

## ANNEX A

### REPORT ON ACTUARIAL VALUATION OF HMO LIABILITIES

NAME OF COMPANY: METROCARE HEALTH SYSTEMS, INC.

FOR THE PERIOD ENDING: DECEMBER 31, 2024

#### SECTION A: SCOPE OF REVIEW

- 1) The report presents the results of the Valuation of Premium and Claims Reserve Liabilities of Metrocare Health Systems, Inc. for the year ending December 31, 2024.
- 2) The Actuary is Lyndon Fadri, a fellow of Actuarial Society of the Philippines and an accredited HMO actuary.
- 3) The Actuary has complied with the Standards of Valuation of Reserves of HMO Liabilities Agreement as set forth in Circular 2020-22.

#### SECTION B: DATA REQUIREMENTS

- 1) The Basis on which the analysis has been carried out

The analysis and the valuation of premium and claims reserves were made on the basis of IC Circular 2020-22 and the data provided by the Company.

- 2) The source of the data and how it was extracted

- 2.1 The data was provided by Ms. Sofia Prieto, President, Metrocare Health Systems, Inc.

High-level checks were conducted to ensure quality, accuracy and completeness of data provided. In particular, the total contributions used in the valuation valued was compared to the total contributions in the financial statement and the actuary was satisfied with the completeness of the premium data provided. Likewise, the claims data was compared with the claims paid reflected by the Company in its financial statements.

- 2.2 The comparative summary of in-force policies are as follows:

	2024	2023
Number of Group	14	10
Annualized Membership Fee	20,834,290	10,085,150

### 2.3 Claims Management Policies and Guidelines

The company ensures that claims are eligible and valid and processed in accordance with established procedures.

### 2.4 Underwriting Policies/Target Markets/Underwriting Changes

The Company has only one (1) product targeting group clients in a specific industry on optional and contributory basis. Membership fees are paid on monthly or bi-monthly basis.

The business is confined to the specific target market where the company has a broad and long history of favorable claims experience.

## SECTION C: VALUATION METHODOLOGIES AND ASSUMPTIONS

### 1) MEMBERSHIP FEE RESERVES

Membership Fee Reserves refers to all future claim payments and related policy expense including maintenance and claims settlement expenses out of events arising after the valuation date that the Company is liable in the future.

As prescribed in IC Circular 2020-22, Unearned portion of Membership Fee (Net of VAT and Commission) received by the Company which is applicable for the period of coverage beyond December 31, 2024 using exact number of days unearned (1/365<sup>th</sup> method), was set as Membership Fee Reserves. The due date, modal premium, mode and coverage expiry were used as the bases for the calculation of the unearned portion of the membership fees from valuation date to the end of the period covered by the premium.

### UNEARNED RISK RESERVES

The Actuary determined the estimate of future claims by applying the 29.56% experience average 5-year loss ratio to the Gross Unearned Membership Fee. The margin for adverse deviation at 75% confidence level was also determined assuming normal distribution and applied to the expected future claims.

Provision for future expenses was set up in the Unearned Risk Reserves using a maintenance cost of 47.52% of membership fees and claims handling expense of 25.00% claims. This was based on the 2024 crude expense analysis wherein due to lack of data for a more detailed expense analysis, the total 2024 administrative expense was allocated as follows:

Claims Handling Expense	1,482,071
Maintenance Expense	4,792,348
Total Administrative Expense	6,274,419

Claims Handling Expense	1,482,072
Total Claims	5,928,286
Percentage of Claims	25.00%

Maintenance Expense	4,792,348
Total Contributions	14,070,699
Percentage of Membership Fees	47.52%

Claims handling expense was set at 25% of claims. The remaining amount was allocated as Maintenance expense.

The final Reserve Liability is the higher of the Net Unearned Membership Fee and the Unearned Risk Reserve.

## 2) CLAIMS RESERVES

3.1 Due and Unpaid Claims Reserves – The amount of due but unpaid claims as of December 31, 2024 was provided by the Company as reflected in the IFS.

3.2 In Course of Settlement/Resisted Claims - As advised by the Company, no pending claims were categorized as In Course of Settlement or Resisted claims as of December 31, 2024.

3.3 Incurred But Unreported Claims (IBNR) - A loss development triangle was formed considering the dates incurred and reported of claims incurred in 2024. The Chain Ladder method was used to estimate the IBNR. The resulting IBNR was compared to the actual claims incurred in 2024 but reported in the first four months of 2025.

### 3.4 CLAIMS HANDLING EXPENSE (CHE)

Additional reserve was set up for claims handling expenses equivalent to 25% of the total outstanding and expected claims.

### 3.5 MARGIN FOR ADVERSE DEVIATION FOR CLAIMS RESERVES

One hundred percent (100%) of the required margins were applied to the reserves and the IBNR.

