

**INVESTMENT SAVINGS & INSURANCE ASSOCIATION OF NZ  
INC**

SUBMISSION TO THE  
MINISTRY OF JUSTICE  
ON THE

ANTI-MONEY LAUNDERING AND  
COUNTERING FINANCING OF TERRORISM  
BILL 2008

10 October 2008



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## **Anti-Money Laundering and Countering Financing of Terrorism Bill 2008**

### **Introduction**

1. The Investment Savings and Insurance Association (“ISI”) welcomes the opportunity to comment on the draft Anti-Money Laundering and Countering Financing of Terrorism Bill 2008 (“the Bill”), released by Ministry of Justice.
2. ISI represents the companies that issue and manage life insurance, superannuation and managed funds in New Zealand. ISI members are responsible for assets in excess of \$60 billion and a list of member companies appears at the end of this document.
3. While we recognise the need for New Zealand to comply with as far as possible with the FATF Recommendations (and ISI has been involved in consultation with the Ministry of Justice on AML/CTF proposals for several years) we do have significant concerns about some aspects of the Bill and the potential impact on the businesses of our member companies.

We have set out below our general concerns, followed by key recommendations and then detailed comment on specific issues.

### **General Concerns**

4. **Regulations**  
Our response to the Bill is qualified due to the absence of the regulations that will define critical aspects of the AML/CTF regime. Accordingly, we reserve our views on the impact on industry, and the effectiveness of the Bill in meeting its aims, until the complete AML regulatory package (comprising the Act, regulations and any guidance material from AML Supervisors) is available.
5. We note that clause 128 (2) of the Bill requires persons who would be affected by any regulations to be given a reasonable opportunity to consider the proposed terms of the regulations. Given the strong emphasis on the regulations in the Bill, and the serious impact they may have on business, consultation on draft regulations should commence as soon as possible.
6. **Cost**  
The research conducted by Deloitte for the Ministry of Justice: *New Zealand: Assessment of business compliance costs of the indicative anti-money laundering regulatory requirements* concluded that the set-up costs for the proposed regime would amount to approximately \$112 million, with on going costs of \$43 million each year.

7. At present it is not possible to make an accurate assessment of the cost that will be incurred by ISI members as much of the detail of the new regime is still to be revealed in regulations. However, we expect the impact of costs on industry could be mitigated by taking a principles (risk-based) approach rather than a prescriptive approach.
8. **Principles-based or prescriptive legislation**  
We strongly recommend that a principles-based approach is taken in the legislation as AML must cover a very broad range of industries and industry participants.
9. A principles-based approach will allow industry participants to draw on their professional expertise in interpreting the principles and implementing measures that are appropriate and proportionate to the money laundering and terrorism financing risk that is posed.
10. The Bill appears to contain elements of a principles-based approach but still seems overly prescriptive. For example, clause 128 provides for nine separate prescriptive categories to be set out in regulations. It is therefore difficult to get a sense of what sort of regime is intended.
11. The prescriptive approach is not consistent with the promotion of a true risk-based approach to managing the risks of AML. It is also likely to lead to a regime requiring strict compliance with generalised regulatory processes. Money launderers will quickly identify ways to work around a rigid regulatory structure whereas a principles-based approach would allow flexibility for institutions to design effective barriers to money laundering and terrorist financing.
12. Valuable lessons can be taken from the UK experience where the AML legislation (as originally enacted) failed to take a risk-based approach and imposed significant prescriptive obligations upon industry. The Financial Services Authority subsequently replaced its prescriptive 'Money Laundering Handbook' with approximately three pages of rule-status material, supplemented by guidance providing significant assistance and a best practice benchmark for industry.
13. We note that clause 109 (c) of the Bill allows the AML Supervisors to produce guidelines and undertake other activities to assist reporting entities to comply with the legislation. Assistance in determining levels of risk will be a key aspect of this guidance.
14. As we have commented in response to earlier consultation documents, the AML/CTF regime needs to be proportionate to the risk and should be reasonable rather than total coverage. The FATF Recommendations do not require legislation to cover every possible risk that could be imagined.
15. **Transition to implementation**  
The PCO Explanatory note to the Bill states that the draft does not contain any transitional provisions. However, we would like to emphasise that an

appropriate transitional period for implementation is of considerable importance to ISI members.

