EAAC COUNTRY REPORT
PHILIPPINES

Contents

General Statistics

The country has experienced steady positive real GNP and GDP growth rate in the last 5 years, with an average annual growth rate of around +5% over the period. First quarter 2005 real GNP/GDP growth rate stood at the +4.7% mark.

By 2005, the Philippines is projected to have a population of 85.2 million. This is roughly a 10.8% increase or about 8.3 million persons over the 2000 census count of 76.9 million. The population grew at a rate of 2.07% percent compounded annually between 2000 and 2005. Distribution by age bands is shown below:

Philippine Population by Age bands (1995, 2000, 2005, 2010, 2015, 2020) (in million persons)						
Age Band	1995	2000	2005*	2010*	2015*	2020*
0 – 9	18.2	19.4	20.0	12.0	21.9	22.4
10 – 19	15.1	17.0	18.5	19.2	19.8	20.8
20 – 29	12.0	13.1	15.0	16.7	0.7	19.1
30 – 39	9.0	10.4	11.5	12.9	14.7	16.5
40 – 49	6.2	7.5	8.8	10.1	11.2	12.6
50 – 59	3.9	4.5	5.7	7.0	8.4	9.6
60 – 69	2.3	2.7	3.2	3.9	5.0	6.2
70 –79	1.1	1.3	1.5	1.9	2.3	2.9
80 +	0.3	0.5	.5	0.6	0.8	1.0

*** Projected**

Life expectancy for males and females are computed at 67.20 years and 72.50 years, based on the latest statistics.

POPULATION STATISTICS						
	1903	**1948**	**1993**	**2000**	**2002**	**2003**
Birth Rate (per 1000)	37.3	31.3	25.1	25.7	25.7	25.10
Death rate (per 1000)	43.2	12.7	4.8	5.7	5.7	5.10
Life expectancy						
Male	N.A.	N.A.	N.A.	66.9	67.83	67.20
Female	N.A.	N.A.	N.A.	72.2	73.08	72.50

Life Insurance

The life insurance industry consistently posted positive annual growth in the last five years. Total premiums grew by +11% based on latest statistics from the local regulator (for the year 2003). The number of insurance companies shrunk, from a high of 46 to 35 players to date.

Premiums

Life Insurance Premiums (in billion Philippine pesos)

	1999	**2000**	**2001**	**2002**	**2003**
Life Insurance Premiums – First Year Premiums	4.0	4.9	5.4	5.8	5.7
Ordinary	0.9	0.7	0.9	0.8	1.0
Group	0.3	0.3	0.3	0.5	0.4
Accident and Health					
	5.2	5.9	6.6	7.1	7.1
Total					
Life Insurance Premiums – Single Premium	0.3	0.3	1.2	4.3	5.6
Life Insurance Premiums – Total					
Ordinary	18.7	22.1	25.5	31.3	35.2
Group	3.0	2.6	3.6	3.8	3.8
Accident and Health	0.7	0.7	0.9	1.2	1.3
Total	22.4	25.4	30.0	36.3	40.2

Regulatory

- Restrictions on foreign ownership

  - Is a branch of a foreign insurer permitted?
    Yes.

  - What is the maximum foreign ownership of a company?
    For a life insurance company, maximum foreign ownership is in accordance with the following minimum capitalization requirement:

Foreign Equity Surplus	Minimum Paid-Up Capital	Minimum Contributed
Below 40%	P 75,000,000	P25,000,000
40% to < 60	P150,000,000	P50,000,000
60% or more	P250,000,000	P50,000,000

There is a pending proposal to implement a two-step increase in capitalization requirements for a life insurance company, whether foreign or domestic, from the existing levels shown above to P300,000,000 by yearend 2005, and to P600,000,000 by yearend 2006. The proposal is presently under discussion between the Insurance Commission and the Philippine Life Insurance Association.

- Are new licenses currently available, in theory?

There is a moratorium on new licenses for foreign life insurance companies. However, because of the recent exit of some foreign companies, the Insurance Commission may be receptive to reviewing this moratorium should there be a new foreign applicant. New licenses for domestic life insurance companies are available.

■ Pricing

- Does a company have freedom in setting premium rates?

Yes. However, premium rates for policies other than group insurance require prior approval by the Insurance Commission. For group insurance, companies may adjust approved rates in consideration of the emerging experience of said group.

Plans are underway to further expedite the regulatory product approval process. Under the proposal, regulatory approval of filings on Traditional products is expedited provided the filing company adheres to a proposed expanded set of documentary requirements, which will include among others, a deed of undertaking certifying to compliance with all published IC regulations signed by the president or his designate, and an actuary's certification on product viability. The proposal is under discussion between the Insurance Commission and the Philippine Life Insurance Association.

■ Valuation requirements

- Is net premium method prescribed? If not, what is permissible?

  Yes, the net premium method is the prescribed valuation method.

- Does the actuary have any role in selection of the valuation basis?

  Yes, provided the valuation is made upon the net premium basis according to the standard adopted by the Company. Such standard of valuation, whether of the net level premium, full preliminary term, any modified preliminary term, or select or ultimate reserve basis, shall be according to a standard table of mortality with interest rate at not more than 6% per annum. When the preliminary term basis is used, the term insurance shall be limited to the first policy year.

- If so, does this apply to interest or mortality of both?

  Yes, subject to limitations described above.

- Is there a prescribed maximum interest rate that may be used for valuation? If so, what is it?

  The maximum interest rate that may be used for valuation is 6%.

- Does the company have a standard mortality table and who is responsible for producing it?

  Standard mortality tables often used for valuation are CSO Tables and tables published by the ASP called Philippine Intercompany Mortality Tables.

- What is the minimum solvency requirement?

  A life insurance company doing business in the Philippines shall maintain a margin of solvency which shall be an excess of the value of its admitted assets exclusive of its paid-up capital over the amount of its liabilities, unearned premium and reinsurance reserves in the Philippines of at least two per thousand of the total amount of insurance in force as of the preceding calendar year on all policies except term insurance provided that such margin shall not be less than P500,000 and provided further that the paid-up capital shall not include contributed surplus and capital paid in excess of par value. Such assets, liabilities and reserves shall exclude assets, liabilities and reserves included in separate accounts established under variable accounts.

- Is Risk Based Capital used in determining the solvency requirement for life insurance companies? Please briefly describe the components and methodology of RBC requirement.

  RBC is not a required method to determine solvency requirement for life insurance companies. The local life insurance association has however proposed to the regulator the possibility of adopting an RBC framework to determine a life insurer's capital/solvency requirements, in lieu of a mandated uniform minimum capital requirement on all life insurance companies presently being pursued by the regulator. Discussions on this item are currently ongoing.

- May life insurance companies invest their reserve funds outside the country? If yes, under what conditions?

  Life insurance companies may invest reserve funds in foreign currency issues of foreign governments and foreign corporations provided these conform with the guidelines of the Insurance Commission.

Distribution

- Which of the following methods of distribution are currently permitted?:

  - Direct sales force / tied agent
  - Bancassurance
  - Independent Financial Advisor / Broker
  - Internet
  - Direct Response
  - Telemarketing

All the methods of distribution shown above are allowed subject to certain restrictions.

- Are there any controls on distributors?

  Direct sales force, tied agents or independent financial advisors (or brokers) must be licensed by the Insurance Commission. Distribution through banks is subject to monetary policies on sales of non-bank products within the banks' premises. Sales through internet is still subject to rules that the Insurance Commission will formulate on the admissibility of e-signature. Currently, the original signature of the policyholder and/or insured is/are still required for any policy issued.

- Are life insurance agents allowed to sell for more than one life insurance company?

  Direct sales force or tied agents can sell for only one life insurance company.

- Are there regulations limiting the amount of remuneration (commission or other) payable to an intermediary?

  There is none currently.

- Are there any other controls on distributors?

  None other than those mentioned above.

Taxation

- What are the applicable taxes on life insurance companies? Please show the basis of computation.

  - On Insurance Premiums Taxes and Documentary Stamp Taxes

    All life insurance policies are subject to:
    - Documentary stamp tax ; and
    - Premium tax equal to 5% of premium, whether first year, single or renewal.

    Documentary stamp tax is calculated as follows: for policies issued on or before April 2004, a one-time documentary stamp tax is paid at a rate of P2.50 per thousand of face amount issued; for policies issued afterwards, a continuing documentary stamp tax is payable at a rate of P2.50 per thousand of premiums (single, first year, renewal) collected. The shift in the basis of determining documentary stamps in 2004, from face amount issued to premiums collected, was a result of collective efforts of the life insurance industry to lessen the tax burden on life insurance products.

