

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING  
 OF  
 MALAYAN INSURANCE COMPANY, INC.**

DATE : August 12, 2016  
 TIME : 12:10 p.m.  
 PLACE : Executive Dining Room  
 47<sup>th</sup> Floor, RCBC Plaza,  
 6819 Ayala Avenue,  
 Makati City, Metro Manila

**STOCKHOLDERS PRESENT**

**STOCKHOLDINGS**

Alfonso T. Yuchengco	2
Helen Y. Dee	1
Yvonne S. Yuchengco	1
Arthur Lee	1
Jose Paolo Y. Abaya	1
Teodoro D. Regala	1
Renato C. Valencia	1
Cesar E.A. Virata	1
Armando M. Medina	1
Takayuki Shimomura	1
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**STOCKHOLDERS REPRESENTED  
 BY PROXIES**

Mico Equities, Inc.	6,762,330
Tokio Marine Asia Pte. Ltd.	1,690,583
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	8,452,913
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<b>TOTAL SHARES PRESENT AND              REPRESENTED BY PROXIES</b>	<b>8,452,924</b>
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## **I. CALL TO ORDER**

The Chairperson, Ms. Helen Y. Dee, called and presided over the meeting. Atty. Samuel V. Torres, Corporate Secretary, recorded the minutes of the meeting.

## **II. DETERMINATION OF QUORUM**

The Chairperson, Ms. Helen Y. Dee, requested the Corporate Secretary to show proof of notices of meeting. Atty. Samuel V. Torres, Corporate Secretary, exhibited the proof of notices, as well as the acknowledgment receipts to the stockholders.

There being no objection to the proof of notices, the same was accepted by the Chairperson. A roll call was made to determine the presence of a quorum.

The Corporate Secretary reported that the owners of eleven (11) shares were personally present and owners of 8,452,913 shares were represented by proxies. Therefore, the owners of a total of 8,452,924 shares were either present or represented by proxies, thus, a quorum was found present for purposes of the meeting.

Whereupon, the Chairperson called the meeting to order and proceeded with the agenda.

## **III. APPROVAL OF THE MINUTES OF THE STOCKHOLDERS' MEETING HELD THE PREVIOUS YEAR**

The Minutes of the Stockholders' Meeting last August 07, 2015 was submitted to the stockholders for approval, and on motion made and duly seconded, said Minutes was unanimously approved to be correct.

#### IV. ANNUAL REPORT

Management, through Ms. Alegria Castro, Comptroller, presented to the stockholders the Overall Results of Operations of Malayan Insurance Company, Inc. for the year ended 2015 with comparative figures against the year ended 2014, as follows:

##### GROSS PREMIUMS WRITTEN (GPW)

Gross Premiums generated for the year 2015 reached P , % growth from 2014's P .

Direct business grew by %, and Reinsurance business by %.

All lines grew, with the biggest contributors to growth being Fire ( % growth), Motor ( % growth) and Engineering ( % growth).

##### NET PREMIUMS RETAINED

Net Retained Premiums grew by % from P to P and Overall Retention ratio improved to % from 2014 of 37%.

The improvement was primarily due to the increase in gross premiums written particularly motor business and the non-renewal of the outward Quota Share Treaty in 2015.

##### NET PREMIUMS EARNED

This resulted also to the increase in Premiums earned by % from P to P .

##### CLAIMS AND LOSSES INCURRED

P in 2014 to P B. However, Loss ratio favorably dropped from % to % in 2015 because of the improved premiums earned.

The major catastrophe losses in 2015 include:

Major Cat. Losses 2015

		P millions		Reinstatement Premiums
	<u>Date of Loss</u>	<u>GROSS LOSS</u>	<u>Net</u>	
Typhoon Amang (Mekkhala)	Jan. 17, 2015	<b>CONFIDENTIAL</b>		
Typhoon Goring (Halola)	July 23, 2015			
Typhoon Lando(Koppu)	Oct. 16, 2015			

Booked in 2014

Typhoon Agaton	Jan. 19, 2014	<b>CONFIDENTIAL</b>	
Typhoon Glenda	July 13, 2014		
Typhoon Mario	Sept. 17, 2014		

NET UNDERWRITING INCOME

Net Underwriting Income improved by % from P in 2014 to P for 2015 because of the % growth in premiums earned offsetting the % increase in claims and losses.

