



DIRK KEMPTHORNE
President & Chief Executive Officer

**NAIFA Remarks
Governor Dirk Kempthorne
May 23, 2017**

To your CEO Kevin Mayeux, thank you for inviting me here again. May I compliment you for your leadership of NAIFA. You are a true advocate for our industry.

I'd like to recognize Diane Boyle, who has been instrumental in organizing this conference. It's no surprise that Diane has been called a member of the "A-team" for her work on behalf of brokers and advisors.

Thank you to Gary Sanders and his team for working collaboratively with ACLI on many issues at the NAIC and in the states, including "producer licensing exam reimbursements" for our nation's military veterans.

And we are all better for the leadership provided this year by your President, Paul Dougherty, and your board of directors.

To all of you, thank you for committing your voices to our industry.

In our current world, we are all witness to disorder and confusion, more often than we wish to be. Just this week, we heard of the terrorist attack at the Manchester Arena Monday night in Great Britain. North Korea continues its saber rattling. We saw the release of the White House budget amidst partisan rancor.

There are times when we must step back and remember President Abraham Lincoln's admonition, to appeal to the "better angels of our nature."

In Washington, D.C., there are still such moments that, indeed, look to the better angels of our nature.

Just last month, not too far from here, a horse-drawn casket carried an American hero, former astronaut and U.S. Senator John Glenn, through Arlington National Cemetery to his final resting place.

At a private service on the cemetery grounds, the acting NASA Administrator Robert Lightfoot said: "John was more than an astronaut...he was an icon of our American spirit."



I first met John Glenn in 1993 on the Senate Armed Services Committee, and we stayed friends long after we both left the Senate.

Just a couple of years ago, a package arrived at the ACLI offices for me. It was a replica of Friendship 7, John Glenn's space capsule. On it, he wrote, "To Dirk, John Glenn" and a wonderful note. Let me tell you about the man I was honored to call my friend, and to serve with on the U.S. Senate Armed Services Committee.

Fifty-five years ago, John Glenn became the first American to orbit the Earth.

During the Mercury 7 astronauts' era, my Mom got her three sons up at 3 or 4 in the morning to watch each launch. She knew the bravery it took for these astronauts to enter a capsule that would be catapulted by rockets into the heavens. She wanted us to realize the history being created and the sacrifices of so many to get there.



After a successful launch, Friendship 7 was placed into orbit **150 miles** above the Earth's surface ... or a little further than the distance between Washington, D.C. to Philadelphia.

Friendship 7 was traveling at a speed of **17,000 miles** per hour ... that would get us from here to New York City in 45 seconds. During the almost five-hour flight, John circled Earth three times.

The temperature inside the capsule reached **108 degrees** but his flight suit kept it bearable.

Not everything went as planned on that historic flight.



This is a view of the Friendship 7 instrument panel.

Key indicators started lighting up. For example, the autopilot was not working. John had to switch to manual, "hands on" steering of the spacecraft. He had to take control of the capsule for all three orbits. He was in charge.

When it was time to return, the angle of re-entry into the Earth's atmosphere was critical. Too shallow and the capsule would bounce off the atmosphere. If this happened, nothing could be done to bring him home. Too steep and he would perish in a fiery flash.

One key safety element to protect him was the heat shield.

But then the light for Segment 51, monitoring the heat shield, began blinking, indicating danger. The heat shield may be coming loose. The loss of that final safety net would lead to his demise.

People throughout the world learned of the seriousness of the situation. Collectively, hopes and prayers were given for this brave man. It was as though all humanity was with him in that capsule. The immortal words uttered by fellow astronaut, Scott Carpenter, captured the spirit and the hopes of millions:

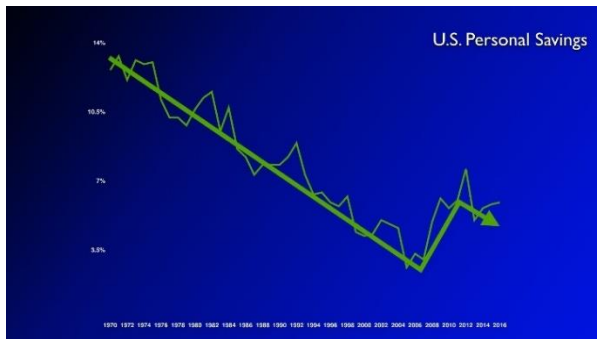
"Godspeed, John Glenn."

Glenn, of course, survived his descent back to Earth.

