



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



**PRESS RELEASE**  
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### **HMOs TO ADOPT PFRS 17 BY 2027**

On 17 October 2024, the Insurance Commission issued Circular Letter (CL) No. 2024-20 requiring health maintenance organizations (HMOs) to adopt Philippine Financial Reporting Standards (PFRS) 17 starting 1 January 2027 in their Audited Financial Statements (AFS).

The new CL modifies CL No. 2022-12, thus deferring the implementation date of PFRS 17 from 1 January 2025 to 1 January 2027. It also provides, however, that HMOs shall not be precluded from early implementation of PFRS 17 before 1 January 2027.

“The Commission is presently working on a new prudential framework for HMOs, which we believe will further improve their solvency positions. The forthcoming framework will go hand-in-hand with the industry’s transition to PFRS 17 in 2027,” said Insurance Commissioner Reynaldo A. Regalado.

In May 2017, the International Accounting Standards Board (IASB) prescribed IFRS 17 for insurance contracts, providing for principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued in financial statements.

IFRS 17 differs from IFRS 4, its predecessor, by introducing a more uniform and transparent approach to determine insurance contract liabilities, emphasizing the use of current values and risk adjustments; by introducing Contractual Service Margin (CSM), which promotes a more systematic and consistent approach to recognizing profits over time; and by establishing clear guidelines for the presentation of insurance contract revenues and expenses, thus enhancing comparability and transparency.

In March 2018, the Financial Reporting Standards Council approved the local adoption of IFRS 17 – Insurance Contracts as PFRS 17.

Per CL No. 2022-12, PFRS 17 shall be applied to HMO agreements with membership-fee based benefits or where the fixed prepaid fee is in the form of a membership fee where the risks are borne by the HMO.

Moreover, CL No. 2024-20 prescribes periodic submission of PFRS 17 Preparedness Assessment Reports to monitor the industry’s progress as regards the adoption of the new standard.

“We see that the shift to PFRS 17 will ultimately benefit HMO customers. The new accounting standard will usher in a more accurate assessment of an HMO’s solvency position at a given timeframe. Consequently, the Commission will be at a more informed position to ensure that an HMO will be able to respond to its obligations under its HMO agreements,” Commissioner Regalado stated.

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