

## Attachment to Section 59 exemption

### Solvency Standard for Life Insurance Business 2014 Requirements that apply to AMP Life Limited

The following paragraphs are based upon the requirements of the Reserve Bank Solvency Standard for Life Insurance Business 2014 (the Life Standard), modified as necessary for the context of an **overseas insurer** granted an exemption under Section 59.

Terms indicated in **bold** type are defined in the Act. Terms defined in the Life Standard are shown in Title Case, and should be interpreted where appropriate as the home jurisdiction equivalent of these terms, for the purposes of this attachment.

#### 1. Obligations of the Licensed Insurer

##### 1.1. Licensed insurer must provide solvency and accompanying information to the Reserve Bank

- 1.1.1. A **licensed insurer** must provide annual solvency and accompanying information, as set out in (a) to (e), to the Reserve Bank. This must be provided within the timeframe specified in the Life Standard for provision of annual solvency returns, as if AMP Life Limited was subject to that standard. The information required is:
  - (a) information that outlines the **licensed insurer's** compliance with the home jurisdiction equivalent of the Reserve Bank's **solvency standards** (refer to paragraph 1.1.3);
  - (b) a certification by the **licensed insurer's New Zealand chief executive officer** in the form specified by the Reserve Bank (refer to Certification condition of licence);
  - (c) a copy of the audited **financial statements** or **group financial statements** of the **licensed insurer**;
  - (d) a Financial Condition Report prepared by the **appointed actuary** of the **licensed insurer** (refer to paragraph 1.2.1 and section 2.2); and
  - (e) a report from the **appointed actuary** that meets the requirements of section 78 of the Act, for each set of **financial statements** or **group financial statements** required to be registered or lodged under any New Zealand Act (refer to section 2.1).
- 1.1.2. A **licensed insurer** must provide half yearly information to the Reserve Bank that outlines its compliance with the home jurisdiction equivalent of the Reserve Bank's **solvency standards** (refer to paragraph 1.1.3). This must be provided within the timeframe specified in the Life Standard for provision of half yearly solvency returns, as if AMP Life Limited was subject to that standard. The half yearly information must be accompanied by a certification by the **licensed insurer's New Zealand chief executive officer** in the form specified by the Reserve Bank (refer to Certification condition of licence).
- 1.1.3. The solvency information provided in respect of 1.1.1 and 1.1.2 must cover compliance with home jurisdiction solvency requirements relating to any **statutory fund** or **funds** to which a New Zealand **life policy** is referable.

## 1.2. Financial Condition Report by the Appointed Actuary

- 1.2.1. A **licensed insurer** must engage its **appointed actuary** to prepare a Financial Condition Report (refer to section 2.2) for the **licensed insurer** and must do everything necessary to enable the **appointed actuary** to undertake this function.

## 1.3. Disclosure of Solvency Calculations

- 1.3.1. A **licensed insurer** must disclose the information set out in paragraph 1.3.3 in its **financial statements** or **group financial statements**. This disclosure need only be made within the **financial statements** prepared for the New Zealand branch. This disclosure must be as at the balance date to which the **financial statements** or **group financial statements** relate along with a comparative for the immediately preceding financial year.
- 1.3.2. A **licensed insurer** must disclose the information set out in paragraph 1.3.3 on its website (if any). This disclosure must be updated within 10 working days following the required date for submission of solvency information to the Reserve Bank as set out in paragraph 1.1.1 and 1.1.2.
- 1.3.3. The information is required for each **statutory fund** of the **licensed insurer** to which a New Zealand **life insurance policy** is referable, and is the home jurisdiction equivalent of the:
  - (a) Actual Solvency Capital;
  - (b) Minimum Solvency Capital;
  - (c) Solvency Margin; and
  - (d) Solvency Ratio.

## 1.4. Limitations on Disclosure

- 1.4.1. Where the legislation, regulation or prudential requirements of the home jurisdiction restrict publication of one or more elements referred to in 1.3.3:
  - (a) Disclosure of as many of the items set out in 1.3.3 as possible, consistent with the home jurisdiction restrictions, must be made; and
  - (b) An explanation of the home jurisdiction solvency requirements applicable to the **licensed insurer** must be made that includes commentary on the **licensed insurer's** compliance with these requirements.

If the home jurisdiction restrictions are amended to allow additional public disclosure, any subsequent disclosures made under 1.3.1 and 1.3.2 must be updated accordingly to allow for the additional items.

