

Republic of the Philippines
Department of Finance

**INSURANCE COMMISSION** 

# 2019 ANUAL REPORT





#### **ERRATA on the 2019 IC ANNUAL REPORT**

As of 14 January 2022, the following Errata has been identified in the 2019 IC Annual Report.

- 1. Page 21, Chart 2, NET WORTH for 2019 which is "406,876.40" should be "368,789.30".
- 2. Page 21, Table 3, PREMIUMS AS % of GDP for 2018 which is "1.63%" should be "1.69%".
- 3. Page 25, Table 6, **Group & Industrial % Change** of "**(15.01)**" should be "**15.01**". Table 6, Health % Change of "**(20.10)**" should be "**20.10**".

# Commissioner's Message

The year 2019 has been an eventful year for the Insurance Commission and the industries which we regulate and supervise. While there were challenges and hurdles that came on our way, it was also a remarkable year filled with success and opportunities that made it possible for us to create a strong, sustainable, and competitive environment for the insurance, pre-need, and HMO industries.

We closed the year with a triumphant grin as the insurance industry assets reached an all-time high record of ₱1.78 Trillion. In terms of insurance density, the amount of Premium per capita rose by 3.35% year-on-year, indicating that each individual is willing to spend ₱2,802.1 on insurance. In the same way, insurance penetration reached 1.63% as of year-end 2019.

Driven by the commitment to implement prudent and progressive regulatory policies, the Insurance Commission issued a total of 76 Circular Letters in the year 2019 alone. This breaks the Commission's history record of 25 Circulars issued annually. Along with this recordbreaking figure, the Commission has successfully streamlined almost all of its processes and procedures to ensure that ease and efficiency are being upheld in the delivery of its services. The Commission also sealed a milestone agreement with the Landbank of the Philippines which paved way for the implementation of an electronic payment program for faster, safer, and more convenient transactions.

All of these accomplishments stand as a testament to the Commission's relentless work and dedication throughout the year. Rest assured that the Insurance Commission will remain steadfast in

fulfilling its mandate to champion the cause of the insuring public and to uphold the growth and development of the insurance, pre-need, and HMO industries.

With a positive outlook, we can all hope for the realization of a financially-inclusive society for all Filipinos.

DENNIS B. FUNA
Insurance Commissioner



#### **MANDATE**

To regulate and supervise the insurance, pre-need, and HMO industries in accordance with the provisions of the Insurance Code, as amended, Pre-Need Code of the Philippines, and Executive Order No. 192 (s. 2015)

#### **VISION**

Strong, sustainable and globally competitive regulated entities, as pillars of the economy, to serve every Filipino.

### **MISSION**

We are committed to implement prudent and progressive regulatory and supervisory policies at par with international standards.



## Integrity

The Insurance
Commission upholds
the highest standard
of honesty and
transparency in the
fulfillment of its duties
and services



## Commitment

We sustain highest global standards and best practices in regulation and supervision.



### Responsibility

In the achievement of its mandate, the Insurance Commission exercises accountability, dedication and drive.

# **QUALITY POLICY**

We, the Insurance Commission, commit to provide quality regulatory services to protect the insurance, preneed and HMO customers, and to develop and strengthen the insurance, pre-need and HMO industries, and their related services.

To achieve these objectives, we shall:

- Institute sound policies and regulations;
- Keep abreast with trends and developments on standards for effective regulation and supervision;
- Enhance the competencies of our human resources:
- Provide and maintain adequate resources needed for the delivery of quality services; and
- Continually improve our Quality Management System in accordance with ISO 9001.



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# ADMINISTRATION OF INSURANCE AND PRE-NEED CODES AND EXECUTIVE ORDER 192 S. 2015

#### A. LICENSING AND MARKETING STRUCTURE

In 2019, a total of 168 Certificates of Authorities were issued to various regulated entities of the Insurance Commission, consisting of five composite insurance companies, 26 life insurance companies, 55 non-life insurance companies, one professional reinsurer, 35 Mutual Benefit Associations (MBAs), 14 pre-need companies, and 32 Health Maintenance Organizations (HMOs).

I. Insurance Companies								
Classification of	Dire	ct Insure	rs	Prof.	TOTAL			
Companies	Composite	Life	Non-Life	Reinsurer				
A. Domestic	3	17	44	1	65			
B. Foreign*	2	9	11	0	22			
Total	5	26	55	1	87			
II. Mutual Benefit Ass	ociations (ME	BAs)						
A. Microinsurance I	MBAs				23			
B. Regular MBAs					12			
Total					35			
III. Pre-Need Compan	ies							
A. Domestic					14			
IV. Health Maintenand	e organizatio	ns (HMO	s)					
A. Domestic					32			
TOTAL					168			
Servicing Companies								
A. Insurance					6			
B. Pre-Need					3			

#### Table 1

Insurance Companies, Mutual Benefit Associations, Pre-Need Companies and Health Maintenance Organizations Authorized to Transact Business in the Philippines, 2019

Further, there were nine companies identified as servicing companies as of the end of the year.

AFP General Insurance Corporation was identified as a servicing company, while Metropolitan Insurance Company was included in the list of non-life insurance companies in 2019.

The licensed MBAs for 2019 consisted of 23 microinsurance MBAs (Micro MBAs), and 12 Regular MBAs. Two MBAs, namely Kabigkis Mutual Benefit Association, Inc. and Mt. Province Teachers Mutual Aid System, Inc., were newly licensed in 2019. Further, ARDCI Mutual Benefit Association, Inc. and Philippine Public School Teachers Association were no longer issued licenses for the year.

From sixteen pre-need companies in 2018, only 12 were able to renew their respective licenses. Two companies, Diamond Memorial Care Plans, Inc., and Golden Future Life Plan, Inc. were issued licenses in 2019. Also, there were three pre-need companies with servicing licenses.

Apart from the 31 licensed HMOs in 2018, Forticare Health Systems International, Inc. was also granted a license in 2019 bringing the HMO total to 32.

To support the insurers, pre-need providers and HMOs in the conduct of their businesses, the Commission also issued licenses and accreditations to different intermediaries and technical support individuals/entities, as shown in Table 2.

INTERMEDIARIES	2018	2019	% Increase/ (Decrease)
Ordinary Agents	58,687	76,969	31.15%
Life	46,568	66,382	42.55%
Non-Life	12,022	10,522	(12.48%)
Microinsurance	97	65	(32.99%)
General Agents	116	152	31.03%
Life	35	47	34.29%
Variable	-	10	-
Non-Life	81	95	17.28%
Variable Life Agents	54,310	79,515	46.41%
Brokers	89	87	(2.25%)
Insurance	68	67	(1.47%)
Reinsurance	21	20	(4.76%)
Pre-Need Sales Counselors	16,705	14,199	(15.00%)
TECHNICAL SUPPORT			
Non-Life Company Underwriters	391	408	4.35%
Resident Agents	73	74	1.37%
Insurance Actuaries	53	45	(15.09%)
Life/Non-Life Actuaries	5	7	40.00%
Life Insurance Actuaries	37	30	(18.92%)
Non-Life Insurance Actuaries	11	8	(27.27%)
Pre-Need Actuaries	6	10	66.67%
HMO Actuaries	14	14	0.00%
Public Adjusters	1	1	0.00%
Independent Adjusters	53	43	(18.86%)
External Auditors	42	44	4.76%
Firm	34	34	0.00%
Individual	8	10	25.00%

Table 2

Licenses/Certificates of Registration Issued to Insurance Intermediaries and Technical Support Individuals/Entities, 2018 and 2019

#### **B. FINANCIAL SURVEILLANCE**

The Insurance Commission conducted on-site and off-site examinations to its regulated entities regarding their financial condition, methods of doing business and compliance with laws, rules, and regulations. The Commission has performed examinations to 119 insurance companies, 33 MBAs, 18 pre-need companies, 72 insurance and reinsurance brokers, and 8 HMOs to ensure their solvency and financial soundness towards serving their clients and stakeholders.

Continuous monitoring of insurance companies on a quarterly basis were conducted by the Commission to ensure their compliance with the Risk-Based Capital (RBC) Ratios and minimum Net Worth requirements following the implementation of the new Financial Reporting Framework, New Valuation Standards, and Amended Risk-Based Capital (RBC2) Framework in 2017.

A total of 48 synopses were issued for publication in 2019, which comprised of 17 life insurance, 20 non-life insurance, and 11 pre-need companies.

The Commission also conducted quarterly evaluation and monitoring of the financial statements of 96 trust funds of pre-need companies in compliance with the Pre-Need Code and pertinent Circulars.

#### C. TARIFF COMPLIANCE MONITORING

The Insurance Commission monitors and evaluates the compliance of non-life insurance companies with tariff rates and other pertinent rules and regulations of the Commission, including verification of premium rates applied on motor car policies, fire policies, and bonds issued in favor of the government.

In 2019, the Commission collected Php 7.80 million as penalty from 312 breaches of tariff rates and other findings.

#### D. PUBLIC ASSISTANCE, CLAIMS AND ADJUDICATION

The Commission addressed 4,171 formal and informal complaints filed through the Main Office, and Cebu and Davao District Offices against regulated entities and/or requests for mediation regarding insurance, pre-need, and HMO matters in 2019. Among these, 263 were formal cases that were decided, resolved, or closed while 3,908 of the complaints were settled through mediation and conciliation.

#### E. CONSERVATION/RECEIVERSHIP/LIQUIDATION

As of year-end 2019, there were 40 insurance companies (life and non-life), 3 MBAs, eight servicing insurance companies, and 28 pre-need companies under conservatorship, receivership, or liquidation (CRL). Fire Services Mutual Benefit Association, Inc. (FSMBAI) was issued a cease-and-desist order (CDO) last September 20, 2019, while Loyola Plans Consolidated, Inc. (LPCI) was put under CRL last July 24, 2019. On the other hand, Philippine Public School Teachers Association (PPSTA) which is under the monitoring of CRL Division this year was not issued a CDO.

#### F. SECURITY DEPOSITS/GUARANTY FUND/SECURITY FUND

In 2019, the insurance companies deposited a total of Php16.55 billion from their respective Security Deposit and Security Fund as prescribed, to be reserves for payment of valid claims in case of insolvency of an insurance company. Compared to a total of Php 15.94 billion in 2018, the security deposits and security funds increased by Php 0.61 billion. The said security deposits were deposited under the custody of the Bureau of Treasury while the security fund was administered by the Insurance Commission.

For the Mutual Benefit Associations, the total guaranty fund in 2019 was Php 1.09 billion. The said fund will cover any valid benefit claims of their members.

#### G. POLICIES (PLANS)/BOND FORMS/REINSURANCE TREATIES

As part of the function of the Commission to review and approve all life and non-life insurance policies, and pre-need and HMO plans before sale to prospective clients, the Commission has evaluated and approved a total of 323 products/plans and 1,355 contract/endorsement forms during the year under review. Approved plans consist of 45 variable life insurance, 178 non-life insurance, 16 microinsurance, 13 pre-need, and 17 HMO products.

The Commission regularly evaluates and approves reinsurance treaties and facultative placements abroad. In 2019, approved were 51 particulars/reinsurance treaties and 869 facultative placements abroad.

#### H. REGULATORY UPDATES

The Commission issued the following Circular Letters in 2019 for effective regulation and monitoring of the insurance, pre-need, and HMO industries, ensure the sustainability of these industries and provide protection to the insurance, pre-need, and HMO customers. The circular letters issued in 2019 equaled the number of issuances in the previous year which is the highest in IC's history. These issuances were promulgated in accordance with the provisions of the Insurance and Pre-Need Codes, as well as Executive Order (EO) No. 192, (s. 2015).

The following are the major circular letters issued:

 CL No. 2019-03 issued on 26 February 2019 - Adoption of New Business Annual Premium Equivalent (NBAPE) of Life Insurance Companies as a Statistical Output

Promulgates to all life insurance companies the adoption of NBAPE of life insurance companies as one of the bases of assessing the Life Insurance Industry Performance and as one of the regular statistical outputs of the Commission.

