DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Jim Poolman
Commissioner of Insurance

BULLETIN 2002-2

TO: All North Dakota Domestic Insurers

FROM: Jim Poolman, Commissioner

DATE: April 24, 2002

SUBJECT: USA PATRIOT Act of 2001

On October 26, 2001, President Bush signed into law the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001"[1] (the Act). This law was enacted in response to the terrorist attacks of September 11, 2001.

Section 352 of the Act requires that all financial institutions, **including insurance companies**, establish an anti-money laundering program. Section 326 requires that the Secretary of the Treasury (Treasury) adopt minimum standards for financial institutions regarding the identity of customers that open accounts.

The anti-money laundering program must include, at a minimum:

- The development of internal policies, procedures, and controls. The controls should be appropriate for the level of risk of money laundering identified.

- The designation of a compliance officer. The officer should have appropriate training and background to execute the responsibilities. In addition, the compliance officer should have access to senior management.

- An ongoing employee training program. The training program should match training to the employee's responsibilities. Training must be continued as new employees assume new responsibilities.

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1 The full text of the law can be obtained at www.access.gpo.gov/congress. Scroll to public and private laws, select 107th Congress, and select Public Law 107-56.

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- An independent audit function to test the programs. The independent audit function does not require engaging outside consultants. Internal staff independent of those developing and executing the anti-money laundering program may conduct the audit.

The development of your anti-money laundering program should begin with identifying those areas, processes, and programs that are susceptible to money laundering activities. The practices and procedures implemented under your program should reflect the risks of money laundering given the nature of your products, your methods of distribution, your contact with your customers, and your forms of customer payment and deposit.

Section 352 of the Act becomes effective on April 24, 2002. All insurance companies are required to be in compliance with the law by that date.

Section 326 of the Act requires that the Treasury issue regulations setting forth minimum standards for financial institutions regarding the identity of their customers in connection with the purchase of a policy or contract of insurance. Final regulations are to be issued by the Treasury by October 26, 2002. The Treasury will identify which insurance entities will be subject to the regulations.

Questions regarding this bulletin may be directed to Charles E. Johnson of the North Dakota Insurance Department at (701) 328-2440.

Questions concerning the Act may be directed to Linda L. Duzick, Office of Thrift Supervision, serving as insurance industry liaison for the Department of the Treasury, at (202) 906-6565 or linda.duzick@ots.treas.gov.

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