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Anti-Money Laundering (AML) Benchmarking Survey

The Compliance & Ethics Forum for Life Insurers

Full Report

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Introduction

CEFLI is pleased to report the results of the 2021 Anti-Money Laundering (AML) Benchmarking Survey.

As part of CEFLI's mission to serve the needs of the life insurance industry's Compliance and Ethics professionals, CEFLI periodically invites Members to participate in the Surveys covering topics of interest to CEFLI's membership.

Data obtained from the AML Benchmarking Survey helps CEFLI and its Member Companies to gauge the current state of the life insurance industry's AML-related activities. The findings also help Members identify emerging trends that may be of interest to Compliance and AML professionals as well as the company's senior leadership. The data serves as a benchmarking resource allowing CEFLI Member companies to compare their practices to those of other CEFLI Member companies.

An Executive Summary follows this section of this report. The subsequent sections of the report detail the purpose, the methodology and the findings of CEFLI's 2021 AML Benchmarking Survey.

Executive Summary

CEFLI's 2021 AML Benchmarking Survey sought to determine the current state of life insurance company AML-related activities through a series of objective questions focused on various facets of life insurance company AML programs, including program structure, monitoring efforts, assessment and independent testing controls, SAR filings and regulatory examinations.

CEFLI solicited input from 75 life insurance companies, and the Benchmarking Report's findings are premised on the receipt of 27 Survey responses, representing a 36% response rate. Roughly 60% of Survey respondents sell or service life insurance and 40% sell or service annuity products. Additionally, 35% of Survey respondents sell or service variable products (life or annuity, individual or group).

With respect to Survey respondents' distribution structures, 41% of companies rely exclusively on an independent producer distribution system, 15% rely exclusively on a captive distribution system and 44% rely on a combination of both.

Regarding CEFLI life insurance companies' AML activities, Survey data revealed the following:

- **Structure:** Larger companies tend to have their AML function located within the company's Compliance Department, while smaller companies are more likely to place the function within their Legal Department. Regardless of company size, combined Antifraud and AML functions are common.

- **Supervision and Testing:** The day-to-day supervision of AML programs is primarily conducted by Compliance, while AML independent testing activities are typically conducted by Internal Audit.

- **Monitoring Reports**: While some companies exclusively rely on internally developed tools or on vendor solutions to monitor for potential AML activity, most companies leverage a combination of the two. The top vendors referenced by Survey respondents were LexisNexis Bridger and FiServe – FCRM.

- **Cash and Cash Equivalents:** Most Survey respondents indicated they accept cash and cash equivalents.

- **Electronic Funds Transfers (EFTs):** Half of the respondents require bank account verification when conducting EFTs.

- **Suspicious Activity Reports (SARs):** Account takeover activity and elder financial exploitation were the top reasons for SAR filings. Over half of companies had an increase in the volume of SAR filings over the last three years. A total of 44% of companies file 0-9 SARs annually, 36% of companies file 10-100 SARs annually, and 20% of companies file 101-250 SARs annually. Fixed and indexed life insurance and fixed and indexed annuity products are the most common product types associated with a SAR filing. While a SAR filing is a manual process for most companies, some companies have partially or fully automated their filing process.

- **Cybersecurity Events:** While a company's Information Technology Department (or the Chief Information Security Officer) is typically responsible for *leading* the resolution of cyber events, the primary *handling* of the activities associated with such events may be owned by Legal, Information Security, Privacy or Compliance.

- **Foreign National Business:** The majority of companies indicated they have not experienced an increase in Foreign National business. To manage their risk in this area, companies rely on additional underwriting/ID validation controls and some companies require Foreign Nationals to have permanent US residency.

- **Screening Beneficiaries:** Slightly less than half of the Survey respondents indicated their company screens beneficiaries against the Office of Foreign Assets Control (OFAC) list before processing a death claim. Such screening may take place before a policy or contract is issued, shortly after a policy or contract is issued, prior to or following the processing of a beneficiary change request, or the screening may take place immediately prior to processing a claim payment.
- **International Wire Transfers:** Slightly less than half of companies indicated they allow international wire transfers, and most companies that allow international wire transfers rely on GIACT as part of their verification process.
- **Watch List Resources:** There is no shortage of "watch lists" insurers may use to screen business transactions. The three most frequently used watch lists are: OFAC SDN, OFAC Sanctions and OFAC Non-SDN Entities.
- **AML Training:** While two-thirds of companies require their *unregistered* producers to complete the company's AML training, only half have the same requirement of their *registered* producers. This may be attributed to the fact that many registered producers must complete AML training required by their broker-dealer. Additionally, two-thirds of respondents require AML training for their home office staff. Half of those companies require AML training of all home office staff, while the other half requires AML training for only certain home office staff. A few companies require their third-party administrators to complete the company's AML training, and some companies require their Board of Directors to complete AML training.
- **AML Reporting:** Slightly more companies conduct their AML reporting on a quarterly basis than on an annual basis. The company's Internal Audit Department, its Chief Compliance Officer or the company's AML Officer are typically responsible for reporting the findings of the company's independent AML audit to key stakeholders.

- **Regulatory Examinations:** The incidence of AML-related regulatory examination activity over the past three years has been low, and the breakdown of state DOI to federal examinations reflected a 50/50 split. One company also indicated it had been examined by the Cayman Islands Monetary Authority. The scope of the regulatory examinations primarily focused on the company's policies and procedures, components of the company's AML program and on the results of prior independent testing.
- **Risk Assessment Process:** While most companies conduct annual assessments of their AML program, some companies conduct assessments on a biennial or triennial basis. The Survey respondents indicated the scope of their assessments is substantially similar from one assessment period to the next. Additionally, most Survey respondents prepare a written report summarizing the findings of their assessments. While 90% of companies determine the format and content of their written report, a few companies indicated their reports align with the Financial Action Task Force (FATF) or the Federal Financial Institutions Examination Council (FFIEC) BSA/AML Examination Manual focus areas.

In summary, a life insurance company's handling of AML-related activities is a complex process involving many facets. It requires a company's AML Officer to collaborate with the Legal, Compliance and Internal Audit Departments to carry out a comprehensive and effective program focused on mitigating the organization's AML risk.

CEFLI is pleased to share the findings of its 2021 AML Benchmarking Survey with its Members and acknowledges and expresses our sincere thanks to the Member Companies who took the time to complete the 2021 Benchmarking Survey. The respondents' willingness to share insight regarding respective company practices serves to inform other CEFLI Members regarding current AML-related practices, and it establishes a value-added benchmark that allows CEFLI Member Companies to compare their AML practices to those of other CEFLI Members.

The subsequent sections of the report detail the purpose, the methodology and the findings of CEFLI's 2021 AML Benchmarking Survey.

Purpose

The Survey sought to determine the current state of AML-related activities and protocols within the life insurance industry by asking objective questions of CEFLI Member companies. Specifically, the Survey contained questions regarding company practices in the following areas:

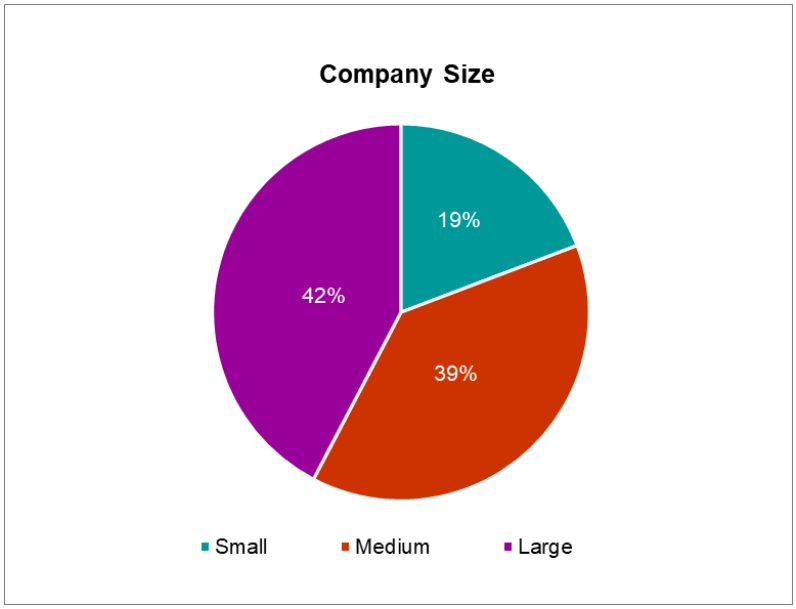
- Products and Distribution Method.
- AML Organizational Structures.
- Monitoring Tools and Reports.
- Cash Equivalents and Electronic Fund Transfers.
- Suspicious Activity Reports.
- Cybersecurity Events.
- Special Handling Protocols.
- AML Training Approaches.
- Emerging Issues.
- AML Reporting Protocols.
- Risk Assessment Processes.

The Survey also included questions regarding recent state and federal regulatory examination activity and the areas that regulators focused on during their examinations.

Methodology

CEFLI solicited input from 75 CEFLI Member life insurance company groups**. The Benchmarking Report findings are premised on the perspectives provided by 27 respondents, representing a 36% response rate.**

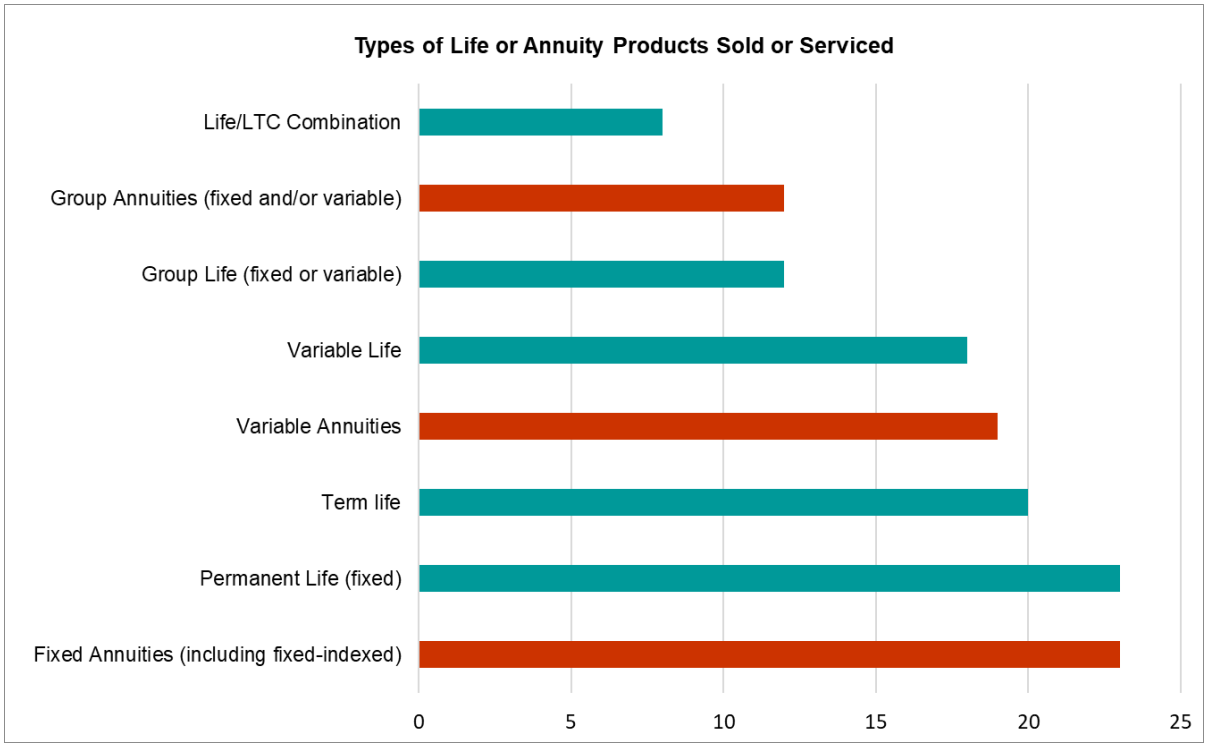
The companies responding represented a mix of small (<500 employees), medium (500-10,000 employees) and large (>10,000 employees) insurers.