 CL No. 2019-04 issued on 12 March 2019 - Catastrophe/Property Insurance Reports

Advises all non-insurance companies to submit the annual reports for Property Insurance Policy Database and the Property Insurance Incurred Loss Database, fill out the reporting templates fully and accurately, and ensure that all required information in the said reporting templates are supplied.

 CL No. 2019-05 issued on 12 March 2019 - Quarterly Reports on Selected Financial Statistics

Promulgates to all insurance and reinsurance companies and mutual benefit associations the adoption of revised templates of quarterly reports to conform with the FRF Chart of Accounts and be more aligned with the format of the revised Annual Statements, and submission of reports in soft copy form via email.

 CL No. 2019-06 issued on 15 March 2019 - Submission of Quantitative Impact Assessment Report relative to the Regulatory Relief provided to the Pre-Need Industry

Mandates to all pre-need companies the submission of Quantitative Impact Assessment Report so that the Commission can monitor and assess the impact of regulatory relief provided under CL No. 2018-58.

 CL No. 2019-07 issued on 18 March 2019 – Guideline and Grounds for the Reduction of Penalties Due to Delays in the Submission of Reportorial Requirements

Promulgates to all IC regulated entities the guideline and grounds for the reduction of penalties of not exceeding 30% of the total sum of penalty due to delays in the submission of reportorial requirements as prescribed under Item No. VIII, paragraphs A, B, and D of Circular Letter No. 2014-15 dated 15 May 2014 entitled "Fees and Charges".

 CL No. 2019-09 issued on 22 March 2019 - Revised Annual Statement -Life Insurance Companies

Promulgates to all life insurance companies to strictly adopt the revised annual statement template uploaded in the IC Website in the submission of the 2018 Annual Statement in accordance with implementation of the new Financial Reporting Framework, Valuation Standards for Life Insurance Policy Reserves and Amended Risk-Based Capital Framework.

 CL No. 2019-13 issued on 10 April 2019 – Compliance with the Provisions of Republic Act No. 10173, otherwise known as The Data Privacy Act of 2012

Directs all IC regulated entities to promptly and strictly comply with the provisions of the Data Privacy Act of 2012, particularly as regards to the following areas: (a) Registration with the National Privacy Commission ("NPC') as a Personal Information Controller ("PIC") and/or a Personal Information Processor ("PIP"); (b) Appointment of a Data Protection Officer ("DPO"); (c) Conduct of a Privacy Impact Assessment; (d) Creation of a Privacy Manual; (e) Implementation of privacy and data protection measures; and (f) Exercise of data breach reporting procedures.

 CL No. 2019-14 issued on 12 April 2019 - Amendment to Sections 4 and 5 of Circular Letter No. 2019-51 dated 15 October 2018

Directs and informs all applicants for issuance of new or renewal of license to act as online insurance aggregator the amendment to Sections 4 and 5 of Circular Letter No. 2018-51 dated 15 October 2018 addressing the additional requirements for foreign companies and redaction of any provision in the aggregation agreement that it deems commercially sensitive prior submission to the Insurance Commission.

• CL No. 2019-18 issued on 22 April 2019 - Guidelines on the Use of Business Names

Promulgates to all IC regulated entities the guidelines on the use of business names in advertising and contracts particularly to those who are engaged in two or more industries (insurance, pre-need, and HMO) regulated by the Insurance Commission to avoid confusion to the general public and/or the companies' stakeholders.

 CL No. 2019-19 issued on 07 May 2019 - Amended Guidelines on Investments in Infrastructure Projects under the Philippine Development Plan (PDP)

Promulgates to all insurance and reinsurance companies the amended guidelines on Investments in Infrastructure Projects under the Philippine Development Plan (PDP) as earlier issued under CL No. 2018-74, dated 28 December 2018.

 CL No. 2019-21 issued on 29 May 2019 - Guidelines for the Regulation of Online Sales Platforms and the Sale Therein of Specific Insurance Products such as Compulsory Third-Party Liability Insurance

Promulgates to all non-life insurance companies and general agents and informs the general public on the guidelines for the regulation of online sales platforms and the sale therein of specific insurance products such as compulsory third-party liability insurance amending Section 2.5 of Insurance Memorandum Circular 3-93 dated June 28, 1993 and Section 7.17 of IC Circular Letter No. 2014-47 dated 21 November 2014.

 CL No. 2019-22 issued on 11 June 2019 – Rules on Exemption of Servicing Companies from Independent Director Requirements under Circular Letter No. 2018-36

Promulgates to all non-life insurance companies the rules on exemption of servicing companies from independent director requirements under Circular Letter No. 2018-36 vis-a-vis Circular Letter No. 2017-26 issued in 11 April 2017.

 CL No. 2019-23 issued on 17 June 2019 – Insurance Adjusters Licensing Requirements: Endorsement from the Adjusters Association of Philippine Adjustment Companies (APAC) and Philippine Institute of Loss Adjusters (PILA)

Promulgates to all insurance adjusters intending to do business in the Philippines that endorsement from either Adjusters Association of Philippine Adjustment Companies (APAC) or Philippine Institute of Loss Adjusters (PILA) is required prior to application of license.

 CL No. 2019-24 issued on 19 June 2019 - Adoption of the 2019 Revised Citizen's Charter Pursuant to Republic Act No 11032, otherwise known as the Ease of Doing Business and Efficient Government Service Delivery Act of 2018

Informs all regulated entities and the general public of the Commission's adoption of Revised Citizen's Charter Pursuant to Republic Act No. 11032 simplifying requirements and procedures to reduce red tape, expedite transactions and create a more efficient government service.

 CL No. 2019-25 issued on 20 June 2019 - Adoption of Distribution Channel Mix of Life Insurance Companies as a Statistical Output

Promulgates to all life insurance companies the adoption of distribution channel mix of life insurance companies as a statistical output of the Commission to evaluate the life insurance industry capacity in offering their products through different channels.

 CL No. 2019-27 issued on 21 June 2019 – Guidelines for Investing in Real Estate Investment Trust

Promulgates to insurance and reinsurance companies, pre-need companies, and mutual benefit associations the guidelines for investing in Real Estate Investment Trust as allowable and admitted investments.

 CL No. 2019-28 issued on 21 June 2019 – Guidelines on the Issuance of Cease and Desist (CDOs) against Health Maintenance Organizations (HMOs)

Informs all HMOs of the guidelines governing the issuance and lifting of CDOs against HMOs.

 CL No. 2019-29 issued on 21 June 2019 - Guidelines on Investment of Trust Fund in Savings/Time Deposit and Unit Investments Trust Funds

Promulgates the guidelines governing all trust fund investments of Pre-need companies in savings/time deposits and UITF maintained and managed by a duly authorized bank including prior approval and verification.

 CL No. 2019-30 issued on 21 June 2019 - Guidelines in the HMO Underwriting of Applicants with Actual, Perceived, or Suspected Human Immunodeficiency Virus ("HIV") Status

Informs all HMOs of the guidelines in their underwriting of applicants with actual, perceived, or suspected HIV status in accordance with the Republic Act No. 11166 otherwise known as the Philippine HIV and AIDS Policy Act.

 CL No. 2019-31 issued on 25 June 2019 – Regulation and Prohibitions in Relation to the Conduct of Business of Agents of Health Maintenance Organizations (HMOs) and Providing Penalties for Violation thereof

Promulgates to all HMOs the regulation and prohibitions relating to the conduct of business of agents of HMOs including corresponding penalties for violations.

 CL No. 2019-34 issued on 18 July 2019 - Amendment of the Rules and Regulations on Consolidation and Merger of Insurance Companies

Promulgates to all domestic insurance companies the amended rules and regulations on consolidation and merger of insurance companies as prescribed under IC Circular Letter No. 2015-11 dated 18 March 2015 in adherence to Section 78 of the Revised Corporation Code of the Philippines enacted in 20 February 2019 specifically to the endorsement of the Insurance Commissioner for consolidation and merger.

 CL No. 2019-36 issued on 23 July 2019 - Amendments to Items A and B of Circular Letter (CL) No. 2018-36 dated 26 June 2018 on Rules on Number of Seats, Qualifications and Term Limits of Independent Director

Promulgates to insurance and reinsurance companies, pre-need companies, mutual benefit associations, and health maintenance organizations the amendments to Items A and B of Circular Letter (CL) No.2018-36 dated 26 June 2018 on Rules on Number of Seats, Qualifications, and Term Limits of Independent Director to conform with Section 22 of the Revised Corporation Code which specifies that "the board of the following corporations vested with public interest shall have independent director constituting at least twenty percent (20%) of such board."

 CL No. 2019-38 issued on 29 July 2019 – Removing the Varying Limits of Liability/Restrictions in the Authority Issued to Insurance Companies to Act as Sureties in Government Transactions Pursuant to Act No. 536, as amended by Act No. 2206

Promulgates to all concerned insurance and surety companies the removal of all administrative orders on the restriction on the limits of liability in the amount of Php50,000.00 including authorizations as specified under Circular 2014-46 dated November 12, 2014 pursuant to Act No. 536, as amended by Act No. 2206.

• CL No. 2019-39 issued on 08 August 2019 - Revised Framework on the Selection of External Auditors

Promulgates to all IC regulated entities, external auditors, and auditing firms the revised rules and regulations that shall govern the accreditation and delisting of external auditors of covered institutions in accordance with the agreements under the Financial Sector Forum members.

• CL No. 2019-40 issued on 13 August 2019 - Institutionalizing Selected Quarterly Financial Statistics for Life

Promulgates to all life insurance companies the institutionalization of the Selected Quarterly Financial Statistics for Life insurance as a regular statistical output of the Commission to be disseminated to the Philippine Life Insurance Association and its members.

 CL No. 2019-41 issued on 19 August 2019 - Amendment to Circular Letter No. 2018-43 Re: Item No. 5 of Circular Letter No. 2017-42 on Salary Loans Extended to Department of Education (DepEd) Teachers

Promulgates to all IC regulated entities the amendment to Circular Letter No. 2018-43 Re: Item No. 5 of Circular Letter No. 2017-42 on Salary Loans extended to DepEd teachers stating that the limitation or ceiling prescribed under said item number shall not apply to insurance companies, MBAs, and pre-need companies under conservatorship to extend relief and rehabilitation assistance at the discretion of the Commissioner and recommendation of the conservator/receiver.

• CL No. 2019-44 issued on 02 September 2019 – Guidelines in the Conduct of Examination of Affairs, Financial Condition, and Methods of Doing Business of Health Maintenance Organizations (HMOs)

Notifies all HMOs of the guidelines in the conduct of examination of affairs, financial condition and methods of doing business including record-keeping, conduct of examination and preservation of records.

 CL No. 2019-45 issued on 04 September 2019 - Amended Guidelines for Securities Borrowing and Lending Transactions

Promulgates to insurance and reinsurance companies the amended guidelines for securities borrowing and lending (SBL) transactions in accordance with Section 1 of the Securities and Exchange Commission (SEC) Memorandum Circular (MC) No. 7, series of 2006 which allows such companies to act as a Lender on SBL transactions.

 CL No. 2019-47 issued on 09 September 2019 - Implementation of Manual of Examination of Life Insurance (2017 Edition)

Promulgates to all life insurance companies the implementation of the Manual of Examination of Life Insurance Companies (2017 Edition) in the conduct of examination/verification of their annual statements by IC examiners in lieu of the 1995 edition of the same manual.

 CL No. 2019-48 issued on 09 September 2019 – Implementation of the Manual of Examination of Mutual Benefit Associations (2017 Edition)

Promulgates to all mutual benefit associations the implementation of the Manual of Examination of Mutual Benefit Associations (2017 Edition) in the conduct of examination/verification of their annual statements by IC examiners.

 CL No. 2019-49 issued on 12 September 2019 – Supplemental Guidelines on Business Process Outsourcing ("BPO") Activities of Insurers/Reinsurers

Promulgates to all insurance and reinsurance companies the supplemental guidelines on business process outsourcing ("BPO") activities of insurers and reinsurers to include pre-approval and examination of outsourcing agreements by the Commission.

