

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES  
MakatiCity

Minutes No. 01

28 June 2017

MINUTES

Minutes of the Annual Meeting of Stockholders of  
National Reinsurance Corporation of the Philippines  
Held on 28 June 2017, at 3:00 P.M.  
At the Carlos P. Romulo Auditorium, Tower II, RCBC Plaza  
6819 Ayala Avenue, Makati City

Present:

Stockholders present in person:	146,503 shares	
Stockholders represented by proxies:	1,501,655,797 shares	
Total Number of Shares Present in Person and/or Represented by Proxies:	1,501,802,300 shares	70.72%
Absent Shares:	621,803,300 shares	
Total Number of Outstanding Shares:	2,123,605,600 shares	

Directors Present:

HELEN Y. DEE  
RAFAEL G. AYUSTE, JR.  
AUGUSTO P. HIDALGO  
YVONNE S. YUCHENGCO  
JOLI CO WU  
NORA M. SALUDARES  
LUIS C. URCIA  
JOCELYN G. CABREZA  
ALAN R. LUGA  
ROMEO L. BERNARDO  
ERMILANDO D. NAPA  
MEDEL T. NERA

1. CALL TO ORDER

Mrs. Helen Y. Dee, the Chairman of the Board of Directors, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Noel A. Laman, was Secretary of the meeting and he recorded the proceedings.

2. PROOF OF NOTICE AND CERTIFICATION OF QUORUM

The Chairman requested the Corporate Secretary to confirm if the notice of the meeting was sent to the stockholders of record of the Corporation. The Corporate

Secretary responded in the affirmative. He certified that copies of the Notice of the Annual Stockholders' Meeting were transmitted either by personal delivery or registered mail to all stockholders of record of the Corporation at their respective addresses indicated in the corporate records, at least fifteen (15) business days prior to the date of the meeting.

The Chairman then inquired if a quorum was present for the transaction of corporate business. The Corporate Secretary declared that out of a total of 2,123,605,600 shares outstanding and entitled to vote, stockholders owning at least 1,501,802,300 shares are present in person or by proxies, which represent at least 70.72% of the total outstanding capital stock entitled to vote of the Corporation. Thus, the Secretary certified that a quorum existed for the transaction of corporate business.

### **3. APPROVAL OF MINUTES OF THE MEETING OF THE STOCKHOLDERS HELD ON JULY 13, 2016**

Upon inquiry of the Chairman, the Corporate Secretary certified that each stockholder was given a copy of the Minutes of the Annual Stockholders' Meeting held on July 13, 2016. The Chairman opened the floor for any motion for the approval of the Minutes of the Annual Stockholders' Meeting held on July 13, 2016. A stockholder moved that since copies of the Minutes of the Annual Meeting of the Stockholders held on July 13, 2016 have been previously distributed to all the stockholders present or represented at the meeting, the said minutes should be deemed read and approved by the stockholders owning at least a majority of the outstanding capital stock.

There being no objection, and the motion having been duly seconded, the Chairman declared that the Minutes of the Annual Meeting of the Stockholders held on July 13, 2016 were deemed approved.

### **4. REPORT OF THE PRESIDENT**

The President, Mr. Augusto P. Hidalgo presented the President's Report. Highlights of the report are provided as follows:

- The Company is convinced that 2016 will be written in Nat Re's history books as that milestone year where the Company made a turnaround in the course of its growth.
- In 2016, the Company committed to strengthening its core competencies in reinsurance underwriting and catastrophe management.
- In 2016, the Company focused on building up its staff's capability through investing in foreign training on general treaty and marine underwriting, and maximizing our engagement of experienced reinsurance experts as referral underwriters.
- This year the Company cut the share of domestic premiums to total net premiums written from 85% to a more sensible level of 58%.
- The Company wanted to make sure that it was well equipped to meet reserving and capital requirements of the new Risk-Based Capital Framework regime (RBC2) rolled out by the Insurance Commission.

- In 2016, the Company has attained a comfortable Risk-Based Capital Ratio of 268% based on a 95% level of sufficiency, well beyond the required minimum set by the regulators.
- The Company updated its risk tolerance limits not only to reflect this new capital requirement under the RBC2 but also AM Best's minimum Capital Adequacy Ratio level, implying Nat Re's balance sheet strength is comparable with that of an A++ rated company.
- The Company generated a net income of Php78.1 million in 2016.
- Gross written premiums have increased 55%, of which premiums from the Property & Casualty line shot up by 60% and those from Life and Health increased by 38%.
- Likewise, net earned premiums grew 43%, of which premiums from the Property & Casualty segment rose 53%.
- Meanwhile, premiums raked in by Life & Health grew by 28%, a vast improvement from the 1% average growth rate over the past five years.
- The Company also posted a hefty Php284.9 million in investment income amid an unfavorable interest rate environment.

