



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

05 October 2010

The HONORABLE CESAR PURISIMA
Secretary of Finance
Department of Finance
Manila

Dear Sir:

We have the honor to submit herewith our Annual Report for the year ended 31 December 2009 on the administration of the Insurance Code as well as the performance of the insurance industry including that of the Mutual Benefit Associations and Trusts for Charitable Uses.

Yours faithfully,

VIDA T. CHIONG
Deputy Insurance Commissioner
Officer-In-Charge

Table of Contents Pages

I. Administration of the Insurance Code

Licensing and Market Structure	03-03
Financial Surveillance	04-04
Tariff Compliance Monitoring	04-04
Public Assistance/Claims Adjudication	04-04
Conservation/Receivership/Liquidation	04-04
Security Deposits/Guaranty Fund/Security Fund	05-05
Reinsurance	05-05
Policy Forms	05-05
Regulatory Updates	05-05
a. Capitalization	05-05
b. Corporate Governance	06-06
c. Micro Insurance	06-06

II. Performance of the Insurance Industry in 2009

An Overview	09-10
The Life Insurance Industry	11-18
The Non-Life Insurance Industry	18-24
The Mutual Benefit Associations (MBAs)	24-24
The Trusts for Charitable Uses	24-24
The Insurance and Reinsurance Brokers	24-25
The Government Service Insurance System (GSIS)	25-26

III. Appendices

Statistical Tables	29-331
Regulatory Issuances in 2009	332-475
Licensed Insurance Companies	476-479
Licensed Insurance Brokers	480-481
Licensed Reinsurance Brokers	482-482
Licensed Insurance Adjusters	483-484
Licensed Resident Agents	485-486
Licensed Mutual Benefit Associations	487-487
Licensed Trusts for Charitable Uses	488-488
Accredited Actuaries	489-489
Accredited External Auditors	490-493

I. ADMINISTRATION OF THE INSURANCE CODE

1. Licensing and Market Structure

For license year 2009 - 2010, a total of 120 insurance companies were granted Certificates of Authority (CA) to transact insurance business in the country. This is composed of 3 composite, 32 life and 84 non-life companies and 1 reinsurance company.

Also issued licenses were 27 mutual benefit associations, 13 of which are micro-insurance MBAS. Likewise, granted certificates of authority were 5 Trusts for Charitable Uses.

Table 1 : Insurance Companies Authorized to Transact Business in the Philippines As of 31 December 2009					
Classification of Company	Direct Insurers			Prof. Reins.	TOTAL
	Composi	Life	Non-Life		
A. Domestic	2	24	76	1	103
B. Foreign					
Domestically Incorporated	1	7	5	-	13
Branch	-	1	3	-	4
Total	3	32	84	1	120

To support the insurers in the conduct of their business, a total of 44,002 intermediaries and technical support entities were issued certificates of registration for the year 2009.

Some 75 of them were insurance brokers while there were 30 reinsurance brokers and 35,550 were ordinary agents. Also granted accreditations were 73 auditors and 39 actuaries.

Table 2: Licenses Issued to Insurance Intermediaries and Other Technical Support Entities - 2009			
Sales/Technical Group	New	Renewal	Total
Ordinary Agents	11,443	24,107	35,550
Life	9,421	15,225	24,646
Non-Life	2,022	8,882	10,904
General Agents	5	156	161
Life	4	48	52
Non-Life	1	108	109
Variable Life Agents	2,090	5,422	7,512
Brokers	2	103	105
Insurance	1	74	75
Reinsurance	1	29	30
Non-Life Underwriters	34	421	455
Resident Agents	9	43	52
Actuaries	3	36	39
Adjusters	4	51	55
External Auditors	13	60	73
Total	13,603	30,399	44,002

2. Financial Surveillance

To ensure a strong and financially sound insurance industry, examinations and/or verifications of the financial condition and methods of doing business are done either on - site or off- site.

As a result, a total of 86 synopses of annual statements for 2008 of life and non-life insurance companies were approved for publication. This is in accordance with Section 225 of the Insurance Code to inform the policyholders and other stakeholders of the financial condition of their insurers.

Financial statements of reporting 63 insurance brokers and 22 reinsurance brokers, 4 Mutual Benefit Associations and 3 Trusts for Charitable Uses were also verified and approved during the year.

3. Tariff Compliance Monitoring

There were 93 insurance companies and insurance brokers that were examined relative to the premium rates applied on various policies written specifically as regards to the companies' compliance with the tariff on bonds, motor car and fire.

A total of 1,242 breaches of tariff were noted for which a total of ₱953, 956.00 penalties were collected.

4. Public Assistance/Claims Adjudication

There were 1,138 informal complaints/claims filed with the Insurance Commission. A total of 2,434 hearings/conferences were held which resulted in the settlement/termination of 859 claims as well as the resolution of 14 cases.

In relation to losses incurred due to typhoons Ondoy and Pepeng which hit the country in September 2009, the Insurance Commission called on the insurance industry to extend immediate assistance to and/or settle claims of policyholders without delay.

A survey of the losses indicated that there were 8,600 motor and 6,800 non-motor claims which have been filed with insurance companies which together amounted to ₱13.53 billion.

5. Conservation/Receivership/Liquidation

The Commission acts as ex-officio conservator/receiver/liquidator of 13 insurance companies while supervising 14 other companies that are under third party conservatorship. It may be noted that companies voluntarily cease operations are placed under conservatorship for eventual liquidation.

As of December 31, 2009, there were 4 insurance companies and 2 Mutual Benefit Associations placed under conservatorships whilst 17 insurance companies and 1 Mutual Benefit Association under Liquidation and 3 insurance companies under receivership.

6. Security Deposits/Guaranty Fund/Security Fund

In accordance with Section 203 of the Insurance Code the total security deposits and guaranty fund in the form of government bonds, time deposits and stocks certificates that were deposited with the Insurance Commission amounted to ₱5.92 billion and ₱0.49 billion, respectively.

7. Reinsurance

A total of 297 requests for facultative placements abroad were approved by the Commission while at the same time reinsurance treaties were evaluated and found in order. Some 395 certifications were also issued to support foreign exchange remittances comprised of ₱1.61 billion, US\$0.22 billion and ¥0.09 billion representing payments of reinsurance premia, claims/losses and profits/dividends amounting to ₱2.16 billion.

