



INSURANCE COMMISSION

Mission

We are committed to protect the interest and welfare of the insuring public and to develop and strengthen the insurance industry.

Vision

By 2020, as Regulator, we shall provide an opportunity for every Filipino to secure insurance protection and we shall observe practices at par with regional and global standards.

Values

Love of God and People

Integrity

Fairness

Professionalism (Service & Excellence)

Solidarity (Unity and Social Responsibility)



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
Manila

28 October 2009

The HONORABLE MARGARITO B. TEVES
Secretary of Finance
Department of Finance
Manila

Dear Sir:

We have the honor to submit our Annual Report for the year ended 31 December 2008 on the administration of the Insurance Code and the performance of the insurance industry including mutual benefit associations and trusts for charitable uses.

Very truly yours,

EDUARDO T. MALINIS
Insurance Commissioner

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ADMINISTRATION OF THE INSURANCE CODE

Licensing and Market Structure

Licenses or certificates of authority (CA) of regulated insurance entities expire every June 30 of each year. For the licensing period 2008-2009, a total of 121 insurance companies were granted licenses to transact business in the country. This is composed of 3 composite companies, 32 life companies, 85 non-life companies and 1 reinsurance company.

A total of twenty-two (22) mutual benefit associations and five (5) trusts for charitable uses were likewise issued licenses to do business in the country during the year.

Table 1 : Companies Authorized to Transact Insurance Business in the Philippines As of 31 December 2008					
Classification of Company	Direct Insurers			Professional	TOTAL
	Composite	Life	Non-Life	Reinsurers	
A. Domestic	2	25	78	1	106
B. Foreign					
Domestically Incorporated	1	6	4	-	11
Branch	-	1	3	-	4
Total	3	32	85	1	121

The decrease in the number of licensed insurance companies was due to the merging of Tokio Marine Malayan Insurance Co., Inc. with Malayan Insurance Company, Inc. which both belong to the YGC group of companies and the non-renewal of license of Covenant Assurance Company, Inc.

Also issued during the year, were licenses/accreditations of 49,781 insurance intermediaries and other technical support entities. The licensees include 40,865 ordinary agents, 233 general agents and 7,863 variable agents and 113 brokers. A total of 462 underwriters, 62 resident agents, 35 actuaries, 55 adjusters and 93 external auditors were also granted certificates of registration/accreditation in 2008.

**Table 2: Licenses Issued to Insurance Intermediaries and
Other Technical Support Entities - 2008**

Sales/Technical Group	New	Renewal	Total
Ordinary Agents	17,130	23,735	40,865
Life	14,831	14,909	29,740
Non-Life	2,299	8,826	11,125
General Agents	12	221	233
Life	4	50	54
Non-Life	8	171	179
Variable Life Agents	3,148	4,715	7,863
Brokers	4	109	113
Insurance	2	78	80
Reinsurance	2	31	33
Non-Life Underwriters	43	419	462
Resident Agents	13	49	62
Actuaries	6	29	35
Adjusters	2	53	55
External Auditors	30	63	93
Total	20,388	29,393	49,781

The total issued licenses/accreditations in 2008 are 18.83% more than those issued in 2007. This was brought about by the 62.66% and 13.55% increases in the number of licensed variable life agents and ordinary agents, respectively.

Financial Surveillance

Financial statements as of 2005-2007 of insurance companies were examined/verified in accordance with the pertinent provisions of the Insurance Code. A total of one hundred fifty-one (151) synopses of life and non-life insurance companies corresponding to the years 2005, 2006 and 2007 were approved for publication and 199 were still under process during the year. Financial statements of two hundred twenty-three (223) insurance and reinsurance brokers and twenty (20) MBAs were likewise verified and approved during the year.

The Commission's on-site examination on rates used by non-life insurers found 953 cases of breaches of tariff for fire, motor and surety lines of insurance business corresponding to a total amount of Php 618,945.00 in fines paid by 46 erring companies.

During the same year, various reportorial requirements were also reviewed. There were 49,934 reports on bonds issued in favor of the government evaluated while 23,227 adjuster's reports were assessed. Other reports monitored were on issued COCs, confiscated bail bonds by different courts and fire taxes remitted.

Public Assistance/Claims Adjudication

In 2008, formal and informal complaints received by the Commission were acted upon. A total of 901 out of the 5,793 filed were settled/decided/terminated which included the holding of 1,905 conferences with claimants and insurance companies concerned.

For the formal cases being heard, seventy-six (76) resolutions/orders were issued while 19 administrative cases were resolved.

Liquidation/Conservation/Receivership

As of December 31, 2008, there were 20 insurance companies and 2 MBAs under the varying stages of conservatorship/receivership/liquidation. Companies under liquidation include Filipino Merchants' Insurance Company, Inc.; South Sea Surety & Insurance Inc.; Cathay Insurance Company, Inc.; Rico General Insurance Corporation; Nicphil Insurance Inc.; Mega Pacific Insurance Corporation; Development Insurance & Surety Corporation; Zenith Insurance Corporation; The Capital Insurance & Surety Co., Inc.; Wellington Insurance Company, Inc.; Mantruste General Insurance Corporation; Times Surety & Insurance Co., Inc.; First Quezon City Insurance Co., Inc.; Luzon Insurance & Surety Co., Inc.; The Imperial Insurance Inc.; TICO Insurance Co., Inc.; AFISCO Insurance Corporation and General Insurance & Surety Corporation.

Algen Insurance Corporation and Central Surety & Insurance Company, Inc. were also under conservatorship and receivership, respectively.

Two (2) MBAs likewise placed under liquidation and conservatorship were Philippine Association for Vocational Education (PAVE) and Philippine Public School Teachers' Association (PPSTA) respectively.

