



Advisory No.:	IS-2024-005
Classification:	Regulatory and Supervisory Advisory
Date:	20 March 2024

INSURANCE COMMISSION ADVISORY

TO : ALL HEALTH MAINTENANCE ORGANIZATIONS AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES

SUBJECT : REQUEST FOR COMMENTS ON THE DRAFT CIRCULAR LETTER ON THE APPLICATION OF PHILIPPINE FINANCIAL REPORTING STANDARD 17 – INSURANCE CONTRACTS TO THE AUDITED FINANCIAL STATEMENTS AND INSURANCE COMMISSION REPORTORIAL REQUIREMENTS OF HEALTH MAINTENANCE ORGANIZATIONS

Section 4(j) of Executive Order (“EO”) No. 192, s. 2015 grants the Commission the authority over Health Maintenance Organizations (“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.

Section 2.1 of Circular Letter (“CL”) No. 2016-41¹ requires all HMOs to submit their Audited Financial Statements (“AFS”), together with the supporting documents, on or before the 31st of May of each year.

In view of the impending implementation of the Philippine Financial Reporting Standard 17 Insurance Contracts (“PFRS 17”), the Commission drafted a CL on the application of PFRS 17 to the AFS and IC-reportorial requirements of HMOs.

Relative thereto, all HMOs are hereby requested to provide comments/feedback on the below-listed documents using the prescribed format:

1. Draft CL – Application of Philippine Financial Reporting Standard 17 – Insurance Contracts to the Audited Financial Statements and Insurance Commission Reportorial Requirements of Health Maintenance Organizations
2. Annex A – Standard Chart of Accounts for HMOs

Prescribed Format

Document Name	Section/Provision	Comment/s	Recommendation/s

¹ Entitled, “Minimum Capitalization and Financial Capacity Requirements for HMOs.”

Comments/feedback shall be submitted to the IC HMO Division through e-mail to hmodiv@insurance.gov.ph **within fifteen (15) days after the issuance of this Advisory:**

Comments received after the deadline and not thru e-mail shall not be entertained.

Thank you.


REYNALDO A. REGALADO
Insurance Commissioner



Circular Letter No.:	2024-
Date:	
Supersedes:	

CIRCULAR LETTER

**TO : ALL HEALTH MAINTENANCE ORGANIZATIONS
AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES**

**SUBJECT : APPLICATION OF PHILIPPINE FINANCIAL REPORTING
STANDARD 17 – INSURANCE CONTRACTS TO THE
AUDITED FINANCIAL STATEMENTS AND INSURANCE
COMMISSION REPORTORIAL REQUIREMENTS OF HEALTH
MAINTENANCE ORGANIZATIONS**

WHEREAS, Section 4(j) of Executive Order (“EO”) No. 192, s. 2015¹ grants the Commission the authority over Health Maintenance Organizations (“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;

WHEREAS, the following Circulars govern the reportorial requirements for HMOs adopted by the Commission:

- a. Circular Letter (“CL”) No. 2018-68,² for the Standard Chart of Accounts (“SCA”) for HMOs;
- b. CL No. 2019-58,³ for the applicable accounting standards for HMO Agreements; and
- c. CL Nos. 2020-22⁴ and 2022-49,⁵ for valuation standards

WHEREAS, the International Accounting Standards Board (“IASB”), an international accounting standard-setting body, issued International Financial Reporting Standards 17 Insurance Contracts (“IFRS 17”), which has a mandatory effectivity date of annual periods beginning on or after 01 January 2023;⁶

¹ Entitled, “Transferring the Regulation and Supervision over Health Maintenance Organizations from the Department of Health to the Insurance Commission, Directing the Implementation Thereof and for Other Purposes.”

² Entitled, “Standard Chart of Accounts (SCA) for Health Maintenance Organizations (HMOs).”

³ Entitled, “Application of PFRS 4 and PFRS 15: Accounting Standards for Health Maintenance Organizations (HMOs) Agreements.”

⁴ Entitled, “Valuation Standards for Health Maintenance Organization (HMO) Agreement Liabilities.”

⁵ Entitled, “Revised Implementation Requirements for the Valuation Standards for Health Maintenance Organization (HMO) Agreement Liabilities and Annual Reporting for HMOs, Superseding CL No. 2020-100.”

