



**IN THE MATTER OF THE
CLOSURE AND TERMINATION
OF THE LIQUIDATION PROCEEDINGS
OF AFISCO INSURANCE CORPORATION**

CRL Ref. No. 2022-02

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DIRECTIVE

10 October 2022

This Directive is issued pursuant to Section 437, in relation to Section 256, of Republic Act No. 10607, otherwise known as the Amended Insurance Code, and for the purpose of closing and terminating the liquidation proceedings of **AFISCO INSURANCE CORPORATION** (“AFISCO” for brevity).

On May 14, 1988, AFISCO was issued by the Insurance Commission (IC) with a Cease and Desist Order and placed under conservatorship for failure to address in full the capital impairment and margin of solvency deficiency amounting to P8,889,541.97 and comply with the reserve investment requirements amounting to P1,379,074.59. Moreover, the company had been found to have committed acts constituting unfair claims settlement practices considered reprehensible under Section 241 of the Presidential Decree 612, otherwise known as the Insurance Code;

On recommendation of the Conservator, premised on the fact that the company had total assets of only P23,157,648.45 as against total liabilities of P92,955,671.87 as of June 30, 1989, the Insurance Commission (IC) appointed a Liquidator on April 4, 1990 and subsequently issued an Order of Liquidation on June 1, 1990.

In a previous publication made, the deadline set for the filing of verified claims against the company was on February 12, 1991;

On January 7, 2018, the then Liquidator caused the publication of a Final Notice of Liquidation, calling upon (a) those who have previously filed their claims within the Feb. 12, 1991 deadline, to submit their proof of claim; and (b) those who have not yet filed their claims to file the same with IC under oath until July 6, 2018. The reason for this 2nd publication is that, in the Project of Partition and Distribution of Assets submitted by the former liquidator, details of the addresses of the claimants were not included; there are no more available records from which IC can validate their identities.

To address this concern, the then designated Liquidator for the company recommended for the 2nd and the final publication which IC approved. However, no claimant complied with the second and final publication.

Based on the records of this Commission, AFISCO has only existing liabilities to its policyholders in aggregate value of P31,872,800.62. Meanwhile, the current available and distributable assets of company, which is sourced from its existing Security Deposits, is in the amount of P4,111,585.62, as of 31 December 2021.

The aforementioned AFISCO's current available and distributable assets is way below its total liabilities to its claimants and policyholders. Hence, the settlement of the said claims shall be on a pro-rata basis. The liquidation ratio arrived at is 0.1290. Thus, claims will be settled at their equivalent liquidation values only.

Nevertheless, the IC records further reveal that AFISCO still has existing corporate assets composed of various real estate properties. These assets are held in trust for the benefit of the aforementioned claimants and policyholders of the company.

In view of the foregoing and considering the long period of the duration that AFISCO has been placed under conservatorship, receivership and liquidation, and more than four (4) years since the expiration of the deadline for filing of claims against the company on 06 July 2018, as stated in its duly published Final Notice of Liquidation, the Commission has now decided to finally Close and Terminate its Liquidation Proceedings.

The Commission shall appoint a Distribution Officer ("DO" for brevity) in accordance with IC-Circular Letter No. 2022-31 dated 22 June 2022¹ to distribute AFISCO's current available and distributable assets to its policyholders with liquidation value equivalent to 0.1290 only.

While the distribution of the said current available and distributable assets of AFISCO is ongoing, and depending on the result of the distribution, the Commission, through the Conservatorship, Receivership and Liquidation (CRL) Division, with the assistance of the DO or his/her recommended real estate broker, may continue with its efforts to dispose of the real estate properties of AFISCO in accordance with IC's existing guidelines, procedures and rules and regulations.

The proceeds of the said sale of corporate assets of AFISCO shall be distributed by the DO during the second tranche distribution to all the policyholders of the company who were already considered by this Commission in its books of liabilities, until all the proceeds of these assets are fully exhausted up to the extent of AFISCO's liabilities to its policyholders.

The designated DO shall cause the publication in a newspaper of general circulation of a Notice informing the public of the Closure and Termination of Liquidation of AFISCO, as well as the posting in the IC website of the list of policyholders of the company.

¹ Guidelines on Formal Closure of Liquidation Proceedings for Insurance Companies under Liquidation and Final Disposal and Distribution of Assets Including Unclaimed Benefits

Within five (5) years from publication of the aforesaid Notice, the policyholders of AFISCO must claim the liquidation value of their unpaid benefits under their existing insurance policy with company. Otherwise, the same shall be considered as "*abandoned benefits*" and thereafter redistributed in accordance with IC-Circular Letter No. 2022-31 dated 22 June 2022.

SO ORDERED.

Manila, Philippines, 10 October 2022.



DENNIS B. FUNA
Insurance Commissioner

