



Amended and Restated Assurity Life Insurance Company Anti-Money Laundering Program

A. Statement of Policy

Assurity Life Insurance Company (*"Assurity" or "Company"*) stands against money laundering and any form of activity that facilitates money laundering or the funding of terrorist or criminal activities. The Company shall, and each employee and producer is expected to, fully and completely comply with all laws and regulations directed to money laundering and the reporting of currency and monetary related transactions and suspicious activity: Primarily the USA Patriot Act, the Bank Secrecy Act and the Financial Crimes Enforcement Network; Amendment to the Bank Secrecy Act Regulations-Anti-Money Laundering Programs for Insurance Company (*"Final Regulation"*).

Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Generally, money laundering occurs in three stages.

1. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions.
2. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin.
3. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses.

Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will later be used for criminal purposes.

This Anti-Money Laundering program (*sometimes referred to as "the Company's AML program," "the program" or "this AML program"*) applies to the sale, administration and payment of benefits from individual cash value life insurance policies, reversionary annuity policies and annuities (*"covered products"*).

Every employee and producer is responsible for the implementation of, ongoing adherence to and success of the procedures and controls established by this Anti-Money Laundering program, because of:

- the harm that can result from money laundering and/or terrorist financing;
- the passage of laws imposing the creation and use of this program;
- the existence of significant criminal and civil penalties; and
- the possibility of damage to the Company's reputation.

The failure of an employee or producer to carry out the requirements of this program shall subject any such employee or producer to disciplinary action up to and including termination.

Consistent with the importance of this program to Assurity, its management, its employees and its producers, a copy of this program shall be made available to each employee and posted on its producer websites.

B. Producer Integration

Producers play a vital part in the Company's AML program. They have the initial contact with customers during the sales process and from time to time during the life of an insurance policy. As a result, the producer holds a critical position of knowledge as to the source of financial assets, the nature of the client, and the objectives for which the insurance products are being purchased. For this reason, producers will have responsibilities in four principal areas relating to this AML program.

- **Information gathering:** Effective customer due diligence is based on appropriate and accurate information about the client. For example, producers will be required to furnish 1) information about the source of funds used to pay the initial premium, 2) information explaining the purpose, and 3) the background of the applicant for each application the producer submits for a covered product. Producers will be responsible for obtaining and furnishing this information at time of application.
- **Methods of payment:** Assurity has established standards for acceptable and unacceptable forms of payment. Producers are responsible for ensuring that appropriate payment guidelines are followed, and that attempts to engage in inappropriate payment behavior are reported to the Company.
- **Communication:** Producers are the first line of defense in the detection of suspicious activity. They are responsible for bringing potentially suspicious behavior that they observe to the Company's attention and to cooperate with Company requests for information related to clients and client activities.
- **Training:** Producers that sell covered products must receive appropriate anti-money laundering training, either from Assurity or a third party, in accordance with Assurity guidelines.

Each producer will be furnished the Anti-Money Laundering Producer Responsibilities (*"producer responsibilities"*) under the Assurity Life Insurance Company Anti-Money Laundering program, a document outlining their responsibilities. Failure to comply with these responsibilities will be grounds for discipline up to and including termination and cancellation of the producer's appointment. In addition, violations of anti-money laundering laws may expose those involved to substantial penalties under federal law.

1. Information Gathering – Customer Due Diligence

Producers are responsible for obtaining and providing complete and accurate information in all applications and other documentation required for the issuance of a covered product or a transaction involving a covered product.

Producers must notify Assurity of any instance in which an applicant or customer has resisted providing information, appears to have provided false or misleading information, or has provided information that cannot be verified. Such information shall be reported to Assurity's assistant general counsel.

Producers are also responsible, upon request, for performing any due diligence necessitated by the presence of any "red flags" that may arise concerning a covered product.

2. Methods of Payment

The company has prescribed the types and forms of payments that it will accept. These standards are set forth in the next section of this AML program.

Producers have the following responsibilities with respect to acceptable payments:

- Producers shall communicate the restrictions on acceptable payment to applicants and customers in advance of accepting payment.
- If an applicant or customer gives the producer an unacceptable form of payment, the producer should explain what forms of payment are acceptable and return the unacceptable payment immediately.
- If the producer encounters difficulty dealing with an applicant or customer regarding Assurity's acceptable and unacceptable forms of payment, the producer should call the assistant general counsel.
- Producers may be asked by company personnel to obtain information with respect to forms of payment received by the Company.

3. Communication Regarding Suspicious Transactions

Red Flags— Examples of red flags that may warrant consideration of a suspicious activity report are set forth below. Producers will be notified, in the Producer Responsibilities and other training, of the red flags they are most likely to encounter. The producer responsibilities will also specify the reporting procedure for suspicious activities.

New Business Red Flags— The producer is in a key position to identify suspicious activity during the sales process. Accordingly, producers should be alert for, and should report any of the following red flags, which are expanded upon in the producer responsibilities.

