



Circular Letter (CL) No.:	<b>2020-100</b>
Date:	<b>15 October 2020</b>
Amends:	<b>CL Nos. 2016-41 and 2020-22</b>

**CIRCULAR LETTER**

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

**SUBJECT :** IMPLEMENTATION REQUIREMENTS FOR CIRCULAR LETTER NO. 2020-22 VALUATION STANDARDS FOR HEALTH MAINTENANCE ORGANIZATION (HMO) AGREEMENT LIABILITIES AND QUARTERLY AND ANNUAL REPORTING FOR HMOs

**WHEREAS**, this Commission issued Circular Letter (CL) No. 2020-22 *Valuation Standards for Health Maintenance Organization (HMO) Agreement Liabilities* which provides the guidelines on how HMOs should value their HMO Agreement Liabilities;

**WHEREAS**, Section 2.1 of CL No. 2016-41 requires all Health Maintenance Organizations (HMOs) to submit their Audited Financial Statements (AFS), together with supporting documents including the Actuarial Valuation Report, on or before the 31<sup>st</sup> day of May of each year, while Sec. 2.2 requires the submission of the Interim Financial Statements and other requirements for each quarter on or before the following dates:

<b>Quarter Ending</b>	<b>Due Date</b>
March 31	April 15
June 30	July 15
September 30	October 15
December 31	January 15

**WHEREAS**, this Commission recognizes the challenges of HMOs in complying with the new valuation standards and that there is a need for transition relief during the initial years of implementation similar to the transition relief provided to other regulated entities;

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IC Supervising Administrative Officer  
Administrative Division  
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**NOW, THEREFORE**, pursuant to the power granted to the Insurance Commissioner under Section 4 of Executive Order No. 192, s. 2015 dated 12 November 2015, the following guidelines are hereby adopted and promulgated:

**Section 1. Implementation:** CL No. 2020-22, which also covers products not in accordance with products defined under CL No. 2017-19, shall take effect beginning with the valuation as of December 31, 2020.

**Section 2. Transitory Provisions for CL No. 2020-22:** The requirements during the initial years of implementation of CL No. 2020-22 will be as follows:

**a. Membership Fee Reserve**

For 2020 and 2021, companies shall be allowed to set up as Membership Fee Reserves the Unearned Membership Fee Reserves (UMFR) instead of the higher of the UMFR and Unexpired Risk Reserve (URR). The UMFR may be calculated using the 1/24<sup>th</sup> method.

Starting 2022, the Membership Fee Reserves shall be determined in accordance with the valuation standards prescribed under CL No. 2020-22.

The company shall be allowed to set the Margin for Adverse Deviation (MfAD) for URR as provided in item 2c below.

**b. Claim Reserves**

Claim Reserves shall be determined in accordance with Section 8 of the valuation standards under CL No. 2020-22 or Section 6 of the Addendum to valuation standards under CL No. 2020-22, whichever is applicable.

The company shall be allowed to set the MfAD for Claims Reserves as provided in item 2c below.

**c. Margin for Adverse Deviation**

MfAD, as defined under Section 9 of the valuation standards under CL No. 2020-22 and Section 7 of the Addendum to valuation standards under CL No. 2020-22, shall be company-specific. The companies shall submit to the IC the documents and certification signed by an IC-accredited actuary to support the computation of their MfAD.

Companies shall be allowed to set the MfAD as follows:

Period Covered	Percentage (%) of company-specific MfAD
2020 – 2021	0%

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2

  
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2022*	50%
2023 onwards	100%

\*MfAD for 2022 is mandatory for annual valuation and optional but highly recommended for quarterly valuations. MfAD for 2023 onwards is mandatory for annual and quarterly valuations.

**d. Reserves under an ASO Endorsement**

For 2020 and 2021, companies shall be allowed to compute the Unearned Administrative Fee Reserves (UAFR) using the 1/24th method.

Starting 2022, the UAFR shall be calculated in accordance with Section 10.2 of the valuation standards.

**Section 3. Reportorial Requirements:** The Quarterly and Annual Reportorial Requirements shall be submitted as follows:

- a. The Quarterly Reportorial Requirements prescribed in Section 2.2 of CL No. 2016-41, shall include the Actuarial Valuation Report (AVR) in accordance with CL No. 2020-22. The Quarterly Reports shall be submitted within two (2) months after the end of each reporting period **starting 1<sup>st</sup> Quarter 2022**. The table below summarizes the period covered and the corresponding submission date.

Period Covered	Submission Date
As of 31 March	31 <sup>st</sup> of May
As of 30 June	31 <sup>st</sup> of August
As of 30 September	30 <sup>th</sup> of November

- b. The Annual Reportorial requirements prescribed in Section 2.1 of CL No. 2016-41 shall include the Actuarial Valuation Report in accordance with CL No. 2020-22 and shall be submitted on or before 31st of May of the succeeding year of the reporting year **starting 31 December 2020**.

**Section 4. Template.** Attached is the HMO Valuation Template which the companies shall use in preparing the Summary of the HMO Valuation Results required in Section E of the Actuarial Valuation Report as stated in Annex A of CL 2020-22.

All HMOs shall also submit a valuation file and provide the summary of results per product.

**Section 5. Penalties.** Failure to submit and incomplete submission of the reportorial requirements on submission dates shall be subject to

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3

  
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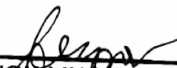
penalties as determined by the Insurance Commission in accordance with pertinent circulars.


**Section 6. Separability Clause.** If any provision of this Circular shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

**Section 7. Effectivity.** This Circular Letter shall take effect immediately.

Please be guided accordingly.

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