

PHILIPPINE NON-LIFE INSURANCE BUSINESS TRENDS & DEVELOPMENTS - A Reinsurer's Perspective

10th Philippine General Insurance Summit,

24 April 2013

Hotel Intercontinental, Makati City

Agenda

- 1. Major Losses in 2012**
- 2. Snapshots of 2013 Treaty Renewals**
- 3. Analysis of Selected Industry Trends 2001 to 2011**
- 4. Steps Moving Forward**



1. MAJOR LOSSES IN 2012

Major Losses in 2012

A. Insured Loss (in excess of PHP 100M)

<u>Event / Assured</u>	<u>Est. Loss (in PHP)</u>
1. Habagat Flood Loss <i>(est. 70% Property, 23% Motor, 7% other Lines)</i>	3 – 4 B
2. Ever Gotesco Fire Loss	732 M
3. Triple Star Packaging Fire Loss	470 M
4. Deco Arts Marketing Fire Loss	419 M
5. Tutuban Properties Fire Loss	386 M
6. Trans-Manila Fire Loss	121 M

B. Economic Loss

1. Typhoon Bopha <i>(mostly Agricultural loss)</i>	36.9 B
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2. SNAPSHOTS OF 2013 TREATY RENEWALS

Event Limits Under Fire Treaties

	<u>YEAR</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Number of Fire Treaties			
- Without Event Limit	52	46	11
- With Event Limit	14	10	45
A) Gross Earthquake			
Aggregates (in PHP)	491 B	359 B	395 B
B) Gross Earthquake Aggregate			
After Event Limit (in PHP)	338 B	222 B	179 B
B/A	69%	62%	45%

Note: as of Jan 2013 100% of the Treaties have Event Limit

Breakdown of EQ Accumulation by Zone

	<u>Percent of Total</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Zone 1	3%	2%	2%
Zone 2	12%	9%	10%
Zone 3	0%	0%	0%
Zone 4	1%	1%	0%
Zone 5	36%	34%	28%
Zone 6	29%	31%	34%
Zone 7	11%	12%	11%
Zone 8	3%	3%	4%
Zone 9	3%	2%	2%
Zone 10	4%	6%	9%
Zone A*Total	80%	77%	75%
Zone B Total	20%	23%	25%

* Zone A excludes Zone 10

Rates on Line for Fire XOL Covers

	<u>YEAR</u>	
	<u>2012</u>	<u>2013</u>
ROL Range	High : 48% Low: 0.245%	High: 52% Low: 0.359%
Average ROL	5.08%	5.71%
Range of Decrease - Increase		-18.55% to 10.75%



