

NORTHERN TERRITORY OF AUSTRALIA

TERRITORY INSURANCE OFFICE REGULATIONS

As in force at 10 April 2002

Table of provisions

Part 1	General	
1	Citation	1
Part 2	Insurance and finance	
2	Application	1
3	Solvency requirements	1
4	Reinsurance	3
5	Accounting records	4
6	Apportionment of receipts and payments between insurance business and other business	4
7	Apportionment of receipts and payments between classes of insurance business	5
Part 3	Prudential matters	
8	Prime liquid assets	5
9	Operational liquidity	6
10	Market risks	8
11	Managing credit risk and large exposures	8
12	Audit	9
Part 4	Reports	
13	Quarterly returns	9
14	Annual returns	9

ENDNOTES

NORTHERN TERRITORY OF AUSTRALIA

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TERRITORY INSURANCE OFFICE REGULATIONS

Regulations under the *Territory Insurance Office Act*

Part 1 General

1 Citation

These Regulations may be cited as the *Territory Insurance Office Regulations*.

Part 2 Insurance and finance

2 Application

This Part applies to the insurance and finance functions of the Office.

3 Solvency requirements

(1) The Office shall maintain, at all times, an excess of assets over liabilities of not less than:

- (a) \$2,000,000;
- (b) 20% of premium income during its last preceding financial year; or
- (c) 15% of its outstanding claims provision, after deducting reinsurance recoveries, as at the end of its last preceding financial year,

whichever is the greatest.

(2) Only assets that are held in the name of the Office and that are in its custody and subject to its control shall be taken into account in determining the value of assets under subregulation (1).

(3) Assets shall, where possible, be recorded on a net market value basis consistent with Australian Accounting Standard AASB 1023.

- (4) In this regulation, a reference to an asset does not include a reference to:
- (a) a loan to a person who, when the loan was made, was a member or an associate of the member;
 - (b) an unsecured loan:
 - (i) to a person who, when the loan was made, was an employee of the Office; and
 - (ii) that exceeded \$5,000 when it was made or that was made under an agreement under which the Office agreed to lend the person amounts in the aggregate exceeding \$5,000;
 - (c) an asset that is charged for the benefit of a person other than the Office to the extent that it is so charged;
 - (d) where the whole or part of the undertaking, business or property of the Office is subject to a floating charge, the undertaking, business or property to the extent that it is so subject;
 - (e) unless approved by the Minister, an unpaid premium that became due to the Office more than 3 months previously;
 - (f) unless approved by the Minister, a guarantee given to or in relation to the Office; or
 - (g) an intangible asset, not being an intangible asset referred to in paragraph (a), (b), (c), (d), (e) or (f), but including expenses of the Office in relation to the formation or extension of its function of insurance.
- (5) For the purposes of subregulation (4)(e) and (f), the Minister may approve an unpaid premium or a guarantee as an asset.
- (6) The reference to liabilities in subregulation (1) does not include a liability that is in the nature of capital or accumulated reserves.
- (7) For the purposes of subregulation (1), **premium income** means, in respect of a financial year, the amount of premiums received in the course of the insurance functions by or due to the Office during that year less the sum of:
- (a) the amount of those premiums included in the premium income of the Office in respect of a preceding financial year;

- (b) the amount of premiums received in the course of insurance business that the Office, during the first mentioned financial year, refunded or was liable to refund, not including an amount that the Office was, during a preceding financial year, liable to refund;
- (c) the amount of premiums for reinsurance in respect of insurance business paid or payable by the Office during the first mentioned financial year less the sum of:
 - (i) the amount of those premiums that, during a preceding financial year, were payable by the Office; and
 - (ii) the amount of premiums for reinsurance in respect of insurance business that, during the first mentioned financial year, were refunded or liable to be refunded to the Office not including an amount that, during a preceding financial year, was liable to be refunded to the Office;
- (d) the amount paid by the Office during the first mentioned financial year under a law of a State or another Territory of the Commonwealth relating to payments by insurers for or with respect to fire brigades;
- (e) the amount of stamp duty paid by the Office during the first mentioned financial year in respect of the carrying on of its insurance business, including that paid under a law or a provision of a law of a State or another Territory of the Commonwealth imposing stamp duty; and
- (f) the amount paid by the Office during the first mentioned financial year under a prescribed law of the Territory, the Commonwealth or a State or another Territory of the Commonwealth, or under a prescribed provision of such a law.

4 Reinsurance

- (1) Subject to this regulation, the Office shall have in place, at all times, arrangements for reinsurance of liabilities in respect of risks against which person are, or are to be, insured by the Office in the course of carrying on its insurance functions.
- (2) An arrangement under subregulation (1) shall not be entered into unless the amount of the premium payable under the contract in respect of the reinsurance, or the manner in which the amount of that premium is to be ascertained, is specified in the contract.

