CIRCULAR LETTER

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

SUBJECT: STANDARD CHART OF ACCOUNTS (SCA) FOR HEALTH MAINTENANCE ORGANIZATIONS (HMOs)

WHEREAS, an HMO refers to a juridical entity legally organized to provide or arrange for the provision of pre-agreed or designated health care services to its enrolled members for a fixed pre-paid fee or a specific period of time.¹

WHEREAS, the Insurance Commission shall have the authority to exercise the following functions², 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;

¹ Executive Order (EO) No. 192, s. 2015
² Section 4, supra
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;

d. Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to carry out the express powers granted to the IC to achieve the objectives and purposes of EO No. 192; and

e. Order the examination of documents, papers, files, tax returns, books of accounts and other records, in whatever form, of any entity, person, or any HMO under investigation, including persons, entities and/or corporations with related interests;

WHEREAS, rules and/or guidance on financial reporting framework is necessary to be implemented to ensure transparent and consistent application of such rules and/or guidance by the Health Maintenance Organizations (HMOs);

WHEREAS, this financial reporting framework is based on internationally accepted accounting standards;

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 following rules and regulations concerning the financial reporting are hereby promulgated.

1. Issuance of Standard Chart of Accounts (SCA)

The SCA for HMOs as presented in Annex A has the following objectives:

1) To establish uniform, comprehensive, minimum chart of accounts to improve financial data collection, reporting, accuracy and comparability;
2) To meet both the internal and external reporting requirements;
3) To ensure that HMOs comply with the generally accepted accounting principles;
4) To allow for timely and accurate recording of financial transactions; and
5) To provide comprehensive, full disclosure of the Financial Position of the HMO to its stakeholders and regulators.

2. Application of Philippine Financial Reporting Standards (PFRS)

Recognition and measurement of the accounts should be in accordance with the current generally accepted accounting principles in the Philippines at reporting date.
3. Implementation and Effectivity

This Circular Letter shall take effect immediately.

Attachments:
1/ Annex A – Standard Chart of Accounts
ANNEX A

STANDARD CHART OF ACCOUNTS (SCA)
FOR HEALTH MAINTENANCE ORGANIZATIONS (HMOs)

STATEMENT OF FINANCIAL POSITION ACCOUNTS

ASSET ACCOUNTS

1. CASH ON HAND

Cash in the possession of the HMO or in transit under its control are generally classified as cash on hand. This represents the total amount of undeposited collections and the different types of working funds in the custody of the cashier and/or fund custodian at the HMO’s head office and branches. This may consist of:

1.1 Undeposited Collections - This represents Philippine currency notes and coins, checks, bank drafts, and other cash items in favor of the HMO to be deposited in the bank on the following banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.

1.2 Petty Cash Fund - This represents fund that is established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and other cash documents. This fund shall be maintained under an imprest system.

1.3 Commission Fund - This represents fund that is established for the purpose of paying commissions to agents/brokers where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.

1.4 Revolving Fund – This represents fund set up for specified purposes with the provision that repayments to the fund will be used again for the same purposes. This fund shall be maintained under an imprest system.

1.5 Other Fund - This represents all other funds which cannot be classified under any of the foregoing accounts.

This account shall be measured at amortized cost, which is generally equivalent to its face amount.

2. CASH IN BANKS

This represents non-interest and interest bearing account balances maintained in various banks by the HMO’s head office and branches.
2.1 *Cash in Banks - Current* - This represents checking account balances in banks maintained by the HMO’s head office and branches.

2.2 *Cash in Banks - Savings* - This represents savings deposit account balances in banks maintained by the HMO’s head office and branches.

2.3 *Cash in Banks - Administrative Service Only (ASO) Fund* - This represents the amount of fund owned by the Client with coverage under an ASO Endorsement deposited to the current or savings account maintained in the banks to be utilized by the HMO for claims payment.

This account shall be measured at amortized cost less any impairment due to expected credit losses.

3. **CASH EQUIVALENTS**

This account refers to short-term, high liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has short maturity of three (3) months or less from the date of acquisition (e.g. three-month debt securities, debt securities purchased three (3) months before maturity).

This account shall be measured at amortized cost less any impairment due to expected credit losses.

4. **MEMBERSHIP FEES RECEIVABLE**

This account pertains to the fixed amount that an HMO charges its clients for healthcare services including fees for riders and supplementary contracts, as specified in the HMO Agreement, which have accrued and uncollected as of the end of accounting period.

4.1 *Expected Credit Loss* - This represents the allowance for losses which are expected to result from default events that are possible either within the 12 months after the end of the accounting period (12-month ECL) or over the expected life of the receivables (Lifetime ECL) depending on the extent of the deterioration of the credit quality of the receivables.

5. **DEPOSIT TO HEALTHCARE PROVIDERS**

This account represents funds deposited to certain healthcare providers to defray for the medical and hospitalization expenses of its members as per required or in consideration of certain discounts being offered by the healthcare provider.

5.1 *Expected Credit Loss*
6. **DUE FROM ASO ACCOUNTS**

This refers to receivables from ASO Accounts for charges such as Administrative Fees, Enrolment Fees, and other medical collectibles on services/benefits in excess of the deposited fund by clients managed under ASO Endorsement.

6.1  *Expected Credit Loss*

7. **FINANCIAL ASSETS AT AMORTIZED COST**

A financial asset is measured at amortized cost if both of the following conditions are met:

(A) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(B) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Principal** is the fair value of the financial asset at initial recognition. **Interest** consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

These financial assets shall be measured initially at fair value plus or minus transaction costs that are directly attributable to the acquisition or issuance. After initial recognition, it shall be measured at amortized cost using the effective interest method of amortization subject to any loss allowance.

The interest revenue is generally calculated by applying the effective interest rate to the gross carrying amount of a financial asset. A different approach, of applying the effective interest rate to the amortized cost of the financial asset, has to be used:

(A) for purchased or originated credit-impaired financial assets, which are credit impaired on initial recognition and require the use of a credit-adjusted effective interest rate; and

(B) for financial assets that have become credit-impaired.

Financial Assets at Amortized Cost comprises of the following:

7.1  *Other Receivables* - These are amounts owed to the HMO that fall outside of the normal course of business of the HMO or those amounts due for payment from persons or entities other than its members. Other Receivables shall be comprised of the following sub-accounts:
7.1.1 *Notes Receivable* - This represents claims of HMO for which formal instruments of credit are issued as evidence of debt, such as a promissory note. The credit instrument normally requires the debtor to pay interest and extends for time periods of 30 days or longer.

