



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



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CIRCULAR LETTER

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

SUBJECT : GUIDELINES ON THE APPROVAL OF ACQUISITION OF CONTROL OF HEALTH MAINTENANCE ORGANIZATIONS

Pursuant to the authority granted to the Insurance Commission by Executive Order No. 192, series of 2015, entitled "*Transferring the Regulation and Supervision over Health Maintenance Organizations from the Department of Health to the Insurance Commission, Directing the Implementation Thereof and for Other Purposes*", the following **Guidelines on Approval of Acquisition of Control of a Health Maintenance Organization** are hereby issued:

Section 1. **SCOPE AND DEFINITION**

These Guidelines provide for the procedure and documentary requirements for the approval of acquisition of control of any Health Maintenance Organization (HMO).

For purposes of these Guidelines, the term "**control**" shall mean the possession directly or indirectly of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities by a contract other than a commercial contract for goods or non-management services or otherwise, or as defined by pertinent decisions of the Supreme Court.

Section 2. **APPROVAL OF ACQUISITION OF CONTROL**

No person shall acquire control of any HMO without the prior written approval from the Insurance Commission.

The following factors shall be considered in approving the acquisition of control:

- a) The financial condition of the acquiring person and the HMO;
- b) The trustworthiness of the acquiring person or any of its officers or directors;
- c) A plan for the proper and effective conduct of the HMO's operations;
- d) The source of the funds or assets of the acquisition;
- e) The fairness of any exchange of stock, assets, cash, or other consideration for the stock or assets to be received;
- f) Whether the effect of the acquisition may be substantially to lessen competition or tend to create a monopoly therein; and
- g) Whether the acquisition is likely to be hazardous or prejudicial to HMO's members or stockholders.

Section 3. **APPLICATION FOR APPROVAL**

All applications for the approval of acquisition of control must be submitted to this Commission and shall be evaluated by the Deputy Insurance Commissioner for Financial Examination, in coordination with the Licensing Division, who shall thereafter submit a joint recommendation to the Insurance Commissioner.

Section 4. **DOCUMENTARY REQUIREMENTS**

All applications for the approval of acquisition of control of any HMO shall include the following:

A. In case an applicant is a corporation

- a) Proof of prior written notice of the applicant corporation to the HMO of its intention to acquire control;
- b) Copy of the latest audited financial statement of the applicant corporation duly stamped received by Securities Exchange Commission (SEC) and Bureau of Internal Revenue (BIR), for this Commission to determine its financial condition ;
- c) Income Tax Return (ITR) of the applicant corporation for the last three (3) years, for the Commission to determine its trustworthiness;
- d) Profile of senior management of the applicant corporation, for the Commission to determine the trustworthiness of its officers;
- e) Profile of Board of Directors of the applicant corporation, for the Commission to determine the trustworthiness of its directors;
- f) ITR of the applicant corporation's senior management and board of directors for the last three (3) years, for the Commission to determine its trustworthiness;
- g) List of possible officers with their respective resume that will run the HMO, for the Commission to determine whether the applicant has plans for the proper and effective conduct of the HMO's operations;
- h) List of prospective board of directors with their respective resume, for the Commission to determine whether the applicant corporation has plans for the proper and effective conduct of the HMO's operations;

- i) Applicant corporation's business plan for the proper and effective conduct of the HMO's operations;
- j) Source of funds or assets for the acquisition;
- k) Pertinent sale documents, for the Commission to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received ;
- l) Pertinent Board Resolutions relative to the proposed sale of the subject shares, for the Commission to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets and whether the acquisition is likely to be prejudicial to the members or stockholders;
- m) Pertinent Board Resolutions by the applicant relative to the purchase of the subject shares, for the Commission to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received and source of the funds or assets for the acquisition, if applicable.

B. In case an applicant is an individual

- a) Proof of prior written notice of the applicant to the HMO of its intention to acquire control;
- b) Sworn declaration of assets, liabilities and net worth of applicant, for the Commission to determine applicant's financial condition;
- c) Profile of the applicant, for the Commission to determine his trustworthiness;
- d) ITR of the applicant for the last three (3) years, for the Commission to determine trustworthiness;
- e) Applicant's business plan for the proper and effective conduct of the HMO's operations;
- f) Source of funds or assets for the acquisition;
- g) Pertinent sale documents, for the Commission to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received ; and
- h) Pertinent Board Resolutions of the HMO relative to the proposed sale of the subject shares , for the Commission to determine the fairness of any exchange of stock, assets, cash or other consideration for the stock or assets to be received and whether the acquisition is likely to be prejudicial to the members and stockholders, if applicable.

The foregoing shall be without prejudice to other requirements that the Commission may require from the applicant. A requirement may be waived by the Insurance Commissioner for a valid reason.

This Circular shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner

