



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



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Circular Letter (CL)

2020-70

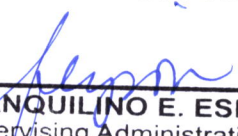
No.:

Date:

11 June 2020

Supersedes:

None

  
**TRANQUILINO E. ESPEJON**  
IC Supervising Administrative Officer  
Administrative Division  
Insurance Commission

Date: \_\_\_\_\_ **CIRCULAR LETTER**

**TO : INSURANCE COMPANIES, PRE-NEED COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS (HMOs)**

**SUBJECT : RECOGNITION OF DIGITAL PAYMENTS AS AN INTEGRAL PART OF INSURANCE TECHNOLOGY (INSURTECH), PROVIDING FOR ITS FRAMEWORK, AND ENCOURAGING ITS ADOPTION IN INSURANCE TRANSACTIONS**

**WHEREAS**, the Commission recognizes the emergence of technological advancements in financial transactions and its role in increasing the efficiency, security, and ease of use in making payments.

**WHEREAS**, the Commission is one with the government's agenda of continuously improving financial inclusion and supporting Insurance Technology (InsurTech) and innovations.

**WHEREAS**, the Commission recognizes that digital payments in transactions involving the purchase of Insurance policies, Pre-Need plans and Health Maintenance Organization (HMO) agreements will improve financial inclusion and innovations as well as awareness of the consuming public on insurance, pre-need and HMO products.

**WHEREAS**, there is a need for this Commission to address such technological advancements and formulate guidelines in order to serve, balance and protect the interests of Insurance, Pre-Need and HMO industries, and their consumers.

**NOW, THEREFORE**, pursuant to the powers granted to the Insurance Commissioner under Section 437 of the Insurance Code, as amended by Republic Act ("R.A.") No. 10607, Section 6 of R.A. 9829, otherwise known as the "Pre-Need Code of the Philippines", Section 4 of Executive Order No. 192, Series

of 2015, the following guidelines on digital payments in Insurance, Pre-Need and HMO transactions are hereby promulgated:

## SECTION 1. APPLICABILITY.

These Guidelines shall apply to Insurance, Pre-Need and HMO providers and its agents (the Company).

## SECTION 2. RECOGNITION OF DIGITAL PAYMENTS AS AN INTEGRAL PART OF INSURANCE TECHNOLOGY (INSURTECH).

The Insurance Commission recognizes digital payments, including its further innovations and variations, as an integral part of Insurance Technology (InsurTech) and innovations, and encourages its adoption in all aspects of insurance transactions.

**SECTION 3. DEFINITION OF TERMS.** – For the purposes of these Guidelines, the following terms shall mean or be understood as follows:

- a. **Digital Money.** Monetary value that is digitally stored in a designated electronic account, and may be remotely accessed through an instrument or device such as, but not limited to, mobile phone or prepaid card, created by banks or duly authorized non-bank e-money issuers, in accordance with Bangko Sentral ng Pilipinas (BSP) regulations which is acceptable as payment for goods or services by participating merchants.<sup>1</sup> Also referred to as “e-money”.

This shall not include virtual/crypto currencies as defined by Regulations issued by the BSP.

- b. **Originator.** refers to a person by whom, or on whose behalf, the electronic document purports to have been created, generated and/or sent. The term does not include a person acting as an intermediary with respect to that electronic document.<sup>2</sup> Also known as the “customer”.

- c. **Addressee.** A person who is intended by the originator to receive the digital payment.<sup>3</sup> The term does not include a person acting as an intermediary with respect to that electronic document. Also known as “the Company”.

