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SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Name NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES DOING BUSINESS UNDER THE NAMES AND STYLES OF NA

Industry Classification

Company Type Stock Corporation

Document Information

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SEC Registration Number

NATIONAL REINSURANCE

CORPORATION OF THE PHILIPPINES

(Company's Full Name)

31 F B P I - P H I L A M L I F E M A K A T I

6 8 1 1 A Y A L A A V E N U E M A K A T I

(Business Address: No., Street City / Town / Province)

Regina S. Ramos

Contact Person

(02) 988-7400

Company Telephone Number

1 2

Month

3 1

Day

SEC Form 17-C
Press Release

FORM TYPE

4th Wednesday of June

Month

Day

Fiscal Year
December 31, 2019

Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. **30 October 2019**
Date of Report (Date of earliest event reported)
2. SEC Identification Number: **80118** 3. BIR Tax Identification No. **000-480-869-000**
4. **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES, doing business under the names and styles of Nat Re; Philippine National Reinsurance Company; PhilNaRe**
Exact name of issuer as specified in its charter
5. **Metro Manila, Philippines** (SEC Use Only)
Province, country or other jurisdiction of Industry Classification Code:
incorporation
7. **31st Floor, BPI-Philam Life Makati Building,
6811 Ayala Avenue, Makati City** **1227**
Address of principal office Postal Code
8. **(632) 988-7400**
Issuer's telephone number, including area code
9. **N/A**
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding |
|----------------------|---|
| Common Shares | 2,123,605,600 |
| TOTAL | 2,123,605,600 |

11. Indicate the item numbers reported herein: **Item 9 (other events)**
-

Press Release: **Industry and government collaboration key to the Philippine insurance industry's development**

In the 2019 Singapore International Reinsurance Conference (SIRC) Supplement, Mr. Allan Santos, President and CEO of the National Reinsurance Corporation of the Philippines (Nat Re) ran an article where he says that sustainability of the Philippine insurance industry should be attainable with the initiatives taken by the industry and the regulator.

Attached is a copy of the Press Release.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized, in the City of Makati on 30 October 2019.

**National Reinsurance Corporation of the Philippines,
doing business under the names and styles of Nat Re;
Philippine National Reinsurance Company; PhilNaRe**
Issuer


REGINA S. RAMOS
Vice President, Head of Risk & Compliance



NATIONAL
REINSURANCE
CORPORATION
OF THE PHILIPPINES

Industry and government collaboration key to the Philippine insurance industry's development

October 30, 2019—In the 2019 Singapore International Reinsurance Conference (SIRC) Supplement, Mr. Allan Santos, President and CEO of the National Reinsurance Corporation of the Philippines (Nat Re) says sustainability of the Philippine insurance industry should be attainable with the initiatives taken by the industry and the regulator.

Read his article below and follow news on the SIRC at <http://asiainsurancereview.com>.

Industry and government collaboration key to the Philippine insurance industry's development

by Mr. Allan Santos, Nat Re CEO

The Philippine insurance industry once again reached new peaks in 2018. Premium income from non-life and life reached PHP290.2bn (\$5.50bn), up by 11.7% year-on-year, while total assets reached PHP1.58tn (\$29.9bn), net worth hit PHP337.4bn (\$5.39bn), and net income was at PHP37.4bn(\$709m)

The microinsurance sector likewise continued to expand. Its total premium production hit PHP8.14bn (\$159m), increasing by 14.5% from a year ago. Six million more Filipinos are now covered by some form of microinsurance, which brings total coverage as at the end of 2018 to roughly 39m individuals.

Despite another productive year for insurers, however, growth was muted with assets, net worth, and net income inching up by only 0.9%, 5.3%, and 2.9%, respectively. Investments, in fact, contracted by 0.15%. The expansion in 2018 was nowhere near the double-digit growth of total assets, net worth, paid-up capital, investments and premiums in 2017.

Consolidation phase continues

The industry has seen continued market consolidation due to increased capital requirements. Over a period of five years, a total of 15 direct insurers have shut down, leaving only 85 insurers in the market at the end of 2018. By the end of this year, the minimum net worth requirement for insurance companies will increase from PHP550m to PHP900m (\$17.1m).

With insurance companies finding ways to make effective use of their increased capital, competition, especially in nonlife, has grown stiffer despite fewer players in the market. The average profit margin of non-life direct insurers has been slowly decreasing annually since

2015, dipping to 6.9% in 2018. While this is a vast improvement from the 3.2% average in 2013, it is just half of the life profit margin of 12.6%.

Taxes on non-life insurance products are among the highest in ASEAN, which also contribute to insurers' lower profit margins. Such high taxes make non-life insurance products less affordable. Coupled with low awareness and cultural attitudes towards insurance, this makes increasing insurance penetration more challenging.

Catastrophe market premium rates are impacting profitability of the local industry

The current level of catastrophe market premium rates negatively impacts the profitability of the local industry and the expansion of catastrophe insurance. While the current CAT tariff is at 0.15%, CAT premium rates which we find in the market today are below 0.1%. This means that companies are probably paying their reinsurers more for their CAT protection than what they are charging their clients.