16. We recommend that any transition period should be set by reference to the *entire* AML/CTF package which should consist of the Act, Regulations and any AML Supervisor guidance publications.
17. The general obligations imposed by the Bill are extensive and cover a wide range of matters which will require the development of complex systems and processes in order to ensure ongoing operational compliance.
18. The impact of implementing AML should also be considered in the context of the high level of regulatory change being experienced by financial services industry participants as part of the Ministry of Economic Development's Review of Financial Products and Providers.
19. We consider that a minimum implementation period of two years would be appropriate, commencing from the date of the release of the complete AML/CTF package.

## **Key Recommendations**

20. We have made a number of recommendations in this submission, but the ones we wish to emphasise are:
  - Pure risk insurance should be excluded from the scope of the legislation.
  - There should be no requirement for customer due diligence on existing customers unless a suspicious matter obligation arises.
  - A risk-based approach is preferable to prescriptive legislation but where determination of risk is beyond the scope of reporting entities they must be able to rely on the guidance of AML Supervisors.
  - The ability to rely on third parties to carry out relevant customer due diligence should extend to registered, Category 1 financial advisors.

## Specific Issues

### 21. Definitions

There is significant uncertainty in respect of several definitions in the Bill. For instance:

22. *Authorised person* means a reporting entity or class of reporting entities that meet the requirements set out in regulations for the purposes of the Bill's clauses 19 and 20, but the regulations are not available to specify what those requirements will be.

Clause 20 (2) (b) refers to a non-reporting entity being an authorised person although that does not appear to be permitted by the definition of authorised person.

We recommend that the definition of authorised person should be clarified to allow for a non-reporting entity being an authorised person, subject to regulations. Financial advisers who are classed as category 1 under the Financial Advisers Act and registered under the Financial Service Providers (Registration and Dispute Resolution) Act should be classed as 'non-reporting entity' authorised persons to enable them to carry out due diligence on behalf of a reporting entity.

23. The definition of *facility* includes a life insurance policy. We strongly recommend that pure risk policies are differentiated from investment related life policies and pure risk insurance policies are expressly excluded from the remit of the Bill for the reasons set out in paragraphs 29 to 33 below.
24. The definition of a *financial institution* includes a person who carries out underwriting or placement of life insurance or other investment related insurance. The commercial activity of underwriting does not provide opportunities for money laundering. We recommend that the reference to underwriting is removed from the Bill.
25. This definition also appears to include all life insurance policies. Again, we strongly recommend that pure risk, non-investment related life insurance is expressly excluded from the Bill. A pure risk insurance policy does not provide a significant opportunity for money laundering.
26. *Beneficial owner* is defined as the individual who **ultimately owns or controls** a customer or the person on whose behalf a transaction is being conducted. It is difficult to see how that definition might be applied in practice and particularly whether it is intended to apply to trustees and/or beneficiaries in the context of a discretionary trust or probate administration, and directors and minority shareholders in a corporate context.
27. *Customer* is defined to include existing customers. If existing customers are not expressly excluded from the definition of customer, the costs and administrative burden of implementation will greatly exceed the already

significant estimates in the Deloitte report. See also our comments in relation to the requirement for customer due diligence for existing customers in paragraph 33 below.

