

# Reserve Bank of New Zealand to review regulation of insurance industry

April 26 2016 | Contributed by [Jones & Co](#)

## Reasons

## Aims

## Timeline

## Comment

The Reserve Bank of New Zealand (RBNZ) is to [review](#) the operation of the Insurance (Prudential Supervision) Act 2010 and the associated regulations. The five years since the act's implementation have seen the industry face significant challenges as a result of the Canterbury earthquakes and the development of new business models and new players in the sector.

## Reasons

The RBNZ highlighted the following reasons for the review:

- Since the Insurance (Prudential Supervision) Act was enacted, international guidance on insurance regulation and supervision has been updated;
- Experience and knowledge have been gained from the Canterbury earthquakes and its consequences for the insurance sector;
- Following the RBNZ's review of the legislative regime for non-bank deposit takers there is a need to develop a legislative regime for financial market infrastructures;
- New business models have been developed, as new insurers have entered the market and others have left (eg, Insurance Australia Group's acquisition of AMI Insurance following the Canterbury earthquakes with crown-owned entity Southern Response taking over management of AMI's quake claims). New entrants include Ando Insurance Group, run by former Lumley Insurance chief executive officer John Lyon, Berkshire Hathaway and South African insurer Youi;
- Some insurers are entering into white-labelling agreements with major retail chains and online traders such as Trade Me (New Zealand's equivalent of eBay); and
- The government is reviewing the Financial Advisers Act 2008. This is widely expected to prompt a change in practice for insurance brokers and financial advisers.

The RBNZ says it will look at whether additional tools to assist the sector are necessary in light of the diversity of business models in the sector.

## Aims

Although the RBNZ reports that the Insurance (Prudential Supervision) Act seems to have been operating well, it wants to assess the act's performance and whether the regime is consistent with international guidelines and the other legislation that the RBNZ administers. At this stage the review will not include secondary legislation, such as solvency standards, although the RBNZ is likely to look at this again in light of any recommended changes.

The key performance measures that the RBNZ will look at include:

- the balance between promoting soundness and efficiency;

## AUTHORS

[Sarah Wroe](#)



[Paul Biddle](#)



- cost effectiveness;
- promoting innovation, especially among new entrants to the market;
- attracting the right range of insurers and competition;
- flexibility in a changing market among a range of diverse business models;
- proportionate regulatory requirements predicated on a risk-based approach; and
- administration of the Insurance (Prudential Supervision) Act cost effectively and transparently.

## **Timeline**

The RBNZ intends to release an issues paper for consultation at the end of 2016. Recommended changes for further consultation will then be released in 2017 with a view to introducing legislation, subject to cabinet approval, in 2018 at the earliest.

## **Comment**

The Insurance (Prudential Supervision) Act was first contemplated 10 years ago and has been in force during the most turbulent time in the industry's history. A review is timely. It will be interesting to see how much input there is from public interest groups, as the New Zealand public has had a lot to say about the standards that it expects from its insurers in some recent high-profile complaints and litigation.

*For further information on this topic please contact [Sarah Wroe](#) or [Paul Biddle](#) at Jones & Co by telephone (+64 9 601 9600) or email ([sarah@jonesandco.nz](mailto:sarah@jonesandco.nz) or [paul@jonesandco.nz](mailto:paul@jonesandco.nz)). The Jones & Co website can be accessed at [www.jonesandco.nz](http://www.jonesandco.nz).*

---

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).