



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



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| <b>CIRCULAR LETTER (CL) No.</b> | : | 2017-32     |
| <b>DATE</b>                     | : | 11 May 2017 |

**CIRCULAR LETTER**

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

**SUBJECT : FILING OF 2016 AUDITED FINANCIAL STATEMENTS**

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Section 1 of Executive Order (EO) No. 192 (s. 2015)<sup>1</sup> provides that jurisdiction over HMOs shall be transferred from the Department of Health (DOH) to the Commission. Additionally, Section 4 authorizes the Commission to: (a) issue rules and regulations, with respect to the establishment of HMO minimum capitalization, net worth, reserve funds and security deposit requirements, as well as the procedure for the submission of reportorial and/or examination requirements; and (b) regulate, supervise and monitor the operations and management of HMOs to ensure compliance with the EO, as well as existing laws, rules, regulations and other directives issued by the Commissioner. In order to implement EO No. 192, Circular Letter (CL) No. 2016-41 was issued, prescribing the minimum capitalization and financial capacity requirements for HMOs. Section 2.1 of CL No. 2016-41 requires all HMOs to submit their AFS, together with the supporting documents, on or before the 31<sup>st</sup> May of each year.

Pursuant to the above-quoted provisions, all HMOs are required to submit their respective 2016 AFS, together with the items enumerated in **Annex "A"** on or before 31 May 2017. The prescription of the guidelines in the CL is without prejudice to the power of the Commission under Section 4(f) of EO No. 192 to require other relevant information that may come to its attention in the regulation, supervision and monitoring of the operations and management of HMOs. Further, any instance of noncompliance with the prescribed guidelines shall be subject to penalties in accordance with Section 2.3 of CL No. 2016-41, dated 29 July 2016, and pursuant to Section 4(c) of EO No. 192, which authorizes the Commission to

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<sup>1</sup> Entitled, "Transferring the Regulation and Supervision over Health Maintenance Organizations (HMOs) from the Department of Health to the Insurance Commission, Directing the Implementation thereof, and for other purposes."

fix, assess and collect fees and/or charges as it may find reasonable in the exercise of regulatory powers.

A handwritten signature in black ink, appearing to read 'Dennis B. Funa', is written over the printed name below.

**DENNIS B. FUNA**  
Insurance Commissioner

**LIST OF DOCUMENTS TO BE SUBMITTED TO FORM PART OF THE AUDITED FINANCIAL STATEMENTS OF**  
**(NAME OF HMO)**  
**For the Year Ended 31 December 2016**

