



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



PRESS RELEASE

For Immediate Release

SC AFFIRMS INSURANCE COMMISSION OVER PRUDENTIALIFE PLANS LIQUIDATION

The Supreme Court has denied a petition for review filed by Prudentialife Plans, Inc., (PPI) and its planholders assailing the Decision and Resolution of the Court of Appeals dated 29 August 2014 and 10 June 2015, respectively.

In its resolution dated 19 April 2016, the Supreme Court's First Division denied the petition for review on certiorari on the ground that the petitioners failed to sufficiently show that the Court of Appeals committed any reversible error in affirming the Directives of the Insurance Commission (IC) dated September 19, 2013 and October 19, 2012. Accordingly, the Supreme Court denied the application for issuance of a temporary restraining order and/or writ of preliminary injunction seeking to stop the implementation of the liquidation order issued by the IC.

The Court of Appeals, in its 29 August 2014 Decision, dismissed the petition filed by PPI and its planholders assailing the 19 September 2012 Directive of the Insurance Commission (IC), which terminated the conservatorship of PPI and placing the company under receivership; and the 19 October 2012 Directive of the IC which terminated PPI's receivership and ordering the company's liquidation.

Contrary to the argument of PPI, the Court of Appeals held that the IC's order placing PPI under receivership is justified, valid and well founded as there is ample evidence showing that PPI is insolvent based on the financial examination report prepared by the IC at the time when PPI was still under conservatorship.

The Court of Appeals noted that the financial condition of PPI was on a downward trend from 2007 to 2011 and has worsened as demonstrated by the fact that the deficiency of PPI as of 2011 amounted to P12.3 billion. It likewise noted that the debt to asset ratio of the company as of 2008 is greater than 1 and has increased over the years indicating the difficulty on the part of PPI to pay its obligations as they fell due.

Contrary to the allegation that the IC decided to kill a pre-need company which has a good chance of being rehabilitated, the Court of Appeals affirmed the findings of the IC that the proposed rehabilitation plan which featured "Balik Bayad" program is not a feasible option. The "Balik Bayad" program is aimed at returning to its education and pension planholders all installments paid on their plans, as adjusted on the 7th year but not later than 15 years from the date of transfer.

The IC rejected PPI's "Balik Bayad" program as well as other plans submitted by other proponents (MB Life, Loyola Plans Consolidated, Inc., PhilPlans, Inc., and APEC Plans, Inc.) as the same are not exhaustive enough and fail to guarantee the best value of benefits that can be given to the planholders.

In upholding the directive of the IC ordering PPI's liquidation, the Court of Appeals held that the IC issued the directive conformably to the provision of the Pre-Need Code and the its implementing rules and regulations. It cited the directive of the IC ordering the liquidation of PPI was arrived at after finding that there is no viable rehabilitation plan for PPI that will enable it to operate and continue as an on-going concern, service its planholders and restructure the funds such that deficiencies are satisfactorily minimized or at least minimize the impact on the planholders.

The IC arrived at the decision to liquidate PPI after considering the evaluation made by the IC evaluation team, IC-appointed receiver and the actuary assigned to conduct technical analysis of the proposed rehabilitation plan submitted by PPI together with other plans submitted by other proponents.

Based on the IC-approved liquidation plan, the first tranche of distribution will come from all the liquid trust fund assets that are in the form of cash or easily convertible to cash, such as government bonds, money market instruments and listed shares of stock. The second tranche of distribution, on the other hand, comprises of the non-liquid trust fund assets of PPI which will be converted into cash or sold in accordance with the approved property selling procedure provided by the IC. The residual assets will be distributed last, subject to the court's order under the liquidation case to be filed by the IC.

Insurance Commissioner Emmanuel F. Dooc said that the IC, together with the IC-appointed liquidator, is continuously implementing