



**IN THE MATTER OF
DECLARING THE INSURANCE
BUSINESS IN THE PHILIPPINES
OF FLT PRIME INSURANCE
CORPORATION AS OFFICIALLY
WITHDRAWN AND ALLOWING
THE WITHDRAWAL OF THE
COMPANY'S SECURITY DEPOSIT**

CRL Reference No. 2021 - 01

DIRECTIVE

11 MAY 2021

This Directive is issued pursuant to Section 437 of Republic Act No. 10607, otherwise known as the Amended Insurance Code, in relation to the Insurance Commission (IC)'s Circular Letter No. 2017-26 on "*Voluntary Cessation of Non-Life Insurance Business in the Philippines*," as well as IC Circular Letter No. 2013-35, on "*Guidelines on the Release of Security Deposit*" and for the purpose of declaring **FLT PRIME INSURANCE CORPORATION (FLT)**'s insurance business in the Philippines as officially withdrawn and allow the company to withdraw its mandated Security Deposit.

FLT discontinued its operation and no longer complied with the P550 Million minimum requirement as of 31 December 2016. Thus, the company applied for a Servicing License invoking the IC's Circular Letter No. 2014-14 dated 12 May 2014, which was eventually granted by this Commission on 20 April 2017.

Records of this Commission show that after FLT was issued with a Servicing License in 2017, the company in its letter dated 03 April 2018, formally informed the IC of the following intentions:

- a. To just complete the servicing of the insurance policies up to the end of 2018;
- b. As part of the Company's plan to eventually proceed with the liquidation, FLT shall no longer continue servicing the insurance policies which will expire in 2019, 2020 and 2021;
- c. For the Insurance policies which will expire in 2019, 2020 and 2021, FLT is considering the following action plans/options:

- (1) Cancel the insurance policies and simultaneously return the premiums to the insured; and
- (2) Transfer/sell the existing insurance policies to other insurance companies.

Hence, in accordance with this Commission's Circular Letter No. 2017-26 dated 11 April 2017, entitled "Voluntary Cessation of Non-Life Insurance Business in the Philippines," the Commission designated Atty. Michael Braganza Peloton as Overseer of FLT on 17 April 2018, and also required the latter to publish a notice in a newspaper of general circulation informing the public of its servicing status.

FLT complied with the aforesaid notice requirements of the Commission, through publication of notices in a newspaper of general circulation on 7, 14 & 21 October 2018. These publications were in addition to the letters sent to the company's policyholders and creditors advising its Servicing status, as well as its intention with regard to unexpired policies.

Moreover, in accordance with FLT's Servicing Plan approved by this Commission on 07 September 2018, the company transferred all the unexpired policies of FLT, through a portfolio transfer arrangement with MAA General Assurance Corporation on 31 January 2019. This servicing proceedings of the company was supervised by this Commission, through then designated Overseer.

This Commission's Circular Letter No. 2017-26 provides that the Conservatorship, Receivership and Liquidation Division (CRLD) shall recommend the approval of the application for cessation and withdrawal only after a determination that the company has settled all its outstanding liabilities to its policyholders and creditors. Thus, the CRLD conducted an examination on FLT's financial condition as 31 December 2018.

However, while the conduct of said financial examination on FLT in 2019 by the CRLD was on going, the company already requested the release of its Security Deposit, which the Commission, upon recommendation of the IC Technical Services Group, replied in a letter dated 14 January 2020, informing the latter that pursuant to IC Circular Letter No. 2013-35, on "*Guidelines on the Release of Security Deposit*," the following are the conditions that the company must satisfy first prior to the release of the security deposits:

- 1) Proof of publication, once a week for two consecutive weeks, in a newspaper of general circulation relative to the intended withdrawal;
- 2) One year waiting period for the claimants to file, submit or report to the Insurance Commissioner any claims against the applicant-company reckoned from the date of the last publication; and
- 3) Examination of the financial condition of the company.

FLT also complied with the said publication requirement, as directed. On the other hand, the one year waiting period mandated under the aforesaid IC Circular Letter No. 2013-35, already expired on 09 February 2021.

However, with respect to the financial examination requirements, it must be noted that per FLT's approved Servicing Plan, the company transferred all its unexpired policies, through a portfolio transfer arrangement with MAA General Assurance Corporation on 31 January 2019. Hence, the 2019 and 2020 FLT's financial condition was not examined by the CRLD, considering that there are no other commercial transactions by the company except the settling of its remaining liabilities to its policyholders and creditors since the issuance of its Servicing License. Thus, only the 2018 financial examination was made by the CRLD, the result of which was transmitted to the company as discussed above, through IC letter dated 10 January 2020.

