Consultation Paper:

Collection of NZ insurer data

The Reserve Bank of New Zealand invites submissions on this Consultation Paper by 8 October. Please ensure that responses are sent in before the closing date. Submissions received after this cannot be considered.

Submissions and enquiries about the consultation should be addressed to:

Attention:
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In your response, please state whether you are doing so as an individual or on behalf of an organisation.

Please note that a summary of submissions may be published. If you think any part of your submission should properly be withheld on the grounds of commercial sensitivity or for any other reason, you should indicate this clearly.

The Reserve Bank is offering workshops in September 2014 to promote the discussion of the proposal in this consultation.

August 2014

1 Introduction

1. The Reserve Bank of New Zealand is the prudential regulator and supervisor of all insurers carrying on insurance business in New Zealand, and is responsible for administering the Insurance (Prudential Supervision) Act 2010 (IPSA).

2. The Reserve Bank also has obligations to report on the soundness and efficiency of the financial system and the measures undertaken to achieve its statutory prudential purpose set out in the Reserve Bank of New Zealand Act 1989 (the Reserve Bank Act). Information necessary to allow an assessment of the Reserve Bank's activities is presented in the *Financial Stability Report*.

3. The Reserve Bank needs to collect data to better monitor and assess the financial performance, position, and compliance of all New Zealand licensed insurers. The purpose of this consultation is to describe and seek feedback on a proposed data collection.

4. In addition to outlining the proposed data collection, this paper explains the objectives of the data collection, the implementation timeline and the rationale for the proposed design features.

5. Material included in this consultation is in draft form and subject to change, for example the proposed data collection could change due to feedback that is received during the consultation.

6. The Reserve Bank will shortly be consulting on new solvency standards that are expected to be issued before the data collection becomes effective. These proposed standards will incorporate changes arising from matters previously consulted upon as well as some new material. Consultation on the new standards is planned for September 2014. The draft solvency returns presented in this consultation include some elements of future proofing to cater for anticipated changes to solvency standards. However, these will be reviewed once the new solvency standards are finalised

7. We seek the views of licensed insurers and other interested parties on the proposed data collection. Submissions are invited on the overall data collection. Comments relating to questions raised at the end of each section are particularly appreciated. We are interested in your views on the relative costs and benefits of the proposed data collection, including your perception of the costs of providing the data and the extent to which the data is likely to be informative and of good quality.

8. Please submit your views by 8 October 2014, and indicate clearly if your submission is on behalf of an organisation, and whether any parts of your submission should not be published.

Timeline

9. At the completion of this consultation, we plan to publish a summary of the submissions received and present the final data collection design for testing with data providers.

10. The intention is to start regular data collection in the first half of 2015. We plan to have a practice submission by all insurers on a "best endeavours" basis. This will assist insurers to become familiar with the requirements before they come into effect. This will also help to identify any significant process issues for insurers or the Reserve Bank.

11. Following the practice submission, changes may be made to the templates, and the instructions for completing them.

12. Insurers subject to data collection will be issued a notice under section 121 IPSA to formalise their reporting requirements. Approximately three months after receiving the notice, insurers will be expected to start regular reporting. Half-year and annual returns will be phased in, based on the financial year balance date of individual insurers.

13. The Reserve Bank will communicate the updated implementation timeline, requirements, and any other changes following the consultation.

Figure 1: Expected path to implementation

	Objective	Planned date
Consultation	Seeking feedback on proposed data collection	Closes 8 October 2014
Review of feedback	Publish summary of submissions and amendments made to templates	November 2014
Practice submission	Training opportunity: Submit survey/return covering either a recent quarter or last financial year, on a best-endeavours understanding	From November 2014
Final templates	Final version of templates and supporting material published by RBNZ RBNZ issues section 121 notice	Early 2015
Data collection commences	Data collection runs as per advised schedule	Mid 2015
First release of data	Insurance data published on the RBNZ website	Late 2015/early 2016

Q1. Do you have any comment on the proposal to require all insurers to provide a practice submission?

Q2. Do you have any comment on other aspects of the expected path to implementation?

