Solvency Standard for Non-life Insurance Business in Run-off 2014

Prudential Supervision Department

Issued: December 2014
1. Introduction

1.1. Authority

1. This solvency standard is made under section 55 of the Insurance (Prudential Supervision) Act 2010 (the Act).

1.2. Previous Versions

2. A previous version of this solvency standard was issued in April 2012. This solvency standard was last consulted on in 2014.

1.3. Commencement

3. This solvency standard comes into force on 1 January 2015.

1.4. Application

4. This solvency standard applies (in accordance with this Section) to every licensed insurer that carries on non-life insurance business in New Zealand, but only if:

   (a) the licensed insurer's entire portfolio comprises non-life insurance; and

   (b) the licensed insurer's entire business is in run-off; and

   (c) the licensed insurer is required by a condition of licence to maintain a Solvency Margin in accordance with this solvency standard.

5. An overseas insurer is not required to comply with this solvency standard or a part of this solvency standard to the extent it has been granted an exemption under section 59(1) of the Act.

1.5. Requirements

6. This solvency standard incorporates the Solvency Standard for Non-life Insurance Business 2014 and all subsequent amendments to that solvency standard.

7. A licensed insurer to which this solvency standard applies must comply with the Solvency Standard for Non-life Insurance Business 2014, subject to the following modifications.

8. Paragraphs 1 to 8 of the Solvency Standard for Non-life Insurance Business 2014 are replaced with paragraphs 1 to 5 of this solvency standard.
9. In Section 3.1, Table 1 – Insurance Risk Capital Factors (which follows paragraph 35) is replaced with the following table:

<table>
<thead>
<tr>
<th>Class of Insurance Business</th>
<th>Underwriting Risk Capital Factor</th>
<th>Run-off Risk Capital Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic property</td>
<td>14%</td>
<td>36%</td>
</tr>
<tr>
<td>Private motor</td>
<td>14%</td>
<td>36%</td>
</tr>
<tr>
<td>Commercial property</td>
<td>16%</td>
<td>44%</td>
</tr>
<tr>
<td>Commercial motor</td>
<td>14%</td>
<td>36%</td>
</tr>
<tr>
<td>Liability classes</td>
<td>22%</td>
<td>60%</td>
</tr>
<tr>
<td>Marine</td>
<td>16%</td>
<td>44%</td>
</tr>
<tr>
<td>Health and Personal Accident</td>
<td>16%</td>
<td>44%</td>
</tr>
<tr>
<td>Travel</td>
<td>14%</td>
<td>36%</td>
</tr>
<tr>
<td>Other</td>
<td>16%</td>
<td>44%</td>
</tr>
</tbody>
</table>

10. In the definition of Premium Liabilities (paragraph 21), paragraphs 30(a), 37, 39, 40, 86(c), 92(a), 117 (b) the value “75%” (being the required risk margin for the probability of sufficiency is replaced with “90%” in every case.

**Standard Ends**
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