

22 July 2020


Dear Insurer

Reserve Bank expectations regarding maintenance of insurer capital positions remain unaltered

During April the Reserve Bank, via webinar presentations to Insurance Council of New Zealand and Financial Services Council memberships, discussed the severe economic uncertainty currently facing the country, partly as a result of Covid-19. The Reserve Bank made clear its expectation that insurers should take steps to protect, if not build, their capital positions. This means that the Bank expects that no insurers will take actions that will unnecessarily reduce insurer capital dollar amounts (which specifically includes any reduction resulting from the payment of dividends or similar payments) until the economic picture becomes clearer. The Bank stated that it would view a weakening of capital positions in the current economic environment as irresponsible. The Bank indicated that it would continue to review this position over time.

This note confirms that the Reserve Bank's expectation in this regard remains unchanged at this date, i.e. that all insurers that are subject to the provisions of the Insurance Prudential Supervision Act 2010 will refrain from the payment of dividends or other unnecessary reductions in insurer capital amounts until the Reserve Bank advises a change in this position. This applies to all insurers, whether or not members of the ICNZ or FSC. The Bank will continue to monitor this situation and provide an update at or before the November Financial Stability Report.

Yours sincerely



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