## 1.5. Advice to the Reserve Bank on likely solvency failure

- 1.5.1. If the **licensed insurer** has reasonable grounds to believe that a failure to maintain Regulatory Solvency is likely to occur at any time within the next three years, the **licensed insurer** must report the likely failure to the Reserve Bank as soon as is reasonably practicable.
- 1.5.2. "Failure to maintain Regulatory Solvency" means failure to meet any solvency requirement to which the **licensed insurer** is subject in its home jurisdiction, that is set by its home

regulator and which is intended as an overall measure of the **licensed insurer's** solvency (Regulatory Solvency).

- 1.5.3. In order to determine if the **licensed insurer** is likely to maintain Regulatory Solvency over the three year assessment period, and whether a reporting obligation arises, the **licensed insurer** must:
- (a) consider a forward looking assessment of its compliance with its home jurisdiction solvency requirements in addition to the calculations at the most recent balance date. This forward looking assessment should extend for at least three years from the **licensed insurer's** last annual or half year balance date and take into account known aspects of the **licensed insurer's** business plan, its enterprise risk management practices and the external environment; and
  - (b) put in place procedures, including reporting to the **appointed actuary**, that allow for the identification and escalation of circumstances that may give rise to a reporting obligation under this attachment.

## 2. Obligations of the appointed actuary

### 2.1. Financial Statements

- 2.1.1. Section 77 of the Act requires that the **licensed insurer** ensure that actuarial information contained in, or used in the preparation of, the **financial statements** or **group financial statements** required to be registered or lodged under any Act is reviewed by the **appointed actuary**. Section 77(4)(c) allows the Reserve Bank to specify, within a **solvency standard**, information that is actuarial information in addition to that specified in the Act. For the purposes of this exemption, the specified actuarial information is:
- (a) the Policy Liability;
  - (b) the **reinsurance** and any other recovery asset(s) relevant to the Policy Liability, or relevant to outstanding claims reserves or incurred but not reported claims reserves held outside of the Policy Liability;
  - (c) any deferred or other tax asset relevant to the Policy Liability;
  - (d) any deferred acquisition cost or deferred fee revenue relevant to the Policy Liability;
  - (e) the unvested policyholder benefits liability; and
  - (f) any other information deemed by the **appointed actuary** to warrant actuarial review for the purpose of profit or solvency reporting.
- 2.1.2. The above terms apply to the review of actuarial information contained in, or used in the preparation of the New Zealand branch **financial statements** of the **licensed insurer**. Where a review required under Section 77 of the Act relates to other **financial statements** or **group financial statements** of the **licensed insurer** the terms should be interpreted to refer to appropriate equivalents.
- 2.1.3. If it is a **licensed insurer's** established policy to seek the advice of the **appointed actuary** in respect of part or all of this information and to always adopt that advice in its **financial statements** or **group financial statements**, then the advice from the **appointed actuary** to the **licensed insurer** satisfies the review requirements.
- 2.1.4. In other circumstances the **appointed actuary** must undertake whatever additional work is necessary in order to complete the review.

2.1.5. In completing any such review the **appointed actuary** may need to utilise the skills and experience of other experts in accordance with paragraph 2.2.3. In particular, the New Zealand **appointed actuary** may rely on the work of the home jurisdiction equivalent to the **appointed actuary** relating to matters other than the insurance business carried on in New Zealand, or to **financial statements** or **group financial statements** other than the New Zealand branch **financial statements**.

2.1.6. The results of the **appointed actuary's** review must be documented in a report that meets the requirements of Section 78 of the Act, for each set of **financial statements** or **group financial statements** required to be registered or lodged under any New Zealand Act.

## 2.2. Financial Condition Report

2.2.1. The **appointed actuary** must prepare a Financial Condition Report which must:

- (a) identify and describe the Material risks (of which it is reasonable to expect the **appointed actuary** to be aware) facing a **licensed insurer**, that in the **appointed actuary's** opinion, pose a threat to the **licensed insurer's** ability to meet home jurisdiction solvency requirements now or in the future, and where practicable quantify such risks;
- (b) comment on the steps taken or proposed to be taken by the **licensed insurer** to address the risks identified in a);
- (c) comment separately on the New Zealand business, these comments can be in line with any home jurisdiction requirements for Financial Condition Reports; and
- (d) advise the **licensed insurer** on whether, in the **appointed actuary's** opinion, the **licensed insurer** needs to consider reporting to the Reserve Bank under section 1.5, taking account of the **licensed insurer's** forward looking assessment of Regulatory Solvency and the **appointed actuary's** assessment of the **licensed insurer's** business plans, its enterprise risk management practices and the external environment.

