

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

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
(No. 1 of 2018)

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, 21 March 2018, at 11:10 a.m. (Philippines).

Stockholders in Attendance: American International Overseas Limited
AIG Property Casualty International LLC
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: Mr. Rudi Spaan (AIG Asia Pacific Insurance Pte. Ltd.;
via teleconference)
Mr. Wilfredo R. Pangilinan
Ms. Michelle Annie Comia-Marasigan
Ms. Farah Del Valle-Repol
Ms. Ma. Adelina S. Gatdula (Picazo Law)
Ms. Ariane Mae V. Vallada (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. Wilfredo R. Pangilinan, Mr. Michael Florencio R. De Leon, Mr. Rene J. Buenaventura and Mr. Emmanuel Fernando O. Bautista.

3. **Approval of the Minutes of the Annual Stockholders' Meeting held on 31 March 2017**

The stockholders approved the minutes of the Annual Stockholders' Meeting held on 31 March 2017 as presented to them.

4. **Matters arising from the Minutes of the Annual Stockholders' Meeting held on 31 March 2017**

There were no new matters arising from the minutes of the Annual Stockholders' Meeting held on 31 March 2017.

5. **Approval, Ratification and Confirmation of the Acts of the Board of Directors, the Various Committees and Management from 31 March 2017 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 2017.

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

a. **Market Landscape**

During the year, the Philippine economy continued to be one of the best performers in the region by registering a GDP growth of 6.7% albeit slightly lower than 2016 and below the government's target of 7%. This was achieved in spite of the delay in the push in infrastructure spending as projects are slowly going through the bureaucratic vetting and approval process. Growth in private and government consumption together with capital formation slowed compared to prior year but faster export growth helped sustain a strong overall growth. Industry and services produced a significant part of the growth in economic output with agriculture recording a turnaround from last year by registering a good growth from last year's decline in production. Private consumption continued to account for a significant part of the economic demand fueled by steady unemployment rate at 5% and growth in the remittances from overseas Filipino workers. Government spending remained an important impetus for the local economy and the anticipated infrastructure push should help sustain growth momentum in the coming year particularly as more funds are raised from the recently passed tax reform law. Inflation has remained within the government's target range. However, inflation risks are currently seen in the short- and medium-term horizon as the effect of the new tax reform law starts to impact prices of basic goods. However, from a monetary policy perspective, it is believed that there is still adequate space in the economy to absorb the impact of a step-up interest hike. The local economy is expected to continue its growth trajectory in 2018 as the government fine tunes its fiscal position to support spending to spur economic activities.

The Insurance Commission preliminarily reported growth of 16.7%% in the non-life insurance sector's net premium income in 2017. This was driven mainly by higher sales in fire and motor insurance. According to the roster of the Insurance Commission, there are now currently 60 licensed non-life companies in the country. At the beginning of the year, the first step increase in the mandated minimum net worth to PhP550 million for all companies took effect, while the second step of bringing the minimum to PhP900 million will be in force by the end of 2019. The top 20 companies are expected to continue to capture 80% of the industry's Gross Premiums. Substantial capacity is further provided by multinational reinsurers. There has been no major catastrophe event that impacted the industry during the year. New regulations on capital and governance took effect in 2017 and the Insurance Commission is still fine tuning or revamping some outdated circulars.

b. **Company Performance**

The Company delivered a positive performance with Net Income for the year amounted to PhP57 million that was much lower than prior year's PhP272 million. This despite the severe fire loss incurred during the year and contraction in earned premium as the consumer

business exit gained traction in 2017. Net income generated by continuing operations amounted to PhP137 million while discontinued operations recorded a net loss of PhP80 million.

Overall, underwriting results was negative PhP62 million as losses and loss expenses grew substantially. Premium production declined by 12% largely due to the continuous impact of the consumer business exit with commercial business and referred business also contributing to the contraction during the year. Consumer business shed more than PhP211 million in gross premiums from 2016 or a decline of 60%. 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.

