



U.S. Insurance Industry

# Regulatory & Risk Management Indicator

*March 2014*



## AN OVERVIEW

**Wolters Kluwer Financial Services' Insurance Regulatory and Risk Management Indicator measures 10 critical factors that help illustrate the overall level of regulatory and risk management pressures the U.S. insurance industry faces.**

These factors include concern over their ability to track regulatory changes, comply with new and existing requirements, and prove compliance to federal regulators. The time and resources organizations have invested in compliance efforts was also measured.

Risk management factors measured include insurance carriers' sense of how effectively they are managing overall institutional risks, the involvement, buy-in and ability of the executive team at managing risk, and the time and resources they have invested in these risk management efforts.

For the final three factors of the Indicator formula, Wolters Kluwer Financial Services measured and compared the number of affected citations, the number of new enforcement actions and penalties and the total dollar amount of federal regulatory fines levied.

What follows in this report are the results of the Indicator itself. Some sections of the survey are highlighted, including:

- Growing Compliance and Risk Management Concerns
- Top Concerns Related to New / Changing Regulatory Requirements
- Top Risks Organizations Face
- Managing Risk Effectively

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

### *Indicator Methodology*

*Wolters Kluwer Financial Services surveyed nearly 300 insurance organizations on their most pressing regulatory and risk management concerns in October 2013 and then surveyed approximately the same number again in January 2014. We used the resulting measurements along with the changes we monitored in the actual regulatory environment to develop the latest Indicator.*

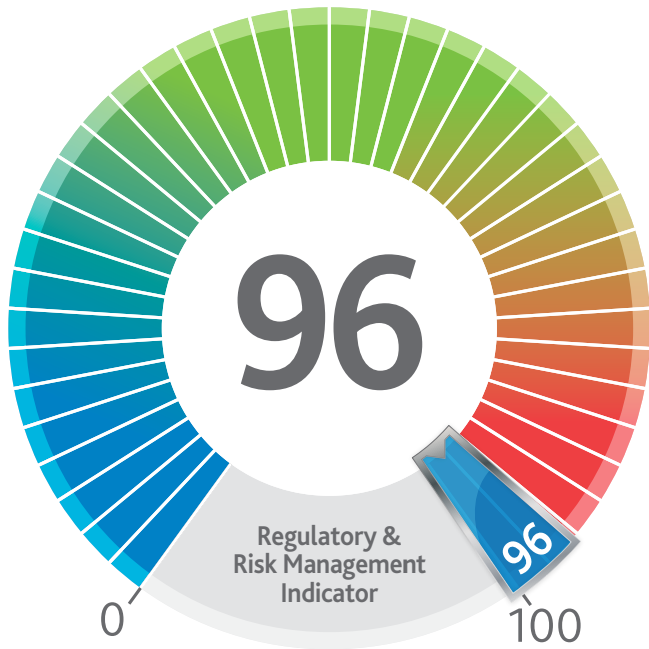


MAIN INDICATOR

COMPLIANCE  
FACTORS

REGULATORY  
ENVIRONMENT FACTORS

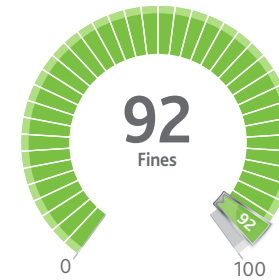
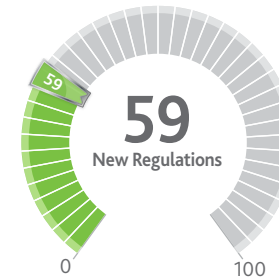
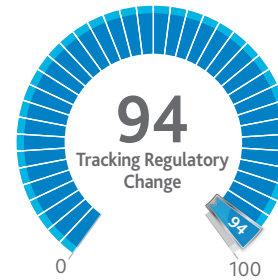
RISK MANAGEMENT  
FACTORS



STEADY CONCERN OVER REQUIREMENTS OFFSET BY GENERAL DECREASE IN REGULATORY METRICS.

While concern with compliance and risk factors remained high in several key areas, levels dipped slightly in others and all of the industry metrics declined, resulting in an overall slightly lower rating. The Main Indicator score fell to 96 from its baseline of 100 established in Q4 2013. The cyclical nature of state by state variations in enforcement action timing was a notable contributing factor driving the small decline, along with an uptick in confidence in the surveyed carriers' ability to manage risk broadly across the organization.

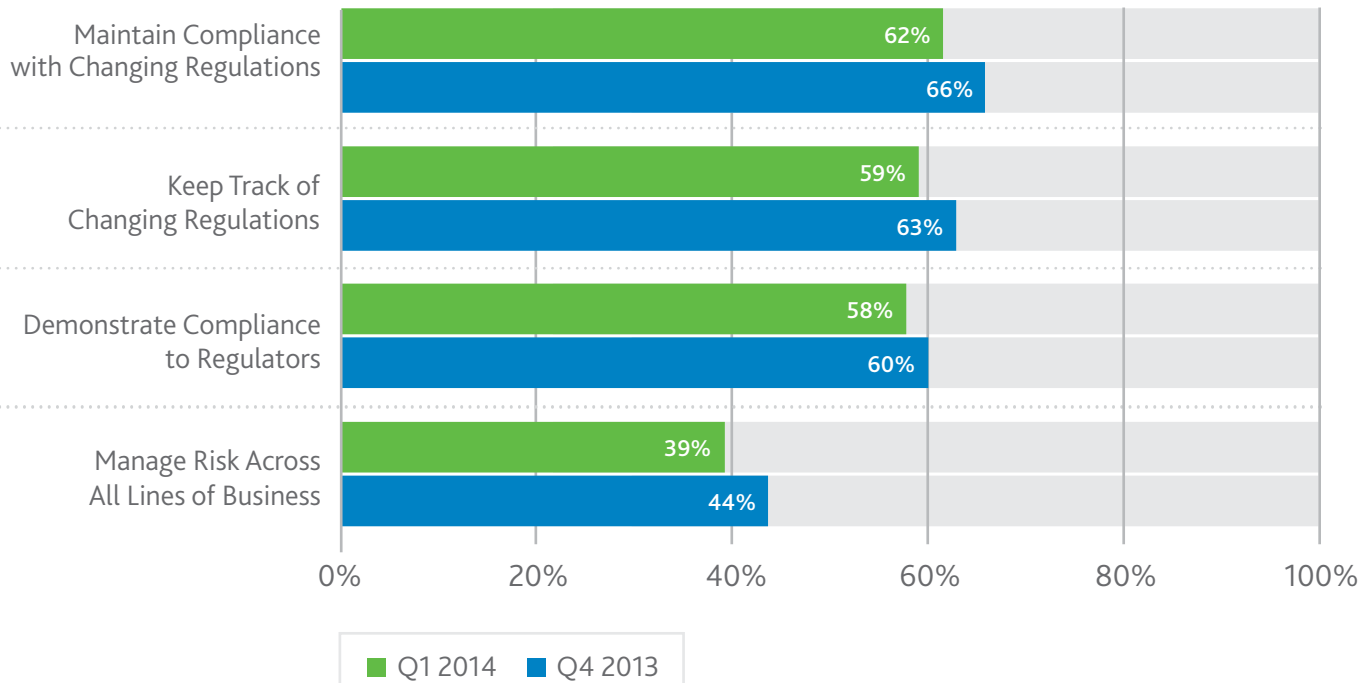
While concern and attention to compliance and risk management issues continue to grow, the Indicator reveals insurance carriers seem to be investing in more resources to address these areas.





## OVERALL LEVELS OF CONCERN WITH COMPLIANCE AND RISK

(PERCENTAGE OF RESPONDENTS RATING CONCERN AS A 7 OR HIGHER)



When asked to indicate their top concerns in their own words, respondents provided a variety of candid responses.

*"Keeping up with the constant regulatory and requirement changes"*  
(15% of respondents)

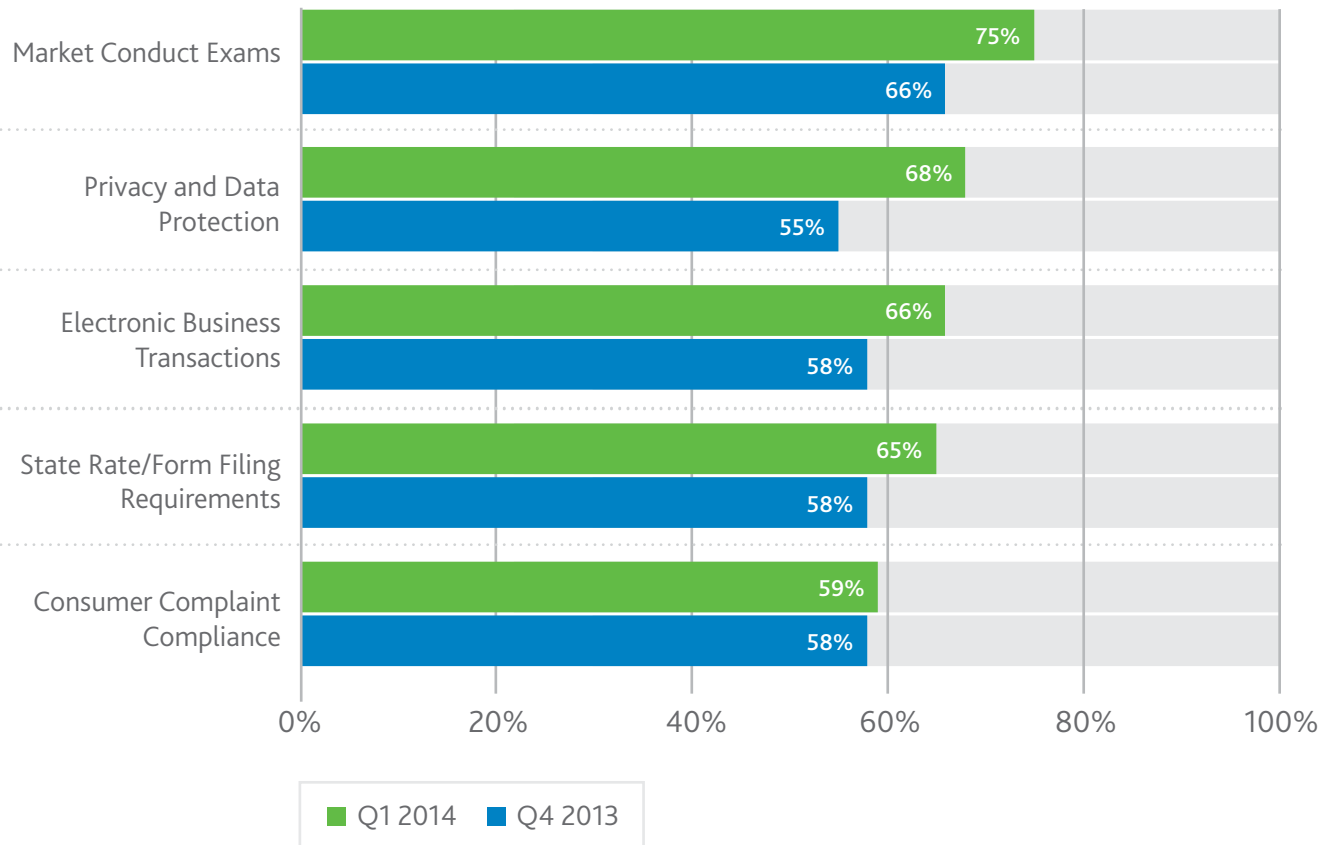
*"Maintaining growth and profitability due to compliance costs and regulatory and risk concerns"*  
(11% of respondents)

*"Complying with all of the various jurisdictions/ state requirements"*  
(10% of respondents)



## TOP CONCERNS RELATED TO NEW OR CHANGING REQUIREMENTS

(PERCENTAGE OF RESPONDENTS RATING CONCERN AS A 7 OR HIGHER)



### Major Differences by Insurer Type/Size:

- Health insurers almost twice as likely to be more concerned with Affordable Care Act and healthcare reform
- Life insurers nearly twice as likely to be concerned with ORSA Model Act adoption and unclaimed property regulations
- Regional insurers significantly more concerned with privacy and data protection and the National Flood Program
- National insurers more than twice as likely to be concerned with "Unclaimed Property" regs
- Issues related to TRIA renewal and its effects, and OFAC, AML, and KYC enforcement significantly higher for global institutions



## TOP RISKS

(RISKS SELECTED AS ONE OF THE TOP RISKS BY PERCENTAGE OF RESPONDENTS)