 CL No. 2019-50 issued on 16 September 2019 - Guidelines for the Determination of Compliance with Statutory Minimum Unimpaired Paid-Up Capital Requirements for Pre-Need Companies

Issues to all concerned regulated entities the guidelines on the required minimum unimpaired paid-up capital for pre-need companies with servicing licenses and/or those that are not selling any types of plans, and withdrawal of trust funds of type of plans discontinued for sale.

CL No. 2019-51 issued on 19 September 2019 – Amendment to Item Nos.
 2.9 and 2.10 of Circular Letter 2014-21 on Investments under the Amended Insurance Code (RA No. 10607)

Amends Items 2.9 and 2.10 of the Circular Letter 2014-21 dated 15 May 2014 on investments in foreign currency dominated bonds and other securities and investments.

 CL No. 2019-52 issued on 20 September 2019 - Amendments to the Guidelines on Group Insurance of both Life and Non-Life Insurance Companies

Amends the Circular Letter 2017-57 dated 12 December 2017 under Section 1.6 on coverage of group insurance, and Section 2.3 on the conditions an insurance company may act as policyholder for its employees and agents.

 CL No. 2019-53 issued on 20 September 2019 - Guidelines on Payment of Adjustment Fees

Issues to all concerned regulated entities the guidelines on payment of adjusted fees issued by the independent adjuster, including payment and basis of fees, mediation conference, filing of action, and penalties.

• CL No. 2019-54 issued on 03 October 2019 – Amendments to Circular Letter No. 2019-49 on the Supplemental Guidelines on Business Process Outsourcing ("BPO") Activities of Insurers/Reinsurers

Amends the Circular Letter No. 2019-49 dated 12 September 2019 on the annual reporting of outsourcing agreements or contracts.

 CL No. 2019-55 issued on 25 October 2019 - Revocation of Circular Letter No. 2018-45

Revokes Circular Letter No. 2018-45 "Guidelines on the Minimum Capitalization and Net Worth Requirements for Composite Insurance Companies under the Amended Insurance Code" issued 08 September 2018 due to need of clear basis to seek and wait for appropriate legislation to provide clarity on the said requirements.

 CL No. 2019-58 issued on 28 October 2019 - Application of PFRS 4 and PFRS 15: Accounting Standards for Health Maintenance Organizations (HMOs) Agreements

Informs all HMOs of the application of PFRS 4 and PFRS 15 to HMO agreements with membership fee-based benefits and fund-based benefits, respectively.

• CL No. 2019-59 issued on 29 October 2019 - Amendment to the Circular on the Guidelines in the Processing of Requests for Legal Opinion

Amends the Section 3 of the Circular Letter No. 2017-13 dated 07 March 2017 on evaluation of requests for legal opinion and repeals the Circular Letter No. 2017-35 dated 07 July 2017 otherwise known as "Exemption from Payment of Docket Fees in Request for Legal Opinion."

• CL No. 2019-60 issued on 30 October 2019 – Guidelines for the Declaration and/or Distribution of Dividends

Informs all concerned regulated entities of the guidelines for declaration and/or distribution of dividends, including its applicability, IC approval upon distribution, post distribution reportorial requirement, and basis for declaration or distribution of dividend.

 CL No. 2019-61 issued on 30 October 2019 – Amendments on the Guidelines on Group Insurance of Both Life and Non-Life Insurance Companies

Amends Section 6.7 of the Circular Letter No. 2017-57 dated 12 December 2017 on the information provided on the statement, proof of cover, confirmation, or certificate.

 CL No. 2019-62 issued on 05 November 2019 - Dissemination of the 2018 Implementing Rules and Regulations (IRR) of Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as Amended

Informs all concerned regulated entities regarding the 2018 IRR of the Anti-Money Laundering Act of 2001, as Amended, formulated by the Anti-Money Laundering Council (AMLC) through their Resolution No. 188, Series of 2018.

CL No. 2019-63 issued on 05 November 2019 – Dissemination of the 2018
 Guidelines on Identifying Beneficial Ownership

Informs all concerned regulated entities about the 2018 Guidelines on Identifying Beneficial Ownership, as authorized for issuance through AMLC Regulatory Issuance (ARI) A,B and C, No. 3, Series of 2018.

 CL No. 2019-64 dated 05 November 2019 – Dissemination of the Rules of Procedure in Administrative Cases under Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as Amended, and Its Implementing Rules and Regulations, and Guidelines and Other Issuances of the Anti-Money Laundering Council, and the Imposition of Administrative Sanctions (RPAC)

Informs all concerned regulated entities of the Rules of Procedure in Administrative Cases under Republic Act No. 9160 and its Implementing Rules and Regulations, as approved by the AMLC through its Resolution No. 134, Series of 2019.

CL No. 2019-65 dated 22 November 2019 - Amendments to Sections 4, 7, 11, 16, 22, 24, 25, 26, 27, 29, 30, 31, 33, 34, 35, 36, 41, 45, 46, 47, 51, 56, 57, 58 and 63 of CL No. 2018-48 dated 14 September 2018, as Amended by 2018-60 dated 15 November 2018 on Anti-Money Laundering/ Counter-Terrorism Financing (AML/CTF) Guidelines for Insurance Commission Regulated Entities

Amends several sections of the Circular Letter No. 2018-48 dated 14 September 2018 on Anti-Money Laundering and Combating the Financing of Terrorism Guidelines for Insurance Commission Regulated Entities, as amended by the Circular Letter No. 2018-60 dated 15 November 2018 to update guidelines on anti-money laundering and terrorism financing prevention and suppression.

 CL No. 2019-66 dated 22 November 2019 – Additional Disclosures in the Financial Statements and Submission of Status Reports Relative to IFRS 17

Prescribes guidelines on submission and additional disclosure in the notes of status reports for periods ending 31 December 2019 to 2022 for the implementation of IFRS 17 in the Philippines through the Insurance Commission.

 CL No. 2019-67 dated 22 November 2019 – Amendment to Circular Letter No. 2017-14 re: Minimum Members' Equity Requirements for Mutual Companies

Amends the Circular Letter No. 2017-14 dated 10 March 2017 on the minimum members' equity requirement for mutual companies from Php 990 million to Php 900 million by 31 December 2019.

 CL No. 2019-68 dated 22 November 2019 - Adoption of the Code of Ethics for Professional Accountants in the Philippines

Informs all concerned regulated entities of adopting the code of ethics for professional accountants, along with the rotation of accredited external auditors of regulated entities.

 CL No. 2019-69 dated 22 November 2019 - Changes in the Approved Life Insurance Policy Forms

Prescribes selected items for changes in the life insurance policy forms without needing approval of the Commissioner, and some items subject to some conditions upon change.

 CL No. 2019-70 dated 02 December 2019 – Accounting of Right-Of-Use Assets and Related Lease Liability for Statutory Reporting

Issues guidelines on inclusion of "Right-Of-Use (ROU) Asset" and corresponding "Lease Liability" in the Statement of Financial Position under Financial Reporting Framework, and its corresponding risk charge under Risk-Based Capital 2 Framework.

• CL No. 2019-71 dated 17 December 2019 - Product Oversight and Guidance

Informs all concerned regulated entities of the guidelines on product oversight and governance of life insurance companies, including product inventory, product approval process, target market, product testing, distribution channels and information disclosure to sellers, monitoring and review of insurance products, and transitory provision.

 CL No. 2019-72 dated 17 December 2019 - Guidelines on Approval of Life Insurance Products, Forms and Other Product-Related Requests

Amends the Circular Letter No. 27-2005 on the guidelines for expeditious approval of traditional life insurance products to hasten the approval process of life insurance products, certificates or contracts of insurance, supplementary contracts riders and amendments.

 CL No. 2019-73 dated 23 December 2019 – Submission of Annual Report on the Fire and Motor Car Policies and Bonds Issued

Informs all concerned regulated non-life insurance entities of the guidelines for submission of annual report on the fire and motor car policies and bonds issued, including templates and penalty for non-compliance to the guidelines.

 CL No. 2019-74 issued on 27 December 2019 - Guidelines on Security Deposit Requirements

Prescribes to all HMOs the guideline for their security deposits including replacement or withdrawal, classification and documentary requirements.

Other circular letters issued pertaining to anti-money laundering matters, investments, discount rates, licensing guidelines and reportorial requirements are found in the Appendices.

# GROWTH THROUGH PARTNERSHIP WITH GOVERNMENT AGENCIES



Welcoming a visit from Senator Juan Edgardo "Sonny" M. Angara 24 January 2019–Insurance Commission, Manila



Meeting with the Government Service Insurance System
08 February 2019–Insurance Commission, Manila



Meeting with the Land Transportation Office on the Road Transportation
IT Infrastructure Project

08 May 2019-Insurance Commission, Manila



Signing of Memorandum of Agreement with the Philippine Health Insurance Commission as represented by PHIC's President and CEO Ricardo C. Morales

06 November 2019 - Insurance Commission, Manila



Meeting with the Commission on Audit 06 November 2019–Insurance Commission, Manila



MOA Signing of the Anti-Money Laundering Council (AMLC) with HSBC 19 November 2019–Bangko Sentral ng Pilipinas Complex



Meeting with Bangko Sentral ng Pilipinas Governor Benjamin Diokno and Securities and Exchange Commission Chairman Emil Aquino during the Christmas celebrations of the Anti-Money Laundering Council (AMLC)

11 December 2019–Philippine International Convention Center

## **ADVANCEMENT THROUGH** PARTNERSHIP WITH INTERNATIONAL ORGANIZATIONS



Meeting with The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)-- a German development agency headquartered in Bonn and Eschborn that provides services in the field of international development cooperation and international education work

08 January 2019–Insurance Commission, Manila

Courtesy Call of Ms. Serap Oguz Gonulal of the World Bank



Meeting with the Asian Development Bank



Opening Meeting of the Financial Sector Assessment Program with the Asian Development Bank

06 June 2019-Insurance Commission, Manila



Closing Meeting of the Financial Sector Assessment Program with the Asian Development Bank 19 June 2019–Insurance Commission, Manila



Meeting with the International Finance Corporation (IFC)-World Bank 15 April 2019-Insurance Commission, Manila





Meeting with the Asian Development Bank on agricultural insurance 02 December 2019-Insurance Commission, Manila

Courtesy Call of Chartered Financial Analyst Institute 05 September 2019-Insurance Commission, Manila



Reception Dinner AITRI-Toronto Centre Training Program on Risk-Based Approach to Supervising Insurance Companies

14 October 2019 – Dusit Thani Manila Hotel, Makati



Commissioner Funa speaking during the 22nd ASEAN Insurance Regulators' Meeting (AIRM) 23 to 29 November 2019–Nay Pyi Taw, Myanmar



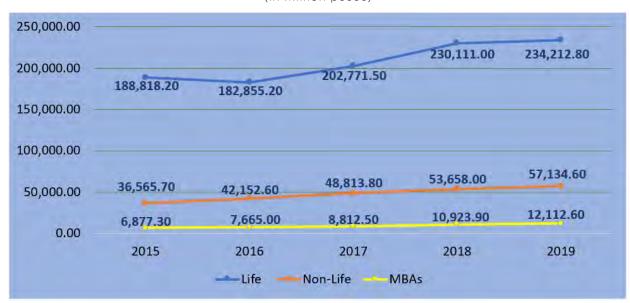
Presiding during the Meeting of the Management Board of the Asian Reinsurance Corporation
08 November 2019–Bangkok, Thailand

# THE INSURANCE INDUSTRY

#### A. OVERVIEW

The insurance industry generated an aggregate premium of \$\frac{2}{3}03.46\$ billion, a 2.97% increase from \$\frac{2}{2}4.69\$ billion in 2018. A composition of Premium Income for life insurance, Net Premiums for non-life insurance and Membership Dues/Contributions for Mutual Benefit Associations (MBAs), all sectors reported relatively higher premiums by 1.78% in the life insurance sector, 6.48% in non-life insurance and 10.88% among MBAs equivalent to premiums of \$\frac{2}{2}34.21\$ billion, \$\frac{2}{2}57.13\$ billion, and \$\frac{2}{2}12.11\$ billion, respectively. The life insurance sector and MBAs comprised \$1.17% of the total premiums while the non-life insurance sector contributed 18.83%.

