

18 January 2012

Chair
Commerce Select Committee
Parliament Buildings
WELLINGTON 6011

Dear Chair

FINANCIAL REPORTING BILL

The Insurance Council of New Zealand ("the Insurance Council") appreciates the opportunity to comment on the Financial Reporting Bill, particularly in respect of the Supplementary Order Paper which proposes amending Part 6 of the Financial Markets Conduct Bill to reduce the financial statement preparation deadline for reporting entities.

1. Insurance Council of New Zealand

The Insurance Council is the industry representation body for fire and general insurance in New Zealand. The Council aims to assist members in key areas affecting their business through effective advocacy and communication.

The Council currently has 27 members who collectively write more than 95 percent of all fire and general insurance in New Zealand. Insurance Council members, both insurers and reinsurers, are a significant part of the New Zealand financial services system. Our members currently protect more than \$0.5 trillion of New Zealanders' assets.

The Insurance Council plays an active role in representing the insurance industry. Our members are licensed under the Insurance (Prudential Supervision) Act 2010 and signatories to the Fair Insurance Code that requires insurers to act ethically. We also perform an important role in informing and educating consumers about key insurance issues and risks.

2. Recommendations

The Insurance Council disagrees with the decision to reduce the time available for the preparation and filing of financial statements.

We recommend that clause 87 of the SOP which inserts new subpart 3A Amendments to Financial Markets Conduct Act 2011 should be amended to remove the reference to a reduced timing of 3 months and 20 days in sub clause 446K and replaced with the current timing which is 5 months and 20 days.

2.1. Timing for Lodgement of Financial Statements

Currently financial service providers, including licensed insurers, are required to complete financial statements within 5 months of the end of their financial year and lodge them with the Companies Office within another 20 days.

The SOP amends Part 6 of the Financial Markets Conduct Bill to require reporting entities to complete financial statements within 3 months of the end of their financial year and lodge them with the Registrar within another 20 days.

This amendment also applies to 'licensed insurers' and there is concern that the reduced filing time will potentially create a problem as a result of the additional requirement in section 77 of the Insurance (Prudential Supervision) Act 2010 for the financial statements of a licensed insurer to include extensive solvency information.

The notion of a reduced timeframe seems to have come out of the International Monetary Fund's ("IMF") previously expressed concerns about the current five month timeframe. Nevertheless, the IMF's recommended timeframe of 4 months was actually reduced even further, to 3 months, which is particularly concerning. There seems no sense in reducing this to 3 months, in order to align the completely different public and private sectors. Further, this requirement for insurers is out of line with other international jurisdictions (particularly Australia and the UK).

While we accept that the financial statements are an essential tool we do not believe that governance or supervision would necessarily be improved by reducing the time available for statements to be filed. Further, despite the IMF's comments, there is no sound evidence indicating that the current 5 month timeframe is causing any real issue. In fact, the current legislation already allows the Financial Markets Authority and/or the Reserve Bank to request earlier information in the event that there are any concerns.

The shorter timeframes will put pressure on the available actuarial and auditing resources and inevitably increase costs without increasing benefits to consumers.

3. Conclusion

Thank you for the opportunity to provide input on the Bill. We are happy to discuss our submission in more depth. Please contact Terry Jordan on (04) 472 5230, or at terry@icnz.org.nz, to discuss.

Yours sincerely

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