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ANTI-MONEY LAUNDERING and COMBATING THE FINANCING OF TERRORISM

Policy Manual

This document contains confidential information and remains the property of Asia United Insurance, Inc. It is not to be used for any other purposes, copied, distributed or transmitted in any form or means or carried outside the company premises without prior written consent from the management.

1. COMPANY POLICY

It is the policy of Asia United Insurance, Inc. to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities by complying with all applicable requirements under Republic Act No. 9160, otherwise known as the *"Anti-Money Laundering Act of 2001 (AMLA), as Amended"* and Republic Act No 10168, otherwise known as *"The Terrorism Financing Prevention and Suppression Act"*.

2. GENERAL PRINCIPLES

Asia United Insurance, Inc. (AUII), as an Insurance Commission Regulated Entity (ICRE) in its pursuit to counter anti-money laundering and the financing of terrorism, hereby adopts the General Principles as laid out in the Insurance Commission's Circular Letter No. 2018-48 (CL 2018-48) dated 14 September 2019, to wit:

a. Conform with high ethical standards and observe good corporate governance consistent with the Guidelines laid out in CL 2018-48 in order to protect the integrity of AUII;
b. Know sufficiently the Company's customers to prevent criminal elements and suspicious individuals or entities from transacting with, or establishing or maintaining relationship with AUII;
c. Adopt and effectively implement an appropriate AML/CFT risk management system that identifies, understand, assesses, monitors, and controls risks associated with money laundering and terrorist financing (MLITT);
d. Comply fully with existing laws and regulations aimed at combating money laundering and terrorist financing by making sure that AUII's officers and employees are aware of their respective responsibilities and carry them out in accordance with a superior and principled culture of compliance;
e. Cooperate fully with the Insurance Commission (IC) and the Anti-Money Laundering Council (AMLC) for the effective implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Laws, their respective implementing rules and regulations, and other directives, guidance and issuances from the IC and AMLC.

3. DEFINITIONS[1]

A. **"Anti-Money Laundering Act"** (AMLA) refers to Republic Act No. 9160, as amended by Republic Act Nos. 9194, 10167, 10365 and 10927.

B. **"Anti-Money Laundering Council"** (AMLC) refers to the financial intelligence unit of the Philippines which is the government agency tasked to implement the AMLA

[1] Insurance Commission Circular Letter (CL) No. 2018-48 dated. 14 Sept. 2018

and Republic Act No. 10168, otherwise known as The Terrorism Financing Prevention and Suppression Act (TFPSA).

C. **"Financing of Terrorism"** is a crime committed by a person who, directly or indirectly, willfully and without lawful excuse, possesses, provides, collects or uses property or funds or makes available property, funds or financial service or other related services, by any means, with the unlawful and willful intention that they should be used or with the knowledge that they are to be used, in full or in part: (i) carry out or facilitate the commission of any terrorist act; (ii) by a terrorist organizations, association or group; or (iii) by an individual terrorist.

D. **"Person"** refers to any natural or juridical person.

E. **"Transaction"** refers to any act establishing any right or obligation, or giving rise to any contractual or legal relationship between the parties thereto. It also includes any movement of funds by any means with a covered person.

F. **"Competent authorities"** refers to all public authorities with designated responsibilities for combating money laundering and/or terrorist financing. In particular, this includes the AMLC; the authorities that have the function of investigating and/or prosecuting money laundering, unlawful activities and terrorist financing, and seizing/freezing and confiscating any monetary instrument or property that is in any way related to an unlawful activity; authorities receiving reports on cross-border transportation of currency & bearer negotiable instruments (BNIs); and authorities that have AML/CFT supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and DNFBPs with AML/CFT requirements.

G. **"Covered transaction"** refers to:

1. A transaction in cash or other equivalent monetary instrument exceeding Five Hundred Thousand pesos (Php500,000.00) or its equivalent in any other currency; or

2. A transaction, regardless of frequency of payment (monthly, quarterly, semi-annually or annually), where the total premiums/fees paid for a policy, plan or agreement for the entire year exceeds Five Hundred Thousand Pesos (Php500,000.00) or its equivalent in any other currency.

H. **"Suspicious Transaction"** refers to a transaction, regardless of amount, where any of the following circumstances exists:

1. There is no underlying legal or trade obligation, purpose or economic justification;
2. The customer is not properly identified;

3. The amount involved is not commensurate with the business or financial capacity of the customer;
4. Taking into account all known circumstances, it may be perceived that the customer's transaction is structured in order to avoid being the subject of reporting requirements under the AMLA;
5. Any circumstance relating to the transaction which is observed to deviate from the profile of the customer and/or the customer's past transactions with the covered person;
6. The transaction is in any way related to an unlawful activity or any money laundering activity or offense that is about to be committed, is being or has been committed; or
7. Any transaction that is similar, analogous or identical to any of the foregoing.

Any unsuccessful attempt to transact with an ICRE, the denial of which is based on any of the foregoing circumstances, shall likewise be considered as suspicious transaction.

