WHEREAS, the International Accounting Standards Board (IASB) has issued an accounting standard, known as the International Financial Reporting Standards (IFRS) 17 on 18 May 2017, which has mandatory effective date of annual periods beginning on or after 01 January 2021.

WHEREAS, the IFRS is a set of accounting standards that are recognized by at least 166 countries (including the Philippines) and provides a guide on how particular types of transactions and other events should be reported in the financial statements.¹

WHEREAS, IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 supersedes IFRS 4 Insurance Contracts.²

WHEREAS, The implementation of IFRS 17 are bombarded by challenges such as tight timeline, determination of model, lack of clarity, lack of resources, lack of expertise, tight budget, report and disclosure, and lack of IT infrastructure. Notwithstanding, the potential

² p. 1161, IFRS 17 Insurance Contract, 2017 IFRS Foundation
delays to European Union endorsement process and other factors outside the control of insurance companies relating to resources, education and taxation which might not be resolved before 01 January 2021. Thus, there is a necessity for an additional period of time to prepare for the implementation of IFRS 17.\(^3\)

WHEREAS, other countries have varying implementing periods for IFRS 17 in their respective jurisdiction. India will have early adoption of the IFRS 17 either 2020 or 2021. Malaysia will adopt the IFRS 17 on 2021 but subject to the development of IASB. Australia, Nepal and Korea are ready to implement the standard in 2022. Only Thailand expressly intends to comply with the IFRS 17 one year after January 1, 2021. Other countries such as China, Hongkong, Japan, Macao, Taiwan and United Arab of Emirates are still assessing the feasibility of implementing IFRS 17.\(^4\)

WHEREAS, under the Philippine jurisdiction, insurers need more time to prepare for the implementation of the said IFRS 17 since it will entail massive changes in the accounting systems.

WHEREAS, based on the issue papers on IFRS 17 implementation submitted to this Commission, there are insurance companies set to implement the IFRS 17 due to the requirement of their parent company under its direct support and guidance thereof.

WHEREAS, the IASB proposed to amend the effective date from 01 January 2021 to 01 January 2022.

NOW, THEREFORE, pursuant to the authority of the Insurance Commissioner under Section 437 of the Insurance Code as amended, Section 6 of the Pre-Need Code and under Section 4 of Executive Order no. 192 series of 2015, the following is hereby promulgated:

SECTION 1. DEFERRAL OF IMPLEMENTATION FOR LIFE AND NON-LIFE INSURANCE COMPANIES

The implementation of IFRS 17 for Life Insurance and Non-Life Insurance industries is hereby deferred to 01 January 2023 granting an additional one-year period from the date of effectivity proposed by the IASB.

\(^3\) Asian Forum of Insurance regulators, , AFIR Workshop on International Financial Reporting standards 17 – "Insurance Contracts" (IFRS 17), 12 December 2018

\(^4\) The requirements and the development of IFRS 17 in the regions and associated issues/challenges, December 2018, retrieved from www.pwchk.com, December 2018
SECTION 2. ACCOUNTING STANDARDS FOR PRE-NEED COMPANIES, HEALTH MAINTENANCE ORGANIZATIONS AND MUTUAL BENEFIT ASSOCIATIONS

The Pre-Need Companies, Health Maintenance Organizations and Mutual Benefits Association shall maintain to comply with the current accounting standards until further required by this Commission to comply with the same accounting standard.

SECTION 3. VOLUNTARY COMPLIANCE

Regulated entities which are willing and ready to comply with the IFRS 17 are not precluded to implement the same.

SECTION 4. EFFECTIVITY CLAUSE

This Circular Letter shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner