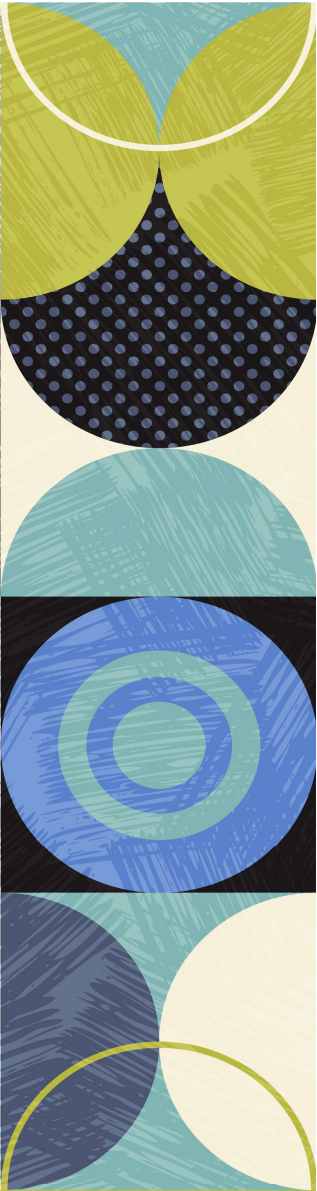




# CEFLI 2024 AML Benchmarking Survey Key Findings

Compliance & Ethics Forum for Life Insurers



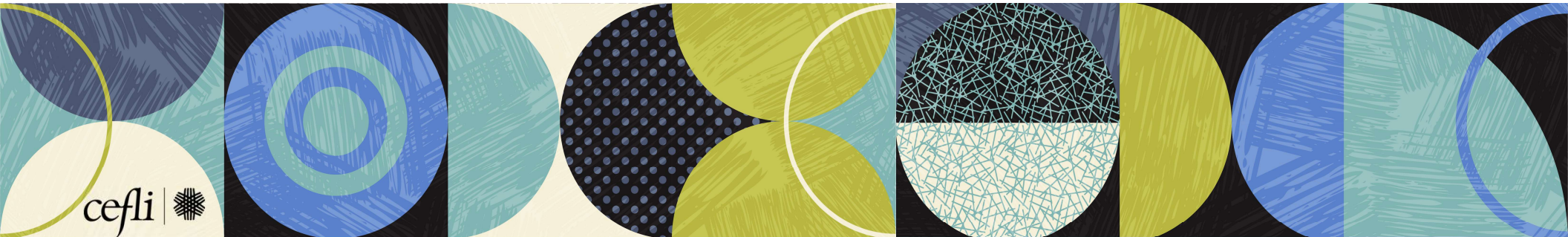


# Benchmarking Topics

Subject Matter	Slide Reference
Demographics, Distribution & Structure	3-10
Monitoring & Vendors	11-15
Cash Equivalents	16-20
Electronic Funds Transfers (EFTs)	21-22
Suspicious Activity Reporting (SAR)	23-35
Cybersecurity Events	36-38
Foreign National Business	39-42
OFAC Screening	43-44
International Wire Transfers	45-46
Watch Lists	47-48
Training	49-53
Periodic AML Reporting	54-55
Regulatory Examination Activity	56-58
Risk Assessments	59-64
Additional Resources	65-66

# Demographics, Distribution & Structure

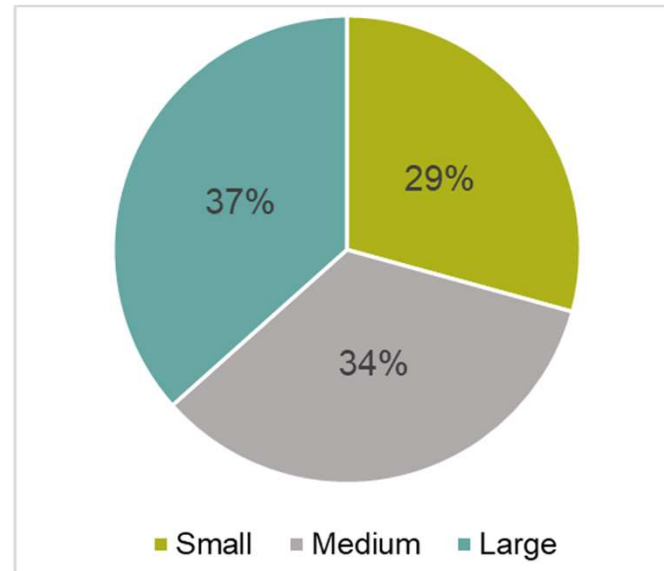




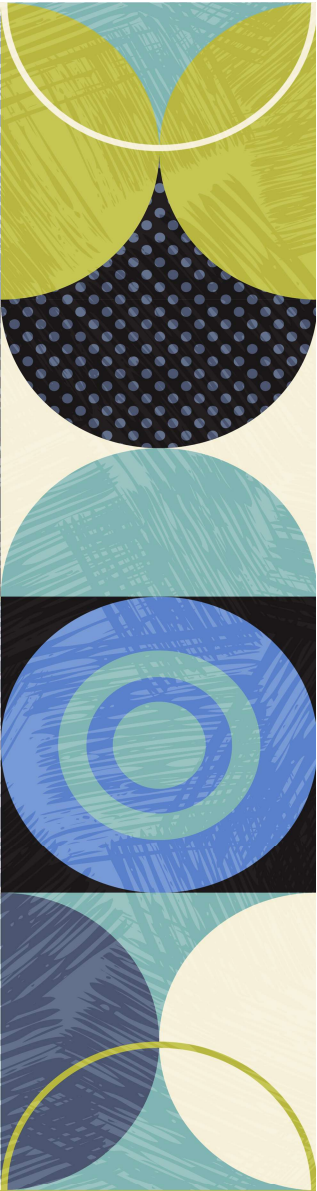
# About the Survey

## Company Size Defined:

- Small Company:  
Up to 500 employees.
- Medium Company:  
501-10,000 employees.
- Large Company:  
10,000+ employees.

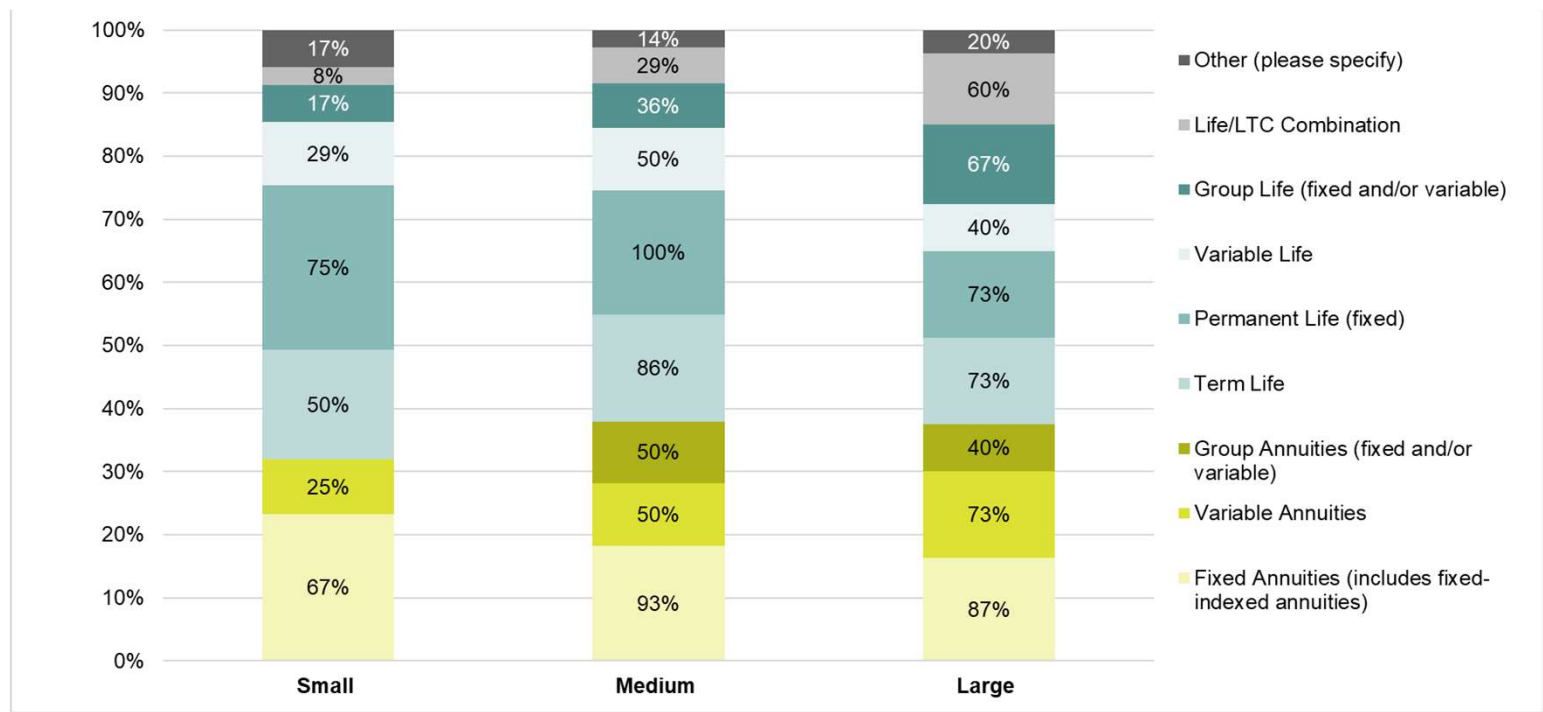


- Survey sent to one individual per company/fleet.
- 41 responses; a 48% response rate.
- Not all respondents answered all survey questions.
- Generally, an even mix of responses by company size.



# Products Sold or Serviced

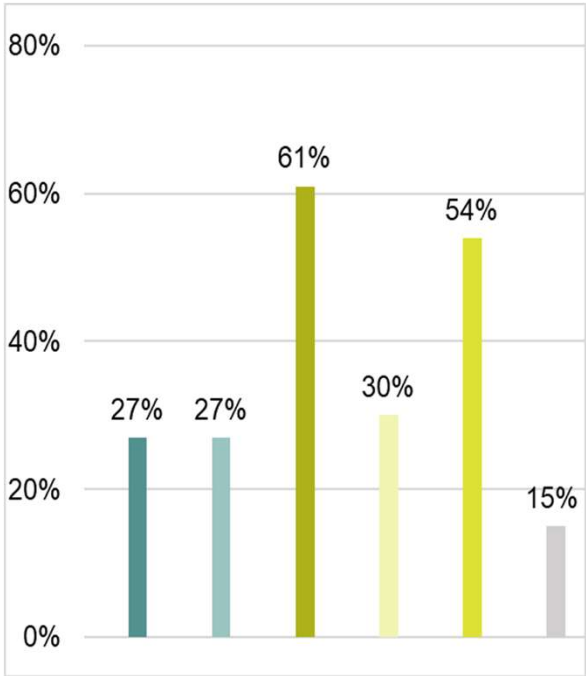
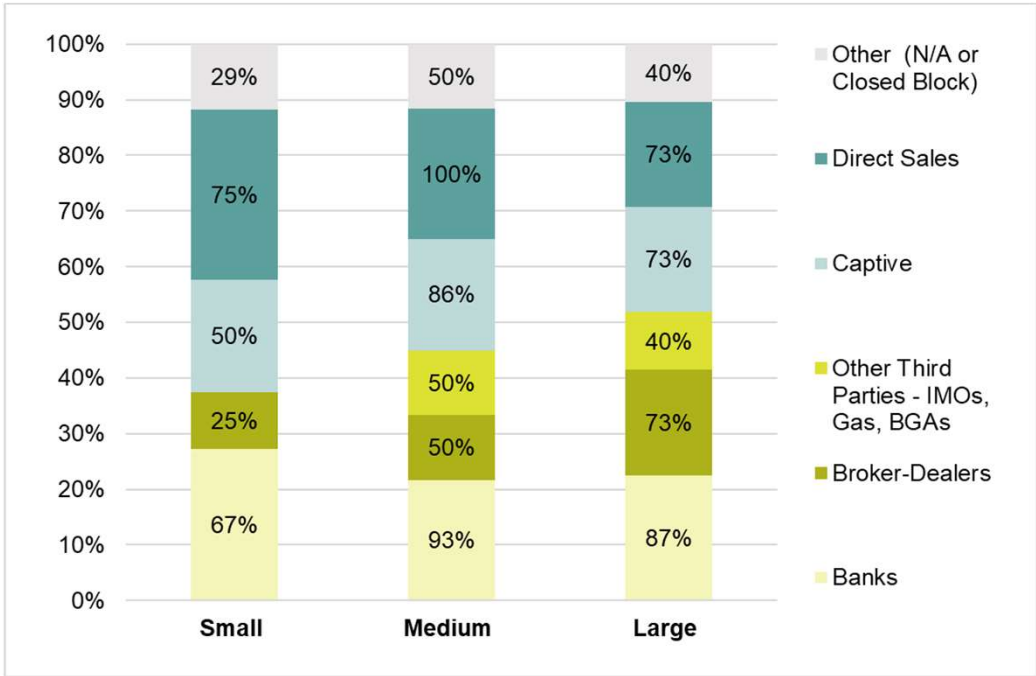
## Percentage of Respondents Selling or Servicing Certain Types of Products, by Company Size



**Note:** Data in each column of the graph will not add up to 100%. The percentages noted reflect the percentage of small/medium/large company respondents who sell (or service) the products noted in the legend.

# Distribution Channels

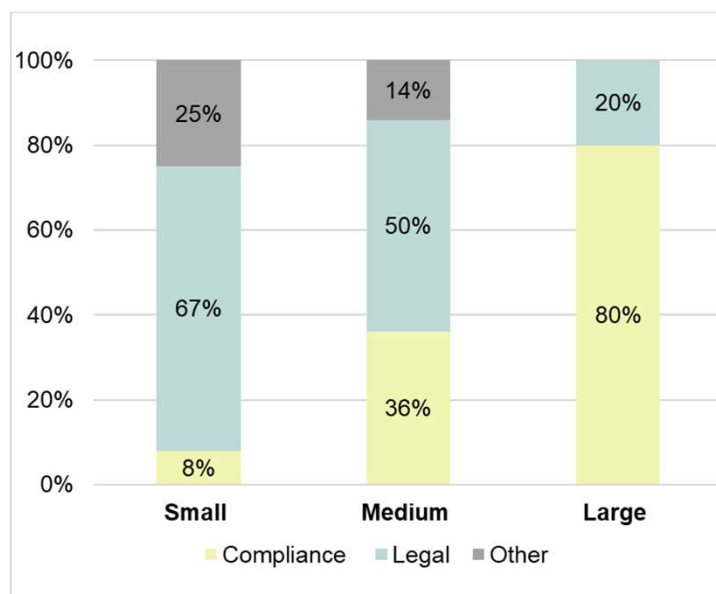
## Percentage of Respondents Utilizing Certain Types of Distribution Channels, by Company Size



**Note:** Data in each column of the graph will not add up to 100%. The percentages noted reflect the percentage of small/medium/large company respondents that utilize the distribution channel noted in the legend.

# AML Officer Reporting and Function Placement

## AML Officer Upline Reporting



**Other:** Combined Law & Compliance, Legal/Compliance, housed in Operations but reports to Compliance where SARs are filed.

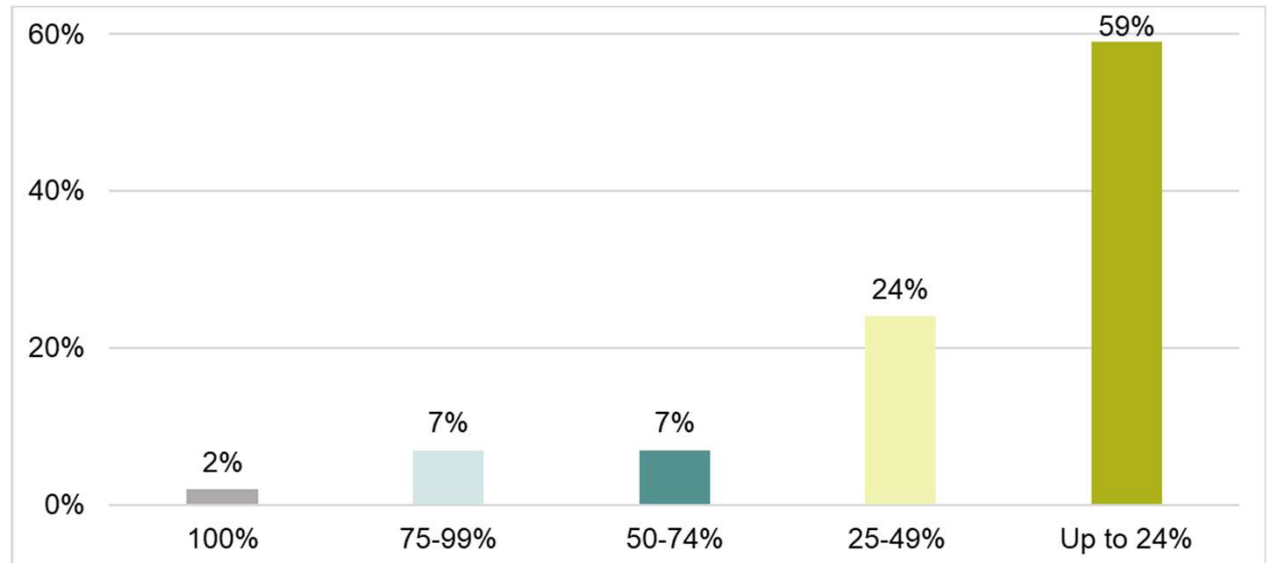
**AML Officers** typically report to Legal in Small and Medium companies and to Compliance in Large companies.

The **AML program** is most often housed within Compliance.

- 100% = Large
- 79% = Medium
- 67% = Small

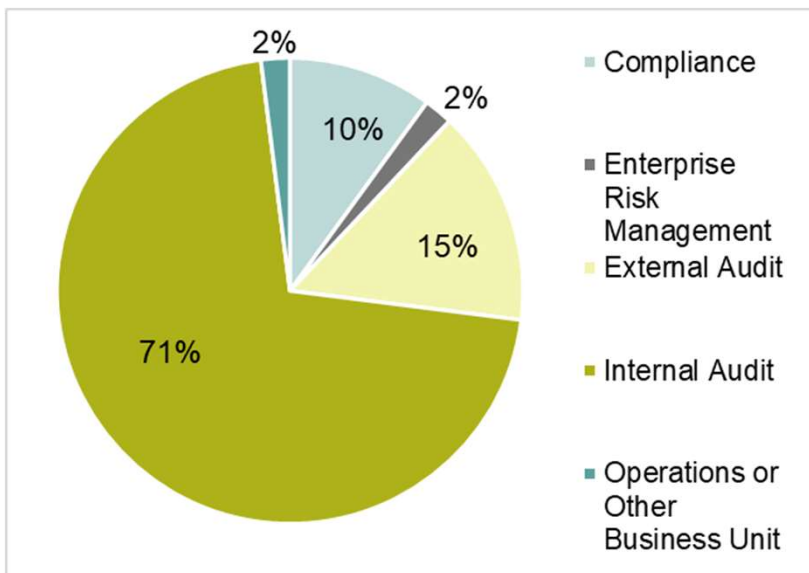
# Percentage of the AML Officer's Time Spent on AML Activities

Survey results reflect the fact that many AML Officers wear multiple hats

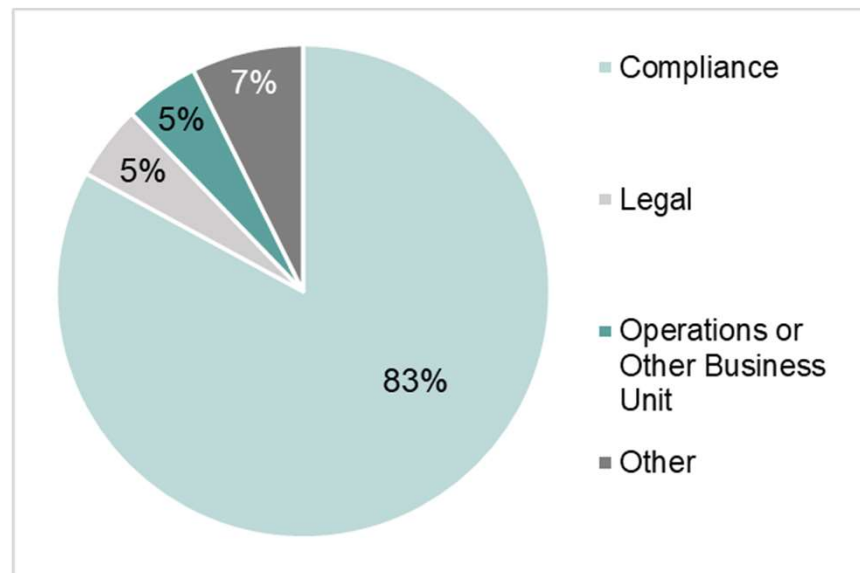


# Functional Responsibilities

## Independent Testing and Monitoring

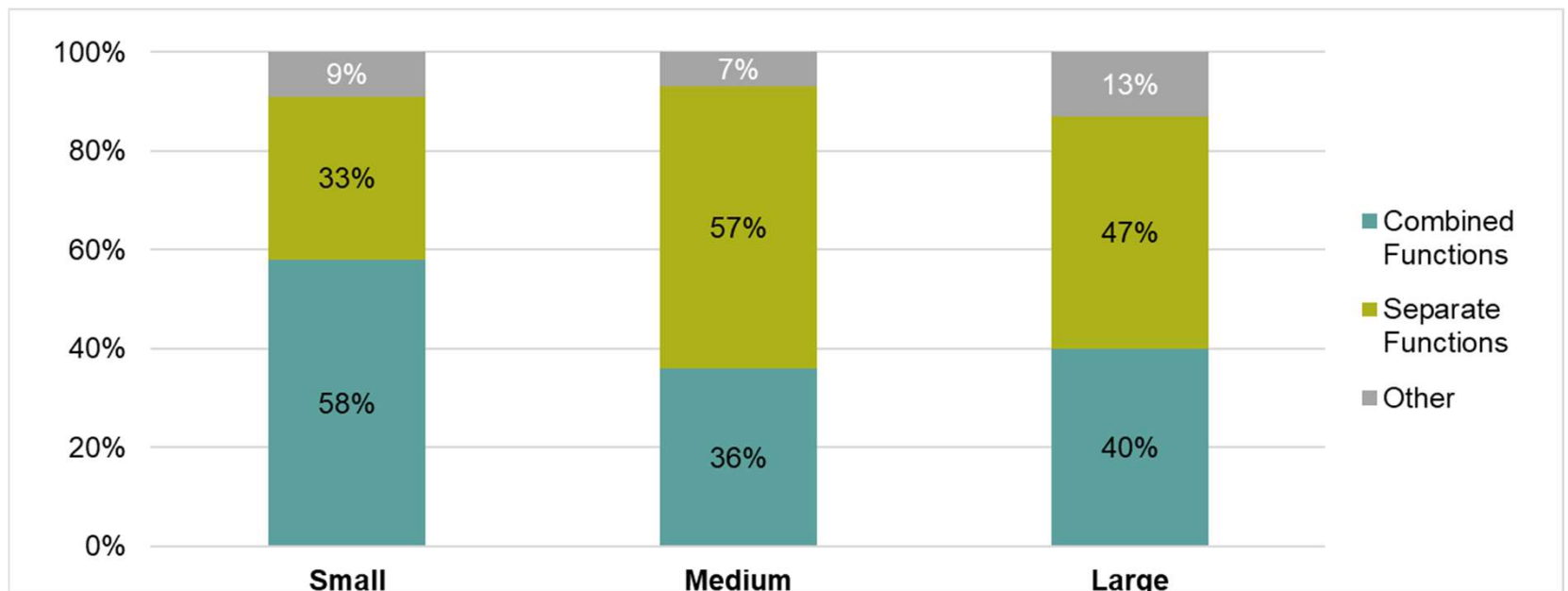


## Day-to-Day Program Supervision



**Other:** AML Compliance Officer and Business Areas, Combined Law & Compliance.

# Combined or Separate: AML & SIU



**Other:** Blended, combined, separate functions with both reporting to the AML Compliance Officer.



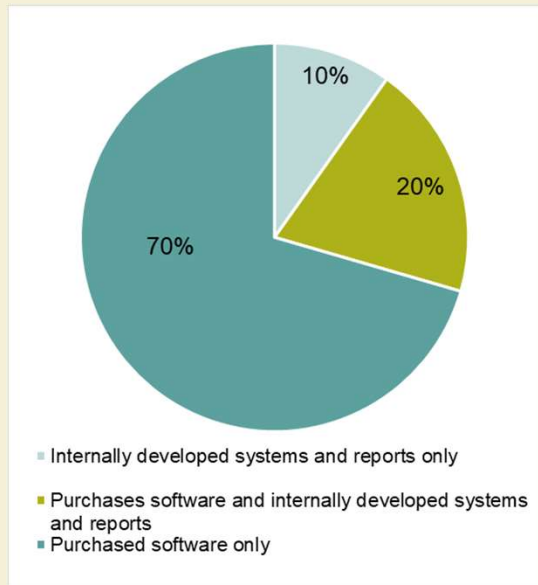
# Monitoring & Vendors

Compliance & Ethics Forum for Life Insurers

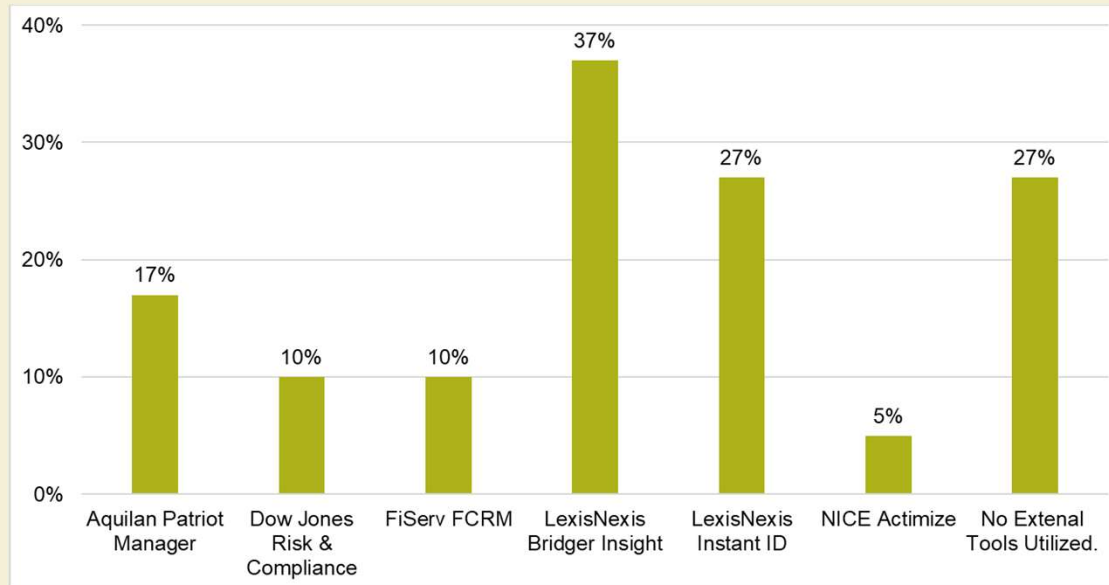


# AML Monitoring Tools Used

## Internal vs. External



## Software/Vendor Utilization



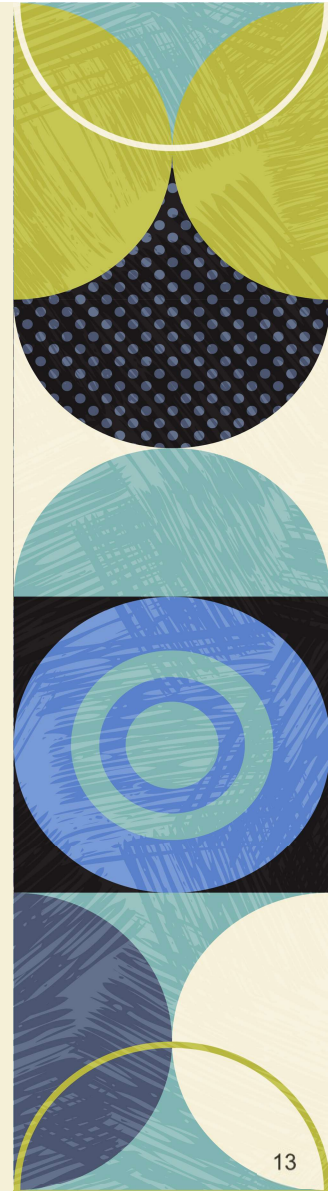
# Resources for Monitoring Trends

Vendor/Software Package	Small	Medium	Large
ABA Updates		X	
ACAMS	X	X	X
ACLI	X	X	X
ACFCS		X	
ACFE		X	
AML Groups		X	
AML List Serv	X		
AML Roundtable			X
CEFLI	X	X	X
CLEAR Reports	X		
CODE (RegEd)	X		X
Committee Members			X
Dow Jones/Factiva	X		X
DOI Bulletins		X	
DOJ			X
FBR		X	
FinCEN	X	X	X
FINRA		X	X
Industry Groups/Meetings	X	X	X
LIMRA/LOMA		X	X
Newsletters	X		
NAIC		X	
OFAC	X	X	X
Outside Counsel			X
SEC		X	X
Thompson Reuters	X		
Trade Groups		X	X
Wolters Kluwer	X	X	

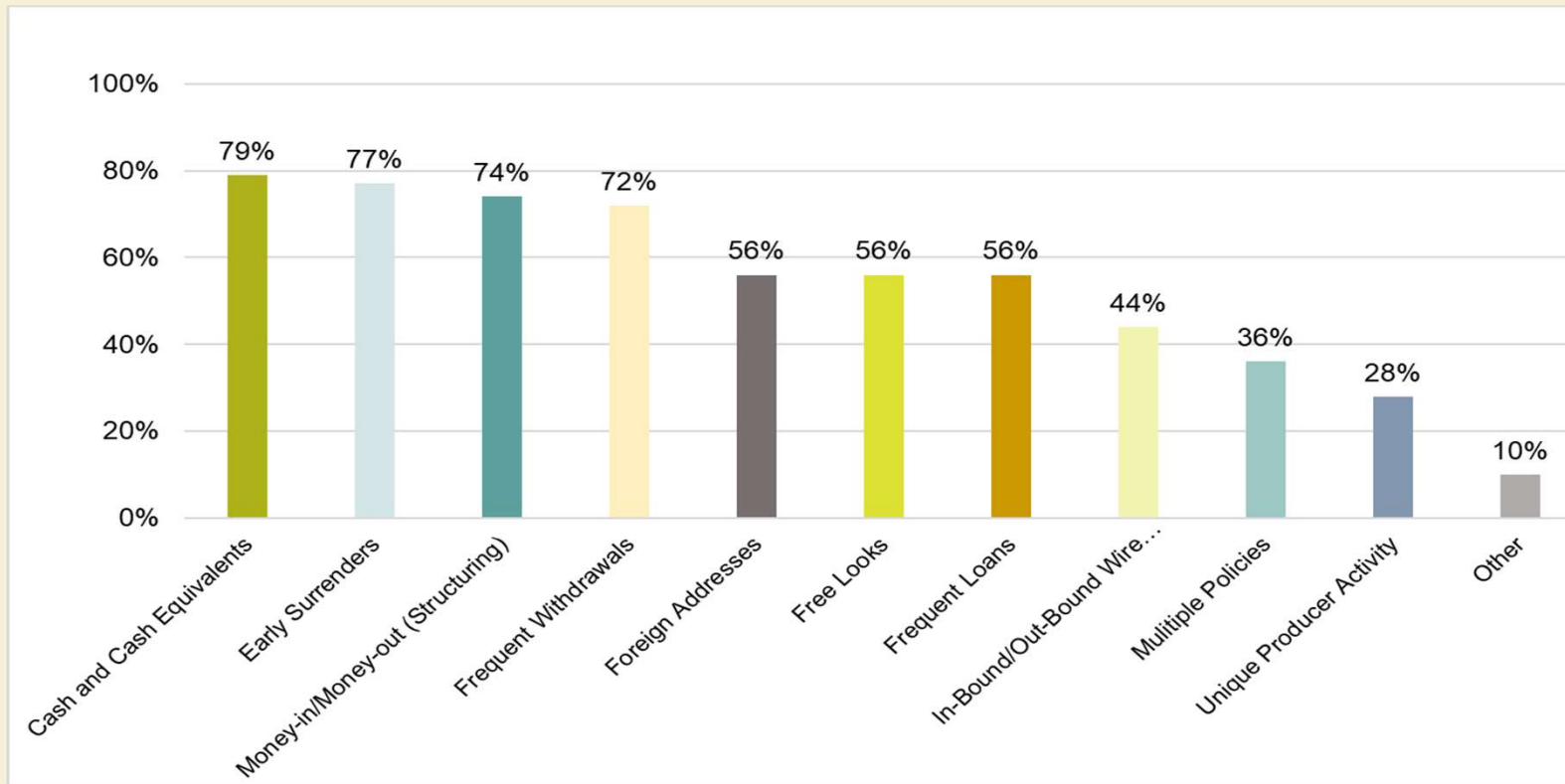
Less frequently selected.

Moderately selected.

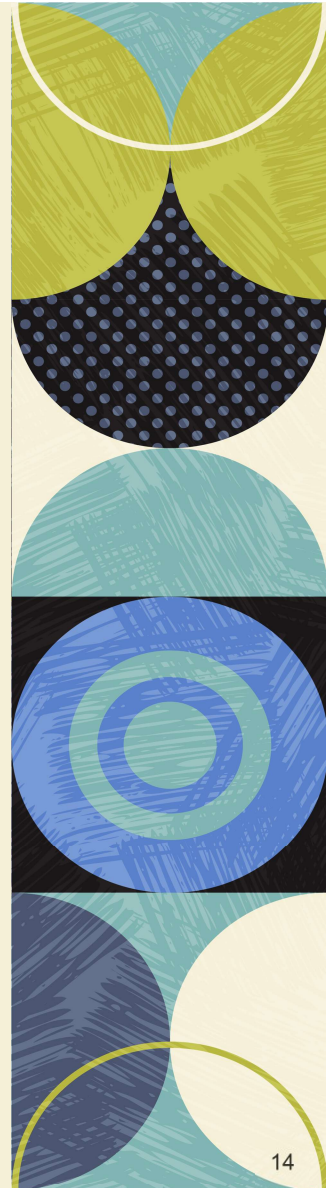
Frequently selected.



# Types of AML Monitoring Reports

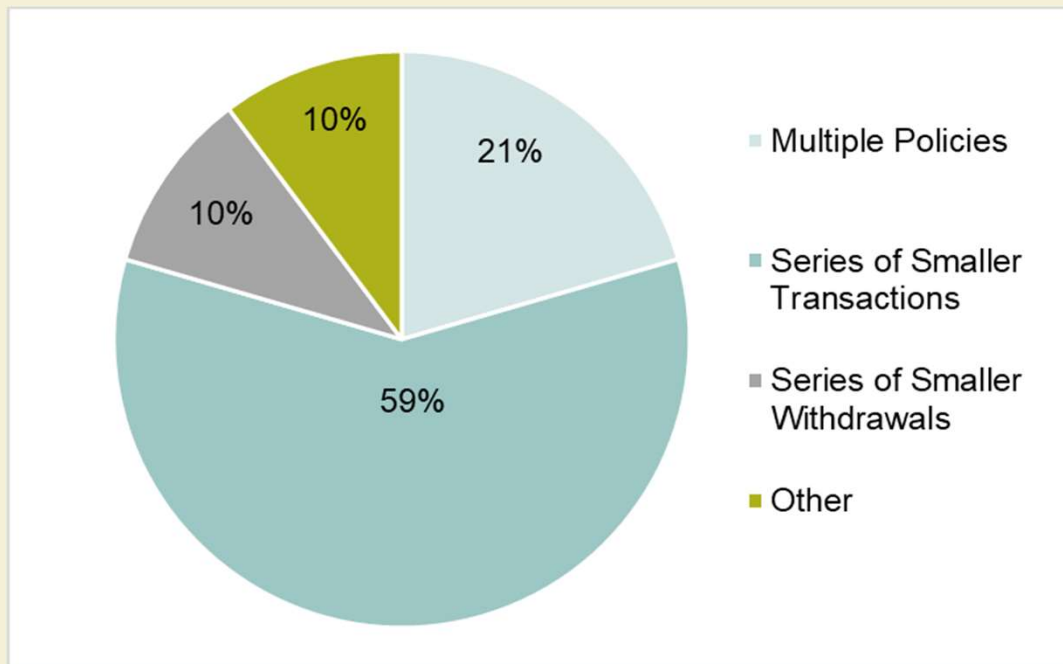


**Other:** Frequent changes in address, ownership change followed by money-in/money-out, surrenders over \$5,000, loans over \$5,000, refund of premium, contracts not taken, producer-owned policies.

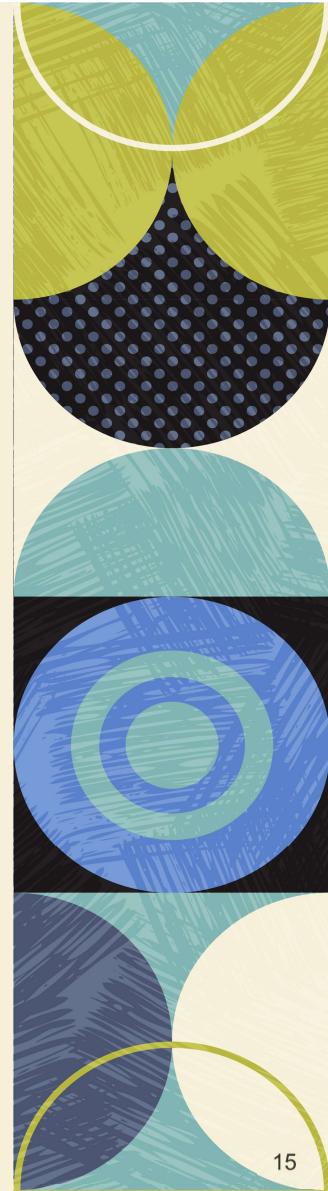


# Ways to Identify Structuring

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



**Other:** Phone calls inquiring about thresholds, submitting cash equivalents from different institutions or the same institution but different bank locations, all payments being under the reporting threshold.

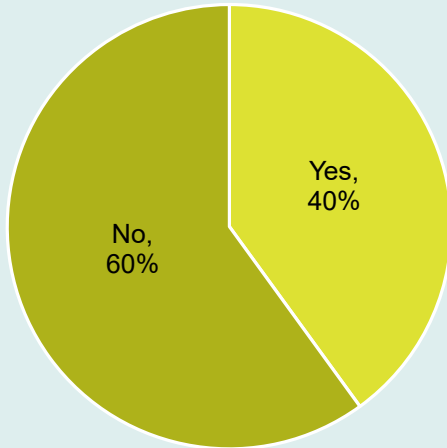




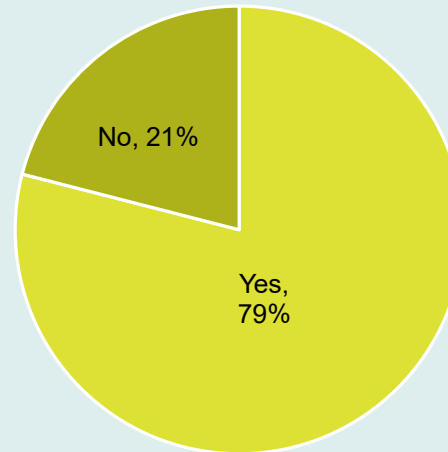
# Cash Equivalents

# Do You Allow Cash or Cash Equivalents?

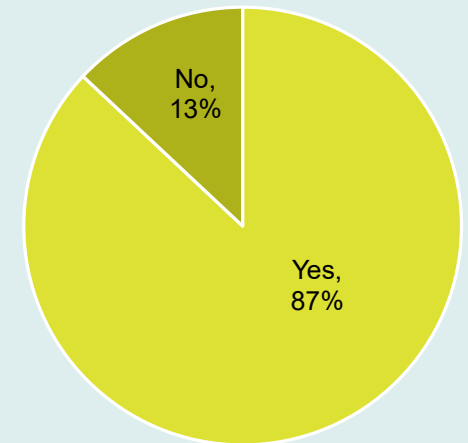
**Small Companies**



**Medium Companies**

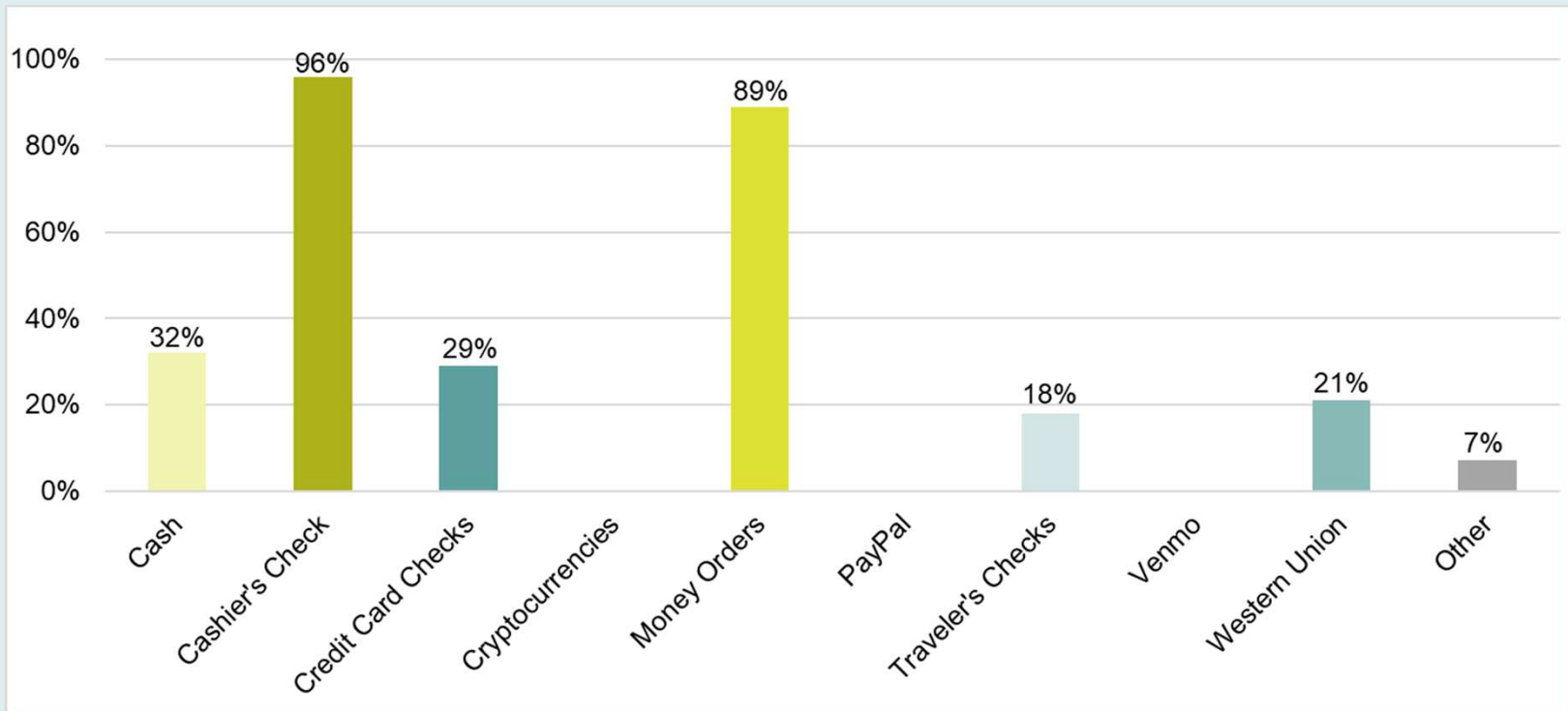


**Large Companies**



Overall, 72% of companies allow cash or cash equivalents.

