



Meeting the Challenge of Promoting Ethics

Kelly Ireland

Vice President – Compliance & Ethics

Compliance & Ethics Forum for Life Insurers

October 25, 2019

Alexandria, VA



What is CEFLI?

- CEFLI is a non-advocacy organization of life insurance companies that is devoted exclusively to compliance and ethics in the life insurance industry
- We establish various non-advocacy Forums for collaborative interactions between regulators, companies and industry experts
- We are a premier provider of compliance-related education and training in the life insurance industry

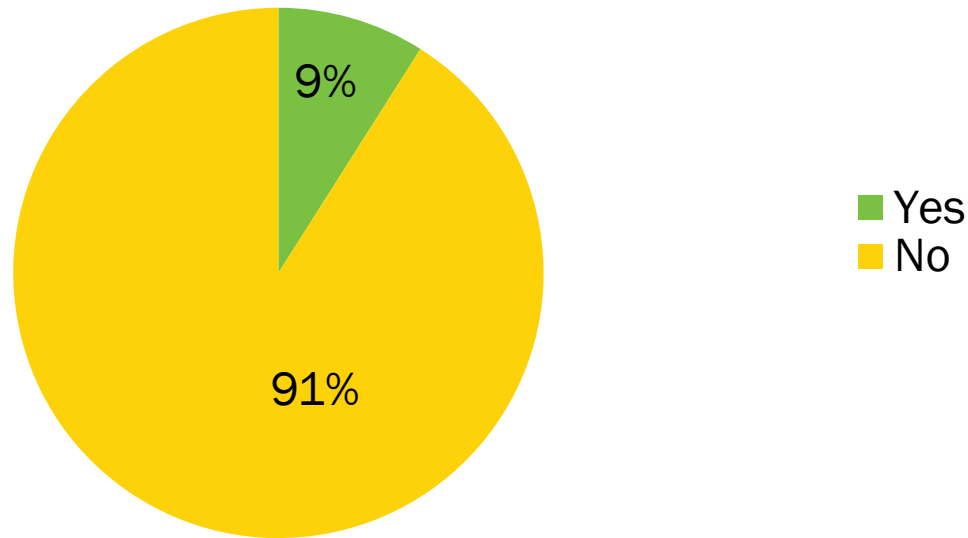


2019 CEFLI Compliance & Ethics Benchmarking Survey

- Purpose is to determine the current state of Compliance and Ethics functions within the life insurance industry
- 7th Year Conducting the Survey
- Received responses from 58 companies
 - Analyzed according to large, medium and small company size
 - Reviewed across years to identify trends

Organizational Structure

- Does your organization maintain separate compliance and ethics departments?





Combined vs. Separate Rationale

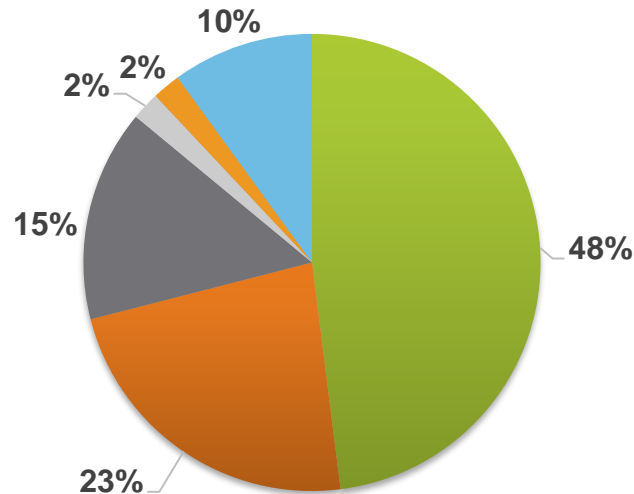
■ Combined

- We are a small company – we all own Ethics
- Ethics is the responsibility of all employees and is driven from the top down
- The two are inextricably combined and should have an integrated strategy under one leader

■ Separate

- Minimizes conflicts of interest. Ensures prioritization of high ethical standards
- We were just able to centralize the Compliance function. Ethics will take even longer
- Ethics are emphasized throughout the company whereby policies and procedures are maintained in the Legal/Compliance Department

Staffing Devoted Exclusively to Ethics.