2 Objectives of the proposal

14. The Reserve Bank needs to regularly collect critical data to help fulfil its role under IPSA as regulator and supervisor of individual insurers carrying out business in New Zealand, for the purposes of promoting the maintenance of a sound and efficient insurance sector, and promoting public confidence in the insurance sector. It also seeks data to help meet its obligations under the Reserve Bank Act to report on the soundness and efficiency of the financial system and the measures undertaken by the Reserve Bank to achieve its statutory prudential purposes.

15. The data currently available to supervisors lacks consistency and conformity. The data does not readily enable peer-to-peer or insurance sector-level analysis, and therefore is not sufficient for the Reserve Bank to meet its objectives with regards to the supervision of insurers, and its analysis of the broader insurance sector as part of the financial system.

16. Public sources of aggregate insurance statistics currently available include the industry bodies' quarterly and annual reports and Statistics New Zealand's surveys. These provide valuable insights into the industry. However, these surveys do not meet the Reserve Bank's data requirements with regards to scope (insurers participating), timeliness and content. These surveys cannot be used for supervision.

17. Therefore, the objectives of the proposed data collection are to:
    - obtain critical data on a regular basis from New Zealand licensed insurers;
    - design a collection that is both efficient and informative for insurers and the Reserve Bank;
    - achieve standardisation to enable comparisons and aggregation;
    - publish data in summary form that is informative for a range of users.

18. It is proposed that the collection be limited to critical individual insurer data necessary to support supervision, assessment and reporting requirements. Proposed templates include financial, exposure and solvency data and will be on a regular basis. Note that the Reserve Bank will still request additional information from insurers to meet other information needs as required.

19. The templates are a means of obtaining data more efficiently. With the exception of solvency return, which will be integrated into the proposed data collection, they complement rather than replace any other reporting requirements of IPSA and related regulations and standards. Once the data collection is implemented, the Reserve Bank aims to keep changes to the templates and reporting requirements to a minimum. Outcomes and benefits of the data collection will be reviewed in future and any changes that may be required will be communicated ahead of becoming effective as much as possible.

20. Standardisation is important for ensuring data is comparable across the industry and can be meaningfully aggregated. In order to ensure standardisation, insurers are requested to provide data using the provided definitions, return the data in the provided templates, and report within a set timeframe, at the set reporting periods and frequency.

21. The insurance industry and other interested parties are expected to benefit from access to a range of information derived from the institutional data. Timely and standardised data will benefit insurers, and insurance and financial industry analysts. For example, it will allow benchmarking and analytical assessment of risks, performance and positions.

22. Furthermore, the availability of aggregate insurance data will enable a wider audience to use the information and offer informed commentary on the sector. It is expected to increase the confidence in the soundness and efficiency of the New Zealand insurance sector.

23. We expect the data collection to deliver significant benefits for the Reserve Bank, in terms of enabling it to meet its supervisory obligations under IPSA and its reporting obligations under the Reserve Bank Act. The Reserve Bank aims to publish data in summary or statistical form once the quality of the data is deemed fit for that purpose. The initial publication of some insurance statistics is expected for late 2015 or early 2016. The Reserve Bank also expects to use aggregated data to report on the insurance sector in its six-monthly *Financial Stability Report*.

Q3. Do you have any comments on the objectives of the data collection?

Q4. What are your expectations of published data? Is there any data that you think the Reserve Bank should, or should not, publish? Please be specific and explain why.

3 Reserve Bank's data collection authority

24. The data will be collected under section 121 IPSA. Section 121 allows the Reserve Bank to issue a written notice that requires insurers to "supply any information, data, or forecasts about any matters relating to the business, operation or management of the insurer". Insurers will be issued a notice ahead of the reporting requirement becoming effective.

25. IPSA section 56 allows the Reserve Bank to prescribe reporting of solvency-related information in solvency standards. All solvency standards issued by the Reserve Bank include some solvency reporting requirements and also refer to the possibility of additional requirements for solvency reporting being applied by a section 121 notice.

4 Security of individual responses

26. The Reserve Bank has a long history of collecting financial data, as part of its mandate to promote the maintenance of a sound and efficient financial system and for its monetary policy function, and therefore has a well-established data collection and processing business model in place. Registered banks and other financial institutions are regularly surveyed.

