

## Modernizing Compliance

Enabling and moving with the speed of business



As the number one risk advisory practice in the world, we understand the imperatives of helping companies to enable and move at the speed of business while remaining compliant.

### The new imperative in Insurance

The pressures are mounting for Chief Compliance officers of insurance companies from both internal and external sources. Increasing regulatory mandates, perpetual talent squeezes, mounting demand for increased cost reductions, and a growing need for additional capacity for new and emerging risks and regulations are challenging insurance companies. To thrive and take the lead, business leaders need to address issues head-on.

For too long, many compliance professionals have been focused on point solutions and analyzing tactical, transactional data in search of root cause analysis for compliance

failures. It is time for the compliance function to change its focus from hindsight to foresight—teaming with the business to enable business growth. This will require modernization of the compliance function and new approaches to compliance.

Compliance and regulatory functions have an opportunity to better align with business strategy in a drive toward efficiency and effectiveness. Modern compliance organizations are efficient, risk intelligent groups that deliver through business enablement and partnerships.

### Outcomes of a Modernized Compliance Program



#### Transformative change

Re-engineer core processes and automate the function to be more proactive and predictive. Modern enterprises need top-of-the-house strategies and reliance models.



#### Flexibility

Rapidly able to scale up or down, ready to respond to imperative needs of the business, unexpected remediation, or changing regulatory landscape.



#### Increased capacity

Re-engineer traditional resource models and allocation methods and use deployment of technology, analytics, managed services, and offshore resources to achieve highest and best use of resources.



#### New competencies

Compliance professionals are elevated to true business partners and advisors.



#### Cost reduction

Cost reduction opportunities exist by creating efficiencies and seeking ways to be more effective with increased capacity across the organization through use of tools, technology, and resource allocation.



#### Enterprise-wide view of risk and compliance

From predicting to sensing, acting, and monitoring, the lines between these formerly separate realms are disappearing quickly.

## Drivers for Modernizing Compliance

Pressure for change is coming from many directions.

### Internal challenges

- Lack of executive leadership buy-in
- Fragmented regulatory/compliance change management
- Lack of compliance strategic vision
- Lack of clarity and engagement with first line of defense groups
- Resource/staffing challenges
- Weak governance and oversight
- Ineffective coordination across multiple jurisdictions
- Disparate risk methodologies
- Ineffective interaction/leverage of technology
- Inefficient operating models
- Lines of defense confusion



### Emerging technologies

- Regulatory Technology (RegTech)
  - Cognitive compliance
  - Risk sensing
  - Automation/Robotics-integrated governance, risk, and compliance (GRC)
- Big data and analytics
  - Increased use of unstructured, high-volume data to drive risk identification and process enhancement
  - Predictive analytics

### Regulatory pressures

- Heightened standards and expectations
- Increased regulatory examination and inspections
- Increased enforcement actions, fines, and penalties
- New regulatory requirements
- Multiple regulator oversight
- Multiple jurisdictions with complex or conflicting laws/regulations

## Plan of action

Following a staged approach brings method to the modernization.



# What does it look like?

## Moving toward value creation



### Foundation

**Implement foundational compliance requirements and regulatory expectations.**

- Reactive compliance risk management processes
- Legacy compliance and risk reporting solutions
- Baseline trainings to ensure compliance with laws, rules, and regulations
- Traditional risk assessment process, focused on historical risk data
- Loose linkage between compliance risk assessments and compliance monitoring and testing



### Modernization

**Modernize through usage of technology, data, analytics, and robotics capabilities.**

- Refreshed compliance policies and procedures with updated requirements and internal controls
- Refined compliance risk governance structure, supported by board and executives
- KPIs and KRIs for monitoring and reporting purposes
- Varied trainings and communications, integrated into daily business activities
- Ability to provide transparency to regulators, and evidence the adequacy of the compliance risk management program



### Value Creation

**Bring value to shareholders and business units, gain and drive efficiency, find overlaps, and eradicate redundancies.**

- Real-time data with implementation of forward-looking key risk metrics
- Enhanced use of predictive analytics in reporting and resource and capacity planning
- Programs focused on anticipating regulatory changes
- Enhanced hiring techniques to determine potential suitability for compliance risk management program and robust talent management processes
- Integration of compliance and other risk disciplines to create a true enterprise view of risk
- Systems, data, and taxonomy consistent with enterprise

## Cost Savings, Resource Optimization, Value Creation

For a top-tier global insurance provider's compliance division, a desire to cut costs, empower highly skilled resources, and bring value back to the business and its shareholders was crucial to defining success. Through a series of workshops and intensive documentation analysis, Deloitte Risk and Financial Advisory assisted the provider in developing a road map that created potential savings of more than \$8 million annually, and an operating model that was designed to fit the needs of the business both now and in the future.

By considering successes and challenges within compliance and analyzing current organizational costs, Deloitte Risk and Financial Advisory developed a series of scenarios for consideration that employed changes to people, processes, data, technology, and governance within the organization. Implementation was expected to increase span-of-control across the organization, while producing a more agile compliance talent pool to address future compliance needs.

**The success story – cost savings, an empowered workforce, and value to the business.**

### Why Deloitte Risk and Financial Advisory

As this organization sought to modernize their corporate functions, the organization looked to Deloitte's deep insurance industry insight and technical compliance knowledge. As Deloitte assists organizations across the industry to move to a modernized state, we are able to provide a view into leading industry practices and create a view to help create success stories for your organization.

## Other ways Deloitte Risk and Financial Advisory is helping companies modernize:

### Strategy

**How the organization allocates resources to Compliance and integrates compliance activities:**

- Compliance Vision and Strategy Redesign
- Resource Allocation Methodologies
- Compliance ROI and KPI Frameworks
- Compliance Risk Appetite Frameworks
- Employee Engagement and Awareness

### Operational

**How Compliance is organized and interacts with functions across:**

- Risk Management Framework
- Compliance Reporting Structure Design and Organizational Design
- Managed Services for Compliance Operations

### Taxonomy

**Consistent way for assessing, measuring and reporting compliance:**

- Governance models
- Values-based Policies and Training
- Risk Assessment Design
- Monitoring and Testing Design
- Data Measurement and Reporting
- Escalation and Investigation Design

### Technology

**Use of technology and data to enable and automate the compliance function:**

- Robotics
- Predictive analytics
- Natural Language Processing
- Behavioral Analytics
- GRC

Let's talk

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## Attributes of a Modernized Compliance Program

- Proactive instead of reactive oversight and execution
- Align/embed Compliance Risk Management strategy to business strategy
- Partner with the businesses to drive organization growth while remaining compliant
- Improved integration and rationalization across the three lines of defense
- Enhanced regulatory change management coverage and process
- Alternative delivery models and deployment of technology/ analytics