

Fit and Proper Policy

Background, purpose and scope

The Insurance (Prudential Supervision) Act 2010 (**Act**) requires all licensed insurers to be subject to an appropriate fit and proper policy for all Directors and certain Relevant Officers. The Board and Relevant Officers have primary responsibility under the Act for ensuring an insurer is suitably managed and directed.

Accordingly, it is of paramount importance that the Directors and Relevant Officers of Southern Cross Medical Care Society (**SCMCS**) have integrity and are suitable, as these individuals can have significant and direct impact on the safety, soundness and reputation of SCMCS.

The purpose of this fit and proper policy (**Policy**) is to ensure that existing and new Directors and Relevant Officers of SCMCS are fit and proper, and are appropriate for the position to which they may be appointed, as well as ensuring those persons continue to be fit and proper to hold their position.

Assessment under this Policy of existing and new appointments to the position of SCMCS Director will be one of the criteria used for establishing eligibility to stand for election under Rule 7.8(a) and/or grounds for disqualification under Rule 7.1(d) of the Rules of the Society.

This Policy:

1. will be used by SCMCS to assess existing and new appointments to the position of Director and Relevant Officers of the SCMCS (**Applicant(s)**);
2. forms part of SCMCS' Risk Management Programme; and
3. commences on the Commencement Date.

In this Policy "appointment" includes:

- initial appointment, re-appointment, or continuation in office as a Director or Relevant Officer, and/or
- appointment as a Director by election,

as the context requires.

The meaning of defined terms used in this Policy are provided in Appendix C.

Fit and proper criteria

To be considered for appointment as a Director or Relevant Officer an Applicant must be able to:

1. meet the requirements of the Standard issued under the Act;
2. complete a relevant Certificate; and
3. satisfy the Board they are fit and proper for their position in accordance with this Policy, including having the necessary skills, experience, qualifications and knowledge appropriate to their position in accordance with Schedule One.

The Board should consider and take into account the Standard and in doing so give consideration to the following:

1. any criminal or civil wrongdoing of the person, especially where this involves fraud or theft;
2. the Applicant's overall career (when assessing their skills, qualifications and experience);
3. (when considering any involvement in an entity that has had financial or managerial trouble) the role if any played by the Applicant;
4. history which involves being prohibited from being a director, promoter or from having a managerial role in an entity (including any overseas);
5. the conduct that occurred and the penalty imposed in any professional or occupational discipline to which the Applicant may have been subject (including findings that have not been made public);
6. the current and possible future composition of the Board and or Relevant Officers;
7. collectively, the Board and or Relevant Officers should have a range of skills, qualifications and experience to run SCMCS and its operations effectively and efficiently and, for example, avoid over concentration of particular skills;
8. that the skills and experience required by each Director and Relevant Officer may depend upon that person's role and the skill and experience of other Directors or Relevant Officers; and
9. in the case of the appointed actuary:
 - any undue influence on that actuary's independent professional judgment; and
 - the appointed actuary must also have sufficient skills and background in order to ensure they are appropriate for that position.

Assessing new appointments (and re-appointments)

An Applicant must be assessed under this Policy prior to their appointment. To this end:

1. SCMCS' Board Secretary will provide an Applicant with a copy of this Policy, the Certificate and details of any specific requirements of the position (in addition to those set out in Schedule One);
2. the relevant Certificate, Director Nomination Form (if appropriate) and any required consents must be completed by the Applicant and returned, with any other evidence the Applicant wishes to be considered, to the Nominations Committee before assessment can commence;
3. it is the Applicant's responsibility to ensure he/she has returned a properly executed Certificate and a completed Director Nomination Form (if appropriate), to the Nominations Committee on request:
 - in the case of an Applicant seeking election as a Director (at an AGM or SGM) by the date the nomination is required to be lodged under the Rules;
 - in any other case, prior to the deadline specified (if any) in the application process for that position;
4. where an Applicant is a Director or Relevant Officer with another licensed insurer they should also provide details of their current certification with that insurer;
5. following receipt of an Applicant's properly executed Certificate and completed Director Nomination Form (if appropriate), the Nominations Committee may then commence the assessment;
6. the Nominations Committee may request any further information and documentation for an assessment. This may include, for example, information to investigate and check referees, police and credit checks and making other enquiries;
7. failure to provide to the Nominations Committee any information they consider relevant to their assessment may result in the Committee being unable to complete their assessment and/or the Committee being unable to make a recommendation to the Board regarding whether the Applicant meets the fit and proper criteria and requirements;
8. the Nominations Committee will apply the Standard and this Policy to assess whether, in their opinion, the Applicant meets the requirements and criteria under this Policy. Once its assessment is completed, the Nominations Committee will provide its opinion/recommendation to the Board for its determination;
9. the Board shall then, having considered the matter including the opinion/recommendation and this Policy, determine whether the Applicant meets the fit and proper criteria and requirements under this Policy and will delegate two directors to complete the relevant Certificate if the Applicant is determined by the Board as meeting the fit and proper criteria;

10. if either
- a. the Nominations Committee receive insufficient information to make a recommendation to the Board, and the Board is unable to make a determination as to whether the Applicant meets the fit and proper criteria and requirements in accordance with this Policy, or alternatively
 - b. the Board determines that an Applicant does not meet the fit and proper criteria and requirements under this Policy,

then the Board will not complete the relevant Certificate and the Applicant will not be eligible for appointment to the relevant position;

11. where an Applicant is determined by the Board as meeting the fit and proper criteria and requirements of this Policy and the Applicant is appointed to that position, the Board will provide the relevant Certificate to the Reserve Bank of New Zealand (**Reserve Bank**), either:
- a. prior to the grant of a Licence, as soon as reasonably practicable without delay; or
 - b. following the grant of a Licence, within 20 working days of such appointment.

Additional guidance on assessing new appointments (and re-appointments)-

- *A Director's appointment (whether by election or direct appointment) is also made pursuant and subject to the Friendly Societies and Credit Unions Act 1982, SCMCS' Rules (and any other relevant provisions of the Board Charter and the Nomination Committee Charter).*
- *A director's re-appointment (whether by election or direct appointment) does not require re-assessment under this Policy prior to re-appointment if the Director or Relevant Officer has been assessed under this Policy within the last three years. If required the relevant Certificate should still be provided to the Reserve Bank in accordance with step 11 above.*
- *A new Relevant Officer's appointment will also take into account SCMCS' Recruitment and Selection policy and any requirements of the relevant Remuneration Policy and Remuneration Committee.*

Assessing existing appointments

All existing Directors and Relevant Officers will be required to complete and provide to the Nominations Committee:

1. on or before the Commencement Date, the relevant Certificate for their position; and
2. thereafter, the relevant Certificate (for reassessment) for their position at least once every 3 years following the Commencement Date.

SCMCS will then complete each such assessment and reassessment on the basis of steps 5-9 above

Additional guidance on assessing existing appointments -

The Board is required to provide the Reserve Bank with confirmation in respect of existing appointments at the time of licensing, but is not automatically required to do so on subsequent reassessments of existing appointments. (However, the Reserve Bank may still request them and if so SCMCS must comply with such requests).

Collection and use of information

Applicants are deemed to consent to the collection and use of any personal information relating to them by SCMCS and the Reserve Bank for the purpose of assessment under this Policy and/or compliance with the Act.

SCMCS will take all reasonable steps to ensure that all information collected, stored, used and disclosed in relation to this Policy and any Applicant will be collected, stored, used and disclosed in compliance with the requirements of the Privacy Act 1993.

The Board is required to determine whether an Applicant is fit and proper for employment or appointment to office in accordance with this Policy.

To the extent permitted by the Privacy Act 1993, they do so on the basis that any information, documents or other materials (**Material**) collected, created, or compiled by the Board, the Nomination Committee and/or any other person authorised by either of them for the purpose of evaluating and determining whether an Applicant is fit and proper under this Policy will be kept confidential.

Accordingly, such Material constitutes evaluative material for the purposes of the Privacy Act 1993 and will not be accessible by the Applicant.

Information collected and or used in relation to this Policy will be retained for at least 7 years in a manner consistent with SCMCS' Legal Compliance Policy.

Non-compliance matters

Where the Board determines that an Applicant does not meet the requirements and criteria of this Policy, SCMCS will take steps to ensure that the Applicant is not appointed to, or does not continue to hold, a Director or Relevant Officer position (as the case may be).

Where a person has reasonable grounds for believing an Applicant (or an existing Director or Relevant Officer) does not meet the Policy or there has been a default by SCMCS under this Policy that person may notify SCMCS. SCMCS will:

1. as soon as reasonably practicable refer the matter to the Nominations Committee; and
2. take reasonable steps to ensure that a person making such disclosures in good faith is not subject to, or threatened with, any detriment (in a manner consistent with SCMCS' Protected Disclosures Policy).

The Nominations Committee:

1. will as soon as reasonably practicable consider the matter and determine whether further information, investigation and or resolution is necessary;
2. may where necessary escalate or notify such matters to the Reserve Bank;
3. will provide any Applicant or person with a reasonable opportunity to respond to any claim or evidence that relates to them;
4. may, to comply with this Policy (or the Act), take steps to remove Directors or Relevant Officers from their position.

Additional guidance on non-compliance matters -

Notwithstanding this Policy, the Reserve Bank also has power under the Act to remove Directors or Relevant Officers

Any non-compliance will be dealt with consistent with the Friendly Societies and Credit Unions Act 1982, the Rules (and any other relevant provisions of the Board Charter and the Nomination Committee Charter).

Responsibility for monitoring and changes

The SCMCS' Board Secretary is responsible for day to day monitoring to ensure the Policy is up to date and complies with the Act and (having first taken advice from Legal Department) will advise the Board of any recommended or required changes to the Policy and the reasons for any changes.

Under the Act the Society is responsible for ensuring it has an appropriate Policy. As the body responsible for administering this Policy under the Act, the Board must approve any changes to the Policy.

Any material changes to this Policy must be submitted to and have the approval of the Reserve Bank before being enacted.

SCHEDULE ONE

Qualifications, Requirements and Other Criteria

DIRECTORS	
Southern Cross Medical Care Society	<p><u>Required</u></p> <ul style="list-style-type: none"> • Governance experience – relevant recent or current governance experience with comparable and substantial commercial organisation(s). • Financially literate – able to satisfy themselves that financial information is accurate and that controls and systems of risk management are robust and defensible. • Legally eligible - meets threshold legal requirements, e.g. under the Friendly Societies and Credit Unions Act, the Rules of the Society, and the Insurance (Prudential Supervision) Act. • General competencies – <p>An effective board member should possess, in significant measure, the following personal abilities, skills motivations and values¹:</p> <ul style="list-style-type: none"> ○ Informed business judgment – The ability and intelligence to make sensible, astute, business decisions and recommendations based on reasonable assumptions and factual information, including the ability to deal with uncertainty, risk, incomplete information and complexity, both in the present and reaching out several years. ○ Perspective or Vision – The ability to see the wider picture and future opportunities and risks, and the possible implications and impact of these. ○ Integrity – High ethical standards and integrity in all personal and business dealings. ○ Common sense – Sound practical sense in everyday matters. ○ Personal skills and traits – A capable communicator and a personal style which does not detract from a board culture of capability, candour, trust and professionalism.

