



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



**PROPOSAL FOR THE
CORPORATE REHABILITATION
OF METROPOLITAN
INSURANCE CO., INC. IN
CONNECTION WITH THE
CONSERVATORSHIP STATUS OF
THE COMPANY UNDER
SECTION 255 OF THE AMENDED
INSURANCE CODE**

CRL Ref. No. 2019- 001

X ----- X

DIRECTIVE
09 July 2019

I. NATURE OF THE CASE

Before the Insurance Commission¹ is an intention to infuse capital for the restoration of the viability of Metropolitan Insurance Company, Inc.². This *Directive* is being issued pursuant to Section 255 of Republic Act No. 10607, otherwise known as the Amended Insurance Code, and for the purpose of rehabilitating **METROPOLITAN INSURANCE COMPANY, INC.**

II. FACTS OF THE CASE

CIRCUMSTANCES LEADING TO CONSERVATORSHIP

As a result of the examinations being conducted on insurance companies authorized to transact business in the Philippines, it was determined that Metropolitan Insurance has a Net Worth deficiency of P421,035,687.37 based on its 2016 Annual Statement (AS).

¹ Hereafter referred to as "the Commission" for brevity

² Hereafter referred to as "Metropolitan Insurance" for brevity

Metropolitan Insurance tried to cover up the said deficiency by proposing to merge with another non-life insurance company, the name of which is withheld herein for confidentiality.

On 08 August 2017, Metropolitan Insurance and its proposed partner were given a final and non-extendible extension until 30 September 2017 within which to conclude the due diligence audit and negotiation process and to communicate the final decision on whether or not the proposed merger between the companies will proceed. However, the Commission received a letter from Metropolitan Insurance dated 29 September 2017 informing the Commission that the proposed merger will not proceed.³

Metropolitan Insurance applied for a servicing license but after evaluation by the Commission the application was denied pursuant to this Commission's Circular Letter No. 2017-26- "Guidelines on Voluntary Cessation of Non-Life Insurance Business in the Philippines" which states among other provisions that "this shall not apply to- (1) a company placed under conservatorship, receivership and liquidation; (2) a company that has been issued an existing Cease and Desist Order by this Commission; or, (3) a company with existing net worth deficiency and/or is not compliant with the RBC 2 requirement."

To determine if the economic viability of Metropolitan Insurance can in any case be restored, the Commission decided to place the company under conservatorship.

CEASE AND DESIST ORDER

On 18 December 2017, the Commission revoked the Certificate of Authority (CA) of Metropolitan Insurance and placed it under conservatorship status after the issuance of a Cease and Desist Order by the Commission for failure to comply with the Net Worth requirement pursuant to Section 194 of the Amended Insurance Code.

Accordingly, Atty. John A. Apatan, Division Manager of the Conservatorship, Receivership and Liquidation (CRL) Division, was appointed as *Ex Officio* Conservator⁴.

PROSPECTIVE INVESTORS

Metropolitan Insurance negotiated with several investors to help it address the said net worth deficiency. After several discussions with various investors, it became evident that the most serious among them is **Streetcorner E-Commerce Limited**⁵, a holding company duly organized and existing under the laws of Hong Kong, S.A.R. SCEL is also a company with exposure in Financial Technology (FinTech). SCEL's mother company is based in mainland China.

Letters were sent by SCEL dated 02 April 2018 and 20 June 2018 through its representative Mr. Patrik Konrad P. Ticzon signifying its intent to invest in Metropolitan Insurance.

³ Letter of the Commission to the President of Metropolitan Insurance

⁴ Letter of the Commission to Atty. John A. Apatan dated 18 December 2017

⁵ Hereafter referred to as "SCEL" for brevity

After a year of continuous discussions and negotiations with the management of Metropolitan Insurance, SCEL decided to invest in Metropolitan Insurance.

On 21 May 2019, Metropolitan Insurance and SCEL executed a Share Purchase and Subscription Agreement (SPSA). Parties requested the conservator and the undersigned to sign to emphasize the importance of the issuance of the CA and that they will comply with the Commission's requirements including the infusion of the currently determined deficiency which they did the following day. During the signing, they were made to understand that they will infuse whatever additional deficiency, if any will be discovered after the completion of the ongoing examination of the 2017 and 2018 Annual Statement.

Considering that the negotiations already took a year and that the amount to be invested by the foreign investors corresponding to the 2016 deficiency is ready for infusion, they emphasized the urgency of completing the agreement the soonest time possible and the issuance of the CA within forty-five (45) days from the investor's full infusion of the capital of Four Hundred Twenty-Two Million Pesos (P422,000,000.00).

CAPITAL INFUSION

On 22 May 2019, SCEL infused **P422 Million** to cover up the Net Worth deficiency amounting to **P421.035 Million** based on the 2016 examination results since the 2017 examination is still ongoing.

On 23 May 2019, the CRL examiners verified and confirmed with Asia United Bank, Intramuros branch⁶ the existence of the said infused amount that will sufficiently address the 2016 Net Worth deficiency.

On 13 June 2019, Metropolitan Insurance has complied with the Security Deposit requirement pursuant to section 209 of the Insurance Code, as amended by Republic Act No. 10607.

The investor's representatives also stated that their objective is to comply with the Nine Hundred Million Pesos (P900,000,000.00) minimum net worth requirement that will be due on 31 December 2019 in accordance with the Amended Insurance Code. Hence, a regulatory relief in terms of the timing of the subsequent infusions is being requested.

