



Circular Letter No.:	2023-02
Date:	10 January 2023
Amends:	CL No. 2022-09

CIRCULAR LETTER

TO : ALL APPLICANTS AND EXISTING BROKERS AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES BY THE INSURANCE COMMISSION

SUBJECT : AMENDED GUIDELINES ON THE LICENSING REQUIREMENTS OF BROKERS ENGAGED IN HEALTH MAINTENANCE ORGANIZATION (HMO) BUSINESS

WHEREAS, this Commission issued Circular Letter (CL) No. 2018-52 dated 19 October 2018, providing the guidelines on the licensing requirements of Insurance and/or Reinsurance Brokers;

WHEREAS, Section 1 of Executive Order (EO) No. 192, s. 2015 mandates that jurisdiction over HMOs shall be transferred from the Department of Health to the Insurance Commission (IC or “Commission”) in order to regulate and supervise the establishment, operations and financial activities of HMOs;

WHEREAS, this Commission recognizes HMOs as one of the growing business lines of the regulated brokers and upholds the importance of the separation of this line in the preparation of the IC annual reports;

WHEREAS, Insurance Core Principle (ICP) 18 on Intermediaries requires that insurance intermediaries operating in its jurisdiction to be licensed and, where appropriate, the insurance supervisor shall apply and observe supervisory measures on licensed insurance intermediaries;

WHEREAS, additional guidelines to the ICP 18 state that *“different types of insurance business involve different levels of complexity and risks and may require different levels of skill and experience in their intermediation. The supervisor may wish to specify in the license the range of intermediation activities that it permits the insurance intermediary to undertake, taking into account, for example, the intermediary’s proposed business plan and areas of expertise.”*

WHEREAS, this Commission issued CL No. 2022-09 on 02 March 2022 to promulgate guidelines on the licensing requirement for brokers engaged in HMO business;

WHEREAS, considering that there are existing insurance and/or reinsurance brokers engaged in HMO Broking business and due to various clarifications received by this

Commission on the provisions of CL No. 2022-09, there is a need to clarify and amend the same;

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 EO, No. 192, s. 2015;

NOW, THEREFORE, pursuant to the powers of the Insurance Commissioner under Section 4(j) of EO No. 192, the following *Amended Guidelines on the Licensing Requirements of Brokers engaged in HMO Business* are hereby promulgated:

Section 1. SCOPE

These Guidelines shall govern the licensing requirements of new and existing brokers engaged in HMO business.

Section 2. DEFINITION OF TERMS

The following terms shall mean:

- a. **“Health Maintenance Organization or HMO”** refers to an entity duly licensed by this Commission to engage in HMO business.
- b. **“Broker”** shall mean either an insurance broker, reinsurance broker, HMO broker and/or any combination, unless so specified.
- c. **“Commissioner”** shall mean the Insurance Commissioner.
- d. **“Insurance Broker”** shall mean a person who for any compensation, commission or other thing of value acts or aids in any manner in soliciting, negotiating or procuring the making of any insurance contract or in placing risk or taking out insurance, on behalf of the insurance other than himself.
- e. **“Reinsurance Broker”** shall mean a person who for compensation, not being an reinsurer in which any reinsurance is effected, acts or aids in any manner in negotiating contracts for reinsurance, or placing risks of effecting reinsurance, for any company authorized to do business in the Philippines.
- f. **“HMO Broker”** shall mean a person, who for compensation, commission or other thing of value, acts or aids in any manner in soliciting, negotiating, procuring, delivery, and/or enrolling a person to an HMO contract, on behalf of the HMO other than himself.”

Section 3: CAPITALIZATION AND NET WORTH REQUIREMENTS

New Entrants

- 3.1. A new entrant intending to do business as an HMO broker must have a **minimum capitalization or paid-up capital** of Twenty Million Pesos (P20,000,000.00) and must maintain a **net worth** of at least Fifteen Million Pesos (P15,000,000.00).

