



GREAT AMERICAN FINANCIAL RESOURCES, INC.
ANTI-MONEY LAUNDERING PROGRAM
(“AML PROGRAM”)

(July 9, 2015)

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Mission Statement

Great American Financial Resources, Inc., and its subsidiaries (“GAFRI”) are committed to complying with all applicable anti-money laundering (“AML”) laws and regulations, and will endeavor to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the financing of terrorist or criminal activities. This AML Program shall apply to GAFRI and all of its life insurance company subsidiaries. GAFRI life insurance subsidiaries covered by this plan include, but are not limited to: Great American Life Insurance Company (“GALIC”), Annuity Investors Life Insurance Company (“AILIC”), Manhattan National Life Insurance Company (“MNL”), United Teacher Associates Insurance Company (“UTA”), and Continental General Insurance Company (“Continental”). Any life insurance company that is acquired by GAFRI after the date of this AML Program shall automatically be included in this AML Program without the need for an amendment. Great American Advisors, Inc. (“GAA”) is covered by its own separate AML program.

Overview

On October 26, 2001, in response to the events of September 11, 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (PATRIOT Act) became law. In part, the PATRIOT Act requires all financial institutions, including insurance companies and securities broker-dealers, to establish an anti-money laundering compliance program under 31 U.S.C. §5318.

Title III of the PATRIOT Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (Money Laundering Act), significantly bolsters earlier anti-money laundering laws, including the Bank Secrecy Act (BSA) and the Money Laundering Control Act of 1986. The money laundering provisions are directed toward closing loopholes that permit terrorists to fund their operations and conceal the location or source of their funds. The Money Laundering Act is of particular concern to financial institutions, as it not only extends previously existing requirements, but also imposes new anti-terrorist and anti-money laundering obligations.

Money laundering is broadly defined as engaging in financial transactions that involve income derived from criminal activity. Money is typically laundered in three stages. “Placement” occurs when cash generated from illegal activities is introduced into the financial system. Funds are then transferred or moved to other accounts to further obscure their origin in the “layering” stage. Finally, in the “integration” stage, funds are reintroduced into the economy in a way that makes them appear legitimate. While the particular nature of insurance companies and broker-dealers primarily place them at risk of being used during the “layering” and “integration” stages of money laundering, GAFRI employees also need to be alert to the initial placement of laundered funds.

Aside from reputational risk, the Federal Law imposes serious penalties for violations, including:

- The willful failure to file Form 8300 is subject to a fine of up to \$25,000 (\$100,000 for corporations) or up to 5 years imprisonment, or both; Depending on the Blocking Program involved the Office of Foreign Assets Control (OFAC) can impose civil penalties of up to \$275,000 per count and forfeiture of funds and other property involved in the violations. In addition, violation of OFAC requirements can result in corporate and personal fines of up to \$1 million and 12 years imprisonment; and/or
- The criminal penalties for a variety of financial institution-related offenses are a maximum fine of \$1.1 million and a maximum of 20 years imprisonment.

Money Laundering Time Line Associated with Title III of the PATRIOT Act.

As noted above, the Money Laundering Act imposes significant obligations on financial institutions through additional anti-money laundering provisions and amendments to the existing provisions of the BSA. The Money Laundering Act also assigns significant details of scope and implementation to the Department of the Treasury and the agency rulemaking process.

Therefore, as regulations implementing the provisions of the PATRIOT Act are promulgated or amended, the AML Compliance Officer in conjunction with the GAFRI Corporate Compliance Department will regularly assess, revise and amend the GAFRI AML Program to ensure that policies, procedures and internal controls are in place that are reasonably designed to help assure and monitor compliance with applicable laws and regulations based upon GAFRI's risk based assessment of the money laundering risks associated with its covered products. A brief summary of the primary requirements is provided below:

Section 314(a): Authorizes law enforcement agencies to establish a mechanism to communicate with financial institutions in order to request information about suspected money laundering and terrorist financing.

Section 326(a): Requires the Department of the Treasury and the Securities and Exchange Commission (SEC), jointly, to issue regulations that prescribe minimum standards for customer identification in the account opening process. At a minimum, financial institutions must implement reasonable procedures to verify the identity of the customer opening an account, maintain records used to identify the customer, and consult government-provided lists of known or suspected terrorists. The Final Rules applicable to broker-dealers became effective October 1, 2003.

Section 352: Requires financial institutions, including broker-dealers and insurance companies, to develop and implement anti-money laundering compliance programs that among other things include: (1) the development of internal policies, procedures and controls; (2) the designation of a compliance officer; (3) an ongoing employee-training program; and (4) an independent audit function to test the implementation of the anti-money laundering program. Final Rules applicable to broker-dealers became effective April 24, 2002. Final Rules applicable to insurance companies became effective December 25, 2005, with an implementation date of May 2, 2006.

Section 356(a): Requires broker-dealers to file suspicious activity reports (SARS). The Final Rules apply to all transactions occurring after December 30, 2002.

The Final Rules adopted by the Treasury Department require insurance companies to develop and implement a written AML Program applicable to its covered products that is reasonably designed to prevent an insurance company from being used to facilitate money laundering or the financing of terrorist activities. As part of such program, insurance companies are required to file SARS and otherwise comply with the applicable provisions of the Patriot Act, among other things.

“Covered product(s)” means: (i) A permanent life insurance policy, other than a group life insurance policy; (ii) An annuity contract, other than a group annuity contract; and (iii) Any other insurance products with features of cash value or investment.

This AML Program is designed to help ensure effective management and mitigation of reputational and legal risks and compliance with the PATRIOT Act and the applicable record keeping and reporting provisions applicable to insurance companies.

Program Responsibility

- GAFRI Corporate Compliance Department
- Employees
- Internal Audit Department
- Agents and Procedures

GAFRI Corporate Compliance Department. Program responsibility for GAFRI’s AML strategy is vested in the AML Compliance Officer (GAFRI’s Chief Compliance Officer, John Gruber) who in conjunction with the GAFRI Corporate Compliance Department has full responsibility and authority to implement and enforce the provisions of this AML Program. The AML Compliance Officer shall have the overall responsibility and authority to create, implement and enforce GAFRI’s AML Program, including responsibilities related to communications and training, reviewing transactions that conflict with the AML Program or applicable laws & regulations, filing SARS and required OFAC reports.

The AML Compliance Officer in conjunction with the Corporate Compliance Department will also have the following additional responsibilities:

- Filing IRS/FinCEN Form 8300, *Report of Cash Payments Over \$10,000 Received in a Trade or Business* (Appendix I), with the IRS when required, maintaining the Form 8300 tracking log, and retaining appropriate records for five years (or as otherwise required by law);
- Sending notification (Appendix II) to any customer, policyholder, contract owner or other person named on a filed Form 8300. Unless otherwise required, the written statement will be sent on or before January 31 of the year following the calendar year in which the Form 8300 is filed, and will indicate the aggregate amount reported to the IRS;
- Filing FinCEN Form 105 (Formerly Customs Form 4790), *Report of International Transportation of Currency or Monetary Instruments* (Appendix III), when required, and retaining a completed copy of FinCEN Form 105 for five years (or as otherwise required by law);
- Filing OFAC Form TD F 90-22.50, *Annual Report of Blocked Property* (Appendix IV), when required, and retaining a completed copy for five years (or as otherwise required by law);
- Filing timely SARS electronically (or in such other form or format as applicable or required) and related material as required by this AML Program and applicable laws and regulations;

- Checking company records and responding if necessary to Section 314(a) requests from FinCEN;
- Ensuring that this AML Program is implemented effectively, including monitoring compliance by GAFRI's insurance agents and producers with their obligations under this AML Program; and
- Ensuring that appropriate GAFRI personnel are educated and trained as required by applicable laws and regulations.

Employees. GAFRI's commitment to detect, prevent and deter money laundering includes agents, producers and employees. Suspicious activities are not limited to currency transactions, but may also involve payment by checks or wire transfers or other "Red Flags" that may be indicative of money laundering or other illegal activity. Thus, appropriate employees in those areas that do not accept cash also need to be alert to "Red Flag" activity and other situations where a transaction may involve illegal proceeds. All agents, producers and employees are required to refer a suspicious transaction to his or her supervisor, or the GAFRI Corporate Compliance Department. Any department, agent or producer that becomes aware of suspicious activity should promptly contact the GAFRI Corporate Compliance Department. A list of "Red Flag" activities that might be an indication of money laundering or other illegal activity is attached as Appendix V.

Internal Audit Department. The Internal Audit Department for GAFRI will include as a part of its regular audit program the independent testing and review of the GAFRI AML Program for compliance. Internal audit review shall include testing to monitor and maintain the adequacy of this AML Program and to determine compliance of GAFRI agents and producers with their duties under this AML Program.

Agents and Producers

Agents and producers play an important part in this AML Program. During the sales process and from time to time over the life of an insurance product, they have the initial and subsequent contact with customers. As a result, the agent or producer will often be in 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. To make the best use of this perspective in this AML Program, agents and producers will have responsibilities in four principal areas.

- **Information Gathering:** Effective customer due diligence is based on appropriate and accurate information about the client. Agents and producers will be responsible for obtaining this information at the point of sale.
- **Methods of Payment:** GAFRI has established standards for acceptable and unacceptable forms of payment. Agents and producers will be responsible for ensuring that appropriate payment guidelines are followed, and that attempts to engage in inappropriate payment behavior are reported to GAFRI.

- **Communication:** Agents and producers are the first line of defense in the detection of suspicious activity. They will be responsible for bringing potentially suspicious behavior that they are best positioned to observe to GAFRI's attention and fully cooperate with GAFRI requests for information in the course of reviews of clients and client activities.
- **Training:** Agents and producers that sell covered products must receive appropriate AML training, either from GAFRI or an acceptable third-party, in accordance with GAFRI guidelines.

Each agent and producer will have access to a Producers Guide, a document outlining their responsibilities as further articulated below. A failure to comply with these responsibilities will be grounds for discipline up to and including termination and cancellation of the agent's or producer's appointment for cause. In addition, violations of anti-money laundering laws expose those involved to substantial penalties under Federal law.

1. Information Gathering – Customer Due Diligence

Agents and producers are responsible for obtaining and providing complete and accurate information in all applications/order tickets and such other documentation required for the issuance of a covered product or a transaction involving a covered product.

Agents and producers must notify the GAFRI Corporate Compliance Department of any instance in which a customer has resisted providing information, appears to have provided false or misleading information, or has provided information that cannot be verified.

Agents and producers are also responsible, in cooperation with the AML Compliance Officer, for performing any due diligence necessitated by the presence of any red flags that may arise concerning a covered product.

2. Methods of Payment

GAFRI has prescribed the types and forms of payments that it will accept for various purposes. Agents and producers will be made aware of these standards by GAFRI.

Agents and producers have the following responsibilities with respect to these standards:

- Agents and producers should communicate the restrictions on acceptable payment methods to his/her customers in advance of accepting payment.

- If a customer gives the agent or producer an unacceptable form of payment, the agent or producer should explain what forms of payment are acceptable and return the unacceptable payment immediately.
- If the agent or producer encounters difficulty dealing with a customer regarding GAFRI's standards for acceptable and unacceptable forms of payment, he or she should contact the GAFRI Corporate Compliance Department.
- Agents and producers may be asked by GAFRI personnel to obtain information with respect to forms of payment received by GAFRI.

3. **Communication regarding Suspicious Transactions**

Red Flags. – Red flags that may be an indicator of suspicious activity are set forth in Appendix V. Agents and producers will be notified of those red flags that are most likely to come to their attention. Agents and Producers will also be advised of the reporting channel by which this information can be communicated, ultimately to the AML Compliance Officer.

Timing of Reports of Suspicious Activity. Agents and producers will be notified that they are required to promptly report suspicious activity to GAFRI, through designated channels, and to seek further guidance and instructions.

Follow-up and Reporting. When an agent or producer detects any red flag activity, he or she may be requested to investigate further under the direction of the AML Compliance Officer and/or the GAFRI Corporate Compliance Department. When the agent or producer is affiliated with a broker/dealer, another life insurance company, or a bank, this direction may come from the AML Compliance Officer of said broker/dealer, life insurance company or bank. Further investigation may include gathering or attempting to verify additional information from the customer or from third-party sources.

GAFRI will have, under the direction of the AML Compliance Officer, sole responsibility for making a determination as to whether to file a SAR and whether a SAR should be filed jointly with other entities subject to Federal AML rules.

The AML Compliance Officer in conjunction with the GAFRI Corporate Compliance Department will be solely responsible for determining what information should be provided in response to requests for information concerning suspicious activity from customers, employees, agents, and producers. The AML Compliance Officer in conjunction with the GAFRI Corporate Compliance Department will maintain appropriate records, as required by law and regulation.

Confidentiality. SARS will be filed by the GAFRI Corporate Compliance Department rather than by individual business units or agents or producers. However, agents and producers may find themselves in a position to know that a SAR has been filed on a client. The fact that a SAR has been filed or considered, and the contents of any SAR that has been filed, are strictly confidential. The AML Compliance Officer in conjunction with the GAFRI Corporate Compliance Department has the sole responsibility for responding to any inquiry regarding the subject matter of any SAR. An employee, agent, or producer must not, under any circumstances, disclose the fact that a SAR has been filed or considered, or the contents of a SAR, to the subject of a SAR or to any other person. Violations may result in civil and/or criminal penalties. This requirement will be communicated to agents or producers.

4. Training for Agents and Producers

Agents and producers will be trained in this AML Program as follows:

A. Agents and producers will be advised by GAFRI as to the methods by which training may be obtained. Generally, agents may be trained, or certified as trained, though one or more of the following methods:

- 1) They may take the LIMRA AML training course or such other course approved by GAFRI.
- 2) If the agent or producer is also a registered representative of a broker/dealer, an agent with another insurance company, or a representative of a bank, with its own AML course, GAFRI in its sole discretion may adopt procedures to accept, in lieu of its approved training, the training provided by the other financial institution. The procedures may include certification by the individual agent or producer or the other financial institution as to the fact and nature of the training.
- 3) GAFRI may also adopt procedures to recognize training administered by other third-party vendors deemed acceptable to GAFRI in its sole discretion.

5. Cooperation with Testing of AML Program

The Internal Audit Department for GAFRI will conduct independent testing and audit as to the effectiveness of this AML Program. Agents and producers are required to fully cooperate with such testing and audit. Failure to fully cooperate may result in discipline up to and including termination for cause.

Cash Transaction Reporting

- Reporting Cash Payments of Over \$10,000
- Reporting to FinCEN
- Recognizing and Preventing Structured Transactions
- Reporting Deadline
- Voluntary Reporting
- Reporting Correct Taxpayer Identification Number
- Written Statement to Individual or Entity
- Civil and Criminal Penalties

Reporting Cash Payments of Over \$10,000. A primary method that the government uses to detect money laundering is by requiring reports of currency transactions. Although GAFRI companies typically do not accept currency, where a GAFRI company receives more than \$10,000 in “cash” from a customer in a 12-month period, the transaction must be reported to the Internal Revenue Service (IRS) and FinCEN on Form 8300, *Report of Cash Payments Over \$10,000 Received in a Trade or Business* (Appendix I). [Only one completed form 8300 need be filed with IRS.] The receipt of any cash payment, as described below, must be promptly reported to the GAFRI Corporate Compliance Department.

“Cash” for reporting purposes not only includes U.S. (and foreign) currency, but also includes certain monetary instruments (i.e., cashier’s checks, bank drafts, traveler’s checks, or money orders) if the particular instrument has a face amount of ***\$10,000 or less***. However, these monetary instruments are treated as cash only if they are received in a designated reporting transaction (i.e., the retail sale of a consumer durable, a collectible or a travel or entertainment activity) or in any transaction in which the recipient (i.e. the company) knows that the instrument is being used in an attempt to avoid reporting the transaction.

The definition of “cash” under the regulations does not include a check drawn on an individual’s personal account, regardless of the amount. Likewise, it is important to be aware that a cashier’s check, bank draft, traveler’s check, or money order with a face amount of ***more than \$10,000*** is not treated as cash for Form 8300 reporting purposes. The reason for this exclusion is because if any of these instruments were initially purchased with currency, the bank or other financial institution that issued the instrument must file Form 4789, *Currency Transaction Report*, with the IRS. The GAFRI Corporate Compliance Department will maintain a check log and review it for unusual patterns that may require the company to make a filing with the appropriate authority.

Reporting to FinCEN. FinCEN is one of the primary government agencies that oversees and implements policies designed to prevent and detect money laundering. FinCEN uses AML laws and regulations to require reporting and record keeping by banks and other financial institutions. This record keeping preserves a financial trail for investigators to follow as they track criminals and their assets. The AML laws also require reporting suspicious transactions that could trigger investigations.

FinCEN establishes these policies and regulations to deter and detect money laundering in partnership with the financial community.

Recognizing and Preventing Structured Transactions. The law prohibits an individual or entity from “structuring” transactions for the purposes of evading the currency transaction reporting (CTR) requirements. Typically, structuring occurs when a transaction is broken into amounts below the \$10,000 reporting threshold. However, structuring can also include a series of transactions in smaller amounts, transactions effected by one or more persons, transactions that occur at one or more financial institution, and transactions that span across a period of time.

Reporting Deadline. When a GAFRI company receives more than \$10,000 in “cash” as defined in any one transaction, or two or more related transactions within a 12-month period, IRS/FinCEN Form 8300 must be submitted within 15 days of receipt of the cash. If the \$10,000 threshold is exceeded by a series of payments within a 12-month period, Form 8300 must be filed when the aggregate of the payments exceed \$10,000. After the initial filing, GAFRI must start a new count of cash payments for another 12-month period. Form 8300 must be filed within 15 days of the payment that causes the previous payment(s) to total more than \$10,000. However, if additional payments are received within the 15-day window before the filing is submitted, all the payments may be reported on one form.

If the Form 8300 due date falls on a Saturday, Sunday or holiday, it is delayed until the next business day. The law also requires that a properly filed Form 8300 contain the correct cash payer's name, address and tax identification number, as well as the amount of cash received and the date and nature of the transaction.

If necessary, GAFRI will file any Form 8300 online or with the Internal Revenue Service, Detroit Computing Center, P.O. Box 32621, Detroit, MI 48232 or such other location as required, by law.

Voluntary Reporting. A GAFRI company may voluntarily file Form 8300 for any transaction that appears suspicious. A transaction is suspicious if it appears that a person is actively trying to avoid the filing of Form 8300, is trying to cause a false or incomplete Form 8300 to be filed, or exhibits signs of possible illegal activity. If warranted under the circumstances, the GAFRI company will notify the local IRS Criminal Investigation Division as soon as possible, or instead of mailing the Form 8300 to the IRS, report the incident online or via the toll free hotline at **1-800-800-2877**.

Reporting Correct Taxpayer Identification Number. When reporting, the GAFRI company must furnish the correct Taxpayer Identification Number (TIN) of the person or persons from whom cash is received. If the transaction is conducted on the behalf of another person or persons, the GAFRI company must furnish the TIN of that person or persons, and may be subject to penalties for an incorrect or missing TIN. There are three types of TINs:

- The TIN for an individual, including a sole proprietor, is the individual's social security number (SSN);
- The TIN for a nonresident alien individual who needs a TIN but is not eligible to get an SSN is an IRS individual taxpayer identification number (ITIN). An ITIN has nine digits, similar to an SSN; and
- The TIN for other persons, including corporations, partnerships, and estates, is the employer identification number.

An exception to the TIN requirement exists for a nonresident alien individual or a foreign organization (and a TIN does not have to be provided) if all the following are true:

- The individual or organization does not have income effectively connected with the conduct of a trade or business in the United States, or an office or place of business or fiscal or paying agent in the United States, at any time during the year;
- The individual or organization does not file a Federal tax return; and
- In the case of a nonresident alien individual, the individual has not chosen to file a joint federal income tax return with a spouse who is a U.S. citizen or resident.

Written Statement to Individual or Entity. The GAFRI Corporate Compliance Department will provide a written statement (Appendix II) to each person named on any Form 8300 filed with Federal Authorities. The notification will be sent to the person by January 31 of the year after the calendar year in which GAFRI received the cash that caused the filing of the Form 8300.

Civil and Criminal Penalties. GAFRI and/or its subsidiaries may be subject to civil penalties for failure to file a correct Form 8300 by the date due, or for failure to provide the required statement to the individual or entity named in the Form 8300. In addition, if GAFRI or a subsidiary is found to have intentionally disregarded the requirement to timely file a Form 8300, the penalty is the larger of \$25,000, or the amount of cash received that should have been reported (up to \$100,000).

GAFRI and/or a subsidiary may also be subject to criminal penalties for:

- Willful failure to file Form 8300;
- Willfully filing a false or fraudulent Form 8300;
- Stopping or trying to stop a Form 8300 from being filed; and
- Setting up, helping to set up, or trying to set up a transaction in a way that would make it seem unnecessary to file Form 8300.

The willful failure to file Form 8300 is subject to a fine of up to \$25,000 (\$100,000 for corporations) or up to 5 year's imprisonment, or both. The penalties for failure to file may also apply to any person (including a payer) who attempts to interfere with or prevent GAFRI from filing a correct Form 8300.

FinCEN Information Requests

- Section 314(a) Requests
- General Search Instructions
- Reporting to FinCEN
- Section 314(b) Sharing Information

Section 314(a) Requests. Section 314(a) of the PATRIOT Act establishes a process through which law enforcement agencies can communicate with financial institutions, in order to request information regarding those suspected of engaging in illegal activity, money laundering or terrorist activities so that any accounts and transactions involving these individuals or entities could be promptly located.

General Search Instructions. Upon receipt of a FinCEN 314(a) information request, the affected GAFRI company will search its records in accordance with the general instructions distributed by FinCEN. Generally, 314(a) requests will be initially received by GAFRI Corporate Compliance, which will then search the company records of GAFRI and its subsidiaries to determine whether it maintains or has maintained any account for, or has engaged in or may engage in any transaction with, each individual, entity, or organization named in the FinCEN request.

Unless otherwise stated in the 314(a) request, the GAFRI Corporate Compliance Department will conduct a one-time search of GAFRI's current company records, for accounts maintained by a named suspect during the preceding 12 months, for transactions conducted by or on behalf of or with a named subject during the preceding six months, or as otherwise set forth in the 314(a) request.

Reporting to FinCEN. GAFRI will report any positive match within fourteen (14) calendar days after receiving a 314(a) request by completing and sending FinCEN's Subject Information Form in accordance with FinCEN's instructions. No response is required if no matching account or transaction is identified for all named subjects. After its review, the GAFRI Corporate Compliance Department and any GAFRI company that may have received it will destroy the 314(a) request.

GAFRI recognizes that the information contained in Section 314(a) requests is particularly sensitive and is subject to strict restrictions on further disclosure. Therefore, GAFRI and its subsidiaries will protect the security and confidentiality of 314(a) requests, and will not disclose the fact that FinCEN has requested or obtained any information, except to the extent necessary to comply with the information request. Because any unauthorized disclosure of 314(a) information may result in criminal and civil penalties, GAFRI and its subsidiaries will not use information provided by FinCEN for any purpose other than (1) to report to FinCEN as required under Section 314(a); (2) to determine whether to establish or maintain an account, or to engage in a transaction; or (3) to assist GAFRI or a subsidiary in complying with any requirement of Section 314 of the PATRIOT Act.

FinCEN Section 314(b) Sharing Information With Other Financial Institutions.

If allowed by law, GAFRI and its life insurance company subsidiaries will share information about those suspected of terrorist financing and money laundering activity with other financial institutions for the purposes of identifying and reporting activities that may involve terrorist acts or money laundering activities and to determine whether to establish or maintain an account or engage in a transaction. GAFRI will file with FinCEN an initial notice before any sharing occurs and annual notices afterwards. GAFRI will use the notice form found at www.fincen.gov or such other form then in use. Before GAFRI or a life insurance company subsidiary shares information with another financial institution, it will take reasonable steps to verify that the other financial institution has submitted the requisite notice to FinCEN, either by obtaining confirmation from the financial institution or by consulting a list of such financial institutions that FinCEN will make available from time to time. It is understood that this requirement applies even with respect to affiliated financial institutions, and so GAFRI and its life insurance company subsidiaries will verify the requisite notices for affiliates, if necessary, and follow all required procedures.

GAFRI and its life insurance company subsidiaries will employ procedures to ensure that only relevant information is shared and to protect the security and confidentiality of this information, including segregating it from its other books and records.

In addition to sharing information with other financial institutions about possible terrorist financing and money laundering, GAFRI or a life insurance company subsidiary may also share information about particular suspicious transactions for purposes of determining who should or will file a SAR.

Relevant Customer-Related Information and Red Flag Activity

As a normal part of the application process for insurance and investment products, agents and producers conduct a general process of customer identification and verification.

Generally, for new accounts, policies or contracts with a GAFRI company, the following customer-related information is obtained:

- The name, tax identification number, address, telephone number, and date of birth for the owner(s), insured and/or annuitant;
- The names of any beneficiaries and their relationship to the owner;
- In the case of registered products/securities (and certain covered products sold to seniors and others), information on the customer's occupation, employer/employment status, net worth, tax status, and investment objectives;
- In the case of life insurance, the insured's occupation and employer; and
- If a trust is indicated as the owner, documentary evidence is required as to the formation and existence of the trust, along with the identity of the trustee(s).

Prior to accepting an application for any contract, the agent or producer usually meets personally with the client and witnesses the signature of the client. In addition, the

agent or producer is typically required to document whether the new policy or contract is replacing any existing insurance.

The discussions with the customer and the information gathered during the application process enable the agent or producer to make a determination that the product purchased represents a transaction that is not only reasonable, but also reflects a legitimate business purpose.

Suspicious activities or “Red Flags” that may indicate a transaction does not reflect a legitimate business purpose include: (See also Appendix V)

- Application is submitted or account is opened with unusual or suspect identification or business documents;
- Transactions where the source of the funds is unclear;
- Borrowing from a large single premium policy or contract shortly after purchase;
- Early cancellation of a single premium policy or contract;
- Payment by a combination of currency, bank checks and/or money orders;
- Unusual deviations from normal account and transaction patterns;
- Transactions or insurance policies or contracts with values that appear inconsistent with a customer’s personal activities or means;
- Payments by a third-party check;
- Apparent structuring of currency transactions to avoid record keeping and reporting thresholds;
- A client who appears unconcerned about a product’s investment performance, but overly concerned about the free-look, early surrender or cancellation provisions;
- Uncharacteristically premature redemption of investment vehicles, particularly with requests to remit proceeds to apparently unrelated third parties;
- Payment by cash, when the particular transaction would normally be handled by checks or other payment instruments;
- Unconventionally large currency transactions, particularly in exchange for negotiable instruments or for the direct purchase of funds transfer services; and
- Lump sum payments with foreign currency or foreign wire transfers.

GAFRI employees, agents and producers must promptly report any “Red Flag” activity to the GAFRI Corporate Compliance Department.

Where a pattern of suspicious activity exists, appropriate follow-up generally is required. Depending on the nature of the activity, the following actions may be necessary:

- Request additional information or supporting documentation from the customer;
- Request corrective action be taken when concerns arise (e.g., confirm that the customer will no longer make premium payments with an unrelated third-party

- check); and/or
- Refuse to do business with customers who do not provide required identification, information or if the information provided appears false or inconsistent.

GAFRI company agents and producers shall be primarily responsible for obtaining relevant customer-related information, but GAFRI may collect said information directly when required by a particular transaction and may independently verify all such information to help ensure compliance with the mandates of this AML Program.

GAFRI will conduct a risk based assessment of its customer base as needed to identify the categories of customers whose transactions do not require monitoring because of the routine and usual nature of their product related activities. GAFRI will also continue to determine the appropriate level of due diligence necessary for those categories of customers or covered products that GAFRI has reason to believe pose a heightened risk of potentially illicit activities at or through GAFRI.

At a minimum, GAFRI will continue to require appropriate documentation necessary to confirm the identity and business activities of its customers and to obtain all relevant customer-related information it deems necessary based on its risk based analysis for an effective AML Program which information will include, but may not be limited to, name, street address, citizenship, social security number, occupation and the like. To the extent reasonable and practicable, GAFRI will attempt to understand the normal and expected transactions of its customers, and will monitor existing business for any discernable patterns or indices of illegal activity.

Suspicious Activity Reporting

When is a SAR Required?

Insurance companies must file with FinCEN, to the extent and in the manner required by applicable regulations, SARs involving a covered product that is relevant to a possible violation of law or regulation. An insurance company may also file with FinCEN a report of any suspicious transaction that it believes is relevant to the possible violation of any law or regulation, but the reporting of which is not required by law or regulation.

When warranted GAFRI will file SARs in connection with any transaction that is conducted or attempted by, at, or through a GAFRI company covered by this AML Program, and involves or aggregates at least \$5,000 in funds or other assets, and it is known, suspected, or there is reason to suspect that the transaction (or a pattern of transactions of which the transaction is a part):

- (a) Involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;

- (b) Is designed, whether through structuring or other means, to evade any requirements of the BSA;
- (c) Has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage in, and no reasonable explanation for the transaction is known after examining the available facts, including the background and possible purpose of the transaction; or
- (d) Involves the use of a GAFRI company to facilitate criminal activity.

Where to file?

SARS must be reported to FinCEN on Form SAR-IC or such other form or format as may be required from time to time. Any required filing must be made no later than 30 calendar days after the date of the initial detection of facts that may constitute a basis for filing a SAR. If no suspect is identified on the date of such initial detection, the filing of a SAR may be delayed for an additional 30 calendar days to identify a suspect, but in no case shall reporting be delayed more than 60 calendar days after the date of such initial detection. In situations that require immediate attention, such as terrorist financing or ongoing money laundering schemes, the insurance company must immediately notify by telephone an appropriate law enforcement authority in addition to filing a timely SAR. Insurance companies wishing to voluntarily report suspicious transactions that may relate to terrorist activity may call the FinCEN Hotline at 1-866-556-3974 in addition to filing a timely SAR if required. SARS will be filed by GAFRI within the foregoing parameters.

Exceptions

Under the Regulations, an insurance company is not required to file a SAR to report the submission to it of false or fraudulent information to obtain a policy or make a claim, (e.g. material misstatements in an application or claim form) unless the company has reason to believe that the false or fraudulent submission relates to money laundering or terrorist financing.

Retention of Records

Pursuant to the Regulations, GAFRI will maintain a copy of any SAR filed and the original or business record equivalent of any supporting documentation for a period of five years (or such other period as required by law) from the date of filing the SAR. Supporting documentation shall be identified in the SAR report as such and maintained in accordance with GAFRI's record retention protocol and shall be deemed to have been filed with the SAR. The SAR filing will be maintained in the GAFRI Compliance Department in a locked file cabinet. When GAFRI or a GAFRI company covered by this AML Program has filed or is identified as a filer in a joint SAR, it shall maintain a copy of such joint report (together with copies of any supporting documentation) for a period of five years (or such other period required by law) from the date of filing. GAFRI will make all supporting documentation available to FinCEN and any other appropriate law

enforcement agencies or supervisory agencies upon request.

Confidentiality

No GAFRI company covered by this AML Program, and no director, officer, employee, agent, or broker of any such GAFRI company, who reports a suspicious transaction (whether such a report is required by regulation or made voluntarily) or who is aware that a SAR has been or may be filed, may notify any person involved in the transaction that the transaction has been reported, except to the extent permitted by law. Thus, any GAFRI company subpoenaed or otherwise requested to disclose a SAR or the information contained in a SAR (or a copy of a joint SAR filed with another financial institution involved in the same transaction, including an insurance agent), except where such disclosure is requested by FinCEN or another appropriate law enforcement or supervisory agency, shall decline to produce the SAR or to provide any information that would disclose that a SAR has been prepared or filed, and shall notify FinCEN of any such request and its response thereto. A GAFRI company, and any director, officer, employee, agent, or broker of such company, that makes a report as required by regulation, including a joint report (whether such report is required by this section or made voluntarily) shall be protected from liability for any disclosure contained in, or for failure to disclose the fact of, such report, or both, to the extent provided by law.

Before a SAR or any supporting documentation is released, the GAFRI company releasing the information will take those steps reasonable under the circumstances to verify that the person requesting the information is in fact a representative of FinCEN or an appropriate law enforcement agency. This may include, but is not limited to, independent employment verification with the requestor's field office or face to face review of the requestor's credentials.

OFAC Compliance

- Affected Persons
- Blocked Transactions
- Reporting Blocked Transactions and Property
- General OFAC Information
- Civil and Criminal Penalties

OFAC administers and enforces economic and trade sanctions against targeted foreign countries, terrorism sponsoring organizations and international narcotics traffickers based on U.S. foreign policy and national security goals. Its authority includes publishing information about sanctions, freezing assets under U.S. jurisdiction, and administering penalties to those who fail to comply with asset blocking requirements.

Affected Persons. OFAC releases the names of individuals and entities associated with terrorists and terrorism on its Specially Designated Nationals and Blocked Persons (SDN) List, accessible on the OFAC Internet site (<http://www.treas.gov/ofac>). U.S. persons are prohibited from engaging in any transaction or dealing in property or interests in property of restricted persons or entities, and from engaging in any transaction that evades or

avoids prohibitions imposed under sanctions issued by the government.

As changes to the OFAC list occur, GAFRI will routinely and periodically check (but in no event less than weekly) to ensure that any customer does not appear on the SDN List, and is not from, or engaging in transactions with people or entities from, embargoed countries and regions identified by OFAC. GAFRI employs interdiction software to fulfill its OFAC compliance requirements (see OFAC User Manual), including electronic notice of updates to the SDN List.

Blocked Transactions. In the event a customer, or someone with or for whom the customer is transacting, is on the SDN List, GAFRI will block or “freeze” any associated property, block requests to disburse funds or other assets, and block transactions for those individuals and entities. GAFRI will also promptly notify OFAC by way of its Hotline at **1-800-540-6322**, or as otherwise allowed and follow any instructions received.

In general, debits to blocked accounts are prohibited, but credits may be accepted. Cash balances in blocked accounts must earn interest at commercially reasonable rates. Blocked securities or accounts may not be paid, withdrawn, transferred, endorsed, guaranteed, or otherwise dealt in. Blocking requirements are generally triggered under the following circumstances:

- An account is opened for someone included on an OFAC list;
- The owner of an existing account is added to an OFAC list;
- A security is identified in a customer account where the issuer is the subject of sanctions; or
- A request is made by a customer to pay or transfer funds or securities to a blocked person or entity.

OFAC restrictions may vary depending on the blocked person or entity; details of specific blocking requirements should always be confirmed with OFAC.

OFAC regulations specifically prohibit or limit financial institutions from engaging in any financial transactions with the government or officials of certain countries like Iran, Syria, Sudan, North Korea, Cuba and the like (consult the OFAC website for a complete and current list of countries). In addition, financial institutions are generally prohibited from engaging in transactions with persons residing in Cuba or North Korea, regardless of their citizenship. Thus GAFRI will not accept a securities transaction or an application for insurance where the owner resides in Cuba or North Korea.

Reporting Blocked Transactions and Property. Once blocked, accounts and securities must be reported to the OFAC Compliance division within 10 days of the blocking action. No special form is required, although forms are available at the OFAC Internet site (<http://www.treasury.gov/resource-center/sanctions/Pages/forms-index.aspx>).

Reports of blocked assets should include:

- The owner or account party;
- The property and the property's location;
- Any existing or new account reference number;
- Actual or estimated value;
- The date the assets were blocked;
- Photocopy of the payment or transfer instructions;
- Confirmation that the funds have been deposited in a blocked account which clearly identifies the individual or entity subject to the blocking; and
- Name and phone number of a contact person at the financial institution.

Reports of rejected transactions should include:

- The name and address of the transferee financial institution;
- The date and amount of the transfer;
- Photocopy of the payment or transfer instructions;
- The basis for the rejection; and
- Name and phone number of a contact person at the financial institution.

In addition, any person holding property blocked or funds retained under OFAC regulations must submit an Annual Report of Blocked Property (TD F 90-22.50) by September 30, for the period ended June 30 of the same year.

U.S. persons involved in litigation, arbitration, or other binding alternative dispute resolution proceedings regarding blocked property must provide notice to OFAC. Copies of all documents associated with the proceedings must be submitted within 10 days of their filing to the OFAC Chief Counsel at the U.S. Treasury Department, and information about the scheduling of a hearing or status conference must be faxed to the Chief Counsel.

General OFAC Information.

- OFAC Fax-on-Demand Service **1-202-622-0077**
- OFAC Compliance Hotline **1-202-622-2490**
- OFAC Mailing Address
Office of Foreign Assets Control
U.S. Department of Treasury
Treasury Annex
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Civil and Criminal Penalties. When OFAC becomes aware of a potential violation of blocking requirements, normally an administrative demand (602 letter) is sent to the financial institution requesting an explanation of how the transaction was processed. All such letters must be referred to the GAFRI Corporate Compliance Department which will provide a written response to the letter in a timely matter.

OFAC also has the authority to impose civil penalties of up to \$275,000 per count and forfeiture of funds and other property involved in the violations. Depending on the blocking program, corporate and personal fines of up to \$1 million and 12 years imprisonment can be assessed.

Any reports or notices required under OFAC regulations will be filed by the GAFRI Corporate Compliance Department.

Training

All agents, producers and appropriate GAFRI employees will receive on-going training concerning their AML responsibilities and their responsibilities under this AML Program.

Training programs will be developed and conducted primarily by industry or internal personnel, knowledgeable in aspects of the laws, regulations and internal policies and procedures related to money laundering. These programs may include, but not be limited to the following:

- Money laundering indicators;
- Actual case scenarios;
- Updates of schemes and trends;
- Professional and/or in-house newsletters;
- AML Program responsibilities; and/or
- Legal obligations and penalties.

Courses of instruction will address the identification and prevention of money laundering. Training will also include how to identify and follow-up on unusual or suspicious activities. All appropriate personnel shall receive training at least once a year, and all newly hired personnel shall receive training shortly after being hired. GAFRI will retain a record of scheduled training activity and a list of attendees.

Training materials will be updated on a regular basis to ensure that appropriate personnel have the most current information available, including changes in laws and regulations. The GAFRI AML Program and related information will be maintained on the Corporate Compliance Intranet Web site as the primary resource for employees.

Training may be done in-house or through a competent third party. Training may be self-study or done in a classroom setting or online or both online and in a classroom setting. Agents and producers may meet GAFRI's training requirement by showing to the reasonable satisfaction of GAFRI that he or she has received recent AML training. (See Section 4 of the Agents and Producers Section of this AML Program).

Monitoring

- GAFRI Corporate Compliance Department
- Internal Audit Department

GAFRI Corporate Compliance Department. The AML Compliance Officer in conjunction with the GAFRI Corporate Compliance Department will conduct periodic monitoring to identify any distinct patterns that may be indicative of money laundering. GAFRI Corporate Compliance will also consult and review information releases from relevant sources, such as FinCEN and the Financial Action Task Force on Money Laundering (FATF), as part of its anti-money laundering program.

FinCEN periodically publishes Advisories and SAR Bulletins on its Internet site (<http://www.fincen.gov>). These publications address subjects pertinent to anti-money laundering efforts, and often the issuance of an Advisory provides instruction for applying enhanced scrutiny to certain transactions.

FATF is an international inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering. FATF monitors members' progress in implementing anti-money laundering measures, reviews money laundering techniques and counter-measures, and promotes the adoption and implementation of anti-money laundering measures globally.

FinCEN and FATF publications will be reviewed as part of GAFRI's overall monitoring and compliance program. As appropriate, this information will be incorporated into AML training and periodically communicated to employees, primarily through the Corporate Compliance Intranet Web site.

Internal Audit Department. The Internal Audit Department for GAFRI will include as a part of its regular audit program the testing for compliance of the GAFRI AML Program. When conducting audits of those departments or functions that have responsibilities for processing financial transactions that could require cash transaction reporting or could be indicative of illegal activity, Internal Audit will:

- Review currency transaction reports to ensure that proper reports were filed;
- Review systems and methodology used to identify transactions requiring reporting and other suspicious transactions;
- Maintain records of each audit and report the results of these reviews to senior management and to the designated person(s) responsible for implementing and monitoring the day-to-day operations and controls of the relevant department;
- Perform periodic testing to monitor and maintain an adequate AML Program for GAFRI along with testing to determine compliance of agents and producers; and
- The frequency of such testing shall be commensurate with the risks associated with GAFRI's covered products.

Record Keeping

The GAFRI Corporate Compliance Department will retain and oversee the retention of copies of all records required or created pursuant to the GAFRI Anti-Money Laundering Program, and the original or business record equivalent of any related supporting documentation, for at least five years (or such other period as required by law).

GAFRI Contact Information

Please address any questions related to the GAFRI Anti-Money Laundering Program to the following individuals:

John Gruber – Chief Compliance Officer
GAFRI Corporate Compliance
(513) 412-1462
jgruber@gaig.com

Bill Gaynor
GAFRI Corporate Compliance
(513) 412-2852
bgaynor@gaig.com

Corporate Compliance Toll Free Telephone Number: 1-877-407-4007