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Circular Letter No. : 34-2006
Date : September 22, 2006
Supercedes : Circular Letter issued on
November 27, 1981

CIRCULAR LETTER

TO : All General Insurance Companies and Professional Reinsurers
Doing Business in the Philippines

SUBJECT : *Uniform Chart of Accounts for General Insurance Companies
and Professional Reinsurer*

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, every general insurance company and professional reinsurer is enjoined to use this chart of accounts starting January 1, 2006.

Please be guided accordingly.


EVANGELINE CRISOSTOMO-ESCOBILLO
Insurance Commissioner

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cc: HON. MARGARITO B. TEVES
Secretary
Department of Finance





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Pls file

Lorna

*Pls ensure that we submit
all our new circulars to
UP College of Law.*

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Evangelina C. Escobillo
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Secretary
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CHART OF ACCOUNTS for GENERAL 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. Documentary Stamps Fund - This represents fund that is set up for documentary stamps for affixture to legal documents, promissory notes, certificates of authority, etc. This fund shall be maintained under an imprest system.

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).

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

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

3. PREMIUMS RECEIVABLE

This represents uncollected premiums on direct business including those by general agents and insurance brokers including taxes and other charges, provided these are properly segregated and the corresponding liabilities are set up.

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

4. DUE FROM CEDING COMPANIES

This shall comprise of the following sub-accounts:

- Premiums Due from Ceding Companies – Treaty – This represents balances due to the company as a result of treaty acceptances from ceding companies.
- Premiums Due from Ceding Companies – Facultative – This represents balances due to the company as a result of facultative acceptances from ceding companies.

5. 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.

6. LOSS RESERVE WITHHELD BY CEDING COMPANIES

This shall comprise of the following sub-accounts:

- Loss Reserve Withheld by Ceding Companies – Treaty – This pertains to a portion of the reinsurance premium withheld by ceding companies under treaty agreements as reserve for losses.
- Loss Reserve Withheld by Ceding Companies – Facultative – This pertains to a portion of reinsurance premiums withheld by the ceding companies under facultative reinsurances as reserve for losses.

7. AMOUNTS RECOVERABLE FROM REINSURERS

This shall comprise of the following sub-accounts:

- Reinsurance Recoverable on Paid Losses – Treaty – This represents the amount recoverable from reinsurers under treaty agreements as their share in paid losses and loss adjustment expenses net of salvage of recoveries.
- Reinsurance Recoverable on Paid Losses – Facultative – This represents the amount recoverable from reinsurers under facultative reinsurances as their share in paid losses and loss adjustments expenses net of salvage or recoveries.
- Reinsurance Recoverable on Unpaid Losses – Treaty – This represents the amount recoverable from reinsurers under treaty agreements as their share on unpaid losses and loss adjustment expense net of salvage or recoveries.
- Reinsurance Recoverable on Unpaid Losses – Facultative – This represents the amount recoverable from reinsurers under facultative reinsurances as their share on unpaid losses and loss adjustment expense net of salvage or recoveries.
- 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

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reinsurers.

8. OTHER REINSURANCE ACCOUNTS RECEIVABLE

This represents all other reinsurance accounts receivable not classified under any of the foregoing reinsurance accounts receivable.

9. SURETY LOSSES RECOVERABLE

This represents the estimated recoveries the company may have from losses on surety policies issued.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

10.1. 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 (see definitions below).
- 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

10.2. 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:

- Debt Securities - Government
- Debt Securities - Private

- Equity Securities
- Mutual Funds and Unit Investment Trusts
- Others

10.3. 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:

- Foreign exchange contracts - This represents contracts to purchase/sell foreign currencies at a future date at a fixed rate.
- 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.
- Equity contracts - This represents contracts where the returns are linked to the price of a particular equity or equity index.

11. AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

These represent 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.

11.1. AFS Debt Securities – Government

11.1.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.

11.2. AFS Debt Securities – Private

11.2.a. Unamortized Discount/Premium

11.3. AFS Equity Securities

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

12. 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:

- those that the company upon initial recognition designates as at fair value through profit or loss;
- those that the company designates as available for sale;
- 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.

12.1. HTM Debt Securities – Government

12.1.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.

