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Reserve Bank of New Zealand  
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## **ICNZ Feedback on the Second Amendment of the Interim Solvency Standard Exposure Draft September 2024**

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The Insurance Council of New Zealand representing General Insurers is pleased to provide the Reserve Bank of New Zealand with feedback on the Exposure Draft of the Second Amendment Interim Solvency Standard.

We present the Reserve Bank with the following high-level comments:

1. The purpose of the Exposure Draft is to correct certain technical errors in the current version of the Interim Solvency Standard. No new principles are being introduced. Therefore, ICNZ has no new comments to make on the detail in the exposure draft and will leave it to the New Zealand Society of Actuaries to provide the RBNZ with commentary specific technical issues.
2. ICNZ looks forward to engaging with RBNZ on the next phase for developing the final solvency standard. We note the current draft timeline is that a Final Standard will be in place by 1 June 2026. However, we recommend that a period of at least 2 years from the effective date of the amended ISS to allow the industry and associated professionals to fully come to grips with the current environment.

The Interim Solvency Standard is heavily reliant on the IFRS-17 Financial Reporting Standard. The solvency calculations interact with the IFRS-17 results and add a further layer of complexity. It is important that practitioners have had

an opportunity to become familiar with the new environment before further change is contemplated.

3. It appears that the Interim Solvency Standard is being aligned to international standards, particularly northern hemisphere Standards but unfortunately for general insurance, these standards do not fully align with the Australian solvency standards.

The New Zealand insurance market is most closely related to that in Australia and many companies have relationships with parents or associated businesses in Australia. The approach of the Interim Solvency Standard has diverged from that in Australia and it's our view a more consistent approach with that in Australia should be followed.

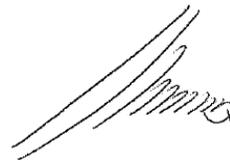
4. We do want to raise the reasoning behind the proposed requirement to prove that smaller general insurance books are immaterial and therefore that PAA can be applied as this will require some effort that we do not think is necessary.
5. We will leave it to the New Zealand Society of Actuaries to raise the technical issues that we believe still need to be addressed concerning taxation and contract boundaries.
6. This does conclude the Insurance Council's feedback on the Second Amendment to the Interim Solvency Standard.

If you have any questions, please contact John Lucas on [john@icnz.org.nz](mailto:john@icnz.org.nz) or call John on 0274411283

Yours sincerely,



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Chief Executive



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