, replaces Rahm Emanuel as Chief of Staff
- Jeff Immelt, former GE Chairman and CEO, named to head the President's Counsel on Jobs and Competitiveness

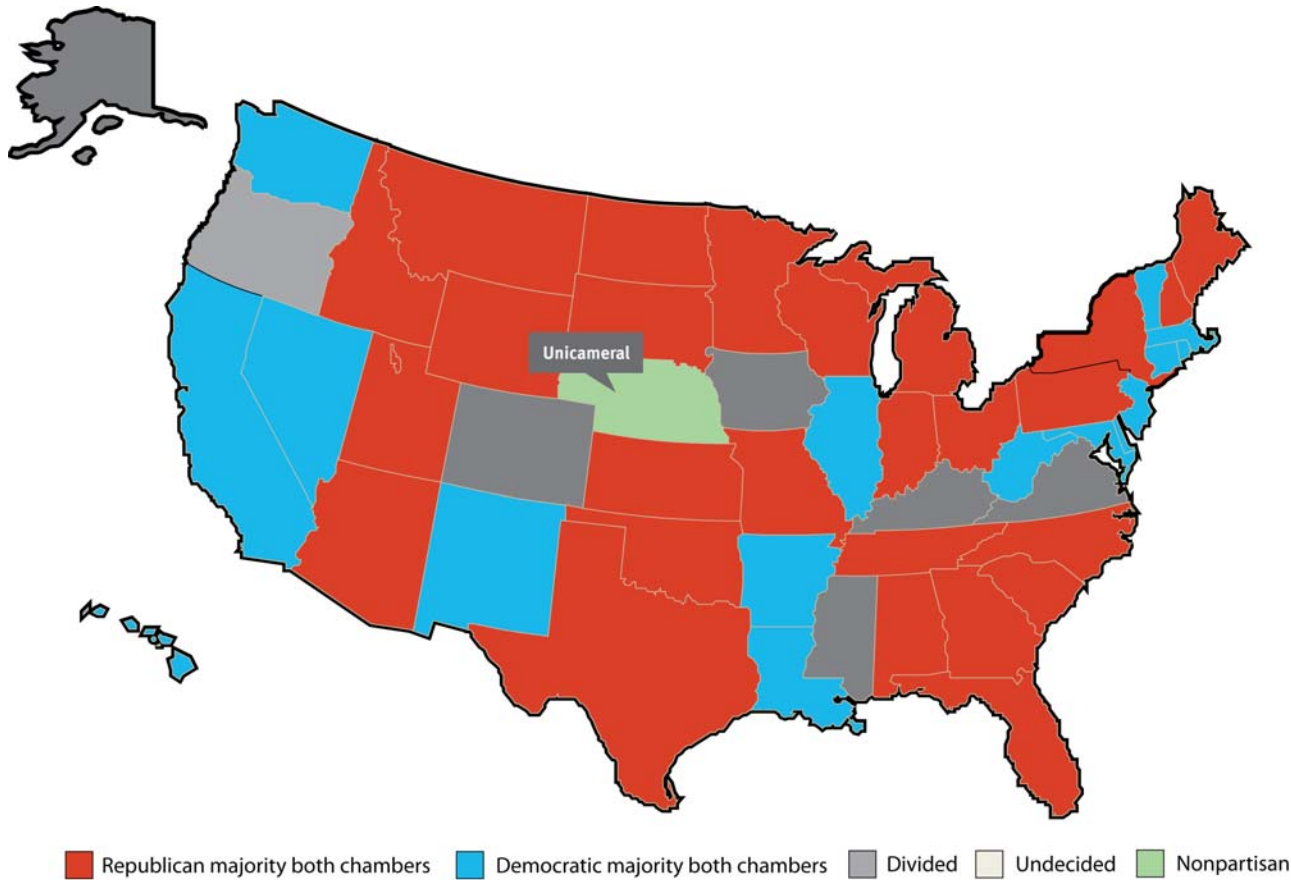
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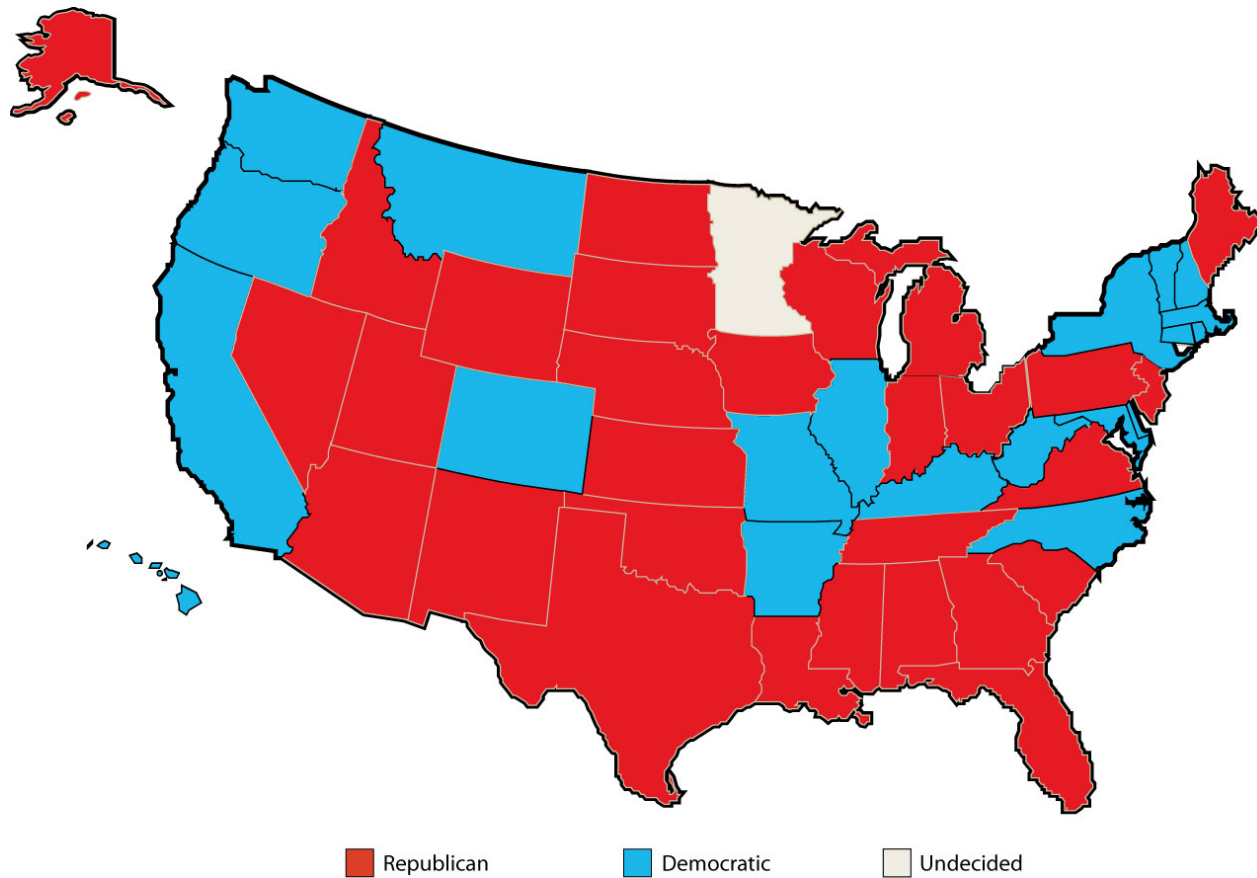
2011 Human Resources Conference

Political Landscape

Current state legislature control



Current Governorship control



Redistricting



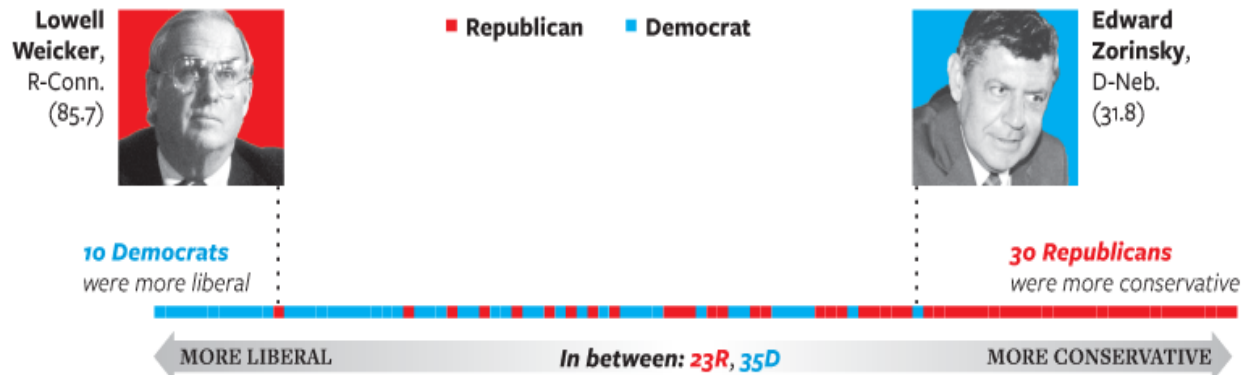
Redistricting Dynamics

- Republicans control process in 202 of 435 congressional districts
- Democrats in 47 districts
- 87 districts are in states where control is divided
- Noteworthy: first Democratic Justice Department in place for redistricting since Kennedy

Decline of political overlap

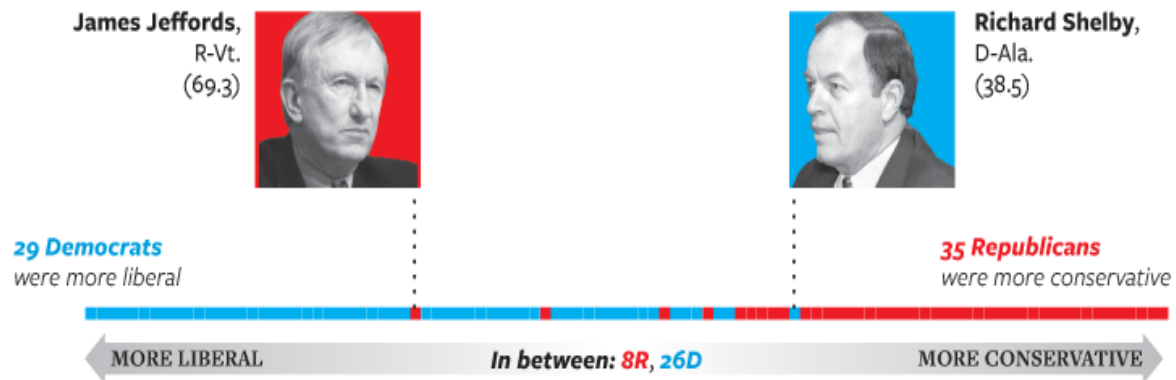
1982

In this year, more than half the Senate occupied the ideological center between **Lowell Weicker**, the most liberal Republican, and **Edward Zorinsky**, the most conservative Democrat. That middle ranged from Joe Biden and John Stennis among Democrats to Republicans as varied as John Chafee and Paula Hawkins.



1994

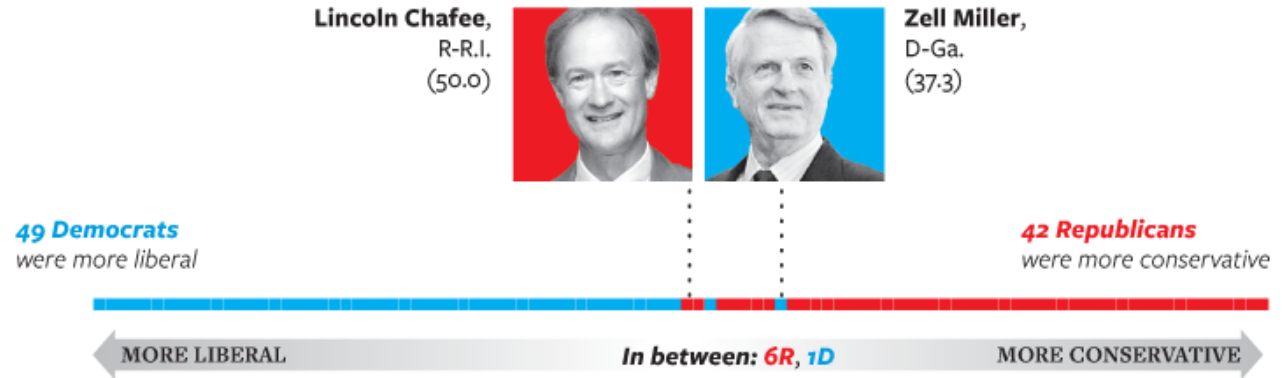
By 1994, political realignment and retirements by Southern Democrats thinned the ranks of Senate centrists. Still, 34 members produced records between Republican **Jim Jeffords** and Democrat **Richard Shelby**; both eventually left their party.



