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**Supplement No. 3 to
Circular Letter No. 10 (2002)
December 22, 2005**

TO: All New York Domestic Insurers

**RE: USA PATRIOT Act of 2001 - Final rules issued by Financial Crimes Enforcement
Network (Treasury Department)**

The purpose of this Supplement No. 3 to Circular Letter No. 10 is to inform you that the Federal Financial Crimes Enforcement Network (Treasury Department) published final rules on November 3, 2005, which require certain insurance companies to both establish anti-money laundering programs and file Suspicious Activity Reports. The anti-money laundering program must be implemented by May 2, 2006. The requirement that insurance companies file Suspicious Activity Reports also takes effect May 2, 2006.

Anti-Money Laundering Programs for Insurance Companies

The final rule requires insurance companies to establish anti-money laundering programs, as specified under Section 352 of the USA PATRIOT Act. An "insurance company" or "insurer" is defined in the rule as any person engaged within the United States as a business in the issuing or underwriting of any covered product. The term "insurance company" or "insurer" does not include an insurance agent or broker. A "covered product" is defined as (i) a permanent life insurance policy, other than a group life insurance policy; (ii) an annuity contract, other than a group annuity contract; and (iii) any other insurance product with features of cash value or investment.

Under the rule, a company must establish and maintain a written anti-money laundering program applicable to its covered products that is reasonably designed to prevent the insurer from being used to facilitate money laundering or the financing of terrorist activities. The program must be approved by senior management and at a minimum: (i) incorporate policies, procedures, and internal controls based on the company's assessment of its money laundering risks, including provisions integrating the company's agents and brokers into its anti-money laundering program; (ii) designate a compliance officer responsible for ensuring that the program is implemented effectively; (iii) establish an ongoing training program for appropriate persons concerning their responsibilities under the program; and (iv) establish an independent audit function to test programs.

While the rule does not require agents and brokers to establish anti-money laundering programs, the final rule requires each insurance company to establish and implement policies, procedures and internal controls to integrate its agents and brokers into its anti-money laundering program and to monitor their compliance with its program. An insurance company's anti-money laundering program also must include procedures for obtaining relevant customer-related information for an effective program, either from its agents and brokers or otherwise.

Requirement that Insurance Companies Report Suspicious Transactions

Pursuant to a final rule adopted at the same time as the anti-money laundering program final rule described above, certain insurance companies will now be required to file Suspicious Activity Reports with the Federal Financial Crimes Enforcement Network. This rule applies to the same universe of insurance companies and covered products as the anti-money laundering rule.

The rule places the obligation to identify and report suspicious transactions on an insurance company, not its agents and brokers. However, under the rule, an insurance company is responsible for reporting suspicious transactions conducted through its insurance agents and brokers, and must establish and implement policies and procedures reasonably designed to obtain customer-related information necessary to detect suspicious activity from all relevant sources, including from its insurance agents and brokers, and report suspicious activity based on such information.

FinCEN has proposed a new suspicious activity reporting form for insurance companies, FinCEN Form 108 - Suspicious Activity Report by Insurance Companies (SAR-IC), and has invited comment by January 3, 2006. Details regarding the proposed form and instructions for submitting comments are available at <http://www.fincen.gov/sarcomments10312005.pdf>.

FinCEN has provided guidance indicating that until such time as the new form is adopted, insurers should use FinCEN Form 101 – Suspicious Activity Report by Securities and Futures Industries to report suspicious transactions. The words "Insurance SAR" should be entered on the first line of the Narrative section.

For further information regarding the final rules, you may contact the Financial Crimes Enforcement Network Regulatory Policy and Programs Division at (202) 354-6400. The text of the rule requiring Anti-Money Laundering Programs for Insurance Companies is available at <http://www.fincen.gov/amlforinsurancecompany.pdf>. The text of the rule instituting the Requirement that Insurance Companies Report Suspicious Transactions is available at <http://www.fincen.gov/sarforinsurancecompany.pdf>.

FinCEN also issued a series of Frequently Asked Questions, available at <http://www.fincen.gov/nrfaq10312005.pdf>, designed to assist insurers in establishing their anti-money laundering and suspicious activity reporting programs. Financial institutions may also call the FinCEN Regulatory Helpline at 800-949-2732 for assistance.

Very truly yours,

Audrey M. Samers
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