



# 2021 Compliance & Ethics Benchmarking Survey

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The Compliance & Ethics Forum for Life Insurers

## WELCOME!

- The webinar will begin shortly after the top of the hour.
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# 2021 Compliance & Ethics Benchmarking Survey

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The Compliance & Ethics Forum for Life Insurers

**CEFLI Educational Webinar Series**  
July 28, 2021

# 2021 CEFLI Premier Partners



# 2021 CEFLI Affiliate Members

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The Forum that Connects

# Agenda

- CEFLI's Antitrust Policy
- Pre-presentation Reminders: Recording, Q&A
- Presentation:
  - What's New?
  - Background and Methodology
  - Key Findings
- Questions
- Post-presentation Reminders: CEFLI Resources, Upcoming Events, Certificate of Attendance

# What's New?

## Seven (7) Questions Were Added:

- Three (3) questions regarding 2021 and 2022 **conference travel**.
- Four (4) questions regarding state **market conduct examination activity**.



## Two (2) Questions Were Removed:

- Two (2) questions regarding **SEC Regulation Best Interest implementation efforts**.

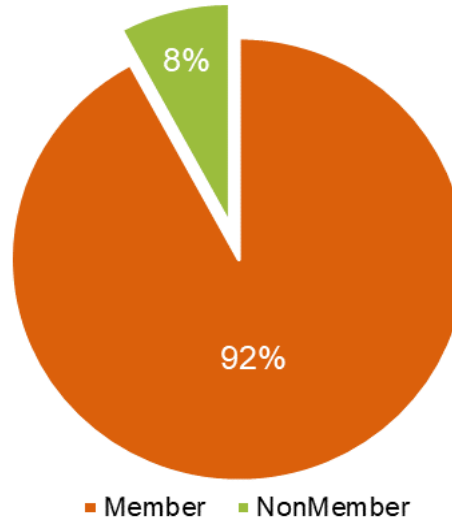
## Several Questions Were Revised

# Background and Methodology

**38**  
Survey  
Responses

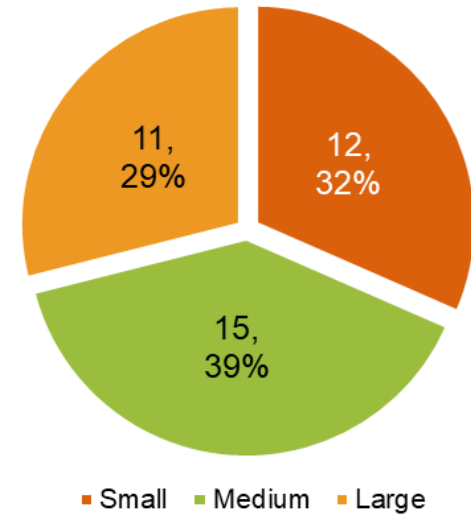
**49%**  
Member  
Response  
Rate

Member vs. NonMember



**92%**  
Members

Size of Organization



**1/3**  
Balanced Mix

# Key Findings

## Compliance & Ethics Leadership:

Percentage of Companies With Specific Compliance and Ethics Roles

**86%**

**Chief Compliance  
Officer  
(or equivalent role)**

**39%**

**Business Unit  
Compliance Officer  
(BUCO)**

**18%**

**Separate Chief  
Ethics Officer  
(or equivalent role)**

**42%**

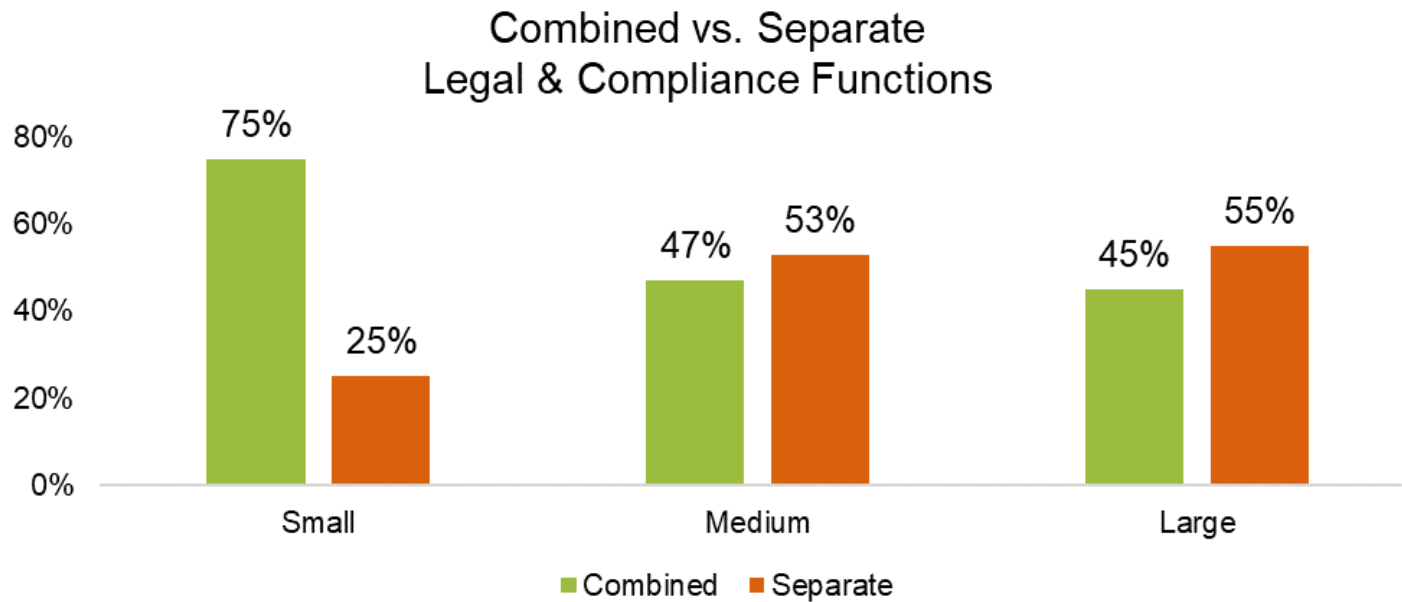
**Combined Chief Ethics and Compliance Officer (CECO)**



# Key Findings

## Organization Structure:

- Overall (regardless of company size) companies slightly (55%) favor a combined Legal and Compliance function. Preferences vary greatly by company size.

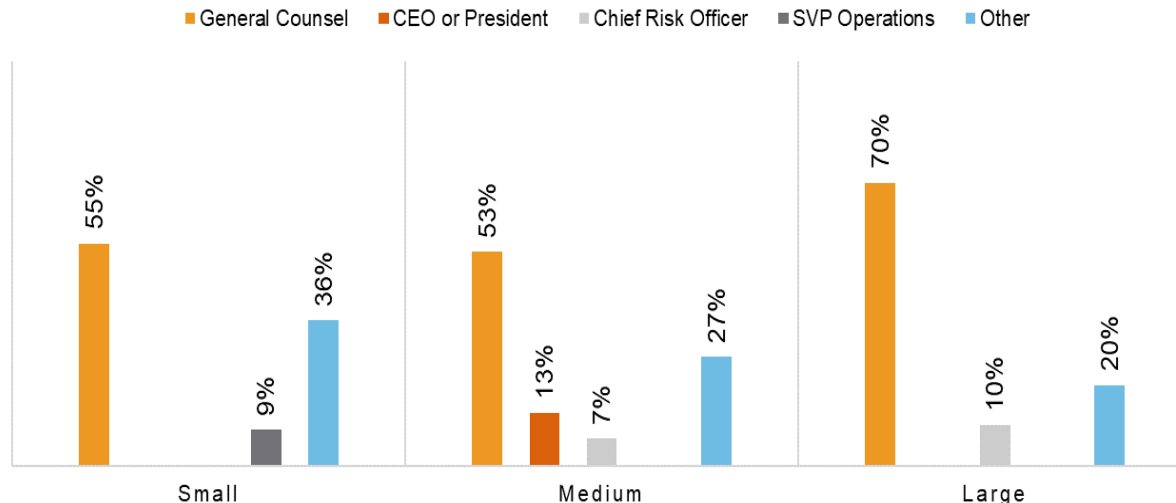


# Key Findings

## Organization Structure (continued):

- **CCO Direct Reporting:** 58% of Chief Compliance Officers at companies of all sizes report to the company's General Counsel. This practice was most prevalent at large companies (70%).
- Small companies were more likely to have their CCO assume multiple responsibilities (e.g., CCO & General Counsel or another officer role).