7.1.1.1 *Expected Credit Loss*

7.1.2 *Advances to Officers and Employees* - This account refers to duly approved cash advances for official business to officers and employees, subject to liquidation in accordance with the policy of the HMO.

7.1.2.1 *Expected Credit Loss*

7.1.3 *Due from Officers and Employees* - This account refers to total collectibles due from officers and employees arising from credit accommodations, shortages, losses and unliquidated cash advances beyond the prescribed period that are subject to immediate settlement.

7.1.3.1 *Expected Credit Loss*

7.1.4 *Due from Related Parties* - The aggregate amount of receivables to be collected from related parties where one party can exercise control or significant influence over another party; including affiliates, owners or officers and their immediate families, pension trusts, and so forth.

7.1.4.1 *Expected Credit Loss*

7.1.5 *Advances to Agents (Agents Accounts)* - This represents advances to agents granted by the HMO to be liquidated thru regular deductions from commissions and salaries, respectively.

7.1.5.1 *Expected Credit Loss*

7.1.6 *Operating Lease Receivables* - This represents the amount of rent receivables arising from operating lease contracts.

7.1.6.1 *Expected Credit Loss*

7.1.7 *Others* - This represents all other receivables which cannot be classified under any of the foregoing receivables.

7.1.7.1 *Expected Credit Loss*

7.2 *Debt Securities at Amortized Cost – Government* - This represents debt instruments issued by the government and its instrumentalities
(government agencies, local governments, government owned and controlled corporations).

7.2.1 Expected Credit Loss

7.3 Debt Securities at Amortized Cost – Private - This represents debt instruments issued by private corporations, whether domestic or foreign, such as commercial papers, notes and bonds.

7.3.1 Expected Credit Loss

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(A) The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(B) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

These financial assets shall be measured initially at fair value plus or minus transaction costs that are directly attributable to the acquisition or issuance. After initial recognition, it shall be measured at fair value, wherein fair value changes are recognized in other comprehensive income, subject to any loss allowance.

Gains or losses on financial instruments measured at FVOCI are recognized in other comprehensive income, and they are reclassified to profit and loss when the financial asset is derecognized. Interest income calculated using the effective interest rate method has to be considered directly in profit or loss.

An entity can make an irrevocable election at initial recognition, for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. The amounts presented in other comprehensive income are not reclassified to profit or loss. However, any dividends from those instruments are to be disclosed in profit and loss.

Dividends are recognized in profit or loss only when:

(A) the entity’s right to receive payment of the dividend is established;
(B) it is probable that the economic benefits associated with the dividend will flow to the entity; and

(C) the amount of the dividend can be measured reliably.

Financial Assets at FVOCI comprises of the following:

8.1 *Debt Securities Measured at FVOCI – Government*

8.1.1 *Expected Credit Loss*

8.2 *Debt Securities Measured at FVOCI – Private*

8.2.1 *Expected Credit Loss*

8.3 *Equity Securities Designated as at FVOCI - Equity instruments which are not held for trading, and which the group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the group considers this classification to be more relevant.*

9. **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)**

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

In addition, a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The entity is primarily focused on fair value information, and it uses that information to assess the assets' performance and to make decisions. Such portfolios must be measured at FVPL.

These financial assets shall be measured at fair value. Changes in fair value are recognized in profit and loss as they arise.

Gains and losses on financial instruments measured at FVPL are recognized directly in profit or loss. There is no requirement to recognize interest income separately nor to recognize an impairment loss. However, if interest income is calculated, it has to be done by using the effective interest rate method.

An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
Financial Assets at FVPL comprises of the following:

9.1  *Debt Securities at FVPL* - Debt investments that do not qualify for measurement at either amortized cost or FVOCI.

9.1.1 *Debt Securities - Government*
9.1.2 *Debt Securities – Private*

9.2  *Debt Securities Designated at FVPL* – Debt instruments that meet either the amortized cost criteria or the FVOCI criteria but designated as at FVPL upon initial recognition.

9.2.1 *Debt Securities - Government*
9.2.2 *Debt Securities – Private*

9.3  *Equity Securities Held for Trading* - This represents common and preferred shares of stock of companies other than those of subsidiaries, associates and joint ventures.

9.4  *Equity Securities at FVPL* - Equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

9.5  *Derivative Assets* - This represents the fair value of the HMO's derivatives which are not designated and effective hedging instruments, such as but not limited to the following:

9.5.1 *Foreign exchange contracts* - This represents contracts to purchase/sell foreign currencies at a future date at a fixed rate.

9.5.2 *Interest rate contracts* - This represents contracts related to an interest bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract.

9.5.3 *Equity-linked derivatives* - This represents contracts where the returns are linked to the price of a particular equity or equity index.

10.  **DERIVATIVE ASSETS HELD FOR HEDGING**

This represents the positive fair value of derivatives that are designated and considered effective hedging instruments.

10.1  *Fair Value Hedge* - This represents the positive fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm
commitment, that is attributable to a particular risk and could affect profit or loss. Any fair value changes are recognized in profit or loss.

10.2 **Cash Flow Hedge** - This represents the positive fair value of derivatives that are designated and considered effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss. Any fair value changes are recognized as equity under Cumulative Foreign Currency Translation.

10.3 **Hedges of a Net Investment in Foreign Operation** - This represents the positive fair value of derivatives that are designated and considered to effective hedging instruments for hedges of a net investment in foreign operation. Any fair value changes are recognized as equity under Reserve for Hedge of a Net Investment in Foreign Operation.

11. **INVESTMENTS INCOME DUE AND ACCRUED**

This represents income earned but not yet received from investments as of the end of the accounting period in the form of interest and dividends. This account consists of the following sub-accounts:

11.1 **Accrued Interest Income**
   - 11.1.1 **Cash in Banks**
   - 11.1.2 **Cash Equivalents**
   - 11.1.3 **Financial Assets at Amortized Cost**
   - 11.1.4 **Financial Assets at FVOCI**
   - 11.1.5 **Financial Assets at FVPL**
   - 11.1.6 **Others**

11.2 **Accrued Dividend Income**
   - 11.2.1 **Financial Assets at FVOCI**
   - 11.2.2 **Financial Assets at FVPL**

12. **PREPAYMENTS**

This represents expenditures paid for in one accounting period, but for which the underlying asset will not be entirely consumed until a future period.