Decline of political overlap

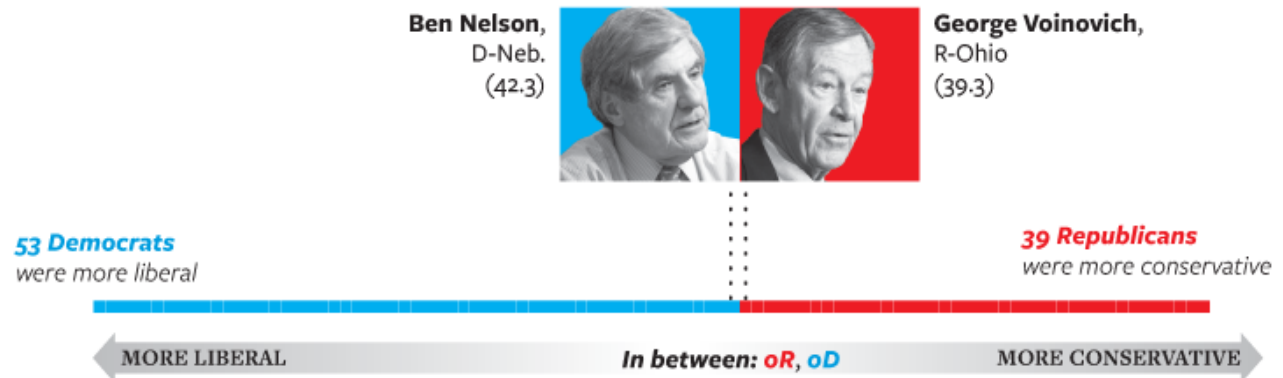
2002

By 2002, just seven senators produced records between the most liberal Republican, **Lincoln Chafee**, and the most conservative Democrat, **Zell Miller**. Chafee eventually left the GOP, while Miller became a strong supporter of George W. Bush.



2010

For the second time since *NJ* began its vote ratings, the outcome showed no ideological overlap between the two parties in the Senate. **Ben Nelson**, the most moderate Democrat, produced a record slightly to the left of **George Voinovich**, the most moderate Republican.



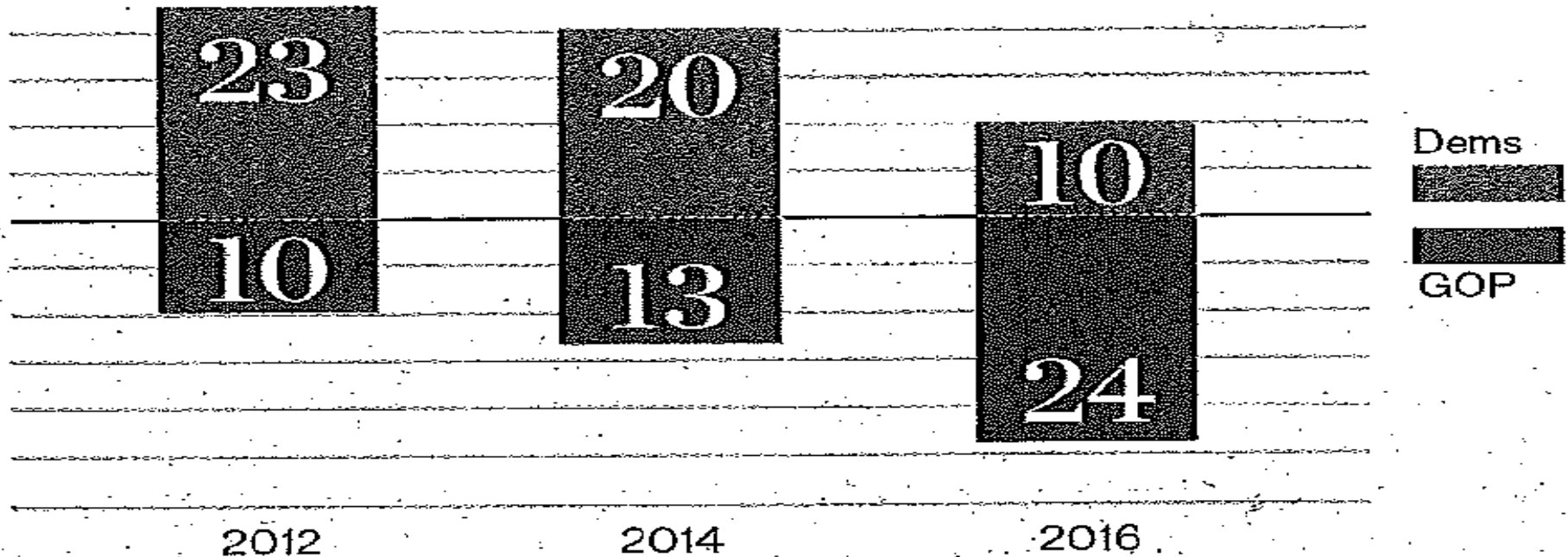
Senate retirements

- Daniel Akaka (D-HI)
- Jeff Bingaman (D-NM)
- Kent Conrad (D-ND)
- John Ensign (R-NV)
- Kay Bailey Hutchison (R-TX)
- Jon Kyl (R-AZ)
- Joe Lieberman (I-CT)
- Jim Webb (D-VA)

