



# NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

18<sup>TH</sup> FLOOR, PHILIPPINE AXA LIFE CENTRE, SEN. GIL PUYAT AVENUE CORNER TINDALO STREET, MAKATI CITY, PHILIPPINES  
TELS (632) 759-5801 TO 06 \* FAX (632) 759-5801 \* WEBSITE: www.nrcp.com.ph \* E MAIL : nrcp@nrcp.com.ph

July 3, 2009

**MS. JANET A. ENCARNACION**

Head, Disclosure Department  
The Philippine Stock Exchange, Inc.  
4<sup>th</sup> Floor, Philippine Stock Exchange Center  
Exchange Road, Ortigas Center  
Pasig City

Dear Ms. Encarnacion:

Attached is an amended SEC Form 17Q for the Company covering the quarter ended March 31, 2009. The amendment involves the inclusion of a section entitled *Financial Risk Disclosure* on page 7 of the report, as required by the SEC. There was also a minor correction in the number of shares outstanding on page 2.

Sincerely,

  
**JOHN E. HUANG**

Senior Vice President/CFO

# COVER SHEET

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S.E.C. Registration Number

NATIONAL REINSURANCE  
CORPORATION  
OF THE PHILIPPINES

(Company's Full Name)

18TH FLOOR PHILIPPINE AXA LIFE  
CENTER SEN. GIL J. PUYAT AVENUE  
CORNER TINDALO ST. MAKATI CITY

( Business Address : No. Street City / Town / Province )

JOHN E. HUANG

Contact Person

759-58-01

Company Telephone Number

1 2      3 1

Month      Day  
Fiscal Year

1 7 Q A

FORM TYPE

1st Quarter Ending 31 March 2009

0 6      2 2 09

Month      Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

Total No. of Stockholders

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document I.D.

Document I.D.

Cashier

Cashier

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Remarks = pls. use black ink for scanning purposes

**COVER SHEET**

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**

**("PhilNaRe")**

\_\_\_\_\_  
(Company's Full Name)

**18<sup>th</sup> Floor, Philippine AXA Life Centre Sen. Gil J. Puyat Avenue  
corner Tindalo St., Makati City, Philippines 1200**

\_\_\_\_\_  
(Company's Address)

**(632) 759-5801 to 06**

(Telephone Number)

**December 31**  
(Fiscal Year Ending)

**June 22, 2009**  
(Annual Meeting)

**SEC FORM 17-Q**

**A**

**Quarterly Report**

**1<sup>st</sup> Quarter Ending 31 March 2009**

(Form Type)

\_\_\_\_\_  
Amendment Designation (If applicable)

\_\_\_\_\_  
(Secondary License Type and File Number)

\_\_\_\_\_  
Cashier

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LCU

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DTU

**80118**  
\_\_\_\_\_  
S.E.C. REG. No.

\_\_\_\_\_  
Central Receiving Unit

\_\_\_\_\_  
File Number

\_\_\_\_\_  
Document I.D.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATIONS ACT AND SRC RULE 17 (2)(b) THEREUNDER**

For the quarter ended 31 March 2009

2. Commission identification Number 80118
3. BIR Tax Identification Number 000-480-869
4. **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**  
Exact name of registrant as specified in its charter
5. **PHILIPPINES**  
Province, country or other jurisdiction of incorporation or organization
6. Industry classification code  (SEC Use Only)
7. **18/F PHILIPPINE AXA LIFE CENTRE, SEN. GIL J. PUYAT AVE.** 1200  
**CORNER TINDALO STREET, MAKATI CITY** Postal Code  
Address of registrant's principal office

8. **(632) 759-5801 to 06**  
Registrant's telephone number, including area code

9. **Not applicable**  
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA as of quarter ended:

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
<b>Common</b>	<b>2,159,677,600</b>

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes  No

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such report);

Yes  No

(b) has been subject to such filing requirements for the past 90 days.

Yes  No

**PART 1. - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

- a. Balance Sheet as of 31 March 2009 and December 31, 2008.
- b. Income Statement for the Quarter Ended 31 March 2009 and 31 March 2008.
- c. Statement of Changes in Stockholders Equity for the Quarter Ended 31 March 2009 and 31 March 2008.
- d. Statement of Cash Flows as of 31 March 2009 and 31 March 2008.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, 1<sup>st</sup> Quarter**

**Results of Operations**

**Reinsurance Premium Income**

Reinsurance premiums for the three months ended March 31, 2009 increased by 13.6% to P824M from P726M for the three months ended March 31, 2008. Major sources of premium growth during the period included the life and casualty lines. Notwithstanding the growth in gross premiums, net premiums retained in the first quarter of 2009 decreased by 2.9% to P336 million from P346 million during the comparable period in 2008. The lower retention ratio of 41% during 1<sup>st</sup> Qtr. 2009, compared to 48% during 1<sup>st</sup> Qtr. 2008, was due to the Company's adopting more conservative underwriting standards in reaction to a higher level of claims and losses in prior underwriting years.

Premiums earned increased by 11.7%, from P320 million to P357 million due to a decrease of P 21.2 million in the reserve for unexpired risk during 1<sup>st</sup> Qtr. 2009. In 1<sup>st</sup> Qtr. 2008, the reserve for unexpired risk increased by P26.2 million after application of the 24<sup>th</sup> method of recognizing reinsurance premiums.

**Underwriting Deductions**

Share in claims and losses amounted to P462 million in 1<sup>st</sup> Qtr. 2009 as against P160 million in 1<sup>st</sup> Qtr. 2008, an increase of P301 million or 188.2%. The majority of claims booked during the quarter were from loss events occurring in the 2008 underwriting year which resulted from a series of catastrophic events (e.g. typhoon, flood). Underwriting results were also negatively affected by losses in the Company's foreign marine hull business. While the Company's life and casualty reinsurance businesses generated positive underwriting results for 1<sup>st</sup> Qtr. 2009, these were not sufficient to offset negative performance in the fire and marine lines. Consequently, the Company's overall loss ratio increased to 129% in 1<sup>st</sup> Qtr. 2009 from 50% in 1<sup>st</sup> Qtr. 2008.

Net commissions increased by P38.9 million or 79.3% in 1<sup>st</sup> Qtr. 2009 compared to 1<sup>st</sup> Qtr. 2008, due to the higher level of retroceded premiums. Commission ratio thus increased from 14% in 1<sup>st</sup> Qtr. 2008 to 26% in 1<sup>st</sup> Qtr. 2009.

**Investment and Other Income**

Investment and other income in 1<sup>st</sup> Qtr. 2009 increased by 43.5% to P124 million from P86 million in 1<sup>st</sup> Qtr. 2008. The growth was largely due to increases in trading and foreign exchange gains even as interest income grew by only 1.7% during the period. Trading gains resulted from a more favorable market environment while the foreign exchange gains resulted from the depreciation of the Philippine Peso vis-à-vis the U.S. Dollar. The Company maintains a certain portion of its investible funds in U.S. Dollars.

**General and Administrative Expenses**

General and administrative expenses increased by 16.3% to P39.4 million in 1<sup>st</sup> Qtr. 2009 from P33.9 million in 1<sup>st</sup> Qtr. 2008, primarily because of manpower and travel-related marketing expenses. Manpower costs were affected by salary adjustments made during the second half of 2008 as well as by the hiring of temporary contractual labor.

**Provision for Income Tax**

Tax expense for the 1<sup>st</sup> Qtr. 2009 was 88% lower than the 1<sup>st</sup> Qtr. 2008 because of the underwriting loss for 1<sup>st</sup> Qtr. 2009. Tax expense of 1<sup>st</sup> Qtr. pertains only to final tax on investment income.

**Net Income (Loss)**

The Company showed a net loss of P124 million in the 1<sup>st</sup> Qtr. 2009 as against net income of P110 million in the 1<sup>st</sup> Qtr. 2008.

**Financial Condition**

Total resources as of end 1<sup>st</sup> Qtr. 2009 stood at P11.7 billion, P575 million or 4.7% lower than the total assets of P12.3 billion as of December 31, 2008. Material changes in the company's resources are described below:

**Cash and cash equivalents (P1,125M vs. P1,149M)**

Cash and cash equivalents declined by P24.1 million due to settlement of certain reinsurance balances payable during the 1<sup>st</sup> Qtr. 2009.

**Reinsurance balances receivable-net (P3,873M vs. P4,353M)**

Reinsurance balances receivable declined by P481 million or 11% due to collections received for the 1<sup>st</sup> Qtr. 2009.

**Available-for-sale financial assets (P5,439M vs. P5,285M)**

Available for sale financial assets (AFS) increased by P154 million or 2.9% due to maturities of time deposit which were shifted to AFS financial assets.

**Loans and Receivables (P139M vs. P196M)**

Loans and receivables declined by P56 million or 28.8% mainly due to collection of accrued interest income (P47 million).

**Property and Equipment, net (P85M vs. P86M)**

Property and equipment, net of accumulated depreciation amounted to P85 million, a slight decrease of P1.5 million or 1.8%, mainly due to recorded depreciation for the period of P2 million and retirement of various company assets (P.5 million)

**Deferred Acquisition Cost (P182M vs. P201M) and  
Deferred Reinsurance Premium (P688M vs. P827M)**

Applying the 24<sup>th</sup> method of revenue recognition, deferred acquisition cost and deferred reinsurance premium decreased by P18.1 million or 9% and P140 million or 17% respectively, reflecting portions of reinsurance premiums written as of December 31, 2008 that were earned as of March 31, 2009.

