

2023 Compliance & Ethics Benchmarking Survey Findings

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CEFLI's 2023 Premier Partners



CEFLI's 2023 Affiliate Members

Gold:



Bronze:



CEFLI's Antitrust Policy

The Compliance and Ethics Forum for Life Insurers (CEFLI) is committed to adhering strictly to the letter and spirit of the antitrust laws. Meetings conducted under CEFLI's auspices are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings. Under no circumstances shall CEFLI meetings be used as a means for competing companies or firms to reach any understanding -- expressed or implied -- which restricts competition or in any way impairs the ability of members to exercise independent business judgment regarding matters affecting competition. Accordingly, appropriate objection will be made to any presentation or colloquy that presents a risk from the standpoint of the antitrust laws.

BACKGROUND

Background

- 50 completed responses (38 in 2022); a 33% increase in the response rate
- A single survey was sent to each fleet of CEFLI Member Companies

Who Completed the Survey?

- CCO or CECO – 45%
- Compliance professional or compliance leader – 29%
- General Counsel – 8%
- Other – 18%



Awareness Item: Material delegation of Survey completion

Awareness Item: Material increase in Survey engagement with Members

Background

- Survey responses represented the following mix, by company size:
 - 32% large companies (>10,000 employees)
 - 33% medium companies (500-10,000 employees)
 - 35%: small companies (<500 employees)



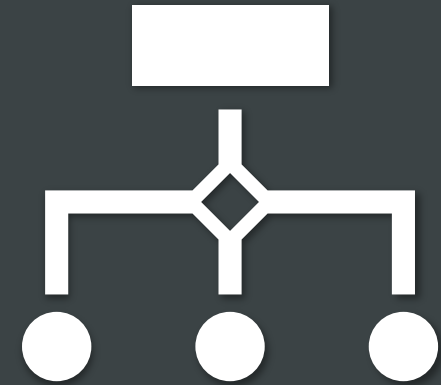
Awareness Item: Equal mix of Survey respondents by company size

COMPLIANCE ORGANIZATION STRUCTURE

Organizational Structure

Legal & Compliance

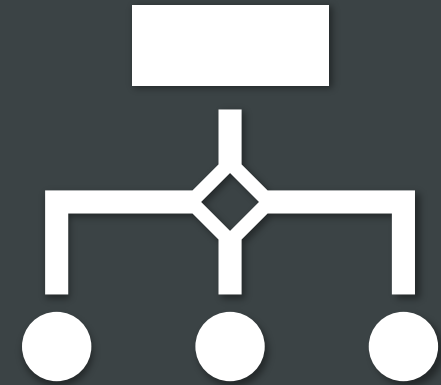
- 55% of respondent companies indicated they maintain **separate** Legal and Compliance Departments
- 45% of respondent companies indicated they maintain **combined** Legal and Compliance Departments



Organizational Structure

CCO Reporting Relationships

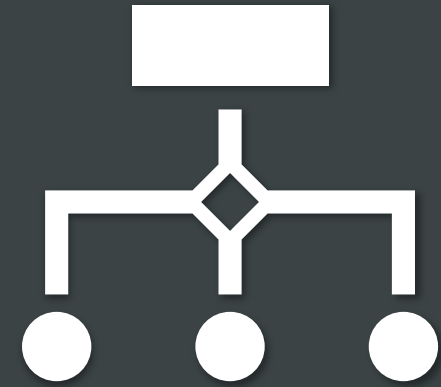
- 60% of Chief Compliance Officers at companies of all sizes **report to the company's General Counsel**
- 44% of respondents indicated their Chief Compliance Officer has a **dotted line reporting relationship** to the Company's Board of Directors or to a Committee of the Board or both



Organizational Structure

Compliance Functions

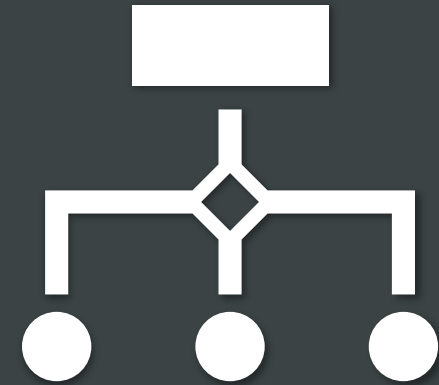
- Advertising Review (70%)
- Complaint Handling (68%)
- AML (82%)
- SIU/Antifraud (60%)
- Privacy (58%)
- Oversight of Sales Practices (56%)
- Oversight of Operations (56%)
- Regulatory Examinations & Data Calls (84%)
- Vulnerable Adult and Financial Exploitation (72%)



Organizational Structure

Compliance Partnership with Enterprise Risk Management (ERM)