Chart 1
Premiums Generated by the Private Insurance Industry, 2015-2019
(in million pesos)

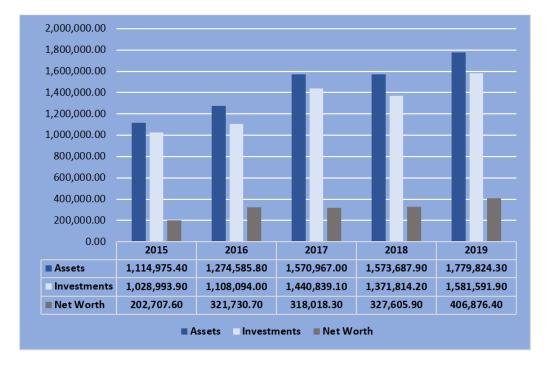


The total assets of the industry rose by 13.10% to ₱1.78 trillion from the previous year's ₱1.57 trillion. Assets of life insurance, non-life insurance and MBA sectors all grew by 13.50%, 10.62% and 13.94%, respectively. Of the total assets, 79.98% was accounted from the life insurance sector while the remaining 20.02% was shared by both non-life insurance and MBA sectors.

The total investments made by the industry encompass 88.86% of the total assets or \$1.58 trillion, of which 87.21% were contributed by the life insurance sector. Likewise, all sectors reported growth in their net worth. The total net worth climbed to \$368.79 billion, a 12.57% increase from \$368.79 billion in 2018.

The life sum assured as percentage of Gross Domestic Product (GDP) continued to grow in the last five (5) years despite the slight slump in 2018. The life sum assured over GDP in 2019 is at 48.97%, which is 3.83 percentage points higher than last year's 45.14%.

Chart 2
Assets, Investments and Net Worth of Private Insurance Industry, 2015-2019
(in million pesos)



ECONOMIC AND INSURANCE DEVELOPMENT DATA	2015	2016	2017	2018	2019
GROSS NATIONAL INCOME (GNI)					
At Current Prices (₱ M)	16,096,913	17,391,141	18,986,667p	20,884,620p	22,315,806p
At Constant Prices (₱ M)	9,134,679	9,735,210	10,389,964p	10,996,296p	11,616,982p
GROSS DOMESTIC PRODUCT (GDP)					
At Current Prices (₱ M)	13,307,265	14,449,925	15,797,503p	17,422,819p	18,613,044p
At Constant Prices (₱ M)	7,593,769	8,113,170	8,668,287p	9,203,113p	9,750,598p
POPULATION (in million persons)	101.6	103.2	104.9p	106.6p	108.3p
PER CAPITA GROSS NATIONAL INCOME (₱)	158,434.2	168,518.8	180,997.8p	195,915.8p	199,997.8p
LABOR FORCE (Average) (In million persons)	41.34	43.36	42.78	43.50	44.69
Employed	39.00	41.00	40.34	41.20	42.43p
Unemployed	2.34	2.36	2.44	2.30	2.26p
EXCHANGE RATE (per US\$)	47.166	49.813	49.923	52.580	50.635
INFLATION RATE	1.40%	1.80%	3.20%p	5.10%	2.50%
INSURANCE DENSITY (₱)	2,286.0r	2,254.1	2,482.3p	2,764.4p	2,802.1p
Life Insurance	1,926.1r	1,845.6	2,017.0p	2,261.2p	2,274.5p
Non-Life Insurance	359.9	408.5	465.3p	503.1p	527.6p
LIFE SUM ASSURED AS % OF G D P	40.07%	40.42%	46.19%p	45.14%p	48.97%p
LIFE SUM ASSURED AS % OF G N I	33.13%	33.58%	38.43%p	37.66%p	40.84%p
PREMIUMS AS % OF G D P	1.75%	1.61%	1.65%p	1.63%p	1.63%p
PREMIUMS AS % OF G N I	1.44%	1.34%	1.37%p	1.36%p	1.36%p
ESTIMATED LIFE INSURANCE COVERAGE	41.27%	46.22%	52.40%p	59.10%p	66.57%p
Life Insurance	24.49%	28.73%	32.91%	36.96%p	41.73%p
Mutual Benefit Associations (MBAs)	16.78%	17.49%	19.49%	22.14%p	24.84%p
n - nealthain ann fianna a - neath ad fianna					

p = preliminary figures r = revised figures

Table 3

Philippine Economic Indicators, Years 2015-2019

The total premium in 2019 is 1.63% of the GDP, while insurance density or the amount of average spending on insurance per individual for 2019 rose to ₱2,802.1, 1.36% higher than the previous year's ₱2,764.4. The market penetration rate has an estimated life coverage of 66.77%, of the 108.3 million total population. This includes MBA members and their dependents.

#### **B. LIFE INSURANCE SECTOR**

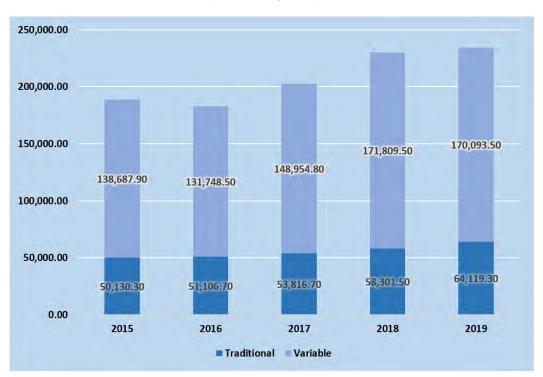
#### **Premium Income**

The premium income generated by the life insurance sector for the year 2019 was reported at \$\frac{p}{2}34.21\$ billion, a slight increase of 1.78% from the \$\frac{p}{2}30.11\$ billion in 2018. This minimal increase in premium income is caused by a \$\frac{p}{1}.7\$ billion drop of premiums from variable insurance which forms 72.62% of the total premiums from \$\frac{p}{1}71.81\$ billion in 2018 to \$\frac{p}{1}70.09\$ billion in 2019. The other lines of business all posted increases amounting to a total of \$\frac{p}{5}.82\$ billion pulling the premium income of the life insurance industry to a positive change.

First year premiums accounted for 21.92% of the total premium income in 2019 while single and renewal premiums accounted for 23.00% and 55.07%, respectively.

Chart 3

Premium Income of Private Life Insurers for Traditional and Variable Products
(in million pesos)



#### **New Business**

For the year 2019, New Business Annual Premiums for both traditional and variable life insurance increased. Traditional life insurance annual premiums expanded by 26.17%, along with the number of policies, and insured lives with changes of 51.21% and 20.07%, respectively.

Variable life insurance products also had a positive movement of 3.57% compared to the previous year's performance. The number of policies and number of insured lives increased by 14.50 % and 15.32% correspondingly.

V	Policies		Policies Insured Lives		Annual Premium		Sum Assured	
Year	Number	% Change	Number	% Change	₱ billion	% Change	₱ billion	% Change
A. Traditional Insurance Products								
2019	414,050	51.21	15,161,943	20.07	17.55	26.17	1,535.59	14.74
2018	273,827	23.84	12,627,520	72.74	13.91	1.46	1,338.34	19.09
2017	221,116	(22.40)	7,310,260	(28.81)	13.71	23.51	1,123.80	(10.56)
2016	284,940	31.81	10,268,039	2.33	11.1	6.73	1,256.48	1.50
2015	216,173	(20.85)	10,034,417	(6.36)	10.4	2.56	1,237.92	(21.18)
B. Variable Li	fe Insurance P	roducts						
2019	914,987	14.50	876,278	15.32	39.18	3.57	861.33	42.90
2018	799,094	33.45	759,865	33.59	37.83	14.39	602.77	31.37
2017	598,816	21.14	568,788	22.84	33.07	11.27	458.82	25.97
2016	494,335	3.70	463,030	4.79	29.72	4.72	364.23	10.55
2015	476,711	29.65	441,846	28.97	28.38	37.7	329.47	25.77

Table 4

New Business Generated, 2015-2019

Similarly, the Total Sum Assured for new business under variable and traditional products both increased by 42.90% and 14.74%, respectively.

#### **Terminations**

Types of Policies	Death	Maturity	Surrender	Lapsation	Expiry	Others	TOTAL			
Number of Policies										
Ordinary	8,125	41,212	37,068	72,604	11,397	11,349	181,755			
Group & Industrial	1,352	2	-	2,012	1,836	344	5,546			
Accident	169	10	18	44,197	48,199	240	92,833			
Health	15	407	400	2,736	42,341	72	45,971			
Variable Life	4,020	11,121	130,337	197,900	730	326	344,434			
TOTAL	13,681	52,752	167,823	319,449	104,503	12,331	670,539			
			Insured	Lives						
Ordinary	7,875	39,407	35,651	72,087	10,999	10,908	176,927			
Group & Industrial	56,688	20,503	437	1,480,965	11,893,052	1,182,225	14,633,870			
Accident	1,831	9	20	124,927	986,852	25,355	1,138,994			
Health	15,268	406	399	12,982	356,299	8,997	394,351			
Variable Life	3,780	10,418	121,057	192,014	730	396	328,395			
TOTAL	85,442	70,743	157,564	1,882,975	13,247,932	1,227,881	16,672,537			
		Termir	nated Sum As	sured (₱ billior	1)					
Ordinary	2.32	9.99	16.27	40.1	2.87	(3.2)	68.4			
Group & Industrial	6.01	9.59	0.05	306.28	956.18	207.4	1,485.5			
Accident	0.08	0.01	0.01	28.63	70.15	6.54	105.4			
Health	0.34	0.04	3.98	70.09	30.78	0.28	105.5			
Variable Life	3.01	5.86	77.07	155.22	0.73	6.98	248.9			
TOTAL	11.76	25.49	97.38	600.32	1060.71	218	2,013.7			

Table 5

Terminated Insurance Policies and Sum Insured as of 31 December 2019

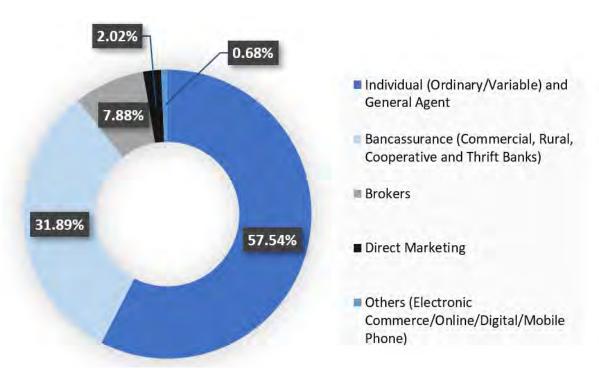
The number of terminated life insurance policies increased by 27.72% to a total of 670,539 against the previous year's 525,014. Over the years, lapsation is still the most common reason for termination of policies, representing 47.64% of the total terminated insurance policies. This is followed by surrender and expiry with 25.03% and 15.58%, respectively.

Sum Assured of terminated policies was at \$2.01 trillion, 7.46% higher compared to the previous year's \$1.87 trillion. The group and industrial policies accounted for 73.77% of the total terminations.

#### **Distribution Channel Mix**

Total Premiums on Direct Business amounted to \$241.09 billion. Licensed individuals (ordinary/variable) and general agents are still the most common form of distribution channel in 2019 accounting for 57.54% of all premiums on direct business. Similar to 2018, marketing through banks such as commercial and rural banks is the second most common distribution channel at 31.89% of direct premiums. Brokers come in at third, contributing 7.88%. Direct premiums from these three distribution channels add up to 97.30%.

