



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



26 February 2018

MR. OLAF KLIESOW

President

PHILIPPINE LIFE INSURANCE ASSOCIATION, INC.

Unit 54 Legaspi Suites,
178 Salcedo Street, Legaspi Village,
Makati City



SUBJECT : **INSURANCE INDUSTRY MARKS 2017 AS BANNER YEAR**

Dear Mr. Kliesow:

It is with great privilege to inform you that the insurance industry composed of the life insurance sector, non-life insurance sector and mutual benefit association (MBA) sector has marked the year 2017 as a banner year.

Based on the unaudited quarterly statistical report as of 31 December 2017 submitted by all industry players, the industry reported a robust performance and attained record highs in terms of assets, investments, net worth, net income and premium compared to recent years.

I. TOTAL ASSETS

The insurance industry's assets reached all-time high of ₱1.56 trillion as of end 2017.

Figure 1 illustrates the growth of the industry's assets over the last six (6) years commencing from 2012 while Table 1 shows the total assets per sector over the last six years.



Table 1: Total Assets of the Industry from 2012 to 2017 (in P Billions)

	2012	2013	2014	2015	2016	2017
Life	621.93	730.00	847.42	953.19	1,066.39	1,264.29
Non-Life	128.45	159.06	156.97	161.80	173.20	221.74
MBA	38.25	43.68	55.00	60.99	67.96	77.47
TOTAL	788.63	932.74	1,059.39	1,175.98	1,307.55	1,563.50

*Note: 2012 to 2016 figures are based on Audited Annual Statements
2017 figures are based on Unaudited Quarterly Report*

The industry's total assets as of end 2017 grew by 18.95% to P1.56 trillion from P1.31 trillion total assets recorded as of end 2016. Table 2 shows a comparative table of the industry's total assets as of year-end 2017 and year-end 2016 and the corresponding rates of increase.

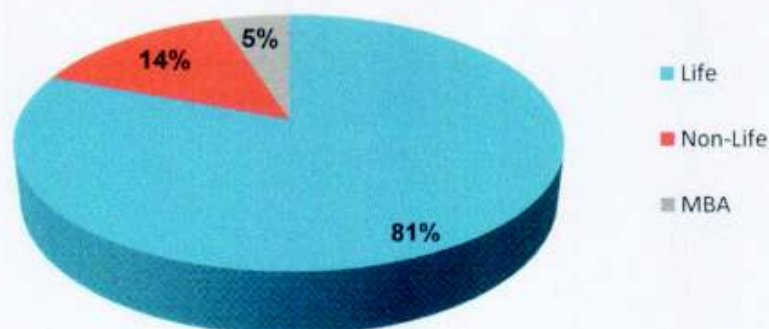
Table 2: Total Assets Year-End 2017 and Year-End 2016

	2017 (in P Billions)	2016 (in P Billions)	% Increase/ (Decrease)
Life	1,264.29	1,069.30	18.24
Non-Life	221.74	175.63	26.25
MBA	77.47	69.43	11.57
TOTAL	P1,563.50	P1,314.37	18.95

Note: 2016 and 2017 figures are based on Unaudited Quarterly Report

Based on provisional data as of year-end 2017, the life insurance sector holds P1.26 trillion or 81% of the total assets of the industry, while the non-life insurance sector and MBA sector holds P221.74 billion and P77.47 billion, respectively. Figure 3 shows the percentage of the share per sector of the total assets of the insurance industry for 2017.

Figure 3: Percentage of Share per Sector to the Total Industry's Assets 2017



In the determination of the financial condition of an insurance company, only those assets which are allowed to be admitted under the provisions of the Insurance Code and under the circular letters or regulations of the Commission are considered.

In the life insurance sector, fifty-one percent (51%) of the assets comprise of cash and invested assets. Another bulk of the assets of the life insurance sector comprise of the separate variable account or segregated fund assets. As the name implies, the

segregated fund assets represents the amount of investment fund owned by policyholders of variable life insurance products and is required to be segregated from the other assets of an insurance company under Section 243 of the Insurance Code, as amended by the Republic Act No. 10607.

The following are the factors which contributed to the increase in the total assets of the life insurance sector: a) reinsurance accounts receivables or those amounts collectible arising from reinsurance transactions increased by 78.16% as of end 2017 to ₱4.65 billion from ₱2.61 billion as of end of 2016; and b) 25.40% increase in the segregated fund assets during the same comparable period. Table 4 shows the composition of the life insurance sector's assets as of year-end 2017 and year-end 2016 with the corresponding rates of increase.

