



Circular Letter No.:	2022-14
Date:	14 March 2022
Supplements/ Amends:	None

CIRCULAR LETTER

TO : ALL GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS OR ENTITIES ENGAGED IN SOCIAL OR PRIVATE INSURANCE

SUBJECT : ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) 4 – INSURANCE CONTRACTS

WHEREAS, under Section 437 of Republic Act No. 10607 (Amended Insurance Code), the Insurance Commissioner may issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure enforcement of the Code, to ensure efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public;

WHEREAS, Section 190 of the Code provides that the term insurer or insurance company shall include all partnerships, associations, cooperatives or corporations, including government-owned or-controlled corporations or entities, engaged as principals in the insurance business, excepting mutual benefit associations;

WHEREAS, paragraph two (2) of Section 253 of the Code provides that government-owned or-controlled corporations or entities engaged in social or private insurance shall similarly be subjected to examination by the Commission unless their respective charters otherwise provide.

WHEREAS, Section 189 of the Code states that all companies regulated by the Commission, unless otherwise required by law, should comply with the financial reporting frameworks (FRF) adopted by the Commission for purposes of creating the statutory financial reports and the annual statements (AS) to be submitted to the Commission. This financial reporting framework is not the same as the financial reporting framework used to for general purpose financial statements.

WHEREAS, the FRF is a set of accounting and reporting principles, standards, interpretations and pronouncements that must be adopted in the preparation and submission of the statutory financial statements and reports required by the Commission.

WHEREAS, Section 189 of the Code further states that the main purpose of the statutory statements is to present important information about the level of risk and solvency situation of insurers. In prescribing the applicable statutory financial reporting framework, the Commissioner shall take into account international standards concerning solvency and insurance company reporting as well as generally accepted actuarial principles concerning financial reporting promulgated by the Actuarial Society of the Philippines.

WHEREAS, the current international insurance accounting standard is the International Financial Reporting Standard 4 – Insurance Contracts, which is adopted in the Philippines as PFRS 4;

WHEREAS, the Life and Non-life Insurance Companies, Health Maintenance Organizations and Mutual Benefit Associations are required to adopt the PFRS 4;

WHEREAS, PFRS 4 applies to insurance contracts (including reinsurance contracts) that an entity issues and reinsurance contracts that it holds. Likewise, it applies to financial instruments with discretionary participation features;

WHEREAS, PFRS 4 aims to enhance the disclosure requirements for insurance contracts as well as to improve recognition and measurement practices for such contracts;

WHEREAS, to address the shortcomings of PFRS 4, which include the lack of comparability of insurers due to varying accounting practices across the globe, a new accounting standard was issued, known as IFRS 17 or PFRS 17 – Insurance Contracts.

WHEREAS, PFRS 17 shall take effect beginning the annual reporting period of 01 January 2023.

WHEREAS, the IC issued Circular Letter (CL) No. 2018-69, which was amended by CL No. 2020-62, deferring the implementation of PFRS 17 to two years after its effectivity date as decided by the International Accounting Standards Board.

WHEREAS, Philippine Accounting Standards (PAS) 37 – Provisions, Contingent Liabilities and Contingent Assets outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).

WHEREAS, PAS 37 excludes obligations and contingencies arising from insurance contracts under PFRS 4.