  - On Investment Income Taxes

    Investment instruments maybe subject to any of the following:

    - documentary stamp taxes
    - Final Tax (20%) on investment income
    - Capital Gains Tax

- Other Local Taxes

  Life insurance companies are also required to pay:

  - Local/municipal license fees and permits
  - Local/municipal taxes on collections

- Corporate Income Taxes

  Republic Act 9337, which was enacted July 1, 2005 but whose effectivity was held up by the courts pending resolution of certain issues, increased the corporate income tax on domestic corporations to 35% from the previous 32%. Hence, life insurance companies will be subject to a corporate income tax of 35% of net income effective July 1, 2005. This rate will however decrease to 30% effective January 1, 2009.

- Other Taxes

  Life insurance companies also pay Value-Added Tax (VAT) on services availed of, and other sales taxes on goods purchased.

- Are there any tax advantages of life insurance (with respect to insurance premiums paid, insurance benefits payout and cash value accumulations)? These may refer to tax deductibility, exemption from taxes or tax deferral.

  Proceeds of life insurance policies paid to the heirs or beneficiaries upon death of the insured are excluded from gross income of said heirs or beneficiaries. Proceeds are also excluded from calculation of estate taxes, if beneficiaries have been designated as irrevocable.

  Compensation for injuries or sickness received under Accident and Health policies are likewise excluded from taxable income.

  Build-up of cash values are also not included in taxes on investment income.

  Premium payments on Health and/or Hospitalization Insurance of an Individual Taxpayer may also be allowed as deductions from taxpayer's income, subject to conditions on maximum allowable deduction per family and gross family income.

Major Trends

Major trends facing the life insurance industry are as follows:

a) Pre-need Industry's Impact

   The life insurance insurance industry continues to feel the adverse developments in the local "pre-need" industry, which is currently undergoing financial difficulty. A number of large pre-need companies are unable to meet the actuarial reserve requirements to support pre-need product liabilities, particularly liabilities on educational plans which promise the payment of the cost of sending the child to school, no matter what the cost is at the time of benefit availment. Further, a number of companies had experienced difficulty paying current plan benefits as scheduled. The financial difficulties experienced by large pre-need firms have not only adversely impacted the pre-need industry, but have also affected the trust and confidence of the public on allied industries (including insurance).

The Actuarial Society of the Philippines has maintained the position that the pre-need liability, or the actuarial reserve liability, should be properly presented in the books of the company, and must be determined in accordance with the standards and framework established by the Society and the pre-need regulator. It remains to be seen how the precarious situation of some key pre-need companies will be resolved, to meet the equally-important demands of all of its stakeholders, foremost of whom are the planholders.

b) Regulation

With the liberalization of the life insurance industry in mid 1990s, the number of life insurance companies in the Philippines has increased substantially from 26 to a high of 42. In recent years, however, we have seen the number of industry participants drop to 37 as some insurance companies consolidate. There is reason to believe that given the size of the Philippine market, consolidation will continue.

The perceived thrust of the Insurance Commission is towards deregulation of the life insurance industry, with much reliance placed on the Philippine Life Insurance Association (PLIA). Key regulations on uniform sales illustration, expeditious product approval filing, increased paid-up capital requirements, among others, are being laid out for the industry by the Insurance Commission, in consultation with the PLIA. A general review of the Insurance Code is also being worked on by the Insurance Commission and the PLIA. The actuarial profession, either through actuarial officials of PLIA-member companies or through officers of the Actuarial Society of the Philippines, is well represented in these undertakings.

c) Products

Universal life products have been introduced by a number of life insurers in 2000. However, this has not gained much popularity with the insurance market. In 2001, single-premium US-Dollar denominated plans were introduced, and continue to be popular up to this time.

In 2002, variable life or unit-linked products, in local and foreign-currency, were also introduced. Unlike universal life products, variable life or unit-linked products have shown initial signs of market acceptance. Most major companies have come up with their variable life insurance product suites, which are now sold through the agency and bancassurance channels.

d) Distribution Channels

Bancassurance has become a successful distribution channel for the country's biggest bank and its life insurance subsidiary. This has spurred a number of bancassurance tie-ups by other companies. However, this channel has been limited by a monetary policy that banks may sell the insurance products of an insurance company subsidiary where the bank owns an interest of at least 5%.