Defending Senate seats

DIFFICULT CYCLES

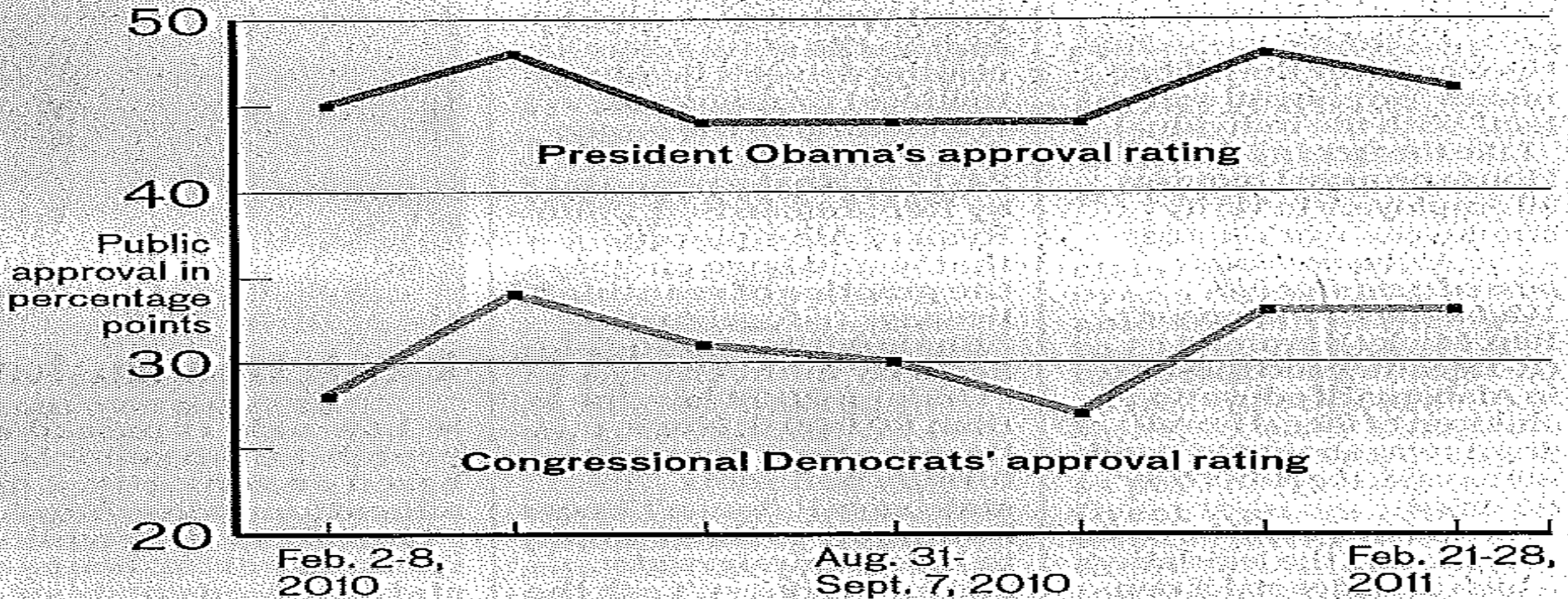
Senate Democrats face a tough election this year, based on the numbers of seats they must defend, and the next cycle is little better.



Obama vs. Congressional Dems

FAR APART

Quinnipiac Polling shows that President Obama's approval rating among the public is significantly higher than that of Congressional Democrats.



From The Hill, March 14, 2011

2012 GOP Presidential hopefuls?

- Michele Bachmann
- Haley Barbour
- Mitch Daniels
- Newt Gingrich
- Mike Huckabee
- Jon Huntsman
- Sarah Palin
- Ron Paul
- Tim Pawlenty
- Mitt Romney
- Rick Santorum
- Donald Trump

“In every other seriously contested GOP nomination race since 1952, Gallup recently noted, one candidate had attracted at least 31 percent support by this point in the process.”

Brownstein, Ronald. “Along for the Ride.”
National Journal 13 March 2011: 15

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Thank you