



Circular Letter No.:	2024-04
Date:	01 March 2024
Supersedes:	CL No. 2022-29 CL No. 2022-36

CIRCULAR LETTER

TO : ALL INSURANCE AND PROFESSIONAL REINSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : APPLICATION OF PHILIPPINE FINANCIAL REPORTING STANDARD 17 – INSURANCE CONTRACTS (“PFRS 17”) TO THE AUDITED FINANCIAL STATEMENTS (“AFS”) AND REPORTORIAL REQUIREMENTS OF THE INSURANCE COMMISSION (“IC”)

WHEREAS, on 18 May 2017, 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;¹

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”);²

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 Council³. However, a financial reporting framework other

¹ IFRS 17 has global effectivity date of 01 January 2023 based on the Amendments to IFRS 17 issued by the IASB in June 2020

² Philippine Financial Reporting Standards (PFRSs) are currently fully converged with International Financial Reporting Standards (IFRSs)

³ Now Philippine Financial and Sustainability Reporting Standards Council

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;⁴

WHEREAS, in view of SRC Rule 68, the IC is not prohibited from requiring additional disclosure requirements, which it deems useful information for users of financial statements, implemented through an IC Circular Letter (“CL”) or Advisory;

WHEREAS, the IC issued CL No. 2018-69, which was amended by IC CL No. 2020-62, deferring the implementation of PFRS 17 for two (2) years after its effective date as decided by the IASB. Hence, all insurance and professional reinsurance 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. 2022-29, attaching the PFRS 17-updated FRF that will be used in the conduct of parallel run or quantitative impact study;

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

WHEREAS, the application of PFRS 17 will significantly impact the preparation of the AFS and IC reportorial requirements;

NOW, THEREFORE, in view of the foregoing and pursuant to the powers granted to the Insurance Commissioner under Section 437(d) of the Amended Insurance Code, the following rules and regulations are hereby promulgated:

SECTION 1. APPLICATION OF THIS CIRCULAR

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

SECTION 2. DEFINITION OF TERMS

- i. **Companies** – refers to the IC-regulated insurance and professional reinsurance companies.
- ii. **Audited Financial Statements** – pertains to the financial statements prepared and presented in accordance with the financial reporting framework of and submitted to the SEC.
- iii. **IC Reportorial Requirements** – shall cover the following documentary requirements of the IC:
 - a. **Annual Statement** – the report submitted by the companies to the IC on or before the thirtieth (30th) day of April of each year showing the

⁴ https://www.sec.gov.ph/wp-content/uploads/2019/12/2019Rule_RSRCRule68.pdf

exact conditions of their affairs on the preceding thirty-first (31st) day of December pursuant to Section 229 of the Amended Insurance Code;

- b. **Quarterly Financial Reporting Framework (“FRF”) Report** – the report submitted by the companies to the IC within two (2) months after the end of the first, second, and third quarters of the calendar year reflecting the conditions of their affairs pursuant to IC CL No. 2016-69; and
- c. **Risk-Based Capital (“RBC2”) Workbook** – the report used in the computation of the RBC2 ratio of the companies pursuant to IC CL No. 2016-68.

SECTION 3. APPLICATION OF PFRS 17 TO THE AUDITED FINANCIAL STATEMENTS

All companies 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 4. DISCLOSURE REQUIREMENTS TO BE PRESENTED IN A SEPARATE SUPPLEMENTAL REPORT TO THE FINANCIAL STATEMENTS FOR COMPANIES THAT WILL ADOPT PFRS 17 STARTING 01 JANUARY 2023 (“EARLY ADOPTERS”)

Early adopters shall provide IC-specific disclosures to be presented in a separate supplemental report to the Financial Statements for the periods ending 31 December 2023 onwards covering the **insurance and reinsurance asset (liability) items subject to admittance requirements of the Amended Insurance Code.**

Specifically, the supplemental report shall comprise the following items:

a. For non-life insurance and professional reinsurance companies

- i. Premiums due and uncollected
- ii. Amounts recoverable from reinsurers;
- iii. Funds held by ceding companies; and
- iv. Funds held for reinsurers.

b. For life insurance companies

- i. Premiums due and uncollected
- ii. Amounts recoverable from reinsurers;
- iii. Funds held by ceding companies;
- iv. Funds held for reinsurers;
- v. Policy loans; and
- vi. Segregated fund assets and liabilities.

Please refer to **Annex A**⁵ for the template and details of the supplemental report.

SECTION 5. DISCLOSURE REQUIREMENTS FOR COMPANIES 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**.

However, once the non-early adopters implement PFRS 17, they shall be required to provide IC-specific disclosures to be presented in a separate supplemental report to the Financial Statements as mentioned in *Section 4 of this CL*.

SECTION 6. CONDUCT OF QUANTITATIVE IMPACT ASSESSMENT (“QIA”)

The Commission finds it necessary to conduct QIA using the current and PFRS 17-updated FRF. The QIA aims to assess the potential impact of PFRS 17 implementation on the financial condition and financial position of the insurance companies which shall be used for IC reporting.

The guidelines of such QIA shall be covered by a separate IC Advisory.

SECTION 7. PREPARATION OF THE IC REPORTORIAL REQUIREMENTS

Depending on the timing of PFRS 17 implementation, the companies shall prepare the covered IC reportorial requirements based on the following respective IC Circulars:

1. Early adopters of PFRS 17:

- a. Annual Statement and Quarterly FRF report – Annex B**
- b. RBC2 Workbook – CL No. 2016-68**

2. Non-early adopters of PFRS 17:

- a. Annual Statement and Quarterly FRF report – CL Nos. 2016-65**
- b. RBC2 Workbook – CL No. 2016-68**

Starting 01 January 2025, Companies shall prepare the AS and Quarterly FRF in accordance with “Annex B”, unless otherwise amended.

SECTION 8. ACTUARIAL VALUATION REPORT (“AVR”)

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

⁵ The Annex A may be updated as necessary through an IC Issuance.

SECTION 9. EFFECTIVITY

This Circular takes effect immediately.


REYNALDO A. REGALADO
Insurance Commissioner

