



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



Advisory No. :	RS-2024-021
Classification:	Regulatory and Supervisory Advisory
Date:	23 September 2024

INSURANCE COMMISSION ADVISORY

TO : ALL INSURANCE COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS (HMO) AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES

SUBJECT : DRAFT CIRCULAR LETTER ON THE PHILIPPINE INTERCOMPANY MORBIDITY STUDY

The Insurance Commission (IC), in a joint initiative with the Actuarial Society of the Philippines (ASP), will conduct a Philippine Intercompany Morbidity Study (Study) among all insurance companies selling health insurance products as well as all Health Maintenance Organizations (HMO), in accordance with the Memorandum of Understanding (MoU) signed by IC and ASP last 24 January 2024.

Relative thereto, we would like to solicit your comments, suggestions, and recommendations on the draft Circular Letter and its annexes (see attached).

Comments/feedback shall be submitted to the Technical Working Group (TWG) at morbidity@insurance.gov.ph within fourteen (14) calendar days after the issuance of this Advisory.

Thank you.


REYNALDO A. REGALADO
Insurance Commissioner



Circular Letter (CL) No.:	
Date:	
Supersedes:	None

CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS (HMO) AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES

SUBJECT : PHILIPPINE INTERCOMPANY MORBIDITY STUDY

WHEREAS, the International Association of Insurance Supervisors' (IAIS) has promulgated Insurance Core Principle (ICP) 8 which emphasizes that insurers must have effective actuarial functions covering premium and pricing activities and compliance with related statutory and regulatory requirements.

WHEREAS, ICP 24 provides that the supervisor collects data for macroprudential supervision, and publish relevant data and information that would allow market participants to make more informed decisions.

WHEREAS, the Insurance Commission (IC) in collaboration with the Actuarial Society of the Philippines (ASP) shall conduct a Philippine Intercompany Morbidity Study (The Study) in accordance with the Memorandum of Understanding (MoU) signed by IC and ASP last 24 January 2024.

WHEREAS, insurance companies and health maintenance organizations (HMO) use various parameters such as, but not limited to, utilization rate, length of stay, and average claim amount, in product development, product pricing, and actuarial valuation.

WHEREAS, the conduct of an intercompany morbidity study helps promote and develop reasonably and appropriately priced products based on data-driven studies that cater to the needs of the consumers. The results of the study will be industry agnostic and may serve as a benchmark in establishing relevant morbidity tables in the absence or lack of credible company-specific experience.

NOW, THEREFORE, pursuant to the authority of the Insurance Commissioner under Section 437 of the Insurance Code, as amended by Republic Act (RA) No. 10607, and Section 4 of Executive Order (EO) No. 192 (s. 2015), all insurance companies and HMOs with policies issued from 2018-2022 are hereby enjoined to participate in the 2024 Philippine Intercompany Morbidity Study in accordance with the following guidelines:

Section 1. SCOPE AND APPLICATION OF THE STUDY

The morbidity study shall apply to all insurance companies (life and non-life) selling health insurance products as well as all Health Maintenance Organizations (HMOs). Data submitted for the purposes of this study shall be consistent with the Annual Statement filed with the Commission.

Section 2. OBJECTIVE OF THE STUDY

The primary objective of the study is to review the morbidity experience of the Life and Non-Life Insurance and HMO industries. The results will be analyzed with respect to various parameters as agreed upon by the various stakeholders. The results of the study will aid in the pricing and valuation of health insurance and HMO products.

In specific terms, the study aims to achieve the following:

1. To develop industry level health or medical claim costs and utilization rates which can serve as benchmarks for the IC in evaluating the reasonableness of rate filings and reserve valuations of insurers and HMOs. This would promote fairness and strengthen consumer protection and prudential regulation.
2. To provide insurers and HMOs with industry level experience which can be used as a benchmark for developing and pricing new health products and benefits. The development of new health products and benefits will promote health protection and eventually reduce the health protection gap.
3. To create a credible data that is relevant and specific to Philippine experience which would lessen dependence on data or experience of other countries which may not represent local conditions.
4. To provide information and insights which could aid the government in health policy making.
5. To be able to determine parameters that may be used in pricing and valuation of insurance and HMO industries. It aspires to produce the following statistical results: (utilization rate, length of stay, and average claim amount) by different categories (gender, age group, IP/OP, surgical/non-surgical, ABL/MBL)

- 5.1. Frequency of claim or availment rate or utilization rate;
- 5.2. Average claim amount;
- 5.3. Average length of in-patient stay (for non-surgical cases, surgical cases, etc.);
- 5.4. Profile (percentage distribution) of membership and claims experience with regard to age, sex, type of membership, type of plan, and type of claim;

Section 3. OVERVIEW OF THE STUDY

The Study will be conducted using Policy Data and Claims Data by Count. For purposes of this study, Policy Data shall refer to policies issued by insurance companies to its policyholders and agreements issued by HMOs to its members.

The Study will cover Individual, Family, and Group / Corporate products.

The Study Parameters are as follows:

1. Period of Study: January 01, 2018 to December 31, 2022
2. Type of Processing: Seriatim (record-by-record)
3. Policy Data (Membership Data) Required: Policy (Membership) in force record as of yearend in the calendar years indicated under period of study
4. Claims Data Required: Claims incurred by those included in the Policy Data

A Flow Chart is included in Annex A to provide an overview of the process involved in The Study.

Section 4. MORBIDITY STUDY SYSTEM SUPPORT

A Morbidity Study System (The System) shall be developed to aid in the collection of data and to ensure the integrity of data collected.

Companies shall be given access to The System to conduct their own future morbidity study.

The System shall be used in validating the data submitted by each company.

Once the data submitted by all the participants are in order, The System shall be used in Data Masking so as to protect the confidentiality of data submitted by the participants.

The System shall also be used in the generation of the results.

Section 5. DEADLINES, SANCTIONS, AND PENALTIES

All data and reportorial requirements as described in Annex B shall be submitted to the IC Actuarial Division **on or before 30 November 2024**.

Non-submission of complete requirements on or before the prescribed deadline by insurance companies and HMOs, as defined under Section 1 of this Circular, shall be subjected to in-depth review and evaluation of its existing products/forms to which the IC may exercise its authority to recall its products/forms.

Consistent with existing rules and regulations on delayed submissions of data and reportorial requirements, a five thousand pesos (Php5,000.00) penalty per day of delay in submission of data as required by this Circular shall be imposed.

Section 6. SEPARABILITY CLAUSE

If any provision of this Circular or any part hereof be declared invalid or unconstitutional, other provisions not otherwise affected shall remain valid and subsisting.

Section 7. REPEALING CLAUSE

All circulars, rules and regulations or parts thereof that are inconsistent with the provisions of this Circular are deemed repealed, superseded or modified accordingly.

Section 8. EFFECTIVITY

This Circular shall take effect immediately.

For strict compliance.

REYNALDO A. REGALADO
Insurance Commissioner