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Circular Letter No. : 15-2007  
Date : August 7, 2007

### CIRCULAR LETTER

**TO : ALL INSURANCE COMPANIES AND THEIR AGENTS, INSURANCE BROKERS, MUTUAL BENEFIT ASSOCIATIONS AND TRUST INSTITUTIONS FOR CHARITABLE USES AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES**

**SUBJECT : GUIDELINES FOR THE IMPLEMENTATION OF KNOW YOUR CUSTOMER (KYC) AND CUSTOMER DUE DILIGENCE (CDD) REQUIREMENTS**

This refers to the expressed practical concerns of Insurance Commission (IC)-covered institutions in complying with the Commission's KYC & CDD requirements stated in its Circular Letters 4-2004, 14-2004 and 13-2005.

The Commission acknowledges the said valid concerns and hereby addresses them by rationalizing the KYC rules and simplifying the CDD requirements in cases of low risk customers and transactions which are not susceptible to money laundering. It must be emphasized, however, that the aim of this Circular is to clarify the issues in such a way that the requirements will not impede or delay the insurance transactions nor frustrate the objectives of the Anti-Money Laundering Act (AMLA) of 2001, as amended by Republic Act 9194 and its Revised Implementing Rules and Regulations (IRR).

Hence, the Commission hereby issues this Circular to provide guidance to all IC-covered institutions in complying with the KYC & CDD requirements of the law.

#### I. Customer Identification and ID Requirement

1. Clients who engage in a financial transaction with IC-covered institutions for the **first time** shall be required to present the **original** and submit a copy of at least **one (1)** valid and highly credible **photo-bearing** identification document (Highly Credible ID) issued and signed by an **official authority**. Highly Credible photo-bearing ID includes any **one** of the following:



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Circular Letter No. 15-2007

August 7, 2007

Page 2 of 6

- Passport
- Driver's License
- Professional Regulations Commission (PRC) ID
- Police Clearance
- Postal ID
- Voter's ID
- Photo-Bearing Barangay ID/Certification
- GSIS e-Card
- SSS Card
- Philhealth Card
- Senior Citizen's Card
- Overseas Workers Welfare Administration (OWWA) ID
- OFW ID
- Seaman's Book
- Alien Certificate of Registration/Immigrant Certificate of Registration
- Government Office ID (e.g. AFP, Home Development Mutual Fund, Department of Education IDs) and IDs issued by government instrumentalities
- Photo-Bearing ID/Certification from the National Council for the Welfare of Disabled Persons (NCWDP)
- Department of Social Welfare and Development (DSWD) photo-bearing ID/Certification
- Firearms License
- ID issued by the Bureau of Internal Revenue
- Photo-Bearing Credit Card
- Photo-Bearing Health Card issued by Health Maintenance Organizations

**Non-photo-bearing** IDs/documents issued by official authorities such as birth certificates and IDs issued by private companies whether photo-bearing or not such as employment IDs and credit cards (**Substitute** IDs) shall be allowed if the applicant cannot produce a photo-bearing ID/documents issued by official authorities at the time of the **initial contact**. Provided, however, that the agent or insurer shall verify the identity of the applicant and make the production of the photo-bearing ID a continuing formal requirement during the duration of the policy and at the time the policyholder files his claim.

For any significant transactions **subsequent to the initial contact**, such as reinstatements, policy renewals, change of beneficiary, policy surrenders, policy loan availments or benefit claims, an update of the existing records and documents would suffice. However, for policies with no significant subsequent transactions, an update shall be made at least once every two years.

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August 7, 2007

Page 3 of 6

2. Where no facility or equipment for photocopying or reproduction is readily available, it is sufficient that the **original** Highly Credible IDs or Substitute IDs are presented by the client to the agent provided that the agent shall certify on the face of the application or any pertinent document evidencing the transaction that he had seen the original Highly Credible IDs or Substitute IDs and that the documents belong to the applicant. The details of the ID shall be specified or described in the certification. Provided, further, that the agent shall require subsequent submission of the photocopies of the IDs during the duration of the policy.
3. In all cases, the required minimum KYC information enumerated under Rule 9.1.c of the Revised IRR should be fully complied with. The insurer may require more than one ID in order to satisfy the minimum requirements.

**II. Telemarketing, Direct Marketing and Selling of Insurance Products through SMS or Texting**

In case of telemarketing, selling of insurance products via Short Message Sending (SMS) and direct marketing thru mail and publication by print, radio or television, there shall be no need to meet face-to-face with the client, provided, however, that the premium payable on the policy shall be minimal. "Minimal premium" shall mean an annual premium not exceeding Fifty Thousand Pesos (Php50,000.00), or single premium not over One Hundred Twenty-Five Thousand Pesos (Php125,000.00).