- 3.2. A new entrant intending to have an HMO broker's license and either insurance **or** reinsurance broker's license must have a **minimum capitalization or paid-up capital** of Fifty Million Pesos (₱50,000,000.00) and must maintain a **net worth** of at least Twenty Five Million Pesos (₱25,000,000.00).
- 3.3. A new entrant intending to have an HMO broker's license and insurance **and** reinsurance broker's license must have a **minimum capitalization or paid-up capital** of Fifty Million Pesos (₱50,000,000.00) and must maintain a **net worth** of at least Thirty Five Million Pesos (₱35,000,000.00).

Existing Brokers

- 3.4. If an existing insurance **or** reinsurance broker intends to apply for an HMO broker license, it must maintain a net worth of at least Twenty Five Million Pesos (₱25,000,000.00).
- 3.5. If an existing insurance **and** reinsurance broker intends to apply for an HMO broker license, it must maintain a net worth of at least Thirty Five Million Pesos (₱35,000,000.00).
- 3.6. The foregoing capitalization and net worth requirements shall be without prejudice to the adoption of a risk-based supervision and other internationally accepted forms of capital framework.

Section 4. DOCUMENTARY REQUIREMENTS

New Entrants

- 4.1. An application for issuance of a new HMO broker's license shall be made using the form herein attached as Annex "A" and shall be accompanied by the following documents:
 - i. Copy of the Certificate of Registration issued by the Department of Trade and Industry (DTI), in the case of sole proprietorship, or Certificate of Recording issued by the Securities and Exchange Commission (SEC), in the case of partnership, or Certificate of Incorporation, in the case of corporation¹;
 - ii. Copies of the Articles of Partnership or Incorporation and By-Laws;
 - iii. Copy of Mayor's Permit;
 - iv. Proof of registration with the Bureau of Internal Revenue (BIR);
 - v. Proof of ownership or lease agreement covering the principal office;
 - vi. Capital Structure;
 - vii. Certificate of bank deposit or any other evidence of bank account ownership together with the name and address of the depository bank;
 - viii. Waiver on Bank Secrecy Law in favor of the Commissioner and/or duly authorized representative;
 - ix. Pre-operational Balance Sheet;
 - x. Curriculum Vitae of the incorporators and officers;
 - xi. Organizational Chart;
 - xii. Income Tax Return of Incorporators;

¹ Including a One Person Corporation under Chapter III of the Revised Corporation Code.

- xiii. Clearance issued by the National Bureau of Investigation of the incorporations, officers, and proposed soliciting official;
 - xiv. Copy of the Surety Bond, in the case of *insurance and HMO broker*, as provided in Section 5;
 - xv. Copies of the errors and omission policies provided in Section 6;
 - xvi. Affidavit signed by a senior officer, with a rank of at least Vice-President attesting that it has no violation on the prohibition provided under Section 10;
 - xvii. Proof of Qualifications of Nominated Soliciting Official; and
 - xviii. Documentary Stamp Tax.
- 4.2. An application for renewal of an HMO broker's license shall be made using the form herein attached as Annex "B" and shall be accompanied by the following:
- i. Copy of the license sought to be renewed;
 - ii. Income Tax Return of the Broker and Soliciting Official;
 - iii. Updated List of Stockholders, Members of the Board of Directors, and Officers;
 - iv. Copy of the Surety Bond, in the case of *insurance and HMO broker*, as provided in Section 5;
 - v. Copies of the renewed errors and omission policies provided in Section 6;
 - vi. Certification on commissions earned during the preceding fiscal year signed by the company's external audit, provided that, in case of two or more broker's license, such certification must indicate commissions earned for its direct, reinsurance and HMO business, whichever is applicable;
 - vii. Affidavit signed by a senior officer, with a rank of at least Vice-President attesting that it has no violation on the prohibition provided under Section 10; and
 - viii. Documentary Stamp Tax.