I. **"Customer"** refers to any person who keeps an account, or otherwise transacts business with an ICRE. It includes the following:
1. Beneficial owner, or any natural person who ultimately owns or controls a customer and/or on whose behalf an account is maintained or a transaction is conducted;
2. Transactors, agents and other authorized representatives of beneficial owners;
3. Beneficiaries of trusts, investment and pension funds, insurance policies and remittance transactions;
4. A Company or person whose assets are managed by an asset manager;
5. Trustors / grantors / settlors of a trust; and
6. Any insurance policy holder, pre-need plan, holder or HMO enrolled member, whether actual or prospective.

J. **"Politically Exposed Person"** (PEP) refers to an individual who is or has been entrusted with prominent public position in (1) the Philippines with substantial authority over policy, operations or the use or allocation of government-owned resources; (2) a foreign State; or (3) an international organization. The term PEP shall include immediate family members and close relationships/associates of PEPs.

The term PEP shall include immediate family members, and close relationships and associates that are reputedly known to have:

1. Joint beneficial ownership of a legal entity or legal arrangement with the main/principal PEP; or
2. Sole beneficial ownership of a legal entity or legal arrangement that is known to exist for the benefit of the main/principal PEP.

K. **"Immediate Family Member of PEPs"** refers to individuals related to the PEP within the second degree of consanguinity or affinity.

L. **"Close Relationship/Associates of PEPs"** refer to persons who are widely and publicly known, socially ore professionally, to maintain a particularly close relationship with the PEP, and include persons who are in a position to conduct substantial domestic and international financial transactions on behalf of the PEP.

M. **"Beneficial Owner"** refers to any natural person who:

1. Ultimately owns or controls the customer and/or on whose behalf a transaction or activity is being conducted; or
2. Has ultimate effective control over a legal person or arrangement; or,
3. Owns at least twenty percent (20%) shares, contributions or equity interest in a juridical person or legal arrangement.

Control includes whether the control is exerted by means of trusts, agreements, arrangements, understandings, or practices, and whether or not the individual can exercise control through making decisions about financial and operating policies.

N. **"Identification Document (ID)"** refers to any of the following evidence of identity:

1. For Filipino citizens: Those issued by any of the following official authorities:

   a. Philippine ID;
   b. Other identification issued by the Government of the Republic of the Philippines, including its political subdivisions, agencies, and instrumentalities; and,
   c. Other identification documents that can be verified using reliable, independent source documents, data or information.

2. For foreign nationals:
   a. Phil. ID, for resident aliens;
   b. Passport;
   c. Alien Certificate of Registration; and,
   d. Other identification documents issued by the Government of the Republic of the Philippines, including its political subdivisions, agencies and instrumentalities.

3. For Filipino students:
   a. Phil. ID;
   b. School ID signed by the school principal or head of the educational institution; and
   c. Birth Certificate issued by the Philippine Statistics Authority; and

4. For low risk customers: Any document or information reduced in writing which the covered person deems sufficient to establish the customer's identity.

O. **"Monetary Instrument"** shall include, but is not limited to the following:

1. Coins or currency of legal tender of the Philippines, or of any other country;
2. Credit instruments, including bank deposits, financial interest, royalties, commissions, and other intangible property;
3. Drafts, checks, and notes;
4. Stocks or shares, participation or interest in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract, instrument, whether written or electronic in character, including those enumerated in Section 3 of the Securities Regulation Code;
5. A participation or interest in any non-stock, non-profit corporation;
6. Securities or negotiable instruments, bonds, commercial papers, deposit certificates, trust certificates, custodial receipts, or deposit substitute instruments, trading orders, transaction tickets, and confirmations of sale or investments and money market instruments;
7. Contracts or policies of insurance, life or non-life, contracts of suretyship, pre-need plans, and member certificates issued by mutual benefit association; and
8. Other similar instruments where title thereto passes to another by endorsement, assignment, or delivery.

P. **"Property"** refers to anything or item of value, real or personal, tangible or intangible, or any interest therein, or any benefit, privilege, claim, or right with respect thereto, including:

1. Personal property, including proceeds derived therefrom, or traceable to any unlawful activity, such as, but not limited to:
   a. Cash;
   b. Jewelry, precious metals and stones, and other similar items;
   c. Works of art, such as paintings, sculptures, antiques, treasures, and other similar precious objects;
   d. Perishable goods; and
   e. Vehicles, vessels, aircraft, or any other similar conveyance.
2. Personal property, used as instrumentalities in the commission of any unlawful activity, such as:
   a. Computers, servers, and other electronic information and communication systems; and
   b. Any conveyance, including any vehicle, vessel, and aircraft.

3. Real estate, improvements constructed or crops growing thereon, or any interest therein, standing upon the record of the registry of deeds in the name of the party against whom the freeze order or asset preservation order

   is issued, or not appearing at all upon such records, or belonging to the party against whom the asset preservation order is issued and held by any other person, or standing on the records of the registry of deeds in the name of any other person, which are:

   a. derived from, or traceable to, any unlawful activity; or
   b. used as an instrumentality in the commission of any unlawful activity.