Life insurance companies also continue to explore the use of direct marketing channels such as internet, direct response and telemarketing.

e) Asset liability management

Because of the volatility of investment returns, companies are putting greater emphasis on asset-liability management. This is further sustained by the popularity of single-premium policies and the introduction of new types of products, such as universal and variable life products.

f) Reinsurance

Following the Sept 11 event, some companies have experienced an increase in reinsurance premium rates particularly for catastrophe reinsurance coverages. Premium rates on basic life and accident coverages have however remained unaffected.

g) Declining investment returns

The continuous decline in investment returns has prompted some insurance companies to revise dividend scales and crediting rates on dividend accumulations, settlement options and premium deposit funds. Some companies are also considering repricing of current product portfolios.

It has also spurred the introduction of new types of products, such as variable life products.

g) Life Insurance Policy Taxes

The industry continues to work for a rationalization, if not abolition, of taxes being imposed on life insurance policies. Efforts in 2003 and 2004 bore initial fruits, with the decrease in documentary stamp tax dues. The general view is that the life insurance industry is still heavily taxed, in spite of this initial relief.

Non-Life Insurance

The non-life insurance industry posted overall positive growth in the last five years. Net written premium has grown by +11% based on the latest statistics released by the regulator (covering the year 2003).

Premiums

Non-Life Insurance Premiums (in billion Philippine pesos)					
	1999	**2000**	**2001**	**2002**	**2003**
Gross Written Premium – Total	18.4	18.8	20.8	24.7	25.5
Gross Written Premium – Ceded Reinsurance	6.4	6.8	8.1	11.5	10.9
Net Written Premium	12.0	12.0	12.7	13.2	14.6

Gross Premiums					
	1999	2000	2001	2002	2003
Fire	6.4	6.6	7.3	9.2	9.2
Marine	1.9	2.0	2.6	3.3	3.3
Motor Car	6.7	6.6	6.9	7.3	7.7
Others	3.4	3.6	4.0	4.8	5.4

Net Premiums					
	1999	2000	2001	2002	2003
Fire	2.2	2.3	2.5	2.7	3.1
Marine	0.9	0.9	1.1	1.1	1.4
Motor Car	6.4	6.4	6.3	6.6	7.0
Others	2.4	2.4	2.8	2.7	3.1

Additional information:

	1999	2000	2001	2002	2003
Expense Ratio	38%	42%	41%	41%	39%
Net Commission Ratio	18%	17%	17%	16%	17%
Claims Paid Ratio					
Fire Insurance	37%	42%	39%	29%	38%
Marine Insurance	41%	48%	38%	36%	30%
Motor Car Insurance	56%	52%	52%	54%	55%
Others	36%	28%	29%	37%	33%
Net Claims Incurred Ratio					
Fire Insurance	42%	43%	38%	28%	35%
Marine Insurance	37%	59%	37%	36%	29%
Motor Car Insurance	55%	54%	54%	53%	53%
Others	32%	36%	30%	36%	32%

Regulatory

- Restrictions on foreign ownership

  - Is a branch of a foreign insurer permitted?

    Yes.

  - What is the maximum foreign ownership of a company?

    100% foreign ownership is allowed, provided capital requirements are met. There is a move by the local regulator to increase capital requirements of non-life insurance companies from the existing level of P100,000,000 to P150,000,000 by yearend 2005, and further to P300,000,000 by yearend 2006. The plan is presently under discussion between the Insurance Commission and the national association of life insurance companies.

  - Are new licenses currently available?
    Yes.

- Which insurances (e.g. third party motor) are compulsory?

  Third party liability (TPL) motor car insurance is compulsory. For certain cities and municipalities, fire insurance coverage is a mandatory requirement for renewal of business permits.

- Pricing
  - Does a tariff apply, and if so, to what classes of business?

  Tariff rates are limited to TPL motor car insurance and fire insurance.

- What is the minimum solvency requirement?

