ACLI
Financial Security...for Life.

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Governor Dirk Kempthorne
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Thank you, good morning, and welcome to our nation's capital and the ACLI Annual Conference.

We're honored that so many of our industry's top executives could join us today. I want to take a moment to recognize a couple of them.

First, ACLI Chairman Johnny Johns of Protective Life. Johnny has been a fantastic leader for ACLI and for the life insurance industry.

Johnny, I want to personally thank you for all that you've done for us over the past 12 months.

I also want to take a moment to recognize incoming ACLI Chairman Roger Crandall of MassMutual.

Roger will add to ACLI's legacy of strong industry leaders as he assumes the chairmanship later this morning. Roger will work closely with our executive committee and with our Board of Directors who are deeply involved in our industry.

We are very fortunate to have such knowledgeable, passionate and committed leaders on our team. They are the some of the best people I have ever worked with, and I am very grateful for your hard work and support.

I'd like to also acknowledge Governor Haley Barbour in the audience... you know Haley, former Mississippi Governor who addressed us last year.

Haley, welcome once again.

To my wife, Patricia Kempthorne, and to all the spouses who have joined us … welcome.

A few weeks ago so many of us here in the nation’s capital were excited about our baseball team, the Nationals, and its chance of making it into the World Series, which starts tomorrow night in Kansas City.

We were thinking in the office of ways we could integrate the Nats colors onto the main stage… hiring the presidential mascots to race around the ballroom in the same way they do in the fourth inning at Nationals Park.

We were thinking of adding to the program a session on the connection between baseball and the life insurance business.

But fate intervened.

Our Nats lost in the first round to the San Francisco Giants, who went on to beat the St. Louis Cardinals in the championship series and now will represent the National League in the Fall Classic.

Good luck to fans of the Kansas City Royals and the San Francisco Giants.

What I like about both teams is that they are strong defensively AND offensively.

Our Nats, who displayed little offense in their Series, could learn from the Royals and Giants. They show that to win, you must take advantage of opportunities.

There’s a lesson for us in the life insurance industry that I’d like to explore, but I can’t resist highlighting some strong connections between the industry and baseball.

Did you know that the first president of baseball's National League, back in 1876, was a fellow by the name of Morgan Bulkeley, who also served as president of the Aetna Life Insurance Company for 43 years?

He was one of the earliest inductees into Baseball's Hall of Fame in Cooperstown, New York.

Does anyone remember Ralph Branca?

He was a pitcher for the old Brooklyn Dodgers.

In 1951, in the most famous playoff game in baseball history between the Dodgers and their cross-town rivals, the New York Giants, he delivered the pitch that resulted in the Shot Heard Round the World… Bobby Thompson's three-run home run that sent the Giants, which had been trailing the entire game until the bottom of the 9th, into the World Series.

It was tough luck for Ralph Branca, who really was a terrific pitcher and, by all accounts, is a wonderful person. He stopped playing baseball in 1956 and was offered a job as a pitching coach. He declined.

What did he do for the rest of his life? This quote will give you an idea:

"When you can hand somebody a check for $300,000... based on a life insurance policy her husband had purchased from me, you feel good. You feel like you've had a positive effect on that person's life."

You see, he was a champion.

Yes, Ralph Branca became an executive in our industry.

Here's my favorite.

See that number on the screen… It is a number that is important not only in baseball history, but in American history.

And it is no stretch to add that it is important to world history.

The great Jackie Robinson wore Number 42.

He broke the color barrier in Major League Baseball in 1947 and helped break down racial barriers in this country.

His number has been retired in his honor from all of Major League Baseball.

Did you know that Branch Rickey, the general manager of the Dodgers who signed Robinson, was also on the board of directors of the Guardian Life Insurance Company?

Just prior to announcing Robinson's signing, Rickey offered his resignation to the Guardian board to spare it from controversy and criticism for his action.

One of the Guardian board members not only motioned to reject Rickey's resignation, but emphatically added, "And more power to Mr. Rickey."

The board unanimously rejected the resignation.

Isn't that a great story?

Our industry is connected to baseball and, indeed, to the very fabric of our nation. But we know we can't count on our past to win our battles today.

So, we have built a team of grassroots volunteers that's the envy of every trade association in town.

We have a team of dedicated lobbyists that believe in our industry and know their way around this town and state capitals.

