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COMMITTEE ON WAYS AND MEANS

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Congress of the United States
House of Representatives
Washington, DC 20515

November 17, 2009

The Honorable Charles B. Rangel
Chairman
Committee on Ways and Means
1102 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Rangel:

In an exchange during the Rules Committee hearing on H.R. 3962, Rep. Virginia Foxx brought to your attention the revenue generated by AARP through the sale of Medigap and other insurance policies. You may also be aware that members of the Ways and Means Committee have been engaged in an ongoing discussion with AARP about those revenues and its impact on the organization's role as an advocate for seniors.

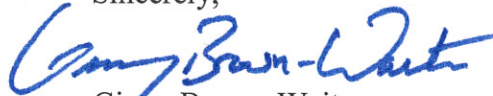
AARP's business model took a noticeable shift in the last decade with the hiring of CEO William Novelli. The hiring of a top advertising executive signaled a change in priorities for AARP, away from membership driven advocacy and towards increased revenues from insurance royalties. This shift raises serious questions that deserve answers. Most notably, should AARP be allowed to operate as "non-profit" entity? The American public and the seniors who contribute to AARP deserve a clear accounting of AARP's business practices.

In 2007, AARP took more than \$497 million in "royalties and fees". Further, in 2008, AARP's "royalties and fees" swelled to more than \$652 million, a 31 percent increase. Even more troubling is the rate at which these "royalties and fees" are growing as a share of AARP's overall revenues. In 1999, "royalties and fees" only made up 11 percent of AARP's revenues but in 2008, "royalties and fees" generated more than 60 percent of AARP's income. On top of this, AARP has reluctantly admitted to collecting and holding Medigap and other insurance premiums for up to a month in order to invest that money, earning an additional \$40 million in 2007.

With these facts, it is clear that AARP is not simply lending their name to the products they endorse as they claim. In addition to receiving generous compensation from the insurance companies it endorses, AARP also collects premiums directly from millions of seniors. The organization then turns around and "floats" or invests these premiums to make even more money before finally turning the premium over to the insurance provider. This is the sort of activity one would expect from Wall Street, not a seniors advocacy group.

I ask that you join me in calling on the Department of Justice and the Department of The Treasury to investigate AARP's collection of "royalties and fees" and the subsequent investment of insurance premiums. Further, I ask that you join me in calling for an oversight hearing into AARP's "non-profit" status.

Sincerely,



Ginny Brown-Waite
Member of Congress