



INSURANCE COMMISSION'S

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 Country

Integrity

Fairness

Professionalism (Service & Excellence)

Solidarity (Unity and Social Responsibility)



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
Manila

September 26, 2008

The Honorable **MARGARITO TEVES**
Secretary of Finance
Department of Finance
Manila

Dear Sir:

We have the honor to submit our Annual Report on the Administration of the Insurance Code of 1978, the performance of the insurance industry and other related insurance matters for the year ended 31 December 2007.

Respectfully submitted,

EDUARDO T. MALINIS
Insurance Commissioner

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ADMINISTRATION OF THE INSURANCE CODE

Licensing and Market Structure

For license year 2007-2008, a total of 123 insurance companies were granted Certificates of Authority (CAs) to transact insurance business in the country. There were three (3) composite, thirty-two (32) life and eighty-seven (87) non-life companies and one professional reinsurer.

There were also nineteen (19) Mutual Benefit Associations (MBAs) and five (5) Trusts for Charitable Uses that were issued licenses authorizing them to do business during the year.

Table 1 : Companies Authorized to Transact Insurance Business in the Philippines As of 31 December 2007					
Classification of Company	Direct Insurers			Professional	TOTAL
	Composite	Life	Non-Life	Reinsurers	
A. Domestic	2	23	80	1	106
B. Foreign					
Domestically Incorporated	1	8	4	-	13
Branch	-	1	3	-	4
Total	3	32	87	1	123

It can be noted that there was a decrease in the number of insurance companies authorized to transact business in the country in 2007. **Berkley International Life Insurance Inc.** and **Travellers Life Assurance of the Philippines** both failed to apply for the renewal of CA for license year 2007 - 2008, while **e-Standard Insurance Corporation** assigned its assets and liabilities to Standard Insurance in view of the assumptive reinsurance agreement between the two companies. **Acropolis Central Guaranty Corporation** and **Cathay Insurance Company, Inc.** were placed under Conservatorship while **FGU Insurance Corporation** merged with **BPI/MS Insurance Corporation**. **AVIVA General Insurance Pte., Ltd.** on the other hand, ceased operations in the country but company assets were transferred to **BPI/MS**. **Royal International Insurance Holdings, Ltd.** was deleted from the list as it is being managed by **Federal Phoenix Assurance Company, Inc.**

Table 2: Licenses Issued to Insurance Intermediaries and Other Technical Support Entities - 2007			
Sales/Technical Group	New	Renewal	Total
Ordinary Agents	11,936	24,051	35,987
Life	9,992	15,438	25,430
Non-Life	1,944	8,613	10,557
General Agents	11	221	232
Life	3	32	35
Non-Life	8	189	197
Variable Life Agents	3,194	1,640	4,834
Brokers	2	123	125
Insurance	0	93	93
Reinsurance	2	30	32
Non-Life Underwriters	35	440	475
Resident Agents	1	53	54
Actuaries	0	41	41
Adjusters	0	53	53
External Auditor	0	93	93
Total	15,179	26,715	41,894

The year 2007 saw the changes in the names of the following companies. **COOP Life Assurance Society of the Philippines (CLASP)** changed its name to **COOP Life Insurance and Mutual Benefit Services (CLIMBS)** in view of its merger with **Coop Life Mutual Benefit Services Association, Inc.** **Pramerica Life Insurance Company, Inc.** also changed its name to **Manulife China Bank Life Assurance Corporation** on 01 October 2007 due to Manulife's purchase of shares of stocks of Pramerica and partly by China Bank. Likewise, **First Guarantee Life Assurance Company, Inc.** was changed to **First Life Financial Company, Inc.** effective 13 November 2007 and **Nippon Life Insurance Company of the Philippines** to **Great Life Financial Assurance Corporation** on 11 October 2007 in view of Great Pacific Life Assurance Corporation's acquisition of the majority shareholdings of the company.

Agents And Other Technical Services

The Insurance Commission granted licenses (renewal and new) to solicit insurance business to 35,987 registered ordinary agents in the country comprising of 25,430 Life Agents and 10,557 Non-Life Agents. Licenses were also issued to 4,834 Variable Life Agents, 232 General Agents, 93 Insurance Brokers and 32 Reinsurance Brokers. Certificates of registration/accreditation were likewise granted to 53 Adjusters, 41 Actuaries, 54 Resident Agents and 475 Non-Life Company Underwriters.

Accreditations for External Auditors were similarly granted to 52 individual auditors and 41 firms with a total of 93 accredited signing partners.

Financial Surveillance

To ensure protection of the insuring public, all covered institutions were subjected to either offsite or on-site examinations to determine company compliance with the provisions of the Insurance Code and previously issued rules and regulations, the main focus of which are on **capital and networth** as well as **Risk Based Capital (RBC) ratio**.

Examinations/verifications were conducted to 242 Insurance Companies/MBAs/Brokers. The procedures included examinations made into the financial condition and methods of doing business including analyses of loss cases and verifications of actuarial accounts of life insurance companies and insurance entities. During the course of examinations/verifications, a total of 477 conferences and follow-ups were made; 232 examination and 22 verification reports were submitted; 54,720 adjusters' reports were analyzed and collection of penalties on breach of tariff were submitted and 83 synopses were approved for publication.

Public Assistance/Claims Adjudication

In its commitment to protect the interest and welfare of the insuring public, the Commission saw to it that opportunities were available to the public and policyholders to have their complaints heard and investigated.

During the year, the Commission received 5,054 insurance complaints/claims including formal cases. With the complaints/cases at hand, a total of 3,005 letters were sent to complainants/policyholders and 1,859 conferences/hearings were conducted.