Q. **"Proceeds"** refers to an amount derived or realized from any unlawful activity.

R. **"Monetary Instrument or Property Related to an Unlawful Activity"** refers to:

1. All proceeds of an unlawful activity;
2. All monetary, financial or economic means, devices, accounts, documents, papers, items, or things used in or having any relation to any unlawful activity;
3. All moneys, expenditures, payments, disbursements, costs, outlays, charges, accounts, refunds, and other similar items for the financing, operations, and maintenance of any unlawful activity; and
4. For purposes of freeze order and bank inquiry: related and materially-linked accounts.

S. **"Related Accounts'** refers to those accounts, the funds and sources of which originated from and/or are materially-linked to the monetary instruments or properties subject of the freeze order or an order of inquiry.

T. **"Materially-linked Accounts"** shall include the following:

1. All accounts or monetary instruments under the name of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or an order of inquiry;
2. All accounts or monetary instruments held, owned, or controlled by the owner or holder of the accounts, monetary instruments, or properties subject of the freeze order or order of inquiry, whether such accounts are held, owned or controlled singly or jointly with another person;
3. All "In Trust For" accounts where either the trustee or the trustor pertains to a person whose accounts, monetary instruments, or properties are the subject of the freeze order or order of inquiry;
4. All accounts held for the benefit or in the interest of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or order of inquiry; and

5. All other accounts of juridical persons or legal arrangements that are owned, controlled or ultimately effectively controlled by the natural person whose accounts, monetary instruments or properties are subject of the freeze order or order of inquiry, or where the latter has ultimate effective control; and,
6. All other accounts, shares, units or monetary instruments that are similar, analogous, or identical to any of the foregoing.

U. **"Offender"** refers to any person who commits a money laundering offense.

V. **"Unlawful Activity"[2]** refers to any act or omission, or series or combination thereof, involving or having direct relation, to the following:

1. *"Kidnapping for Ransom"* under Article 267 of Act No. 3815, otherwise known as the Revised Penal Code, as amended;
2. Sections 4, 5, 6, 8, 9, 10, 11, 12,13, 14, 15 and 16 of Republic Act No. 9165, otherwise known as the *"Comprehensive Dangerous Drugs Act of 2002";*
3. Section 3 paragraphs b, c, e, g, h and i of Republic Act No. 3019, as amended, otherwise known as the *"Anti-Graft and Corrupt Practices Act;*
4. *"Plunder'* under Republic Act No. 7080, as amended;
5. *"Robbery'* and *"Extortion"* under Articles 294, 295, 296, 299, 300, 301 and 302 of the Revised Penal Code, as amended;
6. *"Jueteng"* and *"Masiao"* punished as illegal gambling under Presidential Decree No. 1602;*"Piracy on the High Seas* under the Revised Penal Code, as amended, and Presidential Decree No. 532:
7. *"Qualified Theft'* under Article 310 of the Revised Penal Code, as amended;
8. *"Swindling"* under Article 315 and *"Other Forms of Swindling"* under Article 316 of the Revised Penal Code, as amended:
9. *"Smuggling"* under Republic Act No. 455, and Republic Act No. 1937, as amended, otherwise known as the *"Tariff and Customs Code of the Philippines";*
10. Violations under Republic Act No. 8792, otherwise known as the *"Electronic Commerce Act of 2000";*
12. *"Hijacking"* and other violations under Republic Act No. 6235, otherwise known as the *"Anti-Hijacking Late; "Destructive Arson";* and *"Murder",* as defined under the Revised Penal Code, as amended;
13. *"Terrorism"* and *"Conspiracy to Commit Terrorism"* as defined and penalized under Sections 3 and 4 of Republic Act No. 9372;
14. *"Financing of Terrorism"* under Section 4 and offenses punishable under Sections 5, 6, 7 and 8 of Republic Act No. 10168, otherwise known as the *"Terrorism Financing Prevention and Suppression Act of 2012";*
15. *"Bribery'* under Articles 210, 211 and 211-A of the Revised Penal Code, as amended, and *"Corruption of Public Officers"* under Article 212 of the Revised Penal Code, as amended;