Existing Brokers

- 4.3. For existing insurance and/or reinsurance broker applying for an HMO license, it shall only submit the following documents:
- i. Certificate of Registration issued by the DTI, in the case of sole proprietorship, or Certificate of Recording issued by the Securities and Exchange Commission, in the case of partnership, or Certificate of Incorporation, in the case of corporation²;
 - ii. copy of its Articles of Incorporation and By-Laws; and
 - iii. Proof of Qualifications of nominated Soliciting Official.
- 4.4. In case of unavailability of any of the documents enumerated above at the time of the submission of the application, the applicant must state the reason/s for the unavailability thereof with an undertaking that the lacking documents shall be made available and presented during the pre-licensing examination.

² Including a One Person Corporation under Chapter III of the Revised Corporation Code.

Section 5. SURETY BOND

- 5.1. Every applicant shall submit the surety bond specified below which shall be in addition to the surety bond requirement of insurance broker, whenever applicable.
- 5.2. Every application for issuance of new or renewal of *HMO* broker's license shall be accompanied by a bond in the amount of not less than One Million Pesos (₱1,000,000.00) in favor of the People of the Republic of the Philippines by a company authorized to become a surety upon official recognizances, stipulations and undertakings.

Existing Brokers

- 5.3. An existing insurance broker, with a surety bond still in effect, applying for an *HMO* broker's license, shall only process a bond for its *HMO* business in the amount of not less than One Million Pesos (₱1,000,000.00) in favor of the People of the Republic of the Philippines by a company authorized to become a surety upon official recognizances, stipulations and undertakings.

Section 6. ERRORS AND OMISSIONS (E&O) POLICIES

- 6.1. Every applicant shall submit the E&O policies specified below, which shall be in addition to the errors and omissions requirement of an insurance and/or reinsurance broker, whenever applicable.
- 6.2. Upon approval of the application, but before the issuance of a new *HMO* broker's license, the applicant must file an E&O (Professional Liability or Professional Indemnity) insurance policy issued an insurance company authorized to do business in the Philippines, provided, that in no case shall the amount of such policy be less than Five Hundred Thousand Pesos (₱500,000.00).
- 6.3. In case of applications for renewal of *HMO* broker's license, the total limit of liability of the said policy shall be equivalent to one hundred percent (100%) of the *HMO* commissions earned for the preceding fiscal year but not exceeding a maximum amount of Twenty Million (₱20,000,000.00), provided, that in no case shall the amount of such policy be less than Five Hundred Thousand Pesos (₱500,000.00).
- 6.4. If an existing insurance and/or reinsurance broker applies for an additional *HMO* broker's license, the total limit of liability of the two E&O policies shall be equivalent to one hundred percent (100%) of the total commissions (*including the HMO commissions*) earned for the preceding fiscal year but not exceeding a maximum amount of Twenty Million (₱20,000,000.00), provided, that in no case shall the amount of each of such policies be less than Five Hundred Thousand Pesos (₱500,000.00).
- 6.5. The foregoing requirement for the E&O policies shall be without prejudice to the adoption of a risk-based supervision and other internationally accepted details of professional indemnity insurance cover, including amount and limitations, or comparable guarantee, where applicable.

Section 7. SOLICITING OFFICIAL

- 7.1. A license issued to an HMO broker shall authorize only the individual or individuals named in the license as Soliciting Official.
- 7.2. An applicant is required to nominate a Soliciting Official, subject to the approval of the Commissioner.
- 7.3. In respect of a sole proprietorship, the sole proprietor shall be deemed to be the Soliciting Official. In respect of a partnership, the Soliciting Official shall be one of the partners. In respect of a corporation, the Soliciting Official shall be a full time officer of the corporation.
- 7.4. Exercise or attempted exercise of such authority by an individual not so named in the license, with the knowledge or consent of the licensee, shall constitute cause for the revocation or suspension of the license.