Security Deposits/Guaranty Fund/Security Fund

Total securities and guaranty fund deposited with the Insurance Commission during the year amounted to Php 5,134.05 million and Php 322.33 million respectively in government bonds, time deposits and stocks.

The Php 10 million Security Fund contributed by all insurance companies duly administered by the Insurance Commission earned a total interest of Php 421,062.76 in 2008. These earned interests are to be proportionately shared by contributing life and non-life insurance companies.

Reinsurance Treaties/Policy Forms/Investments

During the year under review, a total of 1,099 requests for reinsurance treaties and facultative placements were approved by the Commission. Also acted upon and granted were 299 certifications relative to foreign exchange applications for remittance abroad of reinsurance premiums, profits, dividends and/or payment of claims/losses. The Commission has, likewise, monitored 228 companies' compliance to Circular Letter 5-2005 on the requirement to secure a minimum amount of catastrophe excess of loss reinsurance protection equivalent to 5% of their aggregate net retained insured values against earthquake, typhoon and flood under Zone A or Zone B whichever is higher.

There were also 888 life/MBA policy forms and 427 non-life/bond forms approved in 2008. Similarly, 94 requests for investment placements were reviewed and approved in accordance with Sections 226-231 of the Insurance Code.

Computerization

The newly completed IC Data Center was made operational in 2008 and was allowed to run 24/7 as it already hosts the IC website and e-mail server.

The IT facility includes an employee database, a payroll system and a licensing system that is still on its pilot stage.

It is expected that the Commission's system will have interface with other related agencies for information sharing purposes and for policy making activities in the near future.

Corporate Governance

Another initiative by the Office was to have a corporate governance scorecard developed for both life and non-life insurance companies to fully determine compliance with the existing Code of Corporate Governance Principles and Leading Practices.

Performance of the Industry in 2008

OVERVIEW

The insurance industry marked a modest feat in 2008 as the wide-reaching pecuniary crisis of the year has took its toll practically on all sectors of the global economy including the Philippines.

The greater effect was felt by life insurance sector as it registered a 25.35% decline in its premium production and underwriting loss of Php 26.99 billion whilst the non-life sector achieved an infinitesimal growth of 6.97%.

The financial results of the non-life sector does not merit recognition as assets increased by measly 0.75% over the Php 88.02 billion reported assets in 2007.

Table 3: Philippine Economic Indicators, 2004-2008					
ECONOMIC AND INSURANCE DEVELOPMENT DATA	2004	2005	2006	2007	2008
GROSS NATIONAL PRODUCT					
At Current Prices (₱ M)	5,248,064	5,885,050	6,570,310	7,227,312	8,250,249
At Constant Prices (₱ M)	1,252,331	1,319,107	1,399,527	1,495,591	1,587,797
GROSS DOMESTIC PRODUCT					
At Current Prices (₱ M)	4,871,555	5,437,905	6,032,624	6,647,338	7,423,213
At Constant Prices (₱ M)	1,154,295	1,210,497	1,276,435	1,366,493	1,418,952
POPULATION	82.7	85.3	86.9	88.7	91.1
PER CAPITA GROSS NATIONAL PRODUCT (₱)	63,459.1	68,992.4	75,607.7	81,480.4	90,562.6
LABOR FORCE (Average) (In million persons)	35.86	35.13	35.95	36.63	36.81
Employed	31.61	32.22	33.02	33.70	34.09
Unemployed	4.25	2.91	2.93	2.93	2.72
EXCHANGE RATE (per US\$)	56.27	53.07	49.13	41.40	47.49
INFLATION RATE	6.00%	7.60%	6.20%	2.80%	9.30%
Per capita expenditure (₱)	726.2	750.7	846.5	1,080.8	855.4
Life	533.3	550.8	637.3	859.2	624.5
Non-Life	192.9	199.9	209.2	221.6	230.9
Life sum insured as % of G D P	38.56%	27.33%	26.93%	26.48%	25.94%
G N P	35.79%	25.26%	24.73%	24.36%	23.34%
Premiums (Life & Non-Life)					
as % of G D P	1.23%	1.18%	1.22%	1.44%	1.05%
G N P	1.14%	1.09%	1.12%	1.33%	0.95%
Gross value added on insurance	45,699	47,449	53,741	74,148	74,825
ESTIMATED LIFE INSURANCE COVERAGE	13.11%	13.01%	14.16%	13.63%	13.92%

It was only opportune that the first tranche of the required increase in the minimum capitalization of insurance companies in the Philippines was made in

2008 which somehow lessened would be effect on insurers in paying claims as they fall due.

The total premiums generated by both life and non-life insurers as can be gleaned from the preceding table resulted to a lower insurance per capita expenditure of Php 855.40 due to the decline in the life sector business.

Total life sum insured amounting to Php 1,925.90 billion in 2008 was 25.94% and 23.34% of the Gross Domestic Product (GDP) and Gross National Product (GNP), whilst total life and non-life premiums were computed at 1.05% and 0.95% of the GDP and GNP, respectively. Gross value added on insurance amounted to Php 74, 825 for the year while life insurance penetration rate over the 91.1 million Filipino population was only 13.92%.

The combined assets of life and non-life sectors as of the end of 2008 amounted to Php 461.51 billion, 1.45% greater than Php 454.90 billion recorded assets in 2007. Of these, Php 345.98 billion or 74.97% was placed in different investments, 58.18% of which was in government securities.

The Philippine insurance industry experienced a reduced premium production by 18.72% to register a Php 77.92 billion in 2008 compared to Php 95.87 billion in 2007. The decline was brought about by the abrupt drop in the sales of the life sector’s variable unit link products during the year.

Paid taxes by the insurance industry to the government in 2008 amounted to Php 8,654 million. This is consisted of Php 1,647 million premium tax; Php 711 million value-added tax; Php 2,473 million documentary stamp tax; Php 3,639 million withholding tax; Php 149 million income tax and Php 35 million miscellaneous taxes.

Life Insurance

The life sector reported an aggregate Php 56.89 billion total premium income, a 25.35% slump from its previous year’s production. Traditional products however, posted a 1.19% improvement at Php 42.37 billion in 2008 over the Php 41.87 billion in 2007. Variable Unit Linked (VUL), a special life insurance product (life insurance protection combined with investments) however, dropped from last year’s Php 34.34 billion which greatly affected the overall life premium production.

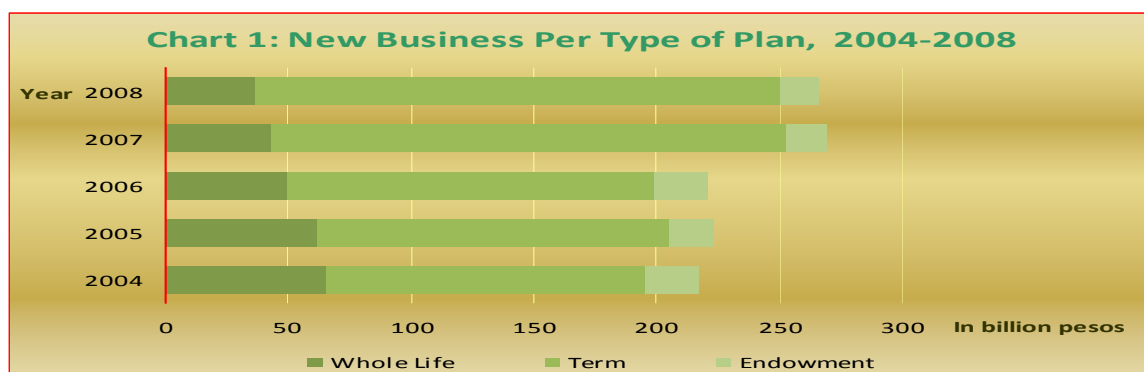


Table 4: Life Insurance In-force/Premium Income, 2007-2008

A. Traditional Insurance Products									
Types of Policies	Number of			Insurance-in-force			Premium Income		
	Policies			(In billion pesos)			(In billion pesos)		
	2008	2007	% Change	2008	2007	% Change	2008	2007	% Change
Ordinary	2,610,950	2,721,425	(4.06)	843.71	827.59	1.95	35.06	35.61	(1.54)
Group	483,779	493,506	(1.97)	972.02	870.57	11.65	7.31	6.25	16.96
Certificates	(9,825,554)	(9,176,807)	7.07						
Industrial	642	717	(10.46)	0.0	0.0	0.0	-	0.01	(100.00)
TOTAL	3,095,371	3,215,648	(3.74)	1,815.73	1,698.16	6.92	42.37	41.87	1.19
	(9,825,554)	(9,176,807)	7.07						
B. Variable Life Products									
VUL	241,238	190,322	26.75	110.17	62.14	77.29	14.52	34.34	(57.72)

Continued dominance of the top five life companies in terms of premium generation was recorded, maintaining 67.10% of the aggregate in 2008.

New business productions during the year yielded a 5.30% and 0.63% improvements from the Php 7.32 billion annual premiums collected and Php 71.78 billion sums assured in 2007, respectively. There was however, a 5.86% decrease in the number of policies sold during the year to reach 186,210 as compared to the 197,808 policies in 2007.

Table 5: Ordinary New Business, 2004-2008

A. Traditional Insurance Products						
Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2008	186,210	(5.86)	7.32	(5.30)	71.78	0.63
2007	197,808	(47.14)	7.73	2.11	71.33	(14.91)
2006	374,222	38.28	7.57	(19.98)	83.83	(10.73)
2005	270,634	(12.39)	9.46	(9.65)	93.91	(4.07)
2004	308,908	(4.06)	10.47	11.86	97.89	(6.76)

A significant increase of 27.37% in the annual premium under group insurance new business was noted in 2008. While the number of policies grew by 7.57%, corresponding number of certificates and sum assured declined by 5.06% and 1.78% respectively.

Table 6: Group Insurance New Business, 2004-2008						
Year	Policies		Annual Premium		Sum Assured	
	Number (Certificates)	% Change	₱ billion	% Change	₱ billion	% Change
2008	3,593 (2,319,711)	7.57 (5.06)	2.28	27.37	194.40	(1.78)
2007	3,340 (2,443,325)	(11.87) 30.99	1.79	27.86	197.93	44.48
2006	3,790 (1,865,219)	(0.16) 14.45	1.40	(7.28)	136.99	6.00
2005	3,796 (1,629,670)	(12.17) 60.46	1.51	6.34	129.23	8.06
2004	4,322 (1,015,623)	34.06 6.18	1.42	(0.70)	119.59	160.15

*** Data in parentheses stand for number of certificates*

The subsequent table shows that of the different traditional products sold in the market during the year, only term insurance recorded increases in the number and amount of policies sold notwithstanding the decrease in the corresponding number of certificates. Declines were likewise noted in the sales volume of whole life and endowment products which contributed to a lower Php 266.18 billion sale during the year.