■ None ■ 1 to 2 ■ 3 to 4 ■ 5 to 9 ■ 10 to 24 ■ Over 25



Ethics Staffing

- While the majority of small companies reported having no staff devoted solely to Ethics (along with a number of medium and large companies), a growing number of small and medium companies indicated having more than 2 Ethics employees on staff
- Of large company respondents, half reported having a sizeable Ethics staff (25 or more)



Year-to-Year Change in Ethics Staffing

- 2019 Experience
 - No company reported a decrease in Ethics staff in 2019
- 2020 Forecast
 - No companies plan to decrease Ethics staff in 2020



Year-to-Year Change in Ethics Budget

- 2019 Experience
 - No company reported a decrease in Ethics budget
- 2020 Forecast
 - 42% of companies anticipate an increase in budget for Ethics



Position Titles/Appointments

- 39% of companies have a Chief Compliance & Ethics Officer (CECO)
 - Little variation between company sizes
- 22% of companies have appointed a Chief Ethics Officer Separate from CCO
 - No small companies



Compensation

- Chief Compliance & Ethics Officer
 - Small \$150,000-\$200,000
 - Medium \$100,000-\$500,000
 - Large \$300,000-\$500,000+



Code of Conduct Program

- 90% of companies maintain a written Ethics/Business Conduct program
- The Compliance Department is responsible for the ethics program at the majority of companies (43%), followed by the Legal Department (35%)
- At some companies, of all sizes, HR still owns the ethics program (15% overall)



Elements of Ethics Programs.

- 86% of companies responding to the Survey require annual attestation to their Code of Ethics/Conduct
- 79% conduct annual ethics awareness training and events. (100% of large companies)
- Other common elements of Life Insurers Ethics programs include:
 - Anonymous reporting
 - Investigations
 - Communications



Ethics Hotlines

- Survey results indicate that small companies are less likely (64%) to maintain an ethics hotline than medium (81%) and large (100%) companies
- 66% of companies that use a hotline for reporting misconduct have contracted with a third-party vendor to provide ethics hotline services
- Large companies are more likely to maintain an internal hotline



Adherence to Company's Values

- Almost half of all Survey respondents indicated that Ethics and adherence to their company's values are a formal and documented part of an employee's performance evaluation criteria
- Year over year survey results show this is an increasingly accepted practice within the life insurance industry



Ranking the Top 5 Compliance Challenges.

■ 2019 Experience

- Privacy
- New Products/Innovation
- AML/OFAC
- Fraud Prevention
- Best Interest/Sales Practice Standards

■ 2020 Forecast

- Cybersecurity
- Best Interest/Sales Practice Standards
- Privacy
- Fraud Prevention
- New Products/Innovation



Why is Ethics so Important?

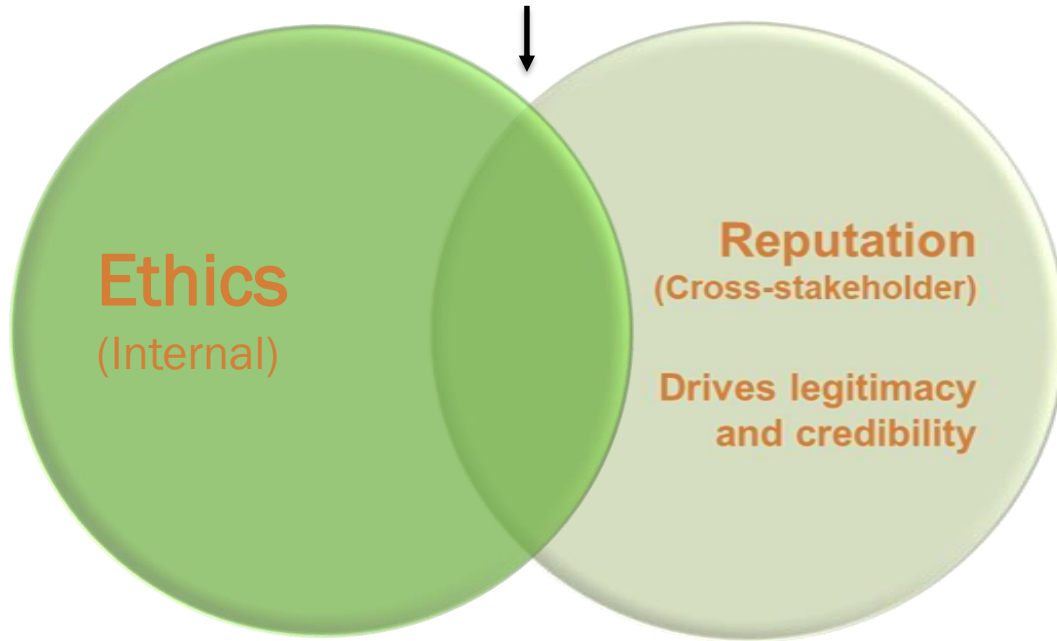
- What it is...
 - It's not what you say, it's what you do. Ethics includes compliance, but is more than that. It is how you act when no one is looking
- What it does...
 - Ethics feeds the brand, drives decision-making, and impacts culture
- Why it matters...
 - A business without ethics is a business at risk. Ethical culture is key to engaging and retaining talent