- (3) The Office, in putting into place arrangements for reinsurance under subregulation (1), shall have regard to:
- (a) the class or classes of insurance business carried on or proposed to be carried on by the Office;
 - (b) the amount of premiums received by or due to the Office during its last preceding financial year in respect of each class of insurance business carried on by it;
 - (c) the nature and value of the assets of the Office;
 - (d) the places in which liabilities of the Office may be incurred; and
 - (e) the person or persons by whom the reinsurance is or is proposed to be undertaken.
- (4) The Minister may, having regard to such matters as he or she considers relevant and, in particular, those matters referred to in subregulation (3), by notice in writing to the Office, exempt the Office from the requirements of this regulation for such period and on such conditions, if any, as the Minister specifies in the notice.

5 Accounting records

- (1) The Office shall maintain accounting records that correctly record and explain the transactions and financial position of the Office.
- (2) The Office shall retain accounting records maintained under subregulation (1) for not less than 7 years after the completion of the last transaction to which the records relate.

6 Apportionment of receipts and payments between insurance business and other business

- (1) Where the Office carries on insurance business in Australia and:
- (a) any other business in Australia, other than life insurance business; or
 - (b) any other business outside Australia,

and an amount received or paid by the Office is received or paid partly in respect of insurance business carried on by it in Australia and partly in respect of business referred to in paragraph (a) or (b), the Office shall apportion the amount in its statutory accounts between insurance business carried on in Australia and that other business in respect of which the amount was received or paid.

(2) Where:

- (a) an amount required by subregulation (1) to be apportioned in the statutory accounts of the Office has not been so apportioned; or
- (b) such an amount has been so apportioned but the Minister is satisfied that it has not been appropriately apportioned,

the Office shall apportion the amount as determined by the Minister.

7 Apportionment of receipts and payments between classes of insurance business

Where the Office carries on more than one class of insurance business and an amount received or paid by the Office is received or paid in respect of more than one class of insurance business, the Office shall apportion or allocate the amount in its statutory accounts.

Part 3 Prudential matters

8 Prime liquid assets

(1) In this regulation:

minimum proportion means 10% of public deposit liabilities.

public deposit liabilities means deposits held with the Office but does not include deposits of the Territory.

prime liquid assets means:

- (a) Treasury notes;
- (b) other securities of the Commonwealth;
- (c) bank deposits;
- (d) bank accepted and endorsed bills;
- (e) loans to authorised money market dealers against the security of Treasury Notes or other securities of the Commonwealth;
- (f) securities issued or guaranteed by the Territory or a State or another Territory of the Commonwealth and;

- (g) fixed interest assets via a pooled fund structure with the following characteristics:
 - (i) the assets of the pooled fund structure are to be free from encumbrances;
 - (ii) the assets of the pooled fund structure are to be available and redeemable within 2 business days;
 - (iii) the assets of the pooled fund structure are to consist only of fixed interest deposits held by a government or a semi government authority or by an authorised deposit taking institution (within the meaning of the *Banking Act 1959* of the Commonwealth);
 - (iv) the assets of the pooled fund structure are to have a rating of at least BBB issued by the rating agency Standard and Poors or an equivalent rating issued by another accredited rating agency.
- (2) The Office shall, at all times, maintain prime liquid assets at not less than 10% of public deposit liabilities, or such percentage as the Minister, from time to time, determines.
- (3) The Office shall notify the Minister immediately the prime liquid assets of the Office may fall below the minimum proportion and shall, in consultation with the Minister, take whatever action is necessary to ensure that subregulation (2) is not breached.
- (4) For the purposes of this regulation, the value of an asset shall be market value.

9 Operational liquidity

- (1) The Office shall, not later than 14 February 1994 or such longer period as the Minister, in writing, permits, provide the Minister with a written description of its systems to measure, monitor and manage its operational liquidity.
- (2) A change to the written description provided to the Minister under subregulation (1) shall be notified to the Minister not later than 28 days or such longer period as the Minister, in writing, permits after the change is made.
- (3) The Office shall, at all times, use its best endeavours to maintain the operational liquidity of the Office at not less than 10% of public deposit liabilities or such percentage as the Minister may, from time to time, determine.