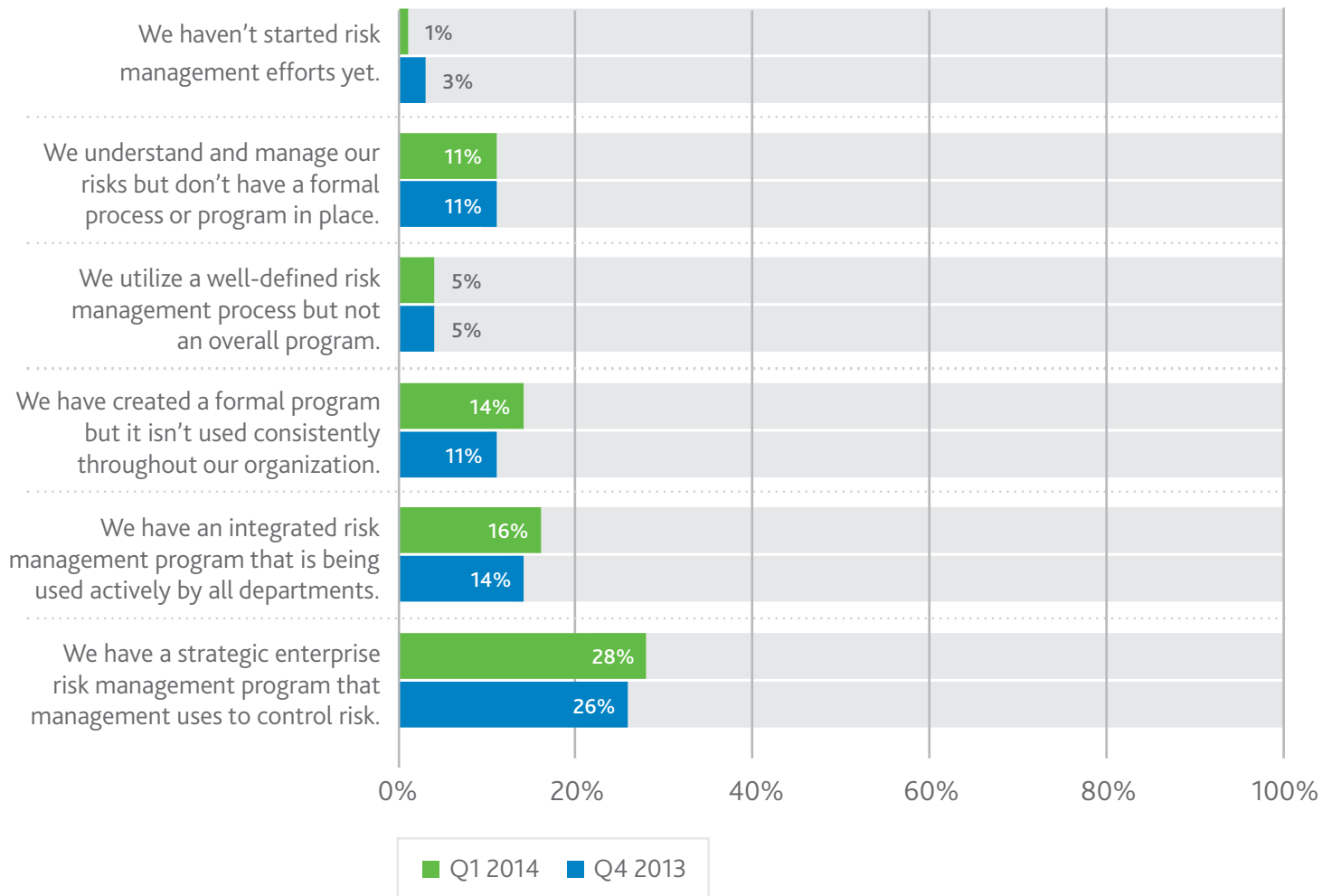


Differences by type and size of organization, included:

- P&C insurers more concerned with market risk than other types of insurers
- National insurers were more concerned with IT risk

## OVERALL RISK MANAGEMENT EFFORTS

(PERCENTAGE OF RESPONDENTS SELECTING RISK MANAGING EFFORT)