2.2.2. The **appointed actuary** in the Financial Condition Report must also comment on:

- (a) the solvency position of the **licensed insurer** if a catastrophe or extreme event, as outlined in the Catastrophe Risk Capital Charge section of the Life Standard, were to occur in New Zealand; and
- (b) any difference in the financial condition of the New Zealand branch in comparison with the **licensed insurer** as a whole, which might have implications if the two were separated as a result of regulatory action or liquidation.

2.2.3. The **appointed actuary** may need to deal with issues that are not within the skills and experience of the **appointed actuary**. In this situation the **appointed actuary** will need to utilise the skills and experience of others and may rely on other relevant experts, provided that reliance is appropriate and adequate disclosure is included on the nature of that reliance.

## 2.3. Actuarial Professional Standards

2.3.1. The **appointed actuary** must ensure that all actuarial work carried out in connection with this exemption is carried out in accordance with relevant actuarial professional standards to the extent those standards are not inconsistent with the requirements of this exemption notice, the **licensed insurer's conditions of licence** or other legislative or regulatory requirements.

## Section 119 Exemption from compliance with part 2, subpart 3, Statutory Funds

### Conditions applied to insurers with this exemption

None.

Note that matters in section 119(2) of the Act may be treated as satisfied as the insurer is incorporated in Australia, which is a jurisdiction prescribed in regulation 5 of the Insurance (Prudential Supervision) Regulations 2010.

### Conditions applied to AMP Life Limited

Terms indicated in **bold** type are defined below. Terms defined in the Insurance (Prudential Supervision) Act ("the Act), the Reserve Bank Solvency Standard for Life Insurance Business 2014 ("Life Standard"), Trust Deed, and Deed Poll are shown in Title Case, and should be interpreted where appropriate as the home jurisdiction equivalent of these terms, for the purposes of this exemption and attachments.

"**Deed Poll**" refers to a deed poll dated on or around the date of this notice relating to the **Trust** executed by AMP Life Limited as the Initial Unitholder in favour of Resolution Life New Zealand Limited as Trustee, and the Reserve Bank of New Zealand.

"**Independent Actuary**" means an Actuary as defined in Section 6 of the Act who is free from any business or other association that could be reasonably perceived to materially interfere with the exercise of their independent judgement.

"**New Zealand Policyholder Advisory Committee**" or "**NZPAC**" refers to a committee established by the AMP Life Limited Board for the purpose of providing independent oversight, advice and recommendations to the AMP Life Limited Board related to the interests of New Zealand policyholders.

"**Reinsurance Treaty**" means a reinsurance agreement between Resolution Life New Zealand Limited and AMP Life Limited dated on or around the date of this notice.

"**Trust**" refers to the AMP Life NZ Trust Fund established by the **Trust Deed**.

"**Trust Deed**" refers to a Trust Deed entered into by Resolution Life New Zealand Limited as Trustee, AMP Life Limited as the Initial Unitholder and AMP Life Limited as the Manager on or around the date of this notice.

AMP Life Limited must:

- a) maintain the AMP Life NZ Trust Fund established under the **Trust Deed**;
- b) not terminate or revoke the **Deed Poll** without the prior written non-objection of the Reserve Bank of New Zealand except as provided in clause 3.2 of the **Deed Poll**;
- c) not, without the prior written non-objection of the Reserve Bank of New Zealand:
  - i. appoint a new Trustee of the **Trust** or replace a Trustee of the **Trust**;
  - ii. agree to any amendment to the **Trust Deed**;
  - iii. make any amendment to the **Deed Poll**; or
  - iv. give notice of termination of the **Trust**,
 (except where such action is permitted to be undertaken without the approval of the Reserve Bank of New Zealand under the terms of the **Deed Poll**);
- d) not make any application to the Australian Prudential Regulatory Authority under section 62(1)(c) of the Life Insurance Act 1995 (Cth) for approval to allocate overseas policy owners'

retained profit to Australian policy owners or to shareholders funds, without first obtaining the written non-objection of the Reserve Bank of New Zealand, and AMP Life Limited being satisfied that the proposal is equitable to all policyholders and not inequitable to either New Zealand or Australian policyholders;

- e) allocate a proportion of operating profits to New Zealand policyholders of not less than that specified by regulation 26 of the Insurance (Prudential Supervision) Regulations 2010;
- f) establish, in its Board Charter, a board sub-committee: New Zealand Policyholder Advisory Committee (“**NZPAC**”) with its own Charter, the first of which requires the written non-objection of the Reserve Bank of New Zealand;
- g) not amend the NZPAC Charter without the prior receipt of a written non-objection letter from the Reserve Bank of New Zealand;
- h) ensure its board of directors consults annually with **NZPAC** and obtains advice from an **Independent Actuary** on the strategy for distribution and use of the Global Sharing Pool (“GSP”) and Unallocated Retained Profits (“URP”). The first such consultation must take place no later than 31 August 2020.
- i) not change or amend the Participating Benefit Management Framework (“PBMF”) without the prior written approval or receipt of a written non-objection of the Reserve Bank of New Zealand.