**1. One (1) copy of the following:**

- \_\_\_\_\_ A. Audited Financial Statements (AFS) duly stamped by the Bureau of Internal Revenue (BIR);
- \_\_\_\_\_ B. Adjusted Trial Balance (ATB) signed by the Chief Accountant;
- \_\_\_\_\_ C. Reconciliation Statement of the AFS versus the ATB figures;
- \_\_\_\_\_ D. Schedule of Total Gross Membership Fees;
- \_\_\_\_\_ E. Actuarial Valuation Report prepared by accredited actuary on all actuarial accounts (IBNR, OSLR, etc.)
- \_\_\_\_\_ F. Actuarial Studies:
- \_\_\_\_\_ F.1 Morbidity Study/Claims Experience
- \_\_\_\_\_ F.2 Expense Study
- \_\_\_\_\_ G. Corporate Records:
- \_\_\_\_\_ G.1. Latest General Information Sheet filed with SEC
- \_\_\_\_\_ G.2. Updated list of current members of board of directors and officers, their respective addresses, position
- \_\_\_\_\_ H. Detailed schedule and supporting documents of **ALL** asset and liability accounts including but not limited to the following:
- \_\_\_\_\_ H.1 **Cash and Cash Equivalents**
- \_\_\_\_\_ 1. Certification of Custodian for Petty Cash Fund, Revolving Fund, etc.;
- \_\_\_\_\_ 2. Bank statements, passbooks and certificates of all current, savings and time deposits accounts respectively as of 31 December 2016 and 31 January 2017 of the succeeding year together with bank reconciliation statements using the **adjusted balance method** thereof, if applicable;
- \_\_\_\_\_ 3. Official receipts, bank validated deposit slips and bank statements to support year-end deposit in transit, if any;
- \_\_\_\_\_ H.2 **Investment in Bonds and Treasury Bills**
- \_\_\_\_\_ 1. Confirmation of Sales of Investment in Bonds and Treasury Bills (Government Securities) together with Statement of Securities Account of BTr-ROSS as of 31 December \_\_\_\_\_, if any;
- \_\_\_\_\_ 2. Statement of Holdings as of year-end from the company's custodian bank for dollar denominated bonds, if any;
- \_\_\_\_\_ 3. Statement of Holdings as of year-end from the company's corporate bonds, if any;
- \_\_\_\_\_ 4. Detailed schedule and Computation of Fluctuation Reserve-Bonds/T-Bills
- \_\_\_\_\_ H.3 **Investment in Stocks and Other Investments**
- \_\_\_\_\_ 1. Statement of Accounts as of year-end from Philippine Depository and Trust Corporation (PDTC) for scriptless stock/equity investments, if any;
- \_\_\_\_\_ 2. Photocopy of Stock Certificates, if any;
- \_\_\_\_\_ 3. Detailed schedule and Computation of Fluctuation Reserve-Stocks/Other Investments
- \_\_\_\_\_ H.4 **Investment in Mutual Funds and/or UITF**
- \_\_\_\_\_ 1. Statement of Net Asset Value (NAV/PU) of Unit Investment Trust Fund (UITF), Mutual Funds and related investments;
- \_\_\_\_\_ 2. Detailed schedule and Computation of Fluctuation Reserve-Mutual Fund/UITF
- \_\_\_\_\_ H.5 **Accounts and Other Receivables**
- \_\_\_\_\_ 1. Aging schedule of Accounts Receivables such as:
- \_\_\_\_\_ 1.a. Membership/Enrollees Fees/Contract Receivable and/or Receivable from Healthcare Agreements
- \_\_\_\_\_ 1.b. Administrative Services Only (ASO)/ Third-Party Administration (TPA)/Network Access Fees Receivable
- \_\_\_\_\_ 1.c. Reimbursable Charges/Advances for Hospital Bills/Excess Utilization/Advances to Members
- \_\_\_\_\_ 2. Documents to support the following other receivable accounts (such as board resolution, collateral and term of payments, etc.):
- \_\_\_\_\_ 2.a. Notes/Loans Receivables
- \_\_\_\_\_ 2.b. Advances/Due from Officers, Stockholders and Related Parties
- \_\_\_\_\_ 2.c. Other Receivables
- \_\_\_\_\_ H.6 **Investment Property**
- \_\_\_\_\_ 1. Photocopy of Owner's Duplicate Copy of Transfer of Certificate Titles (TCTs) and Condominium Certificate of Titles (CCTs), if any;
- \_\_\_\_\_ 2. Report from a licensed real estate appraiser accredited by the Philippine Association of Real Estate Appraisers to support any increase or decrease in fair value of real estate properties;
- \_\_\_\_\_ H.7 **Property, Plan and Equipment**
- \_\_\_\_\_ 1. Photocopy of Owner's Duplicate Copy of Transfer of Certificate Titles (TCTs) and Condominium Certificate of Titles (CCTs), if any;
- \_\_\_\_\_ 2. Report from a licensed real estate appraiser accredited by the Philippine Association of Real Estate Appraisers to support any increase or decrease in fair value of real estate properties;
- \_\_\_\_\_ 3. Lapsing schedule together with sales invoice, official receipts and other documents to support purchases/acquisition during the year.
- \_\_\_\_\_ H.8 **Other Assets**
- \_\_\_\_\_ 1. BIR tax returns/payments for the year on Income Tax and Value Added Tax (VAT).
- \_\_\_\_\_ 2. Summary of Taxes Paid including Withholding Taxes and all Other Taxes
- \_\_\_\_\_ 3. Documents to support prepayments, deposits and other asset accounts.

