

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now](#)

RISK & COMPLIANCE

Insurance Industry Placing More Emphasis on Compliance

By BEN DIPIETRO

Updated Jan. 8, 2015 4:21 p.m. ET

A recent [survey](#) from PwC showing 86% of insurance industry executives saying their companies have a chief compliance officer—well above the 69% for respondents in all industries—suggests the industry is becoming more focused on mastering the increasing complexities of the regulatory environment, said an executive at the firm.



istockphoto.com

The 86% number is down from 2013, when 96% said they had a chief compliance officer, but the decline can be attributed to twice as many executives responding to the 2014 survey than did in 2013, said Ellen Walsh, a partner in the financial services risk and regulatory advisory practice at PwC. But when the 86% figure is combined with the 88% who said they expect their companies to boost compliance spending and staffing in the near term, she said that is significant because it shows a maturing industry working to establish strategic priorities.

“The 86% number demonstrates the industry’s focus on the role of compliance,” said Ms. Walsh. “And in a function where sometimes budgets have been squeezed, that 88% number is significant.”

While parts of the insurance sector such as life insurers have been dealing with compliance issues for years, the shift is coming as increased regulations have put more pressure on health insurers and those offering complex investment products—such as variable annuities or other offerings covered by the Securities and Exchange Commission’s asset management rules—to also spend more time and effort in this area, said. Ms. Walsh.

“The products they are selling are growing in complexity and with that typically comes increases in regulatory oversight,” she said. “So it’s not surprising to see companies have identified a need to increase staffing and investment.”

The focus on regulations is reflected in the survey, where 42% of respondents cited industry-specific regulations as one of the top three priorities for 2014, down from 71% in 2013. Replacing regulations as the top perceived risk concern in 2014 was privacy and confidentiality worries, cited by 48% of respondents. Fraud was the third most-cited risk concern in 2014, replacing 2013’s number three risk, consumer protection.

When it comes to where insurers are housing their compliance teams, 52% said compliance is a separate function (there is no comparative number from 2013), while 38% said it resides within the legal department, down from 50% in 2013. Sixty-one percent said compliance is a standalone responsibility for the person in charge of the function, while 39% said that person juggles multiple duties. As for reporting, 49% said compliance reports to the general counsel, up from 48% in 2013, with 19% saying the CCO reports to the board (up from 12%) and 15% naming the chief executive (down from 19%).

Although the role of compliance is seen as being on the rise, the stature of the CCO in insurance lags behind CCOs in other sectors, the survey found, with only 20% saying their insurance CCO resides within the C-suite, compared with 26% in all industries. The disparity between the various insurance sectors is one factor in this, said Ms. Walsh, with life insurance CCOs tending to be very senior executives.

“As other portions of the insurance industry become more mature from a compliance standpoint, as demands increase and compliance risks increase, I think we’ll see a growing degree of stature among CCOs across the industry,” she said.

Write to Ben DiPietro at ben.dipietro@dowjones.com, and follow him on Twitter @BenDiPietro1.

Copyright 2014 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com