

Industry Performance in 2004

During the year, the insurance industry recorded a growth of 9.54 percent in combined life and non-life insurers' net premiums to reach ₱60.05 billion in 2004. This figure represents a much smaller increase than the 10.81 percent recorded in 2003. There was also improvement in the operating results for 2004 and this was mainly attributed to the positive underwriting results of the non-life sector coupled with favorable investment returns of both sectors.

The non-life sector realized a net premium growth of 9.17 percent over 2003. The composition of net premiums by lines of business remained comparable to that of the previous year.

Table 1: Comparative Statistics of Private Life & Non-Life Companies, 2003-2004

	2004 (₱ B)	2003 (₱ B)	Percent Increase/(Decrease)
NET PREMIUMS	60.05	54.82	9.54
Life	44.10	40.21	9.67
Non-Life	15.95	14.61	9.17
ASSETS	311.02	277.62	12.03
Life	240.04	208.37	15.20
Non-Life	70.98	69.25	2.50
INVESTMENTS	226.54	204.14	10.97
Life	192.57	169.76	13.44
Non-Life	33.97	34.38	(1.19)

Table 2: KEY INDICATORS

ECONOMIC AND INSURANCE DEVELOPMENT DATA	2000	2001	2002	2003	2004
GROSS NATIONAL PRODUCT					
At Current Prices (₱ M) *	3,566,059	3,876,603r	4,223,326r	4,508,922r	5,080,372p
At Constant Prices (₱ M) *	1,036,392	1,061,283r	1,107,007r	1,151,781r	1,223,669p
GROSS DOMESTIC PRODUCT					
At Current Prices (₱ M) *	3,354,727	3,631,474r	3,959,648r	4,210,505r	4,739,140p
At Constant Prices (₱ M) *	972,960	990,042r	1,032,969r	1,069,953r	1,134,907p
POPULATION ** (in million)	76.5	77.9	79.5	81.8	82.7
PER CAPITA GROSS NATIONAL PRODUCT (₱)	46,615.1	49,763.8	53,123.6	57,016.2	61,431.3
LABOR FORCE (Average) (In million persons) ***	31.68	33.11	33.93	34.57	35.86
Employed ***	28.08	29.46	30.06	30.63	31.61
Unemployed ***	3.60	3.65	3.87	3.94	4.25
EXCHANGE RATE (per US\$) @	49.99	51.40	53.10	55.57	56.27
INFLATION RATE	6.67%	6.59%	4.86%	2.88%	6.00%
INSURANCE DEVELOPMENT (Private Companies Only)					
Per capita expenditure (₱)	492.1	547.9	622.3	676.8	726.2
Life	336.0	385.5	456.6	496.4	533.3
Non-Life	156.1	162.4	165.7	180.4	192.9
Life sum insured as % of G D P	63.33%	42.16%	41.13%	47.66%	39.63%
G N P	59.58%	39.49%	38.57%	44.38%	36.97%
Premiums (Life & Non-Life) as % of G D P	1.16%	1.18%	1.25%	1.27%	1.27%
G N P	1.09%	1.10%	1.17%	1.19%	1.18%
Gross value added on insurance	29,738	32,229	35,567	39,472r	45,309p
ESTIMATED LIFE INSURANCE COVERAGE	13.01%	12.80%	13.65%	17.20%	13.11%

* per NSCBs NATIONAL INCOME ACCOUNT

** NATIONAL CENSUS & STATISTICS OFFICE

*** per DEPARTMENT OF LABOR & EMPLOYMENT

p preliminary figures

r revised figures

@ per CBSP

Insurance Regulation

Licensing and Market Structure

Table 3 : Companies Authorized to Transact Insurance Business in the Philippines As of 31 December 2004

Classification of Company	Direct Insurers			Professional	TOTAL
	Composite	Life	Non-Life	Reinsurers	
A. Domestic	03	24	87	02	116
B. Foreign	01	10	10	-	21
Domestically Incorporated	01	09	05	-	15
Branch	-	01	05	-	06
Total	04	34	97	02	137

As at December 31, 2004, 137 insurance companies were licensed, 5 companies less than the previous year's total. These companies are: *Citystate Insurance Corporation, Inc;* *Development Insurance and Surety Co.;* *Filipino Merchants' Insurance Co.;* *Wellington Insurance Company;* and *Zenith Insurance Corporation*. Except for *Filipino Merchants'* which did not renew its CA and *Citystate* that opted to merge with *Fortune General Insurance Corp.*, the three remaining companies were issued Cease and Desist Orders (CDO) by the Commission.

For the same year, two (2) life insurance companies were issued licenses, *Caritas Life Insurance Corporation*, and *Coop Life Assurance Society of the Philippines (CLASP)*. *John Hancock Life Insurance Corporation*, a domestically incorporated company was absorbed by *Manufacturers Life Insurance Co. (Phils.), Inc.* thereby registering a total number of 34 life companies operating in the country.

On the other hand, *Maritime Life Assurance Company* was licensed as a branch in September 24, 2004. Two (2) professional reinsurers, *Malayan Reinsurance Corporation* and *Universal Reinsurance Corporation* merged and now known as the *Universal Malayan Reinsurance Corporation*.

There are still 4 composite companies, 3 domestic and 1 foreign which offer both life and non-life insurance business.

The Commission during the year issued a total of 43,104 certificates of authority and certificates of registrations to insurance companies, insurance intermediaries, agents, underwriters, actuaries and adjusters. This figure is 22.98 percent more than the licenses granted in 2003. There were 125 applications for registration of agencies and other intermediaries that were endorsed to the Securities and Exchange Commission.

Table 4: Licenses Issued to Insurance Intermediaries and Other Technical Support Entities - 2004

Sales/Technical Group	New	Renewal	Total
Ordinary Agents	18,604	22,158	40,762
Life	16,053	14,799	30,852
Non-Life	2,551	7,359	9,910
General Agents	29	590	619
Life	07	44	51
Non-Life	22	546	568
Variable Life Agents	537	320	857
Brokers	14	156	170
Insurance	10	117	127
Reinsurance	04	39	43
Non-Life Underwriters	84	443	527
Resident Agents	20	42	62
Actuaries	07	38	45
Adjusters	04	54	62
Total	19,299	23,801	43,104

Financial Surveillance

The Insurance Commission monitored the financial solvency of insurance companies, mutual benefit associations, trusts for charitable uses, insurance and reinsurance brokers with the verification/examination of 248 annual statements which was 5% lower than those of last year's 262. Examinations of actuarial accounts were likewise conducted to 27 life insurance companies. As of year-end, a total of 48 approved synopses of annual statements for publication were transmitted to respective companies.