27. The data collection will be managed by the Statistics Unit at the Reserve Bank. Data and information provided by individual insurers is confidential and only accessible to Reserve Bank staff for the purpose of processing the data and using it for supervision and prudential analysis. The data collected will be subject to the confidentiality requirements in section 135 of IPSA.

28. Insurers are requested to use the provided templates to return their data to the Reserve Bank. The templates are in Microsoft Excel spreadsheet format. Once completed, the Excel file must be submitted via the secure upload facility accessible on the Reserve Bank's website. Alternative formats such as PDF format or hard copies, and submission

by email, will not be accepted. However, working files and other relevant documents can also be submitted via secure upload.

29. The secure upload has many benefits over email-based reporting. These include a higher level of security than regular email (i.e. web-based instant secure transmission of data over SSL), and email confirmation upon successful transmission.

30. The Reserve Bank plans to publish summary results from the data collection. This may, for example, include total premiums by type of insurance written during a time period, or financial assets and liabilities by instrument. Details of the published series have yet to be developed.

Q5. Do you have views or concerns regarding submission of data, security or use in publications?

5 Proposed reporting schedule

31. The Reserve Bank is proposing to collect data from insurers quarterly, six-monthly and annually. Based on regulatory exemptions outlined in IPSA and considerations on materiality and compliance cost, only some insurers will be required to submit data quarterly.

32. The Reserve Bank proposes three surveys/returns –, a half-year and annual return and a quarterly survey, as illustrated in figure 2. This practice takes account of the different complexity of the surveys/returns, reporting schedule and sign off requirements.

33. All insurers will be required to submit an annual and half year return to the Reserve Bank. In addition, it is proposed that insurers with gross annual premium above $100 million or total assets of $500 million or more will also complete a quarterly survey. In the case of overseas insurers these criteria apply to their NZ business.

Figure 2: Proposed reporting requirements for insurers

Data request for	Quarterly	Half-year	Annual
Finances and exposures	Insurer with gross annual premium above $100m or assets of $500m or more	All insurers	All insurers
Solvency	none	All insurers	All insurers

Annual returns

34. The annual returns consist of a return for financial and exposure data and a solvency return or solvency exempted return for solvency data. The existing solvency return is replaced by the new solvency return. The annual returns are expected to be the most accurate and provide a more comprehensive statement of an individual insurer’s activity and financial position. The annual data will also be used to assess the accuracy of the quarterly data – where appropriate and possible.

35. The annual returns report information at the end of the financial year of each insurer, and will be due four months after the end of the reporting period. The annual returns due date will be consistent with the proposed due date of other financial and solvency reporting arising from proposed changes to the solvency standards arising from the changes to the Financial Reporting Act 2013 (and consequential changes to other requirements).

Half-yearly returns

36. Half-year returns are proposed to be the same as annual returns. The purpose of the returns is to get an accurate picture of the insurer's situation half way through their financial year.

37. The half-year returns report information at the financial half-year of each insurer, and will be due four months after the end of the half-year reporting period. The half-yearly returns due date will be consistent with the proposed due date of other financial and solvency reporting arising from proposed changes to the solvency standards arising from the changes to the Financial Reporting Act 2013 (and consequential changes to other requirements).

Quarterly survey

38. The Reserve Bank also wishes to collect quarterly data, which would be designed to enable a more timely monitoring of the financial performance and position of insurers. Quarterly data would also enable the Reserve Bank to construct insurance sector aggregates which would assist in the monitoring of New Zealand's insurance and financial sector. Our current proposal would be that only insurers with gross annual premium above $100 million or total assets of $500 million or more would be required to complete the quarterly survey. In the case of overseas insurers these criteria apply to their NZ business.

39. We expect that the source for financial data requested in the quarterly survey would be insurers' management accounts. As such, we anticipate that quarterly data may not fully align with the reported annual data, as a result of the annual accounting and auditing process.

40. Quarterly surveys would be due four times a year. For the data to be relevant for the purposes outlined above we are proposing that quarterly surveys are provided to the Reserve Bank no later than thirty working days after the end of the reporting period.

