



Circular Letter (CL) No.:	2021-10
Date:	16 February 2021

CIRCULAR LETTER

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

**SUBJECT : GUIDELINES ON ELECTRONIC COMMERCE OF HMO
PRODUCTS**

WHEREAS, regulatory jurisdiction over Health Maintenance Organizations ("HMOs") was transferred from the Department of Health to the Insurance Commission by virtue of Executive Order No. 192, series of 2015;

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 Executive Order No. 192, series of 2015;

WHEREAS, the selling and issuance of HMO products through electronic form may offer consumers new and substantial benefits, convenience, and access to a wide range of HMO products and services;

WHEREAS, considering that the ease and speed with which HMOs can communicate information about HMO products and services by electronic media may create commercial situations which are unfamiliar to consumers and which may put the interests of the latter at risk, it becomes increasingly important for consumers and HMOs to be informed and aware of their rights and obligations in the electronic marketplace;

WHEREAS, the distribution of HMO products via the internet offers many advantages for HMOs, such as increased penetration of new markets and lower costs as compared to conventional distribution methods;

WHEREAS, consumer confidence in electronic commerce is enhanced by the continued development of transparent and effective consumer protection mechanisms that limit the occurrence of fraudulent, misleading or unfair commercial conduct online;

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NOW THEREFORE, pursuant to the powers granted to this Commission under Section 4 of Executive Order No. 192, series of 2015, the following *Guidelines on Electronic Commerce of HMO Products* are hereby adopted and promulgated:

1. TITLE

These Guidelines shall be called the “Guidelines on Electronic Commerce of HMO Products”.

2. DEFINITIONS

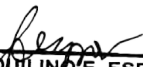
2.1. In these Guidelines, unless the context otherwise requires, the following terms have the following meaning:

- (a) **Consumer** - an individual or entity who engages in commercial activity for the purpose of securing HMO products or to act as a member or client in the contract of HMO.
- (b) **Commission** - Insurance Commission of the Philippines.
- (c) **Electronic commerce** - a commercial activity that involves buying, selling, or providing HMO products and services online or via the internet
- (d) **HMO product** - refers to a pre-agreed or designated health care services to the enrolled members for a fixed pre-paid fee for a specified period of time through the use of selected network of health care providers. An HMO Product must follow the features of an HMO product under Circular Letter No. 2017-19.
- (e) **Health Maintenance Organization (HMO)** - refers to a licensed HMO, as defined in Section 2 of Executive Order No. 192, s. 2015, engaging in electronic commerce directly with consumers for the issuance of an HMO contract or to provide HMO services. It may include licensed intermediaries as may be authorized by the HMO to conduct electronic commerce of its HMO products.
- (f) **Personal information** - any information that can be used on its own or with other information to identify, contact, or locate an individual or person.
- (g) **Transaction** - any agreement between an HMO and a consumer in relation to the provision of HMO product.

3. APPLICABILITY

These Guidelines shall apply to HMOs engaging in electronic commerce of HMO products.

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4. PRINCIPLES

4.1. These Guidelines are based on, and seeks to attain, the following principles of good business practice for HMOs engaging in electronic commerce with consumers:

- (a) Consumers who participate in electronic commerce shall be afforded a level of transparent and effective consumer protection that is not less than that afforded in other forms of commerce.
- (b) HMOs engaged in electronic commerce of HMO products shall pay due regard to the interests of consumers and act in accordance with fair business, advertising and marketing practices.
- (c) HMOs engaged in electronic commerce with consumers shall provide accurate, clear and easily accessible information about themselves sufficient to allow, at a minimum:
 - 1) Identification of the HMO;
 - 2) Prompt, convenient and effective consumer communication with the HMO;
 - 3) Appropriate and effective modes of dispute resolution;
 - 4) Service of legal process; and
 - 5) Location of the business and its principals by law enforcement and regulatory officials.
- (d) Where an HMO publicizes its membership in any relevant self-regulatory body, business association, dispute resolution organization or other certification body, the HMO shall provide consumers with appropriate contact details and an easy method of verifying that membership and of accessing the relevant codes and practices of the certification body.
- (e) HMOs engaged in electronic commerce with consumers shall provide accurate and easily accessible information describing the HMO product or services offered; sufficient to enable consumers to make an informed decision about whether to enter into the transaction and in a manner that makes it possible for consumers to maintain an adequate record of such information.
- (f) HMOs engaged in electronic commerce shall provide sufficient information about the terms, conditions and costs associated with a transaction to enable consumers to make an informed decision whether or not to enter into the transaction.
- (g) To avoid ambiguity concerning the consumer's intent to make a purchase, the consumer should be able, before concluding the purchase, to:

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- 1) identify precisely the HMO products the consumer wishes to purchase;
 - 2) identify and correct any errors or modify the order, express an informed and deliberate consent to the purchase; and
 - 3) retain a complete and accurate record of the transaction.
- (h) Consumers shall be provided with easy-to-use, secure payment mechanisms and information on the level of security such mechanisms afford.
- (i) The Commission, HMOs, consumer representatives and other relevant organizations should work together to educate consumers about electronic commerce, to foster informed decision making by consumers participating in electronic commerce, and to promote consumer awareness of the consumer protection framework that applies to their online activities.

5. INFORMATION ON THE WEBSITE

5.1. HMOs shall provide consumers with sufficient information to make an informed choice about whether and how to complete a transaction. All information that the HMO is required to provide pursuant to these Guidelines must be:

- (a) clearly presented in plain language;
- (b) truthful;
- (c) conspicuous and easily accessible on HMOs' websites at appropriate stages of consumers' decision making, especially before consumers confirm transactions or provide any personal information; and
- (d) capable of being saved or printed by consumers.

5.2. HMOs shall ensure that their marketing practices, information and links on their web sites are current, accurate and not deceptive or misleading to consumers, and that all objective claims can be substantiated.

5.3. HMOs shall identify themselves on their websites and provide information about their policies, including to whom consumers should direct claims, ask questions, register complaints, and obtain support related to the HMO agreement or services available through the sites. The information that should be available to consumers before they engage in transactions shall include:

- (a) The HMO's legal name and the name(s) under which the HMO conducts its business;
- (b) The address, telephone and fax numbers, and e-mail address of the HMO's principal office and, when applicable, of local offices, branches and/or agents;

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- (c) Any geographic, age or similar restrictions on transactions;
- (d) The currency used by the HMO to quote the price and the payment methods and currencies the HMO accepts;
- (e) A statement that the HMO is registered with the Commission, including its license/registration number;
- (f) Contact information for consumer complaint, service and support, including days and hours of operation, when applicable, and any associated charges;
- (g) Details of the HMO's complaints process and a link to the Commission's website;
- (h) The HMO's policies on privacy and unsolicited e-mail; and
- (i) Contact information for any seal or other self-regulatory programs or applicable dispute resolution processes in which the HMO participates, and, whenever possible, an online method of verifying its certification or membership.

6. LANGUAGE

6.1. When an HMO offers an HMO product or service in its web sites in a given language, the HMO shall use that language to:

- (a) Provide all of its material information about the HMO product or service, the HMO, the HMO's relevant policies, and the terms and conditions of the transaction and all other material information described in 5.3;
- (b) Conduct online transactions regarding the HMO product or service; and
- (c) Provide customer service regarding the HMO product or service.

6.2. The HMO may explain the terms and conditions of the HMO agreement and other services in the contract implementation in the local dialect of the member or client.

7. CONTRACT FORMATION AND EXECUTION

7.1. HMOs shall take deliberate and pro-active steps to ensure that consumers are well-informed about the HMO product and in agreement with the provisions of the contract. In particular, consumers shall be provided with a meaningful opportunity to correct or cancel the transaction or application before it is accepted and processed.