FINANCIAL & OTHER INCOME

Financial and Other Income however declined by % from P to P mainly due to recognition of impairment loss on equity investments as a result of the significant mark down in value of strategic equity investments. There was also decrease in interest income, dividend income and gain on sale of investments. But these were partially offset by the unrealized forex gain on the restatement of foreign currency denominated financial assets.

## OPERATING EXPENSES

Operating expenses increased by % from P in 2014 to P in 2015. Increase in 2015 GAE came primarily from human resources and development related expenses, facilities and maintenance expenses and computer related expenses.

GAE ratio to GPW improved from % to % in 2015, and GAE to Premiums Earned was % from % of 2014.

## NET INCOME

In summary, Net Income decreased from P in 2014 to P in 2015. While there was improvement in net underwriting income this was offset by the % drop in financial and other income and % increase in operating expenses.

Combined Ratio improved from % in 2014 to % in 2015.

Thereafter, the stockholders were further given the opportunity to propound questions and solicit answers from the Board Members and Management.

After discussion, and on motion made and duly seconded, the stockholders noted the Report.

## **V. APPROVAL OF THE 2015 AUDITED FINANCIAL STATEMENTS**

The Audited Financial Statements of the Company as prepared by its external auditor, SYCIP, GORRES, VELAYO & COMPANY, for the year ended December 31, 2015, were presented to the stockholders for examination and approval.

After some discussion and upon motion by Mr. Renato C. Valencia, the Chairman of the Audit Committee, which was duly seconded, the

stockholders unanimously approved the 2015 Audited Financial Statements of the Company.

## VI. ELECTION OF DIRECTORS

Before the start of the Election of Directors, the Corporate Secretary, in behalf of the Board, informed the stockholders of the following matters:

- a. Cumulative voting is allowed;
- b. Voting may be done in person or by proxy based on the number of shares standing in the name of stockholder in the books of the Corporation;
- c. Voting shall be done by raising of hands and the Corporate Secretary shall count the votes cast;
- d. The need to elect a non-executive director who holds no other position than as director to ensure impartial and fair judgment in the Board's decision-making process; and
- e. Only the eleven (11) nominees garnering the greatest number of votes shall be declared as elected.

Thereafter, the Chairperson declared open the nomination for Members of the Board of Directors for the year 2016-2017.

The Chairperson of the Remuneration and Nomination Committee nominated all incumbent members of the Board, noting the integrity, qualification, experience and performance of each nominee. Messrs. Renato C. Valencia and Armando M. Medina were nominated as independent directors. No other names were submitted for nomination.

On motion made and duly seconded, the nomination was closed and voting commenced.

Thereafter, a motion made and duly seconded, the following stockholders were unanimously elected Directors of the Company for the year 2016- 2017:

Alfonso T. Yuchengco  
Helen Y. Dee  
Yvonne S. Yuchengco  
Arthur Lee  
Teodoro D. Regala  
Michele Marie Y. Dee  
Renato C. Valencia\*  
Cesar E.A. Virata  
Armando M. Medina\*  
Jose Paolo Y. Abaya  
Takayuki Shimomura

(\*independent director)

The Corporate Secretary informed the stockholders that all the duly elected directors are non-executive directors of the Company except for Ms. Yvonne S. Yuchengco, and Mr. Jose Paolo Y. Abaya who are executive directors, President and Chief Operating Officer (COO), of the Company, respectively.

## **VII. APPOINTMENT OF EXTERNAL AUDITOR**

The Audit Committee had previously reviewed and evaluated the experience and qualifications of the external auditor and these were presented to the stockholders for deliberation.

As recommended by the Audit Committee through its Chairman, Mr. Renato Valencia, and upon motion which was duly seconded, the stockholders reappointed the auditing firm of SYCIP, GORRES, VELAYO & COMPANY as the External Auditor of the Company for the year 2016-2017.

## VIII. APPROVAL OF THE ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND MANAGEMENT DURING THE PRECEDING YEAR

The Corporate Secretary presented to the stockholders all the acts, proceedings and resolutions adopted by the Board of Directors, Officers, and Management up to the date of the meeting.

The stockholders were given the opportunity to propound questions and solicit answers from the Board Members, Officers, and Management.

After discussion, and upon motion made and duly seconded, all the acts, proceedings and resolutions adopted by the Board of Directors, Officers, and Management were unanimously approved by the stockholders.

