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To: regcomments@fincen.treas.gov

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ATTN: Section 352 – Insurance Company Regulations

Introduction

The John Hancock Life Insurance Company would like to take this opportunity to comment on the Department of Treasury's recently proposed rule regarding anti-money laundering programs for insurance companies (the Proposed Rule).

John Hancock fully supports the federal government's efforts to combat money laundering and the financing of terrorist activity. However, we have two specific comments on the Proposed Rule relating to: (1) the effective date; and (2) the treatment of insurance agents and brokers, as well as (3) a request for clarification on the status of long-term care insurance.

1. Effective Date of the Proposed Rule and Customer Identification Program Rules

As you are aware, the Securities and Exchange Commission (SEC) has promulgated a final rule entitled, "Books and Records Requirements for Brokers and Dealers Under the Securities and Exchange Act of 1934" that is effective on May 2, 2003. According to the summary of the final rule provided by the SEC:

> The Securities and Exchange Commission today is adopting amendments to its broker-dealer books and records rules. The amendments clarify and expand recordkeeping requirements with respect to purchase and sale documents, customer records, associated person records, customer complaints, and certain other matters. In addition, the amendments expand the types of records that broker-dealers must maintain and require broker-dealers to maintain or promptly produce certain records at each office to which those records relate. These amendments are specifically designed to assist securities regulators when conducting sales practices examinations of broker-dealers, particularly examinations of local offices.

The Department of the Treasury recently released a proposed rule on Customer Identification Programs (CIP) for broker-dealers and mutual funds. The proposed effective date of a final rule, (still to be promulgated), is October 25, 2002. Although there is not currently a proposed rule regarding CIP for insurance companies, the Proposed Rule states in Section III., Section-by-Section Analysis, that, "Insurance companies may in the future be required to comply with BSA requirements regarding accountholder identification and verification pursuant to section 326 of the Act…"

There is a clear interconnection between the various products sold by broker-dealers, mutual funds and insurance companies, as well as an overlap of similar customer information requirements under the SEC Books and Records requirements and the CIP requirements for broker-dealers and mutual funds (and likely for insurance companies in the future). The vast majority of insurance products sold today are variable products and must go through a broker-dealer. Additionally, most agents and brokers are also registered representatives. Thus, it seems that a consistent implementation date of May 2, 2003 for the SEC books and records final rule, the final CIP rules and this Proposed Rule would make sense for all concerned parties and be the most efficient and effective

manner in which to achieve the desired goals of combating money laundering and terrorist financing.

2. Treatment of Agents and Brokers in the Proposed Rule

John Hancock believes that because of the critical role played by agents and brokers in the sale of insurance products, a reevaluation of the manner in which they are treated in the Proposed Rule is required to ensure that insurance companies have effective anti-money laundering programs.

The Proposed Rule states in Section III., Section-by-Section Analysis, that:

> The definition of insurance company does not include insurance agents or brokers, as FINCEN believes the insurance company is in the best position to design an effective ant-money laundering program for its products, based upon the risk assessment it must perform due to the nature of its business. Agents and brokers would therefore not be required under the rule to independently establish an anti-money laundering program. However, as explained in greater detail below, an insurance company would be required to assess the money laundering and terrorist financing risks posed by its distribution channels and to incorporate policies, procedures and internal controls integrating its agents and brokers into its anti-money laundering program.

John Hancock respectfully submits that the Proposed Rule should explicitly state that agents and brokers must be actively included in an insurance company's anti-money laundering compliance program.

Agents and brokers are at the critical point of sale for most products sold by insurance companies. The Proposed Rule allows for too much discretion on the part of an insurance company with regard to the role of agents and brokers in the anti-money

laundering program. There exists an inherent tension in the complicated relationship between insurance companies and agents and brokers. For the agents and brokers, the very nature of the relationship involves elements of independence that they seek and view as critical to their existence, but they are tempered by the need to comply with requirements that are dictated by the insurance companies, such as policy underwriting.

Given the adversarial context described above, without clearer guidance from the Treasury Department stating that agents and brokers must be included in the program, the required cooperation to ensure a truly comprehensive and effective anti-money laundering program could not be guaranteed. With the current text, efforts by insurance companies to include agents and brokers in their anti-money laundering compliance programs will likely be rebuffed and viewed by the agents and brokers simply as an attempt to force the companies' ant-money laundering obligations onto them. Strengthening the text regarding the required role of agents and brokers in an insurance company's anti-money laundering program will remedy this current shortcoming of the Proposed Rule.

3. Request for Clarification Regarding the Status of Long-term Care Insurance

In the Proposed Rule, Section III., Section-by-Section Analysis, "insurance company" is defined 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 an annuity contract, or which can be used to store value and transfer the value to another person.

Long-term care insurance does not appear to have the characteristics described above or fit within the definition provided in the Proposed Rule. John Hancock respectfully seeks clarification from the Department of the Treasury on whether or not long-term care insurance is included in the definition.

Summary

John Hancock appreciates the opportunity to offer comments on the Proposed Rule. Thank you for your consideration. If you have any questions or need additional information, I can be contacted at (617) 572-7476.