



**DIRK KEMPTHORNE**  
*President & Chief Executive Officer*

## **Governor Dirk Kempthorne Life Insurance Conference April 14, 2015**

Good morning.

Gary, thank you very much for that introduction. As you all can tell, Gary Hughes is the epitome of professionalism. He is clear and articulate. What you may not know about Gary is that he is also a professional race car driver. His demeanor is as calm at congressional hearings as it is behind the wheel of his Cobra.

Let me also offer my thanks to our friends at LIMRA-LOMA, and to the Society of Actuaries. This is a fine conference we all put on. And it is just one example of close collaboration among your insurance trade associations.

Despite the rain today, this is a beautiful time of year. Spring is in the air and the cherry blossoms have bloomed and, in fact, are at their peak.

If you can, take advantage of the opportunity to see the Capitol Building under reconstruction. Now, you might think it is preferable to seeing the shining Capitol without the scaffolding.

But, you will be able to see the Capitol in much the same way that Abraham Lincoln saw it through most of his presidency. He insisted that construction of the Capitol continue during the Civil War as an enduring symbol of freedom.

President Lincoln said, "If people see the Capitol going on, it is a sign we intend the Union shall go on." It was an important message then, and it is today as well.

April is a great time for any American to be in and around Washington, D.C.

I am often impressed that, in this city, you will find more people and families with cameras per capita than in any other place in America. And Mr. Walt Disney never even created a theme park in this city. If you drop by a McDonalds you'll find families huddling over their I-phones, combing through the many pictures they've just taken.

In Washington, D.C., history is our attraction. It triggers imaginations in this great city, and with a little imagination you can see and feel some of the people and events that played an important role in the development of the United States of America.

I encourage you to visit the Smithsonian Museums. The most recent one is the National Museum of the American Indian on Independence Avenue, near Capitol Hill.

Stroll over to the nearby Supreme Court and read the histories of great Supreme Court justices like John Marshall, who established the co-equal power of the judicial branch of government to the executive and legislative branches.

And don't forget a visit to my old stomping grounds, the U.S. Senate. See the Senate Caucus Room in the Russell Senate Office Building, the site not only of the Watergate hearings in the 1970s but the investigative hearings on the sinking of the Titanic 103 years ago this April. Walk the same halls of former titans of the Senate like Charles Sumner of Massachusetts.

Well, I suppose I better start talking about life insurance.

Well, guess what? I just did. Some of the most interesting figures and events in American history involve the U.S. life insurance industry.

One of the exhibits at the Native American Museum illustrates the Battle of Little Big Horn. It took place in 1876, with the U.S. troops led by General George Armstrong Custer.

After the battle, his wife Elizabeth declined offers of financial assistance resulting from a charitable fund drive for the families of soldiers from the 7<sup>th</sup> Cavalry who died at Little Big Horn.

Do you know why she declined the offer? She was the beneficiary of a \$5,000 life insurance policy the general owned when he died. That was a lot of money then -- probably a few hundred thousand in today's dollars.

Regarding Chief Justice John Marshall ... he was a lawyer for the Mutual Assurance Society of Virginia before serving on the court.

The Mutual Assurance Society of Virginia is still in business today. Its offices are in Richmond. It remains a mutual company focusing on property-casualty insurance. The Society was founded in 1794.

Senator Charles Sumner of Massachusetts, a political ally of Lincoln's ... he delivered one of the most important arguments about life insurance. When the government needed to pay for the Civil War it put in place an income tax and also considered taxing life insurance -- the premiums paid to companies.

He responded on the Senate floor that it made no sense for the federal government to tax people who had in essence taxed themselves. By purchasing life insurance they had taken care of their families .... an act of self-reliance, as opposed to government reliance.

The policy of not taxing life insurance death benefits remains in place to this day.

And, on those hearings on the Titanic ... well, a former member of the Board of New York Life named John Jacob Astor was one of those who tragically drowned in the cold Atlantic Ocean when it sank.

Of course, many people from all walks of life tragically lost their lives on the Titanic. And whether rich or poor, famous or not, our industry was there.

Let me tell you one quick story. One of the passengers who lost his life on the Titanic was named Henry Sutehall Jr. He was born in England in 1886. His family came to the United States in 1895.

Henry worked as an automobile trimmer in Buffalo, New York when that industry was in its infancy. In 1910 Henry and a friend decided to take a trip around the world. They worked at any odd jobs they could find to make money, like picking peaches in California. When in Australia, Henry won a sweepstakes that helped fund the rest of his tour. He made it to England in 1912 and boarded the Titanic in Southampton on April 10. After the ship sank, Henry's body was never recovered.

