

**To:** Andrew Wells, Principal Customer Regulatory Specialist – LINZ

**From:** Kynsléy Nazareth, Customer Regulatory Specialist – LINZ

## ASSESSMENT REPORT: **Chubb Life Insurance New Zealand Limited**

<b>Date</b>	12 December 2023	<b>Classification</b>	IN CONFIDENCE: Commercially sensitive
<b>LINZ reference</b>	202300832	<b>Deadline</b>	29 January 2024

### Purpose

We seek your decision on an application for consent to acquire significant business assets under the Overseas Investment Act 2005 (**Act**).

### Action sought:

1. Review this report.
2. Determine whether to grant consent and, if so, on what conditions.
3. Indicate your decision from page 2.

### Key information

4. For the reasons set out in this report, our recommendation is to grant **consent**.

<b>Applicant</b>	<b>Chubb Life Insurance New Zealand Limited</b> (USA 82.78%, UK 5.73%, Canada 3%, [ s 9(2)(b)(ii) ])
<b>Vendors</b>	<b>Foundation Life (NZ) Limited</b> (Australia 100%)
<b>Asset</b>	Applicant issuing Replacement Life Insurance to Insurance Receiving Policyholders
<b>Consideration</b>	[ s 9(2)(b)(ii) ]
<b>Relevant tests</b>	Investor test: s18A National interest test: s18(b)

### Timing

5. The Overseas Investment Regulations 2005 specify the total assessment timeframe for this application is 35 working days. This application is currently on day 10, therefore a decision is due to the applicant by 29 January 2024.

## A. Decision

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### Core tests

6. I determine that:

6.1 The 'relevant overseas person' is (collectively):

Relevant overseas person	Role
Chubb Life Insurance New Zealand Limited	The Applicant

6.2 The 'individuals with control of the relevant overseas person' are:

Individuals with control	Role
Paul Robert Brock	Director of the Applicant
Gail Bernadette Costa	Director of the Applicant
Robert James Ellis	Director of the Applicant
Debra Lynette Eyre	Director of the Applicant
Sang Hui Lee	Director of the Applicant
Stephen John Moir	Director of the Applicant
Linley Ann Wood	Director of the Applicant

6.3 None of the relevant overseas persons and individuals with control of the relevant overseas person have established any of the factors contained in section 18A(4) of the Act.

### National interest assessment

7. I note that the overseas investment in significant business assets is not a transaction of national interest under section 20A of the Act and the Minister of Finance has not notified it is a transaction of national interest under section 20B of the Act.

### Decision about whether to grant or decline consent

8. My ultimate decision is to grant consent subject to the conditions in the Proposed Decision in **Attachment 1**.

[ s 9(2)(a) ]

Andrew Wells

Principal – Customer Regulatory Specialist (Overseas Investment – LINZ)

Date: 13 / 12 / 2023

## B. Background and proposed transaction

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9. Chubb Life Insurance New Zealand Limited<sup>1</sup> (the **Applicant**) is seeking consent to issue Replacement Life Insurance<sup>2</sup> (**Replacement Life Insurance**) to the Insurance Receiving Policyholders<sup>3</sup> (**Insurance Receiving Policyholders**) in return for payment of the Single Premium Payment<sup>4</sup> (**Single Premium Payment**) by Foundation Life (NZ) Limited (the **Vendor**) on behalf of the Insurance Receiving Policyholders (the **Proposed Transaction**).
10. Approximately 28,000 participating policyholders will be given the choice of receiving Replacement Life Insurance, cash, or one of two combinations of Replacement Life Insurance and cash.
11. The Applicant provides life insurance, funeral insurance, income protection insurance, accidental death insurance, trauma insurance and travel insurance products and services in New Zealand. The Applicant has operated in New Zealand for over 100 years and currently has [s 9(2)(b)(ii)] customers.
12. The Applicant was previously named Cigna Life Insurance New Zealand Limited and was wholly owned by Cigna. However, in 2022 Chubb International acquired 100% of the shares in Cigna New Zealand Holdings Limited<sup>5</sup>, the owner of Cigna Life Insurance New Zealand Limited.
13. Prior to Chubb International's acquisition of the Applicant, Cigna New Zealand Holdings Limited had received consent<sup>6</sup> to complete the Proposed Transaction. As Cigna Life Insurance New Zealand Limited was sold to Chubb Limited, it therefore falls to the board of the Applicant to continue to execute the Proposed Transaction. It is noted, the original consent was subject to three time-extension variations<sup>7</sup> but has now expired, necessitating this application.
14. The latest estimate of the consideration is that the premium payable, if 50% of Foundation Life customers choose to continue life insurance cover on a Chubb policy, is NZ\$ [s 9(2)(b)(ii)]. This would be payable by transfer of investments (Government