Products and Distribution

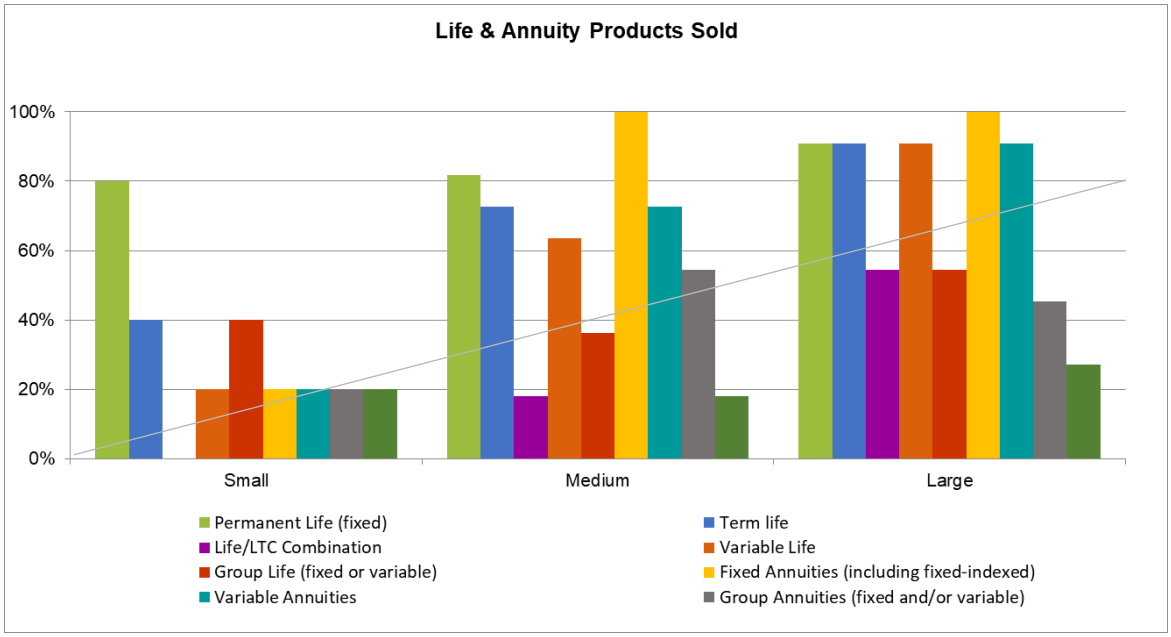
Products Sold or Serviced

When asked to identify the types of products sold or serviced by respondent life insurance companies, the Survey data revealed a broad mix of product representation, as represented in the graph below.



Teal Bar = Life Products. Red Bar = Annuity Products.

When analyzing the responses by company size, the data, not surprisingly, reveals a more robust product mix as company size increases.



Additionally, the mix of life insurance products compared to annuity products and the mix of fixed products compared to variable products is worth noting:

- **Approximately 60% of Survey respondents sell or service life insurance products and 40% sell or service annuity products.**

- Variable products (for life insurance and annuities, combined) comprised about 35% of the total products sold or serviced by Survey respondents with the type of variable product split evenly between variable life insurance and variable annuities.

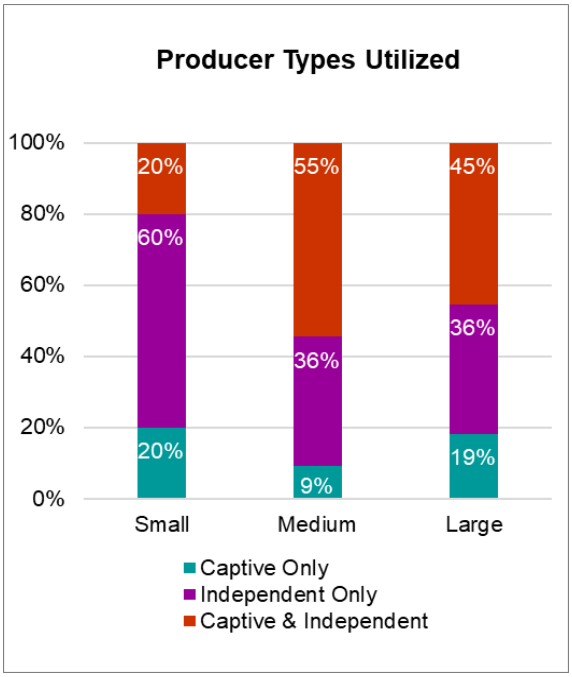
In summary, CEFLI's 2021 AML Benchmarking Survey data represents the practices of life insurance companies with a wide mix of products.

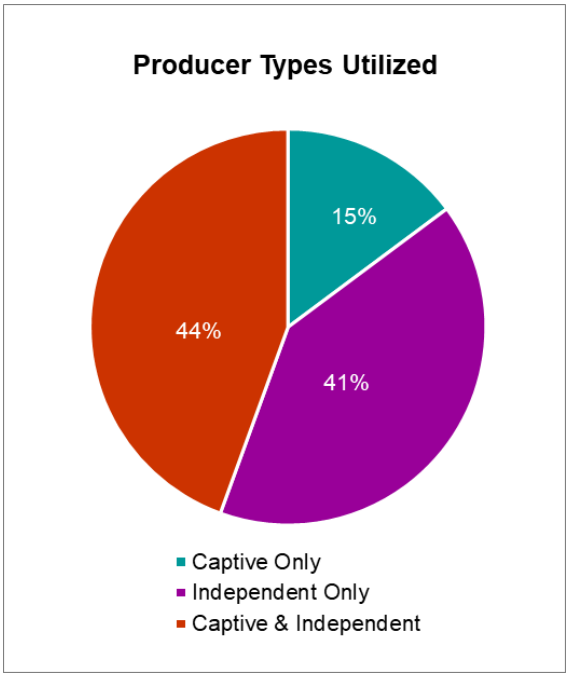
Utilization of Producers

Survey respondents were asked to indicate the nature of their product distribution via producer channels.

Interestingly, the responses revealed that 41% of life insurance companies rely upon an exclusively independent distribution system and 15% rely on an exclusively captive distribution system. However, 44% of companies rely upon a hybrid distribution system leveraging both captive and independent producers.

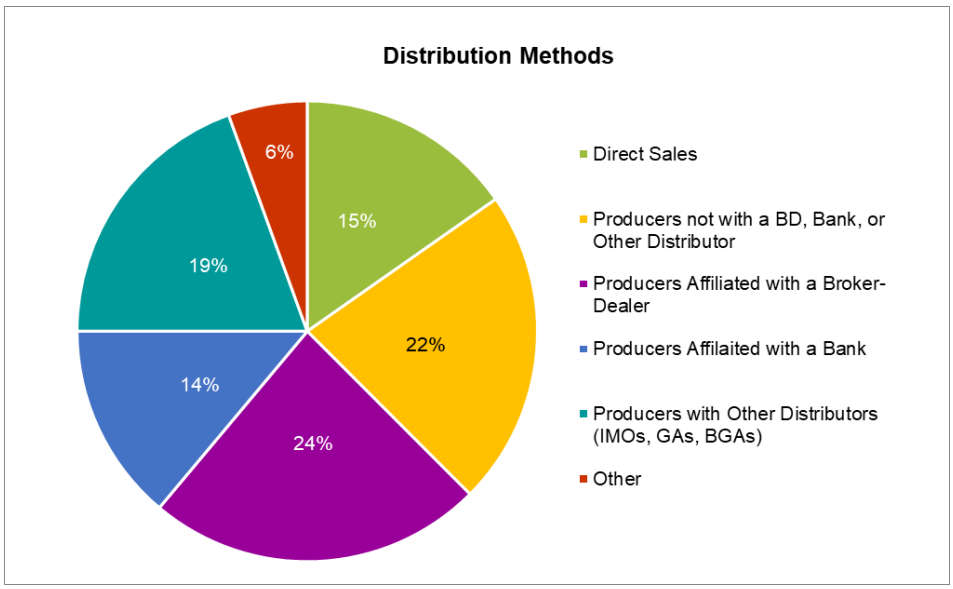
When broken down by company size, the data revealed that small companies rely heavily on the use of independent producers while medium and large companies utilize a hybrid distribution method. Both medium and large companies infrequently rely on the exclusive use of captive producers.





Distribution Channels

Survey respondents were asked to indicate the type of distribution channels utilized. Not surprisingly, life insurers leverage a number of distribution methods as indicated in the chart below.



The data revealed the top distribution methods to be:

- **Producers Affiliated with a Broker-Dealer.**
- **Producers not Affiliated with a BD, Bank, or Other Distributor.**
- **Producers Affiliated with Other Distributors such as IMOs, GAs, or BGAs.**

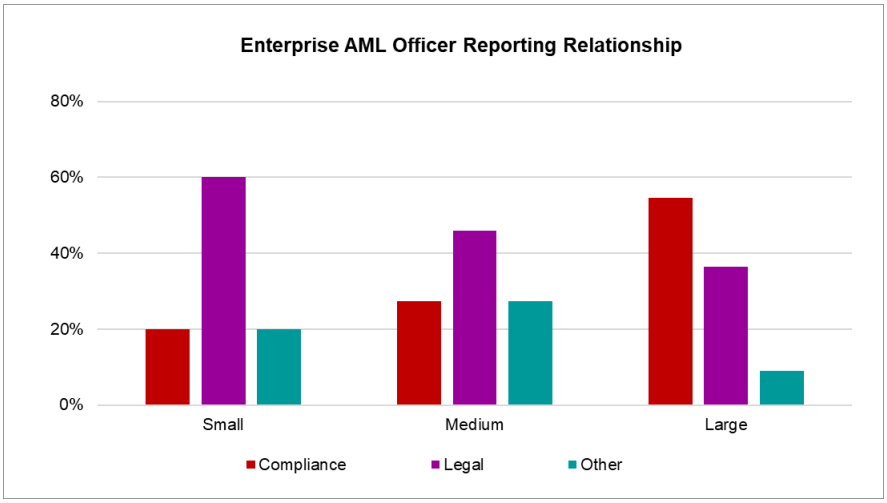
The information provides important context since life insurance companies' AML-related controls must take into consideration the variation and the complexity of their distribution systems and the unique risks that may be associated with certain structures.