[2] Insurance Commission Circular Letter (CL) No. 2018-48 dated. 14 Sept. 2018

16. *"Frauds and Illegal Exactions and Transactions"* under Articles 213, 214, 215 and 216 of the Revised Penal Code, as amended;
17. *"Malversation of Public Funds and Property"* under Articles 217 and 222 of the Revised Penal Code, as amended;
18. *"Forgeries"* and *"Counterfeiting'* under Articles 163, 166, 167, 168, 169 and 176 of the Revised Penal Code, as amended;
19. Violations of Sections 4 to 6 of Republic Act No. 9208, otherwise known as the *"Anti-Trafficking in Persons Act of 2003, as amended";*
20. Violations of Sections 78 to 79 of Chapter IV of Presidential Decree No. 705, otherwise known as the *"Revised Forestry Code of the Philippines, as amended";*
21. Violations of Sections 86 to 106 of Chapter VI of Republic Act No. 8550, otherwise known as the *"Philippine Fisheries Code of 1998";*
22. Violations of Sections 101 to 107, and 110 of Republic Act No. 7942, otherwise known as the *"Philippine Mining Act of 1995";*
23. Violations of Section 27(c), (e), (f), (g) and (i) of Republic Act No. 9147, otherwise known as the *"Wildlife Resources Conservation and Protection Act";*
24. Violations of Section 7(b) of Republic Act No. 9072, otherwise known as the *"National Caves and Cave Resources Management Protection Act";*
25. Violation of Republic Act No. 6539, otherwise known as the *"Anti-Carnapping Act of 1972, as amended';*
26. Violation of Sections 1, 3, and 5 of Presidential Decree No. 1866, as amended, otherwise known as the decree *"Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing In, Acquisition or Disposition of Firearms, Ammunition or Explosives";*
27. Violation of Presidential Decree No. 1612, otherwise known as the *"Anti-Fencing Law';*
28. Violation of Section 6 of Republic Act No. 8042, otherwise known as the *"Migrant Workers and Overseas Filipinos Act of 1995, as amended',*
29. Violation of Republic Act No. 8293, otherwise known as the *"Intellectual Property Code of the Philippines, as amended',*
30. Violation of Section 4 of Republic Act No. 9995, otherwise known as the *"Anti-Photo and Video Voyeurism Act of 2009";*
31. Violation of Section 4 of Republic Act No. 9775, otherwise known as the *"Anti-Child Pornography Act of 2009";*
32. Violations of Sections 5, 7, 8, 9, 10 (c), (d) and (e), 11, 12 and 14 of Republic Act No. 7610, otherwise known as the *"Special Protection of Children Against Abuse, Exploitation and Discrimination";*
33. Fraudulent practices and other violations under Republic Act No. 8799, otherwise known as the *"Securities Regulation Code of 2000";*
34. Felonies or offenses of a nature similar to the aforementioned unlawful activities that are punishable under the penal laws of other countries.

In determining whether or not a felony or offense punishable under the penal laws of other countries is "of a similar nature", as to constitute an unlawful activity under the

AMLA, the nomenclature of said felony or offense need not be identical to any of the unlawful activities listed above.

*W. **Money Laundering.*** - Money laundering is committed by:

1. Any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:
   a. Transacts said monetary instrument or property;
   b. Converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
   c. Conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
   d. Attempts or conspires to commit money laundering offenses referred to in (a), (b), or (c) above;
   e. Aids, abets, assists in, or counsels the commission of the money laundering offenses referred to in (a), (b), or (c) above; and
   f. Performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in (a), (b), or (c) above.

2. Any covered person who, knowing that a covered or suspicious transaction is required under the AMLA to be reported to the AMLC, fails to do so.

4. NON-LIFE INSURANCE INDUSTRY

A Non-Life Insurance Company's compliance program, unlike the banking sector, has more of a "risk-based" nature. Money laundering is generally defined as engaging in acts to conceal or disguise the true origins of criminally derived proceeds so that they appear to have come from legitimate origins. Generally, money laundering consists of three (3) stages: first, money enters the system at what is called the "placement" stage. This is where money that originates from criminal activities are converted into monetary forms such as cash, money orders or checks and deposited into accounts at financial institutions. The second stage is the "layering" stage where the funds deposited are broken down and/or transferred or moved into different accounts or other financial institutions in order for it to lose its criminal origins. The final stage which is the "integration" is where the "laundered" or cleaned money is re-introduced into the system, market or economy to be used in legitimate business transactions or to further fund other criminal activities.

While there are some instances where large amounts of money are involved in the non-life insurance sector, these come in the form of premium payments for risks to be insured. Premiums are held in trust and are only released when a loss is suffered by the risk insured. Even if criminals intend to launder the money by having a risk insured and having the policy cancelled after some time, certain procedures and protocols are in place to prevent them from cleaning their dirty money easily. The process becomes more tedious if they intend to gain from the proceeds of a loss which they may or may not have a hand in causing the loss.

In this program, AUII has devised relevant policies, procedures processes and controls designed to prevent and detect possible money laundering and terrorist financing activities.

5. COMPANY PROGRAM

Risk Assessment

Risk assessment not only involves the risk to be insured, but also the source of the risk. The source could be any intermediary such as a direct broker, reinsurance broker, agent or directly the Insured himself.

While premium production from these intermediaries are highly coveted by insurance companies, care must be taken when writing the risks introduced to the company. Among, but not limited to, the steps to be taken are the following:

1. Know your Customer (KYC)
   As an Insurance company, your primary customer is your agent or broker. Understand where he is coming from. Some relevant questions are:
   a. Is he a licensed agent/broker by the Insurance Commission?
   b. Who referred him to the company?
   c. Does he have any adverse record from the other insurance companies he represents?
   d. What are his paying habits?
   e. What comprises his portfolio of clients/risks?

