



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

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Date:	19 December 2016
Supersedes:	None

**CIRCULAR LETTER**

**TO: All Insurance and Pre-Need Companies, Mutual Benefit Associations, Cooperative Insurance Societies, Health Maintenance Organizations, Insurance Regular and General Agents, Insurance Brokers, Pre-need General Agents, Pre-need Brokers, Pre-need Counselors, and Microinsurance, Micro Pre-need, and MicroHealth Distributors Doing Business and Operating in the Philippines**

**SUBJECT: Adoption and Implementation of Microinsurance Distribution Channels Regulatory Framework**

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**WHEREAS**, a Technical Working Group for developing the Microinsurance Distribution Channels Regulatory Framework was created and composed of representatives from the Insurance Commission (IC), Department of Finance (DOF), other government agencies, and private sectors with the support of Asian Development Bank under its Improved Capacity to Develop Microinsurance Products ADB-JFPR TA-8258 PHI Capacity Building for Microinsurance Project;

**WHEREAS**, the Technical Working Group has finalized the Microinsurance Distribution Channels Regulatory Framework;

**WHEREAS**, Microinsurance Distribution Channels Regulatory Framework is a supplement and elaboration of paragraph numbers 26-29 and 32 of Circular Letter No. 2015-54 (Adoption and Implementation of Enhanced Microinsurance Framework) which permit duly licensed microinsurance general agents, brokers, Cooperative Insurance Societies, and Mutual Benefit Associations to contract the services of innovative channels for distributing microinsurance products;

**WHEREAS**, the Microinsurance Distribution Channels Regulatory Framework defines what distribution channels are; identifies the acceptable distribution channels that may be contracted; describes the permissible functions and activities of distribution channels; lays out the responsibilities and market conduct of distribution channels and all parties that are involved in the distribution of microinsurance, Micro Pre-need, and MicroHealth; and prescribes measures to follow that will protect the rights of all Filipinos that purchase these types of products;

**WHEREAS**, the Insurance Commission shall issue circulars and guidelines as necessary to elaborate on certain provisions within the Microinsurance Distribution Channels Regulatory Framework and as it may deem necessary to enforce certain provisions therein.

**NOW, THEREFORE**, pursuant to the powers vested in me by Department Order No. 060-2016 dated 16 November 2016 issued by the Secretary of the Department of Finance in relation to Section 437 of Republic Act No. 10607, the attached Microinsurance Distribution Channels Regulatory Framework is hereby adopted for the guidance of all the regulated entities and persons under the Insurance Commission.



**DENNIS B. FUNA**  
Deputy Insurance Commissioner  
Officer-In-Charge

## Microinsurance Distribution Channels Regulatory Framework

### A. Government Policy

#### A.1 Microinsurance

1. In January 2010, the Government launched the **Regulatory Framework for Microinsurance** that “outlines the government’s policy thrusts and direction for the establishment of a policy and regulatory environment that will encourage, enhance and facilitate the safe and sound provision of microinsurance products and services by the private sector.” It also identifies and promotes “a system that will protect the rights and privileges of those who are insured”.
2. To implement the Regulatory Framework for Microinsurance, the Insurance Commission (IC), the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC) and the Cooperative Development Authority (CDA) issued, among others, the following circulars:
  - a. IC Memorandum Circular No. 1-2010 “Regulations for the Provision of Microinsurance Products and Services”;
  - b. Joint IC-CDA-SEC Memorandum Circular No. 1-2010 “Defining Government’s Policy on Informal Insurance Activities”;
  - c. Joint IC-CDA-SEC Memorandum Circular No. 2-2010 “Guidelines on the Treatment of Funds Collected from Informal Insurance Activities”
  - d. BSP Circular No. 683 “Marketing, Sale and Servicing of Microinsurance Products”;
  - e. IC Circular Letter No. 5-2011 “Performance Standards for Microinsurance”
  - f. IC Circular Letter No. 6–2011 “Guidelines for the Approval of Training Programs and Licensing of Microinsurance Agents”
  - g. IC Circular 39-2011 “Re-approval of microinsurance products”
  - h. IC Circulars 15 to 18 – 2013 on Alternative Dispute Resolution Mechanism for Microinsurance.
3. With the enactment of Republic Act No.10607 (**An Act Strengthening the Insurance Industry**) in 2013, microinsurance was institutionalized in the country. The law increased the premium and coverage limits of a microinsurance product and granted the Insurance Commissioner the authority to issue rules and regulations on microinsurance.

4. On 16 October 2015, the IC issued **Circular Letter No. 2015-54** on the **Adoption and Implementation of Enhanced Microinsurance Framework** which seeks to clarify and delineate the roles, functions, responsibilities, and limitations of microinsurance agents, general agents, brokers, and distribution channels; establish clarity and rules on product bundling to encourage innovation in the marketplace and design of tailor-made products to service the demand of diverse market niches; and guide transfer of excess microinsurance risk among local and to foreign insurance risk-bearing entities.

#### **A.2 Agricultural Microinsurance (MicroAgri)**

5. On 15 October 2015, the Insurance Commission released Circular Letter No. 2015-53 entitled **Adoption and Implementation of Agriculture Microinsurance Framework**. This framework aims to create a clear-cut policy and regulatory environment which will “encourage Government and private sector providers to innovate and design products tailor-fitted to the needs of agricultural clients”. Furthermore, aside from clarifying the roles of all stakeholders in the provision of MicroAgri, the framework aides design of MicroAgri products by establishing the bounds of insurable interest, risks that may be covered, claims requirements, parameters that may be used for parametric-type products, data sources for determining payouts in the case of index/parametric products, and more.

#### **A.3 Health Microinsurance (MicroHealth)**

6. On 15 October 2015, Circular Letter No. 2016-22 (**Regulations for the Provision of Health Microinsurance (MicroHealth) Products and Services**) taking reference from the **Health Microinsurance Framework** was issued. The objectives seek to “promote inclusive health insurance for the general population with particular focus on the low income and informal sectors”, increased participation of the private sector, wider coverage and improved accessibility resulting from a broad range of innovative MicroHealth products, better product value, and improved consumer protection. The Circular recognizes life and non-life insurance companies, cooperative insurance societies (CIS), mutual benefit associations (MBA), and Health Maintenance Organizations (HMOs) as providers of MicroHealth products.

A broad rationale of the Circular is support for the Government’s long term objective of Universal Health Care for all Filipinos through the National Health Insurance Program (NHIP). NHIP was established through **Republic Act 7875 (National Health Insurance Act of 1995)** and enhanced by its various amendments; the latest amendment was **Republic Act 10606 (National Health Insurance Act of 2013)** and its Implementing Rules and Regulations (IRR).

On 25 April 2016, a Memorandum of Understanding (MoU) for Health Microinsurance in the Philippines was signed between the Department of Health

and the IC. The MoU encourages both agencies to cooperate and coordinate their respective functions to enable MicroHealth market participants to offer complementary and supplementary products and services to the insuring public.

7. Executive Order No. 192 s. 2015 transferred the regulation and supervision of HMOs from the Department of Health to the Insurance Commission (IC) on 12 November 2015. As a result, the range of IC's regulation now covers the entire span of MicroHealth providers.

#### **A.4 Micro Pre-need**

8. On 09 October 2015, the Insurance Commission ordered the adoption and implementation of the **Micro Pre-need Regulatory Framework** by issuing **Insurance Memorandum Circular 2015-51**. The main objectives of the Framework are to give the low income sector access to suitable pre-need products and services designed for their needs, encourage pre-need companies to expand provision of services to the low income sectors, and to put in place a mechanism to protect micro pre-need planholders' rights and privileges. The Framework establishes a clear definition of Micro Pre-Need products, lays out the requirements of providers (pre-need companies) and qualifications of sellers, sets the standard for settling Micro Pre-Need claims, and addresses other areas such as settlement of disputes and financial literacy.

### **B. Current Situation**

#### **B.1 Problem statements**

9. In general, the proportion of poor Filipinos living below the poverty line remains high despite the country's stellar economic growth rate in recent years, heightening the need for developing and distributing more financially inclusive risk protection services for the unserved and underserved sectors.
10. Although great strides have been made in terms of microinsurance coverage since the adoption of the 2010 Microinsurance Regulatory Framework, there remain some aspects of risk protection provision that could benefit from improved regulations. Foremost among these is efficient distribution which is internationally recognized as the main key to unlocking extensive financial inclusion. Moreover, given the country's relatively low overall insurance penetration, innovative and efficient delivery systems are needed to improve outreach, primarily among the unserved and underserved including the better-off segments of the population.
11. Compared to other sectors of the economy, agriculture is especially vulnerable to climate change, particularly to the increasing frequency and intensity of droughts and typhoons. This heightens the need for access to risk protection products by farmers and fisherfolks who comprise around 30% of the country's labor force, many of whom are among the poorest in the country. Yet, in spite of the need,

the Philippine Crop Insurance Corporation's (PCIC)'s penetration rate in 2012 stood at a mere 4% of this market. To close the gap, it is necessary to develop more agricultural microinsurance products (i.e. MicroAgri, the focus of Circular Letter No. 2015-53) and improve delivery of such products to the agricultural and fisheries sector.

