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Richard Johnson
Senior Adviser
Prudential Supervision Department
Reserve Bank of New Zealand
PO Box 2498
Wellington 6140

Dear Richard,

Issues Paper – Review of the Insurance (Prudential Supervision) Act 2010

The Co-operative Bank ('Co-op Bank') and its wholly owned licensed life insurance business Co-operative Life Limited ('Co-op Life') welcome the opportunity to provide feedback to the Reserve Bank of New Zealand's ('RBNZ') on the Issues Paper – Review of the Insurance (Prudential Supervision) Act 2010 ('Issues Paper').

Co-op Bank and Co-op Life are both supportive of the objectives of this review which are about ensuring a cost effective supervisory regime that promotes a sound and efficient sector, reduces duplication of effort, maintains public confidence and aligns with international standards.

With those objectives in mind, the specific areas that Co-op Bank and Co-op Life would like the RBNZ to focus on as part of this review are:

- **Review of minimum capital requirements for life insurers.** Smaller life insurers are required to hold minimum capital of \$5m, which can often be in excess of the actual minimum capital required for those businesses to remain solvent.

If those insurers are also a wholly owned subsidiary of a New Zealand registered bank, there is further requirement on their parent, as part of the bank's conditions of registration, to ensure that the total assets of the insurance business are less than 1% of the total assets of the banking group.

- **Availability of exemptions to local life insurers who are already regulated by the RBNZ or other regulators such as the Financial Markets Authority.** Exemptions are available for overseas insurers who are regulated in other jurisdictions in a bid to avoid duplication of effort and reduce costs for these entities. However, the same opportunity is not extended to locally based insurers.

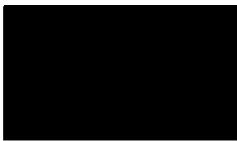
An example of an area where duplication of effort can occur is the fit and proper requirements. If a registered bank appoints a person as a Director, CEO or direct report of

the CEO they are required to meet the fitness and probity requirements for the bank, with a non-objection of appointment sought from the RBNZ's banking prudential supervision team. If that person is then appointed as a Director of the registered bank's wholly owned life insurance subsidiary, they must then meet the fitness and probity requirements for the insurer. This information is then submitted to the RBNZ's insurance prudential supervision team, with no exemptions granted for that person having been previously assessed by the RBNZ.

Co-op Bank and Co-op Life look forward to participating in future consultations as part of this review of the Insurance (Prudential Supervision) Act.

Once again thank you for the opportunity to provide feedback on this matter.

Kind Regards



Ellen Cheyne
Head of Finance
The Co-operative Bank

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