And the Board of AMP Life must:

- j) receive advice from **NZPAC**, at least annually and prior to consideration of any of the matters listed in the [Attachment](#) to this exemption;
- k) accept and facilitate a request from the **NZPAC** Chair to attend and speak at any meeting of the board;
- l) allow the **NZPAC** Chair, when attending an AMP Life Board meeting, to be accompanied, at his or her sole discretion, by other NZPAC members or an **Independent Actuary**;
- m) require **NZPAC** to appoint an Independent Actuary to advise the committee;
- n) require that the appointment of an Independent Actuary by **NZPAC** be subject to AMP Life’s Fit & Proper policy and the written non-objection of the Reserve Bank of New Zealand;
- o) require **NZPAC** to obtain independent actuarial advice, as a minimum on the matters listed in the Attachment to this exemption and on any other matters the **NZPAC** considers to be relevant to ensuring equity of policyholder interests. This advice must be provided to the AMP Life Board without amendment.

## Attachment to Section 119 exemption

### Annual advice required to NZPAC from the Independent Actuary:

- A review of the Actuarial Valuation Report, focussing on key results and issues for New Zealand Policyholders and clearly stating any assumptions made and the method of review;
- A review of issues raised and recommendations made in the most recent Financial Condition Report (“FCR”), insofar as they affect New Zealand Policyholders;
- Commentary on the financial security of New Zealand Policyholders, including a review of the Internal Capital Adequacy Assessment Process (“ICAAP”), returns under APRA capital standards and financial strength ratings;
- An assessment of and opinion on equity among New Zealand Policyholder groups, and between New Zealand Policyholders and Australian Policyholders;
- An assessment of and opinion on the appropriateness of expense apportionment among New Zealand Policyholder groups, and between New Zealand and Australian Policyholders;

- Observations on the appropriateness of investment policy with respect to New Zealand policies;
- A review of the allocation of profits made by AMP Life Limited and its impact on New Zealand Policyholders;
- A review of annual and terminal bonus declarations for conventional business relating to New Zealand policyholders;
- A review of crediting rate declarations for the Investment Account business relating to New Zealand policyholders;
- Observations on the management of the Participating Sub Fund of AMP Life Limited in respect of New Zealand policyholders, including any discretions exercised in respect of New Zealand policyholders;
- The appropriateness of the Participating Business Management Framework (“PBMF”) for New Zealand policyholders;
- AMP Life Limited’s compliance with the PBMF as it relates to New Zealand policyholders;
- Issues which may affect the risk profile and/or the volatility of benefits for New Zealand policyholders, including but not limited to the use of derivatives, expansion of reinsurance treaties or changes in the way in which risk outcomes will be borne as between different groups of New Zealand policyholders.

**Other advice required to NZPAC from the Independent Actuary in response to recommendations and proposals made by the Appointed Actuary and other members of AMP Life Limited management in respect of:**

- The requirement for premium rate increases of protection products for New Zealand policyholders;
- Changes in charges or pricing methodology for unit linked business;
- The process for setting and application of crediting rates for the Investment Account business relating to New Zealand policyholders;
- The process for setting bonus declarations for any other New Zealand participating business, such as group insurance;
- Proposals to change internal decision making processes which can impact New Zealand policyholder payouts (including smoothing algorithms and surrender values);
- The fairness of proposals to distribute (or not distribute) the Global Sharing Pool (“GSP”) as between different generations of New Zealand policyholders, across New Zealand product groups and across geographies;
- The definition of policy owner reasonable expectations and risk appetite of any particular New Zealand product group and any changes thereto, including the potential impact of such changes on policyholders within that product group and on the Participating Sub Fund as a whole;
- Changes to investment strategy for any defined New Zealand product group, including implications for policyholders within the product group and for the Participating Sub Fund more widely;
- Changes to the definition of any New Zealand product group, including the merger of such group with any other product group;
- Any proposed restructure of the No. 1. Statutory Fund as it affects New Zealand policyholders;
- Any management actions to be taken in the event of triggers under either the AMP Life Limited ICAAP or Recovery Plan;
- Any other changes which are materially likely to impact on the risk profile of any specific New Zealand product group, or any other changes which are materially likely to affect the balance of interests of different New Zealand policyholder groups; and
- Any proposal to change the PBMF.