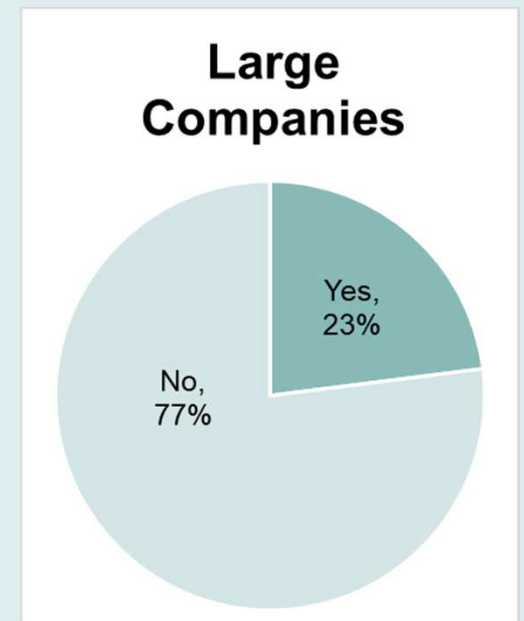
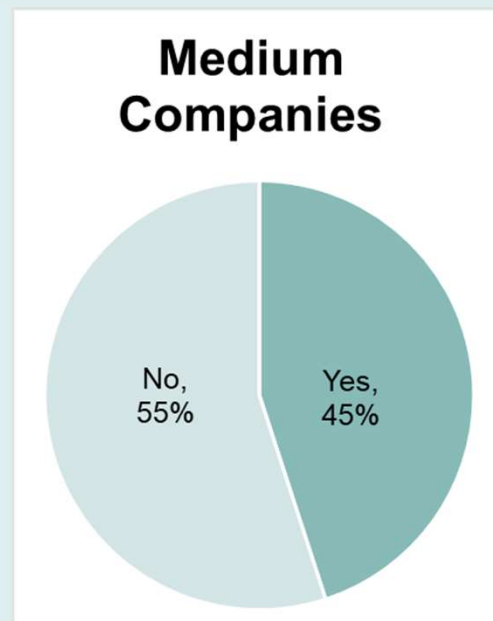
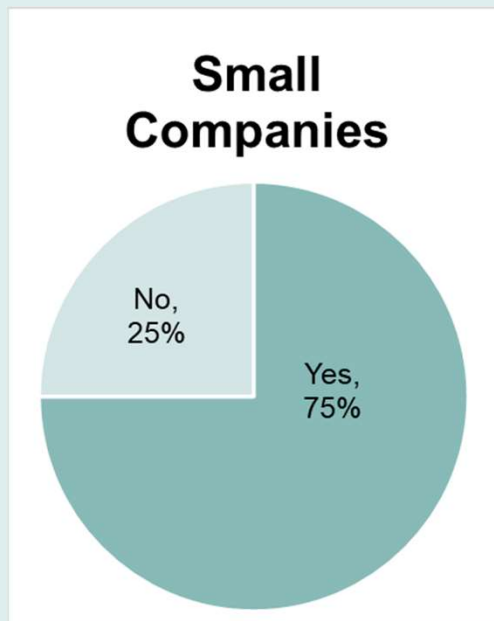
# What Type of Cash or Cash Equivalents Do You Allow?



**Other:** No money orders are allowed in the first year, cashier's checks must be drawn on the owner's/payor's bank, the use of cash equivalents is discouraged, cash value from cash value products, money orders are not accepted.

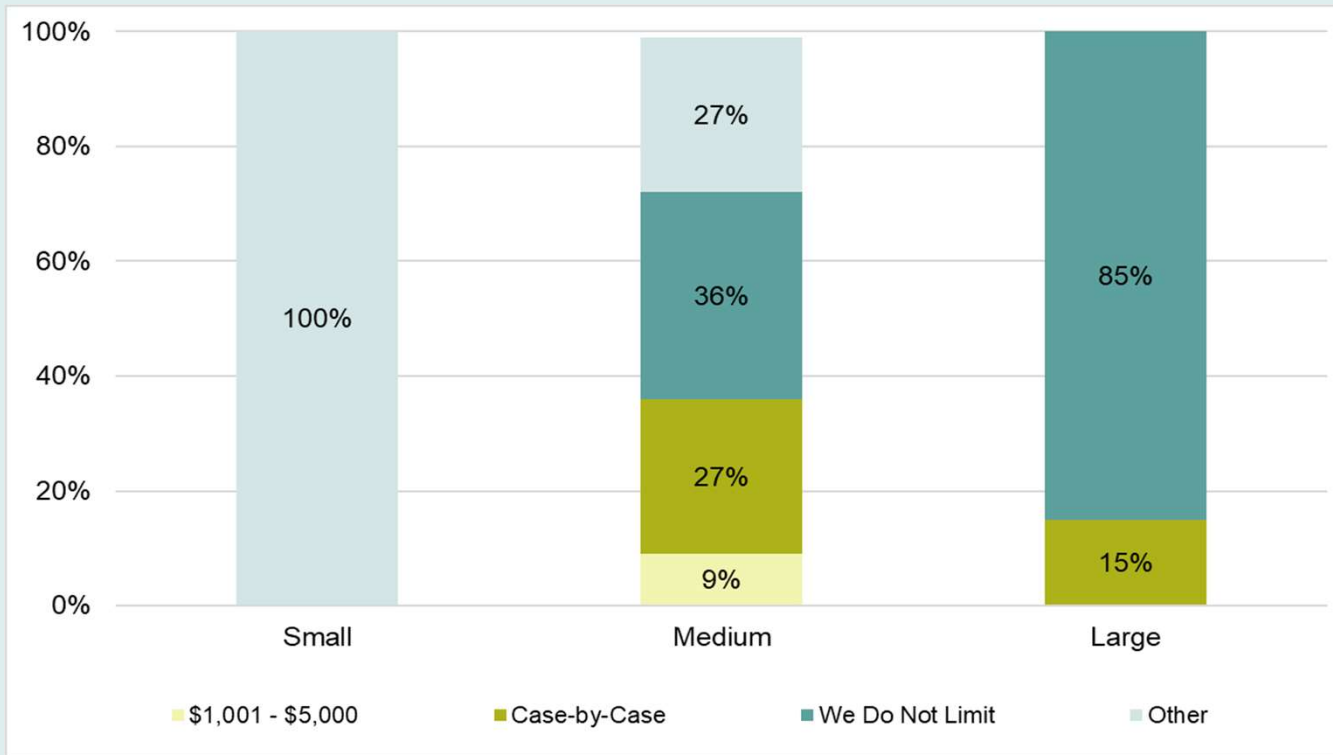
# Limits for Cash Equivalents

Do you limit the amount of cash equivalents you allow from a policy or contract owner?



Without factoring for company size, 61% of companies do not have limits.

# Limits for Cash Equivalents



**Other:**

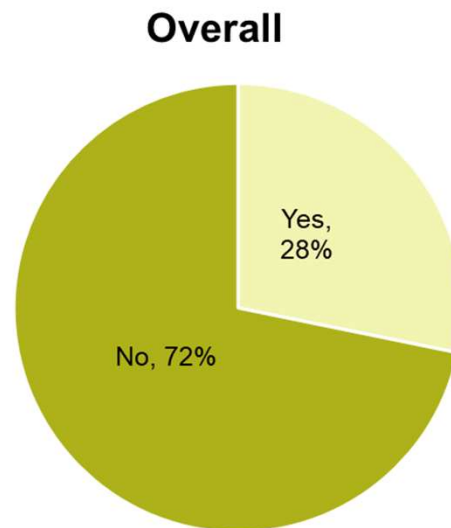
Small: \$0-\$1,000 for money orders, above \$10,000 for cashier's checks, single cashier's checks, bank drafts, bank checks, Treasurers checks over \$10,000 and under only when the source of funds is provided or, if after reasonable due diligence, the AML Officer or their designee has approved the transaction.

Medium: Cash is generally not accepted but cash equivalents are not limited, money orders are not accepted in the first year and use is generally discouraged, cash is limited to \$500 but cash equivalents are not limited..

# Electronic Funds Transfers (EFTs)



# Are EFTs Allowed Without a Voided Check or Other Validation of Bank Account Ownership?



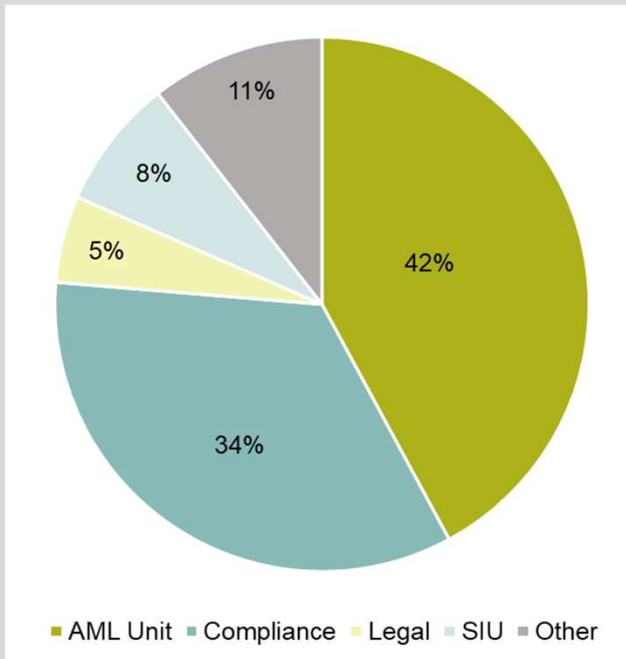
- Small Companies: 40% allow it.
- Medium Companies: 14% allow it.
- Large Companies: 33% allow it.



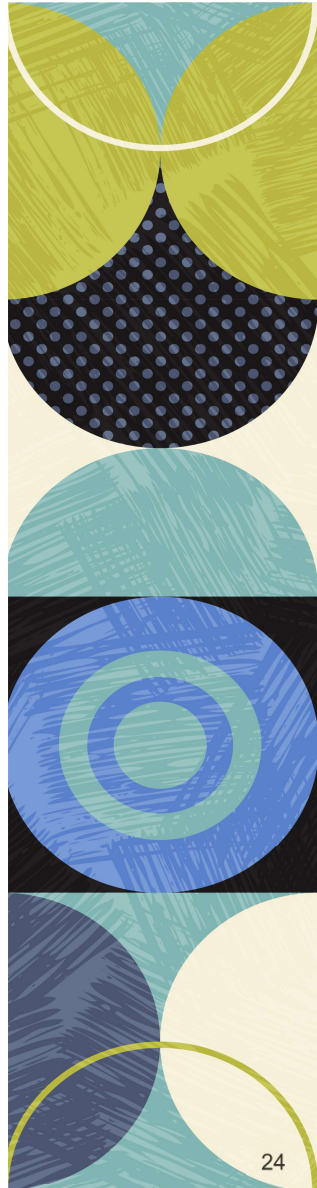
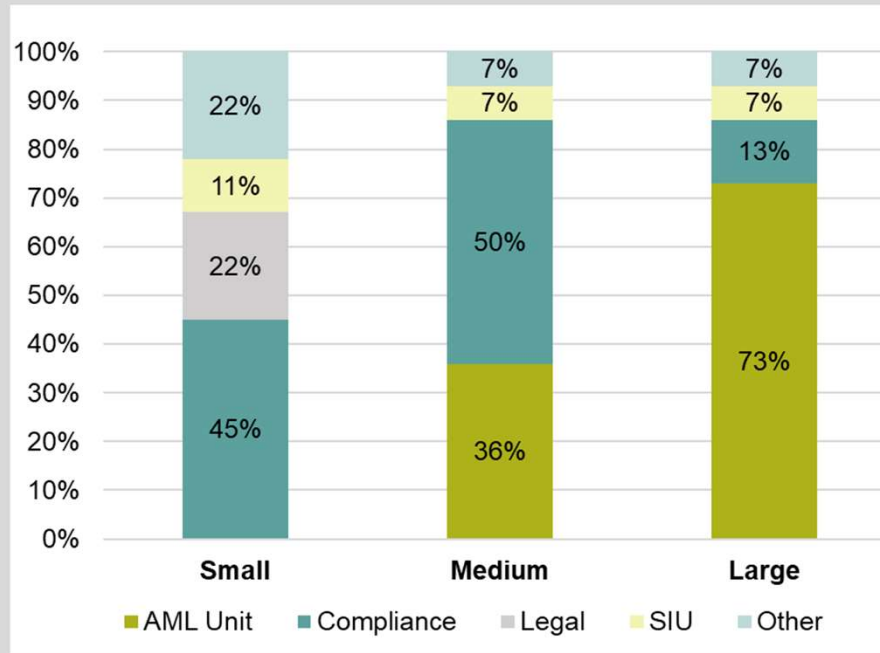
# Suspicious Activity Reporting (SAR)

# Ownership of SAR Investigations

All Companies in Aggregate

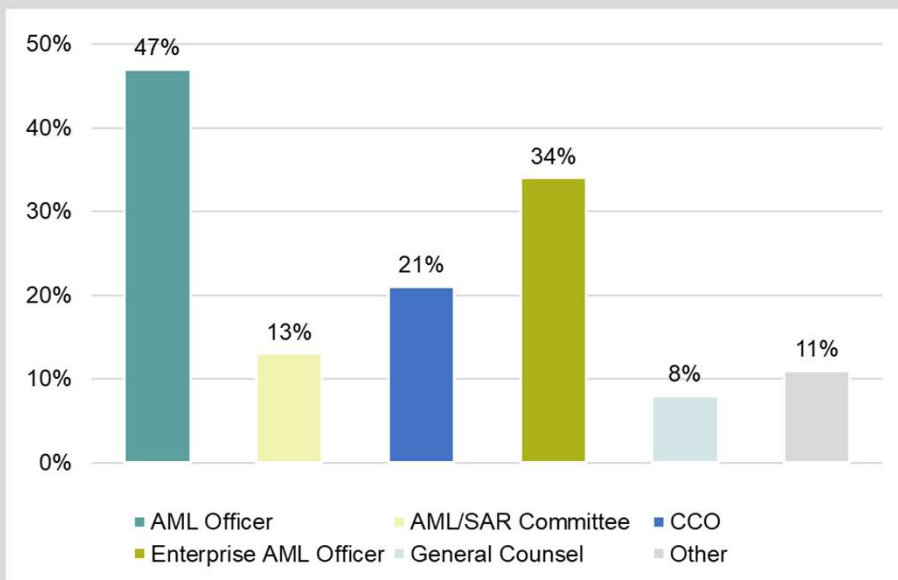


By Company Size



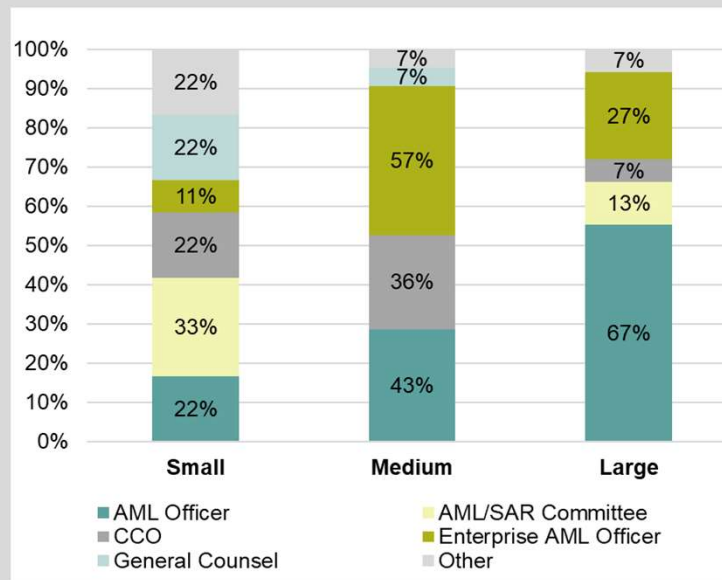
# Authority to File a SAR

## All Companies in Aggregate

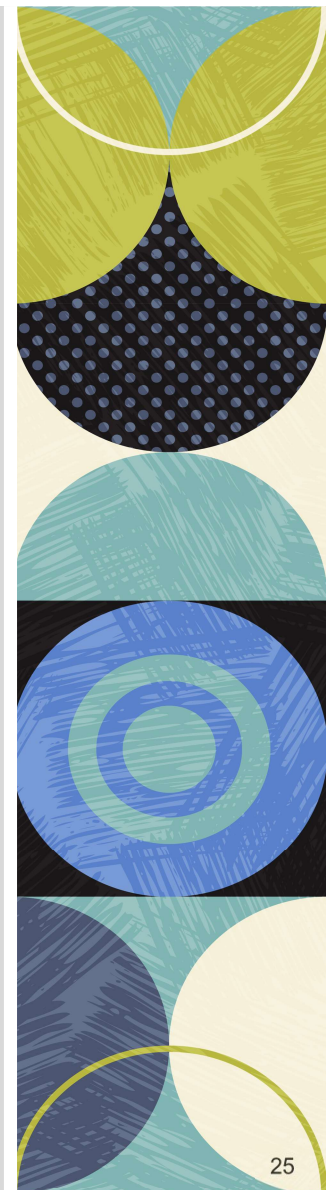


**Other:** Assigned attorney, CCO and AML Coordinator, AML team (not a formal committee).

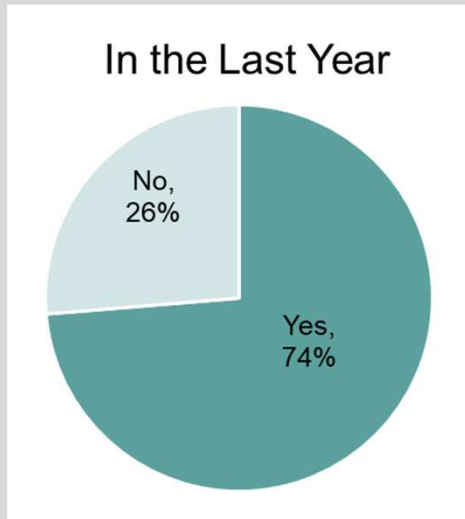
## By Company Size



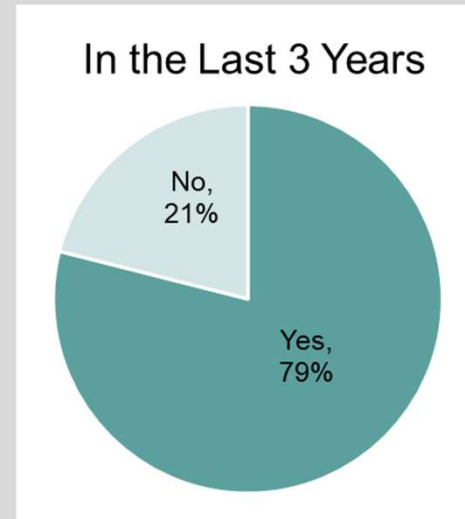
**Note:** Data in each column of the graph will not add up to 100%. The percentages noted reflect the percentage of small/medium/large company respondents that indicated the corresponding individual is authorized to file a SAR.



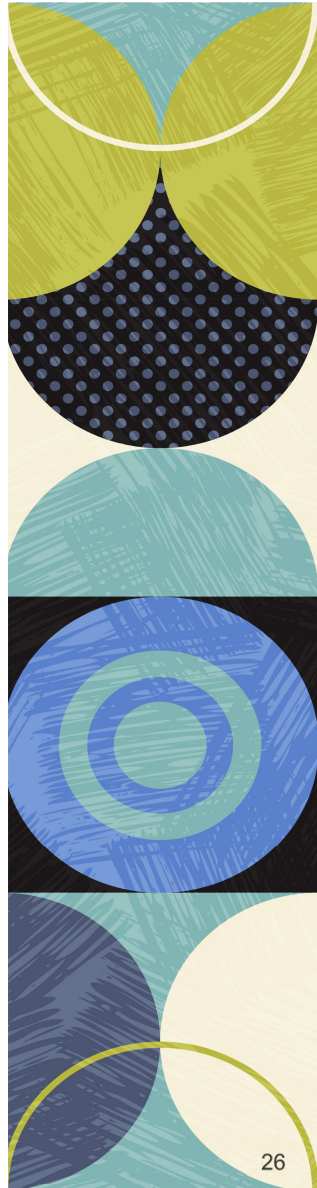
# SAR Filing in the Last Year & in the Last Three Years



- Small Companies: 33% have filed.
- Medium Companies: 79% have filed.
- Large Companies: 93% have filed.

