



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
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**INSURANCE COMMISSION ENCOURAGES ADOPTION
OF DIGITAL PAYMENTS IN INSURANCE, PRE-NEED
AND HMO TRANSACTIONS IN NEW CIRCULAR LETTER**

On 11 June 2020, Insurance Commissioner Dennis Funa issued Circular Letter (CL) No. 2020-70 on the “Recognition of Digital Payments as an Integral Part of Insurance Technology (InsurTech), Providing for its Framework, and Encouraging its Adoption in Insurance Transactions”. The new Circular Letter encouraged the adoption of digital payments with respect to insurance, pre-need, and health maintenance organization (HMO) transactions.

“This Commission recognizes the continuous evolution of financial technologies, including Insurance Technology (InsurTech), and the role that said technologies play in improving financial inclusion. Digital payments through the use of digital money in various forms are increasingly becoming part of the day-to-day lives of Filipinos. Thus, we see no reason why digital payments should not be adopted as regards transactions with insurance companies, pre-need companies, and health maintenance organizations (HMOs),” said Commissioner Funa.

Under the new Circular Letter, “digital payments” were classified into payments through the use of payment cards (e.g., credit/debit cards, charge cards, or gift cards), digital wallets, Unstructured Supplementary Service Data (USSD), point-of-sale (POS) machines, mobile banking, internet banking, and electronic gifts.

Notably, virtual currencies or cryptocurrencies, as defined under various regulations issued by the Bangko Sentral ng Pilipinas (BSP), are excluded under the definition of “digital money” under the new Circular Letter.

A digital payment scheme under the new Circular Letter consists of a “customer” or “originator” making payment with digital money in favor of an “addressee” through the services provided by an “intermediary”, which may be a bank or any other e-money issuer duly authorized by the Bangko Sentral ng Pilipinas (BSP). Thereafter, the addressee shall acknowledge the digital payment made by the customer/originator. Digital payments shall be deemed complete upon receipt by the customer/originator of notice from the addressee that the payment has been accepted or completed.

“For consumer protection against unintended digital payments, we also prescribed certain guidelines for errors in digital payment,” Commissioner Funa highlighted.

Under CL No. 2020-70, the intermediary or addressee must institute within its digital payment system an option available to the customer/originator for the latter to cancel any digital payment within twenty-four (24) hours, if the latter did not intend to make such payment. Any errors in payment shall not prejudice a customer/originator and shall be reversed without any penalty or interest.

“We have also identified prohibited acts to protect stakeholders intending to avail of the digital payment schemes under the new Circular Letter,” said Commissioner Funa.

The following are prohibited under CL No. 2020-70, to wit: (a) “The addressee/intermediary shall have no authority to modify or alter the content of the electronic data message or electronic document received or to make any entry therein on behalf of the originator, any third party who shall retain the electronic document or as necessary for the purpose of delivering the product/service”; (b) “Denial of the legal effect of payment for the sole reason that it is not in physical form of payment”; and (c) “Making any provision in the terms and conditions to be accepted by the originator before proceeding to digital payment which shall have the effect of a waiver of any of the prohibited acts in [CL No. 2020-70]”.

“To further ensure security in transactions through the use of digital payments, we also enjoined companies and their respective digital platform partners to always comply with pertinent laws, rules and regulations on data privacy and against money laundering,” said Commissioner Funa.



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