

26 May 2022

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Dear Cavan,

### **FMG feedback on Mutual Capital Instruments**

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FMG welcomes the opportunity to provide feedback on the RBNZ proposal to develop options for mutual banks to issue capital instruments that qualify as CET1 capital.

FMG is a mutual insurer that operates within New Zealand. We are regulated by the RBNZ under the Insurance Prudential (Supervision) Act and are bound by the Solvency Standard for Non-Life Insurance Business 2014.

While not subject to the banking regulation many of the same issues and capital constraints outlined in this consultation document apply equally to the insurance sector. Mutual insurers are constrained by their inability to access additional capital that is recognised for solvency purposes. Instruments as envisaged in this consultation in conjunction with changes to the capital recognised for solvency purposes would provide an additional source of capital.

It is of note that other jurisdictions, including Australia, have the option of capital instruments that are recognised for solvency reporting purposes for mutual insurers.

We would like to suggest that the RBNZ should consider extending this regime not only to non-bank deposit takers (as suggested in the consultation document) but also to mutual insurers.

Yours sincerely



Margaret Cantwell  
Chief Actuary



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