12.1 **Supplies** - These are items that are consumed within an office setting during normal business operations, and which are stocked for recurring use, and are usually charged to expense as used.

12.2 **Prepaid Commissions** - This represents commissions paid in advance to the agents and brokers.

12.3 **Prepaid Taxes** - This represents portion of the HMO's income tax liability already remitted through a payor of an income who withheld and remitted the same to the BIR even before filing of the ITR.
12.4 Other prepaid expenses - This represents all other expenses paid but not yet incurred which cannot be classified under any of the foregoing prepaid accounts.

This account shall be measured at amortized cost.

13. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This shall comprise of the following accounts:

13.1 Investment in Subsidiaries - This represents the amount of the HMO's investments in the shares of stock of its subsidiaries. A subsidiary is an entity that is controlled by another entity (known as the parent). An HMO controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

13.2 Investment in Associates - This represents the amount of the HMO's investments in the shares of stock of its associates. An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

13.3 Investments in Joint Ventures - This represents the amount of the HMO's investments in joint ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

These investments may be accounted for as follows:

(A) Cost;
(B) Fair value, if quoted; or
(C) Equity Method.

Under the equity method, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the HMO's share of net assets of the investee since the acquisition date. Goodwill relating to the investment is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The HMO's share of the results of operations of the investee is reflected in profit or loss. Any change in reserve for investment in associates of those investees is presented as part of the HMO's reserve for investment in associates. In addition, when there has been a change recognized directly in the equity of the investees, the HMO recognizes its share of any changes,
when applicable, in the statement of changes in equity. Unrealized gains and
losses resulting from transactions between the HMO and the investees are
eliminated to the extent of the interest in its investees.

After application of the equity method, the HMO determines whether it is
necessary to recognize an impairment loss on its investment in its associate
or joint venture. At each reporting date, the HMO determines whether there is
objective evidence that the investment in the associate or joint venture is
impaired. If there is such evidence, the HMO calculates the amount of
impairment as the difference between the recoverable amount of the associate
or joint venture and its carrying value, then recognizes the loss in profit or loss.

14. PROPERTY AND EQUIPMENT

This account represents tangible items that:

(A) Are held for use in the HMO's business operations or for administrative
purposes; and
(B) Are expected to be used for more than one period.

This account shall have sub-accounts as follows based on the nature of the
fixed assets:

14.1 Land - At cost - This represents the acquisition cost of the land.
Acquisition cost shall consist of the purchase price and all expenditures
incurred directly attributable to acquisition.

14.2 Building and Building Improvements - At cost - This represents
acquisition/construction cost of the building and improvements,
including costs incurred subsequent to initial recognition which meet
the recognition criteria.

14.2.1 Accumulated Depreciation - Building and Building
Improvements - This represents the aggregate of the
depreciation on the building and building improvements
charged by the HMO against current operations.

14.3 Leasehold Improvements - At cost - This represents the cost of
additions, improvements and/or alterations on the HMO's leased office
premises which are incurred in making the property ready for use and
occupancy. This should include the initial estimate of the costs of
dismantling and removing the improvements and restoring the site, the
obligation for which the HMO incurs when the property is leased.

14.3.1 Accumulated Depreciation - Leasehold Improvements

14.4 IT Equipment - At cost - This represents the cost of the information
processing systems of the HMO including the computer hardware,
customized software, and peripherals.
14.4.1 Accumulated Depreciation - IT Equipment

14.5 Transportation Equipment – At cost - This represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the HMO in carrying out its business and/or as service vehicle of its officers and employees.

14.5.1 Accumulated Depreciation - Transportation Equipment

14.6 Office Furniture, Fixtures and Equipment – At cost - This represents the costs of office machines, equipment, furniture and fixtures.

14.6.1 Accumulated Depreciation - Office Furniture, Fixtures and Equipment

14.7 Medical Equipment – At cost - An article, instrument, apparatus or machine that is used for some health purpose.

14.7.1 Accumulated Depreciation - Medical Equipment

14.8 Right-of-Use Asset – At cost - This represents the cost of the underlying asset leased by the HMO under a lease agreement.

14.8.1 Accumulated Depreciation – Right-of-Use Asset

14.8 and 14.8.1 shall comprise of the following sub-accounts:

(A) Land;
(B) Buildings and Building Improvements;
(C) Leasehold Improvements;
(D) IT Equipment;
(E) Transportation Equipment; and
(F) Office Furniture, Fixtures and Equipment.

14.9 Revaluation Increment - This represents the revaluation increase in the carrying amount of the HMO’s property and equipment under the revaluation model.

14.9.1 Accumulated Depreciation – Revaluation Increment

14.9 and 14.9.1 shall comprise of the following accounts:

(A) Land;
(B) Buildings and Building Improvements; and
(C) Others.

14.10 Accumulated Impairment Losses - This represents the cumulative amount of impairment loss incurred on property and equipment.
At each end of the reporting period property and equipment shall be assessed whether there is an indication that such assets may be impaired. If any such indication exists, the HMO makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

Subsequent to initial recognition, an entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

**Cost model** is a model wherein after initial recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

**Revaluation model** is a model wherein after recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in reserve for appraisal increment - property and equipment and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in reserve for appraisal increment - property and equipment to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in reserve for appraisal increment - property and equipment reduces the amount accumulated in equity under the heading of revaluation surplus.

15. INVESTMENT PROPERTY

This represents property (land or building, or part of a building, or both) held (by the owner or by the lessee under a lease agreement) to earn rentals or for capital appreciation or both, rather than for:

(A) Use in the HMO's business operations or for administrative purposes; or
(B) Sale in the ordinary course of business.

This account shall be classified as follows:

(A) Land – at cost
(B) Building and Building Improvements – at cost
(C) Accumulated Depreciation – Building and Building Improvements
(D) Accumulated Impairment Loss
(E) Land – at fair value
(F) Building and Building Improvements – at fair value
(G) Foreclosed Properties - This represents real properties acquired by HMO in settlement of loans through foreclosure of mortgage loan arrangements.

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.

Subsequent to initial recognition, an entity may choose either the cost model or the fair value model for all of its investment property.

An entity that chooses the cost model shall measure all of its investment properties at its cost less any accumulated depreciation and any accumulated impairment losses.

