



Anti-Money Laundering Program: Training for insurance producers and brokers

Background: The USA Patriot Act

On October 26, 2001, following the events of September 11, President Bush signed into law the USA PATRIOT Act (PATRIOT Act). Title III of the PATRIOT Act, referred to as the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (Money Laundering Abatement Act), imposed new anti-money laundering (AML) provisions and amendments to the Bank Secrecy Act (BSA) in an effort to make it easier to prevent, detect, and prosecute money laundering and the financing of terrorism.¹

Anti-money laundering for insurance companies: The final regulation

On October 31, 2005, the Department of Treasury issued final regulations with respect to anti-money laundering programs for insurance companies. The final regulations, which went into effect May 2, 2006, recognizes that a) insurance companies are also vulnerable to money laundering; and b) insurance producers and brokers have an important role to play in insurance companies' anti-money laundering programs because they have direct contact with customers and are often in the best position to detect suspicious activity.

The anti-money laundering regulations apply to the following covered products:

- Permanent life insurance, other than group life insurance
- Annuity contracts, other than a group annuity contract
- Any other insurance product with features of cash value or investment

It is the company's responsibility to ensure that all appropriate persons receive training on money laundering prevention on a regular basis; fully understand relevant anti-money laundering procedures and their importance; and understand the ramifications for noncompliance.

The final regulations require insurance companies to train their insurance producers and brokers regarding their responsibilities in terms of anti-money laundering including identifying suspicious customer behavior and transactions as well as procedures to report suspicious activities. An ongoing training program is a core element of the anti-money laundering regulations.

The final regulation allows for training to be provided directly via an in-house training program or by a competent third party. Lincoln is ultimately responsible for monitoring the effectiveness of its training program and assuring compliance with these regulations. The following section outlines Lincoln's AML program.

Lincoln Financial Group's AML Program

Lincoln has established a comprehensive AML program to address the requirements of these regulations. In addition, Lincoln has a long-standing policy of opposing money laundering and other activities that facilitate money laundering or the funding of terrorist or criminal activities. Lincoln is strongly committed to complying with all laws and regulations designed to combat money laundering activity, including those rules and regulations requiring the reporting of transactions involving currency, certain monetary instruments and suspicious activity.

Note: AML training must be completed by all insurance producers and brokers at a regular ongoing frequency. Noncompletion of the training will result in termination of the producer's/broker's active appointment with Lincoln, which means that Lincoln will not be able to accept any new business from that producer/broker. In addition, a terminated contract will also impact the producer's/broker's ability to service existing clients, as an active contract is required in order to have access to customer information. As outlined below, the manner in which each producer/broker fulfills the training requirement will vary slightly depending on how the producer/broker is appointed with Lincoln.

Insurance producers and brokers affiliated with a broker-dealer or financial institution

Insurance producers and brokers who are affiliated with a broker-dealer² or a financial institution (e.g., bank)³ that is already required to provide them with AML training under existing AML regulations may not be required to complete another AML training program. Lincoln may accept anti-money laundering training conducted by other firms to satisfy Lincoln's AML training requirement. Lincoln reserves the right to accept or reject training that has been completed with another entity. Certification may be required as described below.

Insurance producers and brokers who have completed AML training with a broker-dealer or a financial institution that does not have a selling agreement with Lincoln must submit a certificate of completion (reflecting their name, address, the name of the AML training course and date of completion) to Producer Solutions via email to contracting@lfg.com.

For brokers affiliated with a firm that has a selling agreement with Lincoln, Lincoln will rely on the entity's compliance program to satisfy the AML training requirement in accordance with regulations.

Insurance producers and brokers not affiliated with a broker-dealer or financial institution

Insurance producers and brokers, who are not affiliated with a broker-dealer or financial institution, may satisfy the training requirement by taking an AML course from a Lincoln approved vendor.

Lincoln has partnered with LIMRA to provide AML training to insurance producers and brokers. Insurance producers and brokers who need to complete AML training may do so by accessing the LIMRA website and selecting the AML course (the LIMRA training course is an outline training course that will take approximately 45 minutes to complete). The LIMRA home page includes a link to the Lincoln Financial company page, which contains important information on the Lincoln AML Program. In addition to completing the required AML course, producers are asked to review the Lincoln Financial company page.