Table 4: Life Insurance Sector Asset Compositions

	2017 <i>(in ₱Billions)</i>	2016 <i>(in ₱Billions)</i>	%Increase/ (Decrease)
Cash and Invested Assets	641.55	568.01	12.95
Variable Life- Separate Account Assets	596.57	475.75	25.40
Reinsurance Accounts Receivables	4.65	2.61	78.16
Other Assets	21.52	22.93	(6.13)
Total Admitted Asset	1,264.29	1,069.30	18.24

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

Similar to the life insurance sector, more than half of the total assets of the non-life insurance sector are cash and invested assets.

The growth in total assets of the non-life sector is due to the increase in receivables from reinsurance transactions. As of year-end 2017, the receivables from reinsurance transactions of the non-life sector was ₱64.12 Billion compared to ₱38.79 billion as of year-end 2016 representing an increase of 65.31%. During the same comparable period, the premiums receivable of the non-life insurance sector likewise increased by 28.88% to ₱25.26 billion from ₱19.60 billion. Table 5 shows the composition of the non-life insurance sector's assets for 2016 and 2017 with the corresponding rate of increases/decreases.

Table 5: Non-Life Insurance Sector Asset Compositions

	2017 <i>(in ₱ Billions)</i>	2016 <i>(in ₱ Billions)</i>	% Increase/ (Decrease)
Cash and Invested Assets	111.10	99.63	11.51
Reinsurance Accounts	64.12	38.79	65.30
Premiums Receivable	25.26	19.60	28.88
Other Assets	21.26	17.61	20.73
Total Admitted Asset	221.74	175.63	26.25

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

Likewise, approximately 96% of the MBA sector's assets is composed of cash and invested assets which increased by 20.35% to ₱74.23 billion as of end 2017 from ₱61.68 billion as of end 2016. Table 6 shows the composition of the MBA sector's asset for 2017 and 2016 with the corresponding rates of increase.

Table 6: MBA Sector Asset Compositions

	2017 (in ₱ Billions)	2016 (in ₱ Billions)	%Increase/ (Decrease)
Cash and Invested Assets	74.23	61.68	20.35
Members' Fees/Contributions/Premiums Receivables	0.16	0.27	(40.74)
Amounts Receivable from Reinsurers	0.06	0.02	11.11
Other Assets	3.05	7.47	(50.00)
Total Admitted Asset	77.47	69.43	11.57

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

II. TOTAL INVESTMENTS

Insurance companies are only allowed to place their assets in investments enumerated under the provisions of the Insurance Code and those allowed pursuant to the circular letters or regulations of the Commission and subject to the ceiling imposed therein.

Of the ₱1.56 trillion total assets of the industry, approximately 85% or ₱1.33 trillion are placed in different classes of investments.

Again, as of year-end 2017, the industry recorded the highest invested funds in the total amount of ₱1.33 trillion compared to those reported in recent years. Figure 7 and Table 7 display the industry's total investments for recent years.

Figure 7: Total Investments of the Industry from 2012 to 2017 (in ₱ Billions)

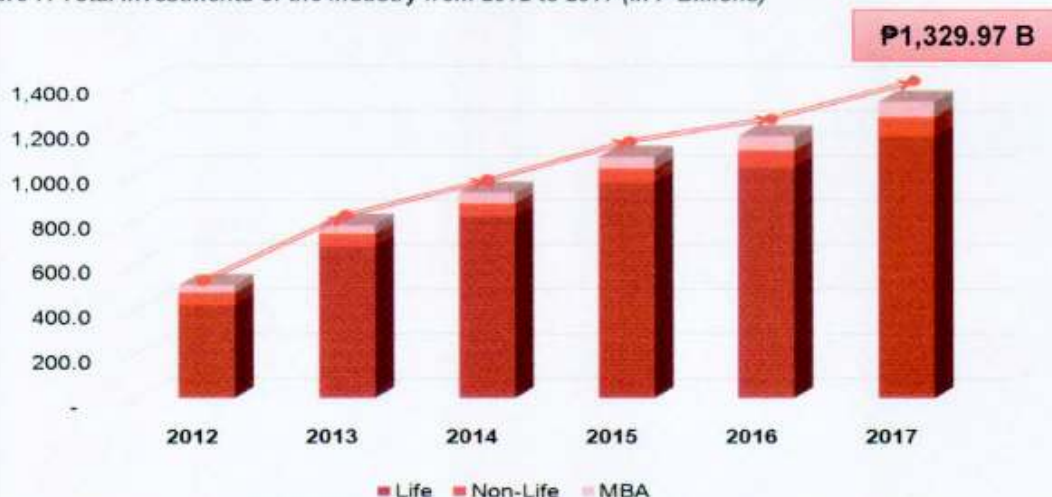


Table 7: Total Investment of the Industry from 2012 to 2017 (in P Billions)

