

Insurance (Prudential Supervision) Bill

**Presentation to The
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Agenda

- **Key Bill content**
- **Process and Indicative Timetable toward enactment**
- **Transitional Provisions**
- **Solvency and Capital Considerations**
- **Question Time**

Key Bill Content

- **All insurers must be licensed, no exemptions except government entities**
- **Bill applies to life, non-life and health insurers**
- **Initial implementation requirements on insurers but thereafter comparatively light-touch in its ongoing application for compliant insurers**
- **Strong emphasis on director and senior management obligations**
- **Focus on competitive neutrality to the extent practicable, recognising the realities of the small but diverse NZ insurance market**
- **Home / Host regulatory recognition for branches of overseas insurers, but must meet NZ standards**

Key Bill Content cont.

Prudential obligations on insurers:

- **Credit ratings**
- **Fit & Proper policy, and Risk management programme**
- **Solvency standards**
- **Life insurers must have statutory funds**
 - **Provisions based on Australian Life Insurance Act 1995**
- **Financial reporting requirements**
 - **Includes requirement for actuarial review**
- **Financial condition report**
- **Registration under the Financial Service Providers Act and ability to comply with AML Legislation**

Key Bill Content cont.

Prudential supervision:

- **Bank empowered to issue licences and obliged to supervise insurers**
- **Bank to approve all corporate amalgamations and transfers of policyholder liabilities**
- **Wide powers for Bank to obtain information from insurers and their associated persons**
- **Search and seizure powers in serious cases**

Process and indicative timetable

- **Consultation on draft Bill closed 22 June**
- **Further development of the Bill was informed by consultation inputs**
- **The Bill went through Parliament's Legislation Committee on 26 September –First reading expected about now**
- **Total time before parliament likely to be 9 months – 1 year, including approximately 6 months before Select Committee**
- **Enactment of the Bill is targeted for around end Q3 2010**
- **Transitional Path to Compliance (see overleaf)**

Indicative transitional provisions

- **Bank prepares policy framework and regulations, incl solvency standards**
- **Cut-off date for existing insurers to apply for licence**
- **Existing insurers receive provisional licences while Bank processes applications and insurers make any changes required to meet licensing standards**
- **Provisional licences expire at either date of Bank approval or final commencement date**
- **Transitional period likely to last 2 - 3 years**

Solvency and Capital Considerations

- **Solvency Standards will exist within regulations**
- **Working closely with NZSA in the development of appropriate standards for non-life and life insurance**
- **Seeking as much commonality as possible between life and non-life solvency standards**
- **New non-life standard was put out for consultation earlier this year, and its further development will be informed by consultation responses**
- **Existing life standard will be next focus for consideration**

Regulations and Guidelines

- **The Act will be accompanied by a significant number of Regulations**
- **Currently prioritising requirements to ensure most efficient transitional path to compliance**
- **Guidance notes to be published for a number of compliance requirements**
- **Team working hard, and growing**



Questions?