

# ANTI MONEY- LAUNDERING FOR INSURANCE 2ND EDITION PRACTICE EXAM (SAMPLE) STUDY GUIDE



## SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. Which of the following is a red flag indicating a policy loan could be used as a money-laundering vehicle?**
  - A. Large, rapid loan activity
  - B. A routine, fully documented policy loan with traceable funds
  - C. A policy loan used for a clearly legitimate business purpose with documented sources
  - D. A policy loan that is repaid on schedule with an audit trail
- 2. In the context of AML risk assessment for insurance, which elements should be considered?**
  - A. Product, customers, distribution channels, and location
  - B. Only product
  - C. Only customers
  - D. Only distribution channels
- 3. Under which circumstance is it appropriate to flag a customer's activity as a red flag and possibly file a SAR?**
  - A. When there is no legitimate business reason for the transactions and funds pass through
  - B. When a customer makes a routine salary deposit
  - C. When a customer pays a small bill with cash
  - D. When a customer makes a single purchase with a check
- 4. What is the purpose of a risk-based AML program in insurance, and which three elements drive its design?**
  - A. To detect and report all suspicious activity regardless of risk; driven by product lines.
  - B. To identify ML/TF risks and apply proportional controls; driven by risk assessment results, regulatory expectations, and business model realities.
  - C. To comply with a single regulator's requirements; driven by annual audits.
  - D. To maximize profits while minimizing compliance costs; driven by budget constraints.



- 5. Which statements best describe the driving elements of a risk-based AML program for insurers?**
- A. Product pricing strategy, marketing budget, and geographic location.
  - B. Risk assessment results, regulatory expectations, and business model realities.
  - C. Tax code, accounting standards, and actuarial assumptions.
  - D. Investor relations strategy, dividend policy, and credit risk.
- 6. What FATF recommendations are relevant to the insurance sector?**
- A. FATF guidance does not apply to insurers
  - B. The FATF recommendations relevant to insurance include a risk-based approach, customer due diligence, ongoing monitoring, SARs, beneficial ownership, sanctions compliance, international cooperation, and enforcement.
  - C. FATF guidance only for banks
  - D. FATF requires insurers to perform annual external audits of all policies for AML.
- 7. Which monitoring activity is particularly important for cash value life insurance policies in AML programs?**
- A. Monitoring policies only for beneficiary designations.
  - B. Monitoring policy terms only.
  - C. Monitoring large premium payments and policy loans.
  - D. Monitoring cash value adjustments only.
- 8. Which governance actions support effective AML in insurance?**
- A. Board or senior management oversight; clear policies; escalation paths; budget for systems and training; regular independent testing.
  - B. Board oversight only.
  - C. No need for independent testing.
  - D. Escalation without training.
- 9. In the U.S. insurer AML framework, why is regulator coordination essential?**
- A. It ensures consistent expectations and supervisory actions across federal and state regimes.
  - B. It eliminates the need for state regulators.
  - C. It allows insurers to bypass reporting.
  - D. It focuses only on life insurance products.



**10. What is the expected outcome of a well-implemented AML program for an insurer?**

- A. Increased regulatory penalties
- B. Reduced ML/TF risk, compliance with law, protection of customers and firm, and minimal regulatory penalties
- C. No impact on risk
- D. Slower product development

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## **Answers**

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

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## **Explanations**

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**1. Which of the following is a red flag indicating a policy loan could be used as a money-laundering vehicle?**

- A. Large, rapid loan activity**
- B. A routine, fully documented policy loan with traceable funds
- C. A policy loan used for a clearly legitimate business purpose with documented sources
- D. A policy loan that is repaid on schedule with an audit trail

*In AML for insurance, a red flag appears when policy loan activity is unusually large or accelerates rapidly compared with what's typical for the policyholder and the policy itself. Policy loans are meant to be modest, documented borrowing against cash value, with funds that can be traced and justified. When there's a sudden, substantial increase in loan amounts or a flurry of loans issued in a short period, it suggests funds might be moving or layering into the financial system rather than being used for a legitimate insurance-related need. This could be a tactic to launder illicit funds by converting them into a policy loan and later withdrawing or transferring proceeds in a way that obscures the source of the money. In contrast, a routine, fully documented loan with traceable funds; a loan for a clearly legitimate business purpose with documented sources; and a loan that is repaid on schedule with an complete audit trail all indicate normal, compliant activity with proper controls and justification.*

**2. In the context of AML risk assessment for insurance, which elements should be considered?**

- A. Product, customers, distribution channels, and location**
- B. Only product
- C. Only customers
- D. Only distribution channels

*In AML risk assessment for insurance, you evaluate risk across multiple drivers, not just one aspect. The product itself can introduce risk through its features—large or unusual premiums, cash value components, loan options, or surrender practices that make money flow harder to trace. The customer brings risk through ownership, purpose, wealth sources, and whether the client is high-risk (such as complex structures or PEPs). The distribution channel adds risk based on who sells the product, how they are compensated, and the level of due diligence applied to intermediaries, including the potential for non-face-to-face onboarding. Location or geography introduces risk from country-specific regulatory standards, sanctions regimes, and cross-border money flows. All four together create a fuller, risk-based view of potential AML concerns and guide the appropriate controls and monitoring. Focusing on only one element would miss other significant risk signals.*

**3. Under which circumstance is it appropriate to flag a customer's activity as a red flag and possibly file a SAR?**

- A. When there is no legitimate business reason for the transactions and funds pass through**
- B. When a customer makes a routine salary deposit
- C. When a customer pays a small bill with cash
- D. When a customer makes a single purchase with a check

*When there is no legitimate business reason for the transactions and funds pass through the account, it signals a potential money-laundering pattern. This lack of a plausible economic purpose, combined with funds moving through the customer's accounts without a clear, legitimate source or destination, makes the activity suspicious enough to flag and consider filing a Suspicious Activity Report (SAR). Routine salary deposits, paying a small bill with cash, or a single purchase with a check can be normal parts of everyday life and do not by themselves indicate illicit activity. They may be legitimate; only when paired with other red flags or a broader pattern would they raise concern. Always evaluate in the context of the customer's profile, known business, and any additional indicators before escalating.*

**4. What is the purpose of a risk-based AML program in insurance, and which three elements drive its design?**

- A. To detect and report all suspicious activity regardless of risk; driven by product lines.
- B. To identify ML/TF risks and apply proportional controls; driven by risk assessment results, regulatory expectations, and business model realities.**
- C. To comply with a single regulator's requirements; driven by annual audits.
- D. To maximize profits while minimizing compliance costs; driven by budget constraints.

*The main idea is to identify where money laundering and terrorist financing risks are highest and then apply controls that are proportional to those risks. A risk-based AML program in insurance focuses resources on the areas that truly matter, rather than trying to catch every suspicious activity across the entire operation. This approach hinges on three driving elements: first, the results of the risk assessment, which reveal which products, customer types, geographies, and distribution channels carry higher ML/TF risk and thus where controls should be strongest; second, regulatory expectations, which set the standards and minimum requirements inspectors and supervisors expect for risk-based screening, due diligence, and reporting; and third, the realities of the business model, including the insurer's product mix, payment methods, channels, volume, and cost constraints, which determine what controls are feasible and proportionate. That combination—risk-aware identification of risk, regulator-driven obligations, and practical business considerations—defines a risk-based approach that aims for effective mitigation without overburdening the organization.*

**5. Which statements best describe the driving elements of a risk-based AML program for insurers?**

- A. Product pricing strategy, marketing budget, and geographic location.
- B. Risk assessment results, regulatory expectations, and business model realities.**
- C. Tax code, accounting standards, and actuarial assumptions.
- D. Investor relations strategy, dividend policy, and credit risk.

*The driving elements of a risk-based AML program for insurers are the results of a formal risk assessment, the regulatory expectations that shape minimum standards, and the realities of how the insurer does business. A risk assessment points to where money-laundering risk is highest—such as high-value or complex insurance products, certain ownership structures, or specific distribution channels—so controls can be prioritized where they're most needed. Regulatory expectations provide the baseline requirements for customer due diligence, suspicious activity monitoring, recordkeeping, and reporting, ensuring the program meets legal obligations. The business model realities—including product types, distribution networks, customer segments, and geographic footprint—determine how those controls are implemented in practice and what level of rigor is appropriate for different areas of the business. Together, these elements guide where to allocate resources, what controls to deploy, and how to monitor and adapt the program over time. The other options mix factors that don't directly drive AML program design. Product pricing, marketing budget, or geographic location alone don't determine the risk-based controls or the allocation of compliance resources. Tax code, accounting standards, and actuarial assumptions concern financial reporting and modeling rather than AML risk and controls. Investor relations strategy, dividend policy, and credit risk likewise don't address how to structure an AML program to match risk and regulatory requirements.*

**6. What FATF recommendations are relevant to the insurance sector?**

- A. FATF guidance does not apply to insurers
- B. The FATF recommendations relevant to insurance include a risk-based approach, customer due diligence, ongoing monitoring, SARs, beneficial ownership, sanctions compliance, international cooperation, and enforcement.**
- C. FATF guidance only for banks
- D. FATF requires insurers to perform annual external audits of all policies for AML.

*The question tests understanding that FATF guidance and recommendations do apply to the insurance sector and outline a broad set of AML/CFT controls tailored to insurers. The best answer reflects the full spectrum of FATF-relevant requirements that insurers should implement to prevent money laundering and terrorist financing across products and services. A risk-based approach means focusing attention and resources on the higher risk situations, such as complex or cross border policy structures, large or unusual premium payments, or investment linked products. Customer due diligence is fundamental: verify who the customer is, understand the purpose and nature of the relationship, and assess and document the risk they pose. Ongoing monitoring builds on this by continuously reviewing transactions and policy activity for signs of suspicious or unusual behavior, not just at onboarding. Suspicious activity reporting is the mechanism by which suspected ML/TF activity is communicated to the competent authorities, enabling further investigation. Beneficial ownership addresses the risk that a policyholder or corporate client could be controlled by someone who remains hidden behind a legal entity. Sanctions compliance requires screening against relevant sanctions lists and taking appropriate action if a match is found. International cooperation ensures that information and assistance cross borders when needed to disrupt cross border ML/TF activity. Enforcement captures the supervisory and regulatory actions that ensure these controls are actually implemented and maintained. Together, these elements describe why FATF guidance is relevant to insurers and how it translates into concrete AML/CFT practices. The other options misstate scope or requirements—for example, suggesting insurers are excluded from FATF guidance, or implying FATF only applies to banks, or mandating a specific external audit of all policies—that do not align with how FATF's framework is designed to function in the insurance context.*



**7. Which monitoring activity is particularly important for cash value life insurance policies in AML programs?**

- A. Monitoring policies only for beneficiary designations.
- B. Monitoring policy terms only.
- C. Monitoring large premium payments and policy loans.**
- D. Monitoring cash value adjustments only.

*For cash value life insurance, the most important AML monitoring focuses on how funds flow in and out of the policy. The cash value feature means the policy can accumulate substantial liquidity and be accessed through loans. Because of that, watching for large premium payments and policy loans is essential. Large, unusual premium payments can signal attempts to move illicit funds into the policy, effectively laundering money by layering funds into a legitimate asset. Policy loans, on the other hand, provide a mechanism to access cash value without surrendering the policy, which can be exploited to withdraw funds covertly or structure withdrawals to avoid straightforward reporting. Together, these two activity areas directly reveal potential misuse of the policy as a vehicle for moving and disguising funds, making them the most telling indicators in an AML program for cash value policies. Routine beneficiary changes, standard policy terms, or typical cash value adjustments are generally less indicative of illicit activity and often reflect normal operations.*

**8. Which governance actions support effective AML in insurance?**

- A. Board or senior management oversight; clear policies; escalation paths; budget for systems and training; regular independent testing.**
- B. Board oversight only.
- C. No need for independent testing.
- D. Escalation without training.

*Effective AML governance in insurance relies on a framework where governance at the top is explicit and durable, supported by concrete policies, defined escalation pathways, funding for systems and training, and ongoing independent testing. The board and senior management set the tone, ensure risk management commitments are followed, and hold the organization accountable for AML outcomes. Clear policies translate risk-based decisions into concrete controls for customer due diligence, monitoring, and reporting. Escalation paths ensure that suspicious activity or control deficiencies are raised promptly to those with authority to act, so remediation can occur quickly. Providing a budget for both technology and training ensures that the organization has up-to-date monitoring systems, data quality, and staff competency to detect and respond to AML risks. Regular independent testing offers objective verification that the controls work as intended and identifies gaps before they can be exploited. In the insurance context, where activities like policy issuance, premium payments, and distribution through agents can create complex transaction patterns and ownership structures, this integrated governance approach is essential to maintain effective AML compliance. Without one or more components—the policies, resources, or independent testing, for example—the governance framework would be incomplete and AML controls could fail to detect or deter illicit activity.*

**9. In the U.S. insurer AML framework, why is regulator coordination essential?**

- A. It ensures consistent expectations and supervisory actions across federal and state regimes.**
- B. It eliminates the need for state regulators.
- C. It allows insurers to bypass reporting.
- D. It focuses only on life insurance products.

*Cooperation among regulators is essential to create a single, coherent standard for AML supervision across all the different authorities that oversee insurers. In the United States, exam and enforcement activity can come from federal bodies as well as state insurance departments, and insurers operate across multiple jurisdictions. When regulators coordinate, they align expectations, clarify what constitutes a compliant AML program, and ensure that supervisory actions are consistent regardless of which regulator is reviewing the insurer. This coordination helps prevent gaps where some risks might slip through because one regulator's rules are more stringent or less strict than another's, and it avoids duplicative or conflicting requirements that would complicate compliance. It also enables effective information sharing about suspicious activity indicators, risk assessments, and enforcement trends, which strengthens the overall ability to detect and deter money laundering. For insurers, whose product lines and distribution channels can span many states and even cross borders, this unified approach keeps supervision predictable and fair, supports efficient examinations, and reduces the burden of navigating a patchwork of different rules. The other options suggest eliminating state regulators, bypassing reporting, or focusing only on life products, which does not reflect how the AML framework actually operates. State regulators remain part of the system, reporting and supervision processes cannot be bypassed, and AML concerns extend beyond any single product line.*

**10. What is the expected outcome of a well-implemented AML program for an insurer?**

- A. Increased regulatory penalties
- B. Reduced ML/TF risk, compliance with law, protection of customers and firm, and minimal regulatory penalties**
- C. No impact on risk
- D. Slower product development

*A well-implemented AML program focuses on reducing money laundering and terrorist financing risk while ensuring regulatory compliance and protecting customers and the firm. By applying a risk-based approach to customer due diligence, ongoing transaction monitoring, suspicious activity reporting, and strong governance, an insurer lowers the likelihood that illicit funds flow through its products and services. This solid risk management supports compliance with applicable laws and supervisory expectations, helps preserve the firm's reputation and financial stability, and demonstrates to regulators that controls are effective, which tends to lead to minimal penalties. The other options don't fit because stronger penalties would signal weak controls, not a well-run program; there is indeed an impact on risk when AML controls are properly in place; and the aim is to manage risk efficiently rather than deliberately slow down product development.*

## 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](mailto:hello@examzify.com).

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

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

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