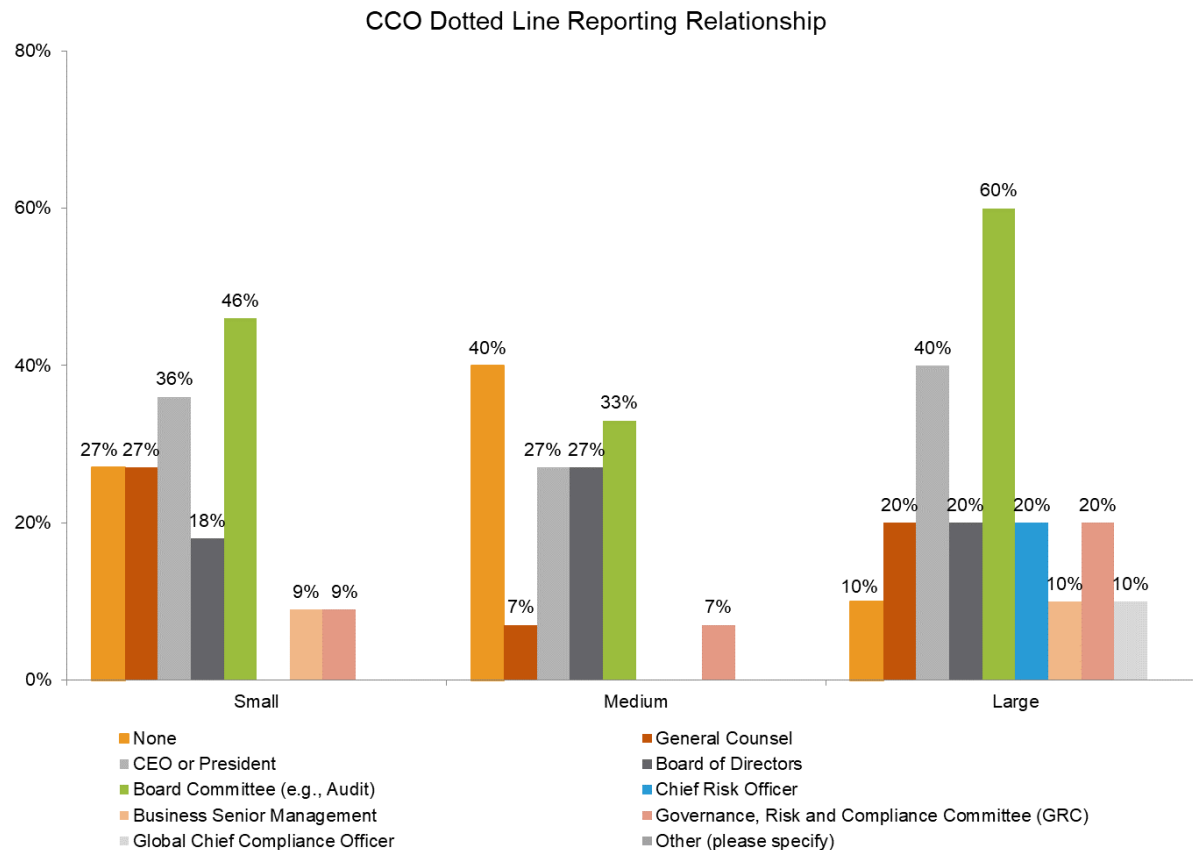
Chief Compliance Officer Reporting Relationship



# Key Findings

## Organization Structure (continued):

- **CCO Dotted Line Reporting:** Over two-thirds (67%) of respondents indicated their Chief Compliance Officer has a dotted line reporting relationship to the Company's Board of Directors or to a Committee of the Board. (In 2020 the number was just under 50%.)

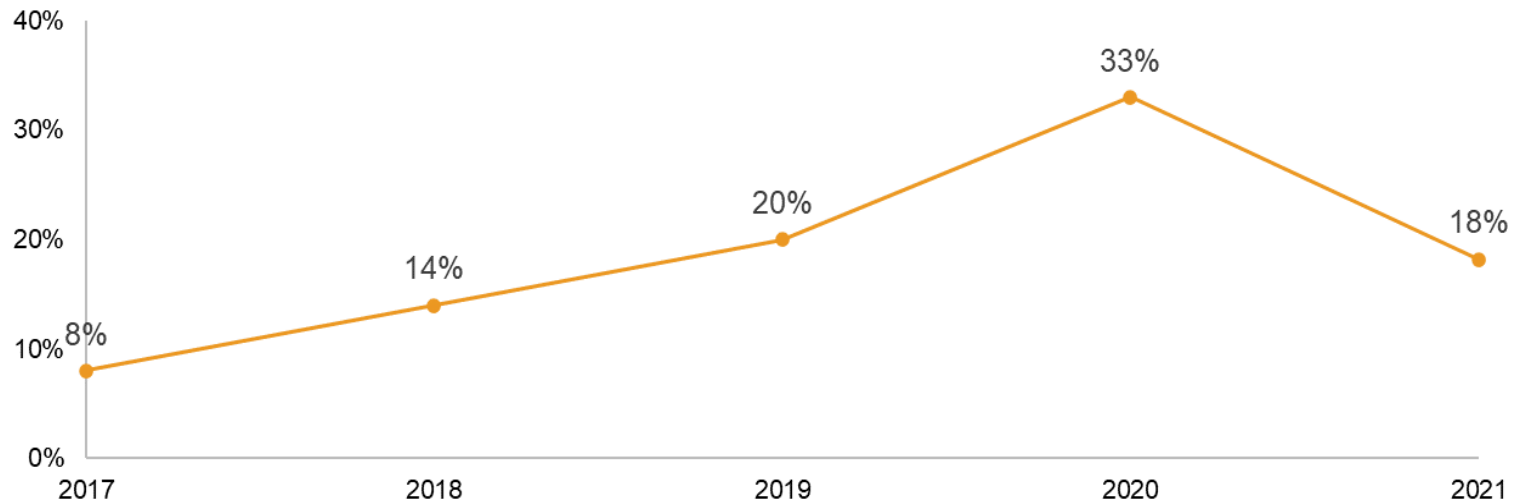


# Key Findings

## Organization Structure (continued):

- **Chief Ethics Officers:** 2021 Survey experience has reversed a trend of year-over-year growth with respect to companies having a Chief Ethics Officer who is separate from the CCO.

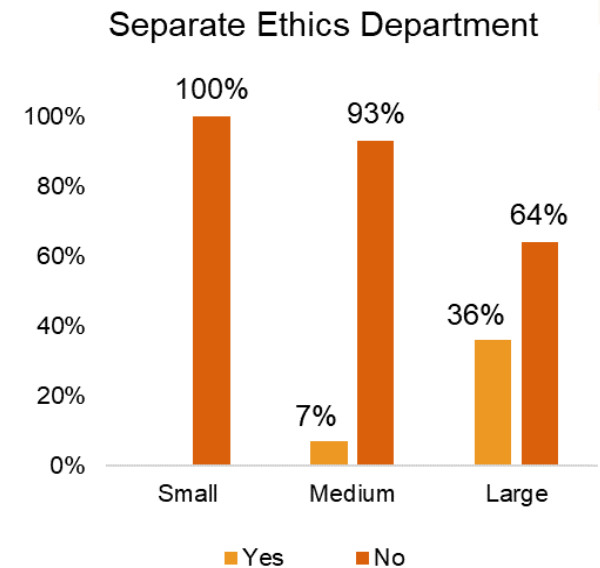
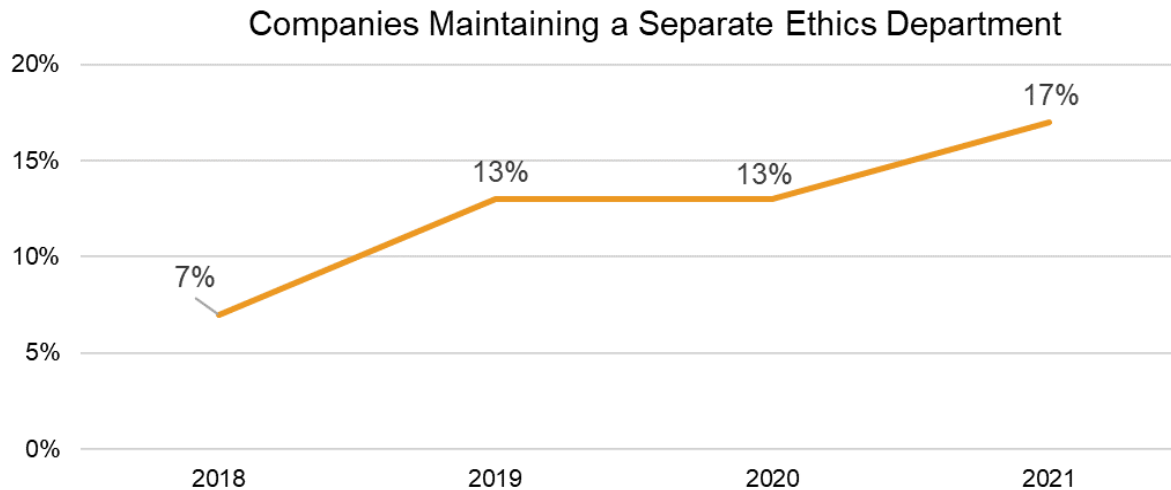
Companies With a Chief Ethics Officer (or Equivalent), Separate From the CCO



