



<b>Circular Letter No.:</b>	<b>2023-02</b>
<b>Date:</b>	<b>10 January 2023</b>
<b>Amends:</b>	<b>CL No. 2022-09</b>

**CIRCULAR LETTER**

**TO : ALL APPLICANTS AND EXISTING BROKERS AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES BY THE INSURANCE COMMISSION**

**SUBJECT : AMENDED GUIDELINES ON THE LICENSING REQUIREMENTS OF BROKERS ENGAGED IN HEALTH MAINTENANCE ORGANIZATION (HMO) BUSINESS**

**WHEREAS**, this Commission issued Circular Letter (CL) No. 2018-52 dated 19 October 2018, providing the guidelines on the licensing requirements of Insurance and/or Reinsurance Brokers;

**WHEREAS**, Section 1 of Executive Order (EO) No. 192, s. 2015 mandates that jurisdiction over HMOs shall be transferred from the Department of Health to the Insurance Commission (IC or “Commission”) in order to regulate and supervise the establishment, operations and financial activities of HMOs;

**WHEREAS**, this Commission recognizes HMOs as one of the growing business lines of the regulated brokers and upholds the importance of the separation of this line in the preparation of the IC annual reports;

**WHEREAS**, Insurance Core Principle (ICP) 18 on Intermediaries requires that insurance intermediaries operating in its jurisdiction to be licensed and, where appropriate, the insurance supervisor shall apply and observe supervisory measures on licensed insurance intermediaries;

**WHEREAS**, additional guidelines to the ICP 18 state that *“different types of insurance business involve different levels of complexity and risks and may require different levels of skill and experience in their intermediation. The supervisor may wish to specify in the license the range of intermediation activities that it permits the insurance intermediary to undertake, taking into account, for example, the intermediary’s proposed business plan and areas of expertise.”*

**WHEREAS**, this Commission issued CL No. 2022-09 on 02 March 2022 to promulgate guidelines on the licensing requirement for brokers engaged in HMO business;

**WHEREAS**, considering that there are existing insurance and/or reinsurance brokers engaged in HMO Broking business and due to various clarifications received by this

Commission on the provisions of CL No. 2022-09, there is a need to clarify and amend the same;

**WHEREAS**, this Commission has the statutory power over HMOs to “*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*” under Section 4(j) of EO, No. 192, s. 2015;

**NOW, THEREFORE**, pursuant to the powers of the Insurance Commissioner under Section 4(j) of EO No. 192, the following *Amended Guidelines on the Licensing Requirements of Brokers engaged in HMO Business* are hereby promulgated:

### **Section 1. SCOPE**

These Guidelines shall govern the licensing requirements of new and existing brokers engaged in HMO business.

### **Section 2. DEFINITION OF TERMS**

The following terms shall mean:

- a. **“Health Maintenance Organization or HMO”** refers to an entity duly licensed by this Commission to engage in HMO business.
- b. **“Broker”** shall mean either an insurance broker, reinsurance broker, HMO broker and/or any combination, unless so specified.
- c. **“Commissioner”** shall mean the Insurance Commissioner.
- d. **“Insurance Broker”** shall mean a person who for any compensation, commission or other thing of value acts or aids in any manner in soliciting, negotiating or procuring the making of any insurance contract or in placing risk or taking out insurance, on behalf of the insurance other than himself.
- e. **“Reinsurance Broker”** shall mean a person who for compensation, not being an reinsurer in which any reinsurance is effected, acts or aids in any manner in negotiating contracts for reinsurance, or placing risks of effecting reinsurance, for any company authorized to do business in the Philippines.
- f. **“HMO Broker”** shall mean a person, who for compensation, commission or other thing of value, acts or aids in any manner in soliciting, negotiating, procuring, delivery, and/or enrolling a person to an HMO contract, on behalf of the HMO other than himself.”

### **Section 3: CAPITALIZATION AND NET WORTH REQUIREMENTS**

#### New Entrants

- 3.1. A new entrant intending to do business as an HMO broker must have a **minimum capitalization or paid-up capital** of Twenty Million Pesos (₱20,000,000.00) and must maintain a **net worth** of at least Fifteen Million Pesos (₱15,000,000.00).

- 3.2. A new entrant intending to have an HMO broker's license and either insurance **or** reinsurance broker's license must have a **minimum capitalization or paid-up** capital of Fifty Million Pesos (₱50,000,000.00) and must maintain a **net worth** of at least Twenty Five Million Pesos (₱25,000,000.00).
- 3.3. A new entrant intending to have an HMO broker's license and insurance **and** reinsurance broker's license must have a **minimum capitalization or paid-up capital** of Fifty Million Pesos (₱50,000,000.00) and must maintain a **net worth** of at least Thirty Five Million Pesos (₱35,000,000.00).

#### Existing Brokers

- 3.4. If an existing insurance **or** reinsurance broker intends to apply for an HMO broker license, it must maintain a net worth of at least Twenty Five Million Pesos (₱25,000,000.00).
- 3.5. If an existing insurance **and** reinsurance broker intends to apply for an HMO broker license, it must maintain a net worth of at least Thirty Five Million Pesos (₱35,000,000.00).
- 3.6. The foregoing capitalization and net worth requirements shall be without prejudice to the adoption of a risk-based supervision and other internationally accepted forms of capital framework.

### **Section 4. DOCUMENTARY REQUIREMENTS**

#### New Entrants

- 4.1. An application for issuance of a new HMO broker's license shall be made using the form herein attached as Annex "A" and shall be accompanied by the following documents:
  - i. Copy of the Certificate of Registration issued by the Department of Trade and Industry (DTI), in the case of sole proprietorship, or Certificate of Recording issued by the Securities and Exchange Commission (SEC), in the case of partnership, or Certificate of Incorporation, in the case of corporation<sup>1</sup>;
  - ii. Copies of the Articles of Partnership or Incorporation and By-Laws;
  - iii. Copy of Mayor's Permit;
  - iv. Proof of registration with the Bureau of Internal Revenue (BIR);
  - v. Proof of ownership or lease agreement covering the principal office;
  - vi. Capital Structure;
  - vii. Certificate of bank deposit or any other evidence of bank account ownership together with the name and address of the depository bank;
  - viii. Waiver on Bank Secrecy Law in favor of the Commissioner and/or duly authorized representative;
  - ix. Pre-operational Balance Sheet;
  - x. Curriculum Vitae of the incorporators and officers;
  - xi. Organizational Chart;
  - xii. Income Tax Return of Incorporators;

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<sup>1</sup> Including a One Person Corporation under Chapter III of the Revised Corporation Code.