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Insurance Law Bulletin

Approaching Deadline for Insurance Company Compliance: Anti-Money Laundering Program and Reports of Suspicious Activities

No later than May 2, 2006 insurance companies that sell covered products, as defined in Federal Regulations, must have in place a written anti-money laundering program for those products. Also with respect to transactions that occur on or after that date involving covered products, insurance companies must comply with requirements governing suspicious activity reports. Covered products include permanent life insurance policies (other than group life policies), annuity contracts (other than group annuity contracts), and any other product with features of cash value or investment.

The final regulations, adopted by the Financial Crimes Enforcement Network, were published in the Federal Register on November 3, 2005 (Vol. 70, No. 212).

Senior management of an insurance company selling covered products must approve a written anti-money laundering program. The program must be reasonably designed to prevent the insurance company from being used to facilitate money laundering or financing of terrorist activities. An insurance company that already has a program that meets certain requirements under the Securities and Exchange Commission is deemed to comply with the new federal regulations governing covered products.

The regulations require designation of a compliance officer to ensure effective implementation of the anti-money laundering program, training of appropriate persons, compliance by producers, and testing and monitoring of the program.

The Federal Regulations are adopted under the Bank Secrecy Act, as amended by permanent provisions of the U.S. Patriot Act.

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