

Customer Identification Procedures aka: Know Your Customer!

Agents should take steps to make sure they know who their customers are for anti-money laundering and anti-fraud purposes. Establishing an individual's identity reduces the likelihood that an individual is purchasing our products as a way to launder money or commit fraud.

A situation several years ago shows how creative crooks can use insurance products for unlawful purposes. In December of 2002 the Treasury Department announced that it had broken up an \$80 million money laundering operation that involved major breakdowns in operational safeguards at insurance companies in the United States and Europe. Operation Capstone revealed that Colombian drug traffickers used a small number of insurance brokers to purchase policies in the United States and other countries.

The signs of potential money laundering were overlooked and, in this particular case, the applicants weren't asked to account for the source of their wealth or to explain why they wanted to employ unusual methods to pay for their premiums, including checks and wire transfers to insurance companies from third parties around the world. A further breakdown in procedures occurred since the insurance companies had little reliable information about these customers who had purchased policies through their distribution system.

As you can see, the threat is real; therefore, it is important for all agents to ask questions of new customers and to view a photo I.D. if the customer is unknown to you. If a customer's answers seem vague or inconsistent, or if some of the information provided is false, these are signals of suspicious activity. By making sure that you know your customer, you protect both your reputation and the reputation of the Company.

As noted in our Business Guidelines:

One of the most important methods by which the companies can protect themselves from exposure is to implement a stringent "know your customer" policy. We are required to use reasonable efforts to determine and verify the true identity of a customer. You must be careful to obtain all of the necessary information on the current application and forms used to change ownership.

- Names, residence address, business address, date of birth, Social Security or tax identification number, and telephone number.

We are relying on you to obtain all of this information as well as to review applicable government issued photo identification if the customer is unknown to you. We believe that most customers will understand that these measures are needed to protect against money laundering, identity theft, and other wrong doing. Moreover, our customers should be accustomed to presenting government issued identification in air travel, in banks, and other financial services. If a client is unwilling to provide you with such information, explain the basis for our policy and insist on proper identification. If the client continues to resist, it may be an indication that the client is trying to hide something.