- (4) The Office shall notify the Minister when its operation liquidity falls:
- (a) to within 2 percentage points of; or
 - (b) below,
- that specified in, or determined under, subregulation (3).
- (5) The Office may include the following assets and techniques in its operational liquidity management:
- (a) cash on hand;
 - (b) prime liquid assets in excess of those required for the purposes of regulation 11;
 - (c) undrawn overdraft facilities;
 - (d) confirmed standby lines;
 - (e) funds securing settlement accounts;
 - (f) funds available through security schemes approved by the Minister.
- (6) Unless approved by the Minister, forward loan commitments, excluding undrawn overdrafts and credit lines which can be unilaterally withdrawn by the Office, shall not be taken into account for the purpose of determining the operational liquidity of the Office.
- (7) The Office shall, when requested by the Minister in writing, provide the Minister with a written statement of its policy in respect to liability exposures to individual depositors or associated depositors.
- (8) The Office shall, not later than 6 weeks after the last day of March, June, September and December of each year or such longer period as the Minister, in writing, permits, lodge with the Minister a return setting out all public deposit liability exposures to individual depositors and associated depositors that are greater than 5% of its public deposit liabilities.
- (9) Unless approved by the Minister, the Office shall not enter into a public deposit liability exposure with an individual depositor or a group of associated depositors greater than 10% of its total liabilities.
- (10) For the purposes of subregulations (8) and (9), **associated depositors** includes a concentration on any single source of funds including the wholesale market.

10 Market risks

- (1) The Office shall, not later than 14 February 1994 or such longer period as the Minister, in writing, permits, provide the Minister with a written description of its system to measure, monitor and control the range of market risks which are an integral part of its operation.
- (2) A change to the written description provided to the Minister under subregulation (1) shall be notified to the Minister not later than 28 days after the change is made or such longer period as the Minister, in writing, permits.
- (3) For the purposes of subregulation (1), **market risks** include the exposure of the Office to significant movements in:
 - (a) interest rates;
 - (b) foreign exchange rates;
 - (c) overall property values or value of classes of property investments; and
 - (d) equity markets.

11 Managing credit risk and large exposures

- (1) The Office shall, not later than 14 February 1994 or such longer period as the Minister, in writing, permits, provide the Minister with a written description of its systems to measure, monitor and control credit risk.
- (2) A change to the written description provided to the Minister under subregulation (1) shall be notified to the Minister not later than 28 days after the change is made or such longer period as the Minister, in writing, permits.
- (3) A written description under subregulation (1) shall include the policy of the Office with respect to acquiring assets that are not of a type referred to in regulation 8 or 9.
- (4) The Office shall, when requested by the Minister in writing, provide the Minister with a written statement of its policy in respect of loans to a person or a group of associated persons.
- (5) The Office shall, not later than 6 weeks after the last day of March, June, September and December of each year or such longer period as the Minister, in writing, permits, lodge with the Minister a return setting out its loans to individual borrowers and associated borrowers greater than 5% of its net assets, as calculated for solvency purposes.

- (6) For the purposes of subregulation (5), the Minister may declare borrowers to be associated borrowers.
- (7) The Office shall consult with the Minister before entering into a loan greater than \$2,000,000 or 20% of its net assets, as calculated for solvency purposes, whichever is the greatest.

12 Audit

The systems referred to in regulations 9, 10 and 11 may, at the request of the Minister, be audited by the Auditor-General once each financial year to audit the adequacy of the systems and compliance with those systems.

Part 4 Reports

13 Quarterly returns

- (1) Subject to subregulation (3), the Office shall, not later than 6 weeks after the last day of March, June, September and December of each year or such longer period as the Minister, in writing, permits, lodge a return with the Minister relating to the 3 months preceding the last day of that March, June, September or December, as the case may be.
- (2) A return referred to in subregulation (1) shall be in a form approved by the Minister.
- (3) The first return required to be lodged under subregulation (1) after the commencement of these Regulations shall relate to the period ending with the last day of December after that commencement.

14 Annual returns

- (1) Subject to subregulation (3), the Office shall, not later than 4 months after the last day of June of each financial year or such longer period as the Minister, in writing, permits, lodge a return with the Minister relating to the financial year preceding that last day of June.
- (2) A return referred to in subregulation (1) shall be in a form approved by the Minister.
- (3) The first return required to be lodged under subregulation (1) after the commencement of these Regulations shall relate to that part of the financial year as the Minister, in writing, determines.

ENDNOTES

1 KEY

Key to abbreviations

amd = amended
app = appendix
bl = by-law
ch = Chapter
cl = clause
div = Division
exp = expires/expired
f = forms
Gaz = Gazette
hdg = heading
ins = inserted
lt = long title
nc = not commenced

od = order
om = omitted
pt = Part
r = regulation/rule
rem = remainder
renum = renumbered
rep = repealed
s = section
sch = Schedule
sdiv = Subdivision
SL = Subordinate Legislation
sub = substituted

2 LIST OF LEGISLATION

Territory Insurance Office Regulations (SL No. 27, 1993)

Notified	01 September 1993
Commenced	01 September 1993

Amendment of Territory Insurance Office Regulations (SL No. 6, 2002)

Notified	10 April 2002
Commenced	10 April 2002

3 LIST OF AMENDMENTS

r 8 amd No. 6, 2002