28. The definition of *existing customer* should also recognise the low risk nature of superannuation scheme investment and the commercial practice and ability set out in the Superannuation Schemes Act 1989 to transfer the entire membership of one superannuation scheme to another.
29. **Pure risk life policies**  
Pure risk life insurance (Term Life; Trauma; Income Protection; Accident Cover and Total and Permanent Disablement) should be excluded from the financial activities covered by the Bill. Pure risk life insurance is neither suitable for, nor likely to be used by, individuals seeking to launder money or finance terrorism.
30. We refer to the table attached at Schedule 1 which identifies the benefit and surrender payment events for insurance products. As you will see, the pure risk insurance policies have no surrender value, payment of any benefit is contingent upon the occurrence of events that are difficult and unappealing to manipulate and the policy-owner of a pure risk insurance product loses all entitlement to the premiums paid for the product.
31. Those of our members that provide pure risk insurance style products would value more detail on the approach to be taken here to assess the impact of complying with future CDD requirements.
32. Many of these products are sold by direct marketing and that relies on simple sales processes via direct mail, outbound telemarketing, and internet. The proposed change for verification of customer's identity would make it harder to transact direct marketing business and is likely to lead to lower response rates and higher costs for consumers.
33. **Existing Customers**  
Clause 9 (2) (e) requires reporting entities to carry out standard due diligence on existing customers if "...doubt arises as to the adequacy or veracity of documents, data, or information previously obtained for the purposes of identification or verification of the customer, the beneficial owner, or (if applicable) the individual who is acting, or who has acted, on behalf of the customer." As there is no requirement at present for verification of the identity of beneficial owners, all trusts and corporate customers will be caught by this requirement.
34. These requirements are strengthened further in clause 55 (e) which creates a civil liability if a reporting entity continues this business relationship. It is not clear if it is intended that reporting entities must retrospectively satisfy themselves for all existing customer records which were collected under a different regime of compliance.

35. We endorse the provision in the Australian legislation which provides that existing customers will have to be identified, verified or re-verified only in the event that a suspicious matter obligation arises. This is included in ongoing due diligence requirements.
36. The commercial imposition, administrative burden and significant costs associated with a requirement to conduct customer identification procedures in respect of each customer in an organisation's entire existing client base can only be considered to be disproportionate to the level of potential risk.
- 37. Customer Due Diligence ("CDD") – Three Levels**  
ISI supports the adoption of a risk-based approach to managing exposure to money laundering and terrorist financing activities. The proposed three-level approach to CDD set out in the Bill appears consistent with such an approach and should help to ensure that the AML/CTF obligations imposed on financial institutions are proportionate to the risk posed by that transaction.
38. The Bill proposes 'simplified', 'standard' or 'enhanced' CDD, depending on the level of risk involved. The Bill specifies what is required for standard due diligence but does not do the same for simplified due diligence, which is to be "set out or provided for in the regulations". We look forward to receiving some guidance as to what would be required by 'simplified' CDD.
39. We suggest that assessment of a designated product or service as 'low risk' (based on principles set out in legislation and guidance from AML Supervisors) should not focus on unusual circumstances or on the possibility of unusual product features or situations where the risk of money laundering is increased. Such circumstances would be captured by each reporting entity's AML programme in any event as part of a principles-based approach to risk management. Instead, the focus should be on ensuring that the AML measures required in each circumstance are proportionate to the risk posed, subject to suspicious transaction exceptions.
- 40. Third Party Verification of Identity**  
ISI members, as issuers and managers of life insurance, superannuation and managed funds, rely extensively on financial advisers to distribute their products to the public. It is not clear to what extent the Bill will allow them to rely on those financial advisers to verify the identity of new customers.
41. Clause 19 of the Bill allows a reporting entity to rely on another reporting entity to carry out due diligence but it is not clear whether a financial adviser would come within the definition of reporting entity. We have recommended that category 1 registered financial advisers should be classed as non-reporting entity authorised persons and thus able to carry out due diligence.
42. Clause 20 (2) (b) stipulates that a reporting entity may rely on due diligence carried out by a non-reporting entity but only if the non-reporting entity is an authorised person. Unfortunately, as noted above, the definition of authorised person means a reporting entity.