Now why do I tell this story? Because on April 19, 1912, MetLife paid the first claim for loss of life on the Titanic; \$1,000 to one of Henry's brothers. According to a report in the *Washington Herald*, MetLife did not require any papers of documentation of any kind before honoring the promise to Henry's survivors.

It reminds me of the magnificent response of our industry to the terrorist attacks on September 11, 2001, when we issued benefits to the beneficiaries of the victims of those attacks without official death certificate notifications.

Our industry helped write the story of modern America, too. I mentioned Walt Disney before. Mr. Disney got part of the start-up capital for Disneyland from the cash value of his life insurance policy. And I referenced McDonald's too. Ray Kroc also used loans from life insurers to finance the startup of the McDonald's hamburger franchise.

This industry is American history. And, whether in 1912, 2001 or 2015, life insurers care. Life insurers honor their promises.

One more place you should consider visiting if you have time is the estate of George Washington at Mt. Vernon. It's 19 miles south of here along the George Washington Parkway.

You will find at the estate the iconic sculpture of George Washington. There's an interesting story associated with it. I believe you will find the story both fascinating and relevant.

General Washington became the focus throughout Europe as an incredible leader who had defied all odds in defeating what, at that time, was the most powerful military in the world... Great Britain.

The populace throughout Europe hungered for every detail about this conquering hero, this hero who did not claim the spoils of war for himself. In particular, they wanted to know what he looked like. Because it was not possible that he would ever cross the ocean to visit Europe, the desired alternative at that time was to have a sculpture of his likeness made and then duplicates made.

The renowned artist of that time who had done kings and queens and was currently commissioned to do Catherine the Great of Russia was Jean-Antoine Houdon. He was to the 18th Century, what Michelangelo was to the 16th Century.

Three Americans serving in Europe at that time implored the great artist to make the trip across the ocean to the new land of America and create the likeness. They were the immediate past U.S. Ambassador to France, Benjamin Franklin, the then-current U.S. Ambassador to France, Thomas Jefferson, and the new U.S. Ambassador to England, John Adams. They presented their strong and united request to Houdon to do so.

Houdon was favorably moved by the notion and was excited to think that he could meet the great General and be the artist to capture his likeness for the ages. But it was not to be his decision alone.

The King of France, Louis XVI, was not eager about such a national treasure as Houdon voyaging across the Atlantic, which at times could be quite perilous. So, as a condition for Houdon going to America, the King of France demanded that one condition had to be secured first... a life insurance policy.

Thus, the three American Founding Fathers in Europe immediately went to work to secure a life insurance policy. Jefferson wrote to Adams the following inquiry:

"Is insurance made on Houdon's life? I am uneasy about it, lest we should hear of any accident. As yet there is no reason to doubt their safe passage. If the insurance is not made I will pray you to have it done immediately."

Further correspondence was exchanged between Jefferson and Adams, including Adams pointing out that, "I am afraid that Certificates of Heudons State of Health will be required, and the Noise of Algerine Captures may startle the Insurers."

John Adams finally wrote the following to Thomas Jefferson:

“The Insurance is made upon Houdons Life for Six Months from the 12th of October.

“I have paid Thirty two Pounds Eleven shillings Praemium and Charges, which you will please to give me credit for.

“I could not persuade them to look back, as they say, they never ensure but for the future and the date of the Policy.”

And thus, because of a life insurance policy, the renowned Houdon sailed across the Atlantic to America and completed the sculpture which Supreme Court Justice John Marshall said, quote, “was a perfect image of the living Washington.”

Houdon’s masterpiece now resides permanently at George Washington’s beloved home. Those of you who have been to my office know that I have an exact replica.

Did Houdon, the greatest sculptor of kings, queens, czars and presidents believe in life insurance? Absolutely.

Did John Adams, the second president of the United States, believe in life insurance? Without question he did.

Did Thomas Jefferson, the author of the Declaration of Independence and the third president of the United States believe in life insurance? Absolutely.

Did Ben Franklin, who negotiated a treaty of alliance with France and secured loans to support the American Revolution, believe in life insurance? Yes. Unfailingly.

This true story affirms what I have learned since joining this great industry in 2010: the life insurance business is both noble and deeply embedded in the history of our nation.

But, we are no historical artifact. In fact, our task today is equal, if not greater, than the missions from our past. Let me explain.

