



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

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Supersedes	2002 Guidelines on variable life contracts
Amends	Circular letter No. 23-2005; 16-2006; 2015- 20

CIRCULAR LETTER

TO : All Life Insurance Companies

SUBJECT : Revised Guidelines on Variable Life Insurance Contracts

WHEREAS, Section 238 of The Insurance Code, as amended by R.A. No. 10607, provides that no insurance company authorized to transact business in the Philippines shall issue, deliver, sell or use any variable contract in the Philippines, unless and until such company shall have satisfied the Commissioner that its financial and general condition and its methods of operations, including the issue and sale of variable contracts, are not and will not be hazardous to the public or to its policy and contract owners;

WHEREAS, Section 437 of the Insurance Code also provides that the Insurance Commissioner shall have the duty to see that all laws relating to insurance, insurance companies and shall, notwithstanding any existing laws to the contrary, have sole and exclusive authority to regulate the issuance and sale of variable contracts and to provide for the licensing of persons selling such contracts, and to issue such reasonable rules and regulations governing the same.

WHEREAS, the Insurance Commission had issued in 2002 to the Philippine Life Insurance Association the Guidelines on Variable Life Insurance Contracts for the guidance of its members. R.A. No. 10607, which was approved in 2012, changed the specific sections of The Insurance Code being referred to by the 2002 Guidelines. The 2002 Guidelines was subsequently amended and supplemented by Circular Letters No. 23-2005, 16-2006 and 2015-20.

WHEREAS, herein Revised Guidelines on Variable Life Insurance Contracts consolidates the unaffected provisions of the 2002 Guidelines on Variable Life Insurance Contracts and incorporates the amendments made by Circular Letters No. 23-2005, 16-2006 and 2015-20 for easy reference and compliance, and contains the updated sections in accordance with the Amended Insurance Code.

NOW, THEREFORE, pursuant to the powers vested to the Insurance Commissioner under Section 437 of the Insurance Code, as amended, the attached Revised Guidelines on Variable Life Insurance Contracts is hereby promulgated for compliance by all life insurance companies transacting variable life insurance business.



DENNIS B. FUNA
Insurance Commissioner

**REVISED GUIDELINES
ON
VARIABLE LIFE
INSURANCE CONTRACTS**

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Section 1. Definitions

The definitions set forth hereunder shall govern the construction of the following terms used in these Guidelines.

- (a) “Commission” refers to the Insurance Commission.
- (b) “General Account” means all assets of the insurer other than assets in separate variable account(s) established pursuant to Section 243 of the Insurance Code.
- (c) “Incidental Insurance Benefit” means all insurance benefits in a variable life insurance contract, other than the variable death benefit and the minimum death benefit, including but not limited to, accidental death and dismemberment benefits, disability benefits, guaranteed insurability options, family income or term riders.
- (d) “Minimum Death Benefit” means the amount of the guaranteed death benefit, other than incidental insurance benefits, payable under a variable life insurance contract regardless of the investment performance of the separate account(s).
- (e) “Net Amount at Risk” is defined as any excess of minimum death benefit over the value of the policyholder’s separate variable account.
- (f) “Net Investment Return” means the rate of investment return in a separate account(s).
- (g) “Separate Variable Account” means a separate account(s) established pursuant to Section 243 of the Insurance Code.
- (h) “Variable Life Insurance Contract” refers to variable contract as defined in Section 238 (b) of the Insurance Code.
- (i) “Unit Pricing” is the process whereby the unit price of units is set. The unit price of units is basically the value of the underlying assets of the separate account(s) divided by the number of units issued.
- (j) “Offer Price” or “Selling Price” means the price which the insurer uses to allocate units to a policy when premiums are paid.
- (k) “Bid Price” or “Buying Price” is the price which the insurer will give for the units if the policyholder wishes to cash in or claim under the policy.

- (l) “Top-Ups” are single premium injections which can be used to buy additional units.
- (m) “Premium Holiday” refers to the cessation of premium payments on a variable life insurance contract for a period, with a view to continue it later on.
- (n) “Withdrawal Value” is the total amount available to the policyholder in cash upon redemption of all units.
- (o) “Partial Withdrawal” refers to the redemption of some units owned by the policyholder.
- (p) “Forward Pricing” is a pricing structure wherein the buying and selling prices of units are determined at the next valuation date.
- (q) “Allocation of Premiums” means the periodic distribution of premiums to insurance and units.
- (r) “Over-The-Counter Market” shall be defined to mean a market which trades all kinds of stocks and bonds which are not listed in the local securities exchanges and where there is no centralized place for trading, there are no listing requirements for issues traded and all registered brokers and dealers are entitled to participate.
- (s) “Actively Engaged” shall be taken to mean that the license holder shall have earned, during the year following the issuance of the license, commission or other compensation for services renders as an agent amounting to at least PhP 3,600.
- (t) “Variable Contract Agent” shall mean any person who sells or offers for sale variable contracts, as defined in Section 243 (b) of the Insurance Code, or does or performs any act or thing in the sale, negotiation, making or consummating of any such contract other than for himself or herself.
- (u) “Insurance Broker” shall mean any person who, for any compensation, commission, or other thing of value acts or aids in any manner in soliciting, negotiating or procuring the making of any insurance contract or in placing risks or taking out insurance on behalf of an insured other than himself or herself.

Section 2. Qualifications of Insurer to Issue Variable Life Insurance Contracts

Any insurer authorized to transact business in the Philippines requesting authority to issue, deliver, sell or use variable life insurance contracts must show to the satisfaction of the Commission that it has satisfied, in addition to the requirements of the Code relative to variable life insurance contracts, the following qualifications:

- (a) The insurer, during the fiscal year preceding the date of authorization, shall have maintained surplus accounts in excess of the minimum margin of solvency required of not less than PhP 1,000,000.
- (b) The insurer shall initially transfer and allocate to the designated separate variable account(s) in cash or other acceptable investment or a combination of both, an amount equal to at least PhP 1,000,000 from the unassigned surplus of the insurer; and
- (c) The insurer shall at all times maintain in the designated separate variable account(s) a surplus which shall be an excess of the value of the admitted assets of such account over its liabilities and reserves of at least two per mille of the total net amount of the risk in force of its variable life insurance contracts as of the preceding year, provided, that the surplus shall in no event be less than PhP 1,000,000; and provided, further, that in the determination of the margin of solvency requirements of the company, the total amount of its insurance in force stated under Section 200 of the Insurance Code shall be deemed to exclude the insurance in force on the variable life insurance contracts.

Section 3. Filing for Approval to do Business

Pursuant to Section 238 of the Insurance Code, the Commission shall require that an insurer, before it delivers or issues for delivery any variable life insurance contract in the Philippines, file with the Insurance Commission a business plan that contains, at least, the following information:

- (a) A general description of the variable life insurance contracts it intends to issue;
- (b) A general description of the methods of operation of the variable life insurance business of the insurer, including methods of distribution of policies;
- (c) With respect to any separate account(s) maintained by an insurer for a variable life insurance contract, a statement of the investment policy the issuer intends to follow for the investment of the assets held in the separate account(s) and a statement of procedures for changing the investment policy. The statement of investment policy shall include a description of the investment objectives intended for the separate account(s);
- (d) A description of the basis of allocation of charges and expenses in the separate account(s);
- (e) A description of the education and training intended for agents; and
- (f) The sources of any actuarial, investment and advisory services contemplated.

Section 4. Insurance Policy Requirements

A. Approval of Variable Life Insurance Contract Form

Every variable life insurance contract form delivered or issued for delivery in the Philippines, every certificate form evidencing variable benefits issued pursuant to any such contract on a group basis, and the application, rider and endorsement forms applicable thereto and used in connection therewith, shall be subject to the prior approval of the Commission. No such form shall be approved unless it conforms to the requirements of these Guidelines.