AML Organization Structure

Reporting Relationships

There can be significant variation in the reporting structure utilized by life insurance companies for the placement of the company's AML function. CEFLI's Benchmarking Survey asked respondents to indicate where the company's AML function is housed**. Generally, most companies' AML function is located within the Compliance or the Legal Department. The Survey results revealed that the larger the company, the more likely the company's AML function is part of the Compliance Department, while the smaller the company, the more likely the company's AML function falls within the Legal Department.**

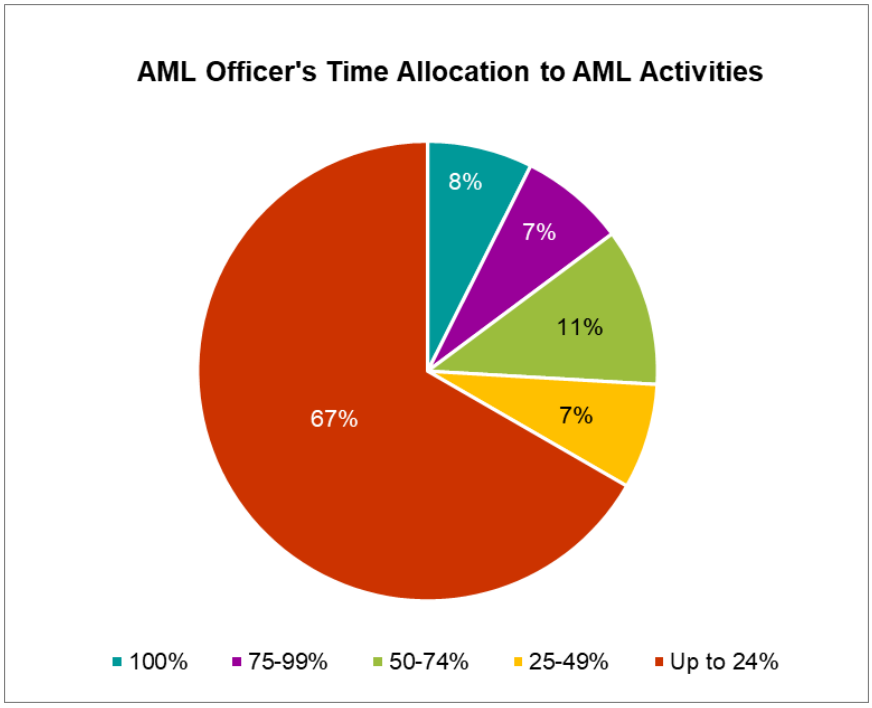
Survey Respondents indicating "Other" reported that their AML function is located within Legal and Compliance combined; Finance; Ethics and Compliance combined; or that the function reports to the company's Financial Crimes Officer.



Enterprise AML Officers' Time Allocation

A company's Enterprise AML Officer may be pulled in a number of directions and have responsibility for a variety of activities that are not limited to AML-related tasks. CEFLI's AML Benchmarking Survey asked respondents to indicate the percentage of time their company's Enterprise AML Officer devotes to AML-specific activities.

In summary, the larger the company, the greater the percentage of time the company's Enterprise AML Officer devotes to AML-related activities.



A further analysis of the data based on company size revealed that Enterprise AML Officers at small and medium companies spend less time on exclusively to AML-related activities when compared to Enterprise AML Officers at large companies.

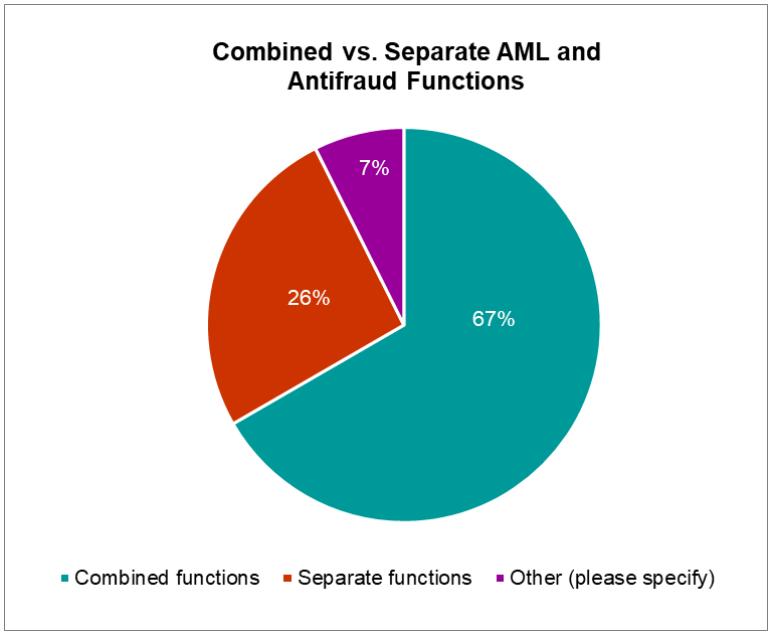
This variation may be attributed to the fact that many small and medium company personnel may be responsible for multiple functions or departments. Further, the more streamlined a company's distribution channels, product offering and client mix, the more likely the company's Enterprise AML Officer can be involved with non-AML-related tasks.

On the contrary, the more complex and varied a company's distribution channels, product offering and client mix, the more likely the company's Enterprise AML Officer may spend a material amount of time devoted to AML-related activities. Similarly, the higher the volume of transactions and the larger the size of the AML team, the more time an Enterprise AML Officer may need to devote to managing the company's AML function.

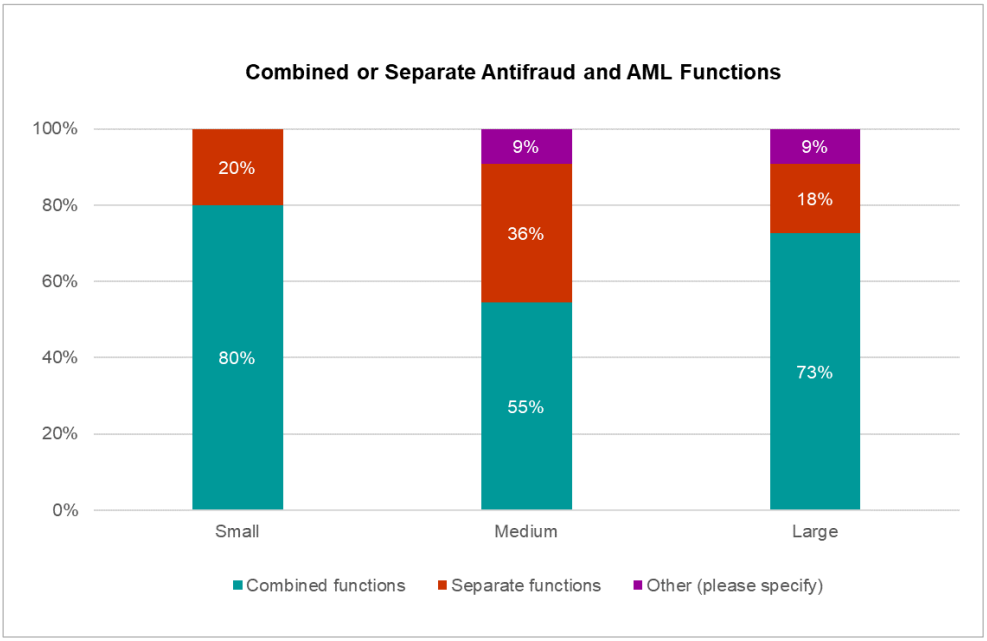
Combined vs. Separate Functions

CEFLI asked Survey respondents whether the company's AML and Antifraud functions were separate or combined.

Regardless of company size, the data revealed that most companies utilize a structure that relies on a combined function, with 67% of respondents noting their company's Antifraud and AML functions are combined.

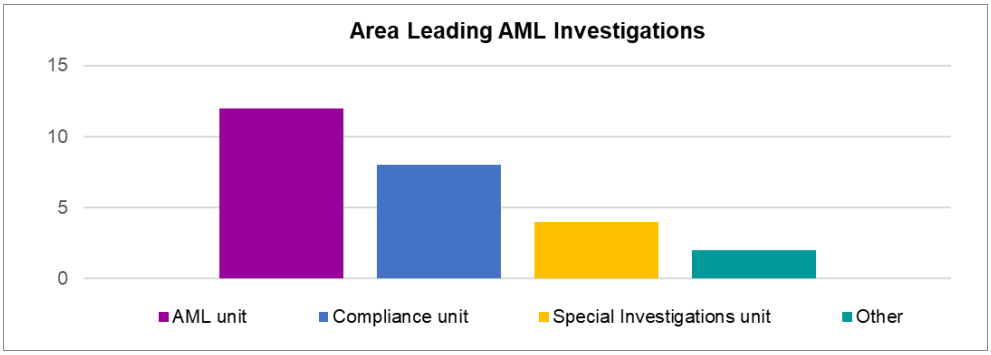


When broken down by company size, **the data reveals that small and large companies were more likely to rely on a combined model than medium companies. However, medium companies were still more likely to use a combined model than relying on separate functions.**

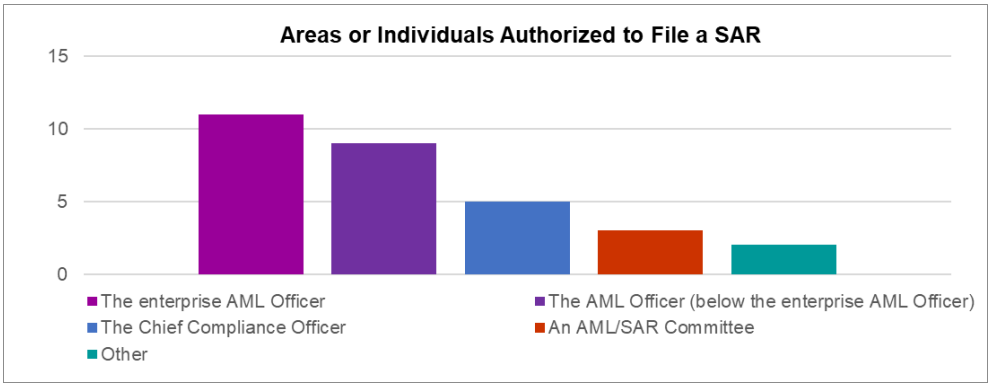

Combined or Separate Antifraud and AML Functions
100%
80%
60%
40%
20%
0%
20%
80%
9%
36%
55%
9%
18%
73%
Small
Medium
Large
Combined functions
Separate functions
Other (please specify)

Investigation Leadership & SAR Filings

The Benchmarking Survey asked Respondents to indicate the area responsible for leading the AML information gathering and investigation processes. The Survey data revealed that **the AML unit or a Compliance unit lead the company's AML gathering and investigation processes at most companies**. The other Survey responses referenced the Special Investigations Unit, the Financial Crimes Unit or a Compliance-based AML Unit.



With regard to the authority to filing a SAR, most respondents indicated their **Enterprise AML Officer or an entity AML Compliance Officer are responsible for filing SARs on behalf of the organization.** At some companies, the General Counsel and the Financial Crimes Officer are responsible for filing SARs.

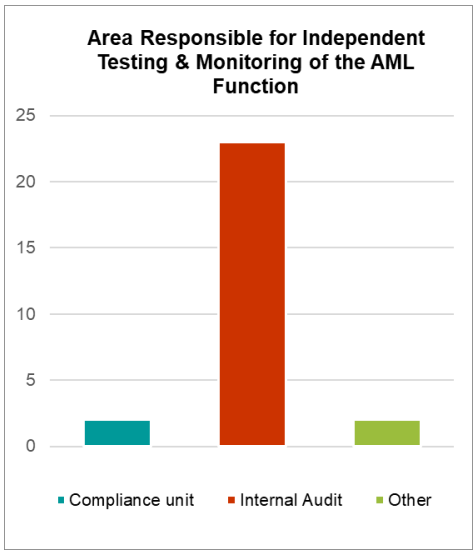


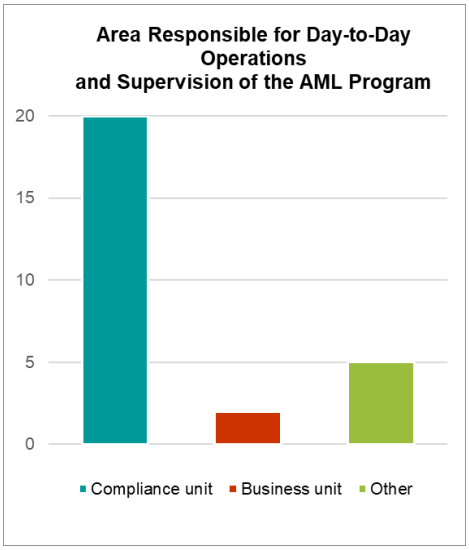
Independent Testing and Supervision

CEFLI's AML Benchmarking Survey asked respondents to indicate the area of the organization primarily responsible for conducting the required independent testing (not the day-to-day supervision) of the company's AML program.

