CIRCULAR LETTER

TO: ALL INSURANCE/REINSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT: AMENDMENT TO CIRCULAR LETTER NO. 2018-72 DATED 28 DECEMBER 2018 ON GUIDELINES ON BUSINESS PROCESS OUTSOURCING ("BPO") ACTIVITIES OF INSURERS/REINSURERS

WHEREAS, "Business Process Outsourcing ("BPO")" is defined under Section 1 (a) of Circular Letter ("CL") No. 2018-72 on the Guidelines on Business Process Outsourcing ("BPO") Activities of Insurers/Reinsurers as follows:

"a. ‘Business Process Outsourcing' (‘BPO') refers to the contracting of operations and responsibilities for particular business process/es of an insurer/reinsurer to a third-party service provider; x x x”

WHEREAS, "BPO Provider" is defined under Section 1 (b) of CL No. 2018-72 as follows:

"b. ‘BPO Provider’ refers to an entity engaged in BPO activities, whether as its primary business or incidental to its ordinary business operations, whose services are retained by an insurer/reinsurer for a consideration;”

WHEREAS, it has been observed by this Commission that there is confusion as regards whether these definitions include entities already regulated by this Commission that provide support business services to insurers/reinsurers; and as such, there is a need to provide clarification to address such confusion;
WHEREAS, considering that this Commission already exercises regulatory and supervisory powers over both the outsourcing insurer/reinsurer and the regulated entity providing such support business services in such arrangement described in the immediately preceding paragraph, this Commission finds that the provisions of CL No. 2018-72 are superfluous as regards both persons/entities;

WHEREAS, accordingly, Section 1 (a) of CL No. 2018-72 must be amended to clarify that the term "third-party service provider" under the definition of "Business Process Outsourcing" as used therein pertains to a provider that is not regulated by this Commission;

WHEREAS, moreover, Section 1 (b) of CL No. 2018-72 must be amended to clarify that the term "BPO Provider" as used therein also pertains to an entity that is not regulated by this Commission;

NOW, THEREFORE, pursuant to the undersigned's powers under Section 437 of Republic Act No. 10607, otherwise known as the Amended Insurance Code, to "x x x issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure the enforcement of the provisions of [the Amended Insurance Code], to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public," Sections 1 (a) & (b) of Circular Letter No. 2018-72 are hereby amended as follows, to wit:

"a. 'Business Process Outsourcing' ("BPO") refers to the contracting of operations and responsibilities for particular business process/es of an insurer/reinsurer to a third-party service provider that is not regulated by this Commission;

b. 'BPO Provider' refers to an entity that is not regulated by this Commission and engaged in BPO activities, whether as its primary business or incidental to its ordinary business operations, whose services are retained by an insurer/reinsurer for a consideration;"

Except as amended hereby, all other provisions of CL No. 2018-72 shall remain effective. The unamended portions of CL No. 2018-72 and the amendment introduced herein shall be read and construed as a single Circular Letter.

This Circular Letter shall take effect immediately.

For the information and guidance of concerned parties.

DENNIS B. FUNA
Insurance Commissioner