3. ANALYSIS OF SELECTED INDUSTRY TRENDS (2001-2011)

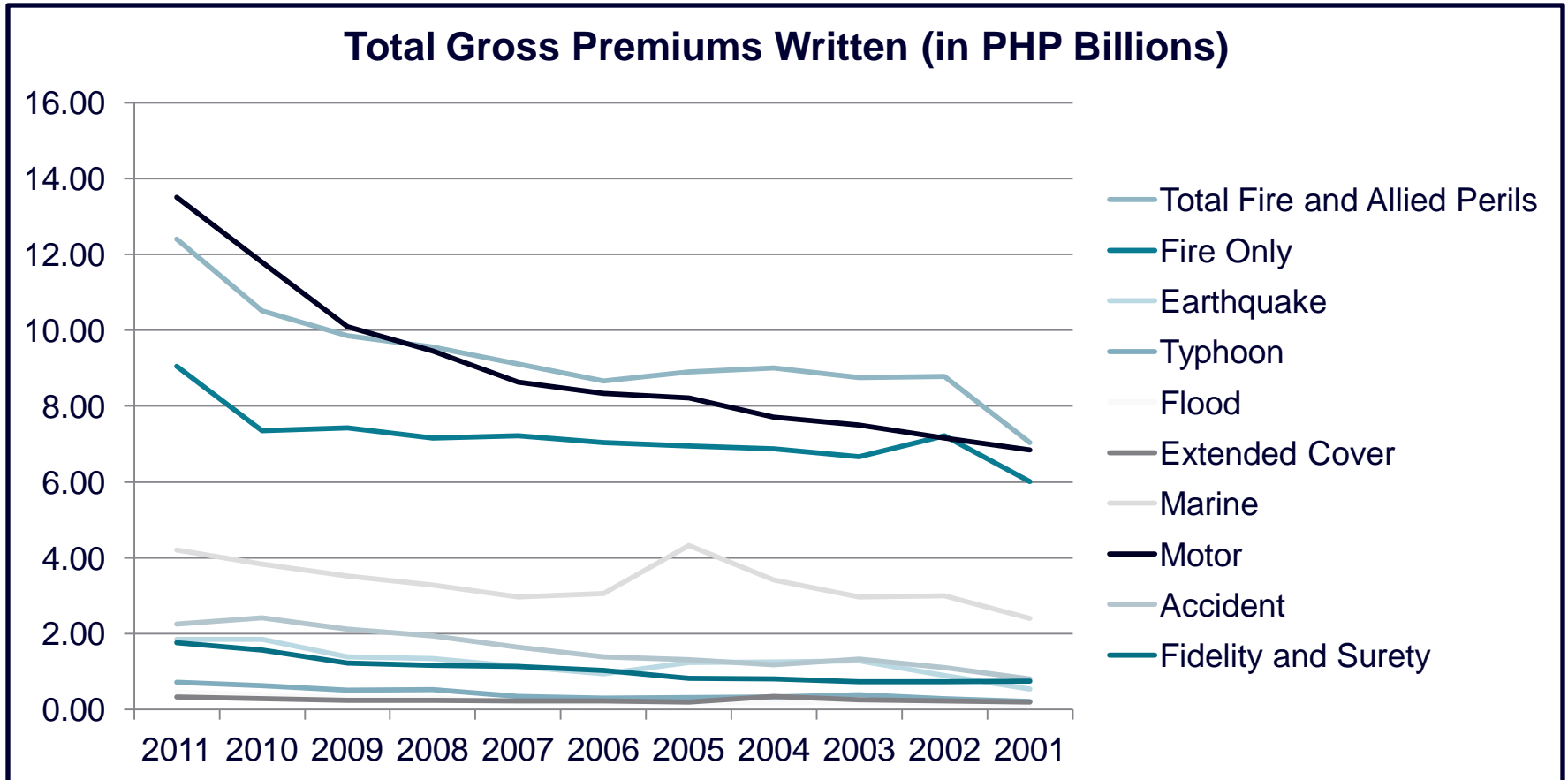
Number of Policies (in 1,000s)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2006</u>	<u>2001</u>
<u>Total Fire and Allied Perils</u>	1,204	1,359	1,156	949	729
Fire Only	806	857	764	744	590
Earthquake	109	136	137	72	46
Typhoon	106	124	92	55	35
Flood	96	104	86	43	21
Extended Cover	87	138	77	36	36
<u>Marine</u>	175	170	138	158	157
<u>Motor</u>	5,790	6,550	5,520	4,010	2,250
<u>Accident</u>	420	511	542	394	422
<u>Fidelity and Surety</u>	346	341	319	356	267

Total Gross Direct Premiums Written (in PHP Billions)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2006</u>	<u>2001</u>
<u>Total Fire and Allied</u>					
<u>Perils</u>	12.41	10.52	9.86	8.67	7.04
Fire Only	9.05	7.36	7.43	7.04	6.00
Earthquake	1.85	1.86	1.39	0.93	0.55
Typhoon	0.71	0.63	0.51	0.30	0.20
Flood	0.46	0.40	0.29	0.17	0.10
Extended Cover	0.33	0.28	0.24	0.22	0.19
<u>Marine</u>	4.20	3.83	3.52	3.05	2.41
<u>Motor</u>	13.51	11.79	10.09	8.33	6.85
<u>Accident</u>	2.25	2.41	2.12	1.38	0.81
<u>Fidelity and Surety</u>	1.77	1.56	1.23	1.04	0.74

