



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
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PRESS RELEASE
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INSURANCE INDUSTRY POISED FOR CONTINUED GROWTH

Insurance Commissioner Dennis B. Funa is positive that the insurance industry will continue its growth for the year 2017.

“Due to the increase in confidence in the current Duterte administration, purchasing power and the middle class, the Philippine economy is expected to continue its expansion. This would benefit the different industries, translate into a considerable amount of potential to the insurance industry and would address the challenges brought about by the ASEAN integration,” said Commissioner Funa.

IC key statistical data for 2011-2015 would show that the insurance density-- which represents the average amount spent on insurance by each individual in the country-- grew by 84.1% to P 2286.0 in 2015 from P 1241.5 in 2011. Within the same period, the insurance penetration-- ratio of insurance premium to gross domestic product or the contribution of the insurance sector to the economy--- also improved by 45.8% from 1.02% in 2011 to 1.75% in 2015.

The market penetration rate (ratio of individuals with life insurance coverage to population) increased by 125.64% from 18.29% of the population of 94.2 million (or 17.2 million) in 2011 to 41.27% of the population of 101.6 million (or 41.9 million) in 2015.

Despite the steady increase in insurance density, insurance penetration and penetration rate, this is still considered low compared to other ASEAN countries. In order to address these challenges, Commissioner Funa said that the IC will implement regulatory reforms and enhancements to address these problems.

Commissioner Funa cited the recent mandatory increase in the minimum capitalization requirement of insurance companies from P250 million to P550 million. One of the important drivers in the growth of the insurance industry is the higher capitalization requirements of insurance companies leading to increase in the public's confidence in insurance.

Last week, the Insurance Commission announced that some industry players are resorting to different strategies on how they can comply with this requirement such as mergers and acquisitions while some companies had decided to close shop.

Commissioner Funa said “Despite the decrease in the number of insurance companies in view of the implementation of the higher capitalization requirements, we remain optimistic that the industry will continue its growth. Considering that the industry is well-capitalized, we expect that there will be an increase in market penetration owing to the increase in confidence on the industry”

“Insurance companies will also be required to observe new financial regulatory requirements on financial reporting, risk-based capital and valuation standards for policy reserves. In order to ensure that the solvency of insurance companies are determined and monitored in accordance with internationally-accepted accounting, actuarial and insurance core principles, the IC implemented this regulatory change as it will have an impact the growth of the industry,” Funa added.

Commissioner Funa likewise highlighted that there must be a regulation in place to facilitate investments by the sector in infrastructure and public-private partnership projects in the country.

Commissioner Funa said, “In relation to the capitalization of insurance companies, we must consider the availability of investment opportunities for the industry. The IC and the industry are expecting that more investment instruments or products will become available to the industry to improve its revenue from investments.”

Commissioner Funa also recognized that increase in awareness and understanding the need and benefit of insurance would drive growth in the long run. He also recognized the evolution of different channels as one of the drivers in the growth of the insurance industry.

“In the recent past, the industry has witnessed the emergence of bancassurance and electronic commerce that contributed to the increase in insurance market penetration. However, we likewise recognize that there is need for an enhanced regulation on the sale of insurance products online or through the internet or through mobile applications,” said Commissioner Funa.

Even with the development of electronic commerce in the industry, there are certain areas that are left behind such as the regulation of the Compulsory Third Party Liability. Commissioner Funa said that there is a need to enhance and modernize the regulation of CTPL products.

"With the challenges confronting the insurance industry, the regulator and the industry should welcome regulatory changes and work hand-in-hand towards the continuous positive growth of the industry, always bearing in mind the protection of the interests of the insuring public," said Commissioner Funa


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