



Prudential Supervision
of the
New Zealand Insurance Industry

*Richard Dean
Manager, Insurance Policy
Reserve Bank of New Zealand*

Why do we need this legislation?


- Bringing New Zealand into line with international financial expectations
- Industry not perceived to be in distress, but appropriate protections still important
- Legislation intended to be light-handed, effective, and to promote public confidence in the insurance industry



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Key Contextual Considerations

- The New Zealand insurance market in a worldwide context
- Maintaining insurance industry in balance
- Competitive neutrality
- International precedents (APRA, FSA, IAIS etc)
- Dual regulatory model
 - RBNZ: prudential regulation
 - MED: market conduct regulation



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Timeline to date:

- August 2006: RFPP Consultation Paper on Insurance
- December 2007: RBNZ appointed prudential regulator for insurance
- Dec 2007: Cabinet approves first major policy paper, seeks further input on certain technical issues.
- May 2008: Consultation on technical issues highlighted by Cabinet
- August 2008: Cabinet approves second policy paper, invites RBNZ to commence drafting of legislation

Indicative Timeline Forward

- Q1 2009: Release of exposure draft of Bill as a consultation document
- Q2/3 2009: Insurance (Prudential Supervision) Bill to be tabled in parliament
- Q1/2 2010: Enactment of legislation

A Work in Progress

- These are still early days
- High-level policy confirmed
- Still much work to be done on legislative detail
- Primary legislation versus Regulations
- Consequential amendments to other legislation

Helping RBNZ Will Be...

- Parliamentary Counsel Office
- Other Government Agencies
- New Zealand Society of Actuaries
- Industry – via consultation and through industry associations
- Ratings Agencies

Key Components of the Regime

- Licensing
- Solvency
- Ratings
- Fit and Proper Requirements
- Reporting
- Distress Management

Likely Structure of the Bill

- Preliminary matters
- Licensing matters
- Prudential Regulation of Insurers
- Supervision of Insurers
- Distress and Exit
- Penalties
- Other Provisions (transition provisions, consequential)
- Miscellaneous (confidentiality)

- (Note: Regulations will accompany the Bill)

Future Insurance Team Structure

- Policy team
- Supervisory team
- Blend of strong industry background and public policy skills
- Pragmatic, team-driven and achievement-focused culture

Contacts

- Richard Dean
 - Manager, Insurance Policy
 - Phone 04 4713711, or 021 943180
 - richard.dean@rbnz.govt.nz

- David Williams
 - Senior Adviser
 - Phone 04 4713748
 - david.williams@rbnz.govt.nz
