



Circular Letter (CL) No.:	2024-11
Date:	17 April 2024
Supersedes:	CL No. 2021-27 CL No. 2022-34

CIRCULAR LETTER

TO : ALL NON-LIFE INSURANCE AND REINSURANCE COMPANIES AND LICENSED INTERMEDIARIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : REINSTATEMENT OF CIRCULAR LETTER NO. 2016-55 ON THE “STRICT IMPLEMENTATION OF THE MINIMUM RATES FOR EARTHQUAKE, TYPHOON AND FLOOD COVERS AND RELATED GUIDELINES” AND PARTICIPATION IN THE PHILIPPINE CATASTROPHE INSURANCE FACILITY (“PCIF”)

WHEREAS, the geographical location and physical environment of our country, situated along the typhoon belt and Pacific Ring of fire with 24 active volcanoes, is visited by an average of 20 typhoons¹ and 703 earthquakes² per year;

WHEREAS, the World Risk Index 2022³ ranked Philippines as the top 1 for the most disaster-prone country in the world, vulnerable and high risk to typhoons, extreme weather events causing floods and volcanic eruptions;

WHEREAS, the Philippine Statistics Authority (PSA) reports that damages incurred due to natural extreme events and disasters amounted to P 453 Billion⁴ from 2010 to 2019.

WHEREAS, the Insurance Commission (IC) recognizes the critical role of catastrophe insurance in increasing the country’s resilience towards natural disasters and in hastening the recovery of communities after a large loss event. Hence, it is imperative to revisit the catastrophe rates to strengthen the country’s financial resiliency against climate change, typhoons, earthquakes, volcanic eruptions, and other natural disasters;

¹ Asian Disaster Reduction Center, <https://www.adrc.asia/nationinformation.php?NationCode=608&Lang=en>

² The Philippines Earthquake Report, <https://earthquakelist.org/philippines/>

³ World Risk Report 2022, https://weltrisikobericht.de/wp-content/uploads/2022/09/WorldRiskReport-2022_Online.pdf

⁴ Philippine Statistics Authority, <https://psa.gov.ph/content/damages-due-natural-extreme-events-and-disasters-amounted-php-463-billion>

WHEREAS, the IC issued Circular Letter (CL) No. 2022-34 dated 14 July 2022 entitled the “Guidelines on the Adoption of the Revised Schedule of Minimum Catastrophe Rates” to be observed by all non-life insurance companies and intermediaries and shall apply to all insurance policies covering earthquake and typhoon and flood risks for both new and renewal business, except for risk rated under motor car tariff;

WHEREAS, Section 367 of the Insurance Code, as amended by RA 10607, provides that the Commissioner is authorized to adjust the rates upon determination, after notice and hearing, that the rates for a specific risk category are excessive, discriminatory, inadequate, or unreasonable;

WHEREAS, the PCIF Oversight Committee, composed of representatives of PCIF members, a representative of National Reinsurance Corporation of the Philippines (Nat Re), the Executive Director of the Philippine Insurers and Reinsurers Association, Inc. (PIRA), and an independent member, was created to oversee the implementation of the PCIF;

WHEREAS, the Memorandum of Understanding dated 28 January 2020 executed by IC, PIRA, and Nat Re has already served its purpose and the technical working group created for its objectives has been superseded by the PCIF Oversight Committee;

WHEREAS, the IC, as the government agency that supervises and regulates insurance, pre-need, and health and maintenance organization industries, shall continue to provide guidance to the PCIF to ensure compliance with existing laws, rules, and regulations;

NOW, THEREFORE, in view of all the foregoing and pursuant to the authority of the Insurance Commissioner under Section 437 of the Insurance Code, as amended by RA No. 10607, the following are hereby promulgated:

Section 1. Consistent with the characteristic of insurance as a risk-distributing device, PIRA members are encouraged to participate in the PCIF for the purpose of establishing a sustainable facility to address natural disasters. Nevertheless, membership to the PCIF shall continue to be voluntary, and its existence may continue in pursuit of its intended objectives.

Section 2. All non-life insurance companies and intermediaries shall observe the schedule of minimum catastrophe rates previously prescribed by Circular Letter No. 2016-55. It shall apply to all insurance policies covering earthquake, typhoon, and flood risks for new and renewal businesses, except for risks rated under motor car tariff.

The IC shall continue to study and evaluate the rates consistent with Section 367 of the Insurance Code, as amended, ensuring that the process is diligently undertaken.

Section 3. In accordance with the mandate of the IC, which is to regulate and supervise the insurance, pre-need, and HMO industries, the approval of the IC must be secured before all actions of the PCIF requiring the IC's consent can be implemented.

This Circular Letter shall take effect immediately.


REYNALDO A. REGALADO
Insurance Commissioner