12. Healthcare financial risk protection is currently provided by the Government's NHIP, particularly through the Philippine Health Insurance Corporation (PhilHealth), other government agencies providing health benefits, and some other private sector individuals and entities both formal and informal. Although NHIP coverage has reached almost 90% of the population, there is still significant room for healthcare financial risk protection to augment and add value to existing programs. The MicroHealth Regulatory Framework thus aims to encourage the private sector to enter this area with innovative, responsive MicroHealth products that cater to the poor and informal sectors of the population. As with all types of risk protection products, efficient delivery is essential for retaining financial value and affordability of MicroHealth.
13. Low-income Filipinos, already burdened by limited resources, are also more vulnerable to the natural risks within their environment and most other types of risks. These conditions further result in lack of access to formal financial systems and the types of products that could help them mitigate life-cycle risk events and assist them with preparation for the inevitable financial burdens associated with these events. While Insurance Memorandum Circular 2015-51 (Micro Pre-Need Regulatory Framework) has opened the door a little wider for the provision of Micro Pre-Need products, there remains the difficult challenge of delivering these products efficiently. To date, pre-need products are primarily delivered through individual sales counselors, an inefficient and expensive method that erodes the financial value of these products.

## **B.2 Policy gaps concerning distribution channels**

14. Paragraph numbers 26-29 and 32 of Circular Letter No. 2015-54 (Adoption and Implementation of Enhanced Microinsurance Framework) permit duly licensed microinsurance general agents, brokers, CIS, and MBAs to contract the services of innovative channels for distributing microinsurance products. These channels need not be licensed, provided that the above-mentioned entities closely supervise them, delegate only distribution tasks with the exception of selling/solicitation, and assume full responsibility for any misconduct that the channels may commit. For selling/solicitation, the contracting institution must assign a duly licensed representative to the channel for this purpose.
15. Delivery of MicroHealth and Micro Pre-need would also benefit from use of distribution channels due to greater efficiency and widened outreach within their respective markets. The aforementioned regulations pertaining to micro risk

protection products (term is defined in this Framework) support the use of distribution channels.

16. The proponents and potential users of distribution channels need greater clarity on the types of channels that may be developed and harnessed, their permissible activities and limitations, and the responsibilities of the various parties involved. Addressing these issues are among the main purposes of this Framework, aside from being an elaboration of paragraph numbers 26-29 and 32 of Circular Letter No. 2015-54, and the application of these particular provisions to MicroHealth and Micro Pre-need.

**C. Vision: Widespread, efficient, safe access to responsive, valuable, and affordable financial risk protection**

17. The Framework envisions that the entire Filipino population has widespread, efficient, and safe access to responsive, valuable, and affordable financial risk protection products and services.

**D. Objectives of the Framework**

18. The Framework aims to supplement and expand existing regulations on distribution channels for micro risk protection products and services. More specifically, the Framework shall:
- a. Identify the acceptable distribution channels that may be contracted;
  - b. Describe the permissible functions and activities of distribution channels;
  - c. Lay out the responsibilities and market conduct of distribution channels and all parties involved upstream (term defined herein); and
  - d. Prescribe measures to follow which will ensure that the rights of consumers are protected.

**E. Strategy to be pursued**

19. To ensure that the vision and objectives are realized, the main strategy of the Framework is to develop a set of clear policies, rules, and guidelines on the development, utilization, and conduct of distribution channels.

**F. Scope of the Framework**

20. The Framework covers all aspects of contracting distribution channels and their conduct in the delivery of micro risk protection products and services as may be defined by the IC.