In addition, companies were also monitored as regards their compliance to the requirement that 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 must be maintained.

8. Policy Forms

A total of 344 plans/riders/forms for various traditional life insurance products as well as 83 for variable unit linked (VUL) products were approved in 2009. There were also 4 products/forms for micro insurance that were approved. For non-life, 308 bond forms and policy forms were evaluated and approved during the year.

9. Regulatory Updates

a. Capitalization

The staggered increase in minimum paid-up capital started in 2008 was at its second tranche in 2009, making the minimum paid-up capital for domestic companies equal to ₱100 million and higher for foreign companies. The increase in the required capital is aimed at improving the writing capacity of insurers.

b. Corporate Governance

To further push or encourage insurance companies to subscribe to good corporate governance, a scorecard has been developed for insurance companies where their responses had been validated by third party evaluators. This has been a significant development in this area as compared to the previous requirements of simply giving self-disclosure statements and later self-assessments to indicate compliance with sound governance principles.

c. Micro Insurance

The combined assets of the thirteen (13) newly licensed micro Mutual Benefit Associations in 2009 with almost 2 million memberships were recorded at about ₱22 billion just as their total guaranty fund was inventoried at ₱0.36 billion.

A regulatory Framework for Micro insurance was completed during the year after a series of regional consultations. Spearheaded by the Department of Finance and funded by the Asian Development Bank, the framework was a product of the cooperation between and among several government agencies including the Insurance Commission.

Being undertaken also is the development of performance monitoring standards as well as the formulation of their own chart of accounts and annual statement.

II. PERFORMANCE OF THE INSURANCE INDUSTRY

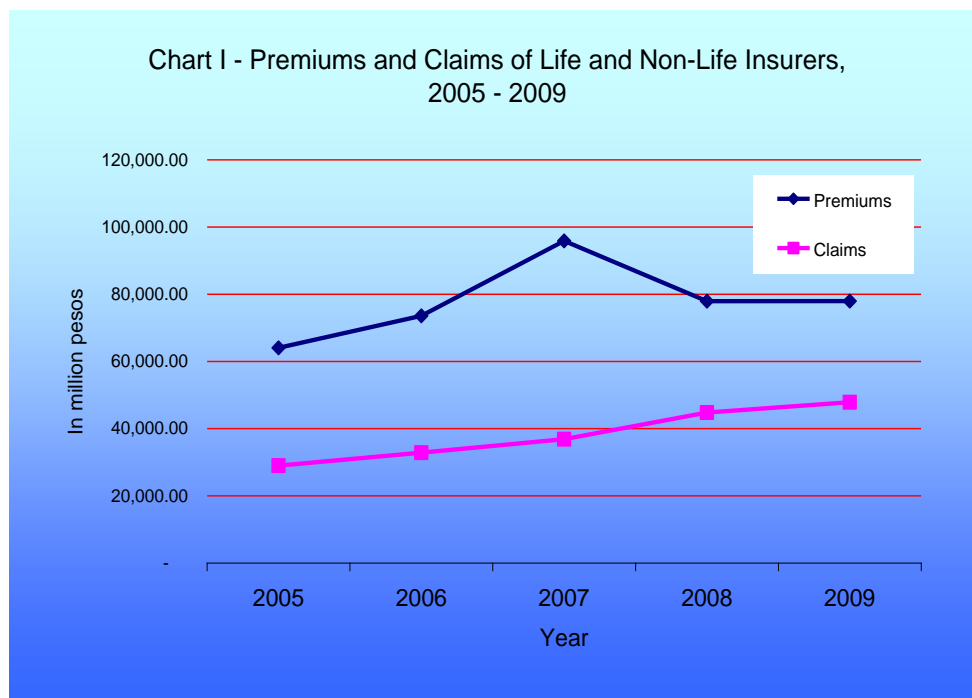
1. An Overview

The long lasting impact of the global financial instability coupled with the devastating effects of typhoons Ondoy and Pepeng on the Philippine shores showed that 2009 was a challenging year for all life and non-life insurers.

Combined net profit of all licensed insurers has decreased by 22.37% from ₱11.89 billion in 2008 to ₱9.23 billion in 2009. Basically, the non-life insurers have been affected enormously as its net profit was reduced by 62.74% whilst the life sector by 13.91%.

The downturn in the operating result of the non-life insurers was intensified by the claims incurred recorded at ₱10.30 billion in 2009 and an upsurge of 18.33% in their operating expenses on top of a decreased gross investment income at 1.75%. Losses incurred was listed mostly on fire and allied perils most specifically on flood and typhoon with 289.40% and 279.95% loss ratios respectively, and marine hull with 141.36%.

Similarly, although there was an increase in premium income by 0.62% in the life sector, corresponding benefits paid however rose to ₱37.56 billion or 6.82%, mostly on surrender benefits which was 37.35% of the total benefits payments to policyholders for the year under review. The life sector was saved at the end of the day by the increment in their gross investment income by 7.80% and the downward operating expenses by 13.82%.



At the macro level, life sum insured as a percentage to Gross Domestic Product was recorded at 27.41% while combined premiums was a mere 1.02% of the same. Estimated life insurance coverage for the year was pegged at 13.90%. Contribution of the insurance industry to the national treasury in the form of tax payments were noted at ₱10.31 billion, an increase of ₱1.35 billion of the prior year's ₱8.96 billion or 15.07%.

Given the persistent ambiguity and precariousness of the global capital markets, investments made by insurance companies reached ₱372.72 billion, 7.73% percentage point higher than last year's ₱345.98 billion. Total investment yield for the year stood at 9.06%.

Aggregate assets of the insurance industry totaled ₱528.16 billion, 79.43% of which belongs to the life insurers and 20.57% to the non-life insurers.