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<sup>1</sup> Company #20561 incorporated in NZ on 13 December 1967

<sup>2</sup> The new 'Whole of Life' life insurance the Applicant will issue to the Insurance Receiving Policyholders pursuant to the Scheme and the Replacement Life Insurance Agreement

<sup>3</sup> Those Participating Policyholders who elect, or are deemed to elect, to receive Replacement Life Insurance pursuant to the Scheme

<sup>4</sup> The single lump sum premium to be paid in cash to the Applicant by Foundation Life on behalf of the Insurance Receiving Policyholders as consideration for the issue of the Replacement Life Insurance, to be invested by the Applicant in certain fixed income securities currently held by Foundation Life

<sup>5</sup> OIO consent number 202100764

<sup>6</sup> OIO consent number 201810132

<sup>7</sup> Variations on 27/09/2019, 05/02/2021 and 30/03/2022

Bonds) held by Foundation Life to Chubb. The actual amount will depend on take-up rate and market interest rates at the time of completion.

15. The Applicant is pursuing the Proposed Transaction to [ s 9(2)(b)(ii) ]  
[ s 9(2)(b)(ii) ]
16. The Vendor is a private company focused on the acquisition and long-term management of life insurance portfolios which are no longer being actively marketed.

## C. Application of the Act

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17. The Asset is sensitive because the value of the business is more than \$100 million,<sup>8</sup> so consent is required.<sup>9</sup> The following criteria for an investment in significant business assets apply to this application:<sup>10</sup>
  - The investor test must be met.<sup>11</sup>
  - You must also note whether the investment is a transaction of national interest and, if so, whether the Minister of Finance has decided that the investment is contrary to New Zealand's national interest.<sup>12</sup>
18. We assess the investor test in Part D, and discuss national interest matters in Part E.

## D. Applicant and investor test

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19. This section describes the Applicant and assesses whether the investor test is met.

### Business Activities

20. As stated, the Applicant was previously named Cigna Life Insurance New Zealand Limited, wholly owned by Cigna. In 2022 Chubb International acquired 100% of the shares in Cigna New Zealand Holdings Limited<sup>13</sup>. The wider Chubb group carried on operations in New Zealand, prior to its acquisition of Cigna Life Insurance New Zealand Limited.
21. The Chubb Group is one of the world's leading providers of insurance and reinsurance, owning insurance businesses that have been operating since the 1700s. The Chubb Group operates its business in New Zealand through one of its subsidiaries, Chubb Insurance New Zealand Limited.
22. Chubb Insurance New Zealand Limited is a non-life insurance company that is primarily involved in the provision of property and casualty insurance to commercial clients. Chubb Insurance New Zealand Limited also offers a small range of personal accident, leisure travel, specialty personal lines and high net worth domestic home and contents cover to clients in New Zealand.

### Ownership

23. The Applicant, Chubb Life Insurance New Zealand Limited, is owned 100% directly by Chubb New Zealand Holdings Limited, which is 100% owned by Chubb International. Chubb International is indirectly wholly owned by Chubb Limited. Chubb Limited is a

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<sup>8</sup> Section 13(1)(a)(ii) of the Act.

<sup>9</sup> Under sections 10(1)(b) and 13(1)(a) of the Act.

<sup>10</sup> Set out in section 18 of the Act.

<sup>11</sup> Section 18A(4) of the Act.

<sup>12</sup> Section 18(1)(e) of the Act.

<sup>13</sup> OIO consent number 202100764

public company with shares listed on the New York Stock Exchange, and as such has a diversified shareholder base.

24. Chubb is listed on the NYSE and is largely widely held. Shareholders with a 5% or greater interest are listed below:
- a) The Vanguard Group 9.19% - investment manager/advisor based in USA
  - b) BlackRock, Inc 6.9% - investment manager/advisor based in USA
  - c) Price (T.Rowe) Associates Inc 5.9% - investment manager/advisor based in USA
25. A diagram of the intended ownership structure is in **Attachment 2**.
26. The Proposed Transaction requires consent under section 10(1)(b) of the Act because:
- (a) the Applicant is an “overseas person” for the purposes of the Act because its ultimate parent company, Chubb Limited, is owned more than 25% by persons that are neither New Zealand citizens nor ordinarily resident in New Zealand.
  - (b) the consideration attributable to the Proposed Transaction exceeds NZ\$100 million; and
  - (c) the Proposed Transaction will lead to the Applicant’s acquisition of 25% or more ownership or control interest in the Assets.
27. As stated, the agreement to enter into the Proposed Transaction was signed by Cigna Life Insurance New Zealand Limited in 2018, with the ultimate authority of Cigna Hong Kong Holdings Company Limited (CHKH). CHKH was included as a Relevant Overseas Person (ROP) in the original consent. As per the consent<sup>14</sup>, CHKH sold the Cigna Life Insurance New Zealand Limited to Chubb Limited in 2021, and is therefore no longer a relevant entity in the Applicant’s ownership chain. As stated, it therefore falls to the board of the Applicant to continue to execute the Proposed Transaction. The board of the Applicant is responsible for the day-to-day management of the investment.
28. For these reasons, we recommend that the ‘**relevant overseas person**’ (ROP) is solely the Applicant, Chubb Life Insurance New Zealand Limited.

Relevant overseas person	Role
Chubb Life Insurance New Zealand Limited	The Applicant

### Control

29. As the board of the Applicant is responsible for the day-to-day management of the investment, we recommend that the ‘**individuals with control of the relevant overseas person**’ (IWC)<sup>15</sup> are:

Individuals with control	Role
Paul Robert Brock	Director of the Applicant
Gail Bernadette Costa	Director of the Applicant
Robert James Ellis	Director of the Applicant
Debra Lynette Eyre	Director of the Applicant
Sang Hui Lee	Director of the Applicant

<sup>14</sup> OIO consent number 202100764

<sup>15</sup> Section 15.

Stephen John Moir	Director of the Applicant
Linley Ann Wood	Director of the Applicant

### Summary of investor test

30. The relevant overseas persons and individuals with control established none of the factors contained in section 18A(4) of the Act.
31. For the reasons set out above, our conclusion is that **the investor test has been met.**

### E. Not a transaction of national interest

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32. The investment does not involve a transaction of national interest under the mandatory criteria of the Act.<sup>16</sup> This is because the investment does not involve a non-NZ government investor, or an investment in a strategically important business (as defined in the Act).
33. We have not referred this transaction to the Minister of Finance for him to call it in for a national interest assessment on a discretionary basis.<sup>17</sup> He has therefore not declined consent to the transaction.
34. We are directed<sup>18</sup> that the starting point is the assumption that overseas investment is in New Zealand's national interest and that we should only seek the Minister of Finance to exercise his discretion for a national interest assessment if the proposed investment:
  - could pose risks to New Zealand's national security or public order
  - would grant an investor significant market power within an industry or result in vertical integration of a supply chain
  - has foreign government or associated involvement that was below the 10 per cent threshold for automatic application of the national interest test, but granted that government (and/or its associates) disproportionate levels of access to or control of sensitive New Zealand assets
  - would have outcomes that were significantly inconsistent with or would hinder the delivery of other Government objectives
  - raises significant Treaty of Waitangi issues, or
  - relates to a site of national significance (e.g. significant historic heritage).
35. We do not consider that this investment engages any of these risk factors.

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<sup>16</sup> Under s 20A of the Act.

<sup>17</sup> Section 20B of the Act

<sup>18</sup> Ministerial Directive Letter (24 November 2021).

## F. Conclusion

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36. After considering the application, our view is that:
- the investor test has been met; and
  - the transaction is not considered to be a transaction of national interest.
37. If you agree, we refer you to **Attachment 1** to review the Proposed Decision (including consent conditions), and from page 2 of this Assessment Report to record your decision.

[ s 9(2)(a) ]



Kynsléy Nazareth

Customer Regulatory Specialist - Advisor  
**Overseas Investment – LINZ**

Date: 12 December 2023

## G. List of Attachments

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1. Proposed Decision
2. Intended ownership structure

Released under the Official Information Act 1982

## ATTACHMENT 1 PROPOSED DECISION

### Consent for Overseas Person to Acquire Significant New Zealand Business Assets

Read this consent carefully - you must comply with all the conditions. If you do not, you may be subject to fines or other penalties.

#### Consent

**Decision date:** 13 December 2023

The following people have been given the following **consent**:

<b>Case</b>	202300832
<b>Consent</b>	The Consent holder may acquire the Assets subject to the Conditions set out below.
<b>Consent holder/s</b>	Chubb Life Insurance New Zealand Limited (NZ Company number 20561) We will also refer to each Consent holder and the Consent holders together as <b>you</b> .
<b>Assets</b>	The replacement Life insurance issued by the Consent Holder (" <b>Replacement Life Insurance</b> ") and The payment made to the Consent Holder by Foundation Life (NZ) Limited on behalf of the recipients of the Replacement Life Insurance (" <b>Single Premium Payment</b> ")
<b>Timeframe</b>	You have until 31 January 2027 to acquire the Assets.



