

# **New Zealand Captive Insurance Association**

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Dear Richard

## **ISSUES PAPER: REVIEW OF INSURANCE (PRUDENTIAL SUPERVISION) ACT 2010 OFFSHORE DOMICILED CAPTIVES**

### **Introduction**

This submission to the Reserve Bank on the Issues Paper outlining the scope of the review of the Insurance Prudential Supervision Act 2010 (**the Act**) is from the New Zealand Captive Insurance Association (**the Association**). Our particular interest in the review of the Act is the potential impact it has on the captive insurance industry. This submission deals with that issue alone.

### **Background**

There are currently in excess of six captive insurers that are owned by NZ resident entities, insuring NZ-based property domiciled offshore. At the time of drafting of the Insurance Prudential Supervision Act a number of these captive insurers addressed the select committee to ascertain whether there was any intention to capture them within the Act. At the time it was indicated that this was not the intention and that they are deemed low risk.

When the Bill was passed into law there was no explicit exemption for offshore domiciled captives with NZ resident ownership - instead the Act refers back to the Companies Act to establish whether sufficient operations exist in NZ to require an entity to register with the Companies Office. This is too subjective and creates confusion.

### **Response to Issues Paper**

The Association wishes to provide a submission on Question 2 (noted below).

#### **Do you consider that the Review should assess the current scope of IPSA in terms of the nature of insurance contracts or entities that are subject to the legislation?**

The Association believes that the Reserve Bank should include the current scope of IPSA in the review and in particular the entities that are subject to the legislation. The Act should include a section which would enable offshore domiciled captives with NZ resident ownership (licenced as captive insurers offshore) to be exempt from the Act, similar to those noted in section 8(2).

# **New Zealand Captive Insurance Association**

We feel that the Act should not link the requirement to licence as an insurer to the Companies Act, on the basis that this test is too subjective and open to interpretation.

As noted above, at the time of drafting the Act it was not the intention to capture NZ owned, offshore domiciled captives.

There are a limited number of captives fitting within this category, all of whom are licenced under specific captive legislation and are already adhering to the necessary requirements in the chosen domicile therefore requiring them to seek licence in NZ would be counter-productive for both the captive and the Reserve Bank.

We can be contacted through Jessica Schade on [REDACTED] or by email at [Jessica.schade@willistowerswatson.com](mailto:Jessica.schade@willistowerswatson.com).

Yours sincerely

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