



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION



2016

ANNUAL REPORT



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
Manila

November 24, 2017

SECRETARY CARLOS G. DOMINGUEZ III
DEPARTMENT OF FINANCE
Manila

Dear Sir:

We respectfully submit herewith our Annual Report for the year ended December 31, 2016 on the administration of the Insurance Code and the Pre-Need Code, as well as the performance of the insurance and pre-need industries.

Thank you.

Very truly yours,

DENNIS. B. FUNA
Insurance Commissioner

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I. ADMINISTRATION OF INSURANCE AND PRE-NEED CODES

A. Licensing and Market Structure

The Insurance Commission has issued a total of 98 Certificates of Authority (CAs) to 4 composite, 27 life, 66 non-life and 1 professional reinsurer for the license year 2016-2018.

It also granted CAs to 34 mutual benefit associations (MBAs), 22 of which were microinsurance MBAs and 12 were regular MBAs. Likewise, 18 pre-need companies were granted CAs to do business in the country for the license year 2016.

However, in view of non-compliance with the pertinent provisions of R.A. 10607 or the revised Insurance Code and pursuant to Title 15 of the said Code, two insurance companies namely BF General Insurance Co., Inc. and Far Eastern Surety and Insurance Co., Inc. were placed under conservatorship on April 11, 2016 and April 15, 2016 respectively.

Further, merger of Sterling Insurance Company, Inc. and Industrial Insurance Company, Inc. was approved on January 21, 2016 with Sterling Insurance Company, Inc. as the surviving corporation.

During the same year, two insurance companies, Blue Cross Insurance, Inc. and Generali Pilipinas Life Assurance Co., Inc. changed their corporate names to Pacific Cross Insurance, Inc. effective January 1, 2016 and BDO Life Assurance Company, Inc. effective June 30, 2016, respectively. For the license year 2016-2018, a total of 80,258 ordinary and variable life agents were licensed, 58.90% of which were new while 41.10% were active.

To support the insurers and pre-need companies in the conduct of business in the country, licenses and accreditations were also issued to different insurance intermediaries and technical support individuals/entities as shown in Table 2.

Table 1 : Insurance Companies, Mutual Benefit Associations and Pre-Need Companies Authorized to Transact Business in the Philippines As of 31 December 2016					
I. Insurance Companies					
Classification of Companies	Direct Insurers			Prof. Reinsurer	TOTAL
	Composite	Life	Non-Life		
A. Domestic	3	18	58	1	80
B. Foreign*	1	9	8	0	18
Total	4	27	66	1	98
II. Mutual Benefit Associations (MBAs)					
A. Microinsurance MBAs					22
B. Regular MBAs					12
Total					34
III. Pre-Need Companies					
A. Domestic					18

*Foreign companies - with more than 51% foreign participation



Table 2: Licenses/Certificates of Registration Issued to Insurance Intermediaries and Technical Support Individuals/Entities 2016-2018

INTERMEDIARIES	NEW	ACTIVE	TOTAL
Ordinary Agents	26,872	15,212	42,084
<i>Life</i>	19,327	12,845	32,172
<i>Non-Life</i>	7,471	2,306	9,777
<i>Microinsurance</i>	74	61	135
General Agents	30	124	154
<i>Life</i>	4	58	62
<i>Non-Life</i>	26	66	92
Variable Life Agents	20,397	17,777	38,174
Brokers	4	75	79
<i>Insurance</i>	3	57	60
<i>Reinsurance</i>	1	18	19
Pre-Need Sales Counselors	7,873	15,771	23,664
TECHNICAL SUPPORT			
Non-Life Company Underwriters	61	282	343
Resident Agents	24	49	73
Life Insurance Actuaries	24	27	51
Pre-Need Actuaries	3	6	9
Public Adjusters	0	1	1
Independent Adjusters	7	42	49
External Auditors	8	36	44
Firm	5	27	32
Individual	3	9	12



IC inaugurates the Agents' Computerized Examination (ACE) Laboratory last January 2017. Looking at the new system are (right to left) Canadian Ambassador John T. Holmes, Finance Secretary Carlos G. Dominguez III, Deputy Commissioner Dorothy M. Calimag, and Insurance Commissioner Dennis B. Funa.



B. Financial Surveillance

In 2016, the Insurance Commission has conducted on-site and off-site examinations into the affairs, financial conditions and methods of doing business of 94 insurance companies, 31 Mutual Benefit Associations, 19 pre-need companies and 68 insurance and reinsurance brokers to ascertain the solvency and the financial soundness of these covered entities.

As a result of such examination and evaluation of their compliance with the examination requirements, rules and regulations, 119 synopsis (86 non-life and 33 life) covering 2011-2015 Annual Statements were issued for publication in 2016.

C. Tariff Compliance Monitoring

Examinations of premium rates applied on motor car policies, fire policies and bonds issued in favor of the government were conducted to 99 insurance entities (70 non-life and 29 brokers) to monitor compliance with tariff rates and other rules and regulations of the Commission. During the year under review, a total of ₱29.51 million penalty was collected for breach of tariff rates and other findings.

D. Public Assistance, Claims and Adjudication

Pursuant to the mandate of the Insurance Commission to assist the general public on matters relating to insurance and pre-need matters, a total of about 1,749 claims regarding insurance were acted upon/settled and terminated within the prescribed period in 2016. There were also 22 formal cases filed with the Commission during the year. Of these, 8 were settled/ withdrawn/decided while 14 are still on-going as of date.

In addition, 21 administrative cases were decided/settled/resolved, 43 writ/orders for bond liabilities and 666 endorsements/warranties and clauses were issued during the year.

Conferences / meetings conducted IC through its Public Assistance and Mediation Division (PAMD) aims to hasten claims settlement between the policyholders and insurance /preneed providers.





E. Conservation/Receivership/Liquidation

As of the end of 2016, there were 41 insurance companies (37 life and 4 non-life) and 3 mutual benefit associations (MBAs) under conservatorship, receivership or liquidation. Three of these insurance companies (2 non-life and 1 life) were placed under conservatorship during the year to preserve their assets and protect the interest of their policyholders.

F. Security Deposits/Guaranty Fund/Security Fund

The total security deposits lodged with the Bureau of the Treasury combined with the security fund administered by the Insurance Commission and earmarked for the payment of valid claims by reason of insolvency of insurance companies amounted to ₱9.57 billion as of the year-end.

The mutual benefit associations (MBAs), on the other hand, had deposited with the Commission, a combined guaranty fund of ₱0.89 billion to answer for any valid benefit claims of their members.

G. Policies (Plans)/Bond Forms/Reinsurance Treaties

A total of 728 plans and 1,500 contract forms were evaluated and approved during the year. These plans include 284 traditional life, 137 variable life, 241 non-life insurance products, 30 MBA insurance plans and 36 pre-need products.

A total of 312 reinsurance treaties were evaluated and found in order while 536 requests for facultative placements abroad were approved by the Commissioner during the year. Similarly, 451 certifications were issued to ensure the legitimacy of foreign exchange remittances abroad representing payment of premiums, claims/losses or profit/dividends.



IC Officials and personnel dedicated to serve the public with full integrity, commitment and responsibility.

H. Regulatory Updates

To secure the enforcement of the provisions of the Insurance and Pre-Need Codes as well as Executive Order (EO) No. 192 (s. 2015), a total of sixty nine (69) Circular Letters and one (1) Insurance Memorandum Circular were issued by the Commission in 2016.

These issuances ensure the efficient regulation of the insurance and pre-need industries, as well as the health maintenance organizations and protection of the insuring public and policyholders.

The following are the major regulatory issuances:

- **CL No. 2016-04 issued on 27 January 2016 - Launching of the Enhanced Licensing System**
 - Directs all regulated entities of the Insurance Commission to process their new and renewal applications for licenses via the Enhanced Licensing System (ELS) of the Insurance Commission (IC) starting 01 February 2016.
- **CL No. 2016-07 issued on 5 February 2016 - Establishment of a branch outside the Philippines**
 - Promulgates the guidelines in monitoring the activities of branches established outside the Philippines by domestic insurance companies, pursuant to the powers of the Insurance Commissioner under Section 437 of the New Insurance Code.
- **CL No 2016-08 issued on 22 February 2016 - Claims Control Clause**
 - Requires that all new/renewal reinsurance transactions, whether treaty or facultative, shall not be subject to the said claims control clause.
- **CL No. 2016-15 issued on 15 March 2016 - Amendments to Guidelines on Electronic Commerce of Insurance Products**
 - Provides amendments to Circular Letter No. 2014-47 on the Guidelines on Electronic Commerce of Insurance Products.
- **CL No. 2016-16 issued on 23 March 2016 - Guidelines for the Approval of Appraised Value of Real Estate Properties**
 - Promulgates the guidelines to facilitate the processing of requests for approval of the valuation of real estate properties based on recent appraisals.





- **CL No. 2016-19 issued on 04 April 2016 - Application Fees for New and Renewal Accreditation of Actuaries for Insurance/ Reinsurance and Pre-Need Companies**
 - Promulgates that those applying for accreditation as actuaries in more than one insurance industry sector (i.e. life, non-life or pre-need) shall be given a fifty percent (50%) discount on the application fees for the succeeding sector/s after having paid in full the accreditation fee for any one sector.

- **CL No. 2016-22 issued on 11 April 2016- Regulations for the Provision of Health Microinsurance (MicroHealth) Products and Services**
 - Instructs all Insurance Companies, Cooperative Insurance Societies, Mutual Benefit Associations, Health Maintenance Organizations, Agents and Brokers on the regulations for the provision of Health Microinsurance (MicroHealth) products and services in line with the Philippine Development Plan (PDP) 2011-2016 policy direction and thrusts on Universal Health Care to ensure "that all Filipinos, especially the poor, have equitable access to quality health care".

- **CL No. 2016-23 issued on 12 April 2016 - Key Features of Micro Pre-Need Products**
 - Promulgates the following guideline relative to the features of Micro Pre-need products, types, period of cover, pricing, maximum gross contract price including the IC prescribed logo to be used in such product.



- **CL No. 2016-24 issued on 19 April 2016 - Submission of Quarterly Reports on Investments Made and Sold or Disposed of**
 - Requires all mutual benefit associations to submit a report on investments using a prepared template every 20th day of the month following the end of every quarter pursuant to the provisions of Section 423 of the New Insurance Code and for purposes of monitoring the investments made in accordance with the provisions of Sections 202 (b) and (j), 204, 206, 207 and 208 of the said Code.



- **CL No. 2016-25 issued on 21 April 2016 - Fees and Other Charges for Approval of Micro Pre-need Products and Forms**
 - Promulgates that the fees and charges pertaining to approval of micro pre-need products and forms shall be fifty percent (50%) of the rates applicable to pre-need products indicated under Item D Section V of Circular Letter No. 2014-15, Fees and Charges.