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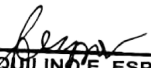
7.2. HMOs shall make information available about the HMO product for sale in order that consumers can see it before they initiate transactions. The information shall include:

- (a) Main characteristics of the product, including the benefits and services covered;
- (b) Options and coverage provided by the product including insurance benefits, if any;
- (c) Exclusions and limitations associated with the product, if any;
- (d) The total premium and other charges that the consumer will have to pay (including all applicable taxes);
- (e) The consumer's right to cancel the agreement including his/her right to free look, if applicable, as well as the duration of the cancellation period and procedures for exercising that right; and
- (f) Any time limit on the validity of the information provided.

7.3. Prior to the conclusion of transactions, HMOs shall ensure that all terms and conditions related to the transactions are available to consumers. Such information shall include:

- (a) A description of the HMO product or services;
- (b) The full price to be charged from consumers, including:
 - 1) The applicable currency; and
 - 2) Any delivery charges, taxes, and specific reference to any other charges that the HMO is responsible for collecting provided that, when the HMO cannot reasonably ascertain the amount of potentially applicable charges, a statement that such charges may apply.
- (c) Payment terms, including the methods of payment available to consumers and any associated surcharges or discounts;
- (d) Cancellation policies on the transaction or application;
- (e) Method of contacting the consumer in the future (e.g. by e-mail, telephone, SMS, facsimile, letter);
- (f) Any restrictions, limitations or conditions of purchase, such as parental/guardian approval requirements, the length of contracts, or any geographic limitations applying to the offer;

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- (g) The time frame for delivery of HMO product or activating service, and how consumers will be notified when the HMO is unable to complete the delivery request within this time frame;
- (h) The option of the consumer to request for a copy of the HMO agreement, endorsement, rider and other related documents in paper form, and the associated charges in the exercise of such option; and
- (i) The frequency and the address of statements of account for delivery and how consumer can change and correct such information.

7.4. HMO shall refer the consumer to its customer service personnel for queries or clarifications about the HMO product.

7.5. Considering that consumers themselves complete the HMO application form on the internet, the process may be subject to error. To prevent the consequences of such errors, the information from the application form shall be recapitulated in a summary and presented to consumers before the contract is concluded, giving them the opportunity to validate their answers once more. In lieu of an actual specimen signature from the consumer to validate the information indicated in the on-line application form, the consumer may signify his consent by clicking the confirmation button to finalize the processing of the application. The use of the confirmation button does not prevent the HMO from using other modes of capturing consent (i.e. digital electronic signature pads, software application)."

7.6. Due to the importance of the exclusions and limitations, the HMO must highlight or provide a separate section for it and consumers must be required to confirm that they have read and understood the said information. This would reduce the risks that consumers might pursue products for which they are ineligible and closes the expectation gap between a consumer and an HMO.

7.7. HMOs shall provide consumers with the completed electronic application, HMO agreement, endorsement and certificate of insurance coverage, if applicable, immediately after the transaction has been completed.

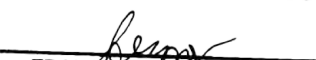
7.8. HMOs shall inform the consumer to retain or store the electronic document or HMO agreement after the consumer agrees to such delivery.

7.9. HMOs shall remind the consumer to inform the beneficiary/ies that he/she has been designated as such.

7.10. HMOs shall ensure that each statement of account identifies the HMO, the agreement or document in question and the amount billed.

7.11. HMOs shall make available on the website the agreement form which the consumer or client may read information on the complete terms and conditions.

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7.12. HMOs shall not hold consumers liable for any charges related to a transaction in the following circumstances:

- (a) The transaction was not authorized by the consumer;
- (b) The HMO product is different from that applied for by the consumer;
- (c) The HMO failed to provide material information about the HMO product;
- (d) The HMO agreement was not delivered in the time specified;
- (e) There was no adequate opportunity for the consumer to cancel an inadvertent transaction when the consumer acted reasonably provided that HMO is immediately notified of the cancellation of the transaction.

7.13. Under the circumstances provided in Section 7.11, HMOs shall refund any payments made by the consumers when the contract is voidable, and subsequently annulled under the provisions of the Civil Code; or on account of the fraud or misrepresentation of the HMO, or of its agent, or on account of facts, or the existence of which the consumer was ignorant of without his fault.