The full text of the President's Report is appended hereto as Annex "A" and likewise made a part of these minutes.

Upon conclusion of the report of the President, the Chairman opened the floor for any question regarding said report.

There being no comments on the Management Report, upon motion made and duly seconded, said report was duly noted and approved by the stockholders.

#### 5. **RATIFICATION OF THE ACTS OF THE BOARD OF DIRECTORS/OFFICERS**

The meeting proceeded with the ratification of the acts of the Board of Directors and Officers of the Corporation performed or undertaken in the year 2016 and until the date of this meeting as they were recorded in the books and records of the Corporation. There being no objections and upon motion made and duly seconded, the following resolution was formally introduced, seconded and approved by the vote of at least two-thirds of the outstanding capital stock:

*"RESOLVED, that the stockholders of National Reinsurance Corporation of the Philippines (the "Corporation") approve, ratify and confirm, as they do hereby, all the acts, decisions and resolutions of the Board of Directors and Officers made or undertaken in the year 2016 and until the date of this meeting as these are recorded in the books and records of the Corporation."*

#### 6. **APPOINTMENT OF THE EXTERNAL AUDITORS**

The Chairman informed the stockholders that upon proper recommendation of the Audit Committee, the Board of Directors, at a regular meeting held on March

16, 2017, approved and recommended for stockholders' ratification the appointment of *Punongbayan & Araullo* ("P&A") as the external auditors of the Corporation for the year 2017. The appointment of P&A as the independent auditors of the Corporation was then formally presented to the stockholders for approval. It was disclosed that Ms. Sheryl G. Llovido of P&A shall be the partner-in-charge of the Corporation's account for the current fiscal year. There being no objection, upon motion made and duly seconded, P&A was appointed as external auditors of the Corporation for the year 2017, and the following resolution was formally introduced, seconded and adopted:

*"RESOLVED, that the stockholders of National Reinsurance Corporation of the Philippines (the "Corporation") approve, ratify, and confirm, as they do hereby, the appointment of Punongbayan & Araullo as the external auditors of the Corporation for the year 2017."*

## 7. ELECTION OF DIRECTORS

The meeting proceeded to the election of members of the Board of Directors of the Corporation for the year 2017-2018. Upon directive of the Chairman, the Corporate Secretary informed the stockholders of the provisions of the By-laws relating to the nomination and election of the members of the Board of Directors. He said that Article Sixth of the Amended Articles of Incorporation of *National Reinsurance Corporation of the Philippines* provides for thirteen (13) seats in the Board of Directors, at least three of whom should be independent directors.

Thereafter, the Corporate Secretary informed the stockholders that the *Nomination and Compensation Committee* received ten (10) nominees for Regular Directors and three (3) nominees for Independent Directors. Said Committee has prepared a Final List of Candidates for Independent Directors in accordance with *SRC Rule 38 (Nomination and election of Independent Directors)*. The Corporate Secretary also said that in accordance with Section 24 of the *Corporation Code of the Philippines*, every stockholder is entitled to vote in person or by proxy the number of stock standing in his own name on the stock books of the Corporation as of the "Record Date" which "Record Date" had been fixed by the Board on May 15, 2017 and in the manner set forth in said Section 24 of the *Corporation Code*.

At this point, the Chairman announced that the Board of Directors and *Nomination and Compensation Committee* received the names of thirteen (13) candidates to the Board of Directors of the Corporation for the year 2017-2018, to wit:

### For Regular Directors:

HELEN Y. DEE  
AUGUSTO P. HIDALGO  
YVONNE S. YUCHENGCO  
CEZAR P. CONSING  
JOLI CO WU  
RAFAEL G. AYUSTE, JR.

NORA M. SALUDARES  
 LUIS C. URCIA  
 JOCELYN G. CABREZA  
 ALAN R. LUGA

For Independent directors:

ROMEO L. BERNARDO  
 ERMILANDO D. NAPA  
 MEDEL T. NERA

Considering that there were no other valid nominations, the Chairman said that if there would be no objection, the actual balloting and voting would be dispensed with, and election would be done through a motion. The Chairman then entertained a motion to the foregoing. Following the statement of the Chairman, it was moved and duly seconded, that the following stockholders be elected as directors of the Corporation for year 2017-2018:

Regular Directors:

HELEN Y. DEE  
 AUGUSTO P. HIDALGO  
 YVONNE S. YUCHENGCO  
 CEZAR P. CONSING  
 JOLI CO WU  
 RAFAEL G. AYUSTE, JR.  
 NORA M. SALUDARES  
 LUIS C. URCIA  
 JOCELYN G. CABREZA  
 ALAN R. LUGA

Independent directors:

ROMEO L. BERNARDO  
 ERMILANDO D. NAPA  
 MEDEL T. NERA

There being no objections, and upon motion duly made and seconded, the Chairman then declared the above candidates as duly elected directors of the company for the year 2017-2018.

**8. AMENDMENT OF ARTICLE II OF THE ARTICLES OF INCORPORATION; AUTHORITY TO UNDERTAKE CONSULTANCY SERVICES**

The meeting further proceeded with the Amendment of Article II of the Articles of Incorporation. The Chairman requested that the Corporate Secretary explain the proposal to amend Article II of the Articles of Incorporation. The Corporate Secretary informed that the Board of Directors have approved subject to stockholder' ratification, the amendment of Article II (Secondary Purposes) of the Corporation's

Articles of Incorporation in order to authorize the Corporation to render “*consulting and other related services*” as part of its value added services to its insurance company clients and also to provide expert advice in area relating to disaster and catastrophe insurance regulatory matters. Since the Corporation intends to provide the aforementioned service, it will need to amend its Secondary Purposes by adding a paragraph that allows the Corporation to offer such service. The details of the proposed amendment are provided in the Notice of Annual Stockholders’ Meeting that was filed with the Securities and Exchange Commission and distributed to the stockholders.

Further, the Corporate Secretary informed that the Corporation Code requires the approval of at least a majority of the board of directors and affirmative vote of stockholder representing at least two-thirds of the outstanding capital stock of the Corporation. On April 20, 2017, at least a majority of the Board of Directors approved the proposed amendment. The Corporation has also obtained an opinion from the Office of the Insurance Commission confirming that the Corporation may engage in the proposed activities. The affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation is needed in order to amend the Articles of Incorporation and authorize the Corporation to engage in such activities.

The Chairman entertained a motion to amend the Articles of Incorporation of the company with the proposed provision under the Secondary Purposes and to authorize the Corporation to engage in the said activities. There being no objections and upon motion made and duly seconded, the following resolution was formally introduced, seconded and approved by the vote of at least two-thirds of the outstanding capital stock:

*“RESOLVED, that the stockholders of National Reinsurance Corporation of the Philippines (the “Corporation”), approve the amendment of the Articles of Incorporation of the Corporation to reflect the amendment of the Secondary Purposes of the Second Article of the Articles of Incorporation of the Corporation, to read as follows:*

*“5.) To provide consulting, technical, advisory and other related services to persons, associations, corporations, and other entities in furtherance of the business of insurance and reinsurance.”*

*RESOLVED, FURTHER, that the aforementioned amendment is subject to any modification that may be required by the Securities and Exchange Commission;*

*RESOLVED, FURTHER, to authorize the Corporation to engage in the aforementioned activities upon SEC approval of the Amended Articles of Incorporation of the Corporation;*

*RESOLVED, FINALLY, that the Chairman, President, Directors, and the Corporate Secretary of the Corporation be authorized to sign and execute any and all applications, certifications, instruments, affidavits, declarations, consents and all other relevant documents, and to do such acts and deeds as shall be necessary to carry out the foregoing resolutions.”*

## 9. OTHER MATTERS

The Chairman inquired if there were other matters to be taken up. A question from the floor arose.


Mr. Wellington Chua inquired if the stockholders can expect the year 2017 to also have a positive underwriting income. The President replied that barring any major catastrophe or losses, the Corporation expects to do well during the current year.

Further, Mr. Wellington Chua followed up with a query on how the corporation plans to participate in government infrastructure projects. The President replied that the nature of the reinsurance business is that its exposures arise from its client's portfolios. Therefore, as more of our local insurance companies participate in the insurance of government infrastructure projects, the same is expected to also increase the Corporation's participation in the reinsurance of such projects.

## 10. ADJOURNMENT

There being no other matters to be taken up during the meeting, upon motion made and duly seconded, the stockholders' meeting was adjourned.

ATTEST:

  
HELEN Y. DEE  
Chairperson of the Meeting

  
NOEL A. LAMAN  
Secretary of the Meeting