¹ Source: Principles of Best Practice Governance for New Zealand Directors, The Four Pillars of Effective Board Governance, Institute of Directors in New Zealand (Inc) 2010, page 39

	<p><u>Desirable</u></p> <ul style="list-style-type: none"> • Knowledge of a relevant commercial sector (e.g. insurance, financial services or healthcare). • Knowledge and/or experience of mutual/not for profit governance, demonstrating an appreciation of diverse stakeholder relationships and interests. • Sound understanding of corporate governance principles, preferably including qualifications/training eg. Institute of Directors. <p>Together with any further attributes, skills, qualifications and experience identified as required or desirable by the Board from time to time.</p>
RELEVANT OFFICERS	
<p>Chief Executive Officer – Southern Cross Medical Care Society</p>	<p><u>Formal education & training</u></p> <ul style="list-style-type: none"> • Relevant tertiary qualification in business, finance governance or health • Advanced study in business or finance desirable <p><u>Experience required</u></p> <ul style="list-style-type: none"> • Strong track record of success at CEO level in a large organisation • Experience in the commercial healthcare/medical insurance sectors and exposure to the financial services industry is highly desirable • Experience at a CEO level working with Boards of Directors • Knowledge and relationships with overseas health systems • A grasp of healthcare regulatory issues, preferably with some knowledge of the New Zealand context • Proven ability to manage, motivate and develop a team with high-level professional qualifications • A strategic mind together with the ability to implement ideas successfully • A background that displays honesty and integrity, including credible personal presence, maturity of judgement, and the ability to communicate confidently in a public forum • Financially astute and possessing analytical skills with a strong focus on results

<p>Chief Executive – Southern Cross Health Society (Health Insurance)</p>	<p><u>Education, knowledge and experience required</u></p> <ul style="list-style-type: none"> • Relevant tertiary qualification in business, finance or health • Advanced study in business or finance desirable <p><u>Experience required</u></p> <ul style="list-style-type: none"> • Strong track record of success at General Management level in a medium to large organisation • It is expected the appointee will have operated at General Management level managing the full range of business functions (Finance, Marketing, Operations, Human Resources, Information Technology) in a medium to large business • Experience in the commercial health insurance and/ or healthcare sectors • Exposure to the financial services industry • Experience in developing and implementing integrated strategic initiatives • Proven experience formulating and reviewing business plans and budgets • A grasp of healthcare regulatory issues, preferably with some knowledge of the New Zealand context • Ability to manage a profit centre and deliver on budget results both financial and non-financial e.g. growth in membership, customer satisfaction • Proven ability to manage, motivate and develop a senior management team • Proven ability of forge relationships with key stakeholders, including health professionals • A background that displays honesty and integrity, including credible personal presence, maturity of judgment, and the ability to communicate confidently in a public forum • Financially astute and possessing analytical skills with a strong focus on results
<p>Financial Controller</p>	<p><u>Education, Knowledge, Experience and Skills Requirement</u></p> <ul style="list-style-type: none"> • Tertiary qualification and relevant professional qualifications (chartered accountant) • At least 5 years experience at a Financial Controller level in a medium-sized organisation

	<ul style="list-style-type: none"> • At least 5 years experience in a large organisation <p><u>Experience Required:</u></p> <ul style="list-style-type: none"> • Influencing and advising senior executives as part of a senior management team • Commercial decision making • Experience in financial and management reporting • Audit experience (financial and internal) beneficial • Experience in developing policies and managing ongoing application • Experience in leading and developing a team (more than five staff) • Experience in working in the Insurance sector
<p>Appointed Actuary</p>	<p><u>Education, Knowledge, Experience and Skills Requirement</u></p> <p><u>Essential:</u></p> <ul style="list-style-type: none"> • Fellow of the New Zealand Society of Actuaries plus one of FIAA/FIA/FSA • At least 3 years post qualification experience <p><u>Desirable:</u></p> <ul style="list-style-type: none"> • Completion of the Australian IA Aust Health Insurance course • Australian GI specialist exam <p><u>Experience:</u></p> <ul style="list-style-type: none"> • Experience in either health, life or general insurance • Previous experience as actuary with high level actuarial or executive management accountability • Previous experience with initiating development of insurance control, actuarial and other systems • Previous "Head of Department" experience including personal management, preferably multi-disciplinary teams • 7 years in health, life or general insurance including exposure to pricing, board/shareholder management, solvency management • Broad exposure to underwriting, operations, claims, compliance and systems <p>Preferably worked in more than one industry or country (as will need to adapt skills and experience to a very new environment an will have needed past practice to do this successfully for the responsibility of this position)</p>

