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| Date: | 21 January 2025 |
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CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS (HMO) AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES

SUBJECT : INTERCOMPANY MORBIDITY STUDY – HMO AND INSURANCE PRODUCTS (Project IM – HIP)

WHEREAS, insurance companies and health maintenance organizations (HMOs) must have effective actuarial functions covering premium and pricing activities and compliance with related statutory and regulatory requirements.

WHEREAS, the Insurance Commission (IC) as supervisor collects data for macroprudential supervision, and publishes relevant data and information that would allow market participants to make more informed decisions.

WHEREAS, insurance companies and HMOs use various parameters such as, but not limited to, utilization rate, length of stay, and average claim amount, in product development, product pricing, and actuarial valuation.

WHEREAS, the IC, in collaboration with the Actuarial Society of the Philippines (ASP), shall conduct an Intercompany Morbidity Study – HMO and Insurance Products (Project IM – HIP) in accordance with the Memorandum of Understanding (MoU) signed by IC and ASP last 24 January 2024.

WHEREAS, the conduct of an intercompany morbidity study helps promote and develop reasonably and appropriately priced products based on data-driven studies that cater to the needs of the consumers. The results of the Study will be industry agnostic and may serve as a benchmark in establishing relevant morbidity tables in the absence or lack of credible company-specific experience.

NOW, THEREFORE, pursuant to the authority of the Insurance Commissioner under Section 437 of the Insurance Code, as amended by Republic Act (RA) No. 10607, and Section 4 of Executive Order (EO) No. 192 (s. 2015), all insurance companies and HMOs with policies issued from 20182022 are hereby enjoined to participate in the Intercompany Morbidity Study – HMO and Insurance Products (Project IM – HIP) in accordance with the following guidelines:

Section 1. SCOPE AND APPLICATION OF THE STUDY

The morbidity study shall apply to all insurance companies (life and non-life) with approved health insurance products, and HMOs. Data submitted for the purposes of this study shall be consistent with the Annual Statement filed with the Commission.

Section 2. OBJECTIVE OF THE STUDY

The primary objective of the study is to review the morbidity experience of the life and non-life insurance and HMO industries. The results will be analyzed with respect to various parameters as agreed upon by the various stakeholders. The results of the study will aid in the pricing and valuation of health insurance and HMO products.

In specific terms, the study aims to achieve the following:

1. To develop industry level health or medical claim costs and utilization rates which can serve as benchmarks for the IC in evaluating the reasonableness of rate filings and reserve valuations of insurers and HMOs. This would promote fairness and strengthen consumer protection and prudential regulation.
2. To provide insurers and HMOs with industry level experience which can be used as a benchmark for developing and pricing new health products and benefits. The development of new health products and benefits will promote health protection and eventually reduce the health protection gap.
3. To create a credible data that is relevant and specific to Philippine experience which would lessen dependence on data or experience of other countries which may not represent local conditions.
4. To provide information and insights which could aid the government in health policy making.
5. To be able to determine parameters that may be used in pricing and valuation of insurance and HMO industries. It aspires to produce the following statistical results: utilization rate, length of stay, and average claim amount by different categories (gender, age group, in-patient

(IP)/out-patient (OP), surgical/non-surgical, annual benefit limit (ABL)/maximum benefit limit (MBL))

- 5.1. Frequency of claim or availment rate or utilization rate;
- 5.2. Average claim amount;
- 5.3. Average length of in-patient stay (for non-surgical cases, surgical cases, etc.);
- 5.4. Profile (percentage distribution) of membership and claims experience with regard to age, sex, type of membership, type of plan, and type of claim;

Section 3. OVERVIEW OF THE STUDY

The Study will be conducted using Policy Data and Claims Data by Count. For purposes of this Study, Policy Data shall refer to policies issued by insurance companies to its policyholders and agreements issued by HMOs to its members.

The Study will cover Individual, Family, and Group/Corporate products.

The Study Parameters are as follows:

1. Period of Study: 01 January 2018 to 31 December 2022
2. Type of Processing: Seriatim (record-by-record)
3. Policy Data (Membership Data) Required: Policy (Membership) in force record as of yearend in the calendar years indicated under period of Study
4. Claims Data Required: Claims incurred by those included in the Policy Data

A Flow Chart is included in Annex A to provide an overview of the process involved in The Study.

Section 4. MORBIDITY STUDY SYSTEM SUPPORT

A Morbidity Study System (The System) shall be developed to aid in the collection of data and to ensure the integrity of data collected.

The System shall be used in validating the data submitted by each company.

Once the data submitted by all the participants are in order, The System shall be used in Data Masking so as to protect the confidentiality of data submitted by the participants.

The System shall also be used in the generation of the results.

Section 5. DEADLINES, SANCTIONS, AND PENALTIES

All data and reportorial requirements as described in Annex B shall be submitted to the IC Actuarial Division **on or before** 31 March **2025**.

Insurance companies shall submit to the IC an undertaking that they do not have approved health insurance products to avoid sanctions and penalties for non-submission.

Insurance companies and HMOs who fail to submit on or before the prescribed deadline shall be subjected to in-depth review and evaluation of its existing products/forms to which the IC may exercise its authority to recall its products/forms.

Consistent with existing rules and regulations on delayed submissions of data and reportorial requirements, a five thousand pesos (Php5,000.00) penalty per day of delay in submission of data as required by this Circular shall be imposed.

Section 6. SEPARABILITY CLAUSE

If any provision of this Circular or any part hereof be declared invalid or unconstitutional, other provisions not otherwise affected shall remain valid and subsisting.

Section 7. REPEALING CLAUSE

All circulars, rules and regulations or parts thereof that are inconsistent with the provisions of this Circular are deemed repealed, superseded or modified accordingly.

Section 8. EFFECTIVITY

This Circular shall take effect immediately.

For strict compliance.


REYNALDO A. REGALADO
Insurance Commissioner

