

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Makati City

Minutes No. 01

27 June 2019

MINUTES

**Minutes of the Annual Meeting of Stockholders of
National Reinsurance Corporation of the Philippines
Held on 27 June 2019, 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:	6,053 shares	
Stockholders represented by proxies :	1,589,429,097 shares	74.846%
Total Number of Shares Present in Person and/or Represented by Proxies:	1,589,436,150 shares	74.846%
Absent Shares:	534, 169,450 shares	
Total Number of Outstanding Shares:	2,123,605,600 shares	100%

Directors Present:

CEZAR P. CONSING
ALLAN R. SANTOS
YVONNE S. YUCHENGCO
WILFREDO C. MALDIA
MARIA CONSUELO LUKBAN
ANTONIO M. RUBIN
JOLI CO WU
JOCELYN DG CABREZA
NORA M. MALUBAY
RAFAEL G. AYUSTE, JR.
ERMILANDO D. NAPA
MEDEL T. NERA

Also Present:

REGINALDO ANTHONY CARIASO

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 1,589,436,150 shares are present in person or by proxies, which represent at least 74.846% 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 5, 2018

Upon inquiry of the Chairman, the Corporate Secretary certified that the stockholders were given a copy of the Minutes of the Annual Stockholders' Meeting held on July 5, 2018 upon registration at the meeting. The same was also posted on the company's website. Finally, a summary of the matters taken up during the previous annual meeting was provided in the Definitive Information Statement sent to the stockholders of record. The Chairman then opened the floor for any motion for the approval of the Minutes of the Annual Stockholders' Meeting held on July 5, 2018. A stockholder moved that since copies of the Minutes of the Annual Meeting of the Stockholders held on July 5, 2018 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 5, 2018 were deemed approved.

4. REPORT OF THE PRESIDENT

The President, Mr. Allan R. Santos, presented the President's Report.

The full text of the President's Report is appended hereto as Annex "A" and 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.

The questions raised by the stockholders and the answers provided by the company's management are summarized in Annex "B" hereof.

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 2018 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 2018 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 26, 2019, approved and recommended for stockholders' ratification the appointment of *Punongbayan & Araullo ("P&A")* as the external auditors of the Corporation for the year 2019. 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 Mr. Anthony L. Ng 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 2019, 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 2019."

7. ELECTION OF DIRECTORS

The meeting proceeded to the election of members of the Board of Directors of the Corporation for the year 2019-2020. 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 23 of the *Revised 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 14, 2019 and in the manner set forth in said Section 23 of the *Revised 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 2019-2020, to wit:

For Regular Directors:

WILFREDO C. MALDIA
 ALLAN R. SANTOS
 YVONNE S. YUCHENGCO
 ANTONIO M. RUBIN
 MARIA CONSUELO A. LUKBAN
 REGINALDO ANTHONY B. CARIASO
 JOCELYN DG CABREZA
 NORA M. MALUBAY
 RAFAEL G. AYUSTE, JR.
 JOLI CO WU

For Independent directors:

ERMILANDO D. NAPA
 MEDEL T. NERA
 REX MARIA A. MENDOZA

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 2019-2020:

WILFREDO C. MALDIA
ALLAN R. SANTOS
YVONNE S. YUCHENGCO
ANTONIO M. RUBIN
MARIA CONSUELO A. LUKBAN
REGINALDO ANTHONY B. CARIASO
JOCELYN DG CABREZA
NORA M. MALUBAY
RAFAEL G. AYUSTE, JR.
JOLI CO WU

Independent directors:

ERMILANDO D. NAPA
MEDEL T. NERA
REX MARIA A. MENDOZA

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 2019-2020.

8. 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 on the Agenda. At this instance, a stockholder raised a question regarding investments in real estate investments trust. The question raised and the Company's management's response is in Annex "B" of these minutes.

9. 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

ANNEX A

President's Report

Dear stockholders,

It is our pleasure to present to you the financial statements and achievements of your Company Nat Re for the year 2018 under the leadership of your new President and Chief Executive Officer, Mr. Allan Santos. This year is particularly noteworthy for your Company as we celebrated forty years of Nat Re serving as a partner for growth of the Philippines' insurance industry.

To put some context behind our performance in this milestone year, allow us first to report on developments in the Philippine national economy and the domestic and international reinsurance and insurance sectors.

The Philippines' GDP expanded 6.2% in 2018, outpacing the growth of most ASEAN nations, India, and China. The economy's expansion was once again driven by the boom in the industry and service sectors, and the national government's spending on infrastructure. Under the P8-9 trillion Build Build Build program which runs until the year 2022, the government has lined up seventy-five big-ticket infrastructure projects to help promote interconnectivity, generate jobs, and spur greater growth.

While our economy's performance was bright in 2018, the reinsurance industry globally did not fare as well. Fitch Ratings determined 2018 to be a challenging year for the industry, particularly non-life, due to high losses from catastrophes, competitive premium rates, and an unfavorable interest rate environment¹. Globally, 2018 turned out to be the fourth most costly year for the insurance industry² with cyclones in the US and Japan, the earthquake in Indonesia, and wildfires in California contributing to worldwide losses. The year 2018 also marks the third consecutive year of catastrophe losses exceeding USD200 billion³.