There were no corporate acts which were disapproved by the stockholders.

## IX. INDUSTRY REPORT

Mr. Frederick T. Pineda presented the Insurance Industry Report for the year 2015. He reported the following:

### A. COMPARATIVE RESULTS OF THE TOP 10 NON-LIFE INSURANCE COMPANIES FOR 2015 WITH COMPARISON TO 2014

#### 1. On Gross Premiums Written:

The top three (3) companies were:

a. Malayan Insurance (MICO) - with Gross premiums written of P      in 2015, a growth of % from P      in 2014.

b. PGA Guarantee (PGA) - with P      in 2015, an increase of % from P      in 2014.



c. Pioneer - with P in 2015, growing by % from P in 2014.

Pioneer rose to 3rd overtaking BPIMS which slid to 4<sup>th</sup>. AIG rose from 9th to 7th, after growing by % in 2015. PNBGen rose from 10th to 9th after growing by %. UCPB slid from 8th to 10th after contracting by % in 2015.

With MICO's growth, the gap between MICO and PGA has slightly increased from just % in 2014 to %. However, MICO's growth came primarily from extension premiums from GSIS amounting to approx P .

## 2. Direct Premiums Written

In terms of Direct Premiums, the top 3 are:

- MICO—with Direct premiums written P in 2015, a growth of % from P in 2014.
- PGA—with P in 2015, an increase of % from P in 2014.
- Pioneer—with P in 2015, an increase of % from P in 2014.
- BPIMS—with P in 2015, growing by % from P in 2014.

The average growth of the Top 10 was %.

## 3. RI Assumed

In terms of RI assumed, the top 3:

- MICO—with RI assumed of P in 2015, a growth of % from P in 2014 .
- AIG—with P in 2015, an increase of % from P in 2014 .
- PGA—with P in 2015, a decrease of % from P in 2014 .

The average decline in RI assumed of the Top 10 was %.

4. On Net Premiums Retained:

The top three (3) companies were:

- PGA—with P in 2015, flat or same as 2014 .
- MICO—with P in 2015, an increase of % from P in 2014.

MICO's improvement was due to the % increase in GPW, particularly motor business ( % growth which resulted in increase in share of the portfolio from % to % of portfolio) .

- BPIMS—with P in 2015, an increase % from P in 2014 (due to significant increase in motor and pa (grew by % and % respectively. Thus the retail portfolio increased from % to % of portfolio).

The average growth of the Top 10 was % while the growth of the Industry was at %.

5. On Retention Ratio:

The top three (3) companies were:

- UCPBGen—with Retention Ratio of % in 2015 versus % in 2014.
- Charter—with % in 2015 versus % in 2014.
- FedPhoe—with % in 2015 versus % in 2014.

Both UCPBGen and Fed Phoe have relatively high percentage of retail business (motor & PA) in their portfolio at % and % respectively. Charter has % retail in their portfolio but relatively high retention levels in its fire business.

The lowest 3 in terms of Retention Ratio are:

- AIG—with Retention Ratio of % in 2015 further dropping from % in 2014.
- PNBGen—at % in 2015 vs % in 2014.
- Pioneer—at % in 2015, although improving from % in 2014.

These companies have relatively higher percentage of corporate business such as fire, marine, engineering in their portfolio with low retention levels.

MICO had the fourth lowest ratio with % in 2015 (but improving from % in 2014), due to relatively lower retail share in the portfolio at %, as well as due to low retention ratio levels in fire at %. This % however, was a significant improvement from the % in 2014 due to the % growth of motor business, thereby increasing its share in the portfolio from % in 2014 to % in 2015. Overall retention ratio before XL would be % in 2015 versus % in 2014 (with fire retention ratio before XL is at % in 2015 versus % in 2014).

The average retention ratio of the Top 10 slightly improved to % in 2015 versus % in 2014. On the other hand, the Industry improved from % in 2014 to % in 2015.

6. On Net Premiums Earned:

The rankings in Net Premiums Earned generally follow the rankings in Net Premiums Retained.

The top three (3) companies were:

- PGA—at P in 2015, growing by % from P3.5B in 2014.
- MICO—at P in 2015, growing by % from P in 2014.
- BPIMS—at P in 2015, growing by % from P in 2014.

