

**[ IC CIRCULAR LETTER NO. 9-2002, MAY 8, 2002,  
May 08, 2002 ]**

**OPERATING MANUAL AGAINST MONEY-LAUNDERING FOR  
INSURANCE COMMISSION COVERED INSTITUTIONS.**

Pursuant to the provisions of the Anti-Money Laundering Act of 2001, its implementing rules and regulations, the Insurance Code, as amended, and other pertinent laws, rules and regulations, the Insurance Commission hereby issued this operating manual for the anti-money laundering effort of its covered institutions. For Strict Compliance.

Adopted: 8 May 2002

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**TITLE I  
Definitions and Application**

*SECTION 1.*

- a. "Act" shall refer to Republic Act 9160 entitled, "An Act Defining the Crime of Money-Laundering, Providing Penalties Therefore and For Other Purposes".
- b. "Covered Institutions" — shall be deemed to refer to all entities, persons, individuals, regulated and supervised by the Insurance Commission under the Insurance Code as well as Act No. 9160, and shall include the following:
  - b.1. All Life Insurance Companies doing business in the Philippines;
  - b.2. All Non-Life Insurance Companies doing business in the Philippines;
  - b.3. Insurance Intermediaries, whether general agents, ordinary agents or brokers;
  - b.4. Professional Reinsurers and Reinsurance Brokers;
  - b.5. Holding Companies.

The definitions of the foregoing as used in the Act and its implementing rules and regulations shall likewise be application for purposes of this Operating Manual.

- c. It is understood that the provisions of the Act, its implementing rules and regulations shall apply in all other cases not covered by this operating manual.

## **TITLE 2**

### **The Crime of Money Laundering**

*SECTION 1. Money Laundering* — money laundering covers all procedures to change, obscure or conceal the beneficial ownership or audit trail of illegally obtained money or valuables so that it appears to have originated from a legitimate source.

*SECTION 2. Stages of Money Laundering* — the three (3) common stages of money-laundering during which there may be numerous transactions made by launderers that could alert an insurance institution are:

**2.a. Placement** — the physical disposal of cash proceeds derived from illegal activity. The aim is to remove cash from the location of acquisition to avoid detection.

**2.b. Layering** — separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the source of money, subvert the audit trail and provide anonymity. The purpose is to disassociate the illicit proceeds from the unlawful activity by creating intentionally a complex web of financial transactions aimed at concealing any audit trail as well as the source and ownership of funds.

**2.c. Integration** — the final stage is the process at which the money is integrated into the legitimate economic and financial systems and is assimilated with all the other assets in the system. Integration of laundered money into the economy is accomplished by making it appear to have been legally earned. Thus, exceedingly difficult to distinguish between legal and illegal wealth.

*SECTION 3.* Owing to the nature of insurance contracts or policies, payment of premiums as well as settlement of insurance claims, and all other forms of insurance transactions, are presently no longer predominantly cash based, thus covered insurance institutions are less likely to be used in the placement stage than other financial institutions.

The most common form of money laundering that insurance institutions will encounter takes the form of a proposal to enter into a single premium contract. Examples of these types of contracts are investment bonds, single premium annuities, lump sum payments to an existing life insurance contract, accelerated or increased coverage/premiums, lump sum contributions to premium deposit-fund types of policies, etc.

These contracts in themselves may be part of a sophisticated web of complex transactions and which will often have their origins in the financial services sector. Thus, since most payments are made in checks from another financial institution, the foregoing as described provides mechanisms for the first stage of money laundering.

However, the payment of premium in cash is not unknown and the risk of the business being used at the placement stage cannot be ignored. The business of insurance is most likely to be sued at the second stage of money laundering, the layering process, as they provide a potential avenue which may allow a dramatic

alteration of the form of funds — from cash on hand to cash in bank, from money in whatever form to an entirely different asset such as securities, investment contracts, pension plans, insurance policies, stock certificates, pre-need plans, bearer and other negotiable instruments. Insurance policies, particularly life insurance contracts, are treated not only as protection and savings instruments, but also as investment contracts and as such, insurance transactions incorporate added attraction to the launderer in that the alternative asset is normally highly liquid. The ability to liquidate investment portfolios containing both lawful and illicit proceeds, while concealing the criminal source of the latter, combined with the huge variety of investments and insurance products available, and the ease of transfer between them, offers the sophisticated criminal launderer an ideal route to effective integration into the legitimate economy. Due diligence must therefore be exercised to prevent the use of insurance commission as instruments of money laundering.

### **TITLE 3**

#### **Policies of Insurance Institutions to Combat Money-Laundering**

*SECTION 1.* To Combat Money Laundering, the Commission requires covered institutions to adopt and apply the following policies:

1.a. **Know your customer** — all insurance institutions should institute effective procedures for obtaining identification of customers. Insurance institutions should not keep anonymous accounts of accounts in obviously fictitious names and should properly identify and record the identity of their clients when establishing business.

1.b. **Record Keeping** — insurance institutions should ensure that, in all stages in a transaction, all relevant information can be retrieved to the extent available without undue delay.

1.c. **Compliance with Laws** — insurance institution management should insure that business is conducted in conformity with high ethical standards, laws and regulations being adhered to and ensuring that the service is not provided where there is good reason to suppose that transactions are associated with money laundering activities.

1.d. **Cooperation with AMLC, AMLC Secretariat and the law enforcement agencies** — within the legal constraints relating to customer confidentiality, insurance institutions shall cooperate fully with the Anti-Money Laundering Council, its Secretariat and law enforcement agencies including, where there are reasonable grounds for suspecting money laundering, taking appropriate measures which are consistent with the law.

Disclosure of information by insurance commission for the purposes of the Act regarding covered transaction reports and suspicious transactions shall be made to the Executive Director, Anti-Money Laundering Council, Bangko Sentral Ng Pilipinas.

1.e. **Policies, procedures and training** — each insurance institution shall adopt policies consistent with the principles set out in this Manual, ensuring that its staff, wherever located, are informed of these policies and adequately trained in matters set forth herein. Covered insurance institutions shall implement specific procedures for customer identification (Title 4), Record Keeping (Title 5), reporting of covered

and suspicious transactions (Title 6).

## **TITLE 4**

### **Customer (Policyowner) Identification**

#### **PART A**

*SECTION 1.* As a regular part of the application process for insurance, covered insurance institutions are required to obtain satisfactory evidence of the true and full identity of insurance applicants, which information includes but not limited to:

1.a. Names, addresses, telephone number, tax identification number, occupation, employer and duties, whenever applicable, original documents of identity issued by an official authority bearing the photograph of the client eg; official identification cards and passports, specimen signatures.

While identification documents easily obtained in any name like, medical cards, credit cards and student identification cards may be used, the same should not be accepted as the sole means of identification.

1.b. The names of beneficiaries, when applicable, to the insurance contract and the relationship to the policyowner.

1.c. For corporate clients, incorporation or partnership papers, its domicile, legal basis for its existence and organizational structure including the identification of all persons purporting to act on their behalf. Any document submitted shall be certified as true copies from the issuing government agency.

1.d. Duly notarized special authorizations for representatives.

1.e. Other pertinent and reasonable documents as may be deemed, necessary under the prevailing circumstances.

*SECTION 2.* Clients should be made aware of covered insurance institutions' explicit policy that transactions will not be conducted with applicants who fail to provide evidence of their identity, but without derogating from the obligations of the covered insurance institution to report covered and suspicious transactions. Where initial checks fail to identify the applicant, or give rise to suspicions that the information given is false, additional verification measures should be undertaken to determine whether to proceed with the business. Details of the additional checks are to be recorded.

*SECTION 3.* When a covered insurance institution acquires the business of another financial institution or covered insurance institution, either in whole or as a product portfolio, it is not necessary for the identity of all existing customers to be re-identified, provided that:

3.a. all client account records are acquired with the business; and

3.b. due diligence inquiries do not raise any doubt as to whether the anti-money laundering procedures previously adopted by the acquired business have satisfied AMLC requirements.

*SECTION 4.* If during the business relationship, the covered insurance institution has reason to doubt:

- 4.a. the accuracy of the information relating to the customer's identity;
- 4.b. the client as the beneficial owner;
- 4.c. the intermediaries declaration of beneficial ownership, or
- 4.d. for reason of any sign of unreported changes.

Then the covered insurance institution concerned shall take further measures to verify the identity of the customer or the beneficial owner, when applicable. Such measures may include the following:

- 4.e. referral of names and other identifying information to criminal investigation authorities; and
- 4.f. review of disciplinary history and disclosure of past relevant sanctions.

*SECTION 5.* Covered insurance institutions shall maintain accounts only in the name of the account holder, they shall not open or keep anonymous accounts, fictitious name accounts, incorrect name accounts and similar accounts.

*SECTION 6.* The following minimum information/documents shall be obtained from individual customers:

- a. name;
- b. present address;
- c. permanent address;
- d. date and place of birth;
- e. nationality;
- f. nature of work and name of employer or nature of self-employment/business;
- g. contact number;
- h. tax identification number, SSS or GSIS number;
- i. specimen signature;
- j. source of fund(s); and
- k. names of beneficiaries, whenever applicable;
- l. proof of insurable interest, whenever applicable.