  An non-life insurance company doing business in the Philippines shall maintain a margin of solvency which shall be an excess of the value of its admitted assets exclusive of its paid-up capital over the amount of its liabilities, unearned premium and reinsurance reserves in the Philippines of at least 10% of the total amount of its net premium written during the preceding calendar year provided that such margin shall not be less than P500,000 and provided further that the paid-up capital shall not include contributed surplus and capital paid in excess of par value.

Distribution

- Which of the following methods of distribution are currently permitted?:

  - Direct sales force / tied agent
  - Bank

- Independent Financial Advisor
- Internet

All the methods of distribution shown above are allowed subject to certain restrictions. Direct sales force, tied agents or independent financial advisors (or brokers) must be licensed by the Insurance Commission. Distribution through banks is subject to monetary policies on sales of non-bank products within the banks' premises. Sales through internet is still subject to rules that the Insurance Commission will formulate on the admissibility of e-signature. Currently, the original signature of the policyholder and/or insured is/are still required for any policy issued.

- Are there regulations limiting the amount of remuneration (commission or other) payable to an intermediary?
  None.

- Are there any other controls on distributors?
  None.

Major Trends

The events around 9/11 have caused an increase in premium rates for some lines of business, particularly in high valued commercial property and aviation coverage. Domestic non-life companies had difficulty in completing their reinsurance requirements, particularly with catastrophe treaties where retentions and premiums had greatly increased, and new exclusions implemented. Personal lines have not been significantly affected, except for new exclusions related to acts of terrorism.

The industry continues to grapple with high business taxes as it has saddled by yearly premium taxes (in the form of VAT) of 10%, 12.5% yearly documentary stamp taxes and yearly local business taxes of up to 0.75%. Certain lines of business are further assessed levies (e.g. Fire Service Tax equal to 2.0% of yearly premiums). These taxes are on top of final taxes (20%) imposed on deposit and deposit substitute investments and corporate income taxes of 35% effective July 1, 2005.

Bancassurance and mass marketing have been noted to be of increasing importance in distributing non-life products. Brokers and direct sales, however, continue to be a major distributor of non-life insurance products in the Philippines.

Pensions

- Social security benefits

  Republic Act 7641, which was enacted into law in 1992, amended the Labor Code of the Philippines by providing for retirement pay to qualified private sector employees in the absence of any retirement plan in the establishment.

  In essence, this law provides retirement benefits to a covered employee upon reaching age 60 or more, but not beyond 65 (compulsory retirement age), who has served at least 5 years in the establishment in an amount not less than ½ month salary for every year of service. The term ½ month shall be at least equal to 15 days plus 1/12 of the 13th month pay and the cash equivalent of not more than 5 days of service incentive leaves.

- Government programs and occupational schemes

  Social security benefits are currently being provided through government sponsored organizations such as the Social Security System (SSS), Government Service Insurance System (GSIS), Philippine Health Insurance Corporation (PhilHealth) and the Employees' Compensation Commission (ECC).

  The Social Security System was established in 1957 to provide social security protection to salaried employees of the private sector, self-employed persons and professionals and Filipino overseas contract workers. Benefits include:

  Retirement benefits
  Death and funeral benefits
  Disability benefits
  Sickness benefits
  Maternity benefits
  Affordable loans

  The Government Service Insurance System was established in 1936 to institutionalize a social insurance program for government employees. Benefits are similar to those provided by the SSS. Added to these benefits is a compulsory life insurance coverage in the form of a participating endowment insurance policy.

  PhilHealth took over from the Philippine Medical Care Commission that was established in 1969 to gradually provide medical service to residents of the country in a progressive manner. Benefits under PhilHealth include room and board benefits, medical expense benefits, doctor's, anesthesiologist's and surgeon's fees and applicable operating room fees. Outpatient care such as services of health care professionals, personal preventive services, diagnostic, laboratory and other medical examination services and prescription drugs are also provided under PhilHealth.

  The ECC, created in 1974, was created to assist workers and their dependents in the event of employment-related injury, sickness, disability or death. Benefits include death benefits, disability benefits, supplemental pension and medical and rehabilitation services.

- Actuarial role

  For employee retirement plans, the Bureau of Internal Revenue recognizes actuaries under its Revenue Regulation No. 1-83 amending Revenue Regulation No.1-68, or the Private Retirement Benefit Plan Regulations, as follows:

  Section 6. Determination of Qualification. (A) Issuance of certificate of qualification before availing of the privileges afforded by pension, gratuity, profit sharing, or stock bonus plans, a certificate must be secured by the employer to the effect that e qualification of the plan for tax exemption has been determined. In securing such certification, the employer must file a written application therefore with the Commissioner of Internal Revenue, attaching thereto the following documents:

  (1) In the case of a trusteed plan –
  (d) Statement of Actuarial Assumption or Valuation duly certified to by an independent consulting actuary who must be a fellow of the Actuarial Society of the Philippines (in the case of a fixed benefit type of plan).

- Are pension assets segregated from employer assets e.g. held in trust?

  The current provisions of the law do not mandate such segregation. There are, however, tax advantages where such assets are segregated. As such, most large firms do have the pension assets segregated from their general assets and managed by trustees.

- Are the private schemes defined benefit or defined contribution or both?

  Most private schemes are defined benefit. There has been an increasing trend though of defined contribution schemes. The current definition of the retirement benefit under the law favors defined benefit schemes.

- Do members have a choice of investment?
  No.

Major Trends

There continues to be a concern for funding supplemental retirement benefits through life insurance companies, pre-need companies and mutual fund companies.

Health Care

- Briefly describe the regulatory environment and cost containment processes for the major health care distribution networks.

  HMOs employ a combination of the following cost containment processes --
  a. maintenance of own clinics/hospitals
  b. claims officers to review hospital/clinical charges/procedures
  c. negotiated fees and charges for affiliated health care providers
  d. co-pays; deductibles
  e. limits on allowable procedures/benefit amounts
  f. limits on access to non-affiliated providers/hospitals/clinics
  g. monitoring/benchmarking of provider key performance indicators
  h. automation and streamlining of operations/claims procedures

- Are there any issues on specific laws or regulations concerning people with AIDS / HIV?

  None.

- Are post retirement benefits prevalent? If so, what are the most common benefits?

  No.

- What are the major challenges and issues facing the industry?
  The major concern continues to be the increasing cost of medical services, equipment and supplies. Even if general inflation has slowed down to below 5%, inflation on medical goods and services continue at around 15%-18%, especially with currency exchange fluctuations. The imposition of VAT has also led to a higher cost of doing business.

  Low barriers to entry and weak regulation has led to proliferation of HMOs, some of which have inadequate capitalization. This results into cut-throat competition and a downward pressure on prices.

  As a result, profitability of industry continues to suffer, as cost of business continues to increase combined with the inability of some HMOs to pass on the increases through premium adjustments. This has led to some companies exiting the business and consolidation among the major players. As the market matures, the companies that are able to adapt to the changing conditions, maintain tough underwriting standards and minimize operating costs are the ones expected to survive and will dominate the rest of the industry.

Corporate Governance

The Insurance Commission has issued in 2002 a Code of Corporate Governance for Insurance Companies and Intermediaries. The primary objective of the Code is to enhance the corporate accountability of insurers and intermediaries and promote the interests of their stakeholders specifically those of the policyholders, claimants and creditors. The Insurance Commission required insurance companies to submit a general disclosure of corporate governance practices.

The Securities and Exchange Commission has issued a similar Code of Corporate Governance for non-insurance companies.

Laws, codes or regulations relative to key governance areas as presented below:

- Independent board directors

  The Code requires that majority of the board directors are independent of management. An Independent director refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the director's fees and shareholdings, he should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgment.

- Audit committees

  An Audit Committee shall be made up mainly of independent, outside directors, who shall be free to hire independent advisers when necessary. Its main responsibilities include: recommend the appointment of external auditors, whose report they review; monitor the system of internal controls and corporate compliance with laws, regulations and code of ethics; serve as direct channel of communication to the Board for the internal auditors, compliance officers, and the general counsel.

- Required board committees

  In addition to the Audit Committee, the other Board Committees are:

  1. An executive Committee which can act in behalf of the full Board on matters defined by the Board, and submitted by management for action, when the Board cannot meet.

  2. A Governance Committee which shall also be made up mainly of independent directors. It is charged with responsibility for advising the Board on corporate governance matters. It shapes the policy on the size and composition of the

Board as well as its internal functioning. It may serve as the mother committee for the nomination sub-committee (to review possible candidates for board membership); the compensation sub-committee (to ensure that a system of compensation provides performance-oriented incentives to management, is in place); the monitoring and performance evaluation sub-committee (to perform board and senior management evaluation). These sub-committees can become full committees, when the volume of work calls for them becoming so, provided that they too are made up of independent directors.

