



THE COMPLIANCE & ETHICS FORUM
FOR LIFE INSURERS



2014 CEFLI Records Management Benchmarking Survey Report Executive Summary



Introduction3

Purpose.....3

Methodology4

Key Findings5

Summary.....6



Introduction

CEFLI is pleased to provide the Executive Summary of the results of its 2014 Records Management Benchmarking Survey. As part of CEFLI's mission to serve the needs of the life insurance industry's compliance and ethics professionals, CEFLI has invited compliance and ethics professionals from across the life insurance industry to participate in Surveys over the past several years to allow CEFLI to gauge the current state of practice with respect to specific compliance and ethics issues in the life insurance industry. The Survey was designed to capture data associated with the current state of records management policies and procedures within the life insurance industry. This Executive Summary of the Survey summarizes the key findings of CEFLI's 2014 Records Management Benchmarking Survey.

Purpose

The purpose of this Survey was to determine the current state of practice with respect to records management within the life insurance industry. Records management is highly regulated, and depending on the size and type of business conducted by a life insurance company, can create myriad challenges for companies seeking to responsibly interpret and comply with the many laws and regulations that apply. An effective records management program can ensure complete and accurate information is accessible when needed, reduce costs and minimize the risk of regulatory penalties or other legal consequences.

To gauge current practice, the Survey asked objective questions designed to identify the nature and scope of records management programs at respondent life insurance companies. Aspects covered included: corporate commitment and structure, employee training, system design and use of outside vendors, Legal Hold Orders, storage, safeguards, and records destruction.



Methodology

To complete its review, CEFLI solicited input from both CEFLI-member life insurance companies as well as non-CEFLI member companies. Survey respondents represent life insurance companies across a range of company sizes (large, medium and small).

Survey respondents were asked to identify the size of their organization based upon the number of overall employees. For purposes of this Survey, small life insurance companies were characterized as organizations with up to 500 employees, medium companies were characterized as organizations having between 501-10,000 employees and large companies were characterized as organizations having 10,001 or more employees. Survey responses were received from a broad range of companies including large life insurance companies (6%), medium companies (51%) and small companies (43%).

When asked to identify the department or division to which they report, the majority of Survey respondents (54%) indicated that they report up to the Compliance Department at their life insurance company. The next largest grouping of Survey respondents (34%) report to the Law Department. Others Survey respondents (6%) indicated that they report to Operations. A smaller percentage of Survey respondents (3%) responded that they report to Risk Management and the same percentage (3%) report up to their applicable Business Line.



Key Findings

- 77% of companies surveyed reported that their records management program applies across all states even if not required in a particular state.
- Development and oversight of the records management program is a function of the Compliance or Legal Department at the large majority of companies.
- The Information Technology Department has little or no responsibility for records management at the majority of insurers.
- 60% of companies surveyed indicated that their companies' established records retention schedule is reviewed only when potential legal or regulatory issues are identified.
- 54% of Survey respondents reported that their records management system was developed internally. Most others use a hybrid of internal and third party systems, with only a small percentage using a third party vendor system.
- Almost all companies have some documents stored in paper form, which is still the primary form of media for document storage at some small and medium companies.
- 77% of companies are reducing storage costs by moving paper documents over to electronic media.
- Very few companies have fully automated processes for document retrieval and destruction.



Summary

CEFLI's 2014 Records Management Benchmarking Survey serves as a way to gauge the current state of practice with respect to records management within the life insurance industry. By establishing this benchmark, this information can be used to track the evolution of records management practice and analyze possible trends that may occur in records management compliance in the life insurance industry over the years ahead.

The Survey confirmed that the vast majority of life insurers, regardless of size, have a formal records management program in place, which in most companies includes a written records management policy. Furthermore, Survey results show that, while not currently required by all states, most insurers apply their records management processes in every state in which they conduct business. In keeping with this approach, though laws and regulations pertaining to records management differ by country, half of Survey respondents operating internationally utilize a consistent records management program across all jurisdictions. Not surprisingly, only large insurers indicate varying their records management program according to country specific laws and regulations.