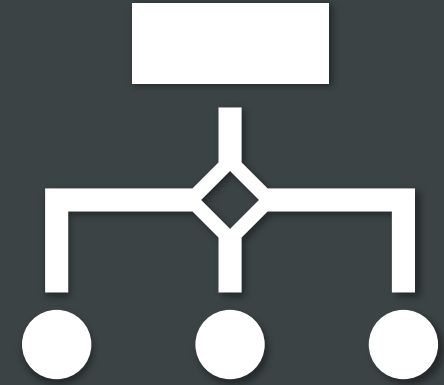
- Overall, 82% (76% in 2022) of Survey respondent companies indicated compliance plays an active and ongoing role in the company's ERM processes
 - Small Companies – 71% (was 55% in 2022)
 - Medium Companies – 82% (was 69% in 2022)
 - Large Companies – 96% (was 100% in 2022)



Organizational Structure

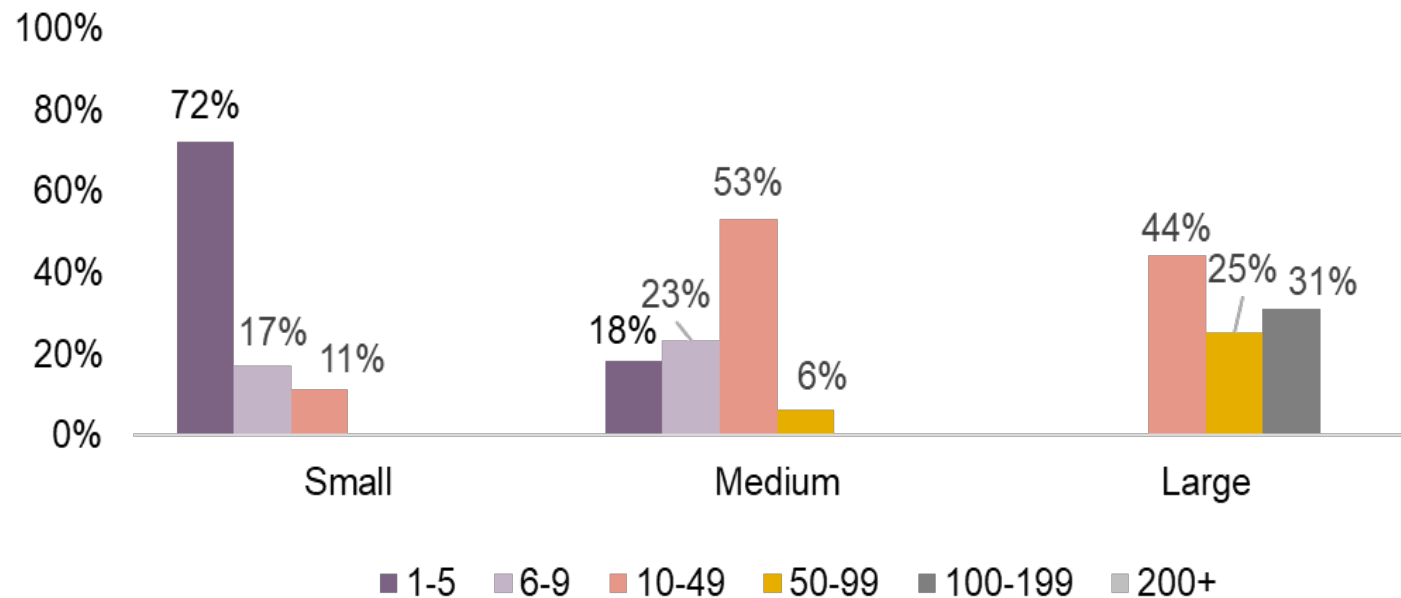
BUCOs

- 41% of Companies utilize BUCOs
- 59% of Companies do not utilize BUCOs
- 71% of BUCOs are in Compliance
- 29% of BUCOs are in business units
- Top areas with BUCOs: Broker-Dealer, Individual Life Insurance, Registered Separate Accounts, Individual Annuities, Investment Adviser, Asset Management and Group Life.



