IBM Global Insurance Regulatory Management Expertise

Managed Information Technology Services, Strengthened by Insurance Regulatory Compliance Capabilities

Technology is transforming the insurance industry at an unprecedented pace, driving new customer-focused initiatives throughout the organization. In turn, regulatory compliance is shaping insurance companies' overall business and IT strategies, and the worldwide trend of accelerating regulation will continue to intensify. Along with perceived value for price, regulatory compliance therefore often tops the list of mandatory client requirements in a managed services or strategic outsourcing engagement.

Historically, strong operational execution has differentiated IBM from the competition during the sales phase, and enhanced client satisfaction during the delivery process. Today, IBM must go even further – we must demonstrate that we understand insures' unique regulatory challenges, and help companies design system frameworks and processes that will be as compliant as possible across multiple jurisdictions and lines of business, minimizing potential financial loss and risks to reputation.

The IBM **Financial Services Global Regulatory Center of Excellence ("FS GR COE")** brings regulatory compliance expertise to the forefront of outsourcing and managed services projects for insurance companies, banks and financial market firms. Our dedicated financial services experts focus on complex issues unique to insurance company projects. Our Regulatory Compliance Project Executives have many years of deep hands-on experience within their industries, either in leading companies or within government organizations. IBM is well-positioned to define appropriate solutions, in sight of the ever-changing insurance regulatory landscape.

How do Regulations affect Insurers' IT Strategies?

Laws and regulations worldwide, particularly regulations issued by insurance departments and financial supervisors, increasingly drive our customers' information technology strategies in three primary ways, via:

- **Risk Management Requirements**. Due to tighter financial capital and solvency requirements, insurers around the globe are becoming more transparent, and must evaluate risks, including technology risk, in greater depth than they

have in the past. Companies designated as "systemically important financial institutions," or "SIFIs," are further subject to enhanced supervision and increased regulatory requirements, particularly in the areas of recovery and resolution planning. As a result, insurers are developing strong enterprise risk management (ERM) or governance, risk and control (GRC) processes, and are boosting their technology, operations, and third-party relationships to promote more effective governance and risk management.

- **Direct Regulation of Technology.** Financial services supervisors are expanding their oversight directly into technological realms. Regulators understand that a solid information technology structure benefits insurance company's stability and solvency. They are also charged with upholding strong consumer protection standards, particularly over collection and use of personal data. Global laws and regulations thus extend beyond the business of insurance, directly to insurers' information technology structure and processes. Regulators now critically examine insurer transactions involving **cloud storage, infrastructure outsourcing, privacy, data protection, and cyber security efforts**. Insurers implementing new infrastructure, or outsourcing information technology systems and services, must do so in a legally compliant manner, in all jurisdictions where they write business. Working with personal or sensitive data across national borders also creates special regulatory challenges for financial services industries.

- **Indirect Regulation of Technology**. Insurance regulations increasingly require companies to take specific operational actions which directly affect information technology systems. For example, insurance laws often mandate how long a company must keep books and records, and in what format – across many information technology areas. Regulators might dictate what companies must do to restore physical operations in the event of a disaster or emergency incident, affecting server, software, hardware, and staffing decisions. Companies may also need to provide advance notice or formal reports to regulators when undertaking projects or business initiatives with a material impact on their capital standing or business plans, including significant technology upgrades.

The complexity of insurance regulation, and fear of "not doing the right thing," can paralyze a company, stunt technological growth, and negatively impact information technology decisions that would otherwise lead to cost savings and efficiency. However, IBM can help insurers navigate this tangled regulatory web, to take full advantage of technological advances - benefitting customers, and optimizing operations.

Six Key Issues for Insurance Regulatory Compliance

The growing number of regulations governing information technology can be daunting to even the most diligent of organizations. However, IBM can help companies leverage emerging technologies and strategic outsourcing while reducing

the risk, cost and complexity of implementing their regulatory compliance program.

What makes these solutions successful isn't just the cutting edge technology. IBM provides project support through multi-disciplinary, collaborative teams of security, privacy and targeted industry experts. IBM's industry-specific capabilities in risk and compliance management help insurers address the most complex issues in multi-country managed services or strategic outsourcing engagements, including:

- *Enterprise Risk Management*: appropriately establishing procedures and processes designed to adequately mitigate and manage risk, aligning operational, financial, information technology risk with global Own Risk and Solvency Assessment (ORSA) requirements;
- *Privacy*: protecting and managing access to business records, including a client's non-public or sensitive personal data, under laws such as the European Data Protection Act, the U.S. Health Insurance Portability and Accountability Act (HIPAA) and U.S. state laws based on the NAIC Insurance Information and Privacy Protection Model Act;
- *Records Retention*: storing, archiving and producing official books and records, as well as an appreciation of the necessary notice requirements to impacted parties, including regulatory authorities;
- *Business Resiliency*: ensuring the access to official records will be available during periods of unplanned disruption;
- *Cybersecurity:* protecting the organization from online and computer threats such as malware, hackers, data breach or other fraud; and
- *Vendor Management*: ensuring access by third parties under outsourcing relationships, including international transmission of data, remains compliant with industry and country-specific regulations.

Some of the key questions that the FS GR COE can help address in projects to collect, store or transfer data, consolidate data service centers, or change information technology processes include:

- Is the movement of hardware, data or staff legally permissible out of, and to, the specific countries being proposed?
- Are there any requirements to either provide advance notice of the project to, or secure formal approval from, one or more financial services regulators when an insurer outsources any information technology services or processes?
- Does IBM have any obligations under the jurisdiction's insurance laws to maintain customer information in a certain format, in a particular location, or for a specific amount of time?

- Are there specific laws or regulations issued by financial services regulators which might impact business resiliency planning and/or require formal reporting of contingency plans to the regulator, or other stakeholders?

Why IBM?

For over 100 years, IBM has delivered innovative technology solutions and services to companies worldwide, including insurance industry leaders. With IBM as a strategic information technology vendor, you benefit from our insight into the market's best practices for technology services. Whether migrating servers, or storing records through cloud technology, IBM can also help insurers' better manage their regulatory compliance risk profile.

We stand ready to deliver compliant solutions that are right for your company's needs. Our strategic outsourcing engagements are tailored to fit multi-country, multi-line financial organizations. Through the FS GR COE, IBM designs and delivers managed information technology services to meet diverse requirements across all jurisdictions. For each unique project, we assess and help meet regulatory needs early in the planning process; so that your client's information technology strategy will be headed in the right direction from the start. Let IBM's Financial Services Global Regulatory Center of Excellence help you better manage your information technology project's regulatory compliance risk, and maximize business opportunities.

For more information

To learn more about how IBM's regulatory management capabilities can assist you, please visit our [Financial Services Global Regulatory Center of Excellence Community,](#) or contact us by email at [GlobalRegulatoryManagement@us.ibm.com.](#)

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