	2012	2013	2014	2015	2016	2017
Life	418.23	678.13	815.00	966.78	1036.96	1175.98
Non-Life	54.39	57.33	56.73	62.21	74.64	84.12
MBA	34.13	39.51	50.06	53.13	63.11	69.87
TOTAL	506.75	774.97	921.79	1,082.12	1,174.71	1,329.97

Note: 2012 to 2016 figures are based on Audited Annual Statements
2017 figures are based on Unaudited Quarterly Report

Table 8 shows a comparative table on the industry's total investments as of year-end 2017 and year-end 2016 and the corresponding rate of increase.

Table 8: Total Investments (Year-End 2017 and Year-End 2016)

	2017 (in P Billions)	2016 (in P Billions)	% Increase/ (Decrease)
Life	1,175.98	1,000.58	17.53
Non-Life	84.12	72.65	15.79
MBA	69.87	67.67	3.25
TOTAL	1,329.97	1,140.90	16.57

Note: 2016 and 2017 based on Unaudited Quarterly Report

The industry's invested assets is mainly composed of investments in government and corporate bonds, which is approximately 47%, and in the stock market which is approximately 29% of the total invested assets. Table 9 presents the composition of the invested assets of the industry as of year-end 2017.

Table 9: Invested Assets Compositions as of year-end 2017

	LIFE	NON-LIFE	MBA	Total	Percentage Share
	(in P Billions)				
Bonds	559.14	42.04	28.95	630.12	47.38
Stocks	363.48	13.41	1.67	378.56	28.46
Mutual Funds	66.95	0.56		67.51	5.08
Loans	69.24	0.86	28.53	98.63	7.42
UITF	38.04	0.57		38.61	2.90
Time Deposit	30.06	15.44	4.35	49.86	3.75
Other Investments	49.06	11.24	6.37	66.68	5.01
TOTAL	1,175.98	84.12	69.87	1,329.97	100.00

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

III. TOTAL NETWORKTH

In terms of network, the industry likewise posted a record-high of P320.3 billion for the last six years. Figure 10 and Table 10 display the industry's total net worth for recent years.

