



DIRK KEMPTHORNE
President & Chief Executive Officer

**Governor Dirk Kempthorne
ACLI Annual Conference
Monday, October 12, 2015**

Good morning. Welcome to the ACLI Annual Conference that brings together our life insurance family.

Two leaders deserve special praise. Roger Crandall has been tremendous as the chair for ACLI. Roger loves baseball. To offer a baseball analogy, Roger has managed this team so effectively that we are in the hunt for a pennant.

Roger is a New York Yankees fan and was named after Roger Maris. I will also note that he informed us that his mother said that if Roger Maris did not break Babe Ruth's single-season home run record he would have been named either Mickey or Yogi.

Deanna Mulligan will be ACLI's new chair. Deanna, the successful and dynamic President and CEO of Guardian Life Insurance, continues the tradition of strong and proven ACLI leaders.

She is the first woman to chair ACLI. These fine leaders deserve our applause.

Let me also welcome some other leaders and friends of ACLI: Frank Swedlove, president and CEO of the Canadian Life and Health Insurance Association; David Stertzler of AALU and his executive team; and Tom Workman of LICONY.

Many of you know my wife, Patricia. What you may not know is her behind-the-scenes work to make the spouse program a success. It is a terrific program. To the spouses here, welcome... and thank you for your support.

All of us are part of an industry that offers products owned by 75 million American households. Life insurers invest \$5.8 trillion in the U.S. economy. We generate 2.5 million jobs. Our industry is strong and stable.

But winds of change swirl around us... An unwise Labor Department regulation...
Seismic demographic shifts... An increased role for the Federal Reserve... Complex inter-relationships of
state, federal and international regulation.

During this conference we'll talk about how these pressures, which are sometimes crises, also offer
great opportunities.

But first, I am going to do something different. I will show you messages and slogans that every day
convey our industry's passion. Now, with 300 members, it is not possible to show every company's
messaging. But you'll recognize a cross-section of the industry... big, medium and small-sized
companies; stock, mutual and fraternal, and reinsurers.

All of you have great messages, such as:

We'll help you get there.
You're in charge.
Protect tomorrow. Embrace today.
Connecting faith and finances for good
Keep good going
Like a good neighbor...
Live life better...
Transform Tomorrow
Bring your challenges
The insurance company that cares
...is on your side.
The power to help you succeed
Dream big. Plan smart.
Helping people through difficult times
It's never too early to think about the future.
A better life experience
Trusted by those you trust
We know what it means to serve
Somewhat Different
Family matters. No matter what.



And, you have impressive visuals.



This industry offers Financial Security... For Life.

Your energy and creativity in promoting retirement security is everywhere. It is displayed in a unique Chicago coffee house called Next Door. Customers there are millennials with I-phones, I-pads and eye-popping energy.

How does this coffee house connect to our business?

An ACLI member company invented and owns Next Door. I visited Next Door. Together with coffee and free Wi-Fi, Next Door offers coaches who advise mostly young people about family finances, student loans and, yes, insurance. But significantly, it is a laboratory where this company learns how to communicate with millennials and incorporates what they learn throughout their national sales strategy.



This commercial shows a different way our industry is connecting.

You may ask, why rugby? Its popularity is growing among young people. It will be a 2016 summer Olympic sport.

Now, imagine a teammate saying to the agent: “Can you help me? I’m switching jobs and want to move my 401(k) money. What do you think I should do?” The agent can help. He can provide answers right away. He can sell his company’s products that meet his client’s needs. And yes, the agent will earn a commission for his time and effort. All good, right?

No, says the U.S. Department of Labor. The department is pushing a regulation of tremendous magnitude. CEOs have told me and I quote, “the fiduciary regulation is aimed at the very heart of our business models.” Unquote. It is a threat to our customers, companies and agents.

And, despite what the Labor Department says, it will harm lower and middle-income Americans. It will create an ADVICE GAP. It will raise virtually insurmountable barriers for our agents and experts to help Americans. It is government at its worst.

If the Labor Department has its way, the agent in the commercial you just saw could be severely limited in recommending company products. If the department prevails, the agent has to get his teammate to sign a contract before they talk... and with contract terms specified by the Labor Department.

We face an uphill battle to fix the rule. Why? The Obama Administration considers the fiduciary issue its top domestic priority. White House soundbites are politically powerful. They say they want to protect the middle class from conflicts of interest.