41. Reporting dates need to be standardised to enable comparability. We are therefore proposing that the quarterly survey collects data at standard reporting periods, with quarters ending on 31 March, 30 June, 30 September, and 31 December.

42. We are interested in the industry's views on the viability of the quarterly survey. Comments on the likely quality of data that could be collected within the proposed timeframe and the ease with which it could be provided are especially welcome.

Q6. Are the proposed reporting frequencies and schedules (including standard reporting dates for the quarterly survey) reasonable?

Q7. What are your thoughts on the content of the proposed quarterly survey and the quality of the data collected?

6 Proposed attestation and sign-off requirements

43. Individual insurers are responsible for ensuring the quality of the data provided. It is expected that reasonable measures are taken to achieve the expected standard and that the Reserve Bank is advised of difficulties with providing accurate data.

44. The data provided in the annual returns is expected to be of high quality. The data should be able to be relied on and trusted, be accurate and complete. The half-year and annual returns are signed off by the CEO. The solvency standards require the appointed actuary to calculate or review the solvency results that are reported in half-year and annual solvency returns (additional requirements apply at financial year end).

45. All financial figures in the half-yearly and annual returns should be able to be reconciled to relevant financial statements or to the alternative financial information. A full reconciliation will not generally be required but is expected to be available on request.

46. Timely data may mean less accuracy. This trade-off is acknowledged for the timely quarterly survey. However, the Reserve Bank expects that reasonable measures are taken by individual insurers to ensure the reported data is of sufficient quality to be meaningful and indicative. The Reserve Bank does not propose any formal sign-off or attestation for the quarterly survey but requests the contact details of the senior executive responsible for the data submission.

Figure 3: Submission requirements

	Due by	**Attestation and sign-off**
Quarterly survey	Thirty working days after the end of the reference quarter	None
Half-yearly returns	Four months after the end of the reference period	CEO
Annual returns	Four months after the end of the reference period	CEO

7 Revising submitted data

47. It is expected that insurers advise the Reserve Bank as soon as practical of any errors in the annual or half-yearly submitted returns and follow up by providing updated/corrected data.

48. An explanation is required for any resubmitted annual or half-yearly returns in order for the Reserve Bank to understand the impacts on its analysis of insurers and on the external publication of information.

49. In the case of the quarterly survey, some trade-off in data accuracy is accepted, particularly given the timeliness of the proposed survey. However, insurers should endeavour to inform the Reserve Bank if they become aware of major errors in the data or other issues that could undermine its value and/or mislead users. The Reserve Bank will discuss the issue with the insurer and will confirm if resubmission is required. In general, resubmission of quarterly surveys will not be necessary if there is no material impact on prudential supervision (of the insurer, its peers, or the insurance sector more generally) and no material impact on published information that could mislead users.

Q8. Do you have any comment on the proposed sign-off requirements and attestations?

Q9. Do you have any comments regarding the process for correcting and updating previously submitted data?

8 Templates

50. Please see documents labelled Quarterly Insurer Survey, Insurer Return, Insurer Solvency Return and Insurer Solvency Exempted Return for the draft quarterly, half-yearly and annual surveys/returns. These drafts are subject to change pending feedback received in the consultation, the practice submissions with insurers and questionnaire design.

Figure 4: Data collection templates

	Financial and exposure data	Solvency
Quarterly (four times p.a.)	Quarterly Insurer Survey	n/a
Half-yearly	Insurer Return	Insurer Solvency Return, or Insurer Solvency Exempted Return
Annual	Insurer Return	Insurer Solvency Return, or Insurer Solvency Exempted Return

51. In order to ensure that insurers report using the appropriate template, insurers are expected to inform the Reserve Bank of any changes to their activity that may affect their reporting requirements.

52. In principle, reporting is based on the New Zealand entity, which is defined as the insurer for NZ incorporated or mutual insurers, the NZ branch for overseas insurers, or the NZ business of Lloyds.

53. Insurers are expected to comment on unusual events, to assist the interpretation of data, and raise data issues which may impact data quality. There is room for comments in the templates. Additional information may be requested by the Reserve Bank.

