Financial Security...for Life.

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REMARKS BY ACLI PRESIDENT AND CEO DIRK KEMPTHORNE TO THE NAIC VALUATION OF SECURITIES TASK FORCE

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Thank you, Madame Chair and members of the Task Force, for calling this meeting to discuss how life insurance companies and our regulators can work together to encourage investments in American infrastructure development and renovation.

This is a critical issue. Why? There is a growing urgency to improve the critical capital infrastructure of our nation.

The American Society of Civil Engineers estimates that in the next three years alone that $3.6 trillion in infrastructure investment will be needed in the United States. This investment will improve not just our roads, bridges, and hospitals. It will also improve our economy.

For the next two hours, you will hear company representatives and industry experts share ideas about how we might work together to demonstrate leadership for infrastructure revitalization.

As a former mayor, Senator, Governor, and Cabinet Secretary, I know the value and power of investing in infrastructure. As President of ACLI, I see the financial contributions that life insurers can make in the future of our country. As President of the Global Federation of Insurance Associations, an organization that represents 40 trade associations that serves 60 countries and 87% of insurance premiums paid around the world, I see nations seeking new ways to overcome the worldwide deficit in infrastructure investment.

I compliment the NAIC's President, John Huff, for establishing infrastructure as a priority. As President Huff noted in April at the Spring NAIC meeting, various international bodies are focused on infrastructure needs.

The G-20, representing the governments of the world's largest economies, has made investment in infrastructure one of its top priorities since 2011. Also, both U.S. presidential candidates have emphasized infrastructure investments.

The NAIC is doing the right thing. It can play an important leadership role by helping regulators and the regulated work together to help revitalize our nation.

Life insurers make long-term promises to our customers and their beneficiaries. Our promises are financed by long-term investments that align with the long-term financing that accompanies most infrastructure investments. You'll hear more about this in a few minutes from Josh Zwick of Oliver Wyman.

I met Josh in our offices at ACLI. I was impressed with his practical approach to aligning insurers' needs with infrastructure investment.

This alignment made the Build America Bonds initiative a natural fit for insurers. Passed by Congress in 2009, the Build America Bonds program attracted new sources of private financing for public projects.

How big was this program?

By 2010, these bonds were issued in all 50 states, the District of Columbia and two territories.

Were life insurers willing to invest in these bonds?

Absolutely. Of the $182 billion issued, life insurers purchased 33 percent of them, or $60 billion. These bonds matched up perfectly with the long-term investment needs of life insurers.

The federal government helped pay some of the interest costs on the bonds, which saved states about $20 billion in financing costs. These savings were significantly greater than the cost of the bonds to the federal government.

The program tapped into the long-term investment capital available from life insurers, pension funds and other long-term institutional investors.

Our investments helped fund many projects, including these examples:

- Ohio State University partially financed two new towers to house the Arthur G. James Cancer Hospital and the Richard J. Solove (So-love) Research Institute.
- The University of California financed a women's and children's cancer hospital in the San Francisco Bay Area.
- Dallas County, Texas replaced the aging Parkland Memorial Hospital with a new facility. You know this hospital. It's where President John F. Kennedy was taken when he was assassinated on November 22, 1963.
- The Metropolitan Washington Airports Authority partially financed the Dulles Corridor Metrorail Project, and,
- The Los Angeles Unified School District issued $1.37 billion in bonds to finance school building and renovation projects.

And were there any defaults?

No. Not a single Build America Bond defaulted.

Build America Bonds worked. But I'm not saying Build America Bonds should be reauthorized. There may be better programs, better tools to encourage investment. Discussions like this session today may produce better ideas, better innovations. Let's see what can be done.

The ACLI anticipates there will be opportunities next year to appeal to federal lawmakers to encourage new infrastructure investment. I ask the NAIC leadership today to begin planning how regulators and regulated companies can speak with one voice to Congress and the new Administration.

Now, we need to work with you and the NAIC leadership to develop practical solutions on state regulatory matters. This industry is well-placed to support long-term investment.

In 2014, life insurers were the No. 1 investor in domestic corporate bonds. Last year bonds owned by life insurers had an average maturity of more than 18 years at the time of purchase.

Let me suggest this represents a "win-win-win." The states win by accessing valuable capital that further stimulates economic growth. The industry wins by matching its liabilities with long-term assets. And we all win by living better lives with safer roads, trustworthy bridges and state-of-the-art care at modern hospitals.

We will create good-paying jobs. More people will be able to save for the future. More resources will flow into Social Security, into 401(k)s, into IRAs and into annuities. And more people will be able to enjoy their retirement, living with the dignity they deserve.

A group of insurance CEOs recently met Facebook executives. At the end of the meeting, a Facebook leader described the meeting as "win, win, win." He explained and I quote: "Before you came, we thought this meeting would be a win for Facebook and a win for the insurance industry. Now that we have met, we see that what the industry does is a win for society."

We, at ACLI, believe specific enhancements to the legal and regulatory framework - under the supervision of the NAIC and the states - can be made to improve the attractiveness of infrastructure projects to private capital. You'll hear more on that from Tod Nasser of Pacific Life and our panel of ACLI company representatives, including Michelle Werner of AIG, Dan Chen of MetLife, Nicole Allen of Swiss Re and Lisa Ferraro of TIAA.

Together, these professionals manage billions of dollars of investments and know where regulatory problems exist and where solutions might be found.

With your encouragement, we can continue investigations and discussions to identify more proposals for progress in this area, while safeguarding that insurers will be able to keep their promises to policyholders.

The solutions are there, but we, together, need to have the will, energy and focus to remove impediments and create incentives for infrastructure investments.

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