

## Fit and Proper Policy

### Background, purpose and scope

The Insurance (Prudential Supervision) Act 2010 (**Act**) requires all licensed insurers to have a fit and proper policy in relation to determining the appropriateness of its 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 (**Society**) have integrity and are suitable, as these individuals can have significant and direct impact on the safety, soundness and reputation of the Society.

The purpose of this fit and proper policy (**Policy**) is to ensure that existing and new Directors and Relevant Officers of the Society are: fit and proper; appropriate for the position to which they may be appointed; and continue to be fit and proper while they hold their position.

Assessment under this Policy of existing and new appointments to the position of Society Director will be one of the criteria used for establishing eligibility to stand for election and/or grounds for disqualification under Rule 7 of the Rules of the Society.

This Policy:

- Was initially adopted on 2 August 2011. This version was adopted on 30 August 2016;
- Will be used by the Society to assess existing and new appointments to Director and Relevant Officer roles in the Society; and
- Forms part of the Society's Risk Management Programme.

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 requirements and criteria

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

1. Meet the requirements of the Standard;
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 and qualifications appropriate to their position in accordance with Schedule One.

The Board must take into account the requirements of the Standard and in doing so give consideration to the following criteria (as set out in Reserve Bank guidelines from time to time):

- (a) Any criminal or civil wrongdoing of the person, especially where this involves fraudulent activity.
- (b) A person's qualifications, experience and career.
- (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) Any professional or occupational discipline 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.
- (f) 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.
- (g) Whether the person has been prohibited from being a director, promoter or taking part in the management of an entity.
- (h) Whether the person has at any time failed to comply with a direction given by the Reserve Bank or an overseas supervisor.
- (i) Whether the person has any conflicts of interest, including whether the person has the available capacity to properly undertake their duties.
- (j) In the case of the appointed actuary:
  - The person must 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 the Society)

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

### **Assessing new appointments (and re-appointments)**

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

1. The Board Secretary will ensure an Applicant is provided with a copy of this Policy (incorporating the Fit and Proper Standard), the Certificate, details of any specific requirements and criteria for the position (in addition to those set out in Schedule One) and such forms as may be required to support the assessment process.
2. The Certificate, Director Nomination Form / Application Form (if appropriate), self-assessment form and any required consents must be completed by the Applicant and returned to the Nomination Committee Chairman or Board Secretary, along with any other evidence the Applicant wishes to be considered. The required information and evidence shall be provided to the Nomination 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 / Application Form (if appropriate):
  - in the case of an Applicant seeking election as a Director (at an AGM or SGM) by the date advised by the Nomination Committee or, in any case, no later than the date the nomination is required to be lodged under the Rules
  - in any other case, prior to the deadline (if any) specified in the application process for that position.
4. Where an Applicant is a Director or Relevant Officer with another licensed insurer the Applicant 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 / Application Form (if appropriate), the Nomination Committee may then commence the assessment.
6. The Nomination Committee may request 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 reasonable enquiries.
7. Failure to provide the Nomination Committee with information they consider relevant to the assessment may result in the Committee being unable to complete the assessment and/or the Committee being unable to make a recommendation to the Board regarding whether the Applicant meets the fit and proper requirements and criteria.

8. The Nomination Committee will apply the Standard and this Policy to assess whether, in its opinion, the Applicant meets the requirements and criteria under this Policy. Once its assessment is completed, the Nomination Committee will provide its opinion/recommendation to the Board for its determination.
9. The Board shall then consider the matter, including the Nomination Committee's opinion/recommendation, and determine whether the Applicant meets the fit and proper requirements and criteria under this Policy. The Board will delegate two Directors to complete the Certificate if the Applicant is determined by the Board as meeting the fit and proper requirements and criteria.
10. If either
  - a. the Nomination Committee receives 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 requirements and criteria in accordance with this PolicyOr
  - b. the Board determines that an Applicant does not meet the fit and proper requirements and criteria under this Policythen the Board will not complete the 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 requirements and criteria of this Policy, and the Applicant is appointed to the position, the Board will provide the properly completed Certificate, including a summary of information referenced in the Certificate, to the Reserve Bank 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, the Society's 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 has been assessed under this (or previous versions of this) Policy within the last three years. If required the 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 the Society's Recruitment & Selection Policy and any requirements of the relevant Remuneration Policy and Remuneration and Human Resources Committee Charter.*

### **Reassessing existing appointments**

All existing Directors and Relevant Officers will be required to complete and provide to the Board Secretary a Certificate to initiate reassessment by the Nomination Committee at least every three years. The Society will then complete such reassessment on the basis of steps 5-10 above.

