

Anti Money-Laundering for Insurance 2nd Edition Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. In dealing with an individual customer's accounts, what is an additional step an account representative can take to verify the customer's identity?**
 - A. Check the customer's social media profiles.**
 - B. Confirm the information provided with the customer's employer.**
 - C. Request a reference from the customer's former employer.**
 - D. Rely solely on the customer's own statements.**

- 2. Which of the following is NOT considered an important change introduced by the US Patriot Act?**
 - A. Requiring enhanced due diligence for certain accounts**
 - B. Expanded the definition of financial institution**
 - C. Increased penalties for noncompliance**
 - D. Strengthened anti-money-laundering monitoring requirements**

- 3. Which of the following is an essential element of an AML program plan?**
 - A. A plan to market to new customers.**
 - B. A strategy to maximize profits.**
 - C. A system for transaction speed optimization.**
 - D. A framework to verify customer identity and prevent money laundering.**

- 4. Loretta enters a bank and makes a wire transfer of currency from an account in the US to an account in the Cayman Islands. What does the Bank Secrecy Act require the bank to do?**
 - A. File a SAR**
 - B. File a cross-border transaction report**
 - C. File a Currency Transaction Report**
 - D. Do nothing**

- 5. Besides designating an OFAC compliance officer, what is another requirement for an OFAC compliance program?**
- A. Conduct a full internal audit of all customer accounts**
 - B. Implement appropriate training in OFAC compliance**
 - C. Publish a list of sanctioned individuals to customers**
 - D. Hire external investigators for all transactions**
- 6. A large financial institution with offices worldwide has failed to comply with anti-money laundering laws. Which of the following would not be a sanction that may apply?**
- A. Suspension of license**
 - B. Criminal penalties**
 - C. Fine of \$10**
 - D. Cease and desist**
- 7. Which investment feature of life insurance products places them at greater risk for money laundering?**
- A. Fixed interest rate**
 - B. Non-transferable features**
 - C. Guaranteed cash value**
 - D. Transferability**
- 8. The Treasury Department directs that an AML program must be based on risk assessment of which elements?**
- A. Distribution channels only**
 - B. Product and location**
 - C. Product, customers, distribution channels, and location**
 - D. Customers only**
- 9. Who has primary responsibility for enforcement of the BSA under the USA Patriot Act?**
- A. Federal Reserve**
 - B. Department of the Treasury**
 - C. Office of the Comptroller of the Currency**
 - D. Federal Deposit Insurance Corporation**

- 10. Which of the following does not describe a high-risk account?**
- A. An account opened with large, unusual deposits**
 - B. An account opened with \$50 and little anticipated activity**
 - C. An account showing rapid movement of funds**
 - D. An account held by a shell company**

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Answers

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1. B
2. B
3. D
4. B
5. B
6. C
7. D
8. C
9. B
10. B

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Explanations

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1. In dealing with an individual customer's accounts, what is an additional step an account representative can take to verify the customer's identity?

A. Check the customer's social media profiles.

B. Confirm the information provided with the customer's employer.

C. Request a reference from the customer's former employer.

D. Rely solely on the customer's own statements.

In AML, confirming identity needs independent corroboration beyond what the customer says. Verifying the information with the customer's employer provides an external check that the details supplied (such as name, employment status, income, or address) are accurate. This reduces the risk of someone presenting false information or using someone else's identity and helps ensure the account is opened or maintained for a legitimate, identifiable customer. Other approaches like checking social media profiles are unreliable and can raise privacy concerns; a reference from a former employer is more about past work history than current identity verification; and relying solely on the customer's statements offers no independent confirmation, leaving room for misrepresentation. Hence, obtaining employer confirmation is the strongest extra verification step.

2. Which of the following is NOT considered an important change introduced by the US Patriot Act?

A. Requiring enhanced due diligence for certain accounts

B. Expanded the definition of financial institution

C. Increased penalties for noncompliance

D. Strengthened anti-money-laundering monitoring requirements

The Patriot Act broadened AML requirements in several key ways. It didn't just tweak rules; it expanded who must follow them and how. Expanding the definition of financial institution is a major change because it brings additional entities—such as money services businesses—under AML oversight, increasing the scope and obligations of compliance programs. Other important changes include requiring enhanced due diligence for certain accounts, strengthening anti-money-laundering monitoring requirements, and increasing penalties for noncompliance. These measures all reinforce the intensity and reach of AML controls. So, expanding the definition of financial institution is indeed a significant change, not a NOT-change. The item listed as not an important change does not reflect the Act's actual impact.

3. Which of the following is an essential element of an AML program plan?

- A. A plan to market to new customers.**
- B. A strategy to maximize profits.**
- C. A system for transaction speed optimization.**
- D. A framework to verify customer identity and prevent money laundering.**

Verifying customer identity and preventing money laundering is at the heart of an AML program. Establishing a robust framework for know-your-customer controls and ongoing due diligence lets an insurer know who its customers are, assess their risk, and continually monitor transactions for unusual or suspicious activity. This identity verification and continuous monitoring enable timely detection of potential laundering schemes, proper escalation, and required reporting to regulators. Without this foundation, illicit funds can move through policies or accounts with fewer checks, increasing regulatory and compliance risk. The other options describe business aims (marketing to new customers, maximizing profits) or operational goals (speeding up transactions) that don't establish the preventive controls necessary to identify, assess, and mitigate AML risk.

4. Loretta enters a bank and makes a wire transfer of currency from an account in the US to an account in the Cayman Islands. What does the Bank Secrecy Act require the bank to do?

- A. File a SAR**
- B. File a cross-border transaction report**
- C. File a Currency Transaction Report**
- D. Do nothing**

Cross-border transfers trigger a specific reporting rule under the Bank Secrecy Act to help authorities monitor international movement of funds. When money is wired from a U.S. account to an account outside the United States, the bank reports the transaction to FinCEN if the amount meets the reporting threshold (historically around \$3,000). The filing, a cross-border transaction report, captures who sent the funds, who receives them, the banks involved, the amount, the date, and related details. This provides government visibility into international fund flows to help detect money laundering and terrorism financing. This is different from a Currency Transaction Report, which covers cash transactions over \$10,000, and from a Suspicious Activity Report, which is filed when activity appears suspicious regardless of amount. So, the bank must file the cross-border transaction report for this international wire.

5. Besides designating an OFAC compliance officer, what is another requirement for an OFAC compliance program?
- A. Conduct a full internal audit of all customer accounts
 - B. Implement appropriate training in OFAC compliance**
 - C. Publish a list of sanctioned individuals to customers
 - D. Hire external investigators for all transactions

Training staff in OFAC compliance is a foundational element of an effective sanctions program. Beyond naming an OFAC compliance officer, organizations must ensure that those handling customers, payments, and transactions understand how to recognize and respond to potential sanctions issues. Ongoing, role-appropriate training covers how to use sanctions lists, how to screen transactions and counterparties, what constitutes a potential match, and the escalation and reporting steps to take when a match is suspected. This education builds consistent, informed decision-making across the organization and helps prevent inadvertent violations, which is the core purpose of having a formal OFAC program. Other options do not align with OFAC requirements. Conducting a full internal audit of all customer accounts is a broader AML control, not a specific OFAC program mandate. Publishing a list of sanctioned individuals to customers is not required and could raise privacy or operational concerns. Hiring external investigators for all transactions is unnecessary and not mandated as part of OFAC compliance.

6. A large financial institution with offices worldwide has failed to comply with anti-money laundering laws. Which of the following would not be a sanction that may apply?
- A. Suspension of license
 - B. Criminal penalties
 - C. Fine of \$10**
 - D. Cease and desist

Enforcement actions for AML violations are designed to deter misconduct and restore compliance. Regulatory authorities can suspend or revoke a financial institution's license, impose criminal penalties for willful or egregious violations, or issue cease-and-desist orders to stop illegal activities. A nominal fine of ten dollars wouldn't function as a credible sanction for a large, global institution—the amount is far too small to deter or remediate widespread noncompliance and doesn't reflect standard penalty practices for AML breaches. Fines, when they do occur, are typically substantial and tied to the severity of the violation, making them effective consequences. The other sanctions described are real regulatory remedies, while a token ten-dollar fine wouldn't be appropriate as a sanction in this context.

