

Circular Letter No.:	2023-
Date:	
Supplements:	CL No. 2022-29
Amends:	CL No. 2022-36

CIRCULAR LETTER

TO : ALL INSURANCE AND PROFESSIONAL REINSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : APPLICATION OF PHILIPPINE FINANCIAL REPORTING STANDARD 17 – INSURANCE CONTRACTS (“PFRS 17”) TO THE AUDITED FINANCIAL STATEMENTS (“AFS”) AND REPORTORIAL REQUIREMENTS OF THE INSURANCE COMMISSION (“IC”)

WHEREAS, on 18 May 2017, the International Accounting Standards Board (“IASB”), an international accounting standard-setting body, issued International Financial Reporting Standards 17 *Insurance Contracts* (“IFRS 17”), which has a mandatory effectivity date of annual periods beginning on or after 01 January 2023;¹

WHEREAS, the Securities and Exchange Commission (“SEC”), through SEC Memorandum Circular No. 8 Series of 2020, adopted IFRS 17 as Philippine Financial Reporting Standard 17 *Insurance Contracts* (“PFRS 17”);²

WHEREAS, PFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued, and likewise requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued;

WHEREAS, pursuant to Securities Regulation Code (“SRC”) Rule 68, the SEC shall have the authority, subject to prior consultation with concerned parties, to prescribe the most appropriate requirement that shall form part of the applicable financial reporting framework of corporations. In prescribing the applicable financial reporting framework for a particular class or sub-class of entities, the SEC shall consider the pronouncements and interpretations of the Philippine Financial Reporting Standards Council³. However, a financial reporting framework other than the PFRSs that complies with the regulatory reportorial requirements of the concerned regulatory agency such as the Bangko Sentral ng Pilipinas (“BSP”) or the Insurance Commission (“IC”) may be allowed by the SEC;⁴

¹ IFRS 17 has global effectivity date of 01 January 2023 based on the Amendments to IFRS 17 issued by the IASB in June 2020

² Philippine Financial Reporting Standards (PFRSs) are currently fully converged with International Financial Reporting Standards (IFRSs)

³ Now Philippine Financial and Sustainability Reporting Standards Council

⁴ https://www.sec.gov.ph/wp-content/uploads/2019/12/2019Rule_RSRCRule68.pdf

WHEREAS, in view of SRC Rule 68, the IC is not prohibited from requiring additional disclosure requirements, which it deems useful information for users of financial statements, implemented through an IC Circular Letter (“CL”) or Advisory;

WHEREAS, the IC issued CL No. 2018-69, which was amended by IC CL No. 2020-62, deferring the implementation of PFRS 17 for two (2) years after its effective date as decided by the IASB. Hence, all insurance and professional reinsurance companies shall apply PFRS 17 to their Audited Financial Statements (“AFS”) starting 01 January 2025, with earlier application permitted;

WHEREAS, the application of PFRS 17 will significantly impact the preparation of the AFS and IC reportorial requirements;

NOW, THEREFORE, in view of the foregoing and pursuant to the powers granted to the Insurance Commissioner under Section 437(d) of the Amended Insurance Code, the following rules and regulations are hereby promulgated:

SECTION 1. APPLICATION OF THIS CIRCULAR

This Circular covers the AFS and IC reportorial requirements prepared and submitted by the companies to the SEC and IC, respectively.

SECTION 2. DEFINITION OF TERMS

- i. **Companies** – the IC-regulated insurance and professional reinsurance companies.
- ii. **Audited Financial Statements** – the financial statements prepared and presented in accordance with the financial reporting framework of and submitted to the SEC.
- iii. **IC Reportorial Requirements** – the following documentary requirements of the IC:
 - a. **Annual Statement** – the report submitted by the companies to the IC on or before the thirtieth (30th) day of April of each year showing the exact conditions of their affairs on the preceding thirty-first (31st) day of December pursuant to Section 229 of the Amended Insurance Code;
 - b. **Quarterly Financial Reporting Framework (“FRF”) Report** – the report submitted by the companies to the IC within two (2) months after the end of the first, second, and third quarters of the calendar year reflecting the conditions of their affairs pursuant to IC CL No. 2016-69;
 - c. **Risk-Based Capital (“RBC2”) Workbook** – the report used in the computation of the RBC ratio of the companies pursuant to IC CL No. 2016-68.

SECTION 3. APPLICATION OF PFRS 17 TO THE AUDITED FINANCIAL STATEMENTS

All companies shall apply PFRS 17 to their AFS effective 01 January 2025. However, companies may opt to adopt PFRS 17 in the preparation of their AFS starting 01 January 2023.

SECTION 4. SUPPLEMENTARY INFORMATION IN THE NOTES TO THE FINANCIAL STATEMENTS FOR PERIODS ENDING 31 DECEMBER 2023 AND/OR 2024

Supplementary information will be required in the financial statements for the periods ending 31 December 2023 and/or 2024 relative to the following subjects:

- i. Status of the PFRS 17 implementation and its possible impact on the financials of the companies; and
- ii. Insurance and reinsurance asset (liability) items subject to admittance requirements of the Amended Insurance Code.

Please refer to **Annex A** for the template and details of the supplementary information.

SECTION 5. PREPARATION OF THE IC REPORTORIAL REQUIREMENTS

Depending on the timing of PFRS 17 implementation, the companies shall prepare the covered IC reportorial requirements as follows:

1. Companies that are yet to adopt PFRS 17:

- a. **Annual Statement and Quarterly FRF report** – CL No. 2016-65
- b. **RBC Workbook** – CL No. 2016-68

2. Companies that will adopt PFRS 17:

- a. **Annual Statement and Quarterly FRF report** – Annex B
- b. **RBC Workbook** – CL No. 2016-68

Starting 01 January 2025, all companies shall prepare the IC reportorial requirements in accordance with Annex B, unless otherwise amended.

SECTION 6. ACTUARIAL VALUATION REPORT (“AVR”)

A separate Circular shall be issued to cover the preparation of the AVR.

SECTION 7. EFFECTIVITY

This Circular takes effect immediately.

REYNALDO A. REGALADO
Insurance Commissioner