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Dear Adrian,

### **Consultation Paper: Audit requirements for insurer data returns**

Fidelity Life welcomes the opportunity to provide feedback on the audit requirements for insurer data returns and supports any ongoing consultations regarding this topic.

Fidelity Life is a specialist life insurer providing insurance for individuals, businesses and employers. Our purpose is to protect New Zealanders' way of life. New Zealand has one of the lowest penetration rates of life insurance in the developed world. Our challenge is how we reach more New Zealanders and encourage them to protect their way of life. We believe that advice matters, and that independent financial advice enables people to make informed decisions to access suitable insurance protection. Alongside New Zealand's network of independent financial advisers, we are committed to reducing under-insurance while protecting our customers.

We support the need for high quality data by insurers to the Reserve Bank of New Zealand (RBNZ) to help meet the purposes of Insurance (Prudential Supervision) Act 2010 (IPSA), and to help the RBNZ to undertake its functions. It is our view however that an Insurer Return audit/review requirement will be costly and time consuming for insurers, with little benefit to the industry. To raise the quality of data, we would instead support the RBNZ's initiative to publish fuller definitions and guidance for completing returns and or engage directly with those insurers who have data quality issues.

If the RBNZ does implement the Insurer Return audit/review requirement we suggest that is limited to those insurers that are known to have data quality issues or continuing non-compliance issues.

### **Response to Specific Questions**

*We provide responses to questions 1 to 8 and 13 only.*

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

No, we do not support the idea of introducing an Insurer Return audit/review requirement. We are of the view that any audit/review is costly with limited value to the industry.

- 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?**

The cost of an audit can vary, however we note that audit fees are already high and so any further requirement for an audit/review will add extra time and fees.

- 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, and**
  - b. a limited assurance review**

We do not believe that an extra layer of validation of statistical information will materially improve the overall quality of data whether a reasonable assurance audit or limited assurance review is carried out.

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

Timeframes depend on the extent of the remediation; however any timeframes need to be reasonable in the circumstances.

- 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?**

An audit requirement means an additional step in the process of completing returns. It is our view that the time required to complete the Insurer Return will increase.

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

This depends on the complexity of the requirements, but it is our view that no less than 12 months lead time is preferred.

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

It is our view that if there is a requirement for an Insurer Return audit/review it should be limited to those insurers where data quality issues are identified. However, if this approach is not taken all insurers should be in-scope.

- 8. How frequently should an audit/review of the Insurer Return be performed (given that one is required)?**  
**Does your answer differ by size and/or nature of the insurer, or by level of assurance provided?**

If an audit/review is required, then one audit/review every two years may be appropriate (similar to the AML/CFT regime), regardless of size and/or nature of the insurer, or by level of assurance provided.

**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?**

We are only aware of a very small pool of practitioners in New Zealand who we would say with confidence can provide this kind of assurance function.