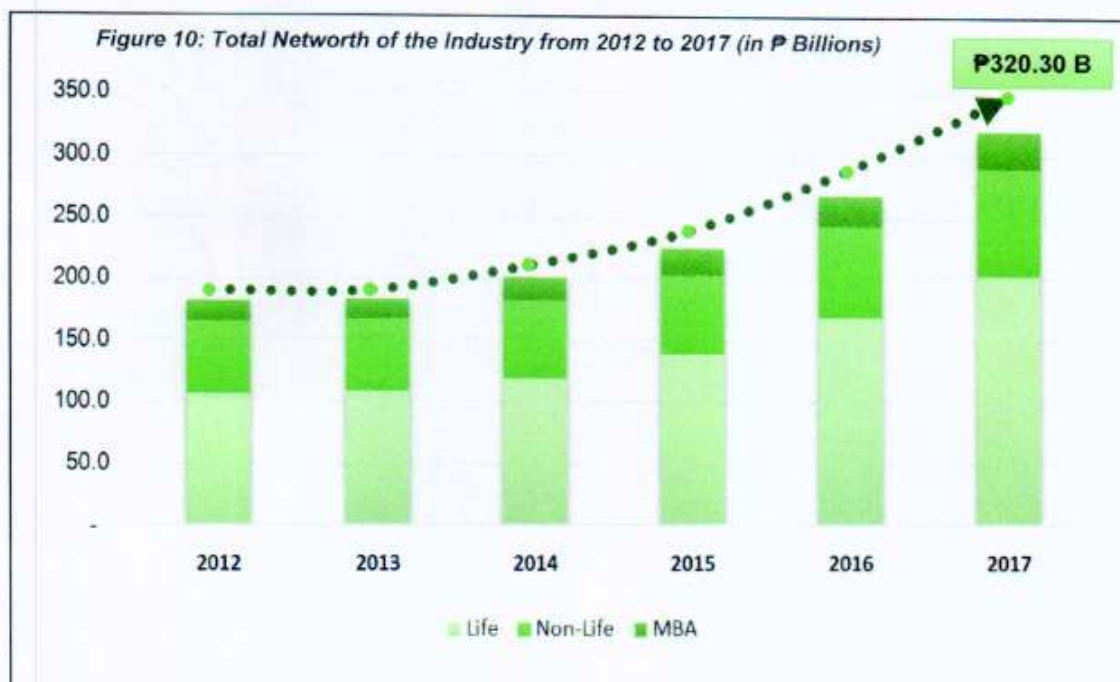


Table 10: Total Network of the Insurance Industry from 2012 to 2017 (in ₱ Billions)

	2012	2013	2014	2015	2016	2017
Life	105.77	108.01	118.46	138.14	167.97	202.48
Non-Life	58.12	58.34	62.96	64.57	75.06	87.27
MBA	18.00	15.95	18.72	21.65	24.75	30.55
TOTAL	181.89	182.30	200.14	224.36	267.78	320.30

Note: 2012 to 2016 figures are based on Audited Annual Statements
2017 figures are based on Unaudited Quarterly Report

Table 11 shows a comparative table on the industry's total network as of year-end 2017 and year-end 2016 and the corresponding rates of increase.

Table 11: Total Network (Year-End 2017 and Year-End 2016)

	2017 (in ₱ Billions)	2016 (in ₱ Billions)	% Increase/ (Decrease)
Life	202.48	169.46	19.48
Non-Life	87.27	76.63	13.89
MBA	30.55	25.09	21.78
TOTAL	320.30	271.18	18.11

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

The life insurance sector recorded an increase of 19.48% in its network primarily due to the increase in investment fluctuation reserves which represents the unrealized appreciation in market value of stock and bond investments, as at a given report date.

The life insurance sector posted a total paid-up capital of P20.6 billion in 2017, an increment of 26.13% from the P16.3 billion in 2016. This is likewise a factor in the growth in the life sector's network.

Table 12 shows the composition of the life insurance sector's network for 2017 and 2016 with the corresponding rates of increases.

Table 12: Life Insurance Sector Network Compositions as of year-end 2017 and year-end 2016

	2017	2016	% Increase/ (Decrease)
	(in ₱ Billions)		
Paid-Up Capital/Statutory Deposit	20.56	16.30	26.13
Capital Paid-In	3.90	2.94	32.65
Investment Fluctuation reserves	59.34	35.54	66.97
Other Assigned Surplus	12.39	12.90	2.48
Unassigned Surplus/ Retained Earnings	106.29	102.58	3.62
TOTAL	202.48	169.46	19.48

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

During the same comparable period, the non-life insurance's network increased by 13.89% which is attributed to the 25.43% increase in the total unassigned surplus/retained earnings and 20.56% increase in investment fluctuation reserves.

Table 13 shows the composition of the non-life insurance sector's network for 2016 and 2017 with the corresponding rates of increase/decrease.

Table 13: Non-Life Insurance Sector Network Compositions as of year-end 2017 and year-end 2016

	2017	2016	% Increase/ (Decrease)
	(in ₱ Billions)		
Paid-Up Capital/Statutory Deposit	31.46	28.77	9.36
Capital Paid-In	5.54	5.60	(1.07)
Investment Fluctuation reserves	19.94	16.54	20.56
Other Assigned Surplus	7.94	7.87	0.89
Unassigned Surplus/ Retained Earnings	22.39	17.85	25.43
TOTAL	87.27	76.63	13.89

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

The 21.76% increase in the MBA sector's network is primarily due to the 34.05% increase in the total unassigned surplus/retained earnings of all licensed MBAs. Table 14 shows the composition of the life insurance sector's network for 2016 and 2017 with the corresponding rates of increase.