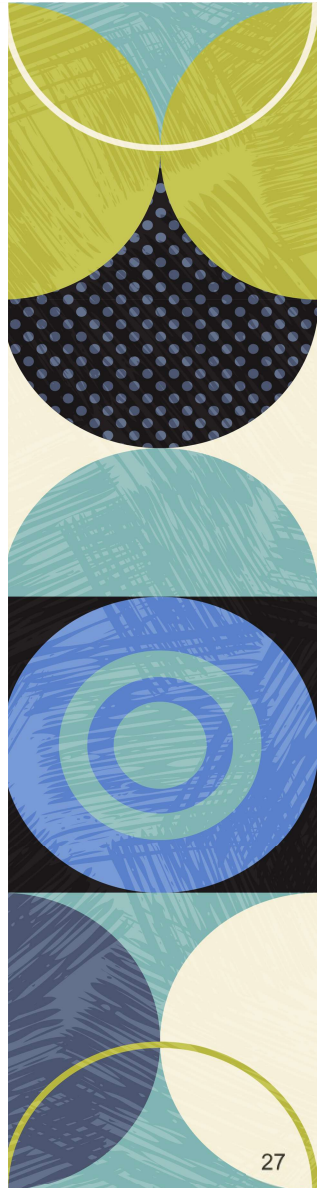


- Small Companies: 44% have filed.
- Medium Companies: 86% have filed.
- Large Companies: 93% have filed.



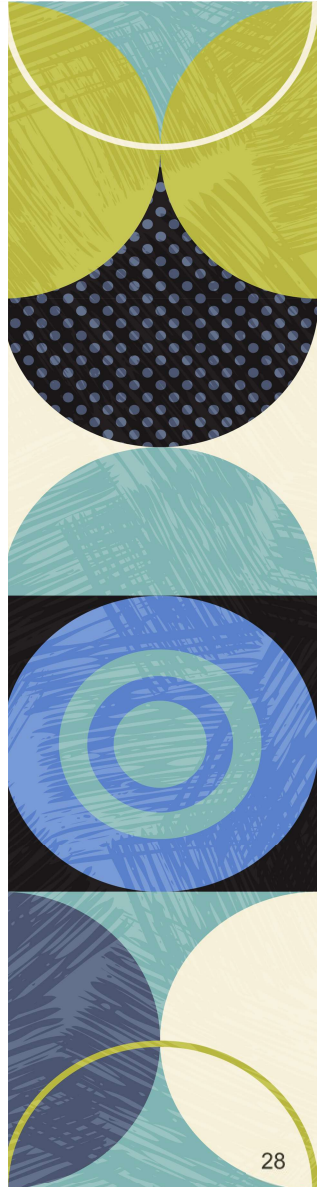
# Top Activities Requiring a SAR Filing (in the Last Year)

1. Account Takeover (71%)
2. Elder Financial Exploitation (64%)
3. Identity Theft (43%)
4. Suspicion Concerning the Source of Funds (39%)
5. Forgeries (36%)
  - Fraud - Other (36%)
  - Excessive Borrowing on the Policy or Contract (36%)
6. Check (32%)
  - Other Suspicious Activities (32%)
  - Lack of Concern for Performance or Fees (32%)
  - Email Compromise (32%)



# Top Activities Requiring a SAR Filing (in the Last Three Years)

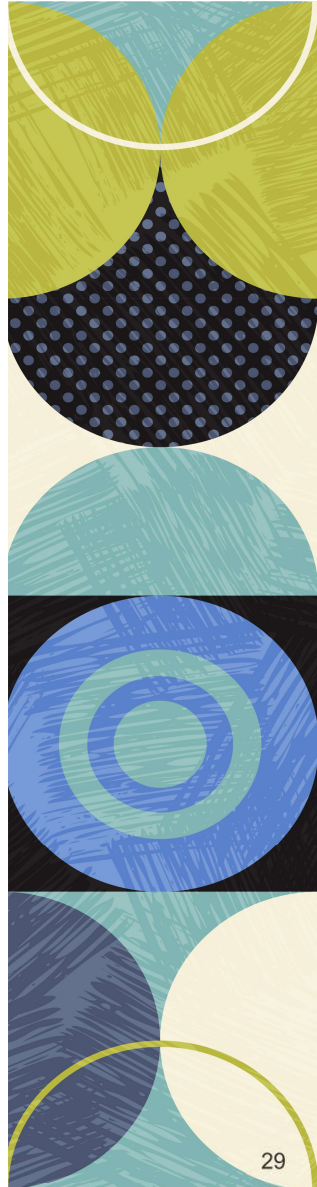
1. Account Takeover (67%)
2. Elder Financial Exploitation (60%)
3. Excessive Borrowing on the Policy or Contract (33%)
4. Suspicion Concerning the Source of Funds (30%)
5. Check (23%)



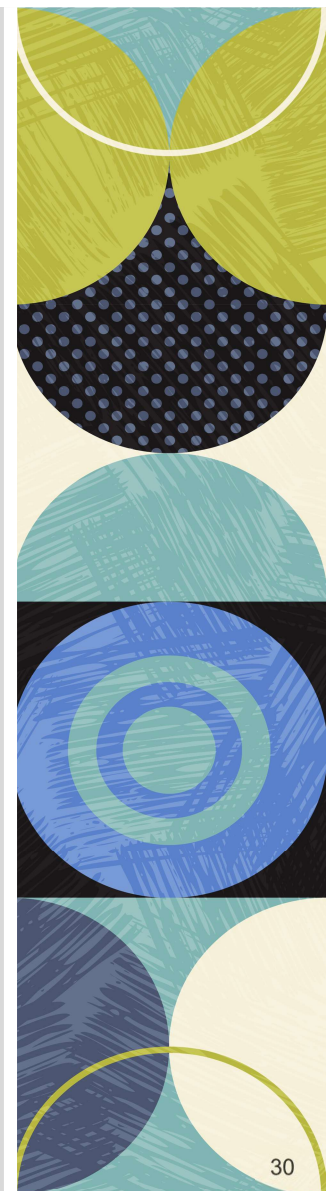
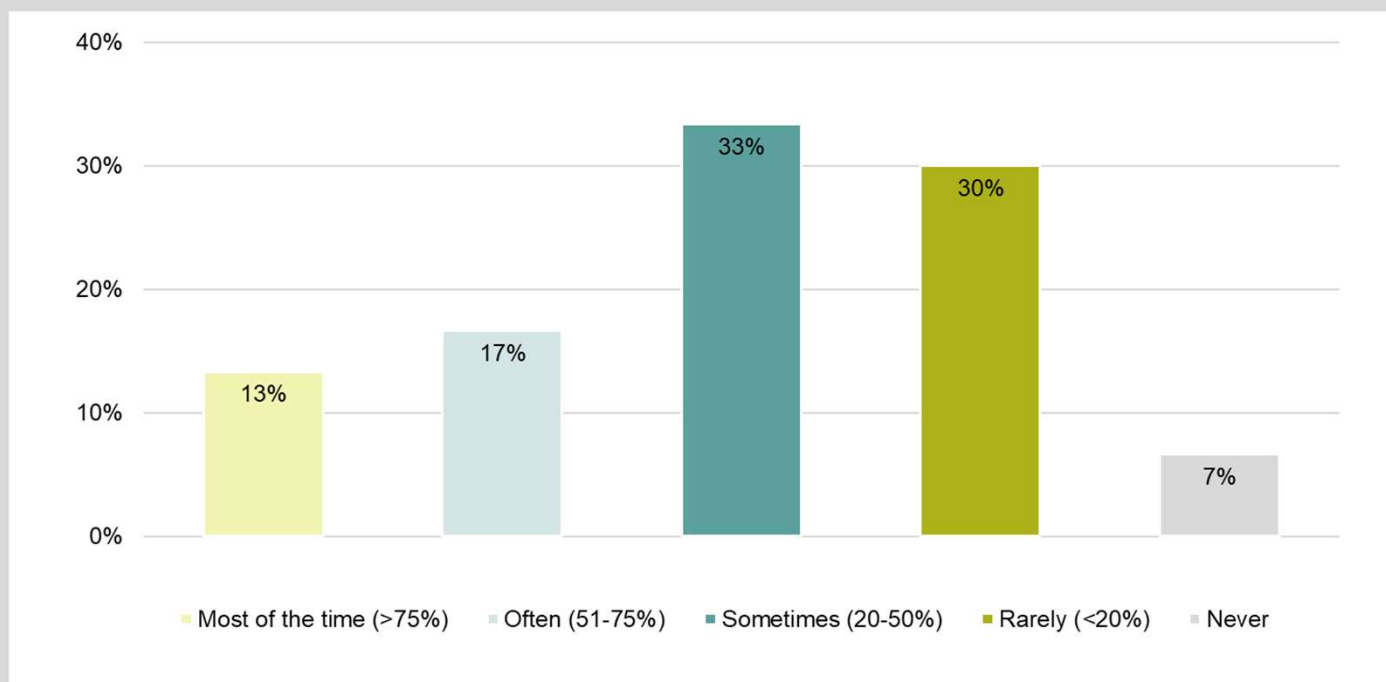
# Activities Requiring a SAR Filing: Material Increase\* in Last 3 Years

1. Account Takeover (47%)
2. Elder Financial Exploitation (33%)
3. Check (13%)  
Email Compromise (13%)
4. Forgeries (7%)  
Provided Questionable or False Documentation (7%)  
Fraud - Other (7%)  
No Material Increase in Any Activity (7%)  
Cannabis Related Business (7%)

\*An increase of 20% or more in the activity

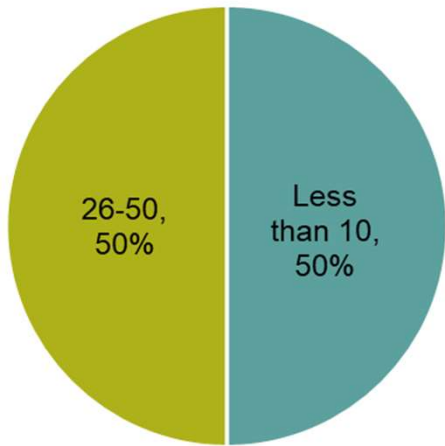


# Incidence of a Fraud Report Filing also Resulting in a SAR Filing

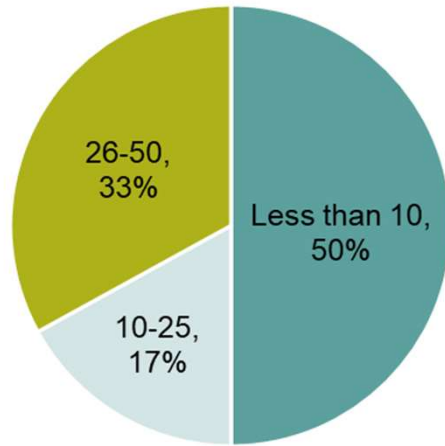


# Annual SAR Filing Volume

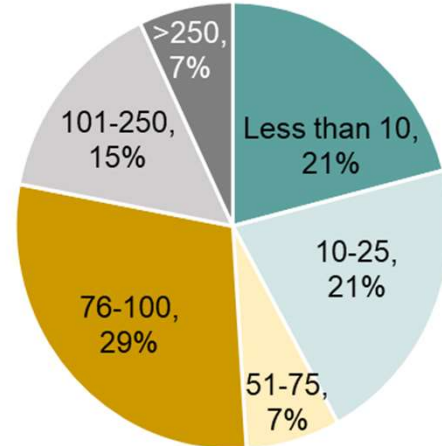
Small Companies



Medium Companies

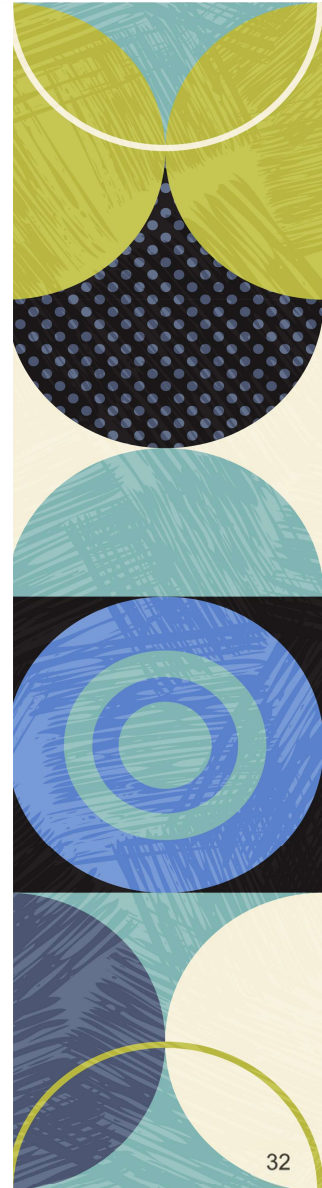
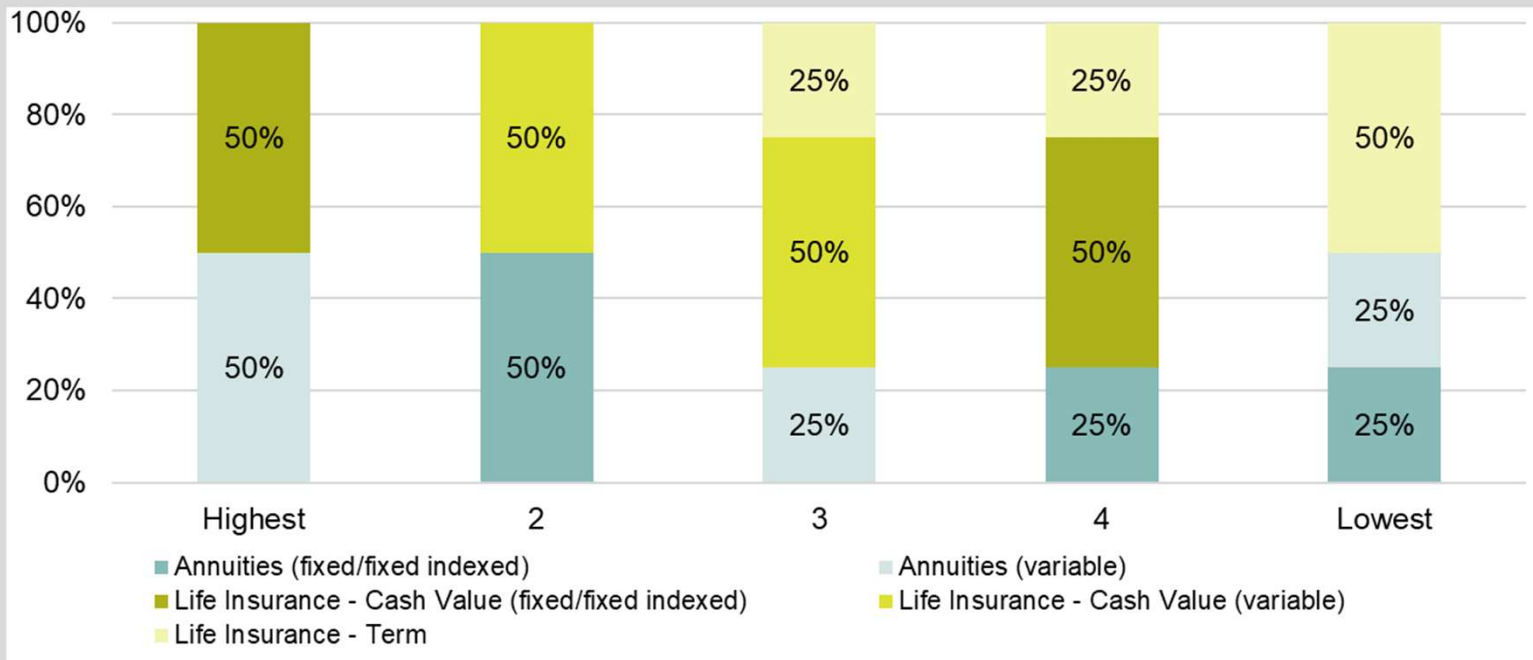


Large Companies



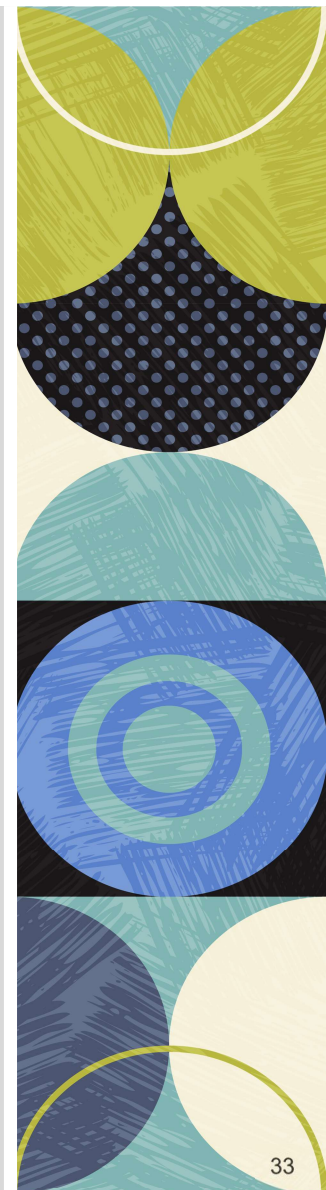
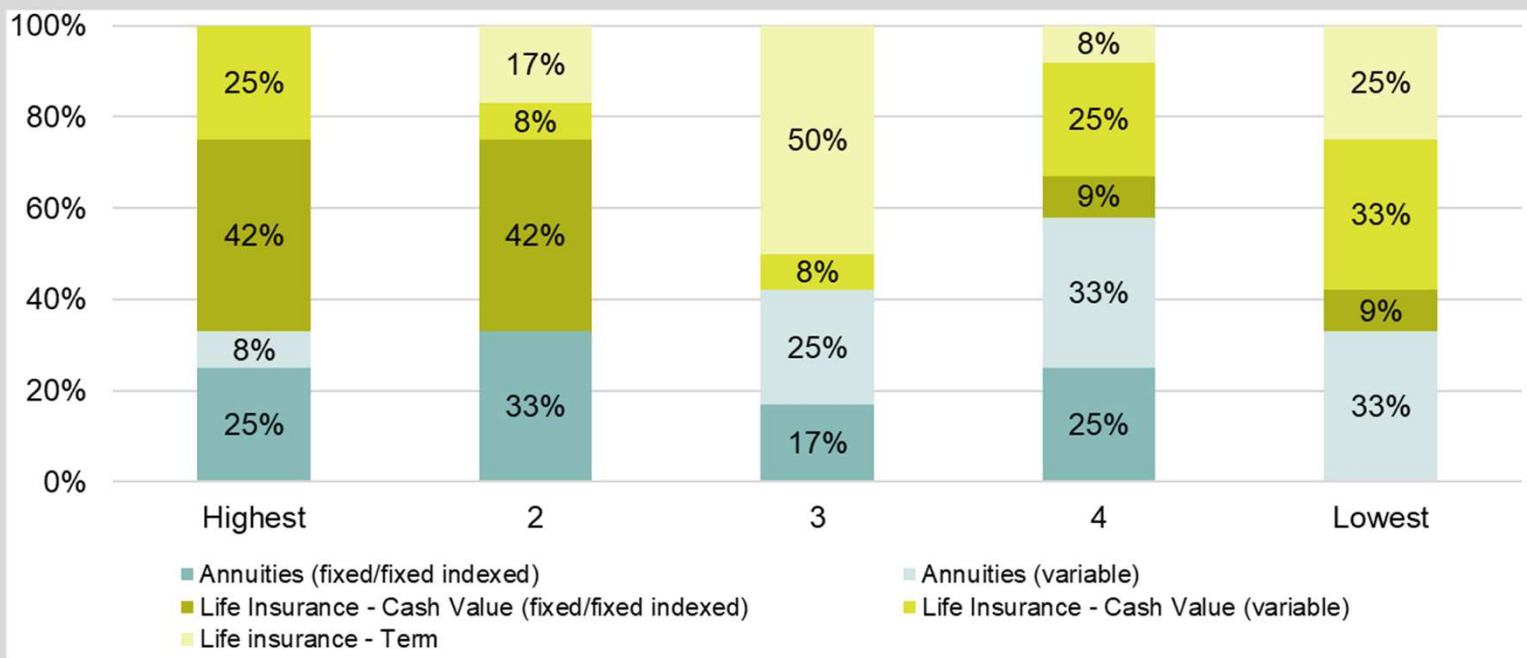
# SAR Volume by Product Type Based on Company Size

