CIRCULAR LETTER

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

SUBJECT : ADDITIONAL DISCLOSURES IN THE FINANCIAL STATEMENTS AND SUBMISSION OF STATUS REPORTS RELATIVE TO IFRS 17

WHEREAS, the International Accounting Standards Board (IASB) has issued on 18 May 2017 an accounting standard known as the International Financial Reporting Standards (IFRS) 17 – Insurance Contracts to take effect beginning on or after 01 January 2021.

WHEREAS, IFRS 17 – Insurance Contracts established principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires separate principles for reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 shall supersede IFRS 4 – Insurance Contracts.¹

WHEREAS, thereafter the IASB amended the effective date from 01 January 2021 to 01 January 2022.

WHEREAS, Securities Regulation Code (SRC) Rule 68 of the Securities and Exchange Commission (SEC) stated that in prescribing applicable financial reporting framework for a particular class or sub-class of entities covered by the said Rule, the SEC shall consider the pronouncements and interpretation of the primary regulator of the entities concerned, the Philippine Financial Reporting Standards Council or the IASB.

¹ P. 1161, IFRS 17 Insurance Contracts, 2017 IFRS Foundation
WHEREAS, the Insurance Commission (IC) released Circular Letter No. 2018-69 dated 28 December 2018 deferring the implementation of IFRS 17 to 01 January 2023, an additional one-year period from the date of effectivity proposed by IASB.

WHEREAS, additional disclosures on the Audited Financial Statements shall be required related to any change in accounting policy, effect of the deferral of IFRS 17 and the impact on the financial statements had IFRS 17 been adopted on 01 January 2022.

NOW, THEREFORE, pursuant to the authority of the Insurance Commissioner under Section 437 of the amended Insurance Code, the following are hereby promulgated:

SECTION 1. SUBMISSION OF A STATUS REPORT COVERING THE PERIODS ENDING 31 DECEMBER 2019 TO 2022

All insurance and professional reinsurance companies are required to submit the following reports on or before 30 April 2020 and the following years thereafter:

1. A Report of specific actions already taken in preparation for the IFRS 17 Implementation on 01 January 2023; and


SECTION 2. ADDITIONAL DISCLOSURES IN THE NOTES TO THE FINANCIAL STATEMENTS FOR PERIOD ENDING 31 DECEMBER 2022

All insurance and professional reinsurance companies shall disclose on an entity-specific mode the effect of IFRS 17. As a minimum, the following are required to be disclosed:

1. The fact that although IFRS 17 shall be applied annually to commence on 01 January 2022, the reporting entity is required by IC to apply IFRS 17 one year thereafter.

2. Information about the structure and status of the entity’s implementation project.

3. Contracts that meet the definition of an insurance contract but the entity chose to apply IFRS 15 instead of IFRS 17 based on the conditions set by paragraph 8 under Scope of IFRS 17 as follows:

   a. The entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
b. The contract compensates the customer by providing services, rather than by making cash payments to the customer; and

c. The insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services.

4. A description on the transition approach that will take place and whether any practical expedients will be applied.

5. A description of the key judgements and estimates made (such as assessment whether a contract is an insurance contract and whether certain contracts are onerous, bracketing insurance contracts, estimation of future cash flows as required, data to be used for the calculation of discount rates, significant judgements to be applied, etc).

6. Quantification of the expected impact on the implementation of IFRS 17 (restatement to assets, liabilities and retained earnings/opening retained earnings adjustment, or the change in assets, liabilities, income, expense on adoption, depending on transition approach).

SECTION 3. EFFECTIVITY CLAUSE

This Circular Letter shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner