



Circular Letter (CL) No.	2024-03
Date:	29 January 2024
Supersedes:	CL No.: 2020-61; CL No.: 2019-39; and CL No.: 2019-68

CIRCULAR LETTER

TO : ALL EXTERNAL AUDITORS, AUDITING FIRMS AND INSURANCE COMMISSION-REGULATED ENTITIES

SUBJECT : REVISED FRAMEWORK ON THE ACCREDITATION OF EXTERNAL AUDITORS

WHEREAS, the Insurance Commissioner under Section 437 of Republic Act (“RA”) No. 10607 (“Amended Insurance Code”) may issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure enforcement of RA No. 10607, to ensure efficient regulation of the insurance industry in accordance with global practices and to protect the insuring public;

WHEREAS, the last paragraph of Section 347 of the Amended Insurance Code provides that no External Auditor shall be engaged by supervised persons or entities unless it has been issued an accreditation certificate by the Commissioner. The accreditation certificate shall be valid until December 31 of the third (3rd) year from issuance unless it is revoked or suspended. The Commissioner shall issue rules and regulations to govern the accreditation of the External Auditor and revocation or suspension of the accreditation.

WHEREAS, Section 6 (k), (l) and (n) of the RA No. 9829 (“Pre-need Code”) provides that the Insurance Commission (“IC”) has the power to:

- (k) Prepare, approve, amend or repeal rules, regulations, orders, and circulars and issue opinions and provide guidance on, and supervise compliance with, such rules, regulations, orders and circulars;
- (l) Formulate policies and recommendations on issues concerning the pre-need industry, including proposed legislations; and

(n) Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to carry out the express powers granted the Commission to achieve the objectives and purposes of the law.

WHEREAS, Section 4 of Executive Order (“EO”) No. 192 series of 2015, provides authority to the IC to formulate rules and regulations to regulate the Health Maintenance Organizations (“HMOs”) and its related services;

WHEREAS, the IC finds the need to provide revised guidelines to reflect the transfer of the processing of the accreditation from the Securities Exchange Commission (“SEC”) to IC;

NOW THEREFORE, pursuant to the power vested in this Commission under Section 437 of the Amended Insurance Code, Section 6 of the Pre-need Code, and Section 4 of EO No. 192, the IC revised the rules and regulations that shall govern the accreditation and delisting of External Auditors of IC-regulated entities (“ICREs”) as follows:

SECTION 1: POLICY STATEMENT

The IC is issuing the revised guidelines on the accreditation of the External Auditors to ensure that the External Auditors consistently adhere to audit in compliance with quality control standards and understand the operations and risk exposures of ICREs, including their IC-regulated subsidiaries and affiliates engaged in allied and related services.

SECTION 2: APPOINTMENT EXTERNAL AUDITORS OF ICREs

- 2.1. ICREs shall engage the services of an External Auditor included in the IC List of Accredited External Auditors. In this respect, an Accredited External Auditor shall be classified into categories and shall extend her/his services to ICREs belonging to the same category or from categories lower than the category of the concerned External Auditor as provided in Section 3 of this CL.
- 2.2. The IC shall periodically evaluate the performance of the ICREs’ External Auditors through an assessment of the quality of the ICRE’s Audited Financial Statements (“AFS”) and the supplemental report requirements to be issued by the IC. The results of assessment shall serve as the basis for their continuing inclusion in the IC List of Accredited External Auditors.
- 2.3. The Accredited External Auditor of the ICRE shall be rotated in accordance with the relevant provisions of the Code of Ethics for Professional Accountants in the Philippines and the implementing rules and regulations as adopted and issued by the Philippine Board of Accountancy (“BOA”) at the time of audit.
- 2.4. The accreditation of the External Auditor shall be valid for three (3) covered audit years or for a shorter period under a conditional approval, unless suspended or

delisted. It is the responsibility of the accredited External Auditors to maintain the validity of their Professional Regulatory Commission ("PRC")/BOA accreditation.

SECTION 3: COVERAGE

3.1. Accredited External Auditors shall be classified in the following categories and shall extend their services to ICREs belonging to the same category or from categories lower than the category of the concerned Accredited External Auditor:

1. **Group A**

- a. Insurance companies;
- b. Professional Reinsurance companies;
- c. Regular Mutual Benefit Associations ("MBAs");
- d. Pre-need companies; and
- e. HMOs

2. **Group B**

- a. Trust for charitable uses; and
- b. Insurance, reinsurance, pre-need and HMO brokers

3. **Group C**

- a. Microinsurance MBAs; and
- b. General Agents

SECTION 4: ADOPTION OF THE CODE OF ETHICS

All Accredited External Auditors shall observe and comply with the current requirements of the Code of Ethics for Professional Accountants in the Philippines as adopted by the BOA.

SECTION 5: QUALIFICATION REQUIREMENTS

An Accredited External Auditor must have the following qualifications at the time of application:

1. Accredited and licensed by the PRC/BOA;
2. Has at least five (5) years of experience in external audit as a sole practitioner or as a manager, lead partner, or its equivalent (as previously/currently employed in the auditing firm); and
3. Track record:
 - a. For Group A, the applicant must have audited at least five (5) ICREs under Group A as a sole practitioner or lead partner of the auditing firm, or at least ten (10) ICREs under Group B, or ten (10) corporate clients