Gross premiums for commercial business were 5% lower than prior year. Casualty and Energy posted 13% and 34% decline, respectively, while all other lines registered single digit growth. Casualty's gross premiums for the year were impacted by lost accounts, renewal with lower coverage and movements in the timing of some renewals. Some new business was written but not enough to mitigate the decline. Financial Line's growth came mainly from new accounts on professional indemnity and cyber edge as these products gained some traction in industry verticals that the Company is targeting.

Growth for Property is largely attributed to new business, renewals with increased share and coverage and rate increase and non-recurring endorsements. There were also some accounts lost during the year due to risk deterioration but there was a net gain for this line at the end of the year. Marine also grew during the year boosted mainly by new business.

Decline in Energy premiums written is attributed to loss of a major petroleum refinery account and AIG hubbing strategy. Production from construction and mining risks, however, gained some grounds during the year due to new business and non-recurring endorsements. Referred business' negative growth was largely impacted by the extension of the expiring coverage of a major petroleum refinery accounts to five months instead of an outright renewal while details are being worked out for the eventual renewal of the coverage.

Net commission earned was lower during the year largely driven by lower production in Commercial and Consumer business and cessions to the treaty and due to reduction in the treaty commission rates. Loss and loss expenses rose significantly due to significant claims from Property including a severe fire loss in a casino.

Operating Expenses for the year were lower by 18%. The consumer business exit contributed to the decline in the personnel related costs, 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 as there have been no new projects and lower infrastructure costs were incurred. Provisions for doubtful accounts also substantially declined resulting from the improvement in collection efforts.

Investment and other income were down 11% largely due to lower fee income related to services rendered to affiliates and higher foreign exchanges losses. This was offset by higher gain on sale of equity investments as the market conditions considerably improve from previous year.

c. Moving Forward

With the change in executive leadership in the AIG global organization, 2018 will be a pivot year for the organization, where there is now greater push to achieve profitable growth after

transformation goals have been achieved. AIG has tagged 2018 as the 'Year of the Underwriters' as the organization optimizes its strength and technical expertise in underwriting to serve its customers better and maximize value for its stakeholders.

AIG Philippines has aligned its strategies for 2018 with the global organization's direction by designing seven strategic pillars to achieve its objective for growth, profitability and sustainable talent development. These pillars include industry focus areas, expansion and diversification, multinational strategy, distribution strategy, account retention, claims and marketing services and employee engagement and human capital development. Management is 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 2017**

“RESOLVED, as it is hereby resolved, that the Corporation's audited financial statements as of and for the year ended 31 December 2017, 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, and Mr. Wilfredo R. Pangilinan, Senior Vice-President for Finance and Accounting, 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 2017, 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 2018**

"RESOLVED, that Isla Lipana & Co. be reappointed as the Corporation's External Auditor for the year 2018."

d. **Reduction of Board of Directors seats from 9 to 7**

"RESOLVED, that the Corporation approve the decrease in the number of directors of the Corporation from nine (9) to seven (7) and consequently, the amendment of the SIXTH Article to read as follows:

"VI

That the number of directors of said corporation shall be Seven (7) and that the names, nationalities and residences of the directors of the corporation who are to serve until their successors are elected and qualified as provided by the by-laws are as follows, to wit: xxx"

e. **Change of Principal Address to 30th Floor, Philam Life Tower, 8767 Paseo de Roxas, Makati City**

"RESOLVED, that the Corporation approve the change in the Corporation's principal address and consequently, the amendment of the THIRD Article to read as follows:

"III.

The place where the principal office of the corporation is to be located or established is at 30th Floor, Philam Life Tower, 8767 Paseo de Roxas, Makati City. Philippines."

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
MA. ADELINA S. GATDULA
Corporate Secretary

ATTEST:

Roberto R. Romulo
ROBERTO R. ROMULO
Chairman of the Board