



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
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PRESS RELEASE

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IC PROMOTES LOCAL INSURTECH DEVELOPMENT BY ISSUANCE OF REGULATORY SANDBOX GUIDELINES

On 14 June 2020, Insurance Commissioner Dennis Funa signed Circular Letter No. 2020-73 providing for the “Guidelines on the Adoption of a Regulatory Sandbox Framework for Insurance Technology (InsurTech) Innovations” in recognition of the benefit that can be derived from the development of technological innovations as regards the conduct of local insurance business.

“Technological innovations over the past few years have indeed revolutionized the conduct of business across various sectors. We should harness the breakthroughs in InsurTech and apply the same to the local insurance industry. However, the applicability of such InsurTech breakthroughs must first be evaluated by means of a framework that will ensure that the protection of the interests of the insuring public will not be compromised,” said Commissioner Funa.

Under the new Circular Letter, the term “regulatory sandbox” pertains to a “controlled environment with a system set up by a licensed insurance provider in collaboration with another person, natural or juridical, licensed or not by this Commission, that allows a small scale and live testing of technological innovations operating under special circumstance/s, allowance/s, and/or other limited and time-bound supervision”.

Regulatory sandboxes involving the doing of insurance business, as defined under the Insurance Code, or the performance of any act that requires licensing and/or regulation by the Insurance Commission must first be approved by the latter before the same are adopted and implemented.

Applicants that are interested to participate in a regulatory sandbox are required to submit a formal proposal together with other documentary requirements to the IC’s Regulation, Enforcement, and Prosecution Division (REPD). Notably, one of the required documents is an “Exit Plan”, which shall outline a plan for the scaling up of the access to the technological solution by a larger market, among other contents.

Applications shall then be evaluated based on the areas of innovation, insurance inclusion, consumer benefit and protection, readiness for testing, and soundness of the Exit Plan.

If approved, regulatory sandboxes shall be operated in “Experimentation Cycles”, which shall not exceed one (1) year but may be extended for an additional six (6) months, shall be implemented, evaluated, and finalized one at a time. Successful

applicants are also required to submit monthly written reports to the REPD as regards the progress of the implementation of the Experimentation Cycle. After an Experimentation Cycle is completed, the successful applicants shall submit a Completion Report that shall outline the results of the testing of the technological solution and its potential impact if it will be scaled out for larger market access.

“Considering that the application of InsurTech under the Regulatory Sandbox Framework may contain proprietary information, we also deemed it necessary to include a provision on the protection of the intellectual property of participating applicants,” remarked Commissioner Funa.

Accordingly, the new Circular Letter states that any information in the custody or within the knowledge of the IC pertaining to the participation of applicants in regulatory boxes shall be considered as trade secrets in accordance with applicable intellectual property laws. Thus, any and all requests as regards the disclosure of the details of the participation in regulatory sandboxes shall be directed to the applicants.

“We believe that the institutionalization of the Regulatory Sandbox Framework under our Circular Letter No. 2020-73 is a pioneering moment for Philippine insurance regulation. It enables the Philippine insurance industry, as well as mutual benefit associations, to safely implement InsurTech solutions to various challenges that they encounter and will in encounter in conduct of their respective businesses,” said Commissioner Funa.

“The Insurance Commission thanks Dr. Antonis Malagardis, the Program Director of the Regional Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia) under Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, for his initiative and valuable contribution to the formulation of this Regulatory Sandbox Framework,” Commissioner Funa added.



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