

PERFORMANCE OF THE INSURANCE COMMISSION AND THE INSURANCE INDUSTRY IN THE PHILIPPINES

Regulation/ Supervision of the Insurance Commission

As at year-end 2005, the Philippine insurance industry is composed of 132 insurance companies (3 composites, 33 life, 94 non-life and 2 reinsurance companies), a drop from last year's 137 total licensed companies. The fall in numbers can be attributed to mergers and/or acquisitions of companies to gain strong foothold of the market on top of the 15 companies that were not issued licenses due to non-compliance with the Commission's regulatory requirements.

One of the mergers that took place was between Mapfre Asian Insurance Company and Insular General Insurance Company, Inc. now known as Mapfre Insular Insurance Company. As to acquisition Manulife get hold of the business of Maritime Life Insurance Company. A sign for more consolidations and mergers to come as the Insurance Commission plans to augment the capital base of the insurance industry to strengthen its financial position in the region.

In 2005, respective stockholders of the National Reinsurance Corporation of the Philippines and the Universal Malayan Reinsurance Corporation of the Philippines with the former as the surviving entity approved the merger of the two reinsurance companies and created a reinsurance company with the financial resources and underwriting capacity to service domestic insurance companies which could compete more in the regional reinsurance transactions in the ASEAN.

As of date, 10 companies are being assisted by conservators which include First Quezon City Insurance Company, Inc.; Mantruste Insurance Corporation; Wellington Insurance Company, Inc.; Luzon Insurance and Surety Company, Inc.; Times Surety and Insurance Company, Inc.; The Capital Insurance and Surety Company, Inc; Development Insurance Company, Inc.; Zenith Insurance Corporation; Mega Pacific Insurance Corporation and Security Pacific Assurance Corporation.

The Imperial Insurance Company Inc. is under receivership since September 24, 2001 while FGU Insurance Corporation and Royal International Insurance Holdings businesses are on run-off operations.

Table 1 : Companies Authorized to Transact Insurance Business in the Philippines As of 31 December 2005

Classification of Company	Direct Insurers			Professional Reinsurers	TOTAL
	Composite	Life	Non-Life		
A. Domestic	2	25	84	2	113
B. Foreign					
Domestically Incorporated	1	7	5	-	13
Branch	-	1	5	-	6
Total	3	33	94	2	132

Table 2: Licenses Issued to Insurance Intermediaries and Other Technical Support Entities - 2005

Sales/Technical Group	New	Renewal	Total
Ordinary Agents	18,942	22,828	41,770
Life	16,208	14,258	30,466
Non-Life	2,734	8,570	11,304
General Agents	44	387	431
Life	9	35	44
Non-Life	35	352	387
Variable Life Agents	1,766	857	2,623
Brokers	17	102	119
Insurance	13	73	86
Reinsurance	4	29	33
Non-Life Underwriters	43	415	458
Resident Agents	17	48	65
Actuaries	5	36	41
Adjusters	2	57	59
Total	20,836	24,730	45,566

Companies that are still under liquidation, on the other hand, include TICO Insurance Company, Inc.; Capital Life Assurance Corporation; General Insurance and Surety Corporation and AFISCO Insurance Company.

Insurance Intermediaries

Licensed ordinary agents increased by less than 3% with 41,770 issued licenses in 2005. Variable life agents doubled in figure with 2,623 recorded as of the year-end. Insurance and reinsurance brokers licensed by the Insurance Commission posted a reduction in number with 119 licensed intermediaries for the year. Likewise, the same was experienced in other technical supports intermediaries.

Supervision

In 2005, the Commission carried out off-site examinations on insurance companies, mutual benefit associations, trusts for charitable uses, insurance and reinsurance brokers covering aspects of their financial condition and methods of doing business. Relative to this, the Commission approved 499 synopses and transmitted the same for the company's information and appropriate actions.

Legitimacy of policy forms used by insurance companies and mutual benefit associations are looked into by the Insurance Commission through evaluation of policies, contracts, and other forms before their issuance. In 2005, a total of 748 life policy forms, mutual benefit contract forms and non-life bond forms were evaluated and approved. Likewise, 1,789 requests for reinsurance treaties with addenda, facultative placements and requests for foreign exchange remittances were evaluated and approved during the same year.

A total of 2,907 legitimate complainants from all over the country were rendered assistance. Conferences/hearings on 1,634 insurance claims were held with 268 resolutions/orders issued. There were 1,676 cases settled during the year including formal proceedings that were adjudicated.

The Insurance Code mandates that prior approval of the Insurance Commission must be sought before any investments are placed. For 2005, there were 102 requests for investments that were evaluated and approved.

Supervision of the insurance industry entails collection of corresponding taxes and fees. For 2005, the industry has contributed to the coffers of the government a total of ₱7.270 billion via electronic and manual filing.

Recent Developments

To promote efficient and effective management, the Insurance Commission has been embarking on the following programs:

- Computerization of IC work processes

The Commission is still in the process of computerizing its work processes and is expected to be finished by year 2008.

In line with this, Memorandum Circular No.34-2005 was issued to all insurance companies requiring them to submit the names of their respective agents for stand alone database of the Commission.

- Increase in the Minimum Required Capitalization

The increase in minimum required capitalization is targeted for implementation in 2006 coupled with Risk Based Capitalization. The Commission in coordination with the Technical Working Committee of the Philippine Life Insurance Association and

the Philippine Insurers and Reinsurer Association formulated the RBC Framework for life and non-life companies. This aims to further strengthen the financial conditions of the insurance companies and enhance the stability of the insurance industry.

- Amendment to the pertinent provisions of the Insurance Code

To strengthen the independence of the Insurance Commission and redefine its powers and have its functions more responsive to the present needs, meetings with the life and non-life associations were held to discuss changes relevant to the Insurance Code.

- Compulsory Insurance Coverage

To address the problems on Compulsory Insurance Coverage the Commission has proposed the creation of a clearing house to ensure genuine certificate of covers to be issued to the insuring public and equally collect the correct taxes.

- Compliance, among others, to the observance of the 28 Core Principles of the International Association of Insurance Supervisors (IAIS), Corporate Governance, and on Anti-Money Laundering Act:

The Code of Corporate Governance of 2002 was enhanced through the issuance of Memo Circular No.35-2005. The new code of Corporate Governance, its Principles and Leading Practices contains the self- assessment form to be accomplished by each insurance company and other intermediaries and be submitted every semester.

On the Anti-Money Laundering Act, the Commission also requires the same stakeholders to file Suspicious and Covered Transaction Reports involving all kinds of monetary instruments or property, i.e. where the total amount of premium exceeds ₱500,000.00 in one year.

Further, for those companies intending to infuse capital/asset to correct its capital impairment, a circular was issued to the effect that company must submit an undertaking waiving the provisions of the laws on secrecy of bank deposits, particularly RA 1405, as amended by RA 6426.

Regional/International Cooperation Updates

ASEAN Insurance Commissioners' Meeting – The 8th meeting of the regions' insurance regulators was held at Seam Reap, Kingdom of Cambodia last November 28-29, 2005 where updates on Asean Unified Forms of Insurance Statistics, Harmonization of Insurance Laws, Asean Framework Agreements on Services were discussed.

Regulatory Updates

During the same year, a more strong insurance non-life insurance association came into being, by the incorporation of the Philippine Insurers and Reinsurers Association. This is the result of the unification of the two existing association in the non-life sector, the Insurance and Surety Association of the Philippines (ISAP) and the Philippine General Insurers Association (PGIA).

In consonance with Administrative Order No. 010-2005 of the Department of Trade and Communications (DOTC), the Commission issued Circular Letter No. 10-2005 requiring owners of all brand new vehicles to get a 3-Year Comprehensive Third Party Liability Insurance coverage as a prerequisite to register their vehicles with the Land Transportation Office.

For the same year, life insurance companies are now allowed to invest in dollar-denominated instruments which have higher credit ratings than the Philippines which gave the life sector flexibility to diversify their investments, enhance their portfolio liquidity and

have the ability to match their reserve liabilities with assets in the same currency as provided in the Commission's issued Circular Letter No. 29-2005.

The subject of another Circular Letter No.23-2005 issued on August 3, 2005 was the obligation of every life company to present a standard format of sales illustrations showing projected values such as dividend rate, earnings on premium deposit funds, among others, to ensure transparency on the part of agents in making their sales presentations to prospective buyers.

Circular Letter No. 5-2005 was on the Catastrophe Peril Protection where all companies licensed to write Fire and allied perils insurance in the Philippines are required to secure a minimum amount of catastrophe excess of loss reinsurance protection equivalent to five percent (5%) of their aggregate net retained insured values against Earthquake, Typhoon, Flood under Zone A or Zone B whichever is lesser.

The Commission during the year accredited external auditors and issued another circular on the rules on cash infusion to cover up Margin of Solvency deficiency, Capital Impairment, Equity Conversion and Preferred Shares.

Performance of the Insurance Industry in 2005

Overview

The growth thrust of the insurance industry to some extent improved in 2005. During the year, the insurance industry registered a 6.64% combined life and non-life premium income to reach ₱64.04 billion compared to ₱60.05 billion in 2004. There was also an improvement in the operating results attributed mainly to the positive underwriting results in the non-life sector together with the positive investment returns in the life sector.

Table 3: Philippine Economic Indicators, 2001-2005

ECONOMIC AND INSURANCE DEVELOPMENT DATA	2001	2002	2003	2004	2005
GROSS NATIONAL PRODUCT					
At Current Prices (₱ M) *	3,876,603r	4,138,240	4,631,479r	5,235,224r	5,876,298p
At Constant Prices (₱ M) *	1,061,283r	1,094,702	1,171,431r	1,250,188r	1,320,681p
GROSS DOMESTIC PRODUCT					
At Current Prices (₱ M) *	3,631,474r	3,883,230	4,316,402r	4,858,835r	5,418,839p
At Constant Prices (₱ M) *	990,042r	1,023,101	1,085,072r	1,152,174r	1,209,472p
POPULATION ** (in million)	77.9	79.5	81.0	82.7	85.3
PER CAPITA GROSS NATIONAL PRODUCT (₱)	49,763.8	52,053.3	57,178.8	63,303.8	68,889.8
LABOR FORCE (Average) (In million persons) ***					
Employed ***	33.11	33.93	34.57	35.86	35.13
Unemployed ***	29.46	30.06	30.63	31.61	32.22
	3.65	3.87	3.94	4.25	2.91
EXCHANGE RATE (per US\$) @	51.40	53.10	55.57	56.27	53.07
INFLATION RATE	6.59%	4.86%	2.88%	6.00%	7.60%
INSURANCE DEVELOPMENT (Private Companies Only)					
Per capita expenditure (₱)					
Life	547.9	622.3	676.8	726.2	750.7
Non-Life	385.5	456.6	496.4	533.3	550.8
Life sum insured as % of G D P	162.4	165.7	180.4	192.9	199.9
G N P	42.16%	41.94%	47.48%	38.66%	27.43%
Premiums (Life & Non-Life)	39.49%	39.36%	44.25%	35.88%	25.29%
as % of G D P					
G N P	1.14%	1.25%	1.25%	0.92%	1.16%
Gross value added on insurance	1.07%	1.17%	1.16%	0.85%	1.07%
	32,229	35,567	39,682	45,699r	47,448p
ESTIMATED LIFE INSURANCE COVERAGE					
	12.80%	13.65%	18.31%	13.11%	13.01%

The insurance in-force policies of 3,345,132 as of year-end for the life sector, including 49,115 unit linked policies, decreased by 26.75% from prior year's 4,566,925. Sum insured for these policies in force totaled ₱1.49 trillion with corresponding premium income of ₱46.99 billion.

There was a continued demand and popularity of term policies. This accounted for 62.16% of the total premiums of ₱ 230.26 billion for newly issued policies. The traditional whole life insurance product had a total share of 29.88% compared to 32.23%, a year ago.

Table 4: Comparative Statistics of Private Life, Non-Life & PR Companies, 2004-2005

	2005 (₱ B)	2004 (₱ B)	Percent Increase / (Decrease)
NET PREMIUMS	64.04	60.05	6.64
Life	46.99	44.10	6.55
Non-Life	15.93	15.04	5.92
Prof. Reins.	1.12	0.91	23.08
ASSETS	349.61	311.02	12.41
Life	273.57	240.04	13.97
Non-Life	69.94	66.25	5.57
Prof. Reins.	6.10	4.73	28.96
INVESTMENTS	255.86	226.54	12.94
Life	217.51	192.57	12.95
Non-Life	34.86	31.44	10.88
Prof. Reins.	3.49	2.53	37.94

In the non-life insurance sector, the composition of the gross premiums by lines of business remained the same to that of the previous year. The predominant fire and motor car class of business shared 32.38% and 30.26% of the total gross premiums for 2005. Fire business declined by 1.96% while the rest of the classes of business showed a modest enhancement ranging from 1.20% to 21.83%.