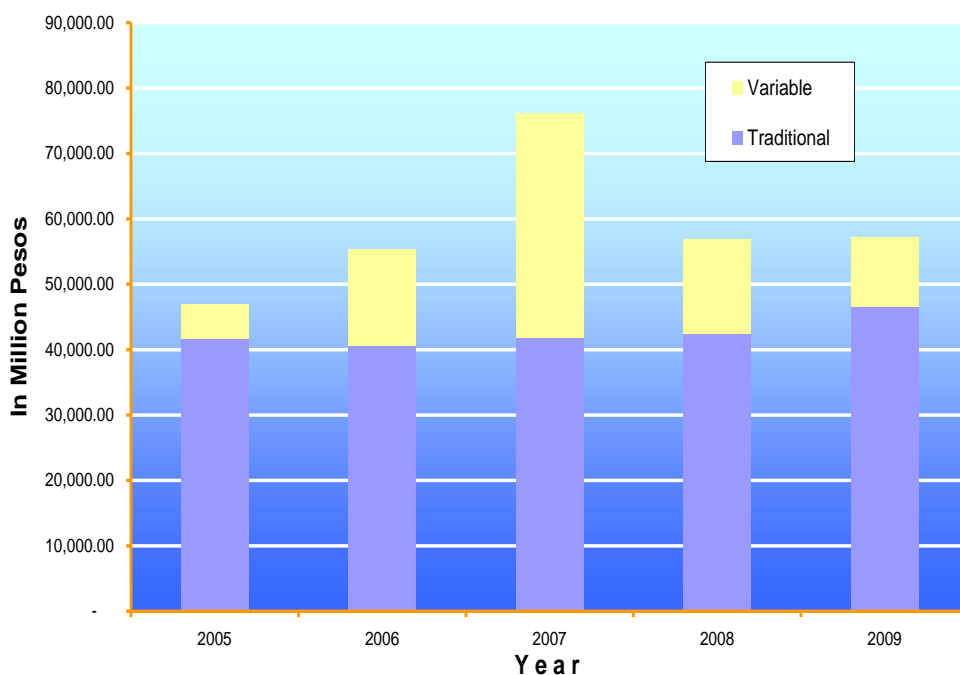
Table 3: Philippine Economic Indicators, 2005-2009					
ECONOMIC AND INSURANCE DEVELOPMENT DATA	2005	2006	2007	2008	2009
GROSS NATIONAL PRODUCT					
At Current Prices (₱ M)	5,885,050	6,570,310	7,230,110	8,261,492	8,809,984
At Constant Prices (₱ M)	1,319,107	1,399,527	1,496,031	1,591,109	1,654,936
GROSS DOMESTIC PRODUCT					
At Current Prices (₱ M)	5,437,905	6,032,624	6,648,619	7,409,371	7,678,917
At Constant Prices (₱ M)	1,210,497	1,276,435	1,366,625	1,417,087	1,432,115
POPULATION (in million)	85.3	86.9	88.7	90.5	92.2
PER CAPITA GROSS NATIONAL PRODUCT (₱)	68,992.4	75,607.7	81,512.0	91,287.2	95,553.0
LABOR FORCE (Average) (In million persons)	35.13	35.95	36.63	36.81	37.89
Employed	32.22	33.02	33.70	34.09	35.06
Unemployed	2.91	2.93	2.93	2.72	2.83
EXCHANGE RATE (per US\$)	53.07	49.13	41.40	47.49	46.36
INFLATION RATE	7.60%	6.20%	2.80%	9.30%	3.20%
Per capita expenditure (₱)	750.7	846.5	1,080.8	859.5	845.4
Life	550.8	637.3	859.2	628.6	620.8
Non-Life	199.9	209.2	221.6	230.9	224.6
Life sum insured as % of G D P	27.33%	26.93%	26.48%	25.99%	27.41%
G N P	25.25%	24.73%	24.35%	23.31%	23.89%
Premiums (Life & Non-Life)					
as % of G D P	1.18%	1.22%	1.44%	1.05%	1.02%
G N P	1.09%	1.12%	1.33%	0.95%	0.89%
Gross value added on insurance	47,449	53,741	74,148	74,825	76,714
ESTIMATED LIFE INSURANCE COVERAGE	13.01%	14.16%	13.63%	14.01%	13.90%

2. The Life Insurance Industry

The country's life insurance business as measured by the sale of new traditional and variable unit linked products illustrated a negligible increase in the number of policies sold by 0.23 % and corresponding percentage increase in sum assured and premium income by 9.27% and 0.62%, respectively.

The percentage increase can be attributed to traditional insurance products as there was greater demand for this kind of plans than the variable unit link being offered in the market as of year-end 2009. Traditional plans showed an increased in the number of policies by as much as 13.78% as corresponding sum assured went up by 54.28% and annual premium by 50.21%.

**Chart 2 - Premium Income of Life Insurers
Traditional and Variable, 2005 - 2009**



Conversely, sale of variable unit linked products declined as shown in their number of policies by as much as 34.80%, sum assured by 27.19% and annual premium by 42.01%.

Table 4: New Business Generated, 2005-2009						
A. Traditional Insurance Products						
Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2009	215,962	13.78	14.42	50.21	410.65	54.28
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
B. Variable Life Products						
2009	51,878	(34.80)	7.08	(42.01)	31.28	(27.19)
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

Number of policies sold for ordinary new business had an increment of 14.37%, and 63.25% in the total annual premium. However, a decreased sum assured by 6.31% was noted during the year. Typically for every year under review, whole life insurance accounted for almost 50% of the total sum assured under ordinary new business. Compared to prior year's sum assured, demand for whole life and term insurances under ordinary business went down by as much as 10.42% and 16.05%, respectively whilst endowment insurance grew by 7.71%.

Table 5: Ordinary New Business, 2005-2009						
A. Traditional Insurance Products						
Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2009	212,977	14.37	11.95	63.25	67.25	(6.31)
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)

As for group insurance, Table 6 showed that total number of policies and certificates diminished save for their corresponding sum assured and annual premium which showed an 8.77% and 76.65% percentage increase. Sum assured for term insurance under group rose to ₱343.32 billion from ₱194.25 billion of the previous year.

Table 6: Group Insurance New Business, 2005-2009						
Year	Policies		Annual Premium		Sum Assured	
	Number (Certificates)	% Change	₱ billion	% Change	₱ billion	% Change
2009	2,985 (2,026,619)	(16.92) (12.63)	2.48	8.77	343.40	76.65
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

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

On the whole, allocation of new business on traditional insurance products by type of policy demonstrated that there was a rise in the number of policies for whole life insurance but a reduction of 10.42% on equivalent sum insured from ₱36.38 billion in 2008 to ₱32.59 billion in 2009.

Similarly, number of policies and certificates issued for term insurance registered a fall however their sum insured grew by 68.68% from ₱214.22 billion to ₱361.35 billion for the current year.