- **CL No. 2016-26 issued on 29 April 2016 - Valuation Standards for Life Insurance Policy Reserves**
 - Prescribes the revised valuation standards for life insurance policy reserves, which shall be used in the full implementation of the Financial Reporting Framework, Reserving and RBC-2 Framework.

- **CL No. 2016-27 issued on 3 May 2016 - Creation and Maintenance of Website**
 - Instructs all pre-need insurance companies to maintain a company website pursuant to Section 44 of the Pre-Need Code. Compliance to this circular including its mandatory contents should not be later than six (6) months from the date of the circular's issuance.

- **CL No. 2016-30 issued on 26 May 2016 - Bill of Rights of Policyholders**
 - Instructs all life and non-life insurance companies, mutual benefit associations (MBAs) and insurance intermediaries doing business in the Philippines to strictly observe the Bill of Rights of Policyholders and ensure conformity thereto at all times. Any violation of the Bill of Rights shall be considered as breach of pertinent insurance laws, rules and regulations for which the Insurance Commission is authorized to impose appropriate sanctions and penalties

- **CL No. 2016-31 issued on 27 May 2016 - Formalization Template**
 - Instructs all insurance companies and mutual benefit associations (MBAS) doing business in the Philippines to submit on or before 03 June 2016 their informal insurance and insurance-like activities duly certified to by a responsible officer with a rank of at least Vice-President.

- **CL No. 2016-32 issued on 30 May 2016 - Guidelines on the Issuance of Certifications under R.A. No. 9184, otherwise known as the "Government Procurement Reform Act"**
 - Directs all non-life insurance companies on the guidelines issued to facilitate the submission, preparation and issuance of the certifications to accompany surety bonds required under the Implementing Rules and Regulations ("IRR") of R.A. No. 9184, otherwise known as the "Government Procurement Reform Act."



CL No. 2016-33 issued on 20 June 2016 - Loans To Partner Microfinance Institutions (MFIs)

- Prescribing the following guidelines to all mutual benefit associations in granting of loans to partner MFIs.
 1. The MFI/s shall have a P.E.S.O. rating not lower than "2";
 2. The total amount of loans granted by the MBA to all its partner MFIs shall not exceed 10% of the former's Total Admitted Assets (TAA) based on the latest verified financial statements or 20% of the Members' Equity/Paid-Up Capital of the partner MFI, whichever is lesser;
 3. The loan shall be secured by a qualified security enumerated under Section 204 of the New Insurance Code (RA 10607);
 4. The loan transaction shall be approved by the Board of Trustees;
 5. The loan to partner MFI/s shall be subject to prior approval of the Insurance Commission; and
 6. The request for approval shall be accompanied by a risk management plan drawn up jointly by the MBA and MFI in relation to the administration of the loan.



ADB-JFPR TA 8258: Capacity Building for Microinsurance - Project Closing Program held last 31 January 2017. The project was spearheaded by the Asian Development Bank, the Government of Japan through Japan Fund for Poverty Reduction and Japan Official Development Assistance in collaboration with the Department of Finance, Insurance Commission and other stakeholders.



3. Risk-Based Capitalization

Paid-Up Capital (PUC)*	Maximum Gross Membership Fees
Up to 50M	5 times of PUC
More than 50M up to 75M	10 times of PUC
More than 75M up to 200M	15 times of PUC
More than 200M up to 300M	25 times of PUC
More than 300M up to 400M	30 times of PUC
More than 400M up to 500M	50 times of PUC
More than 500M	No Limit

- **CL No. 2016-42 issued on 29 July 2016 - Guidelines on Approval of Requests for Lecturers, Resource Persons, and Facilitators from the Insurance Commission**
 - Promulgates to all regulated entities/persons of the Insurance Commission the guidelines on the approval of requests for lecturers, resource persons, and facilitators from the Insurance Commission.

- **CL No. 2016-44 issued on 12 August 2016 - Amendments to Guidelines on the Issuance of Certifications under R.A. No. 9184, Otherwise known as the "Government Procurement Reform Act"**
 - Prescribes the amendments on the guidelines issued to all non-life insurance companies in the facilitation of the submission, preparation and issuance of certifications to accompany surety bonds required under the Implementing Rules and Regulations ("IRR") of R.A. No. 9184, otherwise known as the "Government Procurement Reform Act."

- **CL No. 2016-45 issued on 15 August 2016 - General Guidelines on HMO Corporate, Company and/or Business Names**
 - Instructs all health maintenance organizations and all entities intending to do business in the Philippines as Health Maintenance Organizations (HMOs) to include the words or phrases such as "health maintenance organization", "health Care", "medical care,, "health services", "managed Care", other variations of the foregoing and such other words that would properly identify it as an HMO entity.

- **CL No. 2016-46 issued on 18 August 2016 - Engagement of External Auditors**
 - Requires all pre-need companies and health maintenance organizations doing business in the Philippines to engage only the services of IC-accredited external auditors starting with the Financial Statements as of December 31, 2016.



- **CL No. 2016-47 issued on 19 August 2016 - Guidelines for the Liquidation of Inactive Mutual Benefit Associations (MBAs) and Disposition of Guaranty Fund (GF)**
 - Notifies all concerned inactive mutual benefit associations (MBAs) on their intention whether to continue or not their operations as MBAs and issuing guidelines/rules in appropriate handling including the disposition of guaranty fund.
- **CL No. 2016-48 issued on 01 September 2016 - Deposit Requirement for Health Maintenance Organizations (HMOs)**
 - Instructs all health maintenance organizations on the acceptable deposit requirements under Section 1.2 (a) and (e) of Circular Letter No. 2016-4 and on the use of prescribed template of undertaking for said deposits and/or investments in a universal or commercial bank, duly authorized by the Bangko Sentral ng Pilipinas.
- **CL No. 2016-50 issued on 06 September 2016 - Guidelines in the Development of Anti-Fraud Plan for Insurance Companies**
 - Issues the guidelines in the development of anti-fraud plan for insurance companies which will be submitted to the Commission within one (1) year from the effectivity of this Circular for review and approval.

Financial Action Task Force (FAFT) Plenary Week in France on February 2017. The IC supports the FAFT objectives in setting standards and promoting effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system



- **CL No. 2016-51 issued on 06 September 2016 - Corporate Governance**
 - Instructs all pre-need companies and health maintenance organizations to comply and adopt the rules and regulations pursuant to Corporate Governance Principles and Leading Practices as well as formulating their Corporate Governance Manuals which shall be uploaded in their respective website.



- **CL No. 2016-52 issued on 07 September 2016 - Guidelines on Licensing of HMOs**
 - Instructs all health maintenance organizations and all entities intending to do business in the Philippines as Health Maintenance Organizations (HMOs) on the guidelines on licensing of HMOs pursuant to the authority granted to the Insurance Commission (IC) by Executive Order No. 192, Series of 2015

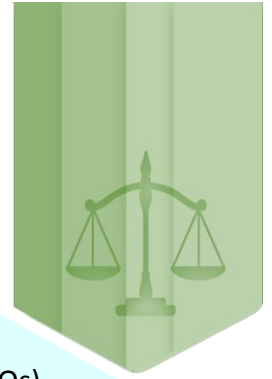
- **CL No. 2016-53 issued on 07 September 2016 - Affiliation in a Financial Conglomerate as a Condition Precedent to the Granting of Certificate of Authority to Engage in Bancassurance Activities**
 - Promulgates the Supplemental Rules and Regulations on Bancassurance to be adopted by all insurance companies engaging or intending to engage in bancassurance activities particularly those insurance companies affiliated to a financial conglomerate as determined by the Bangko Sentral ng Pilipinas.

- **CL No. 2016-54 issued on 09 September 2016 - Creation and Administration of a Medical Information Database ("MID")**
 - Promulgates the following rules and regulations pertaining to the exchange of medical information by and among life insurance companies as well as creation of a Medical Information Database for the specific purpose of risk assessment; for the prevention of fraud, concealment, and misrepresentation and in accordance to rules in Chapter V of the Data Privacy Act of 2012.

- **CL No. 2016-55 issued on 14 September 2016 - Strict Implementation of the Minimum Rates for Earthquake, Typhoon and Flood Covers and Related Guidelines**
 - Directs all non-life insurance companies on the strict implementation of the minimum rates for earthquake, typhoon and flood covers, their reserves and ensure their capacity to respond to losses and meet their liabilities on policies covering natural catastrophic perils.



Regional Workshop for Asian Insurance Supervisors on Crisis Management, Countering Fraud and Anti-Money Laundering - Monetary Authority of Singapore, Singapore -2017



- **CL No. 2016-56 issued on 19 September 2016 - Submission of the Names and Contact Details of Anti-Money Laundering Compliance Officer and Alternate Compliance Officer by Health Maintenance Organizations**
 - Prescribes that all Health Maintenance Organizations (HMOs) doing business in the Philippines are required to submit through a letter, the names and details of their respective AML compliance and alternate compliance officers, both with at least a rank of manager.

- **CL No. 2016-57 issued on 23 September 2016 - 2016 Philippine Intercompany Mortality Study**
 - Instructs all life insurance companies with policies issued on or before 2014 to participate in the 2016 Philippine Intercompany Mortality Study to be undertaken by the Actuarial Society of the Philippines (ASP) with the main objective of developing an updated mortality table that is more reflective of the industry's experience.

- **CL No. 2016-60 issued on 15 November 2016 - Amendments to Guidelines on Electronic Commerce of Insurance Products**
 - Prescribes the amendments on Section 7.10 of IC Circular Letter No. 2014-47 on the guidelines on electronic commerce of insurance products wherein it adds that “in lieu of an actual specimen signature from the consumer to validate the information indicated in the on-line application form, the consumer may signify his consent by clicking the confirmation button to finalize the processing of the application.”

- **CL No. 2016-61 issued on 16 November 2016 - Guidelines Defining the Engagement of Telemarketing Services by Insurance Companies, Insurance Brokers, and General Agencies, as well as Enumerating the Requirements therefor**
 - Instructs all insurance companies and insurance brokers to adopt the promulgated guidelines defining the engagement of telemarketing services by insurance companies, insurance brokers, and general agencies, as well as enumerating the requirements therefor.

- **CL No. 2016-63 issued on 16 December 2016 - Enhanced Performance Indicators and Standards for Microinsurance 2016**
 - Directs all insurance companies, mutual benefit associations, and cooperative insurance societies doing microinsurance business and operating in the Philippines to comply with the Enhanced Performance Indicators and Standards for Microinsurance 2016 and submit to the Commission the resulting indicators in their Annual Statements.



