



# Regulatory & Risk Management Indicator

U.S. Insurance Industry  
October 2015

## AN OVERVIEW

**Wolters Kluwer Financial Services' Regulatory & Risk Management Indicator for the U.S. insurance industry tracks 10 factors across two consecutive 12 month periods to illustrate the overall level of regulatory and risk management pressures facing U.S. insurers.**

The Indicator's Score, a measure of regulatory complexity and the compliance and risk management challenges facing insurers, is calculated based on their perceived ability to:

- Track regulatory changes
- Maintain compliance with changing regulations
- Demonstrate compliance to regulators
- Invest in compliance staff
- Manage risk across all business lines
- Configure risk management processes
- Identify, manage, control and report risks

The Indicator also uses three industry metrics, compiled by Wolters Kluwer Financial Services, to account for the number of citations, enforcement actions taken, and the regulatory fines levied on insurers in the past 12 months. Together, these 10 factors are used to calculate the final Indicator Score.

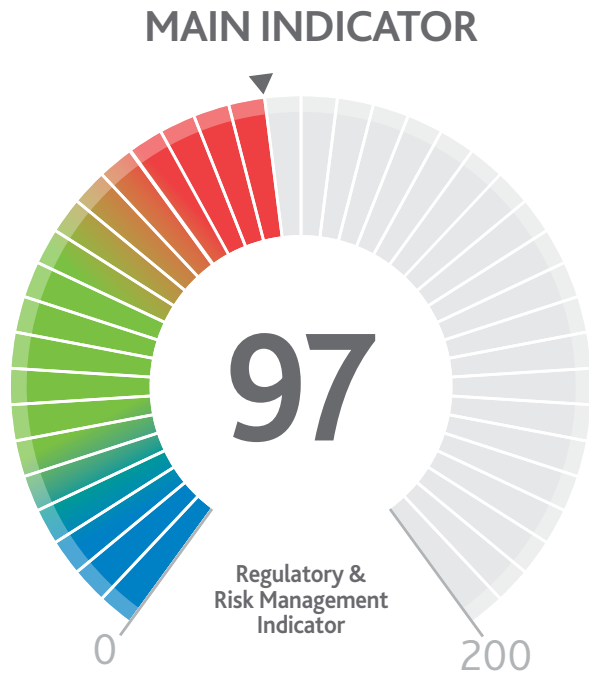
What follows in this report is a summary of the Indicator's Score and highlights from the survey, including:

- Compliance & Risk Management: Top of Mind Issues for Insurers
- Top Risk Management Challenges in the Next 12 Months
- Compliance Investments in the Last 12 Months
- Industry Requirements Driving Compliance Concerns

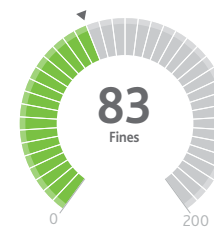
To obtain the data set used to compile the Indicator, please contact us at [WKFSCorporateCommu@wolterskluwer.com](mailto:WKFSCorporateCommu@wolterskluwer.com).

### Indicator Methodology

The Indicator Score is calculated based on a 12 month comparison of the 10 factors from September 2014 to August 2015 and September 2013 to August 2014. The survey, commissioned by Wolters Kluwer Financial Services, was completed in September 2014 and September 2015 by more than 300 insurance industry professionals. The survey highlights that follow compare the year-over-year findings based on the survey period only.



**REGULATORY ENVIRONMENT FACTORS**



**RISK MANAGEMENT FACTORS**



**COMPLIANCE FACTORS**



**Indicator declines amid heightened regulatory environment**

The Indicator Score dipped slightly from its baseline of 100 to 97 in this year's survey. The result of steady regulatory activity and enforcement actions, a decline in the total cost of fines issued, along with insurers investing less in compliance staff and technologies over the last 12 months\*. However, a majority of insurance professionals remain concerned about their organization's ability to stay informed of changing laws and regulatory requirements (62%), maintaining compliance with changing regulations (61%) and demonstrating compliance to regulators (59%). Two of the factors represent an incremental bump from last year, with concern for maintaining compliance down from 64% in 2014.

Despite a 3% decline in insurers' overall concern for their organization to maintain compliance with changing regulations, more than 70% of senior insurance executives are concerned about their organization's ability to track and meet the compliance standards of changing regulations.

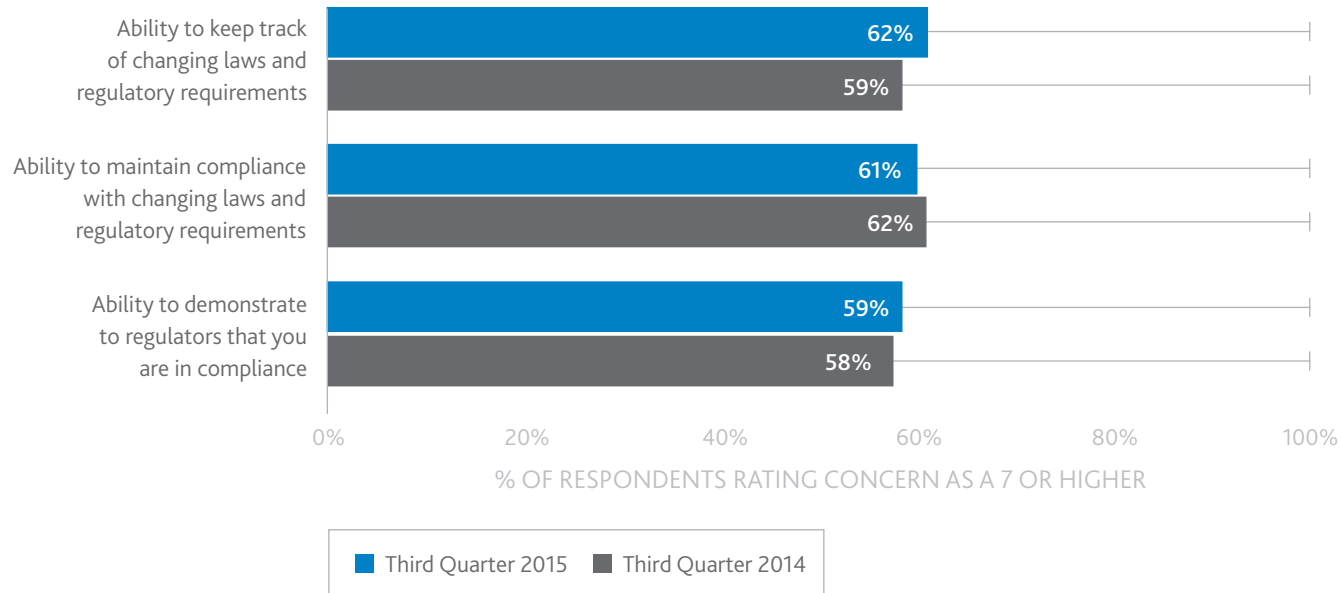
But when respondents were asked what types of risk will receive escalated priority at their organization over the next 12 months it became clear they are facing competing priorities for resources and time. Sixty percent said cybersecurity will receive escalated priority at their organization followed by regulatory risk at 42%. When insurance professionals were asked if their organizations had made investments in compliance technology during the

past 12 months, 42% indicated they had not. Twenty-seven percent of insurance professionals said their organization had made investments in compliance technology and 29% said their organization had increased staffing levels to help monitor and manage compliance with changing regulations.

The good news for the insurance industry is that less than half (48%) of insurance professionals are concerned about their organization's ability to invest in new compliance technologies. The majority of insurance professionals believe their organizations have the budget available to invest in new compliance technologies to address their compliance concerns.

\*Regulatory activity fluctuates in odd years as biannual state legislatures resume causing an uptick in the number of citations.

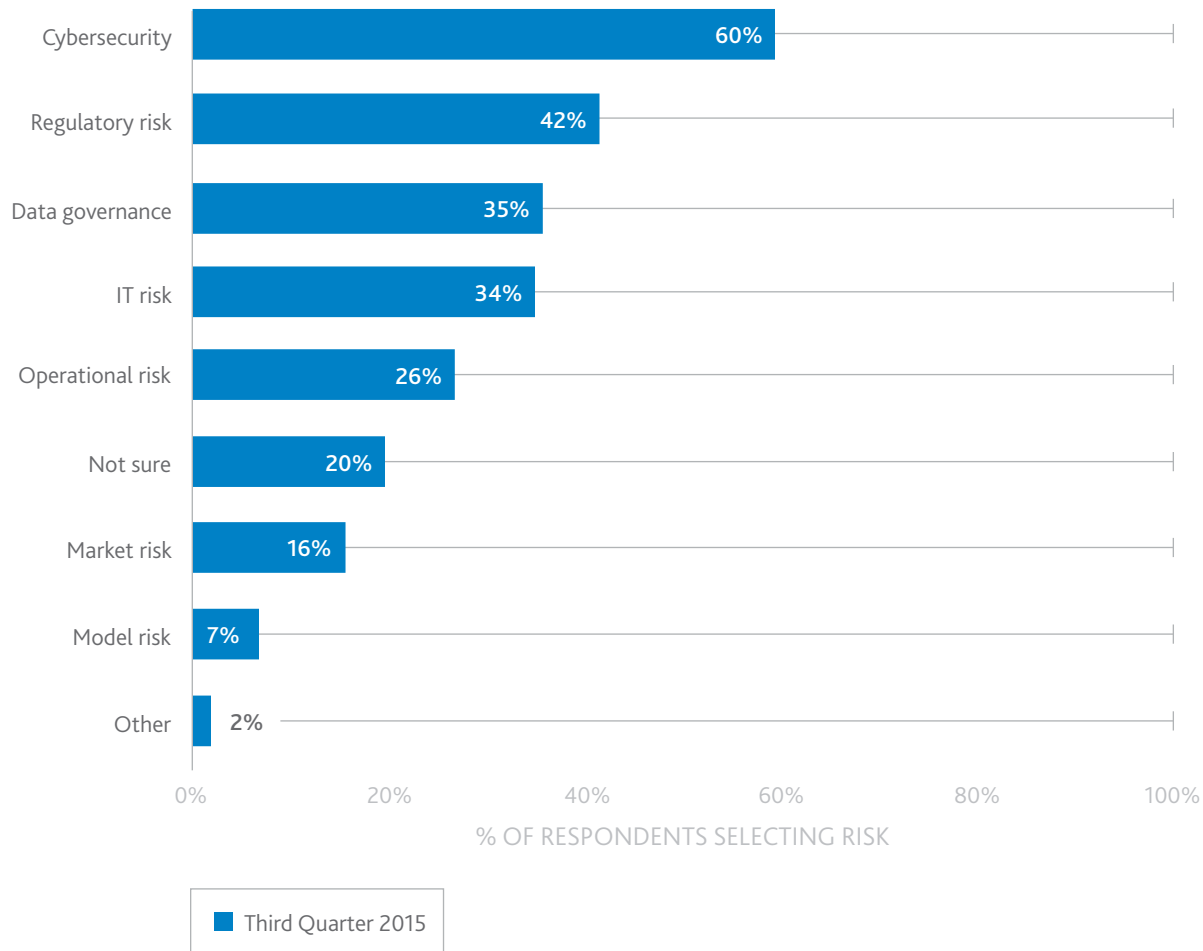
## COMPLIANCE & RISK MANAGEMENT: TOP OF MIND ISSUES FOR INSURERS



### Indicator Spotlight

More than half of all survey respondents said they are concerned about their ability to track and maintain compliance with changing regulatory requirements, including demonstrating compliance to regulators.