APPENDIX A

**Reserve Bank
Fit and Proper Standard and Guideline**



**Fit and proper standard
Licensed insurers**

Insurance Policy

Prudential Supervision Department

June 2011

Ref #4434500

Owner: SCMCS Board
Last updated: September 2011
Adopted: 1 October 2011

I. Introduction and authority

1. The Insurance (Prudential Supervision) Act 2010 (the Act) requires licensed insurers to be subject to a fit and proper policy for directors and relevant officers (which includes appointed actuaries). The Act empowers the Reserve Bank of New Zealand (the Reserve Bank) to issue fit and proper standards for this purpose.
2. This standard is made in accordance with sections 34 - 36 of the Act and sets out the requirements for a fit and proper policy. The standard applies to all licensed insurers, and the requirement for a licensed insurer to comply with this standard is continuous.
3. Below are the factors that a licensed insurer must take into account when determining a person's fitness and propriety for a defined position. Each of these matters must be reviewed with respect to conduct both within and outside of New Zealand.

II. Requirements

1. For the purposes of section 36(1) of the Act the matters that are relevant to the consideration of whether a person is a fit and proper person to be appointed to, and continue to hold, a position as director or relevant officer of a licensed insurer are outlined below:
 - (i) whether the person has the qualifications and experience reasonably expected for the position;
 - (ii) whether the person has been concerned with or taken part in the management of a person that has—
 - (a) been put into liquidation, receivership, voluntary administration, or another insolvency procedure or has otherwise been wound up or dissolved on the basis that it could not pay its debts when due; or
 - (b) been declared to be subject to statutory management or judicial management; or
 - (c) been subject to an arrangement or process under the laws of an overseas jurisdiction that corresponds, or is similar, to any of those specified in subparagraph (a) or (b); or
 - (d) entered into any procedure or arrangement with its creditors on the basis that it is unable to pay its debts when due, for example a moratorium arrangement;
 - (iii) whether the person has, in any civil or criminal proceedings, been found by a court or tribunal to have—
 - (a) engaged in an act, omission, or course of conduct that constitutes serious wrongdoing; or
 - (b) aided, abetted, counselled, or procured any other person to engage in an act, omission, or course of conduct that constitutes serious wrongdoing;
 - (iv) whether the person has at any time been adjudged bankrupt or otherwise entered into a procedure provided for under Part 5 of the Insolvency Act 2006 and, if the person has been discharged from bankruptcy or any other procedure provided for under that Part, the time that has elapsed since the person was discharged;

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- (v) whether the person—
 - (a) is the subject of current disciplinary action in respect of a profession or occupation (being disciplinary action taken by a regulatory or disciplinary body for persons engaging in that profession or occupation); or
 - (b) has been the subject of disciplinary action of that kind that has involved a finding of guilt, however expressed;
- (vi) whether the person has at any time been prohibited from 1 or more of the following under an order made, or a notice given, under New Zealand law or the law of an overseas jurisdiction:
 - (a) being a director of an entity; or
 - (b) being a promoter of an entity; or
 - (c) being concerned or taking part in the management of an entity;
- (vii) whether the person has at any time—
 - (a) failed to comply with the directions of the Reserve Bank given by or under this Act or any other enactment; or
 - (b) failed to comply with the directions of an overseas supervisor given by or under the law of an overseas jurisdiction; or
 - (c) obstructed or hindered the Reserve Bank in its exercise or performance of a power, function, or duty under this Act or any other enactment; or
 - (d) obstructed or hindered an overseas supervisor in its exercise or performance of a power, function, or duty under the law of an overseas jurisdiction;
- (viii) whether the person has any conflict or potential conflict of interest (direct or indirect) that affects, or may affect, the person's proper performance of the duties of the position;
- (ix) whether the person has been convicted of an offence and, if so,—
 - (a) the nature of the offence; and
 - (b) the circumstances in which the offence was committed (including the time that has elapsed since the offence was committed and the person's age when the offence was committed).