To properly establish the identity of the individual customer, the following minimum information will be required:

a. Complete name and address (including the name of the Barangay) of the Client
b. Date and place of birth (applicable to Personal Accident Lines)
c. Name of Beneficial owner (if applicable)
d. Name and relationship to beneficiary/ies
e. Contact number/s
f. Nationality
g. TIN or Proof of identification or equivalent thereof (e.g. SSS, GSIS, others)
h. Nature of employment
i. Signature

To properly establish the identity of the corporate customer, the following minimum information will be required:

a. Complete official business name and address (including the name of the Barangay) of the corporation/business entity
b. Date and place of incorporation

c. SEC/DTI Registration certificate
d. Name of Beneficial owner (if applicable)
e. List of Directors/Partners
f. List of Principal Stockholders
g. Contact number/s
h. Nationality
i. TIN or Proof of identification or equivalent thereof (e.g. SSS, GSIS, others)
j. Nature of business

In the event the customer is a foreign national, additional information will be required such as but not limited to the following:

a. Valid passport
b. Alien Certificate of Registration
c. Alien Employment Permit
d. Other verifiable document the Company sees fit to prove the foreigner's identity.

2. Customer Due Diligence (CDD)
   Certain risks may easily be accepted and some may need further evaluation or investigation. Among the questions are:

   a. Is the sum insured asked for adequate or highly disproportionate to the risk to be insured?
   b. What is the background of the risk to be insured? Does the property/person truly exist?
   c. Who will benefit from the proceeds of the risk in the event of a loss?
   d. Is the coverage appropriate for the property/person to be insured?
   e. Has the Insured submitted a properly filled-out application form?
   f. Can the client be considered a PEP, and to what extent further investigation needs to be done?

Risks offered by intermediaries also need to undergo risk assessment. Among the vulnerable lines of insurance prone to money laundering or financing of terrorism (ML/TF) are Property, Personal Accident and Marine Cargo and/or Hull. Unless properly vetted, risks can be disproportionately insured. A property can be insured more than twice or thrice its current market value or worse, the property may not even exist at all. The same goes for insuring a person whose sum insured is totally disproportionate to his occupation or ability to earn income in that occupation. A more extreme example is insuring a non-existent person for a large sum of money and eventually filing a claim for loss.

Depending on the results of the inquiries made above, the risks may be classified either low, medium or high risk.

a. Low Risk
   - Risks that may easily be identifiable, verified and simple in nature (e.g. office workers/students, small business entities, minimal inter-island shipments not easily prone to losses, etc.);

- Risks mortgaged with recognized local banking institutions;

b. Medium Risk
   - SEC/DTI registered business entities;
   - Risks insured for less than Php 5 Million and located within major cities and municipalities;

c. High Risk
   - Risks located in far-flung, isolated locations difficult to reach;
   - Property, Individual or group insurances located in the Mindanao regions with medium to high peace and order problems (e.g. rebel-infested, religious/political conflict, etc.);
   - Risks with foreign-sounding names and/or origin;
   - Risks insured for highly disproportionate sums insured;
   - Risks whose nature, identities or value cannot be independently verified through any official sources

Risk Management

To arrest the possibility of money launderers and terrorism financiers from utilizing the Company's operations for their nefarious activities, preventive measures should be put in place. Among these are:

1. Submission of fully-accomplished application/proposal forms (please see annexes).
2. Require the submission of a Provisional Certificate of Registration or Certificate of Registration with the AMLC customers/clients for Designated Non-Financial Businesses and Professions (DNFBP) as outlined in AMLC's advisory no.4 dated 4 July 2019.
3. Actual site/property survey of the risk to be insured. Included in the survey report are pictures, lay-outs and notes of interviews taken from people involved in the risk or are third parties located near or about the risk's location.
4. Submission of required additional information such as, but not limited to, appraisal reports; government-issued permits, certifications, licenses and others.
5. Development and strict implementation of underwriting guidelines geared towards risks acceptable to the company in terms of transparency, insurability, verifiable and accountable in nature.
6. Matching the risk to other similar acceptable risks in the market or company's existing portfolio.
7. Relating the identity of the risk to previous and current advisories issued by the Insurance Commission (IC), Anti-Money Laundering Council (AMLAC), UN Security Council and other related entities.
8. Take extra precaution when presented with risks that are located in remote areas with large sums to be insured. Insist on having the risk physically verified through properly documented surveys. Even in highly urbanized areas, if the sum to be insured exceeds Php 1,000,000.00, the same extra precaution should be taken.

9. Proper recording and maintaining such records for easy future reference should the need arise. Records should be kept and maintained for no less than five (5) years.
10. Discrete and confidential investigation as to why a certain agent/broker suddenly transfers his client portfolio to the company.
11. The same discrete and confidential investigation must be made on independent agents/brokers who refuse to be licensed by the IC.
12. Maintain and update a list of Insureds, Clients and/or Intermediaries with past records of dubious and suspicious activities, transactions and/or practices.
13. Utmost care and diligence should be made when dealing with foreign muslim-sounding names or entities. They should be cross-matched with advisories released by AMLA.
14. Exhaustive assessment and evaluation of risks to be covered under an "All Risk" cover, especially in the field of marine cargo and/or hull insurance.
15. Prepare and submit, every two weeks, a report to management through the compliance officer on transactions amounting to Php 1,000,000.00 or above, whether premium or claims payments, for proper vetting.
16. Avoid issuing foreign-denominated marine hull and/or cargo policies whose payees for any claim made is foreign-based.
17. Create and maintain a record of projects being undertaken by a contractor whose bonds were issued by the company. Determine their ability to finish projects with their capacity to sustain their operations by way of their financial status.
18. Randomly survey/visit the listed project sites to verify their authenticity and work progress.
19. The company shall, at all times, be ready, transparent and willing to submit itself to any directives, investigations and/or assessments to be undertaken by any government agency in relation to AMLC/CFT-related matters.

