

Southern Cross Medical Care Society feedback to RBNZ on Audit requirements for insurer data returns

Questions for Consultation

Insurer Return

1. Do you support the idea of introducing an Insurer Return audit/review requirement?
 - a. No *The proposal places a financial burden on all large and medium Insurers regardless of the quality of the data supplied instead of targeting only those Insurers whom the RBNZ suspects of providing poor quality data.*
 - b. Yes, on a temporary basis until data quality improves
 - c. Yes, on a permanent basis

2. What would your organisation expect the audit fee to be for
 - a. a reasonable assurance audit of the Insurer Return? *\$60,000 per return, assuming a consistent materiality threshold to our financial audit.*
 - b. a limited assurance review of the Insurer Return? *\$33,000 per return if the fee differential is similar to the Solvency Return.*

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 *Limited, as we believe our Insurer Returns to be submitted consistently and according to the definitions provided.*
 - b. a limited assurance review. *Same as above.*

4. Please discuss the timeframes that you believe would be reasonable for the remediation of systems and processes identified as deficient by audit. *We don't expect the audit process would turn up issues with our systems or processes that require remediation.*

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? *Will not impact us significantly as we typically submit the Insurer Return before the required due date. Completion of the Insurer Return is already incorporated into our half year and year end processes.*
 - b. a limited assurance review? *Same as above.*

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? *It would depend upon our Auditors as how much lead time they would require to allocate additional resources to the year-end engagement. If the proposal proceeds, with the 2018 year-end IR subject to the audit requirements we would prefer at least 3 months' notice.*

7. What types of insurers do you believe should be in-scope for an Insurer Return audit/review requirement, and why? *Only those insurers who have demonstrated repeated poor quality returns as this would put the punitive requirements only on those unable or unwilling to meet the obligations of a high quality return.*

8. How frequently should an audit/review of the Insurer Return be performed (given that one is required)? *Maximum of once a year, preferably only audit when there are indications that an insurer is not providing information that is consistent with the data definitions.*

Does your answer differ by size and/or nature of the insurer, or by level of assurance provided? *No*

9. Have you identified any benefits and costs (other than those listed in the introduction) of introducing an audit requirement for the Insurer Return? *Only costs, both internal resource and additional audit fees.*

Insurer Solvency Return

10. Has the existing audit/review of the Insurer Solvency Return been beneficial in improving the quality of the data submitted? *No, the same questions asked every year which doesn't improve the quality.*

In what respects?

11. What would your organisation expect the audit fee to be for
a. a reasonable assurance audit of the Solvency Return? *\$45,000 per return*
b. a limited assurance review of the Solvency Return? *\$25,000 per return.*

12. How can a greater degree of assurance be obtained with respect to the Catastrophe Risk Charge? *Not applicable*

What approach could work in practice? *Not applicable*

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? *The rates charged by audit firms are high and we would expect the fees for a reasonable assurance audit of both the Solvency Return and Insurer Return to be expensive and of limited benefit. However we expect that the audit firms would be able to staff the engagements.*

14. Do you have any other comments you would like to make? *We believe that insisting on an audit is an unnecessarily expensive and broad brush approach to solving a problem with only a few insurers. Having received feedback from the RBNZ that our return was satisfactory, this requirement would simply be a waste of \$100k for the Society. This is directly opposed to the RBNZs statements about regulations not imposing unnecessary expenses on insurers. The Society believes that the RBNZ should impose more targeted requirements only on those that it perceives to be providing poor quality data and not further penalise those who are meeting all of its requirements currently. If these submissions are made public, please redact the fee information as requested by our audit firm due to the commercial sensitivity of those prices.*