Table 7: Distribution of New Business by Type of Policy, 2005-2009								
A. Traditional Insurance Products								
Year	Whole Life		Term		Endowment		TOTAL	
	Policies	Amount (₱ B)	Policies (Certs.)	Amount (₱ B)	Policies (Certs.)	Amount (₱ B)	Policies (Certs.)	Amount (₱ B)
2009	114,397	32.59	25,981 (2,019,990)	361.35	75,584 (6,629)	16.71	215,962 (2,026,619)	410.65
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

In contrast, endowment insurance business fostered 7.25% in sum insured and 24.22% in the number of policies obtained for the year under review.

Table 8: Terminated Insurance Policies and Sum Insured (as of 31 December 2009)							
Types of Policies	Number of Policies						TOTAL
	Death	Maturity	Surrender	Lapse	Expiry	Others	
Ordinary	7,432	38,883	74,373	135,779	29,278	32,631	318,376
Group	6,482	-	306	1,823	1,647	40	10,298
Certificates	(147,119)	(11,453)	(299,350)	(508,241)	(870,001)	(302,236)	(2,138,400)
Industrial	7	20	-	-	13	-	40
Variable	170	-	20,564	11,682	316	-	32,732
TOTAL	14,091	38,903	95,243	149,284	31,254	32,671	361,446
	(147,119)	(11,453)	(299,350)	(508,241)	(870,001)	(302,236)	(2,138,400)
* Data in parentheses stand for number of certificates							
Terminated Sum Assured (in billion pesos)							
Types of Insurance	Death	Maturity	Surrender	Lapse	Expiry	Others	TOTAL
Ordinary	2.07	2.82	20.41	43.10	8.59	16.62	93.61
Group	9.15	13.08	16.53	243.54	63.94	47.16	393.40
Industrial	-	-	-	-	-	-	-
Variable	0.09	-	6.37	7.99	0.02	0.90	15.37
TOTAL	11.31	15.90	43.31	294.63	72.55	64.68	502.38

Data showed that total terminated policies went down by as much as 23.51% though its corresponding sum assured went up by 3.99% from ₱483.08 billion to ₱502.38 billion in 2009.

Again, the biggest contributor to the total terminated policies was lapsation with 41.30% followed by surrenders with 26.35% and maturity with 10.76%.

Compared to prior years' figures, statistics shows that there was a remarkable rise in the terminated sum assured on group insurance by 52.43%.

Table 9: Life Insurance in Force/Premium Income , 2008-2009									
A. Traditional Insurance Products									
Types of Policies	Number of			Ins.-in-Force			Premium Income		
	Policies			(In billion pesos)			(In billion pesos)		
	2009	2008	% Change	2009	2008	% Change	2009	2008	% Change
Ordinary	2,605,389	2,610,950	(0.21)	851.38	843.71	0.91	38.61	35.06	10.13
Group	476,007	483,779	(1.61)	1,138.69	972.02	17.15	8.03	7.31	9.85
Certificates	(9,947,134)	(9,825,554)	(1.24)						
Industrial	602	642	(6.23)	0.0	0.0	0.00	-	-	-
TOTAL	3,081,998	3,095,371	(0.43)	1,990.07	1,815.73	9.60	46.64	42.37	10.08
	(9,947,134)	(9,825,554)							
B. Variable Life Products									
VUL	262,434	241,238	8.79	114.37	110.1	3.81	10.60	14.52	(27.00)

Total in-force for traditional insurance products as at the end of the year reflected an improved 9.60% sum insured from ₱1, 815.73 billion in 2008 to ₱1, 990.07 billion in 2009. Parallel to this, premium income picked up as it registered a 10.08% growth rate.

In contrast, premium income for variable unit linked products deteriorated by 27.00% even if there was an increase in the number of policies by 8.79% and insurance in force by 3.81%.

Combining it up, number of policies exhibited a mere 0.23% increase, insurance in force by 9.27% while premium income by 0.62 %.

Table 10: Summary of Operations of Life Insurance Industry, 2009 (₱ billions)			
PARTICULARS	LIFE		
	Domestic	Foreign	Total
Underwriting Income	15.73	23.18	38.91
Premium Income	25.68	31.56	57.24
Less: Inc./ (Dec) in Reserves	11.02	14.42	25.44
Commissions Earned	0.00	0.14	0.14
Other Underwriting Income	1.07	5.90	6.97
Less: Underwriting Expenses	19.54	30.61	50.15
Benefit Payments	15.38	22.17	37.55
Commissions Expenses	2.12	3.33	5.45
Premium Tax Incurred	0.76	1.08	1.84
Other Underwriting Expenses	1.28	4.03	5.31
Underwriting Gain/Loss	(3.81)	(7.43)	(11.24)
Add: Gross Investment Income	8.27	20.08	28.35
Other Income/Expenses	4.06	0.83	4.89
SUB - TOTAL	8.52	13.48	22.00
Less: Taxes other than Premium and Income Tax	0.79	2.91	3.70
Other General Expenses	5.00	4.67	9.67
Income Tax	0.09	0.06	0.15
Net Income / Loss for the year Excluding Capital Gains	2.64	5.84	8.48

Net operating income reached ₱8.48 billion in 2009, 13.91% lower as compared to prior year's ₱9.85 billion. This was largely due to the rise in expenses from ₱61.00 billion in 2008 to ₱63.67 billion in 2009, or a 4.38% increase as total income grew only by 1.83%.

Benefit payments to policyholders recorded a 6.80% boost from ₱35.16 billion to ₱37.55 billion in 2009. Both domestic and foreign insurers contributed to the percentage increase, 5.78% and 7.52%, respectively.

Gross investment income once again was part of the source for the net income attained during the year as it showed a 7.84% increment from last year's investment earnings of ₱26.29 billion.

Table 11: Investments by Category, 2009 (₱ billions)			
PARTICULARS	LIFE		
	Domestic	Foreign	Total
Bonds	50.23	150.86	201.09
Stocks	23.50	8.58	32.08
Real Estate	11.06	2.60	13.66
Purchase Money	0.09	-	0.09
Mortgage Loans	2.99	1.12	4.11
Collateral Loans	12.62	16.28	28.90
Guaranteed Loans	-	5.23	5.23
Policy Loans	8.91	20.10	29.01
Other Loans	2.08	0.22	2.30
Short -Term Investments	0.74	-	0.74
Other Investments	1.02	0.10	1.12
Fixed Deposits	4.29	4.85	9.14
TOTAL	117.53	209.94	327.47

The growth of the life insurers' investments reflected at 7.98% showed that long-term bonds occupied the greater part with 61.41% of the total volume of their funds in 2009.

Total government securities including short-term treasury bills stood at ₱188.12 billion or 93.21% and the remaining 6.79% in private and foreign bonds.

Table 12: Investments of Life Insurers in Bonds & Government Securities, 2009 (₱ billions)	
TYPES OF BONDS/SECURITIES	
Long-Term Government Bonds	<u>187.38</u>
<i>Treasury Notes</i>	139.75
<i>Land Bank Bonds</i>	0.11
<i>Pag-ibig Bonds</i>	0.02
<i>Euro Bonds</i>	46.60
<i>Retail Bonds</i>	0.90
Short-Term Government Securities	<u>0.00</u>
<i>Treasury Bills</i>	0.74
Total Government Securities	<u>188.12</u>
<i>Private Bonds</i>	12.10
<i>Foreign Bonds</i>	1.61
GRAND TOTAL	<u>201.83</u>

Investments on stocks, the second choice of life insurers, also rose from ₱21.54 billion to ₱32.08 billion, an increase of 48.93%.

**Table 13: Consolidated Balance Sheet
of Life Insurers, 2009
(₹ billions)**

PARTICULARS	LIFE		
	Domestic	Foreign	Total
ASSETS			
Bonds	49.62	152.60	202.22
Stocks	28.94	11.99	40.93
Real Estate Owned	15.83	1.47	17.30
Purchase Money Mortgages	0.09	-	0.09
Mortgage Loans	2.99	1.12	4.11
Collateral Loans	12.62	16.28	28.90
Guaranteed Loans	-	5.23	5.23
Policy Loans	8.92	20.10	29.02
Other Loans	2.05	0.22	2.27
Short - Term Investments	0.73	-	0.73
Security Fund	-	-	-
Other Investments	1.03	0.11	1.14
Cash on Hand & in Banks	6.50	15.04	21.54
Premiums Receivable/Premiums Due & Uncollected	0.75	1.25	2.00
Due From Ceding Companies	0.10	0.15	0.25
Prem./Loss Reserve Withheld By Ceding Companies	0.17	0.13	0.30
Accrued Interest & Other Investment	1.62	5.06	6.68
EDP Equipment	0.31	0.19	0.50
Investments for Variable Life Contracts	26.62	24.50	51.12
Other Assets	1.38	3.81	5.19
TOTAL ASSETS	160.27	259.25	419.52
LIABILITIES			
Legal Policy Reserves	100.06	162.92	262.98
Policy & Contract Claims	2.51	1.36	3.87
Policyholders Dividends	7.60	30.22	37.82
Dividends Payable to Stockholders	0.06	-	0.06
Liability for Premium Deposit Funds	5.35	1.96	7.31
Premiums Due to Reinsurers	0.33	0.68	1.01
Prem./Loss Reserves Withheld For Reinsurers	0.02	0.01	0.03
Taxes/Licenses Payable	0.74	0.24	0.98
Commission & Other Charges Payable	0.72	0.99	1.71
Accounts/Notes Payable	2.58	2.18	4.76
Unearned Investment Income	0.28	0.03	0.31
Other Liabilities	5.92	21.60	27.52
TOTAL LIABILITIES	126.17	222.19	348.36
NETWORTH			
Paid-Up Capital/Statutory Deposits	5.19	5.01	10.20
Paid-In Capital	1.23	0.28	1.51
Deposit on Stock Subscription	0.22	0.05	0.27
Investment Fluctuation Reserves	15.96	3.98	19.94
Contributed Surplus	1.00	1.89	2.89
Contingency Surplus	2.28	1.39	3.67
Other Assigned Surplus	-	-	-
Unassigned Surplus	8.22	24.46	32.68
TOTAL NETWORTH	34.10	37.06	71.16
TOTAL LIABILITIES & NETWORTH/ TRUSTEED SURPLUS	160.27	259.25	419.52

As at year-end 2009, life insurers had total assets of ₱419.52 billion with total cash and invested assets accounting for ₱353.48 billion. Premiums due and uncollected amounted to ₱2.00 billion while accrued interest and investment income stood at ₱6.68 billion.

Of the liabilities recorded during the year, Legal Policy Reserves took 75.49% of the total, equivalent to ₱262.98 billion. Liability for premium deposit fund on the other hand stood at ₱7.31 billion.

Total networth for the year rose to ₱71.16 billion, a 24.17% increment from prior year's ₱57.31 billion.

3. The Non-Life Insurance Industry

For the past five years, more than 60% of the business produced by the non-life sector was covered by fire and motor car and the remaining 40% was shared by other lines of non-life business such as marine, casualty, and surety and miscellaneous.

The last three years saw the total gross premiums produced grew by meager percentages. In 2009, the total generated premiums amounted to ₱32.50 billion with 4.23% increase over the ₱31.18 billion registered in 2008. This is brought about by the minute increases in the amounts reflected in all lines of business during the year as shown in Table 14.

