



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

CIRCULAR LETTER NO.	2014-47
DATE	21 November 2014
SUPERSEDES	None

CIRCULAR LETTER

**TO : All Insurance Companies, Mutual Benefit Associations,
Insurance Brokers, and other Supervised Persons and Entities**

SUBJECT : Guidelines on Electronic Commerce of Insurance Products

WHEREAS, Republic Act No. 10607, which was approved by the President of the Philippines on August 15, 2013 and became effective on September 20, 2013, amended the provisions of the Insurance Code (P.D. No. 612);

WHEREAS, Section 50 of The Insurance Code, as amended, allows that the policy may be in electronic form subject to the pertinent provisions of Republic Act No. 8792, otherwise known as the "Electronic Commerce Act" and to such rules and regulations as may be prescribed by the Commissioner,

WHEREAS, the issuance of the insurance contract or policy through electronic form may offer consumers new and substantial benefits, convenience, and access to a wide range of insurance products and services;

WHEREAS, considering the ease and speed with which insurance providers can communicate information about insurance products and services by electronic media may create commercial situations which are unfamiliar to consumers and which may put their interests at risk, it becomes increasingly important for consumers and insurance providers to be informed and aware of their rights and obligations in the electronic marketplace;

WHEREAS, the distribution of insurance products via the internet offers many advantages for insurance providers like increased penetration of new markets and lower costs compared with conventional distribution methods;

WHEREAS, online distribution of insurance products can greatly contribute to the increase in the number of persons protected by insurance;

WHEREAS, consumer confidence in electronic commerce is enhanced by the continued development of transparent and effective consumer protection mechanisms that limit the occurrence of fraudulent, misleading or unfair commercial conduct online.

NOW, THEREFORE, pursuant to the powers vested in me by Sec. 50 and 437 of the Insurance Code, as amended by R.A No. 10607, the following Guidelines on Electronic Commerce of Insurance Products are hereby promulgated:

1. TITLE

These Guidelines may be called the "Guidelines on Electronic Commerce of Insurance Products "

2. DEFINITIONS

2.1 In these Guidelines, unless the context otherwise requires, the following terms have the following meaning:

- (a) **Consumer** - an individual or entity who engages in commercial activity for the purpose of securing insurance protection or to act as an insured or policyholder in the contract of insurance.
- (b) **Commission** – Insurance Commission of the Philippines.
- (c) **Electronic commerce** - a commercial activity that involves buying, selling, or providing insurance products and services online or via the internet
- (d) **Insurance product** - refers to the promise or guarantee of insurance company, in exchange of the payment of premium, to indemnify another against loss, damage or liability arising from an unknown or contingent event and shall include life, non-life and variable life insurance products.
- (e) **Insurance provider** - refers to a licensed insurance company engaging in electronic commerce directly with consumers for the issuance of an insurance contract or to provide insurance services. It may include licensed intermediaries as may be authorized by the insurance company to conduct electronic commerce of its insurance policies and mutual benefit association in so far as it concerns the provision of insurance coverage to its members
- (f) **Personal information** - any information that can be used on its own or with other information to identify, contact, or locate an individual or person.
- (g) **Transaction** - any agreement between an insurance company and a consumer in relation to the provision of insurance coverage.

3. APPLICABILITY

These Guidelines shall apply to insurance providers engaging in electronic commerce of insurance products.

4. PRINCIPLES

4.1 These Guidelines are based on, and seeks to attain, the following principles of good business practice for insurance providers engaging in electronic commerce with consumers:

- (a) Consumers who participate in electronic commerce should be afforded a level of transparent and effective consumer protection that is not less than that afforded in other forms of commerce.
- (b) Insurance providers engaged in electronic commerce of insurance products should pay due regard to the interests of consumers and act in accordance with fair business, advertising and marketing practices
- (c) Insurance providers engaged in electronic commerce with consumers should provide accurate, clear and easily accessible information about themselves sufficient to allow, at a minimum:
 - 1) Identification of the insurance provider
 - 2) Prompt, convenient and effective consumer communication with the insurance provider.
 - 3) Appropriate and effective resolution of disputes.
 - 4) Service of legal process.
 - 5) Location of the business and its principals by law enforcement and regulatory officials.
- (d) Where an insurance provider publicizes its membership in any relevant self-regulatory body, business association, dispute resolution organization or other certification body, the insurance provider should provide consumers with appropriate contact details and an easy method of verifying that membership and of accessing the relevant codes and practices of the certification body.
- (e) Insurance providers engaged in electronic commerce with consumers should provide accurate and easily accessible information describing the insurance product or services offered; sufficient to enable consumers to make an informed decision about whether to enter into the transaction and in a manner that makes it possible for consumers to maintain an adequate record of such information.
- (f) Insurance providers engaged in electronic commerce should provide

sufficient information about the terms, conditions and costs associated with a transaction to enable consumers to make an informed decision whether or not to enter into the transaction.

- (g) To avoid ambiguity concerning the consumer's intent to make a purchase, the consumer should be able, before concluding the purchase, to identify precisely the insurance products the consumer wishes to purchase, identify and correct any errors or modify the order; express an informed and deliberate consent to the purchase; and retain a complete and accurate record of the transaction.
- (h) Consumers should be provided with easy-to-use, secure payment mechanisms and information on the level of security such mechanisms afford.
- (i) The Commission, insurance providers, consumer representatives and other relevant organizations should work together to educate consumers about electronic commerce, to foster informed decision making by consumers participating in electronic commerce, and to promote consumer awareness of the consumer protection framework that applies to their online activities.

5. INFORMATION ON THE WEBSITE

5.1 Insurance providers shall provide consumers with sufficient information to make an informed choice about whether and how to complete a transaction. All information that the insurance provider is required to provide pursuant to these Guidelines must be:

- (a) clearly presented in plain language;
- (b) truthful;
- (c) conspicuous and easily accessible on insurance providers' Web sites at appropriate stages of consumers' decision making, particularly before consumers confirm transactions or provide any personal information, and
- (d) capable of being saved or printed by consumers.

5.2 Insurance providers shall ensure that their marketing practices, information and links on their web sites are current, accurate and not deceptive or misleading to consumers, and that all objective claims can be substantiated.

5.3 Insurance providers shall identify themselves on their web sites and provide information about their policies, including to whom consumers should direct claims, ask questions, register complaints, and obtain support related to the insurance contract or services available through the sites. The information that should be available to consumers before they engage in transactions shall include:

- (a) The insurance provider's legal name and the name(s) under which the

insurance provider conducts its business;

- (b) The address, telephone and fax numbers, and e-mail address of the insurance provider's principal office and, when applicable, of local offices, branches or general agents;
- (c) Any geographic, age or other restrictions on transactions;
- (d) The currency used by the insurance provider to quote the price and the payment methods and currencies the insurance provider accepts;
- (e) A statement that the insurance provider is registered with the Commission, including its license/registration number and type;
- (f) Contact information for consumer complaint, service and support, including days and hours of operation, when applicable, and any associated charges;
- (g) Details of the insurance provider's complaints process and a link to the Commission's website;
- (h) The insurance provider's policies on privacy and unsolicited e-mail; and
- (i) Contact information for any seal or other self-regulatory programs or applicable dispute resolution processes in which the insurance provider participates, and, whenever possible, an online method of verifying its certification or membership.

6. LANGUAGE

6.1 When an insurance provider offers an insurance product or service on its web sites in a given language, the insurance provider shall use that language to:

- (a) Provide all of its material information about the insurance product or service, the insurance provider, the insurance provider's relevant policies, and the terms and conditions of the transaction and all other material information described in 5.3;
- (b) Conduct online transactions regarding the insurance product or service; and
- (c) Provide customer service regarding the insurance product or service.

