



Insurance Industry Update

March 2018

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

Our previous Insurance Industry Update was published in September 2017, and as we move towards the end of the first quarter of 2018, there are a number of key projects and initiatives around the insurance supervisory framework that are progressing. This update provides further detail (and a reminder) on the following items:

- Insurance Oversight Team changes
- New statistics on the insurance sector
- Data Returns-update
- Compliance with IPSA requirements
- Insurer secure upload facility
- Insurance (Prudential Supervision) Act 2010 review

The Reserve Bank published its latest six-monthly Financial Stability Report (FSR) in November 2017. 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 Oversight Team-change of manager

The Insurance Oversight Team welcomed a new member to the team following the retirement of Peter Brady, the previous Insurance Oversight Manager in January 2018.

His replacement, Richard Dean, has amongst other roles at the Reserve Bank, previously been the Manager of the Insurance Policy team which was responsible for implementing the Insurance (Prudential Supervision) Act in 2010.

Richard's contact details are:

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New statistics on the insurance sector

In late February 2018, the Reserve Bank began publishing new quarterly statistics

that will provide insights into the structure and activities of the insurance industry in New Zealand.

The newly published statistics provide aggregated financial data provided by licensed insurers. The release provides industry analysis sourced from the Reserve Bank's Quarterly Insurer Survey. The survey covers 28 out of 88 licensed insurers which currently account for just under 90% of assets and premiums of the insurance industry as a whole.

This new set of statistics is part of a multi-year initiative towards providing comprehensive data on the New Zealand insurance industry. The Reserve Bank plans to expand the range of available statistics over time. For more detailed information please see the following [link](#) or the Statistics page of the Reserve Bank's website.

Data Returns

The Reserve Bank thanks those who made submissions relating to data collection processes in the final quarter of 2017. We are now deciding whether and how to modify our original proposals in light of the feedback. The results of this process will be communicated in due course.

Compliance with Insurance (Prudential Supervision) Act 2010

Licensed insurers are reminded of their obligations under the Insurance (Prudential Supervision) Act (the Act). Responsibility

rests with the licensed insurer to ensure that all obligations are understood and met.

Licensed insurers are required to carry on business in a prudent manner, as defined in section 20 of the Act. The regulatory framework set out in the Act places responsibility and accountability for an insurance business primarily with the insurer's board and senior management.

Effective self-discipline and market-discipline are central to meeting the objectives of the Act. Supervisory activities will reinforce these disciplines. For example in the context of self-discipline, directors and senior management of licensed insurers can expect that the Reserve Bank will hold them accountable for full compliance with regulatory requirements.

The Insurance Oversight team sees room for improvement with regard to some key information being provided late, incomplete information being provided or where some regulatory requirements are not adequately understood. Examples include but are not limited to:

- financial reporting still being provided late;
- Reserve Bank approval still not being sought for material changes to Fit & Proper and Risk Management Programs; and
- Fit & Proper Certificates provided late – outside the 20 working day timeframe.

Insurer Secure upload facility-a reminder

We continue to see problems with the insurer secure upload facility not being used correctly. This is a reminder to all subscribers that the submission type from the drop-down options affects our business processes, and if the incorrect type is selected by an insurer then this creates extra work to process the upload.

The submission type to select may be specified in a section 121 notice or instructions in a form. For example, the Catastrophe Risk Survey 2016 specifies the use of “Insurer other” as the submission type, which should not be confused with the Insurer Catastrophe Claims Return which is used for regular reporting of actual events such as the Canterbury and Kaikoura earthquakes and submitted using the “Insurer Catastrophe Claims Return” option.

Each return in the insurer data collections has a separate submission type with the return code in brackets, for example (IR) Insurer Return. Workings and associated reporting should use “Insurer financial & solvency”.

If there are multiple files for more than one submission type, please upload each type separately. Multiple files can be attached to a single upload, but different types of submissions should be submitted separately. Since multiple files can be attached, please don't zip the files.

If you are being asked to log in then you have opened a different secure upload facility (which some insurers may use for the managed funds survey). In February 2017 we modified some labels and wording

on the secure upload page to improve clarity. Your continued assistance in correctly using the insurer secure upload facility is appreciated.

IPSA review

The review of the Insurance (Prudential Supervision) Act is in progress. As indicated in the [feedback statement](#), the order and timing of the Review will depend on a number of factors including resource availability and other priorities. The initial areas of focus are: consideration of the entities required to be licensed, overseas insurers, regulatory mechanisms (including aspects of merit reviews) and disclosure.

However, other priorities, including the Government's review of the Reserve Bank of New Zealand Act and current supervisory priorities have meant the indicative timing for the first consultation is likely to be delayed beyond Q2 of 2018. We will provide updates once timing becomes more clear. We welcome any comments you would wish to make in respect of the Review to ipsareview@rbnz.govt.nz.

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.