

Update on the Four Pillars of the Regulatory Alignment Project

ASP 1st General Membership Meeting 2015

February 26, 2015



SGV

Building a better
working world

A member firm of Ernst & Young Global Limited

Project background

The Amended Insurance Code was signed into a law by the President last August 2013. Thereafter, the Regulators and the industry (PLIA and PIRA) deemed it necessary to clarify some of the new provisions in the Amended Code, namely on areas under Financial Reporting, Capitalization, Reserving and Solvency requirements. The Insurance Commission formed various technical working committees to draft the circulars which would address the mentioned areas. PLIA and PIRA were asked to join the committees. In return, the industry sought SGV's assistance in coming up with the draft circulars. On the other hand, ADB sought NMG's assistance to provide consultation to the IC in implementing a new RBC Regime.

Scope of work

Regulatory Alignment Project

Financial reporting framework

Capitalization requirements and capital components

Reserving requirements

Risk-based or solvency requirements

Status update

As of February 20, 2015

Financial reporting

- ▶ Draft circular has been routed to the Technical Working Group (TWG)
- ▶ Estimated submission of the draft circular for the Regulator's consideration by end of February 2015
- ▶ Estimated date of final FRF circular by end of March 2015

Capitalization

- ▶ Signed circular released by IC as of January 13, 2015

Reserving for life

- ▶ Signed circular released by IC as of October 30, 2014

Status update

As of February 20, 2015

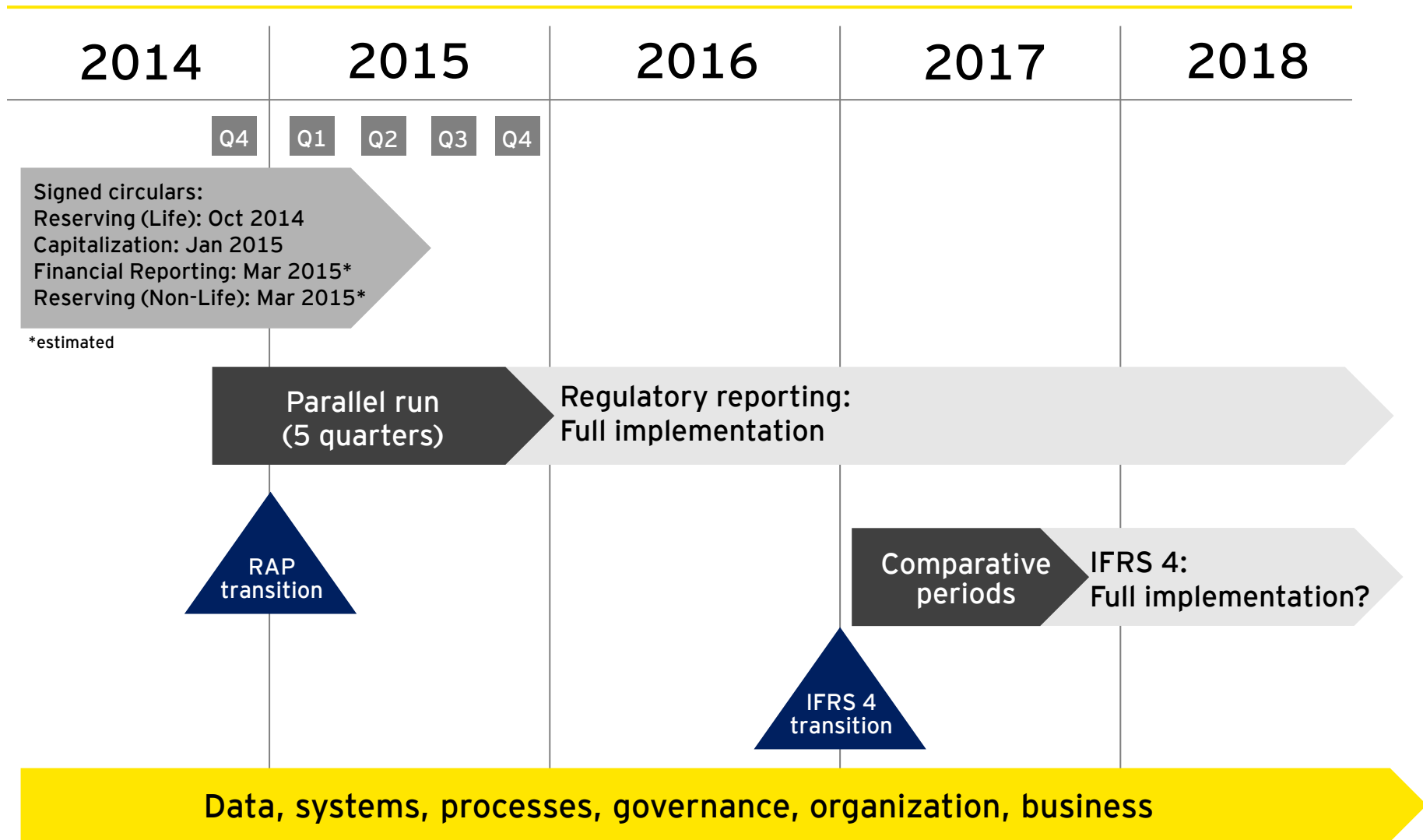
Reserving for non-life

- ▶ Draft circular has been routed to the TWG
- ▶ Estimated submission of the draft circular for the Regulator's consideration by March 2015

Risk-based capital

- ▶ NMG has performed market assessment last Q3 2014 to understand PH's RBC current state
- ▶ They have also provided a qualitative report on PH RBC last January 2015
- ▶ QIS and parallel runs (for 5 quarters) will soon commence