A total of 38,523 cases submitted by adjusters were acted upon during the year, a 67.98 percent more than those cases reviewed the previous year involving insurance claims and marine surveys.

Likewise, examination of insurance companies and insurance and reinsurance brokers relative to tariff ratings resulted to a collection of penalty amounting to ₱395,000.00 and ₱1.2 million fire service tax remitted to the government.

Policy Forms/Reinsurance Treaties

A total of 1,273 life policy forms, mutual benefit contract forms and non-life bond forms were approved by the Commission during the year. This is more than 63 percent higher than the 779 forms passed upon and approved by the Actuarial and Regulation Divisions during the previous year.

It also approved 1,792 requests for reinsurance treaties with addenda, facultative placements and requests for foreign exchange remittances.

Security Fund/Security Deposits

As mandated by the Insurance Code, twenty-five percent of the paid-up capital required of all insurance companies shall be invested in securities satisfactory to the Commissioner. It shall consist of bonds and other evidences of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas. As of year-end, aggregate securities deposited amounted to ₱3,794,543,632.78.

Public Assistance and Claims Adjudication

While a total of 2,320 conferences/hearing relative to insurance cases were held, there were 2,724 insurance claims adjudicated. A total of 1,617 were rendered assistance relative to insurance matters. Further, there were 229 resolutions/orders prepared to complaints against agents and officials of insurance companies and 3 administrative cases resolved.

The 2,724 total claims adjudicated during the year under review was an 82.82 percent more than that of last year.

Regional Cooperation Updates

ASEAN Insurance Regulators Meeting (AIRM) -

The Seventh Meeting of the ASEAN Insurance Regulators was held on 21-22 September 2004 in Makati City, Philippines. The plenary meeting was attended by Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. The Meeting elected Commissioner Benjamin S. Santos of the Philippines and Director Mey Vann of Cambodia as Chairperson and Vice-Chairperson, respectively. The ASEAN Secretariat representatives were also present. Among others, the following matters were taken up:

ASEAN Unified Forms of Statistics (AUFS) -

The Asean Secretariat informed the Meeting on the progress of the compilation of the AUFS. Acknowledging the importance of exchange of information in the region, the meeting encouraged member countries to regularly fill in their insurance statistics by sending them to the ASEAN Secretariat by end November of each calendar year.

Harmonization of Insurance Laws -

Member countries informed the meeting of the changes in their insurance laws since the last AIRM in Hanoi that had been coursed through the ASEAN Secretariat. Designation of contact person for each country was agreed upon where any changes or request for details of new laws and regulations can be requested.

ASEAN Framework Agreements on Services (AFAS)-

Member countries are to finalize their offers for the third round of negotiations by end February 2005. Guidelines for the positive list approach modality for the future rounds of negotiations are being settled. Under these

guidelines, member countries will undertake progressive liberalization in specific sub-sectors and modes based on the three indicative lists (Short-Term List, Medium-Term List and Long-Term List) using the request/offer mechanism and the ASEAN minus X formula where member countries that are ready can start negotiations among themselves.

Regulatory Updates

The Commission during the year issued policy guidelines to put in place corporate governance structure within the insurance industry. Together with this, circular on Know your Customer was issued in compliance with the requirement of the Anti-Money Laundering Act wherein a prescribed form is to be filled-up by a prospective buyer before any issuance of an insurance policy.

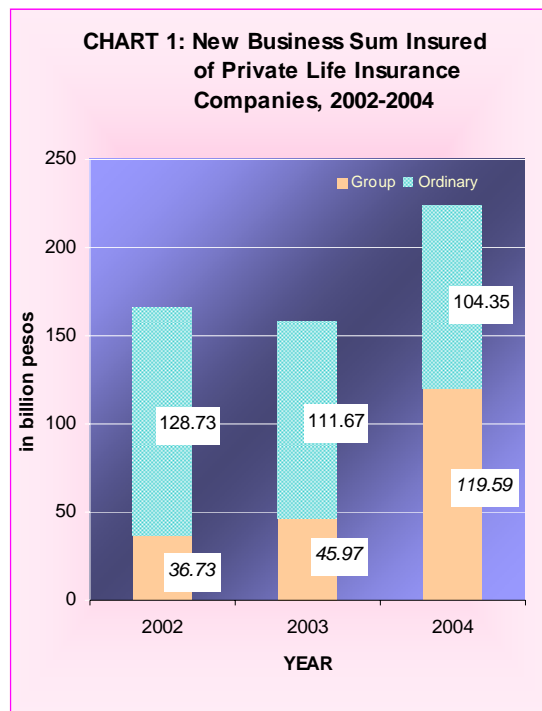
On January 12, 2004, existing and as such to be organized, insurance and reinsurance brokers as well as general agents shall have until April 30, 2005 to possess a minimum paid-up capital of ₱250,000.00 for insurance brokers and general agents and ₱500,000.00 for reinsurance brokers.

Performance of Life Business

New Business

The 2004 sum assured for new business registered a healthy growth of 42.06 percent or ₱223.94 billion more compared to ₱157.64 billion in 2003. The growth momentum was partly enhanced by the higher coverage from the group new business that revealed a vast improvement of 160.15 percent increment as of the reporting year.

Despite the ongoing crises, life insurers collected ₱14.44 billion premiums from new business or 13.70 percent higher than the previous years' ₱12.70 billion. Single premiums continued to attract interest from consumers, as it posted ₱5.84 billion or 4.40 percent increase this year. A decrease of 0.71 percent in the number of new policies has no effect to the total premium collection for the year.



Two insurers joined in the selling of investment-linked products that placed the business of variable contracts to 22, 505 policies, a 65.88 percent increase over the prior year's 13,567 sold policies. Corresponding annual premium and sum assured stood at ₱2.56 billion and ₱5.59 billion, respectively.

