



U.S. Insurance Industry

Regulatory & Risk Management Indicator

November 2014





AN OVERVIEW

Wolters Kluwer Financial Services' Insurance Regulatory & 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 the ability to track regulatory changes, comply with new and existing requirements, and prove compliance to 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 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

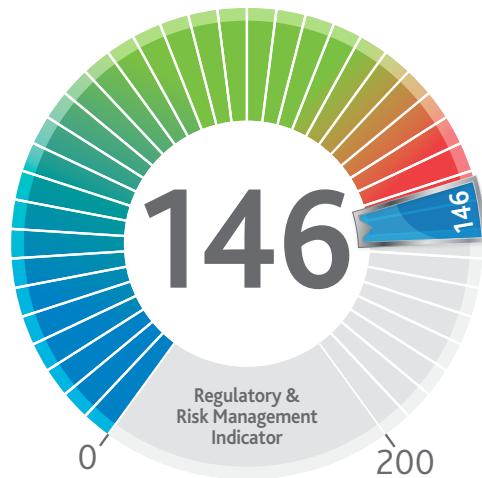
To obtain the full data set used to compile the Indicator, please contact us at WKFSCorporateCommu@wolterskluwer.com

Indicator Methodology

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



MAIN INDICATOR



SHARP RISE IN THE OVERALL INDICATOR FOR INSURERS AUGMENTED BY INCREASES IN INDUSTRY REGULATORY METRICS

Concern with compliance and risk factors remained high or increased in several key areas, and levels rose significantly in all of the industry metrics measured, resulting in an overall sharp increase in our Indicator. The Main Indicator score rose to 146 from its baseline of 100 established in October 2013. The Indicator also points to concern over obstacles to managing risk at the enterprise level, with overall scores in this area increasing over the previous survey period. The cyclical nature of state-by-state variations inherent in the regulatory environment is a notable contributing factor to shifts in the overall indicator score.

While concern and attention to compliance and risk management issues continue to grow, the Indicator reveals a trend with insurance carriers investing in more resources to address these areas. In particular, data indicates organizations are focusing on addressing risk management gaps, although monitoring and maintaining compliance with changing regulations is also an area where the industry is focusing their resource investments.