Section 8: QUALIFICATIONS OF A SOLICITING OFFICIAL FOR HMO

- 8.1. To be qualified as a Soliciting Official, an individual must:
 - a. be a resident of the Philippines;
 - b. have either i) at least three (3) years of experience in the HMO industry involving sales and/or underwriting, Provided that, such individual held a managerial position for at least three (3) years; or ii) licensed as a general agent for at least three (3) years; and
 - c. must not have been convicted by final judgment of an offense or crime involving moral turpitude.
- 8.2. The minimum qualifications enumerated above shall be without prejudice to any additional qualifications as may be prescribed by the Commissioner.

Section 9. EFFECT OF DISQUALIFICATION, DEATH OR RESIGNATION OF SOLICITING OFFICIAL

Disqualification, death or resignation of the Soliciting Official shall automatically suspend the HMO broker's license until such time that a proposed Soliciting Official has been approved by the Commissioner or unless there are other Soliciting Officials named in the license.

Section 10. PROHIBITION

- 10.1. No person licensed as an insurance agent or general agent shall be licensed as an HMO broker, nor shall a person licensed as an HMO broker be licensed as an insurance agent or general agent.
- 10.2. No official or employee of an HMO broker shall be licensed to act as insurance agent or general agent.

- 10.3. No HMO broker or its stockholders and officers shall have controlling interest in any HMO company or vice versa.

Section 11. REFUSAL, SUSPENSION OR REVOCATION OF LICENSE

- 11.1. The Commissioner may refuse to issue, suspend, or revoke a license, after due notice and hearing, if the Commission finds that as to the applicant or licensee, any one or more of the following grounds exist:
- a. Has willfully violated any provision of EO No. 192, s. 2015, circulars, instructions, ruling, or decisions of the Commission, or
 - b. Has intentionally made a material misstatement in the application to qualify for such license, or
 - c. Has obtained or attempted to obtain a license misrepresentation; or application to by fraud; or
 - d. Has been guilty by reason of final judgment of fraudulent or dishonest practices; or
 - e. Has misappropriated or converted to his own use or illegally withheld moneys required to be held in a fiduciary capacity; or
 - f. Has not demonstrated trustworthiness and competence to transact business as an HMO broker in such manner as to safeguard the public.
- 11.2. The proceeding on suspension or revocation of an HMO broker's license based on the grounds enumerated above shall be governed by *Insurance Memorandum Circular No. 2021-01 entitled "Revised Rules of Procedure Governing Administrative Cases Before the Insurance Commission"* and any amendment or supplement thereto.

Section 12. PRE-LICENSING EXAMINATION

Upon submission of documentary requirements and upon payment of the pre-licensing fee based on the schedule specified below, an on-site pre-licensing examination shall be conducted by the duly authorized representative/s of the Commissioner with respect to applications for issuance of a new HMO broker's license:

Within Metro Manila	₱10,100.00
Luzon	₱25,250.00
Visayas	₱40,400.00
Mindanao	₱45,250.00

Section 13. VALIDITY OF LICENSE

- 13.1. A license issued to an HMO broker shall be valid until the last day of the December of the third year following the date of its issuance and shall be renewable every three years thereafter, subject to the company's continuing compliance with the provisions of EO No. 192, s. 2015, circulars, instructions, ruling, or decisions of the Commission, provided that, an application for the renewal of license must be submitted within (3) months before the expiration of the license.

- 13.2. Application for renewal of license made after the expiration date of the license shall be considered as late application, which must be filed not later than the last day of the third month following the expiration of such license and subject to the payment of penalty for late renewal in the amount of Five Hundred Pesos (P500.00) per working day of late application.
- 13.3. All applications for renewal filed beyond the period specified above shall be considered as new applications.