Total assets of the insurance industry reflected a moderate rise of 12.41% to ₱349.61 billion for the year under review. In terms of market share, life insurers total assets shared 78.25%. Invested assets continued to remain a significant component of total assets for both life and non-life insurers ascribing to 89.76% of total.

Life Insurance Sector

The impact of the economy and the financial markets on the life insurance industry's operating environment had somehow taken its toll on the 31 licensed insurance companies doing business in the country. A decline in new policies sold of 11.81% in 2005 was recorded albeit the 9.14% increment in annual premium and sum assured of 2.82%. On the revenue side, the sector somehow managed to score growth largely due to the sheer weight on their return on investments amounting to ₱22.99 billion of their total investment amounting to ₱217.51 billion, showing an investment yield of 11.88% for the entire sector.

Table 5: New Business Generated, 2001-2005

Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2005	296,629	(11.81)	15.76	9.14	230.26	2.82
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

Total new business issued for the year recorded a total of 296,629 policies, a decline of 39,731 policies from the prior year's 336,360. Of these issued policies, 22,199 came from the sale of unit-linked products. The decline was traced from the sale of ordinary and group life insurance policies that recorded a decrease of 11.81% and 12.17%, respectively.

Table 6: Ordinary New Business, 2001-2005

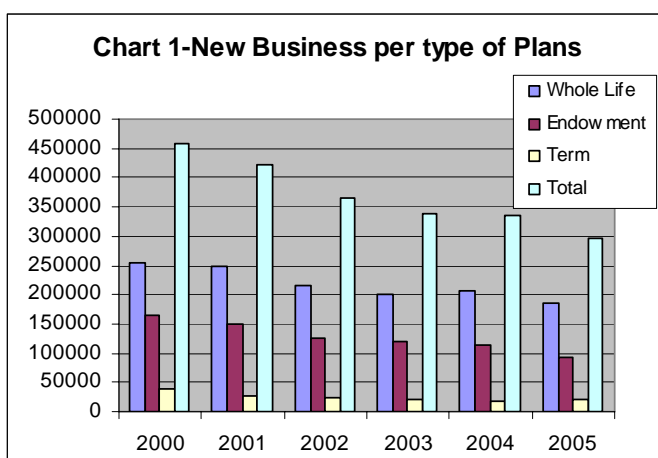
Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2005	292,833	(11.81)	14.25	53.22	101.03	(3.18)
2004	332,038	(1.04)	9.30	(49.29)	104.35	(6.56)
2003	335,532	(07.30)	11.28	81.05	111.67	(13.25)
2002	361,944	(13.53)	10.13*	53.25	128.73	(02.72)
2001	418,555	(04.13)	06.61	18.46	132.33	(0.02)

* Includes premium for variable life contracts

Table 7: Group Insurance New Business, 2001-2005

Year	Policies		Annual Premium		Sum Assured	
	Number (Certificates)	% Change	₱ billion	% Change	₱ billion	% Change
2005	3,796 (1,629,670)	(12.17)	1.51	6.34	129.23	8.06
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

* Includes Extended Term Insurance for coconut farmers
** Data in parentheses stand for number of certificates



New business premiums produced for the year under review amounted to ₱15.76 billion, ₱4.79 billion of which or 30.30% are unit-linked premiums.

Taking into account the beginning balance of 4,576,336, aggregated terminated policies for the year reached 1,652,920 where 69.31% was from expiry and 13.16% from lapsed policies.

The forfeiture or lapsed rate in 2005 was 5.49% while the surrender rate was 2.32%.

Table 8: Distribution of New Business by Type of Policy, 2001-2005

Year	Whole Life		Term		Endowment		TOTAL	
	Policies	Amount (₱B)	Policies (Certificates)	Amount (₱B)	Policies	Amount (₱B)	Policies	Amount (₱B)
2005	184,735	68.80	19,830 (1,626,752)	143.14	91,964 (2,918)	18.32	296,629 (1,629,670)	230.26
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

Table 9: Life Insurance In-force/Premium Income, 2004-2005

Types of Policies	Number of Policies			Insurance-in-force (In billion pesos)			Premium Income (In billion pesos)		
	2005	2004	% Change	2005	2004	% Change	2005	2004	% Change
	Ordinary	2,826,207	3,599,604	(21.49)	807.5	1,240.6	(34.91)	41.23	38.58
Group	517,802	965,698	(46.38)	678.8	637.7	6.44	5.76	5.52	4.35
<i>Certificates</i>	<i>(8,272,965)</i>	<i>(7,240,797)</i>	<i>14.25</i>						
Industrial	1,123	1,623	(30.81)	-	-	-	-	-	-
TOTAL	3,345,132	4,566,925	(26.75)	1,486.3	1,878.3	(20.87)	46.99	44.10	6.55
	<i>(8,272,965)</i>	<i>(7,240,797)</i>	<i>14.25</i>						

**Table 10: Terminated Insurance Policies and Sum Insured
As of December 31, 2005**

Types of Policies	Number of Policies						TOTAL
	Death	Maturity	Surrender	Lapsation	Expiry	Others	
Ordinary	10,452	45,697	90,885	215,780	690,185	135,203	1,188,202
Group	7,014	-	12	1,784	455,370	38	464,218
<i>Certificates</i>	<i>(17,684)</i>	<i>(788)</i>	<i>(2,914)</i>	<i>(833,209)</i>	<i>(1,626,429)</i>	<i>(202,760)</i>	<i>(2,683,784)</i>
Industrial	2	413	-	-	85	-	500
TOTAL	17,468	46,110	90,897	217,564	1,145,640	135,241	1,652,920
	<i>(17,684)</i>	<i>(788)</i>	<i>(2,914)</i>	<i>(833,209)</i>	<i>(1,626,429)</i>	<i>(202,760)</i>	<i>(2,683,784)</i>

* 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	2.04	1.58	18.92	68.55	458.09	14.27	563.45
Group	1.36	0.01	0.28	35.83	72.63	45.60	155.71
Industrial	-	0.01	-	-	-	-	0.01
TOTAL	3.40	1.60	19.20	104.38	530.72	59.86	719.17

As regards in-force policies as of year-end 2005, it stood at 3,345,132, a 26.75% decrease from prior year's 4,566,925. A total number of 49,116 were unit-linked policies.

Table 11 : Breakdown of Policy Benefits, 2001-2005, (₱ B)

Year	Deaths	Maturities	Surrenders	Dividends	Annuity	Others	TOTAL
2005	3.70	3.17	5.24	4.51	-	5.13	21.75
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

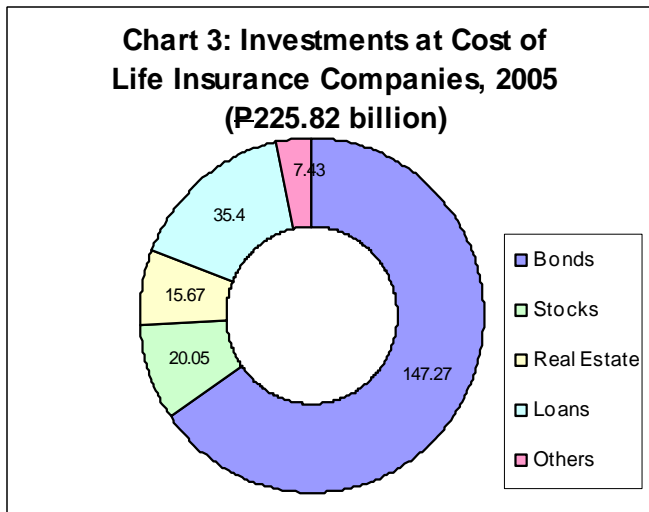
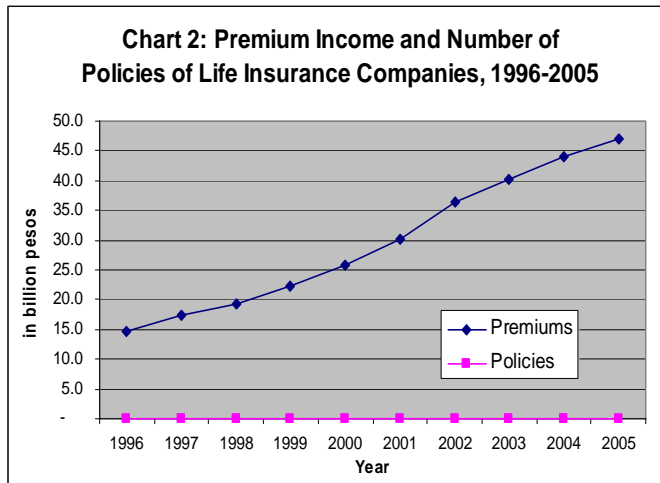
Corresponding sum assured and net premium income for these in-force policies were ₱1.49 trillion and ₱46.99 billion (₱11.49 billion and ₱5.30 billion for unit linked), respectively.

Ceded business from unauthorized companies recorded a total premium of ₱0.082 billion while ceded premiums to the same type of insurance companies totaled ₱0.299 billion.

Considerably, of the total premium income of ₱46.99 billion, mostly two (2) foreign companies and one (1) local company contributed 56.48%. These three companies also sell unit-linked products which summed up to ₱0.40 billion in 2005, a 7.55% contribution to the total premiums of unit/investment-linked products sold.

Table 12: Life Insurance In-Force, 2001-2005

Year	Policies		Insurance in-force	
	Number	% Increase	(in trillion pesos)	% Change
2005	3,345,132	(26.75)	1.486	(20.87)
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



was no significant change in the pattern of distribution of assets over the year, with the bulk of the funds being invested in government securities at P133.02 billion or 48.62% of the total assets.

Total liabilities as of year-end reached P208.61 billion, where 77.31% or P161.28 billion was set as reserves for future claims. Policy and contract claims payable by the sector amounted to P2.88 billion, a slight increase from last year's P2.68 billion or 7.46%.

Translating the life sector's development and performance to the economy, per capita expenditure on life insurance for the year 2005 was P550.8 million while premiums generated as a percentage to Gross Domestic Product (GDP) was recorded at 0.87%. The estimated life insurance coverage for the year under review is 13.01%. Total salaried officers and employees in the life insurance sector stood at 6,719.

As a provider to the government treasury, taxes paid in the form of premium tax, value added tax, Documentary stamp tax, withholding tax and income tax by life insurers summed up to P3.84 billion for the year 2005.

To match up the life insurers' assets against its liabilities especially for maturing policies, investment made as of December 2005 was P217.51 billion, with P140.74 billion or 64.70% shared by the foreign life companies.

Percentage share of long-term bonds to the aggregate investment outlay of the sector increased from 59.07% to 64.48% to reach a total of P140.26 billion. Total long-term and short-term government securities stood at P133.02 billion as of year end 2005, an increment of 27.50% from prior year's P 104.33 billion.

The share of foreign-owned companies to government bonds was 75.10% while their local counterparts supplied the remaining 24.90%. More than 66% of these placements came from the top three (3) largest insurers, two foreign and 1 local companies.

The assets of the life insurance sector grew by P33.53 billion or 13.97% in 2005 to reach P273.57 billion. There

Consequently, stockholders' equity of ₱64.96 billion was registered in 2005 with paid-up capital/statutory deposits of ₱8.93 billion, a 2.29% growth.

Life insurers operating in the Philippines posted in 2005 a ₱7.53 billion in consolidated net income after tax, an 8.50% improvement from last year's performance of ₱6.94 billion.

There was a marginal increase in total income during the year to ₱75.01 billion, from ₱68.31 billion in 2004. Of these, net premium income accounted for 58.81%.

Looking at the underwriting result for 2005, statistics revealed that there was an overall underwriting loss in this sector brought about by the adverse business transaction of three big foreign companies. On the local side, only six (6) out of 27 companies suffered underwriting loss.

It can be noted that through the years investment income plays a major role in the overall business performance of the any life companies.

Non-Life Insurance Companies & Professional Reinsurers

The non- life insurance industry represented by 97 insurers and 2 professional reinsurance companies continued to be a reliable partner in the development of the economy.

Per capita expenditure on non-life insurance for the year rose to ₱199.9 from ₱192.9 in 2004. Premiums generated by this sector has accounted for 0.53 % of the total Gross Domestic Product of the country. In the area of taxation, it has contributed some ₱4.88 billion to the government while total manpower was 20,698. Given this number, if there is an average of four (4) dependents per employee or agent /broker, it can be safely estimated that more than 82,792 people are directly dependent in the non-life industry.

Non-Life Insurance Companies.

During the year 2005, non-life companies' gross premiums written were valued at ₱28.36 billion up by ₱1.87 or 7.06% more than the ₱26.49 billion in 2004. The net premiums written, on the other hand, posted an improvement of ₱0.88 billion, from ₱15.04 billion in 2004 to ₱15.93 billion in 2005. This pegged the net retention ratio at 56.17 % during the year, a slight decrease from the 56.78% of 2004.

Table 13: Gross Premium Written of Non-Life Insurance Companies, 2004-2005

Line of Business	2005		2004	
	Amount (P B)	% to Total	Amount (P B)	% to Total
Fire	9.18	32.37	9.37	35.37
Marine	4.52	15.94	3.64	13.74
Motor Car	8.58	30.25	8.02	30.28
Casualty	5.23	18.44	4.63	17.48
Suretyship	0.85	3.00	0.83	3.13
Life for PR	-	-	-	-
TOTAL	28.36	100.00	26.49	100.00

For the net premiums written, it was motor car line of business that had the most contribution which amounted to ₱7.78 billion, fire line of business with ₱3.20 billion while casualty business posted ₱2.67 billion for a combined percentage to total of 85.69 %. The domestic insurers, likewise, had the upper hand over their foreign counterparts with 87.73% of the total net premiums written.

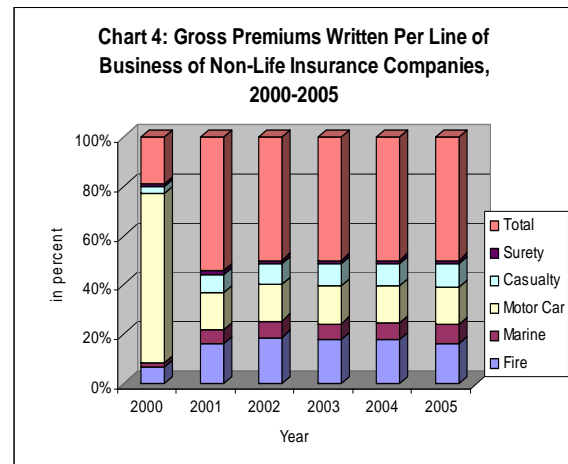
Premiums earned grew to ₱15.51 billion in 2005, up by ₱1.05 billion or 7.26% from the ₱14.46 billion in 2004. As in the previous year, motor car business posted the highest premium earnings during the

year with ₱7.53 billion, 48.55% of total premiums.

Fire and allied perils business was next with ₱3.17 billion or 20.44% of total. Casualty, marine, and suretyship businesses summed up the remaining 31.01% with corresponding premiums of ₱2.58 billion, ₱1.45 billion and ₱0.79 billion, respectively.

Table 14: Net Premium Written of Non-Life Insurance Companies, 2004-2005

Line of Business	2005		2004	
	Amount (P B)	% to Total	Amount (P B)	% to Total
Fire	3.20	20.09	3.18	21.14
Marine	1.49	9.35	1.35	8.98
Motor Car	7.78	48.84	7.30	48.54
Casualty	2.67	16.76	2.42	16.09
Suretyship	0.79	4.96	0.79	5.25
Life for PR	-	-	-	-
TOTAL	15.93	100.00	15.04	100.00



The top twelve (12) non-life companies wrote 60.22% of the total premiums earned. The next eleven (11) companies each contributed a share of a little over 1 % to 1.85% while the remaining 74 operating non-life companies accounted for only less than 1% apiece of the total premiums earned.

The total losses incurred for the period under review amounted to ₱6.56 billion. A minimal increase of ₱0.02 billion posted in 2004. The over-all loss ratio for the year improved to 42.29%, a 4.27 percentage points lower than the 46.56% recorded in 2004.

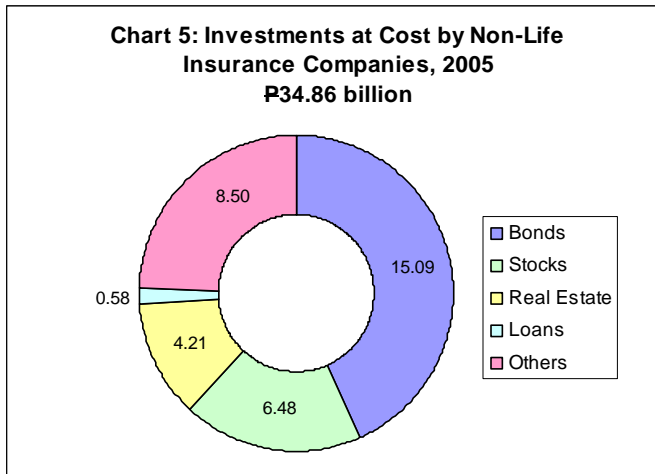
The improvement in the over-all loss ratio for the year 2005 was mainly attributed to the sharp decrease in the loss ratio on fire and allied perils business.

Table 15. Loss Ratios of Non-Life Insurance Companies, 2004-2005

LINE OF BUSINESS	2005			2004		
	Losses Incurred (P B)	Premiums Earned (P B)	Loss Ratio (%)*	Losses Incurred (P B)	Premiums Earned (P B)	Loss Ratio (%)*
1. Fire and Allied Perils	0.94	3.17	29.56	1.21	3.02	39.89
a. Fire	0.86	2.51	34.11	1.10	2.38	46.29
b. Earthquake/Fire/shock	0.01	0.37	2.38	0.04	0.38	4.37
c. Typhoon	0.04	0.11	31.18	0.04	0.09	48.41
d. Flood	0.01	0.07	22.51	0.02	0.06	45.43
e. Extended Coverage	0.02	0.11	20.52	0.01	0.11	12.94
2. Marine	0.48	1.45	32.92	0.29	1.31	21.92
a. Marine Cargo	0.31	1.02	30.91	0.16	0.92	17.30
b. Marine Hull	0.15	0.29	52.70	0.11	0.23	45.96
c. Aviation	0.02	0.14	8.40	0.02	0.16	14.23
3. Motor Car	3.88	7.53	51.54	3.95	7.11	55.48
a. CMVL-LTO	0.06	0.24	24.62	0.05	0.18	32.70
b. CMVL-Non-LTO	0.76	1.37	55.56	0.65	1.36	47.96
c. Other Than CMVL-LTO	0.09	0.08	108.45	0.09	0.08	98.41
d. Other Than CMVL-Non-LTO	2.97	5.84	50.87	3.16	5.49	57.42
4. Casualty	1.15	2.58	44.44	0.94	2.28	41.71
a. Health	0.08	0.32	26.56	0.06	0.31	20.05
a. Personal Accident	0.48	0.98	47.49	0.43	0.84	51.74
b. Engineering	0.09	0.31	27.57	0.09	0.29	29.52
c. Miscellaneous	0.50	0.97	52.84	0.36	0.84	43.80
d. Life, for Prof. Reinsurers	-	-	-	-	-	-
5. Suretyship	0.12	0.79	15.19	0.15	0.75	20.23
TOTAL	6.56	15.51	42.29	6.54	14.46	46.56

The non-life companies' total invested funds increased by 10.91% from ₱31.44 billion in 2004 to ₱34.87 billion in 2005. The lion share of ₱29.73 billion or 85.26% came from domestic companies while foreign companies accounted for the remaining ₱5.14 billion or 14.74%.

Bonds, the leading investment by the non-life investors comprised 43.30% or ₱15.10 billion of the total. Came in next, in a far margin, was fixed deposit with 18.61 % share followed closely by stocks with 18.58% contribution to the total. Investments in government securities inched up to ₱14.32 billion or an increase of 16.14% from previous year's ₱12.33 billion.



The overall operating income of the non-life companies has gone down by 5.24% from ₱1.91 billion in 2004 to ₱1.81 billion in 2005. Of this, domestic companies contributed ₱1.44 billion while the foreign companies accounted for ₱0.37 billion. The decrease in the overall operating income can be attributed to the significant low income derived from investments and other sources coupled with an increased operating expenses incurred by the non-life companies.

The assets of the non-life companies in 2005 amounted to ₱69.94 billion, posting a modest increase of ₱3.69 billion or 5.57% over the previous year's ₱66.25 billion.

Cash and invested assets, which was 69.90% of the total assets, increased by ₱3.33 billion or 7.42% against ₱44.86 billion in 2004. The bulk of the assets were in the form of stocks as well as bonds.

Total liabilities for the year slipped to ₱31.14 billion, a decrease of 0.51% as compared to ₱31.30 billion of last year. Losses and claims payable constituted 29.13% of the total liabilities while reserve for unearned premiums rose by 6.02% to reach ₱6.33 billion registering a 20.33% share in the total liabilities.

Total networth stood at ₱38.80 billion, an increase of ₱3.85 billion or 11.02% against the previous year's ₱34.95 billion. Of this, paid - up capital accounted for 27.04% or ₱10.49 billion while the combined unassigned surplus or retained earnings was ₱12.02 billion.

Further, it was noted that the ratio of total liabilities to aggregated networth of the non-life companies is 82.15%. The bigger the capital size of the non-life companies, the better the non-life sector is able to withstand aberrations in the market. Individual companies' ratios ranged from 1.12% to 430.63% with 33 non-life companies obtaining a ratio of more than 100%.

Professional Reinsurers

Amidst a broadly competitive market, the performance of the professional reinsurers was commendable during the year 2005.

Assumed premiums surpassed the ₱3-billion mark, as it reached ₱3.14 billion, an increment of ₱0.54 billion or 20.77% over the 2004 assumed premiums of ₱2.60 billion. Net premiums retained stood at ₱1.12 billion, 23.08% higher than the 2004 retention of ₱0.91 billion.

Table 16 : Gross Premiums and Net Premiums Written of Professional Reinsurers, 2004-2005

Line of Business	Gross Premiums				Net Premiums			
	2005		2004		2005		2004	
	Amount (P B)	% to Total	Amount (P B)	% to Total	Amount (P B)	% to Total	Amount (P B)	% to Total
Fire	0.03	6.00	0.26	23.21	0.26	23.21	0.03	14.29
Marine	0.32	64.00	0.34	30.36	0.34	30.36	0.07	33.33
Motor Car	0.00	0.00	0.08	7.14	0.08	7.14	0.00	0.00
Casualty	0.11	22.00	0.21	18.75	0.21	18.75	0.07	33.33
Suretyship	-	-	0.00	0.00	0.00	0.00	-	-
Life for PR	0.04	8.00	0.23	20.54	0.23	20.54	0.04	19.05
TOTAL	0.50	100.00	1.12	100.00	1.12	100.00	0.21	100.00

Premiums earned totaled ₱1.05 billion, 14.13% higher than in 2004 while losses incurred increased by 28.85% to reach ₱0.67 billion resulting to a loss ratio of 56.89%.

With the decrease in underwriting gain coupled with an increase in other expenses, the professional reinsurers had recorded a ₱0.18 billion net income after tax, a 5.26% lower as compared to that of last year.

Their investments at cost were valued at ₱3.48 billion, 37.55% more than the registered placements in 2004. Of this, bonds constituted the largest placement with ₱2.61 billion. Their placements in government securities were recorded at ₱2.49 billion or 71.55% of their whole investment portfolio.

Total assets for the year amounted to ₱6.10 billion with cash & other invested assets comprising 61.80%. Corresponding liabilities amounted to ₱2.85 billion with losses and claims payable sharing a sizeable 50%, and total networth, which had attained a 45.54% increase, was recorded at ₱3.25 billion.

Table 17. Loss Ratios (Professional Reinsurers), 2004-2005

LINE OF BUSINESS	2005			2004		
	Losses Incurred (P B)	Premiums Earned (P B)	Loss Ratio (%)*	Losses Incurred (P B)	Premiums Earned (P B)	Loss Ratio (%)*
1. Fire and Allied Perils	0.19	0.25	78.27	0.14	0.26	55.61
a. Fire	0.18	0.18	103.86	0.14	0.22	64.71
b. Earthquake/Fire/shock	0.00	0.06	4.53	(0.00)	0.03	(0.69)
c. Typhoon	0.00	0.01	14.82	0.00	0.01	9.99
d. Flood	0.01	0.00	130.62	0.00	0.00	21.51
e. Extended Coverage	0.00	-	-	-	-	-
2. Marine	0.29	0.30	94.35	0.16	0.22	75.39
a. Marine Cargo	0.07	0.16	41.94	0.06	0.08	78.73
b. Marine Hull	0.22	0.13	161.00	0.10	0.13	76.46
c. Aviation	0.00	0.00	71.73	0.00	0.01	32.49
3. Motor Car	0.05	0.08	57.13	0.07	0.08	92.53
a. CMVL-LTO	0.00	0.00	71.73	0.03	0.00	2,701.60
b. CMVL-Non-LTO	-	-	-	-	-	-
c. Other Than CMVL-LTO	0.01	0.02	59.61	0.00	0.02	11.83
d. Other Than CMVL-Non-LTO	0.04	0.06	56.02	0.04	0.06	76.32
4. Casualty	0.13	0.41	21.62	0.15	0.36	39.18
a. Health	-	-	-	-	-	-
a. Personal Accident	0.03	0.18	23.76	0.08	0.16	45.24
b. Engineering	0.00	0.00	1.64	0.00	0.00	93.07
c. Miscellaneous	0.00	0.02	6.63	0.01	0.01	57.60
d. Life, for Prof. Reinsurers	0.10	0.21	45.32	0.07	0.19	31.41
5. Suretyship	0.00	0.00	21.60	0.00	0.00	120.16
TOTAL	0.67	1.05	43.67	0.52	0.92	56.89

Table 18: Investments by Category, 2005 (in billion pesos)

PARTICULARS	LIFE			NON-LIFE			PROFESSIONAL REINSURERS	GRAND TOTAL	Percentage Share
	Domestic	Foreign	Total	Domestic	Foreign	Total			
Bonds	36.31	103.95	140.26	11.95	3.15	15.10	2.61	157.97	61.74
Stocks	10.53	9.10	19.63	5.87	0.61	6.48	0.34	26.45	10.34
Real Estate	12.70	2.98	15.68	4.07	0.14	4.21	0.18	20.07	7.84
Purchase Money Mortgages	0.17	-	0.17	0.00	-	0.00	-	0.17	0.07
Mortgage Loans	2.51	1.83	4.34	0.29	0.04	0.33	0.01	4.68	1.83
Collateral Loans	1.38	1.52	2.90	0.02	-	0.02	0.03	2.95	1.15
Guaranteed Loans	3.55	4.71	8.26	-	-	-	0.03	8.29	3.24
Policy Loans	5.64	13.44	19.08	-	-	-	-	19.08	7.46
Other Loans	0.25	0.27	0.52	0.17	0.05	0.22	0.00	0.74	0.29
Short – Term Investments	0.14	0.34	0.48	1.50	0.10	1.60	-	2.08	0.81
Other Investments	0.45	0.75	1.20	0.25	0.07	0.32	0.02	1.54	0.60
Fixed Deposits	3.14	1.85	4.99	5.61	0.88	6.49	0.26	11.74	4.59
Asset Backed Securities	-	-	-	-	0.10	0.10	-	0.10	0.04
TOTAL	76.77	140.74	217.51	29.73	5.14	34.87	3.48	255.86	100.00

Table 19: Investments in Bonds and Government Securities, 2005 (in billion pesos)

TYPES OF BONDS/SECURITIES	LIFE	NON-LIFE	PROF. REINS.	GRAND TOTAL
Long – Term Government Bonds	<u>132.80</u>	<u>12.69</u>	<u>2.49</u>	<u>147.78</u>
<i>Treasury Notes</i>	86.72	8.01	1.63	96.36
<i>Land Bank Bonds</i>	0.05	0.04	0.02	0.11
<i>Pag- ibig Bonds</i>	0.17	0.13	-	0.30
<i>Euro Bonds</i>	39.69	3.71	0.74	44.14
<i>Retail Bonds</i>	0.27	0.64	0.10	1.01
<i>Others</i>	5.70	0.16	0.00	5.86
Short-Term Government Securities				
<i>Treasury Bills</i>	0.42	1.63	-	2.05
Total Government Securities	<u>133.02</u>	<u>14.32</u>	<u>2.49</u>	<u>149.83</u>
<i>Private Bonds</i>	5.95	1.62	0.10	7.67
<i>Foreign Bonds</i>	1.70	0.76	0.02	2.48
GRAND TOTAL	<u>140.67</u>	<u>16.70</u>	<u>2.61</u>	<u>159.98</u>

Table 20: Summary of Operations, 2005, (in billion pesos)

PARTICULARS	LIFE			NON-LIFE			PROF. REINS	GRAND TOTAL
	Domestic	Foreign	Total	Domestic	Foreign	Total		
Underwriting Income								
Premium Income/ Earned	19.62	27.36	46.98	13.64	1.87	15.51	1.05	63.54
Increase/Decrease in Reserves	8.99	14.39	23.38	-	-	-	-	23.38
Commissions Earned	0.02	0.22	0.24	2.07	0.48	2.55	0.29	3.08
Other Underwriting Income	1.03	3.77	4.80	0.10	0.00	0.10	0.02	4.92
Less: Underwriting Expenses								
Losses/ Benefit Payments	8.44	13.31	21.75	5.91	0.65	6.56	0.67	28.98
Loss Adjustment Expenses	-	-	-	0.17	0.03	0.20	-	0.20
Commission Expenses	1.64	2.97	4.61	4.26	0.69	4.95	0.54	10.10
Premium Tax Incurred	0.45	1.09	1.54	0.38	-	0.38	0.00	1.92
Other Underwriting Expenses	1.06	3.49	4.55	0.47	0.06	0.53	0.04	5.12
Underwriting Gain/Loss								
Add: Gross Investment Income	6.24	16.75	22.99	1.86	0.46	0.32	0.30	25.61
Other Income/Expenses	(0.80)	0.20	(0.60)	0.06	(0.06)	-	(0.07)	(0.67)
SUB – TOTAL	5.53	13.05	18.58	6.54	1.32	7.86	0.34	73.54
Less: Taxes other than Premium and Income Tax	0.44	2.11	2.55	0.30	0.05	0.35	0.05	2.95
Other General Expenses	4.06	4.46	8.52	4.61	0.75	5.36	0.13	14.01
Income Tax	(0.03)	0.01	(0.02)	0.19	0.15	0.34	(0.02)	0.31
Net Income / Loss for the year Excluding Capital Gains	1.06	6.47	7.53	1.44	0.37	1.81	0.18	56.28

Table 20: Consolidated Balance Sheet, 2005, (₦ billion)

PARTICULARS	LIFE			NON-LIFE			PROF.REINS.	GRAND TOTAL
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	
ASSETS								
Bonds	35.43	104.23	139.66	10.26	3.53	13.79	2.60	156.05
Stocks	18.04	30.48	48.52	10.76	6.60	17.36	0.49	66.37
Real Estate Owned	17.87	2.02	19.89	4.65	0.11	4.76	0.14	24.79
Purchase Money Mortgages	0.17	-	0.17	-	-	-	-	0.17
Mortgage Loans	2.48	1.81	4.29	0.30	0.04	0.34	0.01	4.64
Collateral Loans	2.06	1.48	3.54	0.02	-	0.02	0.03	3.59
Guaranteed Loans	3.55	4.74	8.29	-	-	-	0.03	8.32
Policy Loans	5.65	13.46	19.11	-	-	-	-	19.11
Other Loans	0.24	0.27	0.51	0.15	0.02	0.17	0.00	0.68
Short – Term Investments	0.14	0.35	0.49	1.58	0.13	1.71	-	2.20
Security Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investments	0.43	0.85	1.28	0.27	0.06	0.33	0.01	1.62
Cash on Hand & in Banks	6.65	9.44	16.09	8.31	1.40	9.71	0.43	26.23
Premiums Receivable/Premiums Due & Uncollected	0.67	1.53	2.20	7.24	0.59	7.83	-	10.03
Due From Ceding Companies	0.07	0.21	0.28	2.41	0.29	2.70	1.06	4.04
Prem./Loss Reserve Withheld By Ceding Companies	0.09	0.14	0.23	0.29	0.01	0.30	0.11	0.64
Reins. Recoverable on Losses	-	-	-	7.21	0.65	7.86	1.08	8.94
Other Reins. Accts. Receivable	-	-	-	0.06	0.12	0.18	-	0.18
Commissions/Accounts Receivable	-	-	-	0.64	0.02	0.66	0.00	0.66
Salvage Recoverable	-	-	-	0.23	-	0.23	-	0.23
Accrued Interest & Other Investment Income	1.38	4.31	5.69	0.43	0.10	0.53	0.07	6.29
EDP Equipment	0.34	0.29	0.63	0.31	0.06	0.37	0.00	1.00
Other Assets	1.04	1.66	2.70	0.93	0.16	1.09	0.04	3.83
TOTAL ASSETS	96.30	177.27	273.57	56.05	13.89	69.94	6.10	349.61
LIABILITIES								
Reserve for Unearned Premiums	-	-	-	5.58	0.76	6.34	0.41	6.75
Legal Policy Reserves	55.20	106.08	161.28	-	-	-	-	161.28
Policy & Contract Claims	1.84	1.04	2.88	-	-	-	-	2.88
Losses & Claims Payable	-	-	-	8.23	0.84	9.07	1.42	10.49
Policyholders/Loss Adjustment Expenses	-	-	-	0.09	0.01	0.10	-	0.10
Catastrophe Loss Reserves	-	-	-	0.18	0.06	0.24	0.04	0.28
Dividends Payable to Stockholders	0.05	-	0.05	0.07	-	0.07	-	0.12
Policyholder's Dividends	5.48	20.58	26.06	-	-	-	-	26.06
Liabilities/Considerations for Premium Deposit Funds	5.54	2.36	7.90	-	-	-	-	7.90
Premiums Due to Reinsurers	0.21	0.37	0.58	6.20	0.79	6.99	0.81	8.38
Prem./Loss Reserves Withheld For Reinsurers	-	-	-	0.95	0.38	1.33	0.06	1.39
Other Reins. Accounts Payable	-	-	-	0.07	0.00	0.07	-	0.07
Taxes/Licenses Payable	0.16	0.31	0.47	1.84	0.31	2.15	0.00	2.62
Accrued Expenses Payable	-	-	-	0.37	0.08	0.45	0.02	0.47
Commission & Other Charges Payable	0.69	0.73	1.42	0.71	0.03	0.74	-	2.16
Accounts/Notes Payable	0.81	0.33	1.14	2.09	0.07	2.16	0.00	3.30
Unearned Investment Income	0.25	0.03	0.28	-	-	-	-	0.28
Other Liabilities	3.96	2.59	6.55	1.12	0.31	1.43	0.09	8.07
TOTAL LIABILITIES	74.19	134.42	208.61	27.50	3.64	31.14	2.85	242.60
NETWORTH								
Paid-Up Capital/Statutory Deposits	4.06	4.87	8.93	8.99	1.50	10.49	1.40	20.82
Paid-In Capital	1.05	0.33	1.38	0.51	0.68	1.19	0.42	2.99
Deposit on Stock Subscription	0.07	-	0.07	(0.59)	-	(0.59)	(0.00)	(0.52)
Investment Fluctuation Reserve	10.18	19.75	29.93	6.40	6.20	12.60	0.11	42.64
Contributed Surplus	0.88	1.56	2.44	1.02	0.46	1.48	0.11	4.03
Other Assigned Surplus	(0.08)	0.02	(0.06)	0.15	0.14	0.29	0.38	0.61
Unassigned Surplus/H.O. Accounts	4.93	14.10	19.03	10.96	1.06	12.02	0.83	31.88
Contingency Surplus	1.02	2.22	3.24	1.11	0.21	1.32	-	4.56
TOTAL NETWORTH	22.11	42.85	64.96	28.55	10.25	38.80	3.25	107.01
TOTAL LIABILITIES & NETWORTH/TRUSTEED SURPLUS	96.30	177.27	273.57	56.05	13.89	69.94	6.10	349.61

Insurance and Reinsurance Brokers

For the year 2005, broking industry collected a total premiums of ₱17,307.38 million which is 1.54% increase from ₱ 17,044.51 million in 2004. From this, direct brokers contributed ₱15,938.55 million in which Fire insurance got the highest share of ₱3,566.68 million followed by Engineering with ₱2,645.56 million share.

On the other hand, reinsurance business declined by 84.28% from ₱2,522.47 million in 2004 to ₱1,368.83 million in 2005.

Table 21: Brokers' Business Operations, 2005 (in million pesos)

Line of Business	Insurance Brokers		Reinsurance Brokers	
	Premiums	Commissions	Premiums	Commissions
Life	1,812.80	260.16	-	-
Fire	3,566.68	437.35	635.36	59.78
Ocean marine	469.59	107.91	73.61	11.31
Inland Marine	131.80	29.90	4.88	0.33
Marine Hull	462.29	23.82	201.75	17.59
Aviation	168.83	8.61	10.89	2.60
Fidelity and Surety	295.61	81.94	26.40	2.34
Motor Vehicle	1,985.17	473.04	12.66	1.51
Health	2,265.95	302.45	2.98	0.07
Accident	389.04	93.38	9.51	0.21
Engineering	2,645.56	151.58	182.96	0.17
Miscellaneous	1,745.23	304.61	207.83	33.75
TOTAL	15,938.55	2,274.75	1,368.83	129.66