

## Important reminder about Know Your Customer (KYC) requirements around the Bank Secrecy Act (BSA) 433NB

**Date:** March 16, 2023

Insurance companies that issue or underwrite covered products that may pose a higher risk of money laundering must comply with the Bank Secrecy Act/Anti-Money Laundering (“BSA/AML”) program requirements. A covered product includes:

- An annuity contract (other than a group annuity contract)
- A permanent life insurance policy (other than a group life insurance policy)
- Any other insurance product with cash value or investment features

The U.S. Bank Secrecy Act (BSA) of 1970 was one of the first AML and Know Your Customer (“KYC”) laws. It required companies and financial institutions to establish and report on internal controls and other measures put in place to prevent the facilitation of financial crimes. Insurance regulations only apply to insurance companies, excluding agents and brokers from the requirements. However, insurance companies are held responsible for compliance with their program, which includes the activities of any agents and brokers.

The rules require insurance companies to collect customer information from agents and brokers, among other sources, to support their AML programs and to detect and report suspicious transactions. Financial Crimes Enforcement Network (“FinCen”) has made clear that insurance agents and brokers have a crucial role to play in this area:

[I]nsurance agents and brokers are an integral part of the insurance industry due to their contact with customers. Insurance agents and brokers typically are involved in sales operations and are therefore in direct contact with customers. As a result, the agent or broker will often be in a critical position of knowledge as to the source of the investment assets, the nature of the client, and the objectives for which the insurance products are being purchased.

When agents and brokers establish a business relationship with a customer, they must undertake due diligence, or Know Your Customer (KYC), to identify that customer and ensure they are who they claim to be. Please keep in mind that our company expects producers to conform to KYC standards regardless of the product type (covered or non-covered). Basic insight such as their name, date of birth, and address may suffice, but some individuals may warrant more complex checks for clarity and peace of mind. Agents and brokers should ascertain the identity and location of their customers and gain a good ground for their activities.

Maintaining our reputation and doing business the right way together helps our industry and our customers. We appreciate your professionalism and we thank you for your business.

**If you have questions about this bulletin, please contact the Anti Money Laundering Unit at 800-923-3223 or [AML@sfgmembers.com](mailto:AML@sfgmembers.com).**

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