- **CL No. 2016-64 issued on 16 December 2016 - Adoption and Implementation of Microinsurance Distribution Channels Regulatory Framework**
 - Instructs all insurance and pre-need companies, mutual benefit associations, cooperative insurance societies, health maintenance organizations and other entities engaging in microinsurance business and operating in the Philippines to adopt and implement the Microinsurance Distribution Channels Regulatory Framework.



- **CL No. 2016-65 issued on 28 December 2016 - Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607)**
 - Instructs all insurance companies and professional reinsurers on the promulgated rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all the other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies as found in the Appendix A and B of the Manual of Accounts.
- **CL No. 2016-66 issued on 28 December 2016 - Valuation Standards for Life Insurance Policy Reserves**
 - Instructs all life insurance companies and mutual benefit associations on strict compliance to the valuation standards for life insurance policy reserves that will be implemented effective 01 January 2017.
- **CL No. 2016-67 issued on 28 December 2016 - Valuation Standards for Non-Life Insurance Policy Reserves**
 - Instructs all non-life insurance companies and professional reinsurers on strict compliance to the valuation standards for life insurance policy reserves that will be implemented effective 01 January 2017.
- **CL No. 2016-68 issued on 28 December 2016 - Amended Risk-Based Capital (RBC2) Framework**
 - Instructs all insurance companies on the strict compliance to the promulgated rules and regulations of the Amended RBC Framework to be known as "RBC2 Framework" with implementation and

effectivity on 01 January 2017, and with Minimum Statutory Net worth as provided in Section 194 of the Amended Insurance Code.



➤ **CL No. 2016-69 issued on 28 December 2016 - Implementation Requirements For Financial Reporting, Valuation Standards For Insurance Policy Reserves, And Amended Risk-Based Capital (RBC2) Framework**

- Instructs all insurance companies and professional reinsurers doing business in the Philippines on the strict compliance on the new regulatory requirements under the following Circular Letters (CL) that shall take effect beginning January 01, 2017:
 1. Financial Reporting Framework (FRF): CL No. 2016-65.
 2. Valuation Standards for Life Insurance Policy Reserves: CL No. 2016-66.
 3. Valuation Standards for Non-Life Insurance Policy Reserves: CL No. 2016-67.

Financial Sector Forum, established in 2004 through a memorandum of agreement between BSP, SEC, IC and PDIC continues to work in providing an institutionalized framework for coordinating the supervision and regulation of the financial system while preserving each agency's mandate”



➤ **IMC No. 2016-01 01 September 2016 Rules of Procedure for Small Claims Cases in the Insurance Commission**

- Adopts and promulgates the Rules of Procedure for Small Claims Cases filed in the Insurance Commission pursuant to the provisions of Sections 437,438 and 439 of Insurance Code of the Philippines, as amended by R.A. No. 10607, and Section 55 of the Pre-Need Code of the Philippines. The amount of such claims filed or sued upon should not exceed Two Hundred Thousand Pesos (₱200,000.00) in any single claim, exclusive of interest, costs, and attorney's fees. Except as to the amount of actual damages, legal interest, attorney's fees and costs, which include filing fees and litigation expenses, no other form of damages shall be recoverable.



Other circular letters issued pertain to anti-money laundering matters, investments guidelines and reportorial requirements which are found in the Appendices.



Signing of Memorandum of Understanding (MoU) by POEA Officer-in-Charge Dominador R. Say, Insurance Commissioner Dennis B. Funa and OWWA Administrator Hans Leo R. Cacdac on 27 January 2017. The MoU will incorporate the Compulsory OFW Insurance as one of the subjects to the pre-employment and pre-deployment seminars given to Overseas Filipino Workers.



20th ASEAN Insurance Regulators' Meeting – Lao PDR, November 2017

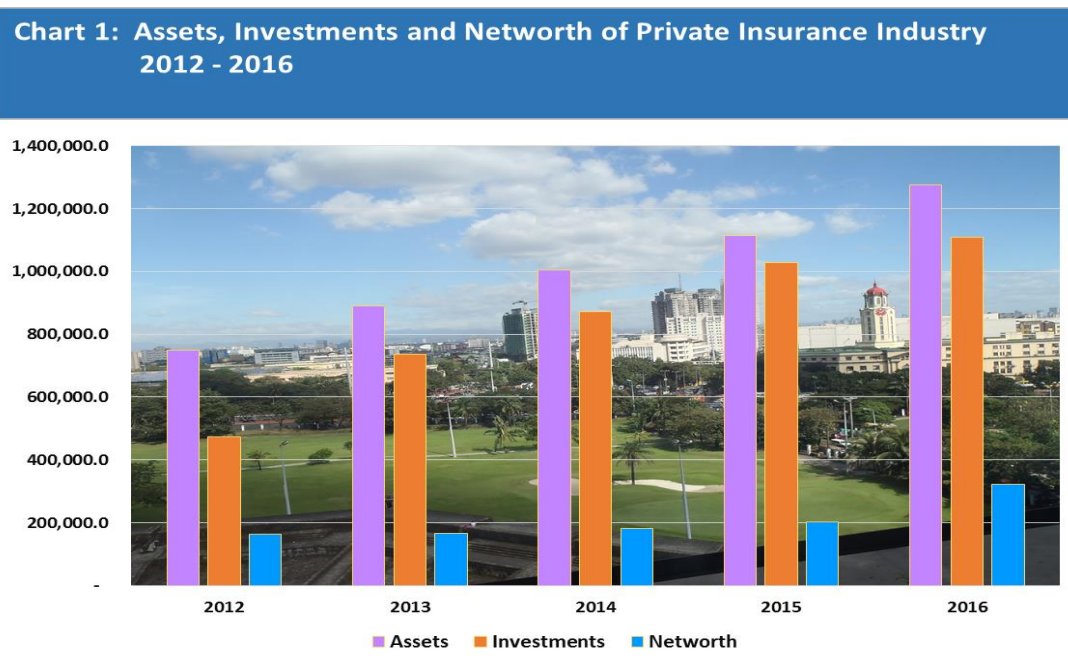


II. THE INSURANCE INDUSTRY

A. Overview

In 2016, the insurance industry reported a total premium generation amounting to ₱232.62 billion, 0.15% higher than the ₱232.26 billion premiums in 2015. Of the total premiums, the life sector and the Mutual Benefit Associations contributed 81.88% of the total or ₱190.47 billion while the non-life sector shared 18.12%. The increase of 15.26% in net premiums written of this sector caused the minute rise in the total premiums during the year.

Total assets as of the year-end amounted to ₱1,307.55 billion or an increase of 11.19% from the previous year's ₱1,175.97 billion. All sectors reported higher assets, with the life sector up by 11.87%, the non-life sector by 7.04% and the MBAs by 11.43% to amount to ₱1,066.39 billion, ₱173.20 billion and ₱67.96 billion respectively.



Investments made during the year totaled ₱1,174.69 billion, up by 8.55% from the invested assets of ₱1,082.12 billion in 2015. A quick inspection of the amount, all sectors, reported more investments with ₱1,036.96 billion, ₱74.64 billion and ₱63.09 billion improving by 7.26%, 19.98% and 18.75% respectively from the previous year's invested assets.

Total networth posted an increment of 19.34% from ₱224.37 billion to ₱267.77 billion in 2016. All sectors reported increased networth as of the end of the year.

On a macro level, insurance penetration or total industry's premiums as a percentage of Gross Domestic Product (GDP) was computed at 1.61% in 2016 lower



than 1.75% in 2015. Likewise, the total life sum insured as percentage of GDP was 40.42%, higher than the previous year's 40.07%.

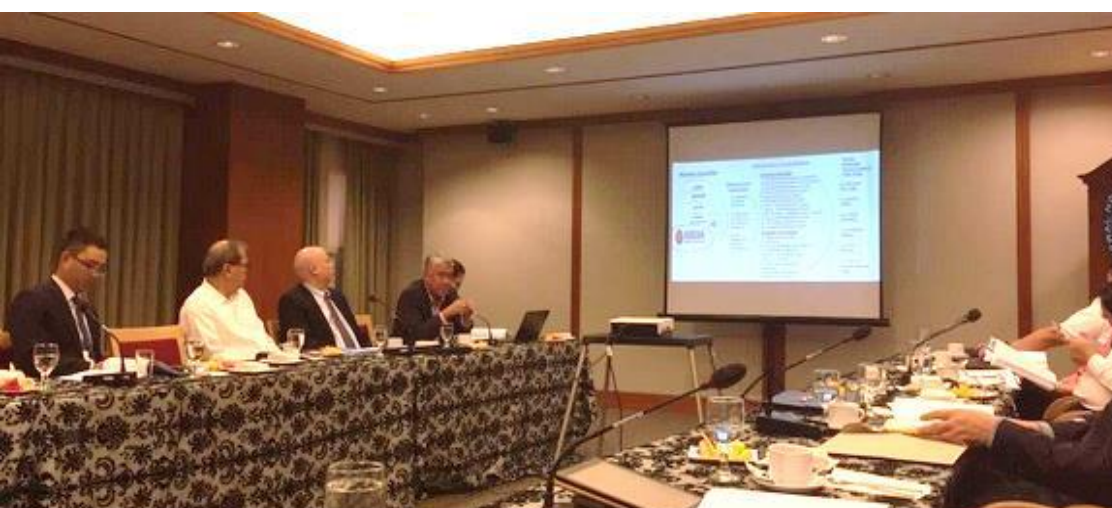
Insurance density or the amount of average spending of each individual on insurance fell to ₱2,254.10 from ₱2,286.0 of 2015. Estimated life coverage or market penetration in 2016 was computed at 46.22% of the total population, higher than last year's 41.27%.

Table 3: Philippine Economic Indicators, 2012-2016

ECONOMIC AND INSURANCE DEVELOPMENT DATA	2012	2013	2014	2015	2016
GROSS NATIONAL INCOME (GNI)					
At Current Prices (₱ M)	12,608,730r	13,850,892r	15,327,336p	16,096,913p	17,391,141p
At Constant Prices (₱ M)	7,496,546r	8,069,033r	8,640,645	9,134,679p	9,735,210p
GROSS DOMESTIC PRODUCT (GDP)					
At Current Prices (₱ M)	10,564,886r	11,548,191r	12,642,736p	13,307,265p	14,449,925p
At Constant Prices (₱ M)	6,311,671r	6,765,458r	7,164,017	7,593,769p	8,113,170p
POPULATION (in million persons)	96.4	98.8	99.9	101.6	103.2
PER CAPITA GROSS NATIONAL INCOME (₱)	130,796.0	141,047.8	153,426.8	158,434.2p	168,518.8
LABOR FORCE (Average) (In million persons)	40.43	41.02	40.05	41.34	43.36
Employed	37.60	38.12	37.31	39.00	41.00
Unemployed	2.83	2.90	2.74	2.34	2.36
EXCHANGE RATE (per US\$)	41.19	44.41	44.62	47.166	49.813
INFLATION RATE	3.20%	2.90%	4.10%	1.40%	1.80%
INSURANCE DENSITY (₱)	1,592.0	2,084.0	1,974.2	2,218.3p	2,254.1p
Life Insurance	1,301.6	1,789.1	1,653.3	1,858.4p	1,845.6p
Non-Life Insurance	290.4	294.9	320.9	359.9p	408.5p
LIFE SUM ASSURED AS % OF G D P	34.85%	33.23%	37.13%	40.07%	40.42%
LIFE SUM ASSURED AS % OF G N I	29.20%	27.70%	30.63%	33.13%	33.58%
PREMIUMS AS % OF G D P	1.45%	1.83% r	1.56%	1.75%p	1.61%p
PREMIUMS AS % OF G N I	1.22%	1.49%	1.29%	1.44%	1.34%
ESTIMATED LIFE INSURANCE COVERAGE	24.43%	32.45%	37.39%	41.30%p	46.22%p

r = revised figures

p = preliminary figures



Capital Market Development Council (CMDC) is a public-private sector partnership focused on recommending policy and legislative reforms toward the development of the Philippine capital market. The IC is one of its institutional members – Meeting in April 2017.