There were 812 informal and 47 formal cases settled/terminated/decided or dismissed during the year. In addition, 5 administrative cases were resolved while a total of 1,162 writ/orders for bond liabilities, 56 resolutions/orders and 9,407 certifications of original records on bonds were issued during the year under review.

Liquidation /Conservation/Receivership

As provided for under Sections 248-251 of the Insurance Code as amended, some insurance companies/MBAs were placed under conservatorship, receivership and/or liquidation after due process.

These companies were:

	<u>Under Liquidation</u>	Date
1.	Central Surety Insurance Company, Inc.	January 22, 2007
2.	Development Insurance & Surety Corporation	April 24, 2007
3.	Filipino Merchants Insurance Company, Inc.	March 7, 2007
4.	Mantrust General Insurance Corporation	April 20, 2007
5.	Rico General Insurance Corporation	July 5, 2007
	<u>Under Conservatorship</u>	
1.	Algen Insurance Corporation <i>(Formerly: Acropolis Central Guaranty)</i>	May 23, 2007
2.	Postal Services Mutual Benefit Association	April 4, 2007
	<u>Under Receivership</u>	
1.	First Quezon City Insurance Company, Inc.	June 20, 2007
2.	South Sea Surety & Insurance Co., Inc	March 3, 2007

Security Deposits/Guaranty Fund /Security Fund

As of year-end 2007, government securities deposited amounted to ₱ 4,350.85 Million while time deposits totaled ₱ 32.35 Million and ¥ 65,000. Other deposits were in the form of equity shares with a total acquisition value of ₱ 304,585.

On the other hand, the Mutual Benefit Associations had a combined guaranty fund of ₱ 284.57 Million.

The ₱ 5 million security fund for life companies and ₱5 million security fund of non-life companies had total interest earnings of ₱ 243,310.57 and ₱ 198,274.25 respectively which had to be turned over to the contributory companies in proportion to their respective contributions.

Reinsurance Treaties/Policy Forms/Investments

A total of 360 requests for facultative placements abroad were approved by the Insurance Commission and 985 reinsurance treaties were evaluated and found in order during the year. Certifications to ensure the legitimacy of 293 foreign exchange remittances abroad representing payment of reinsurance premiums, claims/losses, and profits/dividends were issued.

Likewise, 835 new life/MBA insurance plans and 427 non-life/bond forms were evaluated and approved during the year under review in accordance with Sections 226-231 of the Insurance Code of 1978.

Requests for investments of insurance companies were also reviewed in accordance with the provisions of the Insurance Code. In 2007, a total of 239 investment requests including total placements in peso and dollar denominated investments of ₱ 11.13 Billion and US\$ 96.67 Million respectively were acted upon during the year.

Performance of the Industry in 2007

Overview

The insurance industry registered an impressive growth in premiums in 2007 in view of the increasing acceptability of the life sector's unit-linked products generating 45.06% of the sector's total annual premium income during the year. Combined premium income/earned during the year resulted to ₱ 95.87 Billion, a remarkable 30.33% increase from the ₱ 73.56 Billion production in 2006.

Table 3: Philippine Economic Indicators, 2003-2007					
ECONOMIC AND INSURANCE DEVELOPMENT DATA	2003	2004	2005	2006	2007
GROSS NATIONAL PRODUCT					
At Current Prices (₱ M) *	4,631,479	5,248,064	5,885,050	6,570,310r	7,274,660p
At Constant Prices (₱ M) *	1,171,431	1,252,331	1,319,107	1,399,527r	1,508,618p
GROSS DOMESTIC PRODUCT					
At Current Prices (₱ M) *	4,316,402	4,871,555	5,437,905	6,032,624r	6,651,320p
At Constant Prices (₱ M) *	1,085,072	1,154,295	1,210,497	1,276,435r	1,370,018p
POPULATION **	81.0	82.7	85.3	86.9	88.7
PER CAPITA GROSS NATIONAL PRODUCT (₱)	57,178.8	63,459.1	68,992.4	75,607.7	82,014.2
LABOR FORCE (Average) (In million persons)	34.57	35.86	35.13	35.95	36.39
Employed ***	30.63	31.61	32.22	33.02	33.70
Unemployed ***	3.94	4.25	2.91	2.93	2.69
EXCHANGE RATE (per US\$) @	55.57	56.27	53.07	49.13	41.40
INFLATION RATE	2.88%	6.00%	7.60%	6.20%	2.80%
Per capita expenditure (₱)	676.8	726.2	750.7	846.5	1,080.8
Life	496.4	533.3	550.8	637.3	859.2
Non-Life	180.4	192.9	199.9	209.2	221.6
Life sum insured as % of G D P	47.61%	38.56%	27.33%	26.93%	26.47%
G N P	44.37%	35.79%	25.26%	24.73%	24.20%
Premiums (Life & Non-Life)					
as % of G D P	1.25%	1.21%	1.16%	1.20%	1.44%
G N P	1.16%	1.13%	1.07%	1.11%	1.32%
Gross value added on insurance	37,541	45,699	47,449	53,741	68,967
ESTIMATED LIFE INSURANCE COVERAGE	18.30%	13.07%	12.96%	14.16%	13.63%

In the non-life sector, a 8.14% increase in premiums generated placed the total annual premium at ₱ 19.66 Billion and the corresponding loss ratio of 44.93%.

Taken as a ratio to the gross domestic product (GDP) and gross national product (GNP), the combined life and non-life premiums represented 1.44% and 1.32% respectively, values higher than those of 2006.

The overall operating results proved to be more profitable as the profit after tax reached ₱ 12.68 Billion with increased investment earnings from both sectors.

Consolidated assets of the insurance companies increased by 10.34% in 2007 to reach ₱ 454.90 Billion. Investments in bonds or fixed income securities accounted for 38.29% or ₱ 174.16 Billion of the total assets while 18.26% or ₱ 83.08 Billion were in the form of equity investments. During the year, cash and invested assets accounted for 79.61% of the total consolidated assets.

The estimated life insurance coverage represented by the ratio of 12.08 million outstanding policies and certificates in force to the total population was computed at approximately 13.63% a minuscule decrease from 14.16% of last year.

For 2007, per capita expenditure on life and non-life insurance were computed at ₱ 859.2 and ₱ 221.6 respectively.

The industry paid the government due taxes amounting to ₱ 7.58 Billion in 2007 consisting of ₱ 1.33 Billion Premium tax, ₱ 0.63 Billion VAT; ₱ 2.27 Billion Documentary Stamps tax; ₱ 0.19 Billion Withholding tax and the remaining ₱ 0.16 Billion for income and other taxes. Of the total taxes paid, 70.51% or ₱ 5.34 Billion was contributed by the non-life sector and 29.49% or ₱ 2.24 Billion by the life sector.

The insurance industry contributed to the economy by providing employment to 66,294 personnel, 2,350 of whom were officers, 12,407 were non-officers, 40,821 were licensed agents during the year and 716 other insurance intermediaries.

Life Insurance

The 32 authorized life insurers generated ₱ 1.760 Trillion total sum insured (₱ 62.14 billion for variable life products) accounted from the 3,405,970 policies (VUL-190,322) policies and 9,176,807 certificates issued in 2007 with a corresponding ₱ 76.21 Billion (VUL- ₱ 34.34 Billion) premium income. The top ten companies continued dominating the industry sharing 90.79% of the total premium income for 2007.

The traditional life insurance business accounted for 54.94% of the total premiums posted in 2007 or ₱ 41.87 Billion, representing a 2.93% increase over the 2006 production.

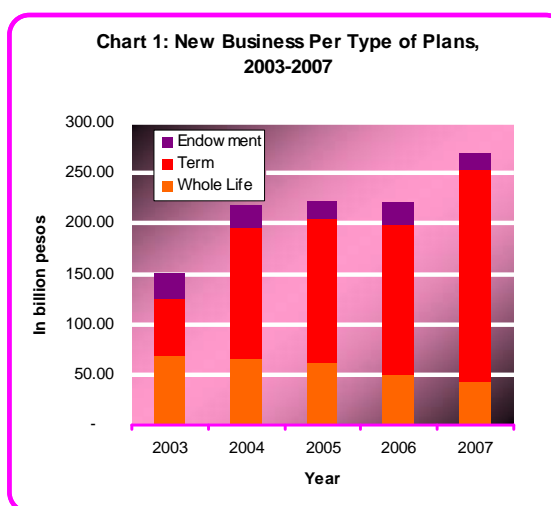
Premiums generated from investment linked products (VUL) amounted to P34.34 Billion equivalent to 45.06% of the total premium income in 2007 and an impressive 133.61% growth rate recorded for the year. Philippine Axa Life continued to dominate selling the product contributing 44.03% of the total VUL premiums amounting to ₱ 15.12 Billion or a 92.65% of the company's ₱ 16.32 Billion total production during the year.

Benefit payments to policyholders on the other hand, totaled ₱ 28.27 Billion, the biggest 30% or P8.48 Billion were for policy surrenders followed by 17.30% and 16.80% for policy dividends and benefits under supplementary contracts, respectively.

Table 4: Life Insurance In-force/Premium Income, 2006-2007									
A. Traditional Insurance Products									
Types of Policies	Number of Policies			Insurance-in-force (In billion pesos)			Premium Income (In billion pesos)		
	2007	2006	% Change	2007	2006	% Change	2007	2006	% Change
	Ordinary	2,721,425	2,839,750	(4.17)	827.59	819.75	0.95	35.61	35.18
Group	493,506	511,765	(3.57)	870.57	779.80	11.64	6.25	5.50	13.64
Certificates	(9,176,807)	(9,378,009)	(2.15)						
Industrial	717	873	(17.87)	0.0	0.0	-	0.01	-	-
TOTAL	3,215,648	3,352,388	(4.08)	1,698.16	1,599.55	6.16	41.87	40.68	2.93
	(9,176,807)	(9,378,009)	(2.15)						
B. Variable Life Products									
VUL	190,322	84,207	126.02	62.14	25.00	148.4	34.34	14.70	133.61

In 2007, new business generations of most of the authorized insurance companies declined, nevertheless, an overall total premium income of ₱ 76.21 Billion was posted as of year-end, a 37.61% increase from that of last year.

Examination of companies' annual productions revealed that one company licensed in 2004 reportedly generated new business only in 2007 while other two companies had more than 1,000% increases in their respective productions. On the other hand, while one company transferred business, another opted to manage previously issued outstanding in-force policies.



Variable life or investment-linked product continued to gain popularity among policyholders as it provides both life protection and wealth accumulation as revealed by the year-end computed increases of 126.02%, 148.40% and 133.61% for number of policies, sum assured and premium income for the year respectively.

It can be noted in the following Table 5 that the total number of ordinary policies issued during the year and their corresponding sum assured declined but their respective annual premiums increased by 2.11%.

Table 5: Ordinary New Business, 2003-2007						
A. Traditional Insurance Products						
Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2007	197,808	(47.14)	7.73	2.11	71.33	(14.91)
2006	374,222	38.28	7.57	(19.98)	83.83	(10.73)
2005	270,634	(12.39)	9.46	(9.65)	93.91	(4.07)
2004	308,908	(4.06)	10.47	11.86	97.89	(6.76)
2003	321,965	(11.04)	9.36	(7.60)	104.99	(18.44)

Similarly, it can be gleaned in Table 6 that there was a minimal decline in the number of group (master) policies issued during the year, however, there were corresponding increases of 30.99%, 27.86% and 44.48% in the number of certificates, annual premiums and sum assured respectively.

Table 6: Group Insurance New Business, 2003-2007						
Year	Policies		Annual Premium		Sum Assured	
	Number (Certificates)	% Change	₱ billion	% Change	₱ billion	% Change
2007	3,340 (2,443,325)	(11.87) 30.99	1.79	27.86	197.93	44.48
2006	3,790 (1,865,219)	(0.16) 14.45	1.40	(7.28)	136.99	6.00
2005	3,796 (1,629,670)	(12.17) 60.46	1.51	6.34	129.23	8.06
2004	4,322 (1,015,623)	34.06 6.18	1.42	(0.70)	119.59	160.15
2003	3,224 (956,540)	22.82	1.42	10.85	45.97	25.16

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

Table 7 disclosed that while the total number of new policies for traditional products (whole life, term and endowment) decreased, corresponding number of certificates rose by 30.99% to 2,443,325 and the total amount assured by 21.94% to reach ₱ 269.26 Billion in 2007.

Table 7: Distribution of New Business by Type of Policy, 2003-2007								
A. Traditional Insurance Products								
Year	Whole Life		Term		Endowment		TOTAL	
	Policies	Amount (₱ B)	Policies (Certificates)	Amount (₱ B)	Policies	Amount (₱ B)	Policies	Amount (₱ B)
2007	106,104	43.09	23,961 (2,442,108)	209.54	71,083 (1,217)	16.63	201,148 (2,443,325)	269.26
2006	162,527	50.00	17,463 (1,864,570)	148.50	198,022 (649)	22.32	378,012 (1,865,219)	220.82
2005	162,636	61.67	19,830 (1,626,752)	143.14	91,964 (2,918)	18.32	274,430 (1,629,670)	223.13
2004	183,921	65.72	16,970 (1,013,110)	129.92	112,339 (2,513)	21.84	313,230 (1,015,623)	217.48
2003	186,194	69.02	20,239 (952,074)	57.04	118,756 (4,466)	24.90	325,189 (956,540)	150.96

Termination of insurance policies may be due to different causes such as death, maturity, surrender, lapsation, expiry and others. For 2007, a total of 513,744 policies were terminated, higher than last year's 468,951 policies. As reflected in Table 8, the biggest 56.42% of the terminated policies was due to lapsation, followed by surrenders and maturities. Corresponding terminated sum assured likewise increased by 9.36% to amount to ₱ 285.25 Billion as of the year-end.

Table 8: Terminated Insurance Policies and Sum Insured (As of 31 December 2007)							
Types of	Number of Policies						TOTAL
Policies	Death	Maturity	Surrender	Lapsation	Expiry	Others	TOTAL
Ordinary	9,627	55,327	70,276	283,947	30,253	33,395	482,825
Group	6,696	-	11,666	1,438	1,008	148	20,956
<i>Certificates</i>	<i>(17,120)</i>	<i>(891)</i>	<i>(22,742)</i>	<i>(599,056)</i>	<i>(1,637,632)</i>	<i>(284,884)</i>	<i>(2,562,325)</i>
Industrial	4	113	1	-	38	1	157
Variable	82	-	5,237	4,446	-	41	9,806
TOTAL	16,409	55,440	87,180	289,831	31,299	33,585	513,744
	<i>(17,120)</i>	<i>(891)</i>	<i>(22,742)</i>	<i>(599,056)</i>	<i>(1,637,632)</i>		<i>(2,562,325)</i>
* Data in parentheses stand for number of certificates							
Terminated Sum Assured (in billion pesos)							
Types of	Death	Maturity	Surrender	Lapsation	Expiry	Others	TOTAL
Ordinary	2.41	1.97	15.19	59.73	6.58	20.53	106.41
Group	1.58	0.01	13.19	68.14	67.42	22.05	172.39
Industrial	-	-	-	-	-	-	-
Variable	0.02	-	1.49	1.11	-	3.83	6.45
TOTAL	4.01	1.98	29.87	128.98	74.00	46.41	285.25

As presented in Table 9, there is 46.79% decrease in the total number of policies for the traditional plans but is countered by the 184.50% increase for variable products which however, resulted to a 24.41% decrease in the overall total. Summing up, the reported annual premiums and sum assured to ₱ 42.46 Billion and ₱ 313.12 Billion respectively, corresponding increases of 86.64% and 32.85% were noted from the previous year's data.

Table 9: New Business Generated, 2003-2007

A. Traditional Insurance Products						
Year	Policies		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
2007	201,148	(46.79)	9.52	6.13	269.26	21.94
2006	378,012	37.74	8.97	(18.23)	220.82	(1.04)
2005	274,430	(12.39)	10.97	(7.74)	223.14	2.60
2004	313,230	(3.68)	11.89	10.30	217.48	44.06
2003	325,189	(10.80)	10.78	(5.60)	150.96	(8.76)
B. Variable Life Products						
2007	115,190	184.50	32.94	139.04	43.86	194.96
2006	40,488	82.39	13.78	187.68	14.87	108.85
2005	22,199	(4.02)	4.79	87.84	7.12	10.22
2004	23,130	70.49	2.55	32.81	6.46	(3.29)
2003	13,567	4,304.87	1.92	-	6.68	11,033.33

Table 10: Summary of Operations, 2007 (₱ billions)

PARTICULARS	LIFE		
	Domestic	Foreign	Total
Underwriting Income	19.35	28.92	48.27
Less: Underwriting Expenses	14.69	29.56	44.25
Underwriting Gain/Loss	4.66	(0.64)	4.02
Add: Gross Investment Income	6.79	18.81	25.60
Other Income/Expenses	(3.65)	1.29	(2.36)
SUB – TOTAL	7.80	19.46	27.26
Less: Taxes other than Premium			
And Income Tax	0.62	2.35	2.97
Other General Expenses	4.17	9.43	13.60
Income Tax	(0.05)	0.01	(0.04)
Net Income / Loss for the year Excluding Capital Gains	3.06	7.67	10.73

Table 11: Investments by Category, 2007 (₱ billions)

PARTICULARS	LIFE		
	Domestic	Foreign	Total
Bonds	34.81	124.07	158.88
Stocks	19.98	12.97	32.95
Real Estate	11.13	2.48	13.61
Purchase Money	0.12	-	0.12
Mortgage Loans	3.51	2.47	5.98
Collateral Loans	3.66	0.65	4.31
Guaranteed Loans	3.62	11.49	15.11
Policy Loans	7.39	17.46	24.85
Other Loans	0.30	0.16	0.46
Short – Term	0.04	-	0.04
Other Investments	0.81	0.71	1.52
Fixed Deposits	5.76	2.70	8.46
Asset Backed	-	-	-
TOTAL	91.13	175.16	266.29

As of year-end, the sector recorded a underwriting income of ₱ 4.02 Billion. The underwriting loss experienced by foreign insurers and the ₱ 4.66 Billion underwriting income by domestic companies resulted to a positive overall underwriting gain which consequently provided the sector higher year-end income excluding capital gains of ₱ 10.73 Billion enhanced by ₱ 25.60 Billion gross investment income.

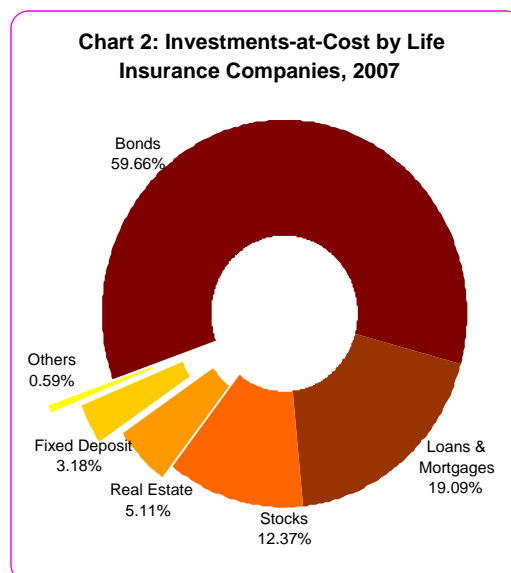
The sector reported a total of ₱ 266.29 Billion investments in 2007, 7.67% more than the invested assets of ₱ 247.32 Billion in 2006. As in the past years, placements in bonds took the biggest 59.66% share or ₱ 158.88 Billion. It may be noted in Table 12 that ₱ 149.47 Billion or 94.08% of these placements were in long-term government bonds and followed by stocks, policy loans, guaranteed loans, real estate and other invested assets.

Table 12: Consolidated Balance Sheet, 2007 (₹ billions)

PARTICULARS	LIFE		
	Domestic	Foreign	Total
ASSETS			
Bonds	34.38	121.47	155.85
Stocks	33.05	32.85	65.90
Real Estate Owned	16.25	1.54	17.79
Purchase Money Mortgages	0.12	-	0.12
Mortgage Loans	3.85	2.45	6.30
Collateral Loans	3.33	0.65	3.98
Guaranteed Loans	3.62	9.59	13.21
Policy Loans	7.39	17.19	24.58
Other Loans	0.29	0.16	0.45
Short – Term Investments	0.04	-	0.04
Security Fund	0.00	0.00	0.00
Other Investments	0.79	0.90	1.69
Cash on Hand & in Banks	7.59	8.42	16.01
Premiums Receivable/Premiums Due & Uncollected	0.75	1.67	2.42
Due From Ceding Companies	0.10	0.10	0.20
Prem./Loss Reserve Withheld By Ceding Companies	0.12	0.23	0.35
Accrued Interest & Other Investment Income	1.44	5.72	7.16
EDP Equipment	0.33	0.26	0.59
Other Assets	29.17	21.07	50.24
TOTAL ASSETS	<u>142.61</u>	<u>224.27</u>	<u>366.88</u>
LIABILITIES			
Legal Policy Reserves	83.73	138.16	221.89
Policy & Contract Claims	2.06	1.21	3.27
Dividends Payable to Stockholders	0.05	-	0.05
Policyholder's Dividends	6.40	25.56	31.96
Liability for Premium Deposit Funds	5.68	2.14	7.82
Premiums Due to Reinsurers	0.29	0.44	0.73
Prem./Loss Reserves Withheld For Reinsurers	0.06	0.02	0.08
Taxes/Licenses Payable	2.58	0.31	2.89
Commission & Other Charges Payable	0.67	0.86	1.53
Accounts/Notes Payable	1.17	2.61	3.78
Unearned Investment Income	0.27	0.02	0.29
Other Liabilities	5.02	14.49	19.51
TOTAL LIABILITIES	107.98	185.82	293.80
NETWORTH			
Paid-Up Capital/Statutory Deposits	4.32	4.83	9.15
Paid-In Capital	0.64	0.28	0.92
Deposit on Stock Subscription	-	0.58	0.58
Investment Fluctuation Reserve	18.43	17.26	35.69
Contributed Surplus	0.53	1.42	1.95
Contingency Surplus	1.97	1.98	3.95
Other Assigned Surplus	0.02	0.33	0.35
Unassigned Surplus	8.72	11.77	20.49
TOTAL NETWORTH	34.63	38.45	73.08
TOTAL LIABILITIES & NETWORTH/TRUSTEED SURPLUS	<u>142.61</u>	<u>224.26</u>	<u>366.88</u>

Total assets grew by 12.98% to total ₱ 366.88 Billion as of the year-end 2007. Corresponding liabilities on the other hand, amounted to ₱ 293.80 Billion, up by 18.21%. Legal policy reserves set up for future claims was 75.52% of the total liabilities or ₱ 221.89 Billion in 2007, 15.05% increment from the previous year's ₱ 192.87 Billion.