54. Unless otherwise specified in the section 121 notice concerning the data collection, all relevant data must be provided using the prescribed presentation format in the Reserve

Bank’s templates and the completed template (spreadsheet) uploaded using the Reserve Bank’s secure upload facility.

Financial and exposure data

55. Financial information should be based on the insurer’s accounting and must comply with NZ GAAP. An overseas insurer that has no requirement under any legislation or section 81 notice to prepare GAAP accounts for their New Zealand business or New Zealand branch is exempted from the requirement for financial information in the Insurer Return to comply with NZ GAAP, but should state the accounting basis that has been used instead.

56. Since insurers may use various accounting methods that fundamentally differ (even for the same type of insurance business), some financial figures are separately reported for both **general insurance accounting** (Appendix D of NZ IFRS 4 or equivalent) and for **life insurance accounting** (Appendix C of NZ IFRS 4 or equivalent). Insurers should populate the cells in the templates that provide the best fit for the accounting methods that they use.

57. Lloyd’s of London must report figures based on the consolidation of all relevant years of account.

58. The financial information is limited to figures for assets and liabilities, income and expenses. There is no reporting of insurance valuation methods and key assumptions, characteristics of investments, sensitivities, off balance sheet exposures, etc.

59. Most tables in the templates include a column or row for adjustments. The adjustments must only include figures that are required to ensure that totals add up correctly where the information fundamentally cannot be allocated. For example where a policy covers more than one class of insurance (i.e. is recorded against multiple columns). In this case a negative adjustment is required to get the correct total number of policies. Any material adjustments are required to be explained.

60. As a general principle, corresponding asset and liability items that have separate rows for reporting must not be netted off against each other in the Insurer Return. For example in the general insurance accounting sections, a deferred acquisition cost asset must not be written down for an unexpired risk liability.

61. The quarterly survey, and half-year and annual returns are structured in the same way. However, the granularity of data requested is different. The half-year and annual returns are identical. These returns request more data than the quarterly survey.

Solvency reporting

62. The Reserve Bank proposes to integrate the existing solvency return into the regular reporting to reduce the amount of duplication that would otherwise occur, and to aid reconciliation of financial figures for their various purposes (financial statements, finances data, and underlying solvency calculations).

63. The detail of information collected in the solvency return is broadly unchanged.

64. Solvency standards generally require the end of financial year solvency return to be audited. Insurers with an exemption under section 59 IPSA are not required to have their annual solvency exempted return audited.

65. We propose a significant reduction in solvency reporting for those insurers which are required to provide both solo and consolidated solvency returns. The new solvency return requires only a summary results table for consolidated basis solvency, with the rest of the form being for solo basis solvency.

66. New solvency standards are expected to be issued before insurer data collection becomes effective. These will incorporate changes previously consulted upon as well as another consultation round planned for (about) September 2014. The draft solvency returns include some elements of future proofing to cater for anticipated changes to solvency standards. However, these will be reviewed once the new solvency standards are finalised.

67. Insurers with a current section 59 exemption notice do not need to complete the solvency return but will instead be required to complete a solvency exempted return. This states their position against the home jurisdiction solvency requirements.

Figure 5: Conceptual presentation of the proposed data collection

	Financial data	**Exposure data**	**Solvency**
Quarterly (four times p.a.)	Assets and liabilities; income and expenses	Life, health and general insurance	
Half-year	Detailed assets and liabilities; income and expenses	Detail of life, health and general insurance classes	Data similar to existing half-year solvency return
Annual	Detailed assets and liabilities; income and expenses	Detail of life, health and general insurance classes	Data similar to existing annual solvency return

Q10. Do you have any comments on the structure of the data collection?

Q11. Would it be easier for to provide the same granularity of data in the quarterly survey as the annual return?

9 Costs of data provision

68. The Reserve Bank acknowledges that the provision of data will involve costs for individual insurers. The design of the proposed data collection framework attempts to minimise these costs to the extent possible. The Reserve Bank is committed to avoiding duplication of effort, with data collected once and used multiple times to meet the data needs of individual insurer supervisors and financial system analysts.

