



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



ADVISORY NO. 29-2020

24 August 2020

TO : All Insurance/Reinsurance Companies, Insurance and Reinsurance Brokers, Mutual Benefit Associations, Trusts for Charitable Uses, Pre-Need Companies, Health Maintenance Organizations and other Insurance Commission Regulated Entities

SUBJECT : Implementation of Section 14 and Section 18 of CL No. 2019- 65 dated 22 November 2019

On 22 November 2019, this Commission issued CL No. 2019-65 amending several sections under CL No. 2018-48 dated 14 September 2018, as amended by CL No. 2018-60 dated 15 November 2018.

Sections 14 and 18 of CL No. 2019-65 provides:

“SEC. 14. Section 34 of CL No. 2018-48, as amended is hereby amended to read as follows:

Section 34. Implementation of Targeted Financial Sanctions.

ICREs shall secure the consent of all their customers to be bound by obligations set out in the relevant United Nations Security Council Resolutions relating to the prevention and suppression of proliferation financing of weapons of mass destruction, including the freezing and unfreezing actions as well as prohibitions from conducting transactions with designated persons and entities.”

“SEC. 18. Section 45 of CL No. 2018-48, as amended is hereby amended to read as follows:

“Section 45. Failure to Satisfactorily Complete CDD. – ICREs who are unable to comply with the relevant CDD measures shall:

- a. *Refuse to open an account, commence business relations or **perform the transaction**; or **shall terminate the business relationship**; and*
- b. *File an STR in relation to the customer, if circumstances warrant.” (Emphasis and underscoring provided)*

To implement the above-quoted Section 18 of CL No. 2019-65, one of the life insurance companies, submitted a Policy Endorsement that would authorize the company to terminate the life insurance contract in case the Policyowner failed to satisfactorily update his records with the company. Other life insurance companies included a similar termination provision in the Declaration and Agreement section of their application forms instead of endorsement forms.

On the other hand, some companies did not make any revision in any of their contract forms to take into account Section 18 of CL No. 2019-65.

As can be noticed in the above submissions, companies have varying interpretations of Section 18 of CL No. 2019-65.

However, as regards the above-quoted Section 14 of CL No. 2019-65, this Commission did not receive any submission from its regulated companies.

For the guidance of Insurance Commission Regulated Entities (ICREs), the requirements under Section 14 and Section 18 of CL No. 2018-48 may be incorporated in the Declaration and Agreement section of their application forms, as follow:

“During the effectivity of the contract/policy, the customer/client agrees to the following:

1. *In case the company is unable to comply with relevant customer due diligence (CDD) measures, as required under the Anti-Money Laundering Act, as amended and relevant issuances, due to the fault of the client, the company may apply the following:*
 - a. *Measures to restrict the services available or prohibit any further transactions on the contract/policy until full and proper CDD measures have been successfully conducted; and*
 - b. *In case the foregoing is unsuccessful, terminate business relationship. The exercise of the company of this measure shall only entitle the client/customer to receive the unused portions of premium or withdrawal value, if any, whichever is applicable.*

2. *Be bound by obligations set out in relevant United Nations Security Council Resolutions relating to the prevention and suppression of proliferation financing of weapons of mass destruction, including the freezing and unfreezing actions as well as prohibitions from conducting transactions with designated persons and entities."*

Considering the foregoing, all submissions for the approval of this Commission relative to the above regulatory requirements that were received prior to and/or inconsistent with this Advisory are considered **WITHDRAWN**. Concerned ICREs are required to revise their submissions and ensure to obtain approval from this Commission not later than the period provided under Advisory 28 -2020 dated 20 August 2020.

For your information and guidance.



DENNIS B. FUNA
Insurance Commissioner