# Key Findings

## Organization Structure (continued):

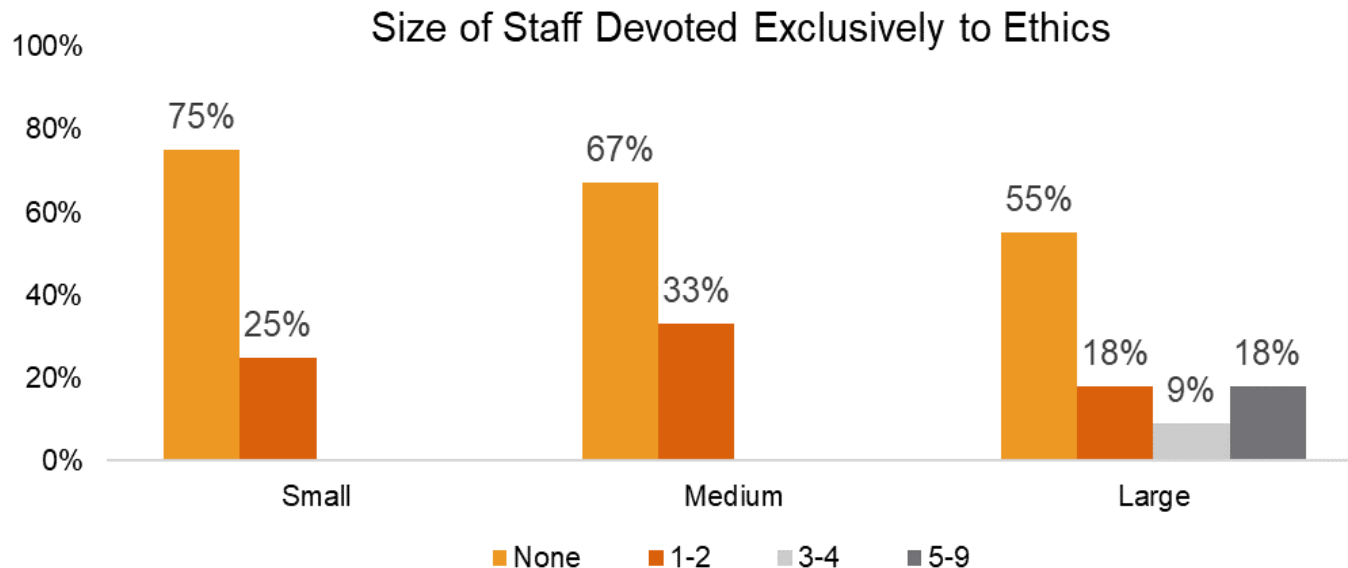
- **Separate Ethics Department:** Based on the aggregated data (for small, medium, and large companies, combined), there is a trend toward the development of a separate Ethics department. However, the trend is driven solely by large company practices.



# Key Findings

## Organization Structure (continued):

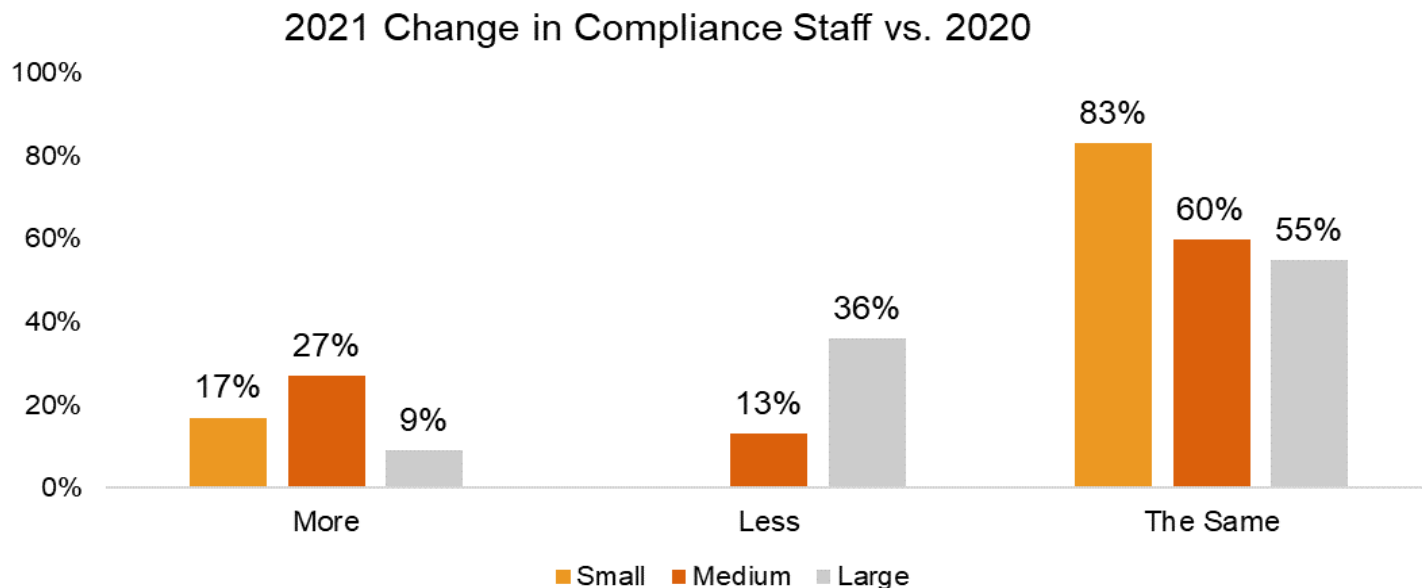
- **Ethics Staff:** Survey data revealed that most companies do not have staff devoted exclusively to Ethics. The smaller the company, the less likely the company has staff devoted exclusively to Ethics.



# Key Findings

## Organization Structure (continued):

- **Compliance Staffing in 2021:** Most companies retained the same number of staff in 2021 versus 2020, regardless of company size.

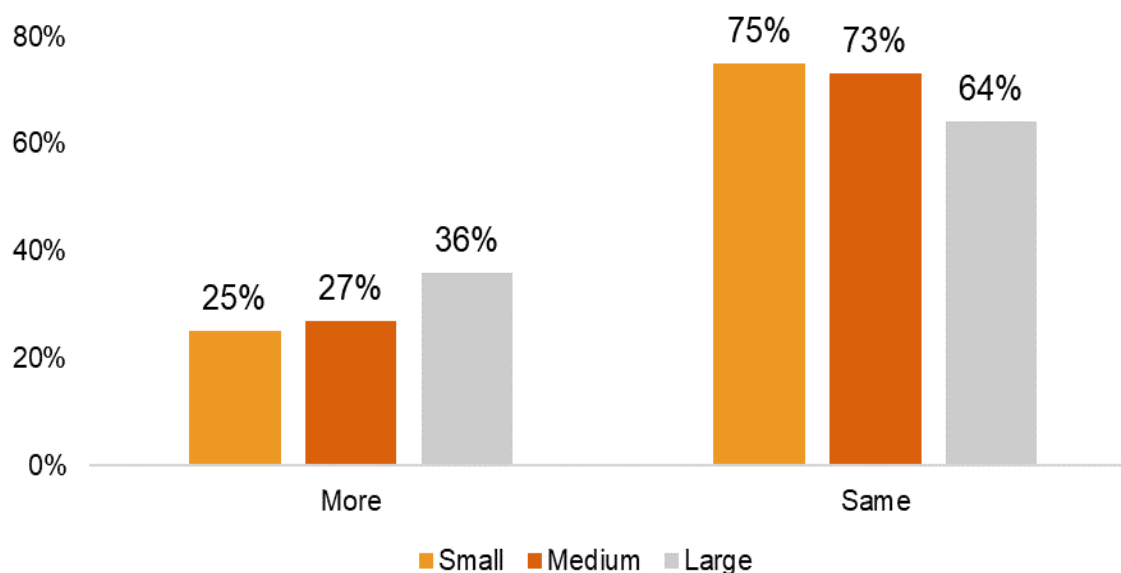


# Key Findings

## Organization Structure (continued):

- **Compliance Staffing in 2022:** In aggregate, 29% of companies plan to add staff, with 71% of companies planning to retain current staffing levels in 2022. Interestingly, no Survey respondents indicated they planned to reduce their staff in 2022.

Anticipated 2022 Change in Compliance Staff vs. 2021





# Key Findings

## Organization Structure (continued):

- The most prominent placement of various Compliance functions:

Function	Compliance	Legal	Sales & Marketing	Own Department	Line Operations	IT	Other
Advertising Review	58%	16%	18%				
Complaint Handling	52%	16%			11%		
Replacements	21%		5%		63%		
Licensing & Appointments	13%			39%	32%		
AML	82%	5%			5%		
SIU/Antifraud	58%	24%		13%			
Suitability/Best Interest	42%				34%		11%
Cybersecurity		8%		21%		61%	
Privacy	47%	32%				11%	
Form Filing	37%			26%	18%		
Oversight of Sales Practices	47%		21%				13%
Oversight of Corp. Functions	32%	29%			18%		
Regulatory Exams & Data Calls	71%	16%					8%
Vulnerable Adult & Fin. Exploit.	55%	24%			11%		

# Key Findings

## CCO Succession Planning and Qualifications:

- Continuing a trend identified in prior Surveys, this year's result indicated 67% of companies have a formal succession plan for replacing a departed Chief Compliance Officer.
- Companies of all sizes indicated they identify future CCO candidates in consultation with their current CCO (46%), their Senior Compliance Management (17%), or their General Counsel (17%).
- While most companies indicated their company considers a Legal education to be very important or important, only a quarter (22%) of companies indicated they require an individual to hold a Legal degree to serve as the CCO.
- Interestingly, 67% of Survey respondents indicated that a having a candidate with compliance experience was very important, while 44% of Survey respondents indicated that having management experience was very important.

