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President & Chief Executive Officer

**2017 ACLI Annual Conference
Governor Dirk Kempthorne
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Chairman Pete Schaefer, our Board of Directors, distinguished guests – welcome to the 2017 ACLI Annual Conference that celebrates our rich history and bright future.

We gather in our Chairman's home state of Florida. Florida just weathered a major storm, Hurricane Irma. Pete, you and Teresa must be proud of your fellow Floridians. First responders, volunteers, leaders of non-profit organizations, business owners, and citizens pitched in to help. That solidarity allowed peace of mind – a great reminder that our industry provides peace of mind when the unexpected happens.

To my wife, Patricia, thank you for putting together the spouses program. Each year, more spouses enthusiastically participate in this program.

Allow me to recognize other industry leaders who are here with us today.

- Kevin Mayeux of NAIFA
- David Stertz of AALU
- Marv Feldman of Life Happens.

I want to acknowledge Linda Cunningham who has planned our Annual Conference for the past 26 years. This is her last annual conference. Soon, she will embark on a new journey in retirement. Linda, we thank you for your many years of service in making the Annual Conference a success.

I thank Pete Schaefer, our Chairman. Pete is the first reinsurer and Forum 500 leader to serve as ACLI chair. He has been an outstanding chairman. Over the past 12 months, Pete has been engaged and articulate. He crunches his schedule to meet ACLI's needs. We have been extremely well served by Pete Schaefer.

I recognize Mark Mullin, CEO of Transamerica. Mark will receive the gavel in a few moments as ACLI's next chair. Once again, we know that we're handing the baton to another dynamic leader.

Not only is Florida home to our chairman, it is home to 10 of our member companies. It's also home to NASA's Kennedy Space Center, Olive Garden, Tupperware, and, of course, Disney World and Universal Studios. And a few hours away, Pensacola, Florida is home to the prestigious United States Navy Blue Angels.

Several months ago, USA Today released a video of the Navy Blue Angels flying in formation. The video puts you in the cockpit during their maneuvers.



When I was Mayor of Boise, Idaho, I flew in the back seat of a Blue Angel jet. I remember it was the smoothest takeoff, and I thought to myself, "This isn't so bad." And then the pilot pulled back on the center stick. We went absolutely vertical. 7.4 Gs... without a pressurized flight suit. The Blue Angels' manual lists 43 different maneuvers that the team performs.



Because of my flight, I experienced many of them. The pilot then told me to take the stick and replicate his maneuvers, barrel rolls and loops. What pilots do in those air craft is incredible.



It is breathtaking. [\(Link to video\)](#)

Perhaps the most captivating maneuver – and pictured in this video – is the Diamond 360. Four F/A-18 hornets fly in a tight diamond formation, turning 360 degrees in unison at nearly 700 miles per hour, or just under the speed of sound.

During that maneuver, the jets' wingtips are a mere 18 inches apart.

Think about that. Imagine the extraordinary level of skill and precision this requires. One small error can cause the death of one or more pilots.



Blue Angels must be in sync. They must communicate. They must trust. To spectators, it looks as if the four jets are flying as one unit. And they are. The Blue Angels have a “contract of trust” – each pilot has a distinct and predetermined role.



The boss is the team metronome. He flies as consistently and predictably as possible.



The right wingman sets the separation standards for the formation.



The left wingman balances the formation, matching the separation of the right wingman.



The slot pilot – the one tucked in behind the boss – watches how well the formation is holding and serves as the safety observer.



Each holds a distinct job. Yet, they act as one.

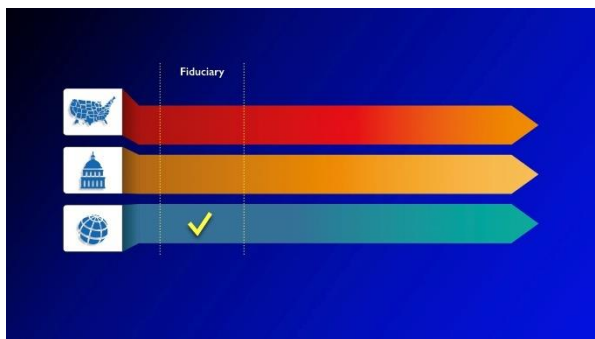
As the Blue Angels fly increasingly challenging maneuvers, momentum builds among spectators, awed by the speed, precision and unity they witness.