7.14. HMOs shall maintain effective controls designed to ensure that transactions are billed and completed as agreed, to promptly rectify any mistakes in transaction records, and to ensure that consumers are notified of any such correction.

7.15. Intermediaries who have a website for electronic commerce of HMO products are not allowed to approve policies or endorsements or issue such electronic documents through their website. This prohibition does not apply when the intermediary is provided access to the system which the HMO administratively owned and controlled and the HMO allows to extend its facilities to an intermediary, such as in the following example:

- (a) Online Sales Portals - A portal which the intermediary can use to facilitate the sale and delivery of policies as authorized user by the HMO.
- (b) Website Links - The intermediary has his own website with a url/link which redirects to the HMO's online selling site. The customer clicks the links from the intermediary's website, and is then redirected to the HMO's website.
- (c) Mobile Applications - The intermediary is using the enterprise mobile application authorized for use by the HMO subject to the security arrangement that the HMO provides.
- (d) Online Sales Platforms (OSP) - An electronic software program used for ecommerce which allows sellers or merchants to build, manage, and operate online websites or mobile applications where consumers may directly buy their products and avail their service/s.

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- 7.16. The use of the mobile application should be with the prior approval of the Commission. The mobile application should be registered with the major digital platform like Apple, Inc. App Store, Google, Inc. Google Play, and Microsoft Windows Marketplace and must possess the requirements of these guidelines as applicable to the website of the HMO.

The mobile application may be pre-installed in the mobile device, an item in the SIM menu of the network carrier, or downloaded by the user through any of the above-cited digital platforms. The mobile application shall only be accessible and used within the Philippine territory. Only approved HMO products shall be distributed in the mobile application and shall comply with existing laws, rules, regulations, and circulars released by this Commission.

Payment of the HMO product availed through the use of the mobile application may be through automatic deduction to the existing load of the user to the network carrier, billed through the postpaid plan, deducted to existing electronic wallet, use of credit or debit card, and use of any accredited payment system, subject to existing rules and regulations of the National Telecommunications Commission.

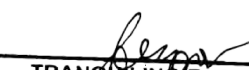
- 7.17. HMO agreement may be renewed through the issuance of HMO agreement in electronic form provided it has the consent of the member or client.
- 7.18. Nothing herein prohibits the issuance of HMO policy in electronic form after the conclusion of a traditional non-internet HMO sales process provided it has the consent of the member or client.

8. INFORMATION TECHNOLOGY FACILITIES

Applications for authority to issue HMO policies in electronic form shall be supported by a certification under oath that the following are established:

- 8.1. That, there is full control over the data processing systems to ensure that information are protected against unauthorized access, alteration, destruction, and disclosure, as well as unlawful processing. For this purpose, both physical and electronic access to the premises, facilities, storage and other system components remain controlled, monitored and recorded at all times.
- 8.2. That, there is an adopted standard of transmission and encryption, and non-repudiation safe guards for electronic communications among those authorized to access the system;
- 8.3. That the data processing system have a detailed operations manual explaining all aspects of its functions, including the interface and method of transmission of information among those with authorized access;
- 8.4. That there is a detailed plan to ensure protection of records against loss or destruction, and arrangements have been made for maintaining back up facilities at a location different from the existing place;

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8.5. That the company agrees to submit to IC additional proofs or agrees to implement such other process (es) to be followed, as may be necessary to substantiate all the claims made about established information technology facilities.

9. ONLINE PRIVACY AND OTHER LEGAL REQUIREMENTS

9.1. HMOs shall adhere to the relevant provisions of the Data Privacy Act of 2012 and other applicable laws with respect to the personal information they collect from consumers as a result of electronic commerce activities.

