



#20

AMERICAN NATIONAL INSURANCE COMPANY

GARETH W. TOLMAN, SENIOR VICE PRESIDENT-CORPORATE AFFAIRS

ONE MOODY PLAZA GALVESTON, TEXAS 77550-7999 PHONE: (409) 766-6560 FAX: (409) 766-6933

E-MAIL: gary.tolman@anico.com

November 25, 2002

Via E-Mail

Financial Crimes Enforcement Network (FinCEN)
U.S. Department of the Treasury
Section 352 Insurance Company Regulations
P.O. Box 39
Vienna, Virginia 22183

Regcomments@fincen.treas.gov

Attention: Section 352 Insurance Company Regulations

Re: Anti-Money Laundering Programs for Insurance Companies under Section 352
of the USA PATRIOT Act; Notice of Proposed Rulemaking ("Proposed Rule")

To FinCEN:

The following comments are submitted on behalf of American National Insurance Company of Galveston, Texas and its insurance subsidiaries and affiliates. The life insurance members of the American National family of companies reflect the diversity of the life insurance industry itself. The companies offer a wide variety of life insurance and annuity products and utilize multiple distribution channels for the sale of those products. As a result, the impact of the proposed rule on the American National companies varies widely. The primary concerns of the American National companies are the difficulty, if not impossibility, of compliance with the proposed rule by our independent marketing operations, the applicability of the proposed rule to life insurance products that do not lend themselves to money laundering activities, and the difficulty of designing and implementing an anti-money laundering compliance program without coordinated rules governing customer identification and suspicious activity reporting.

Independent Agent Distribution Channels

The life insurer members of the American National family of companies are members of the American Council of Life Insurers (ACLI) and have participated in the development of the comments submitted to FinCEN by the ACLI. The ACLI comment letter accurately describes in great detail the problems the proposed rule poses for life insurers that market through independent agents. Rather than restate those comments here, we simply offer our endorsement of the ACLI's suggested revisions of the rule and urge that those revisions be reflected in the final rule.

Exclusion of Certain Products

We applaud Treasury's decision to focus on life insurance and annuity products that feature stored values that may be readily transferred to another person. However, we believe that focus should be sharpened by excluding from the applicability of the rule certain products that, as a practical matter, are not suitable for money laundering activities. Two such products, term life insurance and credit life insurance, are discussed in ACLI's comment letter. We agree with the ACLI's proposed exemption of these products. Neither product develops stored values that may be transferred to another person. Moreover, in the case of credit life insurance, all benefits, including premium refunds in case the insurance is cancelled, are payable to the creditor, not the insured or a designee of the insured. As these products do not offer an opportunity to launder money, we submit that they should be exempted from the proposed rule.

In addition to term life and credit life insurance products, we also urge the exemption of life insurance policies with small face amounts that do not provide immediate cash values. American National Insurance Company, the parent company of the American National family of companies, makes life insurance policies in small face amounts available to consumers through its Home Service Division. These policies, the vast majority of which are for face amounts of \$10,000 or less, are sold by agents in the homes of their customers. The small premiums for these policies are payable monthly and are collected by the agents at the homes of the insureds. Cash values under these policies are not available immediately, and develop gradually. In many instances, these policies are the only life insurance coverages owned by these families. These policies are purchased by persons of modest means to cover the insured's final expenses or to provide funds for the education of children in the event of the death of the family breadwinner. These small policies do not provide an opportunity to launder illicit funds. Leaving these policies subject to the proposed rules will not enhance the fight against money laundering; it will only unnecessarily increase the expenses of life insurers who offer them.

Coordination of All Patriot Act Rules

The American National family of companies is committed to the development of policies and procedures to prevent the utilization of our products for money laundering or other illicit purposes and to assure compliance with all of the requirements of the USA PATRIOT Act. However, by releasing rules for the various requirements of the Act one at a time, Treasury is forcing insurers to develop separate compliance plans for each requirement, and then cobble them together into a comprehensive plan once all of the rules become final. We urge Treasury to coordinate the release of final anti-money laundering rules with final rules for customer identification and suspicious activity reporting. The development of a compliance program under the proposed rule will in any event be time consuming and expensive; but it will be even more difficult and expensive if we are required to do so in a vacuum. It is essential to efficient planning to understand all of the requirements under the USA PATRIOT Act, rather than receiving those requirements in installments.

In summary, we reiterate our strong support for all of the recommendations submitted by the ACLI. In addition, we urge the revision of the proposed rule to exempt small life insurance policies with no immediate cash value. By adopting these improvements in the proposed rule, Treasury will

have gone a long way toward reaching its stated goal of avoiding burdensome and unnecessary regulation for the life insurance industry.

We appreciate your consideration of American National's comments. Should you have questions concerning our comments, please address them to my attention at gary.tolman@anico.com or (409) 766-6560.

Respectfully submitted,

Gareth W. Tolman