**Deferred Input Value Added Tax (P57M vs. P64M)**

Deferred input value added tax decreased by P7 million or 11% due to payment of VAT payable as of 1<sup>st</sup> Quarter 2009.

**Other Assets (P108M vs. P109M)**

Other assets were at P108 million as of 1<sup>st</sup> Qtr. 2009, P1 million lower than 2008 figure of P109 million due to recorded depreciation on investment properties (P0.6 million).

**Liabilities (P5,862M vs. P6,322M)**

Total liabilities decreased by P460 million or 7.3% from P6.3 billion to P5.9 billion in 1<sup>st</sup> Qtr. 2009. The decrease in total liabilities is explained below:

**Reinsurance balances payable (P4,469M vs. P4,706M)**

Reinsurance balances payable decreased by P237 million or 5% from P4,706 million at year end 2008 to P4,469 million in 1<sup>st</sup> Qtr. 2009 mainly due to settlement of certain reinsurance balances payable.

**Accounts payable and accrued expenses (P34M vs. P45M)**

Payment of withholding taxes and expenses brought down the balance of accounts payable and accrued expenses by P11 million or 25.3% as of 1<sup>st</sup> Qtr. 2009.

- **Reserve for Unearned Reinsurance premium (P1,192M vs. P1,353M)**  
**Deferred Reinsurance Commission (P95M vs. P108M)**

Reserve for unearned reinsurance premium and deferred reinsurance commission decreased by P161 million or 11.9% and P14 million or 12.6%, respectively. During the 1<sup>st</sup> Qtr. 2009, as portions of deferred reinsurance premiums at year end 2008 are deemed earned under the 24<sup>th</sup> method of revenue recognition, there is a corresponding reduction in the associated reserve for unearned reinsurance premium and deferred reinsurance Commission

**Deferred Output Value Added Tax (P72M vs. P109M)**

Deferred output value added tax decreased by P37 million or 33.8% to P72 million as of 1<sup>st</sup> Qtr. 2009 from P109 million at year end 2008 due to payment of VAT payable as of 1<sup>st</sup> Qtr. 2009.

**Equity (P5,835M vs. P5,950M)**

Stockholders equity decreased by P114.9 million or 1.93% to P5.835 billion from P5.950 billion at year end 2008 due to net loss of P124 in 1<sup>st</sup> Qtr. 2009.

**Key Performance Indicators:**

	1 <sup>st</sup> Qtr. 2009	1 <sup>st</sup> Qtr. 2008	% Inc./ Dec.
1. Net Income (Loss)	(P 124 million)	P 110 million	(212.8%)
2. Earnings per share (a)	(P 0.06)	P 0.05	(215.1%)
3. Retention ratio (b)	41.0%	48.0%	
4. Combined ratio (c)	167.00%	74.03%	
5. Return on average equity	( 2%)	2.0%	

- (a) Net income divided by weighted average number of shares issued.
- (b) Reinsurance premiums retained divided by reinsurance premiums (Gross premiums written or GPW).
- (c) Sum of loss ratio (129% / 50%) commissions ratio (26% / 14%) and expense ratio (12% / 10%).

Net Income (NI)- The Company showed a net loss of P124 million in 1<sup>st</sup> Qtr. 2009 as against a net income of P110 million in 1<sup>st</sup> Qtr. 2008.

Earnings per share (EPS)-The Company's EPS was at (P.06) and P.05 as of 1<sup>st</sup> Qtr. 2009 and 2008 respectively.

Retention ratio-The retention ratio was at 41% and 48% in 2009 and 2008 respectively.

Combined ratio-Combined ratio was at 167% for the 1<sup>st</sup> Qtr 2009.

Return on average equity (ROE)-Return on average equity were at (2%) and 2% for the 1<sup>st</sup> Qtr. 2009 and 2008 respectively.

**Discussion and Analysis of Material Events and Uncertainties:**

NRCP has nothing to report on the following:

- a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.

- b) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- c) Material off balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d) Any material commitments for capital expenditures.
- e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- f) Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- g) Any seasonal aspects that had a material effect on the financial condition or results of operations.

### **Financial Risk Disclosure**

The Company's investments are regulated under the pertinent provisions of Presidential Decree No. 1460 (as amended), otherwise known as The Insurance Code of the Philippines. The Insurance Code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all investments. The Company provides the IC with a monthly report on all investments made during the previous month. The IC reviews the investments and may require the immediate sale or disposal of investments deemed too risky.

A portion of the Company's funds are invested in equities. Section 200 of the Insurance Code provides, among other things, that insurance companies may only invest in common stock of Philippine corporations which have a prior three-year dividend payment record. Moreover, the same section limits exposure to any one institution to 10% of an insurer's total admitted assets.