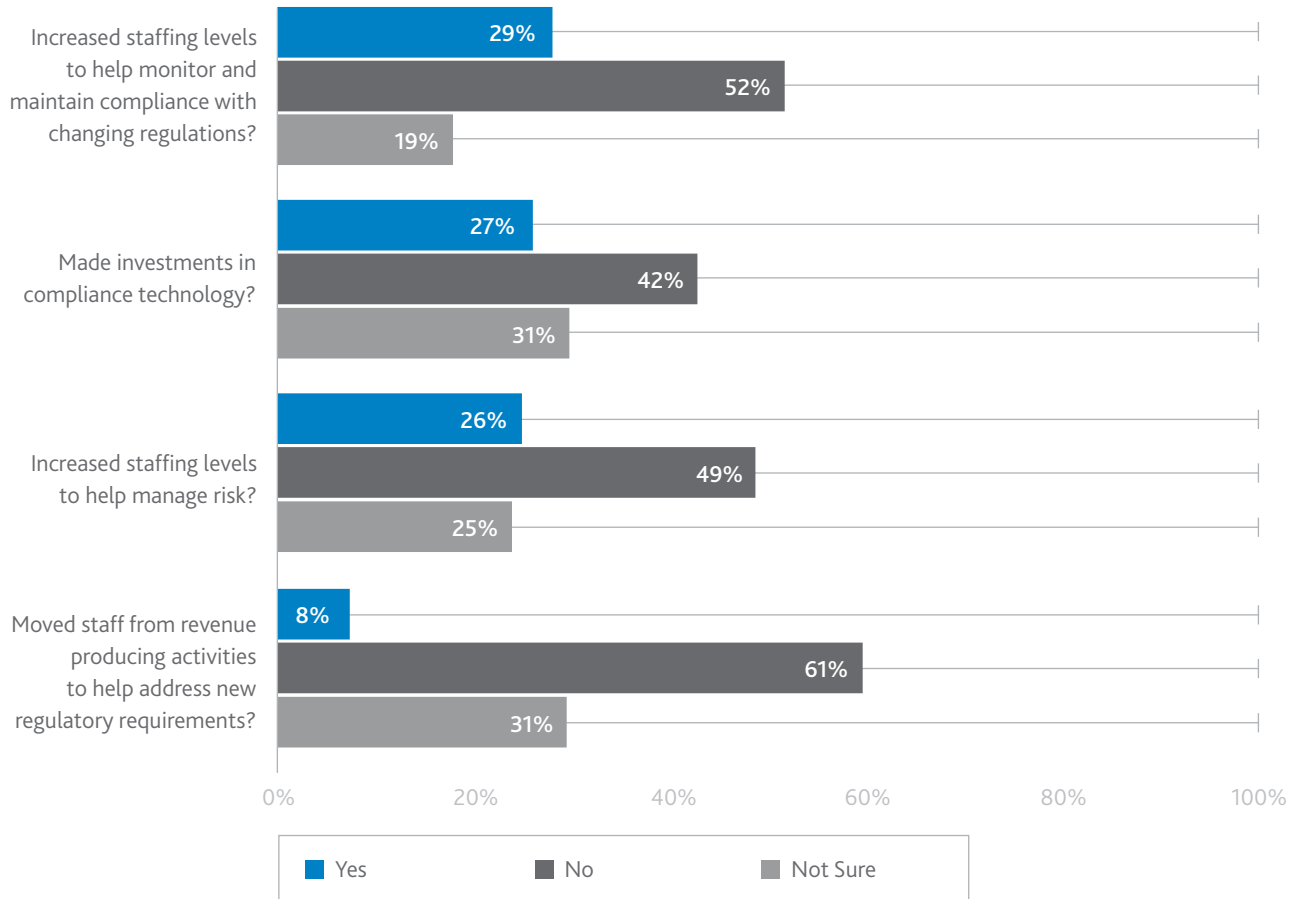
## TOP RISK MANAGEMENT CHALLENGES IN THE NEXT 12 MONTHS



### Indicator Spotlight

The Indicator found insurers are facing competing priorities – cybersecurity vs. regulatory risk – that will likely put more pressures on insurers to prioritize resources to increase compliance investments.