7. Which investment feature of life insurance products places them at greater risk for money laundering?

- A. Fixed interest rate**
- B. Non-transferable features**
- C. Guaranteed cash value**
- D. Transferability**

Transferability drives money-laundering risk because it lets policy rights, ownership, or value move easily between parties. When a life insurance policy can be transferred, assigned, sold, or pledged, illicit funds can be layered and moved through different hands, obscuring who ultimately benefits and where the money came from. This creates opportunities to disguise the origin of assets, complicate the transaction trail, and evade standard Know Your Customer and source-of-funds checks. In practice, arrangements like policy assignments, life settlements, or premium-financing deals can enable rapid changes in ownership and control, making it harder for investigators to trace funds. Other features, such as a fixed interest rate, non-transferable terms, or guaranteed cash value, do not by themselves provide a mechanism to transfer ownership or control, so they carry less AML risk in terms of concealment.

8. The Treasury Department directs that an AML program must be based on risk assessment of which elements?

- A. Distribution channels only**
- B. Product and location**
- C. Product, customers, distribution channels, and location**
- D. Customers only**

The key idea is that an AML program should assess risk across multiple dimensions to tailor controls effectively. The Treasury requires the risk-based approach to be built from a risk assessment that covers product or service types, the customers involved, the distribution channels used, and the geographic locations affected. Each dimension brings its own risk drivers: certain products or services can enable easier concealment or rapid movement of funds; some customers (like non-residents or politically exposed persons) carry higher ML risk; specific delivery channels (such as third-party agents, correspondent banking, or online platforms) introduce unique abuse avenues; and certain locations or regions may have stronger ML ecosystems, weaker AML controls, or sanctions risk. By evaluating all four areas together, an organization can identify where the greatest risk lies and apply proportional controls accordingly. If you consider only one or two elements, you might miss important risk factors present in the others, leaving gaps in the program.

9. Who has primary responsibility for enforcement of the BSA under the USA Patriot Act?

- A. Federal Reserve**
- B. Department of the Treasury**
- C. Office of the Comptroller of the Currency**
- D. Federal Deposit Insurance Corporation**

The main idea is that the Department of the Treasury leads BSA enforcement under the USA PATRIOT Act. This authority is exercised mainly through the Financial Crimes Enforcement Network (FinCEN), which writes the BSA regulations, sets reporting requirements (like CTRs and SARs), and coordinates AML/CFT policy. Federal banking regulators such as the Federal Reserve, OCC, and FDIC play a supervisory role and enforce BSA compliance within the institutions they oversee, but they do so within the Treasury framework and often at the examiner level. In short, Treasury is the lead enforcement body, with other regulators implementing and enforcing within their regulated sectors as part of that overarching framework.

10. Which of the following does not describe a high-risk account?

- A. An account opened with large, unusual deposits**
- B. An account opened with \$50 and little anticipated activity**
- C. An account showing rapid movement of funds**
- D. An account held by a shell company**

High-risk accounts in AML for insurance are identified by patterns that suggest money laundering or concealment of illicit proceeds. Large, unusual deposits stand out as a red flag because they may indicate attempts to introduce illicit funds into the system or to structure deposits to evade reporting. Rapid movement of funds signals layering, a common laundering technique to obscure the money's origin by quickly transferring through multiple accounts. An account held by a shell company also raises concern because it can mask true ownership and facilitate hidden transactions. An account opened with a small amount like \$50 and little anticipated activity does not exhibit these warning patterns, making it the best candidate for not being a high-risk account.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://antimoneylaund4insurance2e.examzify.com>

We wish you the very best on your exam journey. You've got this!

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