

National Re Gets “PRS A” Rating

The National Reinsurance Corporation of the Philippines (Nat Re), the Philippines’ sole professional reinsurer, was assigned a financial strength rating of **PRS A**, with a Stable Outlook, by the Philippine Rating Services Corporation (PhilRatings).

A **PRS A** rating means that an insurer has **strong** financial security characteristics, but is somewhat more likely to be affected by adverse business conditions compared to higher-rated insurance companies.

A Stable Outlook is defined as: “The rating is likely to be maintained or to remain unchanged in the next twelve months.”

The assigned financial strength rating and Outlook take into consideration Nat Re’s: a) solid market franchise; b) shareholders of good standing; c) experienced management; and d) sound investment portfolio.

As the only domestic professional reinsurance firm in the country, Nat Re is considered to have a solid market franchise. Nat Re has a unique advantage granted by the law, which is that of being entitled to take up a minimum 10% share of all the outward reinsurance business of domestic insurance companies, and which would otherwise be ceded abroad. This gives Nat Re significant access to domestic reinsurers’ business, and also a broader view of their reinsurance requirements. The Company’s marketing strategy is supported by its technical know-how, industry track record and familiarity with the domestic market.

As of end-March 2021, the Government Service Insurance System (GSIS) remained as Nat Re’s largest shareholder, with a 25.7% ownership stake in the Company. GSIS is a government-owned and controlled corporation mandated to provide and administer social security benefits, such as life insurance benefits, separation or retirement benefits, and disability benefits, for government employees. The Bank of the Philippine Islands (BPI) and MICO Equities, Inc. (MEI) were the Company’s other major shareholders, with ownership interests of 13.7% and 12.9%, respectively. BPI, the banking arm of Philippine conglomerate Ayala Corporation, is one of the country’s largest and leading universal banks, with services encompassing traditional commercial banking, as well as investment and consumer banking. MEI, on the other hand, operates as a holding company for the Yuchengco Group’s non-life insurance business, Malayan Insurance Company Inc., which was the largest domestic non-life insurance company in terms of Gross Premiums Written (GPW; P14.21 billion), as of end-2020.

Nat Re is led by a management team with extensive experience and understanding of the insurance and financial markets, both domestic and global. While relatively new to the Company, members of the management team bring with them solid experience in the insurance industry.

As of report-writing date, Allan R. Santos is President and Chief Executive Officer (CEO) of Nat Re, and has been a member of the Board of Directors, since August 2018. Before his appointment, Mr. Santos served as Executive Vice President and Chief Operating Officer (COO) of the Company. Prior to joining Nat Re in April 2016, he was the COO for Affiliate Companies and Head of Vitality of the Philippine American Life and General

Insurance Company (Philam Life). He also worked with Cigna Global Health Benefits as Regional Chief Financial Officer (CFO) for Europe.

As of end-2020, low-risk fixed income securities made up 84.9% of Nat Re's total investment portfolio. Fixed income investments of the Company included: corporate bonds, government bonds, treasury bills and short-term investments (i.e. time deposits and Unit Investment Trust Fund). Equity securities, on the other hand, accounted for 14.7% of the total portfolio, lower than its share in 2019 (17.7%) and 2018 (27.2%). Equity securities consisted mainly of shares of stocks (common and preferred) in companies listed in the Philippine Stock Exchange (PSE). Nat Re's equity investment placements were largely in blue chip companies belonging to various industries, and in unlisted companies that have been approved by the Investment Committee. In relation to the foregoing, the strategic allocation of Nat Re's portfolio has been adjusted from 80% fixed income and 20% equities in 2019, to 85% fixed income and 15% equities by end-2020. Such is in line with the Company's efforts of de-risking its investment portfolio, with an intention to gradually reduce its equities exposure. The balance was the Company's investment in Asian Reinsurance Corporation (Asian Re; 0.4%). Nat Re had P8.58 billion in investment assets, as of end-2020. This slightly went up by 0.2% to P8.6 billion, as of end-March 2021.