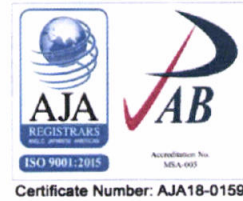




Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
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IC ISSUES OUTSOURCING GUIDELINES FOR INSURERS

Insurance Commissioner Dennis B. Funa recently issued the guidelines on outsourcing activities of insurance companies by clearly defining the areas of business that should be done in-house and those which can be outsourced to third parties.

According to Commissioner Funa, the regulation is aimed at ensuring that insurers follow the general guidelines outlined by the Insurance Commission to effectively balance the interests of protecting the insurance public on one hand and to develop and strengthen the insurance industry on the other.

The general guidelines outlined in the new regulation ensures that insurance companies exercise adequate due diligence and effective oversight over any and all outsourced activities.

Commissioner Funa said, "We expect insurers to take into account the general guidelines set forth in the new regulation in formulating and monitoring their outsourcing arrangements for the protection of the interests of their existing and potential policyholders."

Insurers shall be ultimately responsible to their policyholders for any and all outsourced activities and for ensuring that the outsourced activities are conducted in a safe and sound manner and in compliance with applicable laws, rules, and regulations.

Insurance providers are also required to continuously monitor the business process outsourcing (BPO) provider in the performance of the outsourced activities and are expected to ensure continuity of business operations if the outsourced BPO provider cannot perform the outsourced activities.

The new regulations ban insurers from outsourcing functions or business processes that are directly related to doing or transacting insurance business.

Accordingly, insurance companies are not allowed to outsource solicitation activities as defined in the new guidelines except to the extent allowed under the telemarketing guidelines issued by the Insurance Commission, and loss adjustment.

In addition, the decision on whether or not to underwrite risks and whether or not to approve or reject an insurance or reinsurance claim cannot be outsourced.

The same guidelines apply to reinsurance companies authorized to do business in the Philippines.

According to Commissioner Funa, the new regulation was issued in recognition of the benefits that can be realized by insurers and reinsurers in the outsourcing of their business process.

“We recognize that insurance companies can benefit from outsourcing their business processes such as improved productivity of existing operational capacity and trimmed down overall capital expenditures,” said Commissioner Funa.

He added, “Insurance companies can benefit from the potential of BPO to allow them to focus more on their core competencies placing the burden of other non-core activities on the BPO providers, thereby improving the efficiency of the in-house staff.”

In today’s volatile and highly complex business environment, substantial changes are being witnessed in the insurance sector. Leveraging the potential of BPO can be a valuable option that can stimulate and facilitate productivity and growth of the insurance industry.


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