Table 5: New Business Generated, 2000-2004

Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2004	336,360	(0.71)	14.44	13.70	223.94	42.06
2003	338,756	(07.08)	12.70	11.21	157.64	(04.73)
2002	364,569	(13.79)	11.42	45.66	165.46	(07.06)
2001	422,901	(07.49)	07.84	15.98	178.02	04.82
2000	457,148	(11.17)	06.76	22.02	169.83	14.89

Table 6: Ordinary New Business, 2000-2004

Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2004	332,038	(1.04)	9.30	(49.29)	104.35	(6.56)
2003	335,532	(07.30)	11.28	81.05	111.67	(13.25)
2002	361,944	(13.53)	10.13*	53.25	128.73	(02.72)
2001	418,555	(04.13)	06.61	18.46	132.33	(0.02)
2000	436,578	0.92	05.58	25.96	132.36	13.19

* Includes premium for variable life contracts

Table 7: Group Insurance New Business, 2000-2004

Year	Policies		Annual Premium		Sum Assured	
	Number (Certificates)	% Change	₱ billion	% Change	₱ billion	% Change
2004	4,322 (1,015,623)	34.06	1.42	(0.70)	119.59	160.15
2003	3,224 (956,540)	22.82	1.42	10.85	45.97	25.16
2002	2,625 (928,014)*	(39.60)	1.29	4.88	36.73	(19.61)
2001	4,346 (1,038,117)*	(78.87)	1.23	4.24	45.69	21.94
2000	20,570 (1,060,884)**	(74.92) 44.39	1.18	6.31	37.47	21.38

* Includes Extended Term Insurance for coconut farmers

** Data in parentheses stand for number of certificates

Table 8: Distribution of New Business by Type of Policy, 2000-2004

Year	Whole Life		Term		Endowment		TOTAL	
	Policies	Amount (₱)	Policies (Certificates)	Amount (₱)	Policies	Amount (₱)	Policies	Amount (₱)
2004	207,051	72.18	16,970 (1,013,110)	129.92	112,339 (2,513)	21.84	336,360 (1,015,623)	223.94
2003	199,761	75.70	20,239 (952,074)	57.04	118,756 (4,466)	24.90	338,756 (956,540)	157.64
2002	214,722	83.88	22,877 (920,820)*	51.37	126,970 (7,194)*	30.21	364,569 (928,014)*	165.46
2001	247,152	90.01	26,803 (1,026,335)*	62.82	148,946 (11,782)*	25.19	422,901 (1,038,117)*	178.02

2000	253,398	92.14	40,112 (1,046,904)*	53.71	163,638 (13,980)*	23.98	457,148 (1,060,884)*	169.83
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In terms of the new policies issued, whole life insurance dominated the market with a share of 61.56 percent of the total new policies sold. Likewise, term life insurance had ₱129.92 billion in 2004 from ₱57.04 billion in 2003 to attain a high 127.77 percent increase in new business sum assured.

Terminations

Terminated policies totaled to 545,872 during the year or an equivalent of ₱628.64 billion sum assured. Predominantly, lapsation topped the list with 46.98 percent of the total, followed by expiries and surrenders at 24.08 and 15.07 percentages, respectively.

**Table 9: Terminated Insurance Policies and Sum Insured
As of December 31, 2004**

Types of Policies	Number of Policies						TOTAL
	Death	Maturity	Surrender	Lapsation	Expiry	Others	
Ordinary	9,388	16,662	82,251	255,387	129,164	29,615	522,467
Group	18,981	-	17	1,053	2,248	24	22,323
Certificates	(22,240)	(92,257)	(23,862)	(844,680)	(1,726,194)	(312,696)	(3,021,929)
Industrial	-	1,024	5	-	53	-	1,082
TOTAL	28,369 (22,240)	17,686 (92,257)	82,273 (23,862)	256,440 (844,680)	131,465 (1,726,194)	29,639 (312,696)	545,872 (3,021,929)
* 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	2.12	0.57	18.63	62.27	304.69	15.13	403.41
Group	3.34	3.53	0.78	37.13	129.28	51.15	225.22
Industrial	-	0.01	-	-	-	-	0.01
TOTAL	5.46	4.11	19.41	99.40	433.97	66.27	628.64

Insurance In-Force

Albeit, the total amount of life insurance in-force dropped by 8.73 percent from ₱2,049 trillion to ₱1,878 trillion at the end of 2004. The number of policies in-force grew modestly by 0.35 percent to come up with a total of 4,566,925 policies for the current year.

**Table 10: Life Insurance In-Force,
2000-2004**

Year	Policies Number	% Increase	Insurance in-force (in trillion pesos)	% Change
2004	4,566,925	0.35	1.878	(8.74)
2003	4,551,012	04.10	2.049	25.78
2002	4,371,761	06.39	1.629	08.53
2001	4,109,111	10.80	1.501	43.36
2000	3,708,532	02.16	1.047	03.15

Ordinary insurance constituted the biggest percentage share in the total insurance in-force policies with 78.82 percent or a total of 3,599,604 policies. Group insurance and industrial insurance policies accounted for the remaining 21.14 percent and 0.04 percent, respectively.

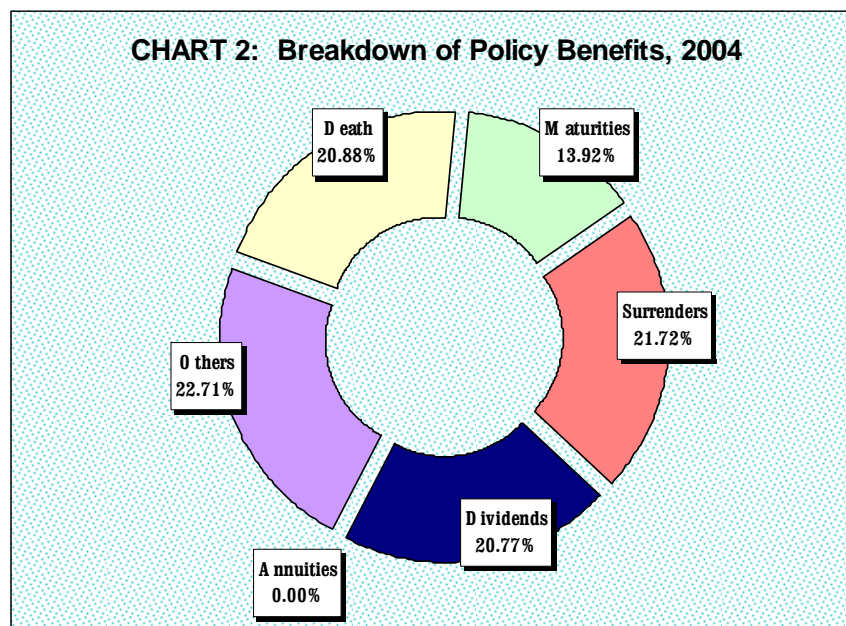
Premium Income

In 2004, premium income increased marginally to about ₱44.10 billion or 9.67 percent more than the ₱40.21 billion in 2003. The increase in premium was attributed to both renewal and new business' good performance. In terms of composition of premium income, ordinary insurance contributed the biggest share amounting to ₱38.58 billion or 87.48 percent while the remaining ₱5.52 billion or 12.52 percent was represented by the group insurance business.