We have stories to tell about the investments we make and the jobs we provide.

And we have a cause to fight for…. the 75 million American families that rely on our industry's products for their financial protection and retirement security.

It keeps us busy.

Take the Dodd-Frank Act, which Congress passed in 2010.

It introduced a whole new regulatory regime for life insurers and the entire financial services industry. Capital standards have emerged as a central issue in the Act.

Dodd-Frank contained an amendment offered by Senator Susan Collins of Maine, a former securities regulator in her home state. She wanted the Federal Reserve Board to oversee stringent capital standards for financial service industries beyond banking.

Not a big problem, right?

For one, Senator Collins didn't intend the Fed to apply **BANK** capital standards to life insurers.

Secondly, we support strong regulation. We face it in the state's tough risk-based capital standards **–** standards that helped the industry make it through the crisis "quite well," as former Treasury Secretary Tim Geithner said.

Well, it is a problem.

The Fed has interpreted the Collins amendment to mean that it has to measure life insurers in the same way that it measures banks.

Think of that... trying to change the law in a highly politically charged, acidic environment is a daunting challenge, to say the least.

That's a tough task for any team...It requires strong industry support.

It requires an industry made up of companies of differing sizes, differing organizational structures and differing business plans to commit to working the issue on Capitol Hill tirelessly.

Most importantly, the industry has to be on the "same page" if it is to succeed.

Well, take a <u>look</u> at this.

We are on the same page.

56 CEOs agreed to lend their companies' good names to a letter that we used in a full page ad endorsing legislation that would clarify that the Fed has the authority to regulate life insurers as life insurers and **not** as banks.

You'd be surprised how many senators and congressmen told me they read that list and then said, "very impressive."

Many of our CEOs whose companies were not included on the first letter indicated that they'd be happy to include their names if we need it again.

Well, we need it again.

Our team moved the bill through the Senate by unanimous consent in June.

That is a 100-to-0 vote.

It was really quite a feat in a politically gridlocked Senate.

In the House, we have 219 co-sponsors. That is a majority in anybody's play book. So, the House included that language in a larger measure it passed in September.

Unfortunately, the Senate doesn't agree with the additional House provisions. And thus, our full efforts to get both houses to support our solution is necessary.

We had 56 companies last time... Let's make it triple digits this time...copies of this letter are in the back of the room.

It is in everyone's interest to sign on to this letter.

State regulators will not sit idly while two different sets of standards evolve. So, unless we get this right, every company could be affected.

Also, based on conversations I've had with White House Chief of Staff Denis McDonough, I believe the bill will be well-received at the White House.

When we're a united team, we're at our best. When we're united, people listen closely to us.

Important people like Governor Dan Tarullo, vice chairman of the Fed and his Fed colleague, Governor Lael Brainard.

Johnny Johns and I and a team of top executives including...Mark Grier of Prudential, Roger Ferguson of TIAA, Sid Sankaran of AIG, Pete Schaefer of Hanover Re, and Deanna Mulligan of Guardian...met with the governors to discuss capital standards, group supervision, interest rates, and a number of other federal and international regulatory issues facing the industry.

We all agreed on putting together work sessions between ACLI members and Fed staff to get to know one another and to understand this unique industry.

We will meet again with Governor Tarullo and Governor Brainard after the first of the year to follow up on industry issues.

That's what we do.

We engage constantly.

We used the same model on another key issue, fiduciary standards, which is a Labor Department effort for a one-size-fits all regulatory approach to sales and distribution.

In practice, it would make it difficult, if not impossible, for agents and brokers to assist retirees with their lifetime income needs.

I used the meeting with Denis McDonough at the White House to raise this topic as well. That was followed by a meeting just last Wednesday with Labor Secretary Thomas Perez and Jeffrey Zients, assistant to the president for economic policy.

Roger Crandall and I and a group of top executives including Mark Pearson of AXA, John Woerner of Ameriprise, Jim Gallagher of John Hancock/Manulife, Greg Burrows of Principal and Bill Lowe of Sammons attended the meeting.

We informed Secretary Perez and Mr. Zients that the imposition of ERISA fiduciary duties on all agents and brokers is both impractical and unnecessary. Agents and brokers already are heavily regulated by the states and the SEC.

The insurance sales industry is well regulated and policed.

