



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



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
2330 Roxas Blvd.,
Pasay City 1300
bac.secretariat@dfa.gov.ph

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