



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



Advisory No.:	RS-2025-004
Classification:	Regulatory and Supervisory Advisory
Date:	12 March 2025

INSURANCE COMMISSION ADVISORY

**TO : ALL HEALTH MAINTENANCE ORGANIZATIONS
AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES**

**SUBJECT : PROPOSED CIRCULAR LETTER ENTITLED, "REVISED
MINIMUM CAPITALIZATION, FINANCIAL CAPACITY AND
OTHER REGULATORY REQUIREMENTS FOR HMOs"**

The Commission will be conducting a second round of public consultation on the attached draft Circular Letter revising the rules and regulations on the minimum capitalization and financial capacity requirements for HMOs.

In this regard, we request your inputs/comments on the draft Circular Letter. Please use the template below:

Article/Section	Comments and Suggestions	Name of the Entity

Please submit the inputs/comments to the HMO Division through hmodiv@insurance.gov.ph **within fourteen (14) calendar days after issuance of this Advisory.**

Thank you.


REYNALDO A. REGALADO
Insurance Commissioner





Circular Letter No.:	
Date:	
Amends:	CL No. 2016-41
Supersedes:	CL No. 2017-50 and 2019-74

CIRCULAR LETTER

**TO : ALL HEALTH MAINTENANCE ORGANIZATIONS (HMOs)
AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES**

**SUBJECT : REVISED MINIMUM CAPITALIZATION, FINANCIAL
CAPACITY, AND OTHER REGULATORY REQUIREMENTS
FOR HMOs**

WHEREAS, Section 1 of Executive Order (EO) No. 192, s. 2015,¹ mandates the Insurance Commission (IC)'s jurisdiction to regulate and supervise the establishment, operations, and financial activities of HMOs;

WHEREAS, IC Circular Letter (CL) No. 2016-41² dated 29 July 2016 established regulations that were tailored to the HMO landscape at that time, ensuring that the initial regulatory framework aligned with the financial and operational characteristics of the HMO industry;

WHEREAS, IC CL No. 2016-41 prescribes the minimum capitalization and financial capacity requirements for HMOs, outlines deadlines for submission of annual and quarterly reportorial requirements, and sets forth the fees for supervision and penalties for delay of submission;

WHEREAS, under Section 3 of IC CL No. 2016-41, the Commission reserves the right to amend, supplement, or modify the said CL as may be required;

WHEREAS, the HMO industry has experienced significant growth in membership and services and is expected to play a larger role in the national healthcare system, necessitating updates to the regulatory framework to ensure financial stability, operational efficiency, and inclusivity in delivering healthcare to a broader population;

WHEREAS, in recognition of the Commission's objective to establish progressive regulatory and supervisory policies over the HMO industry, the Commission sees the

¹ Entitled, "Transferring the Regulation and Supervision Over Health Maintenance Organizations from the Department of Health to the Insurance Commission, directing the implementation thereof and for other purposes."

² Entitled, "Minimum Capitalization and Financial Capacity Requirements for HMOs."

need to revise the rules and regulations that govern the minimum capitalization and financial capacity requirements for HMOs;

NOW, THEREFORE, pursuant to the authority vested to this Commission by Section 4 of EO 192, s. 2015, the following revised minimum capitalization, financial capacity, and other regulatory requirements for HMOs are hereby promulgated:

SECTION 1. COVERAGE

This CL covers the revised rules and regulations regarding HMOs' minimum capitalization and financial capacity requirements. It also includes prudential reporting, disclosures, and other regulatory requirements that HMOs must comply with.

SECTION 2. MINIMUM CAPITALIZATION AND FINANCIAL CAPACITY

2.1 PAID-UP CAPITAL

- a. No new HMO shall, in a stock corporation, engage in the business of HMO in the Philippines unless it has a Paid-Up Capital of at least One Hundred Million Pesos (Php100,000,000.00).
- b. Community-based and cooperative HMOs shall maintain a paid-up capital equivalent to fifty percent (50%) of what is prescribed for a regular HMO.
- c. In case of a foreign HMO applying for an HMO branch license, no license shall be issued unless the branch has a statutory deposit of an amount equal to the prevailing minimum paid-up capital for domestic HMOs in cash and/or allowable securities approved by the Commission.

2.2 NET WORTH

- a. All HMOs must maintain a net worth that is not lower than their actual paid-up capital. Additionally, HMOs shall be classified into the following categories based on their net worth:

Tiers	Net Worth of
A	Over 500M
B	Over 100M to 500M
C	Over 50M to 100M
D	Up to 50M

- b. In the examination of HMO's financial condition, assets of doubtful economic value and/or unsupported shall be considered unaccounted. Liabilities not set up in the books as of a given accounting period shall be treated as non-ledger liabilities.
- c. If it is found that the net worth is less than the amount as required in this CL, the same shall be fully covered with a cash infusion to be contributed

proportionately by the stockholders on record within thirty (30) days of receipt of the advice from the Insurance Commission.

2.3 SECURITY DEPOSIT

- a. By 31 December 2025, every HMO doing business in the Philippines shall at all times maintain a security deposit of at least twenty-five percent (25%) of the prevailing minimum net worth requirement.
- b. The security deposit shall be invested only in bonds or other debt instruments of the Government of the Philippines, its political subdivisions or instrumentalities, or government-owned or -controlled corporations and entities, including the Bangko Sentral ng Pilipinas (BSP).
- c. The investment shall at all times be maintained free from any lien or encumbrance.
- d. The investment shall be lodged under a non-tradeable account of the National Registry of Scripless Securities System (NRoSS).
- e. All government securities lodged as security deposits must have a maturity of at least one (1) year from the date of transfer to the Commission's NRoSS account ICRCPHMM999.

2.4 RISK-BASED CAPITALIZATION (RBC)

- a. The HMO's maximum risk in gross membership fees shall be determined by the following:

HMO Tier	Maximum Gross Membership Fees
A	No limit
B	Ten (10) times the Net Worth
C	Five (5) times the Net Worth
D	Three (3) times the Net Worth

For this purpose, gross membership fees pertain to the total annual fees arising from full-risk HMO agreements of the pre-agreed set of health services.

- b. If upon examination, it is found that the total risk on membership fees exceeds the above Maximum Gross Membership Fees as required in this CL, the same shall be fully covered by cash infusion to be contributed proportionately by the stockholders on record within thirty (30) days from receipt of notice from the Insurance Commission.

2.5 LIQUIDITY

- a. HMOs Acid Test Ratio (ATR) shall be computed using the following formula:

$$ATR = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

- c. Depending on the Tier, HMOs shall at all times maintain an ATR based on the following:

HMO Tier	ATR
A	At least 1.0
B	
C	At least 1.75
D	At least 2.0

- b. Quick assets are composed of cash and other assets reasonably realizable in cash or intended for sale or consummation within 12 months after the reporting period identified and verified as such by the Commission, excluding prepaid or deferred charges for expenses and other similar assets.
- c. Current liabilities are composed of obligations reasonably expected to be settled within the normal business operating cycle that (i) are due within 12 months after the balance sheet date, (ii) are held primarily for the purpose of being traded, (iii) do not have an unconditional right to defer settlement of liability for at least 12 months after the reporting period, excluding unearned fees, incurred but not reported claims and margin for adverse deviation, that are identified and verified by the Commission as current liability.
- d. If upon examination of the HMO's financial condition, it is found that the ATR is less than the required ratio in this CL, HMOs may collect its long-term receivables and/or liquefy non-current assets or infuse cash to be contributed proportionately by the stockholders on record within thirty (30) days from receipt of notice from the Commission.

2.6 INVESTMENT IN REAL ESTATE PROPERTIES

- a. HMOs classified under Tiers A, B, and C are allowed to invest in real estate properties.
- b. Valuation of real estate properties requires prior approval from the Commission and shall be conducted by an accredited appraiser of the Securities and Exchange Commission (SEC).
- c. For examination purposes, any investment in real properties by an HMO under Tier D shall be considered unaccounted. Further, revaluation

increments for real estate properties with no IC-approved valuation shall be considered unaccounted.

2.7 CASH INFUSION

- a. Any cash infusion by the stockholders to cover any impairment or deficiency in net worth, liquidity, and RBC may be recorded as "Contingency Surplus" in the HMO's equity accounts. This account can be withdrawn only upon prior written approval by the Commission.
- b. The Commission shall require documents that, in its assessment, would reasonably assure the validity of the cash infusion. It shall also be subject to examination and verification in accordance with the provisions of Republic Act (RA) No. 9160 or the Anti-Money Laundering Act of 2001, as amended by RA No. 9194, 10167 and 10365, IC CL No. 24-2005B, 2011-30, 2018-48, 2018-60, and 2019-65, as well as other relevant laws and issuances.
- c. HMOs that infused cash to cover any deficiency resulting from the Commission's examination of the 2023 Audited Financial Statements (AFS) and Interim Financial Statements (IFS) may be allowed to reclassify the cash infusion to Contingency Surplus, subject to the approval of the Commission.