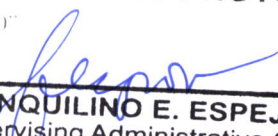
<sup>1</sup> The E-Money Platform: Opportunities for Digital Payments. Bangko Sentral ng Pilipinas. [www.bsp.gov.ph/downloads/PPT/EMoneyPlatform.pdf](http://www.bsp.gov.ph/downloads/PPT/EMoneyPlatform.pdf)

<sup>2</sup> Section 5 of R.A. No. 8792 also known as the “Electronic Commerce Act of 2000”

<sup>3</sup> Ibid

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2

  
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- d. **Intermediary.** Refers to a person who, on behalf of the addressee, provides digital payment services to the originator.<sup>4</sup> Also known as the "digital payment service provider".
- e. **Computer.** Any device or apparatus which, by electronic, electro-mechanical or magnetic impulse, or by other means, is capable of receiving, recording, transmitting, storing, processing, retrieving, or producing information, data, figures, symbols or other modes of written expression according to mathematical and logical rules or of performing any one or more of those functions.<sup>5</sup>
- f. **Electronic Data Message.** Information generated, sent, received or stored by electronic, optical or similar means.<sup>6</sup>
- g. **Electronic Document.** Information or the representation of information, data, figures, symbols or other modes of written expression, described or however represented, by which a right is established or an obligation extinguished, or by which a fact may be proved and affirmed, which is received, recorded, transmitted, stored, processed, retrieved or produced electronically.<sup>7</sup>
- h. **Digital Payment Service Provider.** A bank or non-bank e-money issuer duly authorized by the Bangko Sentral ng Pilipinas (BSP).

#### SECTION 4. TYPES OF DIGITAL PAYMENTS.<sup>8</sup>

- a. **Payment Cards.** A type of digital payment wherein a card electronically linked to an account or accounts belonging to the cardholder is issued. These accounts may be deposit accounts or loan or credit accounts, and the card is a means of authenticating the cardholder. Payment Cards include, but is not limited to, the following:
  - a.1. **Credit card:** A type of payment card wherein the issuing bank creates a line of credit or credit limit for the cardholder on which the cardholder can borrow.
  - a.2. **Debit card:** A type of payment card wherein funds are withdrawn directly from the cardholder's bank account whenever the cardholder makes a payment or purchase using the same.

<sup>4</sup> Ibid

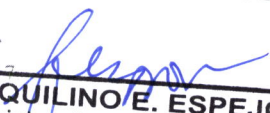
<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> Section 5 of R.A. No. 8792 also known as the "Electronic Commerce Act of 2000"

<sup>8</sup> An Overview On Digital Payments. International Journal of Research. October, 2017

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**a.3. Charge card:** A type of payment card wherein the cardholder is required to pay the full balance shown on the statement by the payment due date. It is a form of short-term loan to cover the cardholder's purchases.

**a.4. Gift card:** A prepaid stored-value money card usually issued by a retailer or bank to be used as an alternative to cash for purchases within a particular store or related businesses. Also known as "gift voucher" or "gift token".

- b. **Digital Wallets.** Computer software applications that store and transmit payment authorization data for one or more credit or deposit accounts. After a consumer loads their payment account data into a digital wallet, the digital wallet functions as a payment device for the selected account, transmitting the data to merchants to authorize payment.<sup>18</sup>
- c. **Unstructured Supplementary Service Data (USSD).** A real-time session oriented technology used to provide mobile based network and banking services with/without Internet using USSD codes over GSM channel. For banking services using USSD, the Mobile Network Operator is used as an interface between the customer and his respective bank.<sup>19</sup>
- d. **Point of Sale Machines.** The point of sale (POS) or point of purchase (POP) is the time and place where a retail transaction is completed. It is the point at which a customer makes a payment to the merchant (machine) in exchange for goods or after provision of a service. After receiving payment, the merchant (machine) may issue a receipt for the transaction, which is usually printed but is increasingly being dispensed with or sent electronically. A retail point of sale system typically includes a cash register (which in recent times comprises a computer, monitor, cash drawer, receipt printer, customer display and a barcode scanner) and the majority of retail POS systems also include a debit/credit card reader.
- e. **Mobile Banking.** A service provided by a bank that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software, usually called an application, provided by the bank for the purpose.