It cannot be denied that certain suspicious risks may fall through the cracks and get legitimately insured by the company. About the only way money could be laundered through a non-life insurance company is through policy cancellations and claims settlement.

The company needs to institute effective internal policies, procedures and controls to prevent the possibility of money laundering through claims and other means. Among these are:

1. Determine and verify the reason for an intermediary's request to cancel a paid policy after it has run for some time.
2. Take note of the frequency of such cancellation requests.
3. Verify with the existing client/Insured any request by a third party for a change of ownership of a policy, especially when the new owners ask for a cancellation and return premium.
4. Requiring the submission of complete, authentic and verifiable claim documents. Originals are most desirable.

5. Engage the services of a qualified and authorized insurance adjuster to look into the circumstances of a claim. If need be, accompany them in their investigations.
6. Randomly verify the authenticity of submitted receipts, medical/police reports, estimates and other claim documents by corresponding with the concerned entity.
7. Inquire discreetly from other industry associations, insurance companies or government entities about the background of the claimant, property involved and/or circumstances of the loss.
8. Other methods that may later on be devised by the company as the need arises.

Compliance Officer

Corollary to the steps to be taken in addressing possible money laundering through the company is the appointment of a Compliance Officer who will oversee and monitor the faithful compliance of the program. Among his duties are:

1. Monitor and be responsible for the company's day-to-day compliance with anti-money laundering laws.
2. Ensure that the program is adjusted and/or updated as the need arises.
3. Responsible for overseeing the company's ongoing information, education, and training of its employees relative to the anti-money/financing of terrorism laws, circulars or advisories.
4. Responsible for keeping records of and reporting suspicious cases to the proper authorities.
5. Quietly observe and monitor any sudden change in the lifestyle of company personnel who may be influenced or are participating in suspicious activities relative to money laundering or financing of terrorist activities.
6. Work closely with the company's MIS, Accounting and Cashier departments in identifying, formulating and establishing possible red flag activities in the company's daily operations that may lead to money laundering or financing of terrorist activities.
7. Identify, develop and submit for approval of the Board of Directors programs or policies that will help update and strengthen the company's AML/CFT program.
8. Inform management, staff and other concerned employees of all resolutions, circulars and/or advisories issued by the IC, AMLA Council and/or other government agencies relative to matters that concern money laundering and terrorism financing.
9. Keep and maintain all resolutions, circulars and/or advisories issued by the concerned government agencies relative to anti-money laundering concerns.
10. Create a program in tandem with the Company's operating system wherein flagged and suspicious transactions/accounts are frozen/prevented from being completed until such time these have been verified and cleared by the compliance officer and/or management. This will also apply to those accounts ordered frozen by the AMLC or other concerned government agencies.
11. Identify and collate any possible red flag activities and disseminate same to the company's organization for their proper information and guidance.

With such an important and sensitive responsibility within the company organization, it is recommended that the Chief Financial Officer (CFO) or Chief Accountant (CA) be designated as the Compliance Officer. The job requires an intimate knowledge of the flow of funds within the organization.

To support him on the front line is a company underwriter with at least a managerial position. He will be responsible in vetting all existing clients and new applicants for insurance coverage with the company. Guiding him will be the established guidelines outlined in Risk Assessment and Risk Management sections above.

Another vital support to the company's AML/CFT program will come from the cashier's department. It will be the Cashier's duty and responsibility to inform the Compliance Officer of any sudden surge in the dispensing of large amounts of cash (i.e. Php 500,000.00 and above). Such incidents must be cross-referenced with the different departments such as claims, accounting and underwriting. Certain questions to ask are:

1. Is the Payee the true beneficiary?
2. Why cash and not check?
3. Who requested it and why?
4. Is management aware of the request?
5. Is it in payment of a claim or a cancellation of a policy?
6. Will it be released through a third party or to the Insured himself?
7. Have the proper procedures and protocol in settling a claim or cancellation of a policy been followed?
8. Other questions that may be relevant in such instance/s.

RECRUITMENT

To maintain efficiency and professionalism, the company will at the very least require the following from prospective job applicants:

a. A Photocopy of the applicant's educational attainment/transcript of records duly certified by the institution's authorized signatories;
b. Curriculum vitae (with most recent photo) with at least three (3) reference persons with their respective addresses and/or contact numbers;
c. Police/NBI Clearance;

Subsequent to the submission of the required documents, a test will be administered to gauge the proficiency, intelligence and personality of the applicant. Said test results will be recorded and kept with the Company's personnel files regardless of whether the applicant is accepted or not. The file will be kept for the mandatory minimum time of five (5) years.