Chart 4
Distribution Channel Mix of the Life Sector, 2019



#### Insurance in Force

The total number of in-force policies for traditional and variable life products increased by 12.30% from 5,789,822 in 2018 to 6,501,900 in 2019. In-force policies consist of 53.5% variable life insurance and 46.5% traditional life insurance. Although both types of products showed an increase in the number of policies, variable life insurance policies had a higher growth year-on-year at 20.57% compared to just 4.08% growth for traditional life insurance policies. Health policies and Group and Industrial policies both decreased for 2019 by 20.73% and 0.19%, respectively.

The increase in the number of policies resulted in a 15.90% increase in sum assured and a 1.78% increase in premium income for all life insurance products. For traditional life insurance products, an increase was also noted for Sum Assured (by 6.18%) and Premium Income (by 9.98%). However, while the Sum Assured increased by 46.74% for variable life insurance products, the Premium Income dipped by 1.0%.

Number of Policies		Sum Assured			Premium Income				
Types of Policies	In	sured Lives		(In	billion peso	s)	(In	billion po	esos)
	2018	2019	% Change	2018	2019	% Change	2018	2019	% Change
A. Traditional Insurar	nce Products								
Ordinary	2,194,072 <b>2,140,363</b>	2,217,337 2,162,304	1.06 1.03	855.21	938.61	9.75	30.22	31.90	5.56
Group & Industrial	473,615 32,212,062	472,728 37,048,139	(0.19) (15.01)	4,752.71	4,957.16	4.30	18.80	20.72	10.21
Accident	172,049 1,502,483	281,747 1,699,200	63.76 13.09	216.10	218.16	0.95	1.71	2.00	16.96
Health	65,061 <b>824,137</b>	51,571 989,804	(20.73) (20.10)	155.81	235.23	50.97	7.57	9.50	25.50
SUB-TOTAL	2,904,797 36,679,045	3,023,383 <b>41,899,447</b>	4.08 14.23	5,979.83	6,349.16	6.18	58.30	64.12	9.98
B. Variable Life Insura	ance Products								
	2,885,025 2,723,968	3,478,517 3,294,649	20.57 20.95	1,884.57	2,765.39	46.74	171.81	170.09	(1.00)
GRAND TOTAL	5,789,822 39,403,013	6,501,900 45,194,096	12.30 14.70	7,864.40	9,114.55	15.90	230.11	234.21	1.78

Table 6

Life Insurance in Force/Premium Income, 2018-2019

#### **Summary of Operations**

PARTICULARS		LIFE	
PARTICULARS	Domestic	Foreign	Total
Underwriting Income	80.29	167.13	247.42
Premium Income	83.39	150.82	234.21
Less: Inc./(Dec) in Reserves	10.40	12.79	23.19
Commissions Earned	0.00	1.03	1.03
Income from Variable	6.22	20.85	27.07
Other Underwriting Income	1.08	7.22	8.30
Less: Underwriting Expenses	65.17	138.31	203.48
Benefit Payments	39.26	43.53	82.79
Commissions Expenses	5.98	19.30	25.28
Premium Tax Incurred	0.69	1.07	1.76
Expense from Variable	14.11	68.55	82.66
Other Underwriting Expenses	5.13	5.86	10.99
Underwriting Gain/Loss	15.12	28.82	43.94
Add: Gross Investment Income	12.62	24.24	36.86
Other Income/Expenses	-0.28	1.99	1.71
SUB – TOTAL	27.46	55.05	82.51
Less: Taxes other than Premium & Income Tax	1.55	2.58	4.13
Other General Expenses	13.28	26.25	39.53
Income Tax	1.59	0.62	2.21
Net Income / Loss for the year including Capital Gains	11.04	25.60	36.64

Table 7

Summary of Operations of Life Insurance Sector 2019 (in billion pesos)

The Net Income of the life insurance industry went up to \$36.64 billion in 2019, a 39.37% increase from the previous year's \$26.29 billion. This can be attributed to a 303.43% increase in Income from Variable Life Insurance from \$6.71 billion in 2018 to \$27.07 billion in 2019 and relatively stagnant underwriting expense.

Majority or 65.59% of the life insurance industry Underwriting Gain came from foreign life insurers. Domestic life insurers were able to contribute \$\psi\$15.12 billion or 34.41% of the total underwriting gain. In total, the life insurance industry's underwriting gain improved by 53.05% or \$\psi\$15.23 billion compared to 2018. However, this improvement was tempered by the increase in Other General Expenses of \$\psi\$8.87 billion.





#### **Investments**

The foreign companies' investments are more than twice that of domestic companies in the Philippines in 2019. Foreign companies contributed 69.19% of the #1.38 trillion investments of the life insurance industry. Investment of foreign insurance companies increased by 16.9% compared to 2018 while those of domestic companies increased by 8.34%. The total investments increased by 14.14% compared to the previous year.

DADTICHI ADC		LIFE	
PARTICULARS	Domestic	Foreign	Total
Government Securities	91.83	284.53	376.36
Private Securities	33.90	50.32	84.22
Equities	45.96	15.29	61.25
Investment Property	12.43	9.07	21.50
Mortgage Loans and other Similar Loans	4.04	0.49	4.53
Collateral Loans	6.39	0.00	6.39
Guaranteed Loans	0.07	4.21	4.28
Policy Loans	8.88	19.16	28.04
Other Loans	2.75	0.56	3.31
Unquoted Debt Securities	2.48	0.00	2.48
Other Receivables	0.45	15.89	16.34
Investments in Subsidiaries, Associates and Joint Ventures	6.69	11.92	18.61
Mutual Funds/UITF/Real Estate Investment Trusts/ Other Funds	2.19	2.55	4.74
Time Deposits	12.04	9.19	21.23
Segregated Fund Assets	194.87	531.17	726.04
TOTAL	424.97	954.35	1,379.32

Table 8
Invested Assets of Life Insurance Sector by Category, 2019
(in billion pesos)

Segregated fund asset investments or variable universal life investments is still the majority of the Total Investments accounting for 52.64% followed by government securities with 27.29% and private securities at 6.11%.

#### **Balance Sheet**

As of year-end 2019, the total assets of the life insurance industry amounted to \$\frac{p}\$1.42 trillion, a 13.50% increase from the previous year's \$\frac{p}\$1.25 trillion. A huge part of the assets of the industry are Segregated Fund Assets and Available for Sale Financial Assets. These two make up 83.8% of the total assets of the industry. Foreign companies hold 68.68% of the total assets compared to 31.32% for the domestic companies. Of note also is the 5,148.7% increase in Accounts Receivable from \$\frac{p}{0}.37\$ billion in 2018 to \$\frac{p}{1}9.42\$ billion in 2019.

PARTICULARS	Domestic	Foreign	Total
ASSETS			
Financial Assets at FVPL	7.03	11.72	18.75
Held-to-Maturity (HTM) Investments	4.56	2.74	7.30
Available for Sale (AFS) Financial Assets	163.31	338.59	501.90
Loans and Receivables	24.07	39.94	64.01
Investments in Subsidiaries, Associates and Joint Ventures	6.69	11.92	18.61
Segregated Fund Assets	195.05	495.56	690.61
Investment Property	12.43	9.07	21.50
Derivative Assets Held for Hedging	0.00	0.00	0.00
Cash on Hand & in Banks	19.95	24.25	44.20
Investments Income Due and Accrued	1.83	5.67	7.50
Accounts Receivables	0.28	19.14	19.42
Premiums Due and Uncollected	1.70	1.74	3.44
Due From Ceding Companies, net	0.29	0.99	1.28
Funds Held by Ceding Companies, net	0.00	0.00	0.00
Amounts Recoverable from Reinsurers, net	0.95	5.05	6.00
Property and Equipment	4.60	2.85	7.45
Security Fund Contribution	0.00	0.00	0.00
Other Assets	3.09	8.43	11.52
TOTAL ASSETS	<u>445.83</u>	<u>977.66</u>	<u>1,423.49</u>
LIABILITIES			
Legal Policy Reserves	133.28	210.78	344.06
Policy & Contract Claims/Maturities and Surrenders Payables	10.40	13.33	23.73
Due to Reinsurers	1.57	8.01	9.58
Funds Held for Reinsurers	0.00	19.53	19.53
Life Insurance/ Applicant's/ Remittances Unapplied Deposits	1.31	1.27	2.58
Segregated Funds Liabilities	192.81	494.51	687.32
Premium Deposit Fund	5.43	2.36	7.79
Premium Received in Advance	0.58	0.88	1.46
Policyholder's Dividend Due & Unpaid/ Accumulation	7.01	32.10	39.11
Commissions Payable	0.63	1.04	1.67
Return Premiums Payable	0.03	0.00	0.03
Taxes Payable	0.89	1.96	2.85
Accounts/Notes Payable	6.15	14.03	20.18
Deposit for Real Estate Under Contract of Sell	0.01	0.00	0.01
Dividends Payable	0.46	0.04	0.50
Notes Payable	0.00	0.00	0.00
Pension Obligation	2.08	0.12	2.20
Accrual for Long-term Employee Benefits	0.06	0.11	0.17
Accrued Expenses	1.66	6.34	8.00
Derivative Liabilities Held for Hedging	0.00	0.00	0.00
Other Liabilities	3.21	5.73	8.94
TOTAL LIABILITIES	367.57	812.14	1.179.71
NET WORTH			
Paid-Up Capital	12.60	10.42	23.02
Statutory Deposit	0.76	0.00	0.76
Capital Stock Subscribed	0.00	0.22	0.22
Contributed Surplus	1.21	1.52	2.73
Contingency Surplus/Home Office Inward Remittances	0.95	7.20	8.15
Capital Paid-In Capital Excess of Par	3.00	1.42	4.42
Retained Earnings/ Home Account Office	37.67	110.42	148.09
Cost of Share-Based Payment	0.00	0.03	0.03
Reserve Accounts	22.66	32.26	54.92
Remeasurement Gains(losses) on Retirement Pension Asset (Obligation)	(0.59)	2.14	1.55
Treasury stock	0.00	(0.11)	(0.11)
TOTAL NET WORTH	78.26	165.52	243.78
TOTAL LIABILITIES & NET WORTH	<u>44583</u>	<u>977.66</u>	1,423.49

Table 9

Consolidated Balance Sheet of Life Insurers, 2019 (in billion pesos)

The total liabilities of the industry increased by 13.45%, from ₱1.04 trillion in 2018 to ₱1.18 trillion in 2019. Segregated Funds Liabilities and Legal Policy Reserves contributed 58.26% and 29.16%, respectively, of the total liabilities. Funds held for Reinsurers also posted a significant increase of 4,145.65%, from ₱0.46 billion in 2018 to ₱19.53 billion in 2019.

The total net worth increased as well by 13.77% from ₱214.28 billion in 2018 to ₱243.78 billion in 2019.

#### C. NON-LIFE INSURANCE SECTOR

#### **Gross Premiums Written**

The Gross Premiums Written of the Non-Life Insurance Sector has increased by 7.86%, from ₱84.42 billion in 2018 to ₱91.05 billion in 2019. All lines of business relatively increased in 2019 with Casualty posting the highest growth of 12.07%.

Motor Car business also continues to produce the highest gross premiums written amongst all lines of business for the last four (4) years. In 2019, it accounted a 33.32% share from the total premium, followed by Fire and Allied Perils with 32.39%, and then by Casualty with 21.42%.

	20	19	2018		
LINE OF BUSINESS	Amount (₱ B)	% to Total	Amount (₱B)	% to Total	
Fire and Allied Perils	29.49	32.39	27.73	32.85	
Marine	6.76	7.42	6.39	7.57	
Motor Car	30.34	33.32	28.41	33.65	
Casualty	19.50	21.42	17.40	20.61	
Suretyship	4.96	5.45	4.49	5.32	
Life for PR	-	-	(0.00)	-	
TOTAL	91.05	100.00	84.42	100.00	

Table 10

total premium, followed by Fire and Insurance Companies and Professional Reinsurer

Allied Porils with 32 30% and then by

The total gross premiums written comprised of \$\mathcal{P}\$0.10 billion direct business and \$\mathcal{P}\$0.95 billion reinsurance business.

