

The Trump Regime: The Consequences for Commercial Brokerage



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June 12th, 2017



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Who We Are

80

OF THE TOP
100 FIRMS

85%

OF THE COMMERCIAL
P&C PREMIUMS

205

LEADING COMMERCIAL INSURANCE
BROKERAGE FIRMS

60%

OF EMPLOYER PROVIDED
BENEFITS

90

NEW MEMBERS
IN THE PAST FIVE YEARS

What We Value



Networking

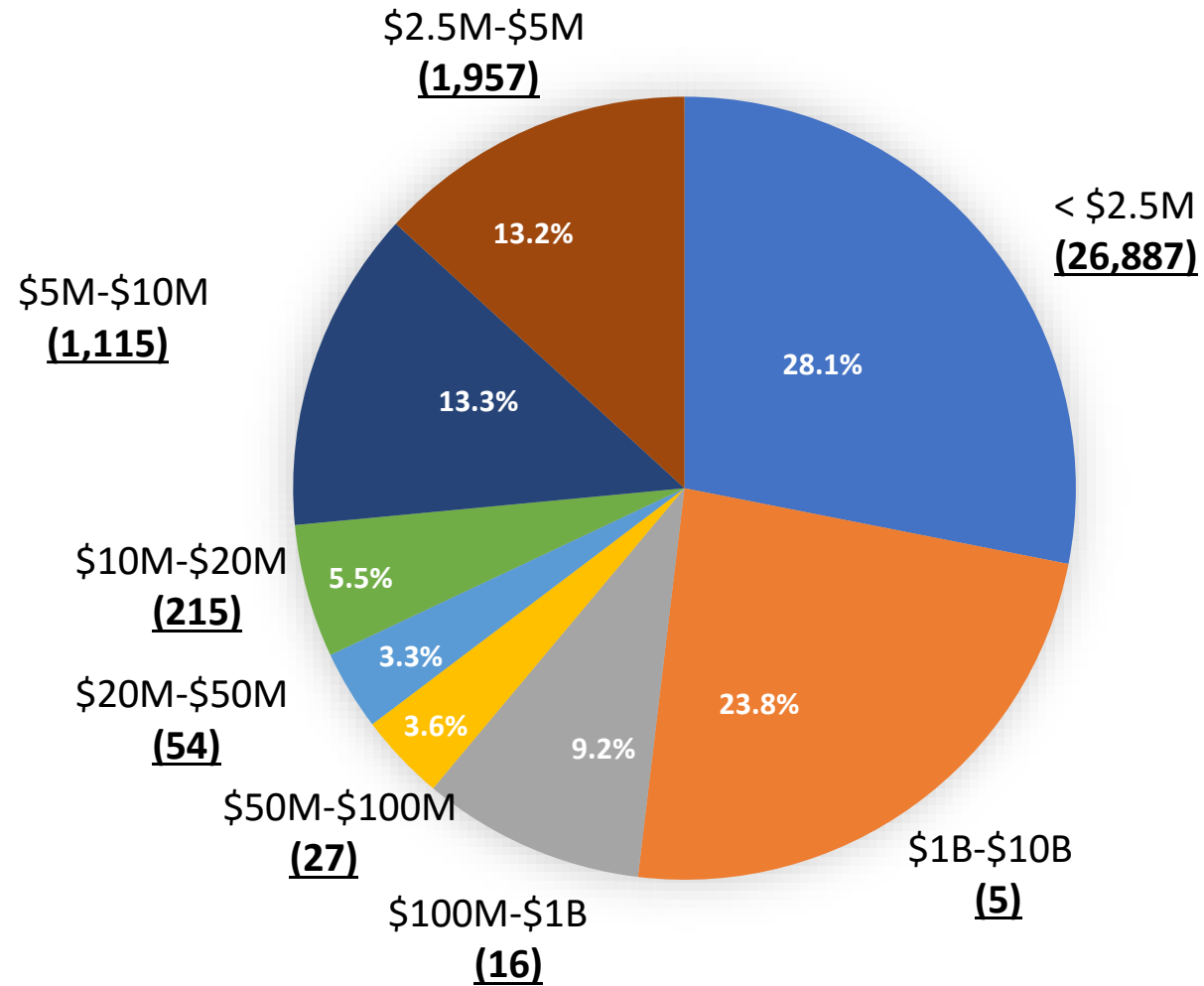


Advocacy

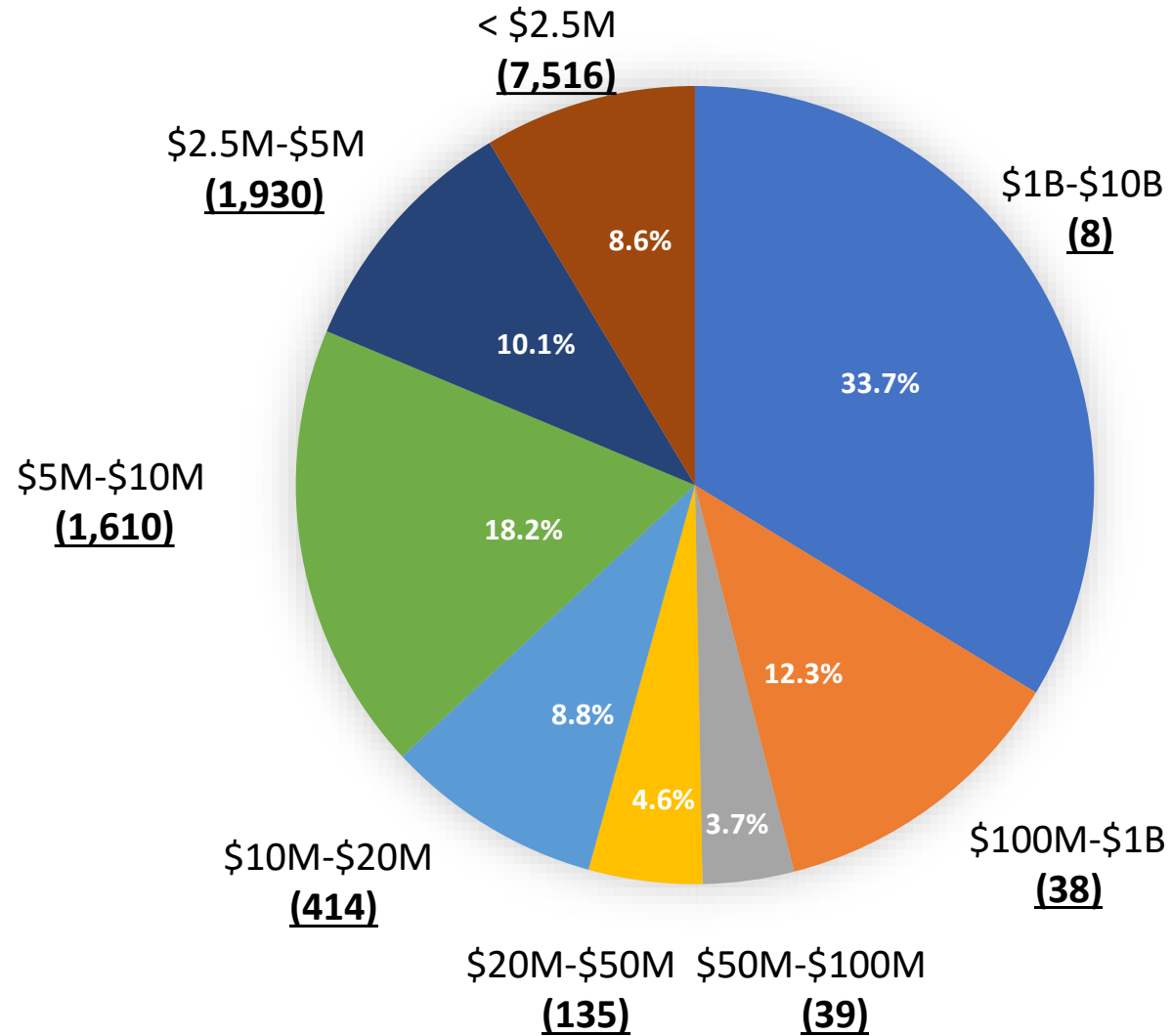


Business

Market 2005



Market 2015

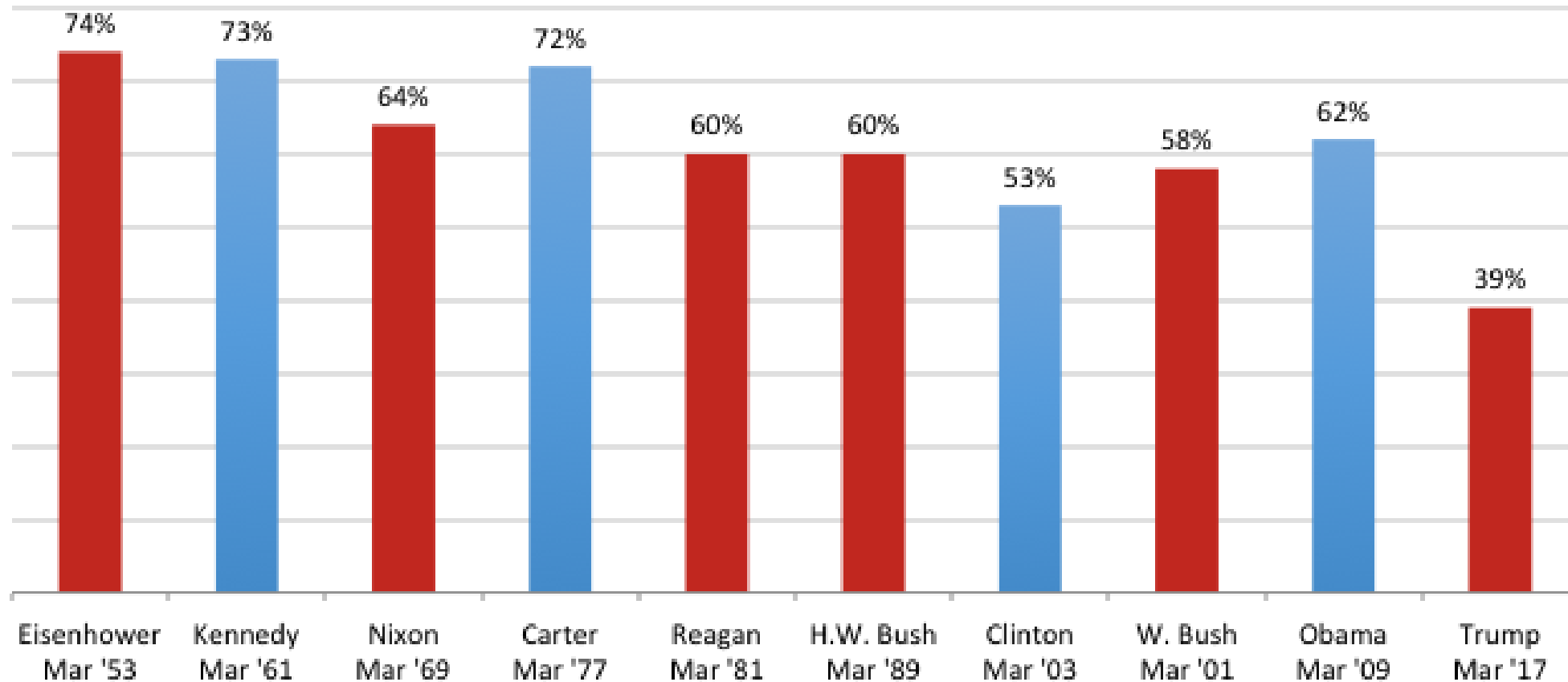




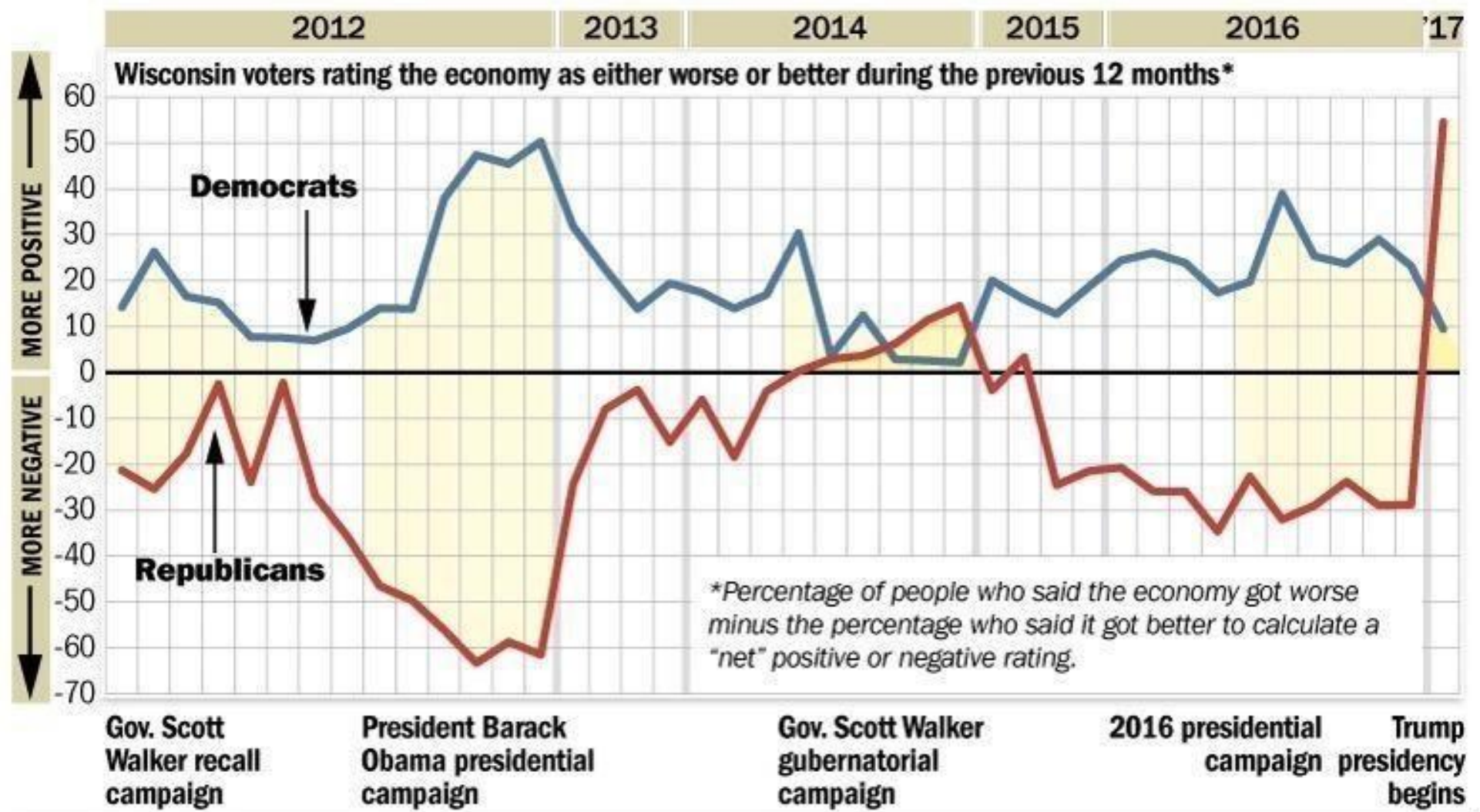


President Trump: Current disapproval numbers higher than any other President's at this point in their respective terms

