



Susan Neely
President & Chief Executive Officer

**2019 Global Insurance Symposium
Des Moines, Iowa
SUSAN K. NEELY
April 25, 2019**

Good morning and thank you!

It's a great pleasure to be in the company of such distinguished guests and leaders who are working around the globe on such important topics impacting families and our economy.

More personally, it's good to be home. I was born and raised in Iowa. In fact, being here is a "circle of life" moment for me. Let me explain.

Many years ago, in the 1980s, I was a senior aide to Iowa Governor Terry Branstad. Shortly after Governor Branstad was first elected, the bottom dropped out of the farm economy and land values plummeted. Farmers lost century old farms. Iowa went from 200,000 family farms to 98,000.

The trickle-down effect was unforgiving. Public schools had little money. Towns were dying. It was truly as we called it at the time, a Farm Crisis.

I remember walking through the lines of picketing farmers on the way into the Capitol Building. Farmers who were just desperate for help. Those of us who were born and raised here saw friends and families struggling with what to do. It was a really difficult time in the state's history.

As the governor, Branstad knew he was the "first responder" to the crisis. Beyond providing some immediate relief to families, we knew we needed to create a new, diversified environment for the state's economy. There was no way this could happen overnight, but we made an intentional decision to lead and to make Iowa an economic powerhouse.

We knew Iowa was a great place for insurance – our laws were friendly and we had a highly educated workforce. Principal Financial Group was already a major player.

We were second only to Connecticut in terms of the number of insurance companies per capita. So we took steps to attract more interest in this space. We got support from Washington and we invested in the state's people. We worked the vision.

The strategy succeeded. We pulled ourselves out of the quagmire we were in and we reversed the downward spiral.

And here we are today. It's a "circle of life" moment that I would be here speaking to you – 30 years later – now representing the life insurance industry as CEO of ACLI, at a global gathering of insurance companies in my home state of Iowa.... an insurance hub of not just the Midwest, but the world.

I've thought about that moment in my career many times. It was truly a success story for Iowa. But why was it so successful? I think it comes down to two reasons. First, Governor Branstad started from a place of deep empathy. He was raised on a century old farm. He knew farmers, and he knew Iowans. Iowa is a bedrock of strong work ethic and the Farm Crisis felt like a punch in the gut.

But second, he connected that empathy with smart economic strategy. As a team, we worked the mission. We knew Iowa's strengths – that we had legitimacy in the insurance sector and a proper workforce ...smart, well educated, bred in the bone work ethic – and we played to those strengths. It worked.

Today in business as in government, we often start by asking "what can we do for the customer or constituent?" We focus on things like business factors and economic viability, both critically important, because they are existential qualities.

But what if we first started from a place of empathy – never forgetting we are serving real people? And what if we connected those human factors to our business strengths?

That's what I want to ask us to consider today, as we are gathered here representing the insurance industry during a dynamic time. We are in an era of rapid, continuous change, where old models are being turned completely upside down. Or, as it's popularly known, *disruption*.

It's easy to ask the question: What can we do to keep up?

But if we start from a place of empathy, the question changes.

What do people need from us? How can we think with society, be allies or partners with policymakers, and lead using our unique strengths?

Today, I want to focus on three things I believe people are searching for today and how they are connected to the work this industry does:

First, people want to close the financial gaps in their lives.

Second, people want to care for their families.

Third, people want to feel that financial peace of mind is accessible and achievable.

Let me start with the financial gap. What does that mean?

People think about financial gaps in many different ways – it could be an income gap, or a retirement gap, or a pay gap, or a savings gap.

The gap is a metaphor. But let's consider for a moment what the gap means for people. For people, that gap represents the barrier to a dream or a healthier, more secure financial life. It represents a point of stress in their marriage or the feeling of falling short when it comes to providing for an aging parent. For some communities, particularly economically disadvantaged communities, the gap may feel insurmountable – like something that will never close.

In particular, closing the savings gap is a big need – and it's becoming an even bigger need as society evolves.

The way Americans work and how we live is changing. For starters, Americans are living longer. Some Americans could expect to live 30 years in retirement.

The first generation of workers who largely have self-funded for retirement is nearing the age when they will start drawing down on their savings. We face a big question – are Americans saving enough?

There are 16 million workers in the gig economy. Many of these independent contractors work for small employers who don't know where to start to offer 401(k)s or any kind of retirement savings option to their employees – even though they may want to.

Social Security faces its own challenges. The surge of retiring baby boomers, the lack of young people to support them, and people living longer put stress on the program. We've all heard the statistics ... 10,000 baby boomers a day are turning 65 over the next decade. One third of them have some where between 0 and \$25,000 in savings.

Millennials are deeply worried about their financial and retirement security. Many who are bearing the heavy debt burden of student loans don't feel they are in a position to start saving.

They are right to worry. In just 15 years, the government is slated to notify Social Security recipients of a 21 percent reduction across the board in benefits.

