



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



Circular Letter (CL) No.:	2022-34
Date:	14 July 2022
Supersedes:	C.L. No. 2016-55

CIRCULAR LETTER

TO : ALL NON-LIFE INSURANCE AND REINSURANCE COMPANIES AND LICENSED INTERMEDIARIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : GUIDELINES ON THE ADOPTION OF THE REVISED SCHEDULE OF MINIMUM CATASTROPHE RATES

WHEREAS, to ensure the country's catastrophe resilience, a Memorandum of Understanding (MOU) among the Insurance Commission, the Philippine Insurers and Reinsurers Association, Inc. (PIRA), and the National Reinsurance Corporation of the Philippine (NatRe) was executed for the implementation of the Philippine Catastrophe Insurance Facility (PCIF);

WHEREAS, the MOU provides that the general framework of the PCIF shall include, among others: (1) the review of the current catastrophe insurance rates and rating structure to one that is more risk-appropriate and sustainable; (2) the creation of an environment to ensure adherence to sustainable catastrophe insurance premium rates; and (3) the optimization of inclusive access to insurance cover subject to technically sufficient and sustainable rates, terms and conditions;

WHEREAS, to ensure the inclusive and consultative process in drawing up the structure, governance and implementation details of the PCIF, which includes the determination and adoption of risk-appropriate and sustainable catastrophe insurance rates and rating structure, each non-life insurance company is represented in the Technical Working Group on PCIF (PCIF-TWG) pursuant to Circular Letter No. 2021-27;

WHEREAS, the process in the determination of the rate structure and technical rates involved the knowledge, experience and facilities of global reinsurance brokers, expertise of actuaries, and deliberated by the PCIF-TWG;

WHEREAS, the final technical rates were derived using AIR Worldwide's earthquake and typhoon models for the Philippines, adjusted based on historical experience data on natural catastrophes submitted by non-life insurance companies, adjusted to include reinsurance expense loading (i.e., reinsurance cost including broker's commissions, but excluding direct commissions and other

expenses and costs related to direct business), and further applied cross-subsidization in the risk zones to achieve affordability and marketability, thereby ensuring adequate overall rates;

WHEREAS, while the PCIF-TWG ascertained a schedule of appropriate technical rates for earthquake risks and typhoon and flood risks, there was a consensus among the PCIF-TWG representatives that there is a need to phase the implementation of the rate adjustments to allow the market to adjust over time and to cushion the impact of such adjusted rates;

NOW, THEREFORE, in view of all the foregoing and pursuant to the authority of the Insurance Commissioner under Section 437 of the Insurance Code, as amended by RA No. 10607, the following *Guidelines in the Adoption of the Revised Schedule of Minimum Catastrophe Rates* are hereby promulgated:

Section 1. Application

The revised schedule of minimum catastrophe rates prescribed under this Circular Letter shall be observed by all non-life insurance companies and intermediaries and shall apply to all insurance policies covering earthquake and typhoon and flood risks for both new and renewal business, except for risks rated under motor car tariff.

Section 2. Revised Schedule of Minimum Catastrophe Rates

The revised schedule of minimum catastrophe rates prescribed in **ANNEX A** shall be observed during the initial phase of implementation of the rate adjustments.

The revised rates prescribed under this Circular Letter are understood to be minimum rates, and no discounts whatsoever shall be applied.

The following provisions shall likewise apply:

- a. The schedule of minimum rates for typhoon and flood hereunder shall be applied regardless of whether the cover being purchased is flood only, typhoon only, or a combination of both flood and typhoon;
- b. The schedule of minimum rates hereunder shall be applied to the Total Sum Insured. The two-tiered rating system provided under Section 1.1.6., General Tariff Regulations of the *PIRA Fire Manual (Revised 1998)* shall not apply;
- c. A policy covering a combination of perils shall indicate the breakdown of the total premiums therefor, specifying the rate used for each type of peril

- d. Policies issued under global arrangements covering properties located in the Philippines shall comply with the revised schedule of minimum rates herein prescribed; and
- e. The direct commission rate for all intermediaries shall not exceed five percent (5%).