2001-2011 Graph: Total Gross Direct Premiums Written (in PHP Billions)



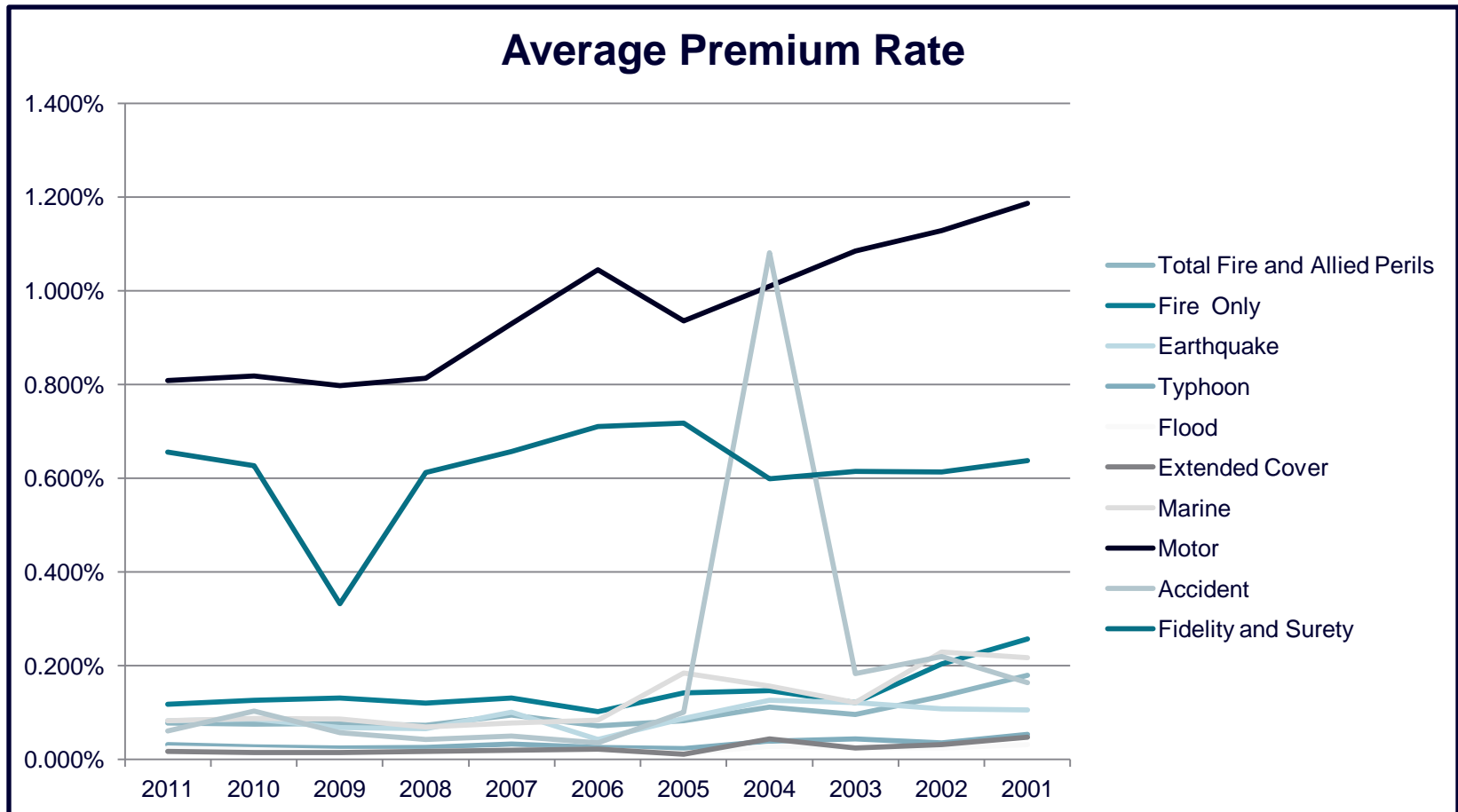
Total Direct Liabilities/Exposures (in PHP Trillions)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2006</u>	<u>2001</u>
<u>Total Fire and Allied Perils</u>	15.94	14.03	12.91	12.11	3.93
Fire Only	7.66	5.80	5.64	6.92	2.33
Earthquake	2.22	2.15	2.02	2.16	0.51
Typhoon	2.23	2.29	2.01	1.18	0.38
Flood	1.87	1.90	1.66	0.83	0.30
Extended Cover	1.96	1.88	1.58	1.02	0.40
<u>Motor</u>	1.67	1.44	1.26	0.80	0.58