Table 11: Life Insurance In-force/Premium Income, 2003-2004

Types of Policies	Number of Policies			Insurance-in-force (In billion pesos)			Premium Income (In billion pesos)		
	2004	2003	% Change	2004	2003	% Change	2004	2003	% Change
Ordinary	3,599,604	3,556,246	1.22	1,240.6	1,399.34	(11.34)	38.58	35.32	9.23
Group	965,698	992,066	(2.66)	637.7	650.19	(1.92)	5.52	4.89	12.88
Certificates	(7,240,797)	(11,275,435)	(35.78)	-	-	-	-	-	-
Industrial	1,623	2,705	(40.00)	-	-	-	-	-	-
TOTAL	4,566,925 (7,240,797)	4,551,017 (11,275,435)	0.35 (35.78)	1,878.3	2,049.5	(8.35)	44.10	40.21	9.67

* Data in parentheses stand for number of certificates including pool business



Policy Benefits

The life sector paid ₱19.11 billion in benefits to policyholders during 2004. The major bulk of benefit payments came from other causes that amounted to ₱4.34 billion or

22.71 percent, followed by surrender benefits and death benefits with 21.72 percent and 20.88 percent shares respectively.

Table 12 : Breakdown of Policy Benefits, 2000-2004, (₱ B)

Year	Death	Maturities	Surrenders	Dividends	Annuity	Others	TOTAL
2004	3.99	2.66	4.15	3.97	-	4.34	19.11
2003	3.89	1.72	3.55	3.22	0.01	3.69	16.08
2002	3.49	1.36	2.51	2.98	0.01	2.94	13.29
2001	3.23	1.10	2.08	2.58	0.01	2.49	11.49
2000	3.23	0.94	1.57	2.42	0.01	2.13	10.30

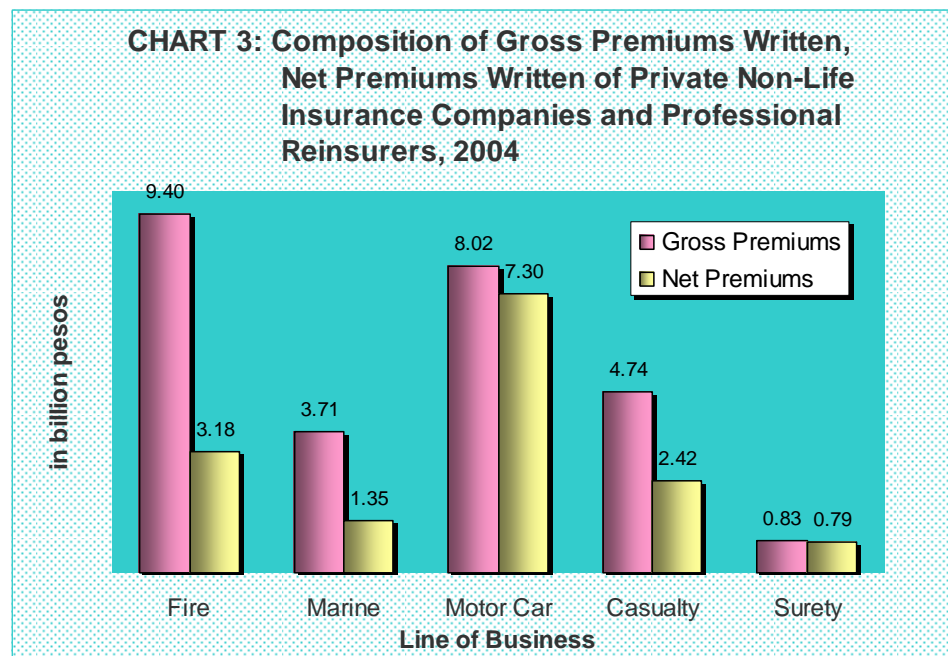
Performance of the Non-Life Business

Gross Premiums

Gross premiums of non-life insurers improved slightly at 4.58 percent for the year under review amounting to ₱26.70 billion from ₱25.53 billion last year. Figures showed that fire remained the dominant line in insurance business, accounting for 35.21 percent of the total gross premiums for the year. Motor car followed next, with 30.04 percent share while the remaining one-third or 34.75 percent of the total came from combined casualty, marine and suretyship business.

Table 13: Gross Premiums Written of Private Non-Life Companies, 2003-2004

Line of Business	2004		2003	
	Amount (₱B)	% to Total	Amount (₱B)	% to Total
Fire	9.40	35.21	9.16	35.88
Marine	3.71	13.89	3.28	12.85
Motor Car	8.02	30.04	7.73	30.28
Suretyship	0.83	3.11	0.76	2.98
Casualty	4.74	17.75	4.60	18.01
TOTAL	26.70	100.00	25.53	100.00



Net Premiums

For more than a decade, motor car business was consistent to be the top grosser in the market posting 46.21 of the net premiums written or ₱7.37 billion. Other lines of business comprising the remaining percentage of the total net premiums were fire at 21.50 percent share or ₱3.43 billion; casualty at 17.62 percent or ₱2.81 billion; marine at 9.72 percent or ₱1.55 billion; and suretyship with 4.95 percent or ₱0.79 billion.

Table 14: Net Premiums Written, 2003-2004

Line of Business	2004		2003	
	Amount (₱ B)	% to Total	Amount (₱ B)	% to Total
Fire	3.43	21.50	3.10	21.22
Marine	1.55	9.72	1.40	9.58
Motor Car	7.37	46.21	6.99	47.84
Casualty	2.81	17.62	2.41	16.50
Suretyship	0.79	4.95	0.71	4.86
TOTAL	15.95	100.00	14.61	100.00

The retention ratio was registered at a lower 59.74 percent in 2004 than the 57.23 percent in 2003.

