



FEDERAL ELECTION COMMISSION
Washington, DC 20463

November 22, 1985

CERTIFIED MAIL,
RETURN RECEIPT REQUESTED

ADVISORY OPINION 1985-34

Mr. J. Curtis Herge
Sedam & Herge
Suite 1100
8300 Greensboro Drive
McLean, Virginia 22102

Dear Mr. Herge:

This responds to your letter of October 8, 1985, requesting an advisory opinion on behalf of the National Conservative Political Action Committee ("NCPAC"), a multicandidate political committee, concerning application of the Federal Election Campaign Act of 1971, as amended ("the Act"), to the purchase of a life insurance policy.

You state in your request that the Board of Directors of NCPAC has directed that consideration be given to the acquisition of key man insurance, insuring the life of its Chairman, Mr. John T. Dolan. You state that key man insurance is the generic name of a type of insurance coverage purchased by an organization to protect it in the event of the death of a valued employee. You state that the policy would be maintained in force as long as Mr. Dolan continues to serve as Chairman of NCPAC. You also state that NCPAC will own and pay the premiums on the policy, and that it will be the sole beneficiary of the proceeds of the policy. You note that NCPAC assumes that the face amount of the policy would be in excess of \$100,000.

On the basis of these facts, you ask (1) whether the proceeds of the policy would be considered to be a contribution subject to the Act and (2) whether NCPAC could use the proceeds of the policy to make contributions or to pay administrative overhead expenses, debts and obligations, or other such items as the Board of Directors deems appropriate.

The Commission concludes that provided the insurance policy is not issued to NCPAC at a charge which is less than the usual and normal charge for such a policy, and provided the insurer issues the policy in the normal course of business and in accordance with all applicable laws and

regulations, the proceeds of the policy would not be viewed as a contribution to NCPAC from the insurer. See 11 CFR 100.7(a)(1)(iii). Accordingly, proceeds from the policy could be used for any lawful purpose, including contributions and expenditures by NCPAC.* See Advisory Opinion 1983-4.

The Commission expresses no opinion with respect to any tax ramifications of the described activity since those issues are not within its jurisdiction.

This response constitutes an advisory opinion concerning application of the Act and Commission regulations to the specific transaction or activity set forth in your request. See 2 U.S.C. 437f.

Sincerely yours,

(signed)

John Warren McGarry
Chairman for the Federal Election Commission

*/ Since you have not described or furnished a prototype of the proposed life insurance policy, and have not stated whether the policy may be used in any way as security or collateral for a loan or for any other purpose, the Commission does not address any issue that might arise under such circumstances.