



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



PROPOSAL FOR THE CORPORATE REHABILITATION OF NATIONAL LIFE INSURANCE COMPANY OF THE PHILIPPINES, INC. ("NLIC") IN CONNECTION WITH THE CONSERVATORSHIP STATUS OF THE COMPANY UNDER SECTION 248 OF THE INSURANCE CODE (NOW SECTION 255 OF REPUBLIC ACT NO. 10607)

CRL Ref. No. 2018- 003

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## **FOURTH (4<sup>th</sup>) SUPPLEMENTAL DIRECTIVE**

31 May 2018

This *Fourth Supplemental Directive* is issued pursuant to Section 437 in relation to Section 255 of Republic Act No. 10607, otherwise known as the Amended Insurance Code of the Philippines, and in the interest of facilitating the rehabilitation of National Life Insurance Company of the Philippines ("NLIC") in accordance with the provisions of this Commission's *Directive* dated 8 November 2013.

This *Fourth Supplemental Directive* resolves two (2) issues concerning the ongoing rehabilitation of NLIC, to wit:

### **I. RECOMPOSITION OF THE NLIC INTERIM GOVERNANCE BOARD ("IGB")**

It may be recalled that this Commission's *Directive* dated 8 November 2013 provided for the creation of an Interim Governance Board ("IGB") composed of seven (7) members. The primary function of the IGB is "*to monitor the general operations of the company*". It is composed of the following:

- Two (2) representatives from the policyholders;
- One (1) representative from NLIC;
- One (1) representative from corporate creditors;
- A Chairman of the IGB, to be appointed by the Insurance Commissioner from the private sector; and
- This Commission's Deputy Commissioner for Financial Examination and Deputy Commissioner for Legal Services, as its *ex-officio* representatives.

Under the *Second (2<sup>nd</sup>) Supplemental Directive* dated 29 April 2016, this Commission extended the rehabilitation period for one hundred eighty (180) days from the issuance of said *Second Supplemental Directive*, or until the *Modified Rehabilitation Plan* has been implemented to the satisfaction of this Commission.

Pursuant to the *Third (3<sup>rd</sup>) Supplemental Directive* dated 12 July 2016, the IGB membership was increased to ten (10) for the duration of the extended rehabilitation period with the appointment of three (3) representatives from the Strategic Investor, 6762 Holdings Corporation.

Under the *Sale and Purchase Agreement* dated 6 May 2016, the Strategic Investor, through its nominees, shall be represented in the NLIC-IGB in such number as shall be equivalent to eighty percent (80%) of the total number of seats in the NLIC-IGB upon receipt by this Commission of the proceeds of a domestic letter of credit increasing the total amount received by this Commission in trust for various stakeholders of NLIC under the *Sale and Purchase Agreement* to eighty percent (80%) of the consideration under said *Agreement*.

On 7 March 2018, this Commission received the proceeds of said domestic letter of credit, which increased the total amount received by this Commission in trust for various stakeholders of NLIC as and by way of consideration under the *Sale and Purchase Agreement* to eighty percent (80%).

In a meeting of the NLIC-IGB held on the same date, the NLIC-IGB agreed that while the Strategic Investor is presently entitled to eighty percent (80%) of the total number of seats, the membership of the NLIC-IGB shall be reduced to nine (9) members; and that the Strategic Investor is willing to waive the necessary percentage of representation in the NLIC-IGB to keep its membership to nine (9) until the release of such eighty percent (80%) of the consideration in favor of the various relevant stakeholders. It was agreed that the nine (9) members of the NLIC-IGB shall be:

- A Chairman of the IGB, to be appointed by the Insurance Commissioner;
- This Commission's Deputy Commissioner for Financial Examination and Deputy Commissioner for Legal Services, as its *ex-officio* representatives;
- One (1) member from NLIC's shareholders;
- One (1) member from NLIC's policyholders and unsecured creditors; and
- Four (4) members from the Strategic Investor, 6762 Holdings Corporation.

Accordingly, the Strategic Investor waived thirty-six percent (36%) of the total number of seats in the NLIC-IGB that it is entitled to pursuant to the *Sale and Purchase Agreement*, until the release of such eighty percent (80%) of the consideration in favor of the various relevant stakeholders.