Timeline



The impact



Key areas for consideration

1

Data

- ▶ New data to be created; existing data to be improved

4

Systems

- ▶ Data warehouses; actuarial systems

2

Process

- ▶ New reports; new reporting lines

5

Governance

- ▶ Management oversight on assumptions; internal controls

3

Organization

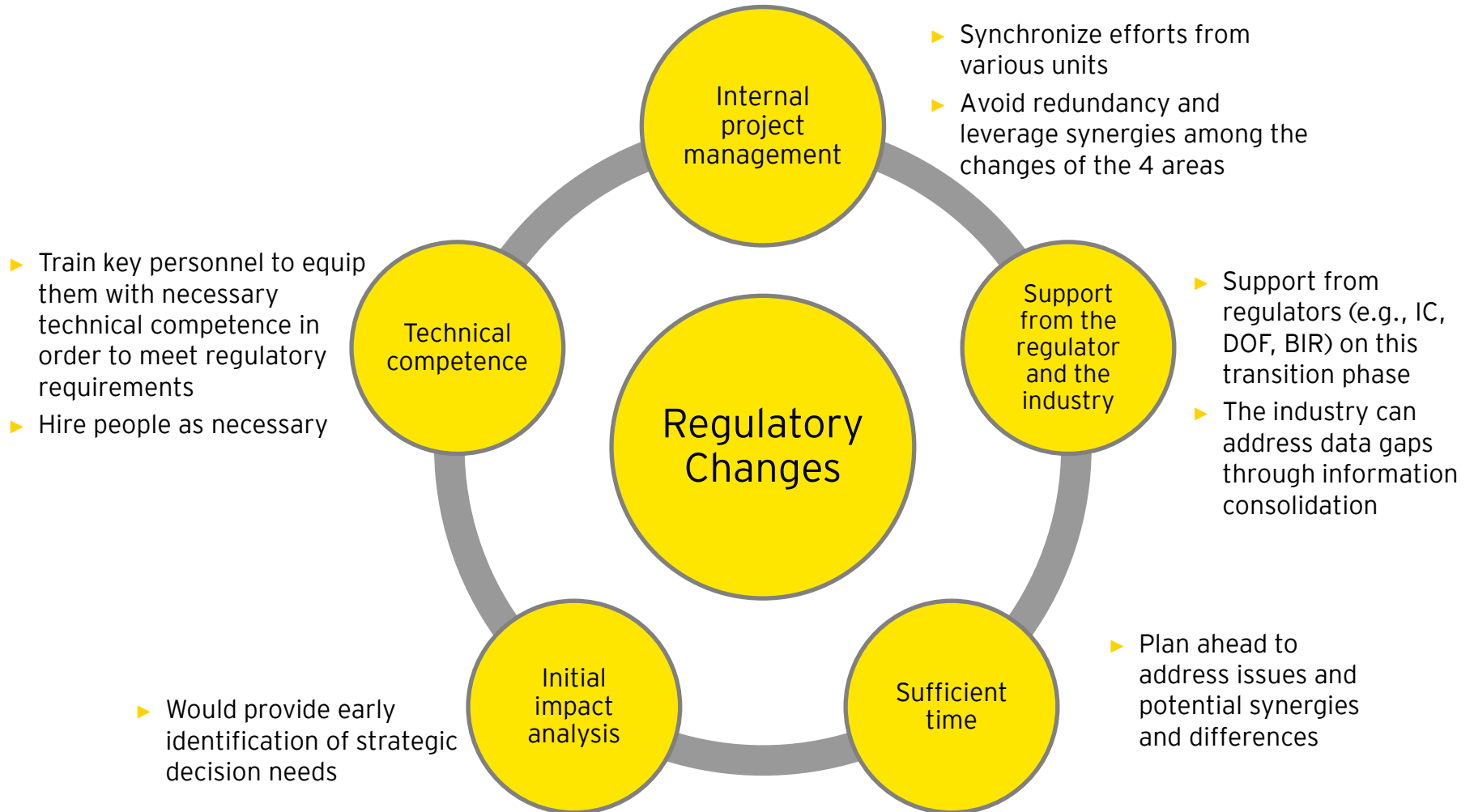
- ▶ Restructure organizational responsibilities and reporting lines; trainings

6

Business

- ▶ Alters the mechanism of how business transactions affect equity and financial results; ALM strategies will change