Thereafter, in letters dated 25 September 2020 and 19 October 2020, FLT requested the termination of its Servicing License and withdrawal of the company's Security Deposit.

In IC reply letter to FLT, the Commission informed the company that its request for termination of servicing license is in view of its alleged compliance with our IC Circular Letter No. 2017-26 entitled "*Guidelines on Voluntary Cessation of Non-Life Insurance Business in the Philippines.*"

The main objective of the aforementioned IC Circular is to ensure that a company withdrawing its insurance business in the Philippines has settled all its outstanding liabilities to its policyholders and creditors. Hence, FLT was required by this Commission to publish several notices to the public, which per our record the company already complied, as discussed above.

In the same IC letter dated 04 January 2021, the Commission further explained to FLT that the servicing process is akin to a voluntary liquidation, though the company is not insolvent because it has sufficient assets to pay all its existing liabilities. The primary objective of a servicing company is to dissolve its corporate life and distribute its remaining assets to its stockholders, after payment of all liabilities of the corporation. On the other hand the Commission's objective is to ensure the said payment of all liabilities of the company.

Meanwhile, in FLT's Quarterly Interim Financial Statements submitted to this Commission, the CRLD observed that the company still has remaining liabilities to its policyholders in spite of its over four (4) years of servicing process.

Nonetheless, in company's letter dated 25 September 2020, it informed the Commission that FLT is willing to retain from the Security Deposit the equivalent value of the company's outstanding liabilities, as reflected in its Balance Sheet, and to execute a notarized undertaking to pay any liabilities that are not reflected in its Balance Sheet that may in the future come out.

The aforesaid proposals seem feasible considering that this would achieve our common objective of expediting the servicing proceedings of FLT and at the same time protecting or securing the interest of the remaining unpaid policyholders and creditors of the company.

Hence, the Commission in its letter dated 04 January 2021, approved FLT's requests, subject to the following conditions:

1. The company, through its President, must submit to the Commission a duly notarized Undertaking and Quit Claim; and
2. Original or certified true copy of the notarized list of all outstanding liabilities of FLT, both from its policyholders and other creditors, for us to determine how much will be retained in the said Security Deposits.

FLT shall still be in charge of facilitating and processing the payment of its outstanding liabilities to its policyholders and other creditors, and the retained Security Deposits shall not be withdrawn, unless the company shows proof that said liabilities have been fully paid or settled.

On 03 March 2021, FLT submitted to this Commission the required notarized Undertaking and Quitclaim, Secretary Certificate authorizing its President to sign the said Undertaking and Quitclaim and also the List of its outstanding liabilities, in aggregate value amounting to PHP 23,891,192.76.

Moreover, a Director's Certification stating, among other things, that on 19 February 2021, the Board of Directors of FLT, passed and approved the Resolution, authorizing its President, Maria Rowena M. Tomeldan, to sign, execute and deliver the aforesaid Undertaking and Quitclaim was further submitted on 07 April 2021.

In view of the foregoing, the Commission hereby declares the insurance business in the Philippines of **FLT PRIME INSURANCE CORPORATION (FLT)** as officially withdrawn and allows the company to withdraw from its mandated Security Deposit, except for the aggregate value of FLT's outstanding liabilities, in the amount of **PHP 23,891,192.76**.

The Company shall not, pursuant to its duly executed and notarized Undertaking and Quitclaim submitted to this Commission, withdraw from the said Security Deposit the aforesaid PHP 23,891,192.76, unless and until FLT shows proof that its outstanding liabilities to all its policyholders and creditors have been fully paid or settled, and shall further pay any liabilities that are not reflected in the company's Balance Sheet that may in the future come out.

A *Notice to the Public* is also ordered by this Commission to be published by the company in a newspaper of general circulation, once a week for two (2) consecutive weeks, observing the guidelines set forth in this Commission's Circular Letter No. 2016-34, to advise the general public of this issued Directive that will also be posted in the IC website.

After the said publication, the Servicing proceedings of FLT before this Commission shall be considered closed and terminated by this Commission.

SO ORDERED.

City of Manila, Philippines; 11 MAY 2021.


DENNIS B. FUNA
Insurance Commissioner