III. Application

The matters listed above apply whether the circumstance, conduct, or event is, or occurs, in New Zealand or any other country.

Ref #4434500



Website

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Prudential Supervision – Insurance Policy
PO Box 2498
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Owner: SCMCS Board
Last updated: September 2011
Adopted: 1 October 2011



Fit and proper policy

Guidelines Licensed insurers

Insurance Policy
Prudential Supervision Department

June 2011

Purpose of this guideline

- 1 This document sets out the Reserve Bank of New Zealand's (the Reserve Bank) guidelines in relation to the approval of a licensed insurer's fit and proper policy. These guidelines relate to the process a licensed insurer must undertake when determining fitness and propriety of its directors and relevant officers (including its appointed actuary), as well as the matters an insurer is required to take into account when determining its fit and proper policy requirements under the [Fit and Proper Standard](#) (the Standard) promulgated in accordance with [Part 2](#) of the [Insurance \(Prudential Supervision\) Act 2010](#) (Act). (All section references in this guideline are to the Standard or Act unless otherwise specified).
- 2 Every licensed insurer is required to have a fit and proper policy in relation to determining the appropriateness of its directors and relevant officers. The fit and proper policy forms part of the insurer's [risk management programme](#) which is a licensing requirement for each insurer wanting to carry on business in New Zealand. The guidelines for that programme can also be found on the [Reserve Bank's website](#).
- 3 The board of directors and relevant officers hold the primary responsibility for ensuring that an insurer is suitably managed and directed. Accordingly, it is of paramount importance to the Reserve Bank that members of the board of directors and relevant officers of an insurer have integrity and are suitable as these individuals can have significant and direct impact on the safety, soundness and reputation of the insurer.
- 4 The licensed insurer is required to have regard to fit and proper matters when considering whether a person is appropriate for the position to which they have been appointed, as well as ensuring the person continues to be fit and proper for that position. The Reserve Bank has the power to remove persons it considers are not fit and proper to hold the position to which they have been appointed.
- 5 The Act requires an insurer to document its process for undertaking the determination of a person's fitness and propriety, including matters that are required to be taken into account when making this determination.
- 6 [Section 35](#) allows for a group fit and proper policy to be adopted where a licensed insurer is a member of a group of insurers. However, the Reserve Bank may require more information in respect of an insurance group's fit and proper policy to ensure it is appropriate from a New Zealand perspective and specific to the New Zealand entity.
- 7 The Standard sets mandatory and minimum requirements to which all licensed insurers must comply. Licensed insurers may extend beyond these requirements if they wish.
- 8 This guideline applies to all licensed insurers and relates solely to the requirements under the Act and Standard. This guideline does not cover requirements of other legislation that may also be of relevance to a licensed insurer.
- 9 Nothing in this guideline overrides the provisions of the Act or the Standard, nor does it affect other legislated requirements that apply to licensed insurers.

Criteria used in determining whether the responsible person is fit and proper

- 10 [Section 34](#) requires a licensed insurer to have a fit and proper policy which will apply to its directors and relevant officers. The definitions of 'director' and 'relevant officer' can be found in [section 6](#).
- 11 [Section 36](#) empowers the Reserve Bank to issue fit and proper standards for the purposes of [section 34\(3\)](#) of the Act.
- 12 The skills and experience required by each director and relevant officer depend upon that person's role. There may also be dependencies upon the skill set of other directors or relevant officers of the licensed insurer.