Table 14: MBA Sector Network Compositions as of year-end 2017 and year-end 2016

	2017	2016	% Increase/ (Decrease)
	(in ₱ Billions)		
Paid-Up Capital/Statutory Deposit	0.91	0.87	5.29
Investment Fluctuation reserves	2.07	2.01	2.99
Other Assigned Surplus	7.49	7.23	3.60
Unassigned Surplus/ Retained Earnings	20.08	14.98	34.05
TOTAL	30.55	25.09	21.78

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

VI. TOTAL NET INCOME

The total revenue of the industry increased by 50.44% as of year-end 2017 to a new record of ₱36.39 billion.

Figure 15 and Table 15 present the industry's total net income for recent years.

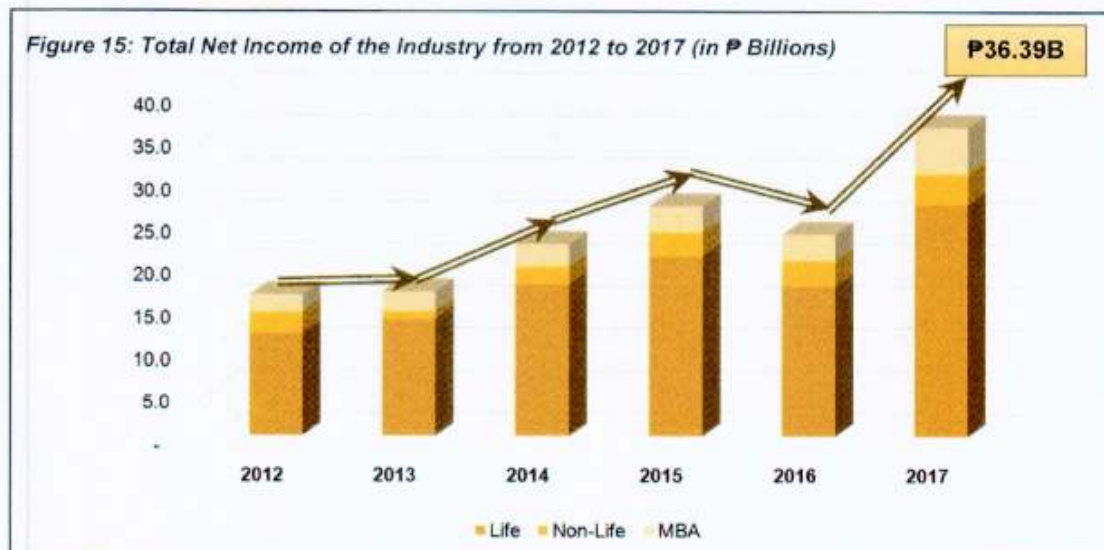


Table 15: Total Net Income of the Industry from 2012 to 2017 (in ₱ Billions)

SECTOR	2012	2013	2014	2015	2016	2017
Life	12.05	13.76	17.94	21.24	17.72	27.34
Non-Life	2.48	0.91	1.98	2.73	2.97	3.56
MBA	2.04	2.29	2.68	3.11	3.10	5.48
TOTAL	16.57	16.96	22.60	27.08	23.79	36.39

*Note: 2012 to 2016 figures are based on Audited Annual Statements
2017 figures are based on Unaudited Quarterly Report*

After experiencing a slight decline on revenue in 2016, the industry posted a 50.44% increase in net income as of year-end 2017.

Table 16: Total Net Income (Year-End 2017 and Year-End 2016)

SECTOR	2017 (in ₱ Billions)	2016 (in ₱ Billions)	% Increase/ (Decrease)
Life	27.34	17.54	55.94
Non-Life	3.56	3.37	5.70
MBA	5.48	3.28	67.03
TOTAL	36.39	24.19	50.44

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

The increase in the net income of the life insurance sector is due to the 49.66% increase in underwriting income which, on the other hand, is due to the 274.55% increase in other underwriting income and 45.42% decrease in legal reserves.

Table 17 shows the composition of the life insurance sector's net income for 2016 and 2017 with the corresponding rates of increase.

Table 17: Life Insurance Sector's Net Income Compositions as of year-end 2017 and year-end 2016

LIFE	2017 <i>(in P Billions)</i>	2016	%Increase/ (Decrease)
Underwriting Income	168.53	112.61	49.66
Less: Underwriting Expenses	128.02	86.16	48.58
Underwriting Gain	40.51	26.45	53.16
Net Investment Income	38.06	36.73	3.62
Other Income/(Expenses)	(18.31)	(16.78)	9.12
Administrative Expenses	31.53	27.54	14.49
Net Income Before Income Tax	28.73	18.86	52.33
Less: Income Tax	1.39	1.32	5.30
Net Income After Income Tax	27.34	17.54	55.94

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

The non-life insurance sector, on the other hand, posted a slight increase of 5.70% in its net income.

