



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

18TH FLOOR, PHILIPPINE AXA LIFE CENTRE, SEN. GIL PUYAT AVENUE CORNER TINDALO STREET, MAKATI CITY, PHILIPPINES
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July 3, 2008

Disclosure Department
Listing and Disclosure Group
4/F, Philippine Stock Exchange Center
PSE Center, Exchange Road
Ortigas Center, Pasig City

Attention: Atty. Pete M. Malabanan

Gentlemen:


We reply to your letter dated July 1, 2008 imposing a Php50,000.00 penalty to National Reinsurance Corporation of the Philippines (the "Company" or "PhilNaRe") for violation of Sections 4.1 and 4.4 of the Revised Disclosure Rules of the Exchange. In particular, you have pointed out in your letter that the share buy-back program approved during the Board meeting held on June 23, 2008 is material information that should be promptly disclosed to the Exchange.

Please note that the Board resolution for the share buy back program was subject to the confirmation of the availability of retained earnings to fund the program and compliance with the regulatory requirements of the Insurance Commission, the Securities and Exchange Commission and the Exchange. As such, the Company's management was tasked to first evaluate its current financial status in order to confirm the availability of funds for the share buy back program and ensure compliance with the regulatory and financial requirements, especially of the Insurance Commission.

The situation calls for a balance between two basic principles of the Disclosure Rules-timely disclosure vs. fair and accurate disclosure. Had the determination of the financial status of the company result to the finding that no sufficient funds exist to fund the share buy back program, such program would not have been disclosed to the Exchange, precisely because the Board resolution therefore was subject to the availability of funds and compliance with various regulatory requirements. In other words, since the condition for the Board approval of the share buy back program was only made known on June 24, 2008, the appropriate disclosure therefore could only be made on June 24, 2008. Suffice it to state that as soon as the Company's management became aware of the satisfaction of the condition set by the Board for the share buy back program, the appropriate disclosure was promptly submitted to the Exchange.

Upon the foregoing, and in the interest of a full, fair and accurate disclosure, we respectfully request that no penalties be imposed by the Exchange.

Very truly yours,



John E. Huang
Senior Vice President/CFO