



Insurance Industry Update

September 2017

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

It has been a few months since our last update in May 2017 and work has progressed on a number of key projects and initiatives around the business-as-usual supervisory framework. This update provides further detail on the following items:

- Thematic review - Disclosures
- Review of the Insurance (Prudential Supervision) Act 2010
- Consultation on Audit Requirements for Data Returns
- Insurance Statistics - request for feedback
- Solvency Standards update

Thematic review-Disclosures

In June 2017 we published the thematic review report on Insurer Disclosures. As noted in the report and the accompanying Media Release, the level of compliance was generally disappointing and needs to markedly improve.

Following the publication of the report we have communicated individually with insurers that participated in the review. Participants in the lowest categories were provided detailed feedback and were required to respond with actions and timelines on how they would meet the requirements.

Most insurers in these categories were receptive of the feedback and acknowledged the issues. The majority of insurers also provided evidence of actions taken to meet the requirements. Any outstanding issues will form part of ongoing supervision with the individual insurers.

Only a few insurers disagreed with our interpretation of the requirements, in particular around renewal. The interpretation differences were acknowledged in the report, however we have taken the meaning most appropriately derived with reference to the purposes and principles of the Act and taking into account the context in which the phrase is used.

We are pleased that most insurers have taken steps to adopt the Reserve Bank's interpretation as this is the preferred outcome rather than prescribing the requirements in this area. Of course, many insurers have been taking that interpretation since IPSA came into effect.

As signalled in the report, there is likely to be a follow up review undertaken in 2018. Insurers are reminded that a more stringent approach to any compliance breaches identified can be expected.

Review of the Insurance (Prudential Supervision) Act 2010

Forty two submissions were received in response to the Bank's consultation on the Issues Paper: Review of the Insurance (Prudential Supervision) Act 2010.

The Bank welcomes the feedback received and thanks all submitters for the comments made. Redacted submissions have now been published on the Reserve Bank website unless confidentiality was requested.

Submissions can be found [here](#).

The Bank is considering the submissions made and will provide an update on the next steps for the Review in due course.

Consultation on Audit Requirements for Data Returns

The Bank continues to have concerns about the quality of the data it receives from insurers. To help address these concerns we are considering whether existing audit requirements for data returns are appropriate and in particular whether they should be extended.

We are interested in receiving feedback on our proposals and to this end a consultation document will be released in the near future.

Insurance statistics - request for feedback

The Bank plans to commence regular publication of insurance statistics sourced from licensed insurers' reported financial data.

While there are still many issues with data quality, we believe that publication of some data is appropriate at this time. We are proposing a phased approach, keeping the scope of the initial publication narrow, with a view to extending the range of statistics over time.

We are interested in receiving your feedback on the proposed publication strategy for financial insurance statistics, specifically on the following:

- Proposed financial aggregates and ratios
- Contextual information
- Potential future scope of insurance statistics

Please see the [Information Note](#) on the Bank's statistics website for more details.

Please provide your feedback to stats-info@rbnz.govt.nz by Friday 20 October 2017.

Older Solvency Standards Revoked

The following solvency standards are no longer applied to any licensed insurer and have been formally revoked, effective 28 July 2017:

- Solvency Standard for New Zealand Local Government Insurance Corporation Limited 2014;
- Solvency Standard for Life Insurance Business, issued 1 August 2011 (incorporating amendments to December 2014);
- Solvency Standard for Non-life Insurance Business, issued 11 October 2011 (incorporating amendments to December 2014);
- Solvency Standard for Captive Insurers Transacting Non-Life Insurance Business, issued 28 October 2011 (incorporating amendments to December 2014);
- Solvency Standard for Non-life Insurance Business in Run-off, issued 4 April 2012 (incorporating amendments to December 2014); and
- Solvency Standard for Civic Assurance, issued 29 August 2013 (incorporating amendments to December 2014)

The [notice of revocation](#) was published in the New Zealand Gazette, 27 July 2017.

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.