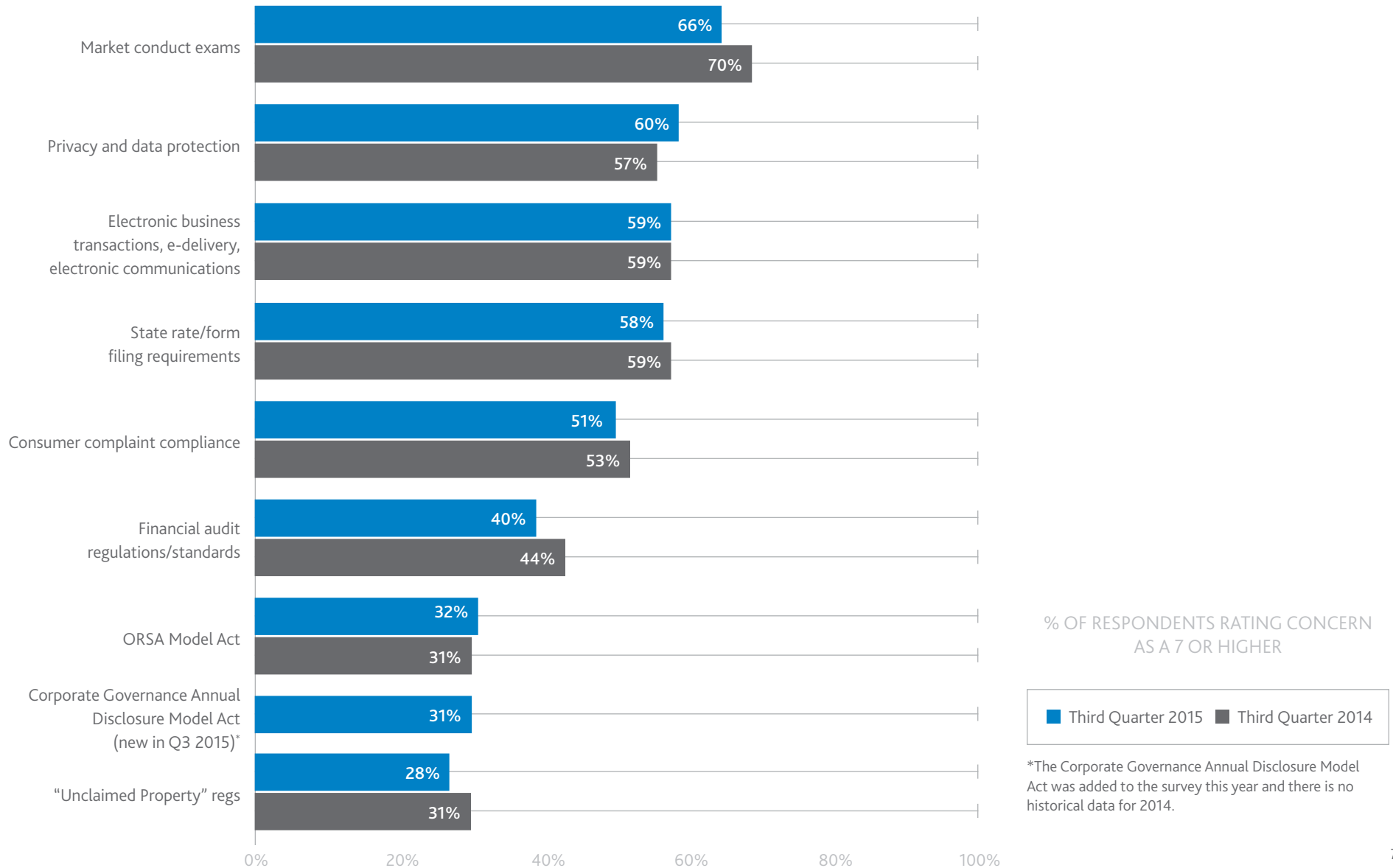
## COMPLIANCE INVESTMENTS IN THE LAST 12 MONTHS



### Indicator Spotlight

While a majority of insurers are concerned about keeping track and maintaining compliance of changing regulations, and demonstrating compliance to regulators, only a quarter have made investments to address these challenges.

## INDUSTRY REQUIREMENTS DRIVING COMPLIANCE CONCERNS



## ABOUT WOLTERS KLUWER FINANCIAL SERVICES

Whether complying with regulatory requirements or managing financial transactions, addressing a single key risk, or working toward a holistic enterprise risk management strategy, **Wolters Kluwer Financial Services** works with more than 15,000 customers worldwide to help them successfully navigate regulatory complexity, optimize risk and financial performance, and manage data to support critical decisions. Wolters Kluwer Financial Services provides risk, compliance, finance and audit solutions that help financial organizations improve efficiency and effectiveness across their enterprise.

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### For more information

about Wolters Kluwer Financial Services, or our Regulatory and Risk Management Indicator, please contact us at [WKFSCorporateCommu@wolterskluwer.com](mailto:WKFSCorporateCommu@wolterskluwer.com)