



Circular Letter (CL) No.:	2022-24
Date:	19 May 2022
Supersedes:	CL No. 2021-04 and CL No. 2014-41

CIRCULAR LETTER

TO : ALL MUTUAL BENEFIT ASSOCIATIONS (MBAs) AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES

SUBJECT : NEW FINANCIAL REPORTING FRAMEWORK (FRF) FOR MBAs

WHEREAS, Insurance Commission (IC) Circular Letter (CL) No. 2016-66 dated 28 December 2016 on the valuation standards for life insurance policy reserves (i.e., Gross Premium Valuation or GPV), intended to be implemented by life insurers and MBAs alike, effective 01 January 2017, was issued. However, on 17 April 2018, Advisory No. 6-2018 was released deferring the implementation of the GPV for MBAs “*until such time that this Commission issues a new Financial Reporting Framework (FRF) for MBAs.*”

WHEREAS, a new FRF for MBAs must be implemented simultaneously with the new valuation standard to match the asset and liability in the financial statements.

WHEREAS, in line with the requirements of Section 189 of Republic Act No. 10607 (Amended Insurance Code) and current standards in the Philippines, there is a need to issue a new FRF for MBAs to ensure the transparent and consistent application of accounting principles;

WHEREAS, the new FRF includes the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles;

WHEREAS, the International Accounting Standards Board (IASB), as an international accounting standard-setting body, issued new International Financial Reporting Standards (IFRS), as follows:

1. *IFRS 9 - Financial Instruments*, which superseded *International Accounting Standard (IAS) 39 - Financial Instruments: Recognition and Measurement*, and is effective for periods beginning on or after 01 January 2018, but with an optional deferral in the implementation for entities whose predominant activity is issuing contracts within the scope of IFRS 4 until such time that a new insurance contracts standard is applied; and

2. *IFRS 16 – Leases*, which superseded *IAS 17 - Leases* and related interpretations, and is effective for periods beginning on or after 01 January 2019.

WHEREAS, there is a need to include the abovementioned Standards in the new FRF to ensure consistent application of such rules and/or guidance with internationally accepted accounting standards;

NOW THEREFORE, pursuant to the powers of the Insurance Commissioner under Sections 231 and 437 of the Amended Insurance Code, the following rules and regulations concerning the new FRF for MBAs are hereby promulgated:

1. New FRF

Starting 01 January 2025, the Standard Chart of Accounts (SCA) for MBAs under CL No. 2014-41 dated 25 September 2014 and CL No. 2021-04 dated 20 January 2021 shall be replaced by a new FRF –SCA, as presented in Annex A.

2. Application of Philippine Financial Reporting Standards (PFRS)

Unless otherwise specified by the provisions of the Amended Insurance Code and/or any IC-issued circulars, rules and regulations, the recognition and measurement of the accounts in the said new FRF- SCA shall be in accordance with the current generally accepted accounting principles in the Philippines at reporting date.

3. Effectivity

This Circular Letter shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner



Attachment:

Annex A – New FRF for MBAs – SCA