The Survey results revealed that **the Internal Audit Department is responsible for conducting independent testing of company AML programs, 85% of the time.** A few Survey respondents indicated their company's testing is conducted by either an independent consultant or by the company's Internal Audit, Compliance and External Audit Departments, collaboratively.

With respect to the day-to-day supervision of a company's AML program, 74% of Survey respondents indicated that supervision of the company's AML function is primarily a Compliance responsibility. Other Survey responses indicated that the Financial Crimes Unit, the Legal Department or a combination of the company's Legal and Compliance Departments are responsible for the day-to-day supervision of the company's AML program.





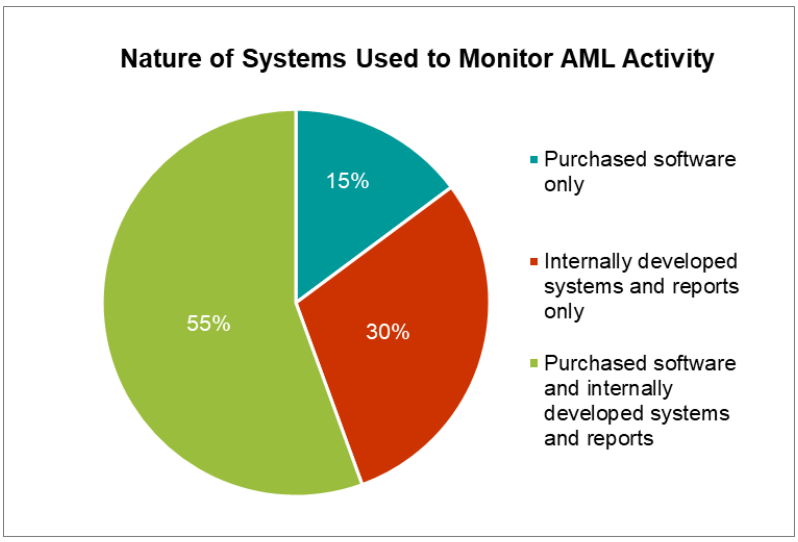
Monitoring Tools & Reports

Internal vs. External Solutions

To assist with AML-related activities, companies may utilize the services of certain vendors or external software packages, they may develop their own tools, or they may utilize a hybrid approach – a combination of internally developed and vendor solutions.

The Survey asked respondents to share their approach for monitoring AML activities. **The Survey results revealed that the majority of companies utilize a hybrid approach which leverages a combination of internally developed tools and vendor solutions.**

With respect to companies that *do not* utilize a hybrid approach, twice as many companies rely solely on internally developed solutions, compared to the number of companies that rely solely on purchased vendor solutions.



Vendor Software Packages Utilized

CEFLI's Benchmarking Survey asked respondents to share information regarding the external resources utilized for AML monitoring. **The top resources, in order of Survey response frequency, are:**

- **LexisNexis Bridger.**
- **FiServe – FCRM.**
- **Actimize.**
- **Dow Jones - Risk & Compliance.**
- **FIS – Penley or Prime.**

As referenced in the previous section, vendor tools often supplement other life insurance company-developed AML monitoring solutions.

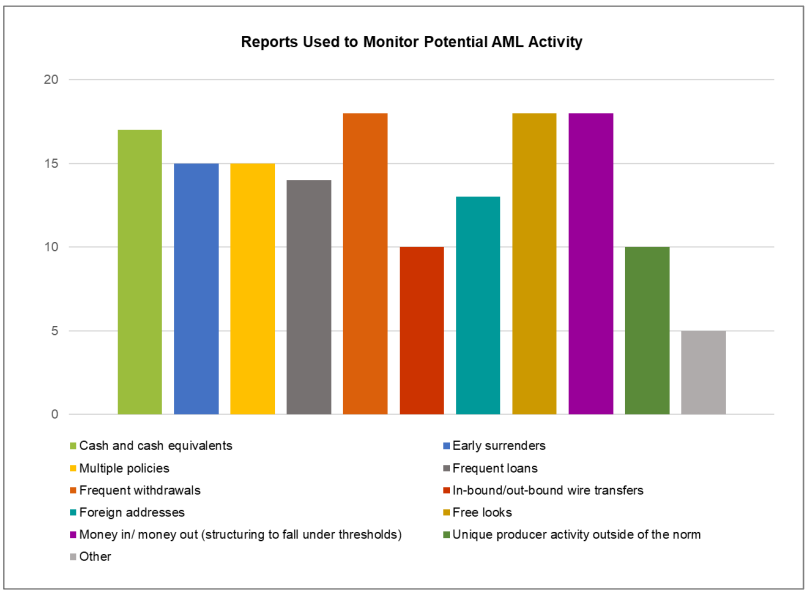
Types of Reports Used for Monitoring

Life insurers utilize a variety of transactional reports to identify potential AML concerns. The Benchmarking Survey asked CEFLI Member companies to indicate the types of monitoring reports that companies rely on for their day-to-day AML monitoring efforts.

The most prominent Survey responses referenced the use of: "Frequent Withdrawals," "Free Looks," "Money-in/ Money-out" and "Cash/ Cash Equivalents" reports.

Other AML monitoring reports selected by Survey respondents are included in the chart below.

With regard to the "Other" category, the Survey respondents listed the following reports: "Annuitants/Payors" (a check against AML databases), "Address Changes for Clients Over Age 65," "Activity not Aligned with Product Purpose," "Circulation of Funds Recycling," "Added Premium" and "Large Transactions" reports.



Ways to Identify Potential Structuring

Structuring may involve a series of smaller transactions over a period of time in an effort to fall under a company or regulatory threshold.

CEFLI's Benchmarking Survey asked respondents to share information regarding the methods that life insurance companies use to identify transactions to signal when structuring may be involved.

Survey respondents provided the following information (in no particular order) concerning their monitoring efforts to identify the potential structuring of transactions:

1. Incidence of multiple insurance policies.
2. Timing and frequency of smaller transactions.
3. The receipt of unplanned premiums under $10,000 or isolated over payments.
4. Receipt of cash equivalent payments, individually and in combination (a transaction series).
5. Receipt of payment combinations (e.g., several money orders, several checks, a combination thereof, etc.).
6. Multiple premium payments at policy issue.
7. Multiple money orders from different locations, at different times.
8. A series of small withdrawals (under $10,000).
9. Disbursements between $9,000 and $10,000.
10. Client deposits within a 12-month look-back period.
11. Payments into multiple accounts around the same time period.
12. Frequent loans and rapid repayments.

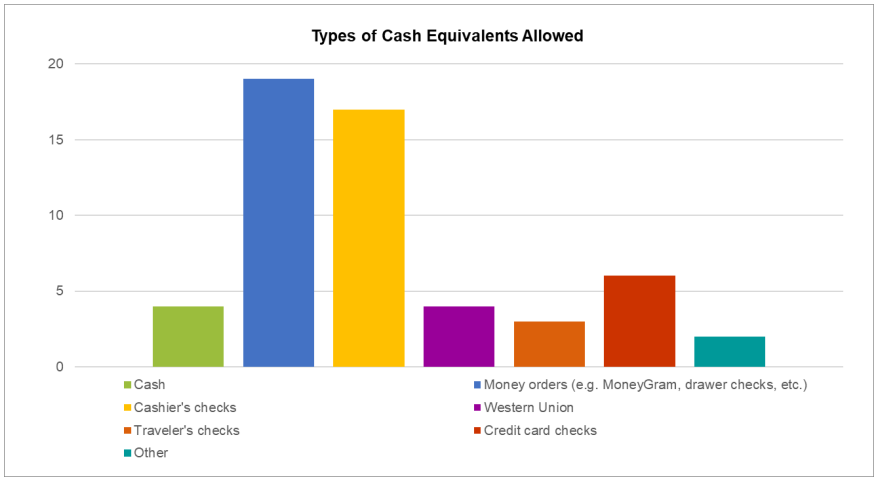
Cash Equivalents and EFTs

Types of Cash Equivalents Allowed

The subject of "cash equivalents" is often a source of debate. While there is value in providing consumers with convenient payment options, allowing cash equivalents can increase a company's AML risk unless sufficient monitoring controls are in place to identify potential money laundering concerns.

The Benchmarking Survey asked CEFLI Member companies whether they allow the receipt of cash and cash equivalents. **Most companies (75%) indicated they accept cash and cash equivalents, while other Survey respondents (25%) do not accept cash or cash equivalents.**

The Companies that allow cash or cash equivalent payments were asked to indicate the specific types of payments allowed. **In summary, money orders and cashier's checks were the most frequently noted types of cash equivalent payments allowed.**



With regard to whether companies that allow cash and cash equivalents limit the *amount* of such payment forms, **68% of Survey respondents indicated they do not limit the amount of cash equivalents from a policyowner.**

Survey respondents who indicated their company limits the amount of cash or cash equivalents they accept, offered the following responses:

1. $1,000.
2. $5,000.
3. Limits on *cash equivalents* a prohibition on *cash* payments.
4. Cash and cash equivalent payments are reviewed on a case-by-case basis (e.g., more than seven transactions would trigger escalation to the AML unit, etc.).
5. Business exceptions are allowed for amounts below $1,500.

Acceptance of EFTs

Survey respondents were also asked whether their companies accept Electronic Funds Transfers (EFTs) without a voided check or other documentation validating that the source bank account is owned by the client. **The Survey results were split.**

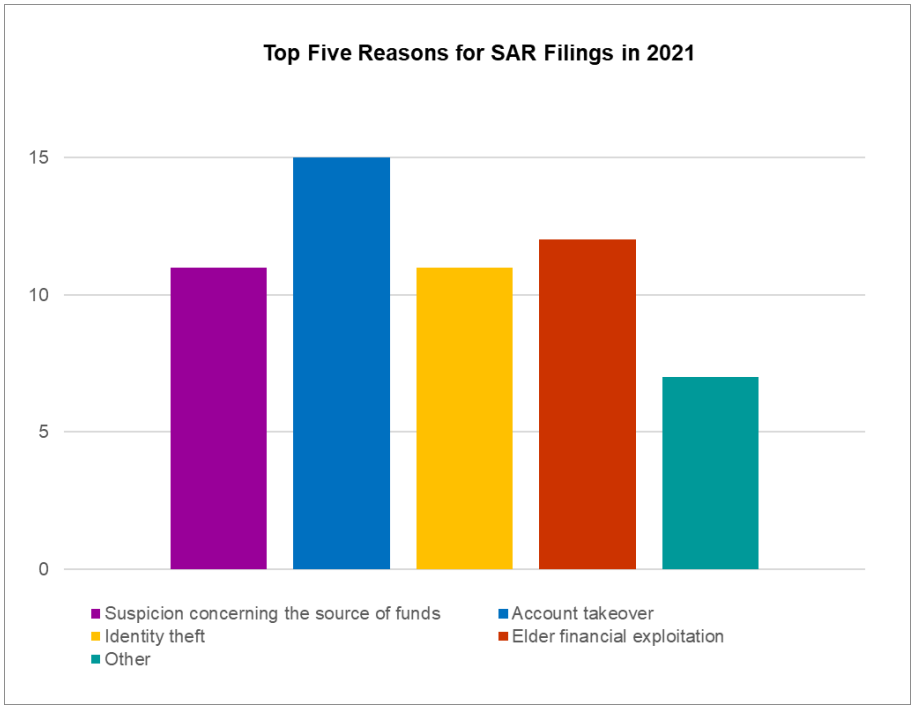
The percentage of companies that allow EFTs without requiring bank account validation (50%) mirrored that of the companies who indicated they require account validation (50%).