Section 14: FEES

- 14.1. Upon approval of the application for issuance of a new or renewal of license as an **HMO broker** with one (1) Soliciting Official, the applicant shall pay a licensing fee in the amount of Ninety Thousand Nine Hundred Pesos (P90,900.00). In case there are more than one (1) Soliciting Official, the applicant shall pay a licensing fee of Thirty Thousand Three Hundred Pesos (P30,300.00) for each additional Soliciting Official.
- 14.2. Upon approval of the application for issuance of a new or renewal of license as an **HMO and insurance OR reinsurance broker** with one (1) Soliciting Official, the applicant shall pay a licensing fee in the amount of One Hundred Eighty One Thousand Eight Hundred Pesos (P181,800.00). In case there are more than one (1) Soliciting Official, the applicant shall pay a licensing fee of Thirty Thousand Three Hundred Pesos (P30,300.00) for each additional Soliciting Official.
- 14.3. Upon approval of the application for issuance of a new or renewal of license as an **HMO, insurance and reinsurance broker** with one (1) Soliciting Official, the applicant shall pay a licensing fee in the amount of Two Hundred Seventy Two Thousand Six Hundred Pesos (P272,600.00). In case there are more than one (1) Soliciting Official, the applicant shall pay a licensing fee of Thirty Thousand Three Hundred Pesos (P30,300.00) for each additional Soliciting Official.

Section 15: TRANSITORY PROVISION

- 15.1. The validity period of an HMO broker license shall coincide with the existing license period.
- 15.2. All existing insurance and/or reinsurance brokers with license for the Licensing Years 2021-2023, 2022-2024 and 2023-2025, with existing HMO business are required to submit their applications and secure an HMO broker license on or before 31 March 2023.
- 15.3. An existing insurance and/or reinsurance broker applying for an HMO license with one (1) Soliciting Official shall pay a licensing fee in the amount of Ninety Thousand Nine Hundred Pesos (P90,900.00) related to the issuance of its HMO license. In case there are more than one (1) Soliciting Official, the applicant shall pay a licensing fee of Thirty Thousand Three Hundred Pesos (P30,300.00) for each additional Soliciting Official.

15.4. If the application for approval of additional Soliciting Official is filed other than at the time of the filing of the application for issuance of a new or renewal of license, a licensing fee in the amount of Ten Thousand One Hundred Pesos (P10,100.00) for each Soliciting Official per year of the remaining validity of the license, irrespective of the month in which the application was filed.

Section 16. SEPARABILITY CLAUSE

Should any provision of this CL or any part thereof be declared invalid, the other provisions, insofar as they are separable from the invalid ones, shall remain in full force and effect.

Section 17. REPEALING CLAUSE

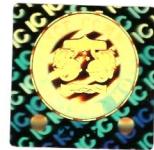
All circulars, memoranda, and other issuances or parts thereof inconsistent with this Circular Letter are hereby repealed, amended or modified accordingly.

Section 18. EFFECTIVITY

This CL shall take effect immediately.



DENNIS B. FUNA
Insurance Commissioner





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



APPLICATION FOR INSURANCE/REINSURANCE/HMO BROKER'S LICENSE

The Insurance Commissioner
Manila

Sir/Madam:

The undersigned hereby applies for the renewal of license to do business in the Philippines as [insurance/reinsurance/HMO] broker for the year beginning 01 January 20____ under Chapter IV, Title 1, Section 307 of the Insurance Code as amended (RA 10607) and/or Executive Order No. 192, series of 2015 and in support thereof, represents as follows:

1. Name of applicant: _____
2. Address: _____

- Tel No: _____
3. Percentage of foreign participation: _____

Attached are the following pertinent documents necessary for the renewal of said license:

1. Original License
2. Renewed Errors and Omission Policies
3. Renewed Surety Bond
4. Verified photocopy of ITR of company
5. Verified photocopy of ITR of soliciting official/s
6. Audited Financial Statements of company
7. Value Added Tax (VAT) receipts
8. Documentary Stamp
9. Updated List of Officers, Board of Directors and Stockholders (Compliance with Circular Letter No. 2-97)

Applicant (Company/Corporation)

By: _____
Authorized Company/Corp. Official

IC-LLI-DP-003-F-03



APPLICATION FOR INSURANCE/REINSURANCE/HMO BROKER'S LICENSE
(Under Chapter IV, Title 1 of the Insurance Code)

