



Insurance Industry Update

August 2016

The purpose of the Insurance Industry Update is to keep licensed insurers informed of current initiatives and to provide clarification on licensing, supervision, compliance requirements and related matters. The update is prepared by the Reserve Bank's Insurance Oversight Team. It is not policy or legal advice in itself and should not be interpreted in isolation.

General update

Work is progressing on a number of key projects and initiatives, some of which are covered in this update:

- Insurance data collections
- Engagement with Portfolio managed insurers

Also, the Reserve Bank published its latest six-monthly Financial Stability Report (FSR) in May 2016. The FSR assesses and reports on the soundness and efficiency of the New Zealand financial system. It includes commentary on the insurance sector which may be of interest. Reports can be accessed from this [link](#) or via the Financial Stability Report page of the Reserve Bank's website.

Insurance Data Collections

Most insurers have now commenced reporting using the Insurer Return and Quarterly Insurer Survey. Thank you for your efforts in implementing the insurer data collections.

We remind insurers to follow the requirements set out in their section 121 notices. This includes timely reporting, the use of the secure upload facility for all submissions and resubmissions, and completing the relevant comment boxes in the Forms. When using the secure upload please select the correct submission type from the drop-down options – this will require separate uploading of different types of returns and any supporting documents.

We have provided specific feedback to insurers based on high level checks of the reporting. Discussions have been useful to improve our understanding of different accounting treatments used by insurers, and to improve quality and consistency of reporting. Usually we request errors be corrected by resubmission, and insurers should provide a fresh sign-off for the resubmission. It is our experience that our high level review of the financial year end Insurer Return alongside audited financial statements will often raise queries that were not identified in previous reporting. Depending on the issues, this may require

correction and resubmission of earlier returns.

Generally insurers have been responsive to our feedback, and we are starting to see reasonable data quality from some insurers. However, there are some insurers with a particularly high error rate and/or are taking several weeks or longer to respond to our feedback. Inaccurate data that is not corrected in a timely fashion has implications for our supervision, and will also affect users of any published data (once we commence this). We are considering steps to encourage insurers to take more care in providing data that is both accurate and timely – for example we might issue public warnings to the worst insurers, or we might add a requirement for an auditor review of the Insurer Return at financial year end by notice under section 125. We also remind insurers that failure to comply with any requirements of the Bank under section 121 is an offence with insurers liable to potential fines.

The proposal on regular publication has been further delayed due to the significant effort required in working with insurers to improve their data quality. We now anticipate consulting on regular publication in late 2016 or early 2017. Thank you for your patience.

Engagement with Portfolio managed insurers

Since June 2015 Portfolio managed insurers have been required to make contact with the Reserve Bank through a dedicated phone number +64 471 3980 or

by email at portfolio@rbnz.govt.nz. A team of supervisors, within the Insurance Oversight team, oversee portfolio managed insurers - there is no designated supervisor.

The portfolio team endeavour to respond to routine call-backs or requests for engagement/assistance within 5 business days and according to the nature of the matter and urgency. Demand on supervisory resources can vary throughout the year due to reporting cycles and because of this response times may be longer during peak periods.

An appropriate level of detail should be provided in any communication, to enable supervisors to determine the nature and priority of the matter. Where a matter arises that is complex and/or requires continuity, such as a transfer or amalgamation, the Reserve Bank may assign a specific contact person for that matter but communication should still go through the dedicated phone and email points.

The Reserve Bank is generally pleased with how portfolio managed insurers have adapted to the new communication approach. However there are still examples of insurers not following the process, especially when their key contacts are absent or leave. Licensed insurers are required to carry on business in a prudent manner and this includes ensuring that human resources are adequate and that appropriate controls are in place such as documentation on how communication with the Reserve Bank works.

From time to time portfolio managed insurers may be contacted by other members of the Reserve Bank. This will likely be related to non-routine supervisory or technical matters such as the data collection feedback or technical reviews relating to thematic exercises or the like when they arise. In some cases, this has caused confusion around the primary communication channel for portfolio managed insurers.

Matters, other than those where direct contact from a person at the Reserve Bank is made, should continue to be directed to the dedicated phone number and email for portfolio managed insurers.

Please direct any questions as follows:

For licensed insurers

- Designated insurers – to the designated supervisor.
- Portfolio insurers – +64 4 471 3980, or by e-mail at portfolio@rbnz.govt.nz

For general inquiries, +64 4 471 3951 or insurance@rbnz.govt.nz.