

Module	LIFE INSURANCE
Jurisdictions	NEW ZEALAND
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Module Scope

Does the organisation operate, or seek to operate as a life insurer in New Zealand?

Does the organisation ensure compliance with its life insurance licence obligations and operate its business in a prudent manner?

Does the organisation have effective processes to maintain appropriate solvency margins and comply with solvency standards?

Does the organisation engage with the regulator and comply with reporting and disclosure requirements?

Does the organisation have effective processes to manage risks, including financial, operational and conduct risks?

Does the organisation comply with its obligations to policy holders in relation to payments and provision of advice?

Does the organisation comply with its obligations in relation to privacy, anti-money laundering, and the Conduct of Financial Institutions regime?

Does the organisation comply with climate-related disclosure requirements?

Module Application

The NEW ZEALAND LIFE INSURANCE module covers the regulatory framework that applies to organisations carrying on a life insurance business in New Zealand and associated individuals, including directors, officers, actuaries and auditors.

The module outlines the regulatory requirements that apply to licensed life insurance providers under the Insurance (Prudential Supervision) Act 2010 (NZ), related regulations, standards and guidelines issued by the Reserve Bank of New Zealand as the prudential regulator.

This includes coverage of the new Conduct of Financial Institutions regime set to take full effect in 2025.

The key regulations covered in this module include:

- › The Insurance (Prudential Supervision) Act 2010 administered by the Reserve Bank of New Zealand (RBNZ) as the primary legislation governing licensing and prudential regulation of life insurers.
- › RBNZ licensing requirements under the IPSA for obtaining and retaining a licence, as well as ongoing licence conditions relating to corporate governance, risk management, outsourcing, auditors etc.
- › Specific prudential regulations made under the IPSA relating to solvency standards, capital requirements, valuation of policy liabilities, risk management policies, reinsurance arrangements, statutory fund requirements and restrictions on certain transactions.
- › Financial reporting standards and requirements for life insurers under the Financial Reporting Act 2013 and auditing standards.
- › Tax compliance obligations under the Income Tax Act 2007 for apportioning income and allowable deductions between policyholder and shareholder tax bases.
- › Privacy Act 2020, Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act) and code of conduct requirements for life insurers.
- › Climate-related disclosure regulations for large insurers
- › Conduct of Financial Institutions requirements for organisations providing retail insurance products.

Licensing Requirements

The module outlines the RBNZ eligibility criteria to obtain a license to operate as a life insurer, this includes:

- › Ownership structure, directors and senior managers, corporate governance framework
- › Business operations, systems, controls and outsourcing arrangements
- › Capital resources, financial strength and solvency projections
- › Risk management strategy, policies and risk appetite framework
- › Reinsurance arrangements and exposures to reinsurers
- › Fit and proper status of directors, chief executive, senior managers and appointed actuaries/auditors

Ongoing Licence Obligations

The module also covers the ongoing licensing conditions an organisation must comply with, these include:

- › Maintaining a risk management programme and controls appropriate to the size and complexity of the business
- › Holding minimum solvency margins and capital buffers as determined by the RBNZ solvency standards
- › Establishing and maintaining statutory funds to protect policyholder assets
- › Appointing a qualified actuary and auditor with required reporting duties
- › Preparing general purpose financial statements to NZ IFRS standards with audit sign-off
- › Promptly notifying the RBNZ of any significant compliance breaches, changes in business or risks, or adverse events

Prudential Regulation

The NEW ZEALAND LIFE INSURANCE module provides guidance around the extensive RBNZ prudential regulation and supervision, including:

- › Submitting quarterly and annual solvency returns demonstrating continuing compliance with solvency standards
- › Undertaking financial condition reporting on risks, stress testing, scenario analysis and capital management
- › Developing a financial contingency plan if required by the RBNZ
- › Restrictions under the IPSA on certain transactions between statutory funds
- › Ongoing monitoring, reporting and attestations related to liquidity risk, credit risk, insurance risk etc.

Reporting and Disclosure Requirements

The module provides guidance on an organisation's obligations to make disclosures in financial statements and publish solvency information, including the duties of actuaries, auditors and directors.

Tax Compliance

Guidance is provided around systems and processes relating to tax obligations across the policyholder tax base and shareholder tax base, and notification requirements with the Commissioner of Inland Revenue.

Penalties for Non-Compliance

Potential penalties for non-compliance include:

- › fines
- › licence suspension or cancellation
- › statutory management
- › civil proceedings
- › criminal charges for directors/senior managers
- › remedial actions required by the RBNZ.

The module covers the extensive regulatory compliance obligations specific to licensed life insurance organisations in New Zealand under the Insurance (Prudential Supervision) Act and associated regulations. It does not address compliance requirements for general insurers or non-life insurance providers.

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