

13 September 2018

Signing Off Insurer Data Returns

As you may be aware, the Reserve Bank has an ongoing project related to improving the quality of information collected through insurer data returns. This project has several facets, including:

- Reviewing audit requirements
- Introducing automatic validations within data returns
- Reviewing the Reserve Bank's internal processes for monitoring and processing data
- Revising definitions and guidance, and
- Reviewing signatories and sign-off statements

In relation to the last point above, during the last quarter of 2017, the Reserve Bank requested feedback on proposals (outlined in Attachment A) to change the signatories and sign-off process for insurer data returns. The aim of these proposals was to ensure that appropriate internal functions within each insurer were engaged in the production of returns, and that management was accountable for the information submitted.

We received a significant volume of feedback and this has informed our decision-making. As the feedback request was not a formal consultation process we will not be publishing individual submissions. A summary of the feedback received is, however, attached to this letter as Attachment B.

We have decided to make the following changes:

1. To require the signatory for the Quarterly Insurer Survey to be a Relevant Officer as defined in section 6 of the Insurance (Prudential Supervision) Act 2010. Insurers are allowed to decide which Relevant Officer signs the return, although obviously we have a strong preference for the signatory to have familiarity with the content.
2. To modify the statement signed off for the Quarterly Insurer Survey to a statement similar to that used for other insurer returns: "I confirm that, to the best of my knowledge and having made appropriate enquiries, the information in this Quarterly Insurer Survey complies with all the instructions of the Reserve Bank."
3. To define the term "appropriate enquiries" in such a way that the involvement of appropriate internal functions is assured:

"Appropriate Enquiries" includes (but is not limited to)

- *Gaining confirmation from the actuarial function (internal or external) that claim & policy liabilities (and their movements) have been developed in a way that complies with all the instructions of the Reserve Bank and are materially accurate.*

- *Gaining confirmation from the function that generates the statistical information in the return (policy numbers, in-force premium, sums insured, exposure units etc.) that these entries have been developed in a way that complies with all the instructions of the Reserve Bank and are materially accurate.*
- *Gaining confirmation from the finance function that all other entries have been developed in a way that complies with all the instructions of the Reserve Bank and are materially accurate.*

These changes will be implemented as follows:

- The next version of the Quarterly Insurer Survey template to be issued by the Reserve Bank will include changes to signatories and to the sign-off statement, as well as routine updates (e.g. the list of licenced insurers). Note that, apart from these, there will be no changes to data structures (e.g. the information collected, cell addresses etc.).
- The definition of “Appropriate Enquiries” will be included in the next version of the “Guidance for the Insurer Return and Quarterly Insurer Survey”, which is currently in development. The definition will also be included in other relevant guidelines as they are updated.

If you have any questions on these changes, please address them to Adrian Allott (adrian.allott@rbnz.govt.nz, 04 471 3720) in the first instance.

Regards



Toby Fiennes
Head of Prudential Supervision

Attachment A: Original Proposal, 28/11/2017

Existing requirements

	Quarterly Insurer Survey	Insurer Return
Who signs?	The person who completes the survey	CEO
What statement do they make?	"I confirm that I have completed this survey and commented as appropriate."	"I confirm that, to the best of my knowledge and having made appropriate enquiries, the information in this insurer return complies with all instructions of the Reserve Bank, is complete and consistent with the records of the insurer."
What other contact information is provided	Name, phone & email for primary and secondary contacts and for a nominated senior executive	Name, phone & email for primary and secondary contacts
How are resubmissions signed off?	Same as for initial submissions.	Same as for initial submissions

Proposed requirements¹

We proposed the following set of sign-offs for the two returns, in order to clarify accountability and to ensure the involvement of finance, actuarial and management functions at an appropriate level.

	Quarterly Insurer Survey	Insurer Return
Who signs?	AA & MFR	CEO, CFO & AA
What statement do they make?	"I confirm that, to the best of my knowledge and having made appropriate enquiries, the information in this Quarterly Insurer Survey complies with all instructions of the Reserve Bank, and is complete and consistent with the records of the insurer."	"I confirm that, to the best of my knowledge and having made appropriate enquiries, the information in this Insurer Return complies with all instructions of the Reserve Bank, and is complete and consistent with the records of the insurer."
What other contact information is provided	Name, phone and email of the analyst primarily responsible for preparing the return and of their line manager.	Name, phone and email of the analyst primarily responsible for preparing the return and of their line manager.
How are resubmissions signed off?	MFR to sign off all re-submissions. AA to sign off re-submissions with material changes.	CFO to sign off all re-submissions. CEO & AA to sign off re-submissions with material changes.

