

AIG PHILIPPINES INSURANCE, INC.
(Company Registration Number 18389)

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
(No. 1 of 2019)

The annual meeting of the stockholders of AIG Insurance Philippines, Inc. (the “**Company**” or the “**Corporation**” or “**AIG Philippines**”) was held at the Board Room, 30th Floor, Philam Life Tower, 8767 Paseo de Roxas, 1226 Makati City, 20 March 2019, at 11:20 a.m. (Philippines).

Stockholders in Attendance: American International Overseas Limited
Mr. Roberto R. Romulo (Chairman)
Mr. Mark Randall Lwin
Mr. Michael Florencio R. De Leon
Mr. Rene J. Buenaventura
Mr. Emmanuel Fernando O. Bautista
Ms. Leilani T. Isidro
Mr. Jeffrey R. Lacson

In Attendance: Ms. Pamela Yeo (AIG Asia Pacific
Insurance Pte. Ltd.; via teleconference)
Ms. Michelle Annie Comia-Marasigan
Ms. Farah Del Valle-Repol
Ms. Ma. Adelina S. Gatdula (Picazo Law)
Ms. Aimee Grace A. Garcia (Picazo Law)

1. The meeting, being quorate, proceeded.
2. The Chairman of the Board, Mr. Roberto R. Romulo, called the meeting to order and presided over the same. The Corporate Secretary, Ms. Ma. Adelina S. Gatdula, recorded the minutes of the meeting.

The Chairman noted that the following incumbent directors were also present during the meeting: Mr. Mark Randall Lwin who is also the President and Chief Executive Officer, Mr. Jeffrey R. Lacson, Mr. Michael Florencio R. De Leon, Ms. Leilani T. Isidro, Mr. Rene J. Buenaventura and Mr. Emmanuel Fernando O. Bautista.

3. **Approval of the Minutes of the Annual Stockholders' Meeting held on 21 March 2018**

The stockholders approved the minutes of the Annual Stockholders' Meeting held on 21 March 2018 as presented to them.

4. **Matters arising from the Minutes of the Annual Stockholders' Meeting held on 21 March 2018**

There were no new matters arising from the minutes of the Annual Stockholders' Meeting held on 21 March 2018.

5. **Approval, Ratification and Confirmation of the Acts of the Board of Directors, the Various Committees and Management from 21 March 2018 to present**

Upon motion duly made, seconded and unanimously carried, the stockholders –

“RESOLVED, that all the acts of the Board of Directors as well as its Standing Committees, as recorded in their respective Minutes Book, and those of the executive officers of the Corporation, since the last annual meeting of the stockholders be, as they are hereby, approved, ratified and confirmed.”

6. **President's Annual Report**

Mr. Lwin presented the Annual Report for the Year Ending 2018.

The highlights of Mr. Lwin's report are as follows:

a. **Market Landscape**

The Philippine economy grew at a slower pace in 2018, but still among the fastest in Asia (next to India, Vietnam and China) by registering a GDP growth of 6.2%, which is slightly lower than 2017's 6.7%. This was due to robust public investments, but is held back by a surging inflation and rigidifying global financial conditions. Another factor is the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law to temper inequality brought upon by enduring poverty

Public investments are buoyed by rising investment in manufacturing projects, strong remittance inflows from overseas workers and an infrastructure-spending surge under the government's Build, Build, Build development program.

Inflation rate for 2018 has reached a nine-year high of 6.4% due to dwindling supply of rice, rising prices of crude oil in the world market and other domestic factors, such as the domino effect of the TRAIN law. This pushed the Monetary Board to make a series of policy rate adjustments to help reduce further the risks to inflation.

The TRAIN law, on the other hand, ushered higher taxes for oil, tobacco and sugary drinks, while promising unconditional cash transfers and fuel cards to alleviate the poorest Filipino families from the effects of inflation. Unfortunately, government agencies faced hitches in distributing funds at the height of inflation.

The Philippine Insurance Industry, according to the Insurance Commission, reported an 18% growth in premium income, 16.12% increase in density (ratio of premium to the total population) and 1.64% increase in penetration (ratio of premiums to the country's gross domestic product) which is the highest in five years for the first nine months, as all life, non-life and microinsurance sectors exhibited strong performance during the period.

Meanwhile, net premiums written by the non-life insurance sector, for the same period, also increased by 7.34% to PhP36.83 billion from the PhP34.31 billion registered a year ago. This is continuously driven by motor car insurance, contributing more than half or 51.39% of the total net premiums, followed by the fire insurance business, which accounted for 13%, and the accident insurance business which contributed 9.87%.

b. Company Performance

The Company delivered a significant improvement in performance with 161% increase in net income for the year amounted to PhP148 million. This despite the several severe losses incurred during the year and continuous contraction of Consumer business. Net income generated by continuing operations amounted to PhP177 million while discontinued operations (Consumer business) recorded a net loss of PhP29 million.

Overall, underwriting recovered well this year, reporting a PhP88 million income, from loss of PhP62 million last year. This is driven by increase in earned premium and boosted further by lower losses and operating expenses.