*Additional guidance on assessing existing appointments -*

*Reassessment of existing Directors and Relevant Officers will be undertaken using the Policy in force at the relevant time. Amendment of this Policy will not, by itself, necessitate reassessment of existing Directors and Relevant Officers.*

*The Board is not automatically required to provide the Reserve Bank with confirmation in respect of reassessments of existing appointments. However, the Reserve Bank may still request them and if so the Society 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 the Society and the Reserve Bank for the purpose of assessment under this Policy and/or compliance with the Act.

The Society 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 meets the fit and proper requirements and criteria for employment or appointment to office in accordance with this Policy.

To the extent permitted by the Privacy Act 1993, any 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 meets the fit and proper requirements and criteria 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 the Society's Information Management Policy.

## **Fit and proper requirements and criteria not met**

Where the Board determines that an Applicant does not meet the requirements and criteria of this Policy, the Society will not appoint the Applicant to a Director or Relevant Officer position; nor will the Society allow an existing Director or Relevant Officer to remain in their role.

Where any person has reasonable grounds for believing an Applicant (or an existing Director or Relevant Officer) does not meet the requirements and criteria under this Policy, or that there has been a default by the Society in relation to this Policy, that person is encouraged to notify the Board Secretary. The Board Secretary 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 the case of employees by applying relevant provisions of Southern Cross's Code of Conduct; and in the case of members by applying relevant provisions of the Society's Rules (including Rules 5 and 16).

The Nomination Committee:

1. Will in good faith and as soon as reasonably practicable consider the matter and determine whether further information, investigation and or resolution is necessary.
2. Will ensure that third parties (and Society management) are only advised of such disclosures on a "need to know" basis.
3. May where necessary escalate or notify such matters to the Reserve Bank.
4. Will provide any Director, Relevant Officer or Applicant with a reasonable opportunity to respond to any claim or evidence that relates to them.
5. May, to comply with this Policy (or the Act), recommend 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 Society's 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 the Legal Department, will make recommendations to the Board (or relevant Board subcommittee) of any proposed 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 acted upon.

## Policy review history

Version	Adoption date
1	2 August 2011
2	1 October 2011
3	6 November 2014
4	30 August 2016

## SCHEDULE ONE

### Qualifications and Other Criteria

<b>DIRECTORS</b>	
<b>Required</b>	<ul style="list-style-type: none"> <li>• Governance experience – relevant recent or current governance experience with comparable and substantial commercial organisation(s).</li> <li>• Financially literate – able to satisfy themselves that financial information is accurate and that controls and systems of risk management are robust and defensible.</li> <li>• 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.</li> <li>• General competencies – An effective board member should possess, in significant measure, the following personal abilities, skills, motivations and values<sup>1</sup>:               <ul style="list-style-type: none"> <li>○ 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.</li> <li>○ Perspective or Vision – The ability to see the wider picture, future opportunities and risks, and the possible implications and impact of these.</li> <li>○ Integrity – High ethical standards and integrity in all personal and business dealings.</li> <li>○ Common sense – Sound practical sense in everyday matters.</li> <li>○ 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.</li> </ul> </li> </ul>
<b>Desirable</b>	<ul style="list-style-type: none"> <li>• Knowledge of a relevant commercial sector (e.g. insurance, financial services or healthcare)</li> <li>• Knowledge and/or experience of mutual/not for profit governance, demonstrating an appreciation of diverse</li> </ul>

<sup>1</sup> Source: The Four Pillars of Governance Best Practice for New Zealand Directors, Institute of Directors in New Zealand (Inc) 2012, page 49.

	<p>stakeholder relationships and interests</p> <ul style="list-style-type: none"> <li>• Sound understanding of corporate governance principles, preferably including qualifications/training eg. Institute of Directors.</li> </ul> <p>Together with any further attributes, skills, qualifications and experience identified as required or desirable by the Board from time to time.</p>
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<b>RELEVANT OFFICERS</b>	
<b>Roles defined</b>	<p>Relevant Officers of the Society include:</p> <ul style="list-style-type: none"> <li>• Chief executive officer – the person(s) occupying the position of chief executive officer by whatever name called</li> <li>• Chief financial officer – the person(s) occupying the position of chief financial officer by whatever name called</li> <li>• Appointed Actuary – the person(s) occupying this role as defined by the Act.</li> </ul>
<b>Eligibility</b>	<p>Each Relevant officer will:</p> <ul style="list-style-type: none"> <li>• Meet threshold legal requirements e.g. under the Friendly Societies and Credit Unions Act, the Rules of the Society and the Insurance (Prudential Supervision) Act.</li> </ul>
<b>Qualifications</b>	<p>Each Relevant Officer will be expected to have:</p> <ul style="list-style-type: none"> <li>• Relevant tertiary qualifications in business, finance, governance or health.</li> <li>• Relevant professional qualifications where applicable</li> <li>• Additional or specific qualifications as outlined in the role's position description.</li> </ul>
<b>Experience</b>	<p>Each Relevant Officer will be expected to have:</p> <ul style="list-style-type: none"> <li>• Experience and a strong track record of success in similar roles in comparable and substantial organisations</li> <li>• Additional or specific experience as outlined in the role's position description.</li> </ul> <p>In addition the CEO will be expected to have:</p> <ul style="list-style-type: none"> <li>• Experience in corporates and or industries with a strong customer centric / consumer focus. (This may include experience in the healthcare, financial services or other sectors).</li> </ul>

