

Anti-money laundering training certification for brokers and enrollers selling Lincoln employee value universal life

Lincoln Financial Group (“Lincoln”), as a responsible member of the financial services industry, opposes money laundering and other activities that facilitate money laundering or the funding of terrorist or criminal activities. Lincoln is strongly committed to comply with all laws and regulations designed to combat money laundering activity, including those rules and regulations requiring the reporting of transactions involving currency, certain monetary instruments, and suspicious activity.

On October 31, 2005, the Department of Treasury issued final regulations with respect to anti-money laundering programs for insurance companies, effective May 2, 2006. The life insurance companies of the Lincoln Financial Group are subject to these regulations. The regulations require insurance companies to develop an anti-money laundering (“AML”) program, which includes training. The AML regulations apply to the following covered products:

- Permanent life insurance, other than group life insurance
- Annuity contracts, other than a group annuity contract
- Any other insurance product with features of cash value or investment

It is Lincoln’s responsibility to ensure that all appropriate persons receive training on money laundering prevention on a regular basis; fully understand relevant AML procedures and their importance; and understand the ramifications of noncompliance. The final regulations require insurance companies to train their insurance producers regarding their responsibilities in terms of AML including identifying suspicious customer behavior and transactions as well as procedures to report suspicious activities. An ongoing training program is a core element of the AML regulations. The final regulation allows for training to be provided directly via an in-house training program or by a competent third party. Lincoln is ultimately responsible for monitoring the effectiveness of its training program and assuring compliance with these regulations.

As a broker or enroller involved in the selling of Lincoln's Employee Value Universal Life insurance product, you are in a critical position to obtain information regarding the customer, the customer's source of funds for the products you sell, and the customer's reasons for purchasing an insurance product. You have a responsibility in the following four areas:

- *Information Gathering:* Effective customer due diligence is based on appropriate and accurate information about our customers. You will be responsible for obtaining this information at the point of sale. Ensure that all information requested on the insurance application and associated documents is accurate and complete.
- *Methods of Payment:* As noted in the section on Cash/cash equivalents below, Lincoln has established standards for acceptable and unacceptable forms of payment. You are responsible for ensuring that appropriate payment guidelines are followed, and that attempts to engage in inappropriate payment behavior are reported to Lincoln.
- *Communication:* You are the first line of defense in the detection of suspicious activity. You are responsible for bringing suspicious behavior to Lincoln's attention and cooperate with Lincoln's requests for information in the course of reviews of customers and their activities.
- *Training:* Because you are selling a product covered by the AML rules, you must receive training to help you identify the red flags associated with money laundering, terrorist financing, and other financial crimes and how to report such activity to Lincoln.

What is money laundering?

Money laundering is a series of transactions that convert illegally-obtained funds into funds that appear to be from legal activities. The money laundering process is comprised of three phases:

- *Placement:* The illicit proceeds are deposited into the financial system through transactions such as bank deposits or the purchase of insurance products.
- *Layering:* The illicit proceeds are separated from their criminal source through complex financial transactions.
- *Integration:* The proceeds are put back into circulation into the economy with the appearance of legality.

Customer identification program

Although the U.S. Treasury Department and the Financial Crimes Enforcement Network ("FinCEN") have not issued final regulations regarding customer identification program ("CIP") procedures for insurance companies, under the AML regulations, insurance companies issuing or underwriting covered products are required to obtain relevant customer-related information necessary for an effective anti-money laundering program. Relevant customer-related information includes:

1. Customer's name
2. Customer's date of birth
3. Customer's address, which will be a residential or business street address (for an individual), an Army Post Office ("APO") or __ Fleet Post Office ("FPO") box number, or residential or business street address of next of kin or another contact individual (for an individual who does not have a residential or business street address), or a principal place of business, local office, or other physical location (for a person other than an individual)
4. Customer's identification number, which will be a taxpayer identification number (for U.S. persons)

Lincoln uses the application forms for its life insurance products to collect the above information. Lincoln requires all questions on applications to be fully and accurately completed.

If a potential or existing customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, Lincoln will not open a new life insurance policy and, after considering the risks involved, consider closing any existing policy.