Premiums Earned

The total premiums earned of ₱15.39 billion during the year posted a 10.16 percent increment over the ₱13.97 billion in 2003. All lines recorded growth in premiums earned, with Motor Car at ₱7.19 billion; Fire and Allied Perils at ₱3.28 billion; Casualty at ₱2.64 billion; Marine at ₱1.53 billion and Suretyship at ₱0.75 billion.

Losses/Claims

This year's total losses incurred rose to ₱7.06 billion, with an increment of 14.05 percent as compared to ₱6.19 billion in the preceding year. Further, the overall claims ratio went up to 45.90 percent from 44.28 percent in 2003. Among all lines, marine business had a better claims experience with 29.50 percent for the year. On the other hand, motor car business showed deterioration by posting a 55.87 loss ratio which was attributed to the highest percentage in loss experience in Other Than CMVL-LTO business as shown in Table 16.

Table 15 : Retention Ratios, 1995-2004

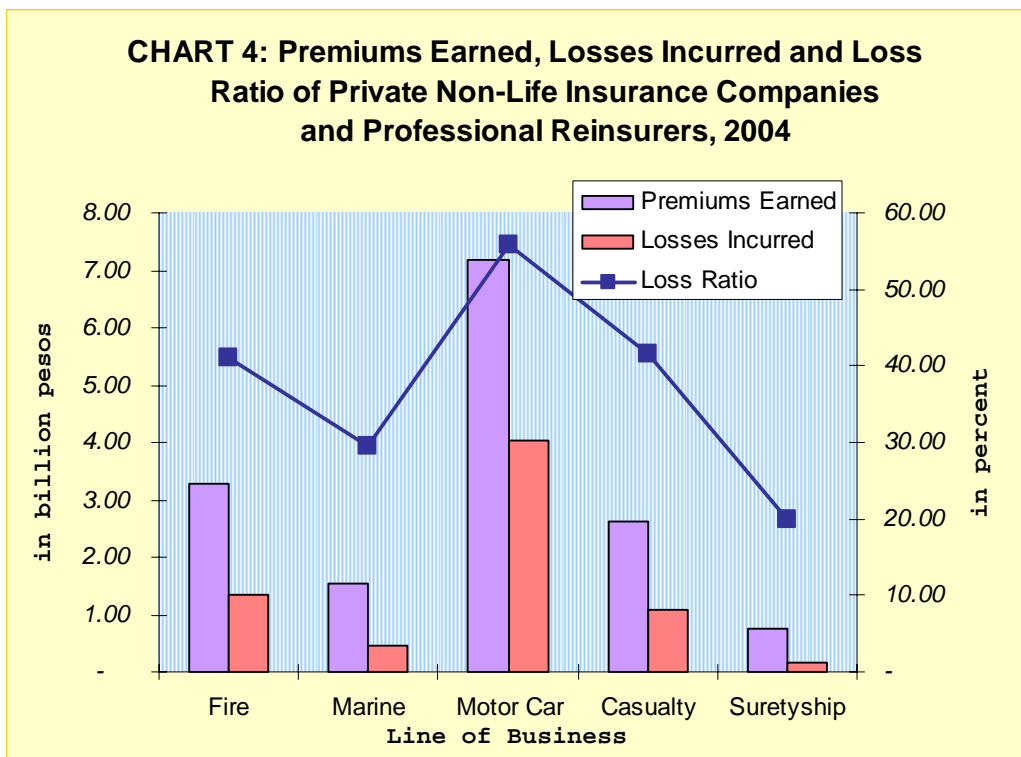
YEAR	GROSS PREMIUMS		NET PREMIUMS		RETENTION RATIO (%)
	Amount (PB)	% Change	Amount (PB)	% Change	
2004	26.70	4.58	15.95	2.94	59.74
2003	25.53	3.44	14.61	10.93	57.23
2002	24.68	18.48	13.17	4.03	53.36
2001	20.83	10.80	12.66	6.03	60.78
2000	18.80	2.01	11.94	(0.25)	63.51
1999	18.43	(2.07)	11.97	(3.31)	64.95
1998	18.82	7.47	12.38	(6.85)	65.78
1997	20.34	12.69	13.29	13.69	65.34
1996	18.05	7.57	11.69	15.29	64.76
1995	16.78	2.01	10.14	16.55	60.43

Table 16 : Loss Ratios, 2003- 2004

LINE OF BUSINESS	2004			2003		
	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*
1. Fire and Allied Perils	1.35	3.28	41.12	1.08	2.85	37.75
a. Fire	1.24	2.60	47.84	1.03	2.24	45.83
b. Earthquake/Fire/shock	0.02	0.41	4.02	0.01	0.37	2.15
c. Typhoon	0.05	0.10	45.64	0.01	0.11	10.02
d. Flood	0.03	0.06	44.60	0.01	0.04	27.01
e. Extended Coverage	0.01	0.11	12.94	0.02	0.09	21.15
2. Marine	0.45	1.53	29.50	0.40	1.31	30.44
a. Marine Cargo	0.22	1.00	21.88	0.21	0.90	23.48

b. Marine Hull	0.21	0.36	57.18	0.15	0.28	54.02
c. Aviation	0.02	0.17	15.24	0.04	0.13	26.87
3. Motor Car	4.02	7.19	55.87	3.72	6.82	54.62
a. CMVL-LTO	0.08	0.18	47.55	0.06	0.14	43.34
b. CMVL-Non-LTO	0.65	1.36	47.96	0.72	1.54	47.24
c. Other Than CMVL-LTO	0.09	0.10	80.94	0.07	0.10	74.35
d. Other Than CMVL-Non-LTO	3.20	5.55	57.60	2.87	5.04	56.79
4. Casualty	1.09	2.64	41.36	0.88	2.28	38.45
a. Health	0.06	0.31	20.05	0.05	0.11	44.22
a. Personal Accident	0.51	1.00	50.68	0.40	1.02	39.59
b. Engineering	0.09	0.29	29.91	0.07	0.26	25.86
c. Miscellaneous	0.37	0.85	44.12	0.31	0.73	41.84
d. Life, for Prof. Reinsurers	0.06	0.19	31.41	0.05	0.16	32.41
5. Suretyship	0.15	0.75	20.67	0.11	0.71	15.27
TOTAL	<u>7.06</u>	<u>15.39</u>	<u>45.90</u>	<u>6.19</u>	<u>13.97</u>	<u>44.28</u>