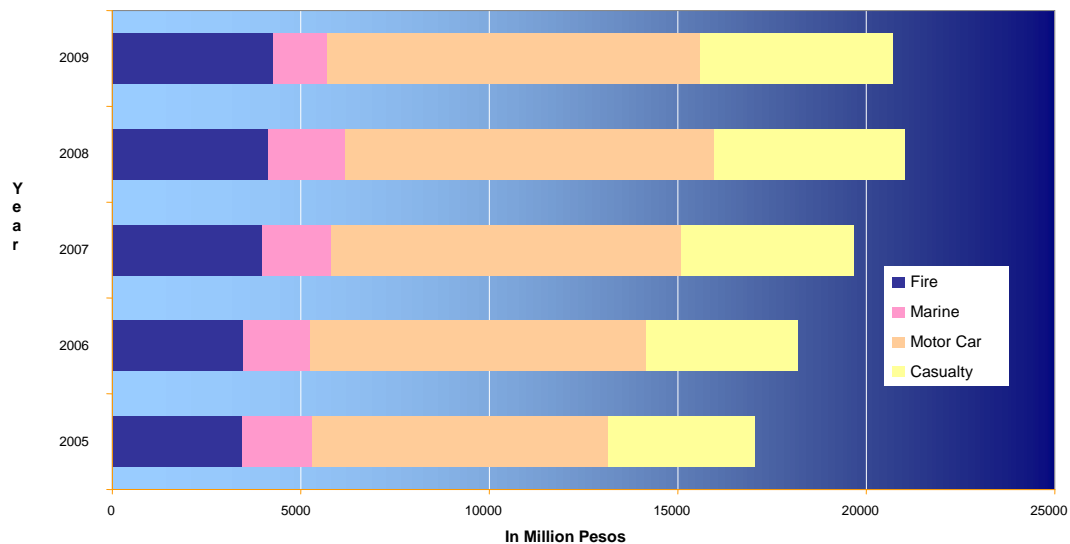
Table 14 : Gross Premiums Written of Private Non-Life Companies & Professional Reinsurer, 2008-2009 (₱ billions)				
LINE OF BUSINESS	2009		2008	
	Amount (₱ B)	% to Total	Amount (₱ B)	% to Total
Fire	10.52	32.37	10.18	32.65
Marine	3.71	11.41	3.54	11.35
Motor Car	10.14	31.20	9.88	31.69
Casualty	6.85	21.08	6.37	20.43
Suretyship	1.24	3.82	1.17	3.75
Life for PR	0.04	0.12	0.04	0.13
TOTAL	32.50	100.00	31.18	100.00

The recorded net premiums written after cessions to reinsurer amounted to ₱20.71 billion, slightly lower than the ₱21.03 billion of the previous year. This was attributed to the 29.41% decrease in marine business. This brought a lower retention ratio equivalent of 63.72% registered at the end of the year.

**Table 15: Net Premiums of Non-Life Companies
& Professional Reinsurer, 2008-2009
(₱ billions)**

LINE OF BUSINESS	NON-LIFE		
	2009	2008	% Increase/(Decrease)
Fire	4.27	4.13	3.39
Marine	1.44	2.04	(29.41)
Motor Car	9.88	9.79	0.92
Casualty	3.71	3.69	0.54
Suretyship	1.10	1.10	0.00
Life for PR	0.31	0.28	10.71
TOTAL	20.71	21.03	(1.52)

Chart 3 - Net Premiums Written of Non-Life Companies & Professional Reinsurer by Line of Business, 2005 - 2009



Total premiums earned as of the end of the year amounted to ₱20.74 billion, a minuscule increase of 1.17% from ₱20.50 billion of the previous year's figure. It can be gleaned from the Table 16 that premiums earned by all lines, but marine, registered improvements which had been true for the past five (5) years. More than 60% of the amount was shared by the top 10 companies in terms of premium generation.

As in the past years, Motor Car business contributed 47.49% of the total premiums earned, followed by Fire and allied perils with 20.25% contribution, Casualty with 19.33% and the remaining 12.93% was shared by Marine and Suretyship.

Losses incurred for the year amounted to ₱10.30 billion, higher by 6.74% than the previous year's ₱9.65 billion. Motor Car business shared the biggest chunk of 47.77% or ₱4.92 billion while Fire and allied perils took the second slot with 30.19%. Other lines such as Casualty and Suretyship took the remaining 22.04% of the total accounted losses during the year.

The over-all loss ratio for the year was computed at 49.67% with Fire and Allied perils taking the biggest percentage of 73.90%, followed by motor car with 49.97%, closely followed by Marine and Casualty.

A closer look at Table 16 shows that Flood and Typhoon registered the highest loss ratios of 289.40% and 279.96% respectively. This was the aftermath of the devastation brought about by the calamities that visited the country in year-end 2009. Other related lines such as Fire and Extended Coverage also posted high loss ratios of 66.38% and 73.54% respectively, much higher than the previous year's loss ratios.

Likewise, Marine Hull posted a high 141.36% loss ratio due to sea mishaps that occurred in 2009. However, it is interesting to note that there is a sharp decline in the computed loss ratio for Other than CMVL - LTO, from 123.73% in 2009 to 56.03% in 2010.

Table 16. Loss Ratios of Non-Life Companies & Professional Reinsurer 2008-2009						
LINE OF BUSINESS	2009			2008		
	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*
1. Fire and Allied Perils	3.11	4.20	73.9	2.15	4.05	53.08
a. Fire	2.11	3.19	66.3	1.79	3.13	57.29
b. Earthquake /Fire/shock	0.05	0.62	8.93	0.00	0.55	0.20
c. Typhoon	0.51	0.18	279.9	0.25	0.14	175.86
d. Flood	0.36	0.13	289.4	0.04	0.11	33.28
e. Extended Coverage	0.63	0.09	73.5	0.07	0.12	57.79
2. Marine	0.66	1.58	41.9	1.08	1.98	54.51
a. Marine Cargo	0.28	1.15	24.0	0.41	1.41	29.17
b. Aviation	0.03	0.17	15.2	0.07	1.08	36.09
c. Marine Hull	0.36	0.25	141.3	0.60	0.39	154.50
3. Motor Car	4.92	9.85	49.9	4.81	9.58	50.22
a. CMVL-LTO	0.05	0.35	14.5	0.05	0.34	16.56
b. CMVL-Non-LTO	0.58	1.34	43.6	0.55	1.37	40.13
c. Other Than CMVL-LTO	0.08	0.15	56.0	0.16	0.13	123.73
d. Other Than CMVL-Non- LTO	4.20	8.01	52.4	4.05	7.74	52.31
4. Casualty	1.59	4.01	39.5	1.54	3.8	40.55
a. Health	0.10	0.42	25.1	0.11	0.46	23.04
a. Personal Accident	0.84	1.99	42.4	0.76	1.73	44.13
b. Engineering	0.20	0.38	51.5	0.13	0.44	28.42
c. Miscellaneous	0.33	0.93	35.3	0.44	0.90	49.42
d. Life, for Prof. Reinsurer	0.11	0.29	38.1	0.10	0.27	38.11
5. Suretyship	0.03	1.10	2.32	0.07	1.09	6.39
TOTAL	<u>10.30</u>	<u>20.74</u>	<u>49.6</u>	<u>9.65</u>	<u>20.5</u>	<u>47.06</u>

*Loss ratios based on exact figures

The non-life sector posted a much lower net income at the end of 2009 with ₱0.76 billion, 62.75% lesser than the ₱2.04 billion recorded income in 2008. Table 17 discloses that foreign companies incurred losses of ₱1.66 billion, 104.94% higher than the previous year's losses of ₱0.81 billion. These companies similarly paid higher for administrative and general expenses which redound to ₱0.29 billion net loss for foreign companies. This however excluded capital gains that these companies had for the year.