Why is Reputation so Important?

- What it is...
 - Perceived track record of a company's actions and behaviors
- What it does...
 - Acts as an engine for regulators, employees, media and stakeholders to believe in the company and its brand
- Why it matters...
 - Can be preserved, but if damaged, takes twice the effort to restore

A Strong Reputation is Built on the Back of Strong Ethics





Promoting Ethics

- Measure & Monitor
 - Industry Benchmarking and Awards (e.g. Ethisphere)
 - Hotline Metrics
 - Internal Awareness Survey
- Reward & Recognize
 - Reward for Reporting Throughout Year
 - Annual Awards During Ethics Awareness Month



Promoting Ethics

- Programs & Training
 - Revised Code of Business Conduct
 - New Employee Orientation
 - Compliance Day/Week/Month
- Embed in Existing Processes
 - Embed Ethics in Talent Acquisition Process
 - Make Ethics Part of Performance Review Process



Promoting Ethics

- Tone From the Top
 - Ethics Leadership Training
 - Include Ethical Culture in Risk Assessment
 - Involvement in Ethics Awareness Events



Training to Promote Ethics Awareness

- Training Calendar with Monthly Modules
 - Code of Conduct
 - Anti Harassment Training
 - Privacy Training
 - AML Training
 - Records Management Training
 - Security Training
 - Antifraud Training
 - Social Media and Brand Literacy Training
 - Required FINRA CE/Training
 - Vulnerable Adult Training



Communication to Promote Ethics Awareness

- Communication - the More You Communicate, the More it Resonates!
 - Privacy Newsletters
 - Fraud Newsletters
 - Monthly Stories, Tips
 - Ethics Hotline Prominently Displayed on Intranet
 - Periodic Senior Management Messages
 - Create Decision Tree Posters for Common Ethics Issues (e.g. Gifting, Information Security)



Events to Promote Ethics Awareness

- Ethics Awareness Day/Week/Month (March is National Ethics Awareness Month)
 - Global/Enterprise Wide to Build Culture
 - Individual Division/Country Planning committees
 - Senior Management Visibility
 - Include remote workers
 - Food and Prizes!!



Impactful Ideas to Promote Ethics Awareness

- Presentations
 - Reformed White-Collar Fraudsters as Speakers
 - Outside Ethicist Speakers
 - Panel Discussion With Internal Leaders
- Small Group Case Study Discussions
 - Use Real (Sanitized) Cases From Your Own Company
 - Supplement With Industry Challenges (e.g. Underfunded Universal Life Insurance Policies and What Steps Company Compliance & Ethics Professionals Can Take to Help Their Companies Address this Issue)



Impactful Ideas to Promote Ethics Awareness

- Investigation Process Review
 - What Happens After a Report
 - Highlight Business and Investigation Partners
 - Anonymized Videos of Past Reporters and Investigation Participants/Outcomes
- Ethics “CSI”
 - Create a Tableau With Possible Code Violations (e.g. Unprotected Sensitive Documents, Third Party Flash Drive in Computer, Evidence of Conflicts of Interest on Desk)
 - Have Employees Investigate and Make Mock Hotline Reports

Other Ideas?



Questions?

Kelly Ireland

Vice President – Compliance & Ethics

CEFLI

kellyireland@cefli.org