#### **Net Premiums Written**

LINE OF BUSINESS	2019 Amount (₱ B)	2018 Amount (₱ B)	% Increase/ (Decrease)
Fire and Allied Perils	7.19	7.53	(4.52)
Marine	2.18	2.01	8.46
Motor Car	28.55	27.05	5.55
Casualty	13.68	12.36	10.68
Suretyship	4.54	4.17	8.87
Life for PR	0.99	0.51	94.12
TOTAL	57.13	53.63	6.53

Table 11

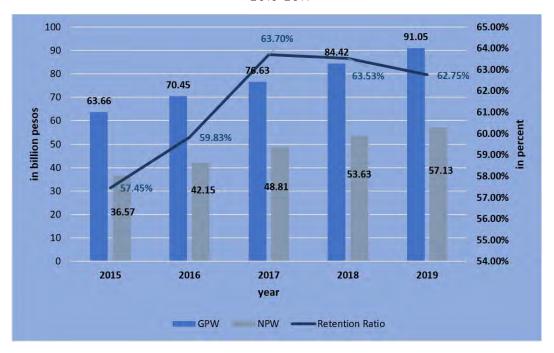
Net Premiums Written of Private Non-Life Insurance Companies & Professional Reinsurer 2018-2019 Net Premiums Written rose by 6.53% or ₱3.50 billion from ₱53.63 billion to ₱57.13 billion year-on-year. Most of the lines posted increases compared to 2018 except for Fire and Allied Perils which declined by 4.52%.

Meanwhile, the Motor Car Business accounts for almost 50% of the total net premiums written despite lesser growth from 2018. It continued to contribute the highest Net Premiums Written among other lines of business which amounted to \$28.55 billion, followed by Casualty with \$13.68 billion, and then by Fire and Allied Perils by \$7.19 billion consistent with the trend for the last four (4) years.

The non-life insurance sector retention ratio (net premiums written over gross premiums written), has recorded a slight decline from 63.53% to 62.75%. The downward trend has been recorded for the last three years.

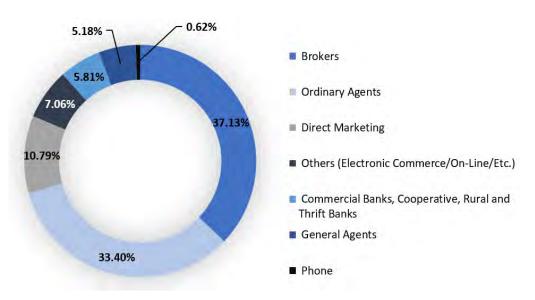
Chart 5

Gross Premiums Written (GPW), Net Premiums Written (NPW) and Retention Ratio of Non-Life Insurance Sector, 2015-2019



#### **Distribution Channel Mix**

Chart 6
Distribution Channel Mix of the Non-Life Insurance Sector, 2019



The highest premiums on direct business amounting to 37.13% or \$33.44 billion from the total premium production are sourced through the Brokers. This is followed by the Ordinary Agents producing 33.40% or \$30.08 billion of premiums, while Direct Marketing and Commercial Banks contributed 10.79% or \$9.72 billion and 5.54% or \$4.99 billion in premium production, respectively. The remaining 13.13% or \$11.82 billion is shared by Cooperative, Rural, and Thrift Banks, Phone, and other distribution methods.

#### **Premiums Earned**

In 2019, Premiums Earned (reflected in table 12) posted a growth of 8.82% or \$\mathcal{P}4.58\$ billion from \$\mathcal{P}51.94\$ billion to \$\mathcal{P}56.52\$ billion. The positive production in Premiums Earned is a result of an increase in all lines of business for the year-ended December 2019. Motor Car business once more posted the highest premiums earned of \$\mathcal{P}27.59\$ billion, comprising 48.81% of the total premiums earned.

		2019			2018	
LINE OF BUSINESS	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)	Losses Incurred (₱ B)	Premiums Earned (₱ B))	Loss Ratio (%)
1. Fire and Allied Perils	6.26	8.48	73.77	4.82	7.01	68.76
a. Fire	5.59	6.14	91.04	3.63	4.69	77.40
b. Earthquake /Fire/shock	0.76	1.28	59.38	0.11	1.39	7.91
c. Typhoon	(0.08)	0.49	(16.53)	0.66	0.46	143.48
d. Flood	0.02	0.34	5.00	0.29	0.27	107.41
e. Extended Coverage	(0.03)	0.23	(13.04)	0.13	0.20	65.00
2. Marine	0.48	2.22	21.62	0.61	2.01	30.35
a. Marine Cargo	0.28	1.62	17.28	0.32	1.59	20.13
b. Aviation	0.06	0.10	60.00	0.03	0.08	37.50
c. Marine Hull	0.14	0.50	28.00	0.26	0.34	76.47
3. Motor Car	15.20	27.59	55.09	12.67	26.12	48.51
a. PPAI	0.01	0.28	3.57	0.01	0.05	20.00
b. CMVL-LTO	0.02	0.55	3.64	0.14	0.43	32.56
c. CMVL-Non-LTO	0.18	2.38	7.56	0.15	1.97	7.61
d. Other Than CMVL-LTO	0.09	0.30	30.00	0.10	0.25	40.00
e. Other Than CMVL-Non- LTO	14.90	24.08	61.88	12.27	23.42	52.39
4. Casualty	5.02	14.05	35.73	4.34	12.75	34.04
a. Health	1.74	3.89	44.73	1.35	2.97	45.45
b. Personal Accident	1.11	3.99	27.82	1.03	3.72	27.69
c. Engineering	0.45	1.22	36.89	0.42	1.37	30.66
d. Miscellaneous	1.72	4.01	42.89	1.54	4.21	36.58
e. Life, for Prof. Reinsurer	-	0.94	-	-	0.48	-
5. Suretyship	0.27	4.18	6.46	0.17	4.05	4.20
TOTAL	27.23	56.52	48.17	22.61	51.94	43.53

#### Table 12

Premiums Earned, Losses Incurred and Loss Ratios of Non-Life Insurance Companies and Professional Reinsurer
2018-2019

#### **Losses Incurred**

The Total Losses Incurred by the Non-Life Insurance Sector grew to ₱27.23 billion in 2019, up by 20.42% or ₱4.62 billion from ₱22.61 billion reported in 2018.

The overall loss ratio for this year is marginally higher by 4.64 points year-on-year, a 10.66% increase from 43.53% in 2018 to 48.17% in 2019. The highest loss ratio equivalent to 73.77% was noted in Fire and Allied Perils, followed by Motor Car and Casualty with 55.09% and 35.73%, respectively. Meanwhile, losses incurred by Marine Business significantly declined by 21.31% which led to a decrease in its loss ratio to 21.62%. Suretyship, however, posted an increase of 53.88% in its loss ratio for the end of December 2019 to 6.46% from 4.20% in 2018.

#### **Summary of Operations**

In 2019, the sector reported a net income of \$p\$3.45 billion, lower by 6.76% than that of last year's \$p\$3.7 billion. This is mainly due to the increase in the underwriting expenses by 14.80% from \$p\$41.61 billion to \$p\$47.77 billion and other general expenses by 8.02% from \$p\$13.97 billion to \$p\$15.09 billion, y-o-y.

Likewise, income earned from investments grew to ₱3.97 billion, up by 33.22% in 2019 from ₱2.98 billion in 2018.

Despite the decrease in net income generated by the non-life insurance industry, domestic companies continue to perform well compared with foreign companies.

DADTICI II ADS	NON-LIFE			
PARTICULARS	Domestic	Foreign	Total	
Underwriting Income	49.28	12.13	61.41	
Premiums Earned	45.68	10.84	56.52	
Commissions Earned	3.39	1.15	4.54	
Other Underwriting Income	0.21	0.14	0.35	
Less: Underwriting Expenses	37.78	9.99	47.77	
Losses Incurred	21.64	5.59	27.23	
Loss Adjustment Expenses	0.27	0.09	0.36	
Commission Expenses	12.11	3.45	15.56	
Premium Tax Incurred			-	
Other Underwriting Expenses	3.76	0.86	4.62	
Underwriting Gain/Loss	11.50	2.14	13.64	
Add: Gross Investment Income	3.26	0.71	3.97	
Other Income/Expenses	2.40	0.20	2.60	
SUB – TOTAL	17.16	3.05	20.21	
Less: Taxes other than				
Premium and Income Tax	0.43	0.13	0.56	
Other General Expenses	12.13	2.96	15.09	
Income Tax	0.99	0.12	1.11	
Net Income / Loss for the year Including Capital Gains	3.61	(0.16)	3.45	

Table 13

Summary of Operations of Non-Life Insurance Companies & Professional Reinsurer, 2019 (in billion pesos)

#### **Investments**

The invested assets of the Non-Life Insurance Industry expanded by 12.22% or #12.21 billion from #99.91 billion to #112.12 billion y-o-y.

The growth stemmed from the substantial increase in almost all investments except for Private Securities, Stocks and Other Loans which declined by 39.78% or \$\mathcal{P}\$2.17 billion, 19.15% or \$\mathcal{P}\$2.92 billion and 0.04% or \$\mathcal{P}\$0.03 billion, respectively.

Investments in subsidiaries posted a 73.06% increase from \$3.91 billion in 2018 to \$\pi\$14.14 billion in 2019. Fixed Deposits also rose by 22.55% from the previous year's amount of \$\pi\$16.14 billion to \$\pi\$20.84 billion the following year.

DADTICI II ADC	ı	NON-LIFE			
PARTICULARS	Domestic	Foreign	Total		
Government Securities	30.41	8.83	39.24		
Private Securities	9.46	4.42	13.88		
Stocks	11.34	0.99	12.33		
Investment Property	6.03	0.10	6.13		
Mortgage Loans	0.68	0.00	0.68		
Collateral Loans	0.00	-	0.00		
Guaranteed Loans	-	-	-		
Other Loans	0.68	0.07	0.75		
Unquoted Debt Securities	1.48	-	1.48		
Investments in Subsidiaries, Associates and Joint Ventures	14.10	0.04	14.14		
Mutual Funds/UITF/Real Estate Investment Trusts/ Other Funds	2.17	0.47	2.64		
Fixed Deposits	17.46	3.38	20.84		
TOTAL	93.81	18.31	112.12		

Table 14

Invested Assets by Category of Non-Life Insurance Companies and Professional Reinsurer, 2019
(in billion pesos)

Moreover, the Government Securities which comprise 35% of the total investments remained firm and grew by 16.82% or \$5.65 billion in 2019 which amounted to \$39.24 billion from \$33.59 billion in 2018.

Of the total invested assets, Domestic Non-Life Insurance Companies placed 83.67% or \$93.81 billion while Foreign Non-Life Insurance Companies placed 16.33% or \$18.31 billion.

#### **Balance Sheet**

Total assets of the Non-life Insurance Industry maintained its growth momentum in 2019, with an increase of 10.63% or ₱24.77 billion from ₱233.13 billion to ₱257.90 billion y-o-y.

Meanwhile, total liabilities stood at \$170.97 billion, 10.59% or \$16.37 billion higher than that of the previous year. Claims Liabilities which comprised 43.35% of the total liabilities rose by 10.14% from \$67.29 billion to \$74.11 billion while Premium Liabilities which constitutes 26.44% of the total liabilities likewise appreciated by 10.97% from \$40.74 billion to \$45.21 billion y-o-y.

Further, the industry continues to remain profitable with a substantial growth in net worth by 10.70% or \$8.40 billion from \$78.53 billion in 2018 to \$86.93 billion in 2019. Paid-Up Capital accounts for 41.23% of the total net worth amounting to \$\psi 35.84 billion.