69. Although specifying regulatory accounts would have the benefit of more comparable information between insurers, over time this would impose additional costs and reduce the linkage of financial information in the templates to audited financial statements. Therefore the Reserve Bank does not propose to prescribe specified regulatory accounts. We propose that insurers' existing accounting is used, with a standard presentation format to assist analysis and interpretation.

70. The Reserve Bank is aware that some insurers may need to invest in reporting systems to enable regular submission of data at lower ongoing cost compared to dealing with data submissions on an ad hoc basis. To encourage the set-up of reporting systems by individual insurers, the Reserve Bank intends to keep changes to the structure and content of the templates to a minimum.

71. The Reserve Bank will use workshops to provide guidance on interpreting the data items requested in the templates and on other reporting matters. The final templates will be structured in a way that makes it as easy as possible for data providers to complete the collection.

72. Before the reporting requirements become effective, a practice submission will be run in order to assist in completing the templates. We expect all insurers to nominate appropriate staff to participate. The practice submission will provide a training opportunity by asking for a previous reporting period data to be submitted on a best-endeavours understanding. Practice submissions will also be an opportunity for the Reserve Bank to receive further feedback on the template design and supporting material, and make improvements as required.

73. The Reserve Bank will review its data collection in future to determine whether the objectives and benefits are being achieved. The cost to insurers of reporting data will be an important consideration of the review.

Q12. Please provide an estimate of how much cost (time and effort) is likely to be required to set up systems for regular reporting to the Reserve Bank based on the proposal.

Q13. Can you use existing reporting systems?

Q14. What is your estimate of the ongoing, regular reporting cost (assuming systems for regular reporting are in place)?

Q15. Do you have suggestions for further reductions to the compliance cost?

10 Definitions

74. Consistent definitions and reporting dates allow monitoring of trends and activities in the context of an individual insurer’s financial situation and the insurance sector. Aggregation and/or different grouping of data affects the interpretation and limits the further use of the data, so it is important that data are provided using the presentation and granularity appropriate for each insurer.

75. The definitions provided are for the purpose of the proposed data collection via the specified return/survey only. None of these override provisions of the Act or Regulations.

76. It is proposed that reporting is based on the **New Zealand entity** (except where otherwise specified), without any consolidation for subsidiary or associated companies. This means the New Zealand incorporated or mutual licensed insurer, the New Zealand business of Lloyd’s of London, or the New Zealand branch of a licensed overseas insurer (defined in section 6 of the Act).

77. This is intended to exclude insurance or reinsurance that does not relate to New Zealand that is written by overseas insurers, and reflects the role of the Reserve Bank as host supervisor for overseas insurers. It does, however, capture non-New Zealand business that is written by New Zealand incorporated insurers and mutual insurers. This reflects the role of the Reserve Bank as home supervisor for insurers that are based in New Zealand.

Insurer Return and Quarterly Insurer Survey

78. For the purpose of the data collection, insurance is considered to be in New Zealand if it is in respect of New Zealand's economy (persons and/or interest). The intention is to include New Zealand-related insurance that is written by licensed insurers in offices that are located outside New Zealand.

79. **Primary insurance** in New Zealand therefore means insurance of risks issued by the New Zealand entity that does not include insurance of insurance (i.e. excludes reinsurance) in respect of New Zealand persons or their New Zealand interests. This includes travel insurance sold in New Zealand to New Zealanders visiting or temporarily living in foreign countries, as well as to inbound foreigners visiting or temporarily living in New Zealand.

80. **Inwards reinsurance** in New Zealand is reinsurance that is issued by a New Zealand entity where the underlying insurance that has been ceded is primary insurance in New Zealand.

81. **Insurance or reinsurance not in New Zealand** refers to primary insurance and inwards reinsurance of risks that is not in respect of New Zealand persons or their New Zealand interests. This excludes travel insurance sold in New Zealand to New Zealand residents for their overseas visits and visitors to New Zealand.

82. **Business activity not attributed to insurance** means any other business that is not insurance business plus items that are not allocated to specific insurance business.

83. A breakdown of primary insurance in NZ is required by each type of insurance. **Health insurance** is defined in section 6 of the Act. **Life insurance** means life policy as defined in section 84 of the Act, but allowing for the treatment of composite policies in section 85 of the Act. **General insurance** means non-life insurance (insurance that is not life insurance) that is not health insurance.

Figure 6: Reporting entity and high-level data streams

New Zealand entity in total:			
Primary insurance in New Zealand	Inward reinsurance in New Zealand	(Re)insurance not in New Zealand	Business activity not attributed to insurance
Primary insurance in New Zealand split by type of insurance:			
Life insurance	Health insurance	General insurance	

Balance sheet and profit statement

84. **Investments backing insurance liabilities** mean all investments or the portion that support insurance liabilities plus related solvency requirements plus an appropriate

capital buffer held to maintain solvency continuously. Typically this will require a notional hypothecation or allocation of investments across insurance classes.

85. A look through approach is required for investments via collective investment vehicles.

86. Revenue and expenses must include all elements that result in a movement of capital (or equity reserves).

87. **Unexpired risk liability** is the provision that is additional to unearned premiums, and should be the gross figure before any write-down of deferred acquisition costs that may be applied in the accounts. Similarly, deferred acquisition costs should be the gross figure before any write-down for unexpired risk that may be applied in the accounts.

88. Include the **derivative balances** with the underlying investment asset or within "other financial assets (n.e.c.)" if there is no underlying investment asset or liability. Include the derivative income with "realised gains & losses" and "unrealised gains & losses".

89. **Related party assets and liabilities** include investments in subsidiaries and associates (using the unconsolidated figures), and all other related party balances except for technical insurance figures that involve a counterparty that is a related party. For example, if a related party provides reinsurance these should be recorded against the relevant reinsurance entries not against related party assets and liabilities.

Exposure

90. **Sum insured** is the maximum amount claimable as a lump sum under each insurance policy, as adjusted for excesses, deductibles, co-payments, etc. For policies without a maximum claim amount use an estimate of the probable maximum loss.

91. **Annual benefit** means the maximum amount claimable as an ongoing income in one year under each insurance policy, ignoring any benefit stand-down period. If the income benefit is limited to less than one year then do not annualise.

92. **Annual premium** means the annualised written premium amount for policies with regular premium payments. If the premium payments are limited to less than one year then do not annualise.

93. **Paid benefits and claims** means the benefits and claims paid during the relevant period. This usually differs from the financial information because the exposure data is based on payments while the financial data is based on incurred costs and also includes other expense elements.

94. **New business** is based on the effective date of commencement of cover. Insurance that renews periodically is excluded even if there are changes in coverage.

95. **Cancels from inception** is based on the date of the cancellation, regardless of whether the corresponding new business was recorded in a different period.

Insurance classes and groups

96. Non-life insurance is separated into health insurance and general insurance. Health insurance classes are based on the most significant differences in products.

97. Since consumer credit insurance may be either life insurance or non-life insurance, this is reported on as a separate class for both life insurance and for general insurance.

98. Insurance class groups aggregate insurance classes that have broadly similar characteristics or valuation methods.

Figure 7: Insurance classes and groups

Type of insurance	Insurance class group	Insurance classes
Life insurance	Participating	Participating traditional
		Participating investment
	Investment linked	Investment linked
	Other (life insurance)	Non-participating investment
		Individual lump sum death
		Individual lump sum TPD
		Individual lump sum trauma
		Group lump sum (all)
		Individual disability income
		Group disability income
		Annuity
		Consumer credit (life insurance)
		Other life insurance n.e.c.
Health insurance	All health insurance	Surgical only with gap
		Surgical only without gap
		Surgical plus medical
		Medical only & other health insurance
General insurance	Property	Domestic property
		Commercial property
	Motor, marine & aviation	Domestic motors
		Commercial motor
		Marine & aviation
	Liability	Liability
	Other general insurance	Travel
		Personal accident
		Consumer credit (non-life)
		Other general insurance n.e.c.

Life insurance classes

99. **Participating traditional** means life insurance (as defined by section 84 of the Act) that is participating business (as defined by Regulation 21(1)) that does not meet the definition of “investment account contract in section 84(5) of the Act.

