



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

Legal Opinion (LO) No.:	2021 - 17
Date:	31 December 2021

ATTY. MICHAEL S. MACABATA

Corporate Lawyer

HC Consumer Finance Philippines, Inc.

15th Floor, Ore Central,
9th Avenue cor. 31st Street,
Bonifacio Global City, Taguig City
michael.macabata@homecredit.ph

ATTY. ANTHONY T. CO

Head of Legal

HC Consumer Finance Philippines, Inc.

15th Floor, Ore Central,
9th Avenue cor. 31st Street,
Bonifacio Global City, Taguig City
anthony.co@homecredit.ph

Subject: **Group Policy Coverage for Home Credit Customers**

Dear **Attys. Macabata and Co:**

This refers to your request for confirmatory opinion as to whether the customers of HC Consumer Finance Philippines, Inc. ("Home Credit") in its Mobile Application ("MobApp") can be offered a Group Master Policy for Personal Accident Insurance with Covid-19 Coverage by Mercantile Insurance and similar other insurance products or services. Per your letter dated 15 October 2021, the pertinent facts are as follows:

"As a brief background, Home Credit is a leading multi-channel consumer financing company, offering a variety of products such as in-store, point-of-sale (POS), and acquisition loans for purchases of durable goods and cash loans eligible to mass retail customers. In 2018, Home Credit developed its own MobApp,

which is designed as a platform for customers to shop online on installments with various retailers. To avail of Home Credit MobApp's products and features, a customer needs to download the Home Credit MobApp in Google Play, provide his username and password, proceed with the E-KYC procedures and other customer validation processes. In case a customer intends to avail of a cash or consumer loan, a separate risk assessment is made.

x x x

With the availability of technology and the sudden shift of customers to online transactions particularly during this Covid-19 pandemic, Home Credit has partnered with various retailers including insurance companies and insurance brokerage companies to offer its customers various products and services such as Personal Accident Insurance with Covid-19 Coverage with Mercantile Insurance, Home Content with BPI/MS and Chubb, among others. As mentioned above, a customer is an individual who has completed the customer validation process including E-KYC procedure. Once in the Home Credit MobApp, a customer will be offered a plethora of products and services from Home Credit and its partner-retailers."

Relative to the foregoing, Home Credit requested confirmation as to the following matters:

- (a) The customers of Home Credit who are redirected to a third party MobApp and who will then be offered insurance policies are considered as customers of the insurance company or insurance brokerage. Home Credit may be paid a service fee or collection fee by the Insurer pursuant to Clause 5.5 of IC Circular Letter No. 2017-57.
- (b) In the alternative, and in the event that Home Credit will allow the insurance company or insurance brokerage to set-up its own embedded microsite in Home Credits' MobApp, customers who have downloaded the MobApp and who have undergone a full KYC process can already be considered as a customer and be offered a Group Master Policy by the insurance company or insurance brokerage.
- (c) In item (b) above, considering that the Home Credit customer has already undergone customer validation and full KYC process, there is no other prerequisites that the customer would need to comply with in order to be offered the Group Master Policy.

Upon careful consideration of the matters raised in your request, hereunder are the Insurance Commission's findings:

I. The customers of Home Credit redirected to MobApp are customers of the insurance company or insurance brokerage

As to the first point of clarification, customers of Home Credit who are redirected to MobApp are considered as customers of the insurance company. Home Credit may then be paid a service or collection fee by the Insurer in accordance with Section 5.5 of Circular Letter No. 2017-57 or the "Guidelines on Group Insurance of Both Life and Non-Life Insurance Companies".