Suspicous Activity Reports

Top Five Reasons for SAR Filings

The Benchmarking Survey asked respondents to indicate the top five types of activities resulting in a SAR filing during 2021.

Not surprisingly, account takeover concerns and elder financial exploitation were the most prominent responses. However, suspicion concerning the source of funds and identity theft concerns were not far behind as key drivers of 2021 SAR filings.



All Reasons for SAR Filings

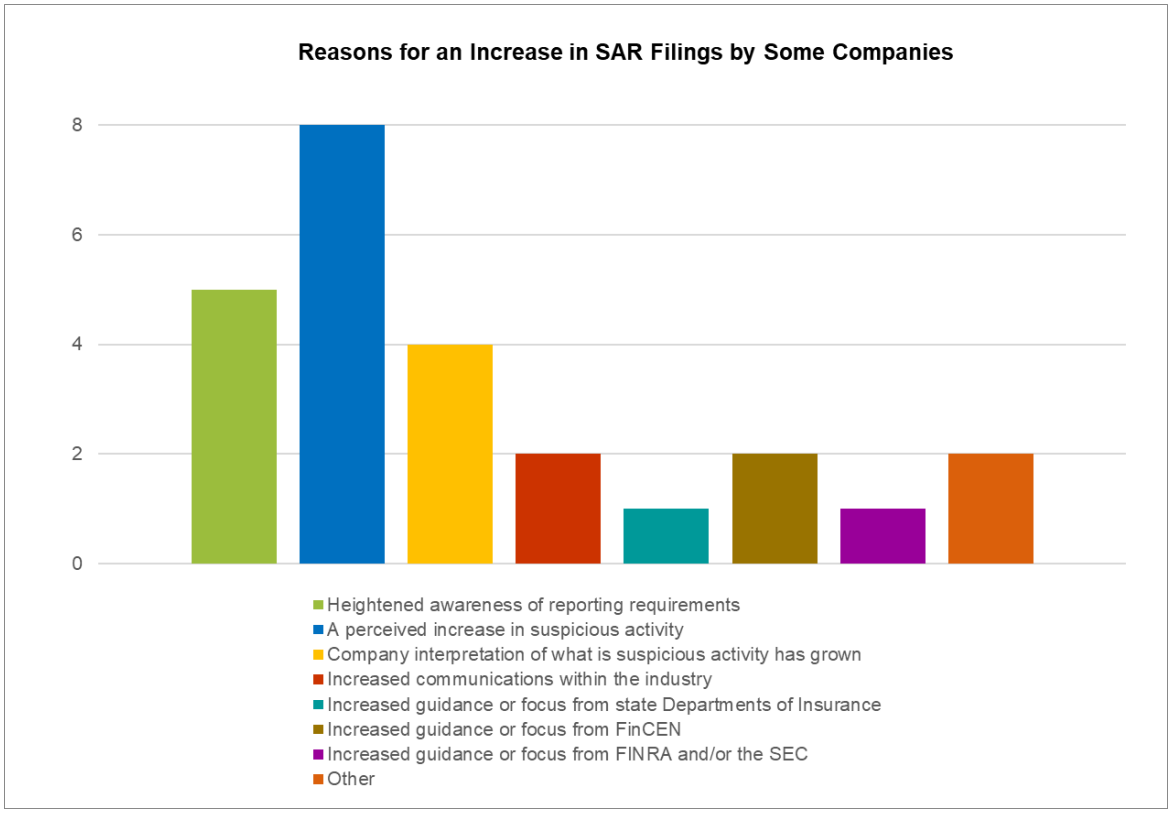
Certain types of transactions warrant the filing of a Suspicious Activity Report (SAR) with the Financial Crimes Enforcement Network (FinCEN), an agency of the United States Department of the Treasury. SAR reports may be filed for a number of reasons, determined by FinCEN. Survey respondents noted the reasons for their 2021 SAR filings and the top 10 reasons are included in the table below.

Ranking	Reasons for SAR Filing
1	Suspicion concerning the source of funds
2	Account takeover
3	Elder financial exploitation
4	Identity theft
5 (tie)	Fraud - other
5 (tie)	Excessive/ unusual cash borrowing against policy/annuity
6	Disregard for product performance, penalties, fees, etc.
7 (tie)	Two or more individuals working together
7 (tie)	Transactions(s) below the BSA threshold

Change in SAR Filing Volume

Survey respondents were asked to indicate whether they had experienced an increase in the number of annual SAR filings over the last three years**. The volume of SAR filings increased for 58% of respondents.**

Of those who saw an increase, **the increase was primarily attributed to a perceived increase in suspicious activity, heightened awareness of the reporting requirements and a broader interpretation regarding the types of activities that trigger the need for a SAR filing.**

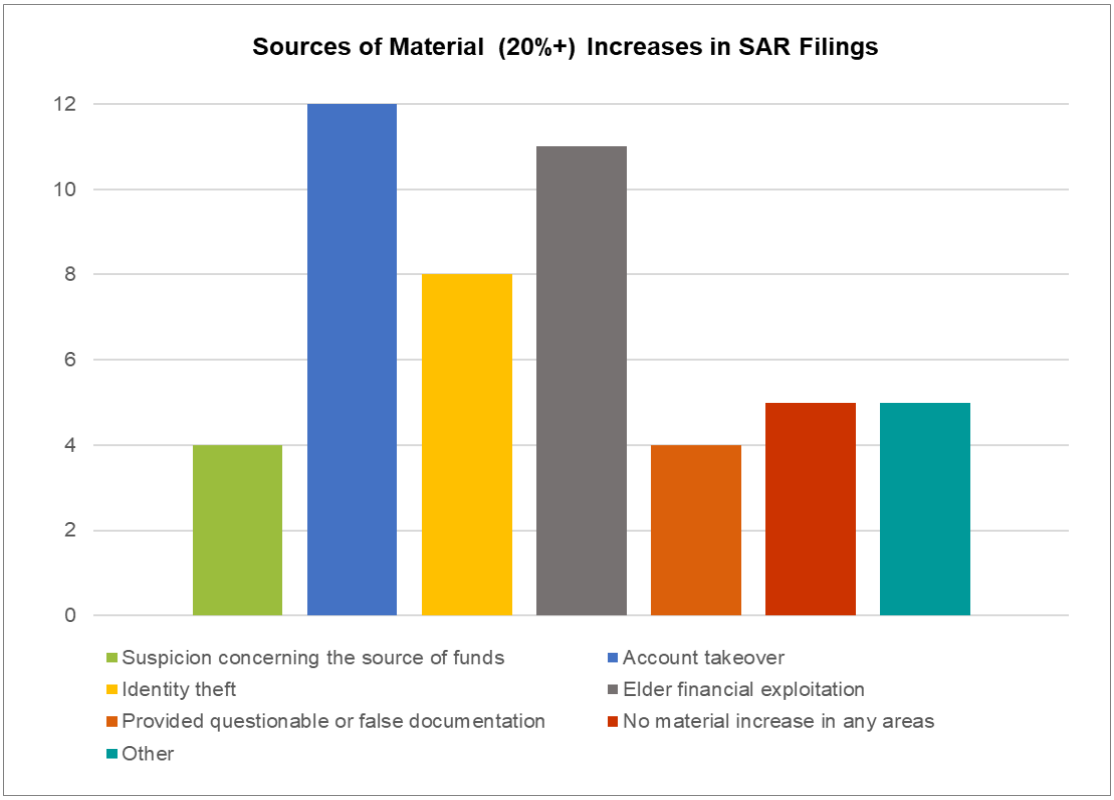


Material Increases in SAR Filings

Survey respondents were asked to identify the types of SAR activities that resulted in a material increase (20% or more) in the number of SAR reports filed over the last three years since these may be areas that companies may which to monitor more closely.

The two most prominent reasons for a material increase in SAR filings were account takeover activities and elder financial exploitation. This is consistent with the fact that such activities were also top reasons for SAR filings, overall.

A graphical summary of the top seven types of activities resulting in a material increase in SAR filings appears below.



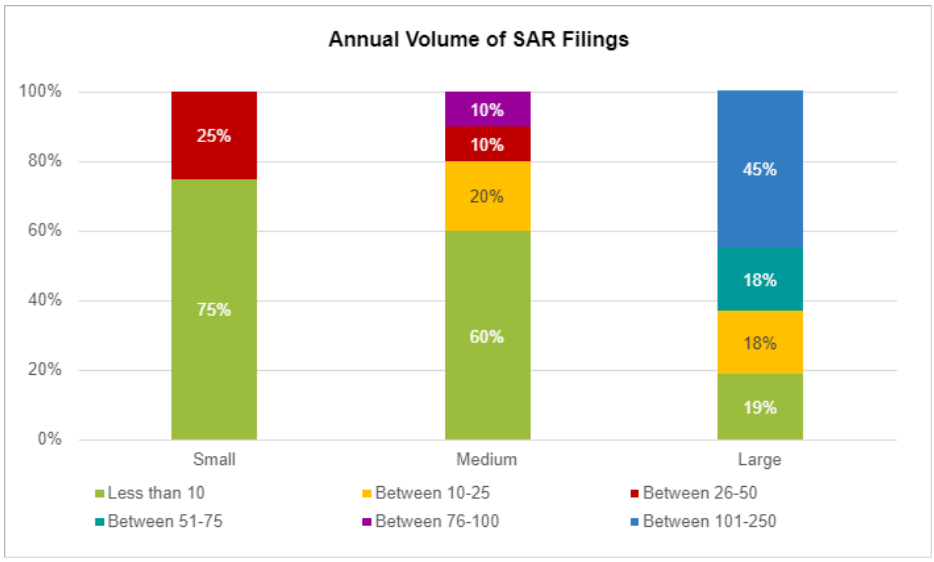
SAR Volume and Product Source

When asked about the volume of SARs filed annually, not surprisingly, the larger the company, the higher the volume of SAR filings.

Survey respondents reported their experience as follows:

- 44% of companies file 0 - 9 SARs per year.
- 36% of companies file 10 – 100 SARs per year.
- 20% of companies file 101- 250 SARs per year.

The graph below depicts the volume of annual SAR filings, by company size.



Survey respondents were also asked to identify the product types most likely to result in a SAR filing. **The top three products identified were: fixed and indexed life insurance, fixed and indexed annuities and variable life insurance (which narrowly beat variable annuities).** SAR filings for term life insurance products also occur, albeit infrequently.

SAR Completion and Automation

As life insurance companies continue to turn their attention to gaining efficiencies through automation, the Survey sought to determine the extent to which life insurance companies may be utilizing internally developed or vendor solutions to automate and streamline the completion of SAR filings.

Only 4% of companies who completed the Survey indicated they have fully (or nearly fully) automated their SAR filings. While this discovery represents an opportunity for improved efficiencies, the relatively low volume of annual SAR filings for many companies offers a practical explanation regarding why manual SAR filings are conducted by 84% of companies.

For many companies, the annual SAR filing volume does not provide the cost justification necessary to offset the cost of building and maintaining an automated process.

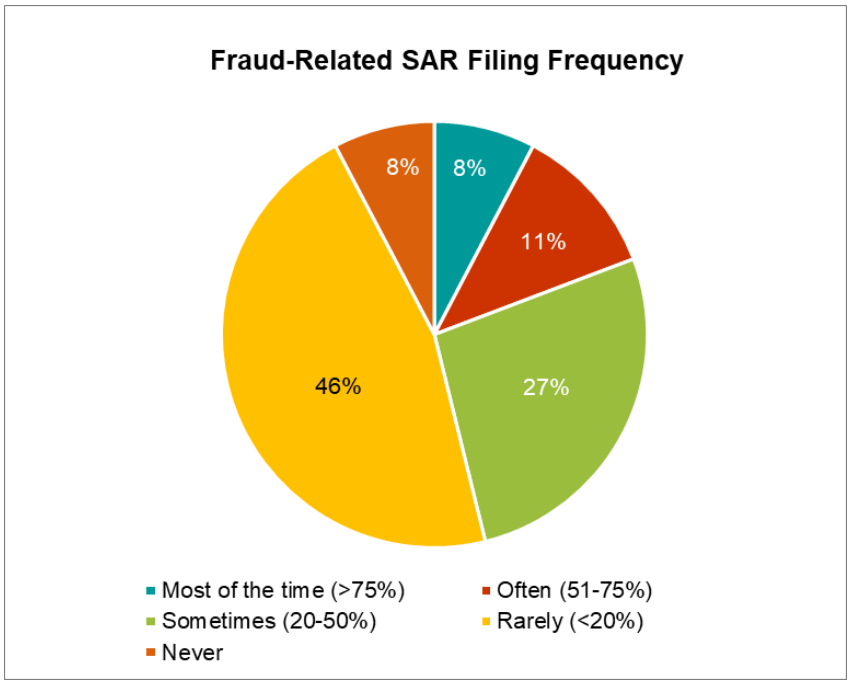
84%	12%	4%
Manual Completion	**Partial Automation**	**Full Automation** *(Or nearly full)*

The vendors and/or tools utilized by Survey respondents included Aquilian, FinCEN BSA, E-Filing System and Fiserv FCRM.

Suspected Fraud and SAR Filings

Given the types of fraudulent activities that can take place in the life insurance industry, companies occasionally encounter overlap between their fraud and AML-related activities. In some instances, the results of a fraud investigation may trigger the need for the life insurance company to file a SAR report in addition to filing a fraud report with a state Department of Insurance (DOI). CEFLI's Benchmarking Survey sought to identify the incidence of fraud investigations resulting in a SAR filing.

Survey respondents indicated that the filing of a SAR as a result of a fraud investigation is a rare occurrence. However, nearly 20% of companies indicated such filings occurred often or most of the time.

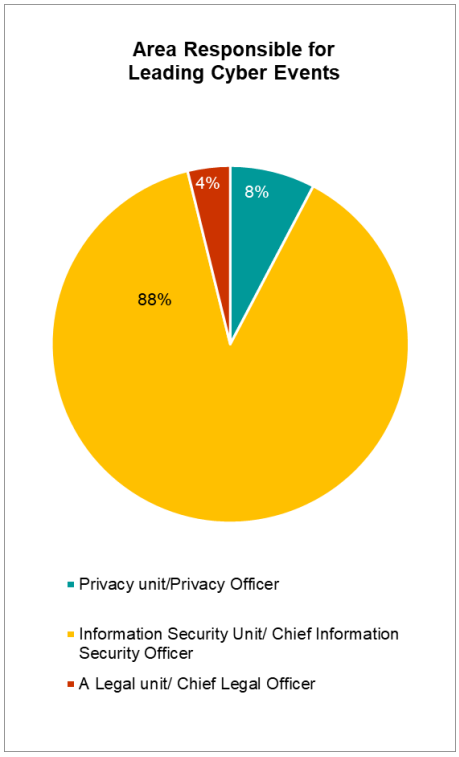


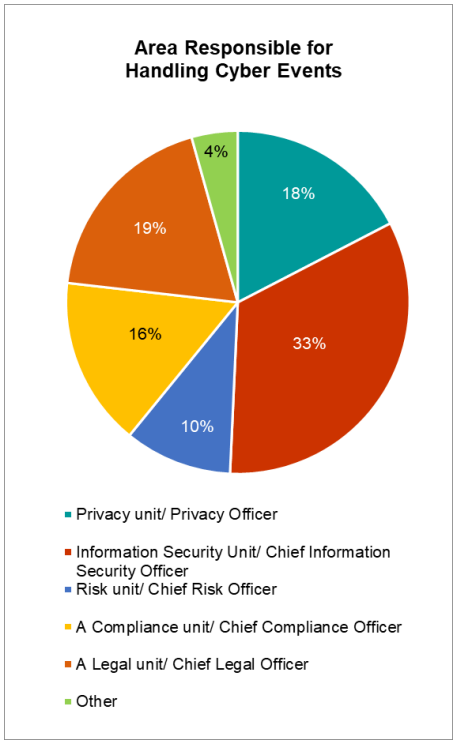
Cyber Security Events

Leadership & Handling of Cyber Events

Certain types of cyber events may have SAR filing impacts. The staff responsible for leading a company's cyber events or for handling activities associated with cyber events may represent a variety of functional areas within the company.

The Survey results revealed that while a company's Information Security area is most often tasked with *leading* cyber events, many areas of the company are involved with *handling* cyber events.



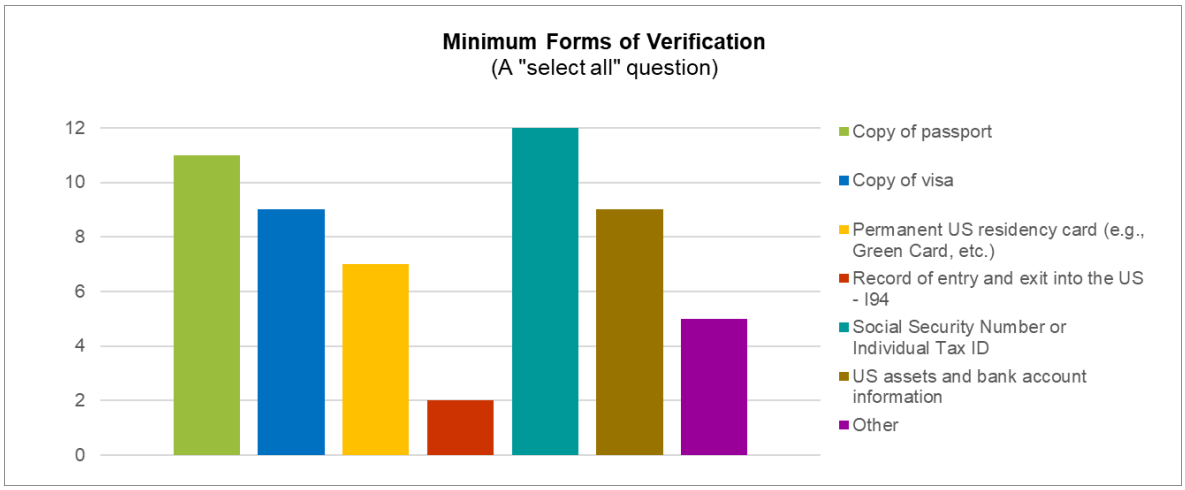


Special Handling Protocols

Foreign National Business

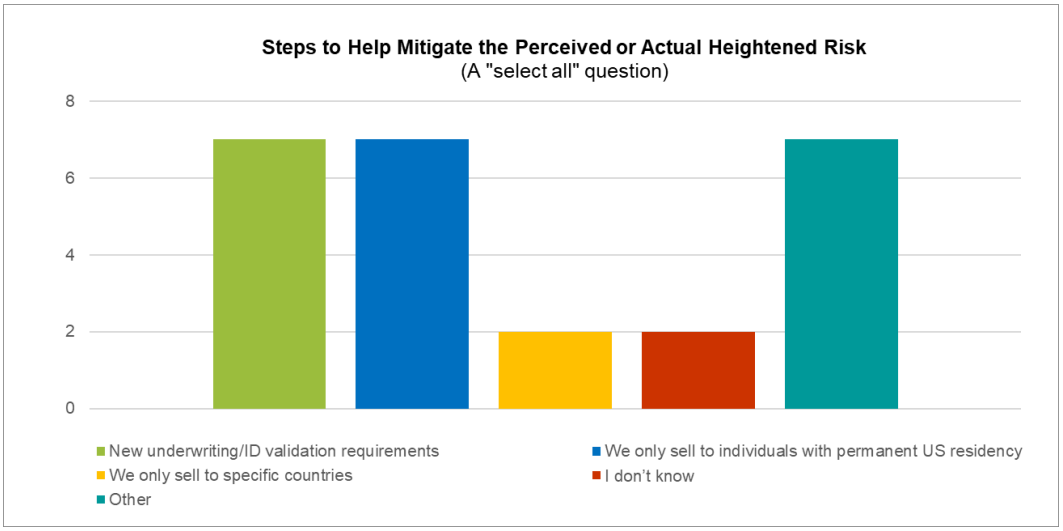
Approximately a third of life insurance companies responding to the Survey indicated they do not conduct business with Foreign Nationals. Of those that do, the Survey asked respondents to indicate whether they had experienced an increase in Foreign National business. **Approximately 70% of companies indicated they have not experienced an increase in such business, while almost 30% of companies noted they have seen an increase.**

Companies with Foreign National business were then asked to indicate the minimum forms of verification required. Most companies indicated they require a Social Security number (or an Individual Tax ID) or a copy of a passport. Other forms of verification included US asset and bank account information, a copy of a visa, a permanent US residency card, or a record of entry and exit into the US. Additionally, other forms of verification cited included the use of a Foreign National questionnaire or requiring evidence of a US nexus.



With regard to managing the potential risks associated with Foreign National business, Survey respondents noted two primary controls — a reliance on additional underwriting/ID validation activities and requiring Foreign Nationals to have permanent US residency.

Other controls, relied on less frequently, included restrictions on conducting business with only certain countries, restricting the number and type of producers who are authorized to conduct Foreign National business, relying on enhanced due diligence requirements, mandating additional financial documentation and requiring that Foreign Nationals be physically located in the U.S.

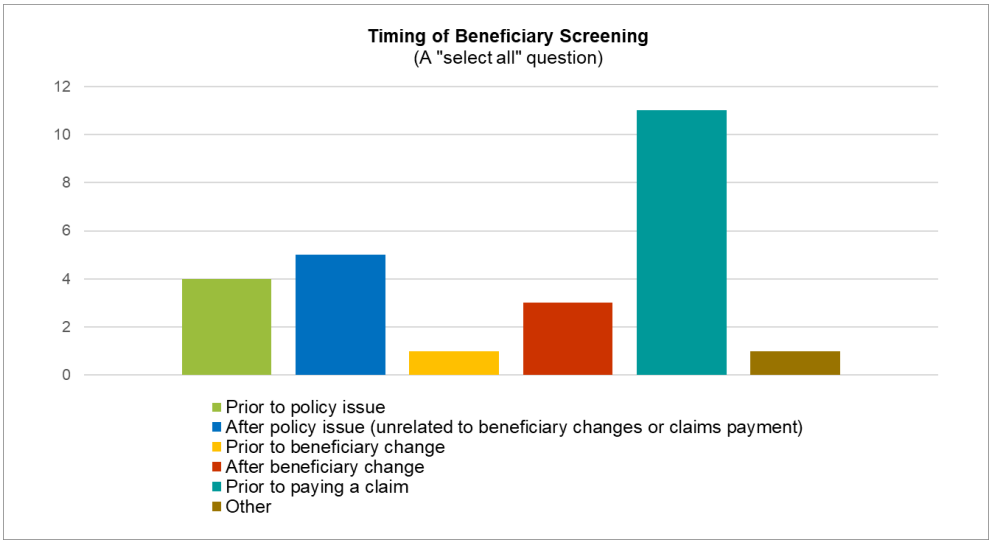


Screening Beneficiaries

When a claim is filed on a life insurance policy or an annuity contract, the proceeds may be paid to a named beneficiary. However, payments to beneficiaries can pose a potential AML risk to the life insurance company in absence of appropriate controls.

