

# How Insurance Leaders Must Address Growing Regulatory Oversight



With over 1,700 insurance regulation changes in the last year, insurance leaders must grapple with staying compliant while remaining competitive. Driven by consumer protection, climate change, and emerging technologies, increasing regulatory oversight has created a deeply complicated landscape for insurers to navigate.

The insurance industry is no stranger to the shifting tides of government regulation. The goal has always been to protect consumers, mitigate economic impact, allow for healthy and fair competition, and safeguard the interests of insurance companies themselves. But the rate at which these regulations are increasing in number is astonishing. The

first half of this year saw an [8% annual increase](#)—over 1,700 changes in state insurance regulations.

Because regulatory oversight of the insurance sector belongs to individual states, insurers are already familiar with the complex juggling act required to stay compliant and manage the challenges and opportunities that come with every change. But as the coming months and years will likely see even further increase in insurance regulation, companies will be forced to adapt with a hyper-agile approach to navigating this dynamic landscape.

While it's easy to cast regulation in a negative light, as just another challenge that creates untold amounts of work, insurance leaders must remain sensitive to the reasons why regulation exists in the first place. And as they guide their organizations through ongoing changes, an agile, principled, visionary approach is the only way to succeed.

### **What Is Driving Increased Insurance Regulation?**

Remaining compliant with ever-evolving insurance regulation is a challenge, but the list of events, incidents, and accidents just waiting to happen in today's world is also ever increasing. As a result, regulators are always on the lookout for new ways in which people and entities need safeguarding. There are a few key areas that are dominating increased regulation.

#### **Consumer Protection**

Consumer protection is always the number one driver of insurance regulation. It's why insurance exists in the first place, and regulation helps ensure that it is fair and unbiased for all people, regardless of their circumstances and socioeconomic status. With COVID policies still relatively fresh in regulators' minds and market inflation headlining the news, regulatory changes regarding coverage availability and affordability are frequent, especially for P&C insurers.

#### **Climate Change**

From hurricanes and floods to fires and droughts, the increasing frequency at which severe climate-related catastrophes are occurring around the world is cause for substantial concern. It's of particular note in the insurance industry because the more often these events happen, the more it becomes clear that there are significant inadequacies in insurance coverage—both how available and how affordable policies are to protect individuals and communities against these disasters.

With more claims and more insurance payouts at the mercy of extreme weather events, insurance companies are

constantly assessing how this shift impacts their profits and processes. Regulators are all too cognizant of this reality and are pushing through regulatory changes accordingly. As climate change gains an ever-increasing share of headlines, insurance leaders must work unceasingly to understand the landscape of climate risk management in insurance.

### **Emerging Technology**

With the introduction of ChatGPT, Artificial Intelligence has yet to disappear from public discourse. With OpenAI partnering with myriad companies across every industry, the potential of this technology is at an all-time high. On its heels is ongoing growth in cybercrime, with increasing scrutiny in cybersecurity and data security and privacy.

As insurance companies seek to attain digital transformation within their operations and offerings, regulators will likely push for ever more stringent controls and protections. Their concerns range from biased consumer outcomes to data and identity theft, and almost every state is drafting regulatory infrastructure that will protect both companies and consumers against these threats.

### **How the Best Insurance Leaders Will Adapt to Evolving Regulation**

The best insurance leaders can turn the challenges of regulatory compliance into opportunities for organizational advancement. For example, although digital oversight is increasing exponentially, there is also the potential to leverage technology to ensure compliance while simultaneously streamlining operations.

Sophisticated data analytics and AI tools have much to offer the insurance sector, including more precise risk assessment, personalized consumer offerings, and automated processes. Implementing the latest technologies and tools while vetting vendor partnerships for the most competitive edge will be critical steps in moving forward with confidence.

It is also essential for insurance leaders to be aware of how changing regulation will impact both product offerings and market structure. From new types of coverage to evolving terms and conditions, insurers must remain innovative, especially as market competition increases and strategic partnerships and mergers become all the more frequent.

Maintaining consumer trust throughout all of these changes will be of critical importance. Technology has put customers front and center in many industries, and insurance must overcome its image of being overly complex and

ridden with bureaucracy—despite the deeply complicated landscape of regulation.

Finally, insurers must meet all of these challenges and opportunities with an eye on their future leaders. The [war for insurance talent](#) is going strong; there remains a serious candidate pipeline problem at the same time as retirement and resignations are on the rise. Ensuring a robust workforce for tomorrow may require a serious assessment of how insurers are attracting talent, nurturing their employees, and embracing innovation—all while improving their agility in the face of increasing insurance regulation.

As the insurance industry grapples with increased compliance requirements, leaders must be ready for whatever comes their way. How are you navigating the growing regulatory oversight in insurance?