### **Annual advice required to AMP Life Board from the Independent Actuary:**

- The **Reinsurance Treaty**;
- Review the proposed distribution of any payment to be made directly to New Zealand policyholders under clause 9.2 of the Reinsurance Treaty, to ensure AMP Life Limited has treated those policyholders fairly; and
- Review any proposed amendment to the Reinsurance Treaty or waiver, or consent to depart from, the requirements of any provision of the Reinsurance Treaty.

### **Annual advice required to the AMP Life Board from the NZPAC:**

- The appropriateness of the PBMF for New Zealand policyholders and any proposals to change the PBMF;
- AMP Life Limited's compliance with the PBMF as it relates to New Zealand policyholders;
- AMP Life Limited's progress against its business plan in respect of the New Zealand business, and either the Committee's satisfaction that, in respect of the New Zealand business, AMP Life Limited is operating on a basis consistent with the plan or its expected changes in AMP Life Limited's next annual business plan;
- Whether the Committee believes that AMP Life Limited has treated New Zealand policyholders generally and New Zealand policyholders within each product group fairly, including in the way it has proposed to exercise discretion;
- The fairness to New Zealand policyholders of annual and terminal bonus rate declarations;
- The adequacy of the performance levels achieved by primary service providers to the New Zealand business of AMP Life Limited and changes to related to Key Performance Indicators ("KPIs") or other service level requirements; and
- Any other matters relating to the interests of New Zealand policyholders (including those raised by the Independent Actuary) which the **NZPAC** believes merits the Board's attention.

### **Other advice required to the AMP Life Board from the NZPAC**

- **NZPAC** will consider and make its own recommendations in relation to the way in which the Participating Sub Fund of AMP Life Limited is managed within AMP Life Limited in respect of New Zealand policyholders and the way in which AMP Life Limited exercises discretion in relation to the Participating Sub Fund in respect of New Zealand policyholders.
- **NZPAC** will consider and make recommendations in relation to the AMP Life Limited Appointed Actuary's recommendations and other management proposals, in so far as they directly relate to the interests of New Zealand policyholders. This shall include the following areas:
  - Premium rate increases for protection products for New Zealand policyholders and changes in charges or pricing methodology for unit linked business, except in those circumstances where the Board of AMP Life Limited (with the endorsement of **NZPAC**) has delegated the ability to make those changes to the New Zealand Chief Executive Officer (and the endorsement of **NZPAC** has been reviewed at least annually), and ;
  - The process for setting and application of crediting rates for the Investment Account business relating to New Zealand policyholders;
  - The process for setting bonus declarations for any other New Zealand participating business, such as group insurance;
  - Proposals to change other management discretion which can impact New Zealand policyholder payouts (including smoothing algorithms and surrender values);

- The fairness of proposals to distribute (or not distribute) the GSP as between different generations of New Zealand policyholders, across New Zealand product groups and across geographies;
  - The definition of policy owner reasonable expectations and risk appetite of any particular New Zealand product group and any changes thereto, including the potential impact of such changes on policyholders within that product group and on the Participating Sub Fund as a whole;
  - Changes to investment strategy for any defined New Zealand product group, including implications for policyholders within the product group and for the Participating Sub Fund more widely;
  - Changes to the definition of any New Zealand product group, including the merger of such group with any other product group;
  - Any proposed restructure of the No. 1. Statutory Fund as it affects New Zealand policyholders;
  - Any management actions to be taken in the event of triggers under either the AMP Life ICAAP or Recovery Plan;
  - Any other changes which are materially likely to impact on the risk profile of any specific New Zealand product group, or any other changes which are materially likely to affect the balance of interests of different New Zealand policyholder groups.
- With regard to the **Reinsurance Treaty** the Committee will:
    - Review the proposed distribution of any payment to be made directly to New Zealand policyholders under clause 9.2 of the Reinsurance Treaty, to ensure AMP Life has treated those policyholders fairly; and
    - Review any proposed amendment to the Reinsurance Treaty or waiver, or consent to depart from, the requirements of any provision of the Reinsurance Treaty, and express a view to the Appointed Actuary of AMP Life as to whether or not the members of the Committee consider the proposed amendment, waiver or consent should be considered material for the purposes of clauses 24.2 and 32.1 of the Reinsurance Treaty.