# Key Findings

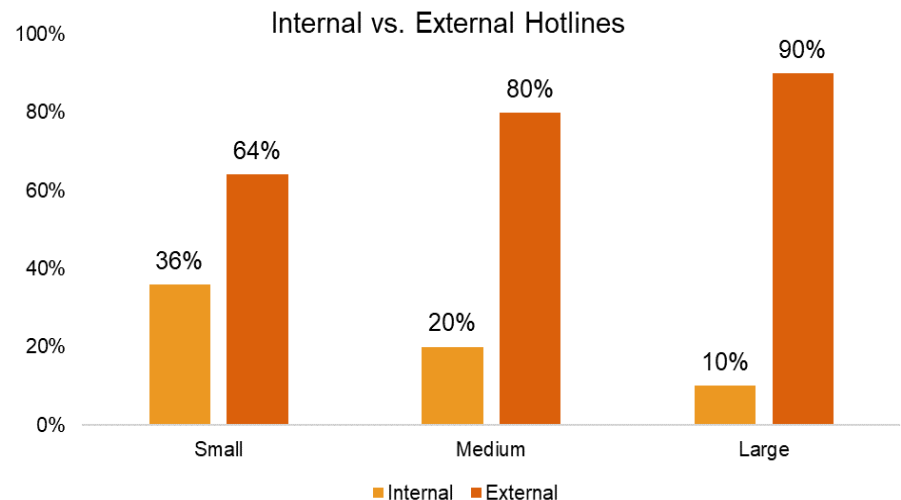
## Ethics Programs:

- **Code of Ethics:** All companies surveyed indicated their organizations maintain a written Code of Ethics or business conduct program.
- **Program Ownership:** Generally, responsibility for a company's Ethics program is a shared responsibility of Legal, Compliance and/or Human Resources (42%), up from 2020 (32%).
- **Performance:** When asked whether Ethics and adherence to their company's values are a formal and documented part of an employee's performance evaluation criteria, over half (53%) of Survey respondents indicated "yes."

# Key Findings

## Ethics Programs:

- **Ethics Hotlines:** Of significance is the fact that 78% of companies rely on a third-party vendor to provide hotline services (compared 67% in 2020).
- **Trends by Company Size:** Small companies went from having an external hotline 45% of the time to 64% of the time. Medium companies went from 75% to 80%, and large companies went from 80% to 90%.
- **Specific vendors referenced:**
  - Navex Global
  - Map Communications
  - ClearView Strategic Partners
  - Alertline
  - Global Compliance
  - EthicsPoint, Compliance Line
  - Lighthouse
  - Convercent (by OneTrust); and
  - InTouch



# Key Findings

## Compliance Reporting:

- **Report Content:** Report content covers a variety of topics.
  - Regulatory Actions (e.g., orders, fines, penalties, etc.).
  - Required Reports (e.g., AML, annuity suitability).
  - Regulatory Examinations and Data Calls.
  - Regulatory Inquiries and Investigations.
  - Company Policy and Compliance Violations.
  - Complaint Activity.
  - Compliance-Related Training.
  - Compliance Oversight or Risk Assessment Activities and Outcomes.
  - Emerging Issues, Concerns, and Trends.
  - Compliance Metrics.
  - Investigation/ SIU Activity.
  - Initiatives to Promote Compliance Within the Organization.
- **Recipients of Compliance Reports:** Compliance reports are shared with the company's Audit or other Committee of the Board of Directors (64%), General Counsel (61%), Senior Management (58%), CEO or President (50%), Board of Directors (42%) or Risk Committee (36%).

# Key Findings

## Education and Training:

- **Internal vs. External Training:** In aggregate, 22% percent of the respondents indicated they rely exclusively on training conducted internally, while 70% supplement their internal training with external training resources.
- **External Training Activities:** The top external training activities in order of response prominence were:
  - Conference calls to discuss issues and leading practices;
  - Issue-centric forums;
  - Multi-day conferences with industry professionals and regulators;
  - Online compliance resources; and
  - Live webinars on industry compliance issues.

# Key Findings

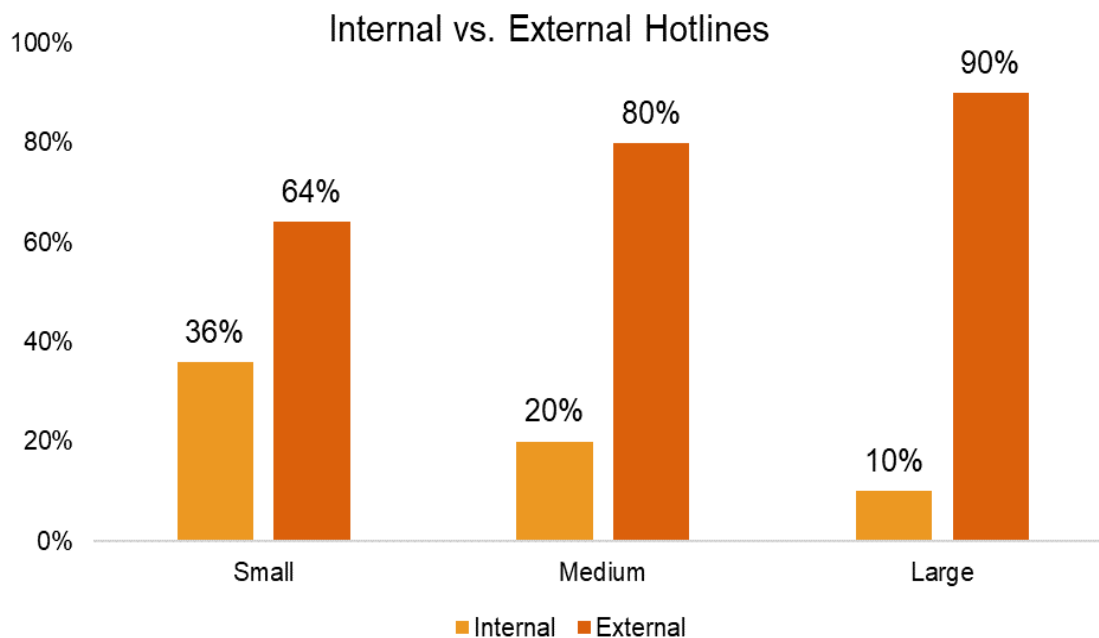
## Ethics Awareness:

- Ethics awareness strategies, in order of prominence:
- New hire training
- Annual or periodic training & awareness events
- Messaging on the company's intranet
- Internal meetings
- Executive speeches and messaging
- Annual internal self-assessment questionnaires
- Physical mailings to employees (e.g., a values/shared commitment booklet)
- Posted ethics videos and self-help tools
- Roadshows with Business Ethics Office staff



# Key Findings

## External Ethics Hotline Usage :



### Change: 2020 and 2021

- Small: 45% → 64%
- Medium: 75% → 80%
- Large: 80% → 90%

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78% of companies, in aggregate, rely on a third-party vendor to provide hotline services (compared 67% in 2020).



# Key Findings

## External Hotline Vendors:

The vendors referenced by Survey respondents included:

- Navex Global, Map Communications, ClearView Strategic Partners, Alertline, Global Compliance, EthicsPoint, Compliance Line, Lighthouse, Convercent (by OneTrust), and InTouch.

