ICNZ Insurance Council of New Zealand
Te Kāhui Inihua o Aotearoa

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26 October 2022

Financial Markets Team
Small Business, Commerce and Consumer Policy
Building Resources and Markets
Ministry of Business, Innovation and Employment
Wellington

By email: FinancialConduct@mbie.govt.nz

Dear Sir/Madam,

ICNZ submission on Proposed Licence Fee (COFI)

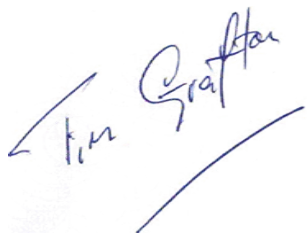
Thank you for the opportunity to submit on the proposed licence fee with respect to the implementation of the conduct of financial institutions licensing regime.

By way of background, the Insurance Council of New Zealand - Te Kāhui Inihua o Aotearoa (**ICNZ**'s) members are general insurers and reinsurers that insure about 95 percent of the New Zealand general insurance market, including about a trillion dollars' worth of New Zealand assets and liabilities. ICNZ members provide insurance products ranging from those usually purchased by individuals (such as home and contents, travel and motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability, business interruption, professional indemnity, commercial property and directors and officers insurance).

We attach as an appendix the response form from the MBIE website.

Please contact Greig Epps (greig@icnz.org.nz) if you have any questions on our submission or require further information.

Yours sincerely,



Tim Grafton
Chief Executive

Greig Epps
Regulatory Affairs Manager

Submission on Discussion paper - Financial institution licensing fees under new conduct regime

Your name and organisation

Name	GREIG EPPS
Organisation	INSURANCE COUNCIL OF NEW ZEALAND

Responses to consultation document questions

Objectives

1 *Do you agree with these objectives for setting the financial institution licensing fees? Are there other objectives which should be considered in setting these fees?*

ICNZ is comfortable with the objectives proposed for setting this licence fee.

However, we want to clarify our understanding of Objective (b) (which seeks to "minimis[e] the extent to which the fees create a cross-subsidy"). We believe that this objective should apply across all different types of application, including not only complex applications but also applications that are in some way incomplete or inadequate. A partial application is sure to create as much additional work as a complex one.

Proposed fees for financial institution licensing

2 *Do you have any comments on our assessment of the proposed financial institution licensing fee as set out above?*

Paragraph 22 of the discussion paper notes that additional hours required beyond 6.75 hours to assess an application will be charged at an hourly rate of $178.25.

It notes that this is where "an application is more complex". We suggest that the guidance for this additional fee should be payable where something ***about the application*** (whether complexity, inadequacy, or other) is the cause for additional time on assessment. Where the FMA spends more than time due to internal reasons (eg, lack of capability or capacity), then the applicant should not be required to pay the additional hourly rate charge.

Furthermore, ICNZ believes it is important that applicants can challenge the FMA's fee assessment where appropriate. We recommend that the FMA should develop a procedure for handling licence fee assessment disputes.

Finally, it is important that the Licensing Application Guide is sufficiently comprehensive and clear to enable applicants to have a strong understanding of what is required to submit a complete application. As far as is possible, the FMA should release the application guide well in advance of the licensing process opening. That will minimise the prospect of incomplete or inadequate applications.

Alternative options	
3	*Do you have any comments on our analysis of these alternative options? Are there other options, or variations on the above options, that should be considered?*
	The fees seem reasonable in comparison to other licensing fees charged by the FMA. The alternate options considered seem to be fair and the preferred option seems most appropriate. It would seem that the preferred option would not favour one business type or size over another.
Annex 1: Assumptions	
4	Do you have any comments on the assumptions used in this paper as outlined above?
	Other Comments
5	Overall, the ICNZ agrees that the proposed fees are fair and equitable, taking into consideration the estimated amount of work required by the FMA to process these applications.