# Financial Stability, Liquidity and Profitability as Indicators Toward the Viability of Non-Life Insurance Companies in the Philippines

*Estabilidad financiera, liquidez y rentabilidad como indicadores de la viabilidad de las compañías de seguros Non-Life en Filipinas*

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## Abstract

This study assessed the viability of non-life insurance companies in Northern Samar, Philippines using the indicators of financial stability, liquidity, and profitability. Specifically, it delved on the profile of non-life insurance companies in Northern Samar along the areas of ownership, programs and services, management and staff, financial resources, policies, systems and procedures, linkages and networking, and length of operations; determined their levels of viability using the indicators of financial stability, liquidity and profitability; identified the problems encountered by the management and staff, and the clients that hindered non-life insurance companies from achieving high level of viability; and identified management and client's recommendations in order to improve the viability of non-life insurance companies. The study employed a descriptive evaluative research method, which covered 6 non-life insurance companies operating in Northern Samar, involving a total of 110 respondents, 98 from the client's group and 12 from the management staff. Simple frequency counts, ranking, percentage distribution, and weighted means were used to treat and analyze the data gathered. The assessment on the level of viability of non-life insurance companies in terms of financial stability was rated to be on the moderate level, however, in terms of financial liquidity and profitability levels, the assessment resulted to be high. The management and staff, they regarded rivalry and competition among non-life insurance companies as the number one problem. On the other hand, the clients identified the problem of having minimal number of manpower who could facilitate business transactions faster and easier.

**Keywords:** Non-life Insurance; Indicators; Viability; Stability; Liquidity; Profitability.

## Resumen

Este estudio evaluó la viabilidad de las compañías de seguros non-life en Samar del Norte, Filipinas, utilizando los indicadores de estabilidad financiera, liquidez y rentabilidad. En concreto, se profundizó en el perfil de las compañías de seguros non-life de Samar del Norte en lo que respecta a la propiedad, los programas y servicios, la gestión y el personal, los recursos financieros, las políticas, los sistemas y los procedimientos, los vínculos y las redes, y la duración de las operaciones; se determinaron sus niveles de viabilidad utilizando los indicadores de estabilidad financiera, liquidez y rentabilidad; se identificaron los problemas encontrados por la gestión y el personal, y los clientes, que impidieron a las compañías de seguros no de vida alcanzar un alto nivel de viabilidad; y se identificaron las recomendaciones de la gestión y de los clientes para mejorar la viabilidad de las compañías de seguros no de vida. El estudio empleó un método de investigación evaluativa descriptiva, que abarcó 6 compañías de seguros non-life que operan en Samar del Norte, con un total de 110 encuestados, 98 del grupo de clientes y 12 del personal directivo. Para tratar y analizar los datos recogidos se utilizaron recuentos de frecuencia simple, clasificación, distribución porcentual y medias ponderadas. La evaluación sobre el nivel de viabilidad de las compañías de seguros no de vida en términos de estabilidad financiera fue calificada como de nivel moderado, sin embargo, en términos de liquidez financiera y niveles de rentabilidad, la evaluación resultó ser alta. La dirección y el personal, consideraron que la rivalidad y la competencia entre las compañías de seguros non-life era el problema número uno. Por otro lado, los clientes identificaron el problema de contar con un número mínimo de personal que pudiera facilitar las transacciones comerciales de forma más rápida y sencilla.

**Palabras clave:** Seguros Non-life; Indicadores; Viabilidad; Estabilidad; Liquidez; Rentabilidad.

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## 1. Introduction

Insurance is regarded as one of the solutions to any problem or situation that is associated with risks, more specifically, among businesses, and even on our everyday life. Any situation where there is uncertainty about what will be the outcome in the future is risk. In insurance markets, it is a very common dealing with high-risk policyholders, and that the expected value of losses to be paid by the insurer is certainly high. The uncertainties in any business endeavor are inherent such that investors had to seek other means to minimize the negative effects of these uncertainties and risks. Moreover, insurance provides the means of paying-off the burden and the costs of loss. Whether the burden of loss remains where it falls or is shifted by law, that loss may cause financial difficulty. The owner whose property is destroyed and the family whose income is heavily affected by death, disability, or forced retirement of the breadwinner, is likely to suffer a severe financial loss. Family and business units exposed to serious property, income and liability losses seek methods to offset these losses. One of the methods could be a private contractual arrangement allocating the burden of individual losses to members of a selected group who are exposed to similar losses, hence the insurance policy.