12.2. HTM Debt Securities – Private

12.2.a. Unamortized Discount/Premium

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

13. 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.

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

13.1. Real Estate Mortgage Loans - This represents the outstanding balances of loans secured by first mortgage on real estate properties.

13.2. 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.

13.3. Guaranteed Loans - This represents the outstanding balances of loans granted to companies or individuals which are covered by guarantees from other entities or individuals.

13.4. Chattel Mortgage Loans - This represents the outstanding balances of loans secured by mortgage of chattels or personal properties (i.e. car plan).

13.5. Notes Receivable - This represents interest bearing loans granted by the company and evidenced by duly approved and notarized Promissory Notes.

13.6. Housing Loans - This represents outstanding balances of loans granted to employees secured by a mortgage covering their house and lot.

13.7. Car Loans - This represents outstanding balances of loans granted to employees secured by a mortgage covering their cars.

13.8. 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.

13.9. 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.

13.10. Unquoted Debt Securities - This represents unquoted debt securities with fixed or determinable payments and fixed maturity.

13.11. Others Loans Receivable - This represents all other loans which can not be classified under any of the foregoing loan accounts.

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

14. 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:

14.1. Accrued Interest Income - Cash in Banks

14.2. Accrued Interest Income - Financial Assets at FVPL

14.2.1. Securities Held for Trading

14.2.1.a. Debt Securities - Government

14.2.1.b. Debt Securities - Private

14.2.2. Financial Assets Designated at FVPL

14.2.2.a. Debt Securities - Government

14.2.2.b. Debt Securities - Private

14.3. Accrued Interest Income - Available for Sale Financial Assets

14.3.1. AFS Debt Securities - Government

14.3.2. AFS Debt Securities - Private

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

14.4.1. HTM Debt Securities - Government

14.4.2. HTM Debt Securities - Private

14.5. Accrued Interest Income - Loans and Receivables

14.5.1. Real Estate Mortgage Loans

14.5.2. Collateral Loans

- 14.5.3. Guaranteed Loans
- 14.5.4. Chattel Mortgage Loans
- 14.5.5. Notes Receivable
- 14.5.6. Housing Loans
- 14.5.7. Car Loans
- 14.5.8. Low Cost Housing Loans
- 14.5.9. Sales Contract Receivable
- 14.5.10. Unquoted Debt Securities
- 14.5.11. Others
- 14.6. Accrued Dividends Receivable
 - 14.6.1. FVPL Equity Securities
 - 14.6.2. DFVPL Equity Securities
 - 14.6.3. AFS Equity Securities

15. ACCOUNTS RECEIVABLE

This represents receivable from non-insurance transactions of the company. It may comprise of the following accounts:

15.1. 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.

15.2. 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.

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

16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This shall comprise of the following accounts:

16.1. Investment in Subsidiaries - This represents the amount of the company's investments in the shares of stock of its subsidiaries. A subsidiary is an entity that is controlled by another entity (known as the parent).

16.2. 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.

16.3. 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.

17. 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:

17.1. 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.

17.2. 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.

17.2.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.

17.3. 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.

17.3.a. Accumulated Depreciation - Leasehold Improvements

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

17.a. Accumulated Depreciation – IT Equipment

17.5. 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.

17.5.a. Accumulated Depreciation - Transportation Equipment

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

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

17.7. 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.

17.7. and 17.7.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

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

17.8.a. Accumulated Depreciation – Revaluation Increment

17.8. and 17.8.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

17.9. 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.

18. 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:

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

19. 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 such as land, building and equipment, whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

20. INTANGIBLE ASSETS

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

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

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

21. SUBSCRIPTION 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.

22. SECURITY FUND CONTRIBUTION

This refers to contribution of the company to the Security Fund - Non-Life Account as required by the Insurance Commission on all non-life insurance companies authorized to do business in the Philippines.

23. 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.

24. PREPAYMENTS

This represents prepayment of expenses which may include the following accounts.

- Prepaid Commissions - This represents commissions on paid in advance to the members of the agency force.
- Prepaid Rent - This represents advance payment on leased properties.
- 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.
- Input VAT - This represents the excess of the company's input VAT not yet claimed against the output VAT payable.

