CIRCULAR LETTER

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

SUBJECT : GUIDELINES IN THE CONDUCT OF EXAMINATION OF AFFAIRS, FINANCIAL CONDITION, AND METHODS OF DOING BUSINESS OF HEALTH MAINTENANCE ORGANIZATIONS (HMOs)

WHEREAS, regulatory jurisdiction over Health Maintenance Organizations ("HMOs") was transferred from the Department of Health to this Commission by virtue of Executive Order No. 192, series of 2015, "in order to regulate and supervise the establishment, operations and financial activities of HMOs";

WHEREAS, this Commission has the statutory power to "regulate, supervise, and monitor the operations and management of HMOs to ensure compliance with [Executive Order No. 192, series of 2015], existing laws, rules, and regulations, and such other directives and circulars issued by the Insurance Commissioner" under Section 4 (d) of Executive Order No. 192, series of 2015;

WHEREAS, in the interest of ensuring HMOs' continuous compliance with the provisions of this Commission's Circular Letter No. 2016-41 dated 29 July 2016 on the Minimum Capitalization and Financial Capacity Requirements for HMOs and all other prudential rules, regulations, directives, and circulars issued by this Commission, the latter deems it necessary to prescribe a framework for the exercise of its power to conduct examination into the affairs, financial condition, and methods of doing business of said HMOs doing business in the Philippines under Section 4 (l) of Executive Order No. 192, series of 2015;

NOW, THEREFORE, pursuant to the powers granted to this Commission under Section 4 of Executive Order No. 192, series of 2015, the following Guidelines in the Conduct of Examination of Affairs, Financial Condition, and Methods of Doing Business of Health Maintenance Organizations (HMOs) are hereby adopted and promulgated, to wit:
1. **Record-Keeping.** Every HMO doing business in the Philippines is hereby required to keep its books, records, accounts and vouchers in such manner that this Commission's authorized representative may readily verify its Audited Financial Statements (AFS) and/or Interim Financial Statements (IFS) and ascertain whether the HMO is solvent and has complied with the provisions of Executive Order No. 192, series of 2015, or the circulars, instruction rulings or decisions of the Commissioner.

2. **Conduct of Examination.** Whenever this Commission considers the public interest so demands, an examination shall be made into the affairs, financial condition and methods of doing business of every HMO authorized to transact business in the Philippines and of any other person, firm or corporation managing the affairs and/or property of such HMO. Such HMO, as well as such managing person, firm or corporation, shall submit to this Commission's examiner all such books, papers, securities and other records as he may require; and such examiner shall also have the power to conduct physical inventory of the HMO's cash and all investments to ascertain the value, existence, and ownership of such assets and to examine the officers of such HMO under oath touching its business and financial condition. This Commission shall suspend the authority to transact business in the Philippines of any such HMO if such examination is refused; and such HMO shall not thereafter be allowed to transact further business in the Philippines until it has fully complied with the provisions of this section.

3. **Preservation of Records.** All books of accounts, records, vouchers and other documents supporting an HMO's AFS shall be maintained for at least five (5) years following the date such statements was filed with this Commission, or if such AFS has already been examined, the date when the examination of the same was closed. However, for the purpose of maintaining historical data, other records and/or documents relative to the financial condition and significant changes in the ownership/operations of the HMO shall be preserved in such manner as to make the same available for verification at all times.


5. **Effectivity.** This Circular Letter shall take effect immediately.

For guidance and strict compliance.

DENNIS B. FUNA
Insurance Commissioner

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