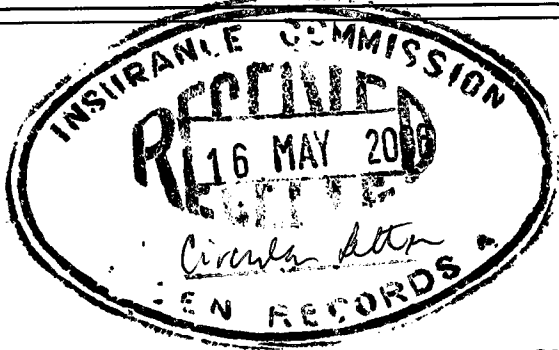




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Circular No.	:	16-2006
Date	:	May 12, 2006

CIRCULAR LETTER

TO : ALL LIFE INSURANCE COMPANIES

SUBJECT : AMENDMENTS TO THE GUIDELINES ON SALES ILLUSTRATIONS FOR LIFE INSURANCE PROPOSALS

To promote professionalism in selling insurance products and after considering the prevailing interest rates in the market, this Commission hereby amends the Guidelines on Sales Illustrations of Life Insurance Proposals pertaining to the interest assumptions to be used in illustrating the benefits under the Traditional and Variable Life Plans.

The amended provisions shall read as follows:

"4. Illustrating the Benefits of Traditional Plans

d. Underlying Assumptions Used for the Benefit Projection

Illustration of projected dividend rates and earnings of Premium Deposit Funds (PDF) shall be based on two (2) assumptions:

Peso Plans

For Peso plans, the following interest assumptions shall be used.

1. 4%; and
2. Current Interest rate for those companies/products with three years historical experience. For new companies/products, the interest rate supported by investment program/strategy of the company shall be used.

Dollar Plans

For US Dollar plans, the following interest assumptions shall be used:

1. 3%; and

2. Current Interest rate for those companies/products with three years historical experience. For new companies/products, the interest rate supported by investment program/strategy of the company shall be used.

These rates are the investment returns after final tax and other expenses. The values illustrated shall be rounded to the lower hundredth. Assumptions upon which illustrations are based and the method of calculation shall be clearly specified.

The Commission may from time to time change the assumed investment return rates to reflect market condition.

5. Illustrating the Benefits of Variable Plans

e. Underlying Assumptions Used for the Benefit Projection

4. Illustrations of benefits payable under the variable life insurance contract based on assumed investment return rates, using three (3) assumptions.

Peso Plans

For Peso plans, the following interest assumptions shall be used.

1. Low Assumption : 4%
2. Mid Assumption : Current Interest rate for those companies/products with three years historical experience. For new companies/products, interest rate supported by investment program/strategy of the company shall be used. If the current interest rate exceeds the high assumption rate, the company shall submit a) proofs that the former has exceeded the latter and b) solid basis that it can sustain the current interest rate in the future; and
3. High Assumption : 10%

Dollar Plans

For US Dollar plans, the following interest assumptions shall be used:

1. Low Assumption : 3%
2. Mid Assumption : Current Interest rate for those companies/products with three years historical experience. For new companies/products, yield rate supported by investment program strategy of the company shall be used. If the current interest rate exceeds the high assumption rate, the company shall submit a) proofs that the former has exceeded the latter and b) solid basis that it can sustain the current interest rate in the future; and
3. High Assumption : 8%

These rates are the investment returns after final tax and other expenses
The values illustrated shall be rounded to the lower hundredth. Assumptions
upon which illustrations are based and the method of calculation shall be
clearly specified.

The Commission may from time to time change the assumed investment
return rates to reflect market condition.”

A fine of five hundred pesos (P 500.00) per day for every non-compliant policy is hereby
imposed. At the discretion of the Commissioner and taking into account the frequency
and gravity of violations, other administrative sanctions provided under the Insurance
Code – including suspension of license – may also be imposed.

This supersedes inconsistent provisions of Circular Letter No. 23-2005.

This Commission shall regularly review the guidelines and effect the necessary
amendments as it deems necessary.

This Circular shall take effect on July 1, 2006.


EVANGELINE CRISOSTOMO-ESCOBILLO
Insurance Commissioner

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