### 3.5 NO ASSUMPTION OF DISCOUNT RATES, INFLATION RATE

All the products being sold and managed by the company are yearly renewable term. As such, no assumption as to interest rates is made in premium and claims liabilities. Claims administration fees are pegged as percentage of claims, so no inflation rate is assumed in CHE.

## SECTION D: EXPERIENCE STUDIES

1. Loss ratios for the past 5 years are as follows (average: 29.56%):

	2024	2023	2022	2021	2020
<b>Revenue</b>	14,070,699	10,085,150	15,517,420	15,571,112	11,642,282
<b>Total Claims</b>	5,928,286	3,351,024	5,219,592	4,714,832	991,740
<b>Loss Ratio</b>	42.13%	33.23%	33.64%	30.28%	8.52%

2. The expense ratio remains stable after the pandemic:

	2024	2023	2022	2021	2020
<b>Revenue</b>	14,070,699	10,085,150	15,517,420	15,571,112	11,642,882
<b>Expenses</b>	6,274,419	5,912,116	8,860,893	8,588,444	10,215,694
<b>Expense Ratio</b>	44.59%	58.62%	57.10%	55.16%	87.74%

## SECTION E: VALUATION RESULTS AND DISCUSSION

1. Summary of Valuation Results - The following table summarizes the valuation results as of December 31, 2024:

### A. Actuarial Reserve

Gross Unearned Membership Fee	69,319
Net Unearned Membership Fee	69,319
Expected Claims	20,490
Maintenance Expense	32,940
Claims Processing Expense	5,122
Margin	5,874
Unearned Risk Premium Reserve	64,426
Required Reserve	69,319

B. Claim Reserves

Due & Unpaid	2,194,211
Incurred But Not Reported	226,167
Claims Handling Expense	605,095
Claims Reserve	3,025,473

Computed IBNR	49,681
Margin	12,570
Computed IBNR with Margin	62,250
Actual IBNR	226,167

2. The valuation methodology is described in Section C.
3. Below is a comparison of the actuarial items for the current and previous valuations:

Valuation Date	Actuarial Reserve	IBNR
12/31/2022	245,592	53,328
12/31/2023	179,077	3,372
12/31/2024	69,319	62,250

## SECTION F: CERTIFICATION OF THE ACTUARY

I have undertaken the actuarial valuation of Metrocare Health Systems, Inc. for the period ending December 31, 2024.

I have undertaken tests necessary to verify the reasonableness and integrity of the data submitted by Ms. Sofia Prieto, President, Metrocare Health Systems, Inc.

I hereby certify that:

1. The actuarial assumptions and formulations used in this actuarial valuation are in accordance with generally accepted actuarial principles and practices;
2. The reserves for all benefits are valued in accordance with the assumptions;
3. The information contained in this Report are accurate to the best of my knowledge and I have calculated the HMO Membership Reserves and Claims Reserves in accordance with the Valuation Standards prescribed by the Insurance Commission.



LYNDON F. FADRI, FASP

Actuary

May 27, 2024

IC Accreditation No.: HMO-AC-01-2023-R

Expiry: December 31, 2025

PTR No.: 6779394R

Issued at Banton, Romblon

Issued on January 8, 2025

## SECTION G: CERTIFICATION OF CHIEF FINANCE OFFICER

*Not applicable as the company has no ASO contract.*

SECTION H: CERTIFICATION OF THE CEO OR RESPONSIBLE OFFICER

"I hereby certify that the database is properly maintained and I have satisfied myself that the data provided to the certifying Actuary are adequate and complete."



**SOFIA PRIETO**

President

Metrocare Health Systems, Inc.

Date:

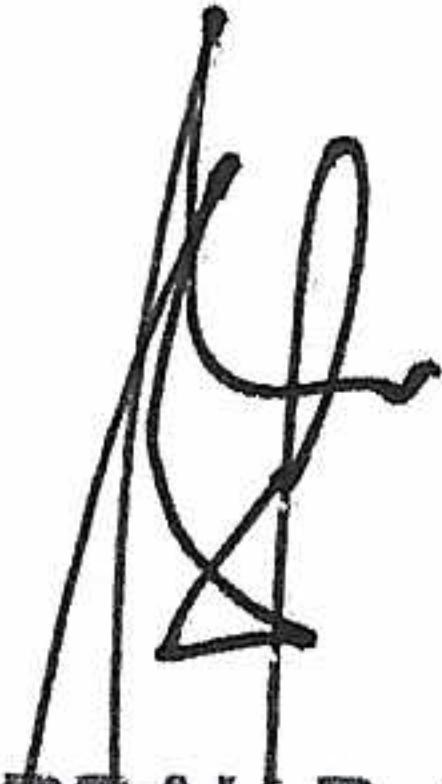
**SUBSCRIBED AND SWORN** to before me this MAY 29 2025 at  
PASAY CITY, affiant exhibiting to me his/her competent evidence of identity:  
TIN 408-256-136 issued on/valid until \_\_\_\_\_.

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Series of 2025



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