



**Insurance Commission Invites InsurTech Enterprises
to Play in Regulatory Sandbox**

31 July 2020

The Insurance Commission (“IC”) of the Philippines has issued a circular letter dated June 14, 2020 on the adoption of a regulatory sandbox framework for the experimentation and testing of insurance technology innovations (IC Circular Letter No. 2020-73 (“ICL 2020-73”): “Guidelines on the Adoption of a Regulatory Sandbox Framework for Insurance Technology (InsurTech) Innovations.” The full text of Circular Letter No. 2020-73 can be found here: https://www.insurance.gov.ph/wp-content/uploads/2020/06/CL2020_73.pdf

The circular letter defines a Regulatory Sandbox as “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 technical innovations operating under special circumstance/s, allowance/s, and/or other limited and time-bound supervision.”¹ Also, a Regulatory Sandbox that involves the doing of an insurance business or “the performance of any act that will require licensing and/or regulation” of the IC, such as acting as an insurance agent or insurance broker, may not be “adopted and implemented unless approved by this Commission.”²

ICL 2020-73 seeks to strike a balance between promoting innovation and consumer protection. It gives businesses an opportunity to test innovative ideas in approaching the business of insurance in a reasonably controlled environment before it is launched to the general public. For example, a partnership between a technology-based company and traditional insurance company may lead to the development of a mobile application where customers may easily access their policies or even file claims under them.

The Insurance Commissioner has stated that the adoption of the Regulatory Sandbox framework for InsurTech will allow “Philippine insurance companies, as well as mutual benefit associations, to safely test InsurTech solutions to various challenges in the conduct of their businesses while simultaneously ensuring the protection of the greater insuring public.”³ InsurTech solutions can vary from as simple as launching an online service facility through which insureds can receive their notices, to as complex a matter as conducting the insurance business in a purely digital environment.

¹ ICL 2020-73, Section 1.

² ICL 2020-73, Section 2.

³ The Philippines Issues InsurTech Regulatory Sandbox Guidelines; https://www.insurance.gov.ph/wp-content/uploads/2020/07/A2ii-Newsflash_-The-Philippines-Issues-InsurTech-Regulatory-Sandbox-Guidelines.pdf; last accessed on July 9, 2020, 9:27 PM.

Regulatory Sandbox Framework for InsurTech

A. Who can play in the Sandbox?

Persons who want to participate in a Regulatory Sandbox have to submit a formal proposal to the IC's Regulation, Enforcement and Prosecution Division ("REPD") together with the required documents listed in ICL 2020-73, such as "an outline of [the] business model for the product, solution or service" and "a clear strategy for exit ("Exit Plan") from the Regulatory Sandbox."⁴

The REPD will evaluate the application and screen it in accordance with a set of parameters outlined in Section 7 of ICL 2020-73, and then submit its recommendation on the application to the Insurance Commissioner, who will issue a letter of approval if the applicant is compliant.

Once qualified, a Regulatory Sandbox must be operated in experimentation cycles, which "shall last for a maximum period not exceeding one (1) year" at a time, although it may be extended for a period not exceeding six (6) months provided that the applicant "shall submit a written justification."⁵ Those allowed to operate it are required to submit monthly reports to the REPD.

B. Possible Licensing Requirements

As noted above, participants in the project "whose collaboration will require the performance of acts that will result in business or transactions that will require licensing, regulation or approval by [the IC]" must first comply with existing regulations of the IC "before submitting any application for participation in a Regulatory Sandbox."⁶ The technology provider of InsurTech solutions may be required to obtain licenses or authorizations depending on the solution that it provides, and on its role in the creation or execution of an insurance transaction. For example, an InsurTech provider that has a mobile application which assists consumers in the procurement of an insurance policy may be deemed an insurance intermediary and be required by the IC to secure a license as an insurance agent or as an insurance broker.

C. IP Protection

ICL 2020-73 also gives protection to the intellectual property rights of the participants since "[a]ny information in the custody of or within the knowledge of [the IC] pertaining to the Applicants' participation in a Regulatory Sandbox, including its successful launching" is considered a trade secret. Therefore, "requests or inquiries pertaining to the disclosure of any of the details of such participation shall be requested directly from the Applicants."⁷

⁴ ICL 2020-73, Section 6.

⁵ ICL 2020-73, Section 5.

⁶ ICL 2020-73, Section 3.

⁷ ICL 2020-73, Section 13.

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