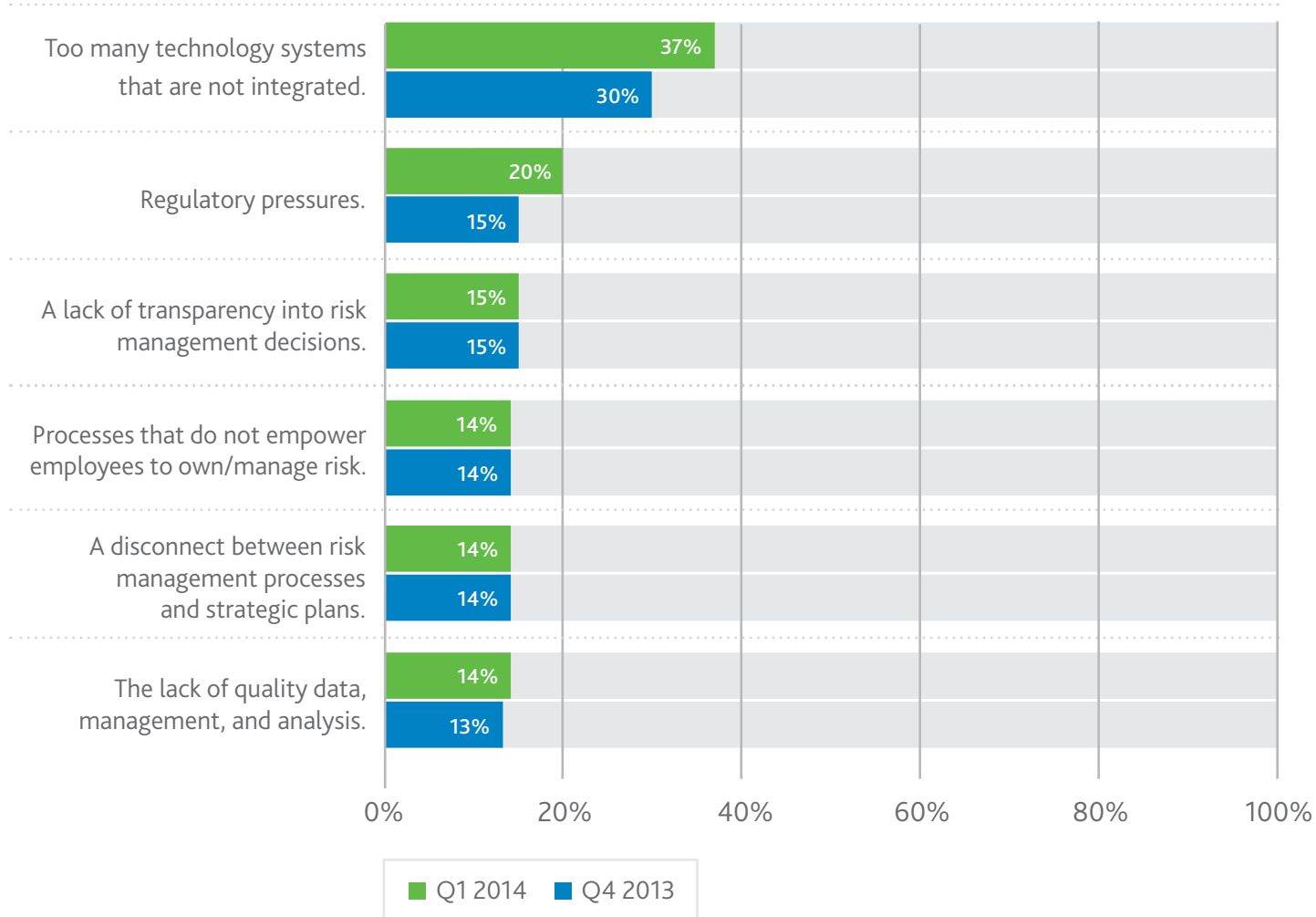
*Carriers with a strategic enterprise risk management program in place or even an integrated risk management program that is actively used by all departments understand and manage their risks, but don't have a formal process in place or an overall risk program.*

*Many are likely to be just beginning the process.*



## TOP OBSTACLES TO MANAGING RISK AT THE ORGANIZATIONAL LEVEL

(PERCENTAGE OF RESPONDENTS SELECTING OBSTACLE)



*As we near the effective date for ORSA requirements, these strategic enterprise risk management programs are going to be tested. This data points to potential vulnerabilities in the risk management framework at these organizations.*





## ABOUT WOLTERS KLUWER FINANCIAL SERVICES

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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. With more than 30 offices in 20 countries, the company's prominent brands include: AppOne®, ARC Logics®, AuthenticWeb™, Bankers Systems, Capital Changes, CASH Suite™, FinArch, FRSGlobal, GainsKeeper®, NILS®, TeamMate®, Uniform Forms™, VMP® Mortgage Solutions, and Wiz®. Wolters Kluwer Financial Services is part of **Wolters Kluwer**, a leading global information services and solutions provider with annual revenues of (2013) €3.6 billion (\$4.7 billion) and approximately 19,000 employees worldwide. Please visit our **website** for more information.

### *For more information*

*about Wolters Kluwer Financial Services,  
or our Regulatory and Risk Management  
Indicator, please contact us at  
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