**G. The Framework**

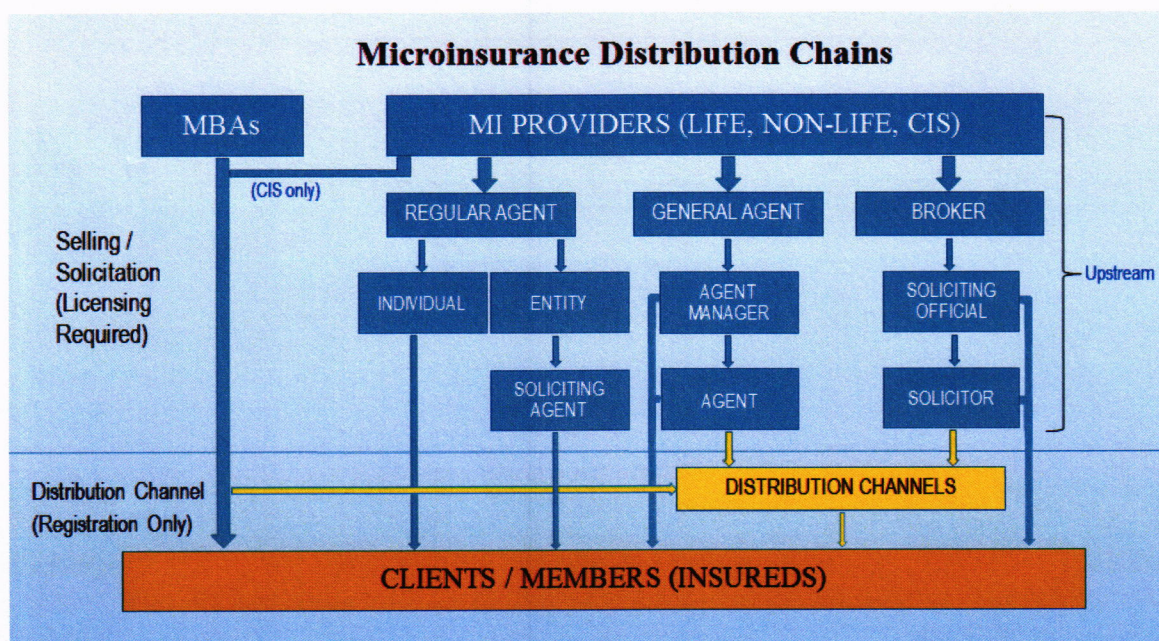
**G.1 Definition of Terms**

**21. Terms used in the Framework:**

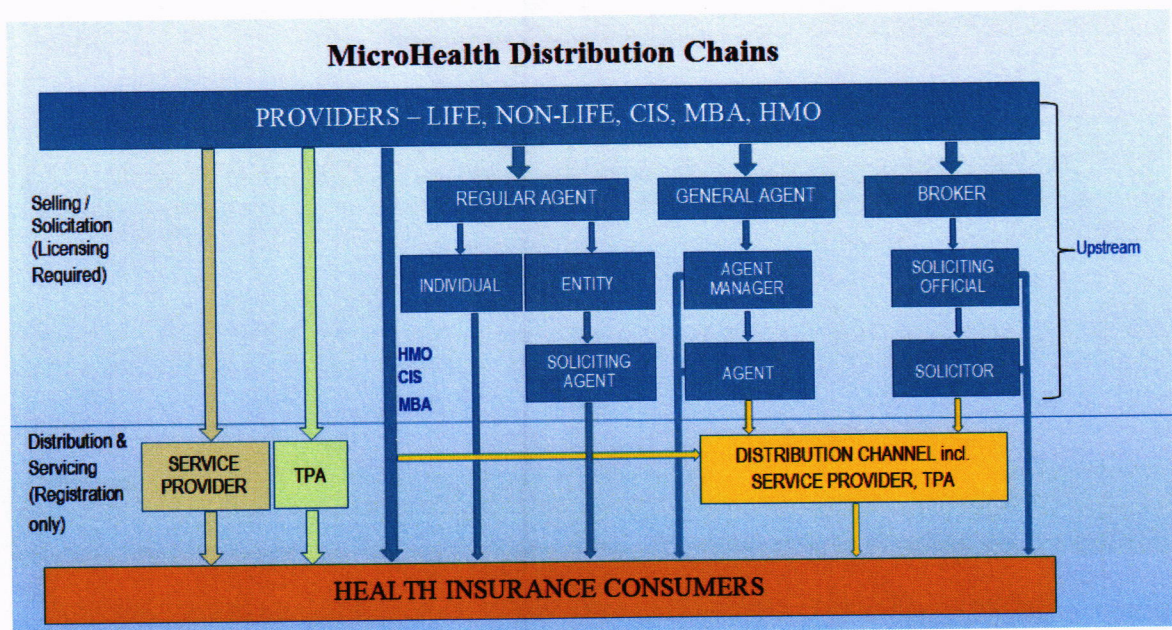
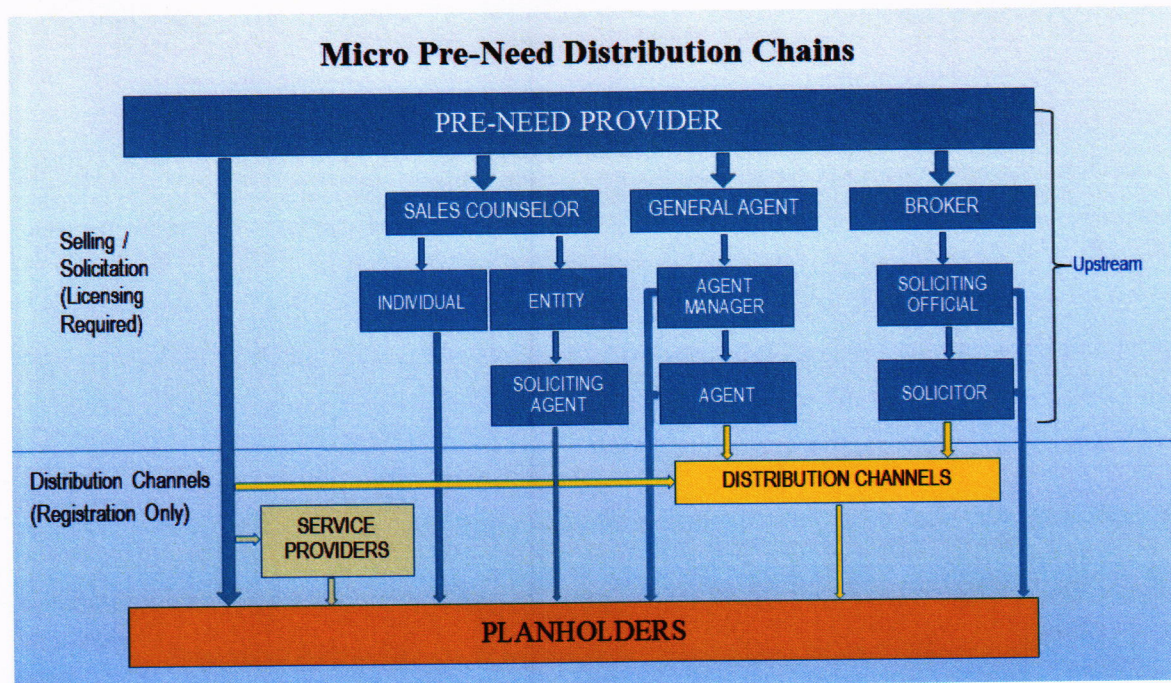
- The term **Micro Risk Protection Product** refers to the following:
  - a. Microinsurance as defined and conforming to Title 6, Section 187 of RA10607 (Insurance Code, as Amended), IC Insurance Memorandum Circular 1-2010, IC Circular Letter 2015-54, and other applicable IC circulars outlining the features, limitations, and scope of microinsurance products.
  - b. Agricultural microinsurance products (MicroAgri) defined in IC Circular Letter 2015-53;
  - c. Health microinsurance products (MicroHealth) per specifications in IC Circular Letter 2016-22; and
  - d. Micro pre-need products as described in IMC No. 2015-51.
- **Micro Risk Protection Product Distribution** refers to the system or method whereby micro risk protection products and services flow from the micro risk protection product providers to the consumer, which may be done through:
  - a. Direct-selling as allowed by regulations;
  - b. Intermediaries; and
  - c. Distribution channels.
- **Distribution Chain** is the sequence of persons and entities through which the products, transactions, and services flow in the course of micro risk protection product distribution.
- A **Distribution Channel** is defined herein as a person (natural or juridical) such as retail outlet, service outlet, electronic platform, and other similar channels that may be allowed by the Insurance Commission, utilized by a channel contractor to at least make available approved micro risk protection products and perform claims assistance. In addition, other functions may be delegated to them by a channel contractor.
- A **Channel Contractor** could be any of the following:
  - a. A duly licensed microinsurance general agent or broker;
  - b. A cooperative insurance society (CIS) or mutual benefit association (MBA) providing its own products exclusively to its members;
  - c. A general agent or broker offering MicroHealth products and services;
  - d. A pre-need company, general agent or broker offering Micro Pre-need products; or
  - e. Others as may be permitted by the Insurance Commission.
- **Designated Seller** refers to a licensed person designated by a channel contractor to be in charge of selling/solicitation in a registered distribution channel.



