The table below covers questions related to the insurance solvency 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
Purpose and process	1.	Could you tell us why you made these changes now?	The main reason is that, if we hadn't made these changes now, we would have had to continue with the current version of the standard for at least two years until we produced a final solvency standard at the end of Stage 2. We felt, given the magnitude of the shortfall in required capital, that it was wise to make the correction now so that the industry had more certainty.
	2.	What is the purpose of the guide?	The purpose of the guide is to recognise that insurers still have to make some judgements and there are still areas around the standard where different people can have different interpretations of what we mean. We are providing some background information about our thinking to help people make those judgements and to help people figure out what it is we're trying to achieve through the standard's wording. That said, it's important to note that the black letter of the standard applies and prevails over anything in the guide.
	3.	Similarly, what is the role of the bulletin article?	Due to the introduction of the ISS, many solvency measures were changing. There were some changes in solvency margins, but even more noticeably, there were changes in solvency ratios and those are key measures that are used by boards to assess the level of capital that their insurer is holding or by rating agencies when they determine their ratings. We felt it was important to explain to those audiences what changes they could expect and how to interpret the new measures. There are a couple of key messages, one of which is that nothing is changing about the financial position of insurers simply because we are bringing in a new solvency standard. What is changing is the way we describe that financial position.

Category	Question	Answer
	4. What do you expect to obtain from this consultation and what are you looking for in peoples' responses?	We always find consultation processes very useful in that we attempt to come up with the best solution that is at our fingertips, but we don't know how those solutions will work in practice. It's always useful to have other people look through what we're doing and let us know where we could be doing things better. We are looking forward to the feedback because it will help us produce a higher quality standard.
	5. Are there any other key messages you'd like to bring across about this consultation?	There are four documents we're consulting on, so we are interested in your thoughts on the issues we've raised, please address those issues in a general sense. We're also interested in your views on the text of the amendment standard. The devil is often in the detail in the solvency standard. So, if we have some wording that needs to be corrected, please let us know. Also, the guide as well – the guide is a new document although there is some text pulled across from the principal version of the standard. So, we're interested in whether you find that to be a helpful document.
	6. What is the most constructive way to respond to issues of concern that have not been dealt with in the consultation?	Feel free to do that, by email or by requesting a meeting. The only thing we'd say is that we want to limit the scope of this consultation to the stage 1 issues – so if we have made a change in the ISS relative to previous standards, please feel free to comment on that. If it's got to do with the structure of the solvency regime, please feel free to comment on that. If it's about the way we're addressing IFRS 17, please comment on that. What we'd leave for stage 2 is any commentary on detailed capital charges because we haven't yet done that thinking and it wouldn't be the time to do that yet.
	7. Does this apply to insurers that are exempted from requirements with the solvency standards?	No, we're working under IPSA as it's currently written, and IPSA gives exemptions to certain jurisdictions that have equivalents with NZ so those insurers that are operating under those exemptions don't need to comply with the solvency standard. That said, there are parts of the solvency standard such as the reporting section that we would typically write into licence conditions so they would apply, but in a different way.

Category		Question	Answer
Impact	8.	What impact do you think these changes will have on solvency margins and ratios?	There are a variety of impacts, and they will depend to some degree on the position of each insurer. The underwriting risk capital charge (UWRCC) will return to where it was previously and is a fairly significant amount of money - in the vicinity of $100m or $200m across the industry. The revised credit risk charge on interest sensitive assets will also increase capital requirements. The deferred reinsurance expense change that we're looking to make will have the effect of boosting solvency capital so that goes in the other direction. We don't have accurate figures about the impacts because we don't have the data to be able to determine them.
Technical questions	9.	There are still inconsistencies between the standardisation approaches under PAA and GMM methods. Would it be helpful to submit on having a single standardisation approach to reduce the risk of inconsistencies? It will require work but seems feasible. Is this likely to be implemented if we submit on this.	Absolutely right, there are still inconsistencies and we've plugged some of those gaps but not all of them. Yes, it would be helpful to submit on that single standardisation approach.
	10.	The underwriting risk capital charge is based on the standardised liability for remaining coverage which includes taxation impacts. Is that right?	Yes, this goes back to the earlier question about consistency with the modified GMM method where there are tax impacts factored in. In terms of the solvency capital measure, we do want that to be an after-tax measure and we want the tax to be part of the liability even though IFRS 17 treats the liability as gross and puts the tax item elsewhere. For our purposes we want that all in one place.

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

Information relating to the consultation on the second amendment of the Interim Solvency Standard is available on the RBNZ website