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Circular Letter No.:	23-2012
Date:	November 28, 2012

TO : ALL PRE-NEED COMPANIES

SUBJECT : VALUATION OF TRANSITORY PRE-NEED RESERVES

In order to provide regulatory leeway for old basket of plans, previously approved by the Securities and Exchange Commission, the valuation of pre-need reserves starting as of year-end 2012 shall be governed by the following:

1. Discount Interest Rate for the Reserves

The transitory discount interest rates per year that shall be used in the valuation of pre-need reserves shall not exceed the lower of the attainable rates as certified by the Trustee, and the following rates below:

Year	Discount Interest Rates
2012-2016	8.00%
2017	7.25%
2018	6.50%
2019 & onwards	6.00%

2. Transitory Pre-Need Reserve

To effect a smooth transition in the valuation of reserves for old basket of plans, the Commission shall prescribe a transitory pre-need reserve (TPNR). A maximum transition period of ten (10) years shall be observed in the implementation of the TPNR.

For each of the pre-need plan categories, namely, education, pension and life plans, the TPNR shall be computed annually on all old basket of plans outstanding on the 31st of December of each year from 2012 to 2021 using the discount interest rates as provided in item 1 above. If the actual trust fund balance is higher than or equal to the resulting pre-need reserve (PNR) then the liability to be set up shall be the PNR.

However, if the resulting pre-need reserve is greater than the actual trust fund balance at the end of the year, the TPNR shall be computed in accordance with the schedule below:

Year End	Pre-Need Reserve	Actual Trust Fund	Difference	Divisor (in years)	Trust Fund Deficiency	Transitory Pre Need Reserve (TPNR)
2012	A	K	A - K	10	(A - K)/10	K + (A - K)/10
2013	B	L	B - L	9	(B - L)/9	L + (B - L)/9
2014	C	M	C - M	8	(C - M)/8	M + (C - M)/8
2015	D	N	D - N	7	(D - N)/7	N + (D - N)/7
2016	E	O	E - O	6	(E - O)/6	O + (E - O)/6
2017	F	P	F - P	5	(F - P)/5	P + (F - P)/5
2018	G	Q	G - Q	4	(G - Q)/4	Q + (G - Q)/4
2019	H	R	H - R	3	(H - R)/3	R + (H - R)/3
2020	I	S	I - S	2	(I - S)/2	S + (I - S)/2
2021	J	T	J - T	1	(J - T)	T + (J - T)

The actual trust fund balance shall be trust fund balance at the end of the year net of any receivables by the pre-need company from the trustee for contractual benefits outstanding as of the end of the year.

The TPNR liability based on the above schedule shall be recognized and booked each year. The trust fund deficiency shall be funded by the pre-need company within sixty (60) days from April 30 following the valuation date.

3. Insurance Premium Reserves

The company shall at all times maintain insurance premium fund to cover its insurance premium reserves liability pertaining to premiums payable to insurance company/ies for supplemental insurance benefits under pension, education and memorial life plans other than insurance-funded benefits of memorial life plans.

4. Other Reserves

A pre-need company may, as a prudent measure, set-up other reserves to cover the general administrative expenses after the paying period.

This circular takes effect immediately.


EMMANUEL F. DOOC
 Insurance Commissioner