Beyond the provisions of the Insurance Code, the Company, through its Investment Committee, has established additional guidelines to control the risks inherent in equity investments. The Company's own investment policy requires that the Company invest only in shares of common stock of companies that are listed on the Philippine Stock Exchange. Furthermore, these listed companies must have profitable business operations and market capitalization which are on a scale that would qualify them as blue chips.

The Company also invests in fixed income securities. The Company attempts to limit interest rate risk by establishing limits on the duration and average maturity of its fixed income portfolio. Investments in fixed income securities are made primarily to ensure adequate cash flow from investments to meet cash requirements. Moreover, investment in fixed income securities are limited only to securities issued by entities of undisputedly strong creditworthiness and to those instruments which have active secondary or resale markets to allow for transparent valuation and immediate liquidation in the event of market turmoil.

A certain portion of the Company's investments are in foreign currencies, particularly the U.S. Dollar. These investments are monitored closely and are limited to dollar-denominated obligations backed by the full faith and credit of the Republic of the Philippines (ROPs).

The Company does not invest in foreign securities nor does it invest in complex financial securities or derivatives. The Company's financial assets are generally classified as available-

for-sale (AFS) and are measured at fair value. For investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date. The Company has not made nor does it intend to make any reclassification of financial assets held as investments.

**PART 11. - OTHER INFORMATION**

B. No other material information.

**NATIONAL REINSURANCE CORPORATION  
OF THE PHILIPPINES**  
(Registrant)



**JOHN E. HUANG**  
Chief Finance Officer



**ARMANDO S. MALABANAN**  
Chief Operating Officer

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**  
**BALANCE SHEET**

March 31, 2009 and December 31, 2008

	<u>Notes</u>	March 2009 <u>(Unaudited)</u>	Dec. 2008 <u>(Audited)</u>	<u>Changes</u>
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS	2	1,125,437,966	1,149,558,287	(24,120,321)
REINSURANCE BALANCES RECEIVABLE-net	3	3,872,521,859	4,353,404,620	(480,882,761)
AVAILABLE-FOR-SALE FINANCIAL ASSETS	4	5,439,043,446	5,284,585,889	154,457,557
LOANS AND RECEIVABLES	5	139,329,991	195,738,148	(56,408,157)
PROPERTY AND EQUIPMENT-NET	6	85,035,554	86,546,717	(1,511,163)
DEFERRED ACQUISITION COST		182,480,015	200,656,735	(18,176,720)
DEFERRED REINSURANCE PREMIUMS	7	687,624,920	827,251,651	(139,626,731)
DEFERRED INPUT VALUE ADDED TAX		57,324,799	64,455,903	(7,131,104)
OTHER ASSETS	8	107,946,497	109,444,086	(1,497,589)
<b>TOTAL ASSETS</b>		<b>11,696,745,047</b>	<b>12,271,642,036</b>	<b>(574,896,989)</b>
<b>LIABILITIES AND EQUITY</b>				
REINSURANCE BALANCES PAYABLE	3	4,468,619,346	4,705,635,537	(237,016,191)
ACCOUNTS PAYABLE & ACCRUED EXPENSES	9	33,976,674	45,463,886	(11,487,212)
RESERVE FOR UNEARNED REINSURANCE PREMIUMS	7	1,192,232,151	1,353,110,258	(160,878,107)
DEFERRED REINSURANCE COMMISSIONS		94,722,104	108,339,395	(13,617,291)
DEFERRED OUTPUT VALUE ADDED TAX		72,403,872	109,378,539	(36,974,667)
<b>TOTAL LIABILITIES</b>		<b>5,861,954,147</b>	<b>6,321,927,615</b>	<b>(459,973,468)</b>
<b>EQUITY</b>				
Capital Stock	14	2,181,954,600	2,181,954,600	
Additional Paid in Capital		3,019,218,458	3,019,218,458	
Treasury Stocks		(40,081,811)	(40,081,811)	-
Revaluation reserve		(160,431,414)	(169,811,574)	9,380,160
Retained Earnings		834,131,067	958,434,748	(124,303,681)
Total Equity		5,834,790,900	5,949,714,421	(114,923,521)
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>11,696,745,047</b>	<b>12,271,642,036</b>	<b>(574,896,989)</b>

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**  
**INCOME STATEMENTS (unaudited)**

For the period January 1, 2009 to March 31, 2009

(With comparative figures for the period Jan. 1, 2008 to March 31, 2008)

