



<b>Circular Letter (CL) No.:</b>	<b>2022-36</b>
<b>Date:</b>	<b>18 July 2022</b>
<b>Supersedes:</b>	<b>2019-66</b>

**CIRCULAR LETTER**

**TO : ALL INSURANCE AND PROFESSIONAL REINSURANCE COMPANIES AND HEALTH MAINTENANCE ORGANIZATIONS DOING BUSINESS IN THE PHILIPPINES**

**SUBJECT : SUBMISSION OF STATUS REPORTS AND ADDITIONAL DISCLOSURES IN THE FINANCIAL STATEMENTS RELATIVE TO IFRS 17 *INSURANCE CONTRACTS***

**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 had a mandatory effectivity date of annual periods beginning on or after 01 January 2021;

**WHEREAS**, IFRS 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 Rule 68, the Securities and Exchange Commission shall consider the pronouncements and interpretation of (a) the primary regulator of the entities concerned, (b) the Philippine Financial Reporting Standards Council or (c) the IASB in prescribing the applicable financial reporting framework for a particular class or sub-class of entities;

**WHEREAS**, the Insurance Commission (IC) issued Circular Letter (CL) No. 2018-69 dated 28 December 2018, deferring the implementation of IFRS 17 to 01 January 2023;

**WHEREAS**, relative to any change in accounting policies and the impact of the deferral of IFRS 17, additional disclosures in the audited financial statements shall be required;

**WHEREAS**, to ensure effective implementation of IFRS 17, it is imperative to the regulatory body to monitor its regulated entities' progress in the preparation for the adoption of the new accounting standard;

**WHEREAS**, in view of the foregoing, the IC issued CL No. 2019-66 dated 22 November 2019, requiring all insurance and professional reinsurance companies to submit IFRS 17 status reports covering the periods ending 31 December 2019 to 2022, and likewise to provide additional disclosures in the Notes to the Financial Statements for the period ending 31 December 2022 relative to the impact of IFRS 17;

**WHEREAS**, on 17 March 2020, the IASB deliberated on the *Amendments to IFRS 17*, which included the deferral of the effective date of IFRS 17 from 01 January 2021 to 01 January 2023;

**WHEREAS**, in recognition of the impact of the COVID-19 pandemic, the IC issued CL No. 2020-62 dated 18 May 2020, deferring the implementation of IFRS 17 for two (2) years after its effective date as decided by the IASB;

**WHEREAS**, considering the deferral of the IFRS 17 application, the IC deems it necessary to revise the contents and the periods covered by the status reports, and likewise the disclosure requirements stated under CL No. 2019-66;

**WHEREAS**, pursuant to CL No. 2022-12 dated 07 March 2022, IFRS 17 shall also apply to Health Maintenance Organizations (HMOs), specifically to those 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;

**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 and Section 4 (j) of Executive Order No.192, s. 2015, the following rules and regulations are hereby promulgated:

**SECTION 1. SUBMISSION OF STATUS REPORTS COVERING THE PERIODS ENDING 31 DECEMBER 2022 TO 2024**

All insurance and professional reinsurance companies and HMOs are required to submit the following reports **on or before 30 April 2023** and the **following years thereafter**:

1. A report of specific actions **already taken** in preparation for the IFRS 17 implementation on 01 January 2025; and
2. A report of specific actions **to be taken** in preparation for the IFRS 17 implementation on 01 January 2025.

The above reports shall be submitted based on the following schedule:

Report	Submission Date
1. Actions already taken as of 31 December 2022	30 April 2023
2. Actions to be taken until 31 December 2024	
1. Actions already taken as of 31 December 2023	30 April 2024
2. Actions to be taken until 31 December 2024	
1. Actions already taken as of 31 December 2024	30 April 2025

At a minimum, the status reports shall cover the following:

1. Approval of budget for the IFRS 17 programs and activities;
2. Training of key personnel and officers;
3. Change in organizational structure, if any;
4. Determination of key accounting policies;
5. Identification and documentation of data requirements;

6. Development of system designs for accounting and actuarial functions; and
7. Conduct of financial impact analysis and parallel runs.

## **SECTION 2. ADDITIONAL DISCLOSURES IN THE NOTES TO THE FINANCIAL STATEMENTS FOR PERIODS ENDING 31 DECEMBER 2023 AND 2024**

All insurance and professional reinsurance companies and HMOs that will **not adopt IFRS 17 on 01 January 2023** shall provide additional disclosures in the Notes to the Financial Statements.

At a minimum, the following are required to be disclosed:

1. The fact that although IFRS 17 has a global effectivity date of 01 January 2023, the IC defers the mandatory date of application for general purpose financial reporting for two (2) years thereafter;
2. Information about the IFRS 17 implementation project – information about the structure and governance, work performed, management of risks and cost;
3. Operational impacts – main impacts and changes to systems and processes that the entity performed to comply with the requirements of the new standard;
4. Contracts that meet the definition of an insurance contract but the entity chose to apply IFRS 15 instead of IFRS 17 based on the conditions set by paragraph 8 under Scope of IFRS 17, to wit:
  - a. The entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
  - b. The contract compensates the customer by providing services, rather than by making cash payments to the customer; and
  - c. The insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services;
5. A description of the transition approach that will be used and whether any practical expedients will be applied;
6. A description of the key judgements and estimates made;
7. Quantitative information on the size of contractual service margin, if any;
8. Quantitative information about the expected impact of IFRS 17 on profits and how it compares with IFRS 4; and
9. Expected impact on Net Worth.

**SECTION 3. EFFECTIVITY**

This Circular takes effect immediately.



**DENNIS B. FUNA**  
Insurance Commissioner

