

Important reminder about Know Your Customer (KYC) requirements around the Bank Secrecy Act (BSA)

484NB

Insurance companies that issue or underwrite life or annuity products may pose a higher risk of money laundering and must comply with the Bank Secrecy Act/Anti-Money Laundering (“BSA/AML”) program requirements.

The U.S. Bank Secrecy Act (BSA) of 1970 was one of the first AML and Know Your Customer (“KYC”) laws. It required companies and financial institutions to establish and report on internal controls and other measures put in place to prevent the facilitation of financial crimes. Insurance regulations only apply to insurance companies, excluding agents and brokers from the requirements. However, insurance companies are held responsible for compliance with their program, which includes the activities of any agents and brokers.

The rules require insurance companies to collect customer information from agents and brokers, among other sources, to support their AML programs and to detect and report suspicious transactions. Financial Crimes Enforcement Network (“FinCen”) has made clear that insurance agents and brokers have a crucial role to play in this area:

[I]nsurance agents and brokers are an integral part of the insurance industry due to their contact with customers. Insurance agents and brokers typically are involved in sales operations and are therefore in direct contact with customers. As a result, the agent or broker will often be in a critical position of knowledge as to the source of the investment assets, the nature of the client, and the objectives for which the insurance products are being purchased.

When agents and brokers establish a business relationship with a customer, they must undertake due diligence to identify that customer and ensure they are who they claim to be. This is KYC. Please keep in mind that our company expects producers to conform to KYC standards regardless of the product type. Pursuant to our KYC program, you are required to collect the following information for owners, payors, annuitants, and insureds: name, date of birth, physical address (no post office box) and an identification number such as social security number or tax payor identification. For non-U.S. persons or entities the following is required: passport number and country of issuance, alien identification card number, and number and country of issuance for any other government issued document. Agents and brokers should ascertain the identity and location of the customer and gain a good ground for their activities.

Maintaining our reputation and doing business the right way together helps our industry and our customers. We appreciate your professionalism and we thank you for your business.

If you have questions about this bulletin, please contact the Anti Money Laundering Unit at 800-923-3223 ext. 33967 or AML@sfgmembers.com.

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