Glossary

CEO	Chief executive officer ²	AA	Appointed actuary ¹
CFO	Chief financial officer ¹	MFR	Manager in charge of Financial Reporting ¹

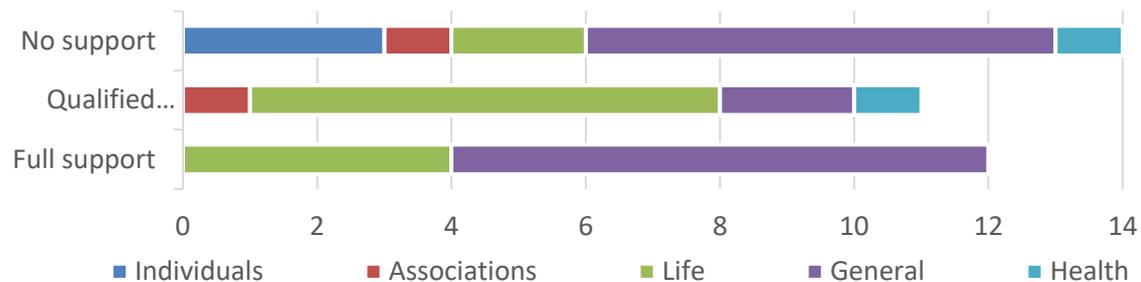
¹ In the original proposal, not incorporating feedback

² Where reporting is in respect of a branch, these titles may refer to officers of the branch.

Attachment B: Summary of Feedback

Analysis of responses

We classified responses in terms of the support they offered to our initial proposal, and in terms of the industry subsector they represent. Life insurers appeared to be more supportive than non-life insurers, while the three individuals who provided feedback did not support the proposals. Respondents expressing full support generally did not provide much other feedback.



Themes

The discussion centred on the cost of using the Appointed Actuary to sign off returns. A number of insurers do not currently involve their Appointed Actuary in preparation of returns and believe that the Appointed Actuary's signature would entail additional cost. This cost may be explicit (professional fees) in the case of an external actuary or implicit (time) in the case of an employed actuary. In both cases the cost would relate to the time the Appointed Actuary would have to spend familiarising him/herself with the material to be signed off.

Another theme related to where the costs will fall and the benefits accrue. Costs of the multi-signatory approach were seen to be born disproportionately by smaller insurers, those already producing high quality data, and those with external actuaries. Benefits were seen as accruing mainly to the Reserve Bank in the form of higher quality data.

Some commentary focused on the role of the Appointed Actuary, noting that in non-life companies, they are only sometimes involved in the derivation of claims provisions and risk margins, and rarely in the preparation of financial and statistical information. There was also a view that the role of the Appointed Actuary should not be centred on "compliance" tasks.

Some respondents criticised the multi-signatory approach, noting that insurers try to maintain a single point of contact with the Reserve Bank, and that the job titles used may not adequately reflect the responsibility for production of returns. As an alternative, one respondent proposed extending the statement that the (single) signatory makes to explicitly mention reliance on experts.

A number of respondents believed that other, cost-neutral initiatives should be pursued before changes to sign-off requirements. These include provision of expanded definitions, incorporation of validation checks in workbooks, and the holding of workshops on matters related to data. Similarly, there was a call to defer change until IFRS17 disclosures have been implemented.

Reserve Bank Response

The Reserve Bank's purpose in proposing a multiple-signatory approach was to ensure that all relevant functions within an insurer are engaged and accountable for data contained in returns submitted, thereby generating higher quality data.

We have, however, noted the opinions summarised in the previous section and have come to a view that similar benefits can be obtained with a modified single-signatory approach, while many of the costs to insurers can be avoided.

In particular, there is no requirement in our decision for Appointed Actuary signature where the holder of that role is not involved in the return preparation process. This is replaced by a requirement that the return's signatory "make appropriate enquiries" of the actuarial function.

We have also taken heed of the industry's request to focus first on cost-neutral initiatives, and these are in various stages of implementation. Validations have been introduced for data entered into the Quarterly Insurer Survey and will shortly be introduced for Insurer Return as well. Industry workshops will be held during the last week of September in which new drafts of the definitions and guidance documents will be discussed.