The table below covers questions related to the IPSA omnibus discussion raised during the *IPSA omnibus and Insurance Solvency second amendment Webinar* session held on Wednesday, 11 October 2023. Please note that we have paraphrased some answers to provide more clarity.

Category		Question	Answer
Purposes and process	1.	Will we get a summary of what is going to Cabinet before it is submitted?	We will issue a feedback statement following the consultation. The Cabinet paper will also be subject to proactive release in the normal way (30 days after the relevant meeting), so it will be available well before an exposure draft is completed. We will also have a consultation on an exposure draft.
	2.	Could you please clarify your comment about this being the final consultation when the omnibus consultation refers to standards you've considered introducing, not detailed in the document. The outsourcing standard is one example – but there are other examples.	This is intended to be the final policy consultation on amendments to the primary legislation. If Parliament decides to pass an amendment bill empowering new standards, there would be a separate process to determine the content of the standards after the new legislation is passed. That process would involve full consultation with the industry. This review, then, asks what kinds of standard-making power we should be given (rather than what the precise content of standards should be).
	3.	Could you talk a bit more about the proactive and intensive approach to supervision that you mentioned in your presentation?	There's a document on our website called the Statement of Prudential Policy, which talks about this issue more fully than we can here (see the section on supervision). We've been describing our approach across all the sectors we regulate in those terms for some time (insurers, banks and financial market infrastructures). 'More' proactive and intensive is relative to our previous practice. When the RBNZ started doing prudential regulation in the 1980s the approach relied heavily on market discipline and directors' attestations, backed with criminal penalties. It was primarily an incentives-based regime. Since then, there's been a gradual evolution towards a more proactive approach that tries to identify problems before a serious breach of our requirements takes place. We're looking to identify problems earlier and then begin a dialogue between supervisors and regulated entities to resolve them.

Category		Question	Answer
			Examples of proposals in the consultation that facilitate that type of approach are: • an onsite inspection power that improves our ability to understand insurers' current processes. • clearer rules in standards around issues such as governance and risk management that will enable a more concerted dialogue on those issues between supervisors and insurers. • a more graduated set of enforcement powers that allow proportionate responses including remedial powers as well punishment/enforcement powers.
	4.	On the wider information gathering powers, would you consider the industry organisations subject to this? It creates a major issue if so.	Yes, the language that we're proposing is that the RBNZ can ask for information from anybody if it's necessary for its prudential purposes. However, the power to request information would still be restrained in several ways under administrative law. We would only be able to ask for information in pursuit of our prudential purposes and the request would need to be reasonable (on a broad cost-benefit basis). The FMA already has a similar power under the Financial Markets Conduct Act 2013. The Deposit Takers Act also contains a similar power in the context of our banking regulation.
Reinsurance	5.	Will there be a process for deregistering reinsurers that are currently licenced if they no longer need to be?	Yes, we will need to look through what that looks like. Those familiar with IPSA will know that the way the Act is drafted makes it quite difficult to surrender a license, so we are planning to make some changes.
	6.	Would reinsurers overseas providing coverage for the EQC be considered an insurance contract?	Yes, it would be. However, if EQC was buying reinsurance from the branch of an overseas reinsurer, we're proposing that the reinsurance branch would no longer need to be licensed under IPSA. EQC would need to make its own assessment of the risk involved in the reinsurance contract. We think they would be doing that in any case.

Category	Question	Answer
		EQC are aware of this proposal, as they sit on a cross-agency reference group we have for the IPSA review (along with MBIE, FMA, Treasury and IRD).
Branches	7. What is the minimum asset requirement for NZ branch insurers, and would it simply mean having treasury funds in local NZ banks?	Let's assume you've got a branch that's a piece of a business that's incorporated overseas (for example in Australia) and is doing business in New Zealand. The branch remains a part of the Australian parent company, which is a single legal entity. At the moment all the assets that back branch liabilities might be in Australia, so an Australian fund manager across the Tasman can look after the whole investment portfolio. In most cases, branch solvency is supervised by the home jurisdiction so in our case APRA would assess the insurer against the Australian solvency standard. We propose that branch assets should be held in New Zealand. Assets would need to be at least equivalent to what the NZ solvency requirements would be for that business if the branch were a standalone NZ business. Returning to the question, the assets would likely be considerably more than an insurer would want to hold as treasury assets in a bank account. We propose that eligible assets include either deposits in a New Zealand bank account, New Zealand real property, or assets held on trust by a New Zealand trustee or custodian. The idea of the trust/custodianship is that insurers can transfer a portion of their existing portfolio of investments without significantly altering their overall investment strategy. Assets held on trust would not need to be 'New Zealand investments', they could be investments anywhere in the world. In other words, we do not want to limit investment diversification but are trying to change where the assets are legally held.
	8. If the minimum asset requirement for overseas branches is related to the solvency standard, then what is the position of the insurers who are	If you are a branch, you would no longer be exempt from compliance with the solvency standard because we would ask you to hold assets in NZ. It's quite like a statutory fund – the NZ branch would be a solvency entity.

