RULES AND REGULATIONS ON REINSURANCE TRANSACTIONS

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

1. Non-life insurance companies whose treaty limits and premium cessions as of the 31st of December of the preceding year on the following lines of business do not exceed the corresponding limits hereunder indicated:

Lines of Business

Treaty Limit

Premium Cession

a. Fire

P4,000,000.00

P3,000,000.00

b. Marine

1,000,000.00

750,000.00

c. Other lines (except motor car)

300,000.00

200,000.00

shall not enter into outward treaties with companies not authorized to transact business in the Philippines , unless the authorized ceding companies can first show to the satisfaction of this Commission that they will receive from such unauthorized companies, by way of reciprocity, inward business of comparable profitability, in which case, the above treaty limits and premiums cessions may be reduced by an amount not exceeding 20% thereof, or that they can not secure locally the cover sought abroad under the best terms and conditions consistent with sound underwriting practices.

2. Reinsurance abroad of Motor Car business shall not be allowed except on an excess of loss basis, where such coverages could not be availed of locally.

3. As required under Section 220 of the Insurance Code, every insurance company shall report to the Commission on forms prescribed by it, the particulars of any new treaty or changes in existing treaties together with copy of the treaty itself as of the first day of January yearly for its review and consideration to determine the company's compliance with the pertinent laws, rules and regulations on reinsurance.

4. The rules set forth under Section 219 of the Insurance Code are hereby quoted hereunder:

SECTION 219. Any insurance company doing business in the Philippines desiring to cede their excess risks to foreign insurance or reinsurance companies not authorized to transact business in the Philippines may do so under the following conditions:

1) Except in facultative reinsurance and excess of loss covers, the full amount of the reserve fund required by law shall be set up in the books of and held by the ceding company for so long as the risk concerned is in force; Provided, That in case of facultative insurance, the ceding company shall show to the satisfaction of the Commissioner that the Philippine market cannot provide the facilities sought abroad.

2) The reserve fund withheld shall be invested in bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government owned or controlled corporations and entities, including the Central Bank, and/or other securities acceptable under section two hundred.

Should any reinsurance agreement be for any reason cancelled or terminated, the ceding company concerned shall inform the Commissioner in writing of such cancellation or termination within thirty days from the date of such cancellation or termination or from the date notice or information of such cancellation or termination is received by such company as the case may be.”

5. Conformably with the above-quoted provision of the Code, facultative reinsurance placements are still subject to prior approval by the Insurance Commission.

This Circular Letter supersedes Rule I and III of Circular Letter dated August 26, 1980 and takes effect immediately on new insurance treaties and agreements and upon the renewal dates of existing reinsurance treaties and agreements.

Adopted: 22 Dec. 1992

(Sgd.) ADELITA A. VERGEL DE DIOS

(Sgd.) ERNEST LEUNG

Insurance Commissioner

Acting Secretary

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