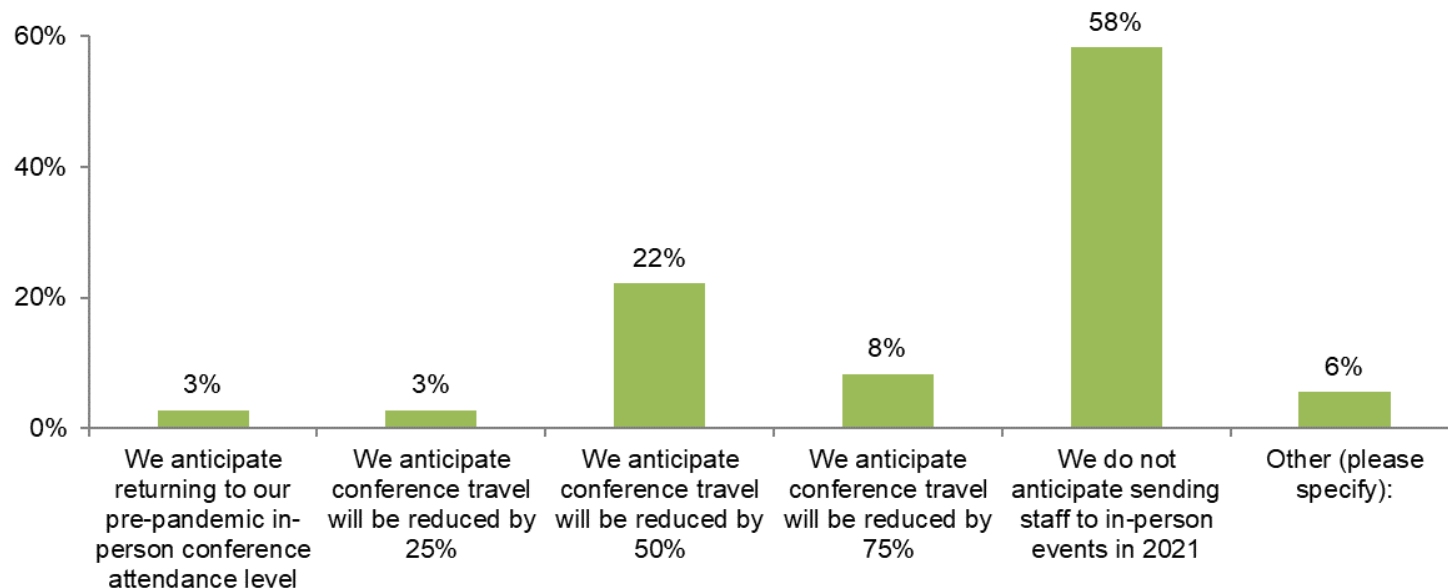
# Key Findings

## Travel:

**2021 Travel:** Most companies (58%) indicated they do not plan to send staff to in-person events for the remainder of the year. Nearly a third of companies (30%) indicated conference travel was reduced by 50-75%.

**new**

Travel Preferences: 2021 Anticipated Travel (After it is Safe to Travel)



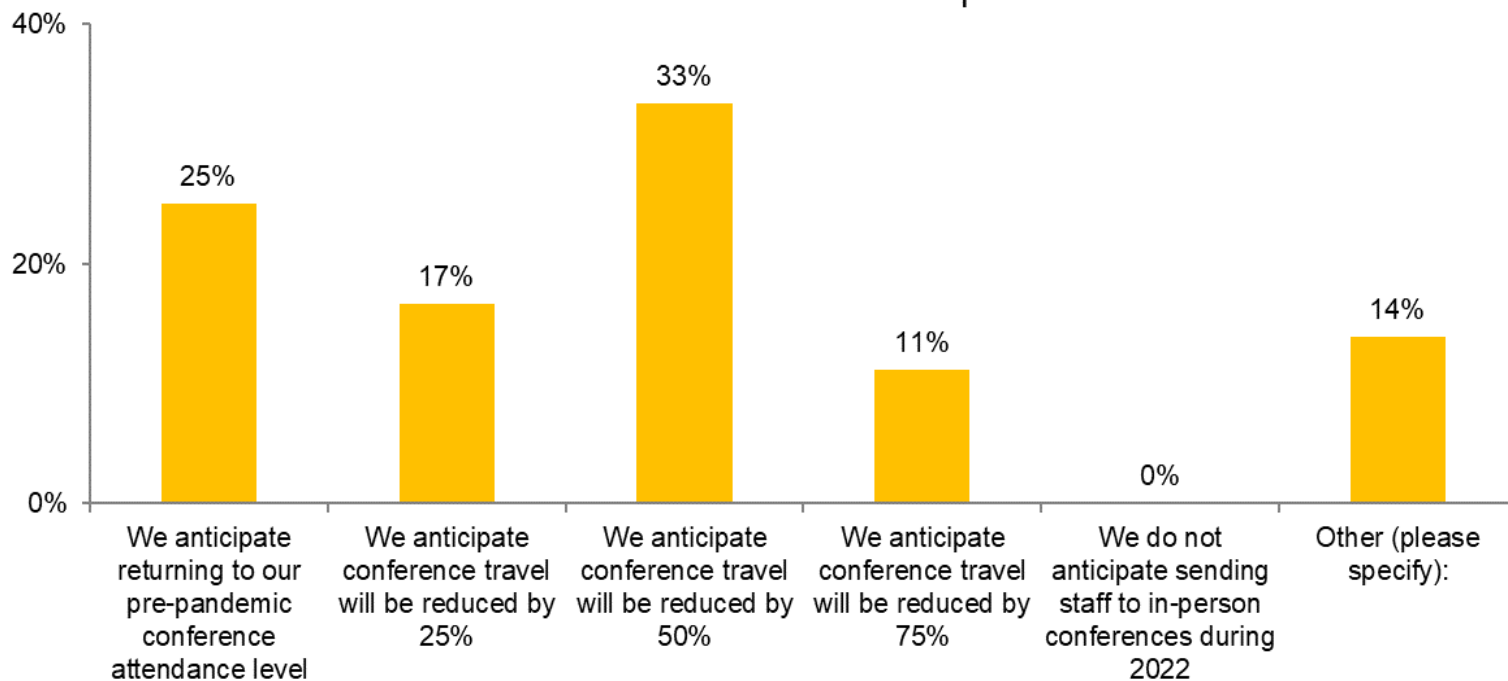
# Key Findings

## Travel:

**2022 Travel:** Only a quarter of companies (25%) plan to return to their pre-pandemic conference travel levels in 2022.

**new**

Travel Preferences: 2022 Anticipated Travel

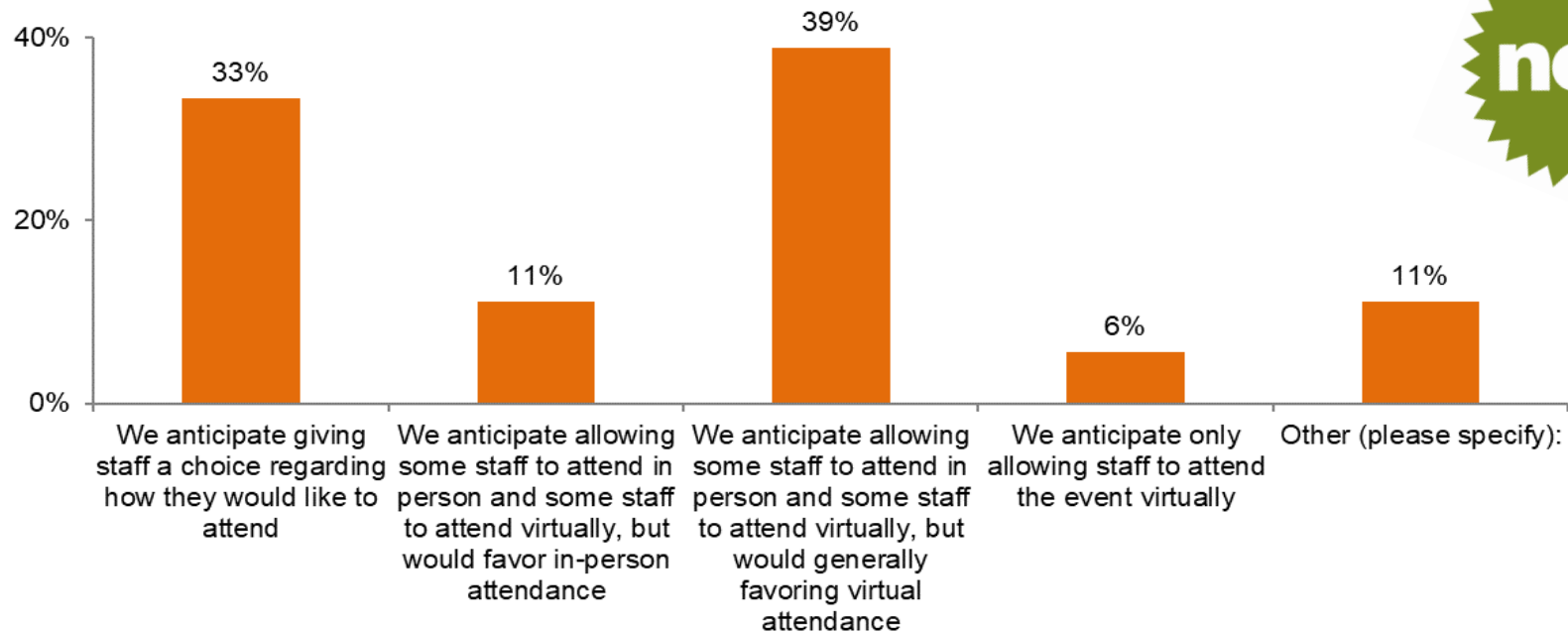


# Key Findings

## Travel:

**2022 Travel:** Some companies (39%) are receptive to allowing some staff to attend in-person events and other staff to attend virtual events, with a preference for virtual attendance. A third of companies (33%) plan to allow their staff to decide how they will attend future conference events.