Appropriate documents for verifying the identity of customers include the following:

- For an individual, an unexpired government-issued identification evidencing nationality or residence, and bearing a photograph or similar safeguard, such as a driver's license or passport
- For a person other than an individual, they must provide documents showing the existence of the entity, such as certified articles of incorporation, a government-issued business license, a partnership agreement, or a trust instrument

You are not required to take steps to determine whether the document that the customer has provided for identity verification has been validly issued, and you may rely on a government-issued identification as verification of a customer's identity. If, however, you note that the document shows some obvious form of fraud, you must consider that factor in determining whether you can form a reasonable belief that you know the customer's true identity. You should immediately report any concerns regarding the validity of a customer's identification documents to EnterpriseServiceAML@lfg.com.

You can request Lincoln to conduct a non-documentary method of verification when:

1. The customer is unable to present an unexpired government-issued identification document with a photograph or other similar safeguard.
2. You are unfamiliar with the documents the customer presents for identification verification.
3. You do not have face-to-face contact with the customer.
4. There are other circumstances that increase the risk that you will be unable to verify the true identity of the customer through documentary means.

Lincoln will verify the information within a reasonable time before or after the account is opened. Depending on the nature of the account and requested transactions, Lincoln may refuse to complete a transaction before we have verified the information, or in some instances when we need more time, we may, pending verification, restrict the types of transactions or dollar amount of transactions.

Lincoln does not open accounts outside of the U.S. However, we recognize that the risk that we may not know the customer's true identity may be heightened for certain types of accounts, such as an account opened in the name of a corporation, partnership or trust that is created or conducts substantial business in a jurisdiction that has been designated by the U.S. as a primary money laundering jurisdiction, a terrorist concern, or has been designated as a non-cooperative country or territory.

The following types of accounts do not require CIP:

- An account opened for the purpose of participating in an employee benefit plan established under ERISA.
- An account owned by a financial institution regulated by a federal functional regulator or a bank regulated by a state bank regulator.
- An account owned by a department or agency of the United States, of any state, or of any political subdivision of any state.
- An account owned by an entity whose common stock or analogous equity interests are listed on the New York Stock Exchange, the American Stock Exchange, or NASDAQ.

You should document your identification verification, including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancies identified in the verification process. You should keep records containing a description of any document that you relied on to verify a customer's identity, noting the type of document, any identification number contained in the document, the place of issuance, and the date of issuance and expiration date if applicable. You should also keep records containing a description of the resolution of each substantive discrepancy discovered when verifying the identifying information obtained. You must retain records of all identification information for five years after the account has been closed, and you must retain records made about verification of the customer's identity for five years after the record is made.

Lincoln compares its customer database against the Office of Foreign Asset Control's ("OFAC") list of known or suspected terrorists and sanctioned countries. Lincoln will, within a reasonable period of time, determine whether a customer appears on any such list of known or suspected terrorists or terrorist organizations. Lincoln will continue to comply with OFAC rules prohibiting transactions with certain foreign countries or their nationals.

Marijuana position statement

Despite state laws that have legalized marijuana-related activity, whether for recreational or medicinal purposes, the Controlled Substances Act makes it illegal under federal law for someone to manufacture, sell and/or distribute marijuana. In August 2013, U.S. Department of Justice Deputy Attorney General James M. Cole issued a memorandum to all U.S. Attorneys reiterating Congress's determination that marijuana is a dangerous drug and that the illegal distribution and sale of marijuana is a serious crime that provides a significant source of revenue to large-scale criminal organizations.

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") issued guidance to clarify the expectations under the Bank Secrecy Act for financial institutions which provide services to marijuana-related businesses. The FinCEN guidance requires financial institutions, including life insurance companies, to assess the risks associated with opening accounts or issuing policies to individuals or companies associated with the manufacturing, sale or distribution of marijuana. The guidance further requires financial institutions to file Suspicious Activity Reports for any customer involved in a marijuana-related business because federal law prohibits the distribution and sale of marijuana and, thus, views such activity as inherently involving funds derived from illegal activity.

Because the federal laws define marijuana as an illegal drug, and because of the risks inherent in marijuana-related businesses, it is Lincoln's position to not issue any policies for an individual or business involved in the manufacturing, sale or distribution of marijuana. We ask for your partnership in identifying any customers who have submitted an application to Lincoln who are involved in marijuana-related businesses (whether for medicinal or recreational purposes) so that we can prevent the issuance of a policy. If, after a policy is issued, you discover that a customer is involved in marijuana-related businesses, please contact us via our Fraud Hotline at <https://www.lfg.com/LincolnPageServer?LFGPage=/lfg/lfgclient/cus/fraud/index.html>.

