**SEC Memorandum Circular No. 8**

**Series of 2002**

**TO : ALL CONCERNED**

**SUBJECT : RESPONSIBILITIES OF ACTUARIES IN PRE - NEED ACTUARIAL RESERVE VALUATION**

In conducting actuarial reserve valuation of pre-need plans, the actuary must perform his/her responsibilities in accordance with the following guidelines:

1. The actuary must conduct tests necessary to ascertain the reasonableness and integrity of the actuarial valuation data, and must briefly describe the tests undertaken.
2. The actuary must submit to the Securities and Exchange Commission (SEC) all pertinent actuarial reserve valuation formulations and all required information as stated in SEC Memorandum Circular 7
3. The actuary must ensure that the assumptions used for valuation of liabilities of all pre-need plans are reasonable and appropriate, and within the limits set in SEC Memorandum Circular 6 for valuation of Actuarial Reserve Liabilities of pre-need plans. The actuary must be able to justify the assumptions used, based on the actual and anticipated results that are reasonably applicable to the specific contract. The actuary must exercise prudence and good judgment in meeting any the assumptions.
4. The actuary must ensure that the actuarial reserve liabilities for all benefits and guarantees therein are valued in accordance with the assumptions, and all insurance benefits included in the pre-need plan contract are adequately covered under a separate insurance contract.
5. The actuary must compute the reserves independently of the required minimum deposits, and verify that the resulting annual increases in reserves are not less than such minimum deposits to the trust fund. SEC prescribed minimum deposits to trust fund must not be used as the basis for actuarial reserve valuation.
6. The actuary must ensure that the valuation reports are complete, accurate and timely. The actuary must follow the standard reporting format in the Actuarial Valuation Report prescribed by the Commission. In case the SEC requires any additional information or document any time during its review of the actuarial reserve valuation reports, the actuary must submit the same with his sworn certification that he has reviewed them before submitting to the SEC.
7. The actuary must submit to the Commission a Valuation Certification in accordance with the prescribed form.
8. The actuary must discuss and explain fully the results of the actuarial reserve valuation to the Board of Directors of the pre-need company. He shall submit a written report together with the Statement of Changes of Actuarial Reserve Liabilities and Trust Fund (See attached format) containing the comparison of actuarial reserve liabilities with the amount in the trust fund as of valuation date, with a copy of the report submitted to the SEC. The actuaries shall state all possible causes of deviation of the amount in the trust fund for the reserves such as insufficient or untimely deposits to the trust fund, relatively high or low termination rates, the difference of the trust fund yield rate from assumed valuation interest rate, and any capital loss that were reported by the trustees or fund managers, so that management can take appropriate action.
9. The actuary must adhere to these guidelines, the Rules and Regulations of the SEC, and to the Guidelines and Standards of the Actuarial Society of the Philippines (ASP). Adherence to these

guidelines and standards shall be a basis for continuing renewal of the accreditation to practice as actuary for pre-need plans.

Other requirements for compliance by the actuary of a pre-need company may be issued by the SEC, from time to time.

This Circular shall take effect immediately.

EDSA, Mandaluyong City, Metro-Manila, Philippines.

June 27, 2002.

(Original Signed)

**LILIA R. BAUTISTA**
Chairperson