CIRCULAR LETTER

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

SUBJECT : AMENDMENT TO SECTION 6.1. ("MISCELLANEOUS PROVISIONS") OF CIRCULAR LETTER NO. 2016-65 DATED 28 DECEMBER 2016 AS REGARDS THE FINANCIAL REPORTING FRAMEWORK

WHEREAS, on 15 May 2014, this Commission issued Circular Letter No. 2014-17, which provided for an enumeration of "x x x assets, legally or beneficially owned by the insurance company concerned, as determined by the Commissioner, [that are] considered admitted assets" [Emphasis supplied.];

WHEREAS, on 10 June 2015, this Commission promulgated Circular Letter No. 2015-29 on the new Financial Reporting Framework ("New FRF"), which provided for "x x x rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all the other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies x x x";

WHEREAS, Section 6.1. of Circular Letter No. 2015-29 provides that the "x x x issuance of [said circular], upon effectivity, supersedes all previously issued circulars that deal with the recognition and measurement of asset and liabilities x x x" [Emphasis supplied.];

WHEREAS, on 28 December 2016, this Commission issued Circular Letter No. 2016-65 on the New FRF, superseding Circular Letter No. 2015-29 and providing for "rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all the other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies x x x effective on 01 January 2017";
WHEREAS, Section 6.1. of Circular Letter No. 2016-65 likewise provides that the “x x x issuance of [said circular] supersedes all previously issued circulars that deal with the recognition and measurement of asset and liabilities x x x” [Emphasis supplied].

WHEREAS, according to generally accepted accounting principles, the term “recognition” of an asset or liability pertains to “x x x the reporting of an asset, liability, income or expense of the financial statements of an entity”1, while the term “measurement” pertains to “x x x the process of determining the monetary amounts at which the elements of the financial statements are to be recognized and carried in the statement of financial position and income statement”2.

WHEREAS, during the course of the implementation of the New FRF, this Commission has observed that the terms “recognition” and “measurement” have been confused with the concept of admissibility or non-admissibility of an asset for the purpose of determining an insurance/reinsurance company’s compliance with statutory net worth requirements;

WHEREAS, for the sake of clarity, it should be emphasized that the matter of the recognition and measurement of certain assets under the New FRF is a matter entirely separate and distinct from the issue of whether the same assets shall be admitted by this Commission for the purpose of determining an insurance/reinsurance company’s compliance with statutory net worth requirements;

NOW, THEREFORE, pursuant to the power vested upon the Insurance Commissioner to “prepare, approve, amend, or repeal rules, regulations and orders” under Section 437 (d) of Republic Act No. 10607, otherwise known as the Amended Insurance Code of the Philippines, Section 6.1. of Circular Letter No. 2016-65 dated 28 December 2016 is hereby amended as follows:

“6.1. The issuance of this circular supersedes all previously issued circulars that deal with the recognition and measurement of asset and liabilities as set out in Sections 1 to 2 of this circular. However, nothing in this circular shall be construed as amending or superseding the provisions of Circular Letter No. 2014-17 dated 15 May 2014 on the subject of ‘Admitted Assets under the Amended Insurance Code (RA 10607)’.”

This Circular Letter shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner

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2 Ibid., p. 55.