



SEC Memorandum Circular No. 16  
Series of 2024

**TO :** (1) MUTUAL BENEFIT ASSOCIATIONS (MBAs)  
(2) HEALTH MAINTENANCE ORGANIZATIONS (HMOs)

**SUBJECT :** DEFERRAL OF PHILIPPINE FINANCIAL REPORTING (PFRS) 17, INSURANCE CONTRACTS

**WHEREAS**, the Commission issued the following Memorandum Circulars (MCs) adopting the following PFRS as part of its financial reporting Rules:

MC Nos.	Standard	Effectivity Date
MC 8, Series of 2020	PFRS 17, <i>Insurance Contracts</i>	Effective beginning on or after January 1, 2021.
MC 1, Series of 2022	Amendments to PFRS 17, <i>Insurance Contracts</i>	Effective beginning on or after January 1, 2023.

**WHEREAS**, the Financial Reporting Standards Council (FRSC) has approved on December 15, 2021 the amendment to PFRS 17 Insurance Contracts. The amendment defers the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2025.

**WHEREAS**, the Insurance Commission (IC), as the primary regulator of MBAs and HMOs, issued Circular Letter (CL) Nos. 2024-19 and 2024-20, dated 17 October 2024, deferring the implementation of PFRS 17 for MBAs and HMOs operating in the Philippines, as follows:

Entities	CL No.	Effectivity Date
MBAs	2024-19	Effective beginning on or after <b>January 1, 2030.</b>
HMOs	2024-20	Effective beginning on or after <b>January 1, 2027.</b>

**WHEREAS**, in a letter dated 18 October 2024, the IC requested the Commission to adopt the said deferral as part of the Commission's financial reporting rules.

**WHEREAS**, the SEC, pursuant to its authority under paragraph 1 (B) of the Revised SRC Rule 68, is authorized to issue a pronouncement relative to the subject deferral made by the IC for guidance of all concerned.

**WHEREAS**, the SEC finds no objection on the basis of the deferral by IC of PFRS 17 as provided in CL Nos. 2024-19 and 2024-20, covering MBAs and HMOs, respectively.

**NOW, THEREFORE**, the Commission *en banc*, in its meeting held on 19 November 2024, approved to defer the effective date of PFRS 17 in line with IC's CL Nos. 2024-19 and 2024-20.

The accounting relief is considered a deviation from the requirements of PFRS.

MBAs and HMOs that opts to avail of the relief should prepare their Audited Financial Statements (AFS) in accordance with an industry-specific framework, to be referred to as the PFRS, as modified by the application of the financial reporting relief issued and approved by the SEC.

MBAs and HMOs which opt to adopt the industry-specific framework, should specify in the "Basis of Preparation of the Financial Statements" section of the financial statements the relief availed of. For consistency of presentation, the subject companies should comply with the following prescribed wordings:

*"The accompanying financial statements have been prepared in accordance with (state the applicable financial reporting framework), as modified by the application of the following financial reporting relief issued and approved by the Securities and Exchange Commission: (state the relief availed of)."*

To ensure transparency in financial reporting, all MBAs and HMOs shall disclose in the notes to the financial statements the disclosure requirements of the Philippine Accounting Standard (PAS) 8 - Accounting Policies, Changes in Accounting Estimates, and Errors in relation to the impending adoption of new accounting standards (i.e., PFRS 17).

MBAs and HMOs must comply with the requirements of the financial reporting standards in doing the above adjustments when it reverts to full PFRS as applicable, after the period of relief.

The aforementioned industry-specific accounting framework shall form part of the applicable financial reporting framework for the purpose of preparing and filing general-purpose financial statements with the Commission pursuant to the Revised SRC Rule 68.

MBAs and HMOs which may avail of the relief but the impact on the financial statements is deemed not material, may still represent in the notes that the financial statements are presented in full compliance with their applicable financial reporting framework.

Where the external auditor has been engaged to perform an audit engagement in accordance with PSA on these annual financial statements, which have been prepared using PFRS, as modified by the application of the financial reporting relief issued and approved by the SEC, the external auditor shall reflect in the opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements. In addition, the external auditor shall include an Emphasis of Matter paragraph in the auditor's report to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Issued this 20 day of November 2024 in Makati City, Philippines.

For the Commission:

  
EMILIO B. AQUINO  
*Chairperson*