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Good morning. It is great to be with you again.

The theme of this year's meeting, Back to Business, is really about the future of the life insurance business. I want to talk to you about big trends, how we shape the legislative and regulatory landscape, and how we can shape our success in the coming years.

Recently, ACLI Chairman Johnny Johns of Protective Life offered a sobering statistic. While America's population since the 1950s has nearly doubled, the number of life insurance policies in force today is less.

Let's think about that for a moment.

What has changed since then?

American culture has changed. Financial services have changed. The industry has changed. Our product mix has changed. Distribution has changed. Everything has changed. And in terms of life insurance ownership, apparently the change has not been all good.

We can't turn back the clock, but we can look at what is happening today and try to forecast the future, and try to position the industry in a way where change means opportunity, where our potential for helping families, businesses, and the nation grows.

I think some of the biggest changes under way right now relate to demographics and longevity.

We are witnessing on a daily basis perhaps the greatest demographic shift in history. 10,000 Americans a day reach age 65 and 10,000 a day will keep reaching that magical age until 2030.

According to data compiled by the Social Security Administration, a 65 year old, on average, can expect 20 more years of living.

And, as the Social Security Administration points out, those are just averages. About one out of every four 65-year-old today will live past age 90, and one out of 10 will live past age 95.

This data reminds me of stories of tour guides throughout this mountainous West. They lead three day trip. They lead five day trips. They give in great detail what each individual should bring to support themselves.

You can go on line, and in great detail, different sites tell you what to pack for three days, for five days … whatever your needs. But everyone one of them says to take extra with you just in case.

Think of the reaction a backpacker might feel when his or her guide says, because of the rain showers and the upper elevations the river is too swollen right now to cross. But he goes on to say that the good news is that this means we can extend our stay two more days. … And that backpacker realizes they didn't pay attention to what the expert sites and the guide told them, and certainly didn't put in the extra element to sustain them for more time.

It is analogous to a retiree who has heard and seen what experts have suggested what they would need when embarking upon their retirement journey, but really didn't play close attention to all the suggestions. And now they're told what should be good news, that they can stay in the world longer. But they realize they didn't prepare sufficient resources in their retirement back pack to sustain themselves.

The social and political consequences of these trends are enormous. Families will be greatly stressed dealing with aging parents, grandparents and great-grandparents that are only scraping by because they didn't prepare to sustain themselves over many years in retirement.

Government will be pressured by these older voters who will be demanding services and benefits at advanced ages.

What will happen to Social Security? How will it remain solvent when millions of Americans are outliving their life expectancies?

Remember: When it was created in 1935, there were 12 workers for every retiree. Today, the worker-to-retiree ratio is about three to one, and by 2030, it will be about two-to-one.

The Millennial generation offers some hope. They are a dynamic and creative bunch.

Today, they make up 30 percent of the workforce. In another five years they will make up 40 percent of the workforce. They're information junkies. They love the Internet. We can talk to them if we go where they are, through mobile apps like SnapChat and WhatsApp.

If we are to help them financially prepare for their futures, we have to **communicate** with them in their language.

Millennials have been through Enron, 9-11 and the financial crisis. They don't know anything other than an economic downturn.

There’s something else about them we need to pay attention to.

Do you remember a few years ago the movie, Failure to Launch, starring Matthew McConaughey? He’s a 30-something who refuses to take the next step in life and keeps living with his parents.

In the movie, McConaughey was actually employed. But we do have a situation in America where many Millennials are struggling to launch. A full 25 percent of them have been out of work for so long that they are disengaged from it.

Millenials also are accustomed to instant gratification. Things must be quick and simple. Knowledge to them is a Google search away. Type in a few key words and in a few seconds they have a long menu of information to choose from.

Here’s another example: Many Millennials have never used a film camera to take pictures. With digital technology, they can instantly see pictures they took on their phones and share them with their friends via Twitter and Facebook. No more waiting for the local camera shop to develop film. Prints are just a click away.

How do you compete in this environment? Through **simplification --** offering products and services that young people in particular can quickly and instantly recognize as valuable.

Another way to reach them is through the very people they turn to for advice … their parents. Millennials rely on them for all sorts of advice, including financial advice. Reach their parents and you could also tap into this whole new market.

Of course, we are not alone in this world of change.

I would not be surprised if somewhere in Las Vegas today there is a convention of optometrists. Online eye exams are among their greatest fears.

Google “online eye exam” or “vision test” and you will get many hits. From the convenience of your home or office you can take the same tests. Optometrists may become obsolete.

Colleges and universities are concerned. They’re facing competition from Khan Academy and Udacity, online courses providing new and less expensive means for people to learn at a high level the skills they’ll need to succeed in the modern world.

That’s a creative form of distribution, isn’t it?

Is there a lesson for us? Are we maximizing the potential of Web-based technologies to improve our **distribution**?

Let’s think about one industry well known for looking to the future: the auto industry.

Every year, at auto shows across the country, automakers unveil “concept cars.” These are not cars that are on the market today. Rather, they represent technological advancements that the auto industry believes will meet a future need or demand.

One such advancement on the horizon is driverless cars. The auto industry says in all reality we will find them on the road in 10 years. Older drivers with declining faculties may want them. Millennials more interested in texting, surfing the Web or going on social media than in watching the road may want them.

What “concept” products are we developing?

We cannot be perceived as a niche industry, outdated and concerned with a limited market, a market that is outside the profound and prevalent technological, demographic and societal shifts.

These changes taking place today will drive the political discourse in the coming years, and the industries that cannot credibly demonstrate they are adding value and providing solutions could be in big trouble.

You can be sure, the regulators around the world are thinking of new ways to change regulation of the industry.