Average Premium Rate by Class/Line of Business (Direct)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2006</u>	<u>2001</u>
<u>Total Fire and Allied Perils</u>	0.078%	0.075%	0.076%	0.072%	0.179%
Fire Only	0.118%	0.127%	0.132%	0.102%	0.258%
Earthquake	0.083%	0.086%	0.069%	0.043%	0.106%
Typhoon	0.032%	0.027%	0.025%	0.025%	0.053%
Flood	0.025%	0.021%	0.018%	0.021%	0.033%
Extended Cover	0.017%	0.015%	0.015%	0.022%	0.047%
<u>Marine</u>	0.082%	0.088%	0.087%	0.084%	0.217%
<u>Motor</u>	0.809%	0.818%	0.798%	1.045%	1.187%
<u>Accident</u>	0.061%	0.104%	0.057%	0.036%	0.163%
<u>Fidelity and Surety</u>	0.656%	0.628%	0.333%	0.710%	0.637%

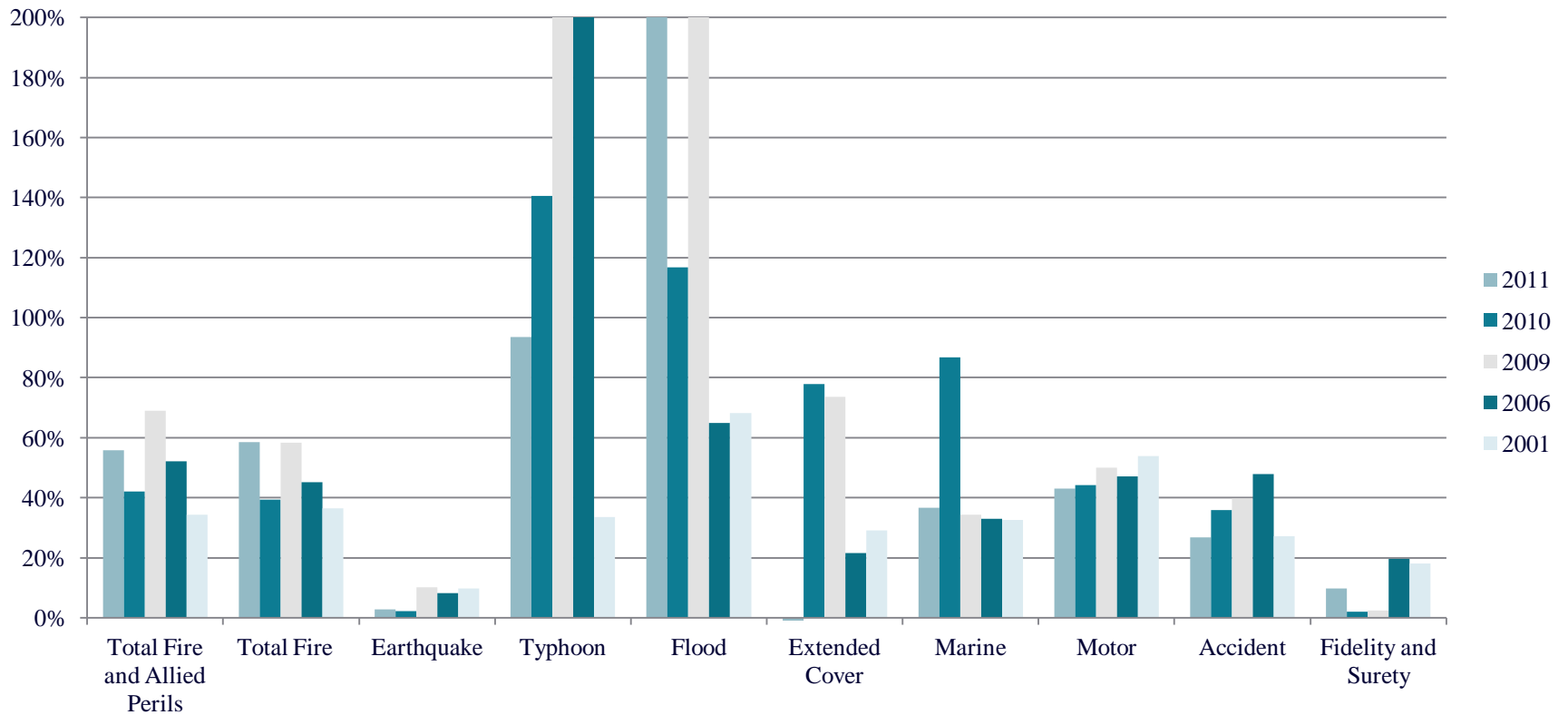
Average Premium Rate by Class/Line of Business (Direct)



Loss Ratio by Class/Line of Business (Direct)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2006</u>	<u>2001</u>
<u>Total Fire and Allied Perils</u>	56%	42%	69%	52%	34%
Fire Only	58%	39%	58%	45%	36%
Earthquake	3%	2%	10%	8%	10%
Typhoon	93%	141%	288%	444%	33%
Flood	245%	117%	326%	65%	68%
Extended Cover	-12%	78%	74%	22%	29%
<u>Marine</u>	37%	87%	34%	33%	33%
<u>Motor</u>	43%	44%	50%	47%	54%
<u>Accident</u>	27%	36%	40%	48%	27%
<u>Fidelity and Surety</u>	10%	2%	2%	20%	18%

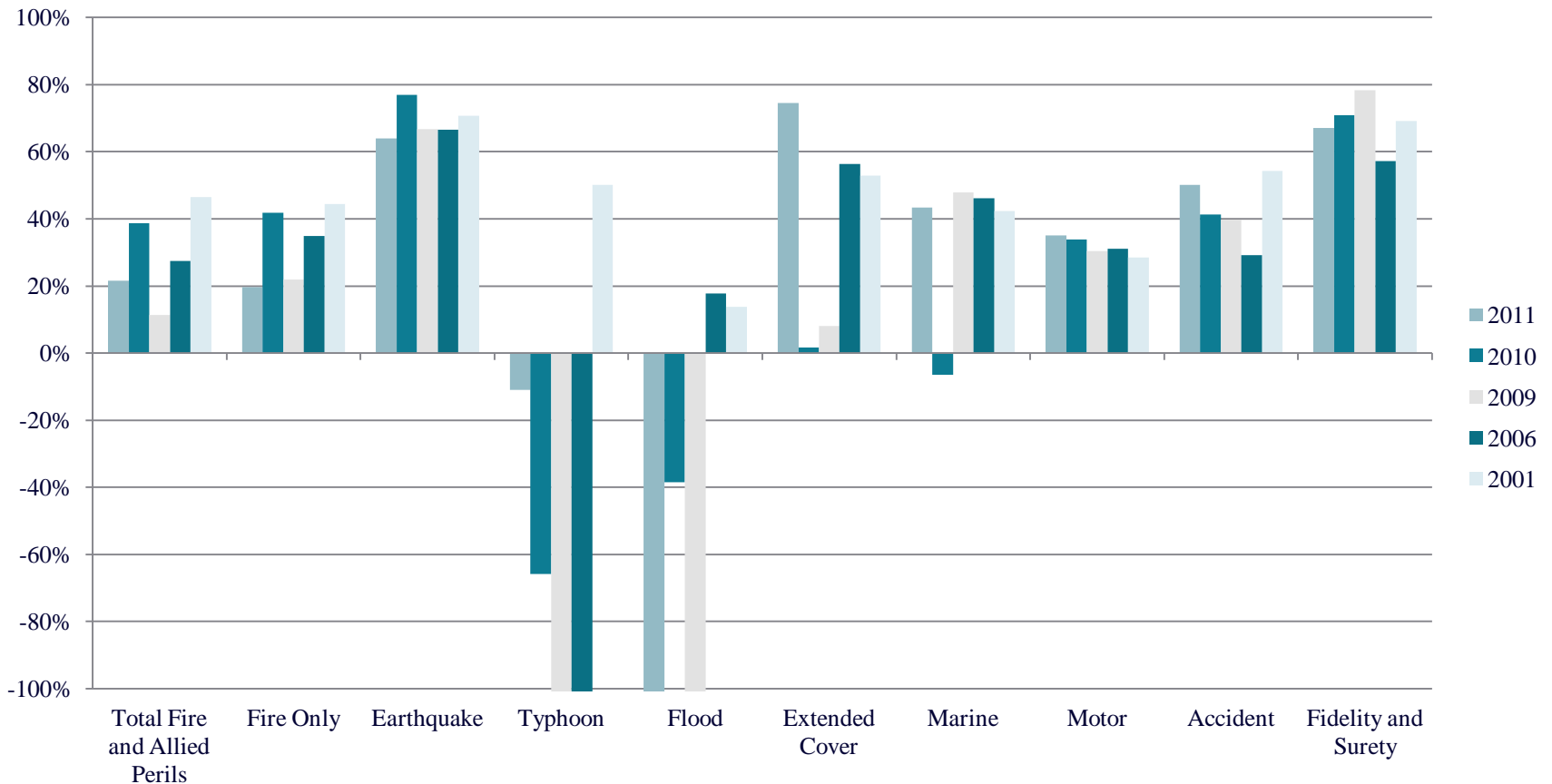
Graph of Loss Ratio



Underwriting Profit Ratio by Class/Line of Business (Direct)


	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2006</u>	<u>2001</u>
<u>Total Fire and Allied Perils</u>	22%	39%	11%	27%	47%
Fire Only	20%	42%	22%	35%	44%
Earthquake	64%	77%	67%	67%	71%
Typhoon	-11%	-66%	-202%	-331%	50%
Flood	-135%	-38%	-227%	18%	14%
Extended Cover	74%	2%	8%	56%	53%