Premium production increased by 9%, largely due to the growth in Commercial and Referred Business, offsetting continuous contraction of Consumer business.

Consumer business shed PhP58 million or 40% gross premiums from 2017, totaling to PhP354 million decline since market exit in 2016. The Company continues to service multinational travel program as part of its commitment to the group and Direct Marketing business that may run until 2019 with expected normal policy attrition.

On the other hand, all Commercial lines, except for Casualty, grew this year contributing to 9% increase in portfolio premium.

- Energy led the growth with 25% increase in premiums, mainly coming from win back accounts in oil & gas sector (PhP24 million) and new accounts from utilities sector (PhP57 million), offsetting decrease in CAR (PhP31 million).
- Property followed with 9% growth, mainly coming from win back accounts (PhP35.9 million) and new business (PhP11.3 million).
- Marine also posted a 9% increase in premiums, mainly from new business (PhP9.7 million) and higher MOP declaration (PhP5.4 million).
- All sublines of Financial Lines grew and offset the lost accounts from Management Liability, ending with overall 2% growth.
- For Casualty, although some new business were written, this is not enough to mitigate the decline caused by early booking of 2018 policies in 2017 (PhP6.3 million) and non-renewal / non-recurring policies (PhP7.4 million).

Referred Business increased by 16% this year largely due to premium renewal increase (PhP75 million), new business (PhP44 million) and timing of booking (PhP12 million).

Net commission earned was lower during the year due to higher commission expense from higher production in Commercial business and lower commission income due to lower production in Consumer business.

Loss and loss expenses was lower despite severe losses from Property (mall fire loss, PhP104 million) and Energy (machinery breakdown, PhP 56million) because of significant prior year loss for a casino.

Operating expenses for the year were lower by 20%. The Consumer business exit contributed to the decline in the service fees paid to service providers involved in the processing of this business, taxes and marketing costs. There was also a substantial reduction in IT costs due to lower support costs incurred and decrease in enhancement billings. Provisions for doubtful accounts also substantially declined resulting from the improvement in collection efforts. Home Office Allocation (Global Service Fee - GSF) billings also decreased for the year due to higher true down adjustments compared to prior year.

Investment and other income were down by 5% largely due to loss on sale of equity investments (caused by market conditions) and higher investment expenses from reinsurance funds held, offsetting higher fee income related to services rendered to affiliates and foreign exchanges gain.

c. Moving Forward

For 2019, while AIG Global celebrates its centennial year, General Insurance Segment's focus is on: (1) driving profitable growth, (2) establishing operational excellence, (3) delivering differentiated value to customers, and (4) implementing a people strategy aligned with the business strategy. This is to ensure that the overall business segment is well-positioned for the next century of AIG.

AIG Philippines' focus are aligned with these focus areas through the established strategic pillars, which include industry focus areas, cedant expansion and diversification, multinational strategy, distribution strategy, account retention, claims and marketing services and employee engagement and human capital development. Management is scheduled to revisit these pillars this year, but are confident that with focus, collaboration and constant engagement, the team will successfully deliver the goals for the upcoming year.

7. Items for Approval

Upon motion duly made, seconded and unanimously carried, the stockholders –

a. Audited Financial Statements for 2018

“RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation's audited financial statements as of and for the year ended 31 December 2018, prepared by the external auditor of the Corporation, Isla Lipana & Co., as presented to the Board of Directors of the Corporation be, as it is hereby, approved;

“RESOLVED, FURTHER, that Mr. Roberto R. Romulo, Chairman of the Board of Directors, Mr. Mark Randall Lwin, President and Chief Executive Officer, Mr. Jeffrey R. Lacson, Chief Finance Officer, and Ms. Rowena R. Barroso, Treasurer, be, as they are hereby, authorized and empowered, for and on behalf of the Corporation, to sign, execute, and deliver the Statement of Management's Responsibility and any and all agreements, instruments, and documents in pursuance of, or in connection with, the Corporation's audited financial statements as of and for the year ended 31 December 2018, and to do and perform any and all acts deemed necessary for the execution and/or implementation of the foregoing.”

b. Election of Members of the Board of Directors

“RESOLVED, that the following individuals be, as they are hereby, elected as members of the Board of Directors to hold office for one (1) year or until their successors are duly elected and qualified:

Mr. Roberto R. Romulo
Mr. Mark Randall Lwin
Mr. Rene J. Buenaventura
Mr. Emmanuel Fernando O. Bautista
Mr. Michael Florencio R. de Leon
Mr. Jeffrey R. Lacson
Ms. Leilani T. Isidro”

c. **Appointment of External Auditor for the Year 2019**

“RESOLVED, AS IT IS HEREBY RESOLVED, to appoint the auditing firm of Isla Lipana & Co. as the Corporation’s External Auditor for the fiscal year ending 31 December 2019”

8. **Date of Next Meeting**

The stockholders will be advised of the next meeting in due course.

9. **Closure**

There being no further business, the stockholders’ meeting was adjourned.

CERTIFIED CORRECT:

MA. ADELINA S. GATDULA
Corporate Secretary

ATTEST:

ROBERTO R. ROMULO
Chairman of the Board