43. Despite the facility to rely on other reporting entities, we note that clause 19 (3) and clause 20 (3) both leave ultimate responsibility for customer due diligence with the original reporting entity. In clause 19(3) we see no sound policy reason why a reporting entity relying on another reporting entity to conduct CDD should be responsible for that other reporting entity's CDD. This is particularly as the CDD is within the other reporting entity's control and that entity is also subject to the same regulatory regime. We recommend that these clauses are removed and that reporting entities may be permitted to rely on CDD carried out by other reporting entities or non-reporting entity authorised persons (including category 1 financial advisers) or by one member of a Designated Business Group as referred to below.

**44. The Dangers of Duplicate Reporting**

If the ability to rely on third parties is not clearly established, this will lead to a high level of duplication which will add to the administrative burden on corporate groups.

45. As an example, duplication of reporting could occur where a customer engages the services of a financial adviser and, acting on that advice, invests via a wrap service provider into a unit trust and a superannuation scheme and purchases life cover via the superannuation scheme. The financial adviser, wrap service provider, manager and trustee of the products and the issuer of life insurance could all be employed by subsidiaries of the one corporate reporting entity. Yet the transaction could require at least five separate instances of CDD. It is therefore essential that the Designated Business Group mechanism works effectively to reduce unnecessary duplication of compliance.
46. Duplicate reporting will also add to the administrative burden of the regulators and will potentially inhibit the detection of suspicious activity and ultimately undermine the detection and deterrence of money laundering. Individual transactions are likely to get lost in the sheer volume of transactions being reported.
- 47. Politically Exposed Person ("PEP")**  
*Politically exposed person* is defined as an "individual who is or who has been entrusted with a prominent public function in a foreign country".
48. Clause 12 requires a reporting entity, before establishing a business relationship or conducting an occasional transaction with a PEP, to carry out enhanced due diligence 'according to the level of risk involved'.
49. The level of risk will depend on the nature of the product and services offered and financial institutions should be able to apply the definition in a manner which is appropriate for their business. This is an area in which the guidance of AML Supervisors will be helpful. The regulatory framework should allow industry participants to tailor their systems to reflect the risks associated with their business and be flexible enough to enable industry members to perform

limited procedures to identify a PEP where the PEP risk of a particular product or service has been assessed to be low to medium.

50. In low to medium risk scenarios, it should not be necessary to undertake a search of government or subscription based lists. Industry members should be able to rely on initial disclosures made by customers in applications for a relevant financial product or service and limited internal review of these disclosures in the first instance.
51. Where there is a high PEP risk in relation to a particular person, service or jurisdiction, further steps will need to be taken to ensure that PEPs are identified.
52. In the limited situations where a financial institution assesses the PEP risk of a particular jurisdiction, person, product or service as high, additional measures may be required.
53. It is not reasonable to require an industry member to undertake steps to identify a PEP (even where a high PEP risk is identified) where the costs of doing so by accessing a list on a commercial database are prohibitive (particularly where those costs are ultimately passed onto the customers of the business).
54. We suggest that the AML Supervisors should assist industry participants through access to government operated, sponsored and/or funded lists for the identification of PEPs where enhanced due diligence procedures are required to be implemented.
55. **Beneficial Owners**  
As noted above, the definition of beneficial owner is not clear. If it is intended to apply to all trusts and companies there will be some practical difficulties in complying with the due diligence requirements. In the case of a discretionary trust, the identity of a beneficiary will not necessarily be known at the time the trust is set up and it would be more appropriate for due diligence to be conducted prior to the time that a distribution is made, or for CDD to be the trustees' responsibility.
56. **Designated Business Groups**  
We suggest that the use of the Designated Business Group ("DBG") in the Bill should be clarified to expressly cover all activities of subsidiaries within a corporate group (defined with reference to a controlling interest of a subsidiary) together with parties bound by contractual relationships. Having one AML/CTF programme covering all transactions of that group would enhance the ability of the group to identify and report suspicious activities efficiently, thus better achieving the purpose of the proposed regime. The concept of the Designated Business Group has been implemented effectively in Australia.

57. Conversely, restrictions on corporate structures acting on a group-wide basis will have a detrimental impact on the experience of customers and will lead to significant duplication. Such duplication will result in increased costs to the business and ultimately to the customer and will undermine the effectiveness of the AML/CTF regime.

**58. Electronic Verification of Identity**

There is an increasing move towards business being conducted over the internet and the Bill needs to provide explicitly for CDD to be carried out electronically.

In all such cases, an ISI member will have bank account details of the customer and should be entitled to rely on the bank to have conducted due diligence where that bank is subject to the same regulatory regime. The bank account information could be supplemented by scanned copies of other information such as a passport and/or utilities invoices addressed to the customer.

**59. Prohibitions**

The wording of Clause 22 may cause difficulties for a reporting entity that has an existing client who deposits a sum that is potentially suspicious. As the reporting entity is not permitted to alert the client to the possibility of making a suspicious transaction report, it will be very difficult to carry out due diligence on the client. Accordingly, the reporting entity will be required by sub-paragraph (b) to terminate the existing business relationship but will be prevented by sub-paragraph (c) from refunding the sum that has been deposited.

There needs to be specific provisions under this Bill for present CDD to be 'grand parented'. If not, or if there is not an effective and efficient transitional arrangement, there will be a huge compliance impost on the financial sector.

We recommend some re-wording of Clause 22 to remove the practical difficulties.

**60. Correspondent banking relationships**

Correspondent banking relationships as defined in clause 13 place an unduly onerous burden on financial institutions particularly in clauses 13 (2), (a), (b) and (c). The proposed obligations are to investigate and analyse a respondent financial institution's business, quality of supervision and whether any AML/CTF offences or regulatory actions are currently being enforced. Following this investigative process, financial institutions must conduct an assessment of the adequacy of that respondent's AML/CTF controls.

61. These obligations are well outside the core business and areas of expertise of financial institutions and therefore will involve additional costs. We recommend that a reporting entity should be able to rely on written representations made by respondent financial institutions from jurisdictions with regulatory regimes acceptable to the AML Supervisors.

**62. Record-Keeping**

Until the regulations are available, it is difficult to assess how onerous record-keeping requirements will be. Although clause 33 (2) sets out the information that must be recorded, clause 33 (2) (g) allows for additional information to be prescribed by regulation.

Clause 35 sets out the obligation to keep other records, but sub paragraph (c) allows for other records to be prescribed by regulation.

Similarly, clause 36 (b) provides for the manner in which records are to be kept to be prescribed by regulation and clause 36 (c) also allows for the AML Supervisor to issue guidelines on how particular records should be kept. We consider that the key requirement is in sub paragraph (a) and that sub paragraphs (b) and (c) are unnecessary.

We recommend that regulations are drafted immediately so that they can be considered at the same time as the Bill.

**63. Compliance Programme**

There are a number of instances where a reporting entity will struggle to comply with the provisions of the Bill simply because it will not have the necessary information. For instance:

64. Clause 12 requires a reporting entity to be able to identify politically exposed persons. As noted above, that is not a responsibility that should be put on reporting entities unless the necessary information can be made available by a Government agency.
65. Clause 14 appears to impose an onerous obligation on reporting entities that they are unlikely to have the skills to perform. It would be helpful to have the regulations available in order to assess what the requirements might be.
66. Clause 24 requires a reporting entity to have knowledge of the business relationships of other financial institutions.
67. Clause 41 (i) and (l) also appear to impose obligations that are likely to be beyond the scope of information available to the reporting entity (see paragraphs 25-32).
68. Clause 41 could result in the reporting entity having to develop monitoring processes and systems that are costly, regardless of the AML risk faced by the entity.

