

## Financial Reporting Act (American Income Life Insurance Company) Exemption Notice 2015

Pursuant to section 35A of the Financial Reporting Act 1993, the Financial Markets Authority gives the following notice (to which is appended a statement of reasons of the Financial Markets Authority).

### Contents

	Page
1 Title	1
2 Commencement	1
3 Revocation	1
4 Application	1
5 Interpretation	1
6 Exemptions	2
7 Conditions	2

### Notice

#### 1 Title

This notice is the Financial Reporting Act (American Income Life Insurance Company) Exemption Notice 2015.

#### 2 Commencement

This notice comes into force on 25 June 2015.

#### 3 Revocation

This notice is revoked on the close of 30 June 2015.

#### 4 Application

An exemption granted by this notice applies to the following accounting periods of American Income Life Insurance Company:

- (a) an accounting period of American Income Life Insurance Company that commenced before the exemption is granted (including an accounting period that ended before the exemption is granted) if the exemption is granted before the financial statements or group financial statements for that period would, but for the exemptions contained in this notice, be required to be delivered to the Registrar for lodgement under section 18 of the Act.

1

#### 5 Interpretation

- (1) In this notice, unless the context otherwise requires,—

**Act** means the Financial Reporting Act 1993

**approved auditor** in relation to AILIC, means an accountant who is qualified under the law of the US regulated jurisdiction to give an opinion as to whether specified financial statements comply with US SAP required or permitted in that jurisdiction

**AILIC** means American Income Life Insurance Company

**branch financial statements** in relation to AILIC, means the financial statements that are required to be prepared in respect of AILIC's New Zealand business in accordance with conditions 7(g), (h) and (i)

**Licensed insurer** has the same meaning as section 6(1) of the Insurance (Prudential Supervision) Act 2010

**NZ GAAP** in relation to AILIC, means New Zealand generally acceptable accounting practice or principles required or permitted in New Zealand

**specified financial statements** in relation to AILIC, means the financial statements that are required to be prepared in respect of AILIC, as applicable, in accordance with the laws of the US regulated jurisdiction

**US** means United States of America

**US legislation** in relation to AILIC, means the financial reporting and audit legislation of the US regulated jurisdiction of AILIC

**US regulated jurisdiction** in relation to AILIC, means the US jurisdiction—

- (a) in which AILIC is regulated as an insurer; and
- (b) in which AILIC is required to comply with the financial reporting and audit requirements imposed by that jurisdiction.

**US SAP** in relation to AILIC means US Statutory Accounting Principles.

- (2) Any term or expression that is defined in the Act and used, but not defined, in this notice has the same meaning as in the Act.

## 6 Exemptions

AILIC is exempted from sections 10(1), 11, 13-16, and 18(1) of the Act.

## 7 Conditions

The exemptions in clause 6 are subject to the conditions that—

- (a) a securities regulator of the US regulated jurisdiction is a signatory to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information; and
- (b) the specified financial statements of AILIC comply with US SAP; and
- (c) if, in complying with US SAP, the specified financial statements do not give a true and fair view of the matters to which they relate, they are accompanied, when delivered to the Registrar for registration, by a statement in English containing information and explanations that will give the true and fair view of those matters; and
- (d) the specified financial statements of AILIC are delivered to the Registrar for registration annually, and no later than the date on which the financial statements of AILIC would, but for the exemption in clause 6, be required to be delivered for registration; and
- (e) the specified financial statements of AILIC are, when delivered to the Registrar for registration, accompanied by a report by an approved auditor; and

- (f) the specified financial statements and audit report, when delivered to the Registrar for registration, are in English or accompanied by an accurate English translation; and

*Branch financial statements*

- (g) AILIC will prepare branch financial statements as if that business were conducted by a separate company incorporated in New Zealand and AILIC will comply with the provisions of the Act that relate to the preparation, content, and registration of such statements; and
- (h) the branch financial statements of the New Zealand business must be audited by a qualified auditor or an approved auditor; and
- (i) the branch financial statements and audit reports that are delivered to the Registrar by AILIC are in English or accompanied by an accurate English translation; and

*All financial statements*

- (j) the copy of all financial statements that are delivered to the Registrar by AILIC includes, or is accompanied by, a statement to the effect that AILIC has relied on this exemption notice in respect of its financial statements for the relevant accounting period.

Dated at Wellington this 24<sup>th</sup> day of June 2015.



Liam Mason  
General Counsel  
Financial Markets Authority

### Statement of reasons

This notice comes into force on 25 June 2015 and is revoked on the close of 30 June 2015. This notice applies to American Income Life Insurance Company (AILIC).

This notice exempts AILIC from the following provisions of the Act:

- section 10(1) (obligation to prepare financial statements):
- section 11 (content of financial statements):
- sections 13-16 (obligations in respect of issuer and group financial statements and audit):
- section 18(1) (registration of financial statements):

The exemption is subject to the condition that requires AILIC to prepare financial statements that they are required to prepare under the financial reporting requirements of their overseas regulated jurisdiction (US SAP). The main effects of the exemption are as follows:

- the specified financial statements will comply with US SAP rather than generally accepted accounting practice in New Zealand (**NZ GAAP**):
- the specified financial statements will be audited by an approved auditor who is qualified under US law to give an opinion as to whether the specified financial statements comply with US SAP:



- for the New Zealand business, the specified financial statements will be accompanied by New Zealand branch financial statements that comply with NZ GAAP and that are audited by a New Zealand qualified auditor or an overseas approved auditor.

The Financial Markets Authority (the **FMA**), after satisfying itself as to the matters set out in section 35A of the Act, considers there will not be significant detriment to subscribers for the securities of AILIC who are members of the public in New Zealand because:

- the Reserve Bank assesses the financial reporting and audit requirements of the US regulated jurisdiction of AILIC when seeking licensing in New Zealand. In these circumstances, the FMA is satisfied that the financial reporting and audit requirements of the US regulated jurisdiction will provide sufficient and appropriate information to the Reserve Bank for it to undertake its prudential regulation of AILIC and to investors to allow them to make investment and policy purchase decisions. As such, investors in AILIC will have access to information of a similar quality to the information that they would otherwise receive:
- the costs associated with the circumstances in which AILIC has already prepared and had audited similar financial statements in accordance with the financial reporting requirements of the US regulated jurisdiction, and the costs associated with a requirement for AILIC to prepare NZ GAAP compliant financial statements and have those statements audited by a New Zealand-licensed auditor, would outweigh the benefits to investors in receiving NZ GAAP financial statements rather than financial statements prepared in accordance with the laws of a US regulated jurisdiction:
- the granting of the exemption is desirable in order to promote the purposes of the Act, specifically by avoiding unnecessary compliance costs and by promoting flexibility in financial markets:
- the exemption only addresses AILIC for one accounting period. Given the limited application of the exemption and that financial statements are still required to be lodged in New Zealand, the exemptions are not broader than is reasonably necessary to address the matters to which they relate.