B. Mandatory Policy Benefit and Design Requirements

Variable life insurance contracts delivered or issued for delivery in the Philippines shall comply with the following minimum requirements.

- (1) The policyholder of a variable life insurance contract must be at least 18 years old.
- (2) The minimum death benefit shall be prescribed as follows:
 - (a) in the case of a single premium variable life insurance contract,
 - (i) 125% of the initial single premium paid; plus
 - (ii) 125% of each subsequent top-up premium; minus
 - (iii) 125% of each partial withdrawal.
 - (b) in the case of an annual premium variable life insurance contract,
 - (i) 500% of the current annual premium paid; plus
 - (ii) 125% of each subsequent top-up premium; minus
 - (iii) 125% of each partial withdrawal; and
 - (iv) minimum death benefit should not be affected by a premium holiday.
- (3) The withdrawal value of each variable life insurance contract shall be determined at least monthly. The withdrawal value of a variable life insurance contract must not be less than the value of units that have been allocated in the separate account(s), less any charges for insurance, administration and surrender, if applicable.

C. Mandatory Policy Provisions

Every variable life insurance contract filed for approval in the Philippines shall contain at least the following:

- (1) The policyholder shall have a cooling-off period whereby the variable life insurance contract may be returned within fifteen (15) days of receipt of the policy by the policyholder and receive a refund equal to the market value of the units including initial charges thereof.
- (2) A provision of grace period of not less than thirty-one (31) days from the premium due date for any subsequent premium after the first. Any unpaid premium may be deductible from the benefits that may arise during the 31-day grace period.
- (3) A provision that the policy shall be incontestable after it shall have been in force during the lifetime of the insured for a period of two (2) years from its date of issue as shown in the policy, or date of approval of last reinstatement, except for non-payment of premium and except for violation of the conditions of the policy relating to military or naval service in time of war.
- (4) A provision specifying what documents constitute the entire insurance contract.
- (5) A designation of the officers, who are empowered to make an agreement or representation on behalf of the insurer and an indication that statements by the insured, or on his or her behalf, shall be considered as representations and not warranties.
- (6) An identification of the owner of the insurance contract.
- (7) A description of any adjustments in policy values to be made in the event of misstatement of age or sex of the insured. That if the age or sex of the insured has been misstated, the amount of insurance will be adjusted to the amount which the premium would have purchased at the correct age or sex, applicable risk class, applicable service charges and applicable premium rates as of the policy date. If at the correct age or sex, the insured is not eligible for any coverage under the policy or its incidental benefits, the insurer will refund the corresponding premiums actually received by the insurer less any indebtedness under the policy.

- (8) A provision that in the event the policyholder fails to pay a premium on time or discontinues paying premiums, notwithstanding the provision on grace period and notwithstanding periods for nil allocation of premiums, and there are withdrawal values in the policyholder's account, the policy either continues at the same sum assured for the same basic benefits or at a reduced sum assured for death and incidental benefits. If the policyholder fails to pay a premium on time and there are no withdrawal values in the policyholder's account, the policy terminates immediately on the day the premium is due.
- (9) A provision that in the event the policyholder wishes to continue to pay a premium at any time within three (3) years from the date of premium default, he may do so upon the written application and submission of evidence of insurability, including good health, satisfactory to the insurer unless the withdrawal value has been paid or the period of extended insurance has expired, and upon payment of all amounts necessary to revive the policy.
- (10) A provision stating that the investment policy of the separate account(s) shall not be changed without the approval of the Commission and that the approval process is on file with the Commission.
- (11) A description of the basis for computing the withdrawal value under the policy shall be included.
- (12) A provision allowing the policyholder to make partial withdrawals;
- (13) A statement that while the policy is in force, the Insured may, subject to the approval of the insurer, transfer or "switch" any of his or her units in a particular separate variable account to another separate variable account or some other separate variable accounts which may have been established by the insurer; such "switch" will be effected by the cancellation of the units to be "switched" and the creation of new units in the separate variable account being "switched" to; unit price will be calculated accordingly.
- (14) A statement of any conditions or requirements concerning the assignment of the policy where the policy can be used as a security or collateral for any financial dealings. The party to whom the policy is assigned as a security or collateral must notify the insurer in writing of its interest. The insurer shall not be responsible for the verification of the authenticity or validity of any such assignment.

- (15) A provision setting forth conditions or requirements as to the designation, or change of designation, of a beneficiary and a provision for disbursement of benefits in the absence of a beneficiary designation.
- (16) Premiums or charges for incidental insurance benefits shall be stated separately.
- (17) An exclusion for suicide within two (2) years of the issue date of the policy or its last reinstatement, if any, the pertinent provisions of the Insurance Code shall apply. Provided, however, that to the extent of the increased death benefits only, the policy may provide an exclusion for suicide within two (2) years of any increase in death benefits which results from an application of the owner subsequent to the policy issue date.

A provision for benefits payable in case of death by suicide is not compensable shall be included. The benefits payable should not be less than the market value of the units plus initial charges thereof.

Such other provisions as are currently required for traditional life insurance policies and are not inconsistent with these Guidelines shall apply.

D. Other Policy Provisions

The following provision may in substance be included in a variable life insurance contract or related form delivered or issued for delivery in the Philippines.

- (1) Incidental insurance benefits may be offered.
- (2) Any other policy provision approved by the Commission.

Section 5. Reserve Liabilities for Variable Life Insurance Contracts

Reserve liabilities for variable life insurance contracts shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees.

The insurer's actuary shall determine the appropriate methodology and basis for the valuation of liabilities for variable life insurance contracts subject to the approval of the Commission.

The liabilities of the insurer in respect of its variable life insurance contracts shall not be less than the amount needed to meet the withdrawal values, the death claims, administrative expenses and other expenses relating to such policies.

The actuary of an insurer shall ensure that the liabilities of the insurer in respect of its variable life insurance contracts are adequate at all times. The actuary shall increase such liabilities to cover any contingencies or guarantees relating to such policies whenever he or she considers necessary.

Section 6. Unit Pricing

A. Pricing of Units

The selling and buying prices for the units shall be determined in accordance with the following methodologies.

Single Pricing

- (1) The net asset value per unit is the market value of the assets of a separate account(s) divided by the total number of units. The net asset value per unit may be adjusted, as appropriate, for an estimated transaction cost per unit that is intended to reflect the average commission and brokerage that is expected to be incurred in respect of the investments of the separate account(s). The transaction cost shall be reviewed regularly, and revised if necessary.
- (2) The buying and selling prices per unit are equal to the adjusted net asset value per unit as at the next valuation date, after the receipt of request for purchase of units. Pricing on a “next valuation date” basis is known as “forward pricing”.
- (3) The basis for determining the selling and buying price for units shall be set according to whether the separate account(s) is in a contracting or expanding status, this being defined as appropriately by the insurer.

Dual Pricing

- (1) The net asset value per unit is the market value of the assets of a separate account(s) divided by the total number of units.

The net asset value per unit may be adjusted, as appropriate, for an estimated transaction cost per unit that is intended to reflect the average commission and brokerage that is expected to be incurred in respect of the investments of the separate account(s). The transaction cost shall be reviewed regularly, and revised if necessary.

- (2) The offer price per unit is equal to the adjusted net asset value per unit as at the next valuation date plus the initial charge, after the receipt of request for purchase of units. Pricing on a “next valuation date” basis is known as “forward pricing”.
- (3) The bid price per unit is equal to the adjusted net asset value per unit as at

the next valuation date, after the receipt of the re-purchase request.

- (4) The basis for determining the selling and buying price for units shall be set according to whether the separate account(s) is in a contracting or expanding status, this being defined as appropriately by the insurer.

Other Pricing Methods

The buying and selling prices for the units may be determined in accordance with a generally accepted pricing method other than single and dual pricing, subject to the approval of the Commission.

B. Publication of Unit Prices

The insurer must publish the latest values of the following items in at least one national newspaper each time there is a change in unit value but at least on a monthly basis:

- (1) The offer/selling price per unit;
- (2) The bid/buying price per unit; and
- (3) The net asset value per unit.

Section 7. Separate Account(s)

The following requirements apply to the establishment and administration of separate variable account(s):

A. Establishment and Administration of Separate Account(s)

- (1) An insurer authorized to issue, deliver, sell or use variable life insurance contracts shall establish one or more separate variable accounts pursuant to Section 243 of the Insurance Code.
 - (a) If no law or other regulation provides for the custody of separate variable account assets and if such company is not the custodian of such separate variable account assets, all contracts for custody of such assets including any amendments thereof shall be in writing, and the Commission shall have authority to review and approve both the terms of any such contract and the proposed custodian prior to the transfer of custody.
 - (b) Such company shall not without prior written approval of the Commission employ in any manner in connection with the handling of separate variable account assets any person who:
 - (i) within the last ten (10) years has been convicted of any felony or a misdemeanor arising out of such person's conduct involving embezzlement, fraudulent conversion, misappropriation of funds or securities;
 - (ii) within the last ten (10) years has been found by the Commission to have violated or has acknowledged violation of any provision of the Insurance Code involving fraud, deceit, or knowing misrepresentation; or
 - (iii) within the last ten (10) years has been found by the Securities and Exchange Commission to have violated or has acknowledged violation of any provision of the securities law involving fraud, deceit, or knowing misrepresentation.
- (2) All amounts received by the company in connection with any variable life insurance contracts which are required by the terms thereof to be allocated or applied to one or more designated separate variable accounts shall be placed in such designated account or accounts.

- (3) The assets and liabilities of each such separate variable account shall at all times be clearly identifiable and distinguishable from the assets and liabilities in all the other accounts of the company.
- (4) Notwithstanding any provision of law to the contrary, the assets held in any such separate variable account shall not be chargeable with liabilities arising out of any other business the company may conduct but shall be held and applied exclusively for the benefit of the owners or beneficiaries of the variable life insurance contracts applicable thereto.
- (5) In the event of the insolvency of the company, the assets of each such separate variable account shall be applied to the contractual claims of the owners or beneficiaries of the variable life insurance contracts applicable thereto subject to existing laws and rules and regulations of the Commission.
- (6) The reserve liability for variable life insurance contracts shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided, and shall be approved by the Commission.
- (7) Separate life insurance variable accounts shall not be used for variable annuities or for the investment of funds corresponding to dividend accumulations or other policyholder liabilities not involving life contingencies.

B. Amounts in the Separate Account(s)

The company shall maintain in each separate variable account assets with a value at least equal to the valuation reserves and such other liabilities arising out of the variable life insurance contracts.

C. Investments by the Separate Account(s)

- (1) A company which has established one or more separate variable accounts pursuant to Section 243 of the Insurance Code may invest and re-invest all or any part of the assets allocated to any such account in the securities and investments authorized by Sections 204, 206, 207, 208 for any of the funds of an insurance company in such amount or amounts as may be approved by the Commission. In addition thereto, such company may also invest in common stocks or other equities which are listed on or admitted to trading in a securities exchange located in the Philippines, or which are publicly held and traded in the over-the-counter market and as to which market quotations have been available.

- (2) No such company shall invest in excess of ten per centum of the assets of any such separate variable account(s) in any one corporation issuing such common stock. The assets and investments of such separate variable account(s) shall not be taken into account in applying the quantitative investment limitations applicable to other investments of the company.
- (3) In the purchase of common capital stock or other equities, the company shall designate to the broker, or to the seller if the purchase is not made through a broker, the specific separate variable account(s) for which the investment is made.
- (4) The separate variable account(s) shall have sufficient net investment income and readily marketable assets to meet anticipated withdrawals under policies funded by the separate variable account(s).
- (5) Except as otherwise specifically provided by the contract, no sale, exchange, or other transfer of assets may be made by a company, between any of its separate variable accounts or between any other investment account and one or more of its separate variable accounts, unless:
 - (a) In the case of a transfer into a separate variable account, such transfer is made solely to establish the account or to support the operation of the contracts with respect to the separate variable account to which the transfer is made, or in case of a transfer from a separate variable account, such as transfer would not cause the remaining assets of the account to become less than the reserves and other contract liabilities with respect to such separate variable account; and
 - (b) Such transfer, whether into or from a separate variable account, shall be made by a transfer of cash, or by a transfer of securities having a valuation which could be readily determined in the market place, provided that such transfer of securities is approved by the Commission. Only the true and duly verified balances of any current, savings, time and/or fixed deposit in any financially sound commercial banks or trust company may be transferred. For purposes of this sub-section, only the following shall be considered "securities having a valuation which would be readily determined in the market place":
 - (i) securities listed in or admitted to trading in a securities exchange located in the Philippines;

- (ii) bonds or other evidences of debt of the government of the Philippines, or its political subdivisions authorized by law to issue bonds, or of government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas;
 - (iii) new bond or debt issues which may reasonably be expected to be listed on a securities exchange located in the Philippines; and
 - (iv) short-term debt instruments approved by the Commission under Section 207 of the Insurance Code.
- (6) The Commission may authorize other transfers among such accounts, if, in its opinion, such transfer would not be inequitable.
 - (7) All amounts and assets allocated to any such separate variable account shall be owned by the company and with respect to same the company shall not be nor hold itself out to be a trustee.

D. Valuation of Separate Account(s) Assets

Assets allocated to any separate variable account shall be valued at their market value on the date of any valuation, or if there is no readily available market, then in accordance with the terms of the variable contract applicable to such assets. In the absence of such contract terms, assets shall be valued in accordance with the provisions of Section 214 of the Insurance Code.

The assets of such separate variable account shall be valued at least as often as variable benefits are determined but in any event at least monthly.

Otherwise, the valuation shall be book value or acquisition cost whichever is lower, or at a valuation approved by the Commission.

E. Separate Account(s) Investment Policy

- (1) The company shall file with the Commission a statement of the investment policy it intends to follow for the investment of the assets held in the separate variable account(s), and a statement of procedures for changing such investment policy. The statement of investment policy shall include a description of the investment objectives intended for the separate variable account(s).

- (2) The investment policy filed under (1) above and any change in such investment policy shall be subject to the approval of the Commission.
 - (a) Any investment policy or change filed shall be effective upon approval by the Commission. At any time, the Commission may, after notice and hearing, disapprove any investment policy or change that has become effective.
 - (b) The Commission may disapprove the investment policy or any change therein if it determines that the change would be detrimental to the interests of the policyholders participating in such separate variable account(s).

F. Charges Against Separate Account(s)

The company must disclose in writing, prior to or contemporaneously with delivery of the policy, all charges that may be made against the separate variable account(s), including, but not limited to, the following:

- (1) taxes or reserves for taxes attributable to investment gains and income of the separate variable account(s);
- (2) actual cost of reasonable brokerage fees, taxes and similar direct acquisition and sale costs incurred in the purchase or sale of separate variable account assets;
- (3) actuarially determined costs of insurance (tabular costs) and the release of separate variable account liabilities;
- (4) charges for administrative expenses and investment management expenses, including internal costs attributable to the investment management of assets of the separate variable account(s);
- (5) a charge, at a rate specified in the policy, for mortality and expense guarantees;
- (6) any amounts in excess of those required to be held in the separate variable account(s);
- (7) charges for incidental insurance benefits.