Well, who doesn’t? The reality is the administration’s proposed fiduciary regulation will hurt the middle class. So, what is ACLI, your association, doing? Plenty. With your leadership, we launched a multi-million dollar campaign involving TV, the Internet, grassroots and earned media.

31 out of 31 members of ACLI's Board of Directors had their companies give to this campaign. Nearly all member companies donated. That is significant. Our goal was to raise public awareness and inspire action. Here is our ad, produced by our company and agent Secure Family coalition, urging Washington, D.C. to fix the rule:



Did we raise public awareness? Absolutely. That ad, and another one with a married couple fearing they would lose their financial advisor, was televised to 67 million Americans 35 years and older. The ads created awareness.

National Public Radio, The Wall Street Journal, The Los Angeles Times, Politico, and the Huffington Post all reported on the ads.

- 650,000 letters have already been sent to Capitol Hill and the Labor Department.
- Companies have conducted more than 530 in-district meetings with Members of Congress and staff.
- With thanks to additional company contributions to this phase of the campaign, we are engaging hundreds of thousands of people with messages about the unintended consequences of the rule.

- ▶ **650,000** letters have been sent to Capitol Hill
- ▶ More than **530** in-district meetings
- ▶ **500,000** people ready to contact policymakers

Also, agent advisors are being recruited and trained to reach out to policy makers and to the news media to urge the proposed regulation to be fixed. Governors, state legislators, state regulators, business leaders, academics and leading think tanks are also joining in this effort.

ACLI also worked with many member companies in writing a 300-page comment letter. ACLI experts testified before the Labor Department.

These experts pointed out that the regulation mentioned annuities 172 times but made no mention of annuities in its cost-benefit analysis as required by the Obama administration's own directive.

So, what have these combined efforts achieved?

- ▶ **8** Senate Finance Committee Democrats
- ▶ **21** House Members
- ▶ **96** House Democrats
- ▶ **105** House Republicans

Here is a sampling:

- 8 Senate Finance Committee Democrats, led by Ranking Member Ron Wyden expressed concerns that the proposed regulation will impact small business access to advisers.
- 21 House Members from both parties, led by Representatives Ann Wagner and David Scott, told Labor that its proposal would result in less choice for consumers.

- 96 House Democrats encouraged the department to convene a small working group that would include industry to ease final implementation.
- 105 House Republicans urged the department to provide stakeholders with an opportunity to review the changes before the regulation advances any further.
- In all, some 60 percent of the 535 members of the House and Senate have signed comment letters expressing concerns with the Labor Department's proposal.

Many of these letters noted the proposal's negative impact on consumers' ability to access lifetime income products.

A letter from Democratic Senator Claire McCaskill noted, quote: "The department's proposal would nearly eliminate access to many annuity products, and create an unlevel playing field for variable and fixed annuities." Unquote.

Her letter continued, capturing the comments of Members of Congress calling for the proposal to be revised: quote "If these changes cannot be effectively implemented within the required time frame, there will be major disruption not just to the industry, but to the millions of low and middle-income Americans saving for retirement." Unquote.

Governor Kempthorne reads selected sections directly from Wall Street Journal editorial, Democrats Against ObamaSave <http://www.wsj.com/articles/democrats-against-obamasave-1444601940>

To keep pressure on Congress and the Administration, we must all be "Ambassadors of Action." Action that involves our employees, convinces leaders to make wise policy decisions and shows private sector innovation is better than unworkable regulation.

We must be vigilant and tenacious in telling our story that we act in the best interest of customers. Can any company stay in business for long if it doesn't? Of course not.

The truth is life insurers stay in business for a very long time. Northwestern Mutual, Penn Mutual and New York Life started in the 1840s. Mass Mutual opened in the 1850s. Met Life, Pacific Life, Guardian, John Hancock and Transamerica began in the 1860s. In the 1870s Prudential and Principal started up. In the 1880s Columbia Mutual opened its doors. Ameriprise started in the 1890s and Lincoln and Protective at the turn of the 20th Century.

I could go on and on. My point is this: 144 life insurance companies are 100 years old or older. Folks, 70 percent of ACLI member companies have been open for more than a century. That is remarkable.

Northwestern University Professor Don McNeely says that only one percent of businesses ever reaches a century. The business world envies our longevity! Our products and services are essential. We meet people's needs. We keep promises. We establish reserves. We work with state regulators.

Principle-Based Reserves, or PBR, is a good example. We worked with state insurance commissioners to develop an effective PBR. I recently wrote Governor Jerry Brown asking him to sign the law making California the 37th state to adopt PBR. Just last week he did so. This is a huge step forward, and special thanks go to leaders like Jim Morris of Pacific Life for their efforts on the industry's behalf. PBR is on pace to go into effect in 2017.

Other issues like tax policy and capital standards are also critically important.

Our tax burden is already substantial. After all, the IRS is a silent 35 percent partner in our business.

ACLI has been engaged in a focused campaign to educate members of the tax-writing committees in Congress and their staffs that good tax policy is needed for life insurance and annuities to remain affordable and accessible.

We have been making progress.

But, it is abundantly clear that taxes and tax reform are looming issues for our industry and we will be ready for any potential fight ahead.

Now, it used to be that only states wrote capital standards.

But, as a result of the Dodd-Frank Act, the Federal Reserve is writing capital standards for insurance companies. ACLI's goal is to help the Federal Reserve further understand our industry as it writes insurance standards. We seek a Team USA approach where states, the Federal Reserve, FIO and ACLI work together.

Capital standards is a global issue as well.

The United States should finish writing its capital standards before international standard setters try to impose rules on us.

I made this point in recent testimony before the Senate Banking Committee, and recommended Congressional oversight to make sure this happens.

Last year, I was presented with the opportunity to follow Frank Swedlove as chairman of GFIA, the Global Federation of Insurance Associations. When I asked then-ACLI Chairman Johnny Johns for his advice on whether to accept the GFIA chairmanship, his response was immediate and positive. GFIA provides a platform for a united insurance industry to advocate its views to global leaders. Let me give you an example:

Last July, GFIA was invited to Turkey, which this year holds the presidency of the G-20. The G-20 represents the world's 20 major economies and oversees international standard-setting organizations. I led the GFIA team to Turkey.

We discussed the world's retirement crisis, and the need for governments to partner with insurers, to provide more opportunities for financially protecting their citizens. As a result of our efforts, language is being inserted into crucial public policies that embrace insurance companies as important sources of infrastructure investment... and helping people. Insurance companies can help both aging societies and aging infrastructure. We received high marks for our leadership in Turkey. We've been invited to lead a similar program next year in China when it holds the presidency of the G-20.

This international platform helps me appreciate America even more. Our economy, even when it isn't firing on all cylinders, remains the envy of the entire world. And with good reason. Our consumer buying power is staggering.



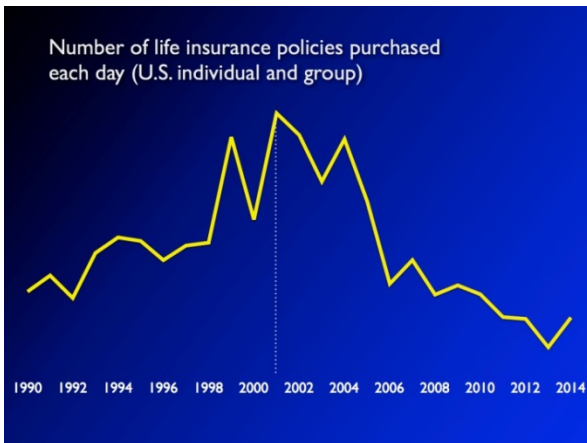
Every day, Americans buy:

- 367,000 smartphones
- 93,000 television sets
- 45,000 cars

How many life insurance policies do Americans buy every day? Every day Americans buy 74,000 policies with a face amount totaling \$7.5 billion. But, a big challenge for our industry is increasing the number of households with our products.

74,000
life insurance
policies

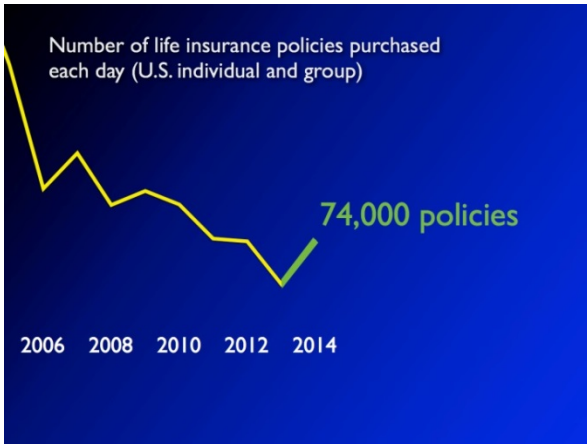
\$7.5 Billion
face value



Life insurance sales were increasing in the early 1990s. Sales fell later in that decade when the stock market reached new heights. Some thought our products were less necessary... that good times were never end. The good times did end, most notably and tragically by the events of 9/11. Right after 9/11, insurance sales rose.