Gallup comparative presidential approval ratings in February of each president's first term



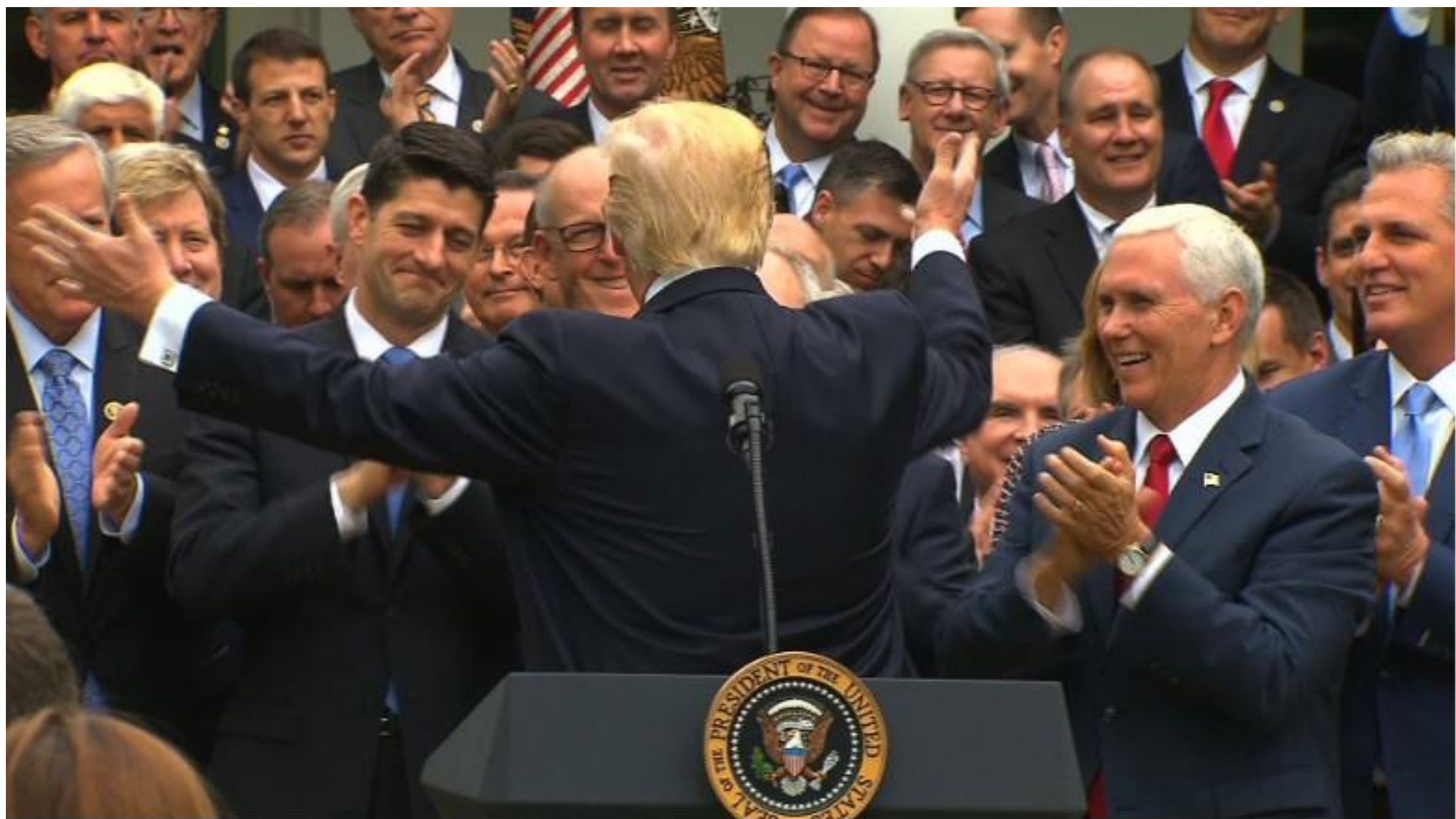
Wisconsin Voter Polls



Source: Marquette University Law School polls of registered voters by party, 2012 to 2017

Journal Sentinel





Failure of AHCA might be evidence of a degree of political fragmentation that extends to other policy areas

Lessons learned from the legislative process of the AHCA

A unified Republican government, including a GOP president and House majority, could not force enough GOP lawmakers to support the AHCA. What caused this lack of coherence in pursuing a major party initiative?