<u>Marine</u>	43%	-6%	48%	46%	42%
<u>Motor</u>	35%	34%	30%	31%	28%
<u>Accident</u>	50%	41%	40%	29%	54%
<u>Fidelity and Surety</u>	67%	71%	78%	57%	69%

Graph of Underwriting Profits



Average Gross Premiums Written Per Policy

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2006</u>	<u>2001</u>
<u>Total Fire and Allied Perils</u>	10,302	7,740	8,534	9,129	9,664
Fire Only	11,231	8,587	9,722	9,461	10,183
Earthquake	16,911	13,597	10,183	13,001	11,881
Typhoon	6,730	5,086	5,524	5,459	5,778
Flood	4,795	3,787	3,399	3,978	4,565
Extended Cover	3,815	2,046	3,113	6,262	5,231
<u>Marine</u>	24,027	22,494	25,548	19,261	15,292
<u>Motor</u>	2,331	1,799	1,827	2,077	3,039
<u>Accident</u>	5,362	4,727	3,919	3,519	1,916
<u>Fidelity and Surety</u>	5,106	4,592	3,848	2,909	2,794



***COMPARISON OF
OPERATING RATIOS
ACCORDING TO
COMPANIES' NET WORTH***

Companies According to Net Worth, ROE and U/W Profit, Loss and Acquisition Ratios