100. **Participating investment** means participating business that does meet the definition of “investment account contract in section 84(5) of the Act.

101. **Investment linked** means life insurance that meets the definition of “investment-linked contract” in section 98(3) of the Act and is not participating.

102. **Non-participating investment** means insurance that meets the definition of "investment account contract" in section 84(5) of the **Act** and is not investment linked.

103. **Individual lump sum death** means insurance with primary benefit of a lump sum upon death that is not participating and is issued on an individual basis.

104. **Individual lump sum TPD** means insurance with primary benefit of a lump sum upon total and permanent disablement that is not participating and is issued on an individual basis.

105. **Individual lump sum trauma** insurance with primary benefit of a lump sum, that is not participating and issued on a group basis.

106. **Group lump sum (all)** means life insurance that is non-participating business but including only contracts with primary benefit of a lump sum, and limited to policies issued on a group basis.

107. **Individual disability income** means insurance with primary benefit of a regular payment upon disablement that is not participating and issued on an individual basis.

108. **Group disability income** means insurance with primary benefit of a regular payment upon disablement that is not participating and issued on a group basis.

109. **Annuity** means insurance with primary benefit of a regular payment not conditional upon disablement that is not participating.

110. **Consumer credit (life insurance)** means the insurance of personal debt that does not meet the definition in Regulation 14(1).

111. **Other life insurance not elsewhere classified (n.e.c.)** means any life insurance that does not meet any of the above definitions of life insurance classes.

Health insurance classes

112. **Surgical only with gap** means health insurance (as defined by section 6 of the Act) that provides a surgical benefit and no material medical benefits, that has a gap.

113. **Surgical only without gap** means insurance with surgical benefit and no material medical benefits, that does not have a gap.

114. **Surgical plus medical** means insurance with material surgical benefit and material medical benefits,

115. **Medical only & other health insurance** means insurance with medical benefits and no material surgical benefit, or is not elsewhere classified.

116. **Medical benefits** means insurance with health expenditure other than surgical benefits. This includes GP or dental visits, prescriptions, therapy, etc.)

117. **Surgical benefits** means insurance surgery and related expenditure, including specialists, tests and consultations).

118. **Gap** means for high cost surgery it is reasonably anticipated there is a significant shortfall of insurance benefit to the cost of surgery. For example, for surgery that costs $20,000 or above, the shortfall may commonly be at least $5,000. A gap could arise

through an excess, deductible, co-payment, application of benefit limits or other means. Judgement is required, but examples might include policies with $5,000 annual excess, policies that pay 80% of surgical claims costs, policies with a $50,000 limit on surgical claims.

General insurance classes

119. **Property** means the insurance of property assets that are (generally) of fixed location.

120. **Domestic property** means insurance of personally-owned property assets, including home and contents insurance.

121. **Commercial property** means insurance of property assets by a business, including insurance for material damage, business interruption and contents.

122. **Motor, marine and aviation insurance** means the insurance of vehicles and cargo.

123. **Domestic motor** means insurance of personally-owned vehicles. Pleasure craft are excluded.

124. **Commercial motor** means insurance of motor vehicles that are business-owned. This includes freight but excludes marine & aviation.

125. **Marine & aviation** means insurance of boats and aircraft for hull, cargo and liability. This includes pleasure craft.

126. **Liability** means insurance of liability to third parties.

127. **Travel** means insurance of risks associated with travel.

128. **Personal accident** means insurance of personal injury.

129. **Consumer credit (non-life insurance)** means the insurance of personal debt as defined by Regulation 14(1).

130. **Other general insurance n.e.c.** means insurance that is not life insurance and is not health insurance and that does not meet any of the above definitions of general insurance classes.

Q16. Do you have any comments on the overall coherence of the data collection?

Q17. In your view, how do the definitions align with your firm's or industry practice?

Q18. Do you have any comments on any of the data items in the surveys?

Q19. Do you have any other comments on the proposed data collection?

Any other feedback

131. In addition to the issues raised in questions 1-19, the Reserve Bank welcomes any other feedback from the industry or other interested parties on all other aspects of the proposed data collection.