

Review of Life Insurance Act 1908 (= 1873 + 1884)

Notes from the Life Committee

**New Zealand Society of Actuaries Conference
November 2004**

Milestones

- April 2003 - Terms of Reference announced
- December 2003 - Law Commission PP53 issued
- March 2004 - submissions closed
- Report expected October 2004

- August 2004 - confidential consultation draft issued to those who had made submissions

- Report now expected December 2004

Terms of Reference

- Consider and report on framework for regulation and supervision of life insurers and life insurance products in New Zealand
- In particular:
 - Identify problems
 - Assess how to accommodate overseas esp. Australia
 - Research global trends and best practice
 - Identify possible regulation
 - Assess costs and benefits
 - Consider implications for other forms of insurance

NZSA input

- May 2003 - suggested contacts for initial consultation round
- June 2003 - letter to MED on Life Act Returns
- July 2003 - provided background information on role of actuaries and NZSA, reinsurance, tax
- July 2003 - initial comments on life insurance regulation
- October 2003 - comment on draft of part of PP53
- January to March 2004 - draft response to PP53, discussed at sessional meetings
- March 2004 - formal response to PP53 (82 questions)

NZSA input

- August 2004 - comment on confidential consultation draft
- Various meetings with Law Commission, on general industry and actuarial practice
- Last meeting was 7 September 2004

NZSA initial comments

- July 2003 preliminary submission
 - Definition of long-term business
 - Support philosophy that supervision is required
 - Alternative models of supervision
 - Support general “responsible actuary” model
 - 28 Insurance Core Principles
 - Statutory funds

General discussions

- Should actuarial advice be mandatory
- Who should set solvency standards
- Actuarial audit
- Credit ratings
- Disclosure requirements for participating business
- Independent and competent market analysis
- Application to health insurers
- Who should be policyholder protector

NZSA views – key issues

- Definition of products / entities
- Role and standards of the actuarial profession
- Role of Government in prudential supervision

NZSA key issues - definition

- Great difficulty in defining what forms of insurance should be deemed life; the name “life” is no longer adequate
- All renewable long-term insurance should be regulated in the same manner
- Definition should be outside legislation, to allow timely response to marketplace evolution

NZSA key issues - the profession

- Key provider of advice to the Board
- Primary responsibility for policyholder protection
- Statutory role restricted to policy liabilities, solvency, surplus distribution, FCR
- Actuary to be FNZSA, experienced, familiar with NZ but not necessarily resident
- Minimum standards legislated for disciplinary procedures and professional standards
- Consider approaches taken overseas to whistleblowing requirements
- ISI submission recommended NZSA be adequately funded to develop standards and enforce professional discipline

NZSA key issues - Government role

- Overseas models are highly regulated - IAS core principles
- General NZ approach is light-handed
- Regulator needs adequate funding and resource
- Need sliding scale of intervention if solvency issues found
- Extension of directors' responsibilities to participating policyholders
- CER - but complexity and cost of Australian system difficult to justify in NZ

Other issues

- Reporting - confidentiality vs. public interest
- Overseas companies operating in New Zealand
- Statutory funds