Should the applicant pass the written test, a final personal interview will be done at least by the Company's HR Dept. Should the need arise, a final interview with the concerned department head will be done.

TRAINING AND AWARENESS

In order to promote a high degree of awareness and ethical standard among the officers and staff of the company, the following are established:

1. Collate and route any and all information provided by the AML/CFT with the end in view of information dissemination to company officers and staff.
2. Keep abreast and informed of any available AML/CFT training programs and make available concerned officers and/or employees to attend such activities.
3. Make available at all times, for easy reference, a copy of the concerned RA 10607, 9160, 10168 and other relevant laws, together with their respective IRRs.

RED FLAGS

Certain activities or instances to be considered red flags that need to be further evaluated or investigated are:

1. The Insured is rushing to have a certain risk covered and immediately pays the premium upon policy issuance.
2. Following the above incident, a claim is filed after a short period of time has lapsed.
3. The sum insured of a covered risk is highly disproportionate when compared to prevailing market values or rates.
4. A client takes out a policy with a large sum insured, pays the premium without hesitation and after a short period of time cancels said policy with the rturn premium payable to a third party.
5. An Insured takes out a policy with a large premium due (e.g. Php 200,000.00) and pays for it in cash.
6. Having a Personal Accident policy with a very large sum insured with the beneficiary not, in any way related to the person insured. This would include any endorsement to change the related beneficiary to that of an unrelated or unknown beneficiary.
7. The sum insured of a certain Insured is highly disproportionate to his declared age, earning capacity and/or occupation.
8. The risk to be insured is difficult or is not available for inspection, survey or identification.
9. Claimant insists that he be paid in cash and not by check.
10. Claimant has authorized a third party to claim the claims proceeds without the proper authorization or submission of documents to prove his/their identities.
11. Claims documents are at the very least dubious in nature and origin.
12. Location of the declared accident is highly inaccessible to be able to conduct a proper investigation.
13. No independent third party can be found to give credence to declared loss or accident.
14. The beneficiary of a covered Insured has no legal basis to be such.

15. Claims payment to be electronically transmitted to unfamiliar, dubious or highly questionable accounts, whether locally or foreign.
16. Certain figures in claim documents do not jive or coincide with figures obtained from the proper government agencies such as the Securities and Exchange commission (SEC), Department of Trade & Industry (DTI), Bureau of Internal Revenue (BIR), Insurance Commission (IC), Department of Finance (DOF) and others.
17. Without sounding prejudicial, a large amount of insureds with Muslim-sounding names should be treated with utmost care and diligence.
18. Item 14 above includes properties owned by them.
19. Requests to increase the risk's sum insured several times, during its period of cover, without any reasonable explanation.
20. Sudden surge or transfer of business introduced by an agent or broker without any reasonable explanation why such action is made.
21. Others that may develop over the course of the company's operations.
22. Claimant insists that he be issued a cashier's or manager's check as claims settlement.
23. Contractors have numerous surety bonds issued that is disproportionate to their financial standing or capability.

REPORTING

Pursuant to the Insurance Commission's Circular Letter No. 2018-48 dated 14 September 2018, the following procedures are adopted by the Company:

a. Reporting of Covered Transactions:

   When the total amount of premiums for a policy for the entire year, regardless of frequency of payment, exceeds Five Hundred thousand (Php 500,000.00), such amount shall be reported as a covered transaction.

b. Reporting Suspicious Transactions:
   The following rules are adopted:

   1. The Company shall have relevant policies, procedures, processes and controls in place that would enable an employee to report to the Compliance Officer any suspicion or knowledge of money-laundering or terrorism financing activity and/or transaction that is detected or identified;
   2. If the Company suspects or has reasonable grounds to suspect that funds concerning an actual or proposed transaction are the proceeds of any criminal activity or are related to Money Laundering or Terrorist Financing, the Compliance Officer shall promptly file an STR with the AMLC as provided for under the AMLC Registration and Reporting Guidelines (ARRG);

3. The Compliance Officer shall ensure that every employee is aware of his role and duty to receive or submit internal STRs;
4. The Compliance Officer shall investigate STRs internally, build an internal report outlining the outcome of his investigation including the decision on whether or not to file an STR with the AMLC;
5. Where applicable, the background and purpose of the activity in question may be examined by the Compliance Officer and the findings may be established in writing;
6. In the event the Compliance Officer concludes that no external report should be submitted to the AMLC, the justification of such a decision should be documented;
7. The Company shall institute disciplinary measures against any employee that fails to make an internal suspicious activity report where there is evidence for him/her to do so; and
8. The Company shall monitor indicators of suspicious activities, such as, but not limited to those listed in the RED FLAGS Section hereof, and perform Enhanced Due Diligence (EDD) as necessary.

