



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

Circular Letter (CL) No.:	2016 - 12
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Supersedes:	None

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

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

YEARLY INPUT DATA

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

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SAMPLE INCOME STATEMENT for a sample block of policies

[1]	Income	[2] + [3] + [6]
[2] cfb	Gross Revenue	([i] x [vi] x [xii]) x Prev[V]
[3]	Other Income	[4] + [5]
[4] cfb	New issue Fee	[vi] x [ix] (first year only)
[5] cfb	Reinstatement Fee	[vi] x [x] x [H]
[6]	Investment Income	[7] + [8]
[7] cfe	Trust Fund Income	[68]
[8] cfe	Other Investment Interest Income	[72]
[9]	Operating Expenses	[10] + [15] + [16] + [17] + [18] + [19] + [20] + [21] + [22] + [26] + [27] + [28] + [29] + [30]
[10]	Plan Benefits	[11] + [12] + [13] + [14]
[11] cfe	Matured Benefits	[i] x [V] x [vi] x {[iv] (if lump sum)} OR {[ii] x (1+[iii])^(Current Duration - Initial Duration)}
[12] cfb	Surrender Benefits	([i] x [vi]) x ([G] x [I]) x Prev[V]
[13] cfe	Memorial Benefits	([i] x [vi]) x ([F] x [v]) x Prev[V]
[14] cfe	Dividends*	[i] x [V] x [xiii] x [vi] (at maturity)
[15]	Increase / Decrease in Actuarial Reserves	[38] - Prev[38]
[16]	Increase / Decrease in Supplemental Reserves	[39] - Prev[39]
[17]	Increase / Decrease in Insurance Premium Reserves	[40] - Prev[40]
[18] cfb	CGL/WPD Premium	MAX{0, [J] x [2] x ([vii] - PY)/1000}
[19] cfb	GT/GADD Premium**	([i] x [vi] x [xi]) x Prev[V] x [K] /1000
[20] cfb	Surrender Processing Expense***	[vi] x [N] x Prev[V] x [G]
[21] cfe	Maturity Processing Expense	[vi] x [O] x [V]
[22]	Direct Costs	[23] + [24]
[23] cfb	Commission	[2] x [B]
[24] cfb	Overrides	[2] x [C] (if as % of RGI) OR [23] x [C] (if as % of Commissions)
[25] cfb	Marketing and Other Costs	[2] x [D] + ([vi] x Prev[V] x [E])
[26] cfb	VAT	[2] x (1 - [A]) x [xvii] / (1+[xvii])
[27] cfb	Local Government Tax	[2] x [xviii]
[28] cfb	IC Registration Fees	[i] x [vi] x [xi] x [xiv]
[29] cfb	Documentary Stamp Tax	[2] x [xv]
[30] cfb	General Administration Expense	[2] x [L] + ([vi] x Prev[V] x [M])
[31]	Taxable Income	[1] - [9]
[32] cfe	Income Tax Provision****	[31] x [xvi] OR MCIT whichever is applicable
[33]	Net Income	[31] - [32]

SAMPLE BALANCED SHEET for a sample block of policies

[34]	Assets	[35] + [36]
[35]	Trust Fund	[69]
[36]	Other Assets	[73]
[37]	Liabilities	[38] + [39] + [40]
[38]	Actuarial Reserve Liability for Basic Benefits	[i] x [vi] x [R] x Prev[V] - [11]
[39]	Supplemental Reserves	[i] x [vi] x [Q] x Prev[V]
[40]	Insurance Premium Reserve	[i] x [vi] x [P] x Prev[V]
[41]	Surplus / Retained Earnings	[34] - [37]
[42]	Present Value of Final Retained Earnings	last[41] x last[45]
[43]	Sum Present Value of Premiums over the term	[52]
[44]	Profit Margin	[42] / [43]

ANALYSIS OF PROFIT

[45]	Discount Rate	Prev[45] / (1+ [5])
[46]	Profits	[33]
[47]	Cumulative Profits	Prev[47] + [46]
[48]	Present Value of Cumulative Profits	[47] x [45]
[49]	Present Value of Premiums	Prev[45] x [2]
[50]	Sum Present Value of Premiums	Prev[50] + [49]
[51]	Present Value of Cumulative Profits	last[48]
[52]	Sum Present Value of Premiums over the term	last[50]
[53]	Profit Margin	[51] / [52]
[54]	Breakeven	start of positive [47]

ANALYSIS OF CASH FLOW

	CASH Flow from OPERATION	
[55]	Cash Flow Additions (beginning of year)	[2] + [3]
[56]	Cash Flow Additions (end of year)	None
[57]	Cash Flow Deductions (beginning of year)	[12] + [18] + [19] + [20] + [22] + [26] + [27] + [28] + [29] + [30]
[58]	Cash Flow Deductions (end of year)	[11] + [13] + [14] + [21] + [32]
[59]	Net Cash Flow (beginning of year)	[55] - [57]
[60]	Net Cash Flow (end of year)	[56] - [58]
	CASH Flow from INVESTMENTS	
[61]	Interest Earned by Trust Fund	[68]
[62]	Interest Earned by Other Assets	[72]
[63]	Net Cash Flow	[59] + [60] + [61] + [62]
[64]	Cumulative Cash Flow	Prev[64] + [63]

ANALYSIS of Asset Accumulation

	Schedule of Assets	
	Accumulation of Trust Fund	
[65]	Contribution to Trust Fund	[A] x [2]
[66]	Withdrawals from the Trust Fund (beginning of year)	[12]
[67]	Withdrawals from the Trust Fund (end of year)	[11] + [13]+[14]
[68]	Interest Earned by Trust Fund (net of Investment Expenses and charges)	([65] + Prev[69] - [66]) x [T]
[69]	Trust Fund Balance	[65] - [66] - [67] + [68] + Prev[69]
	Accumulation of Other Assets (after contribution to Trust Fund)	
[70]	Net Cash Flow (beginning of year)	[59] - ([65] - [66])
[71]	Net Cash Flow (end of year)	[60] + [67]
[72]	Interest Earned by Other Assets	([70] + Prev[73]) x [U]
[73]	Balance	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"