Suspicious activity

You must notify Lincoln if you detect any suspicious activity, also referred to as "red flags." Lincoln's AML, Fraud & Investigations Unit will determine whether a Suspicious Activity Report ("SAR") must be filed with FinCEN. See the section on Reporting of Suspicious Activity for further information on this process.

Examples of red flags to note include, but are not limited to:

- The purchase of a product that appears to be inconsistent with a customer's needs.
- The purchase or funding of a product that appears to exceed a customer's known income or liquid net worth.
- Any attempted unusual method of payment, particularly by cash or cash equivalents such as money orders or cashier checks. As the Employee Value Universal Life insurance product is marketed as a payroll deduction type of plan, any efforts to pay premiums in another fashion should be closely scrutinized.
- Payment of a large amount broken into small amounts.
- Little or no concern by a customer for the investment performance of an insurance product, but much concern about the early termination features of the product.
- The early termination of an insurance policy, especially at a cost to the customer, or where the refund or surrender check is directed to an apparently unrelated third party.
- The borrowing of the maximum amount available soon after purchasing the policy.
- The reluctance by a customer to provide identifying information, a customer provides information that seems fictitious, or the customer provides information that cannot be verified.
- Funding of an irrevocable life insurance trust with funds that do not come from the insured who is named in the trust.

Reporting of suspicious activity

The AML Compliance Officer has the sole responsibility for responding to any inquiry regarding the subject matter of any SAR. A producer must not, under any circumstances, disclose the fact that a SAR has been filed or considered, or disclose the contents of a SAR, to the subject of a SAR or to any third party. You should report any suspicious activity to the AML compliance officer via email to EnterpriseServiceAML@LFG.com.

It is critical that you report suspicious activity immediately upon discovery. Failure to report suspicious activity may be deemed to be “willful blindness,” which can lead to substantial penalties and fines by FinCEN and other regulatory authorities.

Cash/cash equivalents

You should advise customers that the following types of premium payments may be accepted:

- Personal checks drawn on U.S. banks
- Wire transfers drawn on U.S. banks
- Electronic fund transfers or automated clearing house drafts drawn on U.S. banks
- Foreign bank drafts drawn on U.S. bank affiliates
- Corporate checks drawn on U.S. banks
- Cash equivalents (money orders, cashier’s checks, official checks, bank checks, treasurer’s checks, traveler’s checks, postal checks) \$10,000 or over

If a customer provides a form of payment that is not permitted, it must be returned immediately. The following forms of payment are not accepted by Lincoln:

- Cash, i.e., coin and currency
- Cash equivalents (money orders, cashier’s checks, official checks, bank checks, treasurer’s checks, traveler’s checks, postal checks) under \$10,000
- Starter or counter checks, unless accompanied by a verification of deposit form from the bank
- Checks and/or wire transfers from third parties where there is not a valid or documented relationship
- Foreign checks, bank drafts and/or wire transfers directly from foreign bank accounts
- Checks, bank drafts and/or wire transfers in non-U.S. currency
- Checks with double endorsements (unless the check is made payable to two people and both individuals are on the Lincoln account)
- Checks payable to “cash”
- Stale-dated checks over 180 days from issue date
- Checks drawn against credit lines, e.g., VISA, Discover
- Checks payable to producers
- Checks from producers, unless the policy is for the benefit of the producer or the producer’s immediate family member



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Training

This certification serves as the AML training for the brokers and enrollers who sell Lincoln's Employee Value Universal Life insurance product. If you are appointed to sell individual insurance products with Lincoln, you are required to receive this anti-money laundering training periodically. If you keep your appointment active with Lincoln, you will receive a reminder of this training once every two years.

Lincoln and its producers share an important responsibility to comply with our AML program and all applicable anti-money laundering laws. A failure to do so will constitute grounds for discipline, up to and including termination. In addition, violation of anti-money laundering laws may expose those responsible to substantial penalties under federal law.

For more details on these training requirements, please refer to Lincoln's AML web site at, www.LincolnFinancial.com/AML.

If you have questions, please click the Contact Us button on our AML web site or send an email to EnterpriseServiceAML@LFG.com.