Category	Question	Answer
	exempted from compliance with the solvency standard?	
YRT business	9. What are the implications on solvency of not requiring YRT businesses to be held in statutory funds?	At the moment. a life insurer holding basically all its business in statutory funds, is subject to two sets of solvency requirements. Each statutory fund must meet the solvency standard requirements and then the insurer as a whole has to meet the solvency standard requirements. YRT business would no longer be in the statutory fund, but would be assessed as part of the 'insurer as a whole' solvency requirements.
	10. Coming back to YRT business not being required to be held in a statutory fund, would level premium business qualify as YRT?	We are clear on the policy intent here – YRT business doesn't have a store of value, so it doesn't need statutory fund protection. However, we are unsure how to define the boundary and would be interested in insurers' views. For example, would any product with no actuarial surrender value be an appropriate way of doing it? Level-term business does involve some build-up of value in the early years, so the case is less clear cut than for YRT. We would welcome submissions on this point and on the broader issue of how to draw the boundary.
Restricted terms	11. Could you explain the rationale for not prohibiting the use of the term 'insurance' by unlicensed entities? Focused on customer centricity, would it not give consumers confidence when they buy a product that is called insurance that comes with normal protections in place? Reference to brokers in the document is understood – but surely this can be managed by simply referring to 'brokers' using the term as long as they were selling products underwritten by a licensed insurer?	We understand and are sympathetic with this viewpoint, however in insurance, there are a range of non-licensed individuals and businesses that need to use the word 'insurance' for what they do. The most obvious examples are brokers and agents. It is also possible for overseas insurers to write a small number of policies in New Zealand without 'carrying on business in New Zealand' in a way that would require a licence under IPSA and brokers might be selling insurance provided by an overseas underwriter. They also need to be able to use the word insurance. That makes it very difficult to put objective rules around using the word 'insurance' that only capture the right people. The 'holding out' provisions do provide some extra protection. If a non-licensed business says it is selling products that are 'insurance' it may risk contravening the

Category	Question	Answer
		holding out provisions. At the moment IPSA says that a business can't hold itself out as a licenced insurer if it isn't one, but we don't have restrictions on using the word 'insurance' while conducting business (except in the business name).
Other	12. I have a big problem with the scaled responses, the so-called-ladder of intervention based on solvency measures. The recent decision in the criminal trial of Harris and Mulholland shows the problem with this. Do you have any response to this?	On the CBL judgement, the RBNZ is reading that carefully and doing a lot of work to think about what the implications are for us, so it's a bit too early to make any comments. If you would like to give us your views on both the ladder of intervention and any other issues you think we should look at around distress management in the wake of the judgement, that would be helpful. More generally, we are happy to accept submissions on any issues relating to the IPSA legislation.
	13. Underwriting asset health insurance (page 41) of consultation: would this only be considered a liability owed to policyholders under resolution or liquidation? Would it be considered at other times? How might the liability be assessed?	We are currently clearer about policy intent than how to implement this. Policyholders would still lose the asset if they voluntarily moved insurers – we're not trying to interfere with the business model for YRT business. Because of that, it is difficult to see how the underwriting asset has value that might need to be considered in a going-concern context (except perhaps in some scheme of arrangement restructuring). However, in insolvency or resolution, we think it is important to recognise that an ability to maintain continuity of cover has financial value that should be considered in considering policyholders' entitlements if something is contemplated that doesn't preserve continuity of cover. There are ways of valuing this entitlement, though we are still determining whether we would specify valuation methods in the legislation. It may be that we should include a legislative statement to the effect that the underwriting asset is an asset belonging to policyholders that must be considered in any restructuring.

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		We welcome submissions relating to this topic.
	14. Could you please elaborate on policyholder preference?	If board terms, when an insurer becomes insolvent, the liquidator collects all the assets and pays them out to people whom the insurer owes money. The insolvency regime has a 'hierarchy' for how that works. Broadly, secured creditors and people like the liquidator and the IRD (i.e., a group called 'preferential creditors') get paid out first. Then payment proceeds in a particular order (hierarchy) until funds are exhausted. If funds are insufficient and you are too low in the hierarchy you will not be paid in full (or, potentially, at all). Policyholders sit equally in the current hierarchy with other 'general creditors' (for example unpaid bills or outstanding unsecured borrowing). If there's not enough money to go around, general creditors and policyholders will experience an equal loss (for example, 25% of what they are owed or in the worst case 100%). The proposal here is that policyholders should get paid before other general creditors (but not preferential creditors), so policyholders will have priority access to any remaining funds relative to other general creditors. That would provide additional policyholder protection (increase the chance that policyholders will be paid) but there are two potential costs. Firstly, policyholder gains are at the direct expense of 'general creditors'. We believe this is acceptable because of how important insurance is for financial security but we are interested in other views. Secondly, since the proposal would increase default risk for 'general creditors', it is possible that some may want to charge the insurer more to reflect that risk, which could potentially mean higher borrowing costs or perhaps contract costs. Again, we are interested in insurers' views of how significant these costs might be.

For any further information on the above, please contact ipsareview@rbnz.govt.nz.

Information relating to the IPSA omnibus consultation is available on the RBNZ website