Table 18: Non-Life Insurance Sector Net Income Compositions as of year-end 2017 and year-end 2016

NON-LIFE	2017 <i>(in P Billions)</i>	2016	% Increase/ (Decrease)
Underwriting Income	49.02	42.65	14.94
Less: Underwriting Expenses	35.01	30.42	15.09
Underwriting Gain	14.01	12.23	14.55
Net Investment Income	2.69	2.81	(4.27)
Other Income/(Expenses)	0.36	0.50	(28.00)
Administrative Expenses	12.84	11.74	9.37
Net Income Before Income Tax	4.22	3.80	11.05
Less: Income Tax	0.66	0.43	53.49
Net Income	3.56	3.37	5.70

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

The MBA sector, on the other hand, posted a significant increase in total net income due to the substantial increase in investment income. The MBA sector's income from investment increased by 47.33% from P4.88 billion in 2016 to P7.19 billion in 2017.

Table 19: MBA Sector Net Income Compositions as of year-end 2017 and year-end 2016

MBA	2017 <i>(in P Billions)</i>	2016	% Increase/ (Decrease)
Premiums Collected	8.74	7.48	16.84
Other Income	0.49	0.40	22.50
Benefit and Operating Expenses	9.11	8.00	13.88
Net Returns from Investment	6.83	4.47	52.80

Other Non-Operating Revenues/Expenses	(1.48)	(1.07)	38.32
Net Income	5.48	3.28	67.03

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

IV. TOTAL PREMIUMS

For the recent years, the industry posted the highest amount of premiums collected as of year-end 2017 in the amount of P259.8 billion.

Figure 20 and Table 20 display the industry's total premium for recent years.

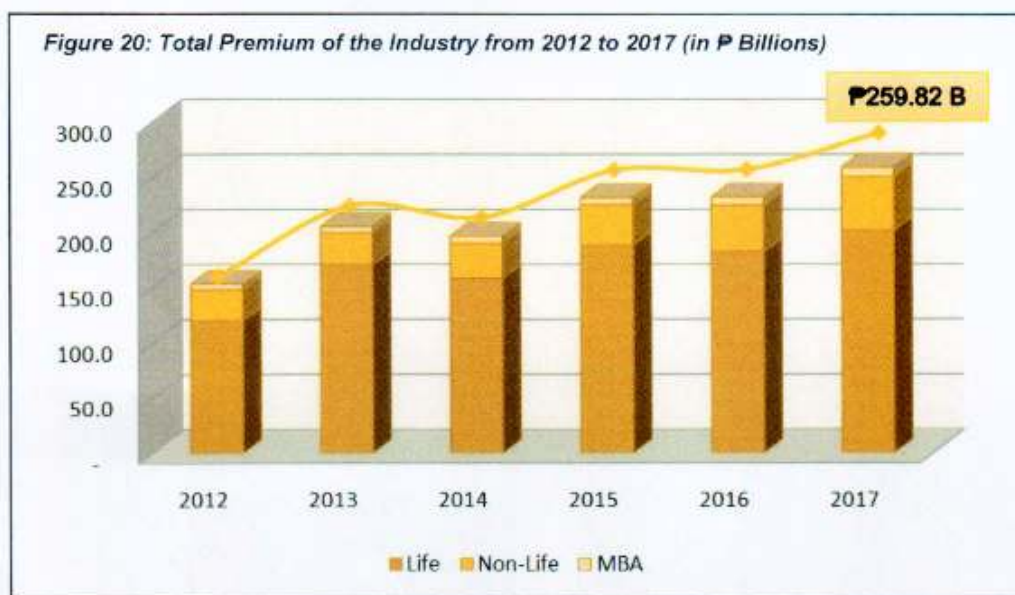


Table 20: Total Premium of the Industry from 2012 to 2017 (in P Billions)

SECTOR	2012	2013	2014	2015	2016	2017
Life	120.30	171.15	158.73	188.82	182.86	202.50
Non-Life	27.99	29.14	32.06	36.57	42.15	48.58
MBA	5.18	5.61	6.44	6.88	7.67	8.74
TOTAL	153.47	205.90	197.23	232.27	232.68	259.82

Note: 2012 to 2016 figures are based on Audited Annual Statements
2017 figures are based on Unaudited Quarterly Report

In 2017, the life insurance sector accounted for 77.94% of the industry total premiums or P202.50 billion, while the non-life insurance sector and MBA sector account for 18.70% and 3.37%, respectively. Figure 21 shows the market share of each sector based on the total premiums collected by the industry.