COMPLIANCE FACTORS



REGULATORY ENVIRONMENT FACTORS



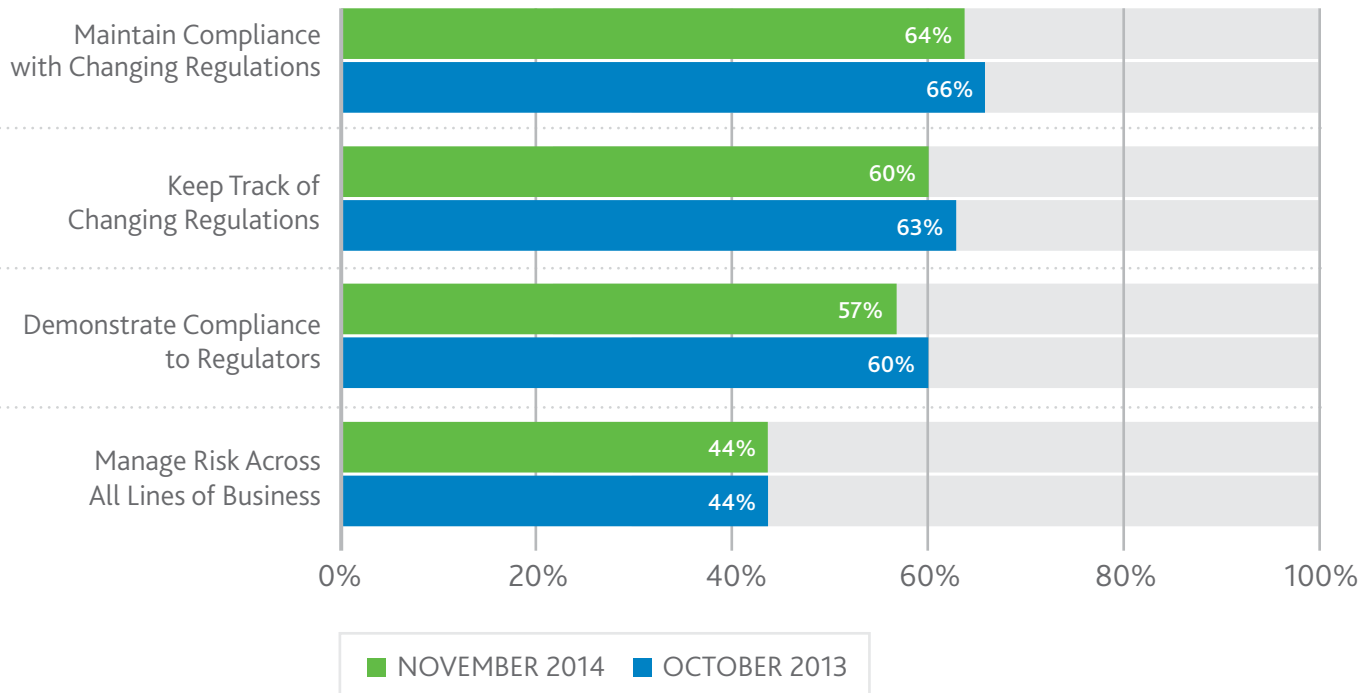
RISK MANAGEMENT FACTORS





OVERALL LEVELS OF CONCERN WITH COMPLIANCE AND RISK

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



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

"Maintaining compliance and keeping up with the constant regulatory and requirement changes"
(34% of respondents)

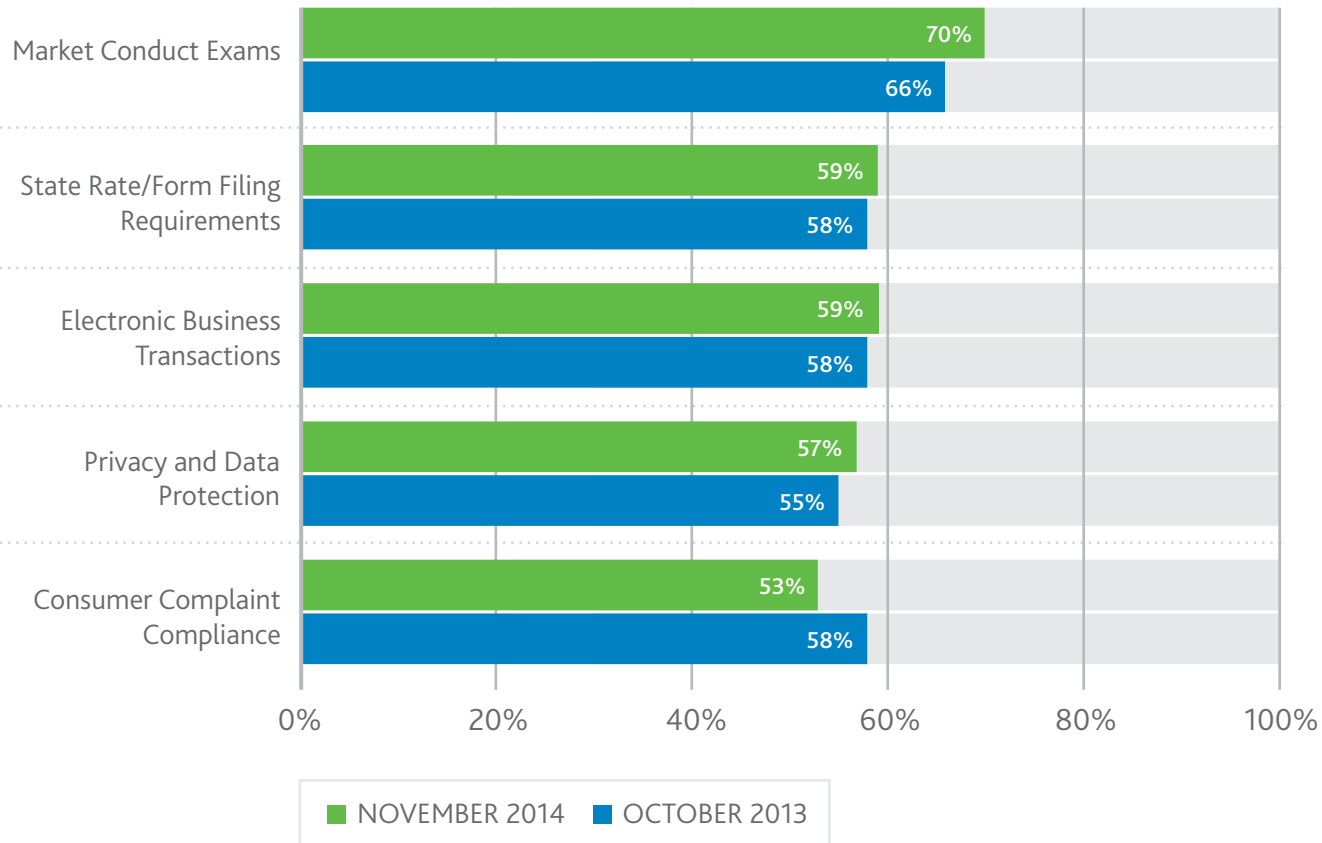
"Implementing all the different requirements and changes to those requirements"
(18% of respondents)

