



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

<b>Circular Letter (CL) No.:</b>	<b>2022-31</b>
<b>Date:</b>	<b>22 June 2022</b>
<b>Amendment:</b>	<b>None</b>

### CIRCULAR LETTER

**TO :** All Insurance Companies under Liquidation and Designated Liquidators

**SUBJECT :** Guidelines on Formal Closure of Liquidation Proceedings for Insurance Companies under Liquidation and Final Disposal and Distribution of Assets Including Unclaimed Benefits

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WHEREAS, Circular Letter 2020-112 was issued to guide the Formal Closure of liquidation proceedings of pre-need companies under liquidation and final disposal and distribution of assets including unclaimed benefits;

WHEREAS, as a result of prudent investment, change of plan conditions, novation, negotiations, agreement, recovery of unbooked assets, appreciation of property values by mere passage of time, sale of assets at a premium, or other unforeseen favorable events, some insurance companies under liquidation may have excess security deposits still under the custody of the trustee banks, the liquidators, or the Insurance Commission (IC);

WHEREAS, a number of policyholders have not, so far, claimed the liquidation value of their benefits despite repeated notices and the lapse of considerable number of years;

WHEREAS, despite the lapse of a number of years, the funds corresponding to the said unclaimed or abandoned benefits remain with the custody of the liquidators, or the IC;

WHEREAS, a number of companies have very minimal or no more remaining assets where the continuation of the liquidation proceedings would amount to absurdity or may give false hope to claimants;

WHEREAS, there has to be a final and formal closure of liquidation proceedings and final disposal of documents after all the necessary liquidation steps have been fully undertaken and a considerable number of years have already lapsed;

WHEREAS, Circular Letter 2015-43 was issued to govern the management of trust fund surplus of pre-need companies on a going concern basis; however, there is no similar Guidelines for corporate residual free-hold assets and surplus security deposits of insurance companies under liquidation;

WHEREAS, before a final declaration and publication of a statement of formal closure can be done, issues on the treatment of unclaimed benefits, surplus security deposits, and residual corporate freehold assets must first be addressed;

WHEREAS, in cases where the law does not provide for prescriptive periods for bringing actions and claims, the claim shall be barred after five (5) years,<sup>1</sup> and that by analogy, this period may be adopted for the purpose of fixing a legal end to insurance claims for liquidation benefit;

WHEREAS, it is only fair and reasonable to declare the inactive policyholders to have waived their right to their shares should they fail to claim despite personal knowledge, sufficient notices, or publication of the final call for distribution;

WHEREAS, to prevent hoarding of idle capital and to contribute to the country's attainment of productive economy, distribution and utilization of both freehold corporate assets and security deposit assets must be ensured;

WHEREAS, it is the primordial responsibility of any insurance industry regulator to balance the interests of the insuring public, the insurance providers, the insurance industry, and the economy as a whole; hence, in distributing the residual assets of companies under liquidation, this balancing of interests is paramount;

THEREFORE, pursuant to the relevant provisions of Republic Act No. 10607 otherwise known as "An Act Strengthening the Insurance Industry, Further Amending Presidential Decree No. 612, Otherwise Known as "The insurance Code", As Amended By Presidential Decree Nos. 1141, 1280, 1455, 1460, 1814 and 1981, and Batas Pambansa Blg. 874, And For Other Purposes", the Insurance Commission issues this Guidelines on Formal Closure of Liquidation Proceedings for Insurance Companies under Liquidation and Final Disposal and Distribution of Assets including Unclaimed Benefits.

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<sup>1</sup> Prescription, Article 1149 and 1150 of the New Civil Code of the Philippines.

**Article 1149.** *All other actions whose periods are not fixed in this Code or in other laws must be brought within five years from the time the right of action accrues. (n)*

**Article 1150.** *The time for prescription for all kinds of actions, when there is no special provision which ordains otherwise, shall be counted from the day they may be brought. (1969)*