Did you all see this recent edition of Time magazine? With a picture of a beautiful, wide-eyed baby is the caption: This Baby Could Live to be 142 Years Old. It is a double issue. It contains article after article on health, aging and longevity.

The changes, that Americans’ increasing longevity will prompt in society and government, are profound. And we’re only at the beginning of the great debates that will take place as a result of demographic changes under way – 10,000 baby boomers reaching age 65 for another 15 years, with many of them expected to live 20 or 30 or more years in retirement.

Think about this: the last of the baby boomers will be retiring in 2030, just a few years before Social Security is slated to go insolvent absent any congressional reform.

Remember: when it was established in 1935, there were 12 workers for every retiree. Today it is a three-to-one ratio. It won't be long until it is two-to-one. Is that sustainable?

Now, Congress may indeed act sometime in the next decade or so on Social Security reform, But, what industry is out there offering guarantees to people. And promising people income for life through an annuity?

What other industry is out there promoting financial independence and dignity throughout their entire lives with products that help people if they need long-term care?

It is our industry, and it is you here in this room.

Let me give you another picture ... we recently had many of our agents here. I had the high honor of talking to them at a breakfast before they made their way to lobby on Capitol Hill.

As I'm sure you are aware, tax reform is a hot topic in this city. It is not likely Congress will enact any major changes to the tax code for a couple of years. But it is nonetheless a very important time to be active and visible on the Hill. We want to be there as they start thinking of reforms to the tax code.

They wore on their lapels a sticker reading: "75 million. Join us." They were referencing the 75 million American families that rely on our products for their financial and retirement security.

I said to them: while most other groups are looking for carve outs, to protect something they're receiving now from the government, we are doing something entirely different. We are offering solutions. I told them that I didn't know many other groups visiting lawmakers that could affirm that they represented a solution to the emerging problems of the strained government safety net and its impact on our citizens.

What we are offering is a means of combatting the "tyranny of dependency." What happens when baby boomers, half of whom have only 16 months of retirement savings, and they will live another 20 or 30 years at retirement?

They may well have achieved the American dream in their working years. But will they outlive the American dream and find it becomes a nightmare?

Where is your dignity when you become a ward of the state? ... When you are frail and you don't feel well and you try to convince somebody who is caring for you that you used to be important. Don't let that become a reality.

Ladies and gentlemen, I have reviewed the program. There are many sessions that may appear to some to be technical and complex:

- Point of Sale Technologies to Innovate the Sales Process;
- Simplified Issue Life Insurance Product;
- Social Media Programs for All Ages.

These are important issues. These are absolutely terrific sessions at this conference. What these sessions tell me is that you here in this room work on a daily basis to solve the riddle of Americans' financial and retirement security.

You are part of the solution.

Social Security is stretched so thin. Next year, Social Security Disability Income will become insolvent. Well, what do you do? Congress can tap the Social Security Trust Fund ... but then, it has just accelerated the insolvency of Social Security.

If Americans can save more, if there are further incentives to save, if there are new technologies, research programs or marketing strategies to improve outreach to distributors and customers, this industry can play a major part in helping people maintain their independence.

The very thing – the genesis of seeking our freedom ... was independence. Those elected to protect the Constitution of the United States don't want to sit idly by letting independence give way to dependence of its citizenry. This industry has a just cause. The more successful this industry is, the less government has to do.

This industry makes promises. You may sign somebody up for a policy, and it won't be 20 years, 30 years, 40 years, before an actual benefit is paid. But how many industries deliver on guarantees that long? That is what you do. That is what sets you apart. The more guarantees from us, the less the need for the governmental safety net. This argument carries a lot of weight with Members of Congress.

Ask millennials. They have certain characteristics. First and foremost, they are nice people. They willingly go along and say "yes," we know part of their money is going into Social Security. But they also say they believe that they will never get a penny back.

What happens when the millennials or others following them say: "No government" ... you better guarantee we get it back. Or, otherwise, you have the makings of intergenerational conflict.

What does the millennial couple do when it is faced with paying a nursing home bill, or a tuition bill?

Social Security was never supposed to be the sole source of retirement income.

That is where this industry fits in. That is where this industry serves, as it has generation after generation. We help families. We have been helping families – fighting against the tyranny of dependence. Perhaps it was a man from history, Winston Churchill, who put it best 100 years ago. He said:

“If I could I would write the word Insure over the doorway of every cottage because for sacrifices so small you can keep a family from being smashed up forever.”

Ladies and gentlemen, I wish you all the very best over the next two days.

Thank you.