PARTICULARS	Domestic	Foreign	Total
ASSETS			
Financial Assets at FVPL	2.14	1.38	3.52
Held-to-Maturity (HTM) Investments	17.93	5.36	23.29
Available for Sale (AFS) Financial Assets	33.31	7.97	41.28
Loans and Receivables	2.85	0.08	2.93
Investments in Subsidiaries, Associates and Joint	14.10	0.04	14.14
Investment Property	6.03	0.10	6.13
Derivative Assets Held for Hedging	-	-	-
Cash on Hand & in Banks	29.72	4.85	34.57
Premiums Receivable, net	20.42	2.91	23.33
Due from Ceding Companies, net	5.67	1.19	6.86
Funds Held by Ceding Companies, net	0.41	0.01	0.42
Loss Reserve Withheld by Ceding Companies, net	0.25	1.45	1.70
Amounts Recoverable from Reinsurers, net	48.82	6.43	55.25
Other Reins. Accts. Receivable, net	0.09	-	0.09
Surety Losses Recoverable	0.24	0.06	0.30
Investments Income Due and Accrued	0.23	0.07	0.30
Accounts Receivable	0.53	0.02	0.55
Property and Equipment	11.86	0.54	12.40
Security Fund Contribution	0.01	0.00	0.01
Other Assets	25.49	5.34	30.83
TOTAL ASSETS	220.10	37.80	257.90
TOTALASSEIS	220.10	37.00	237.50
LIABILITIES			
Claims Liabilities	63.44	10.67	74.11
Premium Liabilities	38.30	6.91	45.21
Due to Reinsurers	17.49	3.75	21.24
Funds Held for Reinsurers	2.87	1.45	4.32
Commissions Payable	3.04	0.64	3.68
Return Premiums Payable	0.00	-	0.00
Taxes/Licenses Payable	6.40	0.94	7.34
Deposit for Real Estate under Contract to Sell	0.00	_	0.00
Cash Collaterals	1.32	_	1.32
Account Payable	4.98	0.74	5.72
Dividends Payable	0.01	0.01	0.02
Financial Liabilities at Fair Value Through Profit and Loss	0.00	-	0.00
Accrued Expenses	0.77	0.23	1.00
Derivative Liabilities Held for Hedging	0.02	-	0.02
Notes Payable	0.41	_	0.41
Other Liabilities	4.86	1.72	6.58
TOTAL LIABILITIES	143.91	27.06	170.97
	210,02	27,00	270107
NET WORTH			
Paid-Up Capital/Statutory Deposits	28.90	6.94	35.84
Deposit for Future Subscription	1.38	0.02	1.40
Capital Stock Subscribed	1.86	-	1.86
Contributed Surplus/Home Office Inward Remittances	3.11	0.19	3.30
Contingency Surplus	5.89	1.29	7.18
Capital Paid in Excess of Par	5.92	0.28	6.20
Retained Earnings/Home Office Account	22.53	1.57	24.10
Cost of Share-Based Payment	0.04	0.04	0.08
Total Reserve Accounts	8.26	0.49	8.75
Remeasurement Gains (Losses) on Retirement, Pension	(0.59)	(0.00)	(0.67)
Asset (Obligation)	(0.35)	(0.08)	(0.07)
Treasury Stock	(1.11)	(0.00)	(1.11)
TOTAL NET WORTH	76.19	10.74	86.93
TOTAL LIABILITIES & NET WORTH	220.10	37.80	257.90

#### Table 15

Consolidated Balance Sheet of Non-life Insurance Companies and Professional Reinsurer, 2019
(in billion pesos)

#### D. MUTUAL BENEFIT ASSOCIATIONS

Total assets of the thirty-five (35) licensed Mutual Benefit Associations (MBAs) grew by 13.95% in 2019, from \$86.39 billion in the past year to \$98.44 billion as of the year end. Regular MBAs, which covered 74.30% of the total assets, reported a slight increase of 9.10%, from \$67.01 billion in 2018 to \$73.11 billion this 2019. Micro MBAs, which had the remaining 25.60%, posted an increase of 30.70% this year.

Total liabilities amounted to \$\frac{1}{2}60.35\$ billion, a 16.93% increase over the previous year's \$\frac{1}{2}51.61\$ billion. Total member's equity likewise increased by 9.49%, from \$\frac{1}{2}34.79\$ billion last year to \$\frac{1}{2}38.09\$ billion in the year under review.

Total invested assets reached ₱90.15 billion, 42.06% higher than that of the previous year, of which 74.80% was accounted from the regular MBAs and 25.20% from the micro MBAs. Most of the investments were placed in bonds at 47.62% and loans at 33.35%.

Mutual Benefit Associations generated total premiums of \$\mathcal{P}\$12.11 billion, up by 10.90% compared to 2018. This can be attributed to the increase in net premiums and net members' contribution by 12.68% and 9.61%, respectively.

Total net income reported by the MBAs as of the year end amounted to \$6.04 billion, 18.20% increase from \$5.11 billion in 2018. This was brought about by the income earned from their investments which posted a 53.32% increase compared to the previous year.

Particulars	2018	2019	% Increase/ (Decrease)
	(in billio	n pesos)	mercuse, (Bearcuse)
Assets	86.39	98.44	13.95
micro	19.38	25.33	30.70
regular	67.01	73.11	9.10
Liabilities	51.61	60.35	16.93
micro	14.54	18.85	29.64
regular	37.07	41.50	11.95
Members' Equity	34.79	38.09	9.49
micro	4.84	6.48	33.88
regular	29.94	31.61	5.58
Guaranty Fund	0.97	1.14	17.53
micro	0.55	0.67	21.82
regular	0.42	0.47	11.90
Invested Assets	63.46	90.15	42.06
micro	18.89	22.73	20.33
regular	44.57	67.42	51.27
Premiums	10.92	12.11	10.90
micro	4.70	5.31	12.98
regular	6.22	6.80	9.32
Net Income	5.11	6.04	18.20
micro	1.09	1.46	33.94
regular	4.02	4.58	13.93
No. of Licensed MBAs	35	35	-

Table 16

#### E. INSURANCE AND REINSURANCE BROKERS

Insurance and reinsurance brokers total premiums contribution to the insurance industry totaled \$77.74 billion, up by 8.51% from \$71.64 billion in 2018. Of this, Insurance Brokers generated 96.96% or \$75.38 billion, an increase of 11.08% from the previous year's \$67.86 billion while the reinsurance brokers shared the remaining 3.04%. Health insurance business is still the major contributor with 29.69% of the total premiums produced by the insurance brokers this year followed by fire with 23.35% and life insurance with 15.30%. On the other hand, commissions earned by insurance brokers posted an increase of 4.11% while reinsurance brokers showed a decrease of 22.97%.

Line of	Insurance	Brokers	Reinsurar	ice Brokers
Business	Premiums	Commissions	Premiums	Commissions
Life	11,531.52	1,044.70	2.97	0.07
Fire	17,597.82	1,603.69	1,273.12	73.35
Ocean Marine	959.54	161.95	64.09	3.22
Inland Marine	504.91	99.12	32.57	2.21
Marine Hull	993.89	88.57	129.82	18.45
Aviation	1,130.88	25.55	29.23	3.33
Fidelity & Surety	1,471.46	389.27	30.03	1.49
Motor	6,729.84	1,641.83	33.94	3.02
Health	22,380.10	1,864.22	0.30	0.08
Accident	2,872.68	352.10	97.75	8.12
Engineering	4,247.43	367.69	318.01	9.45
Miscellaneous	2,715.14	550.18	348.84	23.02
HMO	2,242.87	295.25	-	-
Total	75,378.08	8,484.12	2,360.67	144.81

Table 17

Brokers' Business Operations, 2019 (in million pesos)

## THE PRE-NEED INDUSTRY

In 2019, the Pre-Need Industry comprised seventeen (17) companies, of which fourteen were licensed at the end of the year, and three were servicing companies. As compared to 2018, there were sixteen (16) licensed companies.

The assets of the industry have grown from \$\mathcal{P}\$121.39 billion in 2018 to \$\mathcal{P}\$131.53 billion in 2019 (8.36%). Of which, most assets were accounted under the Investments in Trust Fund, with \$\mathcal{P}\$111.44 billion or 84.72% of the total assets. Further, the Investments in Trust Funds increased by 8.46% from 2018 comprising 84.65% of the total assets in the said year.

In terms of liabilities, the industry recorded a total of \$\frac{1}{2}13.28\$ billion, higher by 9.06% than in 2018. The liabilities comprised mostly of Pre-Need Reserves, which is 94.78% of the total liabilities. In 2018, the Pre-Need Reserves also had the highest share with 94.71% of the total liabilities.

Particulars	2019	2018	Ina/Das	
Particulars	(in billio	n Pesos)	Inc/Dec	
Assets	131.53	121.39	8.36%	
Liabilities	113.28	103.87	9.06%	
Net Worth	18.26	17.52	4.18%	
Paid-Up Capital	3.65	3.12	16.84%	
Trust Fund	111.44	102.75	8.46%	
Pre-Need Reserves <sup>1</sup>	107.36	98.38	9.14%	
Trust Fund vs Pre-Need Reserves Surplus/(Deficit)	4.08	4.38	(6.79%)	
Investments	122.63	112.05	9.44%	
Premiums	22.04	19.53	12.86%	
Net Income	(0.30)	2.38	(112.69%)	

Licensing Status of Pre-Need Companies			
Number of Licensed Companies	13	16	(18.75%)
Number of Servicing Companies	3	-	
Number of Pre-Need Actuaries	10	6	66.67%
Number of Pre-Need Sales Counselors	14,199	16,705	(15.00%)
No. of Plans Sold	925,370	778,033	18.94%
Life	914,781	764,328	19.68%
Pension	9,710	12,859	(24.49%)
Education	879	846	3.9%

[1] Accounts include Pre-Need Reserves and Planholders' Benefits Payable.

Table 18

Key Statistics of Pre-Need Companies, 2018 and 2019

One of the mandates of the Commission is to ensure that a regulated entity has reserve funds to cover its obligation to planholders' policies and contracts. In case of pre-need companies, the trust fund shall at all times be sufficient to cover the required pre-need reserve liabilities. In 2019, the total Investments in Trust Fund was \$\mathcal{P}\$111.44 billion, while the Pre-Need Reserves was \$\mathcal{P}\$107.36 billion, resulting in a Trust Fund surplus of \$\mathcal{P}\$4.08 billion. In 2018, a surplus of \$\mathcal{P}\$4.38 billion was recorded, higher by 6.79% than in 2019.

The Net Worth of the Pre-Need Industry has a total of \$\frac{p}\$18.26 billion, increased by 4.18% from \$\frac{p}\$17.52 billion in 2018. Reported Capital Stock increased by 5.43% from 2018, and Deposit on Future Subscription increased by 6.57%. Further, the Special Surplus Fund increased by \$\frac{p}\$0.24 billion, Fluctuation Reserves on Trust Fund increased by \$\frac{p}\$2.35 billion, and Fluctuation Reserves on Corporate Assets increased by \$\frac{p}\$0.08 billion from 2018.

The total Investments of the Pre-Need Industry in 2019 was \$\mathbb{P}\$122.63 billion, higher by 9.44% than in 2018. Investments in Government Securities, Stocks, and Other Investments had the highest shares among invested assets in 2019, with 52.08%, 17.39%, and 13.40%, respectively. In the previous year, Government Securities, Stocks, and Mutual Funds had the highest shares in the invested assets.

In terms of the Net Income, the Pre-Need Industry experienced Net Loss of \$0.3 billion, as compared to the Net Income in 2018 of \$2.38 billion. The major contributor to the Net Loss experienced by the industry is the increase in all expense accounts. While the Industry's Direct Income increased in 2019 compared to 2018 because of increase in premiums, the Benefit Payments and other direct expenses rose even higher.

The number of plans sold by the Pre-Need Industry increased from 778,033 in 2018 to 925,370 in 2019. Further, it may be observed that Life Plans sold increased by 19.68%, Pension Plans sold decreased by 24.49%, and Educational Plans increased by 3.9% in 2019.

