

# Filipinas Compañía de Seguros

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## INSURANCE FORUM

Filipinas Compañía de Seguros (Filipinas Compañía) was the first domestically owned fire-insurance company in the Philippines. It was established on March 7, 1913, by Antonio Melian y Pavia (Don Antonio), together with his brothers-in-law Fernando Antonio Zobel y de Ayala (1876-1949) and Enrique Zobel y de Ayala (1877-1943), and other investors. Before the founding of

Filipinas Compañía, all fire-insurance companies were foreign-owned. The premiums set by these companies were erratic and claims settlement was marked by long delays.

Melian was a Spaniard born in Las Palmas, Canary Islands, on May 21, 1879. He studied in Madrid, but eventually found work in Argentina and later in Peru, where he worked as an insurance agent for the insurance company La Previsora. He arrived in Manila in 1907. He met and married in the same year Margarita Zobel y de Ayala, the only daughter of Jacobo Zobel y Zangroniz, then the mayor of Manila.

A few years later Don Antonio founded El Hogar Filipino, a home financing company. In 1913 he became the president of Club Filipino. He later became a director of Ayala y Cia (now Ayala Corp.), San Miguel Brewery and Banco de Islas Filipinas (known today as the Bank of the Philippine Islands [BPI]). In 1923 he was awarded the title of Conde de Peracamp (Count of Peracamps). He built the iconic building El Hogar Filipino along the Pasig River, celebrated for its architectural design, and was said to have been a wedding present during his marriage to Margarita. It became the headquarters of Filipinas Compañía, among others. In the 1920s Filipinas Compañía moved to its own building at the foot of Jones Bridge in Plaza Moraga (21 Plaza Moraga, Manila).

Filipinas Compañía was not his first insurance venture with the Zobel de Ayalas. In November 1910 they established the Insular Life Assurance Co., the first Filipino-owned life-insurance company. Eventually, a descendant, Enrique Zobel y Olgado (Enzo), would orchestrate the mutualization of Insular Life, passing the company's ownership from 173 stockholders to more than 180,000 policyholders. Ayala Corp. would later focus their insurance companies to serve specific market segments, Filipinas Life served the industrial or group life-insurance segment, FGU served the nonlife segment; and Universal Reinsurance served the professional reinsurance market. In 1917 they

established the Philippine Guarantee Co. In 1924 the Ayalas established the China Underwriters Life & General Insurance in Hong Kong.

Enrique Zobel de Ayala became known as the first patriarch of the Zobel de Ayala family. He was the managing partner of Ayala y Compañía from 1901 to 1913 and from 1920 to 1943. He became vice president of Insular Life Assurance Co. and director of Philippine Guaranty Co. He owned Hacienda de San Pedro de Macati, today's Makati City. It was earlier purchased in 1851 by his great uncle, Jose Bonifacio Roxas, for P52,800. With his brother Fernando, they founded Casino Español de Manila.

In 1933 the Insurance Commission ruled that insurance companies must operate separate life and non-life-insurance business. Filipinas Compañía, eventually, established a life-insurance business as a subsidiary, the Filipinas Life Assurance Co., on April 10, 1933.

On January 24, 1990, Filipinas Life would be renamed Ayala Life Assurance Inc. and later, in 2009, as BPI-Philam Life Assurance Corp. BPI-Philam is a joint venture between the Philippine American Life and General Insurance Co. (Philam Life) and the BPI. It is the bancassurance arm of AIA in the Philippines. AIA is the second-largest life-insurance company in the world today.

Among the partners of the Zobel de Ayalas in Filipinas Compañía were the Ortigases. In the 1950s an intracorporate dispute erupted between the two families over the company. One of the lawyers of the Ayalas was a practicing lawyer named Juan Ponce Enrile. In his commencement speech before the University of the Philippines College of Law in 2012, Enrile recollected the dispute: "Ortigas & Ramirez were lawyers and, at the same time, partners of the Zobel de Ayalas in Filipinas Compañía de Seguros, a nonlife-insurance corporation, whose corporate life was about to expire. The Ayalas owned 65 percent of the voting shares in the corporation, while the Ortigases owned the remaining 35 percent.

"The Ayalas wanted to extend the corporate life and business of Filipinas Compañía de Seguros. But the Ortigases, through Paquito Ortigas, their lawyer and my erstwhile examiner in Commercial Law, demanded the dissolution and liquidation of the corporation. The Ayalas were short by 1 percent and 2/3 percent for the required 66 percent and 2/3 percent to amend the corporation's articles of incorporation to extend its corporate life.

"Thus, an impasse between the Ayalas and the Ortigases developed. The Ayalas insisted on the extension and continuation of the corporate life and business of Filipinas Compañía de Seguros, but the Ortigases adamantly refused to cooperate and go along. The Ortigases wanted to be paid for their 35-percent holdings in the corporation on their terms. The Ayalas refused to buy out the Ortigases. The Ayalas dropped the Ortigas & Ramirez law firm as their lawyers.

“Col. Joe McMicking, an Englishman who married into the Ayala family and the actual brain and builder of the Ayala Group of Cos., engaged the law firm of DeWitt, Perkins & Ponce Enrile to represent the Ayalas against the Ortigas. I was assigned to handle the case. I studied the case thoroughly for a few days, and I devised a simple solution for the Ayalas.

“When I met the executives of the Ayala group, I advised them to agree with the Ortigas to dissolve Filipinas Compañía de Seguros and convert its board of directors into a board of liquidators to liquidate the business affairs and assets of the corporation over the three-year period, as provided in the corporation law. I also proposed that, in the meantime, a new nonlife-insurance corporation for the Ayalas be organized and all maturing nonlife insurance policies of Filipinas Compañía de Seguros be transferred for renewal to the new nonlife-insurance corporation. The Ayalas accepted my proposals in toto right away and without any question.

“When I presented the plan of liquidation in a special meeting of the directors of Filipinas Compañía de Seguros, of which Paquito Ortigas was one of them, he was taken aback and dismayed by the simple solution I proposed. He realized that he miscalculated his position and legal strength. He thought that he had an unbeatable legal position and ace to exact a high price for the 35-percent holdings of his family. He was mistaken. When the board meeting was over, Paquito Ortigas left in a huff. I was glad that I proved to him that he did not err in giving me a perfect score in Commercial Law.”

In 1963 Filipinas Compañía was merged with two nonlife-insurance companies to form FGU Insurance, the largest nonlife-insurance company at that time. The term “FGU” was coined from the consortium members, “F” was Filipinas Compañía, “G” was Philippine Guaranty Co. Inc. and “U” was Universal Insurance and Indemnity Co. All Ayala-owned companies. They were held under a holding company, the Ayala Insurance Holdings.

In 1999 FGU was acquired by BPI, when BPI merged with Ayala Insurance Holdings, FGU’s parent holding company.

On the other hand, Makati Insurance was owned by Far East Bank and Trust Co. (FEBTC). In 1998 FEBTC entered into a joint venture with Mitsui Marine. Makati Insurance became the FEB Mitsui. When FEBTC merged with BPI, FEB Mitsui became part of the BPI Group.

BPI, a member of the Ayala Group of Cos., later joined with Mitsui Sumitomo Insurance Co. to form a joint venture to be known as BPI/MS. BPI owns 51 percent, while Mitsui Sumitomo owns 49 percent of BPI/MS. Consolidated into this joint venture were FGU and FEB Mitsui. Thus, FGU Insurance became BPI/MS Insurance in 2002 following the merger of FEBTC and BPI.