		<u>March 2009</u>	<u>March 2008</u>	<u>Inc(Dec)</u>	<u>%</u>
<b>Reinsurance Premium Income</b>					
Reinsurance premiums		824,218,017	725,693,655	98,524,362	13.58%
Retroceded premiums		488,102,785	379,569,219	108,533,566	28.59%
Net Premiums retained		<u>336,115,232</u>	<u>346,124,436</u>	<u>(10,009,204)</u>	-2.89%
Inc. in reserve for unexpired risk	7	<u>21,251,375</u>	<u>(26,235,547)</u>	<u>47,486,922</u>	-181.00%
Premiums Earned		<u>357,366,607</u>	<u>319,888,889</u>	<u>37,477,718</u>	11.72%
<b>Underwriting deductions</b>					
Share in claims & losses		461,632,449	160,183,973	301,448,476	188.19%
Commissions, net		87,900,398	49,025,789	38,874,609	79.29%
	11	<u>549,532,847</u>	<u>209,209,762</u>	<u>340,323,085</u>	162.67%
<b>Net Underwriting Income</b>		<u>(192,166,240)</u>	<u>110,679,127</u>	<u>(302,845,367)</u>	-273.62%
<b>Investments and Other Income (Charges)</b>					
Interest		97,278,736	95,655,934	1,622,802	1.70%
Foreign currency gain (losses)		15,518,773	8,138,868	7,379,905	90.67%
Others		11,292,830	(17,344,485)	28,637,315	-165.11%
<b>Investment and Other Income</b>	10	<u>124,090,339</u>	<u>86,450,317</u>	<u>37,640,022</u>	43.54%
<b>Income after Investment Income</b>		<u>(68,075,901)</u>	<u>197,129,444</u>	<u>(265,205,345)</u>	-134.53%
<b>General and Administrative Expenses</b>	12, 13	<u>39,400,088</u>	<u>33,883,911</u>	<u>5,516,177</u>	16.28%
<b>Income Before Tax</b>		<u>(107,475,989)</u>	<u>163,245,533</u>	<u>(270,721,522)</u>	-165.84%
<b>Tax Expense</b>		<u>16,827,692</u>	<u>53,100,382</u>	<u>(36,272,690)</u>	-68.31%
<b>Net Income</b>		<u>(124,303,681)</u>	<u>110,145,151</u>	<u>(234,448,832)</u>	-212.85%
<b>Earnings (loss) per Share</b>	16	<b>(0.06)</b>	<b>0.05</b>		

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**  
**STATEMENT OF CHANGES IN EQUITY (unaudited)**  
**As of March 31, 2009 and 2008**

	<u>Notes</u>	<u>March 2009</u>	<u>March 2008</u>
<b>CAPITAL STOCK - P1 par value</b>			
Authorized - 3,000,000,000 shares			
Issued -2,181,954,600 shares in 2009 and 2008	14	<u>2,181,954,600</u>	<u>2,181,954,600</u>
<b>ADDITIONAL PAID IN CAPITAL</b>		<u>3,019,218,458</u>	<u>3,019,218,458</u>
<b>TREASURY SHARES (at cost)</b>	14	<u>(40,081,811)</u>	
<b>REVALUATION RESERVE</b>			
Balance at beginning of the year		(169,811,574)	175,513,508
Changes during the period		<u>9,380,160</u>	<u>(164,677,435)</u>
		<u>(160,431,414)</u>	<u>10,836,073</u>
<b>RETAINED EARNINGS</b>			
Appropriated for contingencies			
Balance at beginning of the year		221,334,777	211,890,435
Additional appropriations			11,014,515
	14	<u>221,334,777</u>	<u>222,904,950</u>
Unappropriated			
Balance at beginning of the year		737,099,971	1,088,491,813
Net Income (loss)		(124,303,681)	110,145,150
Appropriated for contingencies			(11,014,515)
		<u>612,796,290</u>	<u>1,187,622,448</u>
		<u>5,834,790,900</u>	<u>6,622,536,529</u>

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**  
**CASH FLOW STATEMENTS (unaudited)**  
**For the three months period ended March 31, 2009 and March 31, 2008**