The minimum rates prescribed herein shall be reviewed and adjusted by the PCIF-TWG within one (1) year from effectivity of this Circular Letter and periodically thereafter, subject to this Commission's approval; provided, however, that the minimum final rates in **ANNEX B** of this Circular Letter shall be implemented not later than the end of 2025 in a separate Circular Letter; provided, further, that the Insurance Commissioner may suspend or defer said implementation upon meritorious grounds.

Section 3. Sanctions

Any company found guilty of violation of this Circular Letter shall be subject to applicable fines and penalties under pertinent issuances of this Commission and Sections 372 and 438 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607.

Section 4. Transitory Provisions

Upon the effectivity of this Circular Letter, it shall be the responsibility of the concerned companies to advise their clients on the implementation of the revised minimum catastrophe rates.

All policies with issue and inception dates earlier than 01 November 2022 shall use the flat catastrophe minimum rate of 0.10% for earthquake risks and 0.05% for typhoon and flood risks. However, all policies issued beginning 01 November 2022 regardless of the inception date shall already use the minimum rates prescribed in **Annex A** of this Circular Letter.

Section 5. Separability Clause

If any provision of this Circular Letter shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

Section 6. Repealing Clause

All Circular Letters, rules and regulations or parts thereof that are inconsistent with the provisions of this Circular are deemed repealed, superseded or modified accordingly.

Section 7. Effectivity

This Circular Letter shall take effect immediately.



DENNIS B. FUNA
Insurance Commissioner



ANNEX A : INITIAL PHASE MINIMUM CATASTROPHE RATES

EARTHQUAKE

Occupancy	Construction*	Height	ZONE*				
			1	2	3	4	Metro Manila
Commercial	Higher Grade	1 to 3	0.057%	0.078%	0.100%	0.100%	0.100%
		4 and higher	0.047%	0.062%	0.086%	0.100%	0.087%
	Others	All heights	0.083%	0.100%	0.100%	0.100%	0.100%
Industrial	Higher Grade	All heights	0.071%	0.090%	0.100%	0.100%	0.100%
	Others	All heights	0.096%	0.100%	0.100%	0.100%	0.100%
Warehouse	Higher Grade	All heights	0.057%	0.072%	0.090%	0.100%	0.098%
	Others	All heights	0.078%	0.100%	0.100%	0.100%	0.100%
Residential	Higher Grade	1 to 3	0.060%	0.083%	0.100%	0.100%	0.100%
		4 and higher	0.048%	0.062%	0.086%	0.100%	0.093%
	Others	All heights	0.089%	0.100%	0.100%	0.100%	0.100%

TYPHOON/ FLOOD

Occupancy	Construction*	Height	ZONE*				
			1	2	3	4	Metro Manila
Commercial	Higher Grade	1 to 3	0.058%	0.095%	0.100%	0.100%	0.100%
		4 and higher	0.042%	0.055%	0.067%	0.080%	0.059%
	Others	All heights	0.091%	0.100%	0.100%	0.100%	0.100%
Industrial	Higher Grade	All heights	0.060%	0.097%	0.100%	0.100%	0.100%
	Others	All heights	0.092%	0.100%	0.100%	0.100%	0.100%
Warehouse	Higher Grade	All heights	0.080%	0.100%	0.100%	0.100%	0.100%
	Others	All heights	0.100%	0.100%	0.100%	0.100%	0.100%
Residential	Higher Grade	1 to 3	0.062%	0.099%	0.100%	0.100%	0.100%
		4 and higher	0.049%	0.058%	0.064%	0.076%	0.062%
	Others	All heights	0.090%	0.100%	0.100%	0.100%	0.100%

*See Reference for Types of Construction and Risk Zones.

ANNEX B : FINAL MINIMUM CATASTROPHE RATES

EARTHQUAKE

Occupancy	Construction*	Height	ZONE*				
			1	2	3	4	Metro Manila
Commercial	Higher Grade	1 to 3	0.057%	0.078%	0.109%	0.130%	0.123%
		4 and higher	0.047%	0.062%	0.086%	0.110%	0.087%
	Others	All heights	0.083%	0.120%	0.163%	0.201%	0.185%
Industrial	Higher Grade	All heights	0.071%	0.090%	0.110%	0.128%	0.130%
	Others	All heights	0.096%	0.125%	0.154%	0.183%	0.178%
Warehouse	Higher Grade	All heights	0.057%	0.072%	0.090%	0.103%	0.098%
	Others	All heights	0.078%	0.109%	0.131%	0.152%	0.145%
Residential	Higher Grade	1 to 3	0.060%	0.083%	0.105%	0.127%	0.133%
		4 and higher	0.048%	0.062%	0.086%	0.103%	0.093%
	Others	All heights	0.089%	0.128%	0.175%	0.201%	0.202%

