



**Submission to the Reserve Bank of New Zealand on the
Consultation Paper:
Audit requirements for insurer data returns
December 2017**

Health Service Welfare Society Limited (Accuro Health Insurance) Submission:

Accuro Health Insurance appreciates the opportunity to make a submission on the Consultation Paper: Audit requirements for insurer data returns.

Summary View

We would prefer to defer for up to 18 months before implementing the proposals in the consultation paper with changes for the audit requirements for insurer data returns. We are suggesting deferring to allow time to assess if the quality of returns submitted has improved, as we are conscious of over auditing the insurance sector.

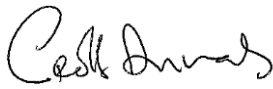
We appreciate that insurer returns have been submitted with errors that can end up wasting time and resource for Reserve Bank staff members. However, we are of the view that errors in the insurer returns would now largely be resolved going forward through the correspondence between the Reserve Bank and the relevant insurers.

In light of the consultation paper released we have considered the content of the insurer return and what deficiencies an audit would uncover; we make the following comments on this:

- We believe we have the appropriate level of internal expertise to prepare, self-review and submit an accurate and reliable insurer return
- Information in the insurer return is predominantly from financial statements and solvency returns which are already subject to an external audit
- We have reviewed the data that is included in the insurer return that is not already audited as part of the financial statements or solvency return audit and believe this data is up to audit standards
- Overall, we believe the cost of an external audit of the insurer return would outweigh the benefits

We respect the Reserve Banks role in ensuring the insurance sector is adequately regulated. So whilst we feel the costs of the proposed changes may outweigh the benefits for our organisation, we are not strongly against the changes if the Reserve Bank is of the view that it will benefit the industry as a whole.

Thank you again for the opportunity to make this submission. I am happy to discuss our submission further if required. We have also commented on each of the questions from the consultation paper.



Geoff Annuals
Chief Executive

Response to specific questions in the consultation paper

Insurer Return

1. Do you support the idea of introducing an Insurer Return audit/review requirement?

- a. No
- b. Yes, on a temporary basis until data quality improves
- c. Yes, on a permanent basis

No – We are comfortable with our own data quality and processes to satisfactory complete the insurer return. However, if the Reserve Bank strongly believes an audit is necessary we would not strongly object to an audit requirement.

2. What would your organisation expect the audit fee to be for

- a. a reasonable assurance audit of the Insurer Return?
- b. a limited assurance review of the Insurer Return?

We have not discussed this with our audit team but based on fees for the audit of the solvency return we would expect a limited assurance review of the insurer return to be approx. \$5k, and a reasonable assurance audit to be higher, but is difficult to say by how much without consulting our auditors.

3. How effective do you believe an audit requirement would be in identifying deficiencies in the processes and systems contributing to the Insurer Return?

Please answer separately in respect of

- a. a reasonable assurance audit,
- b. a limited assurance review.

We don't believe an audit of the insurer return would uncover any deficiencies in processes and systems that would not already be identified through the audit of the financial statements or solvency return. An audit would however reduce the likelihood of human error when submitting returns.

4. Please discuss the timeframes that you believe would be reasonable for the remediation of systems and processes identified as deficient by audit.

Within one year.

5. To what extent do you believe the time to complete the Insurer Return will be impacted if it is subject to

- a. a reasonable assurance audit?
- b. a limited assurance review?

Both of these will lengthen return times, although (b) less so.

6. How much lead time would you require, from notification of the requirement to implementation, should the RBNZ decide to impose an Insurer Return audit/review requirement?

Very minimal lead time would be required.

7. What types of insurers do you believe should be in-scope for an Insurer Return audit/review requirement, and why?

All insurers.

8. How frequently should an audit/review of the Insurer Return be performed (given that one is required)?

We believe the insurer return should be audited/reviewed yearly if one is required.

Does your answer differ by size and/or nature of the insurer, or by level of assurance provided?

No, following on from above we are of the view that the business size does not necessarily mean less risk. An annual audit also creates continuity and familiarity with the audit team performing the audit.

9. Have you identified any benefits and costs (other than those listed in the introduction) of introducing an audit requirement for the Insurer Return?

No.

Insurer Solvency Return

10. Has the existing audit/review of the Insurer Solvency Return been beneficial in improving the quality of the data submitted? In what respects?

Yes. The audit of our solvency return uncovered a minor classification adjustment before submission of the return.

11. What would your organisation expect the audit fee to be for

- a. a reasonable assurance audit of the Solvency Return?
- b. a limited assurance review of the Solvency Return?

Our fee for the audit of the solvency return as a limited assurance review was \$5k, we would expect a reasonable assurance audit to be more costly, but we have not consulted with our auditors to know the extent of how much more this would cost.

12. How can a greater degree of assurance be obtained with respect to the Catastrophe Risk Charge? What approach could work in practice?

We are of the view that a greater degree of assurance would not be required given the low level of catastrophe risk charge within health insurance sector.

General

13. Do you foresee any difficulties in contracting assurance professionals to perform a reasonable assurance audit of returns to the RBNZ, e.g. with respect to their capacity to evaluate data systems and infrastructure?

No.

14. Do you have any other comments you would like to make?

No.