

Termination of a joint venture: Dissolving the BDO and Generali Group partnership

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On March 25, 1999, a joint-venture agreement (JVA) was signed between Generali Italy and Jerneh Asia Berhad (JAB), a member of Malaysia's Kuok Group, known as the Netherlands joint-venture agreement (NJVA). Pursuant to this joint agreement, a second JVA was signed the next day, on March 26, 1999, among BDO Unibank Inc. (BDO), JAB and Generali

Group/Assicurazioni Generali S.p.A. (Generali), through Generali Asia N.V. (GANV), creating the Generali Pilipinas Holding Co. Inc. (GPHC). It was formally launched on March 9, 2000. The NJVA was, however, terminated on November 14, 2013, in effect of removing the participation of JAB in the joint venture.

As of the date of the termination of the joint venture, GPHC was 40 percent owned by BDO and 60 percent owned by Generali Asia N.V. GPHC is the parent company of Generali Pilipinas Life Assurance Co. (GPLAC), the life insurer, and Generali Pilipinas Insurance Co. (GPIC), the nonlife insurer. In June 2015 BDO and Generali publicly announced and agreed to terminate their JVA embodied in GPHC, ending their 15-year partnership. Under the termination agreement, Generali will acquire from GPHC 100 percent of the outstanding capital stock of GPIC, composed of 2,499,995 common shares and 7,088,599 preferred shares. The relevant Insurance Commission directive for compliance is Circular Letter 2014-37 (on acquisition of control).

As agreed upon by the parting partners, BDO will take full control of GPHC and GPLAC (life), while Generali will take control of GPIC (nonlife). GPLAC will, thus, be a wholly owned life-insurance unit of BDO. With the change in ownerships, GPLAC and GPIC assured continued service for existing policies. Generali will continue its presence in the Philippine market. GPHC will be renamed BDO Assurance Holdings Corp. while GPLAC will be renamed BDO Life Assurance Co. Inc. (BDO Life). A share purchase agreement (SPA), dated June 8, 2015, was signed among BDO, BDO Capital & Investment Corp. and Generali Asia N.V. for the transfer of GPLAC shares to BDO through the

acquisition of the 60 percent of the outstanding capital stock of GPHC, composed of 59,997 common shares and 1,790,280 preferred shares.

GPLAC has a bancassurance agreement with BDO, with 760 financial advisors as of December 2015. GPLAC registered a total premium of P4.99 billion as of 2014, the ninth-largest in the country. It has a net worth of P2.73 billion as of end-2014 and a net income of P840.23 million during the same period, ranking it seventh-highest. Its president and CEO is Renato A. Vergel de Dios.

GPIC will continue under the ownership of Generali Asia N.V. (GANV). It will continue its Philippine business by shifting to life insurance under a new name and to be known as Generali Life Assurance Philippines Inc. (GLAPI, or Generali Philippines). GPIC's Articles of Incorporation has been amended on January 9, 2016, and March 30, 2016, changing its primary purpose to a life-insurance business and its name from GPIC to Generali Life Assurance Philippines Inc. GPIC will be running off its nonlife business and has, in fact, applied for the conversion of its servicing nonlife license to a regular life license. GANV has assumed the obligation to raise the capital of Generali Philippines as required under the Amended Insurance Code and had, in fact, completed the needed cash infusions. Generali Philippines will be operating under a reconstituted board. As part of the agreement, certain in-force life-insurance policies will be transferred from GPLAC to GLAPI. And in this regard, an assumption of reinsurance agreement will be signed between GPLAC and GLAPI.

The completion of the dissolution of the partnership will usher in the birth of two new life-insurance companies—the BDO Life Assurance Inc. and the Generali Life Assurance Philippines Inc. by the second quarter of 2016. BDO is a full-service universal bank and is the largest bank in the country in terms of assets, loans, deposits, capital and trust funds, as of March 31, 2015. BDO's net income was P22.8 billion as of end-2014. In 1997 BDO launched its first insurance venture with the creation of a subsidiary called the BDO Insurance Brokers.

The Generali Group is one of the largest global insurance providers operating in over 60 countries. It is the largest insurance company in Italy. In 2010 it was the second-largest in the world in terms of income, next only to AXA. Assicurazioni Generali Austro-Italiche was constituted on December 26, 1831, in Trieste, Italy. Trieste was the most important sea port of the Austro-Hungarian Empire. The idea to create a large insurance business was the brainchild of Giuseppe Lazzaro Morpugo. Decades after its creation, the company dropped the phrase "austro-italiche" from its name. Its logo carries the image of the lion of Saint Mark, the patron saint of Venice.

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