Indirect expenses such as general overheads of the Company should not be charged to the separate variable account(s).

G. Investment Advisory Services to a Separate Account(s)

An insurer shall not enter into a contract under which any person undertakes, for a fee, to regularly furnish investment advice to such insurer with respect to its separate variable account(s) maintained for variable life insurance contracts unless:

- (1) the insurer has obtained prior approval from the Commission.
- (2) the insurer has filed with the Commission and continues to file annually the following information and statements concerning the proposed advisor:
 - (a) the name and form of organization and its principal place of business;
 - (b) the names and addresses of the partners, officers, directors and persons performing similar functions or, if such an investment advisory be an individual;
 - (c) a statement provided by the proposed advisor as to whether the advisor or any person associated therewith:
 - (i) has been convicted within ten (10) years of felony or misdemeanor arising out of such person's conduct as an employee, salesman, officer or director of an insurance company, a banker, an insurance agent, a securities broker, or an investment advisor involving embezzlement, fraudulent conversion, or misappropriation of funds or securities.
 - (ii) has been permanently or temporarily enjoined by an order, judgement or decree of any court of competent jurisdiction from acting as an investment advisor, underwriter, broker, or dealer, or as an affiliated person or as an employee of any investment company, bank or insurance company, or from engaging in or continuing any conduct or practice in connection with any such activity;
 - (iii) has been found by the regulatory authorities to have willfully violated or have acknowledged willful violation of any provision of the securities law or insurance laws or of any rule or regulation under any such laws; or
 - (iv) has been censured, denied an investment advisor registration, had a registration as an investment advisor revoked or suspended, or been barred or suspended from being associated with an investment advisor by order of regulatory authorities.
- (3) such investment advisory contract shall be in writing and provide that it may be terminated by the company without penalty to the company or the separate variable account(s) upon no more than sixty (60) days written notice to the investment advisor.

The Commission may, after notice and opportunity for hearing, by order require

such investment advisory contract to be terminated if he deems continued operation thereunder to be hazardous to the public or the company's policyholders.

Section 8. Information Furnished to Applicants

A. Rationale

Customers must be given information they need about the product and its benefits so that they can make informed decisions about whether or not to buy. Insurance companies have the responsibility to ensure that information is presented and help customers understand this information.

B. Illustrating the Benefits of Variable Life Plan

1. Death Benefit

The minimum death benefit of a variable life insurance contract shall be as provided in Section 4, Item B (2) hereof.

2. Withdrawal Values

The withdrawal value of a variable life insurance contract must not be less than the value of units that have been allocated in the separate account(s), less any charges for insurance, administration, and surrender, if applicable.

3. Date of the illustration

Every sales illustration shall indicate the date that it was prepared.

4. Explanatory/warning statement to be disclosed in the illustration document

An insurer delivering or issuing for delivery in the Philippines a variable life insurance contract shall disclose to applicants adequate and accurate information required by this section.

All sales materials, which shall form part of the policy contract, shall contain at least the following information:

- (a) A summary explanation, in non-technical terms, of the principal features of the policy, including a description of the manner in which the variable benefits will reflect the investment experience of the separate account(s) and the factors that affect the variation. This information shall include the provisions required by Section 4, Item C (1) and Item C (4) hereof.

- (b) A statement of the investment policy of the separate account(s) including;
 - (b.1) A description of the investment objectives intended for the separate account(s) and the principal types of investments intended to be made; and
 - (b.2) Any restrictions or limitations on the manner in which the operations of the separate account(s) are intended to be conducted;
- (c) A prominent statement that the investment risks under the policy are to be borne solely by the policyholders;
- (d) A statement of the initial charge, management fees, mortality charge and any other charges to be borne by the policyholders;

5. Underlying assumptions used for the benefit projection

Additional information to be included in the sales materials for a variable life insurance contract shall be as follows:

- (a) A description of the basis for computing all policy benefits;
- (b) A summary of the method to be used in valuing assets held by the separate account(s);
- (c) All guarantees to policyholders, including the guaranteed minimum death benefit, maximum mortality cost and expense charge, minimum rate of interest, minimum withdrawal value, surrender charge and guaranteed maturity benefit, where applicable;
- (d) Illustrations of benefits payable under the variable life insurance contract based on assumed investment return rates, using three (3) assumptions.

(d.1) Peso Plans

For Peso plans, the following interest assumptions shall be used

- (i) Low Assumption: 4%
- (ii) 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

Current Interest Rate refers to the average earnings for the past 36 months and calculated every quarter.

(iii) High Assumption: 10%

(d.2) Dollar Plans

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

(i) Low Assumption: 3%

(ii) 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

(iii) 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 conditions.

- (e) Where the policy has the flexibility of distributing premiums among several separate account(s), illustrations of benefits payable shall be based on the distribution proportion so elected by the policyholder.
- (f) A statement of the investment performance of the separate account(s) for each of the last ten (10) years or much lesser period as the separate account(s) has been in existence duly certified by responsible officer with a rank of at least Vice-President;

- (g) A prominent statement indicating that the value of the policy may increase or decrease in accordance with the experience of the separate account(s), the results shown is for illustrations only, that the performance of the separate account(s) is not guaranteed and that the value of the policy could be less than the capital invested subject to any specified minimum guarantees. The statement must be of at least equal prominence to the illustrations that it relates to; and
- (h) Any other information that the Commission may from time to time deem necessary.

6. Language

All sales materials used by any agent of an insurer to market the variable life insurance contract must be approved by the insurer and shall not include any statement, promise, or forecast which the insurer knows to contain any concealment of material facts. It shall not be written in a language, which may confuse or mislead an applicant due to his or her lack of experience or knowledge.

7. Company customization of illustration document

Subject to the approval of the Commission, the insurance company may customize to include additional information provided that such additional information is not misleading and does not otherwise deviate from the information disclosed according to guidelines set by the Commission.

C. Format of Illustration of Benefits

All sales illustrations shall have an **Illustration of Benefits** following the format for Variable Life Plans prescribed by the Commission. (refer to Annex A & B)

D. Acknowledgement of Variability

All sales illustrations for variable life insurance contracts shall include an **Acknowledgement of Variability** based on the format prescribed by the Commission (refer to Annex C).

Section 9. Periodic Disclosure to Policyholders

A. Statement to Policyholders

An insurer delivering or issuing for delivery in the Philippines a variable life insurance contract shall mail to each variable life insurance policyholder at his or her last known address, within thirty (30) days after each anniversary of the policy or a specified date in each policy year, a statement for the purpose of keeping the policyholders advised on the performance and value of their policies.

The statement to policyholders on the performance and status of their variable life insurance contracts shall contain the following information.

- (1) The number and value of units held at the end of the previous statement period;
- (2) The number and value of units bought during the statement period;
- (3) The number and value of units sold during the statement period;
- (4) The number and value of units held at the end of current statement period;
- (5) Charges incurred during the statement period. Each of the charges shall be identified, e.g., initial charge, management fee, mortality, riders, etc.;
- (6) Total amount of premium received during the statement period;
- (7) The current death benefit at the end of the current statement period;
- (8) The net withdrawal value at the end of the current statement period; and
- (9) Any other information that the Commission may from time to time deem necessary.

B. Report to Policyholders

All policyholders shall be entitled to receive from the insurer an annual report on the performance of each separate account within sixty (60) days from the date to which the report relates, a copy of which shall be submitted to the Commission.

The report to policyholders on the performance of each separate account must include the

following information.