	<u>March 2009</u>	<u>March 2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before tax		P 163,245,532
Adjustments for:		
Increase in reserve for unexpired risks	(21,251,376)	26,235,547
Unrealized foreign currency loss	(18,604,371)	(10,006,825)
Depreciation	2,615,594	2,690,165
Interest income	(97,278,736)	(95,655,934)
Dividend income	(3,117,428)	(5,155,412)
Operating income before working capital changes	<u>(245,112,306)</u>	<u>81,353,073</u>
(Increase)Dec. in reinsurance balances receivable	488,161,255	(88,070,415)
(ncrease) Dec. in deferred input value added tax	7,131,103	13,423,916
Decrease (increase) in deferred acquisition costs	4,559,429	(10,709,785)
(Increase) in other assets	915,078	101,537
(Increase) Decrease in loans and receivables	9,923,623	10,885,979
Increase (decrease) in reinsurance balances payable	(243,613,581)	13,240,252
Increase (Dec.) in deferred output value added tax	(36,974,667)	(30,228,401)
Increase (decrease) in accounts payable and accrued exp.	(11,487,213)	(3,684,770)
Cash generated from (used in) operations	<u>(26,497,279)</u>	<u>(13,688,614)</u>
Cash paid for income taxes	<u>(17,185,355)</u>	<u>(20,245,395)</u>
 Net Cash From (Used in) Operating Activities	 <u><b>(43,682,634)</b></u>	 <u><b>(33,934,009)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposals (acquisitions) of:		
Available-for-sale financial assets	(133,501,098)	(768,234,263)
Property and equipment	(521,919)	(1,266,612)
Interest received	143,763,270	133,214,506
Dividends received	<u>3,117,428</u>	<u>5,155,412</u>
 Net Cash From (Used in) Investing Activities	 <u><b>12,857,681</b></u>	 <u><b>(631,130,957)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisitions/payments of:		
Treasury Shares		
 Net Cash From (Used in) Financing Activities		
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 <b>(30,824,953)</b>	 <b>(665,064,966)</b>
 <b>EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS</b>	 <b>6,704,632</b>	 <b>464,934</b>
 <b>CASH AND CASH EQUIVALENTS -January 1</b>	 <u><b>1,149,558,287</b></u>	 <u><b>1,346,912,651</b></u>
 <b>CASH AND CASH EQUIVALENTS -March 31</b>	 <u><b>P 1,125,437,966</b></u>	 <u><b>P 682,312,619</b></u>

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**  
**Notes and Other Disclosures**

- 1** The financial statements of the Company had been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board.

The Financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on historical cost basis, except for the revaluation of certain financial assets.

**2. Cash and Cash Equivalents**

This account consists of:

	March 2009	December 2008
Time Deposits/Short-Term Investment	P 999,739,962	P 998,613,936
Cash on hand and in banks	125,698,004	150,944,351
	<b>P 1,125,437,966</b>	<b>P 1,149,558,287</b>

**3. Reinsurance Balances**

The details of reinsurance balances are as follows:

	March 2009	December 2008
Reinsurance balances receivable:		
Due from ceding companies	P 1,256,327,977	P 1,668,805,661
Reinsurance recoverable on losses	2,642,264,535	2,712,140,393
Funds held by ceding companies	113,523,973	112,053,192
	4,012,116,485	4,492,999,246
Allowance for impairment	( 139,594,626)	( 139,594,626)
	<b>P 3,872,521,859</b>	<b>P 4,353,404,620</b>
Reinsurance balances payable:		
Due to retrocessionaires	P 734,861,958	P 1,105,595,785
Claims payable	3,649,992,895	3,516,236,597
Funds held for retrocessionaires	83,764,493	83,803,155
	<b>P 4,468,619,346</b>	<b>P 4,705,635,537</b>

**4. Available-for-Sale Financial Assets**

The amounts in the balance sheets are composed of the following financial assets:

	March 2009	December 2008
Bonds	P 4,812,893,911	P 4,720,548,819
Equity securities	449,232,130	424,397,280
Investment in Asian Re shares	86,014,213	84,355,004
Various funds	90,903,192	55,284,786
	<b>P 5,439,043,446</b>	<b>P 5,284,585,889</b>

## 5. Loans and Receivables

This account includes the following:

	March 2009	December 2008
<b>Current:</b>		
Accrued interest receivable	<b>P 47,331,739</b>	<b>P 93,816,273</b>
Term Loans		
Others	<b>635,428</b>	<b>10,134,828</b>
<b>Non-current</b>		
Term Loans	<b>80,000,000</b>	<b>80,000,000</b>
Loans receivable	<b>11,362,824</b>	<b>11,787,047</b>
	<b>P 139,329,991</b>	<b>P 195,738,148</b>

## 6. Property and Equipment

Presented below are the gross carrying amounts and accumulated depreciation of property and equipment.

	Cost	Accumulated Depreciation	Net Carrying Amount
Condominium units	P 104,227,734	P 34,762,102	P 69,465,632
Office improvement	14,284,102	11,284,086	3,000,015
Office furniture/equipt.	9,532,486	8,878,487	653,999
Transportation equipt.	13,403,920	5,362,431	8,041,489
EDP equipment	16,183,451	12,309,033	3,874,419
	<b>P 157,631,693</b>	<b>P 72,596,138</b>	<b>P 85,035,554</b>

## 7. Deferred Reinsurance Premiums and Reserve for Unearned Reinsurance Premiums

The movements in these accounts are as follows:

	Deferred Reinsurance Premiums	Reserve for Unearned reinsurance premiums
Balance at beg. of year-January 1, 2009	<b>P 827,251,651</b>	<b>P 1,353,110,258</b>
Increase (decrease) during the period	<b>( 139,626,731)</b>	<b>( 160,878,107)</b>
Balance at end of quarter-Mar. 31, 2009	<b>P 687,624,920</b>	<b>P 1,192,232,151</b>

Deferred Reinsurance Premiums pertain to the portion of reinsurance premiums ceded out that relate to the unexpired periods of the policies at balance sheet date.