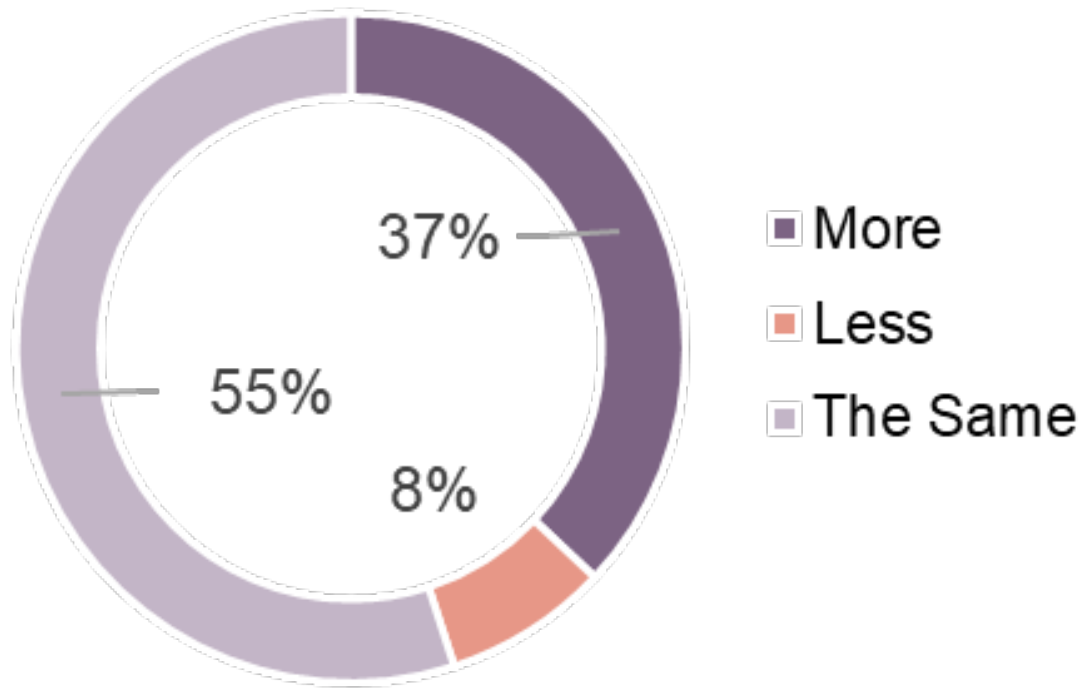
COMPLIANCE STAFFING & BUDGETS

Compliance Staffing: 2023



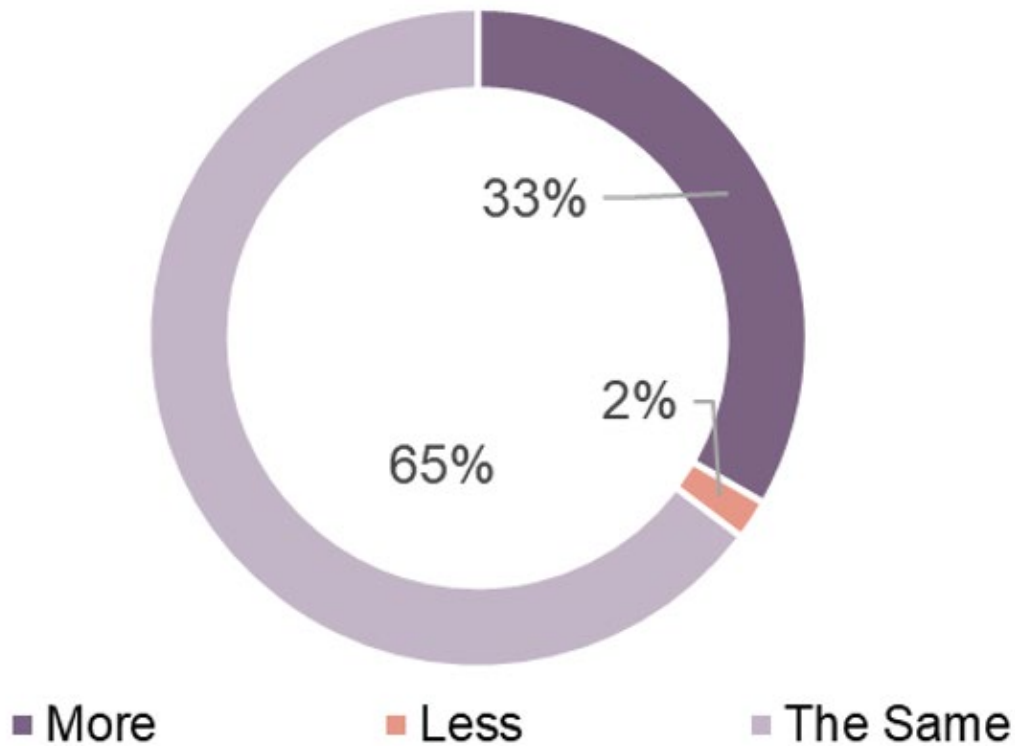
- Small companies often have up to 5 compliance staff
- While Medium companies typically have 10-49 staff, nearly as many have less than 10 staff and a few have more than 49 staff
- Large companies had a greater staffing variation

2023: Change in Compliance Staffing Compared to 2022



- Most respondents (55%) have level compliance staffing
- In absence of level staffing, over half of medium companies (53%) and over a third of large companies (38%) added staff