1

Independence of individual members of Congress

Individual members of Congress have become more willing to act independently of their party's leadership

2

Heightened influence of well-funded outside groups

There has been a transfer of influence from political parties to well-funded outside groups that are willing to support Republican representatives who take stances on issues that align with the group

3

Less reliance on party infrastructure

Many members of Congress now depend less on the party's financial assistance and support. An example of this was the Koch network's willingness to support those who buck party leadership

4

Polarized sources of money in politics

It is now easier than ever for members of Congress to connect with small donors throughout the country. Small and individual donors tend to be the most ideologically polarized, which further empowers extreme wings of the parties

5

Reduced importance of congressional committee assignments

Committees did not play a central role in crafting the AHCA. Now, committee assignments are less necessary for PR and fundraising purposes, meaning less leverage for leadership


6

Impact of elimination of earmarks

The elimination of earmarks has stripped a tool that party leaders could have used to entice members to support certain legislation

Within about a month, the House GOP's ACA replacement plan was introduced, withdrawn, amended, and eventually passed

Timeline of actions related to the American Health Care Act (AHCA) (1/2)

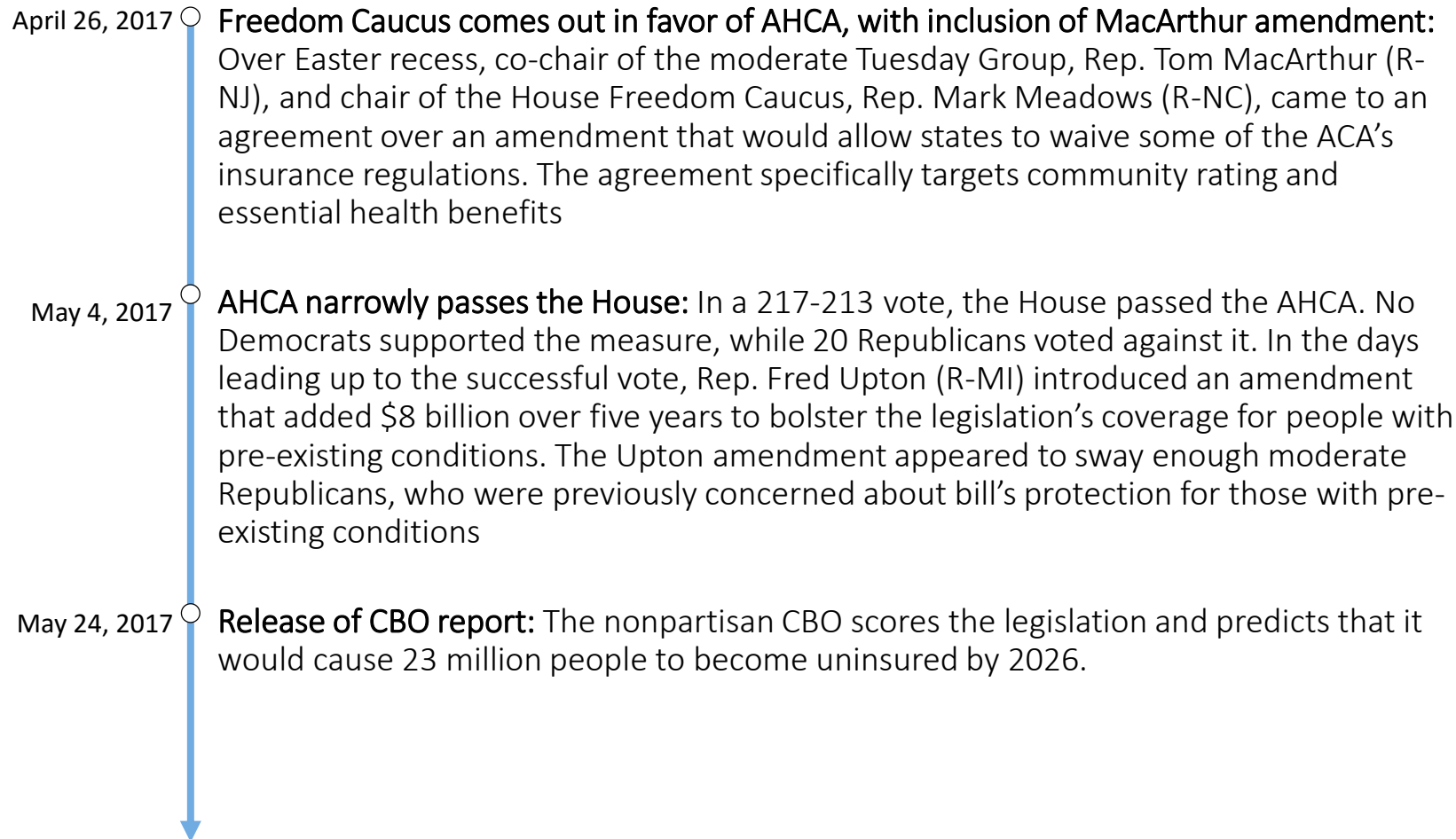
- 
- Mar 6, 2017 ○ AHCA is introduced by House Speaker Paul Ryan and fellow Republicans
 - Mar 9, 2017 ○ Despite lacking a CBO score, AHCA approved by W&M and E&C committees
 - Mar 13, 2017 ○ **Release of CBO report:** The nonpartisan CBO scores the legislation and predicts that it would cause 24 million people to become uninsured by 2026. Following the release of the report, several moderate House Republicans announced their opposition to the bill
 - Mar 16, 2017 ○ **Bill passes Budget Committee:** The bill passes the Budget Committee on a 19-17 vote
 - Mar 20, 2017 ○ **Manager's amendment released to tweak the bill:** In an attempt to garner more GOP votes, Republicans modified the bill with changes aimed at both hardline conservatives and moderates
 - Mar 23, 2017 ○ **Full House vote postponed; willingness to repeal essential health benefits:** Leadership pinpointed the 7-year anniversary of the passing of Obamacare as the day for a vote on the AHCA; however, the bill did not have enough support in the chamber to pass. To try to sway members of the House Freedom Caucus, the White House expressed openness to repealing the ACA's 10 essential health benefits, which alienated some moderate Republicans
 - Mar 24, 2017 ○ **House pulls the AHCA:** In a sharp rebuke to the ACA replacement plan, Republicans decided not to hold a vote on the proposal after it became clear that negotiations were not bridging the gap between the moderate and hardline conservative holdouts. Speaker of the House Paul Ryan expressed his dismay in a public statement, while the president voiced his intent to move on to other parts of his agenda

Analysis

- The House Freedom Caucus, chaired by Rep. Mark Meadows (R-NC), and moderate Republicans were the two factions of the GOP conference that initially killed the bill. The former thought it didn't go far enough in repealing the ACA, while the latter was worried about the political impact of supporting legislation that would cause millions to lose health insurance
- The eventual compromise that allowed the AHCA to pass included allowing states to apply for waivers that permit them to opt out of certain ACA insurance requirements and increasing the amount of money for programs that deal with people who have pre-existing conditions

AHCA bill narrowly passes the House on party lines, CBO score estimates an additional 23 million uninsured

Timeline of actions related to the American Health Care Act (AHCA) (2/2)



Analysis

- The MacArthur amendment swayed the House Freedom Caucus to support the AHCA, while the Upton amendment convinced enough moderate Republicans to pass the measure
- The bill will now head to the Senate, where it is likely to be changed significantly
- A number of Republican senators already oppose the measure, for a variety of reasons, including its defunding of Planned Parenthood and potential impact on the opioid epidemic
- Given the inevitable changes to the AHCA that will be made in the Senate, it is unclear how different GOP factions in the House might approach a conference committee

Senate AHCA efforts are divided by moderate-conservative split over state Medicaid expansion in the House bill

Competing factions in the Senate over the AHCA

The conservatives



Mike Lee (R-UT)



Ted Cruz (R-TX)



Pat Toomey (R-PA)



Rand Paul (R-KY)



Tom Cotton (R-AR)

The moderates



Lisa Murkowski (R-AK)



Jeff Flake (R-AZ)



Rob Portman (R-OH)



Dean Heller (R-NV)



Bill Cassidy (R-LA)



Susan Collins (R-ME)

The conservatives:

- They have expressed interest in drafting legislation that is very similar to the House bill
- Ted Cruz, Tom Cotton and Mike Lee have advocated against the ACA heavily in the past and are aligned with the conservative aspects of the House bill
- Rand Paul criticized the House bill, but his intentions on a Senate vote remain unclear
- Pat Toomey is McConnell's hope of unification and is charged with working on Medicaid amendments with Rob Portman of Ohio

The moderates:

- Bill Cassidy and Susan Collins have been outspoken critics of ACA since 2009, but advocated for repairing it rather than tearing it all down
- Rob Portman has been a leading voice in support of Medicaid expansion within the Republican Party
- Lisa Murkowski and Susan Collins have expressed concerns about voting yes for a bill that defunds Planned Parenthood entirely
- Dean Heller and Jeff Flake are in particularly vulnerable seats in states that have expanded Medicaid

Obamacare Lite or Not?