Table 13: Investments in Bonds and Government Securities, 2007 (₱ billions)	
TYPES OF BONDS/SECURITIES	
Long – Term Government Bonds	149.47
<i>Treasury Notes</i>	107.18
<i>Land Bank Bonds</i>	0.08
<i>Pag- ibig Bonds</i>	0.02
<i>Euro Bonds</i>	16.32
<i>Retail Bonds</i>	0.71
<i>Others</i>	25.16
Short-Term Government Securities	0.04
<i>Treasury Bills</i>	0.04
Total Government Securities	149.51
	9.41
<i>Private Bonds</i>	8.12
<i>Foreign Bonds</i>	1.29
GRAND TOTAL	158.92



Non-Life Insurance

The authorized non-life insurers (87 non-life and one professional reinsurer) produced total gross premiums of ₱ 29.12 Billion in 2007, a 3.19% increase from the previous year's ₱ 28.22 Billion. Fire business comprised the biggest 32.69% share or ₱ 9.52 Billion, immediately followed by motor car business with 31.90% share or ₱ 9.29 Billion, Casualty with 19.61% or ₱ 5.71 Billion and the remaining 15.80% shared by Marine, Suretyship and Life for PR.

Table 14 : Gross Premiums Written of Private Non-Life Companies including Professional Reinsurer, 2006-2007				
LINE OF BUSINESS	2007		2006	
	Amount (₱ B)	% to Total	Amount (₱ B)	% to Total
Fire	9.52	32.69	9.26	32.81
Marine	3.37	11.57	3.51	12.44
Motor Car	9.29	31.90	8.94	31.68
Casualty	5.71	19.61	5.43	19.24
Suretyship	1.16	3.99	1.06	3.76
Life for PR	0.07	0.24	0.02	0.07
TOTAL	29.12	100.00	28.22	100.00

For 2007, total net premiums stood at ₱ 19.66 Billion, a 8.14% increment from last year's premiums of ₱ 18.18 Billion and equivalent to a retention ratio of 61.44%. Motor car business comprised almost half of the reported net retained premiums, followed by casualty and fire lines of business.

**Table 15. Loss Ratios, 2006-2007
(Non-Life and Professional Reinsurer)**

LINE OF BUSINESS	2007			2006		
	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*
1. Fire and Allied Perils	1.55	3.81	40.61	1.76	3.46	50.86
a. Fire	1.12	2.96	37.50	1.24	2.76	45.01
b. Earthquake/Fire/shock	0.00	0.54	0.58	0.04	0.41	9.26
c. Typhoon	0.33	0.13	254.16	0.42	0.12	361.39
d. Flood	0.05	0.07	69.83	0.04	0.07	56.80
e. Extended Coverage	0.05	0.11	43.30	0.02	0.10	21.60
2. Marine	0.79	1.81	43.91	0.75	1.75	42.86
a. Marine Cargo	0.33	1.16	28.52	0.42	1.15	36.43
b. Aviation	0.42	0.49	87.38	0.02	0.13	66.92
c. Marine Hull	0.04	0.16	23.72	0.31	0.47	12.92
3. Motor Car	4.82	9.14	52.67	3.99	8.46	47.14
a. CMVL-LTO	0.06	0.29	20.76	0.06	0.26	22.78
b. CMVL-Non-LTO	0.68	1.51	45.02	0.62	1.44	42.78
c. Other Than CMVL-LTO	0.31	0.11	277.63	0.16	0.10	169.60
d. Other Than CMVL-Non-LTO	3.76	7.23	52.08	3.15	6.66	47.22
4. Casualty	1.31	3.39	38.68	1.43	3.03	47.08
a. Health	0.09	0.46	19.08	0.10	0.42	22.72
a. Personal Accident	0.61	1.44	42.36	0.59	1.21	48.71
b. Engineering	0.15	0.27	57.23	0.11	0.29	38.57
c. Miscellaneous	0.41	0.97	42.14	0.56	0.95	58.54
d. Life, for Prof. Reinsurers	0.05	0.26	20.97	0.07	0.16	45.80
5. Suretyship	0.13	0.99	13.34	0.16	0.84	19.60
TOTAL	8.60	19.14	44.93	8.09	17.55	46.10

*Loss ratios based on exact figures

There was an overall improved loss ratio of 44.93% for the non-life insurers reflected in Table 15. There were better improvements in loss ratios for Fire, Casualty and Suretyship than the increments incurred in loss ratios of Marine and Motor car.

As of year-end 2007, the non-life industry posted net profit of ₱ 1.95 Billion net of tax, 25.81% topping the ₱ 1.55 Billion recorded income during the previous year. This was mainly brought about by a better underwriting result coupled with overall improved business operations.