Table 17: Summary of Operations of Non-Life Companies & Professional Reinsurer, 2009 (₱ billions)			
PARTICULARS	NON-LIFE		
	Domestic	Foreign	Total
<i>Underwriting Income</i>	<u>20.57</u>	<u>3.38</u>	<u>23.95</u>
Premium Income/ Earned	18.05	2.69	20.74
Commissions Earned	2.22	0.65	2.87
Other Underwriting Income	0.30	0.04	0.34
<i>Less: Underwriting Expenses</i>	<u>15.77</u>	<u>2.98</u>	<u>18.75</u>
Losses Incurred	8.64	1.66	10.30
Loss Adjustment Expenses	0.26	0.06	0.32
Commission Expenses	5.91	1.09	7.00
Premium Tax Incurred	0.00	0.00	0.00
Other Underwriting Expenses	0.96	0.17	1.13
Underwriting Gain/Loss	<u>4.80</u>	<u>0.40</u>	<u>5.20</u>
Add: Gross Investment Income	2.33	0.48	2.81
Other Income/Expenses	0.02	(0.01)	0.01
SUB - TOTAL	<u>7.15</u>	<u>0.87</u>	<u>8.02</u>
Less: Taxes other than Premium	0.38	0.09	0.47
Other General Expenses	5.54	1.09	6.63
Income Tax	0.18	(0.02)	0.16
Net Income / Loss for the year Excluding Capital Gains	<u>1.05</u>	<u>(0.29)</u>	<u>0.76</u>

The total invested assets slightly grew by 5.92% to ₱45.24 billion outstanding investments as of year-end. As in previous years' statistics, bonds had the biggest share of ₱21.33 billion or 47.16% of the total. It can be gleaned from Table 18 that higher investments were placed in stocks, real estate, short term investments, and fixed deposits by both domestic and foreign companies.

Table 18: Investments by Category of Non-Life Companies & Professional Reinsurer, 2009 (₱ billions)			
PARTICULARS	NON-LIFE		
	Domestic	Foreign	Total
Bonds	17.24	4.09	21.33
Stocks	6.17	1.07	7.24
Real Estate	3.93	0.18	4.11
Mortgage Loans	0.23	0.04	0.27
Collateral Loans	0.16	-	0.16
Other Loans	0.18	0.03	0.21
Short -Term Investments	1.36	0.05	1.41
Other Investments	1.20	0.03	1.23
Fixed Deposits	8.15	1.13	9.28
TOTAL	38.62	6.62	45.24

Table 19 gives the total investments in bonds and government securities (bonds plus short-term investments in Table 19) which totaled ₱22.74 billion, 7.82% more than the previous year's ₱21.09 billion. It shows that total government securities consisted 82.67% of the total investments in bonds while the remaining 17.33% were of private and foreign bonds. A closer look reveals that for the year under review, higher investments were placed in treasury notes, treasury bills, and private bonds.

Non life insurers invested heavily in bonds with the biggest chunk of 47.15%, followed by fixed deposits with 20.51%, followed by stocks with 16.00%, real estate with 9.08%, others with 5.84% and loans and mortgages with 1.42%. This only shows that investments in bonds specifically government bonds is still the most popular among insurance companies as they are guaranteed by the Philippine government.

Table 19: Investments in Bonds & Government Securities of Non-Life Companies & Professional Reinsurer, 2009 (₱ billions)	
TYPES OF BONDS/SECURITIES	(₱ Billions)
Long-Term Government Bonds	17.39
<i>Treasury Notes</i>	12.34
<i>Land Bank Bonds</i>	0.09
<i>Pag-ibig Bonds</i>	0.06
<i>Euro Bonds</i>	3.29
<i>Retail Bonds</i>	1.51
<i>Others</i>	0.10
Short-Term Government Securities	1.41
<i>Treasury Bills</i>	1.41
Total Government Securities	18.80
<i>Private Bonds</i>	3.16
<i>Foreign Bonds</i>	0.78
GRAND TOTAL	22.74

**Table 20: Consolidated Balance Sheet of Non-life Companies
& Professional Reinsurer, 2009
(₹ billions)**

PARTICULARS	Domestic	Foreign	Total
ASSETS			
Bonds	16.66	4.21	20.87
Stocks	12.81	0.84	13.65
Real Estate Owned	5.1	0.14	5.25
Mortgage Loans	0.24	0.04	0.28
Collateral Loans	0.16	-	0.16
Guaranteed Loans	-	-	-
Other Loans	0.17	0.03	0.20
Short-Term Investments	1.40	0.05	1.45
Security Fund	0.00	0.00	0.00
Other Investments	1.40	0.03	1.43
Cash on Hand & in Banks	11.57	1.71	13.28
Premiums Receivable/Premiums Due & Uncollected	9.09	0.69	9.78
Due From Ceding Companies	4.73	0.37	5.10
Prem./Loss Reserve Withheld By Ceding Companies	0.37	0.01	0.38
Reins. Recoverable on Losses	27.79	5.37	33.16
Other Reins. Accts. Receivable	0.10	0.11	0.21
Commissions/Accounts Receivable	1.24	0.08	1.32
Salvage Recoverable	0.14	-	0.14
Accrued Interest & Other Investment	0.40	0.13	0.53
EDP Equipment	0.38	0.04	0.42
Other Assets	0.82	0.20	1.02
TOTAL ASSETS	94.58	14.05	108.63
LIABILITIES			
Reserve for Unearned Premiums	7.21	1.06	8.27
Losses & Claims Payable	30.82	6.08	36.90
Loss Adjustment Expenses	0.28	0.06	0.34
Catastrophe Loss Reserves	0.22	0.05	0.27
Premiums Due to Reinsurers	6.64	1.37	8.01
Prem./Loss Reserves Withheld For	1.08	0.55	1.63
Other Reins. Accounts Payable	0.12	0.01	0.13
Taxes/Licenses Payable	2.54	0.20	2.74
Accrued Expenses Payable	0.43	0.14	0.57
Commission & Other Charges Payable	1.03	0.10	1.13
Accounts/Notes Payable	1.92	0.06	1.98
Other Liabilities	1.70	0.14	1.84
TOTAL LIABILITIES	53.99	9.82	63.81
NETWORTH			
Paid-Up Capital/Statutory Deposits	13.02	2.44	15.46
Treasury Shares	(0.27)	-	(0.27)
Paid-In Capital	4.26	0.20	4.46
Contributed Surplus	0.70	0.54	1.24
Deposit on Stock Subscription	0.44	0.60	1.04
Investment Fluctuation Reserves	8.89	(0.22)	8.67
Contingency Surplus	1.35	0.20	1.55
Other Assigned Surplus	0.23	0.00	0.23
Unassigned Surplus/H.O. Accounts	11.97	0.47	12.44
TOTAL NETWORTH	40.59	4.23	44.82
TOTAL LIABILITIES & NETWORTH/ TRUSTEED SURPLUS	94.58	14.05	108.63

