



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

Circular Letter (CL) No.:	2018-58
Date:	14 November 2018

CIRCULAR LETTER

TO : ALL PRE-NEED COMPANIES AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES

SUBJECT : Regulatory Relief for the Pre-Need Industry due to High Volatility in the Philippine Financial Market

WHEREAS, the Republic Act (R.A.) 9829, otherwise known as Pre-Need Code of the Philippines, was passed into law on 30 September 2009 and took effect on 03 December 2009.

WHEREAS, Section 6 of the Pre-Need Code provides that the Insurance Commission shall, at all times, act with transparency and dispatch and shall have the powers and functions, but not limited to the following:

- a. Prepare, approve, amend or repeal rules, regulations and orders, and issue opinions and provide guidance on and supervise compliance with such rules, regulations and orders (Section 6 (k));
- b. Formulate policies and recommendations on issues concerning the pre-need industry, including proposed legislations (Section 6 (l)); and
- c. 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 objectives and purposes of the law.

WHEREAS, Philippine Interpretation Committee (PIC) Q&A No. 2010-02 (amended May 2017) provides that the primary regulators of certain entities may extend transition relief or exemptions in the application of the full Philippine Financial Reporting Standards (PFRSs). These include banks, pre-need companies, and mining companies which may be exempted by the Securities and Exchange Commission (SEC) from applying certain specific provisions of the PFRSs.

Further, the PIC Q&A No. 2010-02 requires that an entity should be given transition relief or exemption by the regulator and present in the notes to the financial statements information about the basis of the preparation of the financial statements.

WHEREAS, the Philippines is currently experiencing high volatility in the financial market because of the following factors:

- a. Rising inflation rate;
- b. Expectations of more interest rates hikes from Bangko Sentral ng Pilipinas (BSP); and
- c. Weakening of Philippine Peso (PHP) against United States Dollar (USD).

WHEREAS, the Philippine Pre-Need Industry is significantly impacted by the volatility in the Financial Market.

NOW, THEREFORE, pursuant to the authority vested to the Insurance Commission by the provisions of Section 6 of the Pre-Need Code, the following rules and regulations are hereby promulgated:

SECTION 1. PURPOSE

To stabilize the impact of high volatility in the Philippine Financial Market for the Pre-Need Industry.

SECTION 2. REGULATORY RELIEF

2.1. For the Publicly Listed Equity Securities

2.1.1. Equity securities acquired on or before 31 December 2017

Pre-Need Companies shall have the option to use the prevailing market rate as prescribed by the PFRSs or the market value as of 31 December 2017 (the regulatory relief) in the valuation of the publicly listed equity securities.

2.1.2. Equity securities acquired after 31 December 2017

Pre-Need Companies shall have the option to use the prevailing market rate as prescribed by the PFRSs or the acquisition cost (the regulatory relief) in the valuation of the publicly listed equity securities.

Pre-Need Companies may use the market value as of 31 December 2017 (under Section 2.1.1) and/or acquisition cost (under Section 2.1.2) provided that the equity securities are not intended for sale in short-term.

2.2. For the Fixed Income Debt Securities

Pre-Need Companies shall have the option to value all the fixed income debt securities at amortized cost.

2.3. For the Pre-Need Reserves

Pre-Need Companies shall have the option to use the prevailing market rate or the discount rate for the reserves under Circular Letter No. 23-2012¹ in the valuation of Pre-Need Reserves.

SECTION 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Below is the illustrative disclosure of the basis of preparation of the financial statements for Pre-Need Companies that opt to use the regulatory relief:

“...The financial statements have been prepared in accordance with the applicable financial reporting framework for entities that are **given relief from certain requirements** of Philippine Financial Reporting Standards as described in Note X.”

This is in accordance with the PIC Q&A No. 2010-02 (amended May 2017): PAS 1R.16 – Basis of preparation of financial statements.

SECTION 4. APPLICABILITY

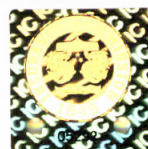
This Circular Letter is applicable only for the 2018 Financial Reporting. The applicability of this Circular Letter shall be subject to the reassessment of this Commission for the subsequent years.

SECTION 5. EFFECTIVITY

This Circular shall take effect immediately.

For strict compliance.


DENNIS B. FUNA
Insurance Commissioner



¹ Valuation of Transitory Pre-Need Reserves dated 28 November 2012