In the fair value model, a gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.
16. **NON-CURRENT ASSETS HELD FOR SALE**

This represents assets available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. This generally pertains to non-current assets such as land, building and equipment, whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This account shall be measured at the lower of its carrying amount and fair value less costs to sell.

17. **PENSION ASSET**

The net pension asset is the aggregate of the fair value of plan assets reduced by the present value of the defined benefit obligation at the end of the reporting period, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

An entity shall recognize the components of defined benefit cost as follows:

(A) Service cost in profit or loss;

(B) Net interest on the net defined benefit liability or asset in profit or loss; and

(C) Remeasurements of net defined benefit liability or asset in remeasurement gains (losses) on retirement pension asset (obligation).

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service cost shall be recognized as an expense at the earlier of the dates when the plan amendment or curtailment occurs and when the entity recognizes related restructuring costs or termination benefits. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in remeasurement gains (losses) on retirement pension asset (obligation) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of
the HMO, nor can they be paid directly to the HMO. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The HMO's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

(A) The present value of the defined benefit obligation at the reporting date;  
(B) Minus the fair value of the plan assets at the reporting date of the plan.

When an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of:

(A) The surplus in the defined benefit plan; and  
(B) The asset ceiling.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

18. INTANGIBLE ASSETS

An identifiable non-monetary asset without physical substance controlled by the HMO as a result of past events and from which future economic benefits are expected.

18.1 Accumulated Amortization and Impairment Loss – Intangible Assets

Intangible assets shall be initially measured at cost.

Subsequent to initial recognition, an entity shall choose either the cost model or the revaluation model as its accounting policy.

An entity that chooses the cost model shall measure intangible assets at cost less accumulated amortisation and impairment losses.

Under revaluation model, intangible assets may be carried at a revalued amount (based on fair value) less any subsequent amortization and impairment losses only if fair value can be determined by reference to an active market.
19. **DEFERRED TAX ASSETS**

This account refers to the amounts of income taxes recoverable in the future periods in respect of deductible temporary differences, the carry forward of unused tax losses, and the carry forward of unused tax credits.

These are measured at the tax rates that are applicable to the period when the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

20. **OTHER ASSETS**

This represents other assets which cannot be classified in any of the foregoing accounts.

This account shall be measured at amortized cost, which is generally equivalent to its face amount.
LIABILITY ACCOUNTS

21. CLAIMS RESERVES

Refers to claims incurred but not yet paid as of the end of the accounting period for membership fee-based benefits or where the fixed pre-paid fee is in the form of a membership fee where the risks are borne by the HMO.

It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported at a designated level of confidence, as well as direct and indirect expenses related to settling all outstanding claims, whether reported and unreported, as of the end of the accounting period.

21.1 Due & Unpaid (D&U) Claims - Refers to the liabilities for claims that have been reported, adjudicated and processed, but for which final payment has not been recorded as of the end of the accounting period.

21.2 In Course of Settlement (ICOS) - Refers to the liabilities for claims already known and identified but not yet adjudicated, settled and paid by the HMO as of the end of the accounting period.

21.3 Resisted Claims - Refers to amount of claims that are in dispute such as those for which a known litigation situation exists.

21.4 Incurred but not Reported (IBNR) - Refers to the amount to be provided for claims in respect of claim events that have occurred but have not been reported to the HMO as of the end of the accounting period.

21.5 Claims Handling Expense Reserve - Refers to the estimated amount of expenses for settling all claims, whether reported or unreported, outstanding as of the end of the accounting period.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

22. MEMBERSHIP FEE RESERVES

Refers to all future claim payments and related expenses for agreement maintenance and claims settlement for membership fee-based benefits or where the fixed pre-paid fee is in the form of a membership fee where the risks are borne by the HMO, to be made after the end of the accounting period, arising from future events for which the HMO is liable under its HMO Agreements and is computed as the higher of the Unearned Membership Fee Reserve (UMFR) and Unexpired Risk Reserve (URR) at a designated level of confidence.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.
23. **AGGREGATE RESERVES FOR LONG-TERM CONTRACTS**

This refers to the actuarial reserves for HMO products that have coverage period and payment period of more than one (1) year. It consists of the liabilities for all benefits stipulated in the HMO Agreement or Contract which are provided directly by the HMO.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

24. **OTHER RESERVES**

This refers to reserves for HMO products that have coverage period and payment period of more than one (1) year, which cannot be classified in any of the foregoing accounts and are deemed appropriate by the HMO to set up as other reserves, such as but not limited to the following:

24.1 *Insurance Premium Reserves* - This refers to the reserve set up for the insurance premiums to be paid by the HMO to the Insurance Company for the insurance benefits provided for in the contract. The insurance benefit is one of the benefits stipulated in the HMO Agreement or Contract which is provided indirectly by the HMO.

24.2 *Expense Reserves* - This refers to the reserve set up for expenses that will be incurred after the paying period for HMO Agreements or Contracts where the payment period is shorter than the period of coverage.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

25. **ADMINISTRATIVE SERVICES ONLY (ASO) RESERVES**

Refers to all liabilities for fund-based benefits or where the fixed pre-paid fee is in the form of the enrolment fee, administrative fee and the ASO Cash fund where the risks are borne by the client. These represent the funds belonging to the clients with coverage under the ASO Endorsement. ASO Reserves are set up equal to the Previous Period ASO Fund plus additional contributions to the fund less Fund Withdrawals (FW) and Projected Fund Withdrawals (PFW).

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

26. **UNEARNED ADMINISTRATIVE FEE RESERVES (UAFR)**

This refers to the amount of reserve for that portion of the Administrative fee under an ASO Endorsement, net of taxes and commissions paid or due to the HMO which is applicable to the period of coverage extending beyond the end of the accounting period.
This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

27. LIABILITIES DUE TO INSURANCE AND OTHER PROVIDERS

This represents premiums and other liabilities due to be paid to Insurance Companies and other providers with respect to the HMO Agreement as of the end of the accounting period.

This account shall be measured at amortized cost, which is generally equivalent to its face amount.

28. MEMBERS’ DEPOSIT/APPLICANTS’ DEPOSIT

This represents amounts received from a member other than his payment for membership fees or for any lien on his HMO agreement. It also includes amounts received from HMO applicants equal to one modal fee to cover the initial membership fee pending issuance of his HMO agreement. Payments by the member while the HMO agreement is in the process of renewal are also classified under this account.

This account shall be measured at amortized cost, which is generally equivalent to its nominal value.

29. MEMBERS’ DIVIDENDS DUE AND UNPAID

This represents dividends due to members which have not been paid at the end of the accounting period. This account shall be measured at cost or account balance.

30. MEMBERS’ DIVIDENDS ACCUMULATIONS/DIVIDENDS HELD ON DEPOSIT

This represents dividends which members did not withdraw but have left with the HMO to accumulate and earn interest.

This account shall be measured at amortized cost, which is generally equivalent to its face amount.

31. MATURITIES AND ENDOWMENT PAYABLES

This represents claims on matured and surrendered HMO agreements due and unpaid at the end of the accounting period pending compliance with some requirements.

This account shall be measured at amortized cost, which is generally equivalent to its face amount.
32. COMMISSIONS PAYABLE

This represents accrued and unpaid commissions payable to agents and brokers.

This account shall be measured at amortized cost, which is generally equivalent to its face amount.

33. ACCOUNTS PAYABLE

This represents obligations of the HMO as a result of indebtedness due to any corporations, individuals or suppliers which are non-HMO related. This may include the following accounts:

33.1 SSS Premiums Payable - This represents the unremitted SSS premiums/contributions withheld from the salaries of officers employees.

33.2 SSS Loans Payable - This represents the unremitted SSS salary loan amortizations deducted from the salaries of officers and employees.

33.3 Pag-IBIG Premiums Payable - This represents the unremitted contributions to the Home Development Mutual Fund (HDMF) deducted from the salaries of officers employees.

33.4 Pag-IBIG Loans Payable - This represents the unremitted Pag-IBIG loan amortizations deducted from the salaries of officers and employees.

33.5 Other Accounts Payable - This represents all other unpaid non-HMO related obligations.

The above accounts shall be measured at amortized cost, which is generally equivalent to face amount.

34. DUE TO RELATED PARTIES

The aggregate amount of payables due to affiliates, owners or officers and their immediate families, pension trusts, and so forth.

35. ACCRUED EXPENSES

This represents all other unpaid non-HMO related obligations that have accrued at the end of accounting period.

35.1 Accrued Utilities - This represents accruals for utilities consumed by the HMO during the reporting period which have not yet been paid. This includes accruals for electricity, water and communications.
35.2 *Accrued Services* - This represents accruals for services rendered to the HMO such as janitorial, security, professional fees and others.

35.3 *Accrued Interest* - The interest expense that has been incurred but has not been paid as of the end of accounting period.

The above accounts shall be measured at amortized cost, which is generally equivalent to face amount.

36. **TAXES PAYABLE**

This shall be comprised of the following sub-accounts:

36.1 *Value-added Tax (VAT) Payable* – This represents the tax due on sale of HMO agreements and other goods or services based on cash received, net of input VAT paid by the HMO in the course of the HMO's purchase of goods or services.

36.2 *Income Tax Payable* - This represents income taxes due and payable to the BIR net of creditable taxes.

36.3 *Withholding Tax Payable* - This represents income taxes withheld from the salaries of employees and creditable taxes withheld from source under the expanded withholding tax system from the remunerations of agents, brokers, general agents, medical examiners and other agencies/corporations for services rendered.

36.4 *Other Taxes & Licenses Payable* - This represents all unpaid taxes and licenses other than the taxes enumerated above due to the government.

The above accounts shall be measured at amortized cost, which is generally equivalent to face amount.

37. **DIVIDENDS PAYABLE**

This represents cash dividends and other dividends, except stock dividends, already declared but still unpaid and due to the stockholders of the HMO.

This account shall be measured based on the amount of dividends declared.

38. **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

Financial liabilities are classified as at FVPL when the financial liability is:

(A) contingent consideration of an acquirer in a business combination;
(B) held for trading; or
(C) it is designated as at FVTPL.
38.1 *Financial Liabilities Held for Trading* - This represents financial liabilities that are:

a) Acquired principally for the purpose of selling or repurchasing it in the near term; or

b) Part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

38.2 *Financial Liabilities designated at FVPL* - This represents financial liabilities other than a financial liability held for trading or contingent consideration of an acquirer in a business combination designated as at FVPL upon initial recognition and upon satisfying one of the following conditions:

a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the HMO’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

c) it forms part of a contract containing one or more embedded derivatives, and the standard permits the entire combined contract to be designated as at FVPL.

38.3 *Derivative Liabilities* - This represents the negative fair value of the HMO’s derivatives which are not designated and effective hedging instruments, such as but not limited to the following:

38.3.1 *Foreign exchange contracts* - This represents contracts to purchase/sell foreign currencies at a future date at a fixed rate.

38.3.2 *Interest rate contracts* - This represents contracts related to an interest bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract.

38.3.3 *Equity-linked derivatives* - This represents contracts where the returns are linked to the price of a particular equity or equity index.

39. **DERIVATIVE LIABILITIES HELD FOR HEDGING**

This represents the negative fair value of derivatives that are designated and considered effective hedging instruments.
39.1 *Fair Value Hedge* - This represents the negative fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

39.2 *Cash Flow Hedge* - This represents the negative fair value of derivatives that are designated and effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss. Any fair value changes are recognized as equity under Cumulative Foreign Currency Translation.

39.3 *Hedges of a Net Investment in Foreign Operation* - This represents the negative fair value of derivatives that are designated and considered effective hedging instruments for hedges of a net investment in foreign operation. Any fair value changes are recognized as equity under Cumulative Foreign Currency Translation.

40. **NOTES PAYABLE**

This represents long-term and short-term notes payable or any kind of indebtedness duly covered by promissory notes and which are interest-bearing. Payment of interest and principal is based on predetermined amortization schedule on due dates duly agreed upon in the loan agreement.

This shall be carried at amortized cost using the effective interest rate method.

41. **LEASE LIABILITY**

This represents the HMO's future minimum lease payments relating to lease agreements.

This shall be carried at amortized cost using the effective interest rate method.

42. **PENSION OBLIGATION**

This represents the HMO's obligation with respect to the retirement and other postemployment benefits granted to employees. This is calculated as the net total of the following amounts:

A.) The present value of the defined benefit obligation at the reporting date;
B.) Minus the fair value of the plan assets at the reporting date.
43. **DEFERRED TAX LIABILITY**

This represents the total amount of deferred tax on taxable temporary differences.

These are measured at the tax rates that are applicable to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

44. **PROVISIONS**

This represents the amount recognized by the HMO for a liability which is uncertain in amount or timing. A provision shall be recognized when:

a) The HMO has a present obligation (legal or constructive) as a result of a past event;

b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

c) A reliable estimate can be made of the amount of the obligation.

45. **CASH-SETTLED SHARE-BASED PAYMENT**

This represents liability arising from cash-settled share based payments. Until the liability is settled, the HMO shall re-measure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in the income statement for the period.

46. **OTHER LIABILITIES**

This represents other liabilities which cannot be appropriately classified under the foregoing liability accounts.

This account shall be measured at amortized cost, which is generally equivalent to its face amount.
NET WORTH ACCOUNTS

47. SHARE CAPITAL

This represents ownership of the stockholders in the HMO composed of capital stocks issued and outstanding as of the end of the accounting period. This shall be further subdivided as follows:

47.1 Preferred Share Capital - This represents shares which provide the shareholders preference as to dividends and upon liquidation. The features of the preferred shares are varying and should be carefully analyzed whether these qualify as capital stock or creates an obligation on the part of the HMO. In the latter case, the preferred shares issued should be classified as part of liabilities.

47.2 Common Share Capital - This represents shares of stocks issued to shareholders which have the residual equity interest in the HMO.

48. SUBSCRIBED SHARE CAPITAL

This represents shares of capital stock subscribed by the stockholders of the HMO and duly covered by subscription agreements.

48.1 Subscribed Preferred Shares - Newly issued securities that an investor has agreed or stated his or her intent to buy prior to the issue date. When investors use rights, they expect to own the designated number of preference shares to which they have subscribed once it is fully paid.

48.2 Subscription Receivable - Preferred Shares - This represents amounts receivable from stockholders who signified their intention to subscribe to the preference shares of the HMO and duly covered by subscription agreement.

48.3 Subscribed Common Share Capital - Newly issued securities that an investor has agreed or stated his or her intent to buy prior to the issue date. When investors use rights, they expect to own the designated number of common shares to which they have subscribed once it is fully paid.

48.4 Subscription Receivable - Common Shares - This represents amounts receivable from stockholders who signified their intention to subscribe to the common shares of the HMO and duly covered by subscription agreement.

49. SHARE DIVIDEND DISTRIBUTABLE

Payable to the holders of a corporation’s capital stock that has been declared by the entity’s board of directors, but not yet paid
50. CAPITAL PAID IN EXCESS OF PAR

This represents payment for the shares of stock of the HMO bought or paid for in excess of its Par value.

51. RETAINED EARNINGS (DEFICIT)

This represents the accumulated earnings of the HMO reduced by any losses the HMO may incur during a certain accounting period or by dividend declarations.

51.1 Retained Earnings-Appropriated - These are retained earnings that have been set aside by action of the Board of Directors for a specific use. The intent of retained earnings appropriation is to not make these funds available for payment to shareholders.

51.2 Retained Earnings-Unappropriated - This account refers to the accumulated income that has not been allocated by management or the board of directors to a specific purpose and are usually distributed to shareholders as dividends.

52. COST OF SHARE-BASED PAYMENT

This represents the cumulative amount of expenses recognized by the HMO arising from equity-settled share-based payment transactions. This account shall be measured at historical fair value at the time of initial recognition.

53. DEPOSIT FOR FUTURE SUBSCRIPTION

This account represents payments made on subscription of shares which cannot be directly credited to Preferred or Common Stock pending registration with the Securities and Exchange Commission of the amendment to the Articles of Incorporation increasing capital stock.

54. RESERVE ACCOUNTS

54.1 Reserve for Financial Assets at FVOCI - This represents gains or losses arising from fair value changes of Financial Assets at FVOCI.

54.2 Reserve for Credit Risk from Financial Liabilities at FVPL - This represents fair value changes arising from credit risk from Financial Liabilities at FVPL.

54.3 Reserve for Cash Flow Hedge - This represents gains or losses arising from fair value changes of hedging instruments in a cash flow hedge.

54.4 Reserve for Hedge of a Net Investment in Foreign Operations - This represents gains or losses arising from change in fair value of hedging instruments in a hedge of a net investment in foreign operations.
54.5 *Cumulative Foreign Currency Translation* - This represents gains or losses arising from foreign currency translations on the following:

i.) Foreign currency denominated non-monetary items, where such gains or losses are recognized directly in equity, and,

ii.) Translation of foreign operations with different functional currency.

54.6 *Remeasurement for Investment in Associates.*

55. **RESERVE FOR APPRAISAL INCREMENT – PROPERTY AND EQUIPMENT**

This represents the appraisal increment on property and equipment when the HMO applies the revaluation model. This is calculated as a difference between the property and equipment’s carrying amount and its revalued amount.

56. **REMEASUREMENT GAINS (LOSSES) ON RETIREMENT PENSION ASSET (OBLIGATION)**

This represents the accumulated balance of remeasurement gains or losses of a net defined benefit liability or asset.

57. **TREASURY SHARES**

This represents stocks already issued but reacquired by the HMO. This account shall be measured at cost.
INCOME STATEMENT ACCOUNTS

INCOME ACCOUNTS

58. MEMBERSHIP FEE

This represents considerations given by members/clients in exchange for the healthcare services covered under the HMO agreements where the HMO assumes the risk of funding the member's healthcare services and related administrative costs. This relates to the fees earned or accrued during the accounting period arising from HMO agreements, inclusive of fees for riders and supplementary contracts, exclusive of value-added taxes.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

59. ENROLMENT FEE

This refers to the amount earned by the HMO for the enrolment of each member to be covered under an ASO Endorsement to be able to access the network. This is sometimes referred to as the network access fee.

This account shall be measured at fair value of the consideration received or receivable.

60. ADMINISTRATIVE FEE

This refers to the amount earned by the HMO for the administration of the fund and handling of claims payment under an ASO Endorsement.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

61. HANDLING FEE

This pertains to fees earned by the HMO from members in addition to membership fees. This includes:

61.1 Interest on Overdue Fee - This represents the interest earned resulting from the imposition upon the member of interest on delayed payment of fees.

61.2 Policy Fee - This pertains to an amount of revenue collected from the member upon issuance of a new plan.

61.3 Reactivation Fee - This pertains to an amount of revenue collected when a member reinstated a lapsed plan, including penalties and surcharges.
This account shall be measured at fair value of the consideration received or receivable.

62. **DECREEASE (INCREASE) IN MEMBERSHIP FEE RESERVES**

This represents the change in Membership Fee Reserves from the previous reporting period.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

63. **DECREEASE (INCREASE) IN UNEARNED ADMINISTRATIVE FEE RESERVES (UAFR)**

This represents the change in Unearned Administrative Fee Reserve (UAFR) under an ASO Endorsement from the previous reporting period.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

64. **INTEREST INCOME**

This represents interest income due and accrued which is earned by the HMO from its various investments. This shall be comprised of the following sub-accounts:

64.1 *Interest Income - Cash in Banks* - This represents interest income earned from savings accounts and time deposits.

64.2 *Interest Income - Financial Assets at Amortized Cost*

64.3 *Interest Income - Financial Assets at FVOCI*

64.4 *Interest Income – Others*

This account shall be measured using effective interest method.

65. **DIVIDEND INCOME**

This represents income derived from dividend declaration on stock investments, including those accrued or earned but not yet received.

65.1 *Financial Assets at FVOCI*

65.2 *Financial Assets at FVPL*

This account shall be recognized when the stockholders' right to receive payment is established and shall be measured at fair value of the consideration received or receivable.
66. **GAIN (LOSS) ON SALE OF INVESTMENTS**

This represents gains/losses realized on sale of the HMO's investments.

This shall be composed of the following sub-accounts:

66.1 *Financial Assets and Liabilities Held for Trading*

66.2 *Financial Assets and Liabilities at Fair Value through Profit and Loss*

66.3 *Financial Assets at FVOCI*

66.4 *Investment Property*

66.5 *Others* - This represents gains derived from the disposal or sale of assets other than those classified above.

67. **FOREIGN EXCHANGE GAIN (LOSS)**

This represents gains and losses resulting from the settlement of such foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates.

68. **GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT**

This represents gain realized on sale of property and equipment.

69. **UNREALIZED GAIN (LOSS) ON INVESTMENTS**

This represents unrealized gains or losses arising from fair value changes of assets which are carried at fair values. This shall be comprised of the following sub-accounts:

69.1 *Financial Assets and Liabilities Held for Trading*

69.2 *Financial Assets and Liabilities Designated at Fair Value through Profit and Loss*

69.3 *Derivative Assets/Liabilities*

69.4 *Investment Property*

70. **RENTAL INCOME**

This represents income generated from the rental of investment property. Rent income shall be recognized on a straight-line basis over the lease term.
71. **MISCELLANEOUS INCOME**

This represents income received or earned from various sources which cannot be properly classified under any of the income accounts including non-recurring revenues.

This account shall be recognized when earned and shall be measured at fair value of the consideration received or receivable.
UNDERWRITING EXPENSE

72. HEALTHCARE BENEFITS AND CLAIMS

This account pertains to the costs covered in the HMO agreement including estimates of the obligation for medical care services that have been rendered on behalf of the members but for which the HMO has neither received nor processed claims, and for liabilities for physician, medical and other cost disputes. This shall be comprised of but not limited to the following accounts:

72.1 Outpatient Claims/Services - Included are laboratory fees, supplies, diagnostic procedures, emergency care charges and other expenses for out-patient services.

72.2 Inpatient Claims/Services - Included are medical, nursing, and other in-patient expenses relating to confinement.

72.3 Medical Professional Fees - This includes consultation fees, doctors' fee and dental services.

72.4 Endowment Benefit - These are guaranteed benefits which have accrued during the period of coverage.

72.5 Maturity Benefit - These are guaranteed benefits at the end of the period of coverage of HMO agreements.

72.6 Claims Handling Expenses - This represents costs incurred in the processing of claims to be settled by the HMO.

72.7 Other Benefits and Claims - This represents other costs covered by the HMO agreement which cannot be classified in any of the foregoing accounts.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

73. INCREASE (DECREASE) IN AGGREGATE RESERVES FOR LONG-TERM CONTRACTS

This represents the change in Aggregate Reserves for Long-Term Contracts from the previous reporting period.

This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

74. INCREASE (DECREASE) IN OTHER RESERVES

This represents the change in Other Reserves from the previous reporting period.
This account shall be computed based on the valuation standards for HMO Agreement liabilities prescribed by the Insurance Commission.

75. COMMISSION EXPENSE

This account represents incurred commissions paid or payable to HMO's agents, brokers and other sales personnel recognized as expense over the period of coverage of membership fees.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

76. OTHER MARKETING EXPENSE

This represents expenses incurred by an HMO for the cost of training, office supplies, allowances and other operating expenses of the agency force or other distribution channels.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

77. OTHER UNDERWRITING EXPENSE

This represents underwriting expenses not classified under any of the foregoing underwriting expense accounts.

80. ADMINISTRATIVE EXPENSE

78. SALARIES AND WAGES

This represents basic salaries, wages and allowances, including bonuses and 13th month pay, overtime and other remunerations, of all HMO officers and staff.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

79. SSS CONTRIBUTIONS

This represents the HMO's share in the contribution to the SSS for the benefit of the officers and staff of the HMO.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

80. PHILHEALTH CONTRIBUTIONS

This represents the HMO's share in the contribution for the PhilHealth benefits of officers and staff.
This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

81. PAG-IBIG CONTRIBUTIONS

This represents the HMO’s share in the contribution for the Pag-IBIG Fund or the Home Development Mutual Fund for the benefit of the employees of the HMO.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

82. EMPLOYEES’ COMPENSATION (EC) CONTRIBUTIONS

This represents the HMO’s contribution to the “Employees’ Compensation” Program which is a fund for work-connected injury, sickness, disability and death with cash income benefit, medical, rehabilitation and related services for all HMO employees.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

83. HOSPITALIZATION CONTRIBUTIONS

This represents the HMO’s contribution for the employee’s hospitalization benefits.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

84. MEDICAL SUPPLIES

This represents expenses incurred by the HMO for the purchase of medicines and other medical supplies for the use of or issuance to the employees.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

85. EMPLOYEE BENEFITS AND WELFARE

This represents other benefits granted to employees such as compensated absences (sick leaves, vacation leaves, emergency leaves), cost of share based payment transactions and other long-term employee benefits other than post-employment benefits.

