

10 October 2005

Mr Jonathan Curtis
Committee Secretary
Parliamentary Joint Committee on the Australian Crime Commission
Parliament House
CANBERRA ACT 2600



Dear Mr Curtis

Insurance Australia Group (IAG) welcomes the opportunity to make a submission to the inquiry reviewing the *Australian Crime Commission Act 2002* currently being conducted by the Parliamentary Joint Committee on the Australian Crime Commission.

Our submission follows.

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 this Inquiry?

IAG interest in this Inquiry is multi-pronged. These interests include:

- creating a significant level of awareness and appreciation of the magnitude of organised motor vehicle theft and how it can be combated in Australia; and
- understanding and suggesting improvements to the manner in which financial crime and fraud can be combated in Australia.

Inquiry Submission

Organised Motor Vehicle Theft

Organised criminal activity in regards to vehicle theft remains as prolific now, as it was prior to commencement of global reductions in vehicle theft rates. National Motor Vehicle Theft Reduction Council (NMVTRC) and IAG data indicates that reductions in rates of theft have occurred largely in relation to theft types of an opportunistic or unsophisticated nature¹.

Professional theft activity remains a considerable source of organised crime revenue. These revenues continue to be earned with a comparatively low risk profile. In particular, the risk of detection, and subsequent imposition of significant custodial sentences remains low.

Organised vehicle theft and subsequent distribution is a national crime, with little respect for state borders. State registration authorities are sources of vulnerability by virtue of their being state based. Many law enforcement responses tend to be restrained by a State based approach.

¹ In recent years, CARS data indicates that vehicle theft incidents have fallen from 136,958 in 2001 to 85,472 in 2004, a decrease of 38%. However, the volume of recovered vehicles has fallen by 42% over this period, from 116,551 in 2001 to 67,243 in 2004. This is compared to a decrease of only 11% for unrecovered vehicles, which fell from 20,407 to 18,229. *CARS Analyser Tool, 13 October 2005*

A national and international approach is required to deal with the multi million-dollar business of organised vehicle theft and distribution². The approach requires a “whole of government” response, in partnership with a variety of stakeholder groups including the Australian Customs Service, ports authorities, state and federal motor vehicle registration and standards authorities (ADR’s), law enforcement and intelligence agencies, together with manufacturers and insurers.

The development of an integrated response to the issue of professional vehicle theft has a long lead-time. Developing the human capital and physical infrastructure to strategically manage this issue is a complex task, therefore requiring a long-term strategic plan based on sound intelligence.

To date, the ACC has made impressive headway on the above-mentioned issues. Stakeholder groups are being engaged, joint taskforce groups are being formed (Financial Crimes Taskforce), examination powers are being tested and developed, and most importantly Australia is now set to participate in the Interpol Stolen Motor Vehicle database.

However, despite these developments, organised vehicle crime remains and continues to prevail over the range of responses to date³. It has been, and remains the view of IAG, that the ACC is the most competent and relevant agency to take the lead role in developing a strategic response to organised vehicle theft in Australia.

IAG believes that the components of a successful strategy to combat organised vehicle theft in Australia would encompass:

- a commitment to and participation in the Interpol Stolen Motor Vehicles database;
- engagement of manufacturers and insurers to ensure standardised target hardening of vehicles and processes;
- joint research on vehicle marking and identification technology;
- joint development of international standards and treaties on vehicle marking;
- joint activity with the Australian Customs Service to develop targeting programs for exported stolen vehicles and parts;
- joint activity with foreign law enforcement and intelligence agencies to identify (and shut down) the markets in which Australian stolen vehicles are being distributed;

² CARS estimate that the total value of late model (< 10 years) vehicles stolen and not recovered in the 2004/05 financial year was approximately \$87 million. This estimation does not include indirect theft costs, such as time off work required by vehicle owners, resource depletion for law enforcement or insurance investigation costs. *Ad-Hoc CARS data, 13 October 2005 (special request)*

³ State police taskforces, Written-Off Vehicle Register (WOVR), National Exchange of Vehicle & Driver Information System (NEVDIS) and vehicle immobilisation are all new approaches developed over the past five years. While they have assisted in reducing opportunistic theft and curtailing the rate of increase in professional theft, they have not reduced professional theft rates.

- joint activity with law enforcement agencies to develop intelligence collection programs based on cellular criminal activity, rather than crime types;
- a task force response to crime groups which might typically involve drug, firearms, vehicle re-birthing and/or tobacco smuggling operations;
- increased seizure of assets, which constitute the infrastructure of vehicle re-birthing, conversion and or export operations.

IAG does not believe that the actions noted above, would always utilise the ACC as the lead agency. Rather, the ACC development of a strategic response to vehicle re-birthing could be as co-ordinator and Intelligence collector.

IAG applauds the efforts of the ACC to date. The development of a vehicle re-birthing determination has provided a lead, and a degree of co-ordination on this issue that had previously lacked cohesion.

Financial Crime / Fraud

Recent developments in the area of financial crime, including identity theft and organised fraud indicate a transition of criminal enterprise from property to fraud offence types. While this is not a proven phenomenon, we note reductions in property theft remain a global trend, coupled with an increased in the reporting of large-scale financial crimes.

As Australia's largest general insurer, IAG has a significant exposure to insurance fraud and property crime. Historically, the Insurance industry has tended to manage the issue of fraud on an ad-hoc and proprietary basis. Recent initiatives within the insurance sector, have sought to commence a process leading to the formation of a formalised forum, with the purpose of developing a strategic response.

IAG considers the ACC the logical agency within which a strategic response could be developed. Work is underway in relation to developing an industry involvement in the Financial Crimes Task force. We anticipate that in the future this group may be extended to take on the additional responsibility of insurance crime.

While insurance crime will be captured to some extent, in the current form of the Financial Crimes Taskforce, it seems likely that the focus will be narrow in the initial instance. In particular, the taskforce will investigate fraudulent entities, in respect of identification theft and crime.

Insurance crime involves aspects of identity theft. However it also involves many other activities that currently lack a dedicated law enforcement response. This is despite the fact that these activities involve the breach of criminal legislation throughout Australia.

IAG would welcome the opportunity to work with the ACC in developing a national treatment plan for Insurance crime in Australia. The development of the Financial Crimes Taskforce represents an important step in industry engagement on related issues.

IAG appreciates the opportunity to raise these important public policy matters with the Parliamentary Joint Committee on the Australian Crime Commission.

We at IAG are happy to discuss this submission. If you wish to discuss this matter or make further inquiries please contact Ms Nola Watson (Head – Corporate Risk Services) on (02) 9292 8253 or Justin Ward (Senior Adviser, Government Relations and Policy) on (02) 9292 8253.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B Carney', written in a cursive style.

Dr Barbara Carney
Group Head, Government Relations and Policy