**H.9 Accounts and Other Payables**

- \_\_\_\_\_ 1. Aging schedule of Accounts Payable such as:
  - 1.a. Unearned Membership/Enrollees Fees
  - 1.b. Administrative Services Only (ASO)/ Third-Party Administration (TPA)/Medical Fund/Customers' Deposit
  - 1.c. Liability for Medical Utilization/Medical Fees/Hospital Bills, etc.
  - 1.d. Advances from Members/Customers
  - 1.e. Accrued Expenses, Commission Payable and Other Payables classified as current liabilities.
- \_\_\_\_\_ 2. Documents to support notes/loans/other payable accounts (such as board resolution and term of payments).
  - 2.a. Notes/Loans Payable
  - 2.b. Advances/Due to Officers, Stockholders and Related Parties
  - 2.c. Other Payables

**H.10 Taxes Payable**

- \_\_\_\_\_ 1. BIR Form No. 1702 (Annual Income Tax Return) duly stamped by BIR.
- \_\_\_\_\_ 2. Summary of Taxes Paid including Value-Added Tax (VAT), Withholding Taxes and all Other Taxes
- \_\_\_\_\_ 3. LOA from BIR Tax Assessment and proof of payments, if any.

**H.11 Stockholders' Equity**

- \_\_\_\_\_ 1. Detailed schedule of the following:
  - \_\_\_\_\_ 1.a. Capital Stock Paid-up
  - \_\_\_\_\_ 2.a. Fluctuation Reserve on Bonds/Stocks/Mutual Fund/UITF and Revaluation Reserve-Real Estate
  - \_\_\_\_\_ 3.a. Contingency Surplus/Deposit for Future Subscription, if any

**2. USB Flash Drive containing softcopy of the following:**

\_\_\_\_\_ A. PDF Copy of Audited Financial Statements (AFS) duly stamped by the Bureau of Internal Revenue (BIR);

\_\_\_\_\_ B. Excel file of the following:

- \_\_\_\_\_ B.1 Adjusted Trial Balance (ATB)
- \_\_\_\_\_ B.2 Reconciliation Statement of the AFS versus the ATB figures
- \_\_\_\_\_ B.3 Schedule of Total Gross Membership Fees
- \_\_\_\_\_ B.4 Detailed Schedule of **ALL** asset and liability accounts including but not limited to the following:
  - \_\_\_\_\_ 1. Cash and Cash Equivalents
  - \_\_\_\_\_ 2. Investment in Bonds and Treasury Bills
  - \_\_\_\_\_ 3. Investment in Stocks and Other Investments
  - \_\_\_\_\_ 4. Investment in Mutual Funds and/or UITF
  - \_\_\_\_\_ 5. Accounts and Other Receivables
  - \_\_\_\_\_ 6. Investment Property
  - \_\_\_\_\_ 7. Property, Plant and Equipment
  - \_\_\_\_\_ 8. Other Assets
  - \_\_\_\_\_ 9. Accounts and Other Payables
  - \_\_\_\_\_ 10. Taxes Payable
- \_\_\_\_\_ B.5 Schedule of Stockholders' Equity composition:
  - \_\_\_\_\_ 1. Capital Stock Paid-Up
  - \_\_\_\_\_ 2. Fluctuation Reserve on Bonds/Stocks/Mutual Fund/UITF and Revaluation Reserve-Real Estate
  - \_\_\_\_\_ 3. Contingency Surplus/Deposit for Future Subscription, if any

Submitted by:

\_\_\_\_\_  
Signature over Printed Name

\_\_\_\_\_  
Designation

Date Submitted: \_\_\_\_\_

Received by: \_\_\_\_\_

Date: \_\_\_\_\_