Table 16. Summary of Operations, 2007 (₱ billions)

PARTICULARS	NON-LIFE			PROF. REINS.	GRAND TOTAL
	Domestic	Foreign	Total		
Underwriting Income	18.1	2.54	20.7	1.38	22.08
Premium Income/ Earned	16.05	1.95	18.00	1.14	19.14
Commissions Earned	1.84	0.58	2.42	0.23	2.65
Other Underwriting Income	0.27	0.01	0.28	0.01	0.29
Less: Underwriting Expenses	13.2	1.73	15.0	1.06	16.06
Losses/ Benefit Payments	7.25	0.74	7.99	0.61	8.60
Loss Adjustment Expenses	0.18	0.04	0.22	-	0.22
Commission Expenses	5.14	0.86	6.00	0.44	6.44
Premium Tax Incurred	0.00	-	0.00	-	0.00
Other Underwriting Expenses	0.70	0.09	0.79	0.01	0.80
Underwriting Gain/Loss	4.89	0.81	5.70	0.32	6.02
Add: Gross Investment Income	2.39	0.52	2.91	0.36	3.27
Other Income/Expenses	(0.39)	(0.06)	(0.45)	0.00	(0.45)
SUB – TOTAL	6.89	1.27	8.16	0.68	8.84
Less: Taxes other than Premium and Income Tax	0.30	0.07	0.37	0.06	0.43
Other General Expenses	5.23	0.77	6.00	0.14	6.14
Income Tax	0.28	0.03	0.31	0.01	0.32
Net Income / Loss for the year Excluding Capital Gains	1.08	0.40	1.48	0.47	1.95

Table 17: Consolidated Balance Sheet, 2007 (₱ billions)

PARTICULARS	NON-LIFE			PROF. REINSURER	GRAND TOTAL
	Domestic	Foreign	Total		
ASSETS					
Bonds	10.72	3.31	14.03	4.28	18.31
Stocks	11.74	4.79	16.53	0.65	17.18
Real Estate Owned	4.35	0.15	4.50	0.12	4.62
Mortgage Loans	0.30	0.04	0.34	0.00	0.34
Collateral Loans	0.05	0.00	0.05	0.09	0.14
Guaranteed Loans	-	0.00	-	-	0.00
Other Loans	0.23	0.03	0.26	0.00	0.26
Short-Term Investments	1.50	-	1.50	-	1.50
Security Fund	0.0	0.00	0.00	0.00	0.00
Other Investments	0.84	0.07	0.91	0.09	1.00
Cash on Hand & in Banks	9.49	1.84	11.33	1.55	12.88
Premiums Receivable/Premiums Due & Uncollected	6.96	0.44	7.40	-	7.40
Due From Ceding Companies	2.99	0.13	3.12	1.78	4.90
Prem./Loss Reserve Withheld By Ceding Companies	0.29	0.00	0.29	0.09	0.38
Reins. Recoverable on Losses	12.93	1.61	14.54	1.23	15.77
Other Reins. Accts. Receivable	0.10	0.00	0.10	-	0.10
Commissions/Accounts Receivable	0.52	0.05	0.57	0.00	0.57
Salvage Recoverable	0.12	-	0.12	-	0.12
Accrued Interest & Other Investment Income	0.47	0.10	0.57	0.09	0.66
EDP Equipment	0.33	0.04	0.37	0.00	0.37
Other Assets	1.09	0.22	1.31	0.21	1.52
TOTAL ASSETS	65.02	12.82	77.84	10.18	88.02
LIABILITIES					
Reserve for Unearned Premiums	6.45	0.81	7.26	0.50	7.76
Losses & Claims Payable	13.98	1.75	15.73	1.63	17.36
Policyholders/Loss Adjustment Expenses	0.16	0.00	0.16	-	0.16
Catastrophe Loss Reserves	0.18	0.07	0.25	0.03	0.28

The reported total assets of the non-life companies including the sole professional reinsurer slightly grew by 0.56% to reach ₱ 88.02 Billion in 2007 while the corresponding networth improved by 2.51% from last year's ₱ 44.54 Billion to ₱ 45.66 Billion.

Investments grew by 4.32% to amount to ₱ 41.57 total investments portfolio in 2007 mainly due to the increased placements in bonds and higher fixed deposits during the year. Investments in bonds amounted to ₱ 19.60 Billion or 47.15% of the invested assets.

Table 18: Investments by Category, 2007 (₱ billions)					
PARTICULARS	NON-LIFE			PROF. REINS	GRAND TOTAL
	Domestic	Foreign	Total		
Bonds	11.99	3.43	15.42	4.18	19.60
Stocks	4.61	0.83	5.44	0.57	6.01
Real Estate	3.69	0.18	3.87	0.15	4.02
Mortgage Loans	0.30	0.04	0.34	0.00	0.34
Collateral Loans	0.05	0.00	0.05	0.09	0.14
Other Loans	0.24	0.03	0.27	0.00	0.27
Short – Term	1.36	-	1.36	-	1.37
Other investments	0.59	0.08	0.67	0.09	0.76
Fixed Deposits	6.03	1.55	7.58	1.49	9.07
TOTAL	28.86	6.14	35.00	6.57	41.57

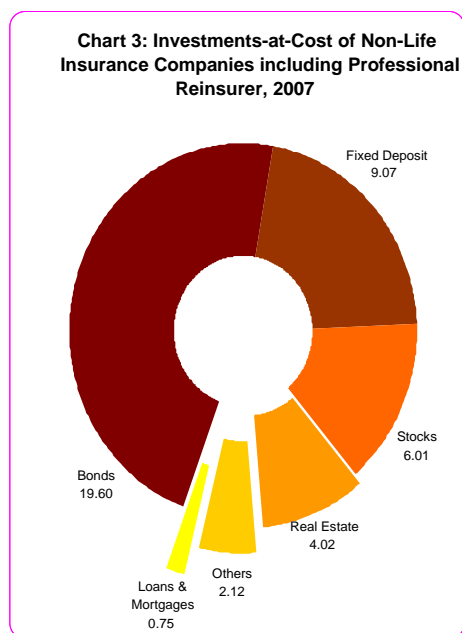


Table 19: Investment in Bonds and Government Securities, 2007 (₱ billions)			
TYPES OF BONDS/SECURITIES	NON-LIFE (₱ B)	PR (₱ B)	GRAND TOTAL (₱ B)
Long – Term Government Bonds	13.3	3.8	17.10
<i>Treasury Notes</i>	9.50	3.70	13.20
<i>Land Bank Bonds</i>	0.05	0.02	0.07
<i>Pag- ibig Bonds</i>	0.05	-	0.05
<i>Euro Bonds</i>	2.85	0.08	2.93
<i>Retail Bonds</i>	0.76	-	0.76
<i>Others</i>	0.09	-	0.09
Short-Term Government Securities	1.36	-	1.36
<i>Treasury Bills</i>	1.36	-	1.36
Total Government Securities	14.66	3.80	18.46
	2.13	0.37	2.50
<i>Private Bonds</i>	1.22	0.37	1.59
<i>Foreign Bonds</i>	0.91	-	0.91
GRAND TOTAL	16.79	4.17	20.96

As shown in Table 19 that of the total investments in bonds and other government securities of ₱ 20.96 Billion during the year, a notable 81.58% or ₱ 17.10 Billion were placed in long-term government bonds.