Last December I got up at 4 a.m. once again for John Glenn – this time to attend his memorial service in Ohio. Since that time, I've reflected on his gift to me.

If we use that “space capsule” as a symbol of humanity, ... and if our industry is “Mission Control,” a team of experts ... our mission is to bring them in with safety and dignity. So, let’s ask: what are the instrument panel indicator lights telling us?

First off, the conditions have changed. We have gone from a “defined benefit” atmosphere, where humanity’s retirement path was on autopilot, to a “defined contribution mode,” where we are all “hands-on” for the entire flight of retirement.



Savings rates have been falling. The net worth of people ages 55-64 has been declining. It’s the wrong slope. But what can we do?

Our industry’s role is particularly important because the "heat shield" for our capsule of humanity ...Social Security ... is in jeopardy.

Our Segment 51 light is blinking.



In 2034, not long after the last of the Baby Boomer generation is tucked into retirement, the government is slated to notify Social Security recipients of a 21 to 27 percent reduction across the board in benefits.

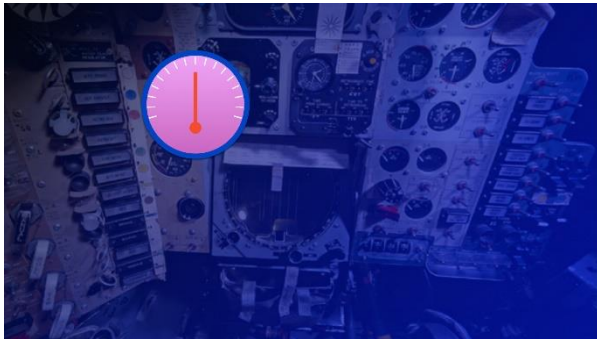
That means there’s not as much fuel for retirement as we thought.

Social Security was never intended to be anyone’s sole source of retirement.

The reality is, that it is for many, and they’re going to take a hit. Among elderly Social Security beneficiaries, 21 percent of married couples and about 43 percent of single people rely on Social Security for virtually all of their income.

That's not within our jurisdiction. That is the responsibility of Congress. But we can help Congress see the full picture and recognize that our industry can supplement the public safety net.

An array of indicator lights signal the always changing legislative and regulatory environment.



The first, tax reform.

Let me give you a bit of background. We started the year with both houses of Congress and the White House controlled by Republicans, and there was an atmosphere of possibility about doing big things in Washington, D.C.

Mack McClarty was chief of staff to President Bill Clinton. When reflecting on the first 100 days of a U.S. Presidency, Mack told me recently: “You must have a victory. Your first major effort must be a victory. A new Administration establishes momentum with legislative victories.”

For President Clinton’s administration, the victory was narrow. Their attempt was to pass President Clinton’s budget. They won by one vote in the House. They had to have Vice President Al Gore break the tie in the Senate. But in Washington, a win is a win, no matter how narrow.

So far, the Administration and Congress have gotten off to a rocky start. The Administration's first major legislative action was an attempt to repeal and replace the Affordable Care Act. It was not successful. Now, the Trump Administration needs to parlay momentum they finally gained with the passage of the second attempt at the American Health Care Act this month.

Some say it was a risky move for the Administration to bring the health care bill up so soon and risk that critical “first win.” So why did they do it? And what does this have to do with tax reform?

Because if the Administration successfully eliminates the taxes tied to the Affordable Care Act as part of its repeal and replace efforts, they remove close to a trillion dollars from the Joint Committee on Taxation’s 10-year revenue baseline. Here’s how:

If the Affordable Care Act is repealed, many tax provisions will also be removed.

Then, Congress can use a 10-year baseline on a lower revenue model. The lower the revenue baseline, the less revenue a reformed tax system will need to generate for the reform to be scored as revenue-neutral.

This is really important because House Speaker Paul Ryan and Ways & Means Chairman Kevin Brady want tax reform to be revenue neutral.

President Trump's tax plan doesn't include much detail – only broad brush strokes. Here's what we know:

It would cut the 35 percent corporate rate to 15 percent. Small businesses would benefit. Private businesses that pay through the individual income tax code (39.6 percent at the top) would see a big cut.

Top White House economic advisor Gary Cohn and Treasury Secretary Steve Mnuchin are leading the White House tax reform efforts. They are at the table with Speaker Ryan and Chairman Brady. Cohn and Mnuchin are Democrats. Ryan and Brady are Republicans. They don't necessarily see eye-to-eye philosophically.

