



Department of the Treasury Financial Crimes Enforcement Network

Guidance

FIN-2006-G010

Issued: May 31, 2006

Subject: Frequently Asked Questions

**Anti-Money Laundering Program and Suspicious Activity
Reporting Requirements for Insurance Companies**

Please note: This guidance supplements the Frequently Asked Questions that were issued on October 31, 2005.

1. What does FinCEN mean by “any other insurance product with features of cash value or investment,” under the definition of “covered products”?

Per 31 C.F.R. § 103.137, the definition of “covered products” includes:

- (i) A permanent life insurance policy, other than a group life insurance policy;
- (ii) An annuity contract, other than a group annuity contract (or charitable gift annuity);
- (iii) Any other insurance product with features of cash value or investment.

FinCEN has received inquiries concerning the scope of (iii) “any other insurance product with features of cash value or investment” and whether group policies or group annuities that allow individual investment or have cash value for an individual will be considered “covered products.”

The purpose of including the language “any other insurance product with features of cash value or investment,” in the definition of “covered products” is to ensure that any newly developed products in the life insurance and annuity areas having these characteristics, and that are particularly vulnerable to money laundering, would be covered. It is not intended that group life insurance policies or group annuities, with or without these characteristics, would be covered because group policies are administered according to guidelines that make them generally less vulnerable to abuses by participants in the plan.

A request for an administrative ruling interpreting the application of this definition may be submitted in writing to FinCEN pursuant to 31 C.F.R. § 103.81.

2. Are insurance companies required to have a Customer Identification Program similar to banks subject to the requirements under 31 CFR 103.121?

Presently, insurance companies are not subject to a rule requiring them to implement a Customer Identification Program and obtain minimum mandatory information verifying the identity of a customer. Nevertheless, other applicable Bank Secrecy Act regulations require insurance companies to obtain and retain identifying information from customers in certain situations. For example, insurance companies must obtain all relevant and appropriate customer-related information necessary to administer an effective anti-money laundering program. Insurance companies that are subsidiaries of banking organizations should consult with their parent bank's primary Federal regulator.

3. Which suspicious activity reporting form should insurance companies use?

The rule requiring insurance companies to report suspicious activity has an effective date of May 2, 2006. Accordingly, insurance companies must begin reporting suspicious activity on that date. We have proposed a new suspicious activity reporting form for insurance companies (FinCEN Form 108, SAR-IC). However, the new form will not be available for use on May 2, 2006. Until further notice, insurance companies should use the suspicious activity reporting form used by the securities and futures industries (FinCEN Form 101, SAR-SF) to report suspicious activity.

To prevent any confusion, it is essential that insurance companies complete the SAR-SF forms for filing as follows:

On Page 2, Part IV, #36—Name of financial institution or sole proprietorship:
After entering the name of the insurance company, leave one space and enter "SAR-IC." For example: "ABC Life Insurance Co. SAR-IC."

In the Narrative section, enter "Insurance SAR" on the first line.

FinCEN will publish guidance on completing the new SAR-IC when the form becomes available.

4. What are the implications if an insurance company was unable to train all of their agents and brokers prior to the applicability date of May 2, 2006?

The anti-money laundering rules for insurance companies highlight that each insurance company - like other financial institutions subject to anti-money laundering program requirements - must develop a risk-based anti-money laundering program that identifies, assesses, and mitigates any risks of money laundering, terrorist financing, and other financial crime associated with their particular business. We recognize that not all insurance companies will have the same risk profile or resources, that companies will differ in the number of associated agents and brokers and in the complexity of distribution structures, and that some companies may be in a better position than others to

provide anti-money laundering program training for their agents and brokers by the rule's applicability date of May 2, 2006.

The Financial Crimes Enforcement Network intends to administer and interpret the insurance anti-money laundering program regulations in a manner that takes into account these differences in risk profiles and resources. Accordingly, we acknowledge that some insurance companies may require additional time to provide anti-money laundering program training to all of their agents and brokers. Nonetheless, we expect that by May 2, 2006, all insurance companies that are subject to the anti-money laundering regulations will have already formally adopted written anti-money laundering policies and procedures that include reasonable plans for training of all appropriate agents and brokers.