⁶ IFRS 17 has global effectivity date of 01 January 2023 based on the Amendments to IFRS 17 issued by the IASB in June 2020

WHEREAS, the Securities and Exchange Commission (“SEC”), through SEC Memorandum Circular No. 8 Series of 2020, adopted IFRS 17 as Philippine Financial Reporting Standard 17 *Insurance Contracts* (“PFRS 17”);⁷

WHEREAS, PFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued, and likewise requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued;

WHEREAS, pursuant to Securities Regulation Code (“SRC”) Rule 68, the SEC shall have the authority, subject to prior consultation with concerned parties, to prescribe the most appropriate requirement that shall form part of the applicable financial reporting framework of corporations. In prescribing the applicable financial reporting framework for a particular class or sub-class of entities, the SEC shall consider the pronouncements and interpretations of the Philippine Financial Reporting Standards Council.⁸ However, a financial reporting framework other than the PFRSs that complies with the regulatory reportorial requirements of the concerned regulatory agency such as the Bangko Sentral ng Pilipinas (“BSP”) or the Insurance Commission (“IC”) may be allowed by the SEC;⁹

WHEREAS, the IC issued CL No. 2018-69,¹⁰ which was amended by IC CL No. 2020-62,¹¹ deferring the implementation of PFRS 17 for two (2) years after its effective date as decided by the IASB. Hence, insurance companies shall apply PFRS 17 to their Audited Financial Statements (“AFS”) starting 01 January 2025, with earlier application permitted;

WHEREAS, the IC issued CL No. 2022-12,¹² promulgating the application of PFRS 17 to HMOs' quarterly and annual reporting starting 01 January 2025.

WHEREAS, the IC issued CL No. 2022-36,¹³ requiring the companies to submit annual status reports and to provide additional disclosures in the AFS in view of PFRS 17 implementation;

WHEREAS, the implementation of the PFRS 17 will significantly impact the preparation of the AFS and IC reportorial requirements, hence, calls for amendments in the SCA for HMOs to ensure consistent application with internationally accepted accounting standards concerning solvency and the financial reporting;

NOW THEREFORE, pursuant to the authority granted to the Insurance Commission by Section 4 of Executive Order 192, s. 2015, the following rules and regulations concerning the financial reporting are hereby promulgated:

⁷ Philippine Financial Reporting Standards (PFRSs) are currently fully converged with International Financial Reporting Standards (IFRSs)

⁸ Now Philippine Financial and Sustainability Reporting Standards Council

⁹ https://www.sec.gov.ph/wp-content/uploads/2019/12/2019Rule_RSRCRule68.pdf

¹⁰ Entitled, “Deferral of Implementation of International Financial Reporting Standard 17 Insurance Contracts.”

¹¹ Entitled, “Amendment of Sec. 1 of CL No. 2018-69; Deferral of IFRS 17 Implementation.”

¹² Entitled, “Application of PFRS 17 for HMOs.”

¹³ Entitled, “Submission of Status Reports and Additional Disclosures in the Financial Statements Relative to IFRS 17 Insurance Contracts.”

SECTION 1. APPLICATION OF THIS CIRCULAR

This Circular covers the AFS and IC reportorial requirements prepared and submitted by the HMOs to the SEC and IC, respectively.

SECTION 2. APPLICATION OF PFRS 17 TO THE AUDITED FINANCIAL STATEMENTS

All HMOs shall apply PFRS 17 to their AFS effective 01 January 2025. However, companies may opt to adopt PFRS 17 in the preparation of their AFS starting 01 January 2023.

SECTION 3. DISCLOSURE REQUIREMENTS FOR HMOs THAT WILL NOT EARLY ADOPT PFRS 17 (“NON-EARLY ADOPTERS”)

Non-early adopters must disclose in the notes to the financial statements the disclosure requirements of Philippine Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates, and Errors (“PAS 8”) as regards the impending adoption of new accounting standards, (e.g., PFRS 17) for the years ending **31 December 2023 and 2024**.

SECTION 4. PREPARATION OF THE IC REPORTORIAL REQUIREMENTS

Depending on the timing of PFRS 17 implementation, the SCA applicable to the quarterly and annual reporting of HMOs shall be based on the following respective IC Circulars:

- 1. Early adopters of PFRS 17**– Annex A of this Circular
- 2. Non-early adopters of PFRS 17** – CL No. 2018-68

Starting 01 January 2025, all HMOs shall prepare their quarterly and annual reports in accordance with Annex A, unless otherwise amended.

SECTION 5. ACTUARIAL VALUATION REPORT (“AVR”)

A separate Circular shall be issued to cover the preparation of the AVR.

SECTION 6. EFFECTIVITY

This CL shall take effect immediately.

REYNALDO A. REGALADO
Insurance Commissioner

Attachment:
Annex A – SCA for HMOs