Table 7: Distribution of New Business by Type of Policy, 2004-2008								
A. Traditional Insurance Products								
Year	Whole Life		Term		Endowment		TOTAL	
	Policies	Amount (₱ B)	Policies (Certificates)	Amount (₱ B)	Policies	Amount (₱ B)	Policies	Amount (₱ B)
2008	98,008	36.38	30,948 (2,314,687)	214.22	60,847 (5,024)	15.58	189,803 (2,319,711)	266.18
2007	106,104	43.09	23,961 (2,442,108)	209.54	71,083 (1,217)	16.63	201,148 (2,443,325)	269.26
2006	162,527	50.00	17,463 (1,864,570)	148.50	198,022 (649)	22.32	378,012 (1,865,219)	220.82
2005	162,636	61.67	19,830 (1,626,752)	143.14	91,964 (2,918)	18.32	274,430 (1,629,670)	223.13
2004	183,921	65.72	16,970 (1,013,110)	129.92	112,339 (2,513)	21.84	313,230 (1,015,623)	217.48

Terminated policies totaled 472,523 with lapsation taking the biggest chunk of 51.12%; 16.93% for surrenders, and expiries with 11.18%. Terminated policies due to other reasons had 10.44% followed by maturities with 6.97% and 3.36% were due to death.

Corresponding sum assured for terminated policies for the same year totaled Php 483.08 billion, of which "other reasons" had the biggest share at Php 165.28 billion, lapsation followed closely with Php 164.41 billion whilst combined death and maturity benefits totaled Php 6.50 billion.

Table 8: Terminated Insurance Policies and Sum Insured (As of 31 December 2008)							
Types of Policies	Number of Policies						TOTAL
	Death	Maturity	Surrender	Lapsation	Expiry	Others	
Ordinary	10,089	52,753	67,407	229,865	27,029	49,150	436,293
Group	5,668	-	9	1,593	5,858	154	13,282
<i>Certificates</i>	<i>(12,194)</i>	<i>(892)</i>	<i>(1,925)</i>	<i>(1,334,937)</i>	<i>(1,197,940)</i>	<i>(518,714)</i>	<i>(3,066,602)</i>
Industrial	3	62	1	-	10	-	76
Variable	114	-	12,600	10,076	58	24	22,872
TOTAL	15,874	52,815	80,017	241,534	32,955	49,328	472,523
* Data in parentheses stand for number of certificates							
Terminated Sum Assured (in billion pesos)							
Types of Policies	Death	Maturity	Surrender	Lapsation	Expiry	Others	TOTAL
Ordinary	2.48	2.31	17.70	60.86	7.24	24.76	115.35
Group	1.66	0.01	0.61	98.18	118.58	39.05	258.09
Industrial	0	0	0	-	0	-	0
Variable	0.04	-	2.75	5.37	0.01	101.47	109.64
TOTAL	4.18	2.32	21.06	164.41	125.83	165.28	483.08

It can be gleaned from Table 9 that the number of policies and sum assured of new policies for both traditional and variable products for the year under review declined by 14.85% and 1.27%, respectively. It can be remembered that purchase of variable unit link products was very popular in the market in 2007 but somehow slackened in 2008.

Table 9: New Business Generated, 2004-2008						
A. Traditional Insurance Products						
Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2008	189,803	(5.64)	9.60	0.84	266.18	(1.14)
2007	201,148	(46.79)	9.52	6.13	269.26	21.94
2006	378,012	37.74	8.97	(18.23)	220.82	(1.04)
2005	274,430	(12.39)	10.97	(7.74)	223.14	2.60
2004	313,230	(3.68)	11.89	10.30	217.48	44.06
B. Variable Life Products						
2008	79,572	(30.92)	12.21	(62.93)	42.96	(2.05)
2007	115,190	184.50	32.94	139.04	43.86	194.96
2006	40,488	82.39	13.78	187.68	14.87	108.85
2005	22,199	(4.02)	4.79	87.84	7.12	10.22
2004	23,130	70.49	2.55	32.81	6.46	(3.29)

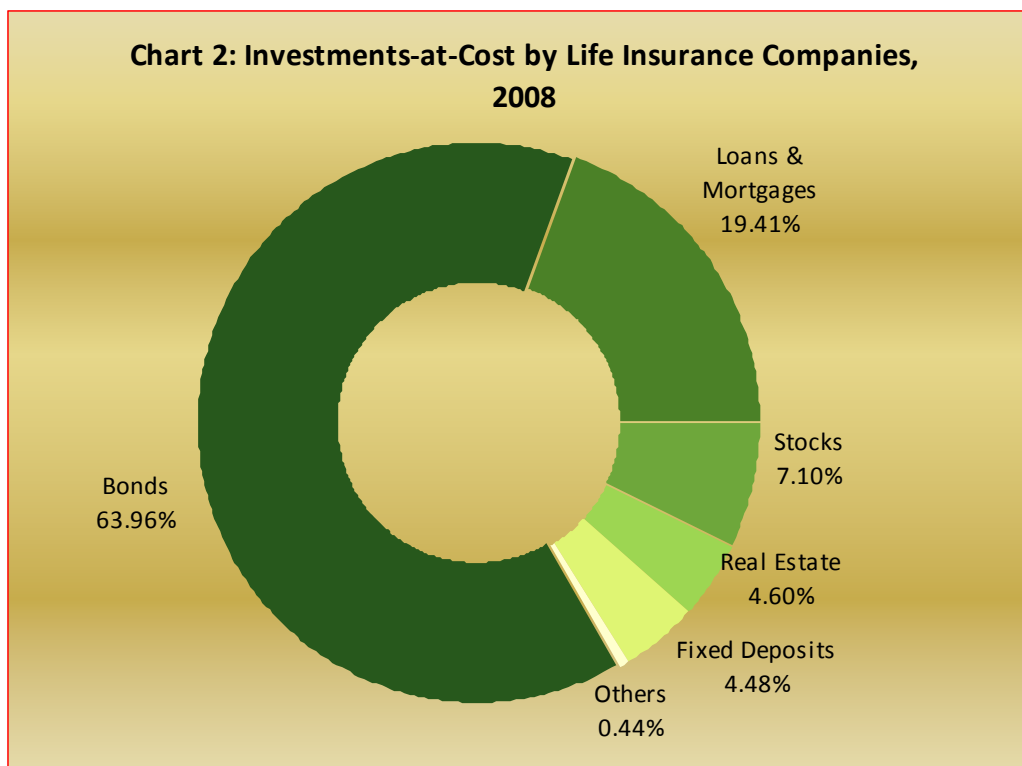
Year-end 2008 also saw the life insurance industry posting a Php 6.19 billion underwriting loss offset by higher Php 26.29 billion earnings from investment placements and lesser operating expenses, ensuing an overall positive year-end income of Php 9.85 billion exclusive of net capital gains/losses amounting to Php 0.75 billion.

