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CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES AND MUTUAL BENEFIT ASSOCIATIONS AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES

SUBJECT : EXCHANGE OFFER FOR HOLDERS OF EXISTING GOVERNMENT PESO DENOMINATED BONDS (the "Eligible Bonds") FOR A NEW ISSUE OF PESO-DENOMINATED BONDS (the "Benchmark Bonds")

In connection with the Republic's management liability program involves invitation to holders of certain existing "Eligible Bonds" to submit offers to exchange such Eligible Bonds for a new issue by the Republic of new "Benchmark Bonds" due on 2007, 2009 and 2011. The Benchmark Bond shall be issued pursuant to Republic Act No. 245, as amended.

The Insurance Commission therefore confirms that if domestic insurance companies participate in the exchange offer and submit their Eligible Bonds in exchange for the Benchmark Bonds, that the Benchmark Bonds issued to such domestic insurance companies shall be considered eligible mandatory insurance reserves under Sections 203, 191, 281 & 392 of the Insurance Code.

Evangelina Crisostomo Escobillo
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Insurance Commissioner

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