If we don't begin addressing the savings gap now, we will be left playing catch-up, with American families bearing the burden.

This is a topic the world over. You will hear state insurance commissioners talking about it here at this symposium and across the United States. You will hear Chairman Chuck Grassley talk about it as a priority. And it's not just an American issue. The G20, the group that represents the 20 major economies around the world, has marked aging society as one of its priority issues. Leaders around the world are grappling with the realities of retirement savings gaps in their own countries.

It's also an issue where human needs and the strength of our industry intersect.

We have private sector solutions that help people deal with the most important concerns in their lives, but we need to be forward leaning.

We can be a global problem solver by embracing bold policies that we know will work. We can start by tapping into the wisdom of our industry.

Behavioral economists and actuaries are deeply in tune with consumers, understanding what they need and how they think. Behavioral economists for years have studied how “nudging” people through choice architecture can shape better public policy. And specifically, they have looked at automatic enrollment in retirement savings plans. They tell us it is the perfect nudge to get Americans to save.

In fact, it increases savings astronomically. With auto enrollment, participants join sooner and very few people drop out after they are enrolled. We know this.

And so this year, our industry announced a bold shift. We endorsed a federal proposal by House Ways and Means Committee Chairman Richie Neal that would require employers to provide workers access to automatic payroll deduction savings through an IRA, 401(k), or other qualified retirement plans.

A requirement like this would provide access to 30 million more Americans – a number equal to 10 times the population of Iowa. This is the kind of model we need to lean into to begin to close the savings gap.

We’re also acutely aware of the role employers play in this issue. Employer-provided retirement plans have done as much as any other force for good in helping people save and prepare for a secure retirement. We need to encourage more of this – and so we need to make it simple for employers.

To those representing small businesses, we know you are the life blood of the American economy. We also know that you can’t survive if government imposes excessive or unnecessary regulations. This auto-enroll retirement savings proposal IS NOT that.

A proposal like this is as simple as setting up a direct deposit to a bank checking account. Think of it as no different than offering a payroll deduction for a membership in a gym. It can be done at virtually no cost or burden to you. At the same time, you are offering a benefit that can be life changing to a family. It uses the private sector at no cost to taxpayers and without creating a patchwork of state requirements for employers.

We are convening people on this and another important piece of retirement security policy that will allow small employers to join together to make plans more affordable plans.

Next week, we will join Chairman Neal to bring together a group of 8 partners to discuss how we can push forward this package which is called SECURE if you are in the House or RESA if you are in the Senate.

This is a natural leadership area for us. And one that isn’t new.

The life insurance industry has long stood for the financial security and well-being of American families. In the 1930s, when the nation was at a financial crossroads, life insurance company actuaries offered their expertise to help develop the Social Security system. It was a controversial undertaking at the time. But the heartbeat of our industry was – and continues to be – to provide solutions to Americans who are facing real financial challenges.

We're going to use the strength of industry, our political influence, and our persuasive capabilities to continue to be a global problem solver on this issue and advance policy that really makes a difference.

People want to care for their families.

Paid family medical leave is an issue that is catching fire in America today because it's about a basic human need. In fact, I believe there is no more basic a human need than to care and be cared for.

Paid family leave has the attention of leaders on both sides of the aisle and across all sectors. In the past four years, the number of lawmakers supportive of paid family leave has more than doubled.¹

On the Republican side, Iowa's own Senator Joni Ernst along with Senator Mike Lee announced the Cradle Act to provide family leave. President Trump talked about the need in the State of the Union, and his team is pushing a bipartisan agreement on family leave.

On the Democrat side, Senator Kirsten Gillibrand sponsored the Family and Medical Insurance Leave Act (FAMILY). Several candidates for president have proposed paid family leave programs.

Private sector businesses have started to lead. CEOs of insurance companies – many represented in this room – are enhancing their own paid family leave policies. They – like other big employers that are competing for highly skilled workers in an increasingly tight workforce – know that this is a benefit that is vital to their employees.

This is an issue we ought to be concerned about. For starters, caregiving directly affects a person's ability to save for retirement.

It's particularly burdensome on women, who are more likely to be the one taking time off of work to provide care ...whether to a child or an aging parent....and more likely to live alone and need more money in retirement.

¹ <https://www.cnn.com/2019/02/13/politics/ivanka-trump-paid-family-leave/index.html>

1 in 5 women take time out of the workforce to care for a baby or relative. On average, women lose over \$300,000 in wages, social security benefits, and retirement plans over a lifetime because they took time off of work to provide care to a family member.² We don't have to wonder too long about why women are saving half as much as men for retirement.³

We – the life insurance industry – need to be there, in this conversation, leaning in and providing knowledge.

Over the past couple of months, I've made several visits to Capitol Hill with some of our member company CEOs. Many policymakers are astonished to learn that we have a private market solution to parental leave.