Table 10: Summary of Operations of Life Insurance Industry, 2008 (P billions)

PARTICULARS	LIFE		
	Domestic	Foreign	Total
Underwriting Income	19.91	22.90	42.81
Premium Income/ Earned	24.65	32.24	56.89
Less: Inc./ (Dec) in Reserves	5.83	14.82	20.65
Commissions Earned	0.08	0.10	0.18
Other Underwriting Income	1.01	5.38	6.39
Less: Underwriting Expenses	19.51	29.49	49.00
Benefit Payments	14.54	20.62	35.16
Commissions Expenses	2.16	3.24	5.40
Premium Tax Incurred	0.66	0.95	1.61
Other Underwriting Expenses	2.15	4.68	6.83
Underwriting Gain/Loss	0.40	(6.59)	(6.19)
Add: Gross Investment Income	8.00	18.29	26.29
Other Income/Expenses	(0.54)	2.29	1.75
SUB – TOTAL	7.86	13.99	21.85
Less: Taxes other than Premium and Income Tax	0.64	2.32	2.96
Other General Expenses	5.13	3.49	8.62
Income Tax	0.06	0.36	0.42
Net Income / Loss for the year Excluding Capital Gains	2.03	7.82	9.85

Table 11 shows that the aggregate investments made by the life insurers was posted at Php 303.27 billion, 13.89% higher than the previous year's Php 266.29 billion. As in the past years, bonds took the biggest amount with 63.96% followed by policy loans with 9.18%, stocks with 7.10% and remaining placements with 19.76% of the total.

Chart 2: Investments-at-Cost by Life Insurance Companies, 2008



From Table 12, it can be gathered that of the total Php 193.98 billion placements in bonds, 94.49% was invested in government securities and the remaining 5.51% in private or corporate bonds.

Table 11: Investments by Category, 2008 (₱ billions)			
PARTICULARS	LIFE		
	Domestic	Foreign	Total
Bonds	64.60	129.38	193.98
Stocks	14.96	6.58	21.54
Real Estate	11.41	2.53	13.94
Purchase	0.07	-	0.07
Mortgage	3.89	1.44	5.33
Collateral	2.18	10.36	12.54
Guaranteed	6.32	5.93	12.25
Policy Loans	8.24	19.60	27.84
Other Loans	0.68	0.16	0.84
Short – Term	0.03	-	0.03
Other	0.85	0.46	1.31
Fixed Deposits	6.48	7.12	13.60
Asset Backed	-	-	-
TOTAL	119.71	183.56	303.27

Table 12: Investments in Bonds and Government Securities, 2008 Life (₱ billions)	
TYPES OF BONDS/SECURITIES	
Long – Term Government Bonds	<u>183.30</u>
<i>Treasury Notes</i>	121.23
<i>Land Bank Bonds</i>	0.08
<i>Pag- ibig Bonds</i>	0.01
<i>Euro Bonds</i>	7.67
<i>Retail Bonds</i>	0.30
<i>Others</i>	54.01
Short-Term Government Securities	<u>0.00</u>
<i>Treasury Bills</i>	0.00
Total Government Securities	<u>183.30</u>
Private Bonds	<u>10.68</u>
<i>Private Bonds</i>	6.06
<i>Foreign Bonds</i>	4.62
GRAND TOTAL	<u>193.98</u>

Reported assets as at year-end amounted to Php 372.83 billion, a mere 1.62% improvement from Php 366.88 billion assets in 2007. Liabilities also went up by 7.39% compared from previous year's Php 293.80 billion as legal policy reserves increased by 9.18%.

Networth declined by 21.58% despite the 5.36% increase in paid-up capital of the life companies. This is largely brought about by the 59.20% reduction in the sector's fluctuation reserves during the year.

Table 13: Consolidated Balance Sheet, 2008
Life Insurance Companies
(₹ billions)