The Blue Angels offer valuable lessons for us as we work on issues. It's easy to work on issues separately, unaware of a bigger picture. Fiduciary rule? We fire off comment letters on what the DOL is doing. Group capital standards? We set up meetings with Federal Reserve Bank.

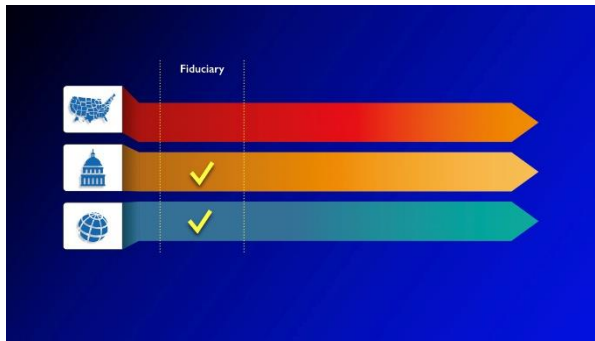


Tax reform? I can't begin to tell you the hundreds of meetings held just on this issue. We're seeing a remarkable convergence of insurance issues at the state, national, and international levels. These issues are interconnected like never before. An issue that surfaces in London, takes root in Washington, D.C. moves to state capitals... and then on to other capitals around the world.

These super-charged issues move at break-neck speed.



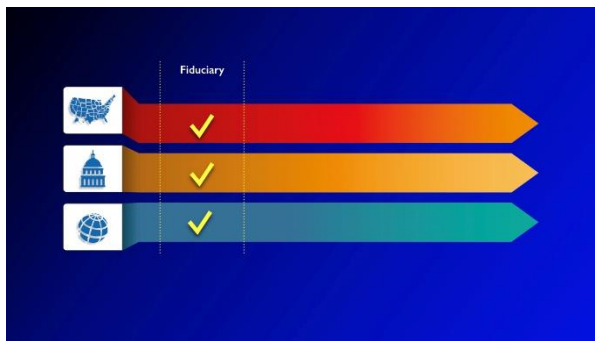
Take the fiduciary rule as an example. Great Britain adopted their fiduciary rule. One result has been – and this is no surprise to this audience – that lower and middle-class Brits have less access to financial and investment advice.



In Washington, the previous Administration adopted its own fiduciary rule. Yes, we warned them that it would reduce access to financial advice and retirement products that Americans need. Our mantra was – wrong rule, wrong regulator.

They paid no attention. ACLI supported a reasonably tailored rule that required all sales professionals to, of course, act in the “best interest” of their customers. But the DOL rule is not reasonably tailored.

To the credit of the current Administration, the Department of Labor seems likely to pause flight operations on the fiduciary rule. The Labor Department has proposed delaying the rule. That might seem like a win on the issue.



Not so fast. Proponents of the fiduciary rule are taking their case to the states. This summer, 13 State Treasurers signed a joint letter urging the DOL to press forward and implement the fiduciary rule without further delay. Nevada’s legislature expanded its fiduciary law, and other states may very well follow Nevada’s lead.

Meanwhile, the NAIC is also looking at enhancing the “annuity suitability model” to incorporate a “best interest standard of care.” Some consumer groups would like to go further and apply this concept to all financial products, including life insurance policies, not just annuities.

Now governments, like Japan, are considering Great Britain’s model. At the same time, the International Association of Insurance Supervisors – the IAIS – is revising its Insurance Core Principle on market conduct to address these issues. We have an obligation to provide our perspectives.

As President of the Global Federation of Insurance Associations, I can say we are keen on coordinating these conversations among global industry leaders to make sure decisions are based on facts, not false reasoning.



Consider group capital standards. It used to be capital standards for insurers were solely the responsibility of the states. No longer.

Because of Dodd-Frank, the Fed now has a role affecting some of our companies. And a large part of the industry has to pay attention to what the IAIS says about capital. Why?

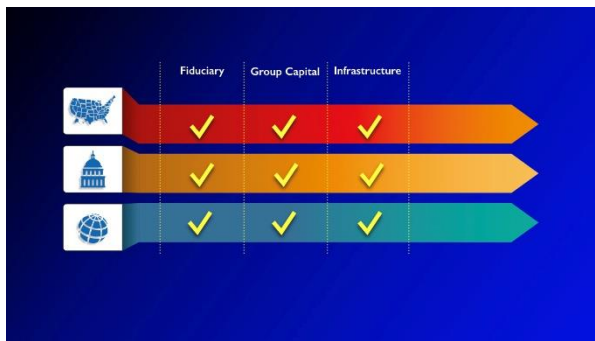
Because many companies have been labeled “Internationally Active Insurance Groups.” Eventually the standards developed by the IAIS may be applied to those companies in some fashion. And half of this industry’s premium volume would have requirements beyond the state regulation.