*Loss ratios based on exact figures

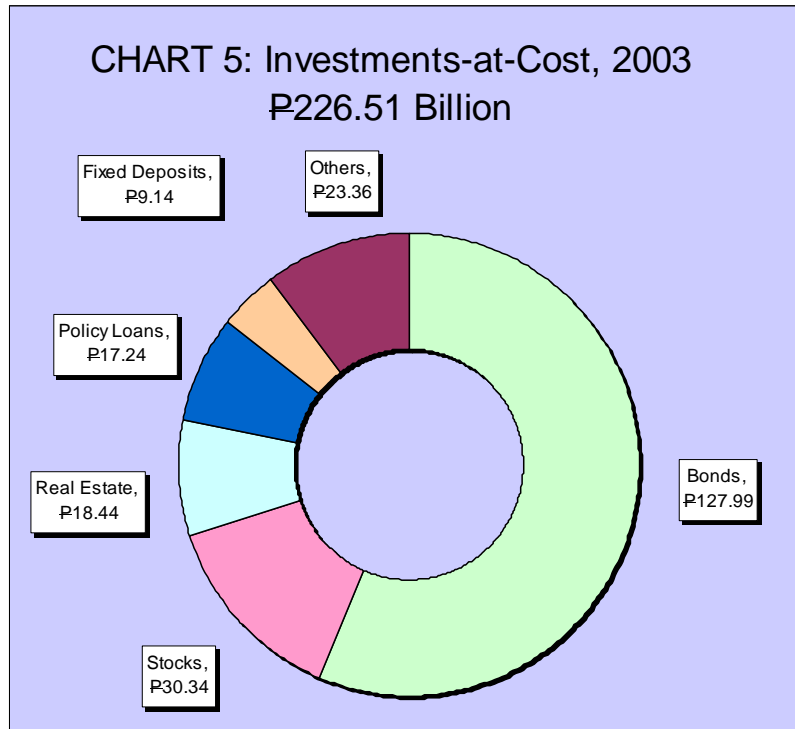


Investments

The insurance industry's total invested assets likewise grew by 10.98 percent to hit ₱226.54 billion during 2004 from ₱204.12 billion in 2003. The life sector continued to account for the largest placements with its share amounting to ₱192.57 billion or 85.01 percent of the total while the remaining 14.99 percent was attributed to non-life sector.

Table 17: Investments by Category, 2004

PARTICULARS	LIFE (P B)			NON-LIFE (P B)			PROF. REINS	GRAND TOTAL	Percentage Share
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Amount (P B)	
Bonds	24.58	89.18	113.76	9.65	2.78	12.43	1.80	127.99	56.50
Stocks	13.89	9.22	23.11	6.40	0.62	7.02	0.21	30.34	13.40
Real Estate	11.01	3.30	14.31	3.83	0.14	3.97	0.17	18.45	8.15
Purchase Money	0.15	-	0.15	-	-	-	-	0.15	0.07
Mortgage Loans	2.45	1.75	4.20	0.24	0.04	0.28	0.01	4.49	1.98
Collateral Loans	1.52	1.48	3.00	0.04	-	0.04	0.11	3.15	1.39
Guaranteed Loans	3.21	4.07	7.28	0.02	0.02	0.04	-	7.32	3.23
Policy Loans	5.27	11.97	17.24	-	-	-	-	17.24	7.61
Other Loans	0.21	0.26	0.47	0.13	0.02	0.15	-	0.62	0.27
Short – Term Investments	0.10	0.18	0.28	1.68	0.07	1.75	0.02	2.05	0.90
Other Investments	4.26	0.84	5.10	0.38	0.08	0.46	0.02	5.58	2.46
Fixed Deposits	2.25	1.41	3.66	4.67	0.63	5.30	0.19	9.15	4.04
Asset Backed Securities	-	0.01	0.01	-	-	-	-	0.01	-
TOTAL	68.90	123.67	192.57	27.04	4.40	31.44	2.53	226.54	100.00%



The share of the foreign controlled insurers in the total investments portfolio summed up to ₱128.07 billion as against the ₱98.47 billion investments made by the local insurers.

Further, bonds was consistent to be the major preference among other categories which reflected 56.50 percent share, a far margin from stock placements with only 13.40 percent and followed closely by real estate with 8.15 percent share of the total.

Table 18: Investments in Bonds and Government Securities, 2004

TYPES OF BONDS/SECURITIES	LIFE (P B)	NON-LIFE & PR	GRAND TOTAL
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		(₱ B)	(₱ B)
Long – Term Government Bonds	<u>104.08</u>	<u>12.10</u>	<u>116.18</u>
<i>Treasury Notes</i>	71.83	7.56	79.39
<i>Land Bank Bonds</i>	1.19	0.08	1.27
<i>Pag- ibig Bonds</i>	0.06	0.11	0.17
<i>Euro Bonds</i>	30.71	3.80	34.51
<i>Retail Bonds</i>	-	0.47	0.47
<i>Others</i>	0.29	0.08	0.37
Short-Term Government Securities	<u>0.25</u>	<u>1.74</u>	<u>1.99</u>
<i>Treasury Bills</i>	0.25	1.74	1.99
Total Government Securities	<u>104.33</u>	<u>13.84</u>	<u>118.17</u>
Other Bonds	<u>9.68</u>	<u>2.13</u>	<u>11.81</u>
<i>Private Bonds</i>	4.27	1.44	5.71
<i>Foreign Bonds</i>	5.41	0.69	6.10
GRAND TOTAL	<u>114.01</u>	<u>15.97</u>	<u>129.98</u>

Operating Results

The over-all operating income of the industry rose by 28.41 percent to reach ₱9.04 billion for the current year as against the ₱7.04 billion the previous year. This was attributed to the increased income from underwriting amounting to ₱45.76 billion as well as favorable investment returns of ₱20.91 billion this year. Although there was a ₱2.06 billion loss in life's underwriting operation, non-life insurance companies posted a gain of ₱5.06 billion to divert the loss into a profitable operation for the entire industry.