- Disclosures and transparency – balanced assessment of financial condition including principal risks and uncertainties of business

  The Board shall ensure timely and accurate disclosure on all material matters, including the financial condition, performance, ownership and governance of the corporation. Fair timely and cost-efficient access to relevant information shall be provided for all parties with a legitimate interest in the corporation. Key financial information should be readily and easily accessible to shareholders, policyholders, creditors and claimants. Disclosure shall include material information on the financial and operating results of the corporation. It shall also include any material foreseeable risks for the corporation.

The ***Actuarial Profession***

- Does the country have its own Professional body?

  Yes, it is the Actuarial Society of the Philippines (ASP). Organized in March 12, 1953 as the Philippine Actuarial Society, its name was later changed to the Actuarial Society of the Philippines in 1960. It is the only actuarial professional organization in the country and is so recognized under Section 336 of the Insurance Code of the Philippines.

- What is the body's status with the International Actuarial Association?

  It is a full member of the International Actuarial Association.

- How are actuaries educated?

  Members of the Actuarial Society of the Philippines are classified either as affiliates, associates or fellows. Minimum education requirements for all levels include a college degree and passing actuarial examinations administered by either the Society of Actuaries (SOA) or the Actuarial Society of the Philippines.

  The required examination for Affiliate is any one (1) of the Associateship or Fellowship examination. The examinations for Associateship cover the theoretical aspects of Actuarial Science and dovetail the examination requirements of the Society of Actuaries. The transitioning SoA exam catalogue has impacted local associateship examination requirements as well.

  The Fellowship examinations cover the practical aspects of Actuarial Science and topics specific to actuarial practice in the Philippines. These consist of 10 examinations administered by the ASP:

  Course 510 – Valuation of Liabilities
  Course 520 – Life Insurance Accounting
  Course 530 – Investments and Finance
  Course 540 – Selection of Risks and Reinsurance
  Course 550 – Pre-Need Plans
  Course 610 – Gross Premiums, Asset Shares and Other Pricing Considerations
  Course 620 – Retirement Plans
  Course 630 – Social Insurance
  Course 640 – Group Insurance and Health Benefit Systems
  Course 650 – Life Insurance Law and Taxation

  Another prerequisite for Fellowship is the successful completion of the Fellowship Admission Session (FAS) administered by the Professional Standards and Review Council of the ASP. The FAS is a discussion among a group of Fellows and the applicants for Fellowship regarding Professional Ethics and Integrated Problem

Solving on actuarial matters. Plans are underway to impose a similar requirement before an associate designation is earned.

- Does the country have a formal Continuing Professional Development Scheme?

  Fellows of the ASP are required to complete a minimum number of credit hours for inclusion in the Society's recommended list for accreditation, particularly allowing actuaries to practice in pre-need, insurance and do valuation of pension plans. This requirement is assessed year on year. Credit hours may be earned through such activities as:

  Attending ASP (or IAA member) annual conventions
  Serving as examiner in ASP exams
  Presenting technical papers
  Pursuing postgraduate courses in actuarial science
  Serving as speaker in ASP (or IAA member) seminars
  Writing technical papers
  Passing actuarial examinations of an IAA member association
  Attending ASP (or IAA member) seminars
  Attending other actuarial meetings, workshops or seminars
  Conducting actuarial research

What are the major challenges facing the actuarial profession?

Presently, actuaries in the insurance industry are faced with challenging conditions brought about by changing business conditions. With the liberalization of the life industry and the entry of a number of foreign insurers, the landscape of the insurance industry is fast changing in the terms of the introduction of more products, including non-traditional ones. New distribution channels, primarily bancassurance, are challenging the traditional agency distribution channel. Added to these changes is the generally declining interest rate environment in the country coupled by the slump in the equities market. Additional challenges include the keen competition in the group insurance market as evidenced by declining group insurance rates.

On the pre-need sector, actuaries have to respond to the demands of a financially-challenged industry.

On the HMO sector, near cutthroat pricing is a key concern. Profitability of the industry continues to suffer as margins are squeezed with increasing medical costs and cost of doing business coupled with the inability to pass on the increases in the form of premium adjustments.