

# **REGULATORY REFORMS: CHALLENGES, SUCCESSES AND LESSONS LEARNED**

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**29 September 2015**



# Outline

- I. Introduction
- II. The Reforms
- III. Challenges
- IV. Successes
- V. Lessons Learned
- VI. Conclusion



# I. Introduction

## The Philippines



Area : 343,500 sq. km (approx. 7,100 islands)

Population : 100 Million



## Number of Insurance Companies

<b>Composite</b>	<b>4</b>
<b>Life</b>	<b>27</b>
<b>Non-Life</b>	<b>67</b>
<b>Professional Reinsurer</b>	<b>1</b>
<b>Total</b>	<b>99</b>



## Annual Premiums (2014)

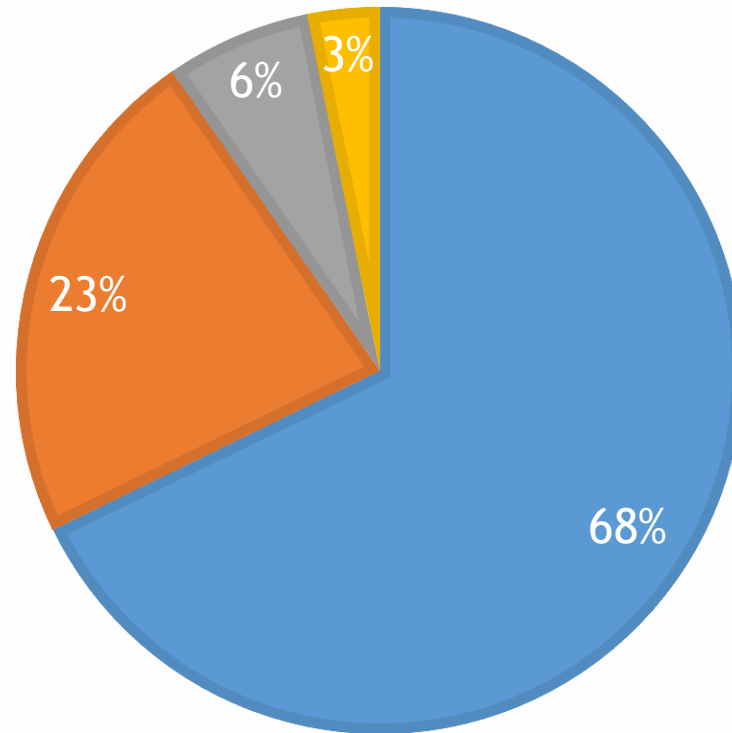
	(in Pesos)	(in U.S. Dollars)
<b>Life</b>	<b>158.7 B</b>	<b>3.6 B</b>
<b>Non-Life</b>	<b>32.1 B</b>	<b>0.7 B</b>
<b>Total</b>	<b>190.8 B</b>	<b>4.3 B</b>

**Insurance Penetration : 1.5 %**

**Insurance Density : ₱ 1,953.9 or U.S. \$ 43.8**



# Premium Distribution (Life)

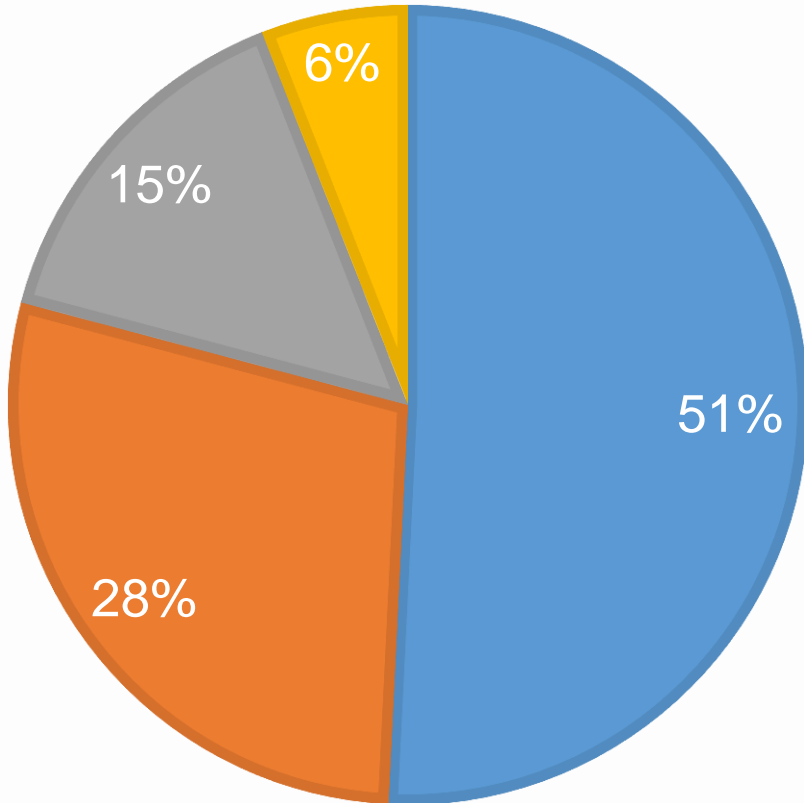


■ Variable ■ Ordinary ■ Group ■ Accident & Health



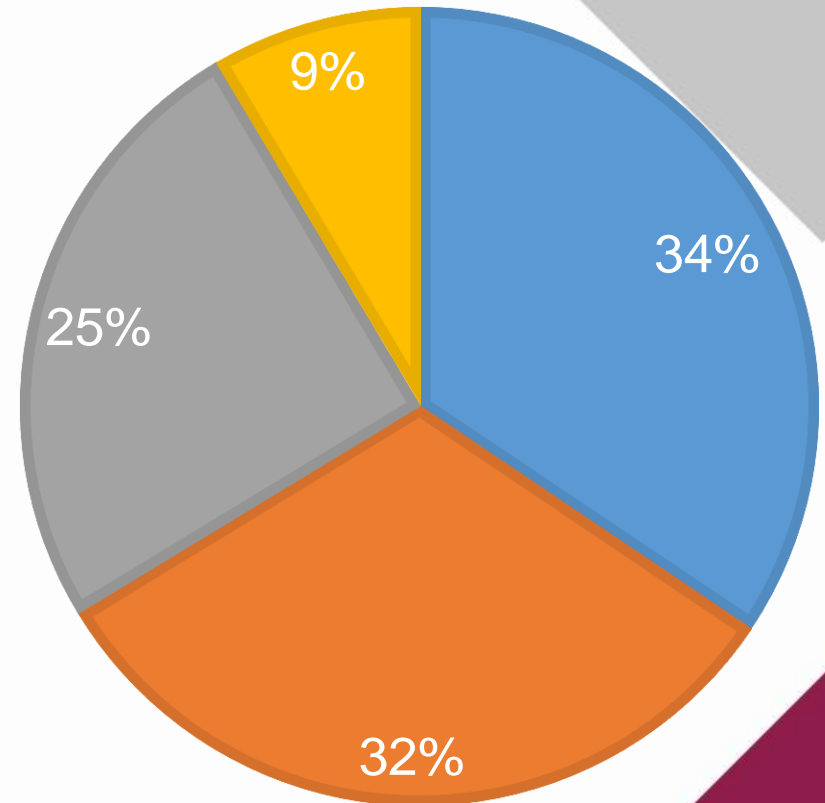
# Premium Distribution (Non-Life)

## Net Premiums Written



- Motor Car
- Others
- Fire
- Marine

## Gross Premiums Written



- Fire
- Motor Car
- Others
- Marine



# Financial Regulators in the Philippines

- Insurance and Pre-Need Industry - Insurance Commission
- Banks, Investment Houses and the like - Bangko Sentral ng Pilipinas
- Securities - Securities and Exchange Commission





# Legal Framework

1. Insurance Code – RA 10607
2. Department Orders
3. Circular Letters



# II. Regulatory Reforms

## 1. Increase in Minimum Capitalization

- a. New Insurance Companies: ₱ 1 Billion or U.S. \$ 22.4 Million
- b. Existing Companies

Minimum Capitalization		Date of Compliance
(in Pesos)	(in U.S. Dollars)	
250 M	5.6 M	Present
550 M	12.3 M	by December 31, 2016
900 M	20.2 M	by December 31, 2019
1.3 B	29.1 M	by December 31, 2022



## **2. New Financial Reporting Framework including New Reserve Valuation Methods and RBC2**

- a. Life insurers to move from Net to Gross Premium Valuation**
- b. Non-life insurers to engage IC-accredited non-life actuaries who will prepare and certify the companies' reserve valuations**



### 3. Revised Policies on Bancassurance

Before —

- a. Only insurance companies which are affiliates of banks can engage in cross-selling
- b. Banks have to own at least 5% equity of the insurer
- c. Products that may be sold
  - LIFE: Term, Whole life, Endowment, Health & Accident, and Life Annuities
  - NON-LIFE: Fire, Marine Cargo, Homeowner's Policies and Directors/Officers liability insurance



### 3. Revised Policies on Bancassurance

#### Present —

- a. The requirement that the bank should have equity in the insurance company has been set aside.
- b. Absolute cross-selling of insurance products in bank premises or “open architecture”
- c. Products that may be sold
  - LIFE: Term, Whole life, Endowment, Health & Accident, Life Annuities and Variable Unit Link
  - NON-LIFE: Fire, Marine Cargo, Homeowner’s Policies and Directors/Officers liability insurance



## **4. New Schedule of Fees/Charges/Penalties**

- a. Fees were increased**
- b. New charges and penalties were prescribed**



# III. Challenges

## 1. For Regulators:

- a. Resistance from various sectors
- b. Lawsuits
- c. Inadequacy to handle reforms
  - Human Resources
  - Systems and Procedures



## 2. For Regulated Entities:

a. Lack of Awareness/ Understanding

b. Lack of capacity to comply

- Manpower
- Financial Resources
- Systems Inadequacy





# IV. Successes

1. Compliance by Regulated Entities
2. A system or process, that is more efficient, more useful, and more productive.



# V. Lessons Learned

- 1. There should be consultations between the regulator and the regulated.**
- 2. Allow time for adjustment.**
- 3. Prepare for the changes.**
- 4. Coordinate with relevant groups, associations and/or other government agencies concerned.**



# VI. Conclusion

## Patience and Understanding

Two virtues that the Regulators should not be found wanting when they institute reforms.



**THANK YOU!**