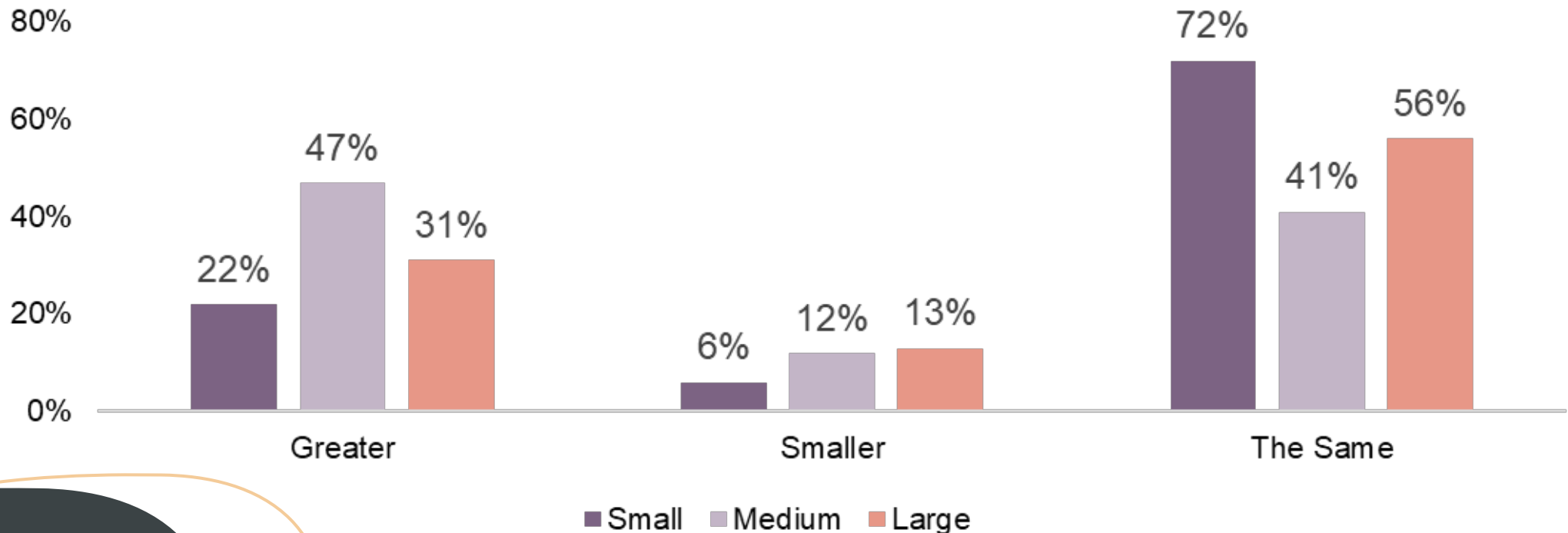
2024: Anticipated Change in Compliance Staffing



- Nearly two thirds of respondents indicated they anticipate level staffing in 2024
- A third of respondents indicated they plan to add Compliance staff in 2024

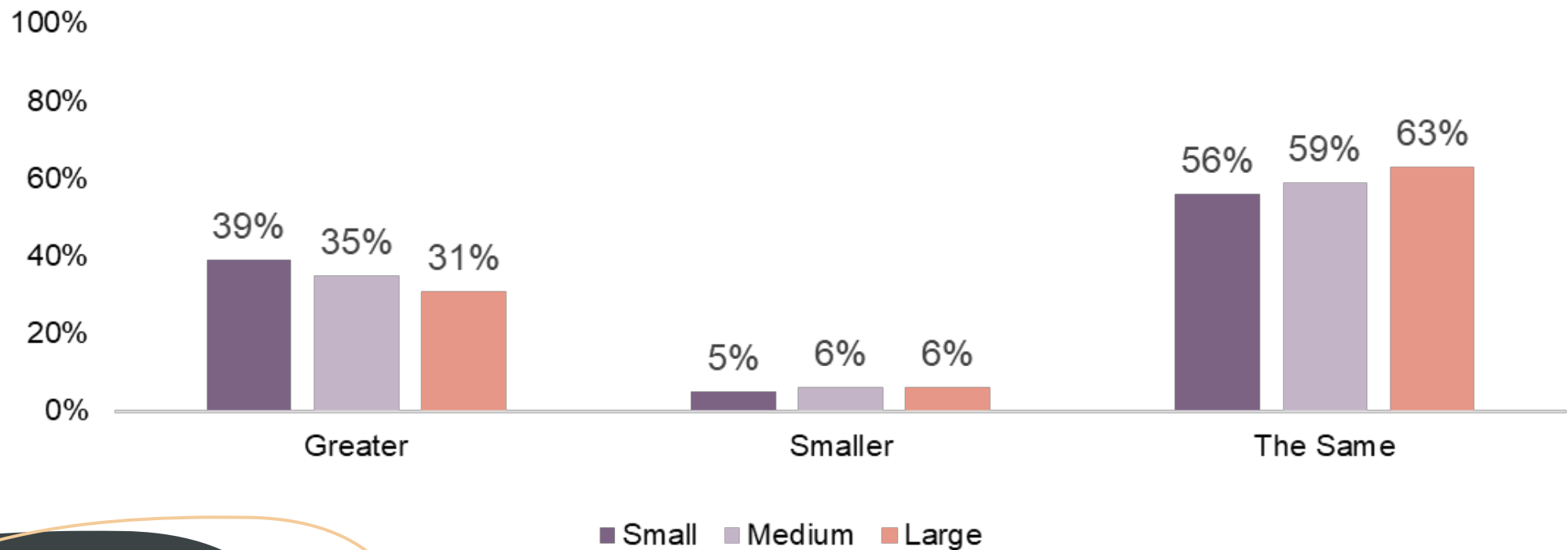
Compliance Budget: 2023 vs. 2022

- In Aggregate, 57% have the same size budget and 33% have a larger budget



Projected Compliance Budget: 2024

- In Aggregate, 59% anticipate the same size budget and 36% anticipate a larger budget



