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## CIRCULAR LETTER

TO : All Life Insurance Companies and Mutual Benefits Association  
Doing Business in the Philippines

**SUBJECT** : *Uniform Chart of Accounts for Life Insurance Companies and  
Mutual Benefits Association*

In line with the implementation of new accounting standards, a revised chart of accounts is attached enumerating the minimum accounts to be maintained in the company's books and indicating thereof the proper account name, definition and classification under the current accounting practice and Philippine Financial Reporting Standards (PFRS).

In view thereof, all life insurance companies and mutual benefit associations are enjoined to use this chart of accounts starting January 1, 2006.

Please be guided accordingly.



*Evangelina C. Escobillo*  
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cc: HON. MARGARITO B. TEVES  
Secretary  
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*Escobillo*

# CHART OF ACCOUNTS for LIFE INSURANCE COMPANIES

## ASSETS

### 1. CASH ON HAND

This represents the total amount of undeposited collections and the different types of working funds in the custody of the cashier and/or fund custodian at the company's Head Office and branches. This may consist of:

1.1. Undeposited Collections - This represents Philippine currency notes and coins, checks, bank drafts, Postal Money Orders, and other cash items in favor of the company to be deposited in the bank on the following banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.

1.2. Petty Cash Fund - This represents fund that is established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and other cash documents. This fund shall be maintained under an imprest system.

1.3. Commission Fund - This represents fund that is established for the purpose of paying commission to agents where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.

1.4. Policy Loan Fund - This represents fund that is established for the sole purpose of paying policyholder's cash loans where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.

1.5. Documentary Stamps Fund - This represents fund that is set up for documentary stamps for affixture to policy loan agreements, promissory notes, certificates of authority and other legal documents.

### 2. CASH IN BANKS

This represents non-interest and interest bearing account balances maintained in various banks by the company's Head Office and branches. At each financial reporting date, foreign currency denominated account balances shall be translated to the company's functional currency using the closing exchange rate (PDS or other equivalent rates).

2.1. Cash in Banks - Current - This represents checking account balances in banks maintained by the company's Head Office and branches.

2.2. Cash in Banks - Savings - This represents savings deposit account balances in banks maintained by the company's Head Office and branches

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*Luengini C. Cruz*

2.3. Time Deposits - This represents interest yielding bank account balances evidenced by a Time Deposit Certificate and available upon maturity

**3. PREMIUMS DUE AND UNCOLLECTED**

This represents net premiums due and uncollected at the end of the accounting period on all policies which are classified as in force on the company's valuation records. These are net premiums that are due and uncollected within the grace period.

**4. NET DEFERRED PREMIUMS**

This represents premiums from policies classified as premium paying on the company's valuation records that fall due both within the current policy year and within the next following calendar year. This account is offset versus the aggregate reserves account, although accounted for separately with supporting details.

**5. DUE FROM CEDING COMPANIES**

This represents the amount of reinsurance premiums due from ceding companies as a result of treaty or facultative reinsurances accepted.

**6. FUNDS HELD BY CEDING COMPANIES**

This represents amounts pertaining to a certain percentage of the total reinsurance premiums due within one year from date of retention being held by ceding companies.

**7. AMOUNTS RECOVERABLE FROM REINSURERS**

This represents amount recoverable from reinsurers arising from paid claims.

7.1. Allowance for Impairment Losses - This represents the amount set up to provide for losses which may arise from non-collection of the amounts recoverable from reinsurers.

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

This represents financial assets which are carried at fair value through profit and loss.

8.1. Securities Held For Trading - This represents debt and equity securities that are:

- (a) acquired principally for the purpose of selling or repurchasing it in the near term;
- or
- (b) part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

This shall comprise of the following sub-accounts based on the types of securities held:

- Trading Debt Securities - Government - This represents debt instruments issued by the government and its instrumentalities (government agencies, local governments, government owned and controlled corporations). This includes treasury bills, treasury notes and ROP bonds.
- Trading Debt Securities - Private - This represents debt instruments issued by private corporations, whether domestic or foreign, such as commercial

papers, notes and bonds.