2.8 DIVIDEND DISTRIBUTION

- a. HMOs classified under Tiers C and D must secure prior approval or clearance from the Commission before declaring dividends. If the Commission finds that any HMO under these tiers has declared or distributed dividends without the Commission's approval, it may order such HMO to cease and desist from doing business until the amount of such dividend, or the portion thereof, has been restored to said HMO.
- b. HMOs under Tiers A and B may declare dividends without such approval subject to the Post-Distribution Reportorial Requirements under IC CL No. 2021-02.

SECTION 3. PRUDENTIAL REPORTING AND DISCLOSURE

3.1 DISCLOSURE REQUIREMENT

In addition to the disclosures required under the Philippine Financial Reporting Standards, HMOs shall present information on their compliance with the minimum capitalization and financial capacity requirements specified in Section 2 of this CL in a separate supplemental report to the Financial Statements for the year ending 31 December, following the IC-prescribed template (**Annex A**).

3.2 REPORTORIAL REQUIREMENTS

a. Audited Financial Statements

All HMOs are required to submit their AFS for the year ending 31 December and other required documents or attachments on or before 31 May of the following year, in accordance with IC CL No. 2024-12.³

A filing fee of ₱20,000.00 plus ₱200.00 representing Legal Research Fund (LRF) shall be imposed upon submission of the AFS and ₱5,000.00 for every calendar day of delayed submission.

b. Interim Financial Statements

Additionally, all HMOs must submit their IFS in accordance with IC CL No. 2019-43,⁴ following the schedule below:

Period Covered	Deadline of Submission
As of 31 March	15 April
As of 30 June	15 July
As of 30 September	15 October
As of 31 December	15 January

HMOs that do not have contracts with government entities as customers are required to submit, together with the IFS, a notarized undertaking certifying that they currently have no such contracts. The undertaking must be signed by the company's president or head or by an authorized senior officer.

HMOs that fail to submit their IFS based on the respective deadlines shall be subject to a basic fine of ₱5,000.00 and ₱500.00 for every calendar day of delayed submission.

c. Documentary Requirements for Security Deposit

HMOs that have purchased government securities in compliance with security deposit requirements shall report the same to the Commission through the Investment Services Division within the day of transfer of securities. The report shall be accompanied by:

- i. Copy of Confirmation of Sale/Transfer from the bank; and
- ii. Certification on Compliance with the Security Deposit Requirement (**Annex B**).

³ Entitled, "Guidelines on the Electronic Filing of the Audited Financial Statements and Attachments of HMOs."

⁴ Entitled, "Guidelines on the Analysis of Quarterly Interim Financial Statements of Health Maintenance Organizations (HMOs)."

SECTION 4. SUPERVISION FEE

HMOs are required to pay the annual supervision fee, which is due on or before 01 March of each year and shall be collected based on the following:

Paid-Up Capital	Supervision Fee	Legal Research Fee
Up to ₱20 million	₱20,000.00	₱200.00
Over ₱20 million to ₱75 million	₱50,000.00	₱500.00
Over ₱75 million	₱75,000.00	₱750.00

HMOs that fail to pay the required fee will be subject to a basic fine of ₱5,000.00 plus an additional ₱500.00 for each calendar day the payment is delayed.

SECTION 5. REGULATORY ACTION

The Commission may order an HMO to show cause in writing within five (5) days from notice as to why the Commission should take no regulatory action against the HMO and its officers for the following non-compliance:

- a. Failure to meet the prevailing minimum paid-up capital requirement;
- b. Security deposit remaining below the minimum amount required for a period of five (5) days;
- c. Failure to address any impairment or deficiency in net worth, liquidity, or RBC within the prescribed period;
- d. Excessive delay in the submission of the required reports under Section 4.2 of this CL; and
- e. Excessive delay in payment of the supervision fees.

Excessive delay shall mean 180 calendar days from the deadline set by this CL.

