

**Chapter III**  
**THE BUSINESS OF INSURANCE**

**Title 5**  
**RESERVES**

**Sec. 210.** Every life insurance company, doing business in the Philippines, shall annually make a valuation of all policies, additions thereto, unpaid dividends, and all other obligations outstanding on the thirty-first day of December of the preceding year. All such valuations shall be made upon the net premiums basis, according to the standard adopted by the company, which standard shall be stated in its annual report.

Such standard of valuation whether of the net level premium, full preliminary term, any modified preliminary term, or select and ultimate reserve basis, shall be according to a standard table of mortality with interest at not more than six per centum compound interest. When the preliminary term basis is used, the term insurance shall be limited to the first policy year.

The results of such valuations shall be reported to the Commissioner on or before the thirtieth day of April of each year accompanied by a sworn statement of the company's actuary certifying to the figures and stating upon what mortality table it is based, upon what rate of interest the valuation is made, and the methods used in arriving at the result obtained.

**Sec. 211.** The aggregate net value so ascertained of the policies of such company shall be deemed its reserve liability, to provide for which it shall hold funds in secure investments equal to such net value, above all its other liabilities; and it shall be the duty of the Commissioner, after having verified, to such an extent as he may deem necessary, the valuation of all policies in force, to satisfy himself that the company has such amount in safe legal securities after all other debts and claims against it have been provided for.

The reserve liability for variable contracts defined in section two hundred thirty-two shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided, and shall be approved by the Commissioner.

**Sec. 212.** Every domestic life insurance company, conducted on the mutual plan or a plan in which policyholders are by the terms of their policies entitled to share in the profits or surplus shall, on all policies of life insurance heretofore or hereafter issued, under the conditions of which the distribution of surplus is deferred to a fixed or specified time and contingent upon the policy being in force and the insured living at that time, annually ascertain the amount of the surplus to which all such policies as separate class are entitled, and shall annually apportion to such policies as a class the amount of the surplus so ascertained, and carry the amount of such apportioned surplus, plus the actual interest earnings and accretions to such fund, as a distinct and separate liability to such class of policies on and for which the same was accumulated, and no company or any of its officers shall be permitted to use any part of such apportioned surplus fund for any purpose whatsoever other than for the express purpose for which the same was accumulated.

~~Sec. 213. Every insurance company, other than life, shall maintain a reserve for unearned premiums on its policies in force, which shall be charged as a liability in any determination of its financial condition. Such reserve shall be equal to forty per centum of the gross premiums, less returns and cancellations, received on policies or risks having not more than a year to run, and pro rata on all gross premiums received on policies or risks having more than a year to run: *Provided*, That for marine cargo risks the reserve shall be equal to forty *per centum* of the premiums written in the policies upon yearly risks, and the full amount of the premiums written during the last two months of the calendar year upon all other marine risks not terminated.~~

**Sec. 214.** In addition to its liabilities and reserves on contracts of insurance issued by it, every insurance company shall be charged with the estimated amount of all of its other liabilities, including taxes, expenses and other obligations due or accrued at the date of statement, and including any special reserves required by the Commissioner pursuant to the provisions of this Code.