"Maintaining growth and profitability due to compliance costs and regulatory and risk concerns"
(9% of respondents)



TOP CONCERNS RELATED TO NEW OR CHANGING REQUIREMENTS

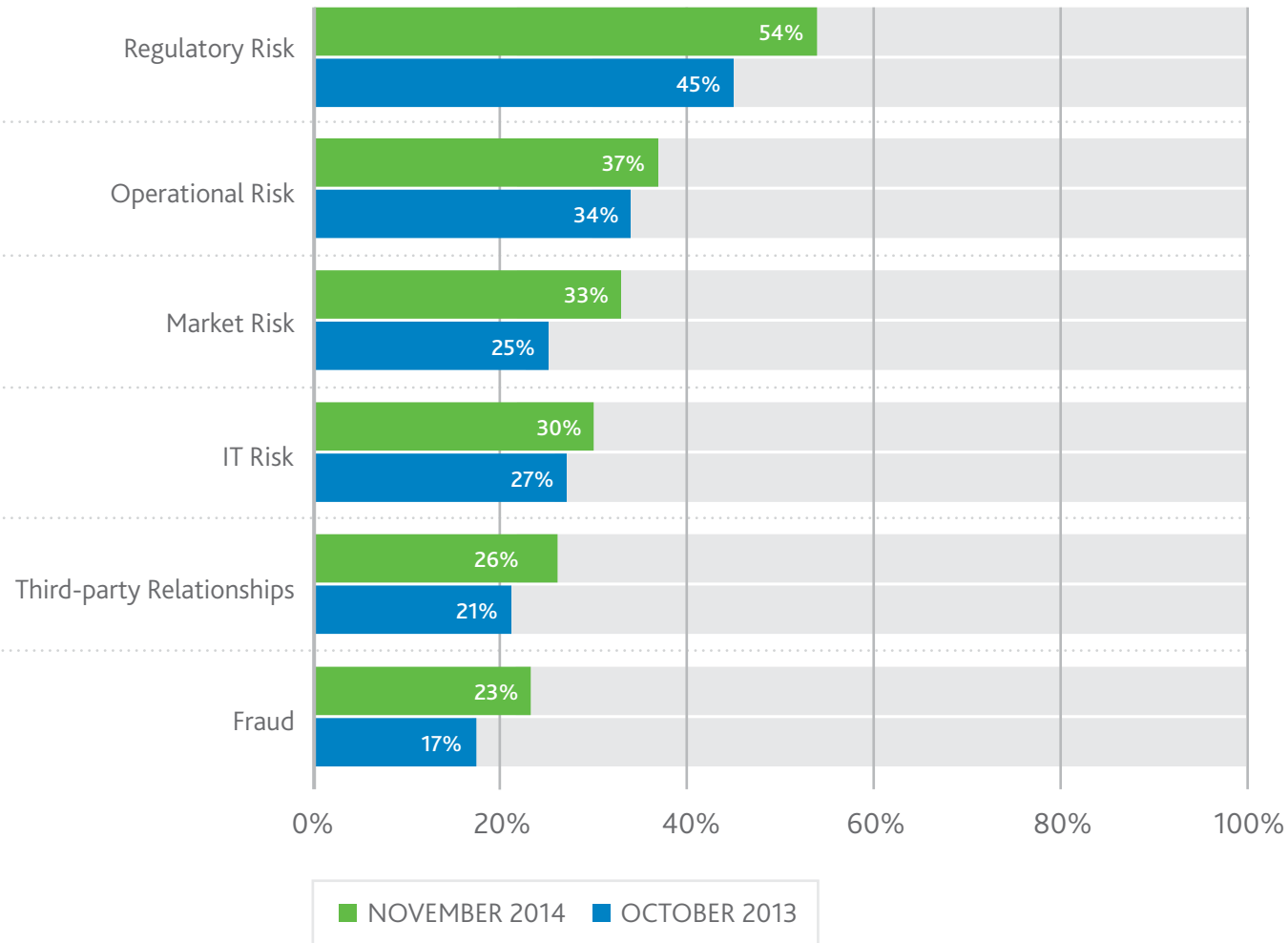
(PERCENTAGE OF RESPONDENTS RATING CONCERN AS A 7 OR HIGHER)