Not long ago, insurance companies mostly dealt with state regulators.

Now, think of all the groups, both foreign and domestic, affecting different elements of the insurance industry:

- the Financial Stability Board (FSB);
- the International Association of Insurance Commissioners (IAIS);
- the European Insurance and Occupational Pensions Authority (EIOPA);
- the Federal Insurance Office (FIO);
- the Financial Stability Oversight Council (FSOC);
- the Federal Reserve Board. And the list goes on.

Consider captives, which many of you use. Five years ago captives were an issue exclusively in the domain of the states. Today, it is FSOC, FIO, the FSB, the Fed and the Federal Housing Finance Agency. That’s a lot of F words interested in captives.

Do you need another example?

Not long ago the only capital standards that insurance companies had to contend with were set by the states. But the IAIS has entered the picture. It has begun designating certain insurance companies as internationally active insurance groups – IAIGs.

Meanwhile, the Fed, through the Dodd-Frank Act passed in 2010, is regulating "significantly important" life insurance companies – SIFIs – in addition to savings and loan holding companies. When you combine IAIGs and SIFIs you find that some 60 percent of the premium volume of ACLI members could be subject to capital standards that differ from state standards.

If more than half of industry capital will be regulated in a new way, doesn't it seem likely that the remainder of the industry at some point will also find itself facing new standards? And that goes for those who are explicitly domestic. Regulators are not likely to allow an un-level playing field in something as fundamental as capital.

These pressures on capital could impact the cost of our products and our overall ability to address Americans' financial and retirement security needs. It's troubling. Our industry is not opposed to regulation. Indeed, we support strong, **appropriate** regulation. It boosts consumer confidence in our industry and promotes industry solvency. But we don't support unnecessary over-regulation.

That is why we at ACLI are devoting so much time to capital standards:

- Communicating with the administration and the Fed;
- working with our allies like Sens. Brown and Johanns;
- and coordinating with fellow ACLI members on the issue.

The whole purpose of the Dodd-Frank Act – and the creation of the alphabet soup of organizations in Basel, Switzerland -- was to stabilize the U.S. financial system and the world-wide financial system. Disrupting the operations of life insurance companies would have the complete opposite effect.

Fortunately, our message is being heard in Washington, D.C.

At her confirmation hearing, Federal Reserve Chairwoman Janet Yellen said she believes that the insurance industry and other non-bank institutions deserve better than being subject to a “one-size-fits-all” regulatory scheme created for banks.

In February, Federal Reserve Governor Daniel Tarullo told a Senate panel that, "We are trying to tailor, as best we can, the capital requirement to take account of:

- the particular product that insurance companies offer that banks do not, and;
- the different business model.”

Mary Miller, undersecretary for domestic finance at the Treasury Department, recently told the Senate Banking Committee that "a lot of attention has been paid to the business models, a lot of attention has been paid to the fact that you can't have that one size fits all approach to capital."

On Capitol Hill, a bipartisan group of 25 senators has signed on to co-sponsor a legislative solution that allows the Federal Reserve to develop and implement **insurance-centric** capital standards for those life insurers under its jurisdiction. Similar bipartisan efforts are underway in the House.

And just yesterday, Sheila Bair weighed in. She’s the former head of the FDIC and a strong supporter of the Collins amendment, which is the Dodd-Frank provision on capital standards for non-bank institutions. She said the even though she took issue with the Senate legislation, she believes that the Fed “can and should craft a capital framework appropriate to insurance products.”

The consistency and persistency of our communications are showing. But let me reemphasize that we are not trying to escape regulation. But, why would anyone want regulations that;

- fail to reflect our industry's financial strength;
- fail to recognize the strict regulations already imposed on companies by our state-based system of regulation; and
- fail to recognize the vital role we play in the lives of 75 million American families today.

We all wish that more than 75 American families were covered by our industry's products, but think of the tremendous service we are providing to the nation and government by covering this many families.

Think also about our under-saved nation. Nearly one out of five dollars in individual long-term savings comes from life insurance and annuities.

- How much less in savings would there be without this industry?

And think about workers facing retirements that could last 20 or 30 years.

- Aren't they better off having the option to purchase an annuity, the only product in the private sector that can **guarantee** income for life.

We can be proud as an industry that we are providing solutions today through our products and services.

What we have built to this point is a solid foundation to **support** our future growth. The question is: are we prepared to do what is necessary to **achieve** that growth?

I think the answer is, YES! but in order to achieve that growth, we must pay particular attention to:

- communication;
- simplification;
- distribution;
- and appropriate regulation.

The reason 75 million American families are receiving financial protection and retirement security is in the room today. The reason even more Americans will obtain financial peace of mind in the future is in this room today. It is you.

Let me conclude my remarks with a reference to a movie from 15 years ago called Varsity Blues.

At halftime, in the locker room, the young quarterback becomes the de-facto leader of the team when an abusive coach is banished. The quarterback encourages his teammates to give it their best in the game's remaining 24 minutes. "If we give it our best," he said, "we can be heroes."

It's a classic motivational speech.

I think of meetings like ReFocus as the locker room for the industry.

So, here's the connection: We all have a limited amount of time to work for this great industry. For some it is five, ten or 20 years -- maybe more.

In the time we have left:

- We need to provide the ideas that will spark the development of new products that will make a big difference, for the better, in people's lives.
- We need to expend the energy to the prospect who is uncertain whether he or she should purchase life insurance or an annuity.
- We need to make our case to the regulator or lawmaker about this very special industry – this industry that thinks and plans for the long-term – and how it should be recognized and treated uniquely.

If you give it your absolute best, you will be heroes.

This industry is needed now more than ever. If you continue to give it your absolute best, you will be heroes.

Thank you.