The Benchmarking Survey asked CEFLI Member companies whether they screen beneficiaries against the Office of Foreign Assets Control (OFAC) list at any time prior to the payment of a claim. The responses were nearly evenly split, with **56% of companies electing not to screen beneficiaries before paying a death claim and 44% of companies conducting some form of screening prior to claim payment.**

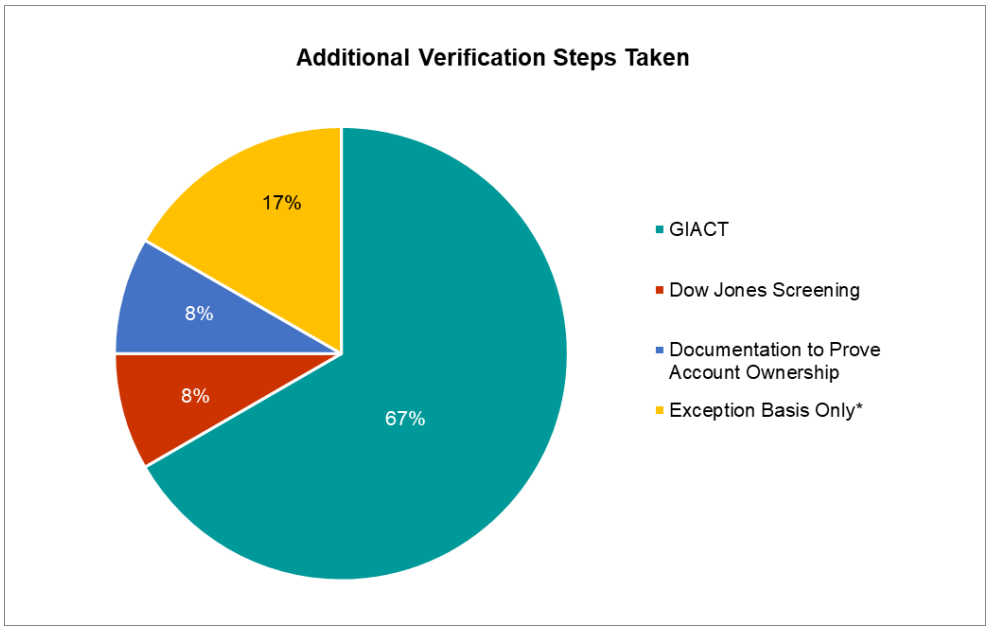
With respect to the specific timing of the screening, while all respondents indicated that screening is conducted *before* a death claim is paid, the screening may be taking place before the policy or contract is issued, shortly after policy or contract issuance, prior to or following the processing of a beneficiary change request or just prior to claim payment. Additionally, one Survey respondent indicated their company relies on a monthly review process to help manage their risk.



Managing International Wire Transfers

The Survey results revealed that 44% of companies allow international wire transfers and 67% of those companies rely on GIACT as a key component of their verification process.

Survey respondents also noted the use of Dow Jones screening, exception-based reviews (with enhanced bank account verification protocols) or requiring evidence of account ownership as elements of their enhanced verification controls, before processing an international wire transfer.



Utilization of Watch List Resources

With respect to screening applicants during the identity verification process, Survey respondents indicated their top screening lists included:

- OFAC SDN.
- OFAC Sanctions.
- OFAC Non-SDN Entities.

The table below itemizes the watch lists utilized by Survey respondents, in order of response frequency. This robust list underscores the volume of resources available to life insurance companies and the variation of company practices across the industry.

Name of List *In order of Survey response prominence.*
OFAC SDN
OFAC Sanctions
OFAC Non-SDN Entities
EU Consolidated List
UN Consolidated List
FATF (Financial Action Task Force)
UK - HM Treasury List
HM Treasury Sanctions
OSFI Consolidated List
OSFI Country
WorldCompliance - Politically Exposed Persons
Bureau of Industry and Security
Other*
Primary Money Laundering Concern - Jurisdictions
Primary Money Laundering Concern
Unauthorized Banks
OIG Exclusions
EPLS
WorldCompliance - Registrations

**Survey respondents who selected "Other" offered additional screening resources, many of which represent specific foreign country watch lists.*

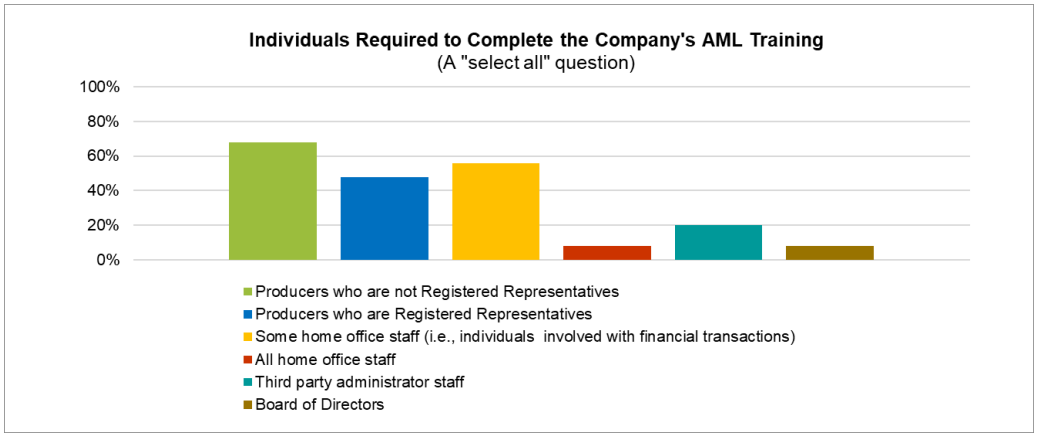
AML Training Approaches

Required Training

With respect to AML training requirements, Survey respondents were asked to indicate whether they require certain groups of individuals to complete the company's AML training. **While 68% of companies require their *unregistered* producers to complete the company's AML training, only 48% have the same requirement of their *registered* producers**. This may be attributed to the fact that registered producers may also be subject the AML training requirements of their broker-dealer and imposing additional training by the insurer would result in redundancy.

Additionally, 64% of respondents apply the same standard to their home office staff. Half of those companies require AML training of all home office staff, while the other half require AML training for only certain home office staff.

Interestingly, 20% of respondents indicated they also require their third-party administrators to complete the company's AML training and 8% of respondents indicated they require their Board of Directors to complete the company's AML training. It is also worth noting that some Survey respondents' AML training requirements differ for initial vs. ongoing AML training.

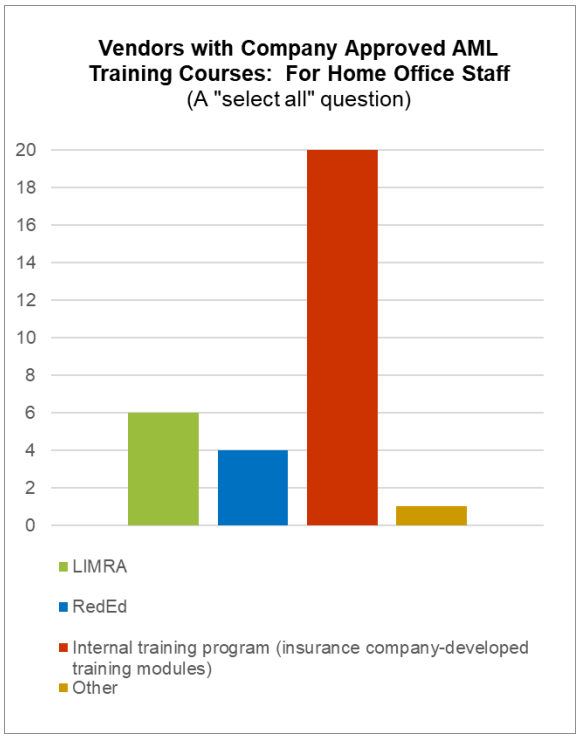


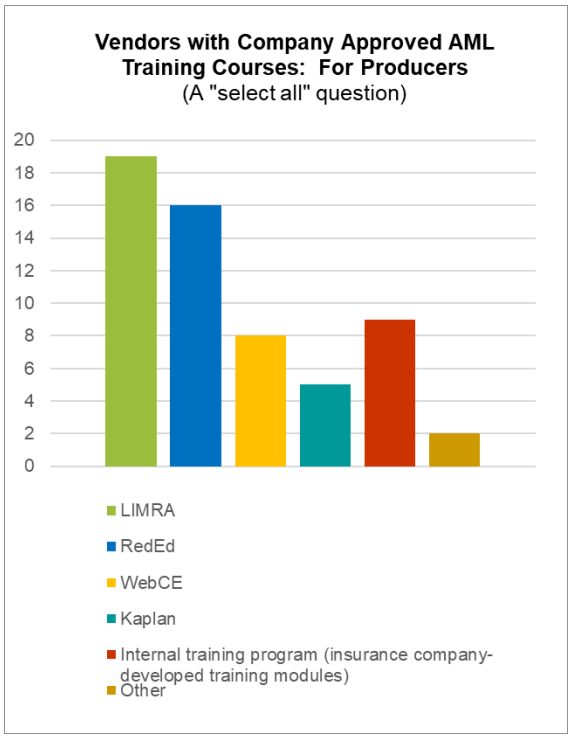
Third Party Developed Training

AML training programs may rely on the use of internally developed training modules, they may leverage AML training modules developed by third parties or they may offer both options. CEFLI's Benchmarking Survey asked Survey respondents to indicate the type of training the company makes available to its producers and home office staff.

Based on the Survey responses, internally developed training modules represent the most frequent form of training for home office staff. Third party developed training is the dominant resource for producers.

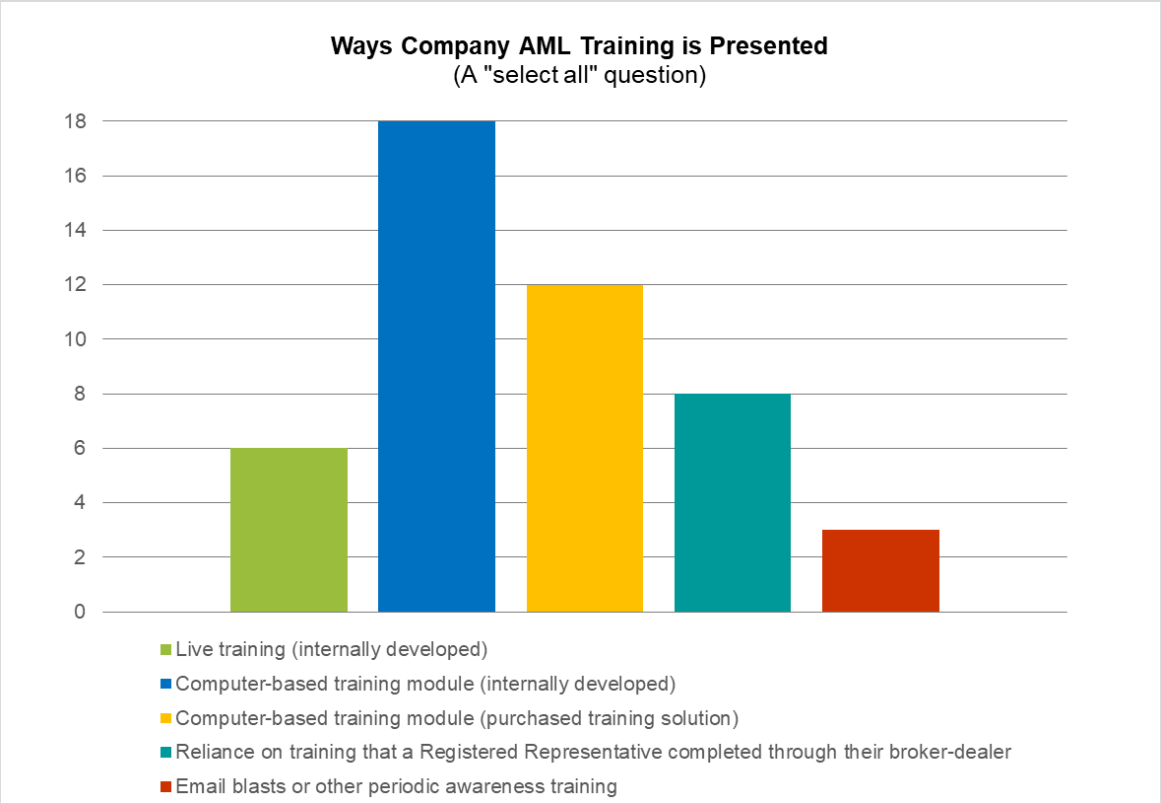
The top vendors utilized, in order of response prominence, are LIMRA, RegEd, WebCE and Kaplan.





