



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



Circular Letter (CL) No.:	2017-50
Date:	30 October 2017
Supersedes:	None

### **CIRCULAR LETTER**

**TO : ALL HEALTH MAINTENANCE ORGANIZATIONS (HMOs)  
DOING BUSINESS IN THE PHILIPPINES**

**SUBJECT : AMENDMENT TO MINIMUM CAPITALIZATION AND  
FINANCIAL CAPACITY REQUIREMENTS FOR HMOs**

**WHEREAS**, the Insurance Commission shall have the authority to exercise the following functions<sup>1</sup>, among others:

- a. Issue rules and guidelines, with respect to the establishment of HMO minimum capitalization, net worth, reserve funds and security deposit requirements, as well as the criteria for qualification and disqualification of directors, officers and marketing personnel, and the procedure for the submission of reportorial and/or examination requirements, registration of contracts and plans, adjudication of claims, and other relevant matters, as necessary;
- b. Regulate, supervise, and monitor the operations and management of HMOs to ensure compliance with EO No. 192, s. 2015, existing laws, rules, regulations and such other directives and circulars issued by the Insurance Commissioner;
- c. Prepare, approve or amend, rules, regulations, orders, and circulars, and issue opinions, provide guidance on and supervise compliance with such rules, regulations, orders, and circulars.

**WHEREAS**, the Insurance Commission required HMOs a Deposit Requirement intended to protect the interest of the HMOs' enrolled member-subscriber including corporate client-subscribers.<sup>2</sup>

<sup>1</sup> Section 4, Executive Order (EO) No. 192, s. 2015

<sup>2</sup> CL 2016-48

**WHEREAS**, the Insurance Commissioner may increase the Deposit Requirement above if, in his opinion, such increase would reasonably assure the safety and the interests of the HMO members and the public.<sup>3</sup>

**WHEREAS**, unless otherwise provided by law, HMOs shall deposit with the Commission or, at the discretion of the Commissioner, trustee bank acceptable to the Commissioner through which a custodial account is utilized, cash, treasury bills, treasury bonds, or any combination of these that are acceptable to the Commissioner which at all times shall have a value of not less than twenty percent (20%) of HMO's actual Paid-Up Capital as prescribed in this Circular.<sup>4</sup>

**WHEREAS**, the Insurance Commission reserves the right to amend, supplement and modify the Circular as may be required.<sup>5</sup>

**NOW THEREFORE**, pursuant to the authority granted to the Insurance Commission by Section 4 of Executive Order 192, s. 2015 dated 12 November 2015, the provision of Section 1.3 of Circular No. 2016-41 is revised as follows:

### **1.3. Risk-Based Capitalization**

The HMO's maximum risk on membership fees shall be determined by the following:

<b>Paid-Up Capital (PUC)*</b>	<b>Maximum Gross Membership Fees</b>
Up to 50M	5 times of PUC
More than 50M up to 75M	10 times of PUC
More than 75M up to 200M	15 times of PUC
More than 200M up to 300M	25 times of PUC
More than 300M up to 400M	30 times of PUC
More than 400M up to 500M	50 times of PUC
More than 500M	No Limit

For this purpose, Gross Membership Fees pertains to the total annual fees arising from healthcare agreements of pre-agreed set of health services.

If upon examination/verification, it is found that the total annual risk on membership fees exceed the above Maximum Gross Fees as required in this Circular, the same shall be fully covered up by cash infusion within thirty (30) days from receipt of notice from the Insurance Commission, as paid-up capital or as additional deposit in relation to Deposit Requirement of Section 1.2 of Circular No. 2016-41.

The additional deposit in lieu of cash infusion as paid-up capital shall be considered as an interim measure only until the process of increasing the authorized Paid-Up Capital of concerned HMO is completed.

<sup>3</sup> par. (f), Sec. 1.2, CL 2016-41

<sup>4</sup> par. (a), Sec. 1.2, CL 2016-41

<sup>5</sup> Sec.3, CL 2016-41

Failure to comply within the prescribed period shall be subject to a penalty amounting to two percent (2%) of the required cash infusion plus Php500.00 for every calendar day of delay. Certificate of Authority (CA) shall be suspended or no CA shall be issued until compliance with this requirement.

Any cash infusion by the stockholders shall also be subject to examination and verification in accordance with the provisions of Anti-Money Laundering Act of 2001 (Republic Act No. 9160, as amended by Republic Act No. 9194, Republic Act No.10167 and Republic Act No.10365) and Circular Letter No. 24-2005B dated September 2, 2005 and other pertinent laws and issuances.

The Commission may require the adoption of risk-based capital approach and other internationally accepted solvency measures.

This Circular Letter shall be effective after fifteen (15) days from the date of its issuance.



**DENNIS B. FUNA**  
Insurance Commissioner

