

**Allianz New Zealand**

5 July 2017

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Dear Richard

**ALLIANZ NEW ZEALAND'S SUBMISSION ON THE "ISSUES PAPER: REVIEW OF THE INSURANCE (PRUDENTIAL SUPERVISION) ACT 2010, MARCH 2017"**

**Overview**

1. Thank you for the opportunity to submit on the above paper ("IPSA Review Paper").
2. Allianz New Zealand is part of one of the largest Property & Casualty insurer groups in the world and, including through its predecessor companies, has been operating in New Zealand since 1914. Allianz New Zealand is the trading name and New Zealand branch of Allianz Australia Insurance Limited, a company that is incorporated in Australia (and licensed as an insurer in Australia as well as in New Zealand). We have a small insurance business in New Zealand, but one which is important in terms of promoting competition in this market, which in turn, is good for New Zealand policyholders.
3. Having seen the draft submission of the Insurance Council of New Zealand on the IPSA Review Paper, this submission adds another perspective to some of the key issues submitted on.
4. We support a healthy insurance sector as a key element of providing stability in an economy we participate in, and any appropriate steps that might be taken to efficiently provide and maintain that stability.

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Having said that, we do not support any change to the status quo in respect of a non-life overseas insurer where:

- (a) it has reinsurance cover for its NZ operation well in excess of the 1:1000 catastrophe event requirement of the Reserve Bank of New Zealand ("RBNZ") on New Zealand incorporated insurers; *and*
- (b) It does not have a significant share of the New Zealand market, (together, referred to as "Key Characteristics").

#### **Overseas Insurers – Should New Zealand Assets and Statutory Funds Be Necessary? Questions 6 and 9 of the IPSA Review Paper**

- 5. Most major general insurance insurers in New Zealand have already had the opportunity to select their preferred structure with the introduction of the current RBNZ regulations and now is not the opportunity to look to challenge the resulting framework applied. Allianz New Zealand, as a branch of the Australian limited entity, has been structured to provide the operational efficiencies to ensure that we can continue to support the New Zealand market.
- 6. With reference to the 1:1000 year catastrophe event requirement, Allianz has reinsurance cover for its NZ operation well in excess of the 1:1000 cat event requirement and would expect most major insurers operating in New Zealand as an overseas branch to be in similar positions. It should be noted that, as you will be aware, the RBNZ reserves the right at all times to require its licensed overseas operations to undertake stand alone operational solvency calculations and therefore there is already flexibility for the RBNZ to adopt a different approach on the occasion it deems it warranted.
- 7. We acknowledge there may be a concern that New Zealand policyholders with valid outstanding claims may be disadvantaged if:
  - (a) their overseas insurer became insolvent; and
  - (b) their overseas insurer's home jurisdiction imposed a payment preference in favour of their country's residents, i.e. they are paid out first before New Zealander policyholders can be paid.

Allianz's view is the overseas policyholder preference has already been adequately dealt within the existing framework, with the requirement for insurers in such a position to make such preferences clear to New Zealand policyholders before the insurance contract is entered into or renewed.

In addition, we submit that the scenario in (a) and (b) would be a **highly unlikely scenario** where the overseas insurer had the Key Characteristics.

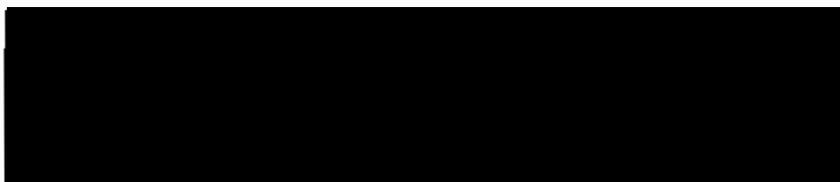
For an insurer like Allianz that is part of such a significant group to be unable to pay out on all valid claims would probably mean a continued series of major catastrophes occurring right throughout both countries. In that scenario, it is quite possible that New Zealand incorporated insurers may also fail and that their Australian parents (if any) may be similarly affected.

8. Competition in the market is good for New Zealand policyholders and also spreads the risk among a higher number of insurers. Overseas insurers are, as you know, already supervised by their local prudential regulators and subject to separate and additional oversight by the RBNZ. Any over-regulation or unnecessarily heavy-handed approach may lead to the inevitable conclusion that doing business in New Zealand is simply no longer viable.

## **Conclusion**

9. Consequently, we also do not support the establishment of statutory funds or the requirement for holding New Zealand assets by a non-life overseas insurer with the **Key Characteristics**, notwithstanding any overseas policyholder preference. We also do not support the imposition of any additional transparency on the Reserve Bank's decisions for exempting overseas insurers from parts of the regime, where this may result in a wider disclosure of an overseas insurer's commercially sensitive information.

Yours sincerely



Marc Guppy  
Chief Executive Officer  
Allianz New Zealand