AML Training Format

Not surprisingly, computer-based training (CBTs) modules are the most popular training format though some companies conduct live training or allow their producers to meet the company's AML training requirement via other means.



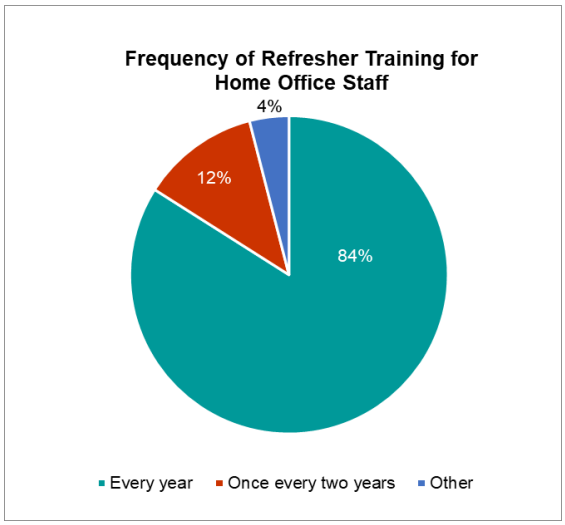
With respect to tracking training completions, most companies rely on internally developed (44%) or vendor-developed completion reports (68%). Other companies (40%) rely on producer-supplied AML training completion certifications to validate producers' completion of AML training via other means.

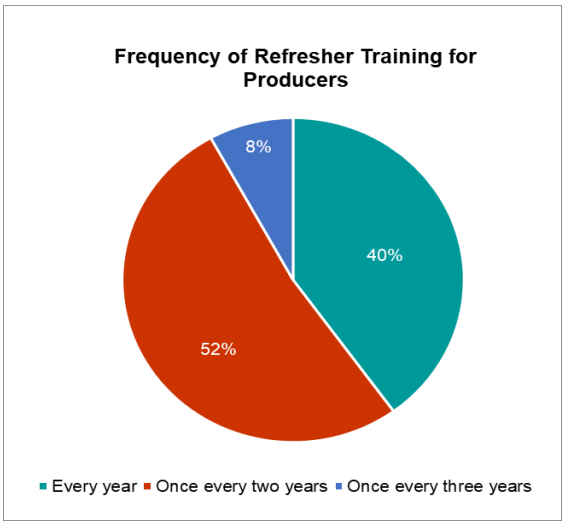
Ongoing AML Training Frequency

Two types of AML training may be required — initial training (for example, training required of new hires) and ongoing or periodic training. Survey recipients were asked to indicate the frequency of their required *ongoing* AML training.

While 84% of home office staff are required to complete AML training on an annual basis, only 40% of producers are subject to the same requirement. Alternatively, 52% of companies require producer training biennially and 8% of companies require producer training triennially.

With respect to companies' home office staff, some companies require more frequent training for front-line vs. non-front-line staff.





AML Reporting

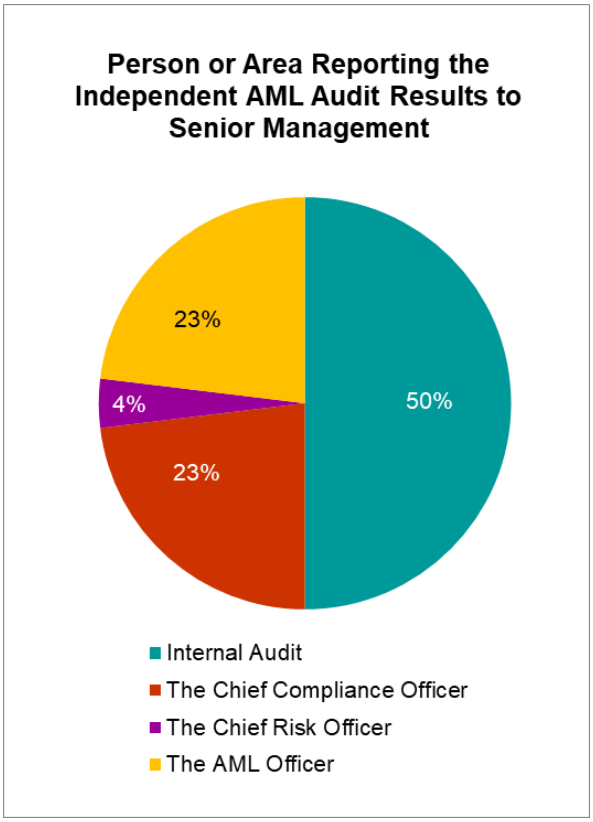
Frequency and Ownership

CEFLI's AML Benchmarking Survey asked Member Companies to indicate whether they report on the status of the company's AML program (e.g., number of SARs filed, emerging trends, etc.) to senior management or to the company's Board of Directors. Almost all respondents indicated their company's AML program outcomes are reported to the company's senior leaders and/or to the company's Board of Directors.

Regarding the frequency of company reporting, 50% of companies conduct reporting on a quarterly basis and 42% of companies conduct reporting on an annual basis.

The Survey also asked respondents to indicate the area of the company responsible for reporting the results of the independent AML audit to the company's senior leadership and the Board of Directors.

The data indicated that the Internal Audit Department is typically tasked with the reporting responsibility.



Regulatory Examinations

Source, Frequency and Scope

CEFLI's AML Benchmarking Survey asked Member Companies to share their experience regarding AML-related regulatory examinations over the past three years. The results are summarized in the chart below:

Regulatory Authority Conducting the Exam	Number Exams (During the prior 3-year period.)
Cayman Islands Monetary Authority (International)	1
Texas Department of Insurance (State)	1
Nebraska Department of Insurance (State)	1
Federal Reserve Bank of Chicago (Federal)	1
Iowa Insurance Division (State)	2
New York Department of Financial Services (State)	2
FINRA (Federal)	3
SEC (Federal)	3

The following conclusions are noted:

- Few companies experienced an increase in AML-related regulatory examination activity during the last three years. However, those that did were more likely to experience multiple examinations during the three-year period.
- The companies that experienced an increase in AML examination activity attributed the development to increased AML risk and increased regulatory expectations of life insurance companies.

- Nearly 90% of respondents indicated they had not experienced an increase in examination activity over the last three years.

Survey respondents indicated regulators reviewed the following areas during examinations:

1. Policies and procedures.
2. AML program components.
3. The results of past independent testing efforts.
4. The company's implementation and tracking of required AML training.
5. Independent testing plans.
6. AML risk assessments.

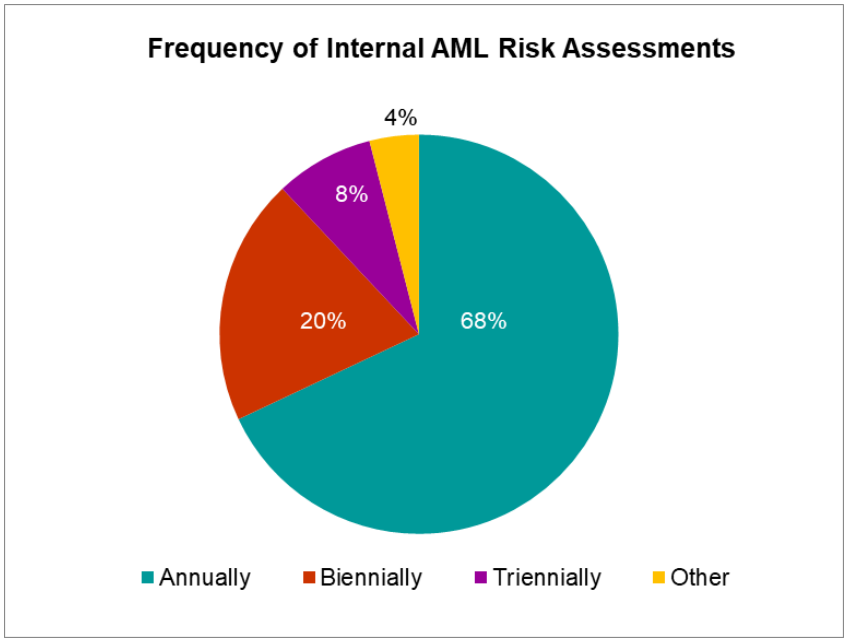
Based on the Survey data, regulators appear to rely on an established and consistent set of review topics during their examinations of life insurance companies' AML practices.

Risk Assessment Process

Assessment Frequency and Scope

Conducting periodic assessments of a company's AML program is an important control that supports the effective management of organizational risk.

While 68% of companies conduct annual assessments of their AML program, 20% of companies elect to conduct their assessments on a biennial basis and 8% of companies conduct their assessments on a triennial basis.



Additionally, 84% of companies indicated the scope of their assessment plan is substantially similar from one assessment period to another.

Internal assessment programs cover many facets of a life insurance company's AML program. The chart below lists the assessment review areas disclosed by Survey respondents.

Elements of Review – Company Internal Assessment Programs
Leadership changes.
Material organizational changes (in business units or functional areas).
Product changes.
Distribution changes and changes in the mix of sales or geographical sales trends.
Client demographic changes.
Training protocols and controls.
Red flags monitoring and investigation processes.
Identity verification processes.
Written policies and procedures of the AML program.
New rules or regulations.
Significant changes since the prior assessment.
Operational and Compliance controls.
Governance processes.
Know-Your-Customer testing.
Independent testing.

Assessment Reporting

A total of 84% of companies indicated they prepare a written report summarizing their assessment findings. In 90% of companies, the format and the elements of the written report are established by the company, rather than based on specific industry standards or regulatory guidance. However, 10% of companies indicated their assessment reports align with guidance based on either the Financial Action Task Force (FATF) *Terrorist Financing Risk Assessment Guidance* or the Federal Financial Institutions Examination Council *(FFIEC) BSA/AML Examination Manual*, respectively.

While assessment findings are summarized and shared in written form 68% of the time, 32% of companies favor verbal reporting. In either case, assessment findings are reported to a diverse group of internal stakeholders. Specifically, the findings are shared with the company's CCO 62% of the time, with the Enterprise AML Officer 24% of the time (if the AML Officer was not involved in conducting the assessment) and with the company's Senior Leadership 24% of the time.

Summary

In summary, a life insurance company's handling of AML-related activities is a complex process involving many facets. It requires a company's AML Officer to collaborate with the Legal, Compliance and Internal Audit Departments to carry out a comprehensive and effective program focused on mitigating the organization's AML risk.

CEFLI is pleased to share the findings if its 2021 AML Benchmarking Survey with its Members.

CEFLI expresses our sincere thanks to the Member Companies that completed CEFLI's 2021 AML Benchmarking Survey. The respondents' willingness to share insights regarding their companies' AML practices resulted in value-added benchmarking data.

CEFLI also acknowledges and appreciates the contributions and guidance provided by several CEFLI Member Company volunteers who helped refine and update this year's Survey questions and response options.

THE FORUM THAT CONNECTS.

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Questions or comments regarding this report may be directed to:

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