Did you know 47% of private sector works are covered by short term disability policies? And maternity is the number one paid benefit. If you are an employer today offering paid maternity leave, you are likely using our products to do so.

That's a story we need to be telling and it's certainly a conversation we need to be a part of.

Now, there are few things we need to work out.

Almost half of private sector workers is a lot, but it's not all. Just as we are on retirement security, we need to work with policymakers to figure out how to incentivize expansion of the private marketplace.

And in this day in age, it's not just enough to have maternity benefits. Parenthood begins in many different ways. I know this first hand. I am the mother of two children – a biological daughter and an adopted son. We need parental leave benefits that support American families.

By bringing the full intellectual resources of our industry to bear, we can support policymakers and our customers and consumers. We need a seat at the table so we can teach others that a private market product exists. We can also be a thought leader on policy ideas that can galvanize more private sector coverage, just like we're doing with retirement savings.

Finally, people want to feel that financial peace of mind is accessible and achievable.

Taking into consideration the more diverse, more complicated socio-economic and political culture of modern America, financial literacy and inclusion are so important.

For centuries, this industry has served all Americans. Today we are just as committed to empowering all Americans – regardless of where and how they work, economic status, race, gender, or stage of life.

² <https://www.wiserwomen.org/images/imagefiles/financial-steps-for-caregivers-guide-2014-WITH-BUDGET-INSERT.pdf>

³ <http://news.prudential.com/women-lag-men-in-retirement-savings-prudential-study-finds.htm>

We want all Americans to have the information and tools they need to make sound financial decisions in today's marketplace and plan for their future.

But for families to have peace of mind, we must make sure information is available and accessible to them. We can do this through a commitment to financial literacy and inclusion.

Let me start with financial literacy. Financial literacy is making sure families are equipped with knowledge. You don't need to earn a high income to be financially secure, but you do need to have a plan.

You need to be purposeful about how you are protecting your family, by taking steps like owning life insurance or disability insurance and having emergency savings. You need to have access to products like annuities, the only product that guarantees an income for life.

How consumers understand the products available to them and how they fit into their own financial plan is of deep relevance for our overall financial preparedness as a country. For instance, we know people over estimate the cost of life insurance by 3 times the actual cost. We know consumers need to see a glimpse into their future retirement savings to understand how much they will need. Half of workers who saw an estimate of retirement income increased their savings.

Financial literacy would correct the misperceptions around what it takes to achieve financial security. Think about this – 25 percent of the most financially secure households earn \$50,000 or less annually, meaning that income alone does not determine financial security.... but financial literacy and preparedness does.

The financial inclusion part of this is making sure we advance people, regardless of where and how they work, economic status, race, gender, or stage of life,

Inclusion is making sure all communities have access to the information and products they need to protect their financial futures.

The first hurdle in accessibility is self-efficacy.

Does a person even feel financial security is achievable for him or herself? Many in underserved communities would say no. We need to change that.

Financial inclusion is deeply rooted in empowerment. Access to financial products and services is a key link to economic opportunity and financial security.

Inclusion means that our financial products and services are readily available to all individuals and that they are actively using the services to meet their needs.

Financial literacy and inclusion can be powerful conduits for growth, and our industry is well-equipped to take up this mantle. We have trusted financial professional on the front lines with clients.

Our partner trades like NAIFA are doing great work in making it a priority to recruit a diverse set of financial professionals to represent the communities we serve.

To put it frankly, our young people need to see other people who look like them making smart financial decisions. They need to see other people who look like them advising them!

ACLI is working one-on-one with government officials who want to actively deliver financial education to all communities. We're partnering with organizations like Junior Achievement to raise the conversation on financial inclusion.

Our industry has served this country for centuries as it has been, and we can continue to serve this country, as it grapples with the financial and retirement savings gap, paid family leave and caregiving and financial wellness and inclusion.

Of course, to deliver the full potential of our contribution, we need a stable, predictable federal tax structure that allows us to do what we do best – build a private sector safety net for all Americans.

We need privacy regulations that protect the consumer without restricting our ability to offer products priced fairly for all consumers.

We need a harmonized national standard of care, so we can continue to operate in the best interest of our consumers.

Those are all things we are fighting for – and will continue to fight for – because they directly impact our ability to adequately address the needs Americans have today.

Let me conclude.

There are human factors at play in every public policy debate and in every societal discussion. These are truly kitchen table issues. They hit at the core of people's lives.

We know we are not the hero of this story. This industry empowers people to be the heroes of their own stories. The mission of our industry is not just encouraging financial savings. It's more than that. It's about offering people a chance for a strong, vibrant, dignified life.

There is great human need and we have great solutions... but we need to lean forward and be purposeful about answering this key question: What do our consumers and society need from us?

The answer should animate and drive our policy and actions. For we are most effective when we understand and act on the motivations and core beliefs driving those needs, and connect them with the strengths of this industry. When we do, we will be an even greater force for good in this country and around the globe.