We recommend that the Ministry should consider a more risk-based approach for AML compliance programmes, rather than a set of specific requirements. For example, clause 41 (h) could require a reporting entity to build systems and process to monitor, examine and keep records of large transactions regardless of the nature of the product line and the risk involved.

69. Clause 40 currently requires each reporting entity to have a compliance programme. There is no mention of whether financial institutions that operate as groups of companies can have a joint programme. The Australian AML legislation, for example, allows an entity to enter into a joint programme with other members of a group (Designated Business Group). We recommend that the Ministry consider a similar approach for New Zealand. It would reduce implementation and maintenance costs significantly for New Zealand financial institutions operating as a group of companies to have a joint programme, rather than individual programmes for each entity within the group.
70. Subsidiaries of a foreign-owned corporation are likely to be required to adopt the parent's AML compliance programme. For example, New Zealand subsidiaries of an Australian parent are caught by the Australian AML legislation. We recommend that the Ministry consider permitting entities that are subsidiaries of a foreign-owned corporation to adopt a joint programme that has been established by their parents in jurisdictions with regulatory regimes acceptable to the AML Supervisors.
- 71. Annual Audit Requirement**  
We recommend a more principle-based approach for the audit of an AML compliance programme, rather than a specified frequency. The frequency and coverage of the audit should be determined in consultation with the AML Supervisor, based on the AML risks for the reporting entity, so that higher risk components will be reviewed more frequently and some low risk components less frequently, reducing unnecessary costs to the entity.
72. The Bill has not set out what person would be 'independent'. We recommend that an entity should be allowed to utilise its Internal Audit or Risk and Compliance audit and monitoring resources to audit its AML compliance programme. There should only be a specific requirement for external audits to be conducted in instances where the AML supervisor has reasonable grounds to believe that the reporting entity has not complied with the AML requirements. The Australian regime has provision for a **regular** independent review of a reporting entity's AML/CTF programme by an independent **external or internal** party.
- 73. Liability of executive officers**  
The definition of "executive officers" could have a wide interpretation and we are concerned at the potential for including all persons with a managerial role in a reporting entity and imposing obligations beyond the scope of their direct accountabilities.
- There would be practical difficulties for all executive officers to meet the obligations required of them, such as the extent of the enquiries that each officer needs to make to ensure that "employees, agents and contractors had reasonable knowledge of the AML requirements" or to ensure that "a third party is meeting its requirements in relation to customer due diligence".

The costs associated with the required training and monitoring practices that would have to be in place would be significant and the onerous obligations on executive officers would not necessarily result in any reduction in the risk of non-compliance with the AML requirements.

**74. Search and Seizure**

Clause 92 allows an enforcement officer to enter premises without a search warrant in order to monitor compliance with the Act and any regulations. Although we agree that enforcement officers will require enforcement powers under the Act, there need to be appropriate procedural safeguards on those powers and their exercise.

We do not consider that enforcement officers should have the ability to enter premises to monitor compliance with the Act without the consent of the reporting entity or without having reasonable grounds to suspect that the reporting entity is not complying with the legislation. Searches for monitoring purposes have the potential to cause business interruption for those entities subject to a search and infringe on the privacy of an entity's customers if access is required to be provided to customer information.

The power of the regulator to ensure compliance with the legislation needs to be proportionate and balanced against the rights of the reporting entity (and the privacy rights of customers). We recommend that the search and seizure provisions are revisited to ensure there is an appropriate balance.

**75. Defences**

Industry members should be able to avail themselves of a due diligence defence through the implementation of adequate policies and procedures which are reasonable.

For the purpose of the defence, compliance with appropriate industry standards should be deemed to constitute reasonable steps.

**76. AML Supervisors**

The business of ISI members covers life insurance, superannuation and managed funds and therefore will be covered by two AML Supervisors. Clause 107 (2) of the Bill enables the Reserve Bank and the Securities Commission to agree which of them will be the AML Supervisor for each reporting entity. We recommend that a time period is added to this provision. It will be important for reporting entities to know as soon as possible to which AML Supervisor they will report.