## Small Companies:



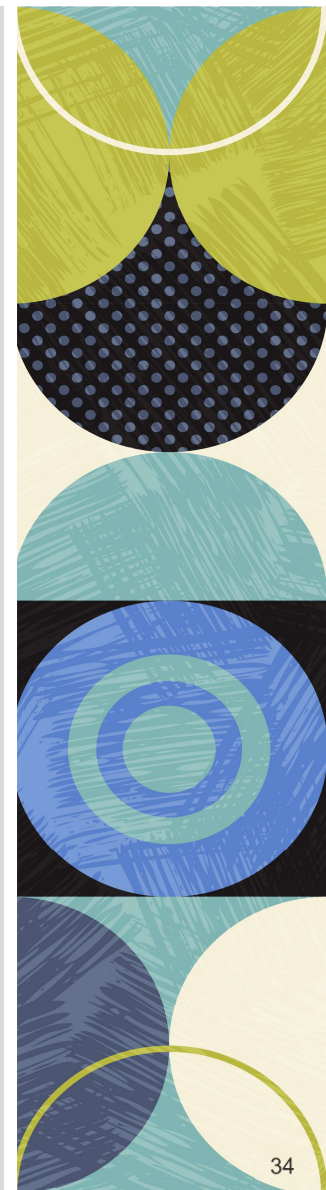
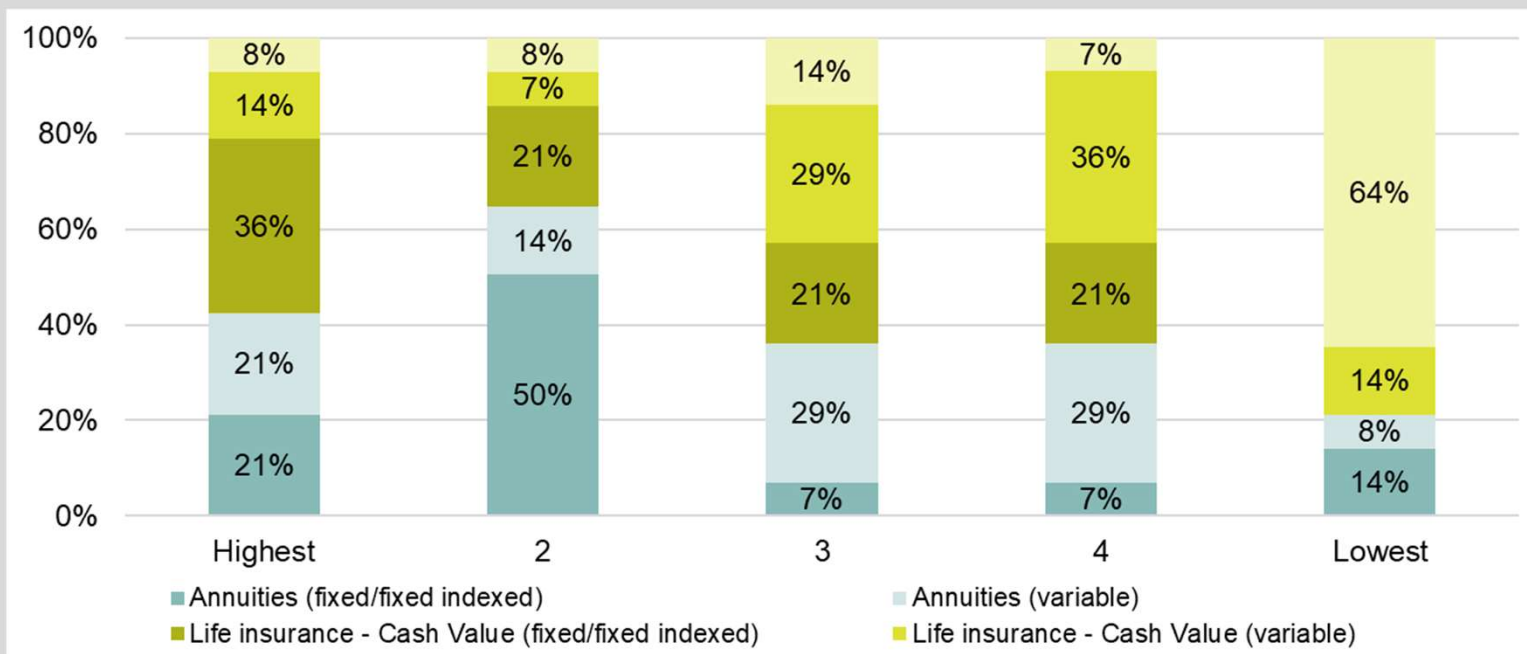
# SAR Volume by Product Type Based on Company Size

## Medium Companies:

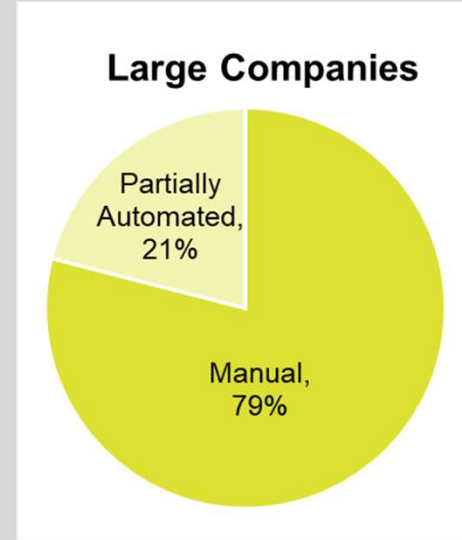
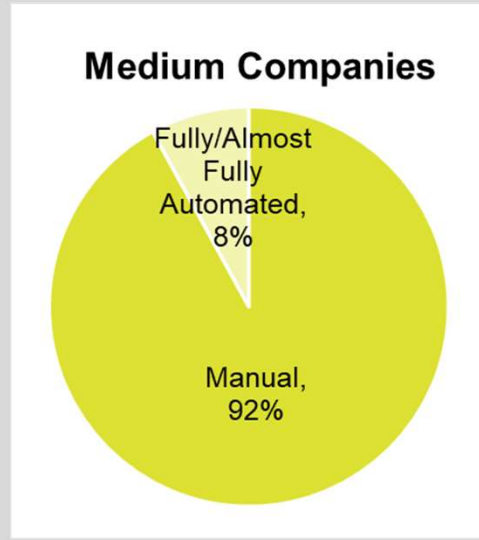
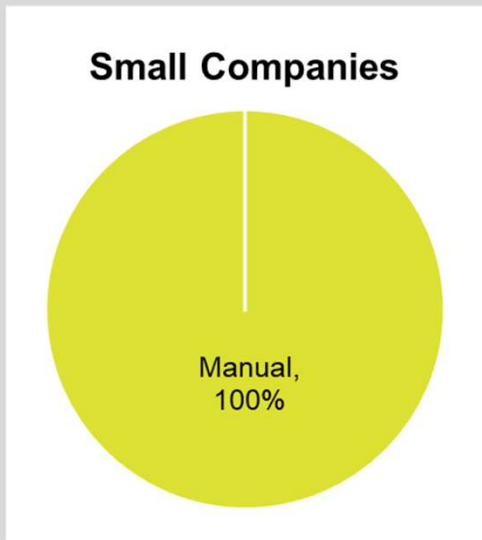


# SAR Volume by Product Type Based on Company Size

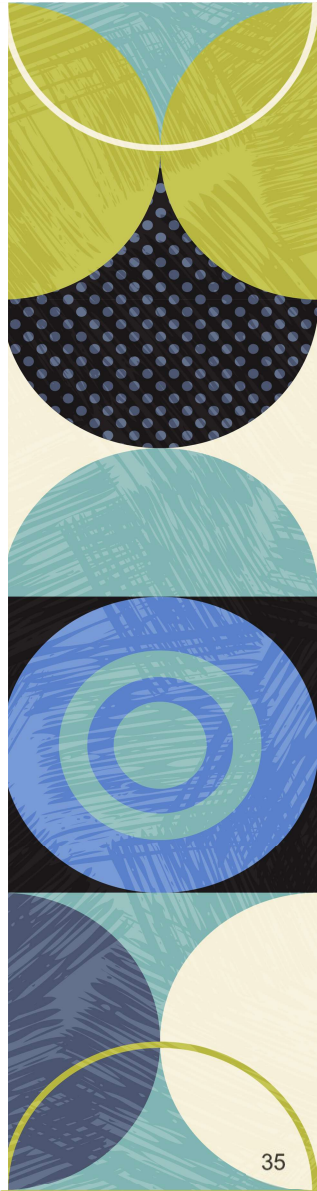
## Large Companies:



# SAR Completion: Manual vs. Automation



Vendors Used for Partial or Full Automation: Aquilian, Alessa, Fiserv FRCM



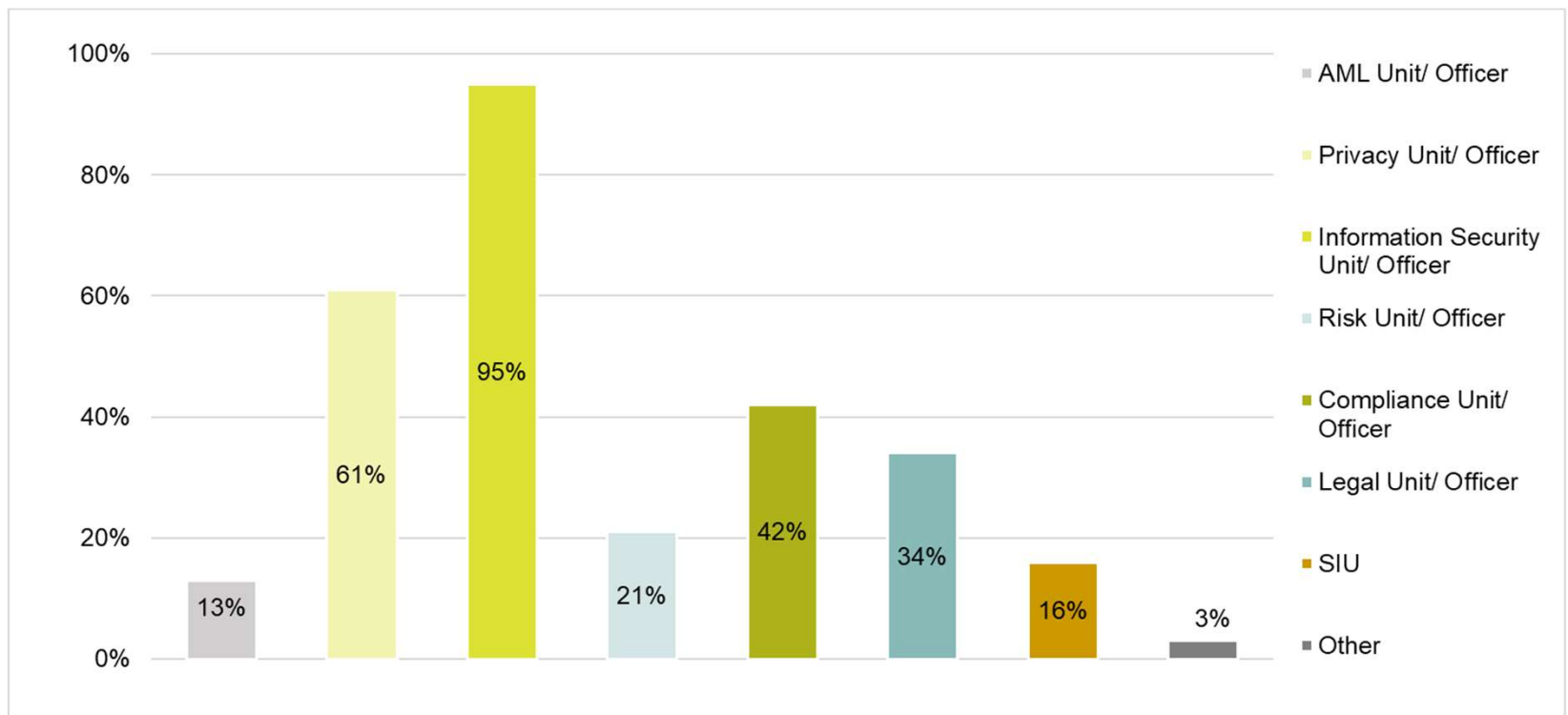


# Cybersecurity Events

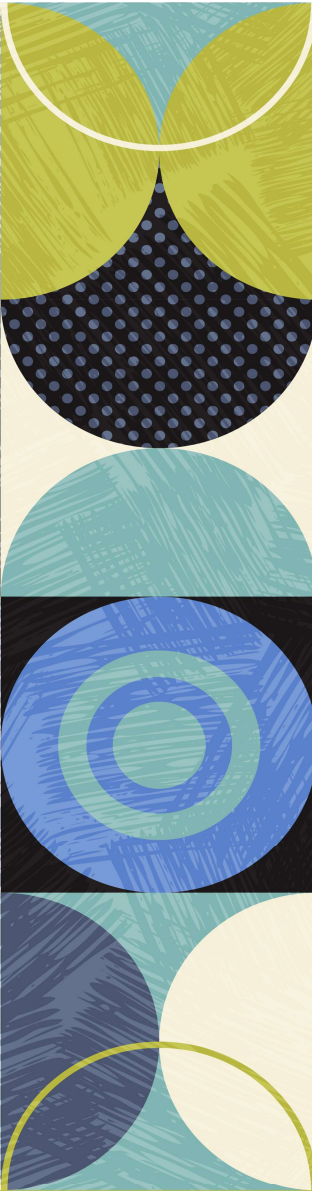
Compliance & Ethics Forum for Life Insurers



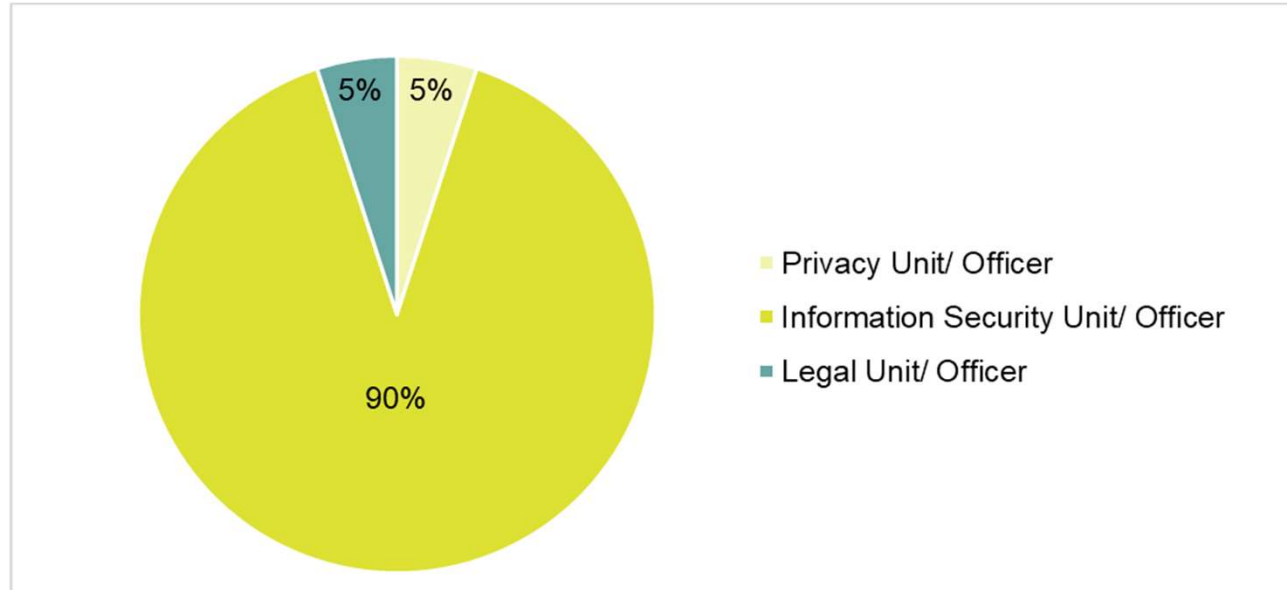
# Who or What Area Handles Cybersecurity Events?



**Other:** CISO and Legal jointly handle.



# Who or What Area Primarily Leads Cybersecurity Events?

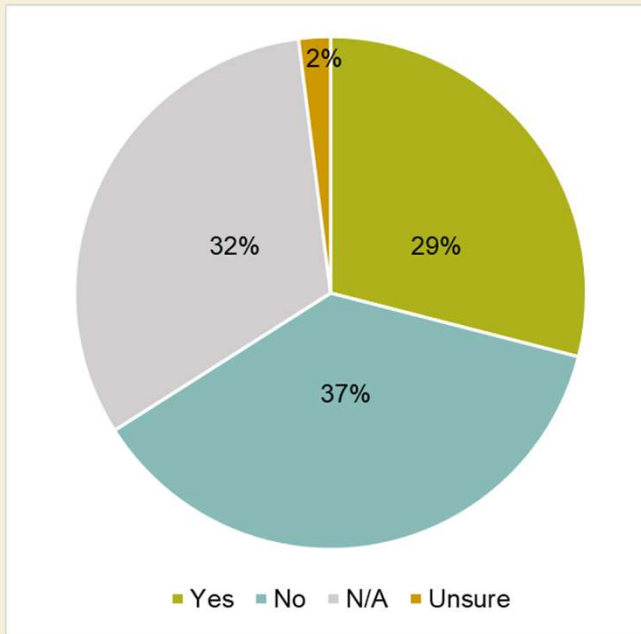




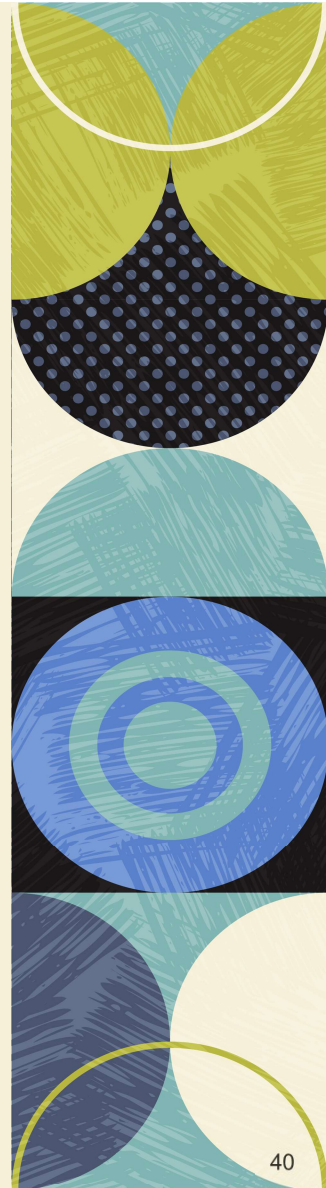
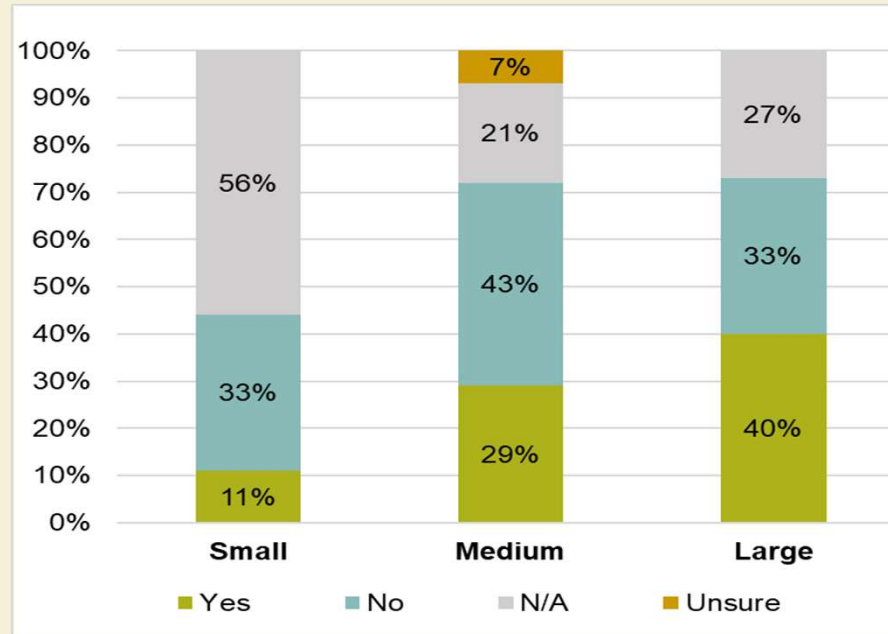
# Foreign National Business

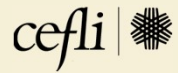
# Has There Been an Increase in Foreign National Business in the Last 24 Months?