PARTICULARS	LIFE		
	Domestic	Foreign	Total
ASSETS			
Bonds	47.39	131.01	78.40
Stocks	22.67	10.44	33.11
Real Estate Owned	15.98	1.51	17.49
Purchase Money Mortgages	0.07	-	0.07
Mortgage Loans	3.88	1.44	5.32
Collateral Loans	2.13	10.36	12.49
Guaranteed Loans	6.33	5.93	12.26
Policy Loans	8.25	19.60	27.85
Other Loans	0.68	0.16	0.84
Short – Term Investments	0.00	-	0.00
Security Fund	0.00	0.00	0.00
Other Investments	0.77	0.59	1.36
Cash on Hand & in Banks	8.24	16.70	24.94
Premiums Receivable/Premiums Due & Uncollected	0.83	1.49	2.32
Due From Ceding Companies	0.12	0.13	0.25
Prem./Loss Reserve Withheld By Ceding Companies	0.18	0.10	0.28
Accrued Interest & Other Investment Income	1.64	5.79	7.43
EDP Equipment	0.37	0.19	0.56
Investments for Variable Life Contracts	24.82	20.02	44.84
Other Assets	1.66	1.36	3.02
TOTAL ASSETS	<u>146.01</u>	<u>226.82</u>	<u>372.83</u>
LIABILITIES			
Legal Policy Reserves	96.72	145.54	242.26
Policy & Contract Claims	2.28	1.27	3.55
Dividends Payable to Stockholders	2.78	1.10	3.88
Policyholder's Dividends	7.08	27.90	34.98
Liability for Premium Deposit Funds	5.61	1.82	7.43
Premiums Due to Reinsurers	0.68	0.29	0.97
Prem./Loss Reserves Withheld For Reinsurers	0.04	0.43	0.47
Taxes/Licenses Payable	0.25	0.24	0.49
Commission & Other Charges Payable	0.67	0.74	1.41
Accounts/Notes Payable	1.34	5.67	7.01
Unearned Investment Income	0.29	0.03	0.32
Other Liabilities	2.73	10.02	12.75
TOTAL LIABILITIES	<u>120.47</u>	<u>195.05</u>	<u>315.52</u>
NETWORTH			
Paid-Up Capital/Statutory Deposits	5.02	4.62	9.64
Paid-In Capital	0.61	0.33	0.94
Deposit on Stock Subscription	0.01	0.09	0.10
Investment Fluctuation Reserve	9.26	5.30	14.56
Contributed Surplus	2.10	1.69	3.79
Contingency Surplus	3.00	0.24	3.24
Other Assigned Surplus	0.00	0.07	0.07
Unassigned Surplus	5.54	19.43	24.97
TOTAL NETWORTH	<u>25.54</u>	<u>31.77</u>	<u>57.31</u>
TOTAL LIABILITIES & NETWORTH/TRUSTEED SURPLUS	<u>146.01</u>	<u>226.82</u>	<u>372.83</u>

Non-Life Insurance

The non-life sector registered an increased Php 31.18 billion gross premiums written as of the year-end, a 7.07% higher than the amount listed during the previous year. The amount is contributed largely by fire line of business with 32.65%, followed closely by motor car with 31.69%, casualty with 20.43%, marine with 11.35%, suretyship with 3.75% and life business by a Professional Reinsurer with 0.13%.

Table 14 : Gross Premiums Written of Private Non-Life Companies including Professional Reinsurer, 2007-2008

LINE OF BUSINESS	2008		2007	
	Amount (₱ B)	% to Total	Amount (₱ B)	% to Total
Fire	10.18	32.65	9.52	32.69
Marine	3.54	11.35	3.37	11.57
Motor Car	9.88	31.69	9.29	31.90
Casualty	6.37	20.43	5.71	19.61
Suretyship	1.17	3.75	1.16	3.99
Life for PR	0.04	0.13	0.07	0.24
TOTAL	31.18	100.00	29.12	100.00

Table 15. Loss Ratios, 2007-2008 (Non-Life and Professional Reinsurer) (₱ billions)

LINE OF BUSINESS	2008			2007		
	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*
1. Fire and Allied Perils	2.15	4.05	53.08	1.55	3.81	40.61
a. Fire	1.79	3.13	57.29	1.12	2.96	37.50
b. Earthquake /Fire/shock	0.00	0.55	0.20	0.00	0.54	0.58
c. Typhoon	0.25	0.14	175.86	0.33	0.13	254.16
d. Flood	0.04	0.11	33.28	0.05	0.07	69.83
e. Extended Coverage	0.07	0.12	57.79	0.05	0.11	43.30
2. Marine	1.08	1.98	54.51	0.79	1.81	43.91
a. Marine Cargo	0.41	1.41	29.17	0.33	1.16	28.52
b. Aviation	0.07	1.08	36.09	0.42	0.49	87.38
c. Marine Hull	0.60	0.39	154.50	0.04	0.16	23.72
3. Motor Car	4.81	9.58	50.22	4.82	9.14	52.67
a. CMVL-LTO	0.05	0.34	16.56	0.06	0.29	20.76
b. CMVL-Non-LTO	0.55	1.37	40.13	0.68	1.51	45.02
c. Other Than CMVL-LTO	0.16	0.13	123.73	0.31	0.11	277.63
d. Other Than CMVL-Non-LTO	4.05	7.74	52.31	3.76	7.23	52.08
4. Casualty	1.54	3.8	40.55	1.31	3.39	38.68
a. Health	0.11	0.46	23.04	0.09	0.46	19.08
a. Personal Accident	0.76	1.73	44.13	0.61	1.44	42.36
b. Engineering	0.13	0.44	28.42	0.15	0.27	57.23
c. Miscellaneous	0.44	0.90	49.42	0.41	0.97	42.14
d. Life, for Prof. Reinsurers	0.10	0.27	38.11	0.05	0.26	20.97
5. Suretyship	0.07	1.09	6.39	0.13	0.99	13.34
TOTAL	9.65	20.50	47.06	8.60	19.14	44.93

*Loss ratios based on exact figures

It can be observed from Table 15 that from among the different lines of business, marine recorded the highest loss ratio of 54.51%, followed by fire with 53.08%, motor car with 50.22%, casualty with 40.55%, and suretyship with 6.39%. The overall claims ratio however was only 47.06% which is quite satisfactory.

The non-life sector posted a net income after tax of Php 2.04 billion, higher than the Php 1.95 billion recorded income in 2007. Contributing factors to this year-end profit include lower underwriting expenses, a modest gross investment income and a much lesser operating expenses.