- 13 The Act requires that the fit and proper policy of the insurer must set out what is required in assessing fitness and propriety. The policy must be provided with the application for licence and cannot be amended in any material way without the approval of the Reserve Bank.
- 14 A licensed insurer should take action where an individual is found to be unsuitable for a position to which they have been appointed, or for which they are the incumbent.
- 15 The fit and proper policy is expected to:
- (a) include the process for assessing the fitness and propriety of a person; and
 - (b) specify the actions to be taken where a person is assessed as not being fit and proper; and
 - (c) require fit and proper reassessments of all directors and relevant officers at least every 3 years; and
 - (d) contain adequate provisions –
 - (i) to encourage disclosure of information to the insurer or the Reserve Bank that may be relevant to a fit and proper assessment; and
 - (ii) for giving or obtaining any consents required for the collection and use of any information by the insurer to comply with the policy or this Act and by the Reserve Bank for its powers and functions under this Act.
- 16 An insurer is expected to clearly document its fit and proper policy so as to ensure all decisions made on the fitness and propriety of an individual are made in a consistent manner.
- 17 It should be noted that an adverse finding in one area may not necessarily render a person unfit or improper to hold the position. In some cases the surrounding circumstances may be taken into account.

Matters to be taken into account

- 18 The Standard sets out the matters which must be taken into account when considering a person's fitness and propriety for a role. These matters are listed below and include consideration of matters arising from overseas jurisdictions:
- (a) the person's qualifications and experience;
 - (b) any involvement the person has had with companies in financial or managerial trouble;
 - (c) any criminal or civil wrongdoing of the person;
 - (d) whether the person has at any time been adjudged bankrupt or otherwise entered into a procedure provided for under Part 5 of the Insolvency Act 2006;
 - (e) any professional or occupational disciplinary action taken against the person;
 - (f) whether the person has been prohibited from being a director, promoter or taking part in the management of an entity;
 - (g) whether the person has at any time failed to comply with directions given by the Reserve Bank or an overseas supervisor;
 - (h) any conflicts of interest;
 - (i) any convictions.

Criteria for determining fitness and propriety

- 19 Consideration must be given to each of these factors, along with the circumstances surrounding them, including time elapsed since their involvement:
- (a) Any criminal or civil wrongdoing of the person, especially where this involves fraudulent activity.
 - (b) A person's qualifications and experience. The career of the person must be considered in making this determination.

- (c) The composition of the Board and / or other relevant officers must be taken into account when making the appointment. Directors are required to have a broad set of skills, but these can be dependent on other members of the board.
 - (d) Any involvement in a company that has had financial or managerial trouble. The role played by the person must be considered.
 - (e) A history which involves being prohibited from being a director, promoter or from having a managerial role in an entity.
 - (f) Any professional or occupational discipline to which the person may have been subject to will also be of relevance. Consideration must be given to the conduct that occurred and the penalty imposed.
- 20 In some cases disciplinary action may be taken against a person and a finding of fault may occur, however that finding may not be made public. In this case, the director or relevant officer is expected to disclose this information to the licensed insurer when the appointment is being considered.
- 21 A licensed insurer cannot rely on the fact that the person was not forthcoming with any information requests placed upon them where that information is otherwise accessible to the licensed insurer through reasonable enquiry.

Appointed actuary

- 22 A licensed insurer's appointed actuary is included in the definition of relevant officer and is therefore also subject to the insurer's fit and proper policy. The actuary must also be a Fellow of the New Zealand Society of Actuaries Incorporated (or the holder of an equivalent qualification approved by the Reserve Bank by notice to an insurer).

- 23 Given the appointed actuary's position, the licensed insurer should consider whether there is a risk that the appointed actuary's independent professional judgment may be unduly influenced. The appointed actuary must also have sufficient skills and background in order to ensure they are appropriate for the position.

Fit and proper certificate must be provided to the Reserve Bank

- 24 [Section 37](#) requires that a licensed insurer provide a copy of its fit and proper certificate in relation to the appointment of a new director or relevant officer.
- 25 The Reserve Bank will issue a template form for the fit and proper certificate as required by [section 37](#) of the Act. This form must be provided to the Reserve Bank no more than 20 working days after the relevant person's appointment.