When a person decides to buy something, he becomes interested in how much she can get quantitatively and qualitatively, what it will cost, and how quickly it can be gotten. The insurance buyer would ask the amount of protection and auxiliary services. A quality product in insurance demands a financially-sound insurer. Insurance protection and services are sold in the present for indefinite future delivery.

Whether buyers want protection or service, they will receive neither, unless the insurer is financially able to deliver. In choosing insurers, an estimation of their future liquidity, solvency and profitability should be the major considerations. Solvency is the financial condition of the business organization it owes more than what it owes, in other words, its total assets exceed total liabilities. Liquidity concerns about the ability of the business organization to pay-off its liabilities as they become due. Hence, its current assets should exceed with its current liabilities, profitability is the ability of the insurance company to generate adequate profits to sustain its operations and provide financial incentives to the company owners. The insured want their insurers to be liquid, solvent and profitable at the time of loss or damages. But, because that time is in the indefinite future, wise buyers must consider the factors that affect an insurer's continued ability to pay the losses when they occur such as the insurer's loss and expense ratios, net income earned on investments, the size and growth of its surplus and the quality of its assets.

In the province of Northern Samar, several non-life insurance companies have been observably prevalent. In fact, some of them have been in operations for several decades already. On the other hand, there were some that have been tagged as failures, and others have not been able to sustain their operations just after their formal organization and registration. The worst of it all is that few of them have been presumed to have encountered problems about profitability and have suffered heavy operational losses that have led to their early bankruptcy.

The current problems confronted by insurance companies regarding their viability caused by financial liquidity, solvency and profitability have somehow created a negative future outlook for the insurance industry. In one way or the other, these insurance companies are affected by these critical issues which threaten or pose possible decline on their insurance market coverage and patronage, thus affecting in the long run, their stability.

The growth and strength of business organization just like the non-life insurance companies, could be mirrored on its sustained operations, which is indicative of its being financially solvent and liquid, and the capability of paying its financial obligations as the need arises. Non-life insurance companies should follow certain sound rules about money and finance if financial viability is taken into serious deal of consideration.

It is on the basis of the foregoing observations, that the researchers manifested their interest to bring these non-life insurance companies in Northern Samar into the fore and find out their levels of viability through a scientific inquiry, hence this study.

### 1.1. Literature Review

Insurance is a provision for the distribution of risks, that is to say- it is a financial provision against a loss from unavoidable events or circumstances. The protection which it affords takes the form of a guaranty to indemnify the insured if certain specified losses occur. The principle of insurance, as far as the undertaking of the obligation is concerned, is that for the payment of a certain sum, the guaranty will be given to reimburse the insured. As a business however, insurance is usually recognized as some form of securing a promise of indemnity by the payment of a premium and the fulfilment of certain other stipulations. Beenstock, M. (1998) claimed that Insurance consumption in a society consists of the sum of demands from both individual households and firms. Assuming that the inhabitants of a nation are homogenous relative to those of other countries, per capita values of non-life insurance premiums represent a country's insurance consumption.

Insurance makes people better off by giving them a chance to pay a small, fixed premium to avoid the risk of catastrophic loss. By pooling premiums and risks, insurance provides protection against many hazards, especially those for which a large population is exposed to risk and losses are highly predictable. In cases in which the exposed group is small and substantial, uncertainty exists about the probability and magnitude of actual losses, the government may be able to expand the range of insurance beyond that offered by private insurers. The government can step in and fill gaps in available coverage because of its power to tax. That power gives government the unique ability to pay off insured losses that are by far larger than anticipated when the insurance was issued.

Buckham, et al., (2010) averred that insurance industry contributes to economic growth and national prosperity in various ways. At the macro level, the industry helps strengthen the efficiency and resilience of the economy by facilitating the transfer of risk. At the micro level, it brings benefits in all areas of day–to–day life. Insurance helps individuals minimize the financial impact of unexpected and unwelcome future events and helps them organize their businesses and their lives with greater certainty. Risk-averse individuals are able to enjoy greater utility from their most important assets via the purchase of insurance products. Almost every conceivable asset or activity can be insured through familiar product types, such as motor, travel, and home content insurance, and by business through professional and product liability insurance, cover for business interruption, and many other contingencies. As a vital tool for the management of risk by both individuals and organizations, whether private or public, insurance plays an important role in the economic, social, and political life of all countries.

Howard (2000) stressed that due to the pressures on the non-life insurance industry, companies need to identify their directions much more clearly than they had in the past and find their core proficiencies. She identified three distinct non-life insurance company models that leading companies need to adopt- the Invisible, the Friendly Bank, and the Fixer. While the insurers may play in several strategies, companies need to be good at the models they operate in. Many of them will try to bend the operations that work for one particular model to another model. But that would not work because they would only come up against competitors who play in that model extremely well. The invisible being the easiest model for many insurers to adopt, is involved in doing the underwriting and pricing and risk-carrying behind either bank that service the commercial sector or behind retail outlets of one kind or another, or manufacturers of tangible products which want to integrate insurance into their products. The Friendly Bank exploits the information that banks have about their customers. Banks have frequented transactional relationships with their customers. They know a lot about what the customers are doing, which means they can tailor insurance protection very closely to their customers' needs. The Fixers directly employ their own teams for service as well as outsourcing services. To make this cost effective, it must be glued together with technology. It is important for fixers to have the ability to buy effectively from suppliers, so the insurers can get some low-cost benefits that can be passed on to consumers.

The financial stability and strength of the insurance company should be a major consideration when purchasing an insurance contract. An insurance premium paid currently provides coverage for losses that might arise many years in the future. For that reason, the viability of the insurance carrier is very important. In recent years, a number of insurance companies have become insolvent, leaving their policyholders with no coverage, or there is, only from a government-backed insurance pool with less attractive payouts for losses. In most countries, life and non-life insurance insurers are subject to regulations and accounting rules. The main reason for the distinction between the two types of company is that life business is very long term in nature. Coverage for life assurance or a pension can cover risks over many decades. By contrast, non-life insurance usually covers a shorter period, such as one -year. Insurance companies are generally classified as either mutual or stock companies. This is more of a traditional distinction as true mutual companies are becoming rare. Mutual companies are owned by the policyholders, while stockholders own stock insurance companies (Agricultural Insurance Company, 2006).

According to Feldman (1996) the financial viability of a private insurance pool depends on the balance between premium income and losses. If losses are consistently greater than premium income, a private insurer may default on the contract, leaving the insured worse off than if no insurance had been available. Financial balance is also important to most government insurance programs- and all the largest ones- because they are intended to protect the insured from losses without simply shifting such losses to others. To be meaningful, the measure of financial balance for an insurance program must cover the entire period of insurance and must be in force. For short-term insurance contracts, such as fire or flood insurance that usually covers losses for one year, the appropriate comparison is between the premium fixed when the insurance is issued and losses in that year. For long and indefinite-term insurance such as whole life or deposit insurance, expected premiums over the life of the insurance must be compared with the corresponding long-term losses. Further, to allow for the time value of money, both expected premiums and expected losses should be expressed in present values.

Ullah (1992) claimed that insurance plays an important role in approaching an optimum allocation of resources. The effect is the same as that attempted through legislation designed to restrict monopoly in that insurance eliminates one of the barriers in establishing a business. If an individual who is planning to invest in a grocery business found that fire insurance is unavailable, the person might change plans and invest in another business where insurance is available. Insurers, through loss-prevention activities, also contribute to the economy by decreasing the chances of loss. Insurers not only maintain large engineering staff to determine why accidents occur and how to prevent them, but also supports safety, research, medical and health education. An important value of insurance is its indemnity function. Many family and business units continue to be intact because a loss is offset in full or in part by insurance funds. Thus, insurance contributes to social and business stability.

From its origins in ancient times, insurance has evolved in response to the need for individuals to mitigate against or diversify from the risks that they confront in their commercial activities, and later to guarantee their personal health and the financial well–being of their families through life and health insurance. Pooling and diversification of these risks has progressed to become a scientific discipline, in the process creating positive economic externalities at both micro and macro levels. A well–regulated insurance industry provides economies with a reliable mechanism for pooling and transferring risk and in so doing enables greater levels of economic activity. Consumer confidence in the insurance industry is fundamental to its success. Without confidence in the ability of insurers to pay legitimate claims, the economic benefits of risk transfer would be undermined.

