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ATTN: Section 352 - Insurance Company Regulations

My comments are as follows:

The scope of the definition of an insurance company - defined as a life company - it is too narrow
Whether agents need anti-money laundering training - they are the contact a premium money launderer makes - they can be trained to ask the right questions and do due diligence as suspicion arises
Whether brokers need AML training - yes, same reasons
Whether factors considered as part of an insurance company's risk assessment are appropriate - the reg. notes additional measures beyond fraud are needed to combat money laundering - I agree

The regulation is viewing premium money laundering only on life policies.
It is my belief most money laundering occurs in claims, often in conjunction with a "set up" in the purchase of the insurance. Health,commercial and auto policies are often acquired by rings, including terrorists, for the sole purpose of committing fraud to fund drugs and terrorism. The insurance industry devoted much time in two major seminars this year into the extensive amount of money laundering occurring in conjunction with fraud, a crime that the industry is still not staffed to handle. The premium money laundering is minimal, compared to the dollars they acquire in the fraudulent claim which is the underlying crime to the premium and money laundering. Once the insurance company issues a check for the claim fraud, money laundering has occurred. Then the money launderers cancel the policy and get a refund on the premium, plus there is often premium fraud as well via misrepresentation on the application that even leads to the company not receiving the proper premium for the alleged risk. Our European insurers have been stressing this point at seminars.

At a time that identity fraud is increasing at alarming rates, it does not make sense that this program is limited to premium money laundering only in life insurance. The entire issue is compounded by the fact identity theft is increasing at alarming rates (500% in the past four years) and rapidly increasing online crimes. I have been conducting training sessions on preventing identity theft/fraud and the demand for the sessions is very active. Furthermore, today the IRS announced they can not keep up with the tax evasion. This, on top of a corporate fraud bill just passed by congress.

Just before 9-11, a report noted a dramatic increase in penalties to insurers who were not in compliance with the Violent Crimes and Control Act to keep felons out of the insurance business. Many insurers were not engaged in due diligence.

Examples of claims fraud that may involve money laundering include:

>The Cleveland man who was charged with attempting to stage a commercial insurance fire or explosion claim and planned to send the proceeds to Afghanistan for the "cause"

>The vehicle theft fraud where the vehicle was found in a crate heading for the Middle East after the insured collected the claim settlement

>The California attorney who moved his operation to Texas because there are more benefits for claims - he was kicking back 50% to clinics for referrals and was involved with a Russian mob

>The admission, that of the 26,000 auto thefts reported in Detroit, there is little criminal or insurance company investigation. Both the vehicles and the insurance recovery find their way back to foreign ports

>Using a "front man" as the listed owner of insured boats, jewelry, art, etc. It is an intentional concealment of the real owner of property using dirty money to insure it; then a fraud claim - these and other cases cited in a money laundering workshop at a national fraud seminar recently in Albuquerque, NM by Norway and Sweden insurers

Money laundering to various degrees is present in premium and claim fraud in all lines of insurance, so the important message to insurers is they still have a greater need than ever to know their customer and seek profitability in the return of investment gained in using a Special Investigation Unit. With increased competition from online insurers and the lack of investment income, they have to find profit in paying only legitimate claims. .

Insurance premium, claim fraud and money laundering are committed by drug dealers and terrorists and we need to get insurers more involved in knowing their customer (claimant and insured). All insurers should be required to comply with the act, especially sections 326 and 352. There is a history of non-compliance in the industry at the state level. In a 2000 task force by the PA Ins. Dept there was an attempt to get more insurers to report suspicious fraud to law enforcement and file required annual fraud reports. This is an ongoing problem. If you measure the amount of fraud countrywide, and the number of underwriting and claims special investigations or fraud investigations actually undertaken by the insurance industry, the number is very low and in many cases non-existent.

Finally, insurers have increased commercial rates as a result of terrorism, yet they are not asked to join the fight against terrorism. All of us are affected by these increases, even coverages such as personal umbrella protection on a homeowners policy and errors and omissions coverages have had substantial premium increases. The latter due in part to the Corporate Fraud act where increases of small accounts like mine are going up 30% and large accounts are going up 100%. Commercial insurers are seeing vast revenue increases, yet losses are in a narrow area among mostly reinsurers. When Allstate almost went out of business in 1992 due to hurricane Andrew, they followed the next year with the greatest profit in the history of the company to that point. This is an example of the rapid recovery when there is a catastrophic loss.

I believe these are appropriate reasons to regulate compliance for all insurers in the act. Thank you.

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