Philippine insurers were not spared from large losses. Natural disasters such as super typhoon Mangkhut (Ompong) and several large fires in commercial establishments inflicted substantial losses on our non-life industry.

However, despite 2018 being very costly for insurers, we are pleased to report that Nat Re delivered favorable operating results. Through more prudent underwriting and risk management, we minimized the negative effects of the year's biggest natural catastrophes.

We are pleased to report that in 2018 we generated P149 million in net income, an 80% increase over 2017; this marks our fifth straight year of delivering positive net income. These results are on the back of underwriting profit of P153 million, making 2018 our

¹ Fitch Ratings. (August 2017). Global Reinsurance Guide 2018. Retrieved from <https://www.intelligentinsurer.com>

² Aon Benfield. (2019). Weather, Climate & Catastrophe Insight. Retrieved from <http://thoughtleadership.aonbenfield.com>

³ Ibid.

fourth straight year of positive underwriting profits. Financial results were also buoyed up by P389 million in realized investment income, up 53% year-on-year despite a volatile period for the global economy and the financial industry.

We recorded a total combined ratio⁴ of 108%, higher than last year's due to a slightly elevated technical combined ratio. However, we registered an expense ratio of only 14%, the lowest your Company has had in the last five years.

For 2018, our top-line figures also improved and even exceeded their targets. Gross written premiums totaled P3.68 billion, up 15% from 2017, while net written premiums reached P2.58 billion, growing at 9.0%.

Our net worth of P4.8 billion as of end-2018 is significantly higher than the Insurance Commission's minimum requirement of P3.0 billion by the end of 2022. Our Capital Adequacy Ratio as of the end of the year was 288%, well-beyond the 100% minimum required by the regulator.

The credit rating agency A.M. Best rated your Company's Enterprise Risk Management "Appropriate", recognizing that our risk management capabilities have strengthened in recent years. To build our capabilities further, we launched a Risk and Control Assessment exercise, a process for us to better understand our operating environment, and identify, assess, mitigate, and monitor our risks and controls.

On governance, the Institute of Corporate Directors recognized Nat Re as among the top-performing Philippine publicly-listed companies under the 2017 ASEAN Corporate Governance Scorecard (ACGS). Less than 20% of the two hundred and forty-five companies listed on the local bourse were given this prestigious recognition for exemplary corporate governance practices.

This year, we infused valuable talent into almost every level of our organization. The Nat Re Board appointed Allan Santos as the new CEO, Christian Ladoux as the Chief Underwriting Officer, and Tisha Darwin as the Head of Data Administration and Analytics. Mr. Ladoux oversees the life and non-life reinsurance business lines while Ms. Darwin oversees the pricing, reserving, capital modelling, catastrophe risk management, and data administration functions. We also hired two members of the analytics team, three underwriters, and an internal auditor.

Non-life gross written premiums expanded 15.6% to P2.6 billion owing to our fast-growing foreign business. We have improved our bottom line by exiting or reducing shares in unprofitable treaties and growing the proportion of profitable non-fire lines from 49% to 57% of our non-life domestic portfolio.

Overall, we now have a portfolio heavily weighted towards more profitable treaties from small and medium-sized companies with relatively lower catastrophe exposures. To improve our geographic diversification, we entered into a reciprocal arrangement with an A-rated global reinsurer where we are able to participate in their treaties covering risks all over the globe.

Our non-life team pursued other initiatives which well positions our non-life business for future profitable growth. We signed a bond treaty with a global reinsurer which will allow Nat Re to tap into the growing demand for bonds capacity in the Philippines. We also

⁴ The ratio of share in losses (net), commissions (net), and general and administrative expenses to net earned premiums

initiated discussions with industry representatives on the creation of the first reinsurance facility for sabotage & terrorism insurance.

Gross written premiums from our life business breached the billion-peso mark in 2018. This represents a 13.4% growth from a year ago and is almost double the premiums we generated four years ago. This expansion was driven by the fast growth of mortgage redemption insurance, credit life and employee benefits, and by our deliberate efforts to serve mutual benefit associations and cooperatives and to better support inclusive insurance. A notable milestone this year is our treaty with an Egyptian life insurance firm, which is our first direct life reinsurance transaction outside the Philippines in more than a decade. Our life business also ended the year with strong bottom-line figures, with underwriting income exceeding P200 million.

We continued to develop value-added services for our life clients and launched the Nat Re Online Risk Manual, the first and only web-based life underwriting tool that accounts for unique Philippine market conditions. We also offered various training seminars on underwriting, claims, and pricing.

Both our life and non-life teams organized Nat Re's 4th Annual Technical Forum, or ATF, which was again very well-received. Attended by over a hundred representatives from our client companies, the ATF was an avenue for discourse on the emerging agriculture, sabotage & terrorism, and financial lines and on the global and local trends on medical insurance. We also hosted our CEO Forum which encouraged discussions on talent and technology among CEOs and Chairpersons of our client companies.