### 1.2. Objectives of the study

This study determined the level of viability of the non-life insurance companies in Northern Samar. Specifically, it endeavored to bring into the fore, the following:

1. Profile of the non-life insurance companies in Northern Samar in terms of their ownership; programs and services; management and staff; financial resources; policies, systems, and procedures; linkages and networking; and length of operations.
2. The level of viability of the non-life insurance companies in Northern Samar in terms of financial stability, liquidity, and profitability.
3. The problems encountered by the management and the clients that hinder the non-life insurance companies from achieving high level of viability.
4. The management and client's recommendations in order to improve the viability of these non-life insurance companies in Northern Samar.

## 2. Methodology

This study is descriptive-evaluative research, which involved 6 non-life insurance companies in Northern Samar, with a total of 110 respondents, 98 of whom came from the client's group which were drawn through simple random sampling, and 12 from the management staff drawn through quota sampling, requiring 2 staff or employees in every non-life insurance company as respondents. The 98 client-respondents were taken from the 105 samples; however, 7 respondents did not participate in the study. The 98 respondents who came from the clients group include the 38 regular clients who were all contractors, drawn through complete enumeration, while the rest, the non-contractors, were taken through proportionate allocation sampling technique.

This study utilized two sets of questionnaires in gathering data from the respondents, which brought into the fore the profile, problems, and the level of financial viability of non-life insurance companies in Northern Samar through an in-depth evaluation using triangulation technique in the gathering of the data. The data derived from the questionnaire as supplied by the respondents, were supplemented, and complemented by the researchers' own assessment through actual verification of documents, such as financial statements, company's organizational structure, reports, policies and guidelines, and other pertinent records needed in the study. Focus Group Discussion (FGD) allowed the researchers to interview the respondents for the purpose of validating and reconciling possible inconsistencies of data.

The survey instrument which the researchers had used to obtain the data needed for the study had underwent validation from authorities or experts in the insurance business. The corrections and suggestions of the experts were integrated in the instrument for further improvement.

Frequencies and simple percentages were used to compute and analyze data obtained from the first set of survey questionnaire about the profile of the non-life insurance companies in Northern Samar in terms of: ownership; programs and services; management and staff; financial resources; policies, systems, and procedures; linkages and networking; and the length of operations.

The data derived from the Part I of the second set of the survey questionnaire were summarized and treated through the use of weighted means. This part focused on the assessment on the level of financial viability of the non-life insurance companies in Northern Samar using the indicators of stability, liquidity, and profitability. The data derived from the assessment had been analyzed using the 3-point scale rating, with its corresponding value judgment and interpretation which the researchers themselves developed and validated by experts, is presented below:

| Scale | Value Judgment | Interpretation |
|---|---|---|
| 1 (1.00-1.66) | Disagree (DA) | Low level of financial viability |
| 2 (1.67-2.33) | Uncertain (U) | Moderate level of financial viability |
| 3 (2.34-3.00) | Agree (A) | High level of financial viability |

## 3. Results and Discussions

### 3.1 Profile of the Non-Life Insurance Companies in Northern Samar

All the six (6) non-life insurance companies in Northern Samar were all corporations, and owned by 37 stockholders, and in terms of the number of stockholders per company, it surfaced out that the highest is 9 while 5 being the lowest. The highest capital contribution of the individual owner/stockholder amounted to Php 27,300.000 while the lowest amounted to Php20,000.

The 6 non-life insurance companies had insurance service packages such as motorcar, fire, surety ship which covered bidders/fidelity, performance, and surety bonds; while about two-thirds of them have personal, accident insurance, contractor's all risks insurance, and comprehensive general liability insurance and the rest had marine insurance package.

As to the number of Board of Directors, all of 6 non-life insurance companies posted a total of 33 Board of Directors/Trustees dominated by males. The highest number of Board of Directors/Trustees totaled to 10 and 5 as the lowest. There were 2 non-life insurance companies whose directors are involved in the operations as full-time employees. The total number of staff or employees totaled to 26, majority of whom are males. In terms of the position handled by the employees, about 9 are occupying supervisory position, while 17 are rank and file employees. The 26 employees render their on full-time bases and occupying permanent positions. They are all holders of Bachelor degrees and have attended trainings focused on insurance and risk management.