<p><b>Personal attributes</b></p>	<p>Each Relevant Officer will be expected to have:</p> <ul style="list-style-type: none"> <li>• Proven ability to manage, motivate and develop a team</li> <li>• A strategic mind together with the ability to implement ideas successfully</li> <li>• A background that displays honesty and integrity, including credible personal presence and maturity of judgement</li> <li>• Additional or specific personal attributes as outlined in the role's position description.</li> </ul> <p>In addition the CEO will be expected to have:</p> <ul style="list-style-type: none"> <li>• Financial literacy – ability to work with and make strategic and commercial assessments and decisions from financial information.</li> </ul>
<p><b>Appointed Actuary</b></p>	<p>Additional criteria for the Appointed Actuary role will include</p> <p>Qualifications (Essential):</p> <ul style="list-style-type: none"> <li>• Fellow of the New Zealand Society of Actuaries plus one of FIAA/FIA/FSA</li> <li>• At least 3 years post qualification experience</li> </ul> <p>Qualifications (Desirable):</p> <ul style="list-style-type: none"> <li>• Completion of the Australian IA Aust Health Insurance course</li> <li>• Australian GI specialist exam</li> </ul> <p>Experience (Guidelines):</p> <ul style="list-style-type: none"> <li>• Previous experience as actuary with high level actuarial or executive management accountability</li> <li>• Previous experience with initiating development of insurance control, actuarial and other systems</li> <li>• Previous "Head of Department" experience including personal management, preferably multi-disciplinary teams</li> <li>• 7 years in health, life or general insurance including exposure to pricing, board/shareholder management, solvency management</li> <li>• Broad exposure to underwriting, operations, claims, compliance and systems.</li> <li>• Experience in more than one industry or country, indicating the ability to successfully adapt skills and experience to a new and changing environment (as will be required in this important position).</li> </ul>

## APPENDIX A

### Reserve Bank Fit and Proper Standard



# Fit and proper standard

## Licensed insurers

Insurance Policy

Prudential Supervision Department

June 2011

Ref #4434500

## 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;

Ref #4434500

- (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**

<http://rbnz.govt.nz/finstab/insurance/>

**Email**

[insurance@rbnz.govt.nz](mailto:insurance@rbnz.govt.nz)

**Telephone**

+64 471 3591

**Mail**

Reserve Bank of New Zealand  
Prudential Supervision – Insurance Policy  
PO Box 2498  
WELLINGTON 6140

## APPENDIX B

# SAMPLE ONLY



### Fit and Proper Certificate

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

Name of licensed insurer: *Southern Cross Medical Care Society*

#### Section A (to be completed by the nominee)

Full name: \_\_\_\_\_

Previous name(s) (if any): \_\_\_\_\_

Residential address: \_\_\_\_\_

Date of birth: \_\_\_\_\_

#### Certification from 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 \_\_\_\_\_

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 \_\_\_\_\_

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

*Act* – means the Insurance (Prudential Supervision) Act 2010.

*Applicant* – means a person being assessed under this Policy for an existing or new appointment to a Director or Relevant Officer role in the Society.

*Board* - means the committee of management of the Society, otherwise known as the Board.

*Certificate* – means 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.

*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 Society (as may be amended from time to time).

*Material* - means any information, documents or other materials 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 meets the fit and proper requirements and criteria under this Policy.

*Policy* – means this Fit and Proper Policy.

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

*Reserve Bank* – means the Reserve Bank of New Zealand.

*Rules* – means the Rules or constitution of the Society (as may be amended from time to time).

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

*Standard* - means the fit and proper standard issued by the Reserve Bank under the Act from time to time. Initially the standard is set out in Appendix A.