Critical factors for a successful implementation



EY Global Insurance CFO Survey

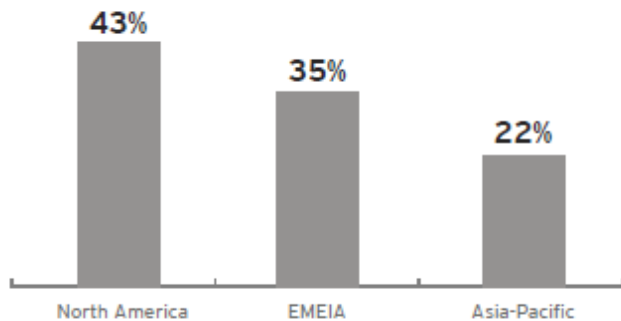


EY Global Insurance CFO Survey

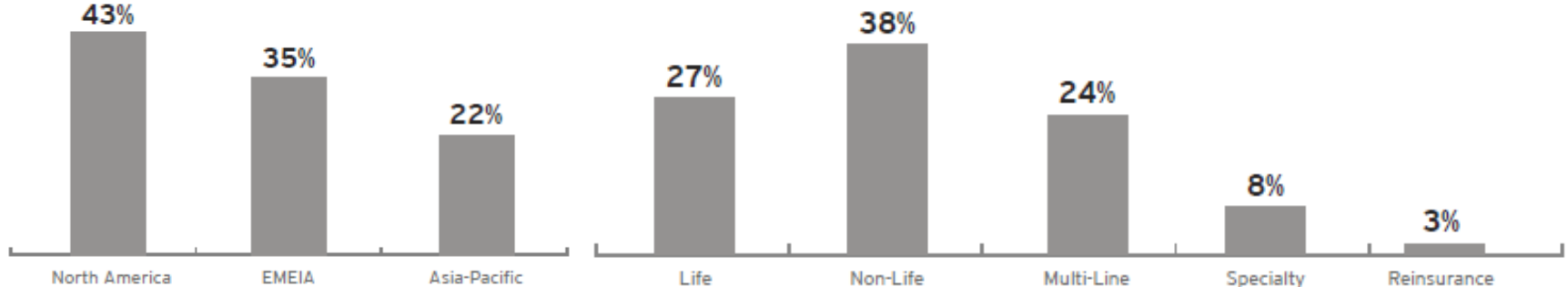
Profile of respondents

- ▶ The EY Global Insurance CFO Survey was conducted half of 2014 and sought the opinion of senior finance, accounting and actuarial executives from 35 global insurers operating across 10 leading insurance markets

Percent of respondents by geographic region



Percent of respondents by primary line of business



EY Global Insurance CFO Survey

Results of survey

- ▶ The EY Global Insurance CFO Survey focused on capturing the insights of senior finance, accounting and actuarial executives on ongoing regulatory priorities and challenges

71% Survey participants rank "being a better business partner" among their top three priorities for the next six years

43% Senior finance professionals cite growth as the number one business driver

44% Finance teams that have launched improvement projects; 41% are in the planning stage

19% Finance leaders who say their finance and actuarial functions are completely integrated in the areas of planning, budgeting and forecasting

59% Percent of total finance and actuarial costs expended on transaction processing and reporting

