

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Makati City

Minutes No. 01

5 July 2018

MINUTES

**Minutes of the Annual Meeting of Stockholders of
National Reinsurance Corporation of the Philippines
Held on 5 July 2018, 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:	38,000 shares	
Stockholders represented by proxies :	1,571,693,357 shares	
Total Number of Shares Present in Person and/or Represented by Proxies:	1,571,731,357 shares	74.01%
Absent Shares:	551,874,243 shares	
Total Number of Outstanding Shares:	2,123,605,600 shares	

Directors Present:

**CEZAR P. CONSING
AUGUSTO P. HIDALGO
YVONNE S. YUCHENGCO
WILFREDO C. MALDIA
LUIS C. URCIA
ANTONIO M. RUBIN
JOLI CO WU
JOCELYN DG CABREZA
ALAN R. LUGA
RAFAEL G. AYUSTE, JR.
ROMEO L. BERNARDO
ERMILANDO D. NAPA
MEDEL T. NERA**

1. CALL TO ORDER

Mr. Cezar P. Consing, 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 1,571,731,357 shares are present in person or by proxies, which represent at least 74.01% 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 JUNE 28, 2017

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 June 28, 2017. The Chairman opened the floor for any motion for the approval of the Minutes of the Annual Stockholders' Meeting held on June 28, 2017. A stockholder moved that since copies of the Minutes of the Annual Meeting of the Stockholders held on June 28, 2017 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 June 28, 2017 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 Corporation is still riding on the growth momentum of its milestone year in 2016 wherein the Corporation saw new heights.
- Industry experts have an encouraging outlook on the year's reinsurance growth in emerging markets. Reinsurance in these markets, particularly in Asia, were anticipated to propel the increase in reinsurance premiums globally.
- 2017 was a remarkable year for the Philippine insurance industry in life and non-life segments, as growing assets, premiums earned, net worth and paid-up capital were at double digit rates.
- However, it is noted that global insured losses last year from catastrophe events were at US\$144 billion, the highest ever recorded in a single year,

due to losses from three hurricanes, Harvey Irma and Maria. Luckily, natural catastrophes spared the Philippines in 2017 although single large occurrences also affected local non-life industry, particularly the fire department.

- In 2017, the Corporation was able to effectively safeguard the companies from severe losses because of significant improvements in portfolio diversification and limited exposure to US and North American risks compared to other reinsurers. This minimized the effects of major disasters and enabled the Corporation to deliver its fourth straight year of positive net income to shareholders.
- In 2017, the Corporation generated Php 50 million on net profit on the back of underwriting profit of Php 204 million.
- The combined ratio dipped slightly to 102% from 99% the previous year. However, the Corporation still outperformed more global reinsurers many times its size since they reported average combined ratio of 107%.
- The Corporation also increased net premiums and net claim reserves.
- In 2017, as a result of controlled business growth, the Corporation improved expense ratio down to 14%.
- The Corporation also experienced 40% growth on revenues, and generated a total comprehensive income of Php 401 million.
- By the end of 2017, regulatory capital adequacy ratio was at 257%, well beyond the minimum set by regulators.
- The Corporation also welcomed Allan Santos as Chief Operating Officer to lead the standardization of systems and processes to match global best practices.
- In 2017, Life business net worth and premiums grew by 49%, brought about by the growing market for mortgages, employee benefits and investment products. By the end of 2017, life business was at Php 917 million. The Corporation also added three clients to the list of those whose reinsurance programs it leads.
- The Corporation provided reinsurance services such as health underwriting, and NORM, a web-based life underwriting manual
- In 2017, Non-life business improved in profitability as the Corporation moves towards balancing domestic exposure with geographically spread risks. The Corporation significantly reduced its vulnerability to Philippine natural catastrophes and lessened potential volatility of underwriting results. Locally, non-life business closed 16 new contracts, increased shares and 29 renewed contracts, secured new overall lead positions with 2 companies.
- For investments, the Corporation posted Php 255 million in realized income driven in part by the bullish equity market of 2017. The Corporation also generated a healthy comprehensive income of Php 604 million in 2017, which is 275% growth from previous year.
- For risk management, enterprise risk management was strengthened in 2017, as further evidenced by the Corporation's capital adequacy, retrocession purchases, reduction of portfolio concentration and improved pricing and reserving.
- In 2017, the Corporation conducted a comprehensive review and revision of its organizational structure, department charters, role profiles, performance management system, and employee engagement. It also

provided the employees with more training opportunities and brought in young blood in analytics, investments and accounting. The Corporation is confident that these will attract more talented individuals in the organization.

- For finance, the Corporation streamlined the collections and account settlement processes which will improve its operational efficiency in 2017.
- The Corporation also sought to improve its image to the public to encourage current and prospective clients to do business with the Corporation. The office was renovated, and the Corporation also engaged assistance of consultants to update the Corporations vision, mission, values, brand differentiations and value proposition moving forward.
- In 2017, the Corporation held its first ever CEO forum and gathered heads and chairpersons of client companies, providing them compelling content to aid them in their decision making.
- In 2017, the Corporation amended its Articles of Incorporation to include in its secondary purpose provision of “consultancy advisory technical and other related services in furtherance of insurance and reinsurance business.” This is to expand its role in the development of the industry in the Philippines and to put the Corporation’s empirical knowledge to good use.
- In 2017, the Corporation was one of the signatories (only signatory from the Philippines), in a statement on marine insurance and statement against tobacco.
- In 2017, the CEO of the Corporation was elected as co-chair to the Board of the United Nations Environmental Program Finance Initiative called Principles of Sustainable Insurance.
- This year, the Corporation aims to be more customer-centric, to strengthen technical expertise, leverage technology to deliver fast and convenient services, elevate its status as a rising reinsurer, improve portfolio diversification, and strengthen risk management capabilities, among others.

