

Fit and Proper Policy Material Change-Approval Request

Name of Licensed Insurer

Current Fit and Proper Policy Date

Version Number

Section 34 of the Insurance (Prudential Supervision) Act 2010 ('IPSA') states that every licensed insurer must be subject to a fit and proper policy for directors and relevant officers.

The Reserve Bank of New Zealand ('Reserve Bank') issued Fit and Proper Policy Guidelines dated December 2012. The Fit and Proper Policy Guidelines relate to the process a licensed insurer must undertake when determining fitness and propriety of its directors and relevant officers (including its appointed actuary), as well as the matters an insurer is required to take into account when determining its fit and proper policy requirements under the Fit and Proper Standard. The Fit and Proper Standard is made in accordance with sections 34 - 36 of IPSA and sets out the requirements for a fit and proper policy. The standard applies to all licensed insurers, and the requirement for a licensed insurer to comply with this standard is continuous.

IPSA states that a licensed insurer must obtain the Reserve Bank's approval before its fit and proper policy is amended in a material way. In order for the Reserve Bank to be satisfied that a fit and proper policy remains appropriate, licensed insurers must obtain the Reserve Bank's approval for material changes. A licensed insurer's fit and proper policy would already have been assessed during licensing and considered to meet the requirements. Therefore, changes that can reasonably be considered to strengthen the fit and proper policy will not usually be considered to be a material change for the purposes of section 34(5). Licensed insurers should consider materiality in context and the effect of individual and cumulative amendments.

To support a request for approval of material changes to a fit and proper policy, licensed insurers are requested to provide the following:-

1. Track change version of the policy.
2. Clean version of the policy.
3. Part A - Summary of Changes - outlining the changes, rationale, and comments.
4. Part B - Legislative Compliance - detailing how each of the prescribed compliance requirements will be met after the proposed changes.

5. Part C - Fit and Proper Policy Guideline - detailing how this is covered.

For changes that are not considered to be material, the licensed insurer should provide the Reserve Bank with an updated copy of its fit and proper policy.

Part A: Summary of changes

The following section requires the licensed insurer to provide a summary of the proposed changes.

Current page/section	New page/section
Change summary and rationale	
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Materiality comment	
<hr/>	
Other comments	
<hr/>	
Any additional or overall comments	
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Current page/section

New page/section

Change summary and rationale

Materiality comment

Other comments

Any additional or overall comments

Current page/section

New page/section

Change summary and rationale

Materiality comment

Other comments

Any additional or overall comments

Part B: Legislative Compliance

The following section requires the licensed insurer to state how the legislative requirements will be met after the proposed changes.

Regulatory Reference	Requirement	Explain How This Requirement is Met
<p>IPSA 34(1)(a) & (b) IPSA 6</p>	<p>Written Policy for Directors & Relevant Officers</p> <p>Licensed insurers must be subject to a written fit and proper policy that governs the qualifications, requirements, and other criteria that a person must have or satisfy in order to be appointed, and continue to hold a position of director or relevant officer and take all practical steps to comply with that policy. Directors and relevant officers, which include the appointed actuary, are defined in s6 and must be subject to the policy.</p> <p>The fit and proper policy must also comply with the following:</p>	
<p>IPSA 34(2) IPSA 6</p>	<p>Qualifications, Character, Competence, Experience, etc.</p> <p>The policy must clearly specify the qualifications, requirements, and other criteria for a particular position, including matters relating to a person's character, competence, and experience relative to the duties of the position. The appointed actuary must be:</p> <ul style="list-style-type: none"> a. a Fellow of the New Zealand Society of Actuaries Incorporated; or b. the holder of an equivalent professional qualification approved by the Bank by notice to an insurer 	
<p>IPSA 34(3)</p>	<p>Fit and Proper Standard</p> <p>The qualifications, requirements, and other criteria for a particular position specified in the policy must align with the Reserve Bank's Fit and Proper Standard issued under s36 and take into account matters specified in the Fit and Proper Standard.</p>	

Regulatory Reference	Requirement	Explain How This Requirement is Met
<p>IPSA 34(4)(a)</p> <p>IPSA Regulation 6</p>	<p>Reassessments</p> <p>The policy requires fit and proper reassessments of each director and relevant officer to be conducted at least once in every 3-year period to ensure the person who holds the position remains a fit and proper person.</p>	
<p>IPSA 34(4)(b)(i)</p>	<p>Whistleblowing</p> <p>The policy must contain adequate provisions to encourage any person to disclose information to the insurer or the Reserve Bank that may be relevant to a fit and proper assessment.</p>	
<p>IPSA 34(4)(b)(ii)</p>	<p>Consents</p> <p>The policy must contain adequate provisions for giving or obtaining any consents required for the collection and use of any information by the insurer to comply with the policy or section 37 and by the Reserve Bank for its powers and functions under IPSA in connection with the policy.</p>	

Part C: Fit and Proper Policy Guideline

The following section requires the licensed insurer to state how the suggested guidance is achieved.

Regulatory Reference	Requirement	Explain How This Requirement is Met
Guideline 14(a) & (b)	Process The fit and proper policy is expected to include the process for assessing the fitness and propriety of a person and specifies the actions to be taken where a person is assessed as not being fit and proper.	
Guideline 15	Documentation An insurer is expected to clearly document its fit and proper policy so as to ensure all decisions made on the fitness and propriety of an individual are made in a consistent manner.	
Guideline 17(c)	Composition of the Board/Relevant Officers In addition to the criteria required by the Fit and Proper Standard, the composition of the board and/or other relevant officers must be taken into account when making appointments. Directors are required to have a broad set of skills, but these can be dependent on other members of the board.	
Guideline 19	Due inquiry A licensed insurer cannot rely on the fact that the person was not forthcoming with any information requests placed upon them where that information is otherwise accessible to the licensed insurer through reasonable enquiry.	

Checklist

- Track change version of the fit and proper policy
- Clean copy version of the fit and proper policy