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Emailed to: rbnzactreview@treasury.govt.nz

RE: Phase 2 of the Review of the Reserve Bank Act 1989

ICNZ welcomes the opportunity to propose issues for consideration in Phase 2 of the Review of the *Reserve Bank Act 1989* ('the Review'). ICNZ represents licensed general insurers that insure about 95 percent of the New Zealand general insurance market, including over half a trillion dollars' worth of New Zealand property and liabilities. ICNZ and its members interactions with the Reserve Bank and our comments in this letter are confined to the Bank's oversight of the *Insurance (Prudential Supervision) Act 2010* ('IPSA').

Before turning to matters we consider should be included in the Review, we note that ICNZ generally supports the Reserve Bank's supervisory philosophy in relation to insurance. We believe the implementation of IPSA has improved the soundness of the insurance sector and without unduly constraining efficiency. We also echo the IMF's finding from mid-2017 regarding the high level of competence of Reserve Bank staff.

Notwithstanding this we are of the view that the following three issues should be considered in the Review:

- a) Whether it would be more appropriate for IPSA to be independently reviewed by a government policy agency (e.g. The Treasury or MBIE) rather than the regulator itself?
- b) The appropriateness of including within the IPSA framework merits reviews or strengthened appeal rights of specific decisions.
- c) How the Reserve Bank can monitor and respond to disruptive changes in the insurance market, including those driven by digitisation, so as to ensure the IPSA regime remains effective and non-distortionary. For example, addressing the likely increasing presence of competitors from overseas that are unregulated in New Zealand and/or the use of the terms 'insurance' or 'insurer' by companies that aren't licenced insurers. To have a full appreciation of the impact disruptive changes could have on New

Zealand capital providers and purchasers of insurance, the Reserve Bank needs to monitor such changes to the insurance market here and overseas and have the ability to appropriately respond to them.

We have already raised these issues in the review of IPSA that commenced in 2016 but consider these should also be addressed as part of Phase 2 of the Review. We note the wide scope of the Review makes it well placed to consider such fundamental matters.

We thank you again for the opportunity to provide this input and would welcome the opportunity to be further involved in the Review as it progresses.

Yours sincerely,

A handwritten signature in blue ink that reads "Tim Grafton". The signature is written in a cursive style and is positioned above a solid blue horizontal line.

Tim Grafton CMinstD
Chief Executive