Nat Re's support divisions continued to provide invaluable support to our business units.

We enhanced our performance management system and developed a performance-based incentive program. We implemented new communication channels as well to encourage more open communication between employees and senior management.

We bolstered the operational efficiency of our life reinsurance division by implementing SICS, a globally standardized, end-to-end solution for assumed and ceded reinsurance administration. We also improved the efficiency of our cash collections, leading to cash and cash equivalents reaching P1.16 billion, almost double that of 2013.

Lastly, we completed your Company's rebranding and unveiled the new Nat Re brand, a tangible representation of our new aspirations for Nat Re.

As the country's national reinsurer, we understand the important part we play in the development of the Philippines' insurance industry. With this in mind, we pursued various initiatives in 2018 to further deliver on this very important role.

We formally launched the Oasis project which will develop the first open-access catastrophe model for flood in the Philippines. Nat Re is the project manager of this pioneering project, which involves stakeholders from industry, the academe, and government.

The Board of Trustees of the Philippine Insurers and Reinsurers Association, or PIRA, also elected Nat Re CEO Allan Santos as its Chairman for 2019, providing another avenue for us to play a more impactful role in pursuing industry initiatives. To foster collaboration among reinsurers in ASEAN, our CEO also chaired the first Reinsurance Working Committee meeting of the ASEAN Insurance Council or AIC.

We re-evaluated our corporate social responsibility priorities and decided to engage new partners. This year, for instance, we co-funded the development of the earthquake alert mobile application of the AIC's Catastrophe and Risk Management in ASEAN (CARMA).

We are very proud of our achievements in 2018. Our gains challenge us to see how we can achieve more in the coming years.

We are glad to report that, in fact, we had an outstanding start to this year. In the first quarter of 2019, we posted a net income of P186 million, which is more than three times our net income in the first quarter of 2018, due to a dramatic improvement in underwriting results. Our total combined ratio stood at 95% compared to 119% in the same period last year.

Our gross written premiums in the quarter rose to more than a billion pesos, which represents a 33% growth year-on-year; our net written premiums, meanwhile, grew 52% to P848 million.

Moving forward, we will set our sights on stepping up as the Philippines' national reinsurer. We will foster stronger relationships with our clients, especially the domestic insurance companies, and endeavor to deliver relevant reinsurance solutions and value-added services. We will aim to develop profitable growth opportunities in the domestic market by developing new products and by maximizing our entitlement to a 10% mandatory offer. We will also create reinsurance facilities for the sharing of risks within the local industry, thereby increasing national retention and improving self-reliance.

To allow us to better manage this expected growth in our business, we will continue to develop internal capabilities and encourage a high-performance culture in our organization. We will continue to refine our pricing and portfolio management capabilities to encourage growth, reduce portfolio volatility, and lower the costs of obtaining protection for our portfolio.

As always, we thank you, our stockholders, for putting your trust in your Board of Directors, your management, and your workforce over the past forty years. We would also like to take this opportunity to thank our employees for their hard work and commitment to continue to build Nat Re.

We look forward to your continued support for our various initiatives in the coming years.

ANNEX B*Questions and Answers***Queries from Stockholder – Mr. Wellington Chua**

[After the management report, the floor was opened for questions, and Mr. Wellington Chua stood up.]

Mr. Wellington Chua, noting that the Corporation did well in the 1st quarter of 2019, asked about the prospect of business for the rest of the year. The President & CEO, Mr. Allan R. Santos, replied that the Corporation not allowed by regulation to provide concrete projections for the rest of the year, because (1) the Corporation has not provided the regulators any projections, and (2) the results for the rest of the year would be subject to a number of contingent events, e.g. the upcoming typhoon season. However, the last five or six quarterly results would show an upward trend. The President provided reassurance that once the succeeding quarterly results were ready, they would be disclosed in a timely manner and posted on the website of the Corporation.

[The motion to adjourn the meeting was interrupted by the following questions from Mr. Wellington Chua.]

Citing Insurance Commissioner Funa's recent announcement that life insurance companies could now invest in publicly-listed REITs (real estate investment trusts) up to ten percent (10%) of their total admitted assets, while for nonlife and reinsurance companies, they could invest up to twenty percent (20%) of their total net worth, Mr. Wellington Chua asked (1) how much was 20% of the net worth of the Corporation and (2) would the Corporation invest in REITs.

Mr. Allan R. Santos replied that the Corporation's net worth as of end of 2018 was PhP4.8 billion, with 20% thereof being close to PhP1 billion. He explained that in corporate investments, the first step was strategic asset allocation, i.e. how much would go to fixed income, equities, and instruments such as REITs. After these were determined, the next step was security allocation, with each security transaction evaluated by the investment department and, for big transactions, the investment committee. The investment department and investment committee would certainly consider investing in REITs as they become available to the market.