This also includes other benefits given to the employees by the HMO including uniform, service awards, annual excursion expenses, Christmas party benefits, expenses incurred during HMO meetings, and others not specifically classified under any of the other foregoing accounts.
This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

86. POST-EMPLOYMENT BENEFIT COST

This represents the retirement benefits of the HMO's employees for services rendered. It shall comprise of the following items:

A) Current service cost;
B) Interest expense;
C) Interest income; and
D) Effect of any curtailment or adjustment.

87. TRAINING AND DEVELOPMENT

This represents the expenses in developing the professional and technical capabilities of the officers and staff of the HMO.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

88. REPRESENTATION AND ENTERTAINMENT

This represents the cost of representation and entertainment incurred by the officers and staff for the promotion of the business of the HMO.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

89. TRANSPORTATION AND TRAVEL EXPENSES

This represents expenses for travel and transportation of the directors, officers, employees in connection with the business operations.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

90. INVESTMENT MANAGEMENT FEES

This represents fees paid to investment management consultants for the handling of the HMO's investment portfolio and other special projects.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

91. DIRECTOR'S FEES AND ALLOWANCES

This represents fees and allowance granted to the members of the Board of Directors for their attendance in the monthly and annual meetings or whatever special meetings that the Board may have.
This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

92. MANAGEMENT AND OTHER PROFESSIONAL FEES

This represents expenses incurred for services rendered by managing company and consultants on a retainer/contractual basis, other than legal service fees, auditors' fees, actuarial fees and corporate secretarial fees.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

93. CORPORATE SECRETARY'S FEES

This represents fees granted to the corporate secretary for services rendered during the monthly Board of Directors' meetings, annual stockholders' meetings or any other special meetings that the Board of Directors or the stockholders may hold.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

94. AUDITORS' FEES

This represents professional fees paid to the external auditors for the year-end audit/examination of the HMO's books of accounts. It also includes the monthly retainers fees, charges for the auditors' out of pocket expenses and fees for any special audit examination or consultations, including any audit and tax consultations which may be required by the HMO from time to time.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

95. ACTUARIAL FEES

This represents professional fees paid to the external actuaries for whatever actuarial services that they may render for the HMO.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

96. SERVICE FEES

This represents fees paid to certain authorized individuals/firms for services rendered to the HMO on a contractual or temporary basis.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.
97. LEGAL FEES

This represents retainer fees and other professional fees paid to external lawyers and the HMO’s legal counsel for whatever legal services that they may render. It includes fees for the legal assistance that they may extend in handling court cases, court settlements, notarial fees, consultancy fees, and other legal matters.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

98. MEMBERSHIP FEES AND DUES

This represents the expenses incurred for membership fees and dues to civic/HMO associations or professional organizations wherein the HMO, its officers and/or employees are members.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

99. POWER, LIGHT AND WATER

This represents the cost of power and water consumption of the HMO’s Head Office and its branches.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

100. TELECOMMUNICATION AND POSTAGE

This represents the cost of telephone and cellphone services both local and long distance toll charges; telegrams and mailing expenses, including postages and freight charges for the delivery of mails or cargoes sent to or received from the branches.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

101. PRINTING, STATIONERY AND SUPPLIES

This represents expenses incurred by the HMO for the printed forms/materials, stationery and office supplies used in the business operations.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

102. BOOKS AND PERIODICALS

This represents the cost of books and reference materials for office use and subscriptions to newspapers, magazines, etc.
This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

103. ADVERTISING AND PROMOTIONS

This represents expenses for advertising and publicity to promote the business of the HMO including introduction of new products.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

104. INFORMATION TECHNOLOGY (I.T.) EXPENSE

This represents expenses incurred for the operation, maintenance and development of computer hardware and software.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

105. CONTRIBUTIONS AND DONATIONS

This represents donations given to civic associations, government agencies and contributions to charitable institutions and fund raising drives.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

106. INSURANCE EXPENSE

This represents premiums paid on insurance coverage of office furniture, fixtures and equipment, IT equipment, transportation equipment and others. It also includes premium charges on the guarantee or fidelity bond of accountable officers and staff as may be required by the Insurance Commission.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

107. TAXES AND LICENSES

This represents taxes which are allowable deductions or expenses for income tax computation such as payment of business license, mayor’s permit, etc. It does not include taxes not deductible for income tax purposes, such as income tax assessments and penalty charges and renewal of the agent’s certificates of authority.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.
108. **BANK CHARGES**

This represents the cost of check books and charges imposed by the banks for overdrafts and bounced checks, payment of safety deposit box (if any), charges for the regional clearing of provincial checks and other such charges.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

109. **INTEREST EXPENSE**

This represents interest expense incurred by the HMO.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

110. **REPAIRS AND MAINTENANCE**

This represents the cost of materials used and labor pertaining to the repair and maintenance of HMO assets.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

111. **DEPRECIATION AND AMORTIZATION**

This represents the periodic depreciation and amortization of the asset cost of the HMO's depreciable fixed assets. It represents an estimate of the decline in service potential of the asset occurring during the period.

112. **SHARE IN PROFIT/LOSS OF ASSOCIATES AND JOINT VENTURES**

This represents the HMO's share in the profit or loss of its associates or joint ventures under the equity method of accounting.

113. **PROVISION FOR IMPAIRMENT LOSSES**

This represents provisions for losses that may arise from loans and receivables, accounts receivables, and other financial and non-financial assets. This shall be comprised of the following sub-accounts:

- 113.1 Financial Assets at Amortized Cost
- 113.2 Financial Assets at FVOCI
- 113.3 Property and Equipment
- 113.4 Investment Property
- 113.5 Intangible Assets
- 113.6 Others
114. **PROVISION FOR INCOME TAX**

114.1 Provision for Income Tax – Final
This represents final taxes withheld from sale of shares of stock and from interest earned during the year on investments in government securities and savings deposits.

114.2 Provision for Income Tax – Current
This represents the corporate income tax of the HMO for the period based on its taxable income.

114.3 Provision for Income Tax – Deferred
This represents provision for deferred tax assets and liabilities.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.

115. **MISCELLANEOUS EXPENSE**

This represents other operating or administrative expenses which cannot be specifically classified under any of the other expense accounts including non-recurring expenses.

This account shall be recognized when incurred and shall be measured at fair value of the price that would be paid or payable.