Figure 21: Market Share of Each Sector based on Premiums Collected as of year-end 2017

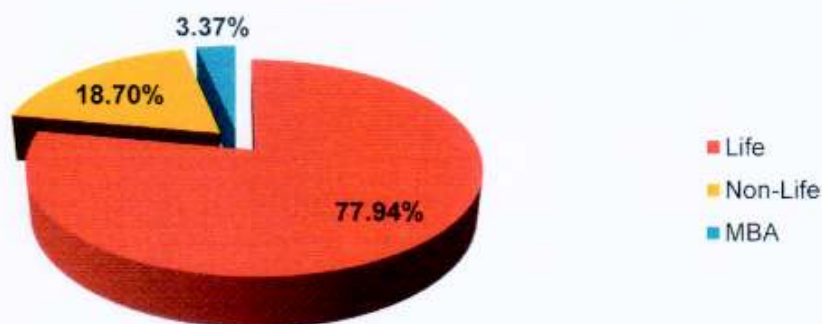


Table 22 shows the total premiums per sector for 2016 and 2017 with the corresponding rates of increases.

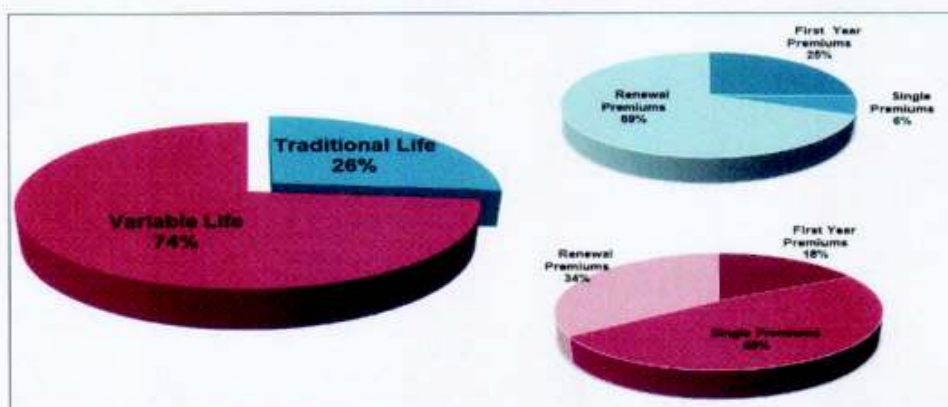
Table 22: Total Premiums (Year-End 2017 and Year-End 2016)

SECTOR	2017 (in P Billions)	2016 (in P Billions)	% Increase/ (Decrease)
Life	202.50	182.79	10.78
Non-Life	48.58	41.61	16.74
MBA	8.74	7.48	16.89
TOTAL	259.82	231.88	12.05

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

The life insurance sector reported an increase of 10.78% in premiums collected from P182.79 billion as of end 2016 to P202.50 billion as of end 2017. From total premiums generated by the life insurance sector, 74% were generated from the sale of variable life insurance products. Figure 23 presents in percentage the premiums generated from traditional life insurance products and variable life insurance products to the total amount of premiums collected as of year-end 2017.

Figure 23. Percentage Share of Each Type of Life Insurance Product to the Total Premium Collected of the Life Insurance Sector as year-end 2017



Premiums from variable life insurance products increased by 12.29% as of end 2017 compared to the previous year due to the impressive performance of its renewal premiums which posted an increase of 33.25%.

The premiums collected from traditional life insurance products likewise increased by 6.83%. Unlike the increase in premiums from variable life insurance products, this increase was brought about by the increase in first year and single premiums of 21.65% and 24.03%, respectively. Table 24 presents the amount of premiums collected by the life insurance sector for 2016 and 2017 with the corresponding rates of increase.