TOP RISKS

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

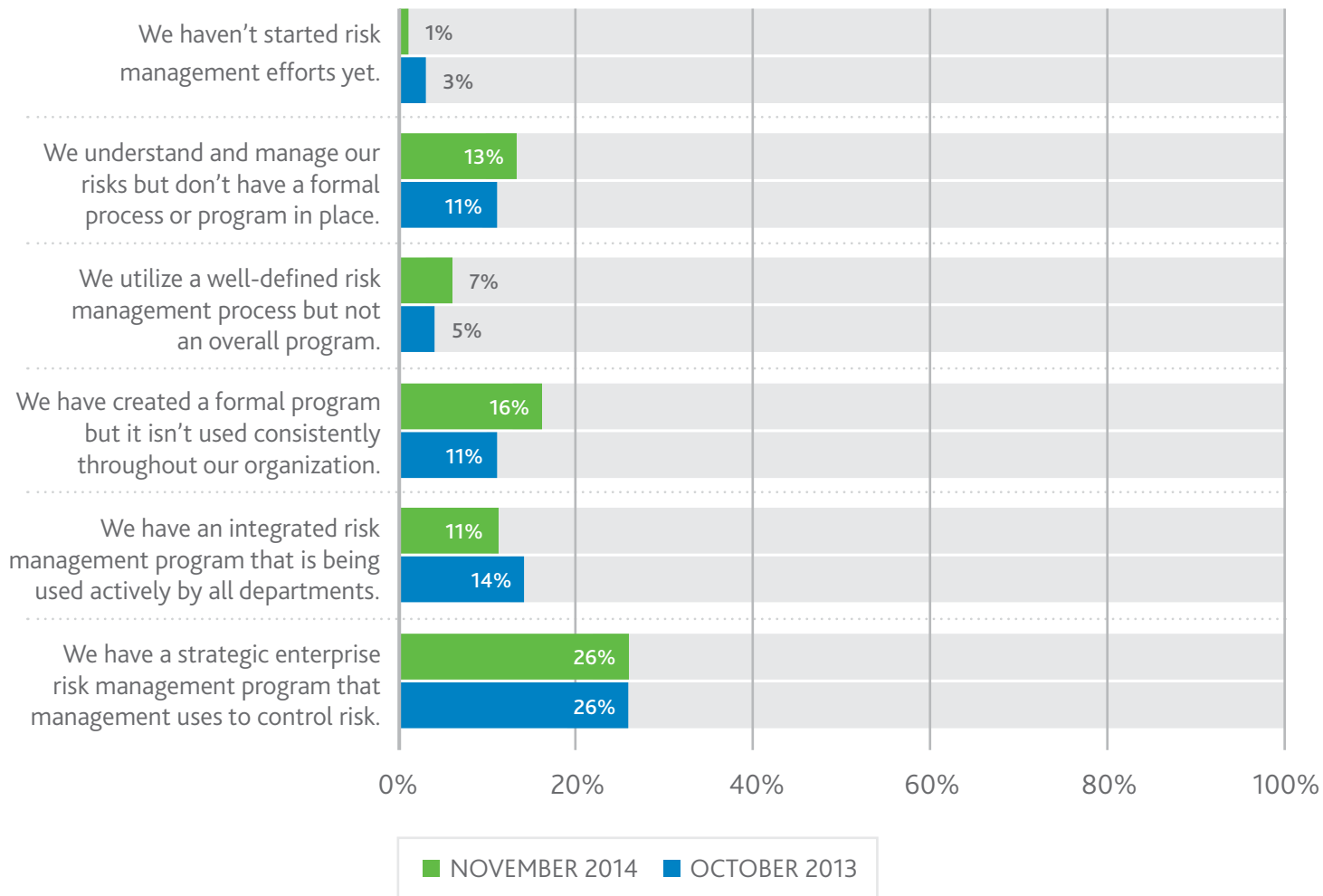


There were few statistically significant differences by type and size of organization, however the survey revealed that regional insurers were more concerned with fraud and vendor risk than other types of insurers.



