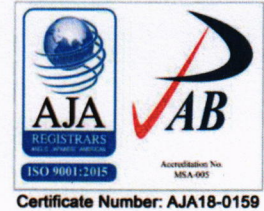




Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Circular Letter (CL) No.:	2018-75
Date:	28 December 2018
Amends:	CL No. 2016-66

CIRCULAR LETTER

TO : ALL LIFE INSURANCE COMPANIES AND MUTUAL BENEFIT ASSOCIATIONS DOING BUSINESS IN THE PHILIPPINES

SUBJECT : DISCOUNT RATES FOR LIFE INSURANCE POLICY RESERVES AS OF 31 DECEMBER 2018

WHEREAS, Item IV(1b) of IC Circular Letter (CL) No. 2016-66 dated 28 December 2016 entitled *Valuation Standards for Life Insurance Policy Reserves* prescribes that the PDST-R2 rates shall be used as basis of the risk free discount rates to be used by life insurance companies in valuing the policy reserves for the Philippine Peso-denominated life policies;

WHEREAS, effective 29 October 2018, the Philippine Dealing & Exchange Corp. (PDEX) shall replace the current set of PDST Reference Rates (PDST-R1 & PDST-R2) with the PHP BVAL Reference Rates;

WHEREAS, Item IV(1f) of the CL No. 2016-66 states that *"IC shall provide the yield curve and risk free discount rate, and may change the sources of the yield curve when appropriate"*.

NOW THEREFORE, pursuant to the authority of the Insurance Commissioner under Sections 50 and Section 437 of the Insurance Code, as amended by Republic Act No. 10607, Item IV(1b) of CL No. 2016-66 is hereby amended as follows:

"b. The yield curve used as basis for the risk-free discount rate shall be obtained from the following sources:

- i. for Philippine Peso policies: PHP BVAL Reference rates from Bloomberg***
- ii. for US Dollar policies: International Yield Curve (IYC) from Bloomberg"***

Relative thereto, attached are the schedules of **Peso and Dollar Spot and Forward rates as of 28 December 2018 and 31 December 2018**, respectively, which will be used in discounting the cash flows in the calculation of policy reserves as of 31 December 2018. The Peso and Dollar spot and forward rates to be used for discounting cash flows with duration of more than 20 years were determined using the 2-year moving-average of the 20-year government bond yield rate.

Please be guided accordingly.



DENNIS B. FUNA
Insurance Commissioner