Section 1.2 of CL No. 2017-57 provides that insurable groups can broadly be classified into an employee group or an affinity group, to wit:

"Section 1. Groups Subject of Group Insurance

- 1.2. Insurable groups can broadly be classified into two main groups, namely: a) employee group, where all members work for the employer proposing to cover them; and b) **affinity group, whose members have a commonality other than employment and whose insured members are not its employees** such as depositors or borrowers of banks or lending companies, passengers of transportation operators, members of a professional associations, cardholders of credit card companies, members of a professional associations, cardholders of credit card companies, members of an employees welfare associations, beneficial owners of a trust handled by a trustees, among others. In an employee group, the employer becomes the policyholder and the employees are the insured persons. **In the affinity group, the policyholder is the association, trustee, union, and other organization to which an individual insured must belong or be associated with to be insured.**"

Section 4.2 of CL No. 2017-57 further provides that:

"Section 4. The Insured

- 4.2. **In an affinity group, the individual group members shall be treated as the insured and the group organizer or entity will be the holder of the group policy.** In such case, the employer/group organizer who acts as policyholder shall request the insurer to issue a statement, proof of cover, confirmation, or certificate of insurance to individual employees or members with clear reference to the group policy and benefits secured thereby."

Customers of Home Credit may be considered an affinity group, as defined in Section 1.2 of CL No. 2017-57, considering that they have a commonality other than employment and are not employees of the insurer proposing to cover them. Being part of an affinity group, should Home Credit customers be offered coverage under a group insurance policy, they shall be treated as the insured and may be considered as customers of the insurance company by express provision of CL No. 2017-57.

Since Home Credit is the entity to which a Home Credit customer must belong or be associated with to be insured under a group insurance policy in this case, a service or collection fee may be paid by the insurer to Home Credit, as provided in Section 5.5 of CL No. 2017-57, to wit:

“Section 5. Premium, Commission and Charges

- 5.5 **A service fee or collection fee may be paid by the Insurer to the Policyholder.** It is understood that the payment of a service fee or collection fee to the Policyholder is necessary to help defray the costs for servicing and administering the plan.”

Home Credit being the policyholder in this particular case, as provided under Section 1.2 of CL No. 2017-57, a master policy duly approved by the Insurance Commission must be issued by the insurance company in favor of Home Credit.

The foregoing notwithstanding, please note that the insurance provider's platform to which the customers will be redirected must be duly approved by the Insurance Commission in accordance with Circular Letter No. 2014-47 dated 21 November 2014 or the “Guidelines on Electronic Commerce of Insurance Products”, as amended by Circular Letter No. 2016-15 dated 15 March 2016 and Circular Letter No. 2016-60 dated 15 November 2016.

II. Individuals who have downloaded MobApp and have undergone the full KYC process are customers and can be part of a Group Master Policy

In addition to customers of Home Credit who are redirected to MobApp, individuals who have downloaded MobApp and who have undergone the full KYC process may likewise be considered as customers of Home Credit for purposes of coverage under a group policy.

Similar to Home Credit customers described in the immediately preceding section, individuals with MobApp accounts may likewise be considered members of an affinity group, as defined in Section 1.2 of CL No. 2017-57. Note, however, that similar to the scenario in the preceding section, the individuals with MobApp

accounts shall be treated as the insured and Home Credit will be the holder of the group policy.

***III. Undergoing customer validation
and the full KYC process suffice
insofar as eligibility under group
insurance is concerned***

For affinity groups, Section 1.2 of CL No. 2017-57 merely requires that there be commonality among members other than employment. Such is the case in individuals with MobApp accounts who have already undergone customer validation and the full KYC process. Hence, being part of an affinity group, individuals with MobApp accounts may be offered coverage under a group policy with Home Credit as the policyholder. No other prerequisites need to be complied with by such individuals in order to be offered coverage under a group policy.

Please note that the above opinion rendered by this Commission is based solely on the particular facts disclosed in the query and relevant solely to the particular issues raised therein and shall not be used, in any manner, in the nature of a standing rule binding upon the Commission in other cases whether for similar or dissimilar circumstances.

For your information and guidance.

Very truly yours,

DENNIS B. FUNA
Insurance Commissioner

