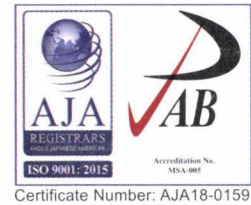




Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Circular Letter (CL) No.:	2019 - 70
Date:	02 December 2019
Supplements:	IC CL Nos.: 2016-65, 2016-68 2017-15, and 2017-30

CIRCULAR LETTER

**TO : ALL INSURANCE / REINSURANCE COMPANIES
AUTHORIZED TO TRANSACT BUSINESS IN THE
PHILIPPINES**

**SUBJECT : ACCOUNTING OF RIGHT-OF-USE ASSETS AND RELATED
LEASE LIABILITY FOR STATUTORY REPORTING**

WHEREAS, the International Accounting Standards Board (IASB) has issued a new accounting standard for leases, known as the International Financial Reporting Standard – Leases (IFRS 16) or Philippine Financial Reporting Standard 16 – Leases (PFRS 16) in the Philippines.¹

WHEREAS, PFRS 16 supersedes Philippine Accounting Standard 17 – Leases (PAS 17) and related Interpretations², and is effective 01 January 2019.³

WHEREAS, PFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Leases are ‘capitalized’ by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets). If lease payments are made over time, a company also recognizes a financial liability (lease liability) representing its obligation to make future lease payments.

WHEREAS, further, it was noted that significant number of insurance companies are leasing or renting properties as their office, sub-leased and other purposes. As such, will be affected by this new accounting standard.

¹ Philippine Financial Reporting Standards (PFRSs) are currently fully converged with International Financial Reporting Standards (IFRSs).

² IFRS (2019, 08 January). New Standard on Leases Now Effective. Available at: <https://www.ifrs.org/news-and-events/2019/01/ifrs-16-is-now-effective/>; Accessed 24 September 2019.

³ Philippine Financial Reporting Standards. Available at: http://www.picpa.com.ph/frsc.html?article=Philippine%20Financial%20Reporting%20Standards&page=FRSC&main_menu=PFRSs; Accessed 24 September 2019.