- Applicant exhibits unusual concern about the Company's compliance with government reporting requirements or AML policies, particularly with respect to identity, type of business and assets, or is reluctant or refuses to reveal information concerning business activities, or furnishes unusual or suspect identification or business documents;
- Applicant wishes to engage in transactions that lack business sense or apparent insurance purpose, or are inconsistent with stated business objectives;
- Applicant refuses to identify or fails to indicate a legitimate source of funds;
- Applicant exhibits a lack of concern regarding commissions, surrender charges, sales charges or other transaction costs;
- Applicant appears to be acting as an agent for someone else, is evasive about providing, or declines or is reluctant, without legitimate reasons, to provide information regarding the undisclosed person; or
- Applicant has difficulty describing the nature of his or her business.

Timing of Reports of Suspicious Activity— Producers will be notified in the producer responsibilities that they are required to report suspicious activity to Assurity immediately and to seek further guidance and instructions when requested to do so.

Follow-up and Reporting— When a producer detects any red flag, he/she may be requested to further investigate the matter. Further investigation may include gathering or attempting to verify additional information from the applicant, customer or third-party sources.

Assurity has sole responsibility for making a determination as to whether to file a Suspicious Activity Report (*SAR*) and whether a SAR should be filed jointly with other entities subject to federal anti-money laundering rules.

The Company's money laundering responsible officers will be solely responsible for determining what information should be provided in response to requests for information concerning suspicious activity from applicants, customers, employees and producers. Appropriate records will be maintained.

Confidentiality— Assurity will file SARs. However, producers may find themselves in a position to know that a SAR has been filed. The fact that a SAR has been filed or considered is strictly confidential and nothing about a SAR can be disclosed. Under no circumstances may a producer or an employee disclose the fact that a SAR has been filed or considered to anyone. Nor may a producer or employee reveal the contents of a SAR to anyone. Violations may result in civil and/or criminal penalties.

4. Training for Producers

Producers will be trained on the Company's AML program as specified in the producer's responsibilities. Applications submitted by a producer who has not completed the anti-money laundering training required by Assurity will be processed, but not issued until evidence, satisfactory to Assurity, of the producer's completion of such training is received.

5. Cooperation with Testing of AML Program

Assurity will conduct independent testing as to the effectiveness of its anti-money laundering program. Producers are required to cooperate with testing.

C. Acceptable Methods of Payments

Assurity will accept the following methods of payment for initial and renewal premium and contributions for covered products:

- Personal checks;
- Pre-authorized checks or drafts;
- Cashier's and other similar types of checks in amounts below \$200 per month per policy and above \$10,000;
- Credit cards for renewal premium or renewal contributions;
- Money orders in amounts below \$200 per month per policy;
- Cash for renewal premiums or contributions where payment by cash has a historical basis;
- ACH and wire transfers for premiums or contributions where made by "worksites employers" and third-party administrators; and
- ACH and wire transfers for premiums or contributions where such a payment method has a historical basis.

Other forms of payment, including producer personal checks, producer credit cards, cash, wire transfers and cashier's checks and money orders, except as noted above, will not be accepted.

Notice of acceptable methods of payment for initial premiums or contributions shall be communicated to producers. Notice of acceptable methods of payment for renewal premiums or contributions shall be communicated to producers and policyholders. The producer responsibilities may constitute the notices to producers contemplated above.

D. Money Laundering Responsible Officer's Function

Both the Patriot Act and the Final Regulation require the naming of an individual or committee responsible for specific duties related to the anti-money laundering program. Specifically, the designated individuals or committee must be certain:

- The anti-money laundering program is implemented effectively, including monitoring compliance by agents and brokers with their obligations under the program;
- The anti-money laundering program is updated as necessary; and
- The appropriate individuals are educated and trained as required by the Final Regulation.

The Treasury Department's discussion of this aspect of the Final Regulation states the individual or committee should have complete and full responsibility and authority to enforce the procedures and policies developed. That responsibility includes making sure employers have the resources necessary to address matters arising under the anti-money laundering program. As the individual or committee is deemed to be responsible for the implementation and day-to-day operation of the anti-money laundering program, knowledge regarding the anti-money laundering program and the requirements of the Bank Secrecy Act (*and obviously the operations of our business*) is indispensable. Moreover, be it an individual or committee, whoever is charged with being responsible for these functions must be thoroughly familiar with all applicable Financial Crimes Enforcement Network (*FINCEN*) forms and shall be deemed to have read and reviewed all postings to the FINCEN web page.

As the Company's operations—identified as susceptible to money laundering or are otherwise encompassed by the Final Regulation—cross divisional lines, designating more than one person as being responsible for the above-required actions is logical and appropriate. Accordingly, employees having the following (*or functionally equivalent*) titles—who also helped identify susceptible practices and helped develop the procedures and controls designed to thwart money laundering practices—have been selected to fulfill the required functions. These individuals should meet as frequently as necessary to ensure our anti-money laundering program is working correctly and all of the related requirements are being satisfied. Questions and reports should be directed to Assurity's assistant general counsel.

TITLE

V. P. Sales
Client Services Director
New Business Services Director
Employer Sponsored Services Director
Claims Management Services Director
Assistant General Counsel
Underwriting Services Director
Controller and Senior Director

E. Policies, Procedures and Controls

Policies, procedures and controls are the heart of a successful anti-money laundering program. Assurity has established the policies, procedures and controls necessary to detect, deter and prevent using the Company and its covered products for money-laundering and terrorist financing activities. Those policies, procedures and controls are based on and respond to the risks identified by the director of each operating area during a risk assessment conducted earlier.

These risk assessments are monitored and updated for continued sufficiency and are separately maintained by Assurity's assistant general counsel and the appropriate director in each operating area.

The result of following the policies, procedures and controls is the identification, if any, of red flags. Should red flags be discovered, the employee finding them should immediately bring them to the attention of the employee's supervisor who should then confirm their existence. If confirmed, the supervisor should notify the director of the operating area for the matters identified. The director shall, in turn, bring the matters to the attention of the Money Laundering responsible officers identified in the preceding section of this AML program.

F. Training and Monitoring Functions

The Final Regulation requires that the “appropriate persons” must have “ongoing” training. The training provided is to cover the requirements of this program and money laundering risks so that “red flags” can be identified and acted upon. The training is required to be updated, and records maintained of the content of the training and who has completed it. Persons with specific obligations under an anti-money laundering program should receive periodic updates and refreshers regarding the program. The Final Regulation, unlike the proposed regulation, extends the training requirement to agents and brokers.

Assurity is utilizing the anti-money laundering training program offered by the Life Insurance Marketing and Research Association (*LIMRA*) for home office employees having a role in the implementation and on-going operation of this AML program. Use of this training was instituted after promulgation of the proposed regulation. Based on the experience with LIMRA’s anti-money laundering training courses, Assurity is satisfied the LIMRA training meets the Final Regulation’s requirements and should continue to be used for employee training. LIMRA’s training shall be supplemented by knowledgeable directors and supervisors addressing specific company factors including:

- Assurity’s applicable payment policies;
- the identification and reporting of cash and cash equivalent transactions;
- the identification, referral and reporting of suspicious activity;
- the pertinent customer identification requirements; and
- job specific requirements and procedures;

and advising employees where they should take matters of concern they observe. Employees should complete retraining every two calendar years.

As before, all employees having a role in the implementation and ongoing operation of the anti-money laundering program shall undergo the training and receive periodic updates when made available. Also, as before, an employee’s failure to complete such training shall be grounds for disciplinary action up to and including termination.

Assurity has reviewed, investigated and determined the LIMRA anti-money laundering training courses for producers also meet the requirements of the Final Regulation.

Accordingly, Assurity adopts, as its corporate policy, that producers must complete the appropriate LIMRA course(s) before the Company will issue policies based on applications from them. Producers shall complete retraining every two calendar years. No producer should be appointed with Assurity unless they have received AML training.

Agent monitoring is to be conducted on an ongoing basis. The specific areas to be monitored include:

- Compliance with furnishing relevant customer-related information;
- Compliance with Assurity’s payment policies and procedures;
- Whether the producer is identifying, referring and notifying the Company of suspicious customer payments; and
- Whether the producer’s customer and payment records are accessible to the Company.

Such monitoring will include reviewing the quality of applications, reviewing the forms of payment received with applications, following up on customer complaints and following all the procedures set out throughout this program. Supervising personnel should also instruct those they supervise to be alert for producer red flags.

G. Independent Audit Function

The Patriot Act requires that “an independent audit function to test programs” be one of the components of an anti-money laundering program for an insurance company. The Final Regulation specifies the anti-money laundering program must:

- Provide for independent testing to monitor and maintain an adequate program, including testing to determine compliance of the company, insurance agents and insurance brokers with their obligations under the program.

Under the Final Regulation the person or persons performing this function cannot be the person or persons involved in administering the anti-money laundering program. The person selected to perform this function should be responsible, have the level of authority to perform the required function, and be able to perform a results-oriented audit. Based on the above considerations, Assurity designates its internal audit department to perform the independent audit function for this AML program.

A primary purpose of the audit’s function is to determine whether the program complies with the requirements of the Patriot Act and the Final Regulation—including the compliance of agents and brokers with their obligations under the program. Accordingly, the required testing should be a full, fair and objective appraisal of the adequacy of the Anti-Money Laundering program, whether implementation is meeting the program’s purposes and whether the program is functioning as designed.

The audit report should be documented, submitted to senior management and, where identified, include recommendations for improvement.

Although the Final Regulation does not specify the frequency of independent audits, it does note how often such audits should occur depends on the assessment of risks associated with Assurity’s covered products. Assurity’s risks, at least comparatively, are small. Nevertheless, performing such audits no less frequently than annually, consistent with the practice of the financial services industry, is appropriate.

This Assurity Life Insurance Company amended and restated Anti-Money Laundering program is approved and effective as of June 1, 2011.



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