As recommended by the NLIC-IGB, this Commission appoints the following persons as members of the NLIC-IGB for the remaining duration of the extended rehabilitation period:

- **MR. ERMILANDO D. NAPA**, as Chairman of the NLIC-IGB;

- **MR. FERDINAND GEORGE A. FLORENDO**, the incumbent Deputy Insurance Commissioner for Financial Examination, as one of the *Ex-Officio* Representatives of this Commission to the NLIC-IGB;
- **ATTY. RANDY B. ESCOLANGO**, the incumbent Deputy Insurance Commissioner for Legal Services, as the other *Ex-Officio* Representative of this Commission to the NLIC-IGB. This Commission designates **ATTY. ALWYN FRANZ P. VILLARUEL** (Attorney II; CRL Division) as Atty. Escolango's alternate;
- **MR. RONALD VILLANUEVA**, as the representative of NLIC's policyholders and unsecured creditors. This Commission designates **MR. FELIX MARTIN** as Mr. Villanueva's alternate; and
- **MR. GERARDO CORNEJO**, as the representative of NLIC's shareholders;
- **MR. RICARDO P. CUERVA, MR. RICARDO T. VELOSO, and ATTY. RONALDO MODESTO VENTURA**, as representatives of the Strategic Investor in accordance with the *Third (3<sup>rd</sup>) Supplemental Directive* dated 12 July 2016; and
- **MR. MARIO RICARDO R. VELOSO**, as recommended by 6762 Holdings Corporation, as the fourth (4<sup>th</sup>) representative of the Strategic Investor in the NLIC-IGB.

## II. ISSUANCE OF A STAY ORDER

During the course of the implementation of the *Modified Rehabilitation Plan* approved by this Commission, and despite the ongoing rehabilitation of NLIC, it has come to the knowledge of this Commission that insurance claims against NLIC have been filed with civil courts.

Pursuant to Section 439 of the Amended Insurance Code and *Insurance Memorandum Circular No. 2014-01*, this Commission shall have the concurrent jurisdiction with regular courts to adjudicate claims and complaints where the amount of actual damages, excluding interests, costs, and attorney's fees, being claimed or sued upon any kind of insurance, bond, reinsurance contract, or membership certificate, does not exceed in any single claim the amount of Five Million Pesos (PHP 5,000,000.00); but the filing of the complaint with this Commission or any of its Regional Offices or Branches shall preclude the civil courts from taking cognizance of a suit involving the same subject matter and *vice versa*.

Considering that this Commission, akin to a "*specialized court*", has jurisdiction over the rehabilitation of NLIC and is thoroughly familiar and knowledgeable with the various facets of the ongoing rehabilitation of the company, the entry of the Strategic Investor, the operations of NLIC under rehabilitation, and the financial condition of NLIC; and considering further that permitting such actions before civil courts to proceed would only increase the workload of the *Ex-Officio* Conservator, whose time and efforts would be dissipated and wasted in defending suits against NLIC, instead of being channeled toward the ongoing rehabilitation of the company, this Commission

deems it necessary and prudent to issue, as it hereby issues, a *Stay Order* under the premises.

Accordingly, for the duration of the rehabilitation period, this Commission hereby orders, *viz*:

1. Suspension of all actions or proceedings, in court or otherwise, for the enforcement of claims against NLIC, where the amount of actual damages, excluding interests, costs, and attorney's fees, being claimed or sued upon any kind of insurance issued by NLIC does not exceed in any single claim the amount of Five Million Pesos (PHP 5,000,000.00);
2. Suspension of all actions to enforce any judgment, attachment or other provisional remedies against NLIC;
3. Prohibition of the sale, encumbrance, transfer or disposition, in any manner, of any of NLIC's properties except in the ordinary course of business; and
4. Prohibition of making any payment of its liabilities outstanding as of the date of this *Fourth Supplemental Directive* except as provided for in the *Modified Rehabilitation Plan* and previous *Directives* issued by this Commission, or those that may be approved by the Insurance Commissioner and/or the *Ex-Officio* Conservator in line with the objectives of NLIC's ongoing rehabilitation.

All such claims and complaints shall be referred to the *Ex-Officio* Conservator and/or this Commission for appropriate action and/or resolution.

The Insurance Commission shall continue to release instructions from time to time in order to clarify or resolve other major issues submitted for consideration.

Accordingly, all stakeholders are enjoined to visit this Commission's website (<https://www.insurance.gov.ph>) and the NLIC's website for announcements.

SO ORDERED.

City of Manila, Philippines; 31 May 2018.



**DENNIS B. FUNA**  
Insurance Commissioner



Copy furnished:

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