



Australian Government

**Australian Transaction Reports
and Analysis Centre**

Explanatory note for consultation

These draft AML/CTF Rules have resulted following consideration of an exemption application under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) by the Insurance Premium Finance Association Australia (IPFAA) and relate to insurance premium funding for general insurance. Insurance premium funding involves a loan to a customer to buy insurance from an insurer, where the lender and the insurer are not the same entity.

After consideration, the AUSTRAC Chief Executive Officer (CEO) agreed to exempt reporting entities that provide insurance premium funding for general insurance, from performing the applicable customer identification procedure under section 32 of the AML/CTF Act, except when the loan is cashed out or redeemed before the expiration of the term of the loan.

This decision was taken after considering that the provision of general insurance is not covered by the AML/CTF Act as a designated service, and other than when cashed out, the money laundering or terrorism financing risk (ML/TF risk) of a loan to pay such an insurance premium was considered lower than the general insurance service. The burden on industry was therefore considered excessive when balanced against the ML/TF risk.



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**Draft Anti-Money Laundering and Counter-Terrorism Financing Rules
relating to premium funding loans for a general insurance policy**

1. These Anti-Money Laundering and Counter-Terrorism Financing Rules (Rules) are made under section 229 for subsection 247(4) of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).
2. Subject to paragraph 3, section 32 of the AML/CTF Act does not apply to a designated service that:
 - (1) is of a kind described in item 6 and item 7 of table 1 in section 6 of the AML/CTF Act; and
 - (2) is a premium funding agreement.
3. Where a designated service referred to in paragraph 2:
 - (1) is of a kind described in item 7 of table 1 in section 6 of the AML/CTF Act; and
 - (2) results in any amount being refunded or returned to the customer under the premium funding agreement;

the reporting entity must not allow that amount to be paid to the customer prior to carrying out the applicable customer identification procedure.
4. In these Rules:
 - (1) 'premium funding agreement' means an agreement under which—
 - (a) a person agrees to make a loan to the customer to be applied against an amount payable for premiums under a policy of general insurance; and
 - (b) the person obtains from the customer an assignment of either or both of the following as security for payment of the loan:
 - (i) the customer's interest in the policy;
 - (ii) all amounts payable under the policy.
 - (2) 'policy of general insurance' is one issued by a general insurer under section 11 of the *Insurance Act 1973* (Cth).

Reporting entities should note that in relation to activities they undertake to comply with the AML/CTF Act, they will have obligations under the Privacy Act 1988, including the requirement to comply with the National Privacy Principles, even if they would otherwise be exempt from the Privacy Act. For further information about these obligations, please go to <http://www.privacy.gov.au> or call 1300 363 992.