



THE END OF THE WILD WILD WEST

Legislative Developments Affecting Insurance

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INTRODUCTION

- Setting the scene
- The legislative and policy pipeline
- Key reforms: impacts and timing
- The watch list
- Overseas trends
- Top 10 challenges



SETTING THE SCENE

- Regulatory reform – a broader context
- The world as we know it:
 - Lightly regulated
 - Minimal prudential and market conduct requirements
 - Established common law
 - No significant failures



SETTING THE SCENE

- 2005 Review of Financial Products and Providers (RFPP)
- The collapse of the finance companies
- GFC
- Single economic market
- Capital Markets Development Task Force
- International trends and best practice



SETTING THE SCENE

- New reforms – a watershed for the industry
 - Over 20 relevant bills, consultation papers and reviews that will have an impact
 - More is coming: continued harmonisation with Australia and the impact of overseas trends and best practice

THE LEGISLATIVE AND POLICY PIPELINE

○ Parliamentary Business

- Financial Service Providers Regulations
- Financial Advisers Regulations
- Anti-Money Laundering Regulations
- Prudential Supervision Regulations
- Canterbury Earthquake Response and Recovery Regulations
- Consumer Guarantees Select Committee
- Financial Markets (Regulators and KiwiSaver) Bill Select Committee
- Auditor Regulation and External Reporting Bill Select Committee

THE LEGISLATIVE AND POLICY PIPELINE

○ Policy

- Review of Consumer Law Consultation
- Review of Securities Law Consultation
- Regulatory Responsibility Consultation
- Insurance Contracts Reform Agenda
- Fire Service Funding Agenda
- Accident Insurance Review
- Review of Privacy Review



KEY REFORMS: IMPACTS AND TIMING

- Insurance (Prudential Supervision) Act
 - Licensing regime for insurers with RBNZ as our new regulator
 - Strong engagement by the industry
 - Regulations and guidance still to come
 - Compliance and transitional challenges?



KEY REFORMS: IMPACTS AND TIMING

- Financial Advisers Act and Financial Service Providers Act
 - Regime to regulate financial advisers and lift professional standards across the financial services industry
 - Significant impact on the industry: delays and re-work
 - Legislation is largely settled: Code of Professional Conduct, disclosure regulations, terms and conditions for QFEs
 - Key dates: 1 December 2010, 31 March 2011, 1 July 2011



KEY REFORMS: IMPACTS AND TIMING

- Financial Markets (Regulators and KiwiSaver) Bill
 - New single regulator for financial markets to replace Securities Commission and take over regulatory functions of other agencies (excluding RBNZ and Commerce Commission)
 - New powers to bring civil proceedings on behalf of investors
 - Change in regulatory philosophy?
 - Resourcing?
 - Key dates: submissions 10 November 2010. Select Committee reports back February 2011



KEY REFORMS: IMPACTS AND TIMING

○ Consumer Law Reform

- Principles based on consumer law that modernises, consolidates and simplifies existing law
- Achieve harmonisation with Australian consumer law
- Unfair contract terms and unconscionable conduct
- Summary of submissions issued September 2010
- Timing unclear



ON THE WATCH LIST: THE SIGNIFICANT OTHERS

- Accident Insurance
- Insurance Contracts
- AML – CFT (Regs and Codes of Practise Consultation)
- Review of Privacy
- Fire Service Funding
- Securities Law



OVERSEAS TRENDS AND OTHER FACTORS

- Australia – consumerism, taxation reviews, governance, competition and climate change issues
- APRA's focus
- Australia Life Insurance Act, Section 12A
- UK and US reforms, Solvency II



TOP 10 CHALLENGES

1. FAA – is an Actuary a Financial Adviser?
2. FAA – disclosure issues
3. IPSA – double or treble regulation?
4. IPSA – capital requirements
5. IPSA – other solvency issues eg APGs
6. IPSA – product definition issues
7. IPSA – resourcing issues
8. HRA – insurance guidelines
9. AML – how prove identity?
10. IC Bill – insurable interest