



SOCIETY OF ACTUARIES

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# Pan-American Actuarial Congress

by Edward L. Robbins

**T**he Fifth Pan-American Actuarial Congress took place in the beautiful city of Buenos Aires, Argentina, during September 11 through 13. Sponsorship was by the *Consejo Profesional de Ciencias Economicas de la Ciudad Autonoma de Buenos Aires (Professional Council of Economic Sciences of the Autonomous City of Buenos Aires)*. The Council is an Argentine organization that consists primarily of accountants, economists and actuaries practicing in the Buenos Aires area. There were over 200 attendees from about 15 countries. The subject matter was wide-ranging, covering product development, social insurance, regulation, private pensions and accounting issues.

Several members of the Society of Actuaries were speakers, including Bob Collett, Harry Panjer (our president-elect), Paul McCrossan (president of the International Actuarial Association), Joshua Bank and myself. Bob Collett discussed the regulatory framework for actuaries, with emphasis on significant professional risk issues that actuaries are facing around the globe, the likelihood of those trends arriving in Latin America and what actuaries may do to manage those risks. Harry Panjer spoke about the use of models in actuarial management, and Josh Bank spoke about pension and social insurance issues.

Paul McCrossan and I shared a panel discussion with Dr. Ignacio Gonzalez, an Argentine public accountant and president of the Commission of Auditing Studies of the Council. Mr. Gonzales discussed the theory and practice of auditing. Paul and I dealt with a financial reporting topic of significant current interest: the forthcoming international accounting standards. Many accounting and actuarial professionals throughout the world believe that a comprehensive uniform accounting system worldwide is vitally important in today's global economy.

Paul gave a history of the migration towards international accounting standards, to provide a picture of how we got to the current situation. He gave an especially interesting discussion of the implications of probabilistic prospective accounting that go far beyond insurance. That said, he emphasized that events may overtake the IASB before they can get a new system of international accounting in place.

I followed up with a technical analysis of the Draft Statement of Principles (DSOP), as drafted

in November 2001 under the auspices of the International Accounting Standards Board (IASB). The DSOP is critically important at this time for several reasons.

First of all, it reflected the thinking of the IASB at the time of its promulgation. Second, it represents a significant departure from current accounting practice throughout the world. Finally, the timeframe could be very tight for a complex change, and there is still a possibility that it is on a very fast track, for such a complex and significant departure in methodology. A summary of the high points of the DSOP follow.

The DSOP recommends rules for insurance *contracts*, not insurance *entities*. Thus many elements of an insurance entity's balance sheet do not fall under the DSOP, but rather under existing or proposed International Accounting Standards. Similarly, a non-insurance entity holding an insurance contract as an asset, such as an employer who is a group pension policyholder, will need to use an equivalent valuation approach.

The recommendation, insofar as recognition and measurement of insurance contract values is concerned, is effectively to move to fair value accounting. As it turns out, the concept of "entity-specific" value, a concept close to fair value, appears to be more likely than a pure "fair value" approach. The difference in concept is that, while entity-specific value reflects the value of an insurance contract to the entity (for example, using the entity's experience for policyholder experience factors and expense assumptions) pure fair value more closely reflects the "value in settlement" with a counterparty (the liability of one equaling the asset of the other).

There is much controversy surrounding the concepts in the DSOP, and while the date proposed therein for mandatory compliance was year end 2005 for companies publicly traded in the European Union, it appears that this timetable is going to be delayed.

Those interested in a more in-depth description of the discussions that took place at the Congress with respect to international accounting standards as they apply to insurance contracts, or those interested in the entire proceedings of the conference, including audiovisual materials, can access the Web site: [www.cpcecf.org.ar](http://www.cpcecf.org.ar). ☒



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# Appendix

## Adopting U.S. GAAP for Pre-Need Plans in the Philippines

**Table 5 - Assumptions for Sample Education Plan**

Year	Cash Value	Additional Death Benefit	Reserve	Commission	Lapses	Education Benefit	Maturity Benefit	Fixed Expenses	% Premium Expenses	Death Benefit Expenses	Mortality per 1000
Male	35		Annual Premium			11,500 payable	5 years				
Interest Rate	12.0%	Inflation Rate	8.0%	Percentage claiming surrender value in premium paying period	0.75%						30.0%
VAT	10.0%	SEC Registration Fee	0.1%	Other Taxes							
1	2,300	11,500	5,750	65%	40%			300	2.5%	500	2.26
2	6,900	23,000	12,650	25%	25%			324	2.5%	540	2.33
3	13,800	34,500	21,275	5%	20%			350	2.5%	583	2.42
4	23,000	46,000	30,475	5%	10%			378	2.5%	630	2.54
5	28,750	57,500	39,675	5%	5%			408	2.5%	680	2.68
6	28,750	57,500	44,275		2%			441	2.5%	735	2.86
7	28,750	57,500	50,025		2%			476	2.5%	793	3.05
8	28,750	57,500	56,925		2%			514	2.5%	857	3.26
9	28,750	57,500	64,400		2%			555	2.5%	925	3.49
10	28,750	57,500	73,600		2%			600	2.5%	1,000	3.76
11	28,750	57,500	82,800		2%			648	2.5%	1,079	4.04
12	28,750	57,500	94,300		2%			699	2.5%	1,166	4.35
13	28,750	57,500	106,950		2%			755	2.5%	1,259	4.68
14	28,750	57,500	121,900		2%			816	2.5%	1,360	5.03
15	28,750	57,500	138,000		2%			881	2.5%	1,469	5.43
16	28,750	57,500	128,800		0%	28,750		952	2.5%	1,586	5.87
17	28,750	57,500	112,700		0%	34,500		1,028	2.5%	1,713	6.37
18	28,750	57,500	88,550		0%	40,250		1,110	2.5%	1,850	6.94
19	28,750	57,500	53,475		0%	46,000		1,199	2.5%	1,998	7.58
20	28,750	57,500	-		0%		57,500	1,295	2.5%	2,158	8.30

Assumes Premiums and expenses are at start of year  
 Surrender Benefits and Maturity benefits are at the end of the year  
 Education and death benefits are in the middle of the year  
 Mortality is 1973-78 Philippine Intercompany Table -(Source SOA Website)  
 Statutory reserves are approximate

# Appendix Adopting U.S. GAAP for Pre-Need Plans in the Philippines

**Table 6 - Pricing For Sample Education Plan**

Year	In Force	In Force for Benefits	Total Premium Income	Investment Income	Total Income	Surrender Benefit Outgo	Additional Death Benefit	Education Benefit Outgo	Maturity Benefit Outgo	Gross Initial Expenses	Gross Renewal Expenses	Commission	Total Pre-Need VAT & Duties Payable	Other Taxes	Increase in Reserve	Total Expenses	Gross Profit	Premiums Waived on Death
1	1.0000	1.0000	11,500	117	11,617	276	26	-	-	1,200	589	7,475	1,162	86	3,450	14,263	(2,646)	
2	0.5977	0.6000	6,874	897	7,771	309	32	-	-	-	366	1,719	694	52	2,243	5,414	2,357	26
3	0.4469	0.4500	5,139	1,166	6,305	370	37	-	-	-	286	257	519	39	1,967	3,474	2,831	36
4	0.3564	0.3600	4,099	1,302	5,401	246	42	-	-	-	238	205	414	31	2,215	3,390	2,011	41
5	0.3199	0.3240	3,679	1,527	5,206	460	49	-	-	-	223	184	372	28	2,338	3,653	1,552	47
6	0.3030	0.3078	-	1,446	1,446	174	50	-	-	-	134	-	-	-	1,143	1,502	(55)	
7	0.2961	0.3016	-	1,583	1,583	170	52	-	-	-	142	-	-	-	1,433	1,797	(214)	
8	0.2893	0.2956	-	1,753	1,753	166	54	-	-	-	150	-	-	-	1,703	2,073	(320)	
9	0.2826	0.2897	-	1,957	1,957	162	57	-	-	-	158	-	-	-	1,792	2,169	(213)	
10	0.2759	0.2839	-	2,171	2,171	159	60	-	-	-	167	-	-	-	2,194	2,579	(408)	
11	0.2694	0.2782	-	2,433	2,433	155	63	-	-	-	176	-	-	-	2,099	2,492	(59)	
12	0.2629	0.2727	-	2,683	2,683	151	66	-	-	-	185	-	-	-	2,621	3,024	(340)	
13	0.2565	0.2672	-	2,996	2,996	147	69	-	-	-	195	-	-	-	2,809	3,220	(224)	
14	0.2502	0.2619	-	3,332	3,332	144	72	-	-	-	206	-	-	-	3,276	3,698	(367)	
15	0.2439	0.2566	-	3,723	3,723	140	76	-	-	-	217	-	-	-	3,423	3,857	(133)	
16	0.2377	0.2515	-	3,711	3,711	-	80	7,230	-	-	228	-	-	-	(2,314)	5,225	(1,514)	
17	0.2363	0.2515	-	3,347	3,347	-	87	8,677	-	-	245	-	-	-	(4,049)	4,960	(1,613)	
18	0.2348	0.2515	-	2,774	2,774	-	94	10,123	-	-	264	-	-	-	(6,074)	4,406	(1,632)	
19	0.2332	0.2515	-	1,958	1,958	-	102	11,569	-	-	283	-	-	-	(8,821)	3,132	(1,174)	
20	0.2314	0.2515	-	1,571	1,571	-	110	-	14,461	-	304	-	-	-	(13,449)	1,426	145	
NPV @	12.0%		26,990			1,688	403	5,400	1,499	1,200	2,237	9,477	2,726	202			2,157	124
							1.5%										8.0%	0.5%

Assumes Premiums and expenses are at start of year  
Surrender Benefits and Maturity benefits are at the end of the year  
Education and death benefits are in the middle of the year

# Appendix

## Adopting U.S. GAAP for Pre-Need Plans in the Philippines

**Table 7 - Calculate Internal Rate of Return**

Year	Total Premium Income	Surrender Benefit Outgo	Additional Death Benefit	Education Benefit Outgo	Maturity Benefit Outgo	Ongoing Expenses	Deferrable Expenses	Cash Flow
1	11,500	276	26	-	-	915	9,597	687
2	6,874	309	32	-	-	418	2,413	3,702
3	5,139	370	37	-	-	324	776	3,632
4	4,099	246	42	-	-	268	619	2,924
5	3,679	460	49	-	-	251	556	2,363
6	-	174	50	-	-	134	-	(358)
7	-	170	52	-	-	142	-	(364)
8	-	166	54	-	-	150	-	(370)
9	-	162	57	-	-	158	-	(377)
10	-	159	60	-	-	167	-	(385)
11	-	155	63	-	-	176	-	(393)
12	-	151	66	-	-	185	-	(402)
13	-	147	69	-	-	195	-	(412)
14	-	144	72	-	-	206	-	(422)
15	-	140	76	-	-	217	-	(433)
16	-	-	80	7,230	-	228	-	(7,539)
17	-	-	87	8,677	-	245	-	(9,009)
18	-	-	94	10,123	-	264	-	(10,480)
19	-	-	102	11,569	-	283	-	(11,953)
20	-	-	110	-	14,461	304	-	(14,875)
Internal Rate of Return								10.26%

# Appendix

## Adopting U.S. GAAP for Pre-Need Plans in the Philippines

**Table 8 - Calculate Net Liability**

Year	Total Premium Income	Surrender Benefit Outgo	Additional Death Benefit	Education Benefit Outgo	Maturity Benefit Outgo	Ongoing Expenses	Deferrable Expenses	Cash Flow	Net Liability
1	11,500	276	26	-	-	915	9,597	687	787
2	6,874	309	32	-	-	418	2,413	3,702	4,983
3	5,139	370	37	-	-	324	776	3,632	9,539
4	4,099	246	42	-	-	268	619	2,924	13,770
5	3,679	460	49	-	-	251	556	2,363	17,839
6	-	174	50	-	-	134	-	(358)	19,295
7	-	170	52	-	-	142	-	(364)	20,895
8	-	166	54	-	-	150	-	(370)	22,651
9	-	162	57	-	-	158	-	(377)	24,580
10	-	159	60	-	-	167	-	(385)	26,697
11	-	155	63	-	-	176	-	(393)	29,023
12	-	151	66	-	-	185	-	(402)	31,578
13	-	147	69	-	-	195	-	(412)	34,383
14	-	144	72	-	-	206	-	(422)	37,465
15	-	140	76	-	-	217	-	(433)	40,851
16	-	-	80	7,230	-	228	-	(7,539)	37,116
17	-	-	87	8,677	-	245	-	(9,009)	31,452
18	-	-	94	10,123	-	264	-	(10,480)	23,662
19	-	-	102	11,569	-	283	-	(11,953)	13,524
20	-	-	110	-	14,461	304	-	(14,875)	(0)

Internal Rate of Return **10.26%**

## Adopting U.S. GAAP for Pre-Need Plans in the Philippines

Table 9 - Calculate Internal Rate of Return Excluding Deferrable Expenses

Year	Total Premium Income	Surrender Benefit Outgo	Additional Death Benefit	Education Benefit Outgo	Maturity Benefit Outgo	Ongoing Expenses	Cash Flow excluding Deferrable Expenses
1	11,500	276	26	-	-	915	10,283
2	6,874	309	32	-	-	418	6,115
3	5,139	370	37	-	-	324	4,408
4	4,099	246	42	-	-	268	3,543
5	3,679	460	49	-	-	251	2,919
6	-	174	50	-	-	134	(358)
7	-	170	52	-	-	142	(364)
8	-	166	54	-	-	150	(370)
9	-	162	57	-	-	158	(377)
10	-	159	60	-	-	167	(385)
11	-	155	63	-	-	176	(393)
12	-	151	66	-	-	185	(402)
13	-	147	69	-	-	195	(412)
14	-	144	72	-	-	206	(422)
15	-	140	76	-	-	217	(433)
16	-	-	80	7,230	-	228	(7,539)
17	-	-	87	8,677	-	245	(9,009)
18	-	-	94	10,123	-	264	(10,480)
19	-	-	102	11,569	-	283	(11,953)
20	-	-	110	-	14,461	304	(14,875)

Internal Rate of Return

4.81%

# Appendix Adopting U.S. GAAP for Pre-Need Plans in the Philippines

**Table 10 - Calculate Benefit Reserves and DAC**

Year	Total Premium Income	Surrender Benefit Outgo	Additional Death Benefit	Education Benefit Outgo	Maturity Benefit Outgo	Ongoing Expenses	Cash Flow excluding Deferrable Expenses	Benefit Reserve	Net Liability	DAC
1	11,500	276	26	-	-	915	10,283	10,791	787	10,005
2	6,874	309	32	-	-	418	6,115	17,735	4,983	12,752
3	5,139	370	37	-	-	324	4,408	23,226	9,539	13,687
4	4,099	246	42	-	-	268	3,543	28,069	13,770	14,299
5	3,679	460	49	-	-	251	2,919	32,501	17,839	14,662
6	-	174	50	-	-	134	(358)	33,698	19,295	14,403
7	-	170	52	-	-	142	(364)	34,946	20,895	14,052
8	-	166	54	-	-	150	(370)	36,248	22,651	13,597
9	-	162	57	-	-	158	(377)	37,605	24,580	13,025
10	-	159	60	-	-	167	(385)	39,018	26,697	12,321
11	-	155	63	-	-	176	(393)	40,491	29,023	11,468
12	-	151	66	-	-	185	(402)	42,025	31,578	10,448
13	-	147	69	-	-	195	(412)	43,623	34,383	9,240
14	-	144	72	-	-	206	(422)	45,287	37,465	7,821
15	-	140	76	-	-	217	(433)	47,019	40,851	6,167
16	-	-	80	7,230	-	228	(7,539)	41,556	37,116	4,440
17	-	-	87	8,677	-	245	(9,009)	34,325	31,452	2,873
18	-	-	94	10,123	-	264	(10,480)	25,240	23,662	1,578
19	-	-	102	11,569	-	283	(11,953)	14,209	13,524	685
20	-	-	110	-	14,461	304	(14,875)	(0)	(0)	0

Internal Rate of Return 4.81%



# Appendix

## Adopting U.S. GAAP for Pre-Need Plans in the Philippines

**Table 11 - US GAAP Income Statement**

Year	Total Premium Income	Investment Income	Total Income	Surrender Benefit Outgo	Additional Death Benefit	Education Benefit Outgo	Maturity Benefit Outgo	Initial Expenses	Renewal Expenses	Commission	VAT, duties and other taxes	Increase in Reserve	Increase in DAC	Total Expenses	Gross Profit
1	11,500	117	11,617	276	26	-	-	1,200	589	7,475	1,248	10,791	10,005	11,600	17
2	6,874	578	7,452	309	32	-	-	-	366	1,719	746	6,943	2,747	7,368	84
3	5,139	1,081	6,220	370	37	-	-	-	286	257	558	5,491	935	6,064	156
4	4,099	1,528	5,627	246	42	-	-	-	238	205	445	4,843	612	5,406	221
5	3,679	1,994	5,673	460	49	-	-	-	223	184	399	4,432	363	5,384	289
6	-	2,122	2,122	174	50	-	-	-	134	-	-	1,197	(260)	1,815	307
7	-	2,295	2,295	170	52	-	-	-	142	-	-	1,248	(351)	1,963	332
8	-	2,486	2,486	166	54	-	-	-	150	-	-	1,302	(455)	2,126	360
9	-	2,696	2,696	162	57	-	-	-	158	-	-	1,357	(572)	2,306	390
10	-	2,926	2,926	159	60	-	-	-	167	-	-	1,414	(704)	2,503	423
11	-	3,179	3,179	155	63	-	-	-	176	-	-	1,473	(853)	2,719	460
12	-	3,457	3,457	151	66	-	-	-	185	-	-	1,534	(1,020)	2,956	500
13	-	3,762	3,762	147	69	-	-	-	195	-	-	1,598	(1,208)	3,217	544
14	-	4,097	4,097	144	72	-	-	-	206	-	-	1,664	(1,418)	3,504	593
15	-	4,465	4,465	140	76	-	-	-	217	-	-	1,732	(1,654)	3,819	646
16	-	4,449	4,449	-	80	7,230	-	-	228	-	-	(5,463)	(1,727)	3,803	645
17	-	3,914	3,914	-	87	8,677	-	-	245	-	-	(7,231)	(1,567)	3,345	568
18	-	3,147	3,147	-	94	10,123	-	-	264	-	-	(9,085)	(1,295)	2,690	457
19	-	2,125	2,125	-	102	11,569	-	-	283	-	-	(11,031)	(893)	1,815	310
20	-	1,580	1,580	-	110	-	14,461	-	304	-	-	(14,209)	(685)	1,351	229
NPV @		12%													2,157

# Appendix Adopting U.S. GAAP for Pre-Need Plans in the Philippines

**Table 12 - Calculate Policyholder's Internal Rate of Return  
Policy remains in force**

Year	Total Premium Income	Education Benefit Outgo	Maturity Benefit Outgo	Cash Flow	Benefit Reserve	In Force at End	Benefit Reserve	DAC
1	11,500	-	-	11,500	12,477	0.6000	7,486	6,693
2	11,500	-	-	11,500	26,013	0.4500	11,706	6,708
3	11,500	-	-	11,500	40,700	0.3600	14,652	5,087
4	11,500	-	-	11,500	56,634	0.3240	18,349	4,544
5	11,500	-	-	11,500	73,921	0.3078	22,753	4,869
6	-	-	-	-	80,200	0.3016	24,192	4,849
7	-	-	-	-	87,012	0.2956	25,722	4,777
8	-	-	-	-	94,402	0.2897	27,348	4,645
9	-	-	-	-	102,421	0.2839	29,078	4,445
10	-	-	-	-	111,120	0.2782	30,917	4,165
11	-	-	-	-	120,559	0.2727	32,872	3,794
12	-	-	-	-	130,799	0.2672	34,951	3,319
13	-	-	-	-	141,909	0.2619	37,161	2,725
14	-	-	-	-	153,963	0.2566	39,511	1,997
15	-	-	-	-	167,040	0.2515	42,010	1,115
16	-	28,750	-	(28,750)	151,282	0.2515	38,047	894
17	-	34,500	-	(34,500)	128,197	0.2515	32,241	760
18	-	40,250	-	(40,250)	97,161	0.2515	24,436	754
19	-	46,000	-	(46,000)	57,500	0.2515	14,461	928
20	-	-	57,500	(57,500)	-	-	-	0

Internal Rate of Return

8.49%

# Appendix

## Adopting U.S. GAAP for Pre-Need Plans in the Philippines

Table 13 - US GAAP Income Statement

Year	Total Premium Income	Investment Income	Total Income	Surrender Benefit Outgo	Additional Death Benefit	Education Benefit Outgo	Maturity Benefit Outgo	Initial Expenses	Renewal Expenses	Commission	VAT, duties and other taxes	Increase in Reserve	Increase in DAC	Total Expenses	Gross Profit
1	11,500	117	11,617	276	26	-	-	1,200	589	7,475	1,248	7,486	6,699	11,600	17
2	6,874	578	7,452	309	32	-	-	-	366	1,719	746	4,220	24	7,368	84
3	5,139	1,081	6,220	370	37	-	-	-	286	257	558	2,946	(1,610)	6,064	156
4	4,099	1,528	5,627	246	42	-	-	-	238	205	445	3,697	(533)	5,406	221
5	3,679	1,994	5,673	460	49	-	-	-	223	184	399	4,404	334	5,384	289
6	-	2,122	2,122	174	50	-	-	-	134	-	-	1,439	(17)	1,815	307
7	-	2,295	2,295	170	52	-	-	-	142	-	-	1,530	(69)	1,963	332
8	-	2,486	2,486	166	54	-	-	-	150	-	-	1,627	(130)	2,126	360
9	-	2,696	2,696	162	57	-	-	-	158	-	-	1,730	(199)	2,306	390
10	-	2,926	2,926	159	60	-	-	-	167	-	-	1,839	(279)	2,503	423
11	-	3,179	3,179	155	63	-	-	-	176	-	-	1,955	(371)	2,719	460
12	-	3,457	3,457	151	66	-	-	-	185	-	-	2,079	(476)	2,956	500
13	-	3,762	3,762	147	69	-	-	-	195	-	-	2,210	(595)	3,217	544
14	-	4,097	4,097	144	72	-	-	-	206	-	-	2,350	(732)	3,504	593
15	-	4,465	4,465	140	76	-	-	-	217	-	-	2,499	(887)	3,819	646
16	-	4,449	4,449	-	80	7,230	-	-	228	-	-	(3,963)	(227)	3,803	645
17	-	3,914	3,914	-	87	8,677	-	-	245	-	-	(5,806)	(143)	3,345	568
18	-	3,147	3,147	-	94	10,123	-	-	264	-	-	(7,805)	(15)	2,690	457
19	-	2,125	2,125	-	102	11,569	-	-	283	-	-	(9,975)	164	1,815	310
20	-	1,580	1,580	-	110	-	14,461	-	304	-	-	(14,461)	(937)	1,351	229
NPV @		12.0%													2,157

# Appendix

## Adopting U.S. GAAP for Pre-Need Plans in the Philippines

**Table 14 - SFAS 60 Calculations**

Year	Total Premium Income	Surrender Benefit Outgo	Additional Death Benefit	Education Benefit Outgo	Maturity Benefit Outgo	Deferrable Expenses	Ongoing Expenses	In Force	Benefit Reserve	DAC	Unearned Revenue Reserve	Maintenance Reserve
1	11,500	276	26	-	-	9,597	915	1,000	3,987	4,467	735	254
2	6,874	309	32	-	-	2,413	418	0.5977	6,686	3,950	1,262	581
3	5,139	370	37	-	-	776	324	0.4469	8,996	2,486	1,742	859
4	4,099	246	42	-	-	619	268	0.3564	11,315	1,239	2,212	1,118
5	3,679	460	49	-	-	556	251	0.3199	13,533	0	2,713	1,380
6	-	174	50	-	-	-	134	0.3030	14,930	0	2,594	1,395
7	-	170	52	-	-	-	142	0.2961	16,497	0	2,471	1,404
8	-	166	54	-	-	-	150	0.2893	18,252	0	2,343	1,405
9	-	162	57	-	-	-	158	0.2826	20,220	0	2,209	1,397
10	-	159	60	-	-	-	167	0.2759	22,425	0	2,070	1,378
11	-	155	63	-	-	-	176	0.2694	24,895	0	1,923	1,347
12	-	151	66	-	-	-	185	0.2629	27,661	0	1,768	1,301
13	-	147	69	-	-	-	195	0.2565	30,760	0	1,604	1,238
14	-	144	72	-	-	-	206	0.2502	34,231	0	1,429	1,156
15	-	140	76	-	-	-	217	0.2439	38,118	0	1,243	1,052
16	-	-	80	7,230	-	-	228	0.2377	34,955	0	1,043	923
17	-	-	87	8,677	-	-	245	0.2363	29,876	0	822	759
18	-	-	94	10,123	-	-	264	0.2348	22,649	0	576	554
19	-	-	102	11,569	-	-	283	0.2332	13,016	0	303	304
20	-	-	110	-	14,461	-	304	0.2314	0	0	(0)	0
NPV	26,990	1,688	403	5,400	1,499	13,163	2,680	3.522				
Benefit Net Premium			33.3%			NPV 5		2.347				
DAC Net Premium			48.8%									
Maintenance Expense N P			9.9%									
Excess Premium			17.1%									

# Appendix

## Adopting U.S. GAAP for Pre-Need Plans in the Philippines

Table 15 - US GAAP Income Statement

Year	Total Premium Income	Investment Income	Total Income	Surrender Benefit Outgo	Additional Death Benefit	Education Benefit Outgo	Maturity Benefit Outgo	Initial Expenses	Renewal Expenses	Commission	VAT, duties and other taxes	Increase in Reserve	Increase in DAC	Total Expenses	Gross Profit
1	11,500	117	11,617	276	26	-	-	1,200	589	7,475	1,248	4,975	4,467	11,322	295
2	6,874	544	7,418	309	32	-	-	-	366	1,719	746	3,554	(516)	7,242	176
3	5,139	1,032	6,172	370	37	-	-	-	286	257	558	3,068	(1,464)	6,040	132
4	4,099	1,476	5,575	246	42	-	-	-	238	205	445	3,048	(1,247)	5,470	105
5	3,679	1,951	5,629	460	49	-	-	-	223	184	399	2,981	(1,239)	5,535	94
6	-	2,096	2,096	174	50	-	-	-	134	-	-	1,293	0	1,652	445
7	-	2,250	2,250	170	52	-	-	-	142	-	-	1,452	0	1,816	434
8	-	2,423	2,423	166	54	-	-	-	150	-	-	1,629	0	1,999	424
9	-	2,618	2,618	162	57	-	-	-	158	-	-	1,826	0	2,203	415
10	-	2,836	2,836	159	60	-	-	-	167	-	-	2,046	0	2,431	405
11	-	3,080	3,080	155	63	-	-	-	176	-	-	2,292	0	2,685	395
12	-	3,354	3,354	151	66	-	-	-	185	-	-	2,566	0	2,968	386
13	-	3,660	3,660	147	69	-	-	-	195	-	-	2,872	0	3,284	376
14	-	4,003	4,003	144	72	-	-	-	206	-	-	3,214	0	3,636	367
15	-	4,388	4,388	140	76	-	-	-	217	-	-	3,596	0	4,030	358
16	-	4,396	4,396	-	80	7,230	-	-	228	-	-	(3,492)	0	4,047	349
17	-	3,890	3,890	-	87	8,677	-	-	245	-	-	(5,465)	0	3,544	347
18	-	3,147	3,147	-	94	10,123	-	-	264	-	-	(7,677)	0	2,803	344
19	-	2,139	2,139	-	102	11,569	-	-	283	-	-	(10,156)	0	1,797	342
20	-	1,592	1,592	-	110	-	14,461	-	304	-	-	(13,623)	0	1,252	339
NPV @	12.0%														2,157



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