Table 16. Summary of Operations, 2008 (Non-Life and Professional Reinsurer) (₱ billions)			
PARTICULARS	NON-LIFE		
	Domestic	Foreign	Total
<i>Underwriting Income</i>	<u>20.99</u>	<u>2.72</u>	<u>23.71</u>
Premium Income/ Earned	18.36	2.14	20.50
Commissions Earned	2.28	0.57	2.85
Other Underwriting Income	0.35	0.01	0.36
<i>Less: Underwriting Expenses</i>	<u>16.19</u>	<u>1.94</u>	<u>18.13</u>
Losses Incurred	8.84	0.81	9.65
Loss Adjustment Expenses	0.24	0.05	0.29
Commission Expenses	6.12	0.91	7.03
Premium Tax Incurred	0	0	0
Other Underwriting Expenses	0.99	0.17	1.16
Underwriting Gain/Loss	<u>4.80</u>	<u>0.78</u>	<u>5.58</u>
Add: Gross Investment Income	2.39	0.48	2.87
Other Income/Expenses	0.47	0.19	0.66
SUB – TOTAL	<u>7.66</u>	<u>1.45</u>	<u>9.11</u>
Less: Taxes other than Premium and Income Tax	0.37	0.06	0.43
Other General Expenses	5.38	0.86	6.24
Income Tax	0.28	0.12	0.40
Net Income / Loss for the year Excluding Capital Gains	<u>1.63</u>	<u>0.41</u>	<u>2.04</u>

Aggregate assets of non-life insurance companies including the sole professional reinsurer summed up to Php 88.68 billion, a slight development of 0.75% over the Php 88.02 billion reported assets in 2007.

Table 17 shows higher losses and claims payable in 2008 with 21.08% increment over that of 2007. Similarly, reserve for unearned premiums was 7.35% more than the Php 7.76 billion of last year.

Aggregate networth dropped by 9.94% from Php 45.66 billion in 2007 to Php 41.53 billion in the following year.

Table 17: Consolidated Balance Sheet, 2008
Non-life and Professional Reinsurer
(P billions)

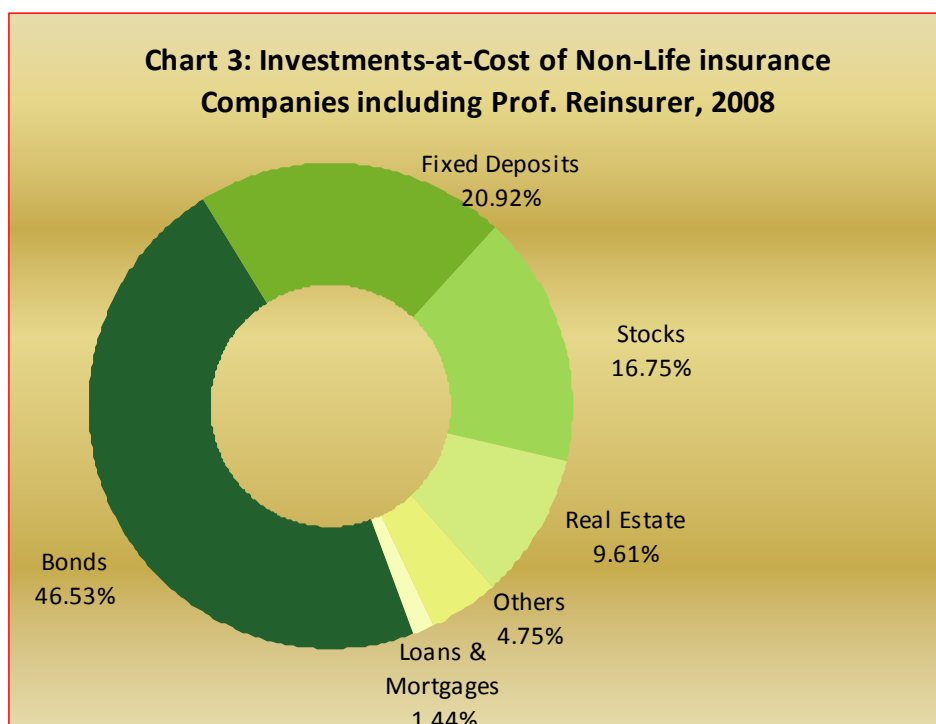
PARTICULARS	Domestic	Foreign	Total
ASSETS			
Bonds	16.08	3.23	19.31
Stocks	11.31	0.68	11.99
Real Estate Owned	4.69	0.14	4.83
Mortgage Loans	0.31	0.04	0.35
Collateral Loans	0.06	-	0.06
Guaranteed Loans	-	-	-
Other Loans	0.18	0.02	0.20
Short-Term Investments	1.62	0.01	1.63
Security Fund	0.01	-	0.01
Other Investments	0.88	0.04	0.92
Cash on Hand & in Banks	11.45	1.89	13.34
Premiums Receivable/Premiums Due & Uncollected	8.37	0.51	8.88
Due From Ceding Companies	4.79	0.32	5.11
Prem./Loss Reserve Withheld By Ceding Companies	0.34	0.01	0.35
Reins. Recoverable on Losses	15.11	3.22	18.33
Other Reins. Accts. Receivable	0.10	0.01	0.11
Commissions/Accounts Receivable	0.96	0.09	1.05
Salvage Recoverable	0.09	-	0.09
Accrued Interest & Other Investment Income	0.52	0.11	0.63
EDP Equipment	0.35	0.03	0.38
Other Assets	0.95	0.16	1.11
TOTAL ASSETS	78.17	10.51	88.68
LIABILITIES			
Reserve for Unearned Premiums	7.44	0.89	8.33
Losses & Claims Payable	17.70	3.32	21.02
Policyholders/Loss Adjustment Expenses	0.17	0.02	0.19
Catastrophe Loss Reserves	0.23	0.09	0.32
Premiums Due to Reinsurers	6.78	1.11	7.89
Prem./Loss Reserves Withheld For Reinsurers	1.11	0.53	1.64
Other Reins. Accounts Payable	0.12	-	0.12
Taxes/Licenses Payable	2.58	0.21	2.79
Accrued Expenses Payable	0.38	0.14	0.52
Commission & Other Charges Payable	1.06	0.02	1.08
Accounts/Notes Payable	1.69	0.03	1.72
Other Liabilities	1.44	0.09	1.53
TOTAL LIABILITIES	40.70	6.45	47.15
NETWORTH			
Paid-Up Capital/Statutory Deposits	12.40	2.07	14.47
Treasury Shares	(0.26)	-	(0.26)
Paid-In Capital	4.37	0.20	4.57
Contributed Surplus	0.77	0.19	0.96
Deposit on Stock Subscription	0.98	0.25	1.23
Investment Fluctuation Reserve	7.04	(0.24)	6.80
Contingency Surplus	1.31	-	1.31
Other Assigned Surplus	0.21	0.01	0.22
Unassigned Surplus/H.O. Accounts	10.66	1.57	12.23
TOTAL NETWORTH	37.48	4.05	41.53
TOTAL LIABILITIES & NETWORTH/ TRUSTEED SURPLUS	78.17	10.50	88.68