We know President Trump is not as concerned if his tax plan is revenue neutral – he believes it will create so much good for the economy, that it will pay for itself. At a press conference on tax reform, Mr. Cohn said the individual tax rate cuts would be financed through economic growth and elimination of most tax breaks.

However, he added, “home ownership, charitable giving, and retirement savings would be protected.” This was consistent with what Mr. Cohn told me in a separate meeting. But Speaker Ryan says it has to be revenue neutral.

This “meteor shower” of tax reform could hold peril for the industry if not navigated properly. Whatever way the tax reform deal shakes out, we have been preparing for tax reform for years. And when ACLI and NAIFA work together, we send a powerful message to Congress: any proposal, whether it's related to product or company taxation, that would interfere with our historic mission of helping American families, would be vigorously opposed by our organizations.

75 million American families rely on our industry's products and services for their financial and retirement security. That's a powerful message. Our organizations have used our collective voices and vast memberships to amplify the industry's concerns over tax reform proposals. And we have used them to profound effect.

Chairman Brady recognizes the industry's value. House Speaker Paul Ryan does too. We have met with them and their staffs frequently. Earlier this year, we met with Senate Majority Leader Mitch McConnell. He had some excellent advice.

“With a pending retirement crisis, during tax reform, your message should be ‘don’t damage the industry that can help Americans retirement security.’”

I couldn’t have said it better myself. We are part of the solution, not the problem.

But, we’ll not only fight to prevent any damage to the industry. We will seize any chance that arises to promote our industry in tax reform. And why not? The arguments are on our side.



Another indicator is flashing bright yellow, meaning caution – the light on fiduciary reform.

The light is flashing erratically. We’ve received different signals from the courts, from Congress and from the Trump administration. As you all now probably know, yesterday Labor Secretary Acosta announced the applicability date of significant provisions of the fiduciary rule would not be delayed beyond June 9.

I am very disappointed in this decision.

ACLI and NAIFA have both worked tirelessly on this issue. I sent Secretary Acosta a letter a couple weeks ago urging him to delay the entire rule now, until the examination is complete to the satisfaction of the President.

ACLI submitted comments to the Department of Labor on April 17, 2017. We urged the Department to revoke and replace the regulation.

The Secure Family Coalition, which NAIFA is a part of, printed a full-page ad in Roll Call, a main newspaper of Capitol Hill. That ad urged Secretary Acosta, the administration, Congress and the states to “get it right.”

We provided the Secretary with key arguments and facts. We told him that the rule harms investors, disrupts the marketplace, and increases litigation risks and costs to consumers. We also pointed out serious flaws in the regulatory impact analysis, an analysis the President asked them to redo.

The Department acknowledged last month that a 60-day delay was insufficient to conduct an appropriate examination of the regulation and its impact. Now Secretary Acosta has decided to move forward with significant provisions of the regulation, and it is going to conduct the examination while parts of the rule are in effect.

This will create uncertainty and confusion in the retirement marketplace.

So, what do we do next? We double down on our efforts towards Congress, the states, the Department of Labor, and with other stakeholder groups.

We need your voices now more than ever. I appreciated the statement that Kevin Mayeux released today. Your fly-in is well-timed. Tomorrow, you will be able to look Congress in the face and share real stories of how the fiduciary rule limits choice and has a detrimental impact on everyday Americans.



That's why there is another section of lights on our instrument panel for opportunity.

One of our biggest opportunities is partnership. We need each other. You are some of the best spokespeople to carry this message. Why? Because you are Main Street, not Wall Street.

If you scan through the news, you will quickly determine that anything labeled "Wall Street" is a political target. In an interview with Bloomberg News this month, President Trump said he wants to break up big banks. Anything our industry can do to prevent being perceived as Wall Street is critical to us.

You are Main Street.

An incredible thing happens when Main Street America comes to Washington, D.C. You bring with you the perspective of where you live...where you work...who you serve.

Your voice awakens Washington.

You might wonder, though, if you make a difference. You might even get kind of tired of this. You might have a little bit of fatigue.

Let me tell you the story about a man named William Loncaric (Lawn-care-ik). William was in the Army in the 250th Field Artillery Battalion during World War II. He was at Omaha Beach on D-Day.

When asked about his part in the Normandy invasion, William said, “I was the one that carried the maps.”

And he was. His job – his big moment – was to carry maps from the ship to a designated position on Omaha Beach. He had to do it without getting shot or lost.

He wasn’t a commander. He didn’t lead a charge of soldiers. He wasn’t calling out plans on the radio. He was simply supposed to carry the maps.