- (1) A summary of the financial statement of the separate account(s) based on the last annual statement filed with the Commission;
- (2) The net investment return of the separate account(s) for the last year and, for each year after the first, a comparison of the net investment rate of the separate account(s) during the last year with the investment rate during prior years, up to a total of not less than five (5) years when available;
- (3) A list of investments held by the separate account(s) as of a date not earlier than the end of the last year for which an annual statement was filed with the Commission;
- (4) Any charges levied against the separate account(s) during the previous year;
- (5) A statement of any change, since the last report, in the investment objective and orientation of the separate account(s), in any investment restriction or material quantitative or qualitative investment requirement applicable to the separate account(s) or in the investment advisor of the separate account(s); and
- (6) Any other information that the Commission may from time to time deem necessary.

Section 10. Qualifications of Agents for the Sale of Variable Life Insurance Contracts

A. Licensing Requirements and Limitations

- (1) No insurer, doing business in the Philippines, or any agent thereof, shall pay any commission or any compensation to any person for services in obtaining or placing insurance, unless such person shall have first procured from the Commission a license to act as an agent.
- (2) No person shall act as an agent in the Philippines without first procuring a license so to act from the Commission. Such license shall be issued only if, upon written application of the person desiring it and payment of the corresponding fee therefor, such person is found qualified and not otherwise disqualified for such license. Such license shall be valid until the thirty-first day of December of the third year following the date of issuance.
- (3) No insurer doing business in the Philippines, or any agent thereof, shall pay to any person licensed to act as an agent, nor shall such person receive any commission or other compensation for the insurance on his or her life unless such person has secured for or placed with the insurer at least an equal amount of outside business during the period covered by his or her license.
- (4) No person shall be licensed to act as an agent of more than one insurer.
- (5) No official or employee of an insurance broker shall be licensed to act as an agent.

B. Qualification to Sell Variable Life Insurance Contracts

- (1) A person shall not sell or offer for sale any variable life insurance contract unless the person is an agent and has filed with the Commission, in a form satisfactory to the Commission, evidence that the person holds a license or authorization that may be required for the solicitation or sale of variable life insurance. As such, an agent must possess the following qualifications:
 - (a) He is a resident of the Philippines;

- (b) He must be trustworthy;
 - (c) He has satisfactorily completed a training program on variable life insurance contracts.
 - (d) He has passed the written examination prescribed by the Commission for such purpose, unless exempted from taking the same under Section 10(C)(7).
- (2) An examination administered by the Commission for the purpose of determining the eligibility of a person for licensing as an agent, shall after the effective date of these Guidelines, include questions concerning the history, purpose, regulation and sale of variable life insurance contracts as the Commission deems appropriate.

C. Examination

- (1) The applicant for license shall qualify himself or herself in a written examination for the kind of license applied for, if not otherwise exempt from taking the same.
- (2) The examination shall be held at such times and places as the Commission shall designate.
- (3) Those desiring to take such examination shall file an application with the Commission on forms prescribed by the Commission.
- (4) Every applicant for such examination shall, at the time his application is filed, pay to the Commission an examination fee-
- (5) The applicant for such examination must be of good moral character and must not have been convicted of any crime involving moral turpitude. He must satisfactorily show that he has been trained in the kind or kinds of insurance contemplated in the license applied for.
- (6) A grade of 70% shall be necessary to pass the examination.
- (7) No such examination shall be required of the following:
 - (a) One who presently holds, or had previously held at any time during the last ten (10) years, a license (excluding a temporary certificate of authority) of the kind applied for.
 - (b) One who has successfully completed the Insurance Agents' Courses conducted by the Insurance Institute for Asia and the

Pacific or an academic course and/or training program, satisfactory to the Commission, in the kind of insurance contemplated in the license applied for.

- (c) One who, because of his or her previous connections with any insurer, or with any office or firm handling insurance matters, is found by the Commission to be competent to transact the business contemplated in the license applied for.

D. Application for License

- (1) The application for the issuance or renewal of a license to act as an agent shall be upon forms prescribed by the Commission. Such application shall be accompanied by a copy of the applicant's income tax return for the preceding year, together with the corresponding receipt(s) showing payment of all income taxes due thereon.
- (2) In order to facilitate the processing of application for renewal of agent's license, particularly with respect to the income earned by the applicant concerned, it shall be considered sufficient compliance with the actively engaged requirement, if it is certified under oath by the president or the executive/senior vice president (if there be more than one vice president) or the vice president (if there be only one vice president) of the insurer which the applicant represents that he or she has examined the income tax return of the said applicant for the preceding year and found that the amount of commission or other compensation which the latter has received for services rendered as an agent of said insurer for the year amounted to at least PhP 3,600.
- (3) An agent who, for not having been actively engaged as such, failed to qualify for renewal of his or her license during the period prescribed for such renewal may, after one year following the expiration of said license, apply for the issuance of new license upon showing that the applicant has undergone training in variable life insurance contracts with the insurer he or she desires to represent for at least forty (40) hours during the last six (6) months prior to his application.

E. Fee

The fee for issuance or renewal of license of variable life agent shall be in accordance with Circular Letter No. 2014-15 and its amendments.

F. Reports of Disciplinary Actions

An insurer qualified under this regulation to sell or offer to sell variable life insurance contracts shall immediately report to the Commission:

- (1) Any suspension or revocation of the agent's license; and
- (2) Any judgment or injunction entered against him or her on the basis of conduct deemed to have involved fraud, deceit, misrepresentation or violation of any insurance law or regulation.

G. Enhanced Consumer Protection Requirements For Life Insurance Companies Doing Bancassurance Business Involving Variable Life Policies

All insurance companies selling Variable Life policies through Bancassurance shall be required to observe the following minimum practices:

- (1) **Product Highlight Sheet.** All potential clients shall be provided with a Product Highlight Sheet (PHS) that summarizes the key information of the Variable Life Insurance product which will be material to the proper understanding by the client of the product, its features and the risks the client is exposed to. The PHS should at least be a separate document but shall be deemed to form part of the product proposal and the policy contract. Among the key questions that must be covered in the PHS are:
 - (a) What are you investing in and who are you investing with?
 - (b) What are the key risks of this investment?
 - (c) What are the fees and charges for this investment?
 - (d) How often are the values of the product made available?
 - (e) How can you exit from this investment and what are the risks and costs in doing so?
 - (f) How do you contact us?
 - (g) What other important information should you know before you invest?

A copy of a sample PHS is provided in ANNEX D and the Definition of Risks page is attached as ANNEX E.

- (2) **Client Suitability Assessment.** A Client Suitability Assessment (CSA), Client Profile Questionnaire (CPQ) or Risk Profile Questionnaire (RPQ) for

each client shall be undertaken prior to the acquisition of a variable life insurance contract. The CSA/CPQ/RPQ should determine the client's understanding of, tolerance for and capacity in managing various risks.

A copy of a sample CPQ is provided in ANNEX F.

- (3) Investment Policy Statement. As a mandatory complement to the CSA/CPQ/RPQ, the Investment Policy Statement (IPS) must have been generated for a client. The IPS formalizes the investment philosophy of the client as well as an investment directive of the client with respect to the handlings of his investible funds. The IPS may be a portion of a product proposal that contains the fund allocation chosen by the client and the description of the funds together with the client's signature. The fund allocation indicated in the IPS may be different from the risk profile of the client as shown in the CSA/CPQ/RPQ as long as the client's signature is affixed.

In the event that the insurance company has readily available *pro forma* IPS to be filled-up by prospective variable life insurance policyholders, the same must be with the prior approval of the IC.

- (4) Disclosure of Conflict of Interest. The insurance company shall disclose any material information which may give rise to an actual or potential conflict of interest to the client. The insurance company should take all reasonable steps to ensure fair dealings with client.