Invested assets grew by 2.74% to reach Php 42.71 billion in 2008. Of this, 46.53% or Php 19.87 billion was placed in bonds, 20.92% in fixed deposits, 16.75% in stocks, 9.61% in real estate and the remaining 6.19% in various placements.

Table 18: Investments by Category, 2008 Non-Life and Professional Reinsurer (₱ billions)			
PARTICULARS	NON-LIFE		
	Domestic	Foreign	Total
Bonds	16.68	3.19	19.87
Stocks	6.11	1.04	7.15
Real Estate	3.89	0.21	4.10
Mortgage Loans	0.31	0.04	0.35
Collateral Loans	0.06	-	0.06
Other Loans	0.18	0.03	0.21
Short – Term Investments	1.22	0.01	1.23
Other Investments	0.75	0.05	0.80
Fixed Deposits	7.50	1.44	8.94
TOTAL	<u>36.70</u>	<u>6.01</u>	<u>42.71</u>

Table 19: Investments in Bonds and Government Securities, 2008 Non-Life and Professional Reinsurer (₱ billions)	
TYPES OF BONDS/SECURITIES	(₱ B)
Long – Term Government Bonds	<u>16.77</u>
<i>Treasury Notes</i>	11.68
<i>Land Bank Bonds</i>	0.06
<i>Pag- ibig Bonds</i>	0.05
<i>Euro Bonds</i>	3.41
<i>Retail Bonds</i>	1.55
<i>Others</i>	0.02
Short-Term Government	<u>1.22</u>
<i>Treasury Bills</i>	1.22
Total Government Securities	<u>17.99</u>
<i>Private Bonds</i>	2.58
<i>Foreign Bonds</i>	0.52
GRAND TOTAL	<u>21.09</u>

Of the entire amount in bonds, Php 16.77 billion was placed in government securities while Php 3.10 billion was invested in private corporate bonds.



Mutual Benefit Associations (MBAs)

Microinsurance which was given more emphasis in the latter part of 2005 has provided an opportunity for the lower income sector to obtain insurance protection. As microinsurance associations in the Philippines are mostly based in provinces, more people from the villages or rural areas have been given access to micro insurance products.

To date, there are 21 licensed mutual benefit associations (MBAs) providing microinsurance products with a total membership of almost 2 million, aggregate assets of Php 21,747.38 million and a total Guaranty Fund of Php 356.50 million.

Insurance and Reinsurance Brokers

There were eighty (80) insurance and thirty-three (33) reinsurance brokers licensed to do business in the Philippines in 2008. Total premium production for the year amounted to Php 24.23 billion, 21.82% more than the reported production in 2007. The amount accounted for 77.71% of the industry's total premium production. A corresponding Php 3.06 million commissions was likewise posted at the end of the year.

Table 20: Brokers' Business Operations, 2008
(₱ millions)

Line of Business	Insurance Brokers		Reinsurance Brokers	
	Premiums	Commissions	Premiums	Commissions
Life	5,415.66	548.97	-	-
Fire	4,508.16	485.87	762.55	66.40
Ocean Marine	497.12	101.31	124.48	8.57
Inland Marine	125.10	26.19	13.23	4.29
Marine Hull	454.12	38.24	145.84	14.03
Aviation	669.85	25.19	34.46	2.60
Fidelity & Surety	507.20	131.40	3.07	0.28
Motor Vehicle	2,374.24	524.21	16.46	1.46
Health	4,268.81	521.83	10.26	0.41
Accident	368.48	123.75	15.91	0.73
Engineering	2,105.22	139.17	51.43	6.39
Miscellaneous	1,619.32	272.37	138.76	19.41
TOTAL	22,913.28	2,938.50	1,316.45	124.57

Trusts for Charitable Uses

The five (5) trusts for charitable uses reported slightly higher assets of Php 406.64 million and a lower Php 236.93 million networth as of the year-end 2008. Of these assets, 30.67% was invested in bonds/stocks, 23.81% in real estate and 9.79% in short term investments.

A closer look at their consolidated statement of cash receipts and disbursements showed a much higher current year cash fund balance of Php 113.06 million.

Government Service Insurance System (GSIS)

The Government Service Insurance System reported an overall Php 49.12 billion premium in 2008, 95.20% of which was accounted for by its life business and the remaining 4.80% by its non-life counterpart. Total assets were recorded at Php 483.76 billion, a 10.39% increase over last year's figure. Furthermore, networth increased by 62.06% to reach Php 23.92 billion.

Invested assets of the state owned insurance corporation was registered at Php 342.70 billion showing a decrease of 9.92% compared to Php 380.46 billion investments in 2007.