TYPHOON/ FLOOD

Occupancy	Construction*	Height	ZONE*				
			1	2	3	4	Metro Manila
Commercial	Higher Grade	1 to 3	0.058%	0.095%	0.113%	0.170%	0.140%
		4 and higher	0.042%	0.055%	0.067%	0.080%	0.059%
	Others	All heights	0.091%	0.128%	0.165%	0.220%	0.182%
Industrial	Higher Grade	All heights	0.060%	0.097%	0.117%	0.137%	0.174%
	Others	All heights	0.092%	0.134%	0.164%	0.193%	0.229%
Warehouse	Higher Grade	All heights	0.080%	0.105%	0.130%	0.155%	0.136%
	Others	All heights	0.102%	0.138%	0.175%	0.210%	0.170%
Residential	Higher Grade	1 to 3	0.062%	0.099%	0.121%	0.159%	0.125%
		4 and higher	0.049%	0.058%	0.064%	0.076%	0.062%
	Others	All heights	0.090%	0.124%	0.154%	0.192%	0.162%

*See Reference for Type of Construction and Risk Zones.

REFERENCE FOR TYPE OF CONSTRUCTION AND RISK ZONES

Classification of Construction

Construction	Typhoon/Flood	Earthquake
Higher Grade	Reinforced concrete, steel	Reinforced concrete, steel, wood
Others	Masonry, wood and others (unknown)	Masonry and others (unknown)

Risk Zones

PROVINCE	EQ	TY/FL
Abra	4	3
Agusan Del Norte	4	1
Agusan Del Sur	4	1
Aklan	3	2
Albay	1	4
Antique	4	2
Apayao	2	4
Aurora	4	4
Basilan	1	1
Bataan	2	4
Batanes	1	4
Batangas	1	3
Benguet	2	3
Biliran	3	3
Bohol	2	2
Bukidnon	1	1
Bulacan	2	2
Cagayan	2	4
Camarines Norte	1	4
Camarines Sur	2	3
Camiguin	1	2
Capiz	2	2
Catanduanes	3	4
Cavite	3	4
Cebu	1	2
Compostella Valley	4	1
Cotabato	3	1
Davao Del Norte	4	1
Davao Del Sur	2	1
Davao Occidental	2	1
Davao Oriental	4	1
Dinagat Islands	2	2
Eastern Samar	4	4
Guimaras	2	2
Ifugao	2	3
Ilocos Norte	4	4
Ilocos Sur	4	4
Iloilo	4	2
Isabela	2	4
Kalinga	2	4
La Union	4	3

PROVINCE	EQ	TY/FL
Laguna	3	2
Lanao Del Norte	2	1
Lanao Del Sur	2	1
Leyte	3	4
Maguindanao	3	1
Marinduque	1	3
Masbate	3	2
Metro Manila	Metro Manila	
Misamis Occidental	2	1
Misamis Oriental	1	1
Mountain Province	2	4
Negros Occidental	1	2
Negros Oriental	1	2
Northern Samar	3	4
Nueva Ecija	4	2
Nueva Vizcaya	2	4
Occidental Mindoro	3	2
Oriental Mindoro	3	2
Palawan	1	2
Pampanga	2	2
Pangasinan	4	2
Quezon	2	2
Quirino	2	4
Rizal	4	3
Romblon	1	2
Samar	2	4
Sarangani	3	1
Siquijor	1	2
Sorsogon	2	4
South Cotabato	2	1
Southern Leyte	2	2
Sultan Kudarat	3	1
Sulu	1	1
Surigao Del Norte	4	2
Surigao Del Sur	4	1
Tarlac	3	2
Tawi-Tawi	1	1
Zambales	3	2
Zamboanga Del Norte	2	1
Zamboanga Del Sur	2	1
Zamboanga Sibugay	2	1