CIRCULAR LETTER

TO: ALL PRE-NEED COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT: STANDARD FORMAT FOR VIABILITY STUDY FOR PRE-NEED PLANS

To facilitate the evaluation and approval of Memorial, Pension and Education Pre-Need Products, pre-need companies shall use the attached standard format for viability study.

This Circular takes effect immediately.

For strict compliance.

EMMANUEL F. DOOC
Insurance Commissioner
**COMMON INPUT DATA**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Input</th>
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<tbody>
<tr>
<td>[i]</td>
<td>Average Benefit Unit</td>
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<tr>
<td>[ii]</td>
<td>Initial Benefit per Unit</td>
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</tr>
<tr>
<td>[iii]</td>
<td>% Yearly Increase in Benefit (as % of Initial Benefit)</td>
<td></td>
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<tr>
<td>[iv]</td>
<td>Maturity Value per Unit</td>
<td></td>
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<tr>
<td>[v]</td>
<td>Memorial Benefit per Unit</td>
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<tr>
<td>[vi]</td>
<td>Assumed Volume of Business (count)</td>
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<tr>
<td>[vii]</td>
<td>No. of Years to Pay</td>
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<td>[viii]</td>
<td>Term</td>
<td></td>
</tr>
<tr>
<td>[ix]</td>
<td>New Issue Fee</td>
<td></td>
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<tr>
<td>[x]</td>
<td>Reinstatement Fee</td>
<td></td>
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<tr>
<td>[xi]</td>
<td>Contract Price per Unit</td>
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<tr>
<td>[xii]</td>
<td>Annual Installment per Unit</td>
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<tr>
<td>[xiii]</td>
<td>Dividends per Unit</td>
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</tr>
<tr>
<td>[xiv]</td>
<td>IC Filing Fee rate (applied to Contract Price)</td>
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<tr>
<td>[xv]</td>
<td>Documentary Stamp Tax Rate (applied to annual installment)</td>
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<tr>
<td>[xvi]</td>
<td>Income Tax Rate</td>
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<tr>
<td>[xvii]</td>
<td>VAT</td>
<td></td>
</tr>
<tr>
<td>[xviii]</td>
<td>Local Government Tax (applied to annual installment)</td>
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**YEARLY INPUT DATA**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
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<tbody>
<tr>
<td>[A]</td>
<td>Trust Fund Contribution Rate</td>
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<tr>
<td>[B]</td>
<td>Commissions</td>
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<tr>
<td>[C]</td>
<td>Overrides</td>
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<tr>
<td>[D]</td>
<td>Marketing and Other Costs (as % of annual installment)</td>
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<tr>
<td>[E]</td>
<td>Marketing and Other Costs (fixed)</td>
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<tr>
<td>[F]</td>
<td>Availment Rate</td>
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<tr>
<td>[G]</td>
<td>Surrender Rate</td>
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</tr>
<tr>
<td>[H]</td>
<td>Reinstatement Rate</td>
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</tr>
<tr>
<td>[I]</td>
<td>Termination Value per Unit</td>
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<tr>
<td>[J]</td>
<td>Credit life and Disability Premium per 1000 of amount insured</td>
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<td>[K]</td>
<td>Group Term Life Premium per 1000 of amount insured</td>
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<tr>
<td>[L]</td>
<td>Overhead or Administrative Costs (as % of annual installment)</td>
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</tr>
<tr>
<td>[M]</td>
<td>Overhead or Administrative Costs (fixed)</td>
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<tr>
<td>[N]</td>
<td>Surrender Processing Expense, per contract surrendered</td>
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<tr>
<td>[O]</td>
<td>Maturity Expense, per contract matured</td>
<td></td>
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<tr>
<td>[P]</td>
<td>Insurance Premium Reserve Factor per Unit</td>
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<tr>
<td>[Q]</td>
<td>Supplemental Reserve per Unit</td>
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<tr>
<td>[R]</td>
<td>Actuarial Reserve Liability Factor per Unit</td>
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<tr>
<td>[S]</td>
<td>Valuation Interest Rate</td>
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<tr>
<td>[T]</td>
<td>Annual Interest Rate (for Trust Fund)</td>
<td></td>
</tr>
<tr>
<td>[U]</td>
<td>Annual Interest Rate (for Other Assets)</td>
<td></td>
</tr>
<tr>
<td>[V]</td>
<td>Remaining Business</td>
<td></td>
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</tbody>
</table>
SAMPLE INCOME STATEMENT for a sample block of policies

- [1] Income
  - [2] Gross Revenue
  - [3] Other Income
  - [4] New issue Fee
  - [5] Reinstatement Fee
  - [6] Investment Income
  - [8]Other Investment Interest Income

- [9] Operating Expenses
  - [10] Plan Benefits
  - [12] Surrender Benefits
  - [14] Dividends* 
  - [15] Increase / Decrease in Actuarial Reserves
  - [16] Increase / Decrease in Supplemental Reserves
  - [17] Increase / Decrease in Insurance Premium Reserves
  - [18] CGL/WPD Premium
  - [19] GT/GADD Premium**
  - [20] Surrender Processing Expense***
  - [21] Maturity Processing Expense
  - [22] Direct Costs
  - [23] Commission
  - [24] Overrides
  - [25] Marketing and Other Costs
  - [26] VAT
  - [27] Local Government Tax
  - [28] IC Registration Fees
  - [29] Documentary Stamp Tax
  - [30] General Administration Expense
  - [31] Taxable Income
  - [32] Income Tax Provision****
  - [33] Net Income

SAMPLE BALANCED SHEET for a sample block of policies

- [34] Assets
  - [35] Trust Fund
  - [36] Other Assets

- [37] Liabilities
  - [38] Actuarial Reserve Liability for Basic Benefits
  - [39] Supplemental Reserves
  - [40] Insurance Premium Reserve

- [41] Surplus / Retained Earnings
  - [42] Present Value of Final Retained Earnings
  - [43] Sum Present Value of Premiums over the term
  - [44] Profit Margin
ANALYSIS OF PROFIT
- [45] Discount Rate
[46] Profits
[47] Cumulative Profits
[48] Present Value of Cumulative Profits
[49] Present Value of Premiums
[50] Sum Present Value of Premiums
[51] Present Value of Cumulative Profits
[52] Sum Present Value of Premiums over the term
[53] Profit Margin
[54] Breakeven

PreV(45) / (1 + [5])
Pr(47) + [46]
Pr(47) x [45]
PreV(45) x [2]
PreV(50) + [49]
last[48]
last[50]
[51] / [52]
start of positive [47]

ANALYSIS OF CASH FLOW
Cash Flow from OPERATION
[55] Cash Flow Additions (beginning of year)
[56] Cash Flow Additions (end of year)
[57] Cash Flow Deductions (beginning of year)
[58] Cash Flow Deductions (end of year)
[59] Net Cash Flow (beginning of year)
[60] Net Cash Flow (end of year)
[61] Interest Earned by Trust Fund
[62] Interest Earned by Other Assets
[63] Net Cash Flow
[64] Cumulative Cash Flow

[2] + [3]
None
[12] + [18] + [19] + [20] + [22] + [26] + [27] + [28] + [29] + [30]
[11] + [13] + [14] + [21] + [32]
[55] - [57]
[56] - [58]
[58]
[72]
[59] + [60] + [61] + [62]
PreV[64] + [63]

ANALYSIS of Asset Accumulation
Schedule of Assets
Accumulation of Trust Fund
[65] Contribution to Trust Fund
[66] Withdrawals from the Trust Fund (beginning of year)
[67] Withdrawals from the Trust Fund (end of year)
[68] Interest Earned by Trust Fund (net of investment expenses and charges)
[69] Trust Fund Balance
[70] Net Cash Flow (after contribution to Trust Fund)
[71] Net Cash Flow (end of year)
[72] Interest Earned by Other Assets
[73] Balance

[65] x [2]
[12]
[11] + [13]+[14]
[55] - [66] - [67] + [68] + PreV[69]
[59] - ([65] - [66])
[50] + [67]
(70) + PreV[73] x [U]
PreV[73] + [70] + [71] + [72]

Notes:
* Dividend is assumed to be payable at the end of the term of the plan.
** GT Coverage is assumed to be equal to the Contract Price.
*** Surrender is assumed to occur at the beginning of the year.
**** MCIT refers to "Minimum Corporate Income Tax"