Below is a sample of a Disclosure of Conflict of Interest statement that may be adopted by the insurance Company:

“The Manager makes investment decisions for the Funds based on the circumstances of each Fund and independently of decisions made for other funds. There are times when the Manager may take the same investments for a Fund and one or more other funds. This may create a conflict of interest if there is only a limited amount of the investment available, or if the investment is purchased at different times or at different prices for different funds. If this happens, the Manager will attempt to allocate the investment fairly between the Fund and other funds. Factors the Manager considers in allocations include the size and timing of previous allocations, whether the security meets the objectives of the respective portfolios, the relative portfolio size and the rate of growth of the portfolios.”

The Disclosure of Conflict of Interest statement should be included in the product proposal and the policy contract and subject to the prior approval of the IC.

- (5) Standard disclosure statement for life insurance companies involved in bancassurance.

All promotional materials, PHS and variable life insurance policies, should contain a standard disclosure statement which must substantially declare the following:

“This is not a deposit product. Earnings are not assured and principal amount invested is exposed to risk of loss. This product cannot be sold to you unless its benefits and risks have been thoroughly explained. If you do not fully understand this product, do not purchase or invest in it.”

OR

“This is not a deposit product. Earnings are not assured and principal amount invested is exposed to risk of loss. For you to make an informed decision, the features, benefits, and associated risks of the product MUST be thoroughly explained to you by a licensed representative of (name of insurance company). Make sure you fully understand this product before you purchase or invest in it. Should you need further information, please contact the Insurance Commission or (name of insurance company, location and contact number).”

This Disclosure Statement shall be placed in the front cover of any material used within bank premises for the purposes of cross-selling variable life insurance policies. The text should be in bold print with a minimum font size of 12. The insurance company may prescribe an alternate wording to the above disclosure statement as long as it is consistent with the above-quoted statements, and subject to the review and approval of the IC.

H. Refusal to Qualify Agent to Sell Variable Life Insurance Contracts: Suspension, Revocation or Nonrenewal of License

The Commission may reject an application or suspend or revoke or refuse to renew an agent's qualification under these Guidelines to sell or offer to sell variable life insurance contracts under any ground that would bar the applicant or agent from being licensed to sell other life insurance contracts. The following shall be considered as grounds for suspension, revocation or nonrenewal of license:

- (1) The applicant has willfully violated any provision of the Insurance Code or of these Guidelines or any of the rules, regulations or instruction of the Commission.
- (2) The applicant has intentionally made a material misstatement in the application to qualify for such license.
- (3) The applicant has obtained or attempted to obtain a license by fraud or misrepresentation.
- (4) The applicant is guilty of fraud or dishonest practices.
- (5) The applicant has misappropriated or converted to his or her own use, or illegally withheld money required to be held in a fiduciary capacity.
- (6) The applicant has not demonstrated trustworthiness and competence to transact the business contemplated in his or her license in such manner as to safeguard the public.
- (7) The applicant has materially misrepresented the terms and conditions of policies or contracts of variable life insurance which he or she seeks to sell or has sold.
- (8) The applicant has failed to pass the written examination prescribed, if not otherwise exempt from taking the same.

In addition to the foregoing causes, no license to act as an agent shall be renewed if the holder thereof, has not been actively engaged as such agent.

Except as provided in Section 10(D)(3), an application for the issuance of a license to act as an agent shall likewise be refused if the applicant, being a previous holder of a license for variable life insurance contract, which expired without having been renewed during the current year, has not been actively engaged as such agent during the effectivity of his last license.

A license to act as an agent may likewise be revoked upon the termination of the agency contract, in which the insurer concerned shall give immediate notice in writing to the Commission.

Section 11. Separability

If any provision of the Guidelines or its application to any person or circumstances is for any reason held to be invalid, the remainder of the Guidelines and the application of its provisions to other persons or circumstances shall not be affected.

ANNEX A

Illustration of Benefits — Variable Life Peso Plan

Name	Age:	Sex:
Basic Sum Insured		
Death Benefit Option		
Contract Term		

End of Policy	Total Premium	4% Rate of Return		PROJECTED BENEFITS			
		Living Benefit	Death Benefit	Current __% Interest Rate	12% Rate of Return		
Year	Paid	Living Benefit	Death Benefit	Living Benefit	Death Benefit	Living Benefit	Death

The rates of return shown here are for illustration purposes. The actual return may differ. The projected values are net of premium charges of ___% of annual basic premium on the first policy year, ___% on the second year and ___% on the third year, all top ups shall be subject to a premium charge of ___%; an Asset Management Charge of ___% p.a. and Cost of Insurance charges shall be deducted monthly from the investment fund. The figures shown above are net of all charges.

Notes:

1. All payments and benefits shown are in Philippine Pesos.
2. This illustration summary relates to your _____ only, and excludes any riders in this proposal. It assumes that all premiums are paid in full when due and as planned with no premium holiday and the current scale of charges remain unchanged.
3. The Company reserves the right to adjust the basic and rider premium, and any charges in this plan.
4. The above values are illustrations only of the key features of the recommended insurance plans. This is the revised illustration, and may differ from the initial proposed illustration.
5. The projected returns on investments are based on assumed annual rates of 4%, current __% interest rate and 12%. These rates are for illustration purposes only and do not represent maximum or minimum return on your fund value.
6. **The values above are illustration of possible performance of your fund. Since the fund performance may vary, the values of your units are not guaranteed and will depend on the actual investment performance at that given period. The value of the policy could be less than the capital invested.**
7. **The investment risks under the policy are to be borne solely by you as the policyholder.**

DECLARATION:

I confirm having read and understood the information contained in this summary of illustrated benefits.

This illustration shall form part of the insurance contract once the policy is issued.

Applicant's Name: _____ Signature: _____ Date: _____

ANNEX B

Illustration of Benefits — Variable Life Dollar Plan

Name : _____ Age: _____ Sex: _____
 Basic Sum Insured : _____
 Death Benefit Option : _____
 Contract Term : _____

End of Policy Year	Total Premium Paid	3% Interest Rate		PROJECTED BENEFITS Current __% Interest Rate		9% Interest Rate	
		Living Benefit	Death Benefit	Living Benefit	Death Benefit	Living Benefit	Death

The rates of return shown here are for illustration purposes. The actual return may differ. The projected values are net of premium charges of ___% of annual basic premium on the first policy year, ___% on the second year and ___% on the third year, all top ups shall be subject to a premium charge of ___%; an Asset Management Charge of ___% p.a. and Cost of Insurance charges shall be deducted monthly from the investment fund. The figures shown above are net of all charges.

Notes:

- All payments and benefits shown are in US Dollars. Payments are acceptable in US Dollars only.
- This illustration summary relates to your _____ only, and excludes any riders in this proposal. It assumes that all premiums are paid in full when due and as planned with no premium holiday and the current scale of charges remain unchanged.
- The Company reserves the right to adjust the basic and rider premium, and any charges in this plan.
- The above values are illustrations only of the key features of the recommended insurance plans. This is the revised illustration, and may differ from the initial proposed illustration.
- The projected returns on investments are based on assumed annual rates of 3%, current __% interest rate and 9%. These rates are for illustration purposes only and do not represent maximum or minimum return on your fund value.
- The values above are illustration of possible performance of your fund. Since the fund performance may vary, the values of your units are not guaranteed and will depend on the actual investment performance at that given period. The value of the policy could be less than the capital invested.**
- The investment risks under the policy are to be borne solely by you as the policyholder.**

DECLARATION:

I confirm having read and understood the information contained in this summary of illustrated benefits.

This illustration shall form part of the insurance contract once the policy is issued.