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.

Mr. Gilly Guillermo inquired if the Corporation has any plans of initiating a revamp of the Corporation’s transfer agent. The President said that at the moment, the Corporation has no plans of changing its transfer agent.

Mr. Steven Soliven asked if there was a possibility for the Corporation to declare cash or stock dividends this year to enhance the value of their shares of stock since the Corporation has substantially recovered from the comprehensive loss from the previous year and achieved a substantial increase in its cash position. The President replied that the dividend policy is largely governed by regulatory agencies such as the Insurance Commission and the Securities and Exchange Commission. He said that in the event that the Corporation’s financial position complies with the

requirements of the regulatory agencies, and at an appropriate time, management may recommend to the Board a declaration of dividends.

Mr. Soliven also asked if the Corporation has engaged any professional actuaries. The President replied that the Corporation has an external actuary that signs off on the reserving requirements. Internally, the Corporation has at least two members of the actuarial society and analysts who are being grounded on areas of discipline appropriate to a reinsurer operating at a global standard.

Thereafter, Mr. Wellington Chua inquired about the fair value of the shares of the Corporation and asked how much it will sell its shares if a foreign group intends to partner with the Corporation. The President replied that the book value of the Corporation based on the financial statements is about Php2.47. He emphasized that since the Corporation is publicly listed, it is basically a free market. In addition, the Chairman said that valuations of publicly listed companies show that while book value is the starting point, a lot still depends on current market conditions, so the value may vary, and the range can be quite wide.

Mr. Wellington Chua also noted that the Corporation already has a surplus so it can declare dividends at any time. The President directed Mr. Chua to the Risk and Compliance Department who can discuss the appropriate regulations on the matter.

After the questions were addressed, upon motion made and duly seconded, the President's 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 2017 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:

Stockholders' Resolution No. 2018-07-01

"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 2017 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 15, 2018, approved and recommended for stockholders' ratification the appointment of *Punongbayan & Araullo ("P&A")* as the external auditors of the Corporation for the year 2018. 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 2018, and the following resolution was formally introduced, seconded and adopted:

Stockholders' Resolution No. 2018-07-02

"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 2018."

7. ELECTION OF DIRECTORS

The meeting proceeded to the election of members of the Board of Directors of the Corporation for the year 2018-2019. 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 21, 2018 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 2018-2019, to wit:

For Regular Directors:

CEZAR P. CONSING
 AUGUSTO P. HIDALGO
 YVONNE S. YUCHENGCO
 WILFREDO C. MALDIA
 LUIS C. URCIA
 ANTONIO M. RUBIN
 JOLI CO WU
 JOCELYN DG CABREZA
 ALAN R. LUGA
 RAFAEL G. AYUSTE, JR.

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 2018-2019:

Regular Directors:

CEZAR P. CONSING
 AUGUSTO P. HIDALGO
 YVONNE S. YUCHENGCO
 WILFREDO C. MALDIA
 LUIS C. URCIA
 ANTONIO M. RUBIN
 JOLI CO WU
 JOCELYN DG CABREZA
 ALAN R. LUGA
 RAFAEL G. AYUSTE, JR.

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 2018-2019.

At this instance, the Chairman paid tribute to Mrs. Helen Y. Dee, former Chairman of the Board of the Company. He recalled that Mrs. Dee served the

Company for several years and was instrumental in leading the company and bringing it to where it is at present.

8. AMENDMENT OF ARTICLE I AND ARTICLE III OF THE ARTICLES OF INCORPORATION

The meeting further proceeded with the Amendment of Article I and Article III of the Articles of Incorporation. The Chairman requested that the Corporate Secretary explain the proposal to amend Article I and Article III of the Articles of Incorporation. The Corporate Secretary informed that the Board of Directors have approved subject to stockholder' ratification, the amendment of (a) Article I of the Corporation's Articles of Incorporation in order to adopt "Nat Re" as an additional business name of the Corporation; and (b) Article III of the Corporation's Articles of Incorporation in order to update the principal office address of the Corporation to reflect the current name of the building where the Corporation's principal office is located. 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 February 15, 2018 and April 26, 2018, respectively, at least a majority of the Board of Directors approved the proposed amendments. The affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation was 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 to add the new trade name Nat Re and to update the principal office address to reflect the current name of the building where the principal office of the company is located. There being no objections and upon motion made and duly seconded, the following resolutions were formally introduced, seconded and approved by the vote of at least two-thirds of the outstanding capital stock:

Stockholders' Resolution No. 2018-07-03

"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 Article I of the Articles of Incorporation of the Corporation, to read as follows:

"That the name of said Corporation shall be the NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES, doing business under the name and style of Nat Re; Philippine National Reinsurance Company; PhilNaRe."

RESOLVED, FURTHER, that Article III of the Corporation's Articles of Incorporation be amended to read as follows:

“That the place where the principal office of the Corporation is to be established, or located, is at the 31st Floor, BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City, Philippines.”

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. The Corporate Secretary stated that there were no other items listed in the Agenda.

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:

CEZAR P. CONSING
Chairperson of the Meeting

NOEL A. LAMAN
Secretary of the Meeting