Not surprisingly, the NAIC is working on its own group capital calculation proposal. The Federal Reserve hasn’t released theirs yet. Team USA – within IAIS – is trying to get the IAIS to correct its course. ACLI is working to provide certainty and practicality on group capital standards in each of these arenas.

ACLI rallied on another connected front, and that's the NAIC suitability model, which aims to make sure consumer protections are applied consistently across all 50 states.

A 2015 FIO report noted there was not yet a uniform suitability standard in all 50 states, and therefore called for POSSIBLE FEDERAL INVOLVEMENT. 15 states had yet to adopt the revised model. That makes our industry vulnerable.

So ACLI has actively engaged with each of those 15 states, working diligently to get the states to adopt a consistent model for consumer protection. Because of ACLI's efforts, 7 additional states have adopted revised versions of the NAIC suitability model and 3 more states have regulations pending.



	Fiduciary	Group Capital	Infrastructure
US	✓	✓	✓
US Capitol	✓	✓	✓
Globe	✓	✓	✓




Our industry can also be a solution on another converging issue... that's infrastructure. The current Administration says infrastructure is a priority. Those specific plans are, however, elusive.

The economically powerful nations of the world – the G20 – want private infrastructure investment to increase. At the state level, the NAIC is revising its infrastructure investment standards.

Former Speaker of the House, Newt Gingrich, told some of our CEOs that infrastructure is a “world-wide crisis” – and it is.




Infrastructure is relevant to us. After the financial crisis of 2008, when the Build America Bonds program was introduced, the life insurance industry bought 1/3 of them.

If properly structured, this infrastructure program could present investment opportunities for life insurers.

	Fiduciary	Group Capital	Infrastructure	Tax Reform
	✓	✓	✓	
	✓	✓	✓	✓
	✓	✓	✓	

And of course, another interconnected issue is tax reform. This issue not only connects state, national and international arenas, it also affects our work on insurance company capital and products. The President and many in Congress want tax reform adopted. This is the first time in 30 years that efforts are underway to totally overhaul the tax code.

Our challenge is to advocate the needs of our policy holders and our industry.

	Fiduciary	Group Capital	Infrastructure	Tax Reform
	✓	✓	✓	
	✓	✓	✓	✓
	✓	✓	✓	✓

The insurance industry is impacted by many parts of the of the tax code: individual, corporate, insurance specific, investment, and international. Significantly, some changes to the tax code also impact our regulatory capital requirements.



ACLI has already been on the forefront of tax policy conversations.



This year, seven Member company CEOs and I met with Vice President Mike Pence to discuss the issue.

We have met, at different times, with each individual member of the “Big 6.” Last month, we had meetings with Treasury Secretary Steve Mnuchin, House Speaker Paul Ryan, and Senator Rob Portman.

Through our sponsored fly-ins with NAIFA and AALU, virtually every member of Congress has been contacted... multiple times. But tax reform is fluid.



We have seen President Trump, pivot, change course, and take different directions. We saw that in the debt ceiling deal he made with Senate Minority Leader Chuck Schumer and House Minority Leader Nancy Pelosi. The top Democrat on the House Ways and Means Committee, Congressman Richard Neal, said that President Trump “seems to be more interested in Democratic positions on taxes.”

It is encouraging that ACLI’s Board of Directors and ACLI’s Steering Tax Committee, under the leadership of Johnny Johns of Protective and John Schlifske of Northwestern Mutual, once again discussed tax reform at length.

These leaders said we must be ready to make sure changes in the tax code don’t present unintended consequences for our industry and our customers.

We should stick to what Majority Leader Mitch McConnell says is our best message and I quote:

“Don’t damage the industry that is the private sector solution to a pending retirement crisis.”

	Fiduciary	Group Capital	Infrastructure	Tax Reform
	✓	✓	✓	✓
	✓	✓	✓	✓
	✓	✓	✓	✓

That's tax reform at the national level. Around the world, governments are looking at updating their tax systems, especially in the realm of retirement security. And if tax reform is adopted, it could require states to implement changes to accounting and reserve standards.

