

# TECHNICAL ADVISORY

TA-215

October 15, 2002

**SUBJECT:** Patriot Act Compliance

**MAIN POINTS:** Last year, following the September 11<sup>th</sup> attacks, one of Congress' first actions was to pass the PATRIOT Act, a bill to stop money laundering by terrorists.

**BACKGROUND:** The USA-PATRIOT Act of 2001, passed the House by a 357-66 margin and a 98-1 vote in the Senate. The legislation gives law enforcement greater tools to aggressively find those who have and would terrorize Americans. The PATRIOT Act was a bi-partisan bill that had almost unanimous support, and was subsequently rushed through both chambers in weeks. What no one realized until after the bill was passed was that this anti-money laundering bill had the potential to affect insurance agents. Earlier this year, the NAIC sent out a letter notifying companies and agents that they are impacted by this legislation. The letter stated that the PATRIOT Act required that all financial institutions, including insurance companies and agents adopt minimum standards regarding the identity of customers that open an account. Specifically, the act stated, that at a minimum, financial institutions must include the establishments of:

- The development of internal policies, procedures, and controls;
- The designation of a compliance officer;
- An ongoing employee training program; and
- An independent audit function to test the programs

Understanding the ramifications of this type of rule would have on agents, IIABA immediately met with Treasury officials to explain to them our concerns. Over the last year, we have met and spoken to top treasury officials on a weekly basis. In our talks with Treasury we have explained how independent insurance agencies are unique in the world of financial institutions. We have explained that not only are most agencies very small, and unable to fulfill onerous requirements for such program, but that very little, if any money could be laundered through independent insurance agencies. After initially meeting with some resistance, it appeared that over time Treasury was beginning to agree with our arguments.

Finally, on September 26<sup>th</sup> after several delays, the Treasury Department finally issued its final proposed rule. IIABA was pleased to find that ***all*** insurance agents and brokers and all ***property and casualty*** insurers essentially are exempted from the proposed rule. This is clearly a remarkable win for IIABA, as we were the ***only*** Financial Services group that was excluded from these very onerous regulations.

**NECESSARY**

**ACTION:** Circulate this Technical Advisory to all appropriate agency staff.

**UPDATE:** [Click here for the latest IIABA information on the Patriot Act.](#)