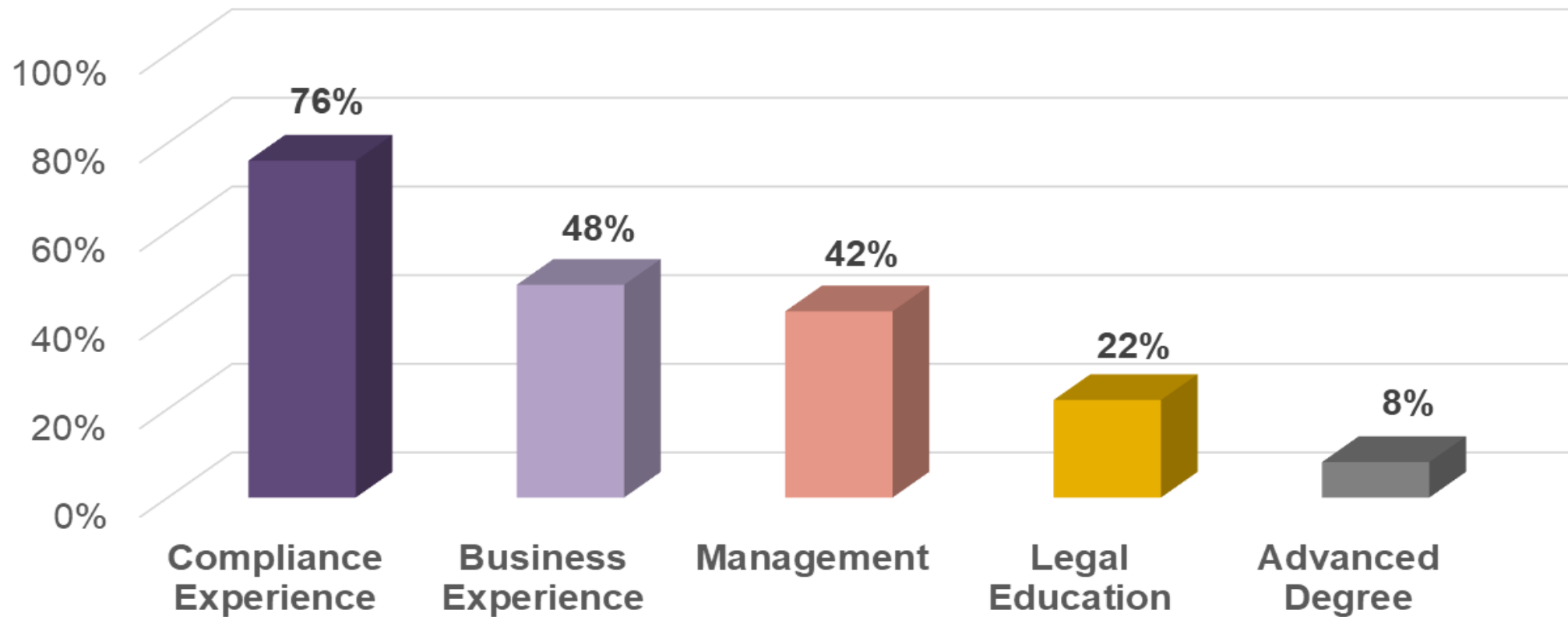
CCO INSIGHTS

CCO Candidates

- 74% of companies have a **formal succession plan** for their CCO
- Future **CCO candidates are identified** in consultation with their current CCO (51%), their General Counsel (22%) or their Senior Compliance management (5%)
- 81% (down from 94% in 2022) of Survey respondents indicated their Chief Compliance Officer candidates **participate in Legal/Compliance industry conferences** as a form of development for the role