OVERALL RISK MANAGEMENT EFFORTS

(PERCENTAGE OF RESPONDENTS SELECTING RISK MANAGING EFFORT)

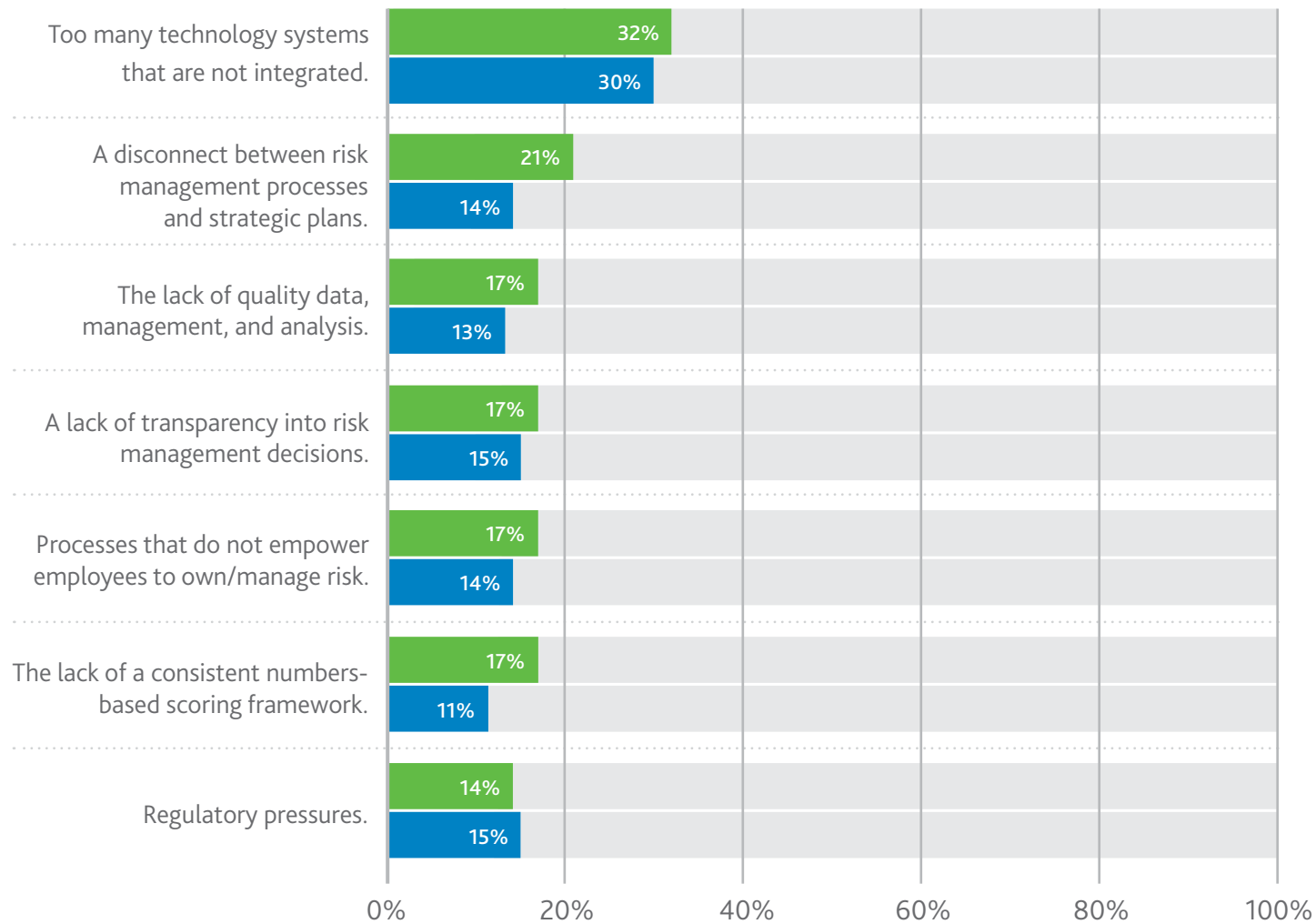


Of the carriers with a strategic enterprise risk management program in place or even an integrated risk management program that is actively used by all departments, data indicate many are likely to be just beginning the process, a factor which has been consistent since our first survey in October 2013.



TOP OBSTACLES TO MANAGING RISK AT THE ORGANIZATIONAL LEVEL

(PERCENTAGE OF RESPONDENTS SELECTING OBSTACLE)



With organizations looking inward as they adopt a risk-based approach, internal obstacles to managing risk increased while regulatory pressures fell out of the top five for the first time since our survey's inception.

Indicator results continue to reveal potential vulnerabilities in the risk management framework at these organizations, just as the strategic enterprise risk management programs are about to be tested in the coming quarters.

■ NOVEMBER 2014
■ OCTOBER 2013



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. With more than 30 offices in 20 countries, the company's prominent brands include: AppOne[®], ARC Logics[®], AuthenticWeb[™], Bankers Systems[®], Capital Changes, CASH Suite[™], FRSGlobal, FinArch, 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 www.wolterskluwerfs.com 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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