Reserve Bank's power of exemption

- 26 [Section 38](#) allows the Reserve Bank to exempt overseas insurers from compliance with the requirement to provide certification for directors as to their fitness and propriety for the position to which they are appointed.
- 27 For the Reserve Bank to allow this exemption it must be satisfied that the home jurisdiction's law or regulatory requirements meet a standard that is appropriate for the New Zealand context.
- 28 [Section 237\(1\)\(d\)](#) allows for regulations to be made to prescribe countries, states, or territories as jurisdictions where the Reserve Bank can exempt a licensed insurer from providing a certificate of fitness and propriety for a new director.
- 29 Under [clause 5](#) of the [Insurance \(Prudential Supervision\) Regulations 2010](#) (the regulations) these jurisdictions are currently Australia and the United Kingdom. Other jurisdictions may be added upon application made by a licensed insurer and appropriate evidence of the matters referred to above in paragraph 32.

- 30 For further information on the exemptions that apply to relevant overseas jurisdictions please refer to [sections 19\(4\), 38\(3\), and 119\(3\)](#) of the Act, or to the relevant guidelines which will be issued in due course.
- 31 While the overseas jurisdiction that has been approved under [clause 5](#) will form the basis for the consideration, it is noted that this exemption applies on an individual basis and each insurer's specific fit and proper policy will be considered.

Powers of removal and appeal

- 32 [Sections 39 – 43](#) empower the Reserve Bank to remove directors and relevant officers it considers not to be fit and proper for the purposes of the Act. The Act allows for this decision to be appealed. For further information on the powers of removal and appeal please refer to the relevant sections of the Act.



Website
<http://brnz.govt.nz/fretab/insurance/>

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Reserve Bank of New Zealand
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APPENDIX B

SAMPLE ONLY



Fit and Proper Certificate

Required and provided under section s37 of the
Insurance (Prudential Supervision) Act 2010 (the Act)

Southern Cross Medical Care Society
(licensed insurer)

Section A *[to be completed by the candidate nominee]*

Full name: _____

Previous names (if any): _____

Residential address: _____

Date of birth: _____

Certification from candidate nominee as to accordance with fit and proper policy

I, *[full name]* _____ certify that in my opinion I am, in accordance with Southern Cross Medical Care Society's fit and proper policy, a fit and proper person to hold the position of Director.

Signed: _____ Date: _____

Section B *[to be completed by the Society]*

Certification from all Directors that this person is fit and proper

In the opinion of the Directors of Southern Cross Medical Care Society after due enquiry by us, the above named person is, in accordance with our fit and proper policy, a fit and proper person to hold the position of Director.

Date of appointment: _____

Summary of information

Our opinion that the person satisfies the licensed insurer's fit and proper policy is based upon the following summary of information:

[List information]

Signed: _____

Director Date

Director

Date

APPENDIX C

Definitions

Board - means the committee of management of the SCMCS, otherwise known as the Board;

Certificate – means:

- (a) prior to the grant of a Licence, the certificate required pursuant to s18 of the Act (and in accordance with any guidelines which may be issued from time to time by the Reserve Bank); or
- (b) following the grant of a Licence, the certificate required by s37 of the Act, a sample of which is set out in Appendix B, (and in accordance with any guidelines which may be issued from time to time by the Reserve Bank). .

Commencement Date means 1 October 2011;

Director – means a person occupying the position of director or trustee of the Board (or by whatever name those positions are called);

Director Nomination Form – means the Nomination of Director Candidate form provided by the SCMCS (as maybe amended from time to time);

Relevant Officer – means the chief executive officer, chief executive, chief financial officer (or by whatever name those positions are called) and the appointed actuary of SCMCS.

Rules – means the Rules or constitution of SCMCS (as may be amended from time to time);

SCMCS - means the Southern Cross Medical Care Society and any successor.

Standard - means the fit and proper standard and guidelines issued by the Reserve Bank of New Zealand under the Act from time to time, initially the standard is set out in Appendix A;