Insurance and Reinsurance Brokers

Business operations of 125 licensed insurance and reinsurance brokers in the country in 2007 accounted for ₱ 19.89 Billion or 20.64% of the industry's total premium production. The biggest 37.26% share or ₱ 7.41 Billion was attributed to Casualty (Health, Accident, Engineering and Miscellaneous), followed by Fire with 21.72%, Life for Professional Reinsurer with 20.76% Motor Vehicle with 10.86%, Marine with 6.84%, and Suretyship with 2.56%.

Correspondingly, total commissions paid by insurance companies amounted to ₱ 2.64 Billion, 95.45% of which to insurance brokers.

Table 20: Brokers' Business Operations, 2007 (₱ millions)				
Line of Business	Insurance Brokers		Reinsurance Brokers	
	Premiums	Commissions	Premiums	Commissions
Life	4,130.87	471.11	-	(0.06)
Fire	3,652.62	409.90	667.43	50.32
Ocean Marine	402.97	82.35	61.26	5.91
Inland Marine	174.80	28.93	4.05	0.25
Marine Hull	409.86	35.23	198.58	19.55
Aviation	99.62	9.94	9.18	4.11
Fidelity & Surety	512.08	124.57	0.68	0.19
Motor Vehicle	2,142.20	502.14	12.84	0.92
Health	2,786.33	333.00	-	-
Accident	1,043.72	172.89	45.28	2.56
Engineering	1,852.27	142.61	47.86	3.05
Miscellaneous	1,388.05	210.85	250.64	28.31
TOTAL	18,595.39	2,523.52	1,297.8	115.11

MUTUAL BENEFIT ASSOCIATIONS (MBAs)

In 2007, nineteen (19) MBAs reported total assets of ₱ 19.28 Billion with five MBAs sharing ₱ 17.81 Billion or 92.42% of the total. AFPMBAI contributed 34.65% of the amount, Public Safety Mutual Benefit Fund (PSMBF) with 17.89%, Manila Teachers Mutual Aid System (MTMAS) with 15.30%, K of C Fraternal Association of the Philippines (K of C) with 12.29% and Philippine Public School Teachers Association (PPSTA) with 12.24%. All of these MBAs posted increases of 15.37%, 18.56%, 13.03%, 11.79% and 5.36% in their reported 2007 assets respectively. Other Loans of ₱ 5.83 Billion, as in previous years, comprised the biggest chunk of 30.24% of the total which increased by 17.54% during the year.

Total Member's Equity likewise grew to ₱ 7.12 Billion, a 19.67% increase over the reported equity of ₱ 5.95 Billion in 2006.

Consolidated cash receipts from different sources during the year amounted to ₱ 19.38 Billion, the biggest 28.64% of which was contributed by PSMBF, followed by 20.18% of MTMAS, 20.12% AFPMBAI and 20.07% of K of C and the remaining 10.99% shared by the others. On the other hand, corresponding disbursements during the year amounted to ₱ 19.14 Billion resulting to ₱ 1.94 Billion total cash fund for the current year.

Total receipts as of year-end amounted to ₱ 19.38 Billion, while total disbursements amounted ₱ 19.14 Billion resulting to net receipts of ₱ 0.24 Billion. Total cash fund for the current year 2007 was ₱ 1.92 Billion.

Trust for Charitable Uses

Total assets reported by the five (5) Trusts for Charitable Uses as of year-end 2007 amounted to ₱ 405.40 Million, a decrease of 6.69% from the previous year's recorded amount of ₱ 434.45 Million. The largest shares of 34.29% and 23.96% of these assets were accounted for Bonds/Stocks and Real Estate respectively and largely contributed by Ramon Magsaysay Award Foundation. Retained earnings on the other hand, amounted to ₱ 185.78 Million as of the year-end.

Total receipts during the year amounted to ₱ 111.82 Million while the corresponding total disbursements amounted to ₱ 115.40 Million, however, considering the total cash fund balances of the entities, a total Fund Balance of ₱ 94.52 Million was accounted as of the year-end.

Government Service Insurance System (GSIS)

The lone government-owned insurer, the GSIS reported aggregated assets of ₱ 438.24 Billion registering a 6.24% increase over the ₱ 412.5 Billion assets in 2006. Of these, 96.11% or ₱ 421.19 Billion is attributed to the Life Division and the remaining 3.89% or ₱ 17.05 Billion for the non-life division.

Total reserves set up to cover future claims for life and non-life businesses amounted to ₱ 412.30 Billion, an increase of 12.38% as compared to the ₱ 366.87 Billion set-up in 2006. The corresponding networth amounted to ₱ 14.76 Billion comprising of Unassigned Surpluses and Reserves for Losses and Contingencies.

Premium income/earned during the year was recorded at ₱ 44.90 Billion, a 5.15% increase over that of ₱ 42.7 Billion reported in 2006. On the other hand, total benefit payments disbursed during the year amounted to ₱ 33.50 Billion.