Reserve for Unearned reinsurance premiums is the portion of reinsurance premiums assumed that relate to the unexpired periods of the policies at balance sheet date.

The difference between the increase in Deferred Reinsurance Premiums and Reserve for Unearned reinsurance premiums for the year is presented as Increase in Reserve for Unearned Reinsurance Premiums in the income statements.

## 8. Other Assets

The Other Assets account includes the following:

	March 2009	December 2008
Investment property	P 37,992,498	P 38,575,009
Deferred withholding VAT	9,439,464	13,382,875
Input VAT	28,332,458	31,352,419
Creditable expanded withholding tax	16,774,651	16,774,651
Prepayments	9,029,469	3,196,500
Deposit	577,407	573,907
Security fund	192,888	192,888
Others	5,607,662	5,395,837
	<b>P 107,946,497</b>	<b>P 109,444,086</b>

Investment properties consist of condominium units and improvements which are owned for investment purposes only.

Deferred withholding VAT represents unapplied input taxes resulting from unpaid premiums on ceded out transactions.

Prepayments include substantially prepaid insurance on property and equipment and group life insurance.

Security fund represents amount deposited with the Insurance Commission (IC). The fund was created under Section 367 of Presidential Decree No. 612, as amended under Presidential Decree

No. 1640, to be used for the payment of valid claims against insolvent insurance companies. The balance of the fund earns interest at rates determined by the IC annually.

## 9. Accounts Payable and Accrued Expenses

This account includes the following:

	March 2009	December 2008
Defined benefit liability	P 28,897,908	P 28,897,908
Withholding taxes payable	1,662,042	1,866,518
Accrued expenses payable	1,138,077	12,175,498
Accounts payable and other liabilities	2,278,647	2,523,962
	<b>P 33,976,674</b>	<b>P 45,463,886</b>

The fair values of accounts payable and accrued expenses have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheets to be a reasonable approximation of their fair values.

**10. Investment and Other Income**

The details of this account follow:

	March 2009	March 2008
Interest	P	P 95,655,934
Trading gain	7,515,286	246,352
Dividend income	3,117,428	5,155,412
Gain (loss) on sale of stocks	762,938	( 22,543,794)
Foreign exchange gain (loss)	15,518,773	8,138,868
Miscellaneous	( 102,822)	( 202,455)
	<b>P 124,090,339</b>	<b>P 86,450,317</b>

**11. Underwriting Deductions****11.1 Share in claims and losses**

This account represents the aggregate amount of the Company's share in net losses and claims relative to its acceptances under treaty and facultative reinsurances.

**11.2 Commissions-net**

This account consists of the following:

	March 2009	March 2008
Commission expense	P 156,142,396	P 101,187,585
Reinsurance revenue	68,241,998	52,161,796
	<b>P 87,900,398</b>	<b>P 49,025,789</b>

Commission expense refers to fees deducted by ceding companies from reinsurance premiums assumed during the period under treaty and facultative agreements.

Reinsurance revenues pertain to fees charged by the Company related to reinsurance premiums retroceded during the period under treaty and facultative agreements.

## 12. General and Administrative Expenses

The details of this account follow:

	March 2009	March 2008
Salaries and employee benefits	P 25,767,655	P 24,092,725
Professional fees	2,347,575	2,178,139
Depreciation	2,615,594	2,690,165
Taxes, licenses and fees	1,081,105	1,201,587
Representation and entertainment	1,043,689	411,053
Transportation & traveling	1,026,385	473,364
Association & pool	695,162	104,481
Advertising and publicity	210,017	779,555
Light and water	443,496	473,507
Communication and postages	376,959	269,761
Contract labor	2,271,255	87,990
Printing and office supplies	268,097	160,417
Repairs and maintenance	237,926	132,883
Insurance	285,811	237,970
Miscellaneous	729,362	590,314
	<b>P 39,400,088</b>	<b>33,883,911</b>

## 13. Employee Benefits

### *Short-term Benefits*

Expenses recognized for employee benefits are presented below:

	March 2009	March 2008
Salaries and wages	P 20,694,012	P 14,448,839
Allowances and bonus	1,295,480	5,747,469
Retirement	1,832,030	1,485,746
Separation benefits	-	1,680,914
Social security costs	443,143	425,711
Others	1,502,990	304,046
	<b>P 25,767,655</b>	<b>P 24,092,725</b>

