



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



CIRCULAR LETTER (CL) NO.:	2022-12
DATE:	7 March 2022
SUPPLEMENTS:	CL No. 2019-58

CIRCULAR LETTER

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

SUBJECT : APPLICATION OF PFRS 17 FOR HMOs

WHEREAS, the International Financial Reporting Standards (IFRS) is a set of accounting standards issued by the International Accounting Standards Board (IASB) recognized by at least 166 countries (including the Philippines) and provides a guide on how particular types of transactions and other events should be reported in the financial statements;

WHEREAS, on 18 May 2017, a new accounting standard, known as IFRS 17- Insurance Contracts was issued, which supersedes IFRS 4 - Insurance Contracts;

WHEREAS, IFRS 17 has a mandatory effectivity date of annual periods beginning on or after 01 January 2021;

WHEREAS, on 14 March 2018, the Financial Reporting Standards Council has approved the adoption of IFRS 17 Insurance Contracts as the Philippine Financial Reporting Standards (PFRS) 17.

WHEREAS, on 17 March 2020, the IASB decided to further defer the effectivity date of IFRS 17 to annual reporting periods beginning on or after 01 January 2023;

WHEREAS, IC CL No. 2020-62 dated 18 May 2020 further defers the implementation for the insurance industry for two (2) years after its effectivity date as decided by the IASB;

WHEREAS, under CL No. 2019-58, PFRS 4 shall be applied to agreements with membership fee-based benefits or where the fixed prepaid fee is in the form of membership fee where the risks are borne by the HMO. Meanwhile, PFRS 15 shall be applied to agreements with fund-based benefits or where the fixed pre-paid fee is in the form of the enrolment fee, administrative fee and the Administrative Services Only Cash Fund where the risks are borne by the HMO client

WHEREAS, under the case of Philippine Health Care Providers, Inc. vs. Commissioner of Internal Revenue, G.R. No. 167330 September 18, 2009, the Supreme Court held that HMOs are not engaged in the insurance business and that a health care agreement is not an insurance contract contemplated under Section 185 of the National Internal Revenue Code of 1997;

WHEREAS, said jurisprudence and accounting principle serve different purposes;

WHEREAS, under the Principle of Substance-over-Form in accounting, the financial statements and accompanying disclosures of a business should reflect the underlying realities of accounting transactions, such that the information appearing in the financial statements should not merely comply with the legal form in which they appear;

WHEREAS, the use of PFRS 17 for accounting purposes does not convert an HMO to an insurance company;

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 shall be applied by the HMOs:

SECTION 1. APPLICATION OF PFRS 17

PFRS 17 shall be applied to HMO agreements with membership fee-based benefits or where the fixed prepaid fee is in the form of a membership fee where the risks are borne by the HMO.

An HMO agreement with a combination of membership fee-based and fund-based benefits shall be bifurcated. Section 1 of this Circular and Section 2 of CL No. 2019-58 shall then be applied to identify and account for the components of such HMO agreement.

All other provisions of the standard which are deemed applicable shall be adopted.

SECTION 2. IMPLEMENTATION DATE

This shall be applied for the quarterly and annual reporting starting 01 January 2025.

SECTION 3. EARLY ADOPTION

This Circular shall not preclude any HMO from early adoption of PFRS 17.

This Circular Letter shall take effect immediately.



DENNIS B. FUNA
Insurance Commissioner