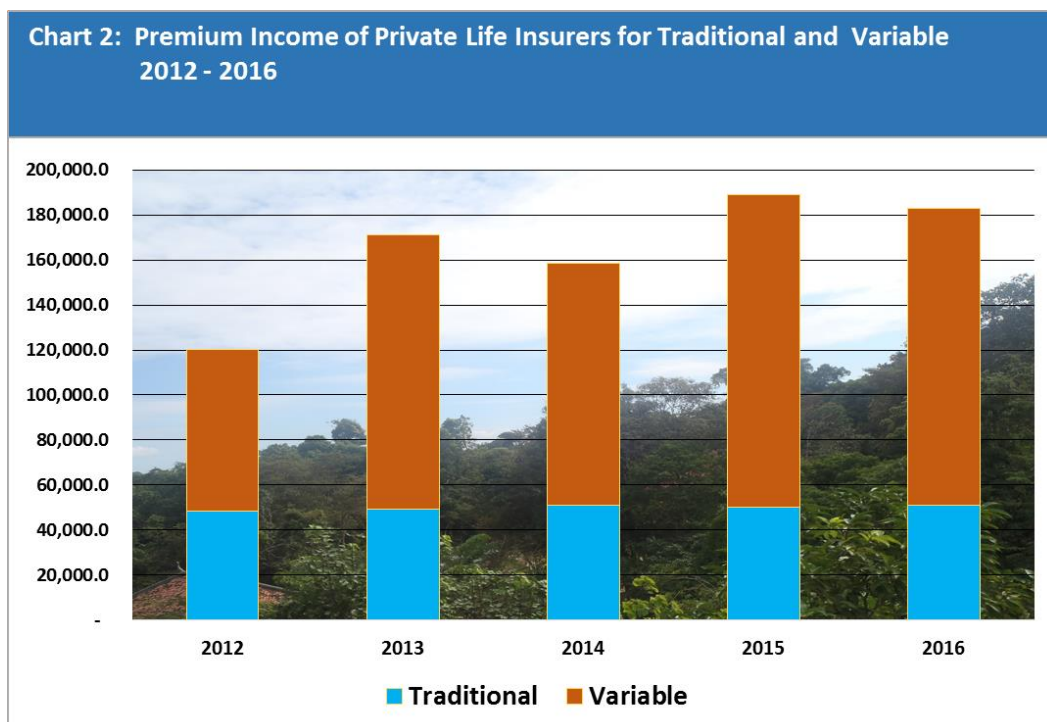


B. Life Insurance Companies

1. Premium Income

The total premium income generated by the life sector was reported at ₱182.86 billion in 2016, a 3.16% decrease from the total premium income of ₱188.82 billion in 2015. This was brought about by the lower premium income from ordinary and variable insurance with increments of 6.64% and 5.00% from ₱33.44 billion and ₱138.69 billion to ₱31.22 billion and ₱131.75 billion respectively.

Based on records, majority of companies offering ordinary and variable products reported lesser premiums of as much as 385.12% from that of the previous year. As in past years, Sun Life of Canada contributed the highest amounts, however, slight decreases can be noted. Although there are companies which started offering both products in 2016, there are also companies which ceased from offering the same during the year.



2. New Business

During the year, traditional and variable life insurance posted a 12.47% increase from 692,884 policies to 779,275 in 2016. The corresponding insured lives slightly rose by 2.43% from 10,476,263 to 10,731,069. While the annual premium dipped by 14.18% from ₱125.84 billion to ₱108.00 billion, the sum assured registered a 3.40% increase from ₱1,567.39 billion to ₱1,620.71 billion in 2016.



The Philippine Life Insurance Association (PLIA) Induction of 2017 Committee Chairpersons on 31 January 2017. The Insurance Commission fully support the endeavor of the association in the continued development of the life insurance industry.

Traditional life products bounced by 31.81% in 2016 to 284,940 policies issued resulting to 10,268,039 insured lives, ₱13.95 billion annual premium, ₱1,256.48 billion sum assured recording increases of 2.33%, 6.73% and 1.50% respectively.

Likewise, a total 494,335 variable products were issued during the year, 3.70% more than the 476,711 issued in 2015. These policies have corresponding 463,030 lives, which was 4.79% higher than that of last year.

Table 4: New Business Generated, 2012-2016

Year	Policies (Insured Lives)		Annual Premium		Sum Assured	
	Number	% Change	₱ billion	% Change	₱ billion	% Change
A. Traditional Insurance Products						
2016	284,940	31.81	13.95	6.73	1,256.48	1.50
	(10,268,039)	2.33				
2015	216,173	(20.85)	13.07	(0.91)	1,237.92	(21.18)
	(10,034,417)	(6.36)				
2014	273,114	(6.63)	13.19	15.10	1,570.64	122.77
	(10,715,507)	88.06				
2013	292,519	12.74	11.46	(8.76)	705.05	19.97
	(5,697,827)	0.52				
2012	259,461	11.83	12.56	(8.39)	589.67	(5.50)
	(5,668,606)	6.56				
B. Variable Life Products						
2016	494,335	3.70	94.05	(16.60)	364.23	10.55
	(463,030)	4.79				
2015	476,711	29.65	112.77	23.05	329.47	25.77
	(441,846)	28.97				
2014	367,705	13.04	91.65	(17.86)	261.97	23.45
	(342,601)	14.74				
2013	325,294	65.36	111.58	72.94	212.21	83.22
	(298,575)	56.43				
2012	196,717	130.83	64.52	92.83	115.82	170.80
	(190,868)					

Although, the annual premium fell by 16.60% to amount to ₱94.05 billion, sum assured was up by 10.55% to ₱364.23 billion.



3. Terminations

Terminated life insurance policies in 2016 totaled 442,692, a 1.32% increase from the previous year's 436,921, As in the past years, termination due to lapsation has the highest number of policies accounting for 35.01% of the total followed by surrender with 27.72%.

Corresponding insured lives however, decreased by 31.06% which was brought about by the decreases in group and industrial as well as health and accident dropping by 32.85% and 21.07% respectively.

Total terminated sum assured in 2016 likewise decreased by 3.64% which was due to lesser expiries and lapsations of life policies.

Table 5: Terminated Insurance Policies and Sum Insured as of 31 December 2016							
Types of Policies	Number of Policies (Insured Lives)						TOTAL
	Death	Maturity	Surrender	Lapsation	Expiry	Others	
Ordinary	6,633 (5,886)	39,782 (37,430)	45,675 (42,536)	76,396 (74,304)	12,126 (10,412)	44,808 (48,163)	225,420 (218,731)
Group & Industrial	1,373 (35,985)	1 (21,751)	10 (1,509)	1,761 (1,628,031)	1,454 (5,699,502)	11,177 (839,541)	15,776 (8,226,319)
Health & Accident	225 (2,545)	- -	440 (465)	18,379 (228,236)	40,240 (665,275)	11 (42,161)	59,295 (938,682)
Variable Life	1,531 (1,406)	5,046 (4,970)	76,601 (57,370)	58,463 (55,754)	436 (305)	124 (108)	142,201 (119,913)
TOTAL	9,762 (45,822)	44,829 (64,151)	122,726 (101,880)	154,999 (1,986,325)	54,256 (6,375,494)	56,120 (929,973)	442,692 (9,503,645)
Terminated Sum Assured (in billion pesos)							
Types of Insurance	Death	Maturity	Surrender	Lapsation	Expiry	Others	TOTAL
Ordinary	2.16	8.95	22.90	38.32	2.75	10.32	85.40
Group & Industrial	4.03	10.73	0.39	477.96	609.59	217.36	1,320.06
Health & Accident	0.07	-	0.08	31.14	88.39	12.72	132.40
Variable Life	0.90	4.23	46.14	41.51	0.14	7.95	100.87
TOTAL	7.16	23.91	69.51	588.93	700.87	248.35	1,638.73

4. Insurance in Force

During the year under review, a growth of 8.40% was noted in the total in-force policies from 4,426,405 last year to 4,798,038 this year which corresponds to total sum assured value of ₱5,840.03 billion. This growth was mainly due to the increases in variable life products and traditional products by 24.27% and 0.26%, respectively.



Under the traditional insurance products, there was a significant increase of 105.18% in group and industrial policies. Likewise, an increment of 70.24% in in-force insurance policies was noted on health and accident. Sum assured for traditional products also reached ₱4,666.02 billion, 6.66% higher than last year.

Table 6: Life Insurance in Force/Premium Income , 2015-2016

Types of Policies	Number of Policies (Insured Lives)			Sum Assured (In billion pesos)			Premium Income (In billion pesos)		
	2016	2015	% Change	2016	2015	% Change	2016	2015	% Change
	A. Traditional Insurance Products								
Ordinary	2,270,908 (2,214,922)	2,331,634 (2,268,529)	(2.60) (2.36)	858.92	872.14	(1.52)	31.22	33.44	(6.64)
Group & Industrial	467,066 (23,509,847)	479,621 (19,682,403)	(2.62) 19.45	3,550.65	3,242.90	9.49	13.80	11.54	19.58
Health & Accident	195,837 (2,165,654)	115,039 (1,532,198)	70.24 41.34	256.45	259.83	(1.30)	6.09	5.15	18.25
SUB-TOTAL	2,933,811 (27,890,423)	2,926,294 (23,483,130)	0.26 18.77	4,666.02	4,374.87	6.66	51.11	50.13	1.95
B. Variable Life Products									
	1,864,227 (1,754,852)	1,500,111 (1,399,742)	24.27 25.37	1,174.01	957.67	22.59	131.75	138.69	(5.00)
GRAND TOTAL	4,798,038 (29,645,275)	4,426,405 (24,882,872)	8.40 19.14	5,840.03	5,332.54	9.52	182.86	188.82	(3.16)

The growth in number of issued policies under variable life products corresponds to increase of 22.59% on sum assured of ₱1,174.01 billion compared to ₱957.67 billion of 2015. On the other hand, a decrease of 5.00% was noted on the premium income of variable life products.



5. Summary of Operations

The computed net income of life insurance sector for 2016 reached ₱17.72 billion, 16.61% less than the net income in 2015 of ₱21.25 billion.

As reflected in Table 7, underwriting gain increased by 66.51% but it did not compensate the corresponding increase of 14.39% in other general expenses and the decrease of 18.52% in the other income/expenses.



Table 7: Summary of Operations of Life Insurance Sector 2016
(₱ billions)

PARTICULARS	LIFE		
	Domestic	Foreign	Total
Underwriting Income	56.70	126.17	182.87
Premium Income	65.14	117.71	182.85
Less: Inc./(Dec) in Reserves	11.71	5.26	16.97
Commissions Earned	0.00	0.29	0.29
Other Underwriting Income	3.27	13.43	16.70
Less: Underwriting Expenses	55.22	124.07	179.29
Benefit Payments	17.81	36.03	53.84
Commissions Expenses	4.83	12.45	17.28
Premium Tax Incurred	0.50	0.74	1.24
Other Underwriting Expenses	32.08	74.85	106.93
Underwriting Gain/Loss	1.48	2.10	3.58
Add: Gross Investment Income	9.68	23.90	33.58
Other Income/Expenses	7.56	4.23	11.79
SUB – TOTAL	18.72	30.23	48.95
Less: Taxes other than Premium & Income Tax	1.15	3.85	5.00
Other General Expenses	9.62	15.81	25.43
Income Tax	0.62	0.18	0.80
Net Income / Loss for the year Including Capital Gains	7.33	10.39	17.72

6. Investments

Investments of life insurance companies during the year, amounted to ₱1,036.96 billion which is 7.26% higher than ₱966.78 billion investments last year. Of the said amount, 70.33% was contributed by foreign companies which is 8.86% higher than that in 2015.

Investments on variable life shared 49.23%, followed by bonds with 34.37% which comprised 83.60% of the total investments of life insurance companies.

Table 8: Investments by Category, 2016
(₱ billions)

PARTICULARS	LIFE		
	Domestic	Foreign	Total
Bonds	86.98	269.45	356.43
Stocks	38.34	22.97	61.31
Real Estate	9.68	6.87	16.55
Purchase Money Mortgages	0	0	0
Mortgage Loans	1.98	0.12	2.10
Collateral Loans	8.16	0.25	8.41
Guaranteed Loans	0.55	20.98	21.53
Policy Loans	9.26	21.48	30.74
Other Loans	4.63	0.53	5.16
Short –Term Investments	0.12	0	0.12
Other Investments	1.34	1.71	3.05
Fixed Deposits	16.95	4.11	21.06
Investments under variable Life	129.64	380.86	510.50
TOTAL	307.63	729.33	1,036.9



However, decreases of 82.86% and 53.93% can be noticed for the short term investments and other investments, respectively.

**Table 9: Investments of Life Insurers in Bonds & Government Securities, 2016
(₱ billions)**

TYPES OF BONDS/SECURITIES	
Long-Term Government Bonds	<u>304.93</u>
<i>Treasury Notes</i>	233.58
<i>Land Bank Bonds</i>	0.00
<i>Pag-ibig Bonds</i>	0.00
<i>ROP Bonds</i>	33.70
<i>Retail Bonds</i>	36.28
<i>Other Government Bonds</i>	1.37
Short-Term Government Securities	<u>0.12</u>
<i>Treasury Bills</i>	0.12
Total Government Securities	<u>305.05</u>
<i>Private Bonds</i>	50.47
<i>Foreign Bonds</i>	1.03
GRAND TOTAL	<u>356.55</u>

Investments of life insurers on government securities for 2016 amounted to ₱305.05 billion, 8.22% higher than the last year's ₱281.88 billion. The increase can be accounted to the 53.04% more investments on treasury notes and 26.59% in private bonds. However, short term government securities was reduced by 81.54% from last year's ₱0.65 billion to ₱0.12 billion this year.



Investments made by insurance companies are strictly monitored by the IC in accordance with Republic Act 10607, The Insurance Code, as Amended to ensure the financial solvency of said companies.

7. Balance Sheet

For 2016, the total assets of life insurance companies grew to ₱1,066.39 billion, 11.88% higher than ₱953.19 billion assets in 2015. The growth was due to the increases of 10.63% in bonds, 15.05% on variable life separate account assets and 25.81% in stocks



Table 10: Consolidated Balance Sheet of Life Insurers, 2016
(₱ billions)

PARTICULARS	Domestic	Foreign	Total
ASSETS			
Bonds	86.51	268.11	354.62
Stocks	70.14	23.59	93.73
Real Estate Owned	13.06	4.27	17.33
Purchase Money Mortgages	0.00	0.00	0.00
Mortgage Loans	1.98	0.12	2.10
Collateral Loans	8.29	0.25	8.54
Guaranteed Loans	0.55	20.98	21.53
Policy Loans	9.14	21.32	30.46
Other Loans	3.66	0.46	4.12
Short – Term Investments	0.12	0.00	0.12
Security Fund	0.00	0.01	0.01
Other Investments	1.43	2.01	3.44
Variable Life – Separate Account Assets	131.01	345.52	476.53
Cash on Hand & in Banks	22.92	12.08	35.00
Net Premiums Due & Uncollected	1.23	1.29	2.52
Due From Ceding Companies	0.08	1.25	1.33
Funds Held by Reinsurers	0.39	2.21	2.60
Accrued Interest & Other Investment Income	1.44	5.33	6.77
Accounts/Notes Receivable	1.65	0.92	2.57
EDP Equipment	0.76	0.84	1.60
Other Assets	1.15	0.32	1.47
TOTAL ASSETS	<u>355.51</u>	<u>710.88</u>	<u>1,066.39</u>
LIABILITIES			
	127.52	205.73	333.25
Policy & Contract Claims	7.01	3.04	10.05
Policyholders Dividends	8.13	36.25	44.38
Dividends Payable to Stockholders	0.09	0.01	0.10
Liability for Premium Deposit Funds	4.68	2.92	7.60
Premiums Due to Reinsurers	1.09	2.57	3.66
Prem./Loss Reserves Withheld For Reinsurers	0.05	1.76	1.81
Taxes/Licenses Payable	0.78	1.54	2.32
Commissions & Other Charges Payable	1.39	5.93	7.32
Accounts/Notes Payable	2.11	7.00	9.11
Unearned Investment Income	0.38	0.07	0.45
Variable Life Contracts Liabilities	119.68	340.99	460.67
Other Liabilities	5.65	12.06	17.71
TOTAL LIABILITIES	<u>278.56</u>	<u>619.87</u>	<u>898.43</u>
NETWORTH			
Paid-Up Capital/Statutory Deposits	9.65	7.51	17.16
Paid-In Capital	2.64	0.89	3.53
Deposit on Stock Subscription	0.00	0.00	0.00
Investment Fluctuation Reserves	36.24	8.49	44.73
Contributed Surplus	1.23	2.03	3.26
Contingency Surplus	0.74	3.22	3.96
Other Assigned Surplus	0.11	0.01	0.12
Unassigned Surplus	24.41	68.43	92.84
Seed Capital on Variable Life	1.93	0.43	2.36
TOTAL NETWORTH	<u>76.95</u>	<u>91.01</u>	<u>167.96</u>
TOTAL LIABILITIES & NETWORTH	<u>355.51</u>	<u>710.88</u>	<u>1,066.39</u>



Liabilities also went up by 10.23% from ₱815.05 billion on 2015 to ₱898.43 billion in 2016. This resulted from the 20.05% increase in variable life contract liabilities which consisted 51.28% of the total.

Further, the total networth for 2016 increased by 21.59% from ₱138.14 billion on 2015 to ₱167.96 billion. This can be accounted for by the 56.73% and 8.03% increases in investment fluctuation reserves and unassigned surplus which constituted 81.91% of the total networth of life insurers.

C. Non-Life Insurance Companies

1. Gross Premiums

The gross premiums written by the non-life companies for 2016 grew by 10.65% from ₱63.66 billion of 2015 to ₱70.44 billion. This can be accounted for by the 5.60%, 17.28% and 14.02% increases on fire, motor car and casualty businesses, respectively which contributed 87.42% of the total gross premium written and the remaining 12.58% from other lines of business.

Table 11 shows that fire and motor car amounted to ₱46.29 billion or 65.72% of the total gross premiums in 2016.

Table 11 : Gross Premiums Written of Private Non-Life Companies & Professional Reinsurer, 2015-2016
(₱ billions)

LINE OF BUSINESS	2016		2015	
	Amount (₱ B)	% to Total	Amount (₱ B)	% to Total
Fire	23.21	32.95	21.98	34.53
Marine	5.74	8.15	5.80	9.11
Motor Car	23.08	32.76	19.68	30.91
Casualty	15.29	21.70	13.41	21.06
Suretyship	3.13	4.44	2.78	4.37
Life for PR	(0.01)	0.00	0.01	0.02
TOTAL	70.44	100.00	63.66	100.00

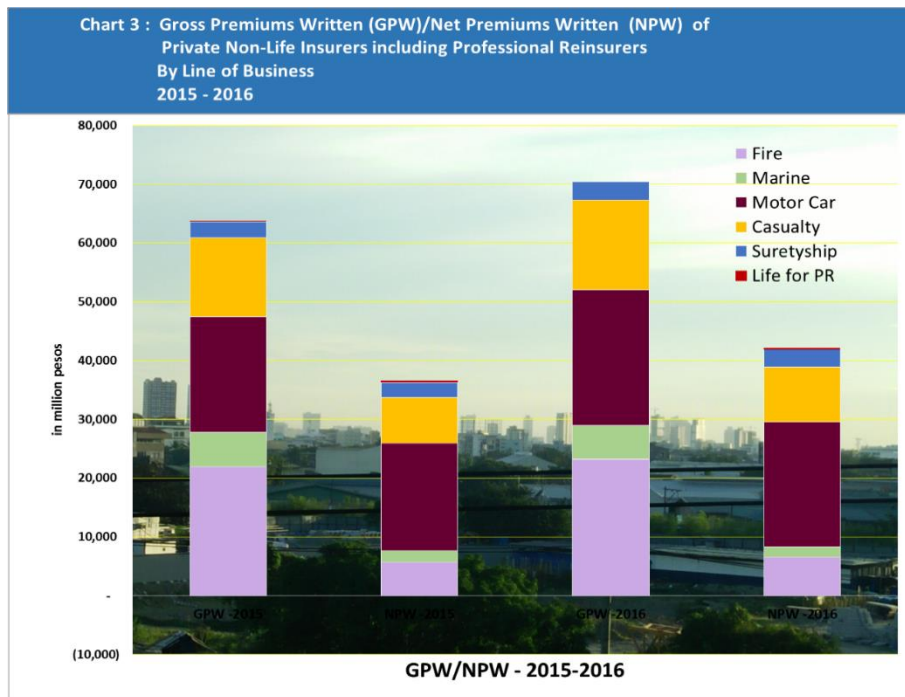
2. Net Premiums Written

During the year, net premiums written of non-life companies amounted to ₱42.15 billion, 15.26% higher than last year's ₱36.57 billion which resulted from the increases of 20.62%, 15.71% and 15.61% in casualty, motor car and fire businesses, respectively.

Table 12: Net Premiums of Non-Life Companies & Professional Reinsurer, 2015-2016
(₱ billions)

LINE OF BUSINESS	2016	2015	% Increase/ (Decrease)
Fire	6.60	5.70	15.79
Marine	1.78	1.96	(9.18)
Motor Car	21.21	18.33	15.71
Casualty	9.29	7.71	20.49
Suretyship	3.00	2.60	15.38
Life for PR	0.27	0.27	-
TOTAL	42.15	36.57	15.26

Moreover, these three businesses accounted for 88.02% of the total net premiums.



3. Premiums Earned

The total premiums earned of non-life companies amounted to ₱39.51 billion in 2016, 14.92% higher than the premiums earned of non-life companies of ₱34.38 billion in 2015. The growth was due to the increases in fire and allied perils of 20.19%, motor car of 13.51% and casualty of 17.09 and the 26.25% on suretyship.

Motor car business contributed 49.76% of the total premiums earned followed by casualty with 22.37% and fire and allied perils with 15.67% contribution while marine and suretyship shared the remaining 12.20% of the total.

4. Losses Incurred

Losses incurred for 2016 have reached to ₱16.9 billion, 22.82% higher than ₱13.76 billion last 2015. The increase was due to 36.4%, 21.37% and 30.67% increases in fire and allied perils, motor car and casualty businesses, respectively.

Analysis of data revealed that higher losses were incurred in typhoon and earthquake under fire and allied risks with 210% and 370% increases, respectively.



Losses incurred in vehicular accidents cost insurance companies with Php9.77 billion in 2016



**Table 13: Loss Ratios of Non-Life Companies & Professional Reinsurer
2015-2016**

LINE OF BUSINESS	2016			2015		
	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*	Losses Incurred (₱ B)	Premiums Earned (₱ B)	Loss Ratio (%)*
1. Fire and Allied Perils	3.41	6.19	55.36	2.50	5.15	48.54
a. Fire	2.16	4.32	50.00	1.68	3.49	48.14
b. Earthquake/Fire/shock	0.47	1.19	39.50	0.10	0.94	10.64
c. Typhoon	0.62	0.06	1,033.33	0.20	0.32	62.50
d. Flood	0.03	0.33	9.09	0.33	0.21	157.14
e. Extended Coverage	0.13	0.29	44.83	0.19	0.19	100.00
2. Marine	0.47	1.79	26.26	0.59	1.96	30.10
a. Marine Cargo	0.33	1.34	24.63	0.35	1.36	25.74
b. Aviation	0.03	0.08	37.50	0.08	0.19	42.11
c. Marine Hull	0.11	0.37	29.73	0.16	0.41	39.02
3. Motor Car	9.77	19.66	49.69	8.05	17.32	46.48
a. CMVL-LTO	0.15	0.42	35.71	0.15	0.48	31.25
b. CMVL-Non-LTO	0.43	2.07	20.77	0.27	2.58	10.47
c. Other Than CMVL-LTO	0.10	0.27	37.04	0.09	0.20	45.00
d. Other Than CMVL-Non-LTO	9.09	16.90	53.79	7.54	14.06	53.63
4. Casualty	3.11	8.84	35.18	2.38	7.55	31.52
a. Health	0.88	1.66	53.01	0.43	0.85	50.59
b. Personal Accident	0.80	3.14	25.48	0.96	3.55	27.04
c. Engineering	0.43	1.10	39.09	0.23	0.95	24.21
d. Miscellaneous	0.87	2.68	32.46	0.63	1.95	32.31
e. Life, for Prof. Reinsurer	0.13	0.26	50.00	0.13	0.25	52.00
5. Suretyship	0.14	3.03	4.62	0.24	2.40	10.00
TOTAL	<u>16.90</u>	<u>39.51</u>	<u>42.77</u>	<u>13.76</u>	<u>34.38</u>	<u>40.02</u>

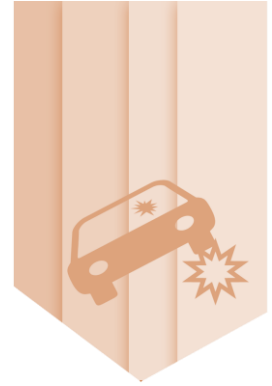
5. Summary of Operations

An increment of 8.79% on net income of non-life insurers was noted from ₱2.73 billion in 2015 to ₱2.97 billion in 2016. Although there was an increase of 16.41% in underwriting expenses, it was compensated by 13.08% and 26.89% increments in underwriting income and in other income as reflected in Table 14.



**Table 14: Summary of Operations of Non-Life Companies & Professional Reinsurer, 2016
(₱ billions)**

PARTICULARS	Domestic	Foreign	Total
Underwriting Income	<u>38.52</u>	<u>4.88</u>	<u>43.40</u>
Premiums Earned	35.51	4.00	39.51
Commissions Earned	2.67	0.87	3.54
Other Underwriting Income	0.34	0.01	0.35
Less: Underwriting Expenses	28.34	3.22	31.56
Losses Incurred	15.26	1.64	16.90
Loss Adjustment Expenses	0.27	0.04	0.31
Commission Expenses	9.91	1.35	11.26
Premium Tax Incurred	-	-	-
Other Underwriting Expenses	2.90	0.19	3.09
Underwriting Gain/Loss	10.18	1.66	11.84
Add: Gross Investment Income	1.99	0.37	2.36
Other Income/Expenses	1.29	0.22	1.51
SUB – TOTAL	13.46	2.25	15.71
Less: Taxes other than Premium & Income	0.43	0.13	0.56
Other General Expenses	9.82	1.84	11.66
Income Tax	0.54	(0.02)	0.52
Net Income / Loss for the year Including Capital Gains	<u>2.67</u>	<u>0.30</u>	<u>2.97</u>



6. Investments

Table 15: Investments by Category of Non-Life Companies & Professional Reinsurer, 2016
(₱ Billions)

PARTICULARS	Domestic	Foreign	Total
Bonds	27.12	9.12	36.24
Stocks	11.51	0.90	12.41
Real Estate	6.51	0.30	6.81
Mortgage Loans	0.17	0.01	0.18
Collateral Loans	0.24	-	0.24
Guaranteed Loans	0.25	-	0.25
Purchase Money	0.01	-	0.01
Other Loans	0.22	0.02	0.24
Short -Term Investments	2.25	0.05	2.30
Other Investments	0.45	0.17	0.62
Mutual Funds/UITF	1.31	0.05	1.36
Fixed Deposits	11.95	2.03	13.98
TOTAL	<u>61.99</u>	<u>12.65</u>	<u>74.64</u>

Table 16: Investments in Bonds & Government Securities of Non-Life Companies & Professional Reinsurer , 2016
(₱ billions)

TYPES OF BONDS/SECURITIES	
Long-Term Government Bonds	<u>26.39</u>
<i>Treasury Notes</i>	21.66
<i>Land Bank Bonds</i>	-
<i>Pag-ibig Bonds</i>	-
<i>ROP Bonds</i>	1.36
<i>Retail Bonds</i>	3.10
<i>Others</i>	0.27
Short-Term Government Securities	<u>2.30</u>
<i>Treasury Bills</i>	2.30
Total Government Securities	<u>28.69</u>
<i>Private Bonds</i>	8.63
<i>Foreign Bonds</i>	1.22
GRAND TOTAL	<u>38.54</u>

Investments of non-life insurers' for 2016 reached to ₱74.64 billion, increased by 19.98% from ₱62.21 billion last 2015. This growth can be attributed to the 25.05%, 6.07% and 23.28% additions in bonds, stocks and fixed deposits in 2016, respectively, which contributed 83.91% of the total investments. Also, improvement of 13.12% on real estate and 22.99% on short term investments were noted in 2016.

Moreover, investments of foreign non-life companies amounted to ₱12.65 billion, 41.5% higher than last years' ₱8.94 billion. Foreign non-life companies have contributed 16.95% while the domestic non-life companies shared a significant 83.05% to the total invested funds.

The total investments in bonds and government securities for 2016 increased by 24.93% from ₱30.85 billion last 2015 to

₱38.54 billion this year. While there was a decrease of 26.06% on foreign bonds, there were noted increases of 26.44% and 32.57% in placements in government securities and private bonds, respectively.

7. Balance Sheet

The total assets of non-life insurers for the year 2016 improved by 7.05% from last years' ₱161.80 billion to ₱173.2 billion. This improvement can be attributed to the 7.675% increase in the domestic non-life companies' share of 89.5% of the total asset.

Table 17: Consolidated Balance Sheet of Non-life Companies & Professional Reinsurer, 2016			
(₱ billions)			
PARTICULARS	Domestic	Foreign	Total
ASSETS			
Bonds	26.51	8.00	34.51
Stocks	27.20	0.51	27.71
Real Estate Owned	9.17	0.29	9.46
Mortgage Loans	0.18	0.01	0.19
Collateral Loans	0.24	-	0.24
Guaranteed Loans	0.25	-	0.25
Other Loans	0.22	0.02	0.24
Short-Term Investments	2.25	0.06	2.31
Security Fund	0.01	-	0.01
Other Investments	2.11	0.09	2.20
Cash on Hand & in Banks	22.81	2.66	25.47
Premiums Receivable	16.59	1.07	17.66
Due From Ceding Companies	4.52	0.73	5.25
Prem./Loss Reserve Withheld By Ceding Cos.	0.67	0.02	0.69
Reins. Recoverable on Losses	29.51	3.52	33.03
Other Reins. Accts. Receivable	1.50	0.04	1.54
Commissions/Accounts Receivable	0.90	0.08	0.98
Salvage Recoverable	0.07	-	0.07
Accrued Interest & Other Investment Income	0.27	0.11	0.38
EDP Equipment	0.47	0.04	0.51
Other Assets	9.57	0.93	10.50
TOTAL ASSETS	<u>155.02</u>	<u>18.18</u>	<u>173.20</u>
LIABILITIES			
Reserve for Unearned Premiums	20.17	1.89	22.06
Losses & Claims Payable	35.08	4.23	39.31
Loss Adjustment Expenses	0.48	0.06	0.54
Catastrophe Loss Reserves	0.25	0.08	0.33
Premiums Due to Reinsurers	11.73	1.99	13.72
Prem./Loss Reserves Withheld For Reinsurers	1.13	1.08	2.21
Other Reins. Accounts Payable	0.45	0.05	0.50
Taxes/Licenses Payable	5.46	0.25	5.71
Accrued Expenses Payable	0.90	0.20	1.10
Commissions & Other Charges Payable	2.07	0.06	2.13
Accounts/Notes Payable	4.23	0.19	4.42
Other Liabilities	5.51	0.60	6.11
TOTAL LIABILITIES	<u>87.46</u>	<u>10.68</u>	<u>98.14</u>
NETWORTH			
Paid-Up Capital/Statutory Deposits	23.59	4.29	27.88
Treasury Shares	-	-	-
Paid-In Capital	5.07	0.33	5.40
Contributed Surplus	2.32	1.01	3.33
Deposit on Stock Subscription	0.84	-	0.84
Investment Fluctuation Reserves	17.58	0.03	17.61
Contingency Surplus	4.07	0.03	4.10
Other Assigned Surplus	(0.29)	(0.01)	(0.30)
Unassigned Surplus/H.O. Accounts	14.38	1.82	16.20
TOTAL NETWORTH	<u>67.56</u>	<u>7.50</u>	<u>75.06</u>
TOTAL LIABILITIES & NETWORTH/TRUSTED SURPLUS	<u>155.02</u>	<u>18.18</u>	<u>173.20</u>

Liabilities, on the other hand amounted to ₱98.14 billion, a minute increase of 0.95% from ₱97.22 billion of 2015. Although decreases of 6.4% and 2.97% from losses claims payable and premiums due to reinsurers were noted respectively, a corresponding 10.02% growth on reserves for unearned premiums was observed.

Moreover, the total networth rose to ₱75.06 billion, 16.23% from ₱64.58 billion last 2015. This was brought about by 7.56%, 4.08% and 34.00% increases on paid up capital, investment fluctuation reserves and unassigned surplus, respectively, which contributed 82.19% to the networth of non-life companies.



The Philippine Insurers and Reinsurers Association in support of the Insurance Commission launches their activities in the 2017 Insurance Consciousness Week with the Theme: "The Resilient Insurance Industry, Rising Above Challenges"

D. Mutual Benefit Associations (MBAs)

Mutual benefit associations reported total assets of ₱67.96 billion, up by 11.43% from ₱60.99 billion of 2015. This growth in assets was due to increased shares of the five MBAs totalling 85.52% of the total. Armed Forces of the Philippines MBA has the biggest share of 26.25%, followed by the Public Safety Mutual Benefit fund with 21.59%, Manila Teachers Aid System with 15.24%, Card Mutual Benefit Association Inc. with 14.85% and Knights of Columbus Fraternal Association of the Philippines Inc. with 7.6%. These MBAs have a total of ₱58.12 billion assets which is 12.99% higher than ₱51.44 billion in 2015.

Liabilities also increased by 9.87% from ₱39.33 billion last 2015 to ₱43.21 billion this year. Members' equity, likewise increased by 14.27% amounting to ₱24.75 billion. However, a decrease of 3.41% was observed on guaranty funds of MBAs from ₱0.88 billion in 2015 to ₱0.85 billion this year.

Investments of MBAs for 2016 grew by 18.78% to amount to ₱63.11 billion from ₱53.13 billion in 2015. Majority of the investments were placed in other loans which contributed 32.35% of total investments. Moreover, investments in bonds and fixed deposits contributed 31.82% and 12.27% to total investments, respectively.

**Table 18: Mutual Benefit Associations
Key Insurance Statistics, 2015-2016**

PARTICULARS	2016	2015	% Increase (Decrease)
	(₱ billions)		
Assets	67.96	60.99	11.43
Liabilities	43.21	39.33	9.87
Members' Equity	24.75	21.66	14.27
Guaranty Fund	0.85	0.88	(3.41)
Investments	63.11	53.13	18.78
Premiums	7.67	6.88	10.61
Net Income	3.10	3.11	(0.32)
No. of Licensed MBAs	34	34	

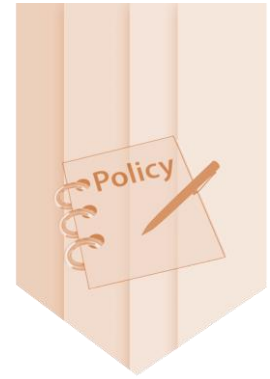
Premiums generated by MBAs also increased by 11.48% from ₱6.88 billion from ₱7.67 billion this 2016. However, a decrease of 0.32% was noted in the net income of MBAs.



Insurance Commissioner Dennis B. Funa addressed the participants of the MI-MBA Investment Management Workshop last 25-26 January 2017 spearheaded by the RIMANSI Organization for Asia & the Pacific, Inc.

E. Insurance and Reinsurance Brokers

Insurance and reinsurance brokers operations contributed to ₱54.42 billion premiums to the insurance industry, up by 2.16% from ₱53.27 billion in 2015. Although there was a decrease of 4.08% on premiums of reinsurance brokers, there was also a corresponding increase of 2.45% in premiums generated insurance brokers which contributed 95.68% of the total. Premiums of 7.65%, 18.54% and 6.64% on fire, motor vehicle and health businesses were noted which constituted 66.67% of total premiums of insurance brokers.



Moreover, commissions earned by brokers declined by 2.47% from ₱6.87 billion last 2015 to ₱6.70 billion this year due to 2.25% and 9.28% decreases in insurance and reinsurance premiums, respectively. It can also be observed that there were lower commissions on health for insurance brokers and marine, engineering and miscellaneous for reinsurance brokers.

**Table 19: Brokers' Business Operations, 2016
(₱ millions)**

Line of Business	Insurance Brokers		Reinsurance Brokers	
	Premiums	Commissions	Premiums	Commissions
Life	7,881.34	1,156.40	-	-
Fire	15,122.94	1,150.41	1,134.78	71.67
Ocean Marine	957.11	174.54	78.53	1.87
Inland Marine	187.55	33.08	3.80	0.34
Marine Hull	1,553.74	87.88	104.83	13.05
Aviation	679.82	45.16	21.30	2.71
Fidelity & Surety	1,085.59	273.87	6.47	0.21
Motor Vehicle	5,614.82	1,328.38	32.97	2.87
Health	13,974.95	1,403.10	179.50	3.58
Accident	509.22	152.53	137.93	21.14
Engineering	2,387.75	287.76	384.75	27.95
Miscellaneous	2,114.25	434.18	270.13	23.36
TOTAL	52,069.08	6,527.29	2,354.99	168.75

“The insurance brokerage industry is confronted with the several challenges including the use of online platforms by insurance companies in selling their product and the continued growth in the sales force of insurance companies. However, insurance brokers should take this as an opportunity to upgrade and improve their services for the benefit of their clients-the insuring public

- Insurance Commissioner Dennis B. Funa



III. PRE-NEED INDUSTRY

The reported assets of pre-need companies for 2016 dropped by 0.58% from ₱115.61 billion in 2015 to ₱114.94 billion. Of the eighteen (18) companies, four (4) contributed ₱97.93 billion or 85.20% of the total assets which include Philplans First, Inc. with 35.14%, St. Peter Life Plan, Inc. with 33.00%, Manulife Financial Plans, Inc. with 10.21 and Sun Life Financial Plans, Inc. with 6.85%.

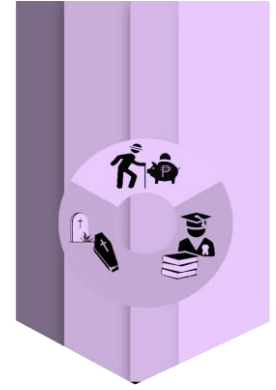
**Table 20: Pre-Need Companies' Key Statistics
2015-2016**

PARTICULARS	2016	2015	% Increase (Decrease)
	(₱ billions)		
Assets	114.94	115.61	(0.58)
Liabilities	101.38	99.25	2.15
Net worth	13.56	16.36	(17.11)
Paid-up capital	3.85	3.88	(0.77)
Trust Fund	99.05	98.52	0.54
Pre-Need Reserves	94.53	93.04	1.60
Investments	98.02	103.87	(5.63)
Premiums	16.09	16.27	(1.11)
Net Income	1.79	1.46	22.60
No. of Licensed Pre-need Companies	18	17	5.88
No. Plans Sold	697,869	694,159	0.53
Life	680,649	671,564	1.35
Pension	16,328	21,680	(24.69)
Education	892	915	(2.51)

Likewise, the total liabilities of these companies amounted to ₱101.38 billion, up by 2.15% from last years' ₱99.25 billion. This was due to increase of 1.60% in pre-need reserves. As reflected in the above table, investments in trust funds of ₱99.05 billion which constituted 86.18% of the total was slightly higher during the year.

Total networth reported for 2016 dropped by 17.11% from ₱16.36 billion to ₱13.56 billion this year.





Investments of pre-need companies decreased by 5.63% from ₱103.87 billion to ₱98.02 billion. Most of the investments were placed on bonds and stocks which contributed 64.41% and 23.62% respectively to total investments of ₱86.28 billion.

While premiums produced dropped by 1.11% from ₱16.27 billion to ₱16.09 billion this year, the reported net income of pre-need companies improved by 22.6% to amount to ₱1.79 billion.

Further, the number of plans sold this year was slightly higher by 0.53% from 694,159 plans to 697,869 plans. This was brought about by the 1.35% increase on plans sold on memorial life business.



Insurance Commissioner Dennis B. Funa during his Keynote Speech in the 2017 Pre-Need Week Forum in celebration of the 16th Pre-Need Consciousness Week with the theme "Pre-Need: Kaagapay ng Bawat Pilipino"

“Without a doubt, pre-need products are vital instruments in promoting financial inclusivity. Thus, the Insurance Commissioner is pushing for the continuous growth and success of the pre-need industry,” – Commissioner Dennis B. Funa

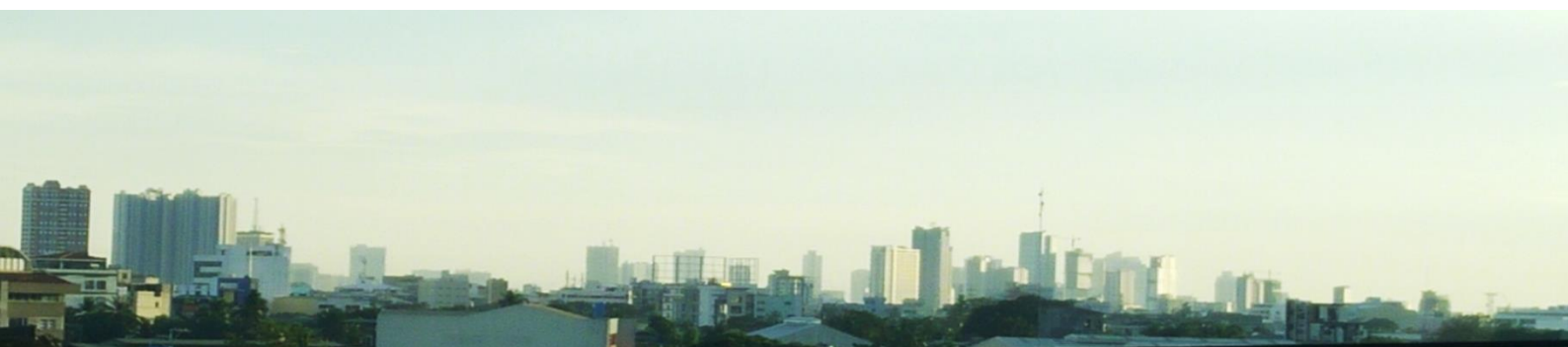
Manila Bulletin, March 7, 2017

IV. GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS)

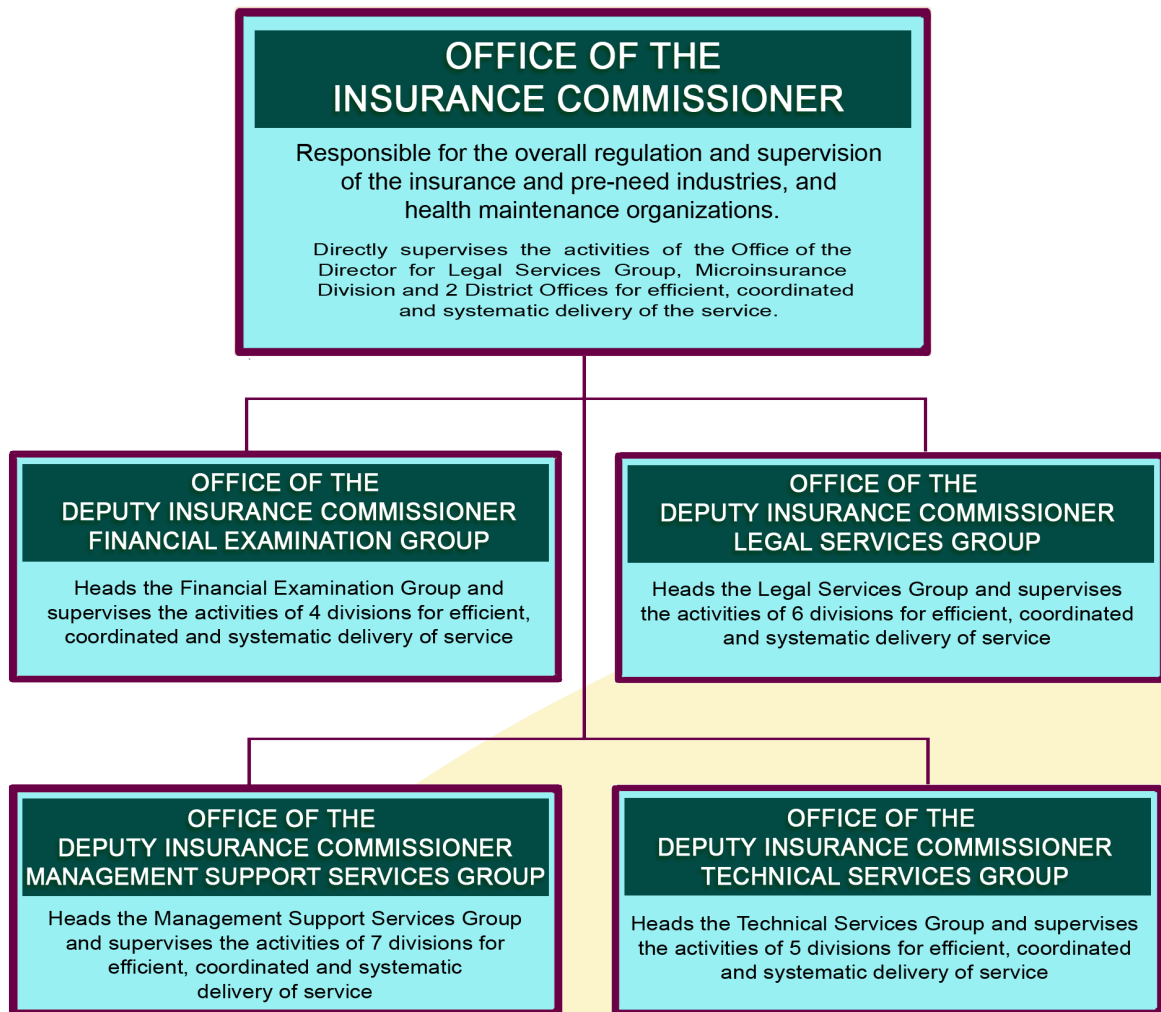
The reported assets of the government service insurance system for 2016 improved by 5.7% from last years' ₱958.38 billion to ₱1,013.04 billion. Assets of the life business amounted to ₱978.05 billion which comprised to 96.55% of the total assets.

Total investments for 2016 amounted to ₱958.85 billion, 5.83% higher than ₱906.00 billion on 2015. Also, an increase of 8.11% was noted on premiums generated this year with a total amount of ₱96.56 billion from ₱89.32 billion last year. However, a decrease of 12.21% was reported on the networth to amount of ₱57.59 billion compared to ₱65.6 billion on 2015. This was due to 26.07% reduction on networth of life business.

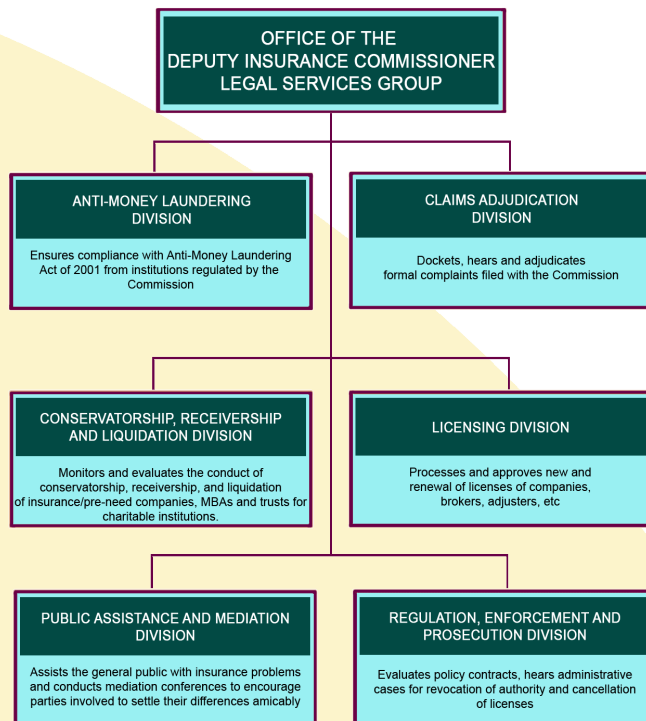
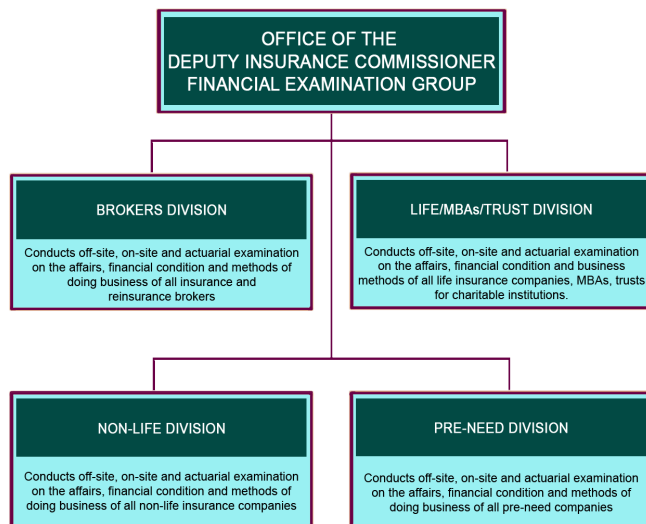
PARTICULARS	2016	2015	% Increase(Decrease)
Assets	<u>1,013.04</u>	<u>958.38</u>	<u>5.70</u>
Life	978.05	924.89	5.75
Non-Life	34.99	33.49	4.48
Networth	<u>57.59</u>	<u>65.60</u>	<u>(12.21)</u>
Life	30.83	41.70	(26.07)
Non-Life	26.76	23.90	11.97
Investments	<u>958.85</u>	<u>906.00</u>	<u>5.83</u>
Life	928.84	879.19	5.65
Non-Life	30.01	26.81	11.94
Premiums	<u>96.56</u>	<u>89.32</u>	<u>8.11</u>
Life	94	86.25	8.99
Non-Life	2.56	3.07	(16.61)

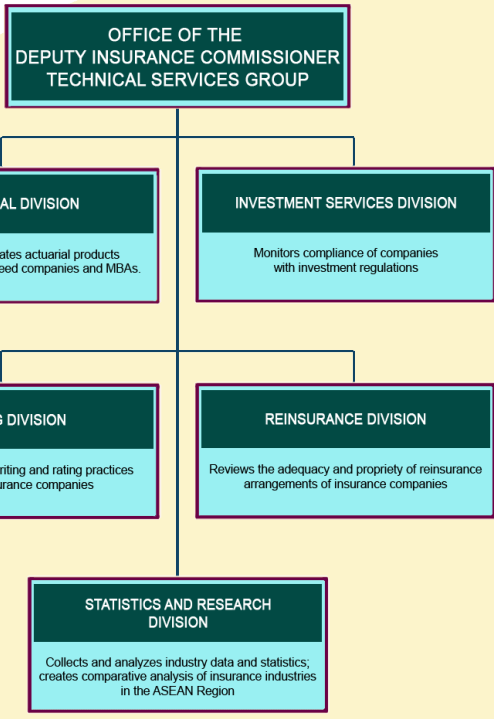


FUNCTIONAL CHART



Note: Deputy Insurance Commissioner Technical Services Group have yet to be appointed.





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MANDATE

To regulate and supervise the insurance, pre-need and health maintenance organization industries in accordance with the provisions of the Insurance Code, 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.

SHARED CORE VALUES

Integrity
Commitment
Responsibility

QUALITY POLICY

We, the Insurance Commission, commit to provide quality regulatory services to protect the insuring public and pre-need customers and to develop and strengthen the insurance and pre-need 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.

Resiliency + Security