Along the aspect of financial resource generation, all the 6 non-life insurance companies derived their capital from internal sources, and 66.67 percent of them sourced out externally, aside from the internally generated funds. The capitalization sourced-out from internal source were generated from the shares of stock contributions coming from the owners or stockholders, while the external capitalization was sourced out from foreign reinsurers.

In terms of operational policies, all the 6 non-life insurance companies have marketing policies; 4 have personnel policies; and 3 have financial policies. Most of them review and update their policies only, when necessary, with the involvement of their staff/employees.

As regards linkages and networking, all of the 6 non-life insurance companies are not linked to any government or non-government institutions, nor affiliated to any network or alliances. In terms of the length of operations, majority or 67 percent of the non-life insurance companies had been in operation with 51 to 60 years already while the rest existed from 41 to 50 years.

### 3.2 Level of Viability of the Non-Life Insurance Companies in Northern Samar

#### 3.2.1 Financial Stability

The assessment on the level of viability of non-life insurance companies in terms of financial stability was rated to be on the moderate level, with a grand mean of 2.25. Although the management staff of the non-life insurance company assessed the stability indicators as high, with a mean score of 2.46, the assessment from the clients resulted to moderate, with a mean score of 2.22. Among the indicators assessed as high, were as follows: that the company had adequate policies to cover all areas of business operations; that the company had management staff who were knowledgeable about the general business environment; that the company had the knowledge about the market it serves; that the staff of the company had the appropriate knowledge and skills required to the position. The rest among the indicators were all rated as moderate. This implies that altho8ugh the management and staff regarded their company as financially stable, the clients perceived it otherwise.

Table 1. Mean Scores on the Assessment of the Level of Viability of Non-Life Insurance Companies in Terms of Financial Stability

| Indicator | Clients | | Management | | Overall | |
|---|---|---|---|---|---|---|
| | n=98 | | n=12 | | n=110 | |
| | Mean | Value | Mean | Value | Mean | Value |
| 1. The Company has acquired fixed assets that are being used for its business operations | 2.18 | M | 2.58 | H | 2.23 | Moderate |
| 2. The company has adequate fixed assets that can be used as collateral for long term liabilities | 2.30 | M | 2.50 | H | 2.33 | Moderate |
| 3. The company has established strong-tie-ups and business relationships with its clients | 1.84 | M | 1.17 | L | 1.76 | Moderate |
| 4. The company has viable business operations to which funds are tied-up or used. | 2.23 | M | 2.58 | H | 2.27 | Moderate |
| 5. The company practice financial budgeting and forecasting e.g., sources and uses of funds | 2.30 | M | 2.50 | H | 2.32 | Moderate |
| 6. The company has established safekeeping and control mechanisms | 2.19 | M | 2.33 | H | 2.21 | Moderate |
| 7. The company has adequate to cover all areas of business operations | 2.33 | M | 2.42 | H | 2.34 | High |
| 8.The company has management staff who are knowledgeable about general business environment | 2.61 | H | 2.83 | H | 2.64 | High |
| 9. The company has a knowledge about the market it serves. | 2.51 | H | 2.75 | H | 2.54 | High |
| 10. The company is involved in activities that aim to reach the clients through promotions and advertisement, etc. | 2.27 | M | 2.75 | H | 2.33 | Moderate |
| 11. The company has enough manpower to meet the operating, marketing, and administrative requirements. | 1.70 | M | 2.25 | M | 1.76 | Moderate |
| 12. The staff of the company has the appropriate knowledge and skills required to the position. | 2.47 | M | 2.92 | H | 2.52 | High |
| 13. The stable income of the company gives sense of security to the business owners and partners or investors | 2.10 | M | 2.17 | M | 2.11 | Moderate |
| 14. The company can cope with the changes in economic conditions and provide for future growth and expansion. | 2.03 | M | 2.25 | M | 2.05 | Moderate |
| 15. The company has the ability to retire its long-term debts that are secured by pledge of the plant, property, and equipment. | 2.25 | M | 2.33 | M | 2.26 | Moderate |
| **Grand mean** | **2.22** | **M** | **2.42** | **H** | **2.24** | **Moderate** |