The aggregate assets of the non-life sector as shown in Table 20 grew by 22.50 % to amount to ₱108.63 billion from ₱88.68 billion of the previous year. Bonds, stocks, and real estate which consisted 36.61% of the total assets exhibited increases of 8.08%, 13.84% and 8.70% respectively from 2009 recorded assets.

Losses and claims payable for 2009 increased by 75.55% to amount to ₱36.90 billion from ₱21.02 billion of 2009. However, there was a slight decrease in the reserve for unearned premiums amounting to ₱8.27 billion as of the year-end.

Aggregate networth for the non-life sector rose by 7.92% as of year-end with ₱44.82 billion from ₱41.53 billion in 2009.

4. Mutual Benefit Associations (MBAs)

From the annual statements submitted to this Commission by the 25 reporting mutual benefit associations, total net income/profit for the year stood at ₱1.81 billion, ₱0.25 billion of which was credited to newly licensed micro insurance MBAs.

Summative assets were recorded at ₱25.99 billion, and total members' equity at ₱10.21 billion.

A large amount of their resources were placed in other loans at ₱8.53 billion followed by bonds at ₱4.46 billion and fixed deposits at ₱2.59 billion. Total investments by the MBAs totaled to ₱21.64 billion.

On the whole, total current cash fund at the end of the year summed up to ₱3.08 billion after deducting ₱28.81 billion from ₱29.51 billion total receipts and adding prior year's cash balance of ₱2.38 billion. It may be noted that total benefits paid to members was registered at ₱1.85 billion.

5. Trusts for Charitable Uses

Assets of the reporting 4 Trusts for Charitable Uses non-stock organizations add up to ₱0.45 billion, comprised mostly of bonds and stocks at ₱0.11 billion while their total networth was recorded at ₱0.29 billion.

During the year, total net receipts reached ₱0.18 billion with total cash fund balance for the current year amounting to ₱0.10 billion.

6. Insurance and Reinsurance Brokers

Of the ₱87.57 billion direct premiums produced by the life and non-life insurers for the year under review, ₱21.17 billion or 24.17% were ascribed to insurance brokers. A decrease however, was noted in their share to total generated premiums by 7.62%. The fall was

greatly eminent on life and fire line of business with 59.46% and 17.48%, respectively.

Likewise, commissions received recorded at ₱2.90 billion was 23.27% of the entire commission expenses of both life and non-life companies. The percentage of commission received to premiums collected was higher on fidelity and surety with 23.06% and motor car with 22.40%.

Reinsurance brokers' premiums on the other hand stood at ₱1.44 billion with corresponding commissions of ₱0.12 billion, a 9.09% improvement from prior year's amount of ₱1.32 billion.

Table 21: Brokers' Business Operations, 2009 (₱ millions)				
Line of Business	Insurance Brokers		Reinsurance Brokers	
	Premiums	Commissions	Premiums	Commissions
Life	2,195.51	390.28	-	-
Fire	3,720.31	443.87	772.78	54.82
Ocean Marine	445.30	75.19	89.62	4.92
Inland Marine	265.79	45.33	23.19	5.43
Marine Hull	565.97	62.35	104.06	11.95
Aviation	650.57	27.50	32.93	1.92
Fidelity & Surety	524.72	121.02	3.40	0.19
Motor Vehicle	2,276.07	509.82	13.99	1.14
Health	4,049.71	468.33	0.0	0.0
Accident	1,728.74	261.79	35.36	3.02
Engineering	2,882.63	238.42	132.42	13.76
Miscellaneous	1,861.98	254.65	234.56	20.92
TOTAL	21,167.30	2,898.55	1,442.31	118.07

7. Government Service Insurance System (GSIS)

From the financial report submitted by the GSIS, records showed that it has an aggregate assets amounting to ₱571.17 billion, a ₱87.41 billion or 18.07% increment from last year's ₱483.76 billion.

Assets of GSIS from life business were mostly in the form of bonds which is 29.33% of their whole investment portfolio. This was followed by loans apportioned to its members in the form of salary loan, consolidated loans, emergency loans, government loans, private loans, etc. As to their non-life business, assets were recorded at ₱19.03 billion composed largely of real estate with 39.17% and stocks with 28.21%.

Overall premiums made by GSIS stood at ₱53.34 billion, 8.24% ascent from last year's ₱49.28 billion.

Table 22: Government Service Insurance System Key Insurance Statistics , 2008-2009 (₱ billions)			
PARTICULARS			
	2009	2008	% Increase(Decrease)
Assets	<u>571.17</u>	<u>483.76</u>	<u>18.07</u>
Life	552.14	466.53	18.35
Non-Life	19.03	17.23	10.57
Networth	<u>48.82</u>	<u>23.92</u>	<u>104.10</u>
Life	35.19	12.04	192.281
Non-Life	13.63	11.88	14.73
Investments	<u>503.09</u>	<u>330.54</u>	<u>52.50</u>
Life	486.42	330.54	47.16
Non-Life	16.67	12.16	37.09
Premiums	<u>53.34</u>	<u>49.28</u>	<u>8.24</u>
Life	51.96	46.76	11.12
Non-Life	1.38	2.52	45.24