



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER INSURANCE

Fermin M. Contreras Gómez
Commissioner of Insurance

October 7, 2002

CIRCULAR LETTER NO. C-L-10-1664-2002

**TO ALL DOMESTIC INSURERS, AGENTS, GENERAL AGENTS AND BROKERS
AUTHORIZED TO TRANSACT INSURANCE IN PUERTO RICO**

RE: Notice of draft Rule proposed by the US Department of the Treasury to implement the provisions of the Bank Secrecy Act, as amended by federal legislation known as the USA Patriot Act of 2001.

Dear Sirs and Madams:

As we advised in Circular Letter C-L-06-1657-2002, further to the terrorist attacks of September 11, 2001, on October 26, 2001 the President of the United States signed the "*Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act*," known as the "USA Patriot Act of 2001," hereinafter the Patriot Act.

As part of the US Government effort to eradicate money laundering activities, in the Patriot Act amendments were made to Sections 326 and 352 of the Bank Secrecy Act, hereinafter the "BSA," to require that all "financial institutions," including insurers, to establish mechanism for identifying and reporting financial transactions that could constitute money-laundering activities.

Specifically, these amendments required that all financial institutions, including insurance companies, establish a program to prevent and combat money-laundering activities, and comply with the minimum criteria that are applicable to financial institutions that may be established by the Secretary of the US Department of the Treasury with regard to gathering and verifying information on the identity of insurance consumers.

In fulfillment of our mandate to keep you informed in this regard, the Office of the Commissioner of Insurance of Puerto Rico is notifying you that on September 18, 2002, a comments process on the draft proposed Rule was initiated by the US Department of the Treasury, titled "*Financial Recordkeeping and Reporting of Currency & Financial Transactions*," 31 CFR Part 103, through which it intends to implement the provisions of the BSA, as amended by the Patriot Act.

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Pursuant to the analysis of the Financial Crimes Enforcement Network of the US Department of the Treasury, which is charged with promulgating this Rule, we foresee that only the persons engaged in the following business activities will have the obligation to comply with the provisions of the BSA, as amended by the Patriot Act, in particular those of Section 352:

- (1) Issuing, underwriting or reinsuring life insurance policies;
- (2) Issuing, guaranteeing, purchasing or disposing of an annuity contract;
- (3) Issuing, underwriting or reinsuring any insurance product with investment characteristics similar to those of a life insurance policy or annuity contract, or that may be used to accrue value and such value may be transferred to a third party.

Therefore, for the purposes of the draft Rule of reference, it will be deemed that the term "Insurance Company" only includes insurers that write life insurance and annuities.

In view of the above, we are notifying you that insurers that write health insurance and property and casualty insurance, as well as agents and brokers of all kinds of insurance exempt from complying with Sections 326 and 352 of the BSA, as amended by the Patriot Act, and therefore, from the provisions of the Proposed Rule.

This Circular Letter shall be considered to be a notice of the draft Rule being proposed by the Financial Crimes Enforcement Network of the US Department of the Treasury to implement the provisions of the BSA, as amended by the Patriot Act, in particular Section 352.

The proposed draft Rule and the related press release are available on our website. www.ocs.gobierno.pr.

When the comments process on the Proposed Rule is completed, the US Department of the Treasury will approve the final Rule, whose provisions will be extensive to insurers, as we have advised in this letter, and insurers will have the obligation to comply with these provisions on the date that this Rule is approved.

All domestic insurers, agents, general agents and brokers that are authorized to transact insurance in Puerto Rico shall take notice of the content of this Circular Letter.

Very truly yours,

SIGNED

Fermín M. Contreras-Gómez
Insurance Commissioner