



## NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

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December 5, 2007

**THE PHILIPPINE STOCK EXCHANGE, INC.**

Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center  
Pasig City

Gentlemen:

Attached is a copy of a press release of A. M. Best Company in connection with their assignment of financial strength and issuer credit ratings for National Reinsurance Corporation of the Philippines. The press release was issued on Friday, November 30 at 3:11 a.m. local time. Please note that the A. M. Best is an independent credit rating agency and that NRCP has no control over the timing or content of their press release.

Sincerely,

A handwritten signature in black ink, appearing to read "John E. Huang".

**JOHN E. HUANG**

Senior Vice President/CFO

Press Release

## A.M. Best Assigns Ratings to National Reinsurance Corporation of the Philippines

Thursday November 29, 2:11 pm ET

OLDWICK, N.J.--(BUSINESS WIRE)--**A.M. Best Co.** has assigned a financial strength rating of B++ (Good) and an issuer credit rating of "bbb" to **National Reinsurance Corporation of the Philippines** (PhilNaRe) (Philippines). The outlook for both ratings is stable.

The ratings reflect the company's adequate risk-adjusted capitalization, established market presence in the Philippines, stable combined ratio and conservative investment portfolio. The ratings also recognize the Capital Enhancement Program (CEP) that the company has implemented since 2003.

Through a series of capital enhancements, PhilNaRe's capital and surplus stood at PHP 6.6 billion (USD 134 million) as at June 30, 2007. The company plans to further increase its capital through private placement with an institutional investor. In A.M. Best's view, PhilNaRe's current risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is adequate to support the company's forecasted premium growth until 2011. The company's net underwriting leverage stood at 0.25 times in 2006 and is expected to gradually increase to 0.4-0.5 times by 2011.

PhilNaRe invests over 80% of its invested assets in bonds and cash and deposits. The bonds portfolio mainly consists of government bonds. With this conservative investment portfolio, the company generates a stable investment income. Net investment yield stood at above 10% over the past five years, except during 2005.

Offsetting factors include high catastrophe exposure in the Philippines, high loss ratio in the marine line and reliance on few customers. The ratings also reflect the additional risk arising from the company's expansion plan into the foreign reinsurance market.

PhilNaRe is reliant on a small amount of customers to generate business. The top ten ceding companies contributed 77% of the company's total gross premiums written (GPW) in 2006. In addition, GPW generated from its largest customer, The Government Service Insurance System (GSIS), which is also PhilNaRe's major shareholder, accounted for 37% of its total GPW. As PhilNaRe further expands its business in coming years, it will naturally have a more diversified source of business.

A.M. Best believes that it will be a challenge for PhilNaRe to generate profitable business from foreign markets since it historically has focused on the domestic market, and its market presence is relatively weak in Asia. The company generates its business mainly from the domestic market. GPW generated from foreign markets contributed less than 5% of the company's total GPW in the past five years. Going forward, PhilNaRe is targeted to generate at least 10% of GPW from foreign markets by 2011.

**Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers. For more information, visit [www.ambest.com](http://www.ambest.com).**

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Source: A.M. Best Co.