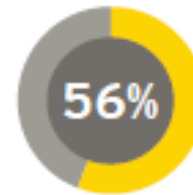
EY Global Insurance CFO Survey

Top priorities



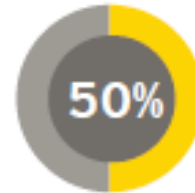
71%

Being a better
business partner



56%

Implementing new
regulatory and
financial reporting
requirements



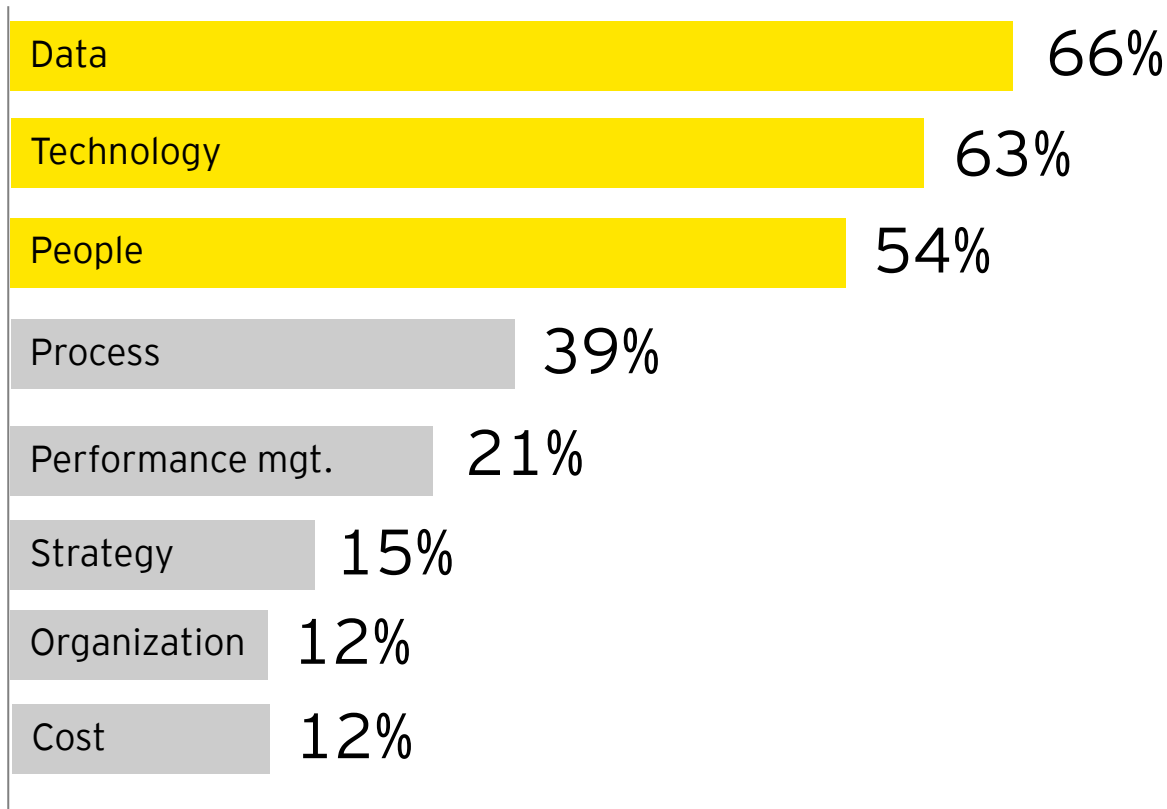
50%

Improving quality
of **reporting**

EY Global Insurance CFO Survey

Challenges

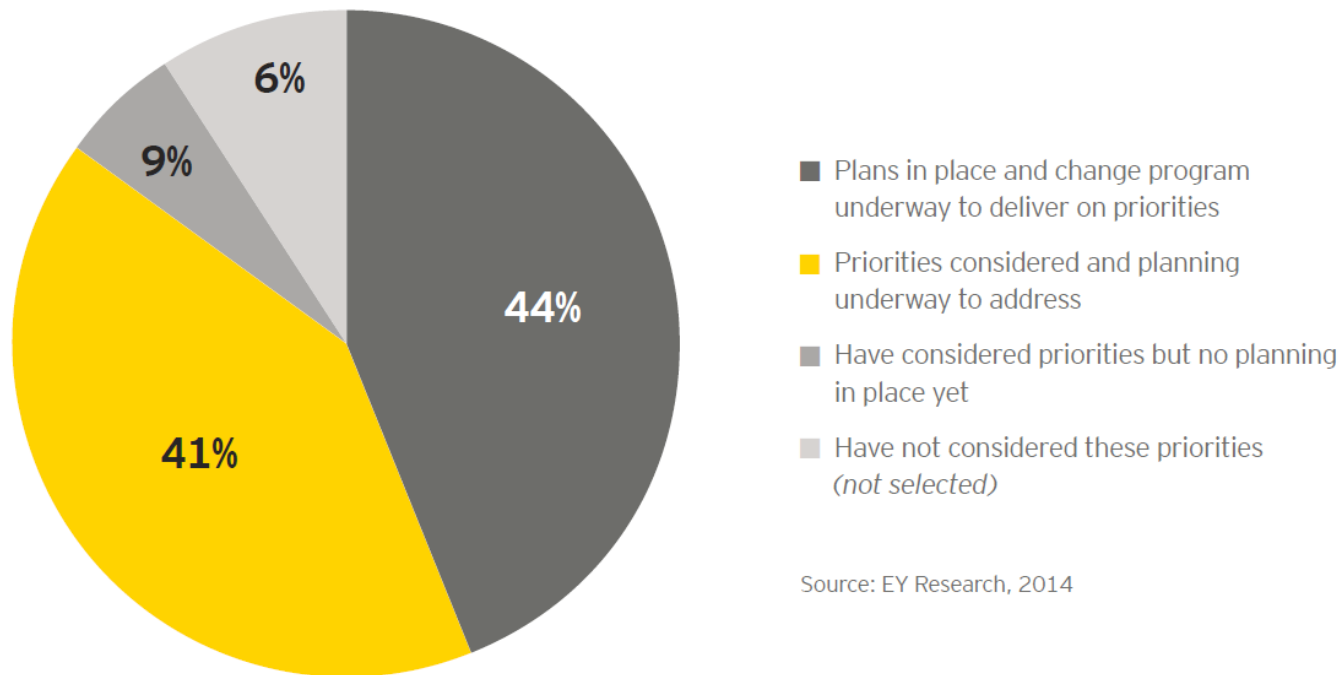
- ▶ Per survey, the most urgent challenges for finance and actuarial organizations are as follows:



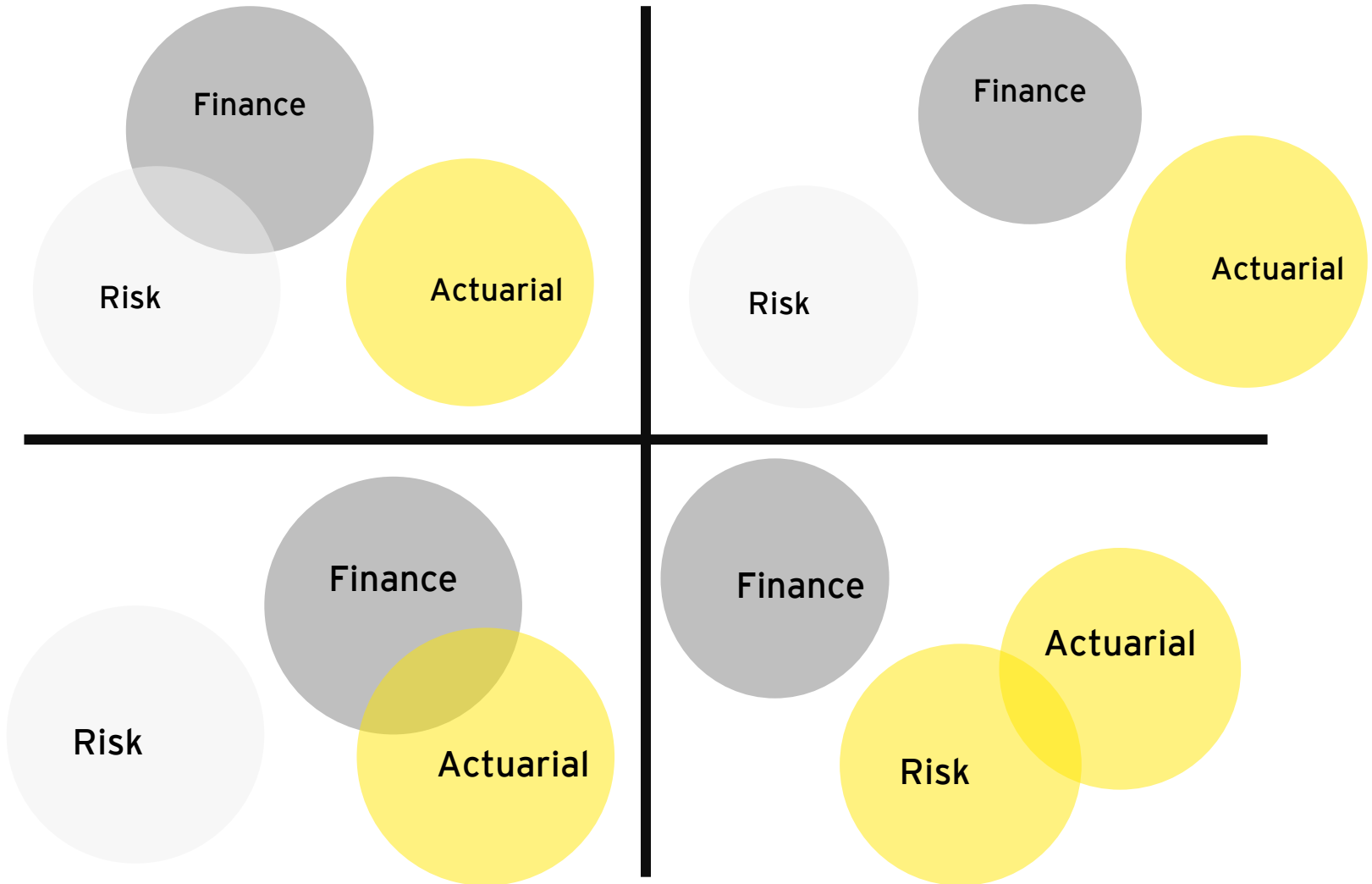
EY Global Insurance CFO Survey

Change initiatives

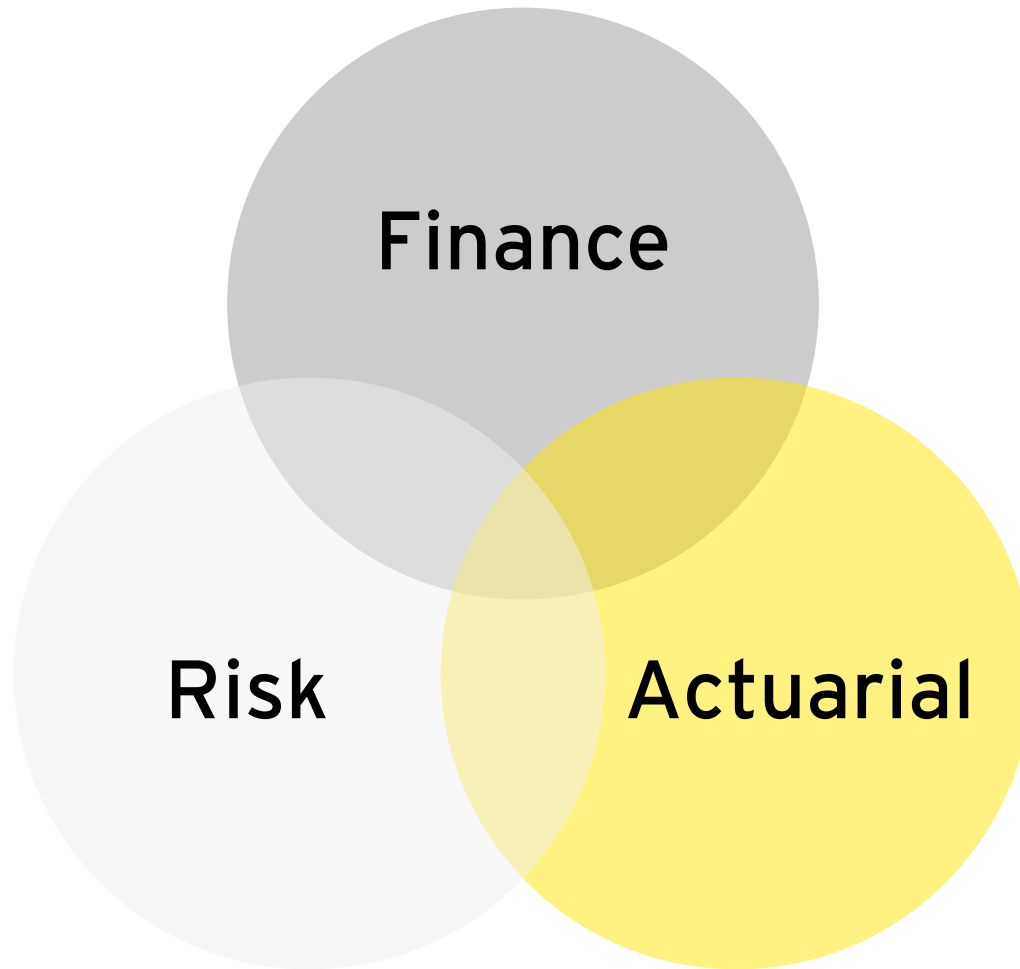
- ▶ As indicated by the survey participants, 85% have already launched a finance change program or are in the planning stages of a change initiative in order to meet future business demands



