

December 11, 2002
Sent via e-mail to
regcomments@fincen.treas.gov

#4

Mr. James Sloan, Director
Financial Crimes Enforcement Network
Attn: Section 352-Insurance Company Regulations
U.S. Department of the Treasury
P.O. Box 39
Vienna, VA 22183

Re: FinCEN Anti-Money Laundering Programs for Insurance Companies

Dear Director Sloan:

These comments are being submitted by me on behalf of American Medical Security Insurance Company (AMS) in response to the request for comments issued in the October 17, 2002, Federal Register, 31 CFR Part 103, RIN 1506-AA36. AMS submitted similar comments in response to the request for comments issued in the September 26, 2002 Federal Register, 31 CFR Part 103, RIN 1506-AA28.

AMS provides a comprehensive line of health benefit coverage for individuals, families and small businesses. Included in the AMS portfolio are fully insured and self-funded health plan designs, including products for individuals and families, group dental products, term life insurance and group short-term disability insurance. We insure approximately 435,000 lives in 32 states.

Health insurance products represent a substantial segment of our company's overall book of business. It is our view that the definition of an *insurance company*, §103.137(a)(2) of the proposed rule, would not include health insurance products. Therefore, such products would not be subject to the rule's requirements. However, the impact of the proposed rule on our line of life insurance products, which are ancillary to our health products, is less clear.

On the one hand, *life insurance policies*, as defined in §103.137(a)(3), sold by *insurance companies*, as defined in §103.137(a)(2), are specifically made subject to the proposed rule's requirements. On the other hand, page 60626 of the preamble contains language describing FinCEN's intent that "the proposed rule captures only those insurance products with investment features, and insurance products possessing the ability to store value and to transfer that value to another person." AMS currently markets employer-sponsored group term-life insurance products but these products do not have investment features, do not store value and are not

transferable. Thus, it is our view that to be consistent with the preamble and, therefore, the overall intent of the drafters of the proposed rule, such products should not be subject to the rule.

Relatedly, it is important to note that employer-sponsored life insurance is similar to employer-sponsored health insurance (which, as mentioned earlier, is not subject to the proposed rule's requirements), in that it does not contain a potential for stored value and transferability, since prepayment is not an option for either type of insurance.

Therefore, AMS requests the language of the proposed rule be clarified to state that it applies only to those life insurance products with investment features and those with the ability to store and transfer value.

Thank you for this opportunity to comment on the Department's proposed rule. If you have any questions, please contact me at 920-661-1353.

Sincerely,

Robert J. Steil
National Director of Government Affairs

RJS/mmk

cc: Kristen Freitas