

# **New Zealand Captive Insurance Association**

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**MEDIA RELEASE**

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## **NEW INSURANCE LEGISLATION ALLOWS FOREIGN INSURANCE COMPANIES TO OPERATE UNREGULATED**

New insurance legislation set for first reading tomorrow in Parliament would create an unregulated insurance industry in New Zealand, says the New Zealand Captive Insurance Association (NZCIA).

The NZCIA was commenting on the Insurance (Prudential Supervision) Bill, which will not regulate foreign companies that set up insurance subsidiaries in New Zealand.

A captive insurance company is an insurance entity designed to underwrite the risks of its parent corporation only. Some of New Zealand's most iconic companies, such as Fonterra, Air New Zealand and Carter Holt Harvey, have set up their own captives.

NZCIA President Peter Lowe said the Bill, which was drafted by the Reserve Bank, regulates domestically-owned captives, but does not provide for foreign-owned captives to be licensed, nor to be subject to the offences under the Bill. There are currently six Australian-owned captives set up in New Zealand. "Foreign owned

captives are forming in New Zealand and want to be regulated. The Reserve Bank is, by default, encouraging an unregulated foreign insurance industry in this country. This will be extremely harmful for New Zealand's international financial services reputation."

Mr Lowe said the policy decision by the Reserve Bank contrasts with the views of both the OECD and the International Association of Insurance Supervisors. "Captive insurance isn't a new, high-risk industry; there are thousands of these companies set up in the USA, Singapore, Ireland and 40 other regulated countries. There is simply no logic behind this move, nor has any rationale been given to us by either the Reserve Bank or Finance Minister Bill English.

While the industry is still fledgling in New Zealand, there are 22 captive insurance companies currently operating which collectively underwrite \$80 million in gross premiums annually and pay New Zealand income tax of \$7 million per year.

"With the right regulation, within ten years we believe the industry could grow to 150 captives paying \$50 million a year in tax to the Government," said Mr Lowe.

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