Table 19 : Summary of Operations, 2004, (₱ B)

PARTICULARS	LIFE			NON-LIFE			PROF. REINS	GRAND TOTAL
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	
<i>Underwriting Income</i>	<u>11.69</u>	<u>15.68</u>	<u>27.37</u>	<u>15.12</u>	<u>2.07</u>	<u>17.19</u>	<u>1.20</u>	<u>45.76</u>
Premium Income/ Earned	18.04	26.07	44.11	12.82	1.64	14.46	0.92	59.49
Increase/Decrease in Reserves	7.25	14.18	21.43	-	-	-	-	21.43
Commissions Earned	0.01	0.18	0.19	2.18	0.39	2.57	0.27	3.03
Other Underwriting Income	0.89	3.61	4.50	0.12	0.04	0.16	0.01	4.67
<i>Less:</i>								
<i>Underwriting Expenses</i>	<u>10.80</u>	<u>18.63</u>	<u>29.43</u>	<u>10.94</u>	<u>1.34</u>	<u>12.28</u>	<u>1.05</u>	<u>42.76</u>
Losses/ Benefit Payments	7.40	11.70	19.10	5.88	0.66	6.54	0.52	26.16
Loss Adjustment Expenses	-	-	-	0.16	0.02	0.18	-	0.18
Commission Expenses	1.74	2.92	4.66	4.45	0.62	5.07	0.50	10.23
Premium Tax Incurred	0.43	1.04	1.47	-	-	-	-	1.47
Other Underwriting Expenses	1.23	2.97	4.20	0.45	0.04	0.49	0.03	4.72
Underwriting Gain/Loss	<u>0.89</u>	<u>(2.95)</u>	<u>(2.06)</u>	<u>4.18</u>	<u>0.73</u>	<u>4.91</u>	<u>0.15</u>	<u>3.00</u>
Add: Gross Investment Income	4.62	14.03	18.65	1.59	0.42	2.01	0.25	20.91
Other Income/Expenses	0.59	0.27	0.86	0.79	0.02	0.81	(0.01)	1.66
SUB – TOTAL	<u>6.10</u>	<u>11.35</u>	<u>17.45</u>	<u>6.56</u>	<u>1.17</u>	<u>7.73</u>	<u>0.39</u>	<u>25.57</u>
Less: Taxes other than Premium and Income Tax	0.46	1.94	2.40	0.29	0.05	0.34	0.04	2.78
Other General Expenses	3.81	4.21	8.02	4.63	0.65	5.28	0.16	13.46
Income Tax	0.03	0.06	0.09	0.14	0.06	0.20	-	0.29
Net Income / Loss for the year Excluding Capital Gains	<u>1.80</u>	<u>5.14</u>	<u>6.94</u>	<u>1.50</u>	<u>0.41</u>	<u>1.91</u>	<u>0.19</u>	<u>9.04</u>

Balance Sheet

Total assets of the insurance industry recorded a moderate growth of 12.03 percent to attain ₱311.02 billion in 2004 as compared to ₱277.62 in 2003. Of this, ₱240.04 billion was contributed by the life sector while ₱70.98 billion was accounted for by the non-life sector.

Bonds, constituted the largest component accounting for 41.41 percent of the total assets for the year. Followed by stocks and cash deposits with 19.85 percent and 7.68 percent, respectively.

Total networth of the industry reached ₱94.43 billion as of year-end, a 2.56 percent more than that of the preceding year's ₱92.07 billion.

Table 20: Consolidated Balance Sheet, 2004, (₱ billion)

PARTICULARS	LIFE			NON-LIFE			PROF. REINS.	GRAND TOTAL
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	
ASSETS								
Bonds	23.94	90.24	114.18	9.69	3.11	12.80	1.81	128.79
Stocks	16.63	28.50	45.13	9.60	6.70	16.30	0.30	61.73
Real Estate Owned	15.11	2.42	17.53	4.13	0.12	4.25	0.14	21.92
Purchase Money Mortgages	0.15	-	0.15	-	-	-	-	0.15
Mortgage Loans	2.37	1.75	4.12	0.24	0.04	0.28	0.01	4.41
Collateral Loans	1.52	1.47	2.99	0.02	-	0.02	0.11	3.12
Guaranteed Loans	3.20	4.06	7.26	0.02	0.02	0.04	-	7.30
Policy Loans	5.27	11.95	17.22	-	-	-	-	17.22
Other Loans	0.21	0.26	0.47	0.13	0.02	0.15	-	0.62
Short - Term Investments	0.10	0.19	0.29	1.70	0.07	1.77	0.02	2.08
Security Fund	-	-	-	-	-	-	-	-
Other Investments	4.25	0.98	5.23	0.48	0.07	0.55	0.01	5.79
Asset Backed Securities	-	0.01	0.01	-	-	-	-	0.01
Cash on Hand & in Banks	5.15	9.75	14.90	7.63	1.07	8.70	0.30	23.90
Premiums Receivable/Premiums Due & Uncollected	0.95	1.37	2.32	6.02	0.50	6.52	-	8.91
Due From Ceding Companies	0.07	0.25	0.32	2.62	0.32	2.94	0.73	3.99
Prem./Loss Reserve Withheld By Ceding Companies	0.14	0.19	0.33	0.24	0.01	0.25	0.14	0.72
Reins. Recoverable on Losses	-	-	-	8.24	0.94	9.18	1.10	10.28
Other Reins. Accts. Receivable	-	-	-	0.07	0.04	0.11	-	0.11
Commissions/Accounts Receivable	-	-	-	0.51	0.01	0.52	-	0.52
Salvage Recoverable	-	-	-	0.23	-	0.23	-	0.23
Accrued Interest & Other Investment Income	1.03	3.98	5.01	0.36	0.09	0.45	0.05	5.51
EDP Equipment	0.29	0.34	0.63	0.31	0.05	0.36	-	0.99
Other Assets	0.92	1.03	1.95	0.66	0.17	0.83	0.01	2.79
TOTAL ASSETS	81.30	158.74	240.04	52.90	13.35	66.25	4.73	311.02
LIABILITIES								
Reserve for Unearned Premiums	-	-	-	5.31	0.67	5.98	0.34	6.32
Legal Policy Reserves	47.90	91.15	139.05	-	-	-	-	139.05
Policy & Contract Claims	1.77	0.91	2.68	-	-	-	-	2.68
Losses & Claims Payable	-	-	-	9.52	1.12	10.64	1.33	11.97
Policyholders/Loss Adjustment Expenses	-	-	-	0.09	0.01	0.10	-	0.10
Catastrophe Loss Reserves	-	-	-	0.14	0.04	0.18	0.02	0.20
Dividends Payable to Stockholders	0.05	2.00	2.05	0.07	-	0.07	-	2.12
Policyholder's Dividends	5.16	17.99	23.15	-	-	-	-	23.15
Liabilities/Considerations for Premium Deposit Funds	4.92	1.67	6.59	-	-	-	-	6.59
Premiums Due to Reinsurers	0.16	0.41	0.57	5.94	0.88	6.82	0.63	8.02
Prem./Loss Reserves Withheld For Reinsurers	0.01	0.09	0.10	0.96	0.35	1.31	0.09	1.50
Other Reins. Accounts Payable	-	-	-	0.03	-	0.03	-	0.03
Taxes/Licenses Payable	0.18	0.35	0.53	2.38	0.17	2.55	0.01	3.09
Accrued Expenses Payable	-	-	-	0.59	0.08	0.67	0.02	0.69
Commission & Other Charges Payable	0.54	0.55	1.09	0.59	0.04	0.63	-	1.72
Accounts/Notes Payable	0.72	0.30	1.02	1.05	0.02	1.07	-	2.09
Unearned Investment Income	0.24	0.02	0.26	-	-	-	-	0.26