6.2 The insurance provider may explain the terms and conditions of the insurance contract and other services in the contract implementation in the local dialect of the insured or policyholder.

7. CONTRACT FORMATION AND EXECUTION

7.1 Insurance providers shall take reasonable steps to ensure that consumers' agreement to contract is fully informed and intentional. In particular, consumers shall be provided with a meaningful opportunity to correct or cancel the transaction or

application before it is accepted and processed.

7.2 Prior to the conclusion of transactions, insurance providers shall ensure that all terms and conditions related to the transactions are available to consumers. Such information shall include:

- (a) A description of the insurance product or services;
- (b) The full price to consumers, including:
 - 1) The applicable currency;
 - 2) Any delivery charges, taxes, and specific reference to any other charges that the insurance provider is responsible for collecting;
 - 3) When the insurance provider cannot reasonably ascertain the amount of potentially applicable charges, the fact that such charges may apply; and
 - 4) When the full premium cannot be determined in advance, the method the insurance provider will use to calculate it, including any recurrent costs and the method used to calculate them;
- (c) Payment terms, including the methods of payment available to consumers and any associated surcharges or discounts;
- (d) Cancellation policies on the transaction or application, including any associated charges, when such application was not accepted or a contract is not yet executed;
- (e) Method of contacting the consumer in the future (e.g. by e-mail, telephone, facsimile, letter),
- (f) Any restrictions, limitations or conditions of purchase, such as parental/guardian approval requirements, the length of contracts, or any geographic limitations applying to the offer;
- (g) The time frame for delivery of insurance product or activating service, and how consumers will be notified when the insurance provider is unable to complete the delivery request within this time frame;
- (h) The option of the consumer to request for a copy of the insurance contract, endorsement, rider and other related documents in paper form, and the associated charges in the exercise of such option; and
- (i) The frequency and the address of statements of account for delivery and how consumer can change and correct such information.

7.3 Insurance providers shall inform the consumer to retain or store the electronic document or insurance policy after the consumer agrees to such delivery.

7.4 Insurance providers shall ensure that each statement of account identifies the insurance provider, the policy or document in question and the amount billed.

7.5 Insurance providers shall make information available about the insurance product for sale in order that consumers can see it before they initiate transactions. The information shall include:

- (a) For life and variable life insurance, the type of need for which the product is intended;
- (b) Main characteristics of the product, including the risks insured and benefits covered;
- (c) Options and coverage provided by the product, as applicable;
- (d) Exclusions and limitations associated with the product, if any;
- (e) The total premium and other charges that the consumer will have to pay (including all applicable taxes) or, if an exact amount cannot be indicated, the basis for the calculation of the amount, so that the consumer can verify it;
- (f) The consumer's right to cancel the contract including his/her right to free look, if applicable, as well as the duration of the cancellation period and procedures for exercising that right; and
- (g) Any time limit on the validity of the information provided.

7.6 Due to the importance of the exclusions and limitations, the insurance provider must highlight or provide a separate section for it and consumers must be required to confirm that they have read and understood the said information. This would reduce the risks that consumers might pursue products for which they are ineligible and closes the expectation gap between a consumer and an insurer.

7.7 Insurance providers shall make available on the website the policy form which the consumer or client may read should he or she desire information on the complete terms and conditions.

7.8 Prior to or after submission of the electronic application, and where the insurer determines that by the level of complexity of certain products or as may be determined by the Commission, should require advice from intermediary, insurance provider shall refer the consumer to the insurer's insurance agent or intermediary for servicing or availability of product advice.

7.9 For variable life insurance products, the insurance providers shall refer the consumer to a licensed agent or intermediary for servicing and product advice prior to the execution or issuance of the variable life contract online.

7.10 Considering that consumers themselves complete the insurance application form on the internet, the process may be subject to error. To prevent the consequences of such errors, the information from the application form shall be recapitulated in a summary and presented to consumers before the contract is concluded, giving them the opportunity to validate their answers once more.