- **Commission** refers to compensation for a successful sale/solicitation leading to purchase of a micro risk protection product.
- **Service Fee** or **Administration Fee** is compensation for services provided in the course of micro risk protection product distribution other than selling/solicitation.
- **Premium** refers to a payment, contribution, or instalment towards purchase of a micro risk protection product.
- **Upstream** refers to a provider, channel contractor, designated seller, or any other party between the provider and distribution channel in the distribution chain.







## G.2 Micro Risk Protection Product Delivery

22. Micro risk protection product delivery, micro risk protection services delivery, or micro risk protection delivery includes the following activities:

- **Market research**- an organized gathering and analysis of information about a target market for purposes of identifying prospective buyers and their potential micro risk protection product needs.
- **Product development** – formulation, design, enhancement, or any similar activity related to the development of a micro risk protection product.
- **Selling** or solicitation is the systematic attempt to persuade the purchase of a micro risk protection product/service which concurrently includes:
  - ✓ Making or proposing to make, as micro risk protection provider, any micro risk protection contract;
  - ✓ Explaining the features, terms and conditions of micro risk protection products and concepts related to life-cycle risks, business risks, etc.;
  - ✓ Handling of customer questions and objections; and
  - ✓ Performing other similar activities necessary to complete the sale.
- **Display of product information** - a public exhibition of micro risk protection products and concepts using any type of physical or digital/mobile means.
- **Preparation of marketing materials** includes design, content formulation and production of marketing materials.
- **Information dissemination** is the act of bringing micro risk protection product concepts, products, or services to the public's attention by any form of media such as print, broadcast, digital/mobile or others.
- **Preparation of micro risk protection product forms** refers to both the design and production of all kinds of forms related to micro risk protection product and services delivery.
- **Providing forms** means making available and reproducing all types of forms related to micro risk protection product and services.
- **Insurance policy and account maintenance** of an insured customer implies providing customer access to personal policy/account information for purposes of verification and modification to the extent delegated by the channel contractor.
- **Enrolment** in pre-approved types of products (such as group), **renewal of term products, or applications for coverage** (possibly with conditional acceptance, requiring underwriting) involves
  - ✓ Providing forms;
  - ✓ Assistance with completing forms;
  - ✓ Taking photos, fingerprints, or other documentation requested by the provider;
  - ✓ Acceptance of completed forms and documentary requirements; and

- ✓ Other related tasks.
- **Pre-qualifying applicants/applications** means ascertaining whether or not applicants are qualified for the coverage applied for and/or the amount of coverage they may purchase, to the extent delegated by the channel contractor and as approved by the Insurance Commission.
- **Facilitation of Premium Payment** involves:
  - ✓ Making available payment forms or other means by which payment information is captured;
  - ✓ Providing instructions and assistance; and
  - ✓ Checking payment forms for completeness.
- **Premium Collection**
  - **Persuasive Collection** – Convincing insureds to pay their scheduled payments so that coverage will become/remain active. This often involves a degree of selling/solicitation since the merits of the product must be “resold” to convince the customer to start/continue the coverage.
  - **Premium Acceptance** includes:
    - ✓ Receiving and accepting payment in any authorized form;
    - ✓ Issuing an official receipt or acknowledgment receipt of the channel contractor or provider indicating, at the minimum, the following: payment date, payer’s name, amount, policy/account number and proof of coverage.
    - ✓ Acceptance of the payment documentation; and
    - ✓ Similar related activities.
- **Notification of renewal or lapse** means informing insureds that their coverage will soon expire or lapse.
- **Claims assistance** may involve making the required forms available, assisting claimants in completing the required forms, transmitting the complete claims documents upstream, issuing written acknowledgment that the application for claim and supporting documents have been accepted, advising claimants of the status thereof, and transmitting the claims proceeds to the claimants.
- **Claims processing** may involve denial/payment of a claim after application for the claim was reviewed and payment to one or more designated beneficiaries was approved or disapproved. Separate payments may have to be made to each beneficiary and it is the payer’s responsibility to properly identify and pay the appropriate amount to each beneficiary.



- **Claims benefit determination** refers to rendering a decision on whether or not a claim is payable and calculating the amount payable.
- **Cancellation of coverage** refers to acceptance and transmittal of notice of cancellation.
- **Other activities** related to micro risk protection product delivery.