Other Liabilities	2.70	3.01	5.71	1.17	0.08	1.25	0.05	7.01
TOTAL LIABILITIES	<u>64.35</u>	<u>118.45</u>	<u>182.80</u>	<u>27.84</u>	<u>3.46</u>	<u>31.30</u>	<u>2.49</u>	<u>216.59</u>
NETWORTH								
Paid-Up Capital/Statutory Deposits	3.91	4.82	8.73	8.78	1.15	9.93	1.01	19.67
Paid-In Capital	1.05	0.33	1.38	0.46	0.48	0.94	0.03	2.35
Deposit on Stock Subscription	0.05	-	0.05	(0.1)	-	(0.1)	-	(0.05)
Investment Fluctuation Reserve	5.57	22.32	27.89	4.37	6.46	10.83	0.09	38.81
Contributed Surplus	1.15	1.56	2.71	0.90	0.40	1.30	0.11	4.12
Other Assigned Surplus	-	-	-	-	-	-	0.10	0.10
Unassigned Surplus/H.O. Accounts	4.67	9.34	14.01	9.71	1.20	10.91	0.90	25.82
Contingency Surplus	0.55	1.92	2.47	0.94	0.20	1.14	-	3.61
TOTAL NETWORTH	<u>16.95</u>	<u>40.29</u>	<u>57.24</u>	<u>25.06</u>	<u>9.89</u>	<u>34.95</u>	<u>2.24</u>	<u>94.43</u>
TOTAL LIABILITIES & NETWORTH/ TRUSTEED SURPLUS	<u>81.30</u>	<u>158.74</u>	<u>240.04</u>	<u>52.90</u>	<u>13.35</u>	<u>66.25</u>	<u>4.73</u>	<u>311.02</u>

Insurance and Reinsurance Brokers

As at December 31, 2004, collected premiums of the broking industry declined by 2.66 percent, which amounted to ₱17,044.51 million from ₱17,510.91 million in 2003. To the total insurance industry, direct brokers contributed ₱ 14,522.04 million. Placement for fire insurance shared 32.94 percent of the total generated premiums. On the other hand, brokerage fees increased slightly by 6.46 percent or ₱2,135.15 million as compared to ₱2,005.66 million.

Table 21: Brokers' Business Operations, 2004(₱ M)

Line of Business	Insurance Brokers		Reinsurance Brokers	
	Premiums	Commissions	Premiums	Commissions
Life	923.87	202.85	-	-
Fire	4,375.39	438.89	1,238.34	77.25
Ocean Marine	393.89	69.34	68.69	7.66
Inland Marine	137.92	26.17	7.49	0.35
Marine Hull	415.91	35.42	44.69	7.07
Aviation	202.08	15.04	118.12	7.37
Fidelity & Surety	321.29	76.51	28.54	2.73
Motor Vehicle	1,867.83	436.50	22.54	1.90
Health	1,820.87	198.65	6.89	0.26
Accident	556.01	108.14	9.47	0.01
Engineering	2,045.08	108.55	425.81	(100.68)
Miscellaneous	1,461.91	240.30	551.89	174.87
TOTAL	14,522.04	1,956.36	2,522.47	178.79

Mutual Benefit Associations

For the year 2004, a total of eighteen (18) Mutual Benefit Associations (MBAs) submitted their annual statements. In effect to the increased number of MBA's, aggregate assets of ₱14.18 billion for the year reflected 21.72 percent higher than that of last year's ₱11.65 billion. AFP Mutual Benefit Association accounted for the biggest part of the Association's total assets, which amounted to ₱4.60 billion or 32.44 percent share. Philippine Public School Teachers followed next posting ₱2.55 billion or 17.28 percent share.

Liabilities on the other hand, summed up to ₱9.93 billion while the corresponding total members equity was reduced by 7.00 percent from ₱4.57 billion in 2003 to ₱4.25 billion in 2004.

Trusts for Charitable Uses

Total assets reported by sixteen (16) Trusts for Charitable Uses at the end of December 31, 2004, grew slightly by 5.88 percent to reach ₱471.24 million as compared to the ₱445.06 million in 2003. Among the members, President Ramon Magsaysay Foundation accounted for the biggest contribution of ₱383.19 million. On the other hand, the association's liabilities stood at ₱ 237.05 million while the total networth aggregated to ₱234.45 million.

Collected gross receipts for the year under review totaled to ₱263.27 million and the total disbursements was ₱96.50 million. Of the total receipts, proceeds from sales/disposal of investments got the highest contribution of ₱141.00 million which was more than fifty percent of the total.

Government Service Insurance System (GSIS)

Aggregate assets of the government-owned insurance company as at the end of the reporting year rose to ₱313.49 billion or 3.20 percent more than the preceding year's ₱303.76 billion. On the other hand, reported liabilities was ₱292.93 billion and networth of ₱20.55 billion for the year.

Total premiums generated by the Government Service Insurance System totaled to ₱46.23 billion in which 95.06 percent were contributed by the life sector and 4.94 percent by the non-life sector. Moreover, benefits paid to policyholders amounted to ₱30.28 billion while claims incurred was recorded at ₱65.49 billion during the year 2004.