Travel Preferences: In-Person vs. Virtual (After it is Safe to Travel)

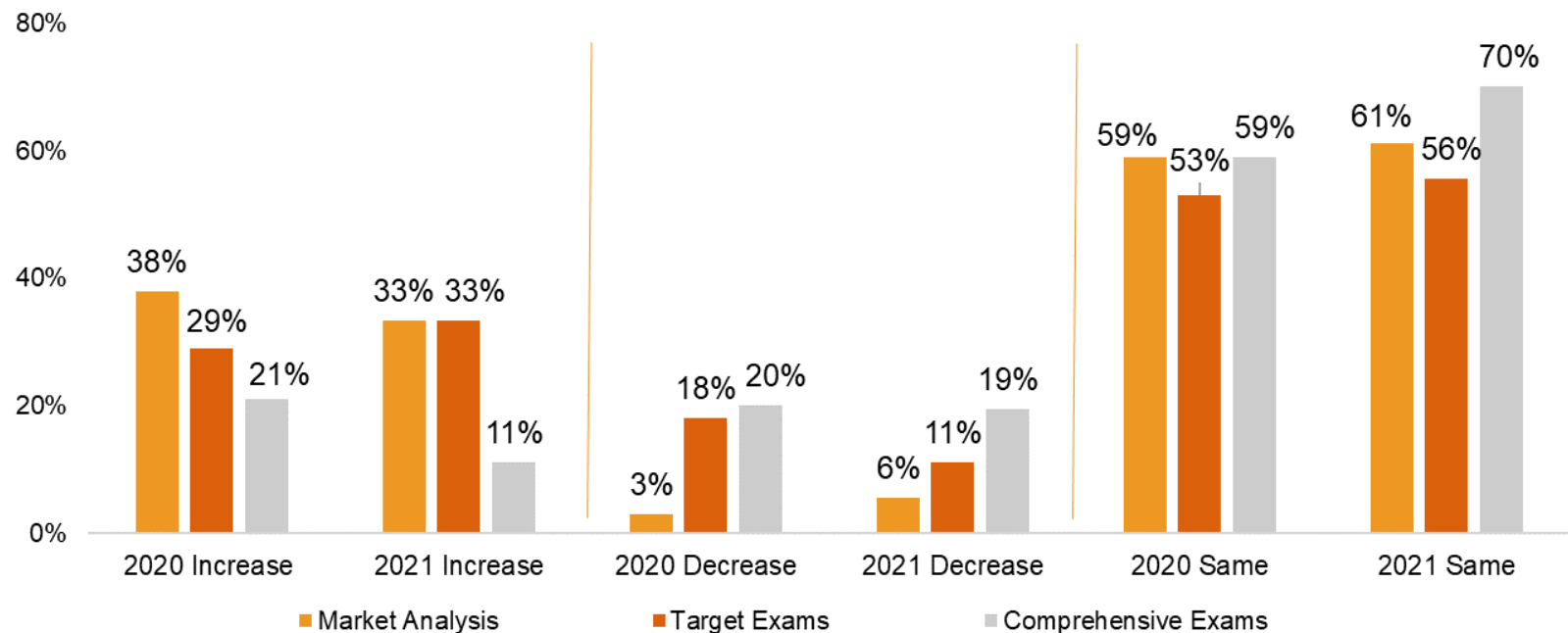


# Key Findings

## Market Regulation:

**Overall Market Analysis Activity:** Most companies reported their experience is about the same as the prior year. However, more companies reported an increase in such activity than a decrease in such activity.

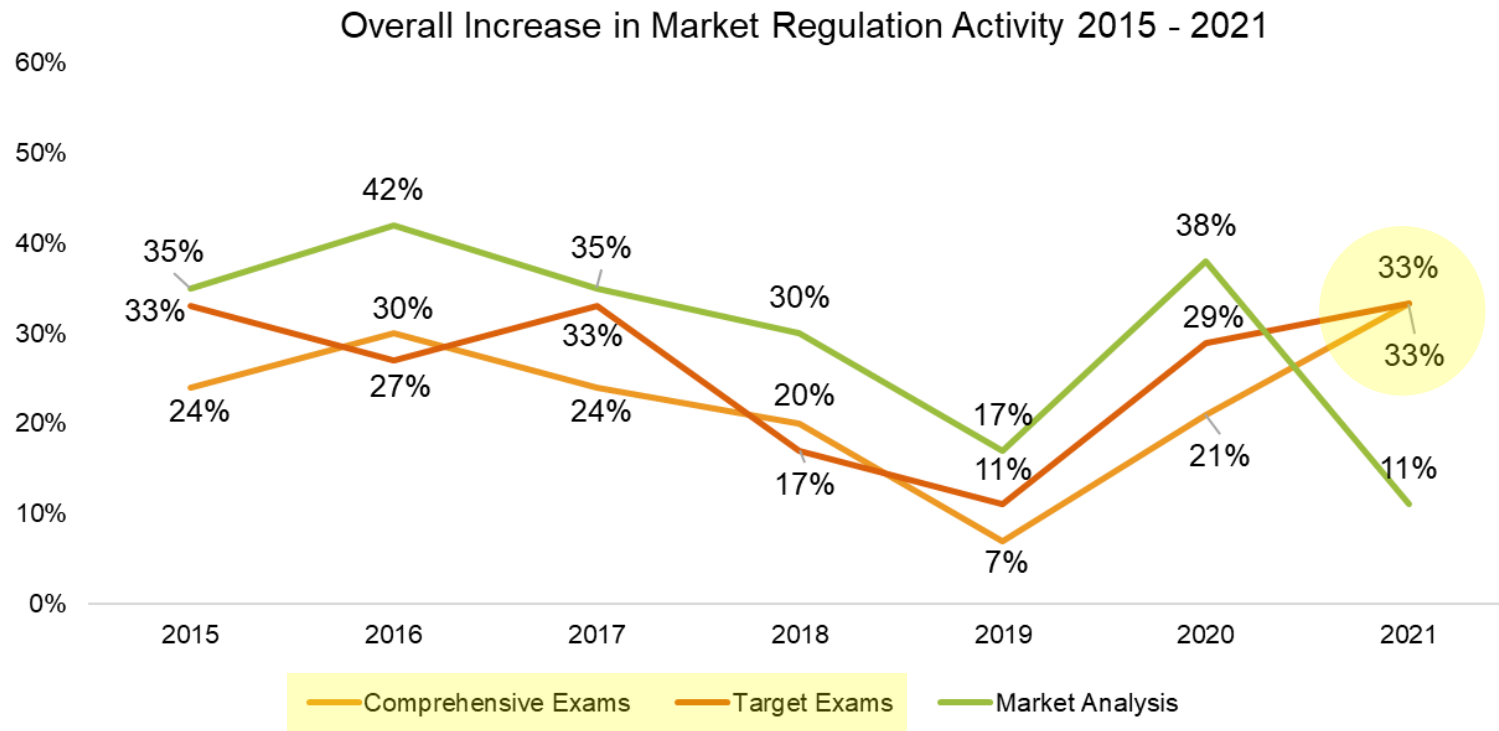
All Regulatory Activity: 2021 vs. 2020



# Key Findings

## Market Regulation:

**Overall Activity:** The level of market analysis activity is at a 7-year low while the level of target and comprehensive examination activity is at a 7-year high.

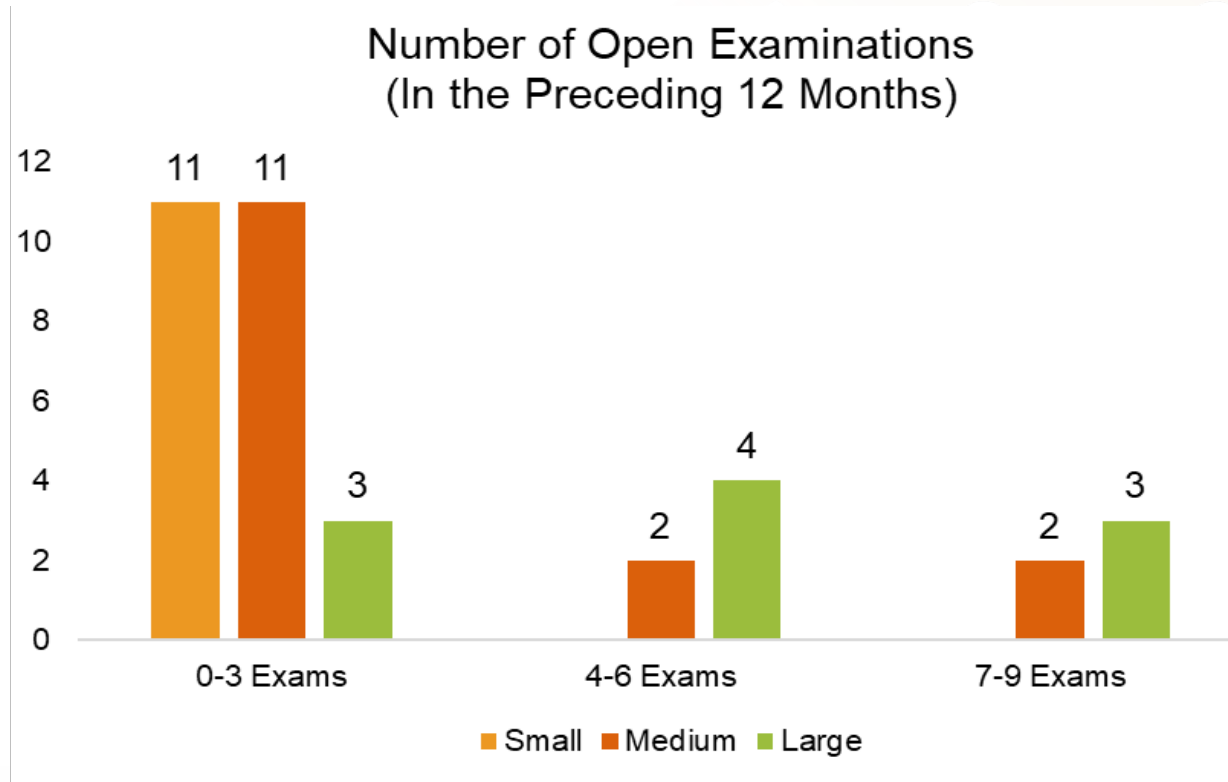


# Key Findings

## Market Regulation:

**Open Examinations:** The number of “open” examinations directly correlates with company size. Larger companies tend to have more open examinations.