<u>YEAR / NETWORTH (PHP)</u>	<u>No. of Companies</u>		<u>Average ROE</u>		<u>U/W Profit Ratio</u>		<u>Loss Ratio</u>		<u>Acquisition Ratio</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
DOMESTIC										
<u>Below 250 M</u>	39	34	2.46%	3.77%	36%	37%	32%	33%	20%	19%
<u>250 M to 500 M</u>	24	22	5.92%	4.52%	29%	31%	42%	39%	20%	18%
<u>Over 500 M</u>	14	19	7.40%	6.09%	33%	28%	41%	43%	19%	20%
FOREIGN	8	8	12.84%	9.87%	45%	37%	29%	33%	15%	17%
TOTAL INDUSTRY	85	83	7.0%	6.0%	34%	31%	38%	40%	19%	19%



***COMPARISON OF FIRE & A. P.
AVERAGE PREMIUM RATES
BY COMPANY CAPITALIZATION***

Companies by Paid Up Capital

Number of Companies

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Domestic (PHP)</u>			
below 250 M	58	64	67
250 M to 500 M	15	11	8
Over 500 M	2	2	2
<u>Foreign</u>	8	8	9
	83	85	86

Companies by Paid Up Capital

Average Premium Rate : Fire and Allied Perils

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Domestic (PHP)</u>			
below 250 M	0.115%	0.071%	0.066%
250 M to 500 M	0.072%	0.071%	0.059%
Over 500 M	0.067%	0.121%	0.159%
<u>Foreign</u>	0.096%	0.066%	0.083%

Companies by Paid Up Capital

Average Premium Rate : Fire only

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Domestic (PHP)</u>			
below 250 M	0.179%	0.119%	0.104%
250 M to 500 M	0.107%	0.123%	0.112%
Over 500 M	0.126%	0.257%	0.231%
<u>Foreign</u>	0.139%	0.084%	0.125%

Companies by Paid Up Capital

Average Premium Rate : Earthquake

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Domestic (PHP)</u>			
below 250 M	0.089%	0.114%	0.095%
250 M to 500 M	0.074%	0.066%	0.049%
Over 500 M	0.109%	0.149%	0.086%
<u>Foreign</u>	0.120%	0.098%	0.096%

Companies by Paid Up Capital

Average Premium Rate : Typhoon

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Domestic (PHP)</u>			
below 250 M	0.032%	0.027%	0.028%
250 M to 500 M	0.031%	0.026%	0.021%
Over 500 M	0.037%	0.045%	0.023%
<u>Foreign</u>	0.034%	0.026%	0.031%

Companies by Paid Up Capital

Average Premium Rate : Flood

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Domestic (PHP)</u>			
below 250 M	0.027%	0.021%	0.019%
250 M to 500 M	0.020%	0.016%	0.012%
Over 500 M	0.032%	0.038%	0.024%
<u>Foreign</u>	0.039%	0.027%	0.038%



4. STEPS MOVING FORWARD

Natural Perils-Related

1. Establishment of Philippine Catastrophe Facility (Pool or Company).
2. Flood Accumulation Reporting System.
3. Flood Modeling.
4. Proportional vs. Non-Proportional Cover for Natural Perils.
5. Tax Relief for Natural Perils Policies and Catastrophe Loss Reserves.
6. Review of Minimum Catastrophe Excess of Loss Protection Required by the Insurance Commission.
7. More accurate and up-to-date reporting of Catastrophe Claims.
8. Implementation of major infrastructure projects to mitigate consequences of natural catastrophes.
9. Relocation of settlements along catastrophe-prone areas like waterways, earthquake faults, volcanoes, etc.

Others

1. Review and rationalization of Fire Rates.
2. Government incentives for setting up head offices of insurance companies outside Metro Manila.
3. Tax relief on non-life insurance policies.
4. Incentives for mergers among insurance companies.

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THANK YOU

Presenter:

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