This interconnectivity shows the dynamic and increasingly global nature of our work. We have a rapidly changing world before us.

Momentum is the theme of our conference. There are moments when history shifts. Now is one of them. It can be both exciting and disconcerting. But new beginnings create new energy. New potential. There are a lot of firsts.

This is the first time a businessman with no former political experience holds the nation's highest elected office. He is the first President to rely on his own Tweets instead of traditional press releases.

There are other firsts at home.

It's the first time the Dow closed above 22,000.

It's the first time in many years that we've had the same party in the White House and in both chambers of Congress.

There are global firsts as well.

We're watching our friends in Great Britain and Europe go through a divorce, while trying to keep disruptions to their economies to a minimum – and we don't want to take sides.

It's the first time North Korea tested an intercontinental ballistic missile and has announced America has declared war.

ACLI has a lot of firsts too.

- For the first time, ACLI represents all of America's largest life insurance companies. This year, we welcomed Great West and Bright House. And we have recently welcomed Jackson National and Athene.
- I mentioned earlier our first meeting ever with a sitting Vice President of the United States.



- For the first time in a full court press, ACLI has met with the Secretaries of Labor... Treasury... Health and Human Services...Transportation... Commerce... and the chairman of the SEC within the span of 6 weeks.



- The first time we amended the iconic “never to be amended” Dodd-Frank, it was considered a miracle by outsiders. Now we have amended Dodd-Frank a second time to allow the sole independent voting member with insurance expertise to remain on the FSOC. And may I add, it was signed aboard Air Force One, reflecting that the White House fully received our message that it was time sensitive and needed to be done wherever.

- This is the first time we used the Congressional Review Act to stop 2 regulations on municipality and state run retirement plans.
- This is the first time ACLI will represent a broad spectrum of group insurance products.



- For the first time, ACLI PAC contributed the maximum amount to campaigns of 85 congressional members, our champions are beginning to display the visual signs of our support.

More and more offices are adorned by our Freedom and Dignity statues.



- For the first time, ACLI produced comprehensive research assessing Americans' financial and retirement security. Our thanks to the co-chairs John Woerner of Ameriprise and Robin Lenna of MetLife.

Now, here's the point. ACLI seizes opportunity.

ACLI's "firsts" represent forward motion on extensive preparations for tax reform, regulatory reform, and many other issues. We do this work to help insurance companies provide products that people need, and to grow the industry.

The challenge before us is how best to harness momentum to deliver that positive change. What we do over time – how well and how long – makes all the difference.

In this unpredictable environment, there is one idea that remains constantly important: our unity as an industry. When the stakes are high, we must fly in formation.

That can be difficult when we're all piloting our own aircraft. But remember the Navy Blue Angels? They fly as a team.

So why do they do it?



To showcase the pride and professionalism of the United States Navy and Marine Corps. They want to inspire our country. One Blue Angel pilot, Commander Shaun Swartz, said this about the iconic blue and gold flight suits the team wears:



“Take the suit off and we are no different than any other U.S. Navy and Marine Corps Aviator out there in the fleet today. Put the suit on and we have the responsibility to represent every Navy and Marine Corps Aviator out there in the fleet today.”

Here is my vision for our industry.

Every one of you represents a company. However, when we come together at ACLI, we put on the iconic suit of our industry. Maybe you are the boss – the President, the CEO, the head of GR, the head of a committee, the Chief Risk Officer. You're setting the pace for others. Leading with a consistent vision – eyes on the bigger picture of our industry.

dPerhaps you are the wingman, adjusting tactics to work within the evolving political conditions of the day. Maybe you're the slot position.

You see how well we are positioned. You see warning signs that others cannot.

At one meeting with then Speaker John Boehner, he said:

“Congratulations on being a united industry. We shred those industries that are not.”

And at the state level, we are the only association to have regular leadership meetings with the NAIC. That's because, as an NAIC leader said:

“ACLI has its act together.”

No matter what your role, when we come together here at ACLI, we must fly in formation. We must communicate. We must trust. We must execute. And we will.

We are strongest when we execute in precision and unity. When we do, we are a powerful force. Together, we can showcase the pride and professionalism of our industry. We can use our “firsts” to create forward movement. That is our mission in the months ahead. By working together and seizing the momentum, indeed our industry's greatest days are ahead.