SEC Memorandum Circular No. 7

Series of 2002

TO : ALL CONCERNED

SUBJECT : REQUIRED INFORMATION TO ACCOMPANY THE ACTUARIAL RESERVE VALUATION REPORT OF PRE-NEED COMPANIES

The SEC requires the submission of an Actuarial Valuation Report as of the end of each fiscal year of the pre-need Company, duly certified by a SEC-accredited actuary, containing the actuarial reserve liabilities on all pre-need plans for which the pre-need company continues to have liabilities. The report shall be in the format prescribed by the SEC and shall contain the summary of reserves for each product for each year of issue. The Financial Statements of the Company and of the Trust Fund corresponding to the same fiscal year shall also be submitted together with the Actuarial Valuation Report.

Beginning the year 2002, valuation reports of pre-need companies must contain the following information for each product class. By product class is meant a pre-need plan with features unique to itself. Such features shall include, at least the following information:

1. Plan (Life, Education, Pension, or others)
2. Specific product name given by the Company, or plan code if used in the valuation
3. Detailed description of product benefits

a. Amount or unit of benefits

b. Terms and conditions for delivery of benefits or services

c. Insurance and other benefits to be paid or rendered by providers other than the Company

d. Schedule of termination values and conditions under which termination values are payable

e. Gross Contract Price per unit or amount of benefit, with computations of the installments based on the number of years or fractions of the year that the price is payable. If another name is given to the contract price, this must be stated.

4. Tabular actuarial values per unit of benefit

a. Schedule of Terminal Reserve factors for pre-need benefits and for insurance premium at each anniversary up to the end of the term of the contract. A new schedule shall be submitted at subsequent valuation dates when there are projected changes in the assumptions enumerated in paragraph 5(a).

b. Schedule of contributions to the trust fund that are periodically set aside to fund all pre-need benefits (referred to in the Actuarial Guidelines as contributions to reserves) for each anniversary up to the end of the term of price installment period. These contributions are not necessarily the same as the minimum deposits to trust fund.

c. Schedule of contributions to the reserve for insurance premium.

5. Computation of actuarial values

a. Assumptions used for reserve calculations, including bases for the new following rates:

i. Interest rates

ii. Surrender and cancellation rates during the installment period only

iii. Utilization rate

iv. Other rates

b. Actuarial formulations for:

i. Contributions to Reserves

a. Pre-Need benefits

b. Insurance premium benefits

ii. Terminal Reserves

a. Pre-Need benefits

b. Insurance premium benefits

iii. Terminal Values

iv. Dividends

v. Reserves as of Valuation Date

a. Pre-Need benefits

b. Insurance premium benefits

Unless otherwise particularly stated, the above information as of valuation date should be submitted. If any change has been made in any of the enumerations in Item 5 of this circular, its effect on the financial condition of the pre-need company should be submitted with the Actuarial Valuation Report. Effectively, previously submitted Actuarial Valuation Report must be adjusted accordingly.

This Circular shall take effect immediately.

EDSA, Mandaluyong City, Metro-Manila, Philippines.

June 27, 2002.

(Original Signed)

LILIA R. BAUTISTA
Chairperson