7.11 Insurance providers shall provide consumers with the completed electronic application, insurance contract, or endorsement of the transaction as soon as possible after the transaction has been completed

7.12 A certificate of insurance (COI) may be in electronic form even if the group policy is in paper form. In case a consumer buys an insurance online or thru the website of the group policyholder under a group policy, the consumer must be given the opportunity to read and save the copy of the master policy and the minimum terms and conditions stated under 7.5 "a" to "f" prior to the conclusion of the transaction.

7.13 In all other cases of application for enrollment in a group insurance where electronic COI shall be used, the consumer must be afforded the facility of reading and saving the copy of the master policy and must be given a brochure containing the minimum terms and conditions of the master policy as required under sub-guideline 7.5 "a" to "f" prior to the sale. For group microinsurance with short term period of coverage, an electronic COI may be issued thru short messaging system subject to prior approval of the Commission.

7.14 Insurance providers shall not hold consumers liable for any charges related to a transaction in the following circumstances:

- (a) The transaction was not authorized by the consumer;
- (b) The insurance product is different from that applied for by the consumer;
- (c) The insurance provider failed to provide material information about the insurance product;
- (d) The insurance policy was not delivered in the time specified;
- (e) There was no adequate opportunity for the consumer to cancel an inadvertent transaction when the consumer acted reasonably provided that insurance provider is immediately notified of the cancellation of the transaction.

7.15 Under the circumstances provided in Sub-Guideline 7 14, insurance providers shall refund any payments consumers make subject to Sections 80 to 82 of the Insurance Code.

7.16 Insurance providers shall maintain effective controls designed to ensure that transactions are billed and completed as agreed, to promptly rectify any mistakes in transaction records, and to ensure that consumers are notified of any such correction

7.17 Intermediaries who have a website for electronic commerce of insurance products are not allowed to approve policies or endorsements or issue such electronic documents thru their website. This prohibition does not apply when the intermediary is provided access to the system which the insurer administratively

owned and controlled and the insurance company allows to extend its facilities to an intermediary, such as in the following example:

- (a) Online Sales Portals – A portal which the intermediary can use to facilitate the sale and delivery of policies as authorized user by the insurer
- (b) Website Links – The intermediary has his own website with a url/link which redirects to the insurer's online selling site. The customer clicks the links from the intermediary's website, and is then redirected to the provider's website.
- (c) Mobile Applications – The intermediary is using the enterprise mobile application authorized for use by the insurer subject to the security arrangement that the insurer provides.

7.18 The use of the mobile application should be with the prior approval of the Commission. The mobile application should be registered with the major digital platform like Apple, Inc App Store and Google, Inc. Google Play and Microsoft Windows Marketplace and must possess the requirements of these guidelines as applicable to the website of the insurance provider.

7.19 The website of mutual benefit association and cooperative insurance society engaging in electronic commerce shall contain an information that they are authorized to sell their insurance products covering only the life of their members and/or the property of cooperatives and their members, and must see to it that a system is in place to implement this prohibition.

8. ONLINE PRIVACY AND OTHER LEGAL REQUIREMENTS

8.1 Insurance providers shall adhere to the relevant provisions of the Data Privacy Act of 2012 and other applicable laws with respect to the personal information they collect from consumers as a result of electronic commerce activities.

8.2 Insurance providers shall make their privacy policy easily accessible on the home page of their web site or at a reasonably early stage of consumers' navigation, and whenever personal information is either requested or collected. Information that must be disclosed as part of the privacy policy includes the following:

- (a) The specific kinds and sources of information being collected and maintained online, the purposes for which the information is collected, how that information is being used, and to whom the information may be disclosed;
- (b) The choices available to consumers regarding the collection, use and disclosure of their personal information, how they may exercise and change these choices, and the implications of such choices;
- (c) How consumers may review and, when necessary, correct or remove such information; and

(d) When the web site uses "cookies," how and why they are used and the consequences, if any, of consumers' refusal to accept a cookie.