Organizational structures associated with the development of records management processes vary based upon company size. At small life insurers, setting the records management policy, as well as monitoring the programs' operation, is the responsibility of the Compliance or Law Department. At medium and large insurers, decentralized Business Units are more likely to also play a role in developing policy and monitoring operations. The extent to which an insurer's Information Technology Department is involved with the overall records management program varies widely, though most Survey respondents indicated that the IT Department is actively engaged in specific ad hoc initiatives supporting the program. It is possible the role of IT will expand as records management continues to move away from paper and legacy systems and becomes increasingly automated.



The majority of life insurers operate a centralized records retention program, staffed by one or two full time employees/equivalents, though some companies have much larger staffs. While over half of the companies surveyed do not budget specifically for records management, results indicate that large and medium insurers are more likely to have a dedicated budget for their programs.

Most small and medium life insurers developed their own records retention schedule, though many, and all large insurers surveyed, used an external vendor or outside counsel specializing in records management in developing their schedule. Third parties were also consulted by just under half of all respondents to help develop their records retention system, however, only a handful of companies rely solely on an external system.

Though a significant majority of companies publish their records retention schedule, usually by posting it electronically in a central location, just over half of those surveyed conduct some kind of training on their records management program. Among those companies that do offer training, the majority make it mandatory for at least some of their employees, and there is a wide range of delivery methods, from read and attest, to computer based modules and in-person training sessions. Frequency of training is most often annual.

Most companies conduct a compliance review of their records retention schedule only when triggered by a potential legal or regulatory issue, while others conduct regular reviews at intervals ranging from twice yearly to once every three years. Compliance reviews are primarily conducted internally, though some large and medium companies use external vendors or outside legal counsel to ensure legal and regulatory requirements are being met.

Almost all companies surveyed use Legal Hold Orders to ensure documents are not discarded, even if they exceed record retention schedules, and for the majority this is a manual process handled by the Law Department.



Most companies have stored records in various formats, including paper, microfilm and electronic media, with the latter being the primary format for document storage. Retrieving stored documents is at least a partially manual process at most companies, which is likely to remain the case as long as paper documents continue to be stored. It is not surprising then, that results show that companies are increasingly moving stored paper documents to electronic media, to improve records management. When doing so, almost all companies destroy the paper document, usually after a quality review process has taken place.

While the Survey found that most life insurers do not have a system that automatically notifies the company when a record has reached its retention expiration period, it may be a best practice to consider this functionality when developing or updating their systems. Though some companies do purge emails, and policy/application information from their administrative or imaging systems once the retention expiration period or other specific criteria has been met, approximately half of all companies, including all large insurers who responded to the Survey, do not routinely purge this information from their systems. Most companies, however, report that they have a process in place to certify that records have been destroyed based on a record retention schedule. Certification occurs most commonly via a certificate of destruction, a records management report or e-mail notification. Approximately half of respondent companies retain a record to evidence that a document has been destroyed.

Not surprisingly, the record format tends to dictate whether it will be destroyed or not, with the majority of companies reporting that they consistently destroy paper documents that exceed record retention deadlines, while only a third destroy electronic documents. This result was anticipated, as the physical storage cost for warehousing paper documents is one that many companies are actively working to reduce.

Overall, the 2014 Records Management Benchmarking Survey confirmed that a large majority of life insurers have made records management a high priority, and are taking an active role in managing and developing their records management programs. While



there is still work to be done in terms of automating records management systems, and reducing the inefficiencies and cost associated with paper document storage, it appears that many companies are taking a proactive approach to improving records management processes. Given the significant amount of regulation in this area, a commitment to responsible records management, will ensure that information is accurate, complete, and available, as well as reduce costs and minimize the risk of regulatory penalties or other legal consequences.

CEFLI would like to thank all compliance and ethics professionals from CEFLI Member Companies as well as non-CEFLI Member Companies who responded to the 2014 CEFLI Records Management Benchmarking Survey for offering their insights and perspectives. We hope that all Survey respondents find this information to be useful.

CEFLI also would like to thank its Member Companies and Affiliate Members for their financial support of the 2014 CEFLI Records Management Benchmarking Survey.

THE FORUM THAT CONNECTS.



**Compliance & Ethics Forum
for Life Insurers**

Bethesda, MD 20814

240.744.3030

info@cefli.org