The most important issue to keep in mind is that Americans need education and help in planning for retirements that are lasting longer and longer.

Agents and brokers are among the financial professionals that play that role, and they do it very well.

But the Labor Department proposal would likely limit or eliminate the availability of the very guidance that middle and low income Americans need.

That is exactly what happened in the U.K. when a ban on commissions went into effect in 2013.

Who benefits if access to investment advice and education is cut off to millions of small accounts and small plans?

Secretary Perez and Mr. Zients indicated that they want to work with us.

We're going to take them up on that offer.

We will be scheduling work sessions with staff from Labor and the National Economic Council to help further educate them about the consumer protections in place at the state and federal level and the adverse, unintended consequences of an expanded fiduciary rule.

High-level meetings like that are not granted to everyone.

Indeed, we need to look for ‘opportunities,” or to tactfully but tenaciously create opportunities for us to make the case about how much this industry can help people and families, and how much we can help reduce the growing strain on the government safety net which is already stretched thin.

Here's an example and maybe an opportunity for us.

The Social Security Disability Income Trust Fund is slated to run out of money in the fourth quarter of 2016.

It is a real shame.

Addressing it on a permanent basis should be a priority of Congress.

That may not happen.

Congress may choose to kick the can down the road and agree on a short-term fix. It may well tap revenues dedicated for the Social Security retirement plan once again, accelerating the retirement plan’s own financial crisis.

Can we, the life insurance industry, provide help?

I believe we can.

We’ve been in this business for years and the data shows our effectiveness.

According to our friends at AHIP, the Association of Health Insurance Plans, in recent years, at any given time, 65,000 more workers would be receiving SSDI if they had not been covered by group long-term disability income insurance.

That would add $2 billion in yearly benefit costs loaded upon an already over-burdened system.

Given current demographics and inflation projections, over the next ten years the savings could total $25 billion.

Let me repeat…. The government would not have to shoulder the burden of $25 billion in expenditures because of the DI product we provide.

This is an opportunity to show Congress that we are a solution.

Here’s another opportunity.

It involves Millennials, who report they’re willing to pay into Social Security, but don’t anticipate receiving any benefits.

They need our products.

They need the peace of mind that comes with the **guarantees** we provide. It is up to us to make our case to those critical potential customers.

We highlight the unique role we play to lawmakers and regulators in the states and in the nation’s capital and, increasingly, to policymakers overseas.

Within hours after the conclusion of this conference, I will be meeting with the International Association of Insurance Supervisors, the IAIS. This is a group whose influence on life insurers in the United States is growing and growing.

At this conference, you will be hearing about its influence in many of the sessions when you discuss capital standards, group supervision, ORSA, and a wide range of other topics.

Thanks to you and your support, we at ACLI will make the case for our entire industry at the IAIS and in other international forums.

We also will make our case through an organization of trade associations we have helped create called the Global Federation of Insurance Associations, GFIA. This group delivers a unified voice for our global industry. It is powerful.

Whether it is Washington, D.C., Boise or Brussels, our industry is at its most effective when it is unified.

No issue, situation or regulatory regime can outwit us if we keep our collective wits about us.

Our unity, our strength, creates opportunities.

It allows us to advance solutions.

We're good at that.

We already are providing solutions in the form of the $1.5 billion we pay out on a daily basis.

More than just augmenting the public safety net, we promote dignity. We should never lose sight of this.

A great man once said: “The most luxurious possession, the richest treasure anybody has, is his personal dignity.”

That man was Jackie Robinson.

It makes me proud to be part of an industry that helps people to stand tall, to be proud, to be self-reliant, and to retain their dignity throughout their lives.

There are different types of greatness.

Number 42, Jackie Robinson, was greatness personified.

Greatness is found in the boardrooms of companies looking to provide more financial protection to more people, to increase from 75 million families covered... to 76 million... to 80 million.

Greatness is found when our agents, brokers and advisors encourage families to plan for tomorrow...

It's in the home offices, where promises made... are promises kept.

Greatness is found in places like this Annual Conference, where spirited and thoughtful conversations may generate new ideas, new ways of reaching consumers, new ways to address legislative and regulatory challenges, and new ways to capitalize on the many opportunities this great business provides us.

Greatness is everywhere in this industry.

Let's continue to put it to use here... and in the seasons that lie ahead... winning seasons.

Thank you very much.