But what did they need the maps for? To command troops. To send location information. To inform artillery. So yes, William Loncaric (Lawn-care-ik) was the man who carried the maps, but he was also the carrier of the logistics. He held the foundation of the tactics.

Today, not many people know William’s name. He was one of thousands of men who stormed the beach that day. He’s one of even thousands more who have served our country.

He retired as a Major in 1981. His story is archived, along with countless others, in the “Veterans History Project” at the Library of Congress.

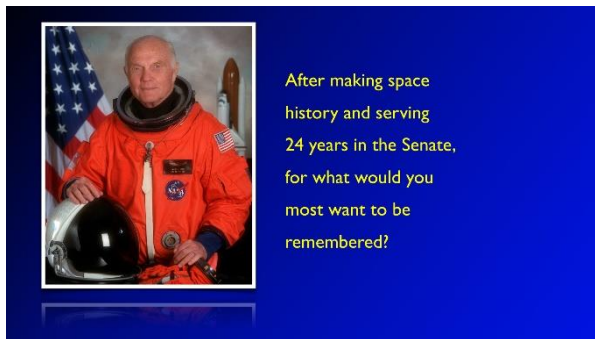
In an interview with the Veterans History Project, William mentions his role as “carrier of the maps” as if it were only a minor part in the invasion.

But William Loncaric’s job was critical. Without the maps, the Brigadier General couldn’t coordinate the infantry and artillery to make the battle of Normandy successful. We may never know the impact of his role that day.

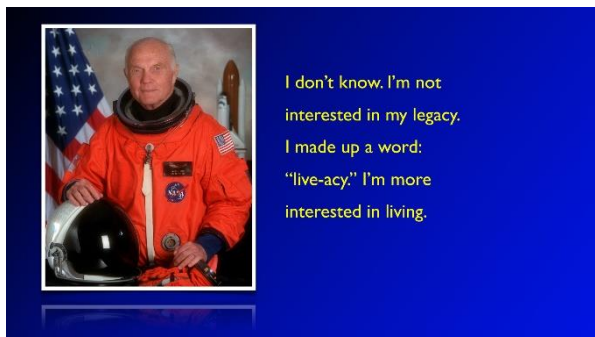
Our industry has charged you with the role of carrying our industry’s story. Please remember that, as you are meeting on Capitol Hill this week. The conversation you have with a Member or a staffer on Capitol Hill about tax reform, the letter you send about fiduciary...those might be the very actions that plant the seeds for change.

Progress is never clean. It's a messy process. But when you get to that moment, when all you have been fighting for is achieved ...that's an incredible moment.
And what is it all for?

Remember that precious cargo in our space capsule? They need the best from each of us in Mission Control so that the mission of concluding your life's "guide slope" is on target, done properly, and done with dignity.



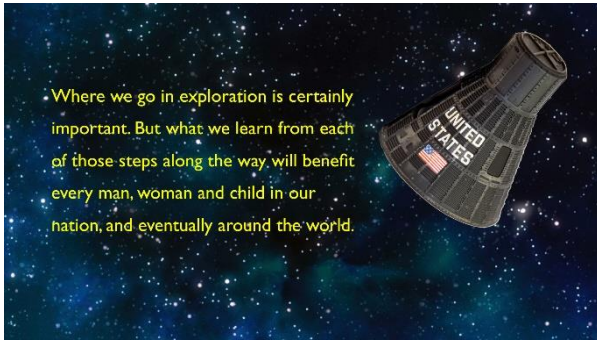
A few years ago, John Glenn was asked: "After making space history and serving 24 years in the Senate, for what would you most want to be remembered?"



And he answered: "I don't know. I'm not interested in my legacy. I made up a word: 'live-acy'. I'm more interested in living."

That sentiment is probably true of all who are in that symbolic space capsule and their respective orbits of life. And you really are Mission Control of an incredibly strong, vibrant and great industry. And millions of people, whether they know it or not, are counting on you to innovate and lead.

To capture a quote attributed to NASA I believe applies to the life insurance industry: "Failure is not an option."



And as John Glenn said at NASA's 50th anniversary in 2008: "Where we go in exploration is certainly important. But what we learn from each of those steps along the way will benefit every man, woman and child in our nation, and eventually around the world."

Your steps tomorrow can potentially benefit every man, woman, and child of our nation. Rightfully, have bounce in your step. You are the messengers to carry the message to the Hill.

Godspeed, John Glenn. And Godspeed to all of you. Thank you.