**III. Members under Group Policies, Individual Personal Accident and Health Products, Term Products, Credit Life Policies, Salary Allotment and/or Worksite Marketing Business**

1. Group Members Under a Group Policy. Since group policies are taken out by employers or entities to provide benefits to their employees or members, the former shall be considered as corporate clients and shall be required to submit KYC/CDD documentations. For **individual members**, in lieu of KYC/CDD requirements, the **employer or entity which holds the policy** shall be required by the insurer to submit a certified list under oath of individual members duly eligible to be covered under the policy and shall be responsible for verifying and maintaining the customer identification documents and records.

*Josefina Anton Anri*

2. Salary Allotment and/or Worksite Marketing Business. These are policies purchased through salary allotment and/or worksite marketing effected through an authorization issued by the insured or policyholder allowing his employer to deduct due premiums from the insured's salary and remit such deductions to the insurer. The existence of an employer-employee relationship establishes the identity of the customer and his legitimate source of income. The net-take-home pay rule which is normally required in this market ensures that the coverage applied for is within the affordability level of the applicant and rules out the use of fund originating from illegitimate sources. Hence, for the purpose of complying with KYC requirements, the employer shall be considered as corporate client and shall be required by the insurer to submit KYC documents.
  
3. Personal Accident and Health Policies, Credit Life and Term Products Without Savings Component. Customer's information are already provided in the application form for underwriting purposes, and throughout the life of the policy, confirmation and verification of the policyholder and beneficiary are made for purposes of policy maintenance, persistency, claim verification and any policy transaction after policy issue. Hence, the insurer shall not be required to duplicate this verification effort in complying with the KYC/CDD requirements.

#### IV. Bancassurance Transactions

Under a bancassurance, the insurance company is allowed to sell insurance products within the premises of the bank to the bank clients. These existing bank clients have been subjected to the KYC requirements and customer due diligence by the partner bank. Hence, in order to avoid undue duplication and alienating bank customers, the KYC requirements shall be waived in favor of bank's clients who will be applying for insurance coverage from the bancassurance partner in exchange for a notarized Bancassurance Agreement which contains a warranty clause that the partner bank has already subjected its clients to KYC requirements. Alternatively, the partner bank shall issue a sworn certification stating that the applicant is an existing bank's client who has already been subjected to the usual KYC/CDD requirements.

*Junglini Custome Juro*

**V. Brokered Transactions**

Similarly, in order to avoid overlapping of responsibilities, KYC requirements on accounts/transactions handled by insurance brokers may be left to the responsibilities of the brokers since they are primarily accountable in knowing their clients. Furthermore, brokers are considered as covered entities under the AMLA and its Revised IRR and therefore accountable to conduct CDD in doing their business. The issuance of a **sworn** KYC-compliant certification by the brokers on their generated accounts shall constitute sufficient compliance by the issuing insurance companies. However, the insurance companies shall not be relieved of their own KYC responsibilities.

**VI. Micro-Insurance**

For microinsurance product whereby a.) the amount of **premium** computed on a daily basis does not exceed ten percent (10%) of the current daily minimum wage rate for non-agricultural workers in Metro Manila; **and** b.) the maximum amount of life insurance **coverage** is not more than five hundred (500) times the minimum wage rate for non-agricultural workers in Metro Manila, the filing of a duly accomplished application form which contains the minimum information about the client shall be sufficient.

The above provision defining the maximum amount of premium and coverage and providing reduced KYC requirement shall also apply to non-life minor line products.

**VII. Non-Cash Sales or Transactions (Including Claims Settlement Effected Thru Payment of Checks or other Bank Instruments)**

Pursuant to AMLC Resolution No. 292 dated 24 October 2003, non-bank covered institutions like insurance companies are relieved from reporting covered transactions on non-cash transactions to avoid overlapping of reporting responsibilities since the bank concerned shall be reporting the transactions involving the settlement checks.

However, insurance companies shall not be excused from reporting suspicious transactions and complying with KYC/CDD requirements and record-keeping duties subject to the provisions of this Circular.

*Junglini Custoso Quin*

Circular Letter No. 15-2007

August 7, 2007

Page 6 of 6

The insurer shall have a system of determining the degree of reliance to be applied to third parties (e.g., banks, employers, brokers) in applying this Circular.

This Circular shall take effect immediately and supersedes all circulars, rules and regulations issued by the Insurance Commission which are inconsistent herewith.

Please be guided accordingly.

  
**EVANGELINE CRISOSTOMO-ESCOBILLO**  
Insurance Commissioner

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cc: The Honorable Secretary  
**MARGARITO B. TEVES**  
Department of Finance