INSTRUCTIONS TO APPLICANTS	FOR THE INSURANCE COMMISSION'S USE
<p>This form is to be completed by each applicant for license as an insurance and/or reinsurance broker. This application will not be accepted unless all information called for are furnished and all documentary requirements prescribed by this Commission are attached.</p> <p>This application must be accompanied with a documentary stamp which shall be affixed to the license being applied for.</p>	<p>Verified by: _____ Date: _____</p> <p>Processed by: _____ Date: _____</p> <p>Approved by: _____ Date: _____</p> <p>License Fee: P. _____</p> <p>O.R. No.: _____</p> <p>Date: _____</p>

To the Insurance Commissioner:

The undersigned hereby applies for a license as insurance broker reinsurance broker HMO broker, pursuant to the provisions of Chapter IV of the Insurance Code, as amended by Republic Act No. 10607 and Executive Order (EO) No. 192, s. 2015, and in support of this application represents as follows:

1. Name of applicant: _____
(If applicant is a partnership, association or corporation, nominated soliciting official whose name shall be stated in the Items 2 to 9 apply to the license to be issued.)
2. (a) Date of Birth: _____
(b) Place of Birth: _____
- 3 (a) Sex: _____
(b) Civil Status: _____

4. (a) Principal Office Address:

(b) Residential Address:

5. (a) Citizenship: _____

(b) If a naturalized citizen of the Philippines, provide date and place of naturalization and attach a photocopy thereof.

(c) If applicant is a foreigner, provide number, date and place of issuance of Alien Certificate of Registration and Immigrant Certificate of Residence and attach a photocopy thereof

6. Have you ever been dishonorably discharged from any position of employment?

_____ If yes, state particulars. _____

7. Have you ever been accused of any crime? _____ If yes, attach copy of court's final decision.

8. Have you filed your income tax return for the preceding year? _____
If yes, attach proof of such filing, otherwise, give reason for not filing.

9. What experience and/or training have you had in the insurance business? State in what branches or kinds of insurance, in what capacity, and where and when engaged'

(Continue on separate sheet, if necessary)

10. If applicant is a partnership or corporation.

(a) Attach certified true copy each of the Certificate of Registration, Articles of Partnership, Association or Incorporation and By-Laws; and

(b) State percentage of Filipino participation in the partnership, association or corporation as of the date of this application.

11. Is the applicant (and the individual duly authorized to act in its behalf, if applicant is a partnership, association or corporation) duly covered by an Errors and Omissions Policy or Professional Liability or Professional Indemnity Policy? _____ If yes, attach copy of the policy.

12. Have you ever been licensed by this Office to act as insurance broker or agent? _____ If yes, please state the full circumstances. _____

13. Are you an official stockholder or employee or an insurance company? _____
 If yes, state the name of the company and percentage of ownership, if any.

14. Are you a licensed insurance agent? _____ If yes, state the name/s of the insurance company/ies you represent.

15. In the blanks below, state how you have been occupied during the last five years up to the date of this application of whether employed or not.

Inclusive Dates From – To	Name of Employer	In what Capacity	Where	Under Whom	Reason for Leaving

(Continue on separate sheet, if necessary).

16. State below the names and addresses of four (4) responsible persons for reference.

Name	Occupation	Post Office Address

Executed this ___ day of _____, at _____, Philippines.

 Signature of Applicant

AFFIDAVIT OF VERIFICATION

Republic of the Philippines)
Province/City of _) S.S.

I, _____, being duly sworn, depose and say that I am the person named in and who signed the foregoing application; that I know that the contents thereof and the statements made and answers to questions therein are true.

Affiant

SUBSCRIBED AND SWORN TO before me this _____ day of _____ 20____, by the above-named applicant who exhibited to me his/her Community Tax Certificate No. _____ issued _____, 20____ at _____.

Notary Public

Doc No. _____
Page No. _____
Book No. _____
Series of 20 _____