All Companies in Aggregate



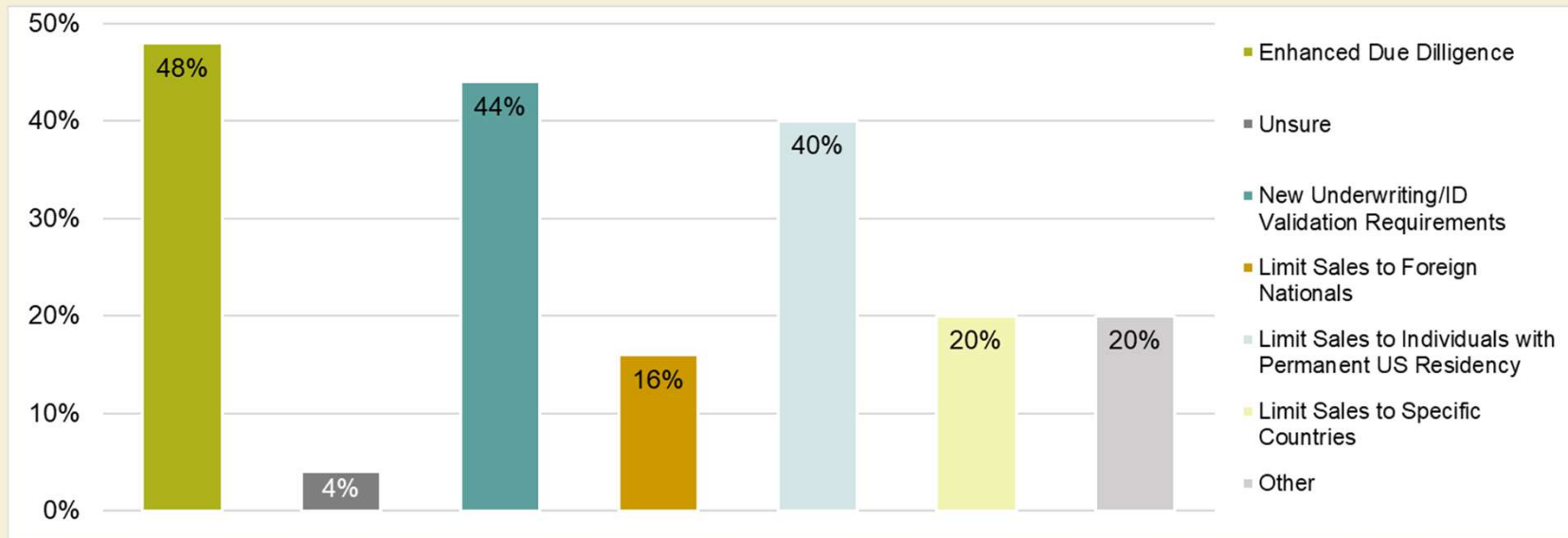
By Company Size



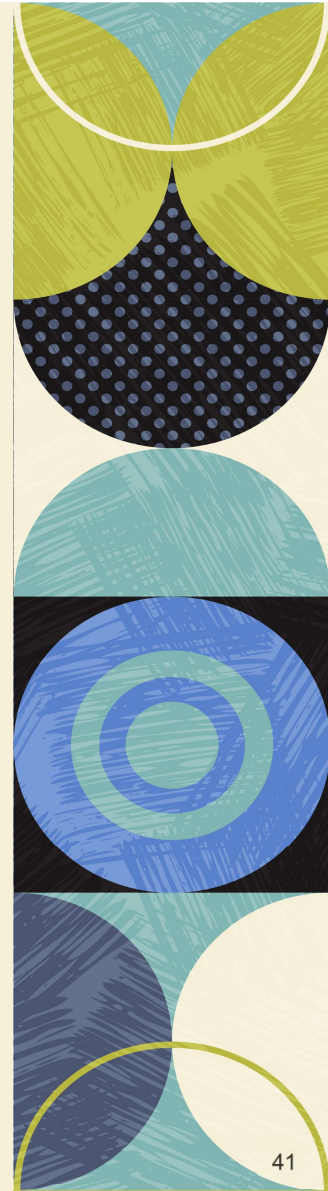


# Efforts Taken to Help Mitigate Foreign National Business Risk

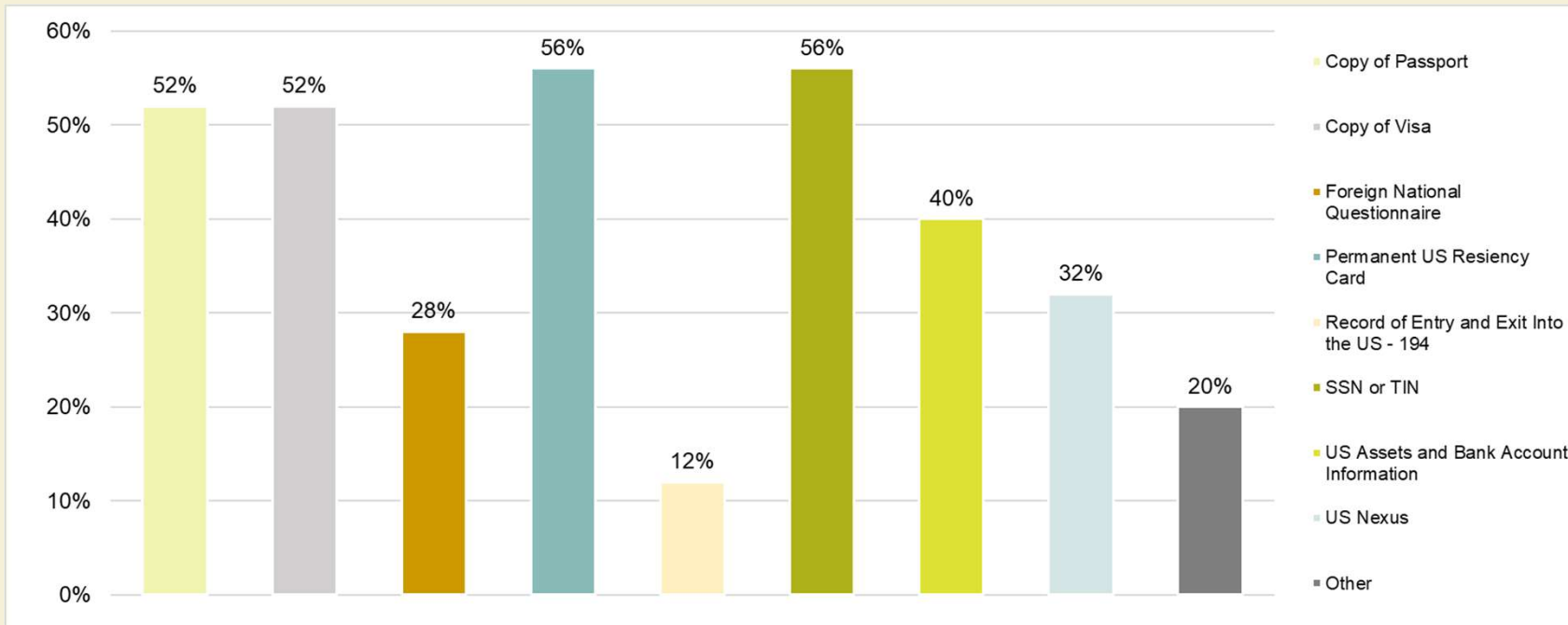
## All Companies



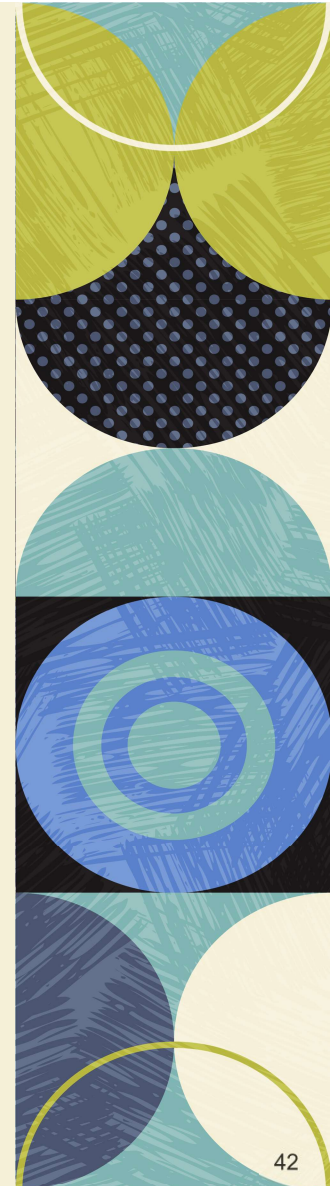
**Other:** Foreign Nationals should have a green card, job and some history in the US to buy a policy. Must have SSN/Tax ID, earned US income and a US bank account.



# Minimum Forms of Verification for Foreign National Policy Owners



**Other:** Non-expired driver's license.

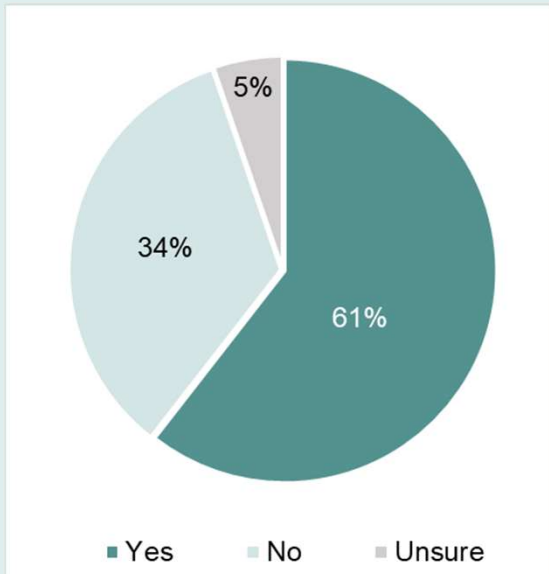


# OFAC Screening

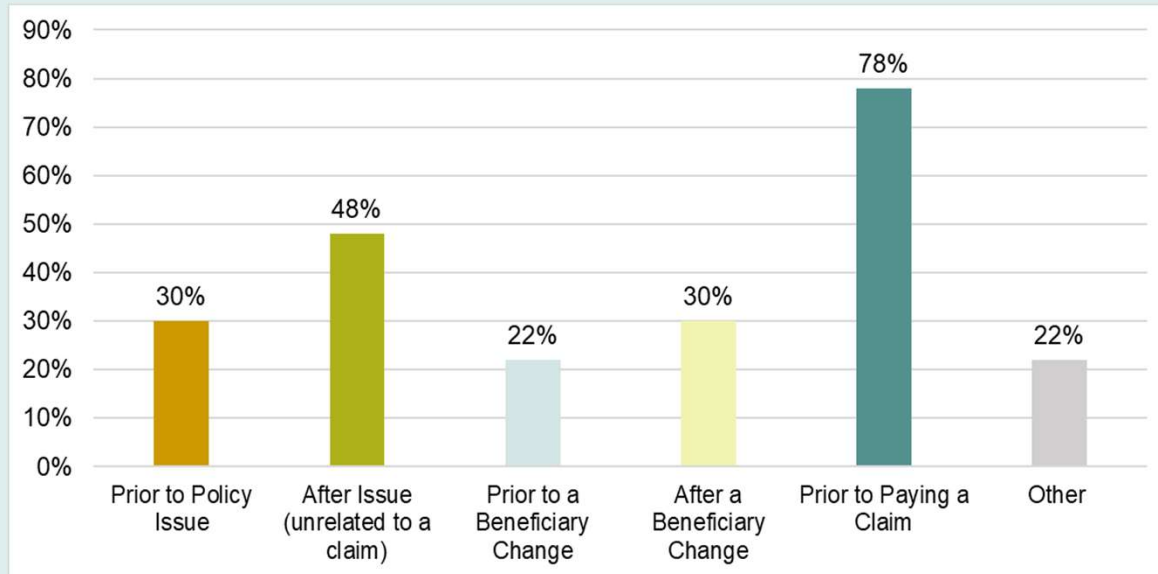


# Screening of Beneficiaries – At Any Time

## Screening of Beneficiaries



## Timing of the Screening



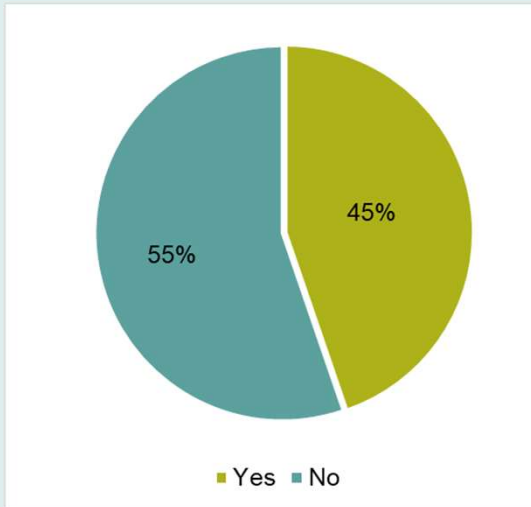
**Other:** Daily disbursements monthly in-force policies, quarterly database run, at time of claim payment and before a beneficiary pay out, owners are screened on a monthly basis, beneficiaries are screened on a nightly basis.



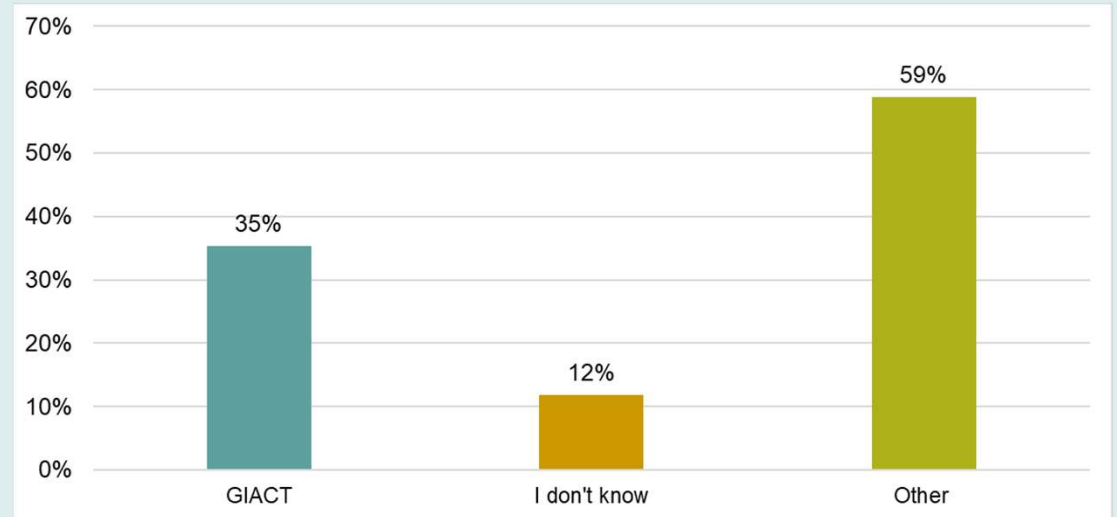
# International Wire Transfers

# International Wire Transfers

## Are They Allowed?

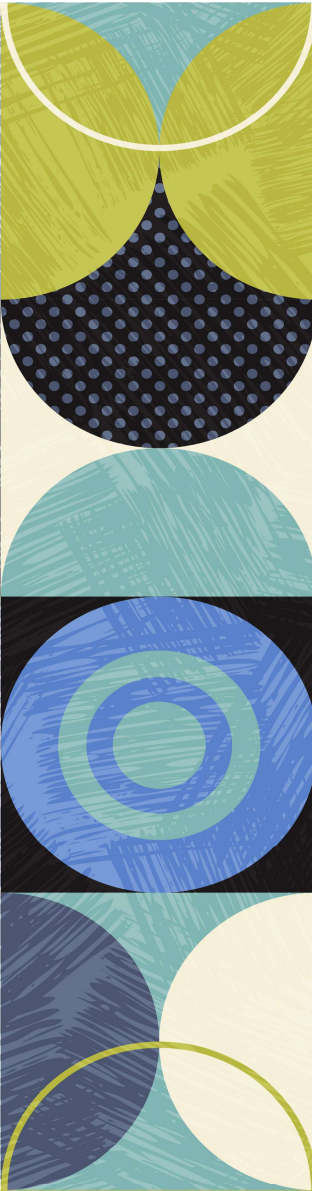


## Verification Steps Taken

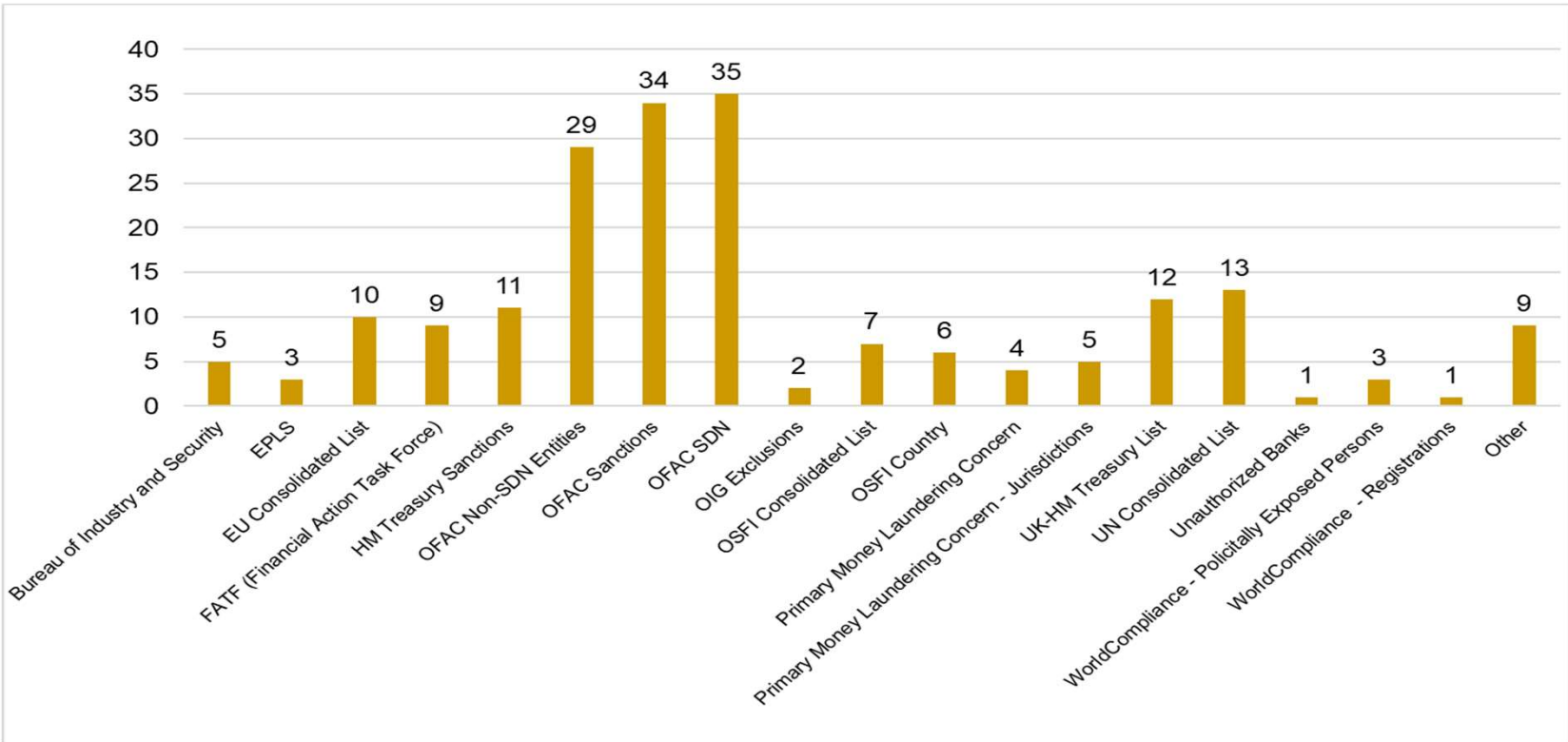


**Other:** LexisNexis OFAC checks, OFAC screening, review of originating party and financial institution, verifying the accountholder & account, additional due diligence documentation for wire transfers, internal system, manual review and investigation.





# Watchlists Used for Screening

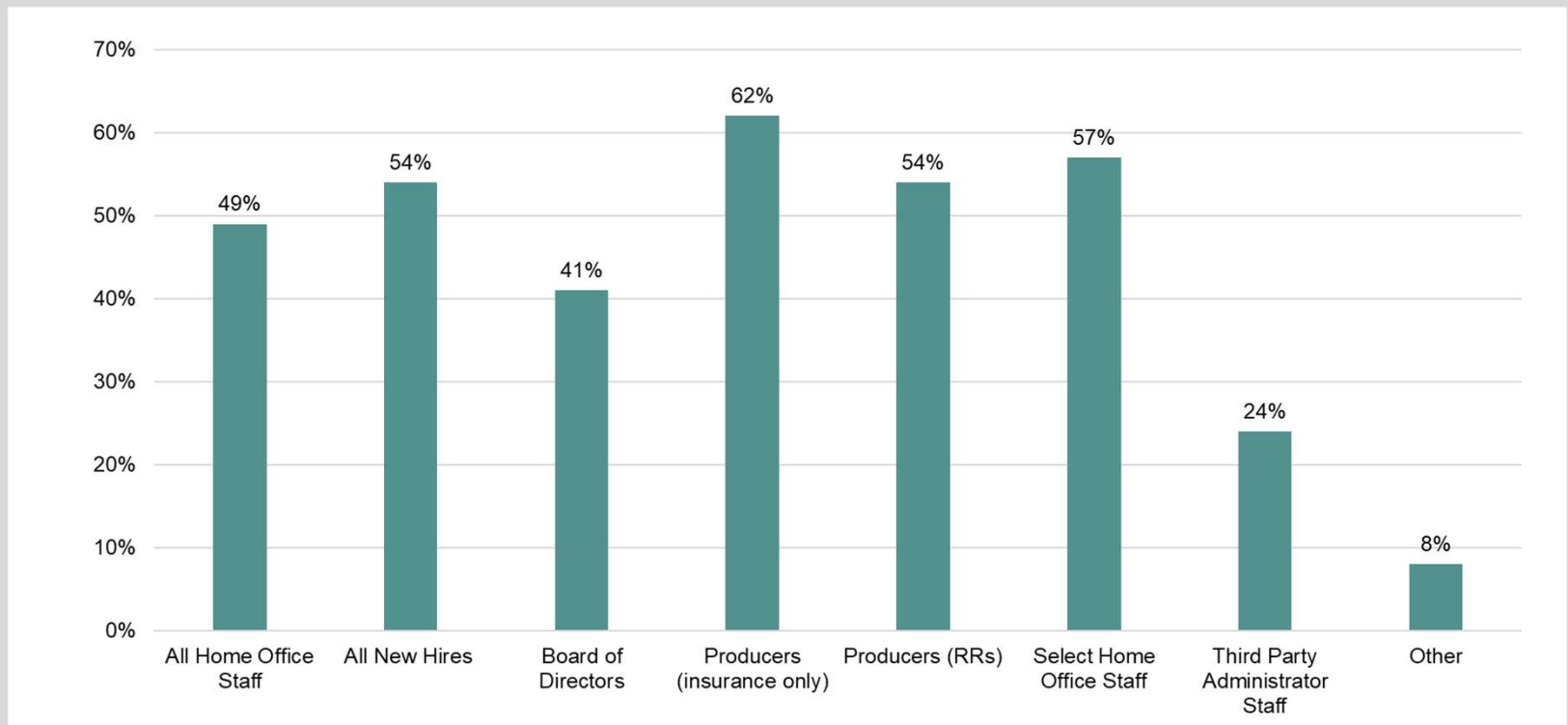


**Other:** LexisNexis, Non-SDN Palestinian Legislative Council (NS-PLC) List, Politically Exposed Persons Screening Tool, lists from the Bridger tool, Australian Department of Foreign Affairs and Trade (DFAT) Consolidated List, CIA –World Leaders, Consolidated Canadian Autonomous Sanctions List, FBI lists, Other lists pertaining to the companies’ reinsurance jurisdictions (e.g., DFAT, MAS, etc.), Refinitiv (more than 140 lists).



