

[IC INSURANCE MEMORANDUM CIRCULAR NO. 2-93, December 22, 1992]

RULES AND REGULATIONS ON REINSURANCE TRANSACTIONS

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