



<b>Circular Letter (CL) No.:</b>	<b>2021-07</b>
<b>Date:</b>	<b>28 January 2021</b>
<b>Supersedes:</b>	<b>None</b>

### CIRCULAR LETTER

**TO : ALL INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES**

**SUBJECT : PREPAID FACILITATION FEES ARISING FROM BANCASSURANCE ARRANGEMENTS AS NON-ADMITTED ASSETS**

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**WHEREAS**, Sections 375 to 377, Title 9, Chapter IV of the Republic Act No. 10607, otherwise known as the Amended Insurance Code, institutionalized bancassurance arrangements between insurance companies and banks;

**WHEREAS**, Facilitation fees are payments for the promotional and marketing activities paid by an insurer to a bank in a bancassurance arrangement; while a claw back provision or a refund of facilitation fees in the event of an early termination, non-achievement of targets or other events agreed-upon by both the insurer and the bank, may be stipulated by the parties in a bancassurance arrangement;

**WHEREAS**, It is possible that facilitation fees are paid in advance by an insurance company to a bank in a bancassurance arrangement, and as such, booked as a prepaid expense;

**WHEREAS**, Assets, such as goodwill, trade names, intangible assets, prepaid or deferred charges, unauthorized advances to officers, advances to employees/agents/persons on a mere personal capacity, and other assets as specified under Section 203 of the Amended Insurance Code, *“shall in no case be allowed as admitted assets of an insurance company doing business in the Philippines, in any determination of its financial condition”*;

**WHEREAS**, the determination of the financial condition of an insurance company under the Amended Insurance Code generally follows a liquidating value concept, which focuses on the value that can be expected in a liquidation rather than as a going concern;