



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



Circular Letter (CL) No.:	2017-30
Date:	02 May 2017
Supplements:	CL No. 2016-69, CL No. 2016-68, CL No. 2016-65, CL No. 2015-02-A, and CL No. 2014-15

CIRCULAR LETTER

TO : ALL LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : REGULATORY REQUIREMENTS AND ACTIONS FOR THE NEW REGULATORY FRAMEWORK (LIFE INSURANCE BUSINESS)

Pursuant to the powers vested in the Insurance Commissioner by Sections 189, 200, 437 and 438 of Republic Act (RA) No. 10607, otherwise known as the Insurance Code, as amended, the following regulatory requirements and actions for the new regulatory framework, namely the Circular Letter (CL) No. 2016-65 "Financial Reporting Framework under Section 189 of the Amended Insurance Code", CL No. 2016-66 "Valuation Standards for Life Insurance Policy Reserves" and CL No. 2016-68 "Amended Risk-Based Capital (RBC2) Framework", are hereby adopted and promulgated:

Section 1. Quarterly and annual reports submission

- 1.1. In view of the implementation of the new regulatory requirements under CL No. 2016-69 that took effect on 01 January 2017, all life insurance companies shall submit quarterly reports within two (2) months after the end of each quarter and for the annual report for period ending 31st of December, submission shall be on or before the 30th day of April of the succeeding year, as shown below:

Period Covered	Submission Date
As of 31 March	31 st of May
As of 30 June	31 st of August
As of 30 September	30 th of November
As of 31 December	30 th of April

- 1.2. The first (1st) quarter report in 2017 shall include the company's 01 January 2017 balances adjusted in accordance with the new regulatory framework.

Section 2. Transition Accounting

- 2.1. The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the change in the valuation basis from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) as well as any change in assumptions under GPV computed based on the new valuation standards for life insurance policy reserves as provided under CL No. 2016-66, shall be recognized in **Retained Earnings – Transition Adjustments** account, except for the following:
 - 2.1.1. Gains or losses on remeasuring available-for-sale financial assets which shall be recognized under **Reserve for AFS Securities** account;
 - 2.1.2. The effective portion of gains and losses on hedging instruments in a cash flow hedge which shall be recognized under **Reserve for Cash Flow Hedge** account;
 - 2.1.3. Gains and losses arising from change in fair value of hedging instruments in a hedge of a net investment in foreign operations which shall be recognized under **Reserve for Hedge of a Net Investment in Foreign Operations** account;
 - 2.1.4. Gains and losses arising from translating the financial statements of a foreign operation which shall be recognized under **Cumulative Foreign Currency Translation** account;
 - 2.1.5. Increase or decrease of the reserves brought about by changes in discount rates which shall be recognized under **Remeasurement on Life Insurance Reserves**;
 - 2.1.6. Remeasurements for investment in associates which shall be recognized under **Remeasurement for Investment in Associates**;
 - 2.1.7. Changes in revaluation surplus for property and equipment measured at fair value which shall be recognized under **Reserve for Appraisal Increment – Property and Equipment** account; and
 - 2.1.8. Remeasurements on defined benefit plans which shall be recognized under **Remeasurement Gains (Losses) on Retirement Pension Asset (Obligation)** account.
- 2.2. All changes in valuation shall be measured net of any tax effect.

Section 3. Regulatory Requirements

- 3.1. All life insurance companies doing business in the Philippines shall at all times maintain the minimum net worth requirement as prescribed under CL No. 2015-02-A.
- 3.2. All life insurance companies doing business in the Philippines shall at all times maintain the minimum RBC2 requirement as prescribed under CL No. 2016-68.

Section 4. Regulatory Actions

- 4.1. For life insurance companies with net worth below the minimum requirement, the following shall be enforced:
 - 4.1.1. The company shall be given ten (10) working days to cover-up in full the net worth impairment;
 - 4.1.2. If the company fails to cover-up in full the net worth impairment, the company shall be given five (5) working days to show cause in writing why it shall not be issued to Cease and Desist Order from transacting business in the Philippines as prescribed under Section 256 of the Amended Insurance Code; and
 - 4.1.3. Failure of the company to comply with the requirement under item (4.1.2.) shall result to the issuance of Cease and Desist Order (CDO).
- 4.2. For life insurance companies with RBC2 ratio below the 100% minimum requirement, the levels of regulatory intervention as prescribed under CL No. 2016-68 shall apply, as follows:

RBC Ratio (Y)	Event	Action
$100\% \leq Y < 125\%$	Trend Test	Company required to submit linear extrapolation of the RBC ratio for the next period. If the RBC ratio based on the trend test falls below 100%, move to Company Action Event.
$75\% \leq Y < 100\%$	Company Action	Company required to submit RBC plan and financial projections and implement the plan accordingly.
$50\% \leq Y < 75\%$	Regulatory Action	IC authorized to issue Corrective Orders.
$Y < 50\%$	Authorized and Mandatory Control	IC authorized and required to take control of the company.



Section 5. Penalty

Failure to submit and incomplete submission of the reportorial requirements on submission dates shall be subject to the following penalties:

Reports	Penalty
Quarterly Reports	Php1,000/Day
Annual Report	Php5,000/Day

Section 6. Effectivity

This Circular shall take effect immediately.



DENNIS B. FUNA
Insurance Commissioner