

New Zealand

New Zealand does not have specific captive legislation. The Insurance (Prudential Supervision) Act (IPSA) 2010 applies to all insurers carrying New Zealand insurance business, including captive insurers.

It is important to note that a New Zealand-based captive insurer with no New Zealand insurance business would also fall out of the scope of IPSA and would not be eligible for an insurance licence from the Reserve Bank of New Zealand.

In general, New Zealand insurers need to hold a current financial strength rating, although IPSA contains an explicit exemption for captives.

When considering a licence application, the Reserve Bank of New Zealand needs to know that, among other requirements, a captive is 'fit for business' by demonstrating that it has the capacity to manage the business it undertakes and to identify and manage its risks effectively, and that it has sufficient financial strength.

The Reserve Bank of New Zealand is undertaking a review of IPSA. Changes to the legislation would occur in 2018 at the earliest, and so are unlikely to take effect before 2019.

One aspect of the review is to consider whether additional tools are needed to recognise the diversity of business models in the insurance sector, which could theoretically have an impact on alternative risk transfer.

More information on captive insurance in New Zealand can be found at www.rbnz.govt.nz.



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