



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

<b>Circular Letter (CL) No.:</b>	<b>2022-29</b>
<b>Date:</b>	<b>20 June 2022</b>

### CIRCULAR LETTER

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

**SUBJECT :** TRANSITIONAL FINANCIAL REPORTING FRAMEWORK FOR  
INSURANCE AND PROFESSIONAL REINSURANCE COMPANIES

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**WHEREAS**, Section 189 of Republic Act No. 10607 (The Amended Insurance Code) provides that all companies regulated by the Commission, unless otherwise required by law, should comply with the financial reporting frameworks adopted by the Commission for purposes of creating the financial reports and the annual statements to be submitted to the Commission;

**WHEREAS**, Section 189 of the Amended Insurance Code, also provides that the Financial Reporting Framework (FRF) is not the same as the framework used to prepare the financial statements that the Securities and Exchange Commission may require;

**WHEREAS**, the Commission issued Circular Letter (CL) No. 2016-65 dated 28 December 2016 to provide guidance for the FRF of all insurance and professional reinsurance companies and ensure the transparent and consistent application of accounting principles;

**WHEREAS**, the International Accounting Standards Board (IASB), 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 *IFRS 9 - Financial Instruments*, which superseded *International Accounting Standard (IAS) 39 - Financial Instruments: Recognition and Measurement*, and is effective for periods beginning on or after 01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;
2. *IFRS 16 - Leases*, which superseded *IAS 17 - Leases* and related interpretations, and is effective for periods beginning on or after 01 January 2019; and
3. *IFRS 17 - Insurance Contracts*, which will supersede *IFRS 4 - Insurance Contracts*, and is effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted as long as IFRS 9 is also applied;

**WHEREAS**, the Commission issued CL No. 2018-69, which was amended by CL No. 2020-62, deferring the implementation of IFRS 17 to two (2) years after its effective date as decided by the IASB;

**WHEREAS**, the Commission issued CL No. 2019-70, which issued and promulgated guidelines to insurance and professional reinsurance companies acting as lessees in a leasing contract and allows for the recognition of right-of-use asset and corresponding lease liability per IFRS 16;

**WHEREAS**, the implementation of the above-mentioned IFRS calls for amendments in the FRF to ensure consistent application with internationally accepted accounting standards concerning solvency and the insurance company reporting;

**WHEREAS**, prior to its full implementation, the impact of implementing the FRF to the insurance industry needs to be assessed first to ensure smooth transition to the new 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 FRF of insurance and professional reinsurance companies are hereby promulgated:

**1. Transitional FRF (TFRF)**

The TFRF shall use the Standard Chart of Accounts (SCA) for insurance and professional reinsurance companies, as presented in **Annex A** and **Annex B**, for prudential reporting. This FRF aims to establish a uniform, minimum chart of accounts to improve financial data collection, reporting, accuracy and comparability in light of the new accounting standards.

**2. Application of the TFRF**

The TFRF shall be used during the transition period. Parallel run reporting using both the existing FRF and the TFRF shall be conducted starting 01 January 2025 relative to the implementation of the IFRS 17 pursuant to CL No. 2020-62 dated 18 May 2020. This is to allow the insurance industry to assess the collective impact of implementing the TFRF and likewise, provide this Commission an opportunity to engage the industry in a meaningful dialogue and obtain feedback on the financial results that can be reconciled and explained to various stakeholders prior to the full implementation.

Further, 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 SCA shall be in accordance with the Philippine Financial Reporting Standards.

**3. Effectivity**

This Circular Letter shall take effect immediately.

**DENNIS B. FUNA**  
Insurance Commissioner



*Attachments:*

1. *Annex A – Life Standard Chart of Accounts*
2. *Annex B – Non-Life Standard Chart of Accounts*