77. There is the potential for financial institutions with similar but not identical business lines to be regulated by different AML Supervisors. Unless the regulators operate in strict co-operation and in a manner that is entirely consistent the competitive environment in which ISI members operate may be disrupted. The potential for commercial disadvantage and market distortion as a result of inconsistent AML/CTF supervision is very real. In order to deliver on its declared objective to contribute to public confidence in the financial system, a level playing field for market participants is essential.

78. We strongly recommend that the Bill is amended to include a requirement for AML Supervisors to consult and agree a consistent approach across the entire industry.
79. Clause 110 gives an AML Supervisor the power to conduct on-site inspections without a court order. We recommend that such inspections should only be permitted if the AML Supervisor has reasonable grounds for believing that the reporting entity is not complying with the legislation.
80. The AML Supervisors have powers under clauses 109 and 110 to produce guidelines and require reporting entities to supply information. That should be the first level of supervision. While it is appropriate for the AML Supervisors to have the power to conduct on-site inspections they should not be a routine method of monitoring compliance.

## List of ISI Members

### ISI MEMBERS

AIG Life  
AMP Financial Services  
Asteron Life Ltd  
AXA New Zealand  
BNZ Investments and Insurance  
CIGNA Life Insurance NZ Ltd  
Dorchester Life  
Equitable Group  
Fidelity Life Assurance Co Ltd  
Gen Re LifeHealth  
Hannover Life Re of Australasia Ltd  
ING New Zealand Ltd  
Kiwibank Ltd  
Medical Assurance Society NZ Ltd  
Munich Reinsurance Co of Australasia Ltd  
Public Trust  
RGA Reinsurance Co. of Australia Ltd  
Sovereign Ltd  
Swiss Re Life & Health Australia Ltd  
TOWER New Zealand  
Westpac/ BT Funds Management Ltd

### Associate Members

Bell Gully Buddle Weir  
BNP Paribas  
Bravura Solutions  
Burrowes & Co  
Chapman Tripp Sheffield Young  
Davies Financial & Actuarial Ltd  
Deloitte Touche Tohmatsu  
Ernst & Young  
InvestmentLink (New Zealand) Ltd  
KPMG  
Kensington Swan  
Melville Jessup Weaver  
Mercer Human Resource Consulting Ltd  
Morningstar Research Ltd  
Phillips Fox  
PricewaterhouseCoopers  
Russell Investment Management  
Russell McVeagh  
Simpson Grierson

**ISI Submission to the Ministry of Justice on the Draft AML/CFT Bill****Schedule 1**

<b>Life Insurance Products</b>					
<b>Product</b>	<b>Policy Type</b>	<b>Investment element</b>	<b>Sum insured</b>	<b>Surrender (cash) value</b>	<b>When Payable</b>
Term Life	Pure Risk Product	No	Yes	No	On death of the insured
Trauma	Pure Risk Product	No	Yes	No	on incidence of a trauma event involving the insured
Income Protection	Pure Risk Product	No	Yes	No	on (total) disablement of the insured
Total & permanent disablement	Pure Risk Product	No	Yes	No	on (total & permanent) disablement of the insured
Endowment	Hybrid Product – including elements of Pure Risk Products and Investment Products	Yes	Yes	Yes	On death (life risk element), voluntary surrender or maturity of the contract (investment element)
Whole of life	Hybrid Product – including elements of Pure Risk Products and Investment Products.	Yes	Yes	Yes	On death (life risk element), voluntary surrender or maturity of the contract (investment element)
Annuities	Pure Risk Product	Yes	No	No	Immediately, on commencement. Residual capital values may or may not be attached to the contract
Pure endowment	Investment Products	Yes	No	Yes	On death (no life risk element payable), voluntary surrender or maturity of the contract (investment element)
Investment bonds	Investment Products	Yes	No	Yes	On death (no life risk element payable), voluntary surrender or maturity of the contract (investment element)