- Trading Equity Securities - This represents common and preferred shares of stock of companies other than those of subsidiaries, associates and joint ventures.
- Mutual, Unit Investment Trust and Other Funds - This represents units held in mutual funds and such other similar types which are generally redeemable any time and where the values are determined based on the daily net asset value per share or unit

8.2. Financial Assets Designated at Fair Value Through Profit or Loss - This represents financial assets which the company, upon initial recognition, has designated at fair value through profit or loss. This shall comprise of the following sub-accounts based on the types of securities held:

- 8.2.a. Debt Securities – Government
- 8.2.b. Debt Securities – Private
- 8.2.c. Equity Securities
- 8.2.d. Mutual Funds and Unit Investment Trust
- 8.2.e. Others

8.3. Derivative Assets - This represents the positive fair value of the company's derivatives which are not designated and considered effective hedging instruments. This shall comprise of the following sub-accounts based on the types of derivative contracts:

8.3.a. Foreign exchange contracts - This represents contracts to purchase/sell foreign currencies at a future date at a fixed rate.

8.3.b. Interest rate contracts - This represents contracts related to an interest bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract.

8.3.c. Equity contracts - This represents contracts where the returns are linked to the price of a particular equity or equity index.

## 9. AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

This represents non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held to maturity or financial assets at fair value through profit or loss.

### 9.1. AFS Debt Securities – Government

9.1.a. Unamortized Discount/Premium - This represents the unamortized discount/premium on AFS government debt securities which shall be debited/credited monthly to this account. Amortization of premium/discount is based on the effective interest rate method.

9.2. AFS Debt Securities – Private  
9.2.a. Unamortized Discount/Premium

9.3. AFS Equity Securities

9.4. Allowance for Impairment Losses - This represents the amount of impairment loss incurred on the AFS securities.

**10. HELD-TO-MATURITY (HTM) INVESTMENTS**

This represents quoted debt securities with fixed or determinable payments and fixed maturity that the company has the positive intention and ability to hold to maturity other than:

- (a) those that the company upon initial recognition designates as at fair value through profit or loss;
- (b) those that the company designates as available for sale;
- (c) those that meet the definition of loans and receivables.

Investments intended to be held for an undefined period shall not be included in this classification.

10.1. HTM Debt Securities – Government

10.1.a. Unamortized Discount/Premium - This represents the unamortized discount/premium on the HTM debt securities which shall be debited/credited monthly to this account. Amortization of premium/discount is based on the effective interest rate method.

10.2. HTM Debt Securities – Private

10.2.a. Unamortized Discount/Premium

10.3. Allowance for Impairment Losses - This represents the amount of impairment loss incurred on the HTM securities.

**11. LOANS AND RECEIVABLES**

This represents non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- (a) those that the company intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the company upon initial recognition designates as at fair value through profit or loss;
- (b) those that the company upon initial recognition designates as available for sale; or.
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans and receivables which are quoted shall be classified as debt securities.

The Loans and Receivables shall be comprised of the following sub-accounts:

- 11.1. Real Estate Mortgage Loans - This represents the outstanding balances of loans secured by first mortgage on real estate properties.
- 11.2. Collateral Loans - This represents the outstanding balances of loans granted to companies or individuals secured by pledges of shares of stock, bonds and/or other securities.
- 11.3. Guaranteed Loans - This represents the outstanding balances of loans granted to companies or individuals which are covered by guarantees from other entities or individuals.
- 11.4. Chattel Mortgage Loans - This represents the outstanding balances of loans secured by mortgage of chattels or personal properties (i.e. car plan).
- 11.5 Policy Loans - This represents the outstanding balances of loans granted to policyholders at prescribed interest rates, fully secured by the cash surrender value of the underlying insurance policy. These may be in the form of a cash loan applied for the policyholder or Automatic Premium Loan applied by the company to cover premium(s) due on the policy still unpaid after the grace period.
- 11.5.a. Unearned Interest Income (credit balance) - This represents advanced interest on policy loans which have not been earned by the company as of the end of the accounting period.
- 11.6. Notes Receivable - This represents interest bearing loans granted by the company and evidenced by duly approved and notarized Promissory Notes.
- 11.7. Housing Loans - This represents outstanding balances of loans granted to employees secured by a mortgage covering their house and lot.
- 11.8. Car Loans - This represents outstanding balances of loans granted to employees secured by a mortgage covering their cars.
- 11.9. Low Cost Housing - This represents the outstanding balances of loans granted to employees and other selected non-group employees for low cost housing projects as approved and participated upon by government agencies.
- 11.10. Sales Contract Receivables - This represents the uncollected portion of the consideration on the sale of real estate owned by the company, whereby title to the property sold has been transferred to the buyer, and subject of a deed of sale with mortgage.
- 11.11. Unquoted Debt Securities - This represents unquoted debt securities with fixed or determinable payments and fixed maturity.
- 11.12. Other Loans Receivables - This represents all other loans which can not be

classified under any of the foregoing loan accounts.