# Training

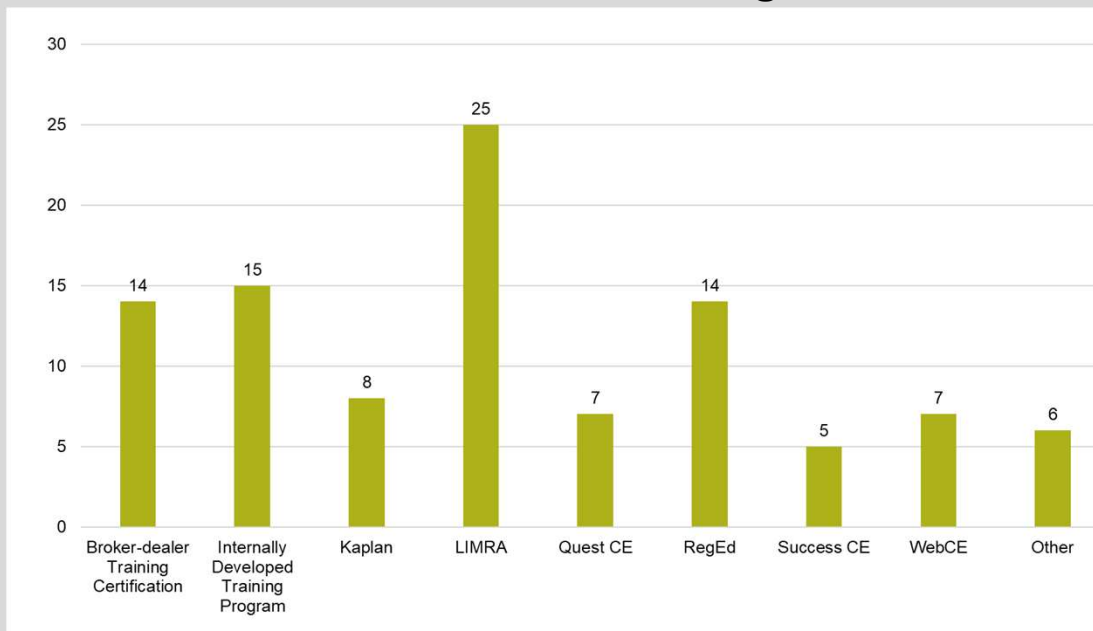
# Who is Required to Complete AML Training?



**Other:** Legal and & Compliance, Compliance & Legal & Executives, Compliance Staff.

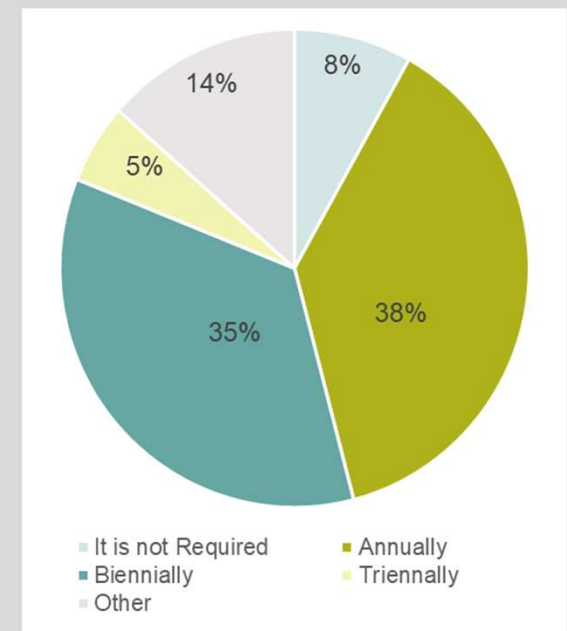
# Producers: Source of Training & Frequency of Training

### Source of Training



**Other:** LRN and other training courses are allowed.

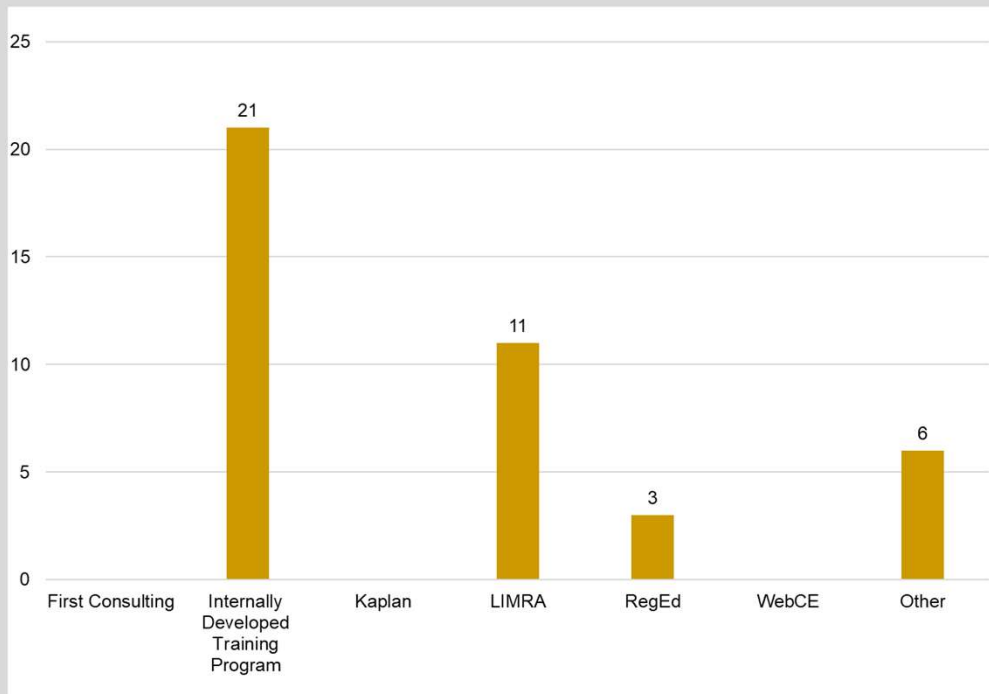
### Frequency



**Other:** Unknown. Every five years.

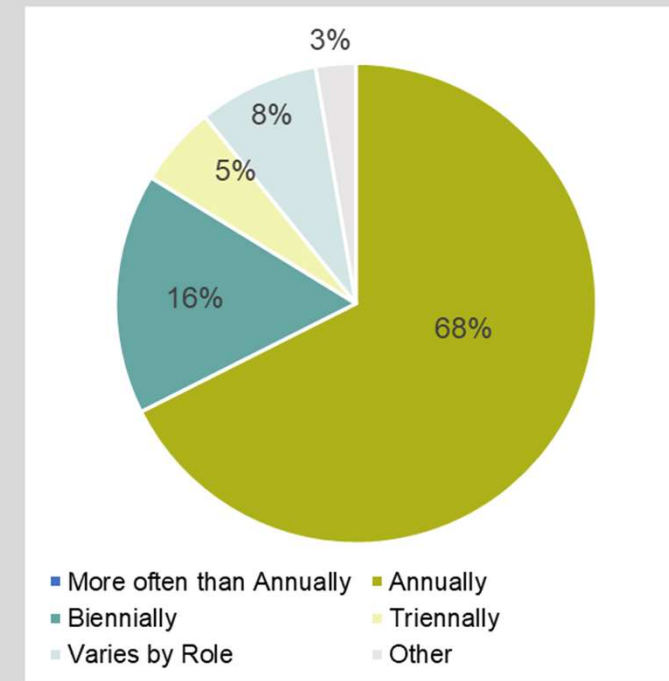
# Home Office: Source of Training & Frequency of Training

### Source of Training



**Other:** WeComply/ TR/LRN and other training courses are allowed.

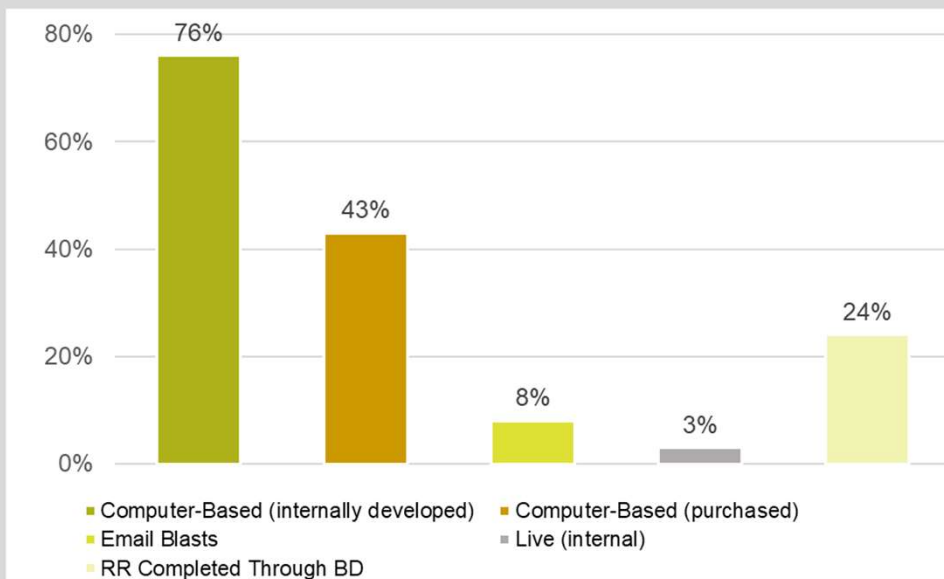
### Frequency



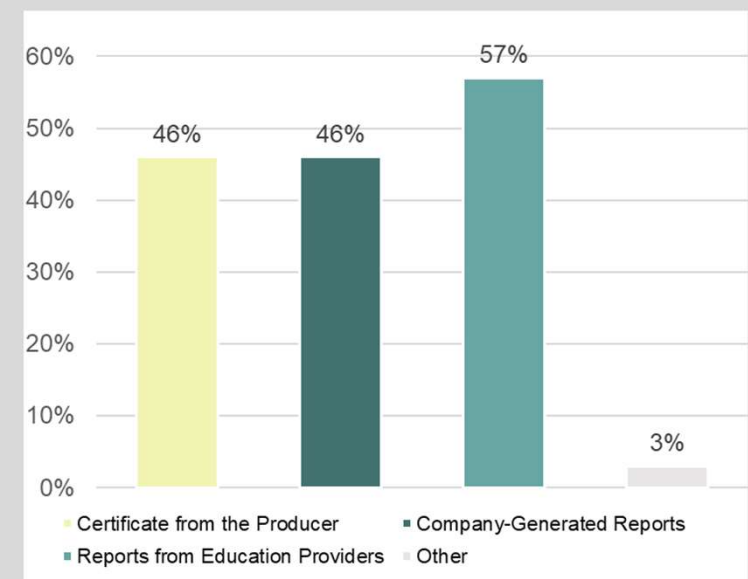
**Other:** Frequency unknown.

# Format of Training & Training Tracking Approach

## Training Format



## Tracking Approach



**Other:** Not applicable due to servicing a closed block of business



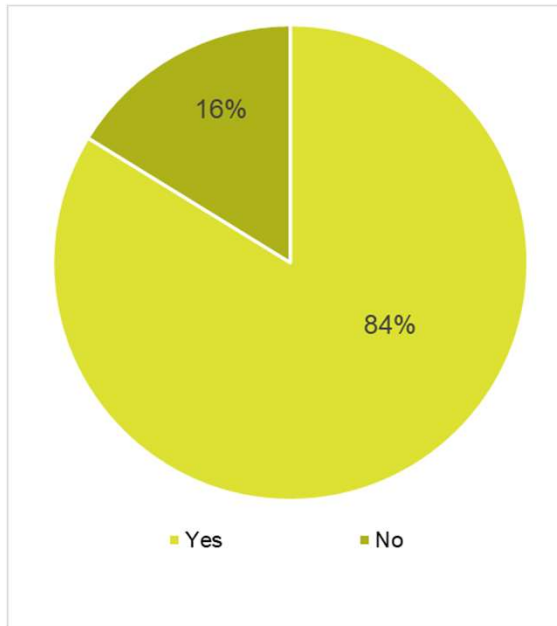
# Periodic AML Reporting

Compliance & Ethics Forum for Life Insurers

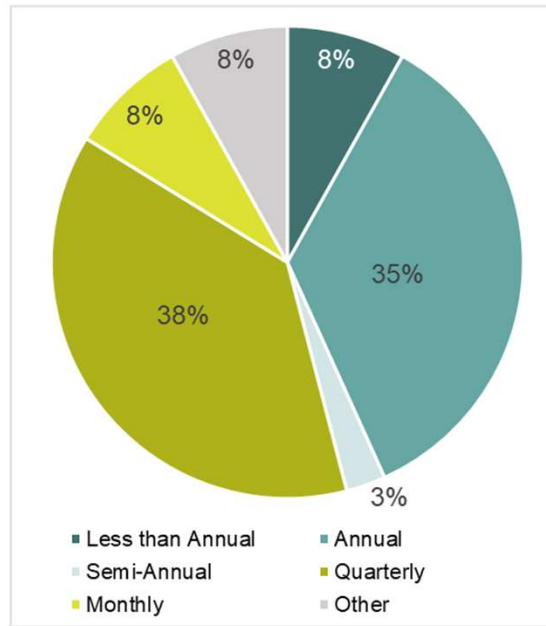


# Periodic Upline AML Reporting

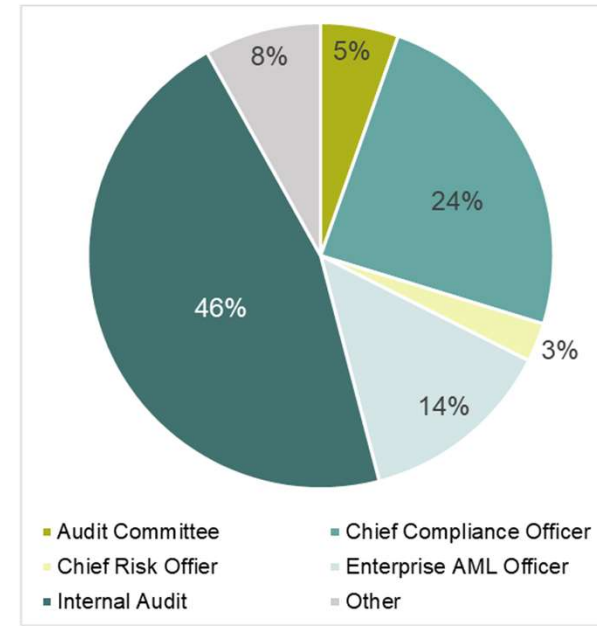
## Reporting Conducted?



## Frequency of Reporting



## Person/ Area Reporting



**Other:** No regular cadence, no reporting unless requested, annual but more often if there has been an incident.

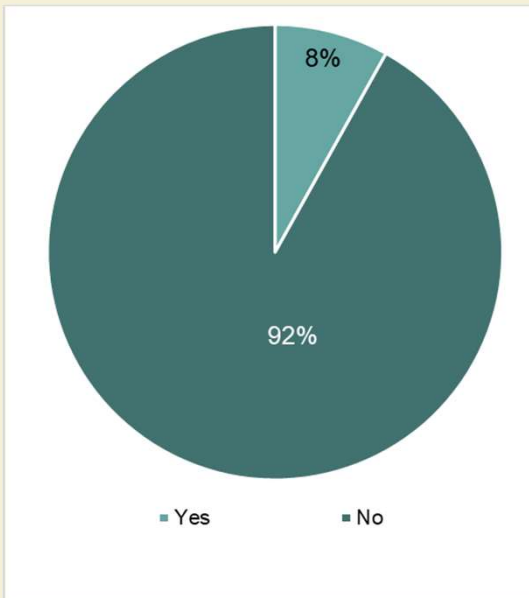
**Other:** Chief Compliance Officer and Internal Audit, AML Officer, no reporting is conducted.



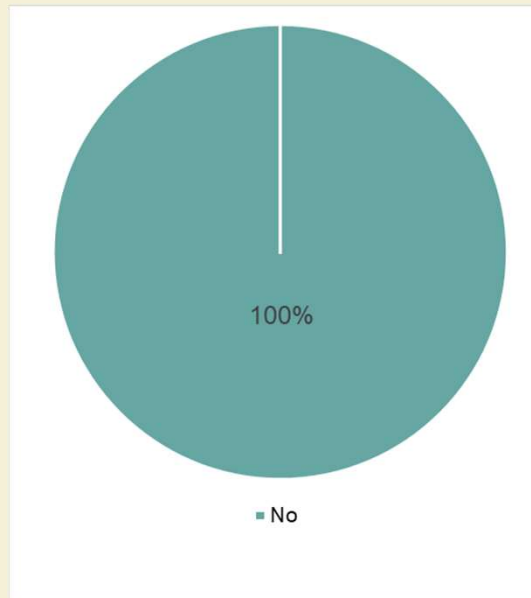
# Regulatory Examination Activity

# Regulatory Examination Activity

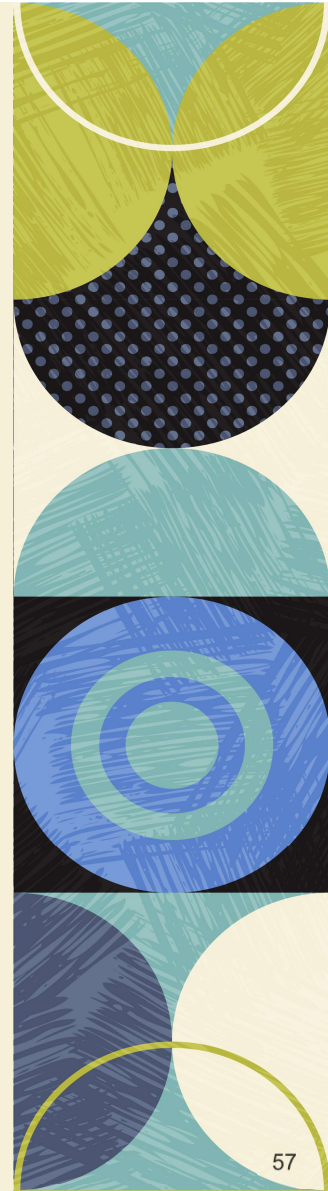
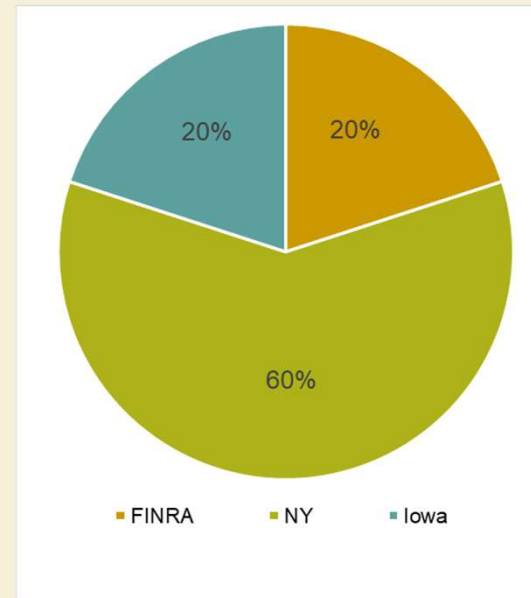
### AML Exam-Last 3 Years?