### G.3 Functions and activities of a distribution channel

**23.** The table below summarizes the micro risk protection product delivery activities that may be delegated to distribution channels. A channel contractor may only delegate functions that it is permitted to perform under Circular Letter 2015-54 and other IC regulations, as may be applicable.

<b>Micro Risk Protection Product Delivery Function or Activity</b>	<b>Allowed</b>
Market research	YES, except data analysis
Product development	NO
Selling	NO
Display of product information	YES
Preparation of marketing materials	NO
Information dissemination	YES
Preparation of forms	NO
Providing forms	YES
Insurance policy and account maintenance	Yes, to the extent delegated by the channel contractor
Enrolment	YES
Pre-qualifying applicants/applications	YES, as may be approved by the IC
Facilitation of Premium Payment	YES
Persuasive collection	NO
Premium acceptance	YES
Notification of Renewal or Lapse	YES
Claims assistance	YES
Claims processing	NO
Claims benefit determination	NO
Cancellation of coverage	YES
Receiving commission	NO
Receiving service/admin fees	YES
All other distribution activities	Yes, to the extent delegated by the channel contractor and as allowed by the Insurance Commission

**24.** The channel contractor:

- Shall be responsible for the channel's misconduct, if any;
- Is responsible for assigning and placing a designated seller to each distribution channel as required;
- Must properly capacitate the channel as needed so it can competently execute all its delegated functions; and
- Complete the channel registration requirements of the IC.

**25.** A distribution channel's designated seller must be readily accessible to potential and existing micro risk protection product customers of the channel. Personnel representing a distribution channel are prohibited from persuading customers to purchase micro risk protection products and may only address questions directly related to the content in the marketing materials and distribution forms being displayed and provided by the channel.

**26.** Simple concerns pertaining to the channel's distribution activities may be addressed by the channel. All other complaints shall be forwarded upstream.

**27.** If a distribution channel is authorized to facilitate payment of all or a portion of a micro risk protection product benefit or surrender benefit to a beneficiary, there shall be no deduction of any kind from the full amount payable, neither by the channel or at any point further upstream, irrespective of whether a deduction is defensible as an administration/service fee, as recovery of an incurred expense, or for any other reason whatsoever. Furthermore, all such claims payments must be in full accordance with the policy contract.

**28.** All IC approved group or individual micro risk protection products may be distributed through distribution channels.

### **G.3. Additional responsibilities and requirements**

**29.** Security and use of micro risk protection product distribution data is an important fiduciary responsibility. As such:

- Collection, storage, transmission, and protection of data that the channel is given access to or is collected by the channel are governed by Republic Act 10173 known as the Data Privacy Act of 2012.
- In addition to all applicable provisions of the Data Privacy Act, the channel must, for the protection of the micro risk protection product customer, transmit information regarding new micro risk protection product purchases, periodic premium payments, coverage changes, and any other transactions affecting customers' coverage to the provider at least **daily**, notwithstanding, however, in cases where a channel operates in frontier areas of the country where communication is difficult, the maximum transmission time shall be **within seven working days from the transaction date**. At the minimum, the following data must be transmitted: Name of insured; amount of payment;

product name; coverage options selected; policy number (group or individual), and transaction / receipt number.

- To protect the privacy of micro risk protection product customers, a channel outlet must be able to secure data and documents as well as transmit/ship these in an efficient and timely manner.

**30.** It is the duty of the channel contractor intending to partner with distribution channel(s) to register the channel with the IC. This consists of submission of the following: business name, principal address, other contact details, names of persons responsible, proposal explaining the distribution process flow, signed roles and responsibilities of parties, the criteria in selecting the distribution channel together with the permits, clearance and other requirements from local government units (LGUs) and/or appropriate regulatory agencies/entities that must be secured by/for each distribution channel.

**31.** Channel staff involved in micro risk protection product distribution must be adequately oriented. The degree of training/orientation depends on the number and complexity of the distribution functions delegated to the channel and must be on a continuous basis to keep up with evolving practices and regulations, channel staff turnover, and improvements that are learned from experience. At least **annually**, the channel contractor shall submit to the IC an updated list of contracted channel outlets, certified fully trained by the channel contractor, including a list of trained personnel.

**32.** Distribution channels that have been delegated to capture primary data are responsible to fully comply with the provisions on Know Your Client (KYC) requirements in various regulations including those in IC Memorandum Circular No. 1-2010, IC Circular Letter 2015-53, Insurance Memorandum Circular 2015-51 and other related regulations including prospective issuances.