11.13. Allowance for Impairment Losses - This represents the amount set up to provide for losses which may arise from non-collection of receivables.

**12. INVESTMENTS INCOME DUE AND ACCRUED**

This represents income earned but not yet received as of the end of the accounting period. This account consists of the following sub-accounts:

12.1. Accrued Interest Income – Cash in Banks

12.2. Accrued Interest Income - Financial Assets at FVPL

12.2.1. Securities Held for Trading

12.2.1.a. Debt Securities – Government

12.2.1.b. Debt Securities – Private

12.2.2. Financial Assets Designated at FVPL

12.2.2.a. Debt Securities – Government

12.2.2.b. Debt Securities – Private

12.3. Accrued Interest Income - Available for Sale Financial Assets

12.3.1. AFS Debt Securities – Government

12.3.2. AFS Debt Securities – Private

12.4. Accrued Interest Income - Held-to-Maturity Investments

12.4.1. HTM Debt Securities – Government

12.4.2. HTM Debt Securities – Private

12.5. Accrued Interest Income - Loans and Receivables

12.5.1. Real Estate Mortgage Loans

12.5.2. Collateral Loans

12.5.3. Guaranteed Loans

12.5.4. Chattel Mortgage Loans

12.5.5. Policy Loans

12.5.6. Notes Receivable

12.5.7. Housing Loans

12.5.8. Car Loans

12.5.9. Low Cost Housing Loans

12.5.10. Sales Contract Receivable

12.5.11. Unquoted Debt Securities

12.5.12. Others

12.6. Accrued Dividends Receivable

12.6.1. FVPL Equity Securities

12.6.2. DFVPL Equity Securities

12.6.3. AFS Equity Securities

**13. ACCOUNTS RECEIVABLE**

This may comprise of the following:

13.1. Advances To Agents (Agents Accounts)/Employees - This represents advances to insurance agents and salary loans of officers and staff granted by the company to be liquidated thru regular deductions from commissions and salaries, respectively.

13.2. Subscriptions Receivable - This represents amounts receivable from stockholders who signified their intention to subscribe to the capital stock of the company and duly covered by a subscription agreement.

13.3. Operating Lease Receivables - This represents the amount of rent receivables arising from operating lease contracts. Lease income should be recognized on a straight-line basis.

13.4. Allowance for Impairment Losses - This represents the total amount set up to provide for losses that may arise from non-collection of accounts receivable.

#### **14. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

This shall comprise of the following accounts:

14.1. Investment in Subsidiaries - This represents the amount of the company's investments in the shares of stock of its subsidiaries. As provided under PAS 27, a subsidiary is an entity that is controlled by another entity (known as the parent).

14.2. Investment in Associates - This represents the cost of the company's investments in the shares of stock of its associates. An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

14.3. Investments in Joint Ventures - This represents the cost of the company's investments in joint ventures. A joint venture is a contractual arrangement whereby the company and one or more other parties undertake an economic activity which is subject to joint control.

#### **15. PROPERTY AND EQUIPMENT**

This account represents tangible items that:

(a) are held for use in the company's business operations or for administrative purposes; and

(b) are expected to be used during more than one period.

This account shall have sub-accounts as follows based on the nature of the fixed assets:

15.1. Land - At cost. - This represents the acquisition cost of the land. Acquisition cost shall consist of the purchase price and all expenditures incurred directly attributable to acquisition.

15.2. Building And Building Improvements - At cost - This represents acquisition/construction cost of the building and improvements, including costs incurred subsequent to initial recognition which meet the recognition criteria.

15.2.a. Accumulated Depreciation - Building And Building Improvements - This represents the aggregate of the depreciation on the building and building improvements charged by the company against current operations.

15.3. Leasehold Improvements – At cost - This represents the cost of additions, improvements and /or alterations on the company's leased office premises which are incurred in making the property ready for use and occupancy. This should include the initial estimate of the costs of dismantling and removing the improvements and restoring the site, the obligation for which the company incurs when the property is leased.

15.3.a. Accumulated Depreciation - Leasehold Improvements

15.4. IT Equipment - At cost - This represents the cost of the information processing systems of the company including the computer hardware, customized software, and peripherals.

15.4.a. Accumulated Depreciation – IT Equipment

15.5. Transportation Equipment – At cost - This represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the company in carrying out its business and/or insurance operations and as service vehicle of its officers and employees.

15.5.a. Accumulated Depreciation - Transportation Equipment

15.6. Office Furniture, Fixtures and Equipment – At cost. - This represents the costs of office machines, equipments, furniture and fixtures.

15.6.a. Accumulated Depreciation - Office Furniture, Fixtures and Equipment

15.7. Property and Equipment Under Finance Lease - This represents the cost property and equipment leased by the company under a lease agreement which qualifies as a finance lease under PAS 17.

15.7.a. Accumulated Depreciation on Property and Equipment under Finance Leases

15.7. and 15.7.a. shall comprise of the following sub-accounts:

- (i) Land;
- (ii) Buildings and Building Improvements;
- (iii) Leasehold Improvements;
- (iv) IT Equipment;
- (v) Transportation Equipment;
- (vi) Office Furniture, Fixtures and Equipment

15.8. Revaluation Increment - This represents the revaluation increase in the carrying amount of the company's property and equipment under the revaluation model.

15.8.a. Accumulated Depreciation – Revaluation Increment

15.8. and 15.8.a. shall comprise of the following sub-accounts:

- (i) Land;
- (ii) Buildings and Building Improvements;
- (iii) Leasehold Improvements;
- (iv) IT Equipment;
- (v) Transportation Equipment;
- (vi) Office Furniture, Fixtures and Equipment

15.9. Accumulated Impairment Losses - This represents the cumulative amount of impairment loss incurred on property and equipment. This shall be accounted for in accordance with PAS 36.

#### **16. INVESTMENT PROPERTY**

This represents property (land or building, or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the company's business operations or for administrative purposes; or
- (b) sale in the ordinary course of business.

This account shall be classified as follows:

- 16.1. Land - at cost
- 16.2. Building and Building Improvements - at cost
- 16.2. Accumulated Depreciation - Building and Building Improvements
- 16.3. Accumulated Impairment Loss
- 16.4. Land - at fair value
- 16.5. Building and Building Improvements - at fair value
- 16.6. Foreclosed Properties - This represents real and other properties acquired by company in settlement of loans through foreclosure of mortgage loan arrangements.

#### **17. NON-CURRENT ASSETS HELD FOR SALE**

This represents assets available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. This generally pertains to non-current assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

#### **18. INTANGIBLE ASSETS**

This represents identifiable non-monetary assets without physical substance which qualify for capitalization in accordance with PAS 38.

18.1. Accumulated Amortization - This represents the accumulated amortization on intangible assets which are charged to current operations.

18.2. Accumulated Impairment Losses - This represents the impairment loss incurred on intangible assets which are accounted for in accordance for with PAS 36.

#### **19. RECEIVABLE FROM LIFE INSURANCE POOLS**

This represents the company's contribution to the life insurance pools which serve as contingency reserve (i.e.) contributions to Home Development Mutual Fund - Yearly Renewable Term (HDMF-YRT) pool. Pag-ibig-MRI Pool, CARP, etc.

#### **20. SECURITY FUND CONTRIBUTION**

This refers to contribution of the company to the Security Fund-Life Account as

required under the Insurance Code for all life insurance companies authorized to do business in the Philippines.

## **21. PENSION ASSET**

This represents the excess of fund assets over the post-retirement benefit liability and is computed as the net total of the following amounts:

- (a) the present value of the defined benefit obligation at the balance sheet date;
- (b) plus any actuarial gains (less any actuarial losses) not recognized because of the application of the 10% corridor;
- (c) minus any past service cost not yet recognized;
- (d) minus the fair value at the balance sheet date of plan.

This shall be accounted for in accordance with PAS 19.

## **22. PREPAYMENTS**

This represents prepayment of expenses which may include prepaid commissions, prepaid rent and other such accounts. It may include the following accounts.

22.1. Prepaid Commissions - This represents commissions paid in advance to the members of the agency force.

22.2. Prepaid Rent - This represents advance payment on leased properties.

22.3. Rental Deposit - This represents rental deposits on leased properties which may be applied on the last period of occupancy or may be refunded upon termination of the lease contract.

22.4. Input VAT - This represents the excess of the company's input VAT not yet claimed against the output VAT payable.

22.5. Prepaid Tax - This represents income taxes which have been withheld from payments made to the company.

22.6. Documentary Stamps Inventory - This represents the balance as of cutoff date of the documentary stamps machine. Documentary stamps in the metered machine are usually maintained for the main purpose of affixture to the insurance policies. This is not an admissible asset for MOS computation purposes.

## **23. DERIVATIVE ASSETS HELD FOR HEDGING**

This represents the positive fair value of derivatives that are designated and considered effective hedging instruments.

23.1. Fair Value Hedge - This represents the positive fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is

a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

23.2. Cash Flow Hedge - This represents the positive fair value of derivatives that are designated and considered effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss.

23.3. Hedges of a Net Investment in Foreign Operation - This represents the positive fair value of derivatives that are designated and considered effective hedging instruments for hedges of a net investment in foreign operation.

#### **24. OTHER ASSETS**

This represents other assets which cannot be classified in any of the foregoing accounts.

### **LIABILITIES**

#### **1. AGGREGATE RESERVE FOR LIFE POLICIES**

This represents the actuarial reserves set up by the company pertaining to the life policies in force as at the end of the accounting period. It refers to the amount of liability which the insurance company establishes for a policy to meet the contractual obligation as it falls due.

##### **1.1. Statutory Aggregate Reserve for Life Policies**

This represents the actuarial reserves set up by the company computed based on the requirements of the Insurance Code.

##### **1.2. Adjustment to Statutory Aggregate Reserve**

This represents the necessary adjustment to be made to the statutory reserves to arrive at the GAAP reserves.

##### **1.3. GAAP Aggregate Reserve for Life Policies**

This represents the actuarial reserves set up by the company computed in accordance with the requirements of generally accepted accounting principles.

#### **2. AGGREGATE RESERVE FOR ACCIDENT AND HEALTH POLICIES**

This represents the actuarial reserves set up by the company pertaining to accident and health policies in force as of the end of the accounting period.

##### **2.1 Statutory Aggregate Reserve for Accident and Health Policies**

This represents the actuarial reserves set up by the company computed based on the requirements of the Insurance Code.

**2.2. Adjustment to Statutory Aggregate Reserve**

This represents the necessary adjustment to be made to the statutory reserves to arrive at the GAAP reserves.

**2.3. GAAP Aggregate Reserve for Accident and Health Policies**

This represents the actuarial reserves set up by the company computed in accordance with the requirements of generally accepted accounting principles.

**3. RESERVE FOR SUPPLEMENTARY CONTRACTS WITHOUT LIFE CONTINGENCIES**

This represents the actuarial reserves set up by the company pertaining to supplementary contracts sold without life contingencies which are in force as of the end of the accounting period.

**3.1. Statutory Aggregate Reserve for Supplementary Contracts without Life Contingencies**

This represents the actuarial reserves set up by the company computed based on the requirements of the Insurance Code.

**3.2. Adjustment to Statutory Aggregate Reserve**

This represents the necessary adjustment to be made to the statutory reserves to arrive at the GAAP reserves.

**3.3. GAAP Aggregate Reserve for Supplementary Contracts without Life Contingencies**

This represents the actuarial reserves set up by the company computed in accordance with the requirements of generally accepted accounting principles.

**4. RESERVES FOR VARIABLE UNITS HELD BY POLICYHOLDERS**

This represents the reserves set up by the company for the variable units held buy the policyholders.

**5. POLICY AND CONTRACT CLAIMS PAYABLE**

This represents claims (death and disability benefits) filed or reported to the company but not yet paid as of the end f the accounting period. It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported. Classification of each account is as follows:

**5.1 Claims Due and Unpaid** - This represents the amount at the end of a particular accounting period which is the sum of the individual amounts that are due and have already been approved for payment but, for one reason or another, have not actually been paid.

**5.2 Outstanding Claims Reserve** - This represents the amount at the end of a particular accounting period which is the sum of the individual amounts on which the company has already received notice of claim but on which, for one reason or another, final action has not been taken either approving the claims for payment in full or rejecting it in part or in full.

**5.3. Claims Resisted** - This represents the amount at the end of a particular accounting