

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Makati City

Minutes No. 01

13 July 2015

M I N U T E S

**Minutes of the Annual Meeting of Stockholders of
National Reinsurance Corporation of the Philippines
Held on 13 July 2015, 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:	750,000 shares	
Stockholders represented by proxies:	1,510,591,000 shares	
Total Number of Shares Present in Person and/or Represented by Proxies:	1,511,341,000 shares	71.17%
Absent Shares:	612,264,600 shares	
Total Number of Outstanding Shares:	2,123,605,600 shares	

Directors Present:

**HELEN Y. DEE
ROBERT G. VERGARA
RAFAEL G. AYUSTE, JR.
ROMEO L. BERNARDO
CEZAR P. CONSING
RAFAEL C. GALLAGA
AUGUSTO P. HIDALGO
SIMON R. PATERNO
ERMILANDO D. NAPA
MEDEL T. NERA
ROMAN FELIPE S. REYES
GREGORIO T. YU
YVONNE S. YUCHENGCO**

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 recorded the minutes of 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 1,511,341,000 shares are present in person or by proxies, which represent at least 71.17% 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 7, 2014

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 7, 2014. The Chairman opened the floor for any motion for the approval of the Minutes of the Annual Stockholders' Meeting held on July 7, 2014. A stockholder moved that since copies of the Minutes of the Annual Meeting of the Stockholders held on July 7, 2014 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 7, 2014 were deemed approved.

4. REPORT OF THE PRESIDENT

The President, Mr. Augusto P. Hidalgo presented the President's Report, delivering information on Underwriting Operations, Investments and Income, Projects and Activities, Corporate Governance, Financial Strength Rating/Outlook and Outlook for 2015 and Beyond. 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. Philip Turner inquired on why the Company is not achieving favorable results as compared to other companies in the same situation. The President explained that the Company is continuously seeking to improve its retention

strategy. With respect to Net Income, the Company's figures decreased to Php287 Million, however, NRCP went through some cleaning processes (e.g. eliminating some facultative risks and increasing reserves). The President also referred to an impending change in regulation by the Insurance Commission with respect to risk based capitalization which is meant to begin in 2016.

Mr. Turner also inquired on the measures being undertaken to ensure more favorable results in the future. The President replied that NRCP is trying to get the right tools, capabilities, and implementing the right strategies to ensure that financial objectives are met. The Company is focusing and exerting all efforts in capability building. The President noted that the Board of Directors has taken a more progressive strategy than other Asian reinsurance companies.

Thereafter, Mr. Turner inquired on the high salaries paid to some employees despite the low performance of the Company. The President explained that the Board of Directors since 2012 had started to conduct a proper reorganization of the Company. He noted that the reorganization was only completed this month. In regard to the query, Mr. Turner inquired whether the high expense figures are due to higher technical personnel. The President replied that some of the expenses are due to the one time retirement pay-outs. The Company is actively seeking to normalize costs. The President assured the stockholders that the Audit Committee and the Board of Directors are looking into this closely. He further explained that in terms of cost, the Company is tracking better than last year and the outlook is more positive for 2015-2016.

Lastly, Mr. Turner inquired on what is being done to restore market confidence. Mr. Turner narrated that he initially bought his share at Php3.80/share while the price of the share is now Php0.96/share. The President answered that the Company is doing a clean up, restructuring is being undertaken for efficiency, assets are being freed up. He also noted that some growth was achieved from last year.

Another stockholder, Mr. Guillermo F. Gili, Jr. inquired on the intricacies relative to the Company's Underwriting Loss. The President explained that there are various component pieces (e.g. gross premiums, net premiums, losses, reserves, commissions, etc.) that the Company is looking into. He explained that retrocession cost is a large expenditure that the Company made sure to hit budget. Management is formulating strategies to ensure that targets are hit. He noted that there are several areas that showed good growth (i.e. Life Division). Although, he noted, that the Company is trying to be more cautious on the Facultative Side of the business.

Thereafter, Mr. Gili also inquired if it is possible for the Company to take on fund management services to which the Chairperson replied in the negative. Fund management services are not included in the purpose clauses of the Articles of Incorporation of NRCP. The Company would have to change its core business to accommodate this service.

There being no further 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 2014 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 2/3 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 2014 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 20, 2014, approved and recommended for stockholders’ ratification the appointment of *Punongbayan & Araullo (“P&A”)* as the external auditors of the Corporation for the year 2015. 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. Romualdo V. Murcia III 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 2015, 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 2015.”

7. ELECTION OF DIRECTORS

The meeting proceeded to the election of members of the Board of Directors of the Corporation for the year 2015-2016. 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 June 1, 2015 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 2015-2016, to wit:

For Regular Directors:

HELEN Y. DEE
 ROBERT G. VERGARA
 AUGUSTO P. HIDALGO
 YVONNE S. YUCHENGCO
 CEZAR P. CONSING
 SIMON R. PATERNO
 GREGORIO T. YU
 ROMAN FELIPE S. REYES
 JOLI CO WU
 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 2015-2016:

For Regular Directors:

HELEN Y. DEE
 ROBERT G. VERGARA
 AUGUSTO P. HIDALGO
 YVONNE S. YUCHENGCO
 CEZAR P. CONSING
 SIMON R. PATERNO
 GREGORIO T. YU
 ROMAN FELIPE S. REYES
 JOLI CO WU

RAFAEL G. AYUSTE, JR.

For 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 2015-2016.

8. 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**