## 14. Equity

### *14.1 Capital Stock*

Capital Stock consists of:

Common shares-P1 par value

Issued:

Number of shares  
Amount

	March 2009	March 2008
	<b>2,181,954,600</b>	<b>2,181,954,600</b>
	<b>P 2,181,954,600</b>	<b>P 2,181,954,600</b>

#### 14.2 Appropriation for Contingencies

On April 18, 1989, the Company's Board of Directors approved the establishment of a special reserve which will serve as cushion to the paid-up capital in the event of extraordinarily high loss occurrences or severe catastrophic losses. The amount of P5,000,000 was initially appropriated from retained earnings for this purpose on April 30, 1939. Subsequently, at December 31 of each year where there is profit, ten percent (10%) of such profit shall be set aside as additional reserve for contingencies. The reserve balance, which is shown as Appropriated under Retained Earnings account in the statements of changes in equity, should not exceed, at any time, the amount of paid-up capital. The balance of appropriation for contingencies amounted to P221,334,777 and P222,904,950 as of March 31, 2009 and 2008, respectively.

#### 15. Related Party Transactions

The Company's related parties include its principal stockholders, the Company's key management personnel and other related parties with which the Company had transactions carried out on an arm's length basis.

##### 15.1 Reinsurance accounts with related parties

Reinsurance balances receivable from and payable to related parties are as follows:

	March 2009	December 2008
Due from ceding companies	P366,687,139	P 554,211,494
Reinsurance recoverable on losses	66,006,998	33,196,941
Funds held by ceding companies	45,939,509	45,448,771
Due to retrocessionaires	(44,515,938)	( 36,881,959)
Funds held for retrocessionaires	( 151,389)	( 112,727)

##### 15.2 Bank accounts

The Company maintains savings and current accounts and time deposits with Bank of the Philippine Islands (BPI). The details of which follow:

	March 2009	December 2008
Time Deposits	P 21,115,615	P 205,056,480
Savings and current accounts	2,896,037	3,451,311
	P 24,011,652	P 208,507,791

##### 15.3 Investment Management and custodianship

The Company has entered into agreements known as "Investment Management Agreement" and "Custodianship Agreement" with BPI for the management and custodianship of substantially all investments of the Company subject to terms and conditions in the said agreements. For the services rendered, the Company pays BPI service fees equivalent to 0.175% of the market value of the investments. Total Service fees paid as of 1st Quarter 2009 amounted to P 579,959.

#### 15.4 Retirement Fund Investment Management

The Company has entered into a "Retirement Fund Investment Management Agreement" with BPI for the management of the investments of the Company's retirement funds subject to the terms and conditions in the said agreement.

#### 16. Earnings (loss) Per Share

The earnings per share amounts are as follows:

	March 2009	March 2008
Net income available to common shareholders	P ( 124,303,681 )	P 110,145,150
Divided by the average number of outstanding common shares	2,159,677,600	2,181,954,600
	(P .06 )	P .05

#### 17. Other SEC requirements

The following information, as a minimum, should be disclosed in the notes to financial statements, if material and if not disclosed elsewhere in the interim financial report:

<ul style="list-style-type: none"> <li>Explanatory comments about the seasonality or cyclical nature of interim operations</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>The nature and amount of changes in estimates of amounts reported in prior interim periods of the current fiscal year or changes in estimates of amounts reported prior financial years, if those changes have a material effect in the current interim period</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>Issuances, repurchases, and repayments of debt and equity securities</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>Dividends paid (aggregate or per share) separately for ordinary shares and other shares</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting. ( This shall be provided only if the issuer is</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report.</li> </ul>

required to disclose segment information in its annual financial statements)	
<ul style="list-style-type: none"> <li>• Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report.</li> </ul>
Changes in contingent liabilities or contingent assets since the last annual balance sheet date	<ul style="list-style-type: none"> <li>• Nothing to report.</li> </ul>
<ul style="list-style-type: none"> <li>• Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report.</li> </ul>

**AGING OF REINSURANCE BALANCES RECEIVABLE**

As of March 31, 2009

(In million pesos)

	<u>Total</u>	<u>Below 360 days</u>	<u>Over 360 days</u>
Due from Ceding Companies	1,256	776	480
Reinsurance recoverable on paid losses	343	60	283
Reinsurance recoverable un unpaid losses	2,299	2,299	-
Funds Held by Ceding companies	114	114	-
	<u>4,012</u>	<u>-</u>	<u>-</u>
Allowance for impairment*	<u>(140)</u>		
	<u>3,872</u>		

\*Our policy on providing provision on receivables of more than one year is by specific identification method and each account has been subjected to impairment test.