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## Submission on RBNZ Request for feedback dated 28 November 2017: "Sign-offs for Insurer Data Returns"

The New Zealand Society of Actuaries ("NZSA" or the "Society") welcomes the opportunity to comment on the RBNZ's proposal to modify the officers required to sign the Insurer Return and the Quarterly Insurer Survey.

The NZSA is the professional body for actuaries practising in New Zealand. Our purpose includes establishing, promoting and maintaining high standards of competence and conduct within the actuarial profession and providing a source of reference on actuarial matter for government and various official and interested bodies.

Our responses in this submission has been informed by a survey of our members, including 19 respondees who hold Appointed Actuary roles, drawn from both insurers and consulting firms.

### Background

#### Content of insurer returns

Insurer returns can be considered as including the following three classes of components:

- Information that is usually calculated by actuaries (for the financial statements):
  - policy liabilities and their break-down, tax components
  - claim provisions and risk margins
  - the movement in the above items, and the reconciliation of the movement from the previous returns.
- Accounting information, including:
  - trial balance information which is already available from the Company's accounting database, separately for each product class;



- trial balance information which requires further apportionment between types of insurance (Life, Non-life and Health) as well as by product class, since the expense category is required to be split under the current RBNZ template;
- trial balance information which is not class-specific, and does not require further apportionment (e.g. investment income)
- Statistics and administrative information, including:
  - in-force at start and end of period (Life, Non-life, and Health),
  - statistical movements (Life and Health only, not required for Non-life).

### The current role of Actuaries in relation to Quarterly Insurer Surveys and Insurer Returns

Some NZSA members are extensively involved in the preparation of insurer data returns and solvency returns. The work is carried both by Appointed Actuaries, and by other actuaries or actuarial analysts, some of whom are employed by the insurer, some of whom are employed in consultancy firms.

A significant amount of the work on these returns by Appointed Actuaries is not directly related to the work that they have done in their statutory capacity, but is more associated with their role in each particular company. For example, the Appointed Actuary will have reviewed the company's solvency calculations in their statutory capacity, but may also complete the statistics sections of the data returns because of the particular preferences of the insurer, or particular circumstances that mean the Appointed Actuary may be in the best position to produce the statistical data.

On the other hand, some insurers currently prepare their insurer returns with no input whatsoever from an actuary.

### Proposal for sign-off of Quarterly Insurer Surveys and Insurer Returns by the Appointed Actuary

The RBNZ has proposed that Appointed Actuaries will be required to sign the Quarterly Insurer Surveys, and the (half-yearly) Insurer Returns. In response to this, we note the following:

- Our members working in the area of life insurance, are usually (but not universally) involved in the preparation of policy liability information that is included in the respective returns.
- Some of these members are also involved in assisting with the financial information, and with the statistical information, but this information is also often provided by others within the company.



- Our members working in the area of general insurance are sometimes (but not universally) involved in the preparation of the information in respect of claims provisions and risk margins for the returns. They are rarely involved in providing the financial information, or the statistical information for the returns.
- The financial information in the insurer returns requires, in some instances, the allocation of financial information between products and between functions. This information is best provided by each company's finance team. Members have indicated significant additional work and time would be required for the Appointed Actuary to have a sign-off role in respect of this information.
- The statistical information in the respective returns requires, in most instances, a detailed knowledge of the operation of each insurer's database. While we would expect our members to be familiar with the nature of the information provided by the statistical outputs, and to carry out tests of the integrity of this data, they have indicated that significant additional work and time would be required for the Appointed Actuary to have a sign-off role regarding the accuracy of the statistics.

### Overall view

Overall, our members have no concerns with signing off items of an actuarial nature, as they do with their Section 77/78 reports at year-end. However, they believe that to extend their responsibility to financial accounting information, or to statistical information on in-force policy details and on policy movements, would require the Appointed Actuary to be involved in a level of detail that is inconsistent with their roles and in areas that are not actuarial in nature.

Whilst members agree that the involvement of the Appointed Actuary would in many cases improve the quality of the returns (where this is necessary), this does not mean that the same improvement cannot be achieved in other ways including:


- improved guidelines and definitions
- implementation of checks within the return spreadsheets
- improved feedback to insurers on the nature of any errors made
- introduction of some form of penalties or audit requirement for persistent offenders, rather than introducing blanket additional requirements for all insurers.



New Zealand Society of Actuaries (Inc)

We would be happy to discuss our submission with you or provide more detail on any aspect of it.

Yours sincerely  
for **New Zealand Society of Actuaries (Inc)**



Andrea Gluyas  
President