

November 4, 2002

FinCEN  
P.O.Box 39  
Vienna, VA 22183

ATTN: Section 352- Insurance Company Regulations

Thank you for this opportunity to provide comments on the notice of proposed rulemaking to implement Anti-Money Laundering Programs for Insurance Companies.

We wish to comment on the following section of the proposal:

**Section 103.137(a) Definition of Insurance Company**

The proposed rule defines an "insurance company" as any person engaged within the United States as a business in: (1) The issuing, underwriting, or reinsuring of a life insurance policy; (2) the issuing, granting, purchasing, or disposing of any annuity contract; or (3) the issuing, underwriting, or reinsuring of any insurance product with investment features similar to those of a life insurance policy or annuity contract, or which can be used to store value and transfer that value to another person. We are concerned that the proposed rules do not distinguish insurance companies that issue, underwrite, or reinsure life insurance from those insurance companies that issue, underwrite, or reinsure credit life insurance.

Credit life insurance differs significantly from other life insurance products. Credit life insurance policies offered by insurers to customers of our Bank, for example, have no cash value and are not transferable. By definition, credit life insureds are customers that have a lending relationship with a financial institution. In establishing that customer relationship the financial institution must comply with the protocols of its own anti-money laundering program, including customer identification procedures. As a consequence, credit life insurance presents a very low level of risk from a money laundering standpoint.

This is even more evident with respect to the reinsurance portion of the business. It is common for financial institution insurance subsidiaries to reinsure credit life insurance risks underwritten by third-party insurance companies that provide the credit life insurance policy (often a group policy in which the financial institution is the named

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insured, with certificates of insurance issued to members of its debtor group). The financial institution insurance subsidiary that reinsures the risk may have no customer contact at all. The reinsurance transaction is between the insurance companies and offers little or no opportunity for an insured customer to launder money.

We believe that the level of money laundering risk posed by credit life insurance is closer to that of property and casualty insurance (an issuer of which is not defined as an "insurance company" under the proposed regulation) than to that of other forms of life insurance. In light of minimal money laundering risk associated with issuing, underwriting, or reinsuring credit life insurance, we recommend that the definition of "insurance company" be amended to exclude insurance companies that issue, underwrite, or reinsure credit life insurance.

Thank you for the opportunity to comment on the proposal. Should there be any questions regarding our comments, please contact Lori L. McCarney, Group Executive Vice President. She may be reached by telephone at (808) 537-8995, or by e-mail at [lmccarney@boh.com](mailto:lmccarney@boh.com).

Very truly yours,



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