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<sup>18</sup> Adam J. Levitin, *Pandora's Digital Box: The Promise and Perils of Digital Wallets*, 156 University of Pennsylvania Law Review 305 (2018).

<sup>19</sup> K. K. Lakshmi, H. Gupta and J. Ranjan, *USSD – Architecture Analysis, Security Threats, Issues and Enhancements*, 2017 International Conference on Unmanned Systems (Trends and Future Directions) 798 (2017).

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- f. **Internet Banking.** An electronic payment system that enables customers of a bank to conduct a range of financial transactions through the financial institution's website.
- g. **Electronic Gifts.** An electronic gift certificate that can be transferred from one person to another. The receiver can spend these gifts in any partner online products/services provider.

## SECTION 5. PROCESS.

- a. The customer-originator will make digital payment/s to the company-addressee through the use of services provided by an intermediary.



Figure 1. Digital Payment Scheme

- b. **Acknowledgment of Receipt of Payment.** When digital payment has been completed by the originator, the addressee (not the intermediary) shall immediately acknowledge receipt of the same.

If the addressee requires that it should first receive the payment from the intermediary before any payment (full/partial) made by the originator can be completed, such addressee or the intermediary acting on behalf of such addressee must inform the originator that payment is on pending status. In such a case, the originator may still cancel the payment and whatever the originator has already paid, the same must be reimbursed to him in full.

Digital payment shall be deemed complete upon receipt by the originator of notice from the addressee that payment has been accepted/completed.

- c. **Error in Digital Payment.** Notwithstanding the provisions in the next preceding paragraph, the intermediary or the addressee must place within the digital payment system platform an option available to the originator to cancel a completed digital payment within 24 hours, if the originator did not intend to make such digital payment. In such a case, the reasons that shall be acceptable for the cancellation of the completed digital payment made by the originator shall be, but not limited to, the following

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5

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- c.1. Accidentally clicking/tapping on the option of making an electronic payment.
- c.2. The originator erroneously/accidentally paid for the wrong product/service.

Nothing in this section shall preclude an addressee company from allowing a longer period of time for the originator to cancel the digital payment completed.

All errors within the application/system or the transfer of information in digital payments on the part of the addressee/intermediary shall not prejudice the originator in any manner.

In any case where there is error of payment by the originator, the same amount he has paid shall revert to his account without any penalty or interest.

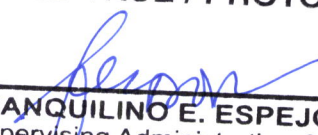
#### **SECTION 6. Prohibited Acts**

- 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.
- 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 the any of the prohibited acts in this Circular.

#### **SECTION 7. Security and Data Privacy**

Prior to entering into a contract with the company, a digital platform must have in place measures to secure the data and money stored and processed by them, and must be compliant with the requirements set forth under R.A. No. 10173 or the "Data Privacy Act" and its Implementing Rules and Regulations.

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## **SECTION 8. Anti-Money Laundering Requirements**

The digital platform partner of the company must comply with the Know-Your-Customer (KYC) requirements under R.A. No. 9160 or the "Anti-Money Laundering Act" (AMLA) and other pertinent AMLA requirements as issued by the BSP, and as may be applicable.

## **Section 9. Monitoring**

It shall be the duty of the company to monitor the compliance of any of their digital partner with the requirements under this Circular.

## **SECTION 10. Applicability of Relevant Laws.**

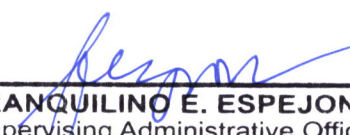
The provisions under this Circular is without prejudice to application of pertinent laws, rules and regulations being implemented by other government regulatory agencies.

## **SECTION 11. Effectivity.**

This Circular Letter shall take effect immediately.

  
DENNIS B. FUNA  
Insurance Commissioner

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