9.2. HMOs shall make their privacy policy easily accessible on the home page of their web site or at a reasonably early stage of consumers' navigation, and whenever personal information is either requested or collected. Information that must be disclosed as part of the privacy policy includes the following:

- (a) The specific kinds and sources of information being collected and maintained online, the purposes for which the information is collected, how that information is being used, and to whom the information may be disclosed;
- (b) The choices available to consumers regarding the collection, use and disclosure of their personal information, how they may exercise and change these choices, and the implications of such choices;
- (c) How consumers may review and, when necessary, correct or remove such information; and
- (d) When the website uses "cookies," how and why they are used and the consequences, if any, of consumers' refusal to accept a cookie.

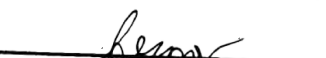
9.3. HMOs shall limit its collection, use and disclosure of personal information to that which a reasonable person would consider appropriate in the circumstances that which is necessary for the consummation of the transaction.

9.4. HMOs shall not disclose personal health information to affiliates or third parties for purposes other than the transactions unless specifically and expressly authorized by consumers in advance, through a clearly worded opt-in process. When seeking consumers' express consent to disclose the information, HMOs shall list the information to be disclosed, all uses to which it may be put and all parties to whom it may be disclosed.

9.5. HMOs shall not, as a condition of sale, require consumers to consent to the collection, use or disclosure of personal information beyond that is necessary to complete the sale.

9.6. When consumer's consent to the collection, use and disclosure of personal information is required, and cannot reasonably be implied, such consent shall be:

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(a) Provided separately from consent to other terms and conditions of the HMO agreement; and

(b) Provided through a clearly worded, online opt-in process.

9.7. The consent of the consumer may also be included in the application or executed in a separate paper form.

9.8. When HMOs transfer personal information to third parties, said HMOs shall remain responsible for the protection of that information so transferred. Accordingly, before any such transfer, HMOs shall ensure, through contractual or other means, that the third parties comply with the privacy provisions of these Guidelines and the applicable law on data privacy.

9.9. HMOs shall put in place measures to prohibit any parties from disputing the validity of, or refusing to acknowledge legitimate communications or transactions, as well as ensure the legality and enforceability of transactions conducted online. HMOs shall state clearly online the procedures for valid and authentic electronic communications with customers.

9.10. Laws and regulations pertaining to anti-money laundering and counter-terrorist financing, when applicable, shall be complied with by the HMOs in the solicitation and distribution of HMO products online.

9.11. HMOs shall only use agreements, endorsements, and other forms previously approved by the Commission.

10. SECURITY OF PAYMENT AND PERSONAL INFORMATION

10.1. HMOs shall maintain effective controls to protect the integrity and confidentiality of payment and other personal information consumers provide. Security mechanisms shall be consistent with current industry standards and appropriate to the type of information collected, maintained or transferred to third parties.

10.2. HMOs shall ensure that third parties who are involved in transactions and have access to personal or payment information comply with Section 9.1.

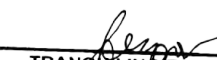
10.3. In fulfillment of these Guidelines, HMOs are encouraged to disclose to consumers the level of security used on their web site. HMOs are encouraged to use certification services to support security claims and to provide website links to these certification services for validation.

11. COMPLAINT HANDLING AND DISPUTE RESOLUTION

11.1. HMO shall provide consumers with access to fair, timely and effective means to resolve problems with any transaction.

11.2. HMOs shall offer an internal complaints-handling process that:

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- (a) is easily accessible online and offline;
- (b) is available to consumers free of charge;
- (c) is easy to use;
- (d) acknowledges complaints within seven (7) business days of receipt; and
- (e) records and monitors complaints.

11.3. When a consumer and an HMO cannot resolve a complaint, the guidelines promulgated under Circular Letter No. 2018-14 shall be followed.

12. UNSOLICITED E-MAIL, TEXT, AND OTHER FORMS OF COMMUNICATION

- 12.1. HMOs shall not transmit marketing e-mail, text, and other forms of communication to consumers without their consent, except when HMOs have an existing relationship with them. An existing relationship is not established by consumers simply visiting, browsing or searching HMOs' web sites.
- 12.2. Any marketing e-mail messages that HMOs send shall prominently display a return e-mail address and shall provide in plain language a simple procedure by which consumers can notify HMOs that they do not wish to receive such messages.

