



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



Circular Letter (CL) No.:	2021-07
Date:	28 January 2021
Supersedes:	None

CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : PREPAID FACILITATION FEES ARISING FROM BANCASSURANCE ARRANGEMENTS AS NON-ADMITTED ASSETS

WHEREAS, Sections 375 to 377, Title 9, Chapter IV of the Republic Act No. 10607, otherwise known as the Amended Insurance Code, institutionalized bancassurance arrangements between insurance companies and banks;

WHEREAS, Facilitation fees are payments for the promotional and marketing activities paid by an insurer to a bank in a bancassurance arrangement; while a claw back provision or a refund of facilitation fees in the event of an early termination, non-achievement of targets or other events agreed-upon by both the insurer and the bank, may be stipulated by the parties in a bancassurance arrangement;

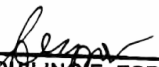
WHEREAS, It is possible that facilitation fees are paid in advance by an insurance company to a bank in a bancassurance arrangement, and as such, booked as a prepaid expense;

WHEREAS, Assets, such as goodwill, trade names, intangible assets, prepaid or deferred charges, unauthorized advances to officers, advances to employees/agents/persons on a mere personal capacity, and other assets as specified under Section 203 of the Amended Insurance Code, *"shall in no case be allowed as admitted assets of an insurance company doing business in the Philippines, in any determination of its financial condition"*;

WHEREAS, the determination of the financial condition of an insurance company under the Amended Insurance Code generally follows a liquidating value concept, which focuses on the value that can be expected in a liquidation rather than as a going concern;

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and requires a reduced value (and sometimes zero value) for certain assets that will be less liquid or have a smaller realizable value in a liquidation;

NOW, THEREFORE, pursuant to the authority vested to the Insurance Commissioner under Section 437 of the Amended Insurance Code, the following guidelines are issued and promulgated to insurance companies with bancassurance arrangements:

Section 1. Scope

This CL shall cover the rules and treatment of facilitation fees paid in advance and booked as prepaid expenses by insurance companies with bancassurance arrangements with banks.

Section 2. Treatment of Facilitation Fees Paid in Advance and Booked as Prepaid Expenses

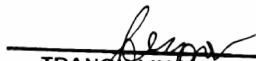
Facilitation fees paid in advance and booked as prepaid expenses shall **NOT** be treated as **admitted assets** of an insurance company, in the determination of its financial condition, regardless of any stipulation of a claw back provision in a bancassurance arrangement.

Section 3. Implementation and Effectivity

This CL shall be effective immediately.

For strict compliance.

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Insurance Commission



DENNIS B. FUNA
Insurance Commissioner

