



Message of the President

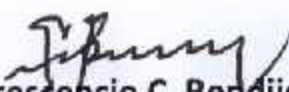
A road block is an obstacle for the weak but a stepping stone for the strong. Since its founding 110 years ago, Philippines First Insurance Corporation has faced numerous obstacles which it has always managed to overcome. 2016 was no exception as the non-life insurance industry found itself in very challenging times. Industry challenges brought on by the required increase in capitalization, losses from natural calamities which have evolved into a certainty rather than a contingency and, of course, the increasingly competitive market have put industry players to the test. While some companies went on survival mode, our company continued to focus on growth.

A new senior management team was formed led by Mr. William H. Tanco as Managing Director and the undersigned as your President & Chief Operating Officer. Joining us also were Mr. Segundo Enrique A. Acosta as First Vice President for Operations and Mr. Everest S. Bungay as Vice President for Sales and Marketing. Together, our management team embarked on key strategic thrusts aimed at sustaining growth. The agency distribution channel was strengthened through recruitment of new agents. This initiative was complemented by synergy with our financial service affiliates which allowed their agency channel to cross sell our products. In order to support our distribution and administration, operational efficiency was likewise addressed with the acquisition of the General Insurance Information System (GenlISys). The new system is web based thus giving our head office online, real time access to our branches. This greatly improved the exchange, processing and storage of critical management information. Your company also shifted from a proportional treaty to an excess of loss treaty rendering us more flexible and competitive in accepting risks and increasing our retention capacity.

Our company's initiatives bore fruit but also had its share of setbacks. Our Gross Premiums Written posted a modest growth of 7.58% from P294.42M to P316.73M. Both Direct Business and Assumed Business grew, the former by 8.65% and the latter by 13.6%. Our Net Premiums Written grew significantly by 51.52% from P150.6M to P228.2M. The marked improvements in Assumed Business and Net Premiums Written are a direct result of our shift to an excess of loss treaty. In spite of the growth in

revenue, our Net Income decreased by 69.77% from P107.91M to P32.62M mainly due to a decrease in income from our investment in affiliates. Shareholder's Equity was increased from P437.50M to P650M to comply with the paid-up capitalization requirement of the Insurance Commission. This, coupled with the decrease in our Net Income, resulted in a marked decrease in Return on Equity from 24.67% to 5.02%. While we posted a positive Net Income, we actually experienced a loss from operations with a Combined Ratio of 110.64%. On a positive note, this was an improvement from the previous year's Combined Ratio of 116.10%. We managed our expenses well which resulted in our General Administrative Expense ratio improving from 54.15% to 40.7%. We likewise controlled our cost of acquiring new business resulting in our Acquisition Cost ratio improving from 26.58% to 24.88%. It was our Loss Ratio which increased from 35% to 45%, that adversely affected our results from operations. It was our Investment & Other Income which grew by 10.83%, from P59.6M to P66.06M, that led to the company's positive bottom line result.

Our company is now on its 111th year of operation and we are gearing up to meet the challenges and to ensure that Philippines First will continue to be around to serve the future generations of Filipino families. In behalf of our management and staff, I would like to thank our shareholders for your trust and confidence. Rest assured that we will continue to capitalize on our strengths and commit ourselves to take your company as far as we can into this century.


Crescencio C. Bendijo
President and COO