Thus, the investors proposed to execute a notarized undertaking to infuse additional capital equivalent to whatever amount of additional deficiency if any that might be finally determined by the examination of the 2017 and 2018 Annual Statement of Metropolitan Insurance in the following manner:

1. If the deficiency will not exceed Fifty Million Pesos (P50,000,000.00), infuse the whole amount within two (2) months from the issuance of the Commission's order to infuse.

⁶ Hereafter referred to as "AUB" for brevity

2. If the deficiency will exceed P50 Million, infuse P50 Million also within two (2) months from the issuance of the Commission's order to infuse. The deficiency amount exceeding P50 Million will be covered by the investors' infusion not later than 31 December 2019 to already cover the Nine Hundred Million Pesos (P900,000,000.00) minimum net worth requirement in accordance with Section 194 of the Amended Insurance Code.

III. DISCUSSION ON THE REGULATORY RELIEF

Taking into account the substantial infusion, and compliance to Security Deposit requirement which will boost the company's liquidity, we find that the company is ready for rehabilitation. By way of regulatory relief, and as a matter of practical consideration, the basis of the deficiency for the immediate infusion has been the 2016 examination since the 2017 and 2018 examination have not yet been completed. We find that the relief being sought in terms of the timing of the infusions is reasonable under the circumstances. The AS as of the latest calendar year still remains to be the basis of deficiency and hence additional infusion subject of the undertaking as long as the corresponding examination is already complete and the amount of deficiency has been determined with finality. Hence, the continued operations will still be subject to additional infusion in accordance with the undertaking once the additional deficiency, if any, is already determined with finality after the completion of the examination.

Also, since rehabilitation will usually benefit the stakeholders including the insureds, it has been our policy and practice to grant some leeway and provide assistance in order to give way to a successful revival. It is reiterated that Metropolitan Insurance is not under normal operations as it is under conservatorship. The objective of a company under conservatorship is to "restore its viability" in the most speedy manner by, among other measures, inviting investors to infuse additional capital. As much as possible, this objective must be supported by the Insurance Commission. Refusal by the Commission to grant regulatory assistance and in appropriate case, leeway, would run counter to the policy of this Commission to render full support to possible investments to the insurance industry especially to a company under conservatorship.

Although the Commission is not obligated, we have opted to apply our discretion to grant regulatory relief with the end in view of fulfilling its objective of reviving the viability of Metropolitan Insurance under Section 255 of the Insurance Code as amended. It is our policy to balance the interests of the insureds, the company, investors, and the insurance industry as a whole. The interest of the claimant-insureds is to be able to claim 100% of the loss instead of the liquidation value under the liquidation scenario. The interest of the investors is to turn the company around and thus recover their investments and earn some profit. The interest of the industry is to protect its reputation of security and stability. All these interests will be best served if we provide the assistance, leeway, and relief as discussed above rather than prolonging the conservatorship process which would worsen the financial bleeding

of the company or proceeding to liquidation which would be disadvantageous to all concerned.

At any rate it is also emphasized that the CA may be revoked anytime after due process if there is a subsequent finding of and failure to cover up the deficiency in accordance with the undertaking. With this, the parties are fully aware that Metropolitan Insurance may still regress to conservatorship if it fails to comply with the minimum requirement under the undertaking.

It must be emphasized that the actions and decisions taken herein are rehabilitation measures applicable only to a company under conservatorship to speedily achieve the objective of reviving its viability for the benefit of all stakeholders.

IV. DECISION

WHEREFORE, it is hereby ordered that:

1. The conservatorship order previously issued by the Commission be lifted;
2. The signed Certificate of Authority (CA) be released to Metropolitan Insurance; and
3. The investors/stockholders shall infuse additional capital equivalent to whatever amount of additional deficiency if any that might be finally determined by the examination of the 2017 and 2018 Annual Statements of Metropolitan Insurance in the following manner:
 - a. By way of regulatory relief, if the additional deficiency will not exceed Fifty Million Pesos (P50,000,000.00), infuse the whole amount within two (2) months from the issuance of the Commission's order to infuse.
 - b. Likewise, by way of regulatory relief, if the additional deficiency will exceed P50 Million, infuse P50 Million also within two (2) months from the issuance of the Commission's order to infuse. The additional deficiency amount exceeding P50 Million will be covered by the investors' infusion not later than 31 December 2019 to already cover the Nine Hundred Million Pesos (P900,000,000.00) minimum net worth requirement in accordance with Section 194 of the Amended Insurance Code.

The Insurance Commission may revoke the CA should the investors/stockholders fail to comply with this *Directive*.

This Commission shall continue to release instructions, if warranted, in order to clarify or resolve other issues submitted for consideration. Accordingly, all stakeholders are enjoined to visit this Commission's website (<https://www.insurance.gov.ph>) for announcements.

Any party feeling aggrieved or who may disagree with this *Directive* and who may have a cause of action may appeal within Fifteen (15) days from the release of the *Directive* to the Secretary of Finance.

This Directive is immediately executory. SO ORDERED.

City of Manila, Philippines; 09 July 2019.



DENNIS B. FUNA
Insurance Commissioner

Cc: METROPOLITAN INSURANCE COMPANY, INC.

STREET CORNER E-COMMERCE LIMITED

ATTY. JOHN A. APATAN
Ex Officio Conservator/ CRL Division Manager

ATTY. RANDY B. ESCOLANGO
Deputy Insurance Commissioner- Legal Services Group