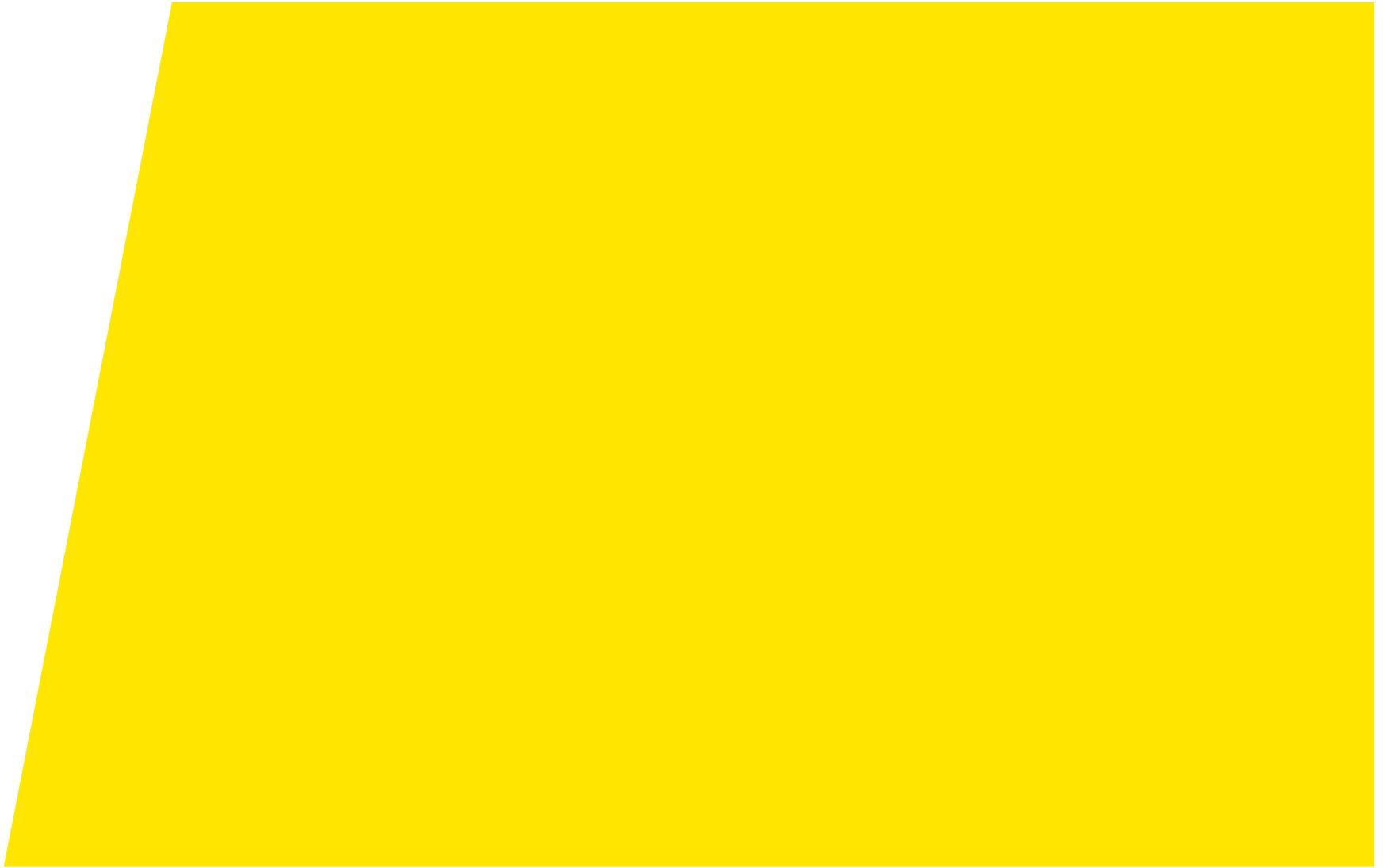
What we currently see



What we anticipate



Time for interaction



Thank you!