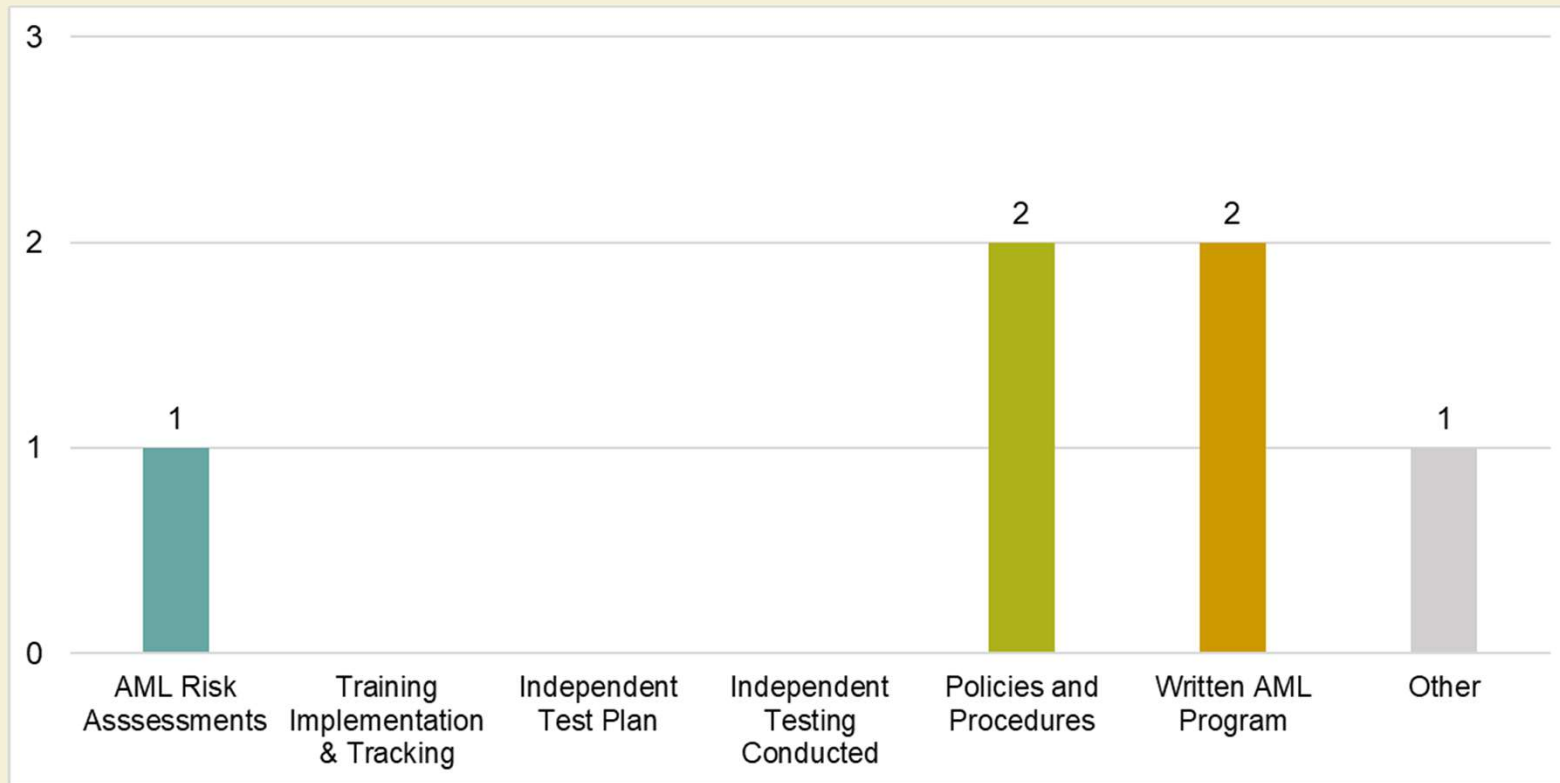
### Increase in Exams?



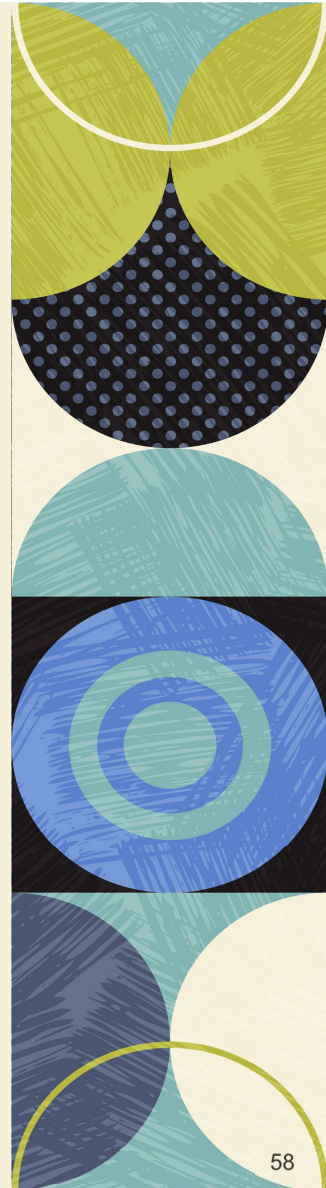
### Regulatory Authority



# Regulatory Examination Activity

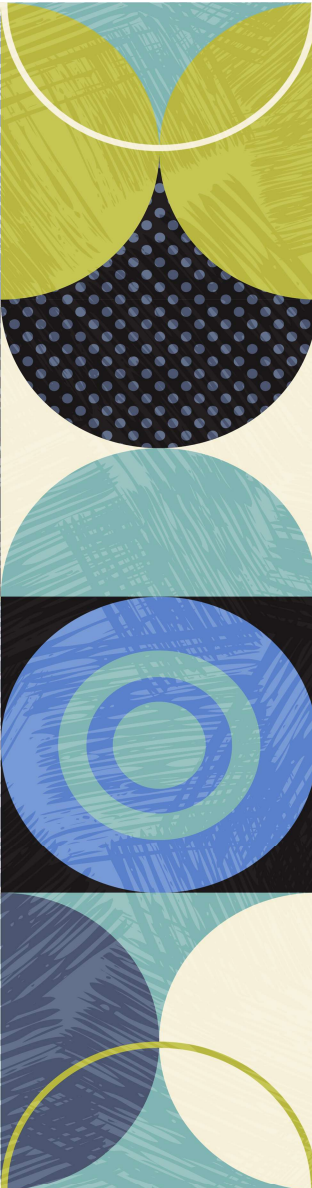


**Other:** Training and CIP.



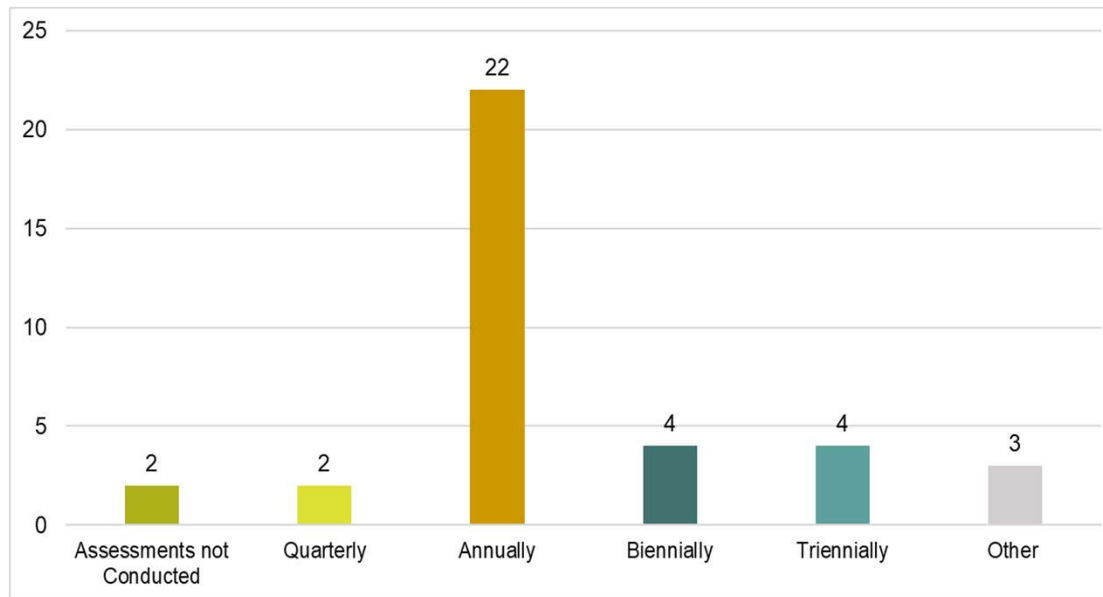
# Risk Assessments





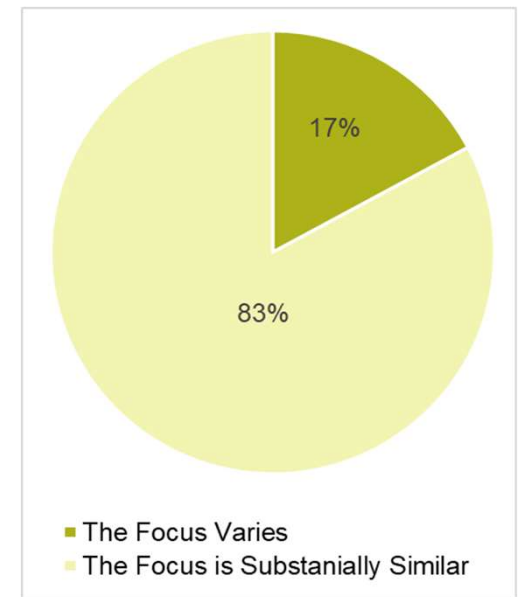
# Frequency & Variation of AML Risk Assessments

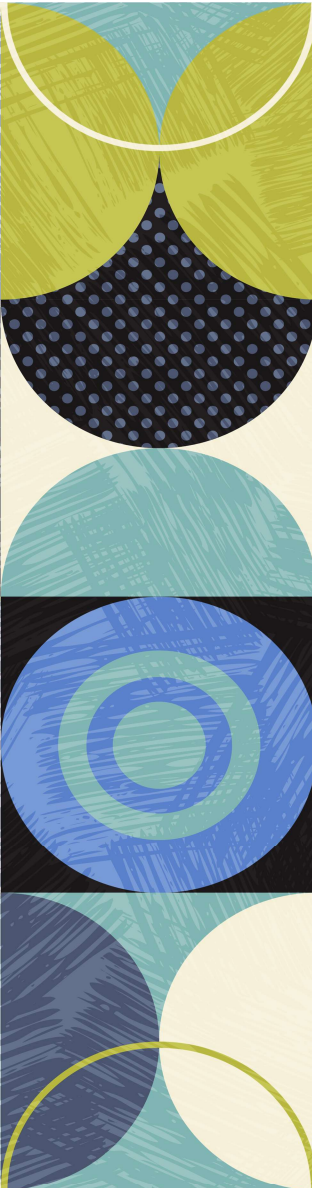
## Frequency of AML Risk Assessments



**Other:** No set cadence but working toward annual assessments, on as-needed basis, as needed depending on changes in business, tied to changes in the company (e.g., product mix, processes, etc.), as often as needed based on changes in business.

## Variation of Focus

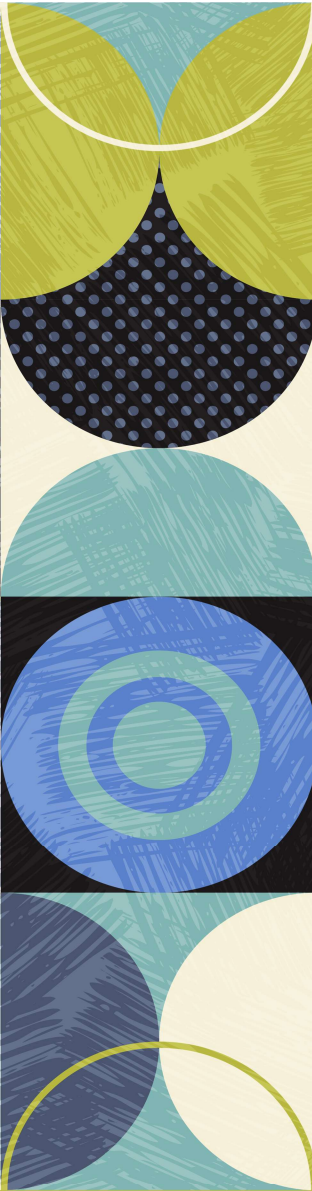




# Risk Assessment Topics Covered

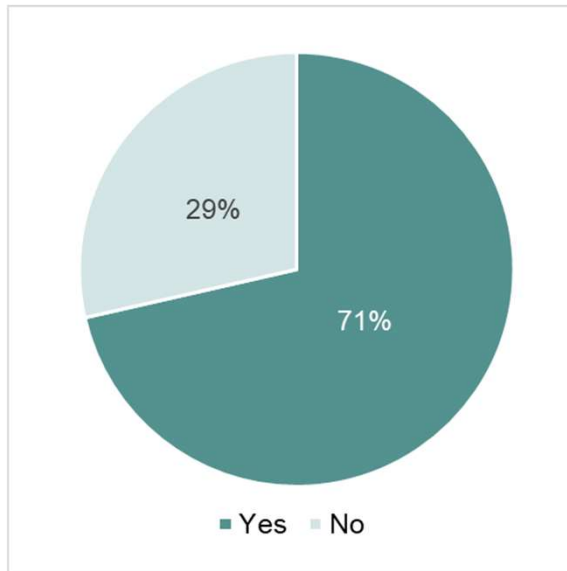


<b>Customers</b>	Type, Financial Profile, Geography (cross border; FinCEN's High Intensity Financial Crime Areas), Transaction Type, Growth
<b>Distribution</b>	Changes in territories, Marketing Channels
<b>Procedures</b>	Review new procedures
<b>Products</b>	Changes in offerings
<b>Regulatory</b>	Exam Findings, Changes in Laws & Regs, Regulatory Trends/Bulletins/Alerts
<b>Risk Factors</b>	Transaction monitoring; Product Risks; Payment Acceptance policies; Withdrawal policies
<b>Risk Reviews</b>	Internal Business Unit Changes; AML Trends; Internal Metrics (SARs reported); Formal Assessments

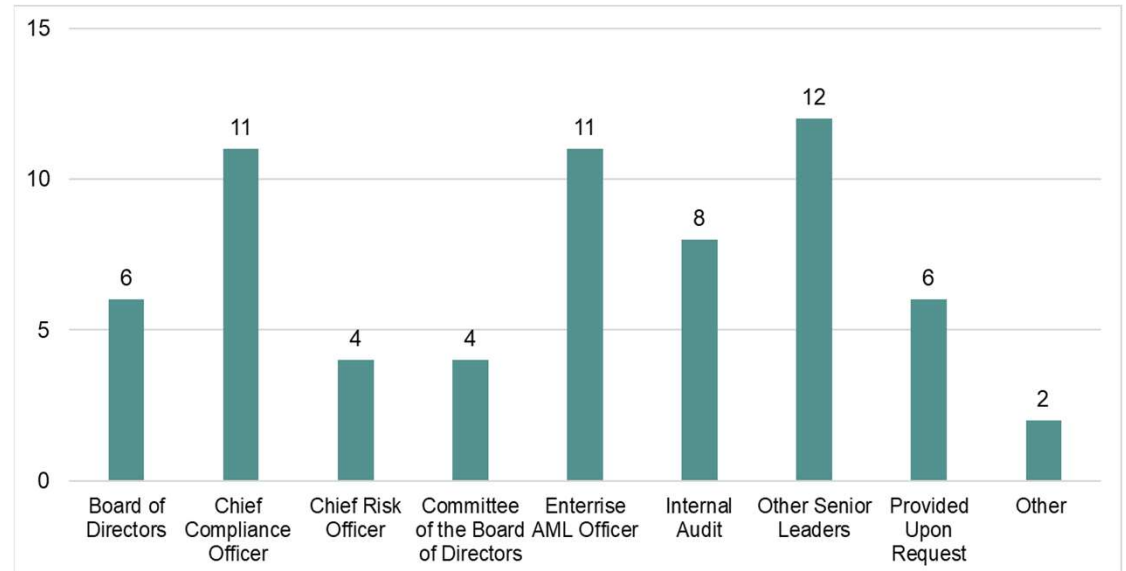


# Risk Assessments Findings: Written Reports

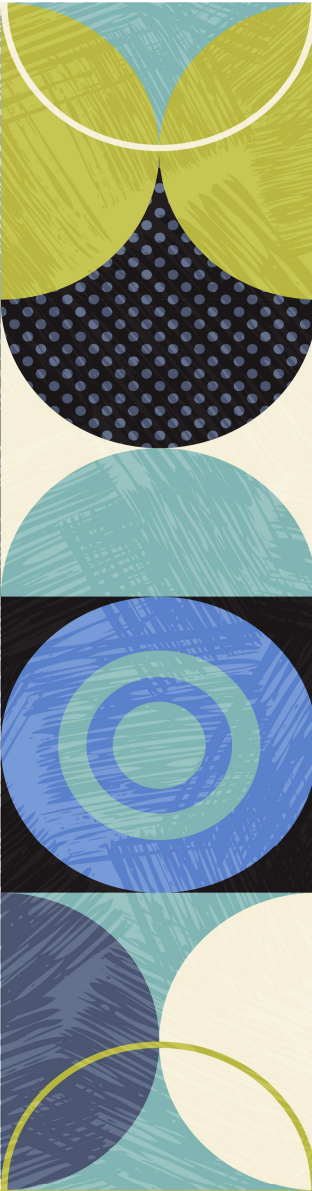
### Written Reports Prepared?



### To Whom are the Findings Reported?

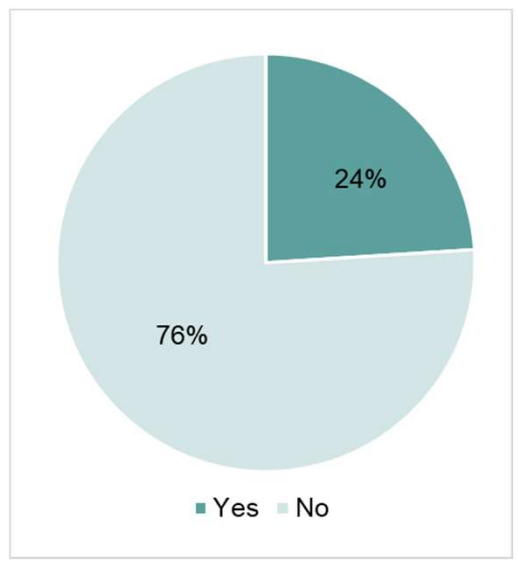


**Other:** The Audit Committee of the Board of Directors, ORC.



# Risk Assessment Reports

## Does the Report Follow an Industry Standard?



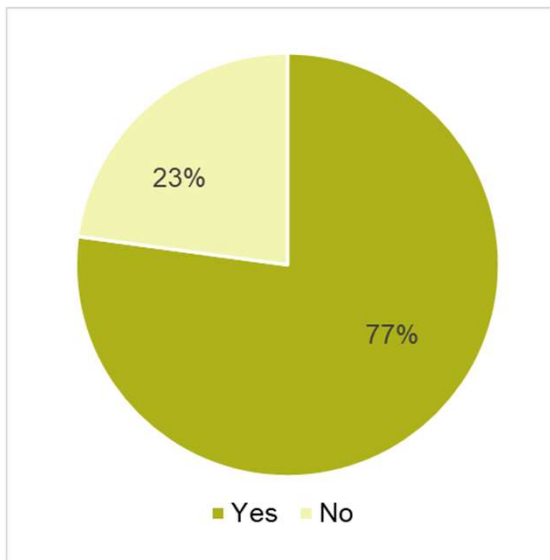
## Comments on Industry Standards Followed:

FFIEC exam manual, a modified BSA suggested report, based on FFIEC BSA manual categories of risk, FFEIC manual, FinCEN, the report follows the same internal standards as other corporate risk reports.

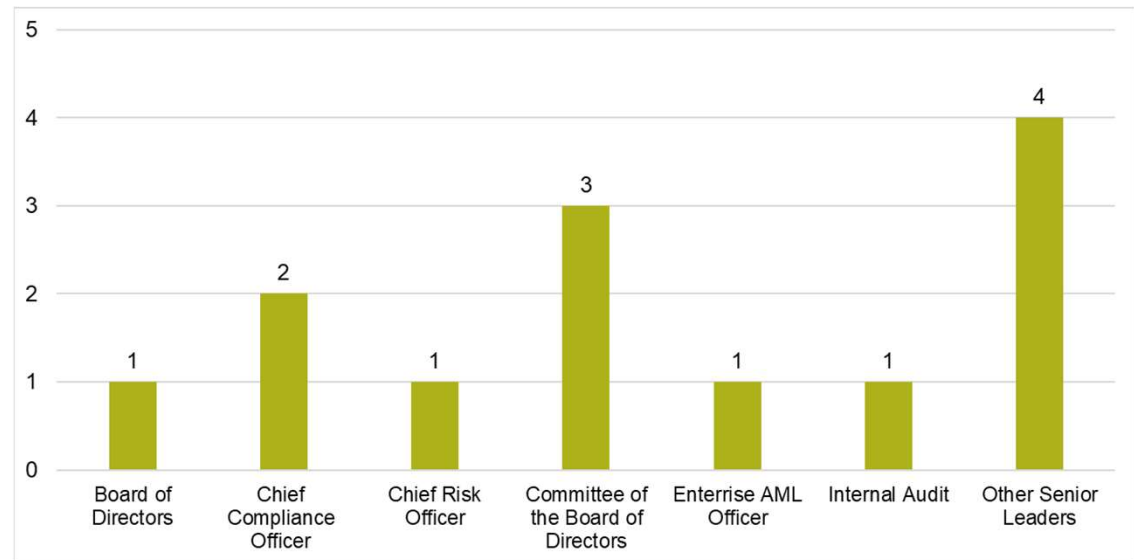


# Risk Assessments Findings: Verbal Reports

### Verbal Reports Provided?



### To Whom are the Findings Reported?





CEFLI

*The Forum That Connects*

Compliance & Ethics Forum for Life Insurers

