



Circular Letter (CL) No.:	2022-20
Date:	11 April 2022
Amends:	CL Nos. 2020-22 and 2020-100

CIRCULAR LETTER

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

SUBJECT : AMENDMENT TO THE TRANSITORY PROVISIONS UNDER CIRCULAR LETTER NO. 2020-100 ON “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 5.5 of the *Addendum to the Valuation Standards for Health Maintenance Organization Agreement Liabilities* under CL No. 2020-22 states that the discount rates to be used in calculating the reserve liabilities for HMO products not in accordance with the products defined under CL No. 2017-19 for which the HMOs have outstanding liabilities “... shall be based on the lower of the following (a) yield rate or series of yield rates that are expected to be earned from the assets of the funds that back-up the corresponding actuarial reserves over the remaining term of the contracts involved, or (b) the risk-free discount rates equivalent to the zero-coupon spot yield that match the remaining term of the contracts and the currency of the cash flows as prescribed by the IC”;

WHEREAS, this Commission, having recognized the challenges of HMOs in complying with the new valuation standards and the need for transition relief during the initial years of implementation similar to the transition relief provided to other regulated entities, issued CL No. 2020-100 *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 acknowledges that the adverse effects of the COVID-19 pandemic have made it difficult for HMOs to comply with certain requirements of CL No. 2020-22, particularly on discount rates to be used in calculating the reserve liabilities for HMO products not in accordance with the products defined under CL No. 2017-19;

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. Amendment. Section 2 of CL No. 2020-100 is hereby amended to include the following provision:

*“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:*

xxx

e. Discount Rates

For 2021, companies shall be allowed to use a discount rate not exceeding the lower of (a) yield rate or series of yield rates that are expected to be earned from the assets of the funds that back-up the corresponding actuarial reserves over the remaining term of the contracts involved, or (b) six percent (6%) per annum in calculating the reserve liabilities for HMO products not in accordance with the products defined under CL No. 2017-19 for which the HMOs have outstanding liabilities.

Starting 2022, the discount rate shall be determined in accordance with Section 5.5 of the Addendum to the Valuation Standards for Health Maintenance Organization Agreement Liabilities under CL No. 2020-22.”

Section 2. Quantitative Impact Assessment. To monitor and assess the overall impact of the regulatory relief provided under Section 1 of this Circular, all HMOs that have issued products that are not in accordance with the products defined under IC Circular Letter No. 2017-19 for which the HMOs have outstanding liabilities shall submit a quantitative impact assessment report consisting of the comparative balance sheet (statement of financial position) / income statement of the HMO, with and without regulatory relief¹, as of end of the applicable year following the format prescribed in Annex A.

The report shall be duly certified and signed by the accountant and IC-accredited HMO actuary together with the Chief Financial Officer (CFO) or its equivalent.

¹ Regulatory relief pertains to the regulatory relief provided under Section 1 of this Circular.