



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

Circular Letter No.:	2021-64
Date:	4 November 2021

CIRCULAR LETTER

TO : ALL ENTITIES REGULATED BY THE INSURANCE COMMISSION

SUBJECT : GUIDELINES ON THE ADOPTION OF A REGULATORY SANDBOX FRAMEWORK FOR INNOVATIONS IN THE INSURANCE, HEALTH MAINTENANCE ORGANIZATIONS (HMO), AND PRE-NEED INDUSTRIES

WHEREAS, innovations that offer new products and services is a key part of effective competition especially in the financial sector;

WHEREAS, innovative products, services, business models, and/or delivery mechanisms, as applied in the conduct of business of insurance, Health Maintenance Organizations (HMOs) and pre-need companies, can further be improved or enhanced without completely disregarding any existing and applicable laws, rules, or regulations;

WHEREAS, this Commission recognizes the immense benefit that can be derived from further developing such innovations through experimentation, testing, and learning, which can be achieved without compromising the protection of the interests of the insuring public;

NOW, THEREFORE, in view of the foregoing and in accordance with the statutory powers vested in the undersigned by Section 437 of the Insurance Code, as amended by Republic Act No. 10607, Section 4 of Executive Order No. 192, s. 2015, and Section 6 of Republic Act No. 9829, otherwise known as the "Pre-Need Code of the Philippines", the following *Guidelines on the Adoption of a Regulatory Sandbox Framework for Innovations in the Insurance, Health Maintenance Organizations (HMO), and Pre-Need Industries* are hereby adopted and promulgated, to wit:

Section 1. Definition of Regulatory Sandbox. – For purposes of this Circular Letter, the term “*Regulatory Sandbox*” means a controlled environment with a system set up by a licensed insurance provider, Health Maintenance Organization (HMO), pre-need company, insurance or reinsurance broker, adjuster, mutual benefit association or such other Insurance Commission-regulated entity, as the case may be, in collaboration with another person, natural or juridical, licensed or not by this Commission, that allows a small scale and live testing of **innovative products, services, business models, and/or delivery mechanisms**, other than those contemplated under Circular Letter No. 2020-73¹ and Circular Letter No. 2021-11², operating under special circumstance/s, allowance/s, and/or other limited and time-bound supervision.

Section 2. Prior Approval Required. – No Regulatory Sandbox that involves the doing of insurance, HMO or pre-need business, or the performance of any act that will require licensing and/or regulation by this Commission shall be adopted and implemented unless approved by this Commission.

Section 3. Participation by Non-Regulated Entities. – In the case of persons, natural or juridical, who intend to participate in a Regulatory Sandbox but whose businesses are not regulated by this Commission and whose collaboration will require the performance of acts that will result in business or transactions that will require licensing, regulation or approval by this Commission, e.g., start-ups and financial service providers, they must first comply with existing regulations issued by this Commission, insofar as applicable, before submitting any application to participate in a Regulatory Sandbox.

Section 4. Experimentation Cycle. – A Regulatory Sandbox shall be operated in Experimentation Cycle/s that will be implemented one at a time. Each Experimentation Cycle must be evaluated and finalized before any subsequent Experimentation Cycle/s may be commenced.

Section 5. Duration of Experimental Cycle. – The Experimental Cycle, if approved by this Commission, shall last for a maximum period not exceeding one (1) year. The said Experimental Cycle can be extended for a period not exceeding six (6) months; *Provided*, that the Applicant shall submit a written justification, subject to the approval of this Commission.

Section 6. Documentary Requirements; Formal Proposal. – Any person/s intending to apply for participation in a Regulatory Sandbox shall submit a formal proposal and shall submit the following documents to this Commission’s

¹ Guidelines on the Adoption of A Regulatory Sandbox Framework for Insurance Technology (InsurTech) Innovations

² Guidelines on the Adoption of A Regulatory Sandbox Framework for Financial Technology (FinTech) Innovations for Health Maintenance Organizations (HMOs) and Pre-Need Companies