In the event of an HMO's failure to provide any justifiable cause for its non-compliance or to respond to the Show Cause Order within the prescribed period, the HMO may be ordered to cease and desist from continuing its business conduct in accordance with Section 4 of EO 192, s. 2015, and IC CL No. 2019-35.⁵

SECTION 6. AMENDMENTS, SUPPLEMENTS OR MODIFICATIONS

The Commission reserves the right to amend, supplement, or modify this CL as may be required.

SECTION 7. REPEALING CLAUSE

All other CLs, issuances, or parts thereof, contrary to or inconsistent with the provisions of this CL, are deemed repealed, superseded, or modified accordingly.

⁵ Entitled, "Guidelines for the Conservatorship of Health Maintenance Organizations (HMOs) and Appointment of Conservators."

SECTION 8. SEPARABILITY CLAUSE

If any provision of this CL shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SECTION 9. EFFECTIVITY

Unless otherwise provided, the provisions of this CL shall take effect immediately.

REYNALDO A. REGALADO
Insurance Commissioner

ANNEX A – SUPPLEMENTARY REPORT

SAMPLE REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE INSURANCE COMMISSION

The Board of Directors and Stockholders
Company Name
Company Address

We have audited in accordance with the Philippine Standard on Auditing the financial statements of _____ (the Company) as at and for year ended (Date), on which we have rendered our report dated (Audit Report Date).

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the "Annex" is the responsibility of the Company's management.

The supplementary information is presented for purposes of complying with the Insurance Commission Circular Letter No. ____ and is not a required part of the Company's basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the Company's basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Name and Signature of External Auditor / Auditing Firm

ITEMS TO BE REPORTED IN THE SUPPLEMENTARY REPORT BY THE HEALTH MAINTENANCE ORGANIZATIONS

In compliance with the requirements set forth by IC Circular Letter No. _____, hereunder is the information on the Company's compliance with the prudential financial requirements prescribed by the Insurance Commission:

A. Paid-Up Capital

Paid-up capital per Company	P	xxx
Required minimum paid-up capital		xxx
Excess (Deficiency) in the Paid-up Capital	P	xxx

B. Security Deposit

Net Worth	P	xxx
Multiply by		25%
Minimum Required Security Deposit	P	xxx
Less: Actual Security Deposit		xxx
Excess (Deficiency)	P	xxx

C. Net Worth

Total Assets	P	xxx
Total Liabilities		xxx
Total Stockholders' Equity/Net Worth	P	xxx
Net Worth requirement (Actual paid-up capital or tier-based net worth requirement, whichever is higher)		xxx
Excess (Deficiency) in Net Worth	P	xxx

D. Risk-Based Capitalization

Actual Gross Membership Fee	P	xxx
Maximum Risk on Membership Fee (Net worth x applicable factor or "No Limit")		xxx
Over Exposure	P	xxx

E. Liquidity

Quick Assets	P	xxx	=	XX
Current Liabilities	P	xxx		

F. Other Requirements (Specify Section and CL No.)

e.g. Investment in real properties, dividend distribution, etc.

Notes:

In case of non-compliance to any of the requirements, the Company shall disclose its management plan/s or action to address the deficiencies.

ANNEX B

CERTIFICATION ON COMPLIANCE WITH THE SECURITY DEPOSIT REQUIREMENT

(Name of Regulated Entity)

CERTIFICATION

I, Name of Authorized Officer, President of Name of Regulated Entity, with office address at Head/Principal Office, after having been duly sworn in accordance with the law, hereby certify the following:

1. The following government securities have been transferred to the Insurance Commission as a security deposit for the faithful performance by Name of Regulated Entity (the Company) of all its obligations under its insurance contracts in accordance with the provisions of IC Circular Letter No. _____:

ISIN

Due Date

Face Value

2. The Company shall reinvest the proceeds of the securities mentioned in the preceding paragraph within five (5) days upon maturity or replace with another government securities acceptable to the Insurance Commission.
3. The Company understands that non-compliance with the foregoing shall be grounds for the immediate suspension or revocation of its certificate of authority in accordance with the pertinent provisions of the Amended Insurance Code.

SIGNATURE ABOVE PRINTED
NAME OF AUTHORIZED OFFICER

Subscribed and sworn to before me, this ____ day of _____, affiant exhibiting valid identification indicated below:

Name

Government ID

Date/Place of Issue

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on the date and place first above written.

Doc. No.:

Page No.:

Book No.:

Series of _____.