Legend:

| **Scale** | **Value Judgment** | **Interpretation** |
|---|---|---|
| 1 (1.00-1.66) | Disagree (DA) | Low level of Financial Viability |
| 2 (1.67-2.33) | Undecided (U) | Moderate Level of Financial Viability |
| 3 (2.34-3.00) | Agree (A) | High level of Financial Viability |

### 3.2.2 Financial Liquidity

In terms of financial liquidity, the assessment resulted to high level, with a grand mean of 2.48. Both the clients and management staff rated the non-life insurance companies as having high levels of financial liquidity, with, mean scores of 2.46 and 2.62, respectively. Among the indicators which derived overall ratings of high, were as follows: that the company has the ability to pay the salaries of its employees regularly and other incentives on a timely basis; that the company had the ability to pay dividends to its stockholders, owners/business partners on regular basis; that the company had adequate resources to meet the long-term need of the business; that the company had current assets that could be converted to cash during the normal business operations; that the management of the company had the ability and efficiency in acquiring credit facilities; that the management of the company maintained confidence and respect of the stockholders; that the company had current assets.

Table 2. Mean Scores on the Assessment of the Level of Viability of Non-Life Insurance Companies in Terms of Financial Liquidity

| **Indicator** | **Clients** | | **Management** | | **Overall** | |
|---|---|---|---|---|---|---|
| | n=98 | | n=12 | | n=110 | |
| | Mean | Value | Mean | Value | Mean | Value |
| 1. The company has adequate resources to meet the current needs of the business as determined by its favorable current ratio. | 2.40 | H | 2.50 | H | 2.42 | High |
| 2. The company has adequate resources to meet the long term needs of the business. | 2.50 | H | 2.50 | H | 2.50 | High |
| 3. The company has current assets that can satisfy its creditors from their claims. | 2.42 | H | 2.75 | H | 2.46 | High |
| 4. The company has current assets that can be converted to cash during the normal business operations. | 2.51 | M | 2.42 | H | 2.50 | High |
| 5. The company has current assets that can be used to pay its current debts as they fall due. | 2.32 | M | 2.83 | H | 2.37 | High |
| 6. The company has a policy that can fast track collection of revenues and receivables. | 2.28 | H | 2.58 | H | 2.31 | Moderate |
| 7. The management of the company has the ability and efficiency in acquiring credit facilities. | 2.50 | H | 2.50 | H | 2.50 | High |
| 8. The company has the ability to pay dividends to its stockholders, owners/business partners on regular basis. | 2.61 | H | 2.83 | H | 2.64 | High |
| 9. The management of the company maintains the confidence and respect of the stockholders. | 2.42 | H | 2.75 | H | 2.45 | High |
| 10. The company has the ability to pay the salaries of its employees regularly and other incentives on a timely basis | 2.67 | H | 2.58 | H | 2.65 | High |
| **Grand mean** | **2.46** | **H** | **2.62** | **H** | **2.48** | **High** |

Legend:

| **Scale** | **Value Judgment** | **Interpretation** |
|---|---|---|
| 1 (1.00-1.66) | Disagree (DA) | Low level of Financial Viability |
| 2 (1.67-2.33) | Undecided (U) | Moderate Level of Financial Viability |
| 3 (2.34-3.00) | Agree (A) | High level of Financial Viability |

That could satisfy its creditors from their claims; that the company had adequate resources to meet the current needs of the business as determined by its favorable current ratio; that the company had current ass4ets that could be used to pay its current debts as they fall due. The only indicator which was rated as moderate was that the company had policy that can fast track collection of revenues and receivables.

### 3.2.3 Financial Profitability

The results of the assessment conducted to gauge the viability of the non-life insurance companies in terms of financial profitability revealed that the non-life insurance companies in Northern Samar had high level of profitability, with a grand mean of 2.58. Both the clients and the management staff rated all the profitability indicators as having high level of profitability, with mean scores of 2.58 and 2.59, respectively.