7. On Net Underwriting Income:

The top three (3) companies were:

- PGA—with Net Underwriting Income of P in 2015, growing by % from P in 2014 due to a % increase in NPE (from P to B) combined with a % decrease in losses incurred (from P to P ).
- Pioneer—with P in 2015, increasing by % from P in 2014 due to % increase in NPE (from P to P ) and % decrease in losses incurred (from P to P )
- BPIMS— with P in 2015, although this was an % reduction from P in 2014

due to % increase in losses incurred (from P to P ) and % increase in commission expense, offsetting a % increase in NPE.

MICO was 5th highest—with P in 2015, growing by % from P in 2014 due to an % increase in NPE (from P to P ), offsetting % increase in losses and % increase in net commissions.

The Top 10 grew by an average %.

The average growth of the Top 10 was % (mainly from Pioneer and MICO) while the Industry growth is estimated at %.

8. On Net Income:

The top three (3) companies were:

- Pioneer—with Net Income of P in 2015, increasing by % from P in 2014.
- BPIMS—with Net Income of P in 2015, but decreasing by % from P in 2014.
- PGA—with P in 2015, increasing by % from P in 2014.

MICO—with P , decreasing by % from P in 2014. Decrease came from % decrease in FOI (decrease in interest and dividend income, and decrease in gain on sale of AFS assets) and writedown of equity investments.

9. On Loss Ratio:

The companies with the lowest Loss Ratios were:

- AIG—with loss ratio of % in 2015 versus % in 2014 due to % growth in NPE coupled with % decrease in losses incurred.
- Pioneer—with Loss Ratio of % in 2015 versus % in 2014 due to % growth in NPE coupled with % decrease in losses incurred.
- PGA—with % in 2015 versus % in 2014 due to increase in % growth in NPE coupled with % decrease in losses incurred.

The average loss ratio of the Top 10 improved from % in 2014 to % in 2015, primarily driven by the improvements of Pioneer and PGA.

MICO also improved by percentage points from % in 2014 to % in 2015 due to 18% growth in NPE versus only % increase in losses incurred.

10. Expense Ratio based on Net Premiums Earned:

The top three (3) companies with the lowest Expense Ratios were:

- PGA—with % in 2015 versus % in 2014 the improvement was due to a % growth in NPE versus only a % increase in GAE from P to P .
- BPIMS—with % in 2015, versus % in 2014 slight deterioration was due to % growth in NPE versus % increase in GAE from P to .
- Charter—with % in 2015, slight improvement versus in 2014 slight

improvement was due to % growth in NPE versus % increase in GAE.

MICO improved from % to % due to % growth in NPE versus only % increase in GAE.

Based on GPW, lowest Expense Ratios are:

- Pioneer--with % in 2015 (vs % in 2014).
- BPIMS--with % in 2015 vs % in 2014.
- MICO—with % in 2015 (vs % in 2014).

The highest are:

- AIG--with % in 2015 versus % in 2014.
- UCPBGen-- with % in 2015 versus % in 2014.
- Standard--with % in 2015 versus % in 2014.

#### 11. Combined Ratio:

The lowest three (3) companies were:

- Pioneer—with % in 2015 versus % in 2014.
- Standard—with % in 2015 versus % in 2014.
- AIG—with % in 2015 versus % in 2014.

The average combined ratio of the Top 10 improved from    to    %.

12. On Total Assets:

- MICO—with Assets of P        in 2015— however, this was a    % decrease from P        in 2014 .
- Pioneer—with P        in 2015, growing by    % from P1        in 2014.
- BPIMS—with P        in 2015, growing by    % from P        in 2014.

13. On Stockholders' Equity:

The top three (3) companies were:

- Pioneer—at P        in 2015, increasing by    % from P        in 2014, mainly coming from    % increase in revaluation    & other reserves) and    % increase in retained earnings (P    M Net Income).
- MICO—at P        in 2015, decreasing by    from P        in 2014, mainly coming from    % decrease in revaluation & other reserves.
- Standard—at P        in 2015,    % increase from P        in 2014, mainly coming from increase in paid up capital from P        to P        , and    % increase in retained earnings (P        net income).

The average growth of the Top 10 was    %, while the industry is estimated at    %.

The stockholders were given the opportunity to propound questions and solicit answers from the Board Members and Management.



After some discussions, and on motion duly made and seconded, the stockholders noted the Industry Report

**X. ADJOURNMENT**

There being no other business to discuss, the meeting was adjourned.

