Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Circular Letter (CL) No.	**2021-27**
Date	**12 April 2021**

CIRCULAR LETTER

TO : **ALL NON-LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES**

SUBJECT : **STRICT IMPLEMENTATION OF SUSTAINABLE CATASTROPHE INSURANCE PREMIUM RATES AND ESTABLISHMENT OF THE PHILIPPINE CATASTROPHE INSURANCE FACILITY (PCIF)**

WHEREAS, the Insurance Commission (IC) and the Philippine Insurers and Reinsurers Association (PIRA), an organization of all licensed non-life insurance companies in the Philippines, and the National Reinsurance Corporation of the Philippines (NatRe) recognize 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;

WHEREAS, the Insurance Commission (IC), PIRA and the National Reinsurance Corporation of the Philippines (Nat Re) signed a Memorandum of Understanding (MOU) on January 28, 2020 at the Philippine International Convention Center wherein it was agreed that the MOU shall serve as a framework for further negotiations and discussion among them and to enter into a formal agreement for the implementation of the Philippine Catastrophe Insurance Facility (PCIF);

WHEREAS, the MOU provides that the general framework of the PCIF shall include, among others, the review of current catastrophe insurance rates and rating structure to one that is more risk-appropriate and sustainable; the creation of an environment to ensure adherence to sustainable catastrophe insurance premium rates; and the optimization of inclusive access to insurance cover subject to technically sufficient and sustainable rates, terms and conditions;

WHEREAS, the PIRA, following various presentations, discussions, meetings, and materials provided to members, conducted a survey among its membership to confirm support for the creation of the PCIF, and more than 85% of the survey respondents confirmed support for the creation of the PCIF, and the compulsory cession of an agreed proportion of each and every Earthquake, Typhoon and Flood risk to the PCIF, which shall in turn retrocede the same risks to subscribing Authorized Companies;

WHEREAS, the Philippine Catastrophe Insurance Facility Technical Working Group (PCIF-TWG) was formed, composed of representatives from the IC and representatives from non-life insurance companies and the NatRe to thresh out the details of the PCIF;

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TRANQUILINO E. ESPEJON
IC Supervising Administrative Officer
Administrative Division
Insurance Commission

WHEREAS, Section 437 of The Insurance Code, as amended by Republic Act No. 10607, gives the Commissioner the authority to issue circulars as may be deemed necessary to ensure the efficient regulation of the insurance industry in accordance with global best practices and to protect the insuring public;

NOW, THEREFORE, pursuant to the authority conferred to the Insurance Commissioner, the following are hereby promulgated:

1. All non-life insurance companies are directed to appoint, within fifteen (15) days upon issuance of this Circular, their authorized representatives to actively participate in the PCIF-TWG to ensure the inclusive and consultative process for drawing up the structure, governance and implementation details of the PCIF, to include:
   a. The determination and adoption of risk-appropriate and sustainable catastrophe insurance rates and rating structure.

   b. The commitment of the participating non-life insurance companies to adhere to the established sustainable catastrophe insurance premium rates through the compulsory cession to the PCIF. The cession shall be based on a reasonable percentage and/or maximum limit per risk/per policy, agreed upon by the industry through PIRA.

2. All non-life insurance companies shall adopt and implement the new rates and rating structure and shall apply to all insurance policies which provide cover for catastrophe risks, with effective term beginning 1 April 2022, new and renewal business.

3. In consideration of the existing reinsurance arrangements of the non-life insurance companies on their catastrophe risks exposures, the cessions to the PCIF shall commence no later than 1 April 2022.

This Circular shall take effect immediately.

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IC Supervising Administrative Officer
Administrative Division
Insurance Commission

DENNIS B. FUNA
Insurance Commissioner