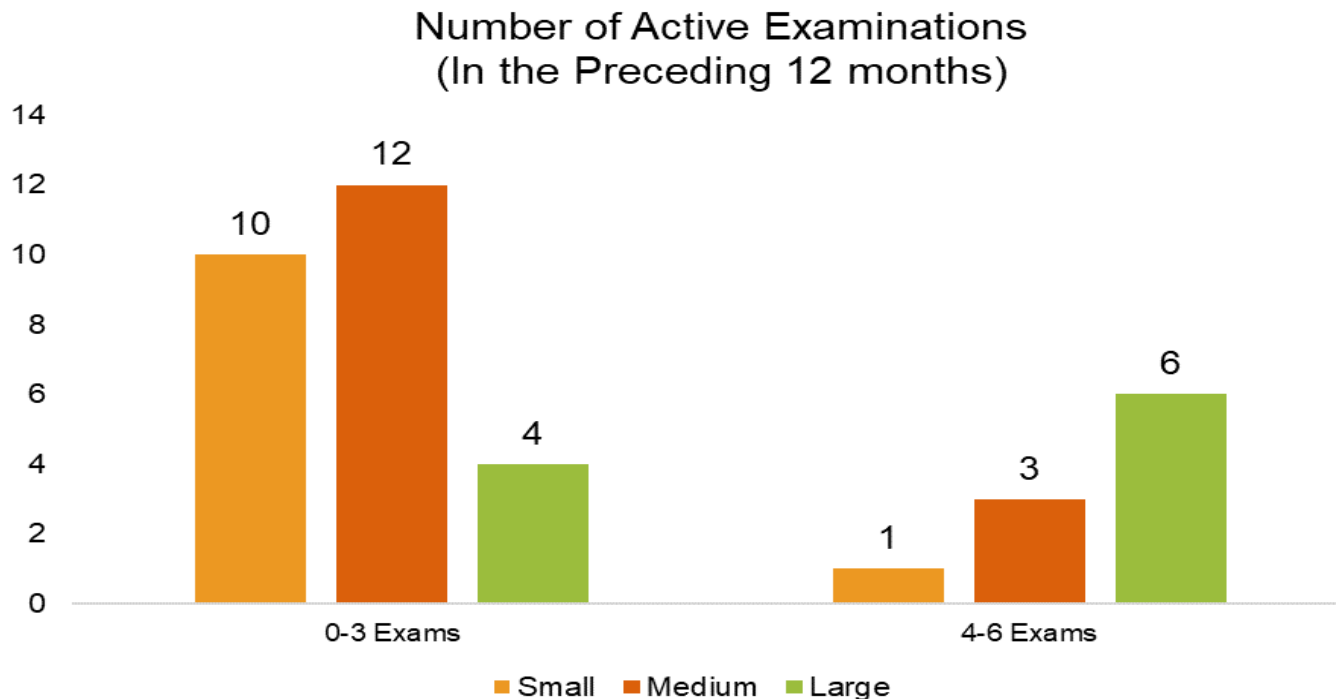
**new**



# Key Findings

## Market Regulation:

**Active Examinations:** While most companies (72%) are managing 0-3 “active” examinations at time, larger companies are more likely to be managing 4-6 “active” examinations.





# Key Findings

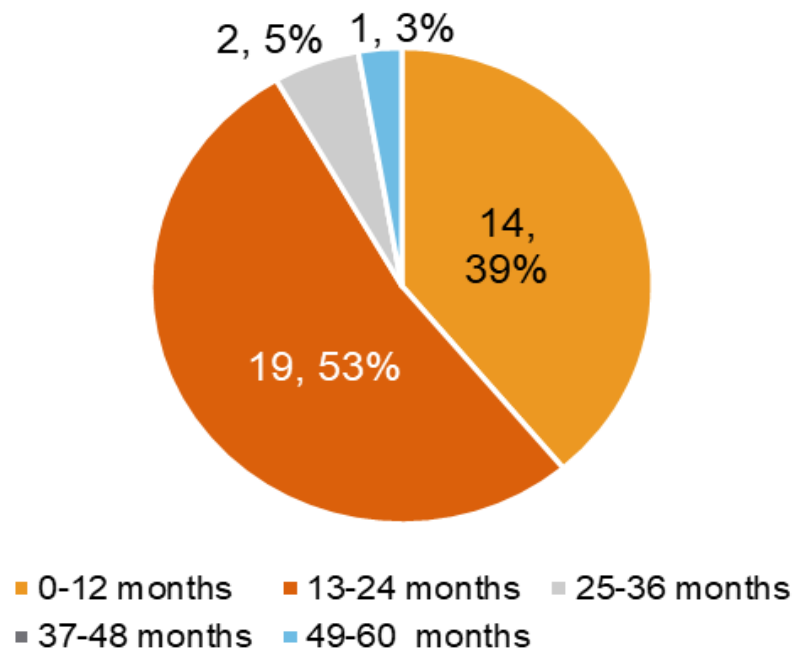
## Market Regulation:

### Duration of Examinations:

- State market conduct examinations generally remain open for an average of 13-24 months.
- Large company examinations often remain open longer than small company examinations.
- The incidence of an examination remaining open for 25-36 months is very low (5%).
- The incidence of an examination remaining open for more than 36 months is rare (3%).



Average Age of Closed Examinations

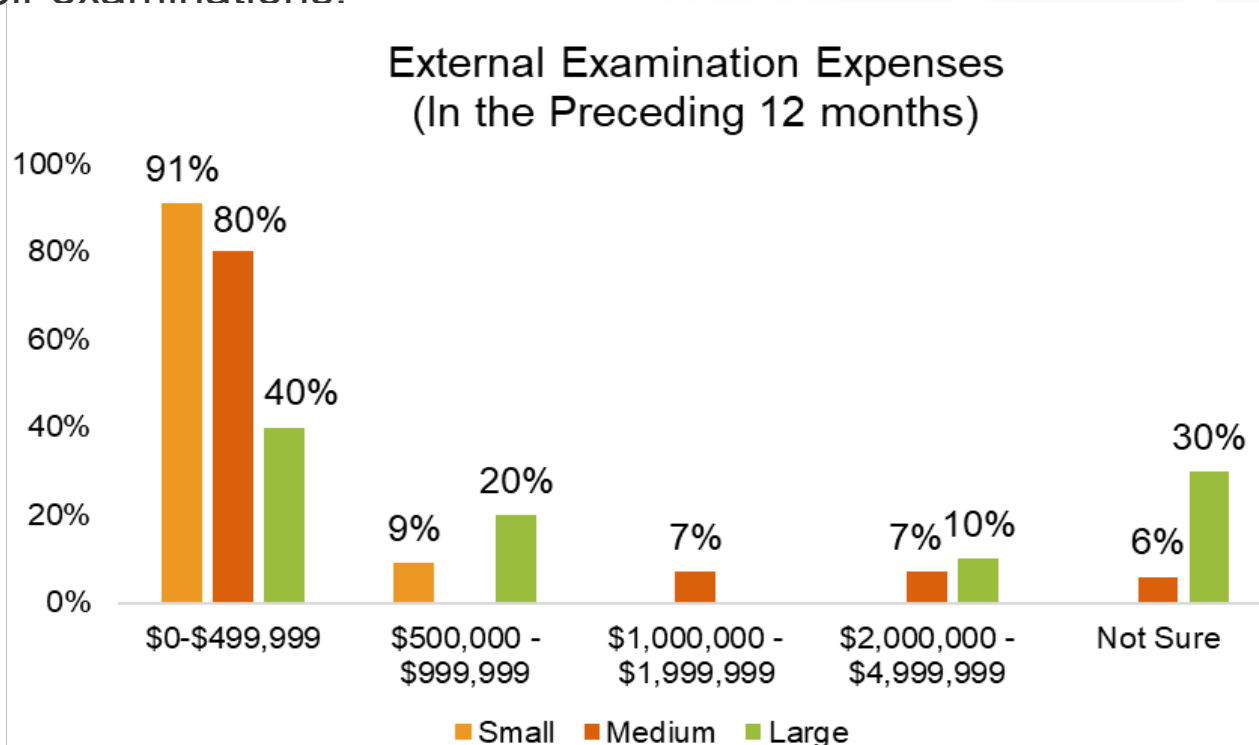


# Key Findings

## Market Regulation:

**External Examination Costs:** State market conduct examinations typically cost up to \$500,000 in external expenses, though large companies are more likely to experience a higher cost for their examinations.