# THE HEALTH MAINTENANCE ORGANIZATIONS

The total number of licensed Health Maintenance Organizations (HMOs) in 2019 added up to thirty-two (32) organizations compared to the previous year's thirty-one (31). Forticare Health Systems International is the new addition to the industry.

The industry's total assets improved from ₱30.72 billion to ₱46.67 billion, a remarkable 51.92% increase from the previous year's data. Investment in Subsidiaries, Associates, and Joint Ventures, Cash and Cash Equivalents, and Trade Receivables made up more than half of the industry's total assets at ₱26.28 billion.

Compared to the previous year's #24.38 billion, the total liabilities of the HMO industry posted an increase of 60.75% in 2019 reaching #39.19 billion. This increase is rooted from the major growth of the industry's Unearned Membership Fees, Accounts Payable and Claims Payable, which comprised 62.32% of the overall industry total liabilities.

The HMO reported a total net worth of ₱7.48 billion, a 17.98% increase over the previous year's ₱6.34 billion. This can be traced down to the increase in the industry's retained earnings of 14.58% or ₱0.54 billion against the previous year's data. It can also be noted that 38.10% of the total net worth in 2019 comprised of Capital Stock.

The significant increase in other underwriting expenses of 100,614.11% or ₱0.76 billion and the decrease in enrollment fees by 38.12% resulted to the decrease in the HMO's Net Income of 19.32% or ₱1.42 billion compared to ₱1.76 billion in 2018.

Invested Assets this year significantly increased to ₱15.58 billion, a 78.47% increase from the previous year's ₱8.73 billion. This can be attributed to the substantial increase in Investment in Associates by 11,035.10%, Investment Subsidiaries in Associates by 6,030.72% and Investment Property by 8,107.55%.

PARTICULARS	2018 (in billio	2019 n pesos)	%Increase (Decrease)
Assets	30.72	46.67	51.92
Liabilities	24.38	39.19	60.75
Net Worth	6.34	7.48	17.98
Capital Stock	2.71	2.85	5.17
Invested Assets	8.73	15.58	78.47
Membership Fees	41.88	49.56	18.34
Healthcare Benefits and Claims	32.32	37.68	16.58
Net Income	1.76	1.42	(19.32)

No. Of Licensed HMOs 31 32 3.23

Health Maintenance Organizations' Key Statistics

2018-2019

PARTICULARS	2019
	(in billion pesos)
Government Securities	1.32
Private Bonds	1.65
Equities	1.03
Mutual Funds/UITF/Other Funds	1.47
Investment in Property	2.73
Time Deposit	2.17
Investment in Subsidiaries	2.10
Investment in Associates	2.62
Loans and Receivables	0.49
Total	15.58

**Table 20**Statement of Investment Assets of HMO, 2019

These three accounts totaled ₱7.46 billion which comprised 47.87% of the total investments of the HMO industry.

Investment in Property holds the largest fraction of Invested Assets this year at \$2.73 billion or 17.52% alongside Investment in Associates and Time Deposit comprising 16.82% and 13.93%, respectively.

## COLLABORATION WITH INDUSTRY STAKEHOLDERS



During one of the regular meetings with the Philippine Life Insurers
Association, Inc. (PLIA)



In discussion with Hans Loozekoot, President of PLIA 31 May 2019–Insurance Commission, Manila



Congratulating the new set of officers of Life Underwriters
Association of the Philippines (LUAP)

10 December 2019–Insurance Commission, Manila



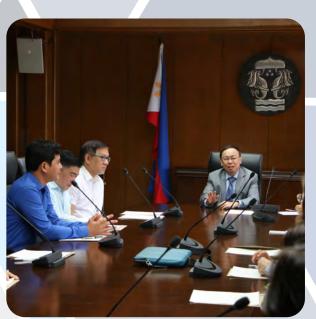
Courtesy call from the Professional Insurance and Financial Advisors
Association of the Philippines (PIFAAP)

06 February 2019–Insurance Commission, Manila



Induction of officers of Association of Service Professionals in Life
Insurance (ASPLI)

06 February 2019-Insurance Commission, Manila



Discussions with the Association of Insurance Accountants of the Philippines (AIAP)

13 March 2019–Insurance Commission, Manila



In consultation with the Officers of the Philippine Insurers Club 07 August 2019-Insurance Commission, Manila



Oath taking of the Home Office Life Underwriters Association of the Philippines (HOLUAP)
08 May 2019–Insurance Commission, Manila



Meeting the Actuarial Society of the Philippines 11 September 2019–Insurance Commission, Manila



Meeting with Association of Philippine Adjustment Companies (APAC) and Philippine Institute of Loss Adjusters (PILA)

02 October 2019–Insurance Commission, Manila



One of the dialogues with the Microinsurance MBA Association of the Philippines, Inc. (MiMAP)
17 October 2019–Insurance Commission, Manila



Visit from the Junior Insurance Executives
14 February 2019–Insurance Commission, Manila



Meeting with the Association of Health Maintenance Organization of the Philippines

09 May 2019-Insurance Commission, Manila



Meeting the Institute of Corporate Directors on Corporate Governance of insurance companies

12 February 2019-Insurance Commission, Manila



**Grand Launching of Etiqa Philippines** 05 November 2019–Shangri-La at the Fort, BGC, Taguig



PFRS 17 Industry Impact Assessment 28 October 28 2019–AIM Conference Center , Makati



Anti-Money Laundering and Countering Financing of Terrorism Training for IC-regulated entities
29 October 29 2019–Bangko Sentral ng Pilipinas Complex, Manila



Special Appearance of football star David Beckham for AIA Philippines
13 October 2019



Speaking during the 60th Anniversary of First Life Financial Co. 12 September 2019



Launching of "We Women" Insurance Program by Malayan Insurance and IFC 12 September 2019



PIRA Insurtech Conference
12 September 2019–Makati Diamond Residences



2019 Management Forum organized by the MiMap 22 July 2019–The B Hotel, Quezon City



Speaker during the 59th Anniversary of Beneficial Life
12 July 2019



Guest of Honor during the 45th Annual General Assembly of 1CISP 12 April 2019



Guest of Honor during the Fortune Life 34th Annual Awards 13 March 2019

### THE GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS)

The Government Service Insurance System (GSIS) reported total assets of  $\rlapat{P}1.31$  trillion in 2019, which improved by 15.81% from last year's  $\rlapat{P}1.14$  trillion. Assets of the life insurance business, which comprised 96.61% of the total assets, rose by 16.03% amounting to  $\rlapat{P}1.27$  trillion from  $\rlapat{P}1.09$  trillion in the previous year. On the other hand, non-life insurance business grew by 9.63%, from  $\rlapat{P}40.62$  billion to  $\rlapat{P}44.53$  billion this year.

PARTICULARS	2018	2019	% Increase/ (Decrease)
Assets	1,135.29	1,314.73	15.81
Life	1,094.67	1,270.20	16.03
Non-Life	40.62	44.53	9.63
Liabilities	1,101.87	1,208.10	9.64
Life	1,091.73	1,197.71	9.71
Non-Life	10.14	10.39	2.47
Net Worth	33.42	106.63	219.06
Life	2.94	72.49	2,365.65
Non-Life	30.48	34.14	12.01
Investments	1,075.72	1,245.65	15.80
Life	1,040.23	1,206.57	15.99
Non-Life	35.49	39.08	10.12
Premiums	118.69	132.31	11.48
Life	115.08	126.56	9.98
Non-Life	3.61	5.75	59.28
Net Income	67.06	96.66	44.14
Life	64.41	94.50	46.72
Non-Life	2.65	2.16	(18.49)

#### Table 21

Government Service Insurance System (GSIS) Key Insurance Statistics, 2018-2019
(in billion pesos)

Total Liabilities of GSIS increased by 9.64%, from ₱1.10 trillion to ₱1.21 trillion this 2019. The aggregate net worth totaled ₱106.63 billion, an increase of 219.06% from its ₱33.42 billion recorded from the previous year. Net worth of the life insurance business increased by a remarkable 2,365.65%, from ₱2.94 billion to ₱72.49 billion as of the year end. This can be attributed to the 266.17% increase in its total reserve accounts.

Total premiums generated by GSIS during the year under review amounted to ₱132.31 billion, up by 11.48% from the previous year's ₱118.69 billion.

GSIS reported a total net income of \$\frac{7}{2}6.66 billion as of the year end, 44.14% higher than last year's \$\frac{7}{6}67.06 billion. The life insurance business posted a significant increase in net income of \$\frac{7}{2}94.50 billion, up by 46.72% compared to \$\frac{7}{2}64.41 billion from the previous year.



RECEPTION HALL, PHILIPPINE INTERNATIONAL CONVENTION CENTER
18 JANUARY 2019



Former Insurance Commissioners Benjamin
C. Santos (Leftmost), Adelita A. Vergel de
Dios (Center) and Emmanuel F. Dooc
(Rightmost) with Former IC Division
Manager Ofelia Castillo (Left), IC Insurance
Specialist II Remedios M. Cruz (center) and
Atty. Celestino Ang



IC Chorale



Insurance Commissioner Dennis B. Funa



Token given to Guest of Honor and Speaker Supreme Court Senior Associate Justice Antonio T. Carpio (R) by Insurance Commissioner Dennis B. Funa (L)



**Entrance of Colors** 



Supreme Court Senior Associate Justice Antonio T. Carpio delivers his speech during the IC's 70th Anniversary Celebration



Turn-over Ceremony of the Legal Research Fund Fee collected by the Insurance Commission for the Year 2018 in the amount of P4,293,042.92 to the University of the Philippines (UP) Law Center, as represented by Atty. Flordeliza C. Vargas-Trinidad, Director of the Office of National Administrative Register, UP Law Center (left)



Insurance Commissioner Dennis B. Funa with the Members of the Philippine Federation of Pre-Need Plan Companies, Inc.



Insurance Commissioner Dennis B. Funa with the Members of the Philippine Chamber of Mutual Benefit Associations, Inc.



Insurance Commissioner Dennis B. Funa with the 2019 Board of Directors and Officers of the Philippine Life Insurance Association, Inc.



Insurance Commissioner Dennis B. Funa with the 2019 Board of Trustees and Officers of the Philippine Insurers and Reinsurers Association, Inc.



Insurance Commissioner Dennis B. Funa with the Members of the Association of Health Maintenance Organization of the Philippines, Inc.

#### INSURANCE COMMISSION

**INSURANCE COMMISSIONER** 

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DEPUTY INSURANCE COMMISSIONER TECHNICAL SERVICES GROUP

DEPUTY INSURANCE COMMISSIONER LEGAL SERVICES GROUP

DEPUTY INSURANCE COMMISSIONER MANAGEMENT SUPPORT SERVICES GROUP

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IC Division Manager INFORMATION SYSTEMS

#### **EDWIN CORNELIUS A. LAUZ**

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#### **GREGORY VINCENT O. FERRER**

IC Division Manager PLANNING AND MANAGEMENT

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#### APPENDICES FOR THE INSURANCE INDUSTRY

(FILES IN THE CD)

Appendix A - Statistical Tables on Insurance - 2019

**Appendix B - Regulatory Issuances on Insurance in 2019** 

Appendix C - Licensed Insurance Companies as of Dec. 31, 2019

Appendix D - Licensed Insurance Brokers as of Dec. 31, 2019

Appendix E - Licensed Reinsurance Brokers as of Dec. 31, 2019

Appendix F - Licensed Insurance Adjusters as of Dec. 31, 2019

Appendix G - Licensed Resident Agents as of Dec. 31, 2019

Appendix H - Licensed Mutual Benefit Associations as of Dec. 31, 2019

Appendix I - Accredited Actuaries as of Dec. 31, 2019

Appendix J - Statistical Tables on Pre-Need - 2019

Appendix K - Regulatory Issuances on Pre-Need in 2019

Appendix L - Statistical Tables on HMOs - 2019

Appendix M - Regulatory Issuances on HMOs in 2019