## Conditions

Your Consent is subject to the conditions set out below. These apply to all overseas people who are given consent to acquire significant business assets, including you.

You must comply with them all. Be aware that if you do not comply with the conditions you may be subject to fines or other penalties.

In the Consent and the Conditions, we refer to Toitū Te Whenua Land Information New Zealand as **LINZ, us or we**.

**Act** means the Overseas Investment Act 2005.

Details	Required date
<b>Standard condition 1: Acquire the Assets</b>	
<p>You must acquire the Assets.</p> <ol style="list-style-type: none"> <li>1. by the date stated in the Consent. If you do not, your Consent will lapse and you must not acquire the Assets, and</li> <li>2. Using the acquisition, ownership, and control structure you described in your application.</li> </ol> <p>Note, only you - the named Consent holder - may acquire the Assets, not your subsidiary, trust, or other entity.</p>	As stated in the Consent
<b>Standard condition 2: Tell us when you acquire the Assets</b>	
<p>You must tell us in writing when you have acquired the Assets. Include details of:</p> <ol style="list-style-type: none"> <li>1. the date you acquired the Assets (<b>settlement</b>),</li> <li>2. consideration paid (plus GST if any),</li> <li>3. the structure by which the acquisition was made and who acquired the Assets, and</li> <li>4. copies of any transfer documents and settlement statements.</li> </ol>	As soon as you can, and no later than two months after settlement
<b>Standard condition 3: Remain not unsuitable to Invest in New Zealand</b>	
<p>You, and to the extent that you are not an individual, the Individuals Who Control You must remain not unsuitable to own or control the Assets in accordance with section 18A(1) of the Act. The <b>Individuals Who Control You</b> are individuals who:</p> <ol style="list-style-type: none"> <li>a. are members of your governing body</li> <li>b. directly or indirectly, own or control more than 25% of you or of a person who itself owns or controls more than 25% of you, and</li> </ol>	At all times

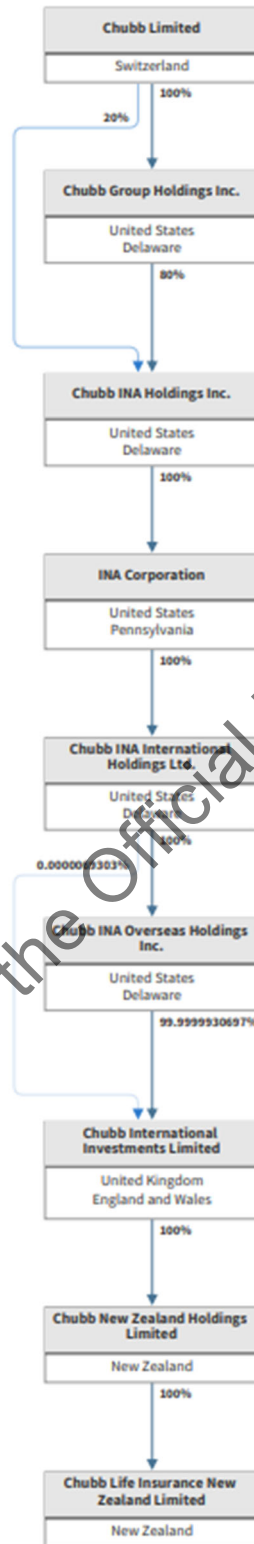
Details	Required date
<p>c. are members of the governing body of the people referred to in paragraph (b) above.</p> <p>To avoid doubt, this includes the members of your governing body.</p>	
<p><b>Standard condition 4: Tell us about changes that affect you, the people who control you, or people you control</b></p>	
<p>You must tell us in writing if any of the following events happens to any of the Consent holders:</p> <ol style="list-style-type: none"> <li>1. You become aware that you and/or any Individual Who Controls you establishes any of the investor test factors listed in section 18A(4) of the Act.</li> <li>2. You cease to be an overseas person or dispose of all or any part of the Asset.</li> <li>3. Your New Zealand Service Address changes. This is the address you provided us in your application as the address which we will send any legal document we need to serve on you.</li> </ol>	<p>Within 20 working days after the change</p>

**Reporting Conditions:**

In addition to Settlement reporting (as set out in Standard Condition 2), if requested in writing by the OIO, the Consent Holder(s) must provide a written report within 20 working days (or such other timeframe as specified) on any matter relating to its compliance with:

- a. the representations and plans made or submitted in support of the application and notified by the regulator as having been taken into account when the Consent was granted, or
- b. the conditions of this Consent.

**ATTACHMENT 2 – INTENDED OWNERSHIP STRUCTURE**



Released under the Official Information Act 1982