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RULES AND REGULATIONS ON REINSURANCE TRANSACTIONS

IC CIRCULAR LETTER NO. 12-2009, March 10, 2009

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By virtue of the powers vested in the Insurance Commission under the provision of Section 414 of the Insurance Code, the following revised rules and regulations governing life reinsurance transactions in the Philippines are hereby promulgated:

1. 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 of the latest verified stockholders equity.

2. 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 prior to its adoption in any reinsurance agreement.

3. No reinsurance shall be placed abroad where the amount of risk is Three Million Pesos (P3.0M or Less), per life standard risk, graded down for substandard lives.

4. No reinsurance shall likewise be placed abroad on accident riders where the accident risk does not exceed One Million Five Hundred Thousand Pesos (P1.5M) per standard risk.

5. Reinsurance treaties abroad shall be on the yearly renewable term plan (amount of 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.

6. Reinsurance abroad on other life insurance riders, group insurance and all other life insurance business may be made only after it has been shown by ceding company that such risk cannot be absorbed by the Philippine market.

Likewise, facultative reinsurance placements are subject to prior approval by the Insurance Commission.

All circulars and orders inconsistent herewith are hereby revoked.

Adopted: 10 March 2009

(SGD.) EDUARDO T. MALINIS
Insurance Commissioner

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