



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



**IN THE MATTER OF THE
CLOSURE AND TERMINATION
OF THE LIQUIDATION PROCEEDINGS
OF FAR EASTERN SURETY & INSURANCE CO., INC.**

CRL Ref. No. 2023-01

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DIRECTIVE

03 January 2023

This Directive is issued pursuant to Section 437, in relation to Section 256, of Republic Act (R.A.) No. 10607, otherwise known as the “Amended Insurance Code”, and for the purpose of closing and terminating the liquidation proceedings of **FAR EASTERN SURETY & INSURANCE CO., INC.** (“FESICO” for brevity).

On 14 April 2016, the Insurance Commission (IC) issued a Cease and Desist Order (CDO) against FESICO in accordance with Section 254 of R.A. No. 10607. On the same day, FESICO was also placed by IC under Conservatorship and appointed Atty. Mila Teresita SJ Racelis as Conservator for the company pursuant to Section 256 of the same law.

Subsequently thereafter, in view of the company President’s intention not to rehabilitate and further recommendation of the designated Liquidator, IC placed FESICO under Liquidation effective 22 September 2017.

A Notice to the Public was published in a newspaper of general circulation on 23 September 2017, to inform FESICO’s policyholders and other stakeholders about the decision of the Commission to place the Company under liquidation, with corresponding notice to file their claims against the company until 05 April 2018.

In IC letter dated 30 June 2020, in reply to Atty. Racelis’s Liquidation Plan for FESICO, the Commission noted that the last examination by the IC-Examiners on the company’s financial condition was done in 2016. Wherein the verification of the company’s 2014 Annual Statement resulted to the issuance of the aforementioned CDO and eventually, the Conservatorship. Hence, the Liquidator was directed to submit to this Commission a recommendation on the proposed IC-accredited external auditor to audit the financial statements of the company.

Nevertheless, despite the absence of IC-required Annual Statement and Audited Financial Statements of FESICO, the Commission has determined from the Liquidator's submitted Liquidation Plan that the company has a total assets amounting to PhP 270,619,984.83, as of 31 December 2017. On the other hand, its aggregate liabilities, per Liquidator's submitted Schedule of Claims Payable as of 30 June 2019, has a total value of PhP122,240,637.09.

The Commission further informed Atty. Racelis of its observations concerning the aforesaid Schedule of Claims Payable of FESICO, to wit:

"In your Schedule of Claims Payable as of 30 June 2019, you identified FESICO's insurance claims in total value amounting to Php 74,388,570.06, detailed as follows:

Per Liquidator's Evaluation	Total Value of Insurance Claim
1. For denial	18,344,374.37
2. For further Evaluation	36,858,757.80
3. For payment	19,185,437.89
Grand Total	Php 74,388,570.06

Further evaluation of your submitted Seriatim List shows that there are also two (2) reinsurance claims, which you considered for denial in total value of Php 271,294.01 that were inadvertently included in your list of corporate liabilities. These claims should have been included among the insurance claims of the company. Hence, the grand total value of your insurance claims against FESICO should have been **Php 74,659,864.07.**"

Applying a conservative approach for the payment of FESICO's insurance liabilities to be covered by the company's Security Deposits, the computation below shows a **Liquidation Value of 91.7%**:

<u>Total Security Deposits</u> ¹	-	<u>Php 68,519,995.10</u>
Total Insurance Claims	-	Php 74,659,864.07

Hence, the Commission decided to allow the payment of those valid claims of the policyholders that were filed within the prescribed deadline, subject to the following minimum guidelines:

1. Payment shall be made only to claimants whose insurance claims are duly verified and approved for payment by this Commission, upon the Liquidator's recommendation;
2. Payment shall be paid applying a conservative approach based on the Liquidation Value equivalent to 91.7% only;

¹ Per IC-Investment Services Division's Security Deposit Balance as of June 30, 2020.