13. NOTICE OF CANCELLATION AND DESIGNATION OF BENEFICIARY

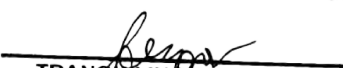
- 13.1. HMOs shall recognize the electronic notice of cancellation or termination of customers in accordance with the policy terms and conditions. It is recommended that HMO confirm consumer-initiated cancellation electronically through the use of acknowledgments, either by way of direct response to the member or client or through the use of email "read receipts."
- 13.2. HMOs should have in place effective systems for offering consumers the option of designating and changing beneficiaries for insurance benefits by electronic means. Such system should include critical protection against fraud.

14. FORMATTING REQUIREMENTS

Formatting requirements prescribed by the rules of the Commission, including pagination, font size, print color or that certain language be conspicuous or be placed in a certain location within a document, may be met electronically if the sender and recipient of the electronic document utilize a computer technology that ensures the creation, transmission, and receipt of a document equivalent to that prescribed by formatting requirements.

15. JURISDICTION OVER HMO AGREEMENTS

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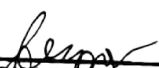

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HMO shall ensure that the Philippines shall retain jurisdiction over electronic HMO agreements regardless of the location of its data servers. Information, data, books and records shall also be accessible for inspection and other legal purposes.

16. COMPLIANCE AND SANCTION

- 16.1. HMOs must put in place a Customer Charter which shall state the HMOs' commitment to safe and secure operations, maintenance of customer privacy, quality services and transparent product information, and provision of prompt response to inquiries and complaints.
- 16.2. HMOs are required to seek prior approval in the establishment and roll-out of its system to support electronic commerce of HMO products. HMOs shall submit to the Commission the following:
- (a) Internet policy statements which include its statements of compliance with these Guidelines, its privacy policy, its customer charter and its internet security arrangements;
 - (b) Duly notarized deed of undertaking to comply with these guidelines to be signed by its president or chief executive officer or any authorized representative of the company;
 - (c) Products and services to be offered through electronic commerce with date of this Commission's approval;
 - (d) End to end process flow of transactions;
 - (e) screenshots/wireframes of end-to-end customer journey for a sample pre-need product; and
 - (f) For HMO products previously approved by the Commission, a certification from the actuary of the HMO that the premium rates are reasonable and remain adequate when sold through online distribution channel together with supporting actuarial documents, e.g. viability studies and actuarial notes.
- 16.3. Documents provided under Section 16.1 and 16.2 (a) shall be submitted annually every 31st of March to the Commission, and must be accompanied by a report on the changes adopted on the online system and procedures of the HMOs.
- 16.4. The Commission may examine the compliance of the HMOs with these Guidelines, and shall require the HMOs to comply with its finding of insufficiency or non-compliance with mandatory requirements. Failure to comply within a given period upon due notice to comply may result to revocation of its privilege to conduct HMO business online.

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16.5. HMO shall cease to conduct online distribution of HMO products upon order of the Commission in case of finding of fraud and injury to the public.

17. TRANSITORY PROVISION

HMOs who are already engaging in electronic commerce shall be given six (6) months to comply with this Circular and submit the documentary requirements under Section 16.2 to IC for approval, otherwise, the HMO products sold online shall no longer be allowed to be sold after the said period.

18. AMENDATORY CLAUSE

18.1. This Circular may be subject to appropriate amendments by the Insurance Commissioner as the need arises or as may be warranted under the prevailing circumstances.

18.2. HMOs are encouraged to recommend changes to these Guidelines to better promote and adhere to the principles laid down, to attain greater protection of the consumers, and to keep abreast with advancement in technology affecting online sales and distribution of HMO products.


19. SEPARABILITY CLAUSE


If any provision of these Guidelines or any part hereof be declared invalid or unconstitutional, the remainder of the Guidelines or other provisions not otherwise affected shall remain valid and subsisting.

20. EFFECTIVITY

This Circular Letter shall take effect immediately.

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