The training can be accessed by logging onto the following website: <https://knowledge.limra.com>, or by accessing www.LincolnFinancial.com/aml and clicking on the “LIMRA Anti-Money Laundering Course Information” link.

LIMRA will provide Lincoln with the names of those individuals who have completed the anti-money laundering training, including viewing the Lincoln Financial company page. If you have questions regarding this training requirement, contact Lincoln by email at AMLINQ@LFG.com.

Insurance producers who have already completed the anti-money laundering training through LIMRA

Lincoln will accept anti-money laundering training that insurance producers have completed with LIMRA for another insurance carrier during the required time period. Producers who have completed the course will not need to take another course or re-take the course to satisfy Lincoln’s AML training requirement. However, we request that producers access and view the Lincoln Financial company page through the LIMRA site. Lincoln will receive confirmation directly from LIMRA that they have viewed the Lincoln Financial company page and completed the training.

Training for registered representatives of Lincoln affiliates

The broker-dealers of LFG provide AML training to its registered representatives via an internally developed anti-money laundering program or a third party training program.

Additional resources

- www.fincen.gov
- www.acli.com
- www.cefli.org

AML Compliance Officer designation, reporting of suspicious activity

The AML Compliance Officer has the sole responsibility for responding to any inquiry regarding the subject matter of any suspicious activity report (SAR). A producer must not, under any circumstances, disclose the fact that a SAR has been filed or considered, or disclose the contents of a SAR, to the subject of a SAR or to any third party. Producers associated with LFG should report any suspicious activity to EnterpriseServiceAML@lfg.com. Independent producers who are with a broker-dealer or bank (but not affiliated with LFG) should notify AML, Fraud & Investigations at EnterpriseServiceAML@lfg.com of the suspicious activity as well as consult their firm’s AML policy regarding reporting of suspicious activity.

Suspicious activity

Notify us if you detect any suspicious activity, also referred to as “red flags.” AML, Fraud and Investigations will determine whether a Suspicious Activity Report (SAR) must be filed with the Financial Crimes Enforcement Network (FinCEN). See below for further information on this process.

Examples of red flags include, but are not limited to:

- The purchase of a product that appears to be inconsistent with a customer's needs.
- The purchase or funding of a product that appears to exceed a customer's known income or liquid net worth.
- Any attempted unusual method of payment, particularly by cash or cash equivalents such as money orders or cashier checks.
- Payment of a large amount broken into small amounts.
- Little or no concern by a customer for the investment performance of an insurance product, but much concern about the early termination features of the product.
- The reluctance by a customer to provide identifying information, or the provision of information that seems fictitious.
- Any other activity that appears suspicious.

Cash/cash equivalents

Advise customers that the following types of payment may be accepted:

- Personal checks drawn on U.S. banks
- Wires drawn on U.S. banks
- Electronic fund transfers (EFTs) or automated clearing house drafts (ACHs) drawn on U.S. banks
- Foreign bank drafts, wire transfers and/or checks in U.S. dollars drawn on a U.S. bank affiliate of a foreign bank
- Corporate checks drawn on U.S. banks
- Bank checks, also referred to as cashier's and treasurer's checks, over \$10,000
- Traveler's checks and postal checks over \$10,000

If a customer provides a form of payment that is not permitted, it must be returned immediately.

Contact us:

AML, Fraud & Investigations:
EnterpriseServiceAML@lfg.com

1 Section 352 of the PATRIOT Act, which became effective on April 24, 2002, requires financial institutions to implement anti-money laundering programs. Although insurance companies have long been defined as financial institutions under the Bank Secrecy Act, in April 2002, the anti-money laundering program requirement that would have applied to the insurance industry was deferred to allow the Department of Treasury time to study the insurance industry and to consider how anti-money laundering controls could best be applied to the insurance industry.

2 Registered Representatives.

3 Licensed producers through a bank.