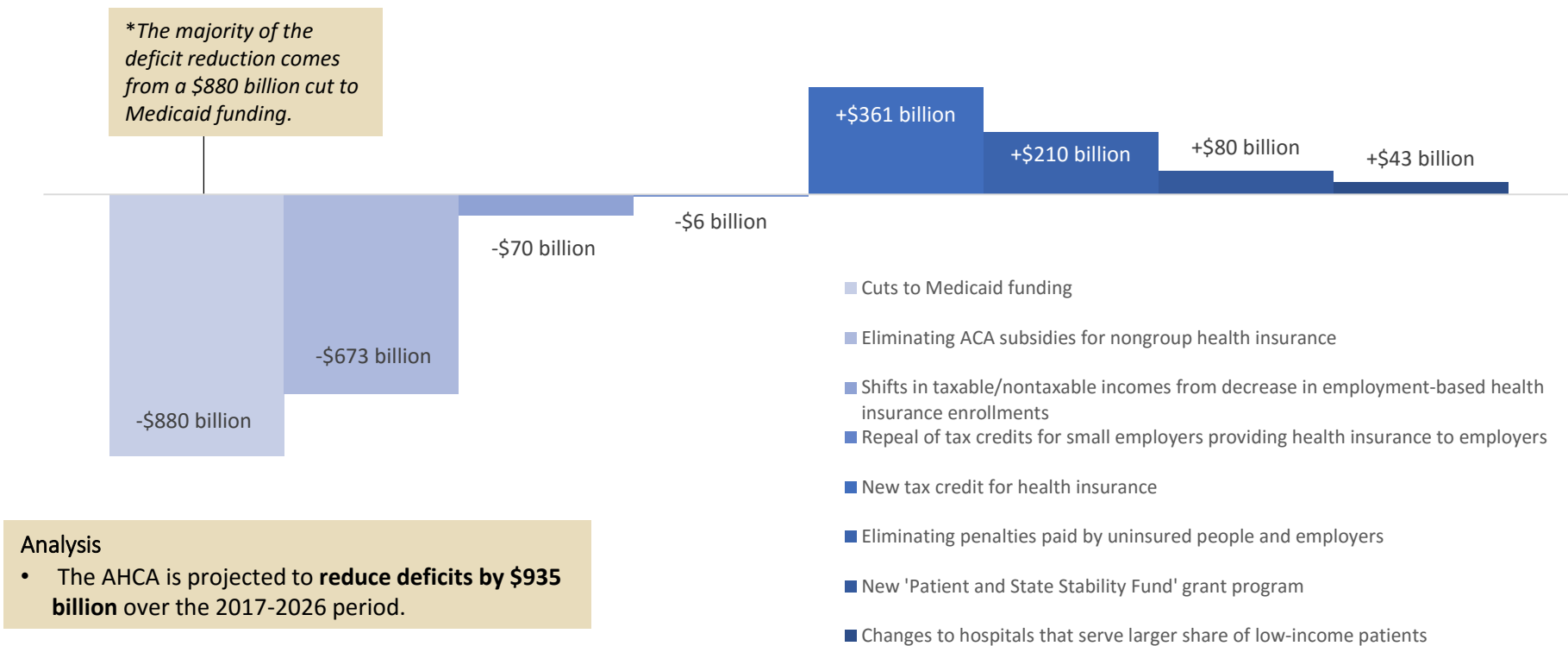
- Taxes, minus Cadillac in 2025 all repealed
- Individual and employer mandate penalties repealed
- Income-based ACA tax credits to be replaced with age-based credits
- Medicaid turned into per-capita caps, then expansion phased down

Obamacare Lite or Not?

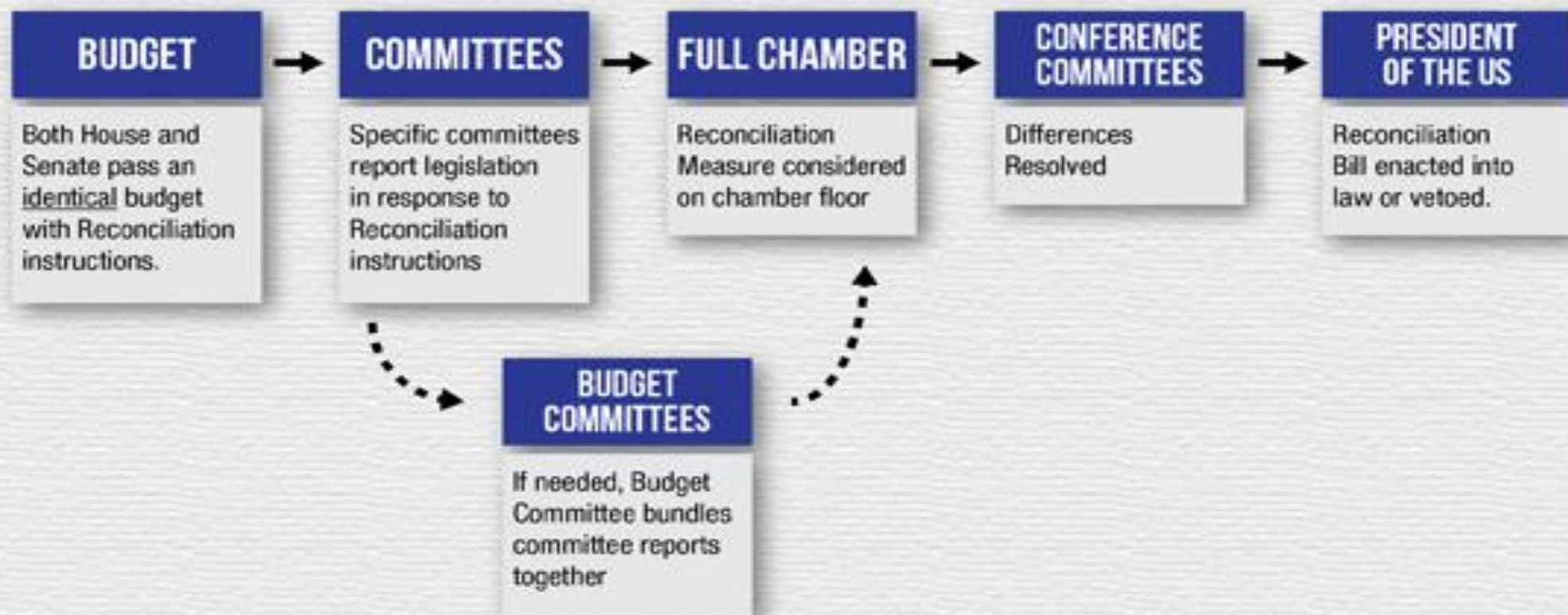
- Pre-ex tradeoff: “continuous coverage” provision
- MacArthur Amendment – state waivers from EHB
- Expansion of HSAs – conundrum of their tie to high-deductible plans
- Age rating bands – 5x instead of 3x (AARP unglued!)

The AHCA would reduce deficits by \$935 billion by cutting Medicaid funding by \$880 billion

Budgetary effects of health insurance coverage provisions under the AHCA



BUDGET RECONCILIATION



McConnell convenes health reform working group to write ACA replacement

Senate working group on health care reform



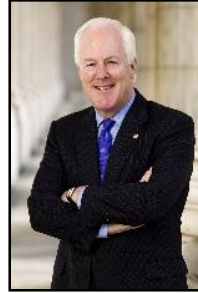
Senate Finance
Committee Chair
Orrin Hatch
(R-UT)



Senate HELP
Committee Chair
Lamar Alexander
(R-TN)



Senate Budget
Committee Chair
Mike Enzi
(R-WY)



Senate
Majority Whip
John Cornyn
(R-TX)



Republican Policy
Committee Chair
John Barrasso
(R-WY)



Senate Republican
Conference Chair
John Thune
(R-SD)



Rob Portman
(R-OH)



Cory Gardner
(R-CO)



Pat Toomey
(R-PA)



Tom Cotton
(R-AR)



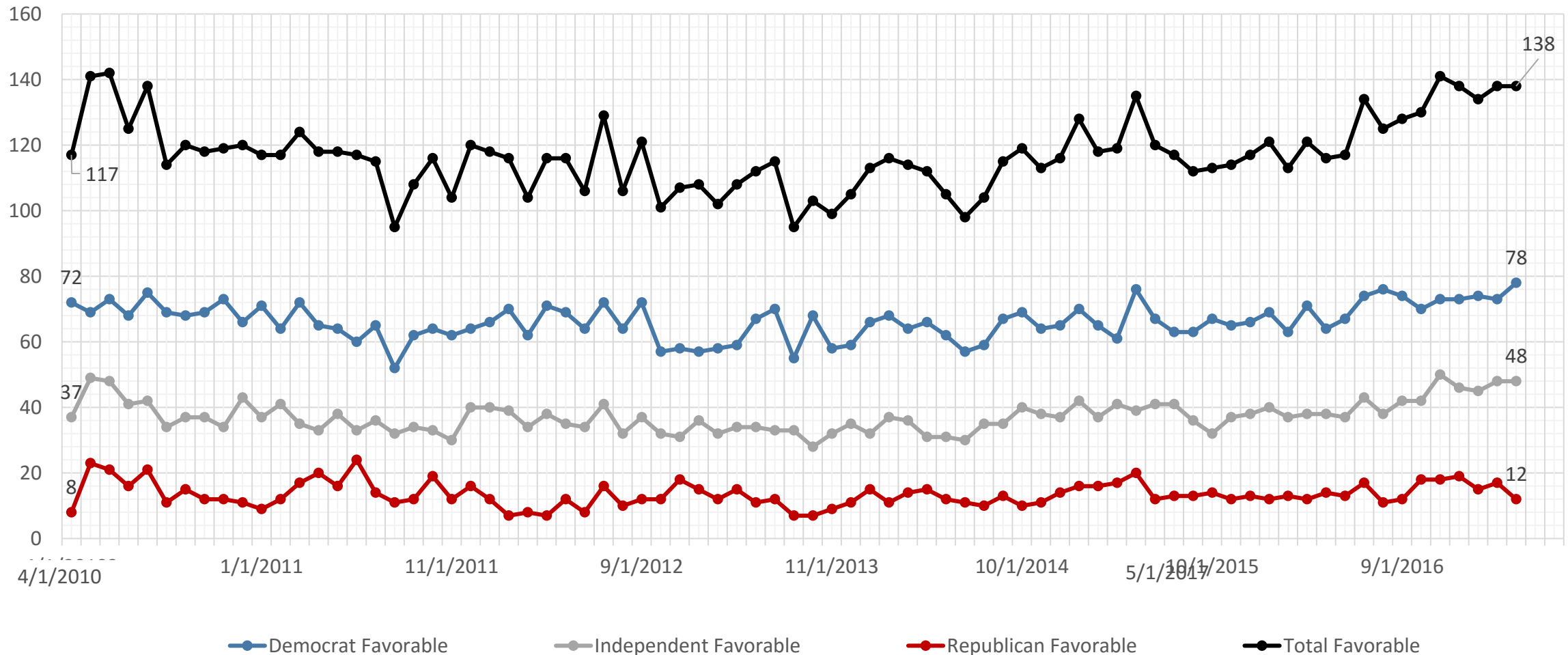
Ted Cruz
(R-TX)