Table 3. Mean Scores on the Assessment of the Level of Viability of Non-Life Insurance Companies in Terms of Financial Profitability

| **Indicator** | **Clients** | | **Management** | | **Overall** | |
|---|---|---|---|---|---|---|
| | n=98 | | n=12 | | n=110 | |
| | Mean | Value | Mean | Value | Mean | Value |
| 1. The company has the capability to generate revenues/ profits. | 2.62 | H | 2.83 | H | 2.64 | High |
| 2. The company's programs and services have high income generating capacities. | 2.58 | H | 2.67 | H | 2.59 | High |
| 3. The company has consistently been able to provide dividends to its stockholders/owners for their investments. | 2.57 | H | 2.58 | H | 2.57 | High |
| 4. The company has the capacity to maximize its profits or revenues. | 2.60 | H | 2.67 | H | 2.61 | High |
| 5. The company has the ability to provide the investors the highest possible return on their investments. | 2.64 | H | 2.75 | H | 2.65 | High |
| 6. The company's management and staff have demonstrated their efficiency in operations as determined by the amount of profits being derived. | 2.83 | H | 2.83 | H | 2.83 | High |
| 7. The operational performance of the company has attracted other investors to invest. | 2.47 | H | 2.42 | H | 2.46 | High |
| 8. The busine3ss generates a fair rate of return on owner's investment as determined by its net profit ratio. | 2.52 | H | 2.17 | M | 2.48 | High |
| 9. The business generates high gross revenues/profits more than enough to cover all the operational expenses and provide a reasonable net margin or profit. | 2.40 | H | 2.58 | H | 2.42 | High |
| 10. The company has the ability to generate profits or revenues with the use of its fixed assets. | 2.59 | H | 2.42 | H | 2.57 | High |
| **Grand mean** | **2.58** | **H** | **2.59** | **H** | **2.58** | **High** |

Legend:

| **Scale** | **Value Judgment** | **Interpretation** |
|---|---|---|
| 1 (1.00-1.66) | Disagree (DA) | Low level of Financial Viability |
| 2 (1.67-2.33) | Undecided (U) | Moderate Level of Financial Viability |
| 3 (2.34-3.00) | Agree (A) | High level of Financial Viability |

Almost all the indicators of profitability had been assessed as high which indicates that the non-life insurance business in Northern Samar had high economic potentials. The assessment results indicated that the company's management and staff demonstrated their efficiency in operations as determined by the profits derived; the company had the ability to provide the investors the highest possible return on their investments; the company has the capability to generate revenues/profits; the company had the capacity to maximize its profits and revenues; the company's programs and services had high income generating capacities; the company had consistently been able to provide dividends to its stockholders/owners for their investments; that the company had the ability to generate profits or revenues with the use of its fixed assets; the business generated a fair rate of return on owner's investment as determined by its net profit ratio; the operational performance of the company had attracted other investors to invest; and the business generated high gross revenues/profits more than enough to cover all the operational expenses and provide a reasonable net margin or profit.

### 3.3 Problems Encountered by the Non-Life Insurance Companies that Hindered Them from Achieving High Level of Viability

#### 3.3.1 Problems Encountered by the Management Staff

Rivalry and competition among non-life insurance companies ranked 1$^{st}$ among the problems encountered by the management staff; followed by the absence of standard rates on the premiums being charged which ranked 2$^{nd}$; lack of office facilities, as ranked 3$^{rd}$; weak internal control systems ranked 4$^{th}$; followed by the lack of proper documentation on claims submitted by clients, as 5$^{th}$; and lastly, the difficulty in collecting premium payments, as 6$^{th}$ in rank.

#### 3.3.2 Problems Encountered by Clients

From the client's end, the problems encountered by them, revealed that minimal number of manpower among non-life insurance companies in Northern Samar ranked 1$^{st}$; followed by the problem on the delay of processing of claims, which ranked 2$^{nd}$; bulky and heavy documentation requirements, as 3$^{rd}$; while the problem on the lack, if not absence of business forms and documents to be used for insurance transactions ranked 4$^{th}$.

## 4. Recommendations to Improve the Viability of the Non-life Insurance Companies in Northern Samar

### 4.1 Recommendations from the Management Staff

The recommendations of the management staff in order to improve the viability of the non-life insurance companies in Northern Samar put relevant emphasis on the review of the premium rates and the adoption of new and affordable premium rates which ranked 1st; the acquisition of new electronic facilities like computer, telefax, and others, which ranked 2nd; adequacy of supply of business forms and documents, ranked 3rd; immediate processing of claims, ranked 4th.

