

Market Bulletin

Ref: Y5190

Title	New Zealand: Life insurance authorisation
Purpose	To inform the market that Lloyd's underwriters can now write life insurance business in New Zealand
Type	Event
From	Yael Chen, Senior Manager, International Regulatory Affairs Risk and Regulatory +442073275597 yael.chen@lloyds.com
Date	13 June 2018
Deadline	N/A

Summary

Lloyd's underwriters (through life syndicates) can now write life insurance and reinsurance business in New Zealand, either cross-border or via local coverholders, provided certain tax and regulatory reporting requirements are met.

Background

Lloyd's underwriters were granted permission to write life business on 1 October 2014. However, Lloyd's engaged with the New Zealand Treasury and Inland Revenue Department seeking a similar taxation approach for term life insurance written by Lloyd's underwriters to that which applies to non-resident insurers writing non-life insurance business.

Lloyd's is already fully licensed in New Zealand to write non-life insurance and reinsurance business, either on a cross-border basis or via local coverholders.

The authorisation to write life business now permits insurance and reinsurance in this class to be written either on an open market basis from London or by coverholders or service companies, located in New Zealand or elsewhere – provided certain tax and regulatory reporting requirements are met (see below). Further information on writing life business at Lloyd's can be found in [Performance Management – Supplemental Requirements and Guidance](#) at page 50.

Please note that a policy which provides for the payment of benefits upon the death of a person is not considered a life insurance policy in New Zealand if the duration of the contract is not more than one year and payment is only made in the event of death by accident or a stated condition or disease (see [Crystal](#) for further information).

Regulatory and Tax Considerations

Reporting

In order to write New Zealand life business, Lloyd's will need to separately report this business to the Reserve Bank. Due to the nature of the reporting required, this cannot be met through Xchanging and LDR data and Lloyd's will therefore have to rely upon syndicates to complete the required returns and submit these to Lloyd's in sufficient time for Lloyd's to complete an aggregated return on behalf of the market.

Copies of the return templates and the guidance notes issued by the Reserve Bank have previously been shared with the syndicates concerned. However, these can also be obtained from Lloyd's International Trading Advice (LITA) - contact details below.

Anyone wishing to write New Zealand life business should contact LITA to ensure the necessary regulatory reporting requirements can be met, before any business is written.

Tax

On Thursday 29 March, the New Zealand Governor-General gave Royal Assent to the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act 2018 (“the [Act](#)”).

The Act makes changes to how Lloyd's underwriters comply with their tax obligation in relation to New Zealand life business. The Act creates a deemed profit of 10% on gross premiums received by Lloyd's underwriters from the sale of term life insurance policies in New Zealand (i.e. matching the current arrangements for non-life business). Inland Revenue proposes to review whether the 10% deemed profit is appropriate in 2021.

Lloyd's Tax Department will be discussing with the LMA life and tax committees how the required tax-related information should be collected. It is likely that we will require annual

statements which show the profits earned from New Zealand life business. If you have any questions regarding this new legislation, please contact Lloyd's Tax Department – contact details below.

Anti-Money Laundering ('AML') requirements applicable to New Zealand life business

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 ("the AML Act") sets out the requirements for AML compliance in respect of life business.

The AML Act applies to "reporting entities", a definition which includes Lloyd's managing agents.

However, Regulation 12 of the Anti-Money Laundering and Countering Financing of Terrorism (Exemptions) Regulations 2011 exempts **pure risk based policies** from the anti-money laundering requirements contained in the AML Act. On the other hand **annuities and life policies with investment components** do not fall within the exemption and managing agents will need to comply with the anti-money laundering requirements if they wish to write this business.

Where managing agents or their coverholders are writing annuities or life policies with investment components in New Zealand, they must ensure they and their coverholders have in place processes to ensure compliance with the customer due diligence and reporting requirements. In this instance they should refer to the below summary of the different customer types and corresponding customer due diligence requirements.

The Reserve Bank of New Zealand is the AML Supervisor in respect of life insurers. It publishes [guidance and requirements](#) in respect of life insurers writing life policies with investment components.

These include requirements as to:

- Annual reporting;
- Codes of Practice; and
- Insurance Business Coverage guideline.

Customer Due Diligence

Reporting entities must conduct customer due diligence ('CDD') on:

- A customer
- Any beneficial owner of a customer
- Any person acting on behalf of a customer

CDD will usually be required upon establishing a business relationship with the customer, and when the customer seeks to conduct an 'occasional transaction'. Additionally, CDD may be required in relation to an existing customer where there has been a material change in the nature or purpose of the business relationship or where the reporting entity becomes aware that an existing account is anonymous.

The nature and extent of the CDD required will depend on the type of customer, and will either be standard, simplified or enhanced CDD. A summary of the different customer types and the corresponding CDD requirements can be found on [Crystal](#).

The AML Act also requires that reporting entities take reasonable steps to verify the information obtained as part of the CDD process is correct, including verifying identity.

Politically Exposed Persons ('PEPs')

The AML Act requires that, as soon as practical after establishing a business relationship or conducting an occasional transaction (for example, when paying a claim or returning premium), a reporting entity must take reasonable steps to determine if a customer or any beneficial owner is a PEP.

Where a customer is a PEP, in addition to undertaking enhanced CDD, the reporting entity must have senior management approval for continuing the business relationship.

Prescribed Transactions

From 1 November 2017, reporting entities must report to the Commissioner of Police any "prescribed transaction" (being an international wire transfer of a value greater than NZD 1,000 and a domestic physical cash transaction of a value greater than NZD 10,000). A report must contain prescribed details as to the nature of the transaction, amount, currency, date, parties etc. and must be made not later than 10 working days after the transaction.

Suspicious Activity Reporting

The AML Act includes a requirement for reporting entities to report suspicious activities as soon as practicable, but no later than three working days after forming a suspicion. These reports must be made to the Commissioner of Police.

Record Keeping

The AML Act requires that reporting entities must keep records of all transactions for a period of at least five years after the completion of the transaction.

Further Information

If you require information regarding the regulatory requirements for underwriting or placing risks located in New Zealand, please contact:

Lloyd's International Trading Advice
Telephone: + 44 (0)20 7327 6677
Email: LITA@Lloyds.com
www.lloyds.com/crystal

If you require information on tax requirements for underwriting or placing risks located in New Zealand, please contact:

Laurence Peck
Senior Tax Manager
Telephone: +44 (0)207 327 5655
Email: laurence.peck@lloyds.com

If you require information regarding New Zealand, please contact:

Scott Galloway
Lloyd's General Representative in New Zealand
Telephone: +64 4 472 7582
Email: scott.galloway@hazelton.co.nz
www.lloyds.com