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President & Chief Executive Officer

**ACLI Annual Conference Remarks
Governor Dirk Kempthorne
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Good morning. Welcome to the ACLI 2016 Annual Conference that brings together our life insurance family.

Two leaders deserve special praise. Deanna Mulligan, president and CEO of Guardian, and chair of the ACLI Board of Directors.

Deanna thinks big, and she thinks ahead. That quality helps explain why in 2013 *Fortune* named Deanna one of the “50 Most Powerful Women in Business” and *Crain’s New York Business* recognized her last year as one of “the 50 Most Powerful Women in New York.”

Building on last year’s annual conference theme of “winds of change,” Deanna has encouraged the industry to look over the horizon for the next industry challenges and opportunities. This effort is paying off, as we are better prepared for tomorrow thanks to her leadership.

Pete Schaefer, president and CEO of Hannover Re, will receive the gavel in a few moments as ACLI’s next chair. Pete is the first reinsurer and Forum 500 leader to serve as ACLI chair. He also is one of our most articulate, passionate and effective advocates.

Let me also wish a good morning to our entire Board of Directors.

ACLI’s vibrancy is reflected by our growth. This year, eight insurance companies joined ACLI, including Athene and Jackson National, the nation’s largest variable annuities writer.

We welcome all of you to ACLI. And, let me salute some other industry trade association leaders in attendance:

- David Stertzner of AALU;
- Kevin Mayhew of NAIFA;
- and while Marv Feldman of LifeHappens could not make it, we are glad his colleague, Faisa Stafford, is here. Their spokesperson for Life Insurance Awareness Month, female NASCAR driver Danica Patrick, was terrific. Congratulations on a fine effort in 2016.

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

We are gathered together in an interesting time in our country's history... a time when the stories we see on the television news or in the papers are disheartening to say the least. But, there are still positive stories. Let me tell you one.

It comes out of Nebraska... JoAnn Martin's state. My Mom was from Nebraska and my father was a University of Nebraska Cornhusker. This story is about Sam Foltz, the punter for the Cornhuskers.

He tragically died over the summer in a car accident. He was returning from a kicking camp for young athletes where he was an instructor. His death was a terrible shock to his team.

Last month the Cornhuskers were playing their first game of the season against the Fresno State Bulldogs.

When the Cornhuskers failed to get a first down early in the game, the coach sent out the punting unit. But, instead of the regular 11 players, the coach sent out only 10. The one empty position on the field was the punter's, which Sam would have occupied. As the clock wound down to zero, the referees blew the whistles and penalized the Cornhuskers for delay of game. Fresno State refused the penalty.

The entire stadium stood and amidst tears... there were cheers. It was a beautiful way to honor a young man's memory.

That story gives me hope that, no matter how grim things may appear now, we have people in this great nation who are kind, compassionate and doing the right thing. There is hope for the future. The same hope I see in this room today.

Over the past 36 hours, in our committee meetings and with our Board of Directors, we have discussed a wide range of issues. We have discussed what we have done, and more importantly, what we are doing about them:

- Capital standards, here and abroad;
- Tax challenges, with the federal and state governments continuing to seek revenue;
- Guaranty funds.
- And the fiduciary rule, which is slated to take effect next year.

The rule demonstrates a point made by Congressman Rich Neal of Massachusetts: that policymaking in Washington, D.C. has moved from legislation to regulation. It is one reason why we are now pursuing litigation.

I believe we can all agree... that we are fully engaged in these and other issues.

Make no mistake... we are in a tough and complicated world, and it is likely to get even more complex in the years to come, with industry reputational issues at stake as well. But we are strong. We are resourceful. We are united.

A few years ago, McKinsey & Company took a strategic look at ACLI and the industry. It identified significantly more opportunities for us in the retirement space, prompting our CEOs to create an Ad Hoc Committee on Retirement Security, led by John Woerner of Ameriprise and Robin Lenna of MetLife.

Using data from the highly respected MacroMonitor consumer survey, the committee spent much of this year developing a scorecard that will help us better understand whether Americans are financially secure, how well they are preparing for retirement, and if our products make a difference.

So, how are we doing?

Let's look at both demographic bookends – retirees and Millennials.

30% of retirees have either a defined benefit pension plan, own an annuity, or both; and, 70% do not have a defined benefit plan or own an annuity.

Let's compare the quality of life of these two groups:

- MacroMonitor presented survey respondents with several statements and asked, as an example, which best describes your financial situation.

The responses were compelling:

- Only 9% of those with a DB plan or an annuity said they were “struggling to make ends meet,” compared to 37% of those with neither.
- Similarly, 40% of the first group said they are “financially secure” compared to only 15% of the second group.
- These are large differences. Imagine working your entire life, maybe even achieving the American Dream, then spending retirement struggling financially, worried about your next major expense, cutting corners where you can.

How about the other bookend – Millennials?

Well, 23% of Millennial households are financially secure and ‘on-track’ to a secure retirement, while 49% need substantial improvement to ensure a secure retirement.

What is different about these two Millennial groups? Let's compare them:

- Households were asked a series of questions:
 - “Do you have an employer-sponsored retirement plan?”
- 92% of Millennial households who are ‘on-track’ said they did, compared to 36% of those who need improvement.
 - “Do you have an IRA?”
- 57% of Millennial households who are ‘on-track’ said they did, compared to 16% of those who need improvement.
 - “Do you have disability income insurance?”
- 92% of Millennial households who are ‘on-track’ said they did, compared to 26% of those who need improvement.

Clearly, the future looks bright for those who prepare early. But there is ample time for all of them to prepare. And, that is where our industry plays a key role. We are a solution to Americans' retirement insecurity.

Recently, I was with my son Jeff and I said: "let me tell you my game plan for the future. I have to store sufficient retirement funds to put your mother and me into a proper retirement trajectory for 'as long as we both shall live'... to do otherwise could cause us to re-enter a financially challenging atmosphere late in life, when we are most vulnerable."

I'm not alone in thinking about the future, wanting to ensure financial independence and dignity for Patricia and myself for all of our days. I look to this industry and its products to help get me there. If only everyone saw us this way.

There's more to do to help provide peace of mind to workers and retirees.

Opportunities abound. People are living longer than ever before. But while the quantity of life is increasing, the quality of life often isn't keeping pace.

Here's a change that's happening: The issue is genetics and genome testing. There are a lot of tough issues associated with it, but also a lot of opportunities.

Change equals opportunities. That's what this conference is all about. Maybe it's thinking outside the box... and creative people might ask: what box? It is a look into the future.

The ACLI Board examined this issue of genetics and genome testing as recently as two years ago.

But on a recent trip that Pete Schaefer organized for 10 other CEOs and myself, it became clear that progress in genome testing is moving at lightning speed.

We went to the Human Longevity, Inc. laboratory... HLI... in California. HLI is unlocking the mysteries of aging and helping us understand our internal makeup in ways we never imagined through its sequencing of the human genome.

Now, stay with me on this for a moment.

We walked into the office of Dr. Craig Venter, the distinguished and brilliant scientist who first sequenced the human genome and started HLI. On his wall was his genome sequence. It represents his complete genetic makeup. The nuclear genome comprises approximately 3.2 billion nucleotides of DNA. Nucleotides form the basic structural unit of nucleic acids such as DNA.

From his own sequencing, Dr. Venter learned that he had a predisposition to melanoma. The finding ultimately saved his life.

The genome predicts risk. It provides opportunities for early detection of diseases and conditions. It is the code of life.

It also carries risks for the industry, as there is concern about the potential for anti-selection. We must be vigilant to ensure a level playing field remains in place in the underwriting process. One side can't have more information than the other. It will remain absolutely vital that we maintain access to all relevant health and medical data about our applicants. And that is why our policy on access to this information is so important.

Genomics has fueled a movement where, as an example, upon the birth of a child, parents may choose to have the baby's umbilical cord blood frozen cryogenically for however long it is needed.

A person's "bio bank" is rich in stem cells which can be used to treat diseases that harm their blood and immune system if they're attacked in the future. One of the doctors at HLI, a renowned pathologist named Kenneth Bloom, said this is one of the most promising ways to save children from leukemia. It can be a life support system... a biological savings bond.

If I had known about this earlier, I would have sought bio banks for my four grandsons. I just did not know.

So, what does this mean to the life insurance industry? May I humbly suggest it may be an opportunity to promote this science to the benefit of our policyholders and the industry.

Perhaps one day in the future people will say: we are alive because of our life insurance policies... that life insurance means companies are doing everything that we can to keep policyholders alive.

It may be that a Millennial couple purchases a life insurance policy when a child is on the way. Perhaps they could buy a new kind of policy rider that provides an entirely different way to provide protection against the unknown. This rider would help finance bio banking for the baby.

Or, if an adult develops cancer, that person can undergo genetic sequencing of the cancer tumor. The genetic information gathered from the sequencing could provide a variety of possible cures based on the individual's own specific makeup. The physician will have access to everything he or she needs to provide the most precise medical treatment.

Might that type of sequencing also be a type of policy rider?

It is fair to say that all of the CEOs on this trip were amazed by the science and the pace of change. The scientists at HLI think our industry can be a key catalyst for widespread adoption of human genomic sequencing.

Now, let me stress, this only represents an idea. Yet, it fits squarely within our history of aligning our interests with policyholders' interests. To its credit, the ACLI Board or Directors, the Risk Classification Committee and the Genetic Testing Task Force are considering advances in genomics.

In addition, the Task Force wants to host a symposium in 2017 on genetic and genomic information where these issues can be discussed.

Pete Schaefer put it well when he said an initiative like this might lead to the fulfillment of a dream of his of someone telling him that a life insurance policy was responsible for them being alive.

We could be part of the launch of... life assurance... for life. To help keep you healthy and strong for 100 years or more.

This is happening whether we are part of it or not. The future is unfolding right now. And, it is going to affect our industry one way or the other.

Is it exciting? Can we make it exciting? This industry needs to continue charting new solutions for this new age and its new challenges. Change. Opportunities.

But, let's be honest. We face headwinds today. Low interest rates... increased regulatory scrutiny... governments seeking new revenue sources.

So, let's agree to:

- Stay unified while embracing change and shaping the transitions under way.
- Help Americans be self-reliant, not government-reliant.
- Establish our industry as the leader in the retirement security debate.
- Explore new opportunities, such as genome sequencing... and infrastructure investment, which is getting tremendous attention by policy makers both at home and throughout the world.

How do we seize opportunities? We embrace them. And we continue to help people.

In our industry, we have experts on actuarial science, data science. And, I have to add, political science. The science is on our side.

We already provide the best life support system with our life insurance, lifetime income products, disability income and long-term care insurance. But looking ahead, we can do more.

We can help ensure that quality of life keeps up with quantity of life. The science is moving at warp speed.

If we keep pace with it, this industry could go farther than anyone imagined. New approaches, new ways of doing things, are all grounded in our historic commitment to our policyholders' peace of mind and financial and retirement security.

The Nebraska Cornhuskers had a tough game last Saturday. For a while, it didn't look like they were going to win... but they ultimately pulled it out. The score 27-22.

27 was Sam Foltz's jersey number.

Sam Foltz, that wonderful Nebraska Cornhusker, had a personal creed: Stay humble. Work hard. Think big. I think that fits us very well.