**new**



# Key Findings

## 2021 Top Challenges:

- State DOI, SEC Regulation Best Interest, and/or DOL Fiduciary Rule Standards Implementation Efforts.
- Keeping up with the Rate of Regulatory Change (i.e., New or Revised Rules, Regulations, and Directives).
- Privacy.
- Fraud Prevention, Reporting, and Investigation.
- Cybersecurity.
- Compliance Oversight of Operations or Corporate Functions.
- Anti-Money Laundering/ OFAC.

# Key Findings

## 2022 Top Challenges:

- Keeping up with the Rate of Regulatory Change (i.e., New or Revised Rules, Regulations, and Directives).
- Cybersecurity.
- Keeping up with the Company's Technology and Innovation Strategies.
- State DOI, SEC Regulation Best Interest, and/or DOL Fiduciary Rule Standards Implementation Efforts.
- Privacy.
- Fraud Prevention, Reporting, and Investigation.
- Accelerated Underwriting Initiatives.

# Key Findings

## Value of the Survey Data:

**The Survey Provides Material or  
Significant Value to the CCO**

**86%**

**Affirmative Response**

# Questions



# Benchmarking Resources

CEFLI.org > Resources > Benchmarking Surveys:  
<https://cefli.org/benchmark-surveys/>



CEFLI conducts its well-known Compliance & Ethics Benchmarking Study of the entire life insurance industry annually which provides useful insights on the current trends related to compliance in the life insurance industry. CEFLI also conducts other Benchmarking Studies to allow Member Companies to remain abreast of current industry trends and provide insights as to how the industry is addressing specific compliance-related operational challenges.



## Post Event Email

Links to:

[2021 Survey Report](#)  
[Presentation Deck](#)  
[Webinar Recording](#)

# Resources on Other Subjects

## CEFLI.org > Resources > Additional Resources: <https://cefli.org/additional-resources/>



[About CEFLI](#) [Events](#) [Resources](#) [Clearinghouse](#) [Q](#)

### Department of Labor: Revised Fiduciary Rule

On December 18, 2020, the Department of Labor issued the final version of its [Prohibited Transaction Exemption 2020-02, Improving Investment Advice for Workers & Retirees](#). The revised rule regulates "investment advice fiduciaries" and replaces the DOL's previous rule (promulgated in 2016, vacated in 2018). The revised rule confirms the reinstatement of the five-part test for determining whether investment advice has been provided and it provides for a prohibited class exemption based on "impartial conduct standards."

As CEFLI Member Companies assess the rule's impact on their operations, the Best Interest Compliance Team of CEFLI Affiliate Member Faegre Drinker offers the following insight:

- Resource: [The DOL's Fiduciary Interpretation and Exemption: Impact on Rollover Recommendations](#) (January 12, 2021)
- Article: [Fred Reish Speaks with The Wall Street Journal](#) about the DOL's Proposed Fiduciary Rule (November 25, 2020)
- Article: [Brad Campbell and Fred Reish Speak with ThinkAdvisor](#) About What's Next for the DOL Fiduciary Rule (November 25, 2020)
- Article Series: [The DOL's New Fiduciary Advice Exemption: PTE 2020-02 FAQ document](#) (April 2021).
- Article Series: [Fred Reish, Partner at CEFLI Affiliate Member Faegre Drinker, has published a series of articles on the DOL Fiduciary Rule.](#)

### Department of Justice Guidance on Corporate Compliance Programs:

CEFLI Affiliate Member [Deloitte](#) has published the white paper "An Insurer's Guide to the DOJ's Guidance for Effective Compliance Programs" which can be accessed using [this link](#). Deloitte also prepared a CEFLI Joint Educational Webinar on the topic in May of 2021. The presentation materials and the recorded webinar can be found on the [Webinars page](#) of CEFLI.org.

For reference, the following links to regulatory materials are provided:

- [Federal Sentencing Guidelines Manual](#) (effective November 1, 2018).
- [U.S. Department of Justice Criminal Division's Evaluation of Corporate Compliance Programs](#) (updated June, 2020).

### Compliance Oversight Resources:

Compliance Oversight resource materials can be found on [this page](#).

### SEC Regulation Best Interest Resources:

SEC Risk Alert: [Examinations \(Reg BI\) April 7, 2020 SEC Frequently Asked Questions](#)

- [SEC Public Statement](#) (June 15, 2020)
- [SEC Reg BI Resource Page](#)
- [Regulation Best Interest: A Small Entity Compliance Guide](#) (September 9, 2019)
- [Relationship Summary Filing Workflow on IARD & Web CRD®](#)
- [Link to FINRA's July 7, 2020 podcast](#)
- [FINRA Reg BI Resource Page](#)
- [Virtual Conference Panel: Reg BI and Form CRS: Where Are We Now](#)
- [Virtual Conference Panel: Reg BI: Compliance Inspections and Examinations](#)

### NAIC Suitability in Annuity Transactions Resources:

The following resources may be helpful to CEFLI members as they prepare to implement the 2020 revised NAIC Suitability in Annuity Transaction Model Regulation in states that have adopted the model.

- [2020 Version of the Model Regulation](#)
- [2010-NAIC-Suitability-in-Annuity-Transactions-Model-Regulation](#)

To assist member companies with their implementation efforts related to state adoptions of the revised NAIC Suitability in Annuity Transactions Model Regulation, CEFLI has developed a few summary and checklist documents.

- [2020 NAIC Model Implementation Considerations](#)
- [SEC Regulation Best Interest and NAIC Comparison Summary Chart](#)
- [NAIC Model Regulation Readiness Checklist](#)
- Additionally, CEFLI conducted a series of five (5) educational webinars on various aspects of the revised Model Regulation, which can be found [here](#).

### COVID-19 Resources:

CEFLI Affiliate Member [Wolters Kluwer](#) provides a complimentary COVID-19 daily email outlining notable financial industry regulatory updates. Included here is the [link to sign up, if you are interested](#).

CEFLI Affiliate Member [Locke Lord](#) provides a complimentary COVID-19 subscription option covering a variety of legal aspects (not just insurance-related impacts). The link to sign up is included [here](#). Locke Lord also maintains a comprehensive COVID-19 Resource Center, which is linked [here](#).

The NAIC also maintains a Coronavirus Resource Center on its website. Included here is a link to the [main page of their Coronavirus Resource Center](#), along with a link to the [Life and Health State Bulletins and Alerts spreadsheet compiled by the NAIC](#).

Links to status of state Governor's Emergency Orders, from the National Governors Association, [can be found here](#).

Links to state-by-state COVID-19 action tracking summaries (e.g. stay at home orders, travel restrictions, mask requirements, school closures, etc.) from the National Governors Association [can be found here](#).

### General NAIC Resources:

The National Association of Insurance Commissioners (NAIC) makes numerous resources available to state insurance department regulators, the public, and to insurance companies. Included below are several NAIC resources that may be of interest or may be helpful to CEFLI member companies. For more information about the NAIC, its publication offerings or its operations, please refer to [www.naic.org](http://www.naic.org).

#### Select Market Regulation Information

• **NAIC Model Regulations** To quickly find specific Model Regulations on the NAIC's website, click the "Ctrl" and the "F" keys at the same time to access a key word search option. It may also be helpful to know that most Model Regulations include an adoption chart at the end of the model. That chart lists specific citations for state rules and regulations related to the subject of the respective Model Regulation.

#### • Life and Annuity Buyer's Guides\*

Links to the current NAIC life insurance and annuity Buyer's Guides are included here:

- [Life Insurance Buyer's Guide](#)
- [Buyer's Guide for Deferred Annuities-Fixed](#)
- [Buyer's Guide for Deferred Annuities-Variable](#)
- [Buyer's Guide for Deferred Annuities- Combined](#)



# Reminders

- **Feedback Welcomed:** Please complete the post-webinar survey.
- **Certificate of Attendance:** Please email [NancyPerez@CEFLI.org](mailto:NancyPerez@CEFLI.org) if you would like a Certificate of Attendance template for your use in self-submitting for CLE or CE credit (for live Webinar attendance).
- **Upcoming Webinar:**
  - Save the date! Our next Joint Educational Webinar will take place on Wednesday, October 27<sup>th</sup> at 1:00 PM ET.
  - The Webinar will feature a presentation by CEFLI Affiliate Member Maynard, Cooper & Gale on:  
**Ransomware on the Rise: What to do when you get hit.**
  - Registration for the event will be added to [this page](#) of CEFLI.org on Wednesday, October 13<sup>th</sup>.

# Reminders



**CEFLI's Annual Conference:**  
September 22-23, virtual.

**Registration is now open!**

CEFLI.org > Events > Annual Conference

<https://cefli.org/event/annual-conference-and-compliance-leadership-forum-san-diego-ca/>

# THE FORUM THAT CONNECTS.



**Compliance & Ethics Forum for Life Insurers**

[www.cefli.org](http://www.cefli.org)