



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



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| Legal Opinion (LO) No.: | 2022-04          |
| Date:                   | 24 February 2022 |

**MR. ALFONSO A. VER**  
Assistant Secretary  
Chairman, Bids and Awards Committee  
**Department of Foreign Affairs**  
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Pasay City 1300  
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Subject:        **Procurement of Healthcare Coverage  
for Local-Based Personnel**

Dear **Asec. Ver:**

This refers to your letter dated 18 January 2022 in connection with the Department of Foreign Affairs' (DFA) planned public bidding for the procurement of healthcare coverage for its local-based personnel. The Terms of Reference for the procurement require bidders to provide:

- (a) Fixed benefits for in- and out-patient medical services; and
- (b) One million-peso indemnity for loss of life or permanent disability due to accidents.

Given the DFA's requirements and to maintain the competitive nature of the bidding process, the Bids and Awards Committee (BAC) is considering opening the process to Health Maintenance Organizations (HMOs) capable of offering insurance products that are compliant with Section 3(g) of IC Circular Letter No. 2017-19 dated 31 March 2017 or the "Guidelines in the Approval of HMO Products and Forms". Relative to the foregoing, the DFA seeks the Insurance Commission's recommendation as to the IC-issued documents to be required from the HMO's partner insurance company to determine compliance with the Commission's licensing and insurance product approval requirements. In addition, the DFA seeks the Commission's legal opinion on whether the DFA,

under a product-bundling arrangement, will have contractual relations with the HMO's partner insurance company.

Upon careful consideration of your request, please find hereunder the Commission's findings and recommendations.

Insofar as the determination of an insurance company's compliance with the Commission's licensing and product approval requirements is concerned, we recommend that the following documents be required from participating insurance companies:

- (a) A copy of the insurance company's Certificate of Authority for the current licensing period; and
- (b) A copy of the insurance product to be bundled with an HMO product, with the Insurance Commission's stamp of approval.

**With respect to your query on whether the DFA will have contractual relations with the HMO's partner insurance company, we answer in the negative. This, however, is without prejudice to the rights and benefits of the insured personnel under the group insurance policy, as well as the assumption of responsibility of the HMO for the administration of the bundled products or services under the HMO agreement.**

Section 3(g) of CL No. 2017-19 specifically allows the bundling of an HMO product with an insurance product, to wit:

**"Section 3. FEATURES OF HMO PRODUCTS**

An HMO Product has the following key features: x x x

- g. PRODUCT BUNDLING – An HMO product may be bundled with a Group Yearly Renewable Term insurance plan, Group Accident insurance plan or any similar product that has been duly approved by the IC. The **HMO shall act as the group policyholder and shall endorse the benefit in the HMO Agreement. The HMO shall likewise act as the lead provider that will assume responsibility for the administration of the bundled products or services.**

In order to understand the contractual relations in group insurance policy vis-à-vis a product-bundling arrangement, reference may be made to Circular Letter No. 2017-57 dated 12 December 2017 or the "Guidelines on Group Insurance of Both Life and Non-Life Insurance Companies". Section 1.3 of CL No. 2017-57 provides as follows:

**"Section 1. Groups Subject of Group Insurance**



x x x

- 1.3. The policyholder may also include any entity in which two or more employers or two or more associations, trustees, and organizations of the affinity groups belong. **The benefits provided by the group insurance policy shall redound to the benefit of the insured persons or their beneficiaries.** x x x”

Section 3 of CL No. 2017-57, meanwhile, sets forth the obligations of the policyholder, to wit:

**“Section 3. Obligations of the Policyholders**

- 3.1. The policyholder has the following obligations:

- a) **To contract with insurance company for the coverage of individual members under a group policy** taking into consideration the best interest of its members;
- b) To negotiate for a reasonable premium which its members may partially or fully pay;
- c) To distribute to the insured members the statement, proof of cover, confirmation or certificate issued by the insurer;
- d) To make available to the insured for reading or copying the master policy and relevant documents and provide a copy thereof in paper or electronic form in an amount not exceeding the cost of reproduction or delivery;

x x x

- h) To assist the insured person or beneficiary in the processing of claims and submission of documents to the insurer;
- i) To support individual insured or beneficiary in the filing of cases relevant to the non-payment of claims;  
x x x”

Under Section 3(g) of CL No. 2017-19, an HMO product may be bundled with a group insurance policy, with the HMO acting as the group policyholder. Section 3.1(a) of CL No. 2017-57, meanwhile, provides that it is the duty of the group policyholder to contract with the insurance company for the coverage of individual

members. Hence, under a product-bundling arrangement, the contracting parties are the insurance company and the HMO. In the event that the DFA contracts with an HMO that will provide fixed benefits for in- and out-patient medical services bundled with a group insurance policy, DFA will only be contracting with the HMO and will not have contractual relations with the HMO's partner insurance company.

The foregoing notwithstanding, it must be emphasized that under Section 1.3 of CL No. 2017-57, the benefits under the group insurance policy shall redound to the benefit of the insured persons or their beneficiaries. As such, while DFA may not have contractual relations with the HMO's partner insurance company, the Philippines-based personnel of DFA remain the insured under the group insurance policy and all the benefits under such policy shall redound to their benefit.

Moreover, while DFA does not have contractual relations with the HMO's partner insurance company, it has reliefs against the HMO. It must be emphasized that under Section 3(g) of CL No. 2017-19, aside from acting as the group policyholder under the product-bundling arrangement, the HMO shall likewise act as the lead provider that will assume responsibility for the administration of the bundled products or services. Thus, in case of issues and concerns relative to the administration of both the medical services and the group insurance policy, the HMO shall be answerable to the DFA.

Please note that the above opinion rendered by this Commission is based solely on the particular facts disclosed in the query and relevant solely to the particular issues raised therein and shall not be used, in any manner, in the nature of a standing rule binding upon the Commission in other cases whether for similar or dissimilar circumstances.

For your information and guidance.

Very truly yours,



**DENNIS B. FUNA**  
Insurance Commissioner