### 4.2 Recommendations from the Clients of the Non-Life Insurance Companies in Northern Samar

The data regarding the recommendations from the clients in order to improve the viability of the Non-life insurance Companies on Northern Samar revealed that provision of adequate number of manpower to cope with business transactions ranked 1st; adoption of standard rate on the premium charges, ranked 2nd; computerization of business operations, ranked 3rd; fast-track processing of claims, ranked 5th; establishment of underwriter branches in Allen and Laoang, Northern Samar, ranked 6th; and the recommendation that there must be a harmonious relationship between the management staff and clients, ranked 7th.

## 5. Conclusions and Recommendations

### 5.1 Conclusions and Implications

On the basis of the findings of the study, the following conclusions and implications were drawn:

1. Majority of the non-life insurance companies operating in Northern Samar were corporations. Half of them originated from outside the province and had dual registration from registering agencies of the government. This implies that the corporate type of organization is more appropriate for insurance business. While most of them originated from outside Northern Samar, they have proven their legal existence with the registration which they sought from the different registering agencies of the government.

2. All of the non-life insurance companies have commonalities in terms of insurance packages being offered to their clients, such as motorcar, fire and suretyship which covers bidders/fidelity, performance and surety bonds. This implies that said insurance packages had greater demand than other insurance packages being offered by the non-life insurance companies in Northern Samar.

3. The management operations of the non-life insurance companies in Northern Samar were dominated by males, having high level of education, worked on full-time basis and occupied permanent positions. This implies that males are inclined to work assignments that will expose them to risk management.

4. All the non-life insurance companies derived their funds being used for the normal course of business operations from internal source. This implies that owners of insurance companies rely heavily on their internally generated funds and availing of loans from creditors have not been given preferential consideration among them.

5. All of the non-life insurance companies in Northern Samar had marketing policies which implies that insurance operations must set up policy guidelines that will serve as relevant guide in the day-to-day operations.

6. Linkages and networking had not been given importance by the non-life insurance companies in Northern Samar. This implies that linkage building and networking with other institutions have not gained much acceptance among non-life insurance companies in Northern Samar.

7. The non-life insurance companies in Northern Samar had been perceived to have high levels of profitability and liquidity, but in terms of stability, the assessment resulted to moderate level only. This implies that while both management and clients recognize the capabilities of the non-life insurance companies to generate profit, maximize their revenue generating capacities, and manage their cash flows, yet these companies may yet prove their financial health and their capabilities for growth and expansion.

8. Rivalry and competition had been regarded as the number one problem among the management staff of non-life insurance companies in Northern Samar. This implies that insurance, being a flourishing business, in one way or the other, creates an atmosphere of competition in its target market, owing to many who are interested in venturing into it.

9. Among clients, problem regarding minimal staff of non-life insurance companies ranked as number one, which implies that the non-life insurance companies need to provide adequate personnel to attend to the clients' requests for faster service and to avoid delay in any business transactions.

### 5.2 Recommendations

In the light of the conclusions of this study, the following recommendations are advanced:

1. One of the weaknesses that surfaced out in the study among non-life insurance companies in Northern Samar was the limited manpower force. To address this weakness, there is a need for these companies to review and evaluate their personnel structure, task assignments of personnel and their specific responsibilities. The results of the review and evaluation could help the non-life insurance companies to develop workable solutions, and if necessary, management may consider the hiring of additional personnel who will handle some functions not handled previously. Delays in transactions, like underwriting, insurance claims, etc. could then be avoided.

2. The Non-life insurance companies in Northern Samar should upgrade the quality of their office facilities and equipment. Hence, the need to acquire new electronic facilities that will fast track the day-to-day transactions, avoid delay, ensure accuracy, and more importantly, add to the productivity to the employees in particular, and to the company in general.

3. Owners and the management staff of the non-life insurance companies should also give more focus on linkages and network building to hasten their marketing strategies. This will require establishing functional relationships with institutions either in the government or non-government sector, with the purpose of promoting different insurance packages of the non-life insurance companies, which will also serve as their entry point to consider them as regular clients in the future.

4. Review of the existing policy guidelines, rules and regulations governing and regulating non-life insurance must be given preferential attention among legislators and policy makers. This review must focus on regulating the premium rates being charged by the different non-life insurance companies.

5. The findings of this study could be used specifically in Investment and Risk management courses, as reference material for class discussions and applications of some risk management theories.

6. Since the study was limited to only 6 non-life insurance companies operating in Northern Samar, a similar study may be conducted in other areas to derive findings that may either support or refute the conclusions of this study.

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