

7 March 2006

Mr Jonathan Curtis
Committee Secretary - Senate Legal and Constitutional Committee
Department of the Senate
Parliament House
CANBERRA ACT 2600



Dear Mr Curtis

INQUIRY INTO THE ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING BILL 2005

Insurance Australia Group (IAG) welcomes the opportunity to make a submission on the exposure draft *Anti-Money Laundering and Counter-Terrorism Financing Bill 2005*.

Who is Insurance Australia Group?

IAG is the largest general insurance group in Australia and New Zealand (by reference to premium written in these countries). It provides personal and commercial insurance products under some of the most respected and trusted retail brands including NRMA Insurance, SGIO, SGIC, CGU and Swann Insurance in Australia, and State and NZI in New Zealand.

IAG's core lines of business include:

- Home insurance
- Motor vehicle insurance
- Business insurance
- Consumer credit insurance
- Product liability insurance
- Compulsory third party (CTP) insurance
- Workers' compensation insurance
- Professional risk insurance

IAG has a crucial interest in the long-term viability of insurance as a product valued by the Australian community. IAG believes that there are four principal ways in which the insurance industry can best meet these objectives. These are:



- investing in robust risk control frameworks and mechanisms that protect policyholders and provide certainty to shareholders;
- pricing products realistically;
- ensuring that customers understand what they are buying when they purchase a policy, and that products do not arbitrarily advantage or penalise particular individuals or groups; and
- committing to, and supporting, on a continuing basis, a comprehensive and clearly defined regulatory framework that facilitates more affordable premiums and more predictable claims costs.

What is IAG's Interest in the Draft Exposure Bill?

IAG interest in this draft exposure bill is multi-pronged. These interests include:

- ensuring that Federal Government and other sub-sectors of the financial services sector in Australia have an appreciation of the low risk of the general insurance sector in Australia to money laundering. IAG does note that general insurance is not a designated service;
- ensuring the distinction between insurance fraud and money laundering is appropriately understood by both government and regulators; and
- where appropriate, provide comment on the potential unintended consequences of the Draft Exposure Bill, that have the potential to effect the operations of businesses throughout Australia (ie the provision of employee funded superannuation services).

However, the complexity of the Draft Exposure Bill, coupled with the absence of draft AML/CFT rules, means that we are unable to provide definitive views in the timeframes given. We will provide a more detailed submission to the Committee by 20 March 2006, addressing the issues summarised above.

IAG appreciates the opportunity to raise these important public policy matters in relation to the draft exposure bill with you. If you wish to discuss this matter or make further inquiries please contact Justin Ward (Senior Adviser, Government Relations and Policy) on 02 9292 8253.

Yours sincerely



Dr Barbara Carney
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