MONITORING

ELECTRONIC:
The Company shall fully utilize the electronic reporting module available in the Company's system. The following functionalities shall be updated (as the need arises) and compliant with the requirements of the concerned government authorities:

a. Covered and suspicious transaction monitoring — performs statistical analysis, profiling and able to detect unusual patterns of account activity;
b. Watch list monitoring — checks transfer parties (originator, beneficiary, and narrative fields) and the existing customer database for any listed undesirable individual or corporation;
c. Investigation — checks for given names throughout the history of payment stored in the system;
d. Can generate all the CTRs of the Company accurately and completely with all the mandatory field properly filled up;
e. Must provide a complete audit trail;
f. Capable of aggregating activities of a customer with multiple accounts on a consolidated basis for monitoring and reporting purposes; and
g. Has the capability to record all STs and support the investigation of alerts generated by the system and brought to the attention of senior management whether or not a report was filed with the AMLC.

CONFIDENTIALITY
It shall be incumbent upon the Company's Directors, Offices and employees to keep all reports, transactions (whether covered and/or suspicious) confidential. All concerned parties are prohibited from communicating, directly or indirectly, in any manner or by any

means, to any person or entity or media that a certain transaction has been tagged for reporting including its contents and all information related thereto.

Any report shall not be published, in any manner or form, through any form of communication whether written or electronically.

Concerned violator shall be meted a corresponding Company sanction or be held criminally liable.

SAFE HARBOR PROVISION
No Company sanction, criminal or civil proceeding shall be made against any Director, Officer or employee for having made a covered transaction report in the regular performance of his/her duties and in good faith, whether such reporting results in any criminal prosecution under the AMLA or any other Philippine Law.

Prepared By:
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Senior Vice President

Reviewed and Approved By:
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Chief Compliance Officer

Reviewed and Approved By:
Andres C. Chua
President

Reviewed and Approved By:
Abraham T. Co
Chairman

ANNEX A – 1:

ASIA UNITED INSURANCE, INC.
9th Floor, Unionbank Center Building,
Dasmariñas Street corner Quintin Paredes Street,
Binondo, Manila
Tel: (632) 245-3498 Fax: (632) 245-3255

CLIENT INFORMATION FORM (Individual)

Client Information as mandated under the Philippine Anti-Money Laundering Act (AMLA)
Please Complete information required before a policy is issued.

Complete Name:	*Nationality:*
Present Address:	
Permanent Address:	
Contact Numbers:	*TIN / SSS or GSIS No.:*
Date of Birth:	*Place of Birth:*
Nature of Work:	*Name of Employer:*
Nature of Self-Employment / Business:	
Sources of Funds:	
Name of Beneficiaries, if applicable:	

I hereby declare that the particulars given herein are true, correct and complete to the best of my knowledge and belief. The documents submitted along with this application are genuine and I am not making this application for the purpose of contravention of any Act, Rules, Regulations or any statute or legislation or any Notification, Directions issued by any government or statutory authority.

Assured's Signature:	*Date:*	*Policy No:*
Identification documents validated against originals by:		*Client ID No.*

ANNEX A – 2:

ASIA UNITED INSURANCE, INC.
9th Floor, Unionbank Center Building,
Dasmariñas Street corner Quintin Paredes
Street, Binondo, Manila
Tel: (632) 245-3498 Fax: (632) 245-3255

CLIENT INFORMATION FORM (Corporation)

Client Information as mandated under the Philippine Anti-Money Laundering Act (AMLA)
Please Complete information required before a policy is issued.

Business Name:	
Principal Business Address:	
Nature of Business::	*T.I.N. No.:*
Contact Numbers:	*Fax Number:*

List of Directors/Partners:	
List of Principal Stockholders owning at least 2% of the Capital Stock:	
Beneficial owners, if any:	

I hereby declare that the particulars given herein are true, correct and complete to the best of my knowledge and belief. The documents submitted along with this application are genuine and I am not making this application for the purpose of contravention of any Act, Rules, Regulations or any statute or legislation or any Notification, Directions issued by any government or statutory authority.

Name of Authorized Representative:	
Position	*Telephone No.*

Form completed by:	*Date:*	*Policy No:*
Position:		*Client ID No.*

(Please attach copy of Articles of Incorporation / Partnership and By-Laws)

ANNEX A – 3:

ASIA UNITED INSURANCE, INC.
9th Floor, Unionbank Center Building,
Dasmariñas Street corner Quintin Paredes Street,
Binondo, Manila

CLIENT INFORMATION FORM (Business/Institutions)

Client Information as mandated under the Philippine Anti-Money Laundering Act (AMLA)
Please Complete information required before a policy is issued.

Business Name:	
Principal Business Address:	
Nature of Business::	*T.I.N. No.:*
Contact Numbers:	*Fax Number:*

List of Owners / Partners / Executive Officers and their position:	

Beneficial owners, if any:	

I hereby declare that the particulars given herein are true, correct and complete to the best of my knowledge and belief. The documents submitted along with this application are genuine and I am not making this application for the purpose of contravention of any Acts, Rules, Regulations or any statute or legislation or any Notification, Directions issued by any government or statutory authority.

Name of Authorized Representative:	
Position	*Telephone No.*

Form completed by:	*Date:*	*Policy No:*
Position:		*Client ID No.*

(Please attach copy of Business Permit and Registration / Partnership and By-Laws)