The local industry is vulnerable not only to thinning pricing margins and a prolonged soft market but also to natural disasters of mounting intensity and frequency. Their economic impact on both (re)insurers and Filipino communities is not to be underestimated—every year, 0.34% is expected to be shaved off the national GDP because of such calamities.

Without a more proactive game plan to counter these challenges, (re)insurers could be missing a crucial window of opportunity for sustained fast-paced growth. Non-life and life real premium growth rates in the Philippines have been among the highest in the ASEAN region in 2012-2017 while the outlook on the national economy and households' disposable incomes remains upbeat. With insurance penetration in the Philippines standing at just 1.76%, there is indeed massive potential for expansion in the industry.

To seize these clear opportunities and address these multifaceted challenges, there is a need for more collaboration and meaningful partnerships between the industry, the government and international development agencies to kick start initiatives for promoting growth and financial inclusion as well as boosting the country's disaster resiliency.

Regulatory and taxation reforms are work in progress

In the area of regulation and taxation, the Insurance Commission and the industry formed a task force to study and identify amendments to the Insurance Code such as changing the minimum net worth requirements that are hard coded in the law. Changes to the non-life insurance tax rates are also to be included in the proposed Package 4 of the Tax Reform for Acceleration and Inclusion (TRAIN) Act.

The Philippine national government has developed a disaster risk financing and insurance (DRFI) strategy to "maintain sound fiscal health... (and) develop sustainable financing mechanisms" on the country's sovereign, local government, and household levels. The private insurance sector is expected to participate in executing the household-level strategy through a proposed property catastrophe risk insurance pool for households and owners of

small- and medium-sized enterprises. The World Bank will provide technical assistance in the development of this pool.

The Philippine Insurers and Reinsurers Association (PIRA), the country's non-life trade association, is very supportive of this DRFI strategy. However, it is well aware of the challenges in implementing a property insurance program that is compulsory and which may entail a tedious process of passing new legislation. In this regard, PIRA has proposed an interim approach premised on the need to restore sustainability of catastrophe covers.

A larger role for the national reinsurer envisaged

The proposal is for direct insurers to cede their natural catastrophe risks, up to a certain sum insured, to the national reinsurer, Nat Re, at technically sufficient rates for the particular zone. Nat Re in turn would share the pooled risks to participating local insurers based on their respective risk appetites and financial strength. This initiative is expected to improve tariff compliance, diversify catastrophe risks, optimise local capacity, and increase the viability and sustainability of catastrophe insurance. These outcomes will encourage the private sector to promote catastrophe insurance products and ultimately benefit the nation with greater disaster resiliency.

Reach of agriculture insurance to be expanded

The industry has also garnered substantial support from legislators, particularly for agriculture insurance. Just this year, a senate bill which establishes the regulatory framework and a programme for free weather index-based crop insurance was re-filed. The author of the bill, one of the industry's staunchest supporters in senate, emphasised the need to actively engage the private sector and to adopt a more relevant strategy in order to strengthen the resilience of small farmers against extreme weather risks.

Under the same rationale and with technical assistance coming from the Asian Development Bank, PIRA and Nat Re have proposed a public-private partnership with the Philippine Crop Insurance Corporation (PCIC), the implementing agency of the government's agricultural insurance program. The partnership aims to maximise utilisation of the PCIC's funds budgeted for agriculture insurance subsidies. Through this initiative, direct insurers can mobilise their distribution networks and collaborate with other commercial entities to more effectively promote product awareness and increase the availability of agriculture insurance products among the target beneficiaries. This will allow the PCIC to reach more of the country's 6m small-hold farmers.

The German development agency GIZ is also one of the industry's partners in building capacity to develop climate risk insurance products. Under their Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI III Asia) Project, GIZ will train and enable private insurers on product development, distribution, and digitally enabled payment platforms. This is in line with the project's overall approach of helping governments develop concepts for climate risk insurance products and integrate such products into a comprehensive disaster risk management approach.

As the country's national reinsurer, Nat Re also pursues initiatives aimed at pooling risks and redistributing them among local insurers, thereby optimising local capacity, increasing national retention, and providing direct insurance companies with avenues for deploying their increased capital. Nat Re has already launched the Philippines' first reinsurance facilities for sabotage and terrorism insurance and for financial lines. These are mechanisms where a larger proportion of Nat Re's facultative acceptances, in the exercise of its 10% compulsory cession, will be distributed back to participating insurers.

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About National Reinsurance Corporation of the Philippines (Nat Re)

Nat Re (PSE: NRCP) provides life and non-life reinsurance capacity, and in relation to this offers consultancy, technical, and advisory services to its clients—the direct insurers—in emerging markets. Its services allow direct insurers to better manage their retentions and capital, to maximize their net premiums given their risk appetites, and to execute their roadmaps to competitiveness.

Nat Re also stimulates know-how transfer in the industry by helping build its clients' capabilities in underwriting, product development, pricing, retention setting, and reinsurance program analysis. It continuously derives insights from experience and shares with its partners its knowledge of emerging markets, particularly of the Philippine insurance market, and curated global best practices in reinsurance.

Contact

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