



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



ADVISORY No. 2-2019

TO : ALL LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : CLARIFICATIONS ON ANNEX B OF THE VALUATION STANDARDS FOR LIFE INSURANCE POLICY RESERVES AND PERTINENT ACCOUNTS IN THE FINANCIAL REPORTING FRAMEWORK

DATE : 05 April 2019


After due consultation with the life insurance actuaries, the Insurance Commission hereby issues the following clarifications regarding Annex B of Circular Letter (CL) No. 2016-66 on Valuation Standards for Life Insurance Policy Reserves as well as some pertinent accounts in CL No. 2016-65 on Financial Reporting Framework (FRF):

1. Annex B of CL No. 2016-66
 - a. For both quarterly and annual reporting, Prior Period shall always refer to **end of prior year**.
 - b. The GPV Reserves to be reported in Annex B shall be net of segregated fund liabilities and reinsurance reserves in accordance with the FRF under CL No. 2016-65.

2. FRF template
 - a. The Remeasurement on Life Insurance Reserves shall be presented at **gross** amount in the FRF template.
 - b. The increase/decrease in reserve account in the Statement of Comprehensive Income of the FRF template shall include changes in the market value of Unit-Linked (UL) Funds and changes in foreign exchange relating to Dollar policies.

In view of the foregoing, all life insurance companies are expected to apply said clarifications to Reportorial Requirements as of 31 March 2019 onwards.

Please be guided accordingly.


DENNIS B. FUNA
Insurance Commissioner



Name of Company _____

ANNEX B

**Actuarial Valuation Results
Life Insurance Policy Reserves in Philippine Peso
For the period ended dd/mm/yyyy**

I. Summary of Valuation Results

		Gross Premium Valuation (GPV) Reserves
Reserves as of End of Prior Period		
(1)	Traditional	
(2)	Variable	
(3)	TOTAL (1) + (2)	-
Reserves as of End of Current Period		
(4)	Traditional	
(5)	Variable	
(6)	TOTAL (4) + (5)	-
(7)	Increase in Reserves (6) - (3)	-

II. Impact of Change in Assumptions under GPV

	As of End of Prior Period				As of End of Current Period			
	Reserves as of End of Prior Period (A)	Reserves using Current Period discount rate (B)	Increase in Reserves due to change in discount rate (C) = (B) - (A)	Reserves using Current Period assumptions including discount rate (D)	Increase in Reserves due to changes in assumptions other than discount rate (E) = (D) - (B)	Reserves using Current Period assumptions including discount rate (F)	Increase in Reserves due to change in in-force file (G) = (F) - (D)	Total Increase in Reserves (H) = (C) + (E) + (G)
Policy Reserves								
(1) Total Policy Reserves after basis change (2) + (3)	-	-	-	-	-	-	-	-
(2) GPV Reserves with Margin for Adverse Deviations (MfAD)								
(3) Unearned Premium Reserves								
(4) GPV Reserves without MfAD								
(5) Impact of MfAD (2) - (4)								
(6) Negative GPV Reserves								
(7) GPV Reserves for Non-Guaranteed Benefits and Policyholder Dividends								

Notes:

- In Table I, GPV Reserves shall include Unearned Premium Reserves.
- In Table II, the discount rates to be used for columns B, D and F shall be the IC-prescribed discount rates as of end of current period.
- Item 3 of Table I must tally with Item 1 Column A of Table II.
- Item 6 of Table I must tally with Item 1 Column F of Table II.
- Item 7 of Table I must tally with Item 1 Column H of Table II.
- Prior Period shall refer to end of prior year.
- For purposes of this annex, the GPV Reserves shall exclude the market value of the underlying assets backing the separate account for variable life insurance, which shall be reported under the 'Segregated Fund Liabilities' in the FRF.
- GPV Reserves shall be net of reinsurance reserves.

Certified by:

(Signature over Printed Name of Actuary)
(Designation)

IC Accreditation No.:
PTR No.:
Date Signed:

J. P. Das