#### **G.4. Consumer protection**

**33.** In all cases, acceptance of premium payment by the distribution channel signifies immediate effectivity of coverage, except where:

- The micro risk protection product application needs to be approved upstream;
- The enrollee/applicant has the option to specify a future effective date of coverage;
- The effectivity of coverage is contingent upon a future event such as the release date of a loan or travel departure date.

**34.** Each distribution channel shall prominently display in its premises the following: **“A microinsurance (or MicroHealth, Micro Pre-Need, whatever the case may be) distribution channel registered with the Insurance Commission”** together with the contact details of the distribution channel, the seller-designate, the channel contractor, and the customer service hotline of the provider. If the

channel consists of a network of individuals, an identification which bears this information shall be displayed by each individual when engaged in distribution activities.

35. The individual micro risk protection product purchaser shall be given an individual policy with content and format approved by the IC. In case of group products, the channel must provide a certificate of insurance cover (COIC). Moreover:
- At the minimum, a COIC shall contain the name of purchaser, gender, date of birth, reference/control number, coverage options, coverage amount, effectivity and expiry dates of coverage.
  - Both policies and COICs shall also include the contact details of the distribution channel, the seller-designate, the channel contractor, and the customer service hotline of the provider.
  - COICs shall also contain a statement that will inform/remind the insured that beneficiaries should be informed about the coverage.
  - Moreover, should the insured request a physical copy of the individual policy or COIC it must be provided by the distribution channel free of charge.
36. Physical distribution channels shall conspicuously post in their premises the full text of the **Bill of Rights of Policyholders** using the exact wording provided in IC Circular Letter 2016-30. Web-based channels shall similarly display or at least provide a conspicuous link to the Bill on their main page. In addition, a copy of the Bill shall be attached to each micro risk protection product policy and COIC. In cases where copies are transmitted electronically (i.e. email or text message), an electronic link to the full text of the Bill of Rights shall likewise be provided.
37. **Settlement of Disputes-** Disputes of any kind involving Micro risk protection products and services shall be settled as laid out in the Alternative Dispute Resolution for Microinsurance (ADReM) mechanism provided under IC Circular 2013-15, IC Circular 2013-16, IC Circular 2013-17, IC Circular 2013-18 and any other applicable subsequent regulations concerning settlement of disputes.

## **G.5 Technology-based distribution**

38. IC Circular 2014-47 (Guidelines on Electronic Commerce of Insurance Products) dated 21 November 2014 provides the guidelines for insurance providers and intermediaries engaged in electronic commerce of insurance products. The scope of these guidelines thus covers electronic distribution channels through which all types of microinsurance is distributed.
39. In case of MicroHealth and Micro Pre-need, the provisions of the IC Circular 2014-47 shall also apply.
40. For purposes of this Framework, the use of duly registered online sales portals, website links, or mobile applications by the channel contractor is allowed subject to the limitations imposed by Circular Letter No. 2014-47. In addition, in case of



online sales portals, the use thereof shall be limited to the display of the availability of a micro risk protection product and must be hyperlinked to the micro risk protection product provider's website when the consumer clicks the icon, logo, link, etc.

#### **G.6 Financial Literacy**

- 41.** Some of the aforementioned regulations including IC Memorandum Circular No. 1-2010 prescribe development of financial literacy modules for providers and clients to enhance understanding of their roles and responsibilities in risk protection. The scope of these modules shall be widened to include distribution channels. Moreover, additional modules shall be developed (or scope of modules widened) to cover the distribution of MicroAgri, MicroHealth, Micro Pre-need, and any other new category of micro risk protection product that may be introduced in the future.
- 42.** Aside from disseminating micro risk protection products and services, distribution channels can be effective conduits of financial literacy information to the public. Distribution channels are required to participate and cooperate as required by the IC in any financial literacy campaign which targets their own personnel/representatives/affiliates and the public.

#### **H. Sanctions**

- 43.** Any violation of this Framework by the distribution channel or complaint against the distribution channel alone shall cause the immediate suspension or revocation by the Insurance Commission of its capacity to act as a distribution channel. This is without prejudice to the issuance of a show cause order against the channel contractor to cease and desist from conducting any distribution of any micro risk protection products or the suspension or revocation of its certificate of authority, or both, *motu proprio*, by the Insurance Commissioner, including the imposition of other penalties as may be allowed by law.