



Westpac Life-NZ-Limited

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

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1. INTRODUCTION

1.1 This submission to the Reserve Bank of New Zealand (RBNZ) is made on behalf of Westpac Life-NZ-Limited (Westpac Life) in respect of the Consultation Paper: *Audit requirements for insurer data returns* (Consultation Paper). Thank you for the opportunity to provide feedback on the proposals.

1.2 Westpac Life's contact for this submission is:

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2. KEY SUBMISSIONS

2.1 Westpac Life produces high-quality insurer data returns. Our recommendation is that rather than applying new audit or review requirements across all insurers, the RBNZ should instead target those insurers who continue to submit erroneous returns for additional audits or reviews.

2.2 If the RBNZ does progress with its proposal to apply new audit or review requirements across the industry, we would prefer the requirement to be for a limited assurance review as this would be the lesser compliance burden.

3. RESPONSE TO CONSULTATION QUESTIONS

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

3.1 We do not support the introduction of an audit/review requirement for all insurers. Any new requirement should only apply to insurers who continue to submit incorrect returns after the imposition of the new 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.

3.2 We do not have the relevant information at this stage to be able to quantify the costs of either a limited or reasonable assurance. Our auditors' fees will be largely driven by the scope required by the RBNZ.

- 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

3.3 We do not consider that an audit/review requirement would be beneficial for Westpac Life, which already produces high-quality returns.

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

3.4 We do not expect that the new requirement would result in Westpac Life detecting deficiencies in its systems and processes. Westpac Life currently voluntarily submits to a reasonable assurance audit of the full year Solvency Return. The amount of time insurers would require if they did detect deficiencies would depend on the nature of the problems identified and the steps required to rectify them. The impact and the complexity of the issues would determine the timeframe.

- 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?

3.5 We would require an extra two weeks for an audit/review of the full year Insurer Return (ie we would require 4 months and two weeks from year end to submit the return).

- 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?**

3.6 We would require notification of the final form of the requirement six months prior to the reporting period.

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

3.7 We consider that the audit/review requirement should only apply where the insurer continues to submit incorrect returns, regardless of the size or type of the insurer.

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?

- 3.8 If an audit/review requirement is introduced for all insurers, we think that each firm should be subject to a one-off audit/review to provide the RBNZ with comfort that the Insurer Return is correct. If that audit/review reveals deficiencies, the insurer should then be required to be subject to an annual audit/review until the RBNZ is satisfied that the data quality has improved sufficiently.

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

- 3.9 We consider that there would be additional costs of staff time. Staff would be required to provide information to the auditors, answer their queries and review the report. We do not consider that there would be additional benefits for Westpac Life as we consider our reporting systems already reflect best practice.

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?

- 3.10 As the quality of Westpac Life's calculations and the accuracy of its figures are already good, we have only received minor feedback on the Insurer Solvency 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?

- 3.11 We note that Westpac Life already voluntarily obtains a reasonable assurance audit of its full year Solvency Return. Our current costs for a reasonable assurance audit of the return and a review of the projections are in the vicinity of [REDACTED]. These could increase depending on the scope of the review required.

12: How can a greater degree of assurance be obtained with respect to the Catastrophe Risk Charge?

What approach could work in practice?

- 3.12 For life insurers, the current approach is practical and works well.

General

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

3.13 No.

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

3.14 We are keen to see the RBNZ continue to apply a risk-benefit approach to compliance requirements to ensure that such requirements are appropriate and targeted.