

**Media Release: Reserve Bank releases independent review of its supervision of CBL Insurance liquidation**

The Reserve Bank has today released the review that it commissioned of its supervision of CBL Insurance Limited (CBL). The review relates to the Bank as regulator and supervisor of licensed insurers, and the Bank accepts all findings and recommendations for itself and the insurance regulatory regime.

CBL Insurance Ltd was placed into interim liquidation by the High Court in February 2018 on the application of the Bank and following an extensive investigation. This action was taken given the Bank's concerns about imprudent management and breach of regulatory directions. The company was placed into full liquidation by the High Court in November 2018.

"The failure of CBL Insurance constitutes a significant regulatory event for New Zealand's financial sector," Deputy Governor Geoff Bascand says. "The circumstances surrounding its failure and how the Bank performed are a matter of interest for policyholders, the insurance industry, and the broader public.

"In recognition of this, the Reserve Bank commissioned an independent review by John Trowbridge and Mary Scholtens QC into the circumstances of CBL Insurance's failure. We did this to assess the Bank's actions, with a particular focus on our own supervision of CBL and the effectiveness of the broader regulatory framework.

"The Reserve Bank's objectives following the review are to implement any necessary improvements to our regulatory processes."

The review's key recommendations are that the Bank:

- Act decisively, making full use of the powers available to it when in doubt about a company's financial soundness;
- Strengthen the governance obligations of insurers through greater scrutiny and accountability of boards, management and appointed actuaries;
- Increase resources to the supervisory team and the policy team to a level consistent with the Bank's goals, priorities and risk appetite;
- Modify the Solvency Standard and, if necessary, seek to modify the Insurance (Prudential Supervision) Act 2010 to strengthen the capital management and solvency framework for licensed insurers.

The Government's 'in-principle' decisions to modernise the Reserve Bank through Phase 2 of the review of the Reserve Bank Act are reinforcing expectations for the Reserve Bank to strengthen its financial stability role and supporting investment in its capability to deliver effective regulation and supervision, Mr Bascand says.

“The Reserve Bank’s approach to prudential regulation and supervision is being updated to promote financial stability for future generations.

“We are reviewing key regulatory requirements to boost the resilience of our banking and insurance sectors, and we are intensifying our supervision of financial institutions. In short, we are recalibrating the rules and our enforcement of them.”

In thanking the reviewers, Mr Bascand says: “We wanted an independent and expert perspective to examine our supervision and advise on how best to strengthen the regulatory and supervisory framework and the Bank’s performance. We are encouraged that our licensing decision and process were found to be sound, and that our actions leading to CBL being placed into liquidation were assessed to be appropriate. We acknowledge the review’s finding that our supervision was overly-lenient towards CBL and should have addressed concerns about its reserving and management more urgently.

“We accept all findings and recommendations for ourselves and the insurance regulatory regime. The recommendations will serve to strengthen the overall regime and longer term, contribute to more effective prudential supervision by the Bank.”

Notes to editors:

- CBL Insurance Ltd was the primary operating subsidiary of CBL Corporation Ltd, a NZX-listed company. CBL Corporation is now in liquidation. At the time of its suspension from the NZX, CBL Corporation had a market capitalisation of circa \$750m.
- The Reserve Bank regulates and supervises banks, insurers and NBDTs, oversees payment and settlement systems, and monitors and liaises with financial markets to manage liquidity in the banking system. The Reserve Bank works with other agencies that have responsibility for the financial system on issues of mutual interest.

The review is available from 1pm at: <https://www.rbnz.govt.nz/regulation-and-supervision/insurers/regulation/cbl-insurance-limited-in-liquidation>

To request an embargoed copy, please email: [serene.ambler@rbnz.govt.nz](mailto:serene.ambler@rbnz.govt.nz)