Table 24. Life Insurance Sector Total Premiums Collected (year-end 2017 and year-end 2016)

LIFE	2017 (in P Billions)	2016	% Increase/ (Decrease)
Variable Life	148.88	132.59	12.28
First Year Premiums	25.90	22.58	14.72
Single Premiums	71.87	71.67	0.28
Renewal Premiums	51.11	38.35	33.25
Traditional Life	53.62	50.20	6.83
First Year Premiums	13.57	11.16	21.65
Single Premiums	3.07	2.48	24.03
Renewal Premiums	36.97	36.56	1.13
TOTAL	202.50	182.79	10.78

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

The non-life insurance sector reported a year-on-year increase of 16.74% in net premiums written. This can be attributed to the increase of 17.11% in premiums collected from its motor car line and 16.59% in premiums collected from its fire line. The combined premiums for the said lines comprise more than half of the premiums collected by the non-life insurance sector. Figure 25 and Table 25 present in percentage the net premiums written by the non-life insurance sector for each line of type of insurance product to the total amount of net premiums written as of year-end 2017.

Figure 25: Percentage Share of Each Type of Non-Life Insurance Product to the Total Premium Collected of the Life Insurance Sector as year-end 2017

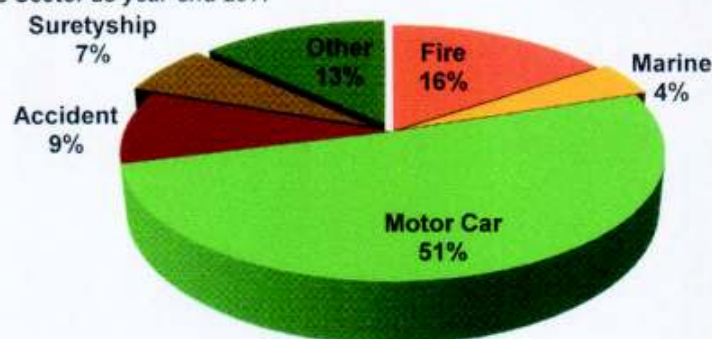


Table 25: Non-Life sector's contributions and premiums collected as of year-end 2017 and year-end 2016 with the corresponding rate of increases/decreases.

Line of Business (Non-Life)	2017 (in ₱ Billions)	2016	% Increase / (Decrease)
Fire	7.59	6.51	16.59
Marine	2.14	1.86	15.05
Motor Car	24.78	21.16	17.11
Accident	4.50	3.42	31.58
Suretyship	3.13	2.64	18.65
Other	6.44	6.02	6.98
TOTAL	48.58	41.61	16.74

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

In the MBA sector, the amounts collected in exchange for insurance benefits are classified into contributions, premiums and member's fee and dues. As of end of 2017, the bulk of its collections were generated from members' contribution, which represents the consideration for the promises of an MBA to pay a stipulated sum in the event of a loss covered under the basic benefits, and premiums which represent the consideration for the optional insurance contract. Figure 26 presents in percentage the contributions and premiums collected of the MBA sector as year-end 2017.

Figure 26: MBA Sector Contributions and Premiums Collected as of year-end 2017

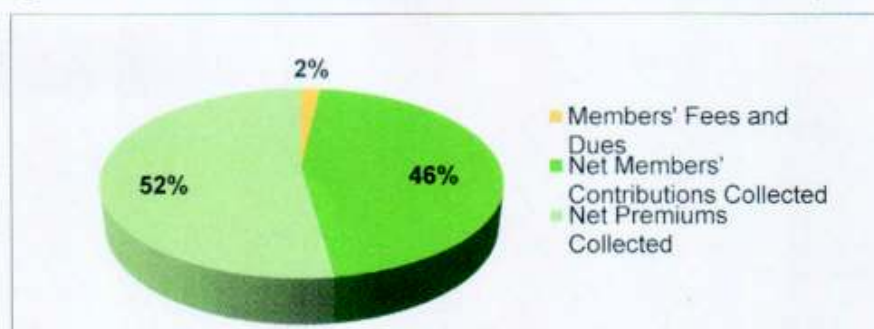


Table 27 MBA sector's contributions and premiums collected as of year-end 2017 and year-end 2016 with the corresponding rate of increases/decreases.

MBA	2017 (in ₱ Billions)	2016	% Increase / (Decrease)
Net Members' Contributions Collected	4.02	3.35	20.00
Net Premiums Collected	4.56	3.98	14.57
Members' Fees and Dues	0.16	0.15	6.67
TOTAL	8.74	7.48	16.89

Note: 2016 and 2017 figures based on Unaudited Quarterly Report

For your information.

Very truly yours,


DENNIS B. FUNA
Insurance Commissioner

