



# **Insurance Business Coverage Guideline**

AML/CFT  
Prudential Supervision Department

February 2012

## 1. What is this guideline for?

1. This guideline is designed to assist businesses that provide insurance to determine whether they have obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (the AML/CFT Act).
2. If you do have obligations under the AML/CFT Act, further information about your obligations is provided in separate guidelines and is available from your AML/CFT supervisor.
3. This guideline is provided for information only and cannot be relied on as evidence of complying with the requirements of the AML/CFT Act. It does not constitute legal advice and cannot be relied on as such.
4. After reading this guideline, if you still do not understand any of your obligations you should seek legal advice, or contact your AML/CFT supervisor.

## 2. Coverage for insurance businesses

5. Life insurance business is captured by the AML/CFT Act. A life insurance policy in the AML/CFT Act has the same meaning as a life policy within the Insurance (Prudential Supervision) Act 2010. A life insurer will be covered by the AML/CFT Act if, in the ordinary course of business, they carry on “issuing, or undertaking liability under, life insurance policies as an insurer”. However, the [Anti-Money Laundering and Countering Financing of Terrorism \(Exemptions\) Regulations 2011](#)<sup>1</sup> (Regulations) identify relevant services associated with that financial activity that may be exempt in whole or in part from the regime.
6. Non-life insurance business is not captured by the AML/CFT Act but a non-life insurer may be captured for any other financial activities they undertake. Financial institutions that are captured if the activities they undertake are described in section 5 of the [AML/CFT Act](#)<sup>2</sup>.

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<sup>1</sup>

[http://www.legislation.govt.nz/regulation/public/2011/0223/latest/DLM3844341.html?search=ts\\_regulation\\_laundering\\_resel&p=1&sr=1](http://www.legislation.govt.nz/regulation/public/2011/0223/latest/DLM3844341.html?search=ts_regulation_laundering_resel&p=1&sr=1)

<sup>2</sup>  
[http://www.legislation.govt.nz/act/public/2009/0035/latest/DLM2140727.html?search=ts\\_act\\_anti\\_resel&p=1](http://www.legislation.govt.nz/act/public/2009/0035/latest/DLM2140727.html?search=ts_act_anti_resel&p=1)

### **3. Exemptions**

7. The Regulations clarify coverage of the AML/CFT Act and provide for certain classes of transactions and services to be exempt from all or part of the regime. Relevant services associated with a financial activity that may be exempt from the regime are discussed below.

#### **3.1. Insurance policies that are closed to new customers and new premiums (regulation 11)**

8. Regulation 11 covers business that is not open to new customers but where life insurance policies may still operate and continue to have customers. Premiums may or may not still be payable under these policies. Relevant services related to premiums received under this type of policy, including payment of arrears, will be exempt from all requirements of the AML/CFT Act. However, no new premiums or extra payments are able to be made, other than premiums that have been contractually agreed. Any policy which allows premiums to be paid more than one year in advance will not benefit from this exemption.

#### **3.2. Pure risk-based insurance policies (regulation 12)**

9. Pure risk-based policies are policies that only payout if a particular event occurs. These include non-life policies as well as those life policies that are pure risk-based policies for the purposes of the AML/CFT Act. This type of policy has no cancellation or surrender value (other than the residual value of an unexpired or unused premium which relates to a period of time after the cancellation or surrender of the policy). An example of a pure risk life policy is a term life insurance policy which pays an agreed sum if the insured passes away during the period of coverage. If the insured survives the period of coverage, then no payment or refund is available.
10. Accident, sickness and disability insurance policies also benefit from this exemption as pure risk-based insurance policies.

#### **3.3. Premium funding agreements by an insurance company (regulation 17)**

11. The premium funding agreements in regulation 17 relate to premium funding for policies, or fees associated with those policies, that are not subject to the AML/CFT Act. For example, pure risk-based insurance policies are exempt from all requirements under the AML/CFT Act, therefore premium funding required for that type of policy would also be exempt.
12. The exemption only applies if the premium funding agreement is provided by the insurer that is also providing the associated insurance policy. Premium funding agreements for insurance policy types which are subject to the AML/CFT Act requirements do not qualify for this exemption. Premium funding agreements that are provided by a separate entity (that is not the insurer) do not qualify for this exemption.

### **3.4. Premium funding agreements by a non-insurance company (regulation 18)**

13. Services provided in relation to a premium funding agreement by a company that does not also offer insurance are exempt only in respect of the customer due diligence requirements.
14. All other obligations including risk assessments, AML/CFT programmes and suspicious transaction reporting are not covered by the exemption and must be undertaken by the premium funding company.

### **3.5. Certain low-value life insurance policies (regulation 19)**

15. A low-value life insurance policy is a policy where premiums are less than \$1,500 per year or \$3,000 in total for a single-premium policy.
16. Low-value life insurance policies are exempt from those parts of the AML/CFT Act requiring customer due diligence to be undertaken at the start of a business relationship. However, customer due diligence must be conducted prior to any payment of funds to, or on behalf of, the customer.
17. All other obligations under the AML/CFT Act remain the same.
18. In this regulation, consumer credit insurance is included within the definition of a low-value life insurance policy. However, consumer credit insurance that meets the definition in the [Insurance \(Prudential Supervision\) Regulations 2010](#)<sup>3</sup> (amended on 1 October 2011) is not a life policy and therefore outside the scope of the regime. Any consumer credit insurance which is a pure risk contract of insurance would also be exempt by virtue of regulation 12.

## **4. Residual capture**

19. All other services that involve “issuing, or undertaking liability under, life insurance policies as an insurer” attract coverage under the Act. Life insurers that benefit from an exemption under the Regulations may still be captured by the AML/CFT Act if they carry out one or more other financial activities in the ordinary course of their business.

## **5. Who is my AML/CFT supervisor?**

20. The Reserve Bank of New Zealand is the AML/CFT supervisor for life insurers.
21. In some cases if you are a life insurer, but exempt from the AML/CFT Act requirements in respect of that part of your business, you may nevertheless have AML/CFT obligations for other non-exempt life insurance type financial

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[http://www.legislation.govt.nz/regulation/public/2010/0454/latest/whole.html?search=ts\\_regulation\\_insurance\\_rese&p=1#d1m4095214](http://www.legislation.govt.nz/regulation/public/2010/0454/latest/whole.html?search=ts_regulation_insurance_rese&p=1#d1m4095214)

activities. These activities may be supervised by either the Department of Internal Affairs or Financial Markets Authority.

22. You should contact the Reserve Bank if you are unclear which agency is your AML/CFT supervisor.

**Website**

<http://rbnz.govt.nz/aml/index.html>

**Email**

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