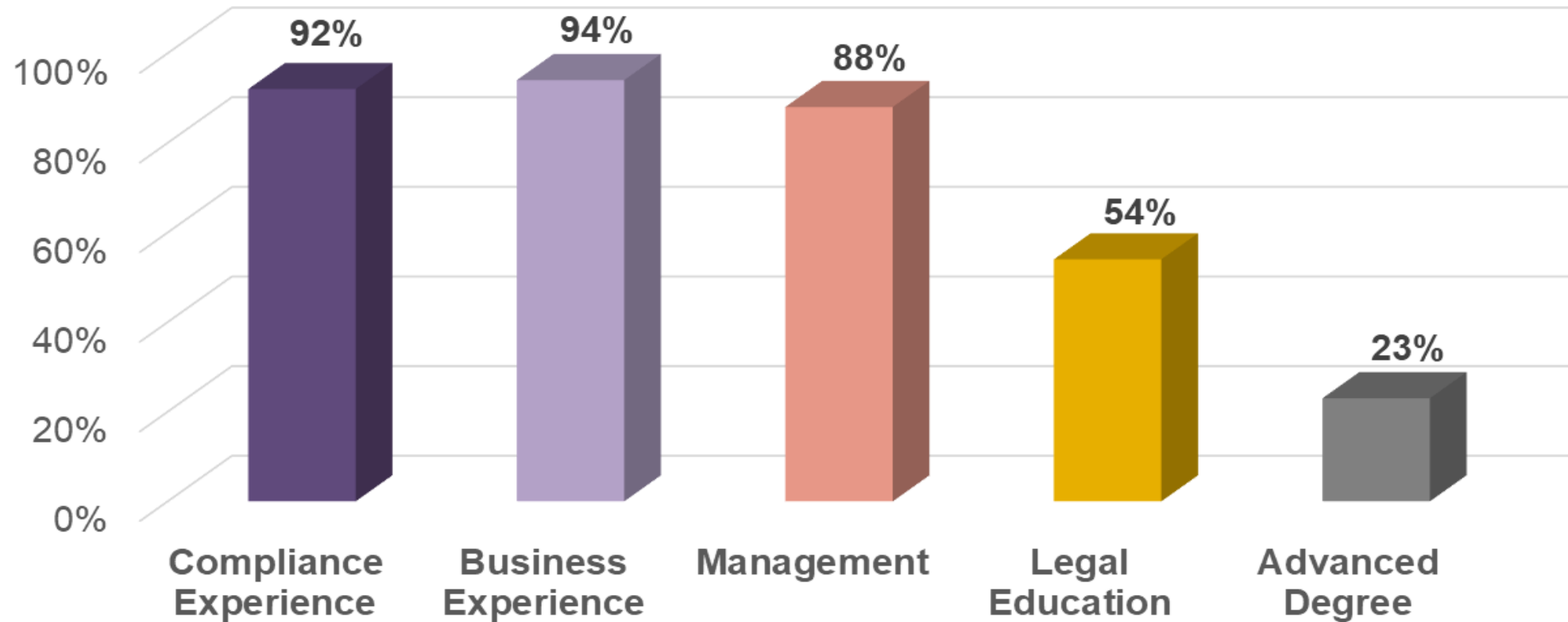
CCO Candidate Criteria

CCO Criteria: Very Important



CCO Candidate Criteria

CCO Criteria: Very Important or Important



CCOs Roles Requiring a Law Degree

- 26% - A law degree is required
- 74% - A law degree is not required



Awareness Item: Data is consistent – 22% of Survey Respondents noted that having a law degree was “very important”

CCO - Staff Reporting

- 100% of small and medium companies indicated less than 10 individuals report directly to the CCO
- While over half (56%) of large companies indicated less than 10 individuals report directly to the CCO, nearly as many have 11 or more individuals reporting directly to the CCO

ETHICS PROGRAMS

Ethics/ Code of Conduct Programs

Written Code:

- Virtually all Survey respondents indicated their organizations maintain a written Code of Ethics or Business Conduct program

Ethics Hotlines:

- Most companies (70%) rely on external vendors to provide their hotline service though some companies rely on internal hotlines (30%)

Ethics Hotline Vendors:

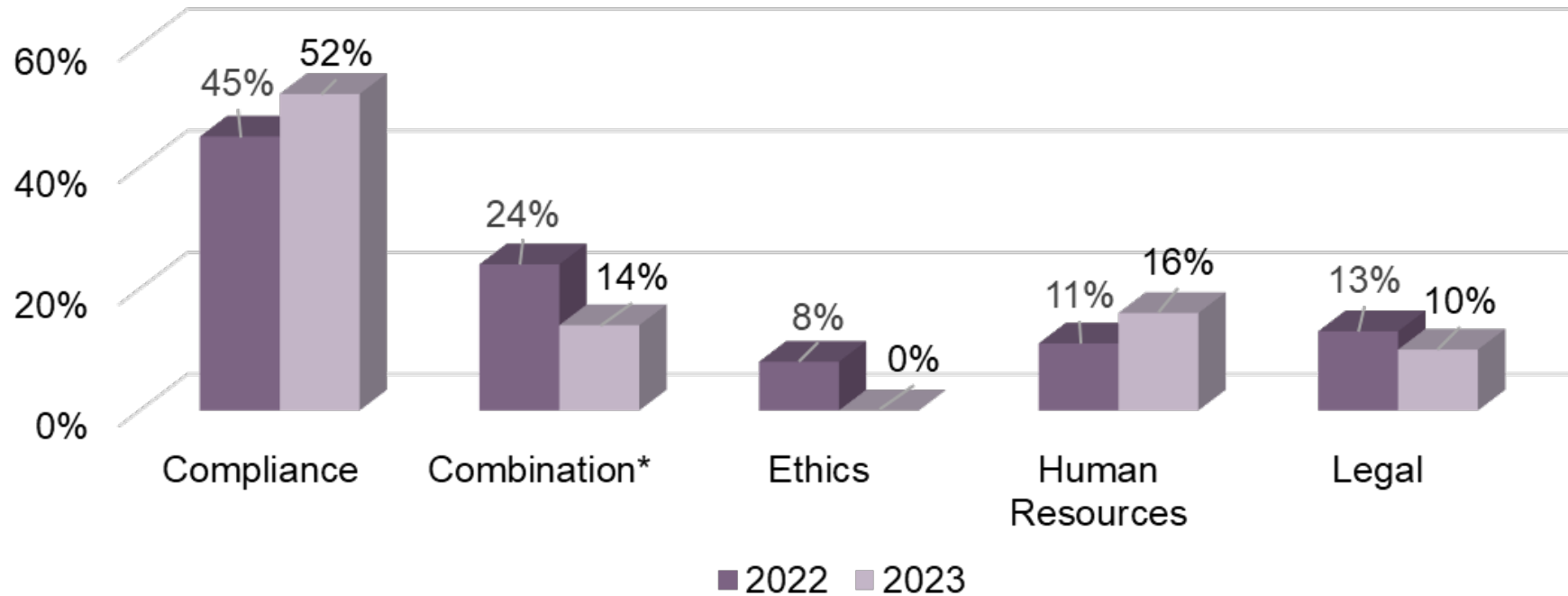
- EthicsPoint
- Navex Global
- Compliance Line
- ETHIX360
- Lighthouse/Syntrio
- Clearview Connects
- InTouch

Elements of an Ethics Program:

- Training
- Ethics hotlines
- Investigations
- Annual attestations
- Anonymous Reporting
- Communications

 **Awareness Item:** The emergence of annual Conflict of Interest questionnaires

Who Owns the Ethics Program?



Awareness Item: Growing reliance on Compliance owning the company's Ethics Program

Ethics Program Placement

Separate Ethics Department?

- 6% Yes
- 74% No

Separate Chief Ethics Officer (not the CCO or CECO)?

- 8% Yes
- 92% No

Separate Ethics Budget outside of Compliance?

- 33% Yes
- 67% No

Combined CCO and Ethics Officer Role – A CECO?

- 29% Yes
- 71% No

 **Awareness Item:** Continued integration of Ethics into the compliance organization (function & leadership)

TRAINING & EDUCATION

Training & Education



Internal vs. External:

- 56% use some external resources to supplement their internal programs

External Resources Only:

- 14% rely on external resources only

Internal Resources Only:

- 30% rely on internal resources only



Awareness Item: Slight movement away from a hybrid approach for training resources

Training & Education

External Resources Deemed to be “Very Important”:

- Access to **online compliance resources** and on-demand webinars
- A **Forum for company Chief Compliance Officers** to network and discuss compliance challenges
- **Monthly meetings** to discuss current compliance issue
- **Live webinars**
- **Quarterly meetings dedicated to specific topics** such as advertising
- Multi-day **events covering a multitude of current topics**
- Multi-day **training for new Compliance professionals**



Awareness Item: Forums and live meetings have become increasingly popular

Training & Education

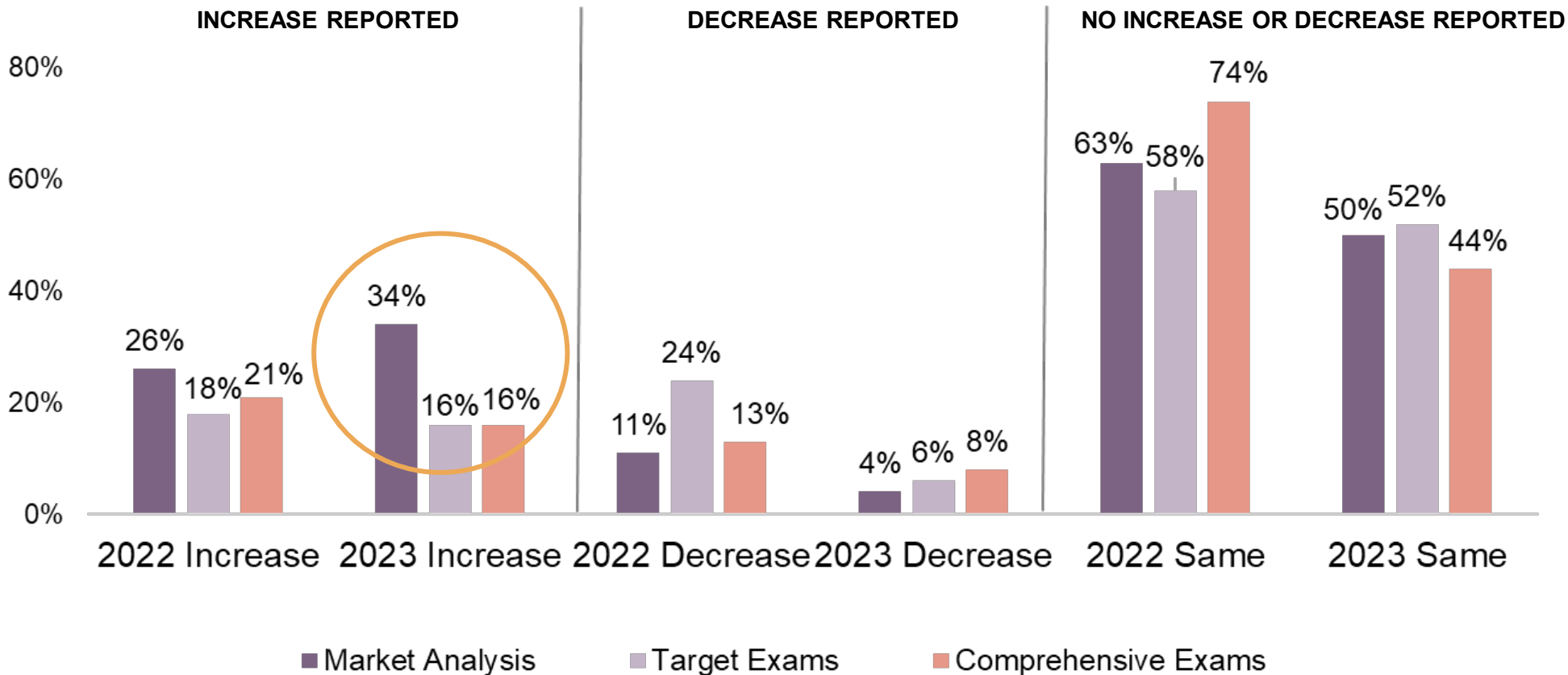
Business Partner Training:

- 94% of all Survey respondents viewed Business Partner training to be “Important” or “Very Important”

 **Awareness Item:** Increased focus on providing or making compliance training available to Business Partners

MARKET REGULATION

Market Regulation Activity: 2023 vs. 2022



Awareness Item: The increase in Market Analysis requests is double that of targeted and comprehensive examinations

Examination Volume & Duration

Active Examinations

- 0-3 Examinations: 100% of small, 88% of medium and 56% of large companies
- 4-6 Examinations: 6% of medium and 25% of large companies
- 7-9 Examinations: 13% of large companies
- 10-12 Examinations: 6% of large companies
- 13+ Exams: 6% of medium companies

Number of Open Examinations

- 0-3 Examinations: 100% of small, 82% of medium and 38% of large companies
- 4-6 Examinations: 11% of medium and 50% of large companies
- 7-9 Examinations: 12% of large companies
- 13+ Exams: 6% of medium companies

Exam Duration

- Most examinations last 0-24 months though it is not uncommon for some examinations to last 25-36 months

Examination Costs: External

Small Companies

- \$0 - \$499,000 (88%)
- No exams: (12%)

Medium Companies

- \$0 - \$499,000 (82%)
- \$500,000 + \$999,999 (18%)

Large Companies

- \$0 - \$499,000 (75%)
- \$500,000 + 999,999 (18%)
- \$1,000,000 - \$1,999,999 (6%)

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COMPLIANCE CHALLENGES 2023 & 2024

2023 Challenges Identified

1. Privacy
2. New product/innovation initiatives
3. Data Governance/ Records Management/Record Retention.
4. Cybersecurity
5. Rate of Regulatory Change (i.e., Rules, Regulations, and Directives)
6. Fraud Prevention , Reporting and Investigations
7. Compliance Oversight of Operations or Corporate Functions
8. Compliance Oversight of Sales Functions

2024 Challenges Anticipated

1. Artificial Intelligence (a new category for the 2023 Survey)
2. Privacy (was #1 in 2023)
3. Cybersecurity (was #4 in 2023)
4. State DOI, SEC Best Interest, and/or DOL Fiduciary Standards (was #9 in 2023)
5. Technology and Innovation Strategies (was #11 in 2023)
6. Rate of Regulatory Change (i.e., Rules, Regs & Directives) (was #5 in 2023)
7. Accelerated Underwriting Initiatives (was #15 in 2023)
8. Data Governance/ Records Management/Record Retention (#3 in 2023)



Awareness Item: New focus on Compliance impacts related to AI.

One final metric...

The Survey Provides
Material or Significant
Value to the CCO

80%

Affirmative Response

**VALUE OF THE
SURVEY TO THE
COMPANY'S
CCO**



October Webinar



Join us on October 11th at 1PM ET/ Noon CT/ 11AM MT/
10AM PT for a joint educational Webinar with CEFLI
Affiliate Member **Maynard Nexsen** on the:

**Legal and ethical implications of insurers' use of
ChatGTP and other AI in connection with policy
administration.**

Registration will open on CEFLI.org two weeks prior
to the event, on September 27th.

Thank you for joining us.