8.3 Insurance providers shall limit its collection, use and disclosure of personal information to that which a reasonable person would consider appropriate in the circumstances that which is necessary for the consummation of the transaction

8.4 Insurance providers shall not disclose personal health information to affiliates or third parties for purposes other than the transactions unless specifically and expressly authorized by consumers in advance, through a clearly worded opt-in process. When seeking consumers' express consent to disclose the information, insurance providers shall list the information to be disclosed, all uses to which it may be put and all parties to whom it may be disclosed.

8.5 Insurance providers shall not, as a condition of sale, require consumers to consent to the collection, use or disclosure of personal information beyond that is necessary to complete the sale.

8.6 When consumer's consent to the collection, use and disclosure of personal information is required, and cannot reasonably be implied, such consent shall be.

(a) Provided separately from consent to other terms and conditions of the insurance contract; and

(b) Provided through a clearly worded, online opt-in process.

8.7 The consent of the consumer may also be included in the application or executed in a separate paper form.

8.8 When insurance providers transfer personal information to third parties, said insurance providers shall remain responsible for the protection of that information so transferred. Accordingly, before any such transfer, insurance providers shall ensure, through contractual or other means, that the third parties comply with the privacy provisions of these Guidelines and the applicable law on data privacy.

8.9 Insurance providers should put in place measures to prohibit any parties from disputing the validity of, or refusing to acknowledge legitimate communications or transactions and ensure the legality and enforceability of transactions conducted online. Insurance providers should state clearly online the procedures for valid and authentic electronic communications with customers.

8.10 Laws and regulations pertaining to anti-money laundering and counter-terrorist financing shall be complied with by the insurance providers in the solicitation and distribution of insurance products online.

8.11 Insurance providers shall only use policies, bonds, and other forms previously approved by the Commission.

9. SECURITY OF PAYMENT AND PERSONAL INFORMATION

9.1 Insurance providers shall maintain effective controls to protect the integrity and confidentiality of payment and other personal information consumers provide. Security mechanisms shall be consistent with current industry standards and appropriate to the type of information collected, maintained or transferred to third parties.

9.2 Insurance providers shall ensure that third parties who are involved in transactions and have access to personal or payment information comply with Sub-Guideline 9.1.

9.3 In fulfillment of these Guidelines, insurance providers are encouraged to disclose to consumers the level of security used on their web site. Insurance providers are encouraged to use certification services to support security claims and to provide web site links to these certification services for validation.

10. COMPLAINT HANDLING AND DISPUTE RESOLUTION

10.1 Insurance provider shall provide consumers with access to fair, timely and effective means to resolve problems with any transaction.

10.2 Insurance providers shall offer an internal complaints-handling process that.

- (a) is easily accessible online and offline;
- (b) is available to consumers free of charge;
- (c) is easy to use;
- (d) acknowledges complaints within seven (7) business days of receipt; and
- (e) records and monitors complaints.

10.3 When a consumer and an insurance provider cannot resolve a complaint, the insurance provider is strongly encouraged to offer to refer matters to a recognized third-party dispute resolution service, use of which shall be at the consumer's discretion unless the insurance contract provides otherwise.

10.4 In case of non-resolution of the complaint, the insurance provider shall inform the consumer that he/she may get the services offered by the insurance regulator or by a self-regulatory organization of which the insurance provider is a member.

11. UNSOLICITED E-MAIL

11.1 Insurance providers shall not transmit marketing e-mail to consumers without their consent, except when insurance providers have an existing relationship with them. An existing relationship is not established by consumers simply visiting, browsing or searching insurance providers' web sites.

11.2 Any marketing e-mail messages that insurance providers send shall prominently display a return e-mail address and shall provide in plain language a simple procedure by which consumers can notify insurance providers that they do not wish to receive such messages.

12. NOTICE OF CANCELLATION AND DESIGNATION OF BENEFICIARY

12.1 Insurance providers shall recognize the electronic notice of cancellation or termination of customers in accordance with the policy terms and conditions. It is recommended that insurers confirm consumer-initiated cancellation electronically through the use of acknowledgments, either by way of direct response to the insured or through the use of email "read receipts."

12.2 Insurance providers should have in place effective systems for offering consumers the option of designating and changing beneficiaries by electronic means. Such system should include critical protection against fraud.

13. INTERPRETATION AND FORMATTING REQUIREMENTS

13.1 The great majority of existing provisions of the Insurance Code, as amended, do not pose any impediment to electronic commerce and do not inhibit the legislative intent

to place electronic commerce on the same legal ground as paper commerce.

13.2 It is the Commission's interpretation that:

- (a) The words "writing", "certificate" or any reference to documents found in the Insurance Code, permit electronic documents;
- (b) The requirement in the Insurance Code that a document be "signed" permits electronic signatures, and the provisions for "delivery", "notice", or that the document be "mailed" or is "issued" or similar acts, permit electronic communications.

13.3 Formatting requirements prescribed by the rules of the Commission, including pagination, font size, print color or that certain language be conspicuous or be placed in a certain location within a document, may be met electronically if the sender and recipient of the electronic document utilize a computer technology that ensures the creation, transmission, and receipt of a document equivalent to that prescribed by formatting requirements.

14. LOCATION OF DATA STORAGE

The primary web servers, books and records should be maintained in the Philippines for the Commission's inspection and other legal purpose.

15. COMPLIANCE AND SANCTION

15.1 Insurance providers must put in place a Customer Charter which should state the insurance providers' commitment to safe and secure operations, maintenance of customer privacy, quality services and transparent product information, and provision of prompt response to inquiries and complaints.

15.2 Insurance providers are not required to ask for prior approval in the establishment and roll-out of its system to support electronic commerce of insurance products; however, at least fourteen (14) days prior to its roll-out, insurance providers should submit to the Commission the following:

- (a) Internet policy statements which include its statements of compliance with these Guidelines, its privacy policy, and its customer charter;
- (b) Deed of undertaking to comply with these guidelines to be signed by its president or chief executive officer;
- (c) Products and services with date of approval offered thru electronic commerce and the process flow; and
- (d) Internet insurance security arrangements and policy.
- (e) For life insurance products previously approved by the Commission, a certification from the actuary of the insurance company or mutual benefit association that the premium rates are reasonable and remain adequate when sold through online distribution channel together with supporting actuarial documents, e.g. viability studies and actuarial notes.

15.3 Documents provided under Sub-Guideline 15.1 shall be submitted annually to the Commission, and must be accompanied by a report on the changes adopted on the online system and procedures of the insurance providers.

15.4 The Commission may examine the compliance of the insurance providers on these Guidelines, and shall require the insurance providers to comply with its finding of insufficiency or non-compliance with mandatory requirements. Failure to comply within a given period upon due notice to comply may result to revocation of its privilege to conduct insurance business online.

15.5 Insurance providers shall cease to conduct online distribution of insurance products upon order of the Commission in case of finding of fraud and injury to the public.

16. AMENDATORY CLAUSE

16.1 This Circular may be subject to appropriate amendments by the Insurance Commissioner as the need arises or as may be warranted under the prevailing circumstances.

16.2 Insurance providers are encouraged to recommend changes to these Guidelines to better promote and adhere to the principles laid down, to attain greater protection of the consumers, and to keep abreast with advancement in technology affecting online sales and distribution of insurance products.

17. SEPARABILITY CLAUSE

If any provision of these Guidelines or any part hereof be declared invalid or unconstitutional, the remainder of the Guidelines or other provisions not otherwise affected shall remain valid and subsisting.

18. EFFECTIVITY

This Circular Letter shall take effect immediately.



EMMANUEL F. DOOC
Insurance Commissioner

