

20 October 2017

Reserve Bank of New Zealand

By email: [stats-info@rbnz.govt.nz](mailto:stats-info@rbnz.govt.nz)

### **Request for feedback: Insurance statistics**

The Financial Services Council of New Zealand Incorporated (**FSC**) thanks the Reserve Bank of New Zealand (**RBNZ**) for this opportunity to provide feedback on the proposed publication strategy for financial insurance statistics. We would appreciate the opportunity to be engaged in a similar manner on any further statistics being released in the future.

We submit that the best outcome will balance compliance cost and simplicity for the industry against useful information for stakeholders. We do not support future requirements where compliance cost outweighs user benefit.

The request for feedback document states that providing regular comparable financial insurance statistics will address needs from industry and the public for this data. Given the life insurance industry already collects and publishes data through the FSC, we consider that, for life insurance, industry needs are already met through the FSC. It is important to ensure consistency and avoid duplication of information, and there is an opportunity for the FSC and RBNZ to work together to ensure efficiency in this area. We thank you for meeting to discuss this.

With regard to the public need for insurance industry statistics. The proposed publication of aggregated insurance industry data does not appear to provide the information to enable the public to make decisions related to insurer selection in terms of s.4(c) IPSA. We are interested to understand RBNZ's insights into public demand for insurance industry statistics.

Our specific responses to the questions are:

#### **Question One: Do you have any feedback/comments on the content of the proposed tables?**

Our members have highlighted five issues and two areas for improvement:

##### *Issues*

- Care must be taken to ensure confidentiality of entity specific data and that results are not presented in a way where entities are able to identified.
- *Table 2: Insurance industry financial performance (large insurers only)*. The Reserve Bank will be reporting on 'Gross earned premium', however we note that in the Quarterly Insurer Survey individual companies can report either earned policy or premium revenue. The data being provided from all insurers should be consistent.

- *Table 3: Insurance industry financial position.* We note that 'Return of Net Assets' and 'Investment Return' are not defined on a consistent basis. One is based on average (net) assets, where the other is Total Investment Assets.
- We note that there may be other inconsistencies between life insurers. Specifically, some will report the Deferred Tax Liability on Policy Liability as part of the policy liabilities, where others will show it as part of tax expense. This will make some aspects of the aggregated data less meaningful when data reported should be as consistent as possible across different insurers.
- There is a risk that disclosing resident/offshore investment assets will undermine the key purpose of section 3 of IPSA (to 'promote public confidence in the insurance sector') and may drive political agendas related to NZ investment. Offshore investment provides critical diversification benefits that are not available in New Zealand alone and are an important aspect of ensuring sustainability.

#### *Improvements*

- To improve usability of the statistics, data should be split between Life, Health and General insurance and the tables should split insurers and reinsurers. At the moment, we are unsure whether reinsurers are to be included in the aggregate data and recommend this is defined before publication.
- Benchmarking against the APRA published statistics could provide further areas for improvement.

#### **Question Two: Do you believe that the initial scope of the proposed tables covers your needs?**

Our members tell us their needs are generally met by the quarterly statistics collected and published by the FSC. Where FSC members raise a need for additional industry data, the FSC will consider expanding the scope of the FSC statistics to include such data. Should RBNZ extend the scope of the proposed tables or published information, consultation with industry organisations already collecting and publishing data will be needed to avoid duplication and inconsistency.

#### **Question Three: What do you consider of importance to enhance the proposed tables?**

No comment.

#### **Question Four: What contextual information do you expect to be provided along with the statistics?**

To answer this question in a more informed manner, we would be happy to review a draft version of the initial report prior to it being made public. Based on the information currently available, we believe that it would be useful to provide some context in relation to the potential inconsistencies between data raised in our response to question 1, above.

We agree with the decision not to report a loss ratio for the life business, as we note that the long-term nature of such a business and not taking into account reserving for future claims would make this less meaningful (unlike General and Health businesses). We believe that it would be useful to provide some commentary explaining this.

Questions and issues our members have highlighted as potentially requiring contextual information or clarification are:

- The implementation of International Financial Reporting Standard 17 (IFRS17) will have a significant impact on the aggregated reporting as different insurers will be adopting IFRS17 at different times. This inconsistency in the underlying data must be clearly disclosed as it will impact on the aggregated publication.
- Contextual information could be provided on the loss of comparability between insurers due to differences in balance dates.
- Clarification could be provided on the treatment for insurers that operate as a branch of an offshore insurer.
- Clarification could be provided on how re-submitted Quarterly Insurer Surveys will impact on the published data.
- Qualifications could be provided on the accuracy of the reporting, particularly in relation to the estimation of the total insurance industry based on 'statistical techniques'.

**Question Five: Do you have any recommendations for future potential statistics to be released from the Quarterly Insurer Survey?**

Any future statistical reporting should include consultation with industry to ensure that the proposed publication is not misleading or confusing to the NZ public and does not enable the identification of commercially sensitive information of individual insurers.

**Question Six: Do you have any recommendations for other potential statistics to be released by the Reserve Bank?**

Our members would welcome seeing statistics and information on underinsurance, acknowledging that this information may need to be collected from a range of government sources. We also highlight that there may be financial insurance information held by ACC and EQC that could be included in statistics released by RBNZ.

Please contact me on 021 0233 5414 to discuss our submission.

Yours sincerely

Richard Klipin  
Chief Executive Officer  
[richard.klipin@fsc.org.nz](mailto:richard.klipin@fsc.org.nz)

---

The FSC represents New Zealand's financial services industry having 16 member companies and 14 associate members at 30 September 2017. Companies represented in the FSC include the major insurers in life, disability, income, and trauma insurance, and some fund managers and KiwiSaver providers. Law firms, audit firms, and other providers to the financial services sector are represented among the associate members.