Applicant's Name: _____ Signature: _____ Date: _____

ANNEX C

VARIABLE LIFE INSURANCE PLAN

ACKNOWLEDGEMENT OF VARIABILITY

Applicant : _____
Application No : _____
Agent's Name : _____ Code No : _____ Unit : _____

I acknowledge that:

I have applied with _____ for a Variable Life Insurance Policy,
Company Name

and have reviewed the illustration(s) that shows how a variable life insurance policy performs using company's assumptions and based on Insurance Commission's guidelines on interest rates.

I understand that since the fund performance may vary, the values of my units are not guaranteed and will depend on the actual performance at that given period and that the value of my policy could be less than the capital invested. The unit values of my Variable Life Insurance are periodically published.

I understand that the investment risks under the policy are to be borne solely by me, as the policyholder.

Applicant's Signature over Printed Name

Date

ANNEX D

PRODUCT HIGHLIGHTS

1) NAME OF PRODUCT and the INSURANCE COMPANY PROVIDER

<Name of Product> is a Variable Life or Variable Unit-Linked (VUL) Insurance product which provides the policyholder insurance protection and coverage over his life and at the same time allows him to invest in **<provide description of investment funds available>**.

<Name of Product> likewise provides the policyholder the following additional benefits, **<provide description of additional benefits and features of the product>**.

This product is being offered by **<name of Insurance Company>**.

You may refer to Page/s _____ of the product Proposal document for details on the product features and benefits, as well as information on your chosen investment Fund/s.

Notwithstanding the investment aspect forming an integral part thereof, this VUL policy remains essentially to be an insurance product.

Pursuant to the provisions of the R.A. No. 10607 (the Insurance Code, as amended), **<name of Insurance Company>** is under the supervision and regulation of the Insurance Commission (IC). All insurance policies, including any rider, clause, warranty or endorsement, shall be approved by the IC before being offered to the public.

2) KEY RISKS OF THE VUL PRODUCT

This VUL product is an insurance policy with an inseparable investment component which allows the policyholder to invest in certain Fund/s of his choice. Like all other financial products, VULs have their advantages and trade-offs.

As an investment-linked insurance product, the policyholder must understand and realize that the product is subject to certain risks, such as, but not limited to **investment, credit, currency, interest rate, liquidity, mark-to-market, regulatory, and taxation risks** which could affect the account or fund value of the whole VUL policy.

The insurance company is guided by the investment policies approved by the IC, including the IC-issued "Guidelines on Variable Life Insurance Contracts". The supervision and regulation by the IC, however, does not guarantee the investment returns nor protection of the VUL policy against capital loss.

For a better understanding of the nature of these aforementioned risks, a table of Definition of Risks is provided in the succeeding **Annex E**.

3) FEES AND CHARGES INVOLVED IN THE PRODUCT

This VUL product is subject to **<enumerate the different charges of the product e.g. Fund Management Charge, Cost of Insurance, Premium Charge and Surrender Charge in the event of partial or full withdrawal of the policy's fund value>**.

You may refer to the details of the charges on Page/s _____ of the Product Proposal Documents.

4) VALUATION AND ASSESSMENT OF THE INVESTMENT PORTION

The performance of the investment funds associated with this insurance product is valued every **<provide frequency of fund valuation>**.

Net Asset Values Per Unit (NAVPU) are published in **<provide name of broadsheet or website where NAVPU are published>** every **<provide frequency>**.

5) PRE-TERMINATION or SURRENDER OF THE VUL POLICY AND THE CHARGES THEREOF

The VUL policy can be surrendered at the discretion of the policyholder which will result to the termination of the said VUL policy.

Please be notified, however, that corresponding surrender charges may be applied, depending on the policy year when the surrender transaction occurs.

The VUL policy may also terminate in the event that the available Fund values are no longer sufficient to cover for the applicable policy charges. Depending on the provisions contained in the VUL policy, the policyholder may reinstate the same within 3 years, provided that the policy's fund value has not been fully withdrawn, the reinstatement documents have been submitted, and the necessary charges are fully paid, including such other requirements as may be provided in the insurance policy.

NOTE: *Surrendering the policy may be more disadvantageous than beneficial to the policyholder, as the policyholder not only incur surrender charges but lose potential investment earnings and, more importantly, the benefits of having life insurance protection.*

6) OTHER IMPORTANT INFORMATION AND CONTACT DETAILS

<Name of Product> is a life insurance product and not a deposit product. Earnings are not assured and the principal amount of investment may be exposed to risk of loss.

For an informed and conscientious purchase decision, it is important that you fully understand the features, benefits and accompanying risks of this product.

Should you need further information, you may contact **<provide contact details (e.g. who to contact, location and contact number)>**,

ANNEX E

DEFINITION OF RISKS

Investment Risk	This risk refers to the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.
Credit Risk	This risk refers to the probability that a counterparty to an investment may not be able to fulfill its obligations accordingly, resulting to an adverse effect on the value of a money market or debt security such as a bond.
Currency Risk (or Foreign Exchange Risk)	This risk refers to the probability that the value of investments held in foreign currencies, such as the US Dollar, may fluctuate against the local currency or Philippine Peso due to changing interest rates and inflation rates. This risk may also occur when foreign governments restrict currency exchange, impeding cash distributions or processing of fund redemptions.
Interest Rate Risk	This risk refers to the possibility that the value of an investments with holding in fixed-income securities such as bonds may rise and fall rates contrary, when interest rate rise, the value of an existing bond generally falls.
Liquidity Risk	This risk refers to the possibility that assets or securities may not be bought or sold within a desired time and at fair value, which in turn may affect the value of an investment or satisfy investment purchase and redemption services of the Company to its policy holders.
Mark-to-Market Risk	This risk refers to the probability that the market value of an investment will rise or fall based on overall market conditions. The value of the market can vary with changes in the general economic and financial conditions as well as political, social and environmental factors.

Regulatory Risk	This risk refers to the probability that certain laws and regulations applicable to investments, including income tax and securities law, and the administrative policies and practices of regulatory authorities may change in a manner that adversely affects the value of an investment.
Taxation Risk	This risk refers to the probability that the application of tax on investment may differ from jurisdiction to jurisdiction and tax treatment may change before the maturity or redemption date of an investment. For more information on the effects of tax on the acquisition, ownership or liquidation of investment funds, it is best for the customer to consult a personal, independent tax adviser.

CLIENT PROFILE QUESTIONNAIRE

What kind of investor are you?

Answer this questionnaire to find out.

This questionnaire helps you determine your personal investment style.

It gives you an idea of your investment time frame, stages of life, financial situation, priorities and goals.

There are no right or wrong answers.

The questionnaire is designed to help us recommend an asset allocation strategy based on your stated needs.

It is intended to be a general recommendation only and should not be treated as specific investment advice.

While your agent may provide you with factual information, You should **make your fund allocation based on your own judgment and personal circumstances.**

General Information

Name of proposed Client (Last, First, Middle)			
Contact Number/s		E-mail address:	
Mailing Address (No. Street, Town/City, province, Country, Zip Code)			
Approximate Net Worth () Under 1 Million () P1-10 Million () over 1 Million			
Approximate Annual Income () Under P500,000 () P500,000.00 to 1 Million () Over 1 to 3 Million () over 3 Million			
Most important Investment goal () Retirement () Education () Buying A House			
Others, please specify			
Investment Objectives () Growth () Income () Income & Growth			
Risk Tolerance () High () Medium () Low			
Investment Knowledge () High () Average () Little () None			
At what age would you like to retire?		How much do you think you will need to retire at this age?	
How much have you set aside today for your retirement fund?			
Please check all that apply		I currently have	I used to have
	Life Insurance	[]	[]
	Pre- Need Plan	[]	[]
	Government Securities	[]	[]
	Time Deposit	[]	[]
	Foreign Currency and Bank Deposit	[]	[]
	Common or Private Trust Funds	[]	[]
	Mutual Funds	[]	[]
	Corporate Bonds	[]	[]
	Stocks	[]	[]
	Own Business	[]	[]
	Real Estate	[]	[]
	Commodities/ Futures/ Options	[]	[]
Do you have a plan for saving regularly? Please choose one.			
[] No		[] Yes, but I only save regularly if I have a definite project to pursue	
[] Yes, I save a part of my income every month/ quarter/ year		[] Yes, I save a part of my income whenever I can	

Your Profile

To complete this questionnaire, please choose the statement that most closely defines your needs or best describes your situation. Check the circle in the left hand margin that corresponds to your choice.