In crisis and uncertainty, data shows Americans buy comfort food, like Kraft macaroni and cheese. They also buy life insurance.

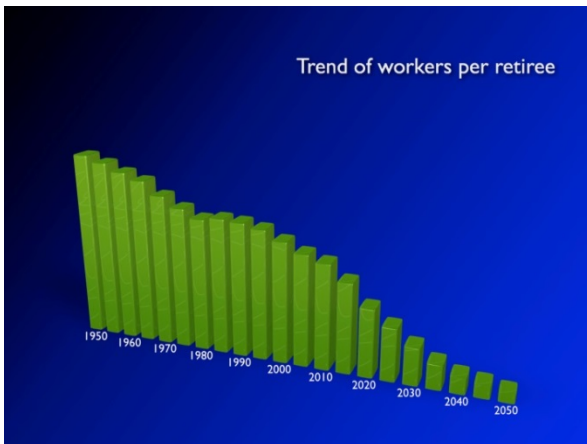
The Twin Towers fell on 9/11, but people recognize us as a source of strength and comfort in tough times. We offer guarantees not available anywhere else. No one else offers a guaranteed paycheck for life, a personal pension... through the purchase of an annuity.



But to come back to this chart, note the increase in sales between 2012 and 2014. We won't know for a few years if this is a short-term or a multi-year trend.

But we may be moving closer to achieving Winston Churchill's dream to... quote... "write the word 'insure' upon the door of every cottage... because I am convinced, for sacrifices so small, families and estates can be protected against catastrophes which would otherwise smash them up forever." Unquote.

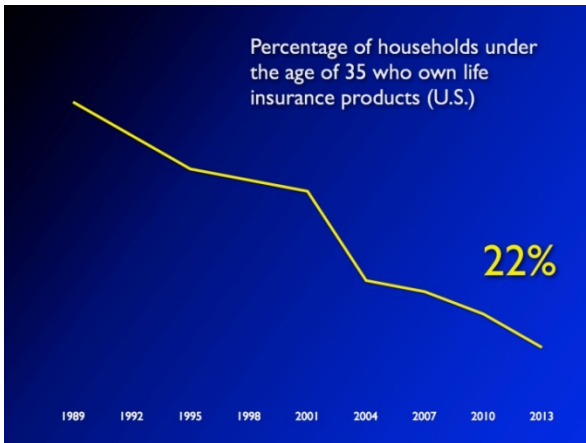
Look at these charts.



This chart shows the trend in the number of retirees per worker in several countries. The second chart, conversely, shows the declining ratio of workers to retirees in those same countries.

Societies are aging around the world, including the United States.

In 1935, when Social Security began here in the United States, the ratio of workers to retirees was 12-to-1. It is 3-to-1 now and in a few years it will be a 2-to-1 ratio. It is similar throughout the world but it is especially dire in Japan, where in 2050 it will be a 1-to-1 worker-to-retiree ratio.



This third chart shows the percentage of households under the age of 35 who own life insurance products in the United States in the past 24 years has declined by 22 percent.

Is this a crisis? Or, is it an enormous opportunity?

Governments in the United States and around the world see these same trends. Life insurers offer innovative solutions that augment the government safety net. Our innovations, our creativity, our outreach is needed now more than ever.

We are financial coaches who help people lead full lives of dignity.

Every day, our industry delivers messages about planning for tomorrow. We continually, as referenced earlier, have the messages to affirm to Americans that we can help.

We can be trusted by both our customers and officials at all levels of government. We will extend our hand to help policymakers... and we will fight for what is right.

This conference isn't just about information. It's about being Ambassadors of Action... advocating our noble purpose in:

- peoples' houses...
- coffee houses...
- houses of Congress...
- state houses...
- the White House... and
- government houses throughout the world.

We offer solutions that people and governments need. Our industry has helped generations of Americans. We will help future generations. We offer financial security for life.

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