

The Insurance (Prudential Supervision) Act 2010 Review

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Current status

On 1 October 2020, the Reserve Bank of New Zealand [formally relaunched](#) its review of the Insurance (Prudential Supervision) Act 2010 by publishing a [relaunch paper](#), following an earlier [announcement on 14 September 2020](#) that the Reserve Bank had decided to resume the review.

On 30 November 2020, the Reserve Bank published an initial, substantive [consultation paper](#) on the scope of the Act and its treatment of overseas insurers. Stakeholders may make comments or submissions on the paper until 18 February 2021.

On 1 October 2020, the Reserve Bank also [launched](#) its review of solvency standards under Insurance (Prudential Supervision) Act 2010 and published a [launch paper](#) on the principles intended to guide the review. Submissions on the launch paper closed on 12 November 2020.

On 30 November 2020, the Reserve Bank published a second, substantive [consultation paper](#) on the structure of solvency standards and its response to IFRS 17. Stakeholders may make comments or submissions on the paper until 18 February 2021.

We will regularly update this page with developments.

If you would like assistance with making a submission on either consultation paper or advice on the review, please contact a member of our financial services regulation team.

Background

The Insurance (Prudential Supervision) Act 2010 (IPSA) was enacted in 2010, providing the first comprehensive framework for the prudential regulation and supervision of entities carrying on insurance business in New Zealand.

IPSA introduced a requirement for insurance providers to be licensed, with the licensing process introduced by the Reserve Bank in 2013. Licensed insurers must comply with IPSA, the terms of their license and various secondary regulatory instruments administered by the Reserve Bank such as the ['Fit and Proper Standards'](#) and ['Solvency Standards'](#). The Reserve Bank also has distress management powers under IPSA.

Phase 1

Terms of Reference

In April 2016, the Reserve Bank released the [Terms of Reference](#) for a review of the Insurance (Prudential Supervision) Act 2010 (IPSA Review), announcing its intention to review IPSA over 2016-2017.

The Reserve Bank stated that the legislative purpose of IPSA remained appropriate (maintaining a sound and efficient insurance sector and promoting public confidence in the insurance sector). The aims of the IPSA Review included, amongst others, identifying opportunities to reduce administrative costs caused by the fragmentation of requirements across regulatory instruments, create tools to deal with a diversity of business models in the sector and ensure overseas based insurers were appropriately regulated.

The IPSA Review has been split into two phases:

- Phase 1 was **completed** in October 2017. The first phase of the IPSA Review has targeted the identification of potential issues for the Reserve Bank to consider in more detail during Phase 2 of the IPSA Review
- Phase 2 is **underway**. Phase 2 will involve the Reserve Bank considering and responding to the points raised by stakeholders and the 2017 report prepared by the International Monetary Fund on New Zealand's insurance sector (discussed in more detail **below**). Other developments that will provide material for consideration in the IPSA Review include the [FMA/RBNZ Thematic Review of Life Insurer Conduct and Culture](#) and the [Thematic Review of the Appointed Actuary](#).

Issues Paper and Stakeholder Forum

On 30 March 2017, the Reserve Bank released an [Issues Paper](#) setting out the rationale of the IPSA Review, the intended process for the review and a range of potential issues identified. On 13 April 2017, the Reserve Bank hosted stakeholder discussion forums in Auckland and Wellington to provide an opportunity for stakeholders to discuss the Issues Paper and the review in general.

The Reserve Bank sought written submissions during a consultation period lasting from 30 March 2017 to 30 June 2017. The Reserve Bank received 42 submissions and, on 17 October 2017, released a [feedback statement](#) on the submissions.

International Monetary Fund Report

In April 2016, the International Monetary Fund (IMF) [announced](#) that it would undertake a comprehensive review of New Zealand's financial system as part of its Financial Sector Assessment Programme (FSAP).

In May 2017, IMF [released](#) its FSAP findings and report as well as individual FSAP [reports](#) on a variety of relevant topics and sectors, in particular a [report](#) on the insurance sector (the IMF Report). The IMF Report is a detailed assessment of New Zealand's regime, benchmarked against the 'Insurance Core Principles' issued by the International Association of Insurance Supervisors.

The Reserve Bank stated that it would consider the IMF Report as part of its IPSA Review. The IMF Report on the insurance sector noted that the decision to regulate New Zealand's insurance sector was based on the recommendations of a working group established in 2005, partly in response to one of the recommendations from the 2003–2004 New Zealand FSAP.

For all documentation produced during Phase 1 of the IPSA Review, please see the [Reserve Bank's IPSA Review page](#).

Phase 2

The feedback statement released by the Reserve Bank on 17 October 2017 set out an indicative timetable for Phase 2 of the IPSA Review, indicating an approximate 21 month period beginning in October 2017 and ending in mid-2019 before the Reserve Bank would be ready to publish a final 'Options Paper'. This timetable included provision for three rounds of consultation.

However, following a prioritisation exercise, the Reserve Bank had initially [suspended](#) the review in April 2018 with the intention that the decision would be considered quarterly, and the review be resumed in due course. The Reserve Bank of New Zealand relaunched the IPSA Review on 14 September 2020.

The Reserve Bank intends to release an initial overview policy paper in October 2020 and release subsequent consultation papers on various components of the review during 2021 to 2023. The Reserve Bank envisages a staggered implementation of changes, from easily implementable operational changes to legislative changes. The Reserve Bank's estimated completion date is 2024.

Relaunch Paper

On 1 October 2020, the Reserve Bank published a [relaunch paper](#) formally relaunching the IPSA Review and setting out its planned approach and timeline for the remainder of the IPSA Review. The relaunch paper provides an updated overview explaining the objectives, topics to be covered and an indicative timetable for the IPSA Review. This relaunch paper is for information purposes only and the Reserve Bank is not seeking comment on this paper.

Consultation Paper – IPSA Review

On 30 November 2020, the Reserve Bank published an initial, substantive [consultation paper](#) on the scope of the Act and its treatment of overseas insurers. Stakeholders may make comments or submissions on the paper until 18 February 2020.

The Reserve Bank also published an accompanying, [non-technical summary](#) of the consultation paper.

Consultation Papers - Solvency Standards

On 1 October 2020, the Reserve Bank published an introductory [consultation paper](#) in relation to principles that should guide a review of solvency standards under IPSA, seeking feedback from market participants. Submissions on the launch paper closed on 12 November 2020.

On 30 November 2020, the Reserve Bank published a second, substantive consultation paper on the structure of solvency standards and its response to IFRS 17. Stakeholders may make comments or submissions on the paper until 18 February 2020.

The Reserve Bank also published an accompanying, [non-technical summary](#) of the second consultation paper.

Solvency standards define the amount of capital an insurer is required to hold to protect against costs from unforeseen events. The [solvency standards](#) are issued under section 55 of IPSA - one or more solvency standards may apply to a licensed insurer under the licensed insurer's conditions of licence.

The Reserve Bank last consulted on the solvency standards in 2018, in response to the introduction of the accounting standard NZ IFRS 16. The over-arching consideration for the review of solvency standards will be an assessment of the impact of the introduction of IFRS 17. IFRS 17 is the international financial reporting standard that, by 1 January 2023, will replace IFRS 4 on accounting for insurance contracts.

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