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| Circular Letter (CL) No.: | 2014 – 42 |
| Date : | 30 September 2014 |
| Supersedes : | CL No. 12-2008; 14-2008 and 12-2009 |

# CIRCULAR LETTER

**TO** : ALL INSURANCE/REINSURANCE COMPANIES AND REINSURANCE BROKERS AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES

**SUBJECT** : RULES AND REGULATIONS ON REINSURANCE TRANSACTIONS

In accordance with Section 437 of the Insurance Code of 2013, the following rules and regulations governing reinsurance transactions in the Philippines are hereby promulgated:

1. A non-life insurance company whose treaty limits and premium cessions as of 31st of December of the preceding year for the following lines of business do not exceed the corresponding limits hereunder indicated;

| Line of Business | Treaty Limit | Premium Cession |
|---|---|---|
| a) Fire | P 10,000,000.00 | P 5,000,000.00 |
| b) Marine | 5,000,000.00 | 2,000,000.00 |
| c) Other Lines | 3,000,000.00 | 1,000,000.00 |

   **shall not** enter into outward treaties with companies not authorized to transact business in the Philippines, unless the authorized ceding companies can first show to the satisfaction of this Commission that they will receive from such unauthorized foreign companies, by way of reciprocity, inward business of comparable profitability, in which case, the above treaty limits and premiums cessions may be reduced by an amount not exceeding 20% thereof, or that they cannot secure locally the cover sought abroad under the same terms and conditions consistent with sound underwriting practices.

2. A non-life insurance company doing business in the Philippines, whether foreign or domestic, may accept reinsurance only of such risks and retain risks on any one subject of insurance in an amount not exceeding twenty percent (20%) of its networth.

3. No insurance company shall cede all or part of any risk situated in the Philippines by way of reinsurance directly to any foreign insurer not authorized to do business in the Philippines unless such foreign insurer or, if the services of a nonresident broker is utilized, such non-resident reinsurer/broker is represented by a resident agent duly registered with the Insurance Commission.

4. The prior approval of the treaty or agreement by the Insurance Commission shall first be obtained before any insurance company enters into any kind of reinsurance treaty or agreement involving remittances of foreign exchange with any unauthorized foreign company.

5. Every insurance company shall report to the Commissioner on forms prescribed by him, the Particulars of Reinsurance Treaties or any new treaties or changes in the existing treaties together with the signed copy of the treaty itself within three (3) months from their effectivity. The schedule of retention for each treaty should also be included in the submission of said report.

6. Any insurance company doing business in the Philippines desiring to cede their excess risks to foreign insurance or reinsurance companies not authorized to transact business in the Philippines may do so, provided that in the case of facultative insurance, the terms and conditions prescribed in Circular Letter No. 2014-07 dated 03 March 2014 must first be complied with.

7. The retention of a life insurance company on any one standard life insured shall not be less than the amount equal to one-half (1/2) of one percent (1%) of the latest verified networth of the ceding company.

8. The minimum retention on substandard lives shall be graded downwards from standard in accordance with sound underwriting practice. The schedules of retention limits shall be submitted to the Insurance Commission together with the Particulars of Reinsurance Treaties.

9. Life reinsurance treaties with unauthorized foreign companies shall be on the yearly renewable term plan (net amount at risk) only. Renewal of existing treaties shall be on a year to year basis and shall contain a provision for recapture of previously ceded business. To protect the company against unusual number of claims as a result of jumbo policies issued, the company may avail itself of the catastrophe or stop loss cover abroad.

10. A mutual benefit association may, by reinsurance agreement, cede in whole or in part any individual risk or risks under certificates of insurance issued by it, only to a life insurance company authorized to transact business or to a professional reinsurer authorized to accept life risks in the Philippines. A copy of the duly signed reinsurance agreement shall be submitted to the Insurance Commission for approval.

11. All insurance/reinsurance companies and reinsurance brokers shall submit their Monthly Statement of Foreign Exchange Remittances accompanied by a sworn statement of a responsible official of the company certifying to the correctness and completeness of the data and the Monthly Statement of Foreign Exchange Receipts for premiums, loss

recoveries and other miscellaneous receipts from foreign reinsurers/brokers and other paying entities for onward submission to the Bangko Sentral ng Pilipinas (BSP). Deadline of submission is not later than the 15th day of the following month.

All issuances inconsistent herewith are hereby revoked.

This Circular Letter takes effect immediately.

**EMMANUEL F. DOOC**
Insurance Commissioner

RD/anf