



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

Legal Opinion (LO) No.:	2022 - 01
Date:	08 February 2022

ATTY. JEROME L. FLOJO
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Subject: **Benefits to Shareholders and their Dependents**

Dear **Atty. Flojo**:

This refers to your letter dated 02 September 2021 on behalf of your clients who intend to establish a new corporation ("the Corporation") to operate a hospital. Per your letter, in order to attract investors/subscribers, persons who will subscribe to the Corporation's capital stock, as well as their spouses and dependents, will be entitled to the following benefits:

Stockholder and Spouse	Dependents
<ul style="list-style-type: none">• Free board and lodging up to Private Room;• Fifty percent (50%) Discount on the following:<ul style="list-style-type: none">○ Professional fee: House Case Rate○ Professional fee: Out-Patient Consultations• Fifty percent (50%) discount on:<ul style="list-style-type: none">○ Procedures: X-Ray, Laboratory, Rehabilitation○ Cardio-Pulmonary Services• No OR and DR fees• Pharmacy, CSR, and OR materials, discount computed as – Cost of Acquisition plus 20%	<ul style="list-style-type: none">• Free board and lodging up to Private Room• Twenty-five percent (25%) Discount on the following:<ul style="list-style-type: none">○ Professional fee: House Case Rate○ Professional fee: Out-Patient Consultations• Twenty-five percent (25%) discount on<ul style="list-style-type: none">○ Procedures: X-Ray, Laboratory, Rehabilitation○ Cardio-Pulmonary Services• No Operating and Delivery Room fees

<ul style="list-style-type: none"> • Dental Services <ul style="list-style-type: none"> ○ Free dental consultation ○ Thirty percent (30%) discount on Restorative/Preventive Periodontics, Endodontics, Surgery and Bleaching ○ Ten percent (10%) less on Prosthodontics procedures 	<ul style="list-style-type: none"> • Pharmacy, CSR and OR materials, discount computed as – Cost of Acquisition plus 20%
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Relative to the foregoing, you seek the Insurance Commission's legal opinion with respect to the following:

- (a) Whether the entitlement to the benefits by the shareholders and their dependents can be deemed as pre-need plans;
- (b) Whether the Corporation to be established would, in providing the abovementioned benefits to their respective shareholders, be deemed to be performing activities of a Health Maintenance Organization; and
- (c) If the answer to either of the queries above is in the affirmative, what would be the requirements, if any?

Upon careful consideration of the matters raised in your request, hereunder are the Insurance Commission's findings:

1. The entitlement to the benefits by shareholders and their dependents cannot be deemed as pre-need plans

As to your first query, the entitlement to the abovementioned benefits by the shareholders and their dependents cannot be deemed as pre-need plans.

Section 4(b) of Republic Act No. 9829 or the Pre-Need Code defines "pre-need plans" as follows:

"(b) "Pre-need plans" are contracts, agreements, deeds or plans for the benefit of the planholders which provide for the performance of future service/s, payment of monetary considerations or delivery of other benefits at the time of actual need or agreed maturity date, as specified therein, in exchange for cash or installment amounts with or without interest or insurance coverage and includes life, pension, education, interment and other plans, instruments, contracts or deeds as may in the future be determined by the Commission." (Emphasis supplied.)