Original signed  

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ATTY. SAMUEL V. TORRES  
Corporate Secretary

**ANNEX:**

**DIRECTORS PRESENT**

<b>Helen Y. Dee</b>	<b>Chairperson, Board of Directors</b>
Alfonso T. Yuchengco	Board Member
Yvonne S. Yuchengco	President/Board Member
Jose Paolo Y. Abaya	Chief Operating Officer, Board Member
Arthur Lee	Board Member
Teodoro D. Regala	Board Member
Renato C. Valencia	Independent Board Member, Chairman of Audit Committee
Cesar E.A. Virata	Board Member
Armando M. Medina	Independent Board Member
Takayuki Shimomura	Board Member

**TABULATION:**

**III. APPROVAL OF THE MINUTES OF THE STOCKHOLDERS' MEETING HELD THE PREVIOUS YEAR**

Voting Results

<b>Total Outstanding Shares</b>	<b>Total Votes Cast</b>	<b>Votes in Favor</b>	<b>Votes Against</b>	<b>Abstentions</b>
8,452,924	8,452,924	8,452,924	0	0

**IV. APPROVAL OF THE 2015 AUDITED FINANCIAL STATEMENTS**

Voting Results

<b>Total Outstanding Shares</b>	<b>Total Votes Cast</b>	<b>Votes in Favor</b>	<b>Votes Against</b>	<b>Abstentions</b>
8,452,924	8,452,924	8,452,924	0	0

## V. ELECTION OF DIRECTORS

### Voting Results

Name	Total Outstanding Shares	Total Votes Cast	Votes in Favor	Votes Against	Abstentions
Amb. Alfonso T. Yuchengco	8,452,924	8,452,924	8,452,924	0	0
Helen Y. Dee	8,452,924	8,452,924	8,452,924	0	0
Yvonne S. Yuchengco	8,452,924	8,452,924	8,452,924	0	0
Arthur Lee	8,452,924	8,452,924	8,452,924	0	0
Teodoro D. Regala	8,452,924	8,452,924	8,452,924	0	0
Michele Marie Y. Dee	8,452,924	8,452,924	8,452,924	0	0
Jose Paolo Y. Abaya	8,452,924	8,452,924	8,452,924	0	0
Renato C. Valencia	8,452,924	8,452,924	8,452,924	0	0
Cesar E.A. Virata	8,452,924	8,452,924	8,452,924	0	0
Armando M. Medina	8,452,924	8,452,924	8,452,924	0	0
Takayaki Shimomura	8,452,924	8,452,924	8,452,924	0	0
<b>Total Votes:</b>					<b>8,452,924</b>

## VII. APPOINTMENT OF EXTERNAL AUDITOR

“RESOLVED, that the stockholders of Malayan Insurance Company, Inc. (the “Company”) approve, ratify and confirm the appointment of the auditing firm of SYCIP, GORRES, VELAYO & COMPANY as the external auditor of the Company for the year 2016-2017.”

## VIII. APPROVAL OF THE ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND MANAGEMENT DURING THE PRECEDING YEAR

“RESOLVED, that the stockholders of Malayan Insurance Company, Inc. (the “Company”) approve, ratify and confirm all the acts and proceedings of the Board of Directors and Management during the preceding year up to the date of this meeting as these are recorded in the books and records of the Company.”

**READ AND APPROVED BY:**

\_\_\_\_\_  
**AMB. ALFONSO T. YUCHENGCO**  
Director

\_\_\_\_\_  
Original signed  
**HELEN Y. DEE**  
Chairperson

\_\_\_\_\_  
Original signed  
**YVONNE S. YUCHENGCO**  
President

\_\_\_\_\_  
Original signed  
**RENATO C. VALENCIA**  
Independent Director

\_\_\_\_\_  
Original signed  
**JOSE PAOLO Y. ABAYA**  
Director

\_\_\_\_\_  
Original signed  
**CESAR E. A. VIRATA**  
Director

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Original signed  
**TEODORO D. REGALA**  
Director

\_\_\_\_\_  
**ARTHUR LEE**  
Director

\_\_\_\_\_  
Original signed  
**ARMANDO M. MEDINA**  
Independent Director

\_\_\_\_\_  
**TAKAYUKI SHIMOMURA**  
Director