



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



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### CIRCULAR LETTER

**TO : ALL INSURANCE/REINSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES**

**SUBJECT : GUIDELINES ON BUSINESS PROCESS OUTSOURCING (“BPO”) ACTIVITIES OF INSURERS/REINSURERS**

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WHEREAS, this Commission recognizes the benefits that can be realized by a company in the outsourcing of its business processes, which benefits include, but are not limited to, the following:

1. Helping a company increase organizational flexibility;
2. Allowing said company to focus more on its core competencies; and
3. Increasing the speed of its business processes;

WHEREAS, this Commission recognizes that the insurance and/or reinsurance industries can benefit from the outsourcing of business processes;

WHEREAS, this Commission, however, finds that certain guidelines on business process outsourcing activities must be instituted in order to effectively balance the interests of protecting the insuring public, on the one hand, and developing and strengthening the insurance and reinsurance industries through BPO activities, on the other;

NOW, THEREFORE, pursuant to the undersigned's powers under Section 437 of Republic Act No. 10607, otherwise known as the Amended Insurance Code, to “x x x issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure the enforcement of the provisions of [the Amended Insurance Code], to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public,” the following *Guidelines on Business Process Outsourcing (“BPO”) Activities of Insurers/Reinsurers* are hereby adopted and promulgated, viz:

1. **Definition of Terms.** – As used in this Circular Letter, the terms:

- a. “*Business Process Outsourcing*” (“BPO”) refers to the contracting of operations and responsibilities for particular business process/es of an insurer/reinsurer to a third-party service provider; and
- b. “*BPO Provider*” refers to an entity engaged in BPO activities, whether as its primary business or incidental to its ordinary business operations, whose services are retained by an insurer/reinsurer for a consideration;
- c. “*Solicitation activities*” refer to activities aimed to persuade or induce any person to purchase an insurance/reinsurance product by:
  - i. describing the benefits and/or terms of insurance/reinsurance coverage, including premiums or rates of return;
  - ii. distributing an invitation to contract with prospective purchasers;
  - iii. making general or specific recommendations as regards insurance/reinsurance products;
  - iv. completing orders or applications for insurance products; and/or
  - v. comparing insurance products, advising as to insurance/reinsurance matters, or interpreting policies and/or coverages.

2. **General Guidelines on BPO.** – The following general guidelines shall be observed in the outsourcing of business processes by insurers/reinsurers, to wit:

- a. The insurer/reinsurer shall, at all times, be ultimately responsible to its insured/s 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;
- b. The BPO provider must be of sound financial position and possess the appropriate skills and resources to perform the outsourced activities;
- c. The insurer/reinsurer must ensure continuity of business operations if the BPO provider cannot, at any time during the effectivity of the outsourcing agreement/contract, perform the outsourced activities; and
- d. The insurer/reinsurer must continuously monitor the BPO provider in the performance of the outsourced activities during the effectivity of the outsourcing agreement/contract.

3. **Limitations on Outsourcing.** – The following functions or business processes of an insurer/reinsurer are directly related to “*doing or transacting insurance business*”, as defined under Section 2 (b) of the Amended Insurance Code; and thus, cannot be outsourced:



- a. *Solicitation activities*, which shall only be undertaken by the insurer/reinsurer, licensed agents and/or brokers; **except** to the extent otherwise allowed under Circular Letter No. 2016-61 dated 16 November 2016 on the “*Guidelines Defining the Engagement of Telemarketing Services by Insurance Companies, Insurance Brokers, and General Agencies, as well as Enumerating the Requirements Therefor*”;
- b. The *decision whether or not to underwrite risk/s*, which shall only be undertaken by the insurer/reinsurer and/or licensed non-life company underwriter/s;
- c. The *decision whether or not to approve or reject an insurance/reinsurance claim*, which shall only be undertaken by the insurer/reinsurer; and
- d. *Loss adjustment*, which shall only be undertaken by the insurer/reinsurer and/or licensed independent or public adjuster/s.

Notwithstanding the foregoing, the insurer/reinsurer may engage advisory or consultancy services of a BPO Provider in the performance of the functions or business processes enumerated above.

4. **Compliance with Data Privacy Laws.** – The insurer/reinsurer and the BPO Provider shall mutually observe and comply with the provisions of Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012, and its Implementing Rules and Regulations, in the collection, holding, processing, or use of personal information of insured/s.
5. **Effectivity.** – This Circular Letter shall take effect immediately.



**DENNIS B. FUNA**  
Insurance Commissioner