IMPORTANT: If some of your choices bear an asterisk* please note that a VUL policy may not be an appropriate investment for you as they are designed for long-term investing.

Section 1 — Financial Goals

1. What is your primary goal in making this investment?

- (0) I am saving to buy a car, make a downpayment on a house, or to achieve some other goals within the next 7 years.*
- (2) I am investing for the long-term (more than 7 years) but I need this investment to generate cash flow to supplement my income
- (6) I want an investment that will generate both income and long term capital growth without specific emphasis on either
- (8) I am looking primarily for long term growth. Although I have no need for income from this investment now or over the next 10 years, I might appreciate that a small portion be invested in fixed-income securities for stability.
- (10) I am looking for long-term growth only. I want to maximize my potential return.

2. - What percentage of this investment do you plan to spend in the next 7 years?

- (0) More than 50 % (4) Less than 30%
- (2) 30% to 50 % (6) I don't plan to spend any of it

3. — In how many years will you withdraw all or majority of this investment?

- (0) Less than 7 years (8) Between 11 and 20 years
- (5) Between 7 and 10 years (10) More than 20 years

() Please add your score for this section.

Section 2 — Background information [Please choose only one (1)]

4. — When are you planning to retire?

- (2) [] I am retired
- (4) [] In less than 7 years
- (6) [] In 7 to 10 years

- (8) [] In 11 to 20 years
- (10) [] More than 20 years

5. — How old are you?

- (2) [] Over 65
- (4) [] 51 to 65

- (8) [] 36 to 50
- (10) [] 20 to 35

6. — Which of the following statements best describes your employment situation?

- (2) [] My employment situation is somewhat unstable.
- (2) [] I am either a homemaker, retired or unemployed and I will rely on this investment for current income and emergency cash needs.
- (4) [] My employment situation is currently stable but this could change
- (5) [] I am either a homemaker, retired or unemployed and I have other sources of income that are sufficient to meet my normal requirements.
- (8) [] My employment situation is stable and I don't expect this to change in the near future
- (10) [] My employment situation is completely secure.

7. — Which of the following statements best describes your financial situation? Please consider your regular expenses and your ability to repay outstanding loans as well as a saving for retirement and emergencies:

- (2) [] My financial situation is somewhat unstable.
- (2) [] I need this investment to supplement my income.
- (4) [] I do not currently need this investment to supplement my income however this could change.
- (6) [] I don't expect to use this investment to meet current income requirements. However, should an expected situation arise, may I need to access these funds.
income that are sufficient to meet my normal requirements.
- (8) [] My financial situation is stable and I have sufficient cash flow to meet most of my requirements.
- (10) [] My financial situation is completely secure and I can meet emergency requirements without withdrawing these funds.

8. — Which of the following statements best describes your investment situation? (If you do not currently have any investments, choose the response that best describes how do you think you would manage your investment.)

- (2) [] All of my investment to date have been in Treasury Bill because I need the security of capital.

- (5) [] Most of my investment were made to generate income and preserve capital but I now need some capital growth.
- (6) [] Most of my investment tend to be mutual funds or common trust funds, although they are generally not aggressive fund.
- (8) [] Most of my investment tend to be moderately aggressive. My objectives are long term, therefore I don't often make changes unless my reason for investing have change.
- (10) [] I tend to choose aggressive investment funds for long term growth.

() Please add your score for this section

Section 3 — Risk Tolerance

9. - Which of the following statements best describes your attitude towards the level of risk or volatility that you are prepared to live with during the time these assets will be invested?

- (2) [] I am aware that the value of an investment fund fluctuates daily and to varying degrees depending on the type of fund. I would feel most comfortable investing in funds that tend to generate a more stable return year-to-year, as opposed to funds that fluctuate widely.
- (5) [] I am comfortable with the fact that the value of my investment will fluctuate daily. However, I would prefer that roughly half of my assets be invested in less volatile fixed income securities and that the balance be invested in equities, which tend to be more volatile.
- (8) [] I am comfortable with volatility and seek more aggressive investments knowing that in the short term, this strategy may result in declines in value, but that in the long term, I have a better chance of realizing capital gains. Nevertheless, I do worry when the stock market drops significantly
- (10) [] I fully accept volatility and seek more aggressive investments knowing that in the short-term, this strategy may result in declines in value but in the long term, I have a better chance of realizing capital gains.

10. - How much of a temporary decline (i.e. one year) in the value of your investment could you tolerate?

- (0) [] No decline (2) [] % decline (5) [] % to 10% decline (8) [] % to 15 decline
- (10) [] More than a 15% decline

11. — Which of the following statements best describes your investment philosophy?

- (2) [] I am not comfortable taking risks with my capital but I am prepared to do so with a small portion of my assets as I need some capital appreciation to offset inflation.

(4) [] I understand that the opportunity for greater returns comes with taking greater risks, but I am only prepared to do so with less than half my assets.

(6) [] I understand that the opportunity for greater returns comes with taking greater risks, and I am prepared to do so with more than half my assets

(10) [] I have an aggressive investment approach and I am investing for the long term, therefore, I want to invest the majority or even all of my assets in the stock markets, as this is the best way to ensure higher returns over the long term.

() Please add your score for this section.

Understanding Your Score

Please transfer your score for each section to the corresponding space and then carefully add up your total score.

Financial Goals [] + Background Information [] + Risk Tolerance []

→ - Total []

Your Total Score	Your Profile	Recommended Fund
Less than 61	conservative	Bond Fund
61 to 84	moderate	Balanced Fund
85 or more	Growth oriented	Equity Fund

Note: We strongly recommend you review your view point about investment risk at least once a year or when major change occurs in your personal situation to make sure your investment decision continues to match your attitude to investment risk profile.

Conservative:

A Score of 60 points and less indicates that you are comfortable having your assets managed conservatively with an emphasis on the stability that comes from fixed-income investments, while generating some capital appreciation over time. Your investment horizons is short to moderate and your tolerance towards volatility is moderate. You seek capital preservation.

Moderate:

Scoring between 61 and 84 points indicates that you are seeking long term capital appreciation and to a lesser extent, the stability that comes from fixed-income investments. You are most comfortable with relatively stable year-to-year returns but will accept some volatility as you understand that the capital growth you require cannot be achieved without some element of risk.

Growth –Oriented:

Scoring between 85 and 120 points indicates that you are seeking long-term capital appreciation with little or no requirement from additional income. You can tolerate greater year-to-year volatility, as well as some moderate to strong fluctuations in the capital value of your investment. You realize that overtime, equity markets usually outperform other investments.

By signing below, I acknowledge that (1) this questionnaire does not constitute advice from the Company, as it only intended as reference to help me assess my risk appetite and investment objectives, based on the information I have provided; (2) I am responsible for my investment decision, including my choice of fund, event if such varies with the results of this questionnaire (3) my financial needs may change over time depending on my personal situation and objectives; and (4) he Company makes no guarantee as to the accuracy or completeness of the results or recommendations provided above.

Signature of the Proposed Clients	Date (Day/Month/Year)
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To be accomplished by your Agent

Name of Agent	Agent Code	Signature of Agent	Date(day/month/year)
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