Mike Lee
(R-UT)

Support for the ACA among Americans jumped 21 points from 2010 to 2017, regardless of party affiliation

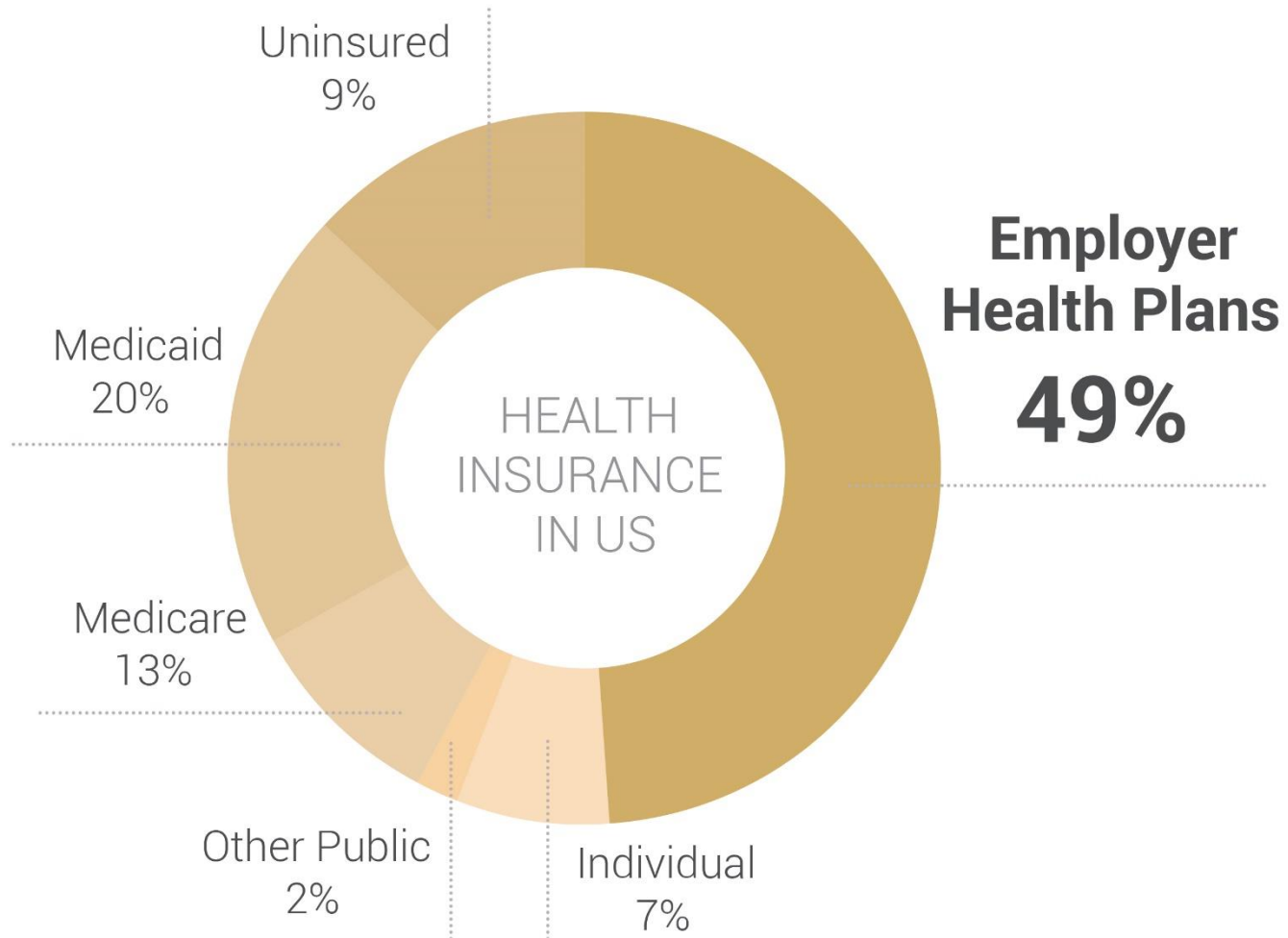
Favorability of the ACA, by party



Sources: Kaiser Family Foundation, May 27, 2017.

June 1, 2017 | Shruthi Ashok

FIRST, DO NO HARM: EMPLOYER PLANS



88%
satisfied with
health plans



61%
employer
self-insured plans



39%
employer
fully insured plans

FIRST, DO NO HARM: EMPLOYER PLANS

cont.

EMPLOYERS PAY



Single
\$5,300

82.5%



Family
\$12,865

71%

YOUNG/HEALTHY

OLDER/SICKER

Shared Risk Pool

EMPLOYERS ARE FAR BETTER
AT **PROMOTING HEALTH**
AND **CONTROLLING COSTS**

83% of employers
with group health plans offer
wellness programs

FIRST, DO NO HARM: EMPLOYER PLANS

cont.



Claims cost inflation

15%  vs. 75% 
group market individual market

WHAT CONGRESS SHOULD DO

- Help the uninsured and underinsured, but choose the method wisely.
 - Provide means-tested tax credits for those without employment-based offers.
- Keep the income tax exclusion for employer-provided health insurance.
 - Change = Tax increase for workers and families.
- Beware substitutes, like tax credits and flat deductions, for the income tax exclusion.
 - They risk disrupting the group market and causing a downward spiral.
- Enhance health savings accounts.
- Reduce regulations on employer-provided health insurance.

Primary Drivers to the Employer – Provided Group Platforms

- Pretax treatment of both employer and employee paid premiums
- Ease of distribution from carrier perspective
- Expectation by employees that good employers will provide benefits

Council Wish List for Trump Administration

- Establishment of a national benchmark health plan to undo state mandates
- Non-enforcement by Treasury/IRS of employer reporting obligations
- Non-enforcement of taxes and fees (Cadillac, PCORI fee, annual fee on providers)

Council Wish List for Legislation

- **Protection of the employer-based system** and tax benefits. (Individual market reforms shouldn't destabilize the employer system!)
- Clarifying/centralizing authority over **wellness programs**
- Permanent repeal of **Cadillac tax**
- Additional **HSA reforms** (telemedicine, onsite clinics)
- Eligibility-based test for the ACA **nondiscrimination provision** with respect to highly compensated employees
- Repeal of the **MLR**



The legislative agenda for 2017

Key dates and prospective items on the legislative agenda in 115th Congress

Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Beginning of 115 th Congress	DNC chair election	ACA: House GOP released and soon pulled the AHCA	Approps: Deadline to pass a new CR	G7 meeting	SCOTUS term ends	G20 summit	Congress on summer recess	Tax reform legislation	End of FY 2017		
Presidential inauguration							NAFTA renegotiations	FAA authorization expires			
ACA: End of open enroll. period		Immigration: EO to restrict immigration signed and will go into effect	Trump's 100 th day in office								

Possible actions, timing unknown

Affordable Care Act: After the AHCA passed the House, the Senate is expected to completely start over in drafting the bill

Conflict in Iraq & Syria: Democrats have renewed efforts to reign in executive military actions through a new Authorization for the Use of Military Force (AUMF)

Debt Ceiling: Sometime in fall 2017 and before Congress's August recess, the debt ceiling is expected to be raised

Energy & Environment: Negotiations for a comprehensive energy bill are expected to resume in the 115th Congress

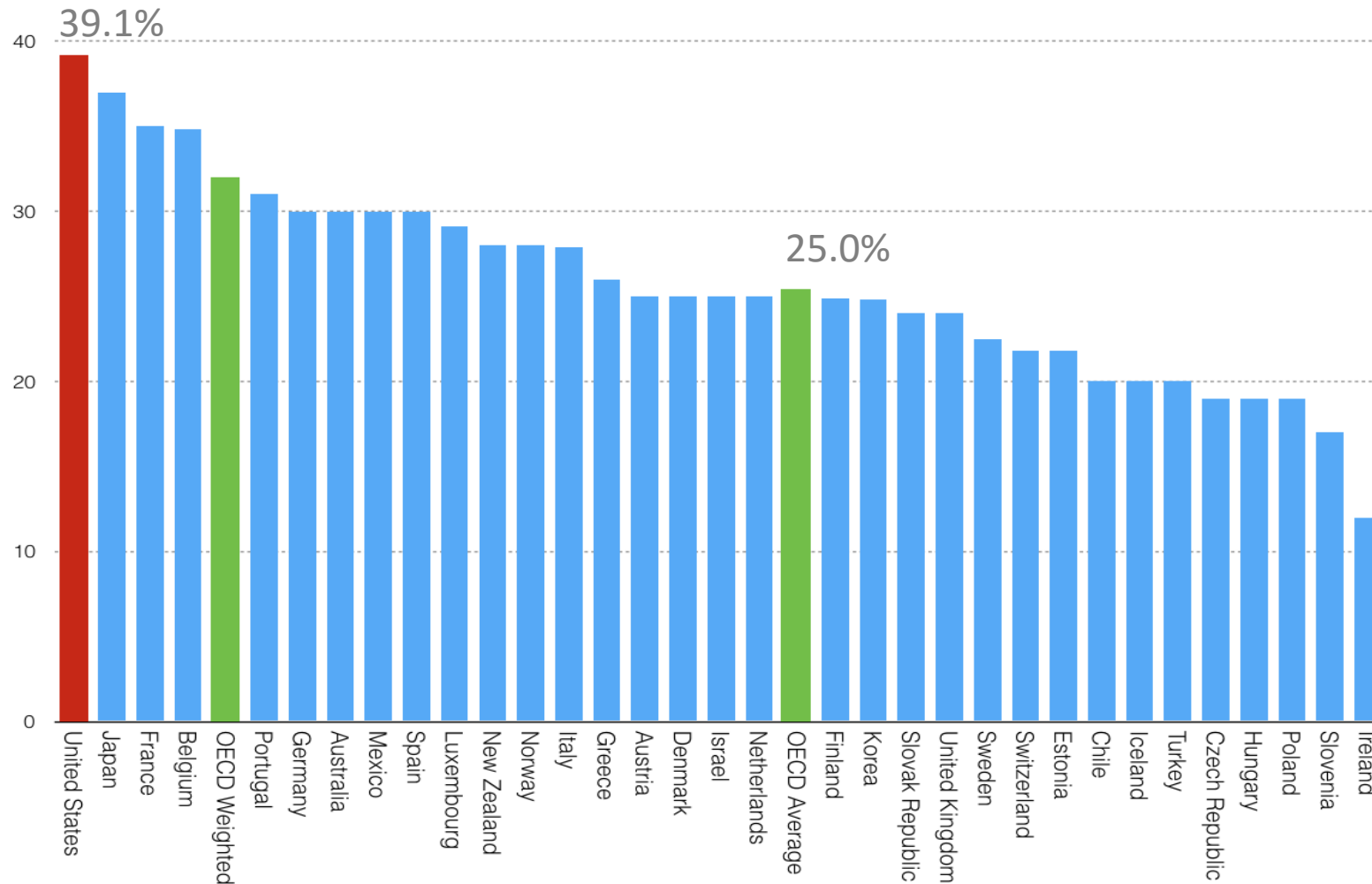
Financial Regulation: House Finance Committee Chairman Hensarling announced that an updated version of the CHOICE Act will see a floor vote

Immigration: President Trump has asked the Supreme Court to weigh in on his travel ban

Medicare: Congressional Republicans have expressed an interest in reforming Medicare and turning it into a "premium support" system

Tech: The Trump administration is working to modernize government information technology systems, while leadership in Congress has been involved in efforts to expand broadband and supplement the FCC's effort to roll back net neutrality regulations

Top Statutory Corporate Tax Rate by OECD Nation, 2013



President Trump releases outline of tax reform plan

Tenets of the White House memo on President Trump's proposed tax plan



Reduce 7 tax brackets
to 3 brackets of 10%,
25% and 35%



Double standard
deduction



Provide tax relief for
families with child
care expenses



Eliminate special tax
breaks, but keep the
mortgage and
charitable deductions



Repeal the Alternative
Minimum Tax and estate
tax



Repeal the 3.8%
Obamacare tax



15% corporate tax rate



Territorial tax system to
level international
playing field



One-time tax on
repatriated income

What the Border Adjustment Tax Does

CORPORATE TAX RATE
GOES FROM **35%** → **20%**

THE NEW CORPORATE TAX IS CHARGED TO



Domestically
produced
goods and
services



Imported
goods and
services



Exported goods
and services

IF YOU SELL YOUR PRODUCT...

in the U.S.



a tax on your profits

in another country



on your profits

THE BORDER ADJUSTMENT TAX WOULD GENERATE

\$1 trillion

to pay for reduction in corporate tax rate

(S)DailySignal.com

Property / Casualty Issues in 2017

- Dodd-Frank reform floundering
- National Flood Insurance Reauthorization
- Capital Standards
- Cyber Liability
- Usual industry circular firing squads (Covered Agreement & FIO)

Cyber Security Issues under Trump Administration

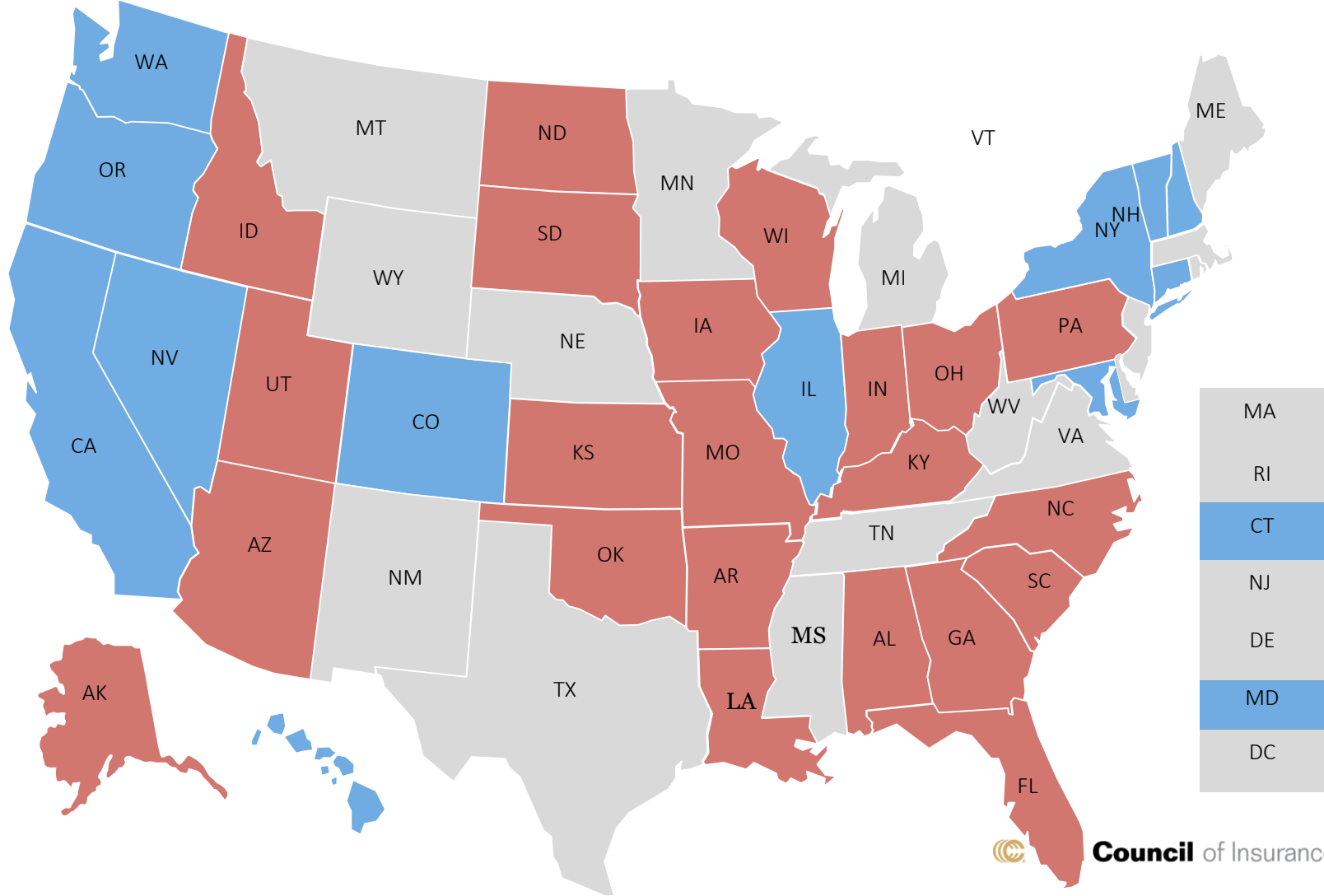
- Executive order expected any day
- Assessment of cyber liabilities
- Create a plan to improve cyber infrastructure
- Single national data breach notifications standard?
- New York's cyber law – will this spill to other states?

Transparency / Compensation

- Evan Greenberg remarks in April
- European focus on personal lines; watching U.S. carefully
- London FCA investigation launched April 2017
- Fiduciary regulations
- 2004-6 debacle

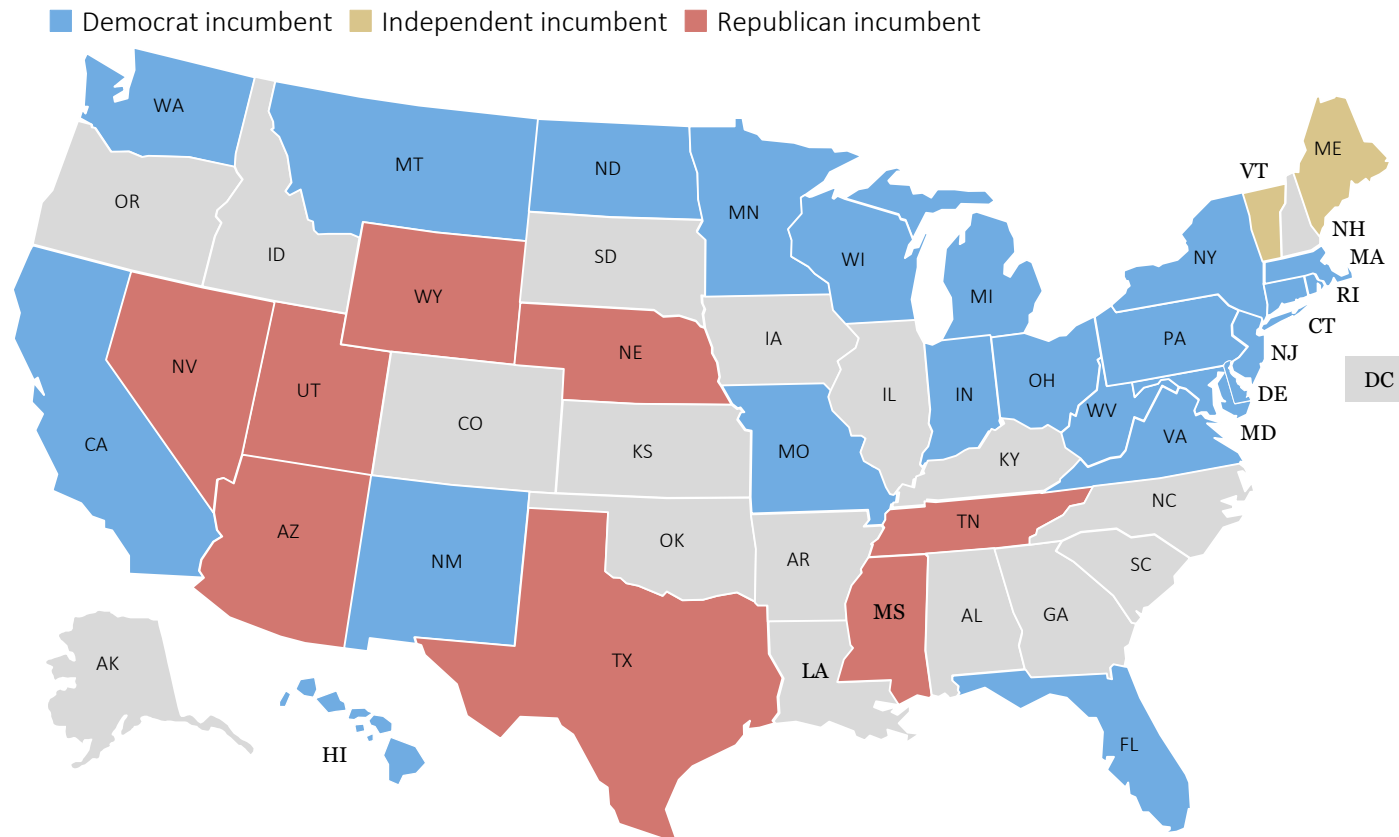
The Republican Party Maintains Majority in Senate After 2016 Elections

■ Democratic winner ■ Republican winner



Democrats need a three-seat net gain to win a 2018 Senate majority; Republicans are defending fewer seats

States with Senate elections, 2018

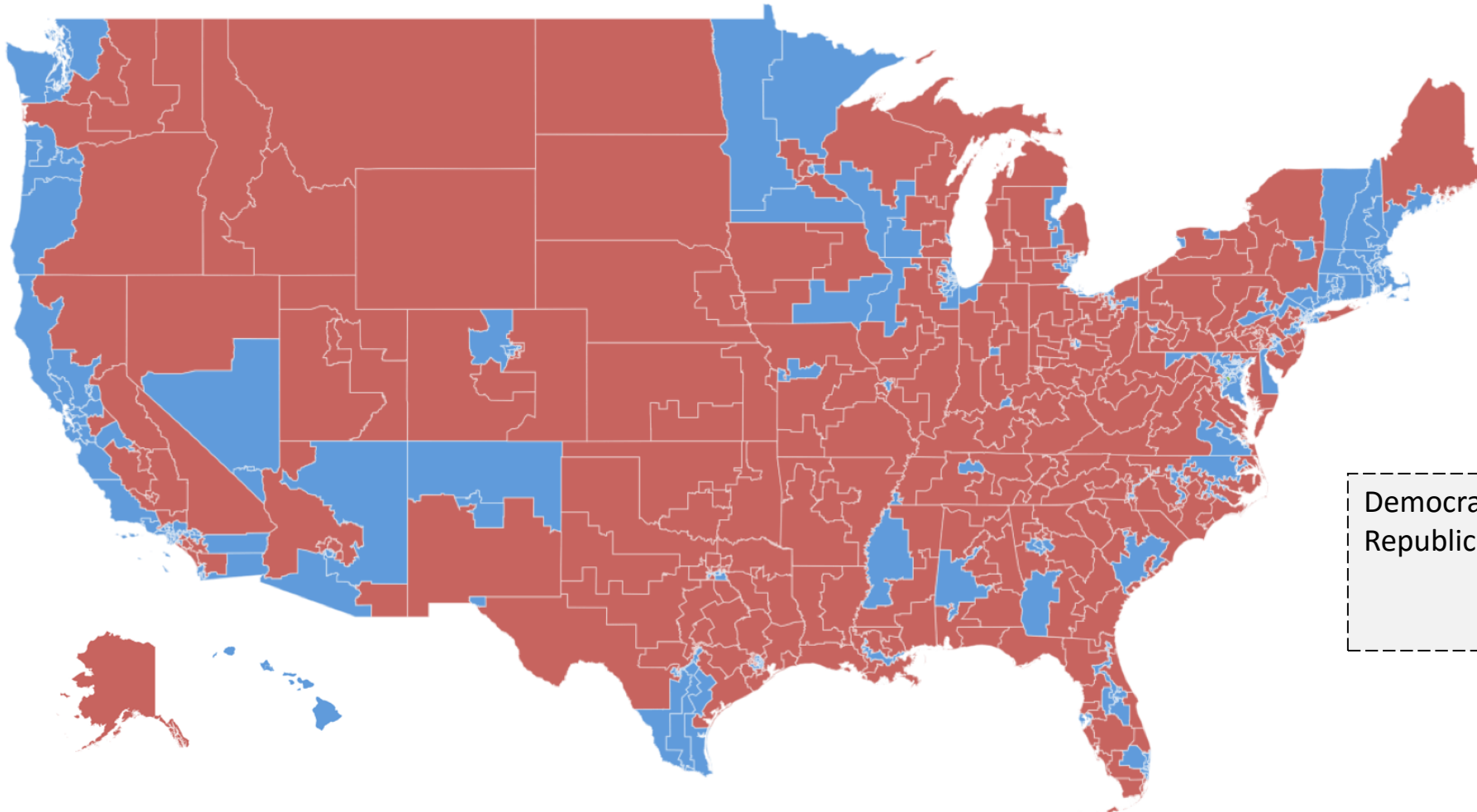


Analysis

- Democrats will be defending **25 seats** in 2018, while Republicans are defending only **eight**
- Of the eight Republican seats, just **Nevada**, held by freshman Sen. Dean Heller, is in a state won by Democrats in the 2012 or 2016 presidential elections
- No other GOP-held seat appears in danger, which means **Republicans are likely to hold onto their majority**
- Democrats will likely be on defense in **North Dakota** (a state Romney won by 20 points and Trump won by 36) and **West Virginia** (a state Romney won by 27 points and Trump won by 42)
- Other states Democrats will have to work hard to hold onto include **Indiana**, **Missouri**, and **Montana**

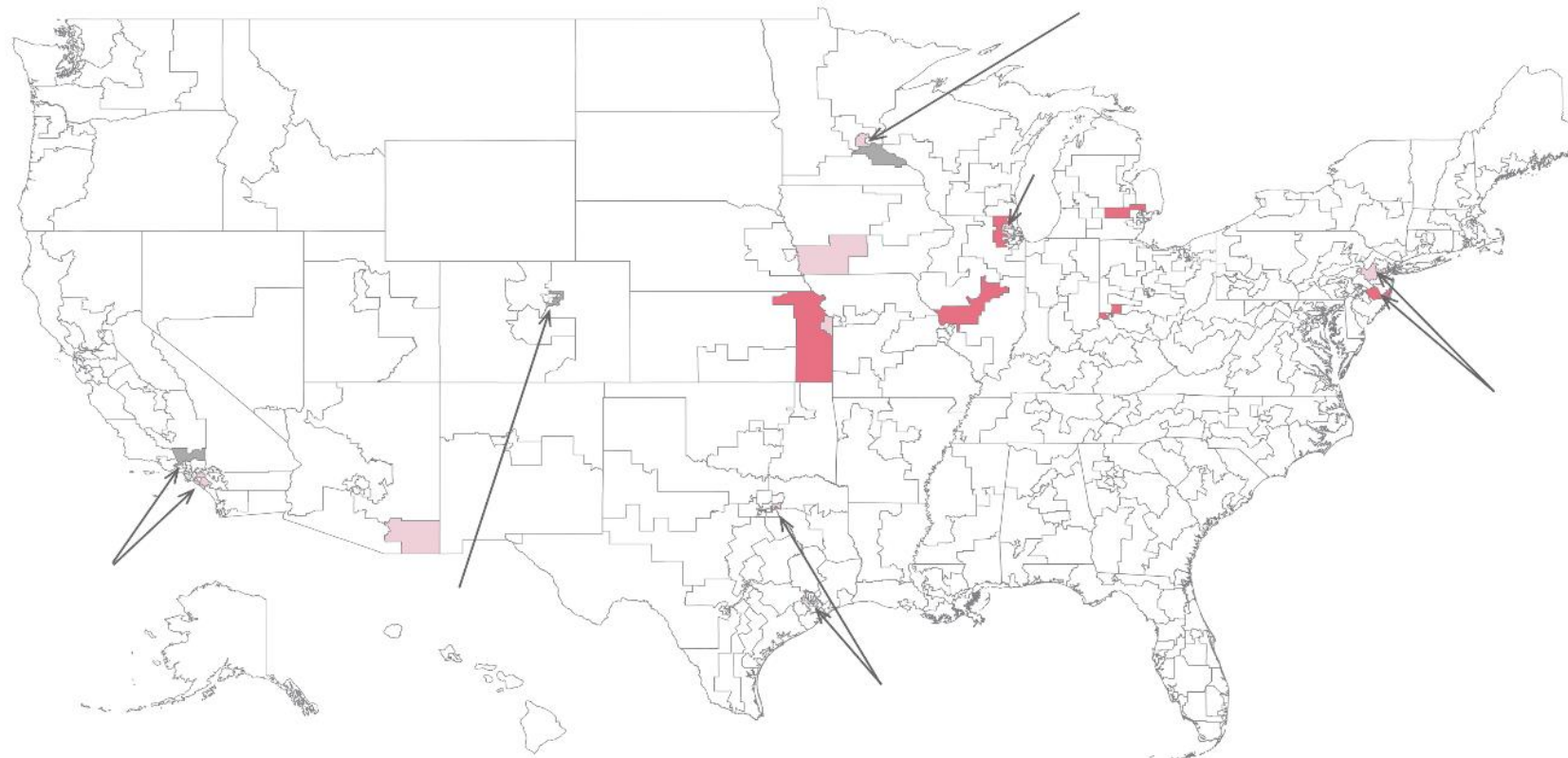
2016 House Election Results Map

■ Democratic winner ■ Republican winner



HOUSE RACE RATINGS

Changes in 20 Republican Districts



LEAN R → **TOSS UP**

CA-25 Knight

CO-06 Coffman

MN-02 Lewis

LIKELY R → **LEAN R**

AZ-02 McSally

CA-39 Royce

CA-45 Walters

CA-48 Rohrabacher

IL-06 Roskam

IA-03 Young

KS-03 Yoder

MN-03 Paulsen

NJ-07 Lance

TX-07 Culberson

TX-32 Sessions

SOLID R → **LIKELY R**

IL-13 Davis

IL-14 Hultgren

KS-02 OPEN

MI-08 Bishop

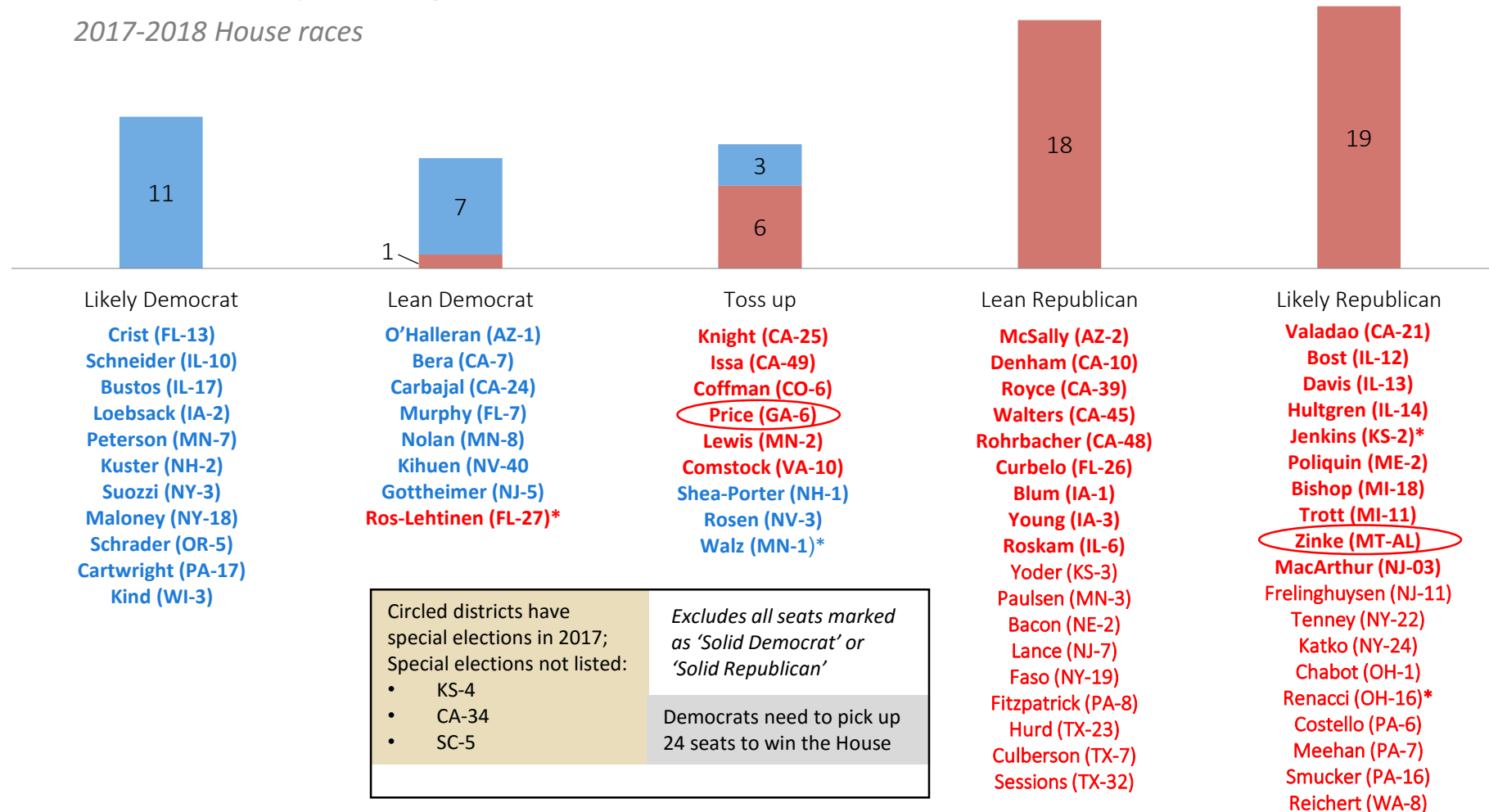
NJ-03 MacArthur

OH-01 Chabot

House vote on AHCA shakes up 2018 prospects for Republicans in moderate districts

Cook Political Report rating

2017-2018 House races

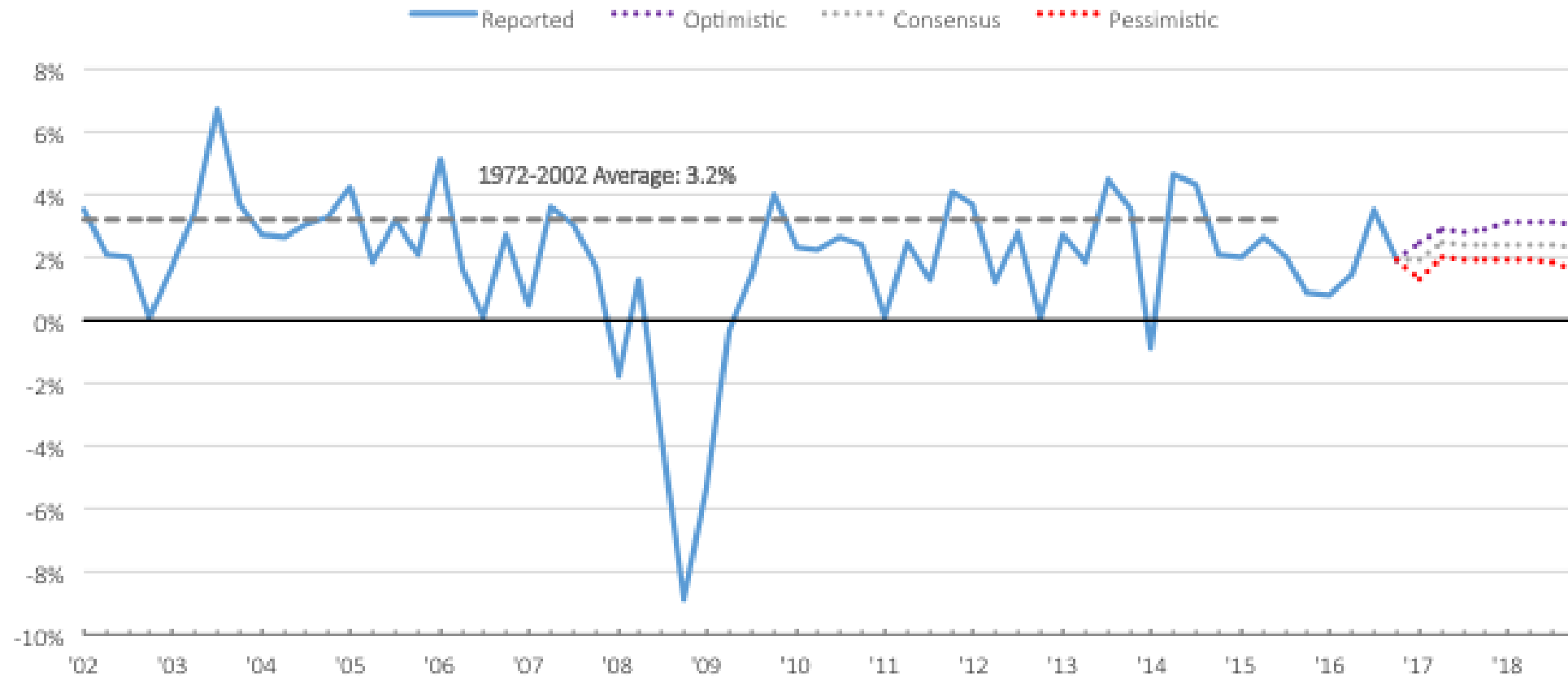


GEORGIA ON MY MIND - Another tight runoff poll shows Handel 49, Ossoff 47



Consensus estimates put economic growth at between 2% and 2.5% over next two years

Blue Chip Economic Indicators: GDP
Estimated quarterly change in GDP



COUNCIL PAC

CONGRESS
HAS THE
POWER TO
**MAKE OR
BREAK AN
INDUSTRY.**



COUNCIL PAC

enables **The Council to cut through the noise** and educate Congress on our industry's issues:



With your contributions, The Council's advocacy team helps elect and reelection candidates that are *pro-business, pro-insurance, pro-broker.*

Building these relationships means that when The Council needs to educate Members of Congress on our issues...

*They may not always agree, but they **will listen.***

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