

Ministerial Exemptions Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009

In accordance with section 157(6)(b) of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (“Act”), the Associate Minister of Justice gave notice on 10 November 2020 that he has granted the following exemption from the Act:

Ministerial Exemption: Hallmark Life Insurance Company Limited and Hallmark General Insurance Company Limited

Exempting Hallmark Life Insurance Company Limited and Hallmark General Insurance Company Limited from the following provisions of the Act:

- a. Sections 10–71 inclusive.

In this exemption, unless the context otherwise requires:

- Hallmark Entities means Hallmark Life Insurance Company Limited and Hallmark General Insurance Company Limited.

This exemption is made subject to the following conditions:

- a. The exemption applies to the following financial activity offered by the Hallmark Entities:
 - i. Consumer Life Policies
- b. Hallmark Entities must inform the Ministry of Justice of any changes that may affect the exemption and/or conditions imposed by this written instrument within 10 working days from when the change affecting the exemption occurs.

This exemption has been made for the following reasons:

- a. Hallmark Entities provide consumer credit insurance with a life cover component in relation to credit and loan products offered by Latitude Financial Services Limited.
- b. In the event of a claim, Hallmark Entities pay Latitude Financial Services Limited directly on behalf of the customer. The exception to this is in the event of an accidental death, in which case Hallmark Entities will make the additional payment to the customer’s estate.
- c. None of the insurance policies that Hallmark Entities provide in respect of Latitude Financial Services Limited credit or loan products are assignable to a third party by the customer.
- d. The values insured and ultimately paid out are low.
- e. Only insurance provided in respect of personal loans allows for the potential for a refund of the unused portion of a premium payment if the insurance is cancelled. However, premium refunds are applied towards the outstanding balance of personal loans and not directly to the customer.
- f. The insurance provided by Hallmark Entities would otherwise not be considered life insurance for the purposes of the Act but for the fact that the underlying Latitude Financial Services Limited

credit and loan products can exist for longer than five years and therefore do not meet the definition of “specified credit insurance contract” in regulation 14 of the Insurance (Prudential Supervision) Regulations 2010.

- g. As the credit or loan provider, Latitude Financial Services Limited conducts customer due diligence of the customer, ongoing monitoring of watchlists and transactions for suspicious activity and makes the required reports. Customer due diligence is conducted by Latitude Financial Services Limited prior to Hallmark Entities providing insurance to the customer, as well as on an ongoing basis.
- h. Internationally, life insurance is generally considered as presenting lower risks of being misused for money laundering or terrorism finance. Consistent with international understanding, New Zealand authorities consider the life insurance sector to have overall low inherent risk.
- i. The factors that have been identified as raising the risk of money laundering or terrorism finance with life insurance include where the policy is redeemable without the policyholder dying or being permanently disabled; where the policy issuer does not have face-to-face contact with the customer; and where the customer may not be the ultimate beneficiary of the policy (i.e. the benefits have been assigned to a third person). These factors do not appear to apply in respect of the life insurance provided by Hallmark Entities.

This exemption comes into force on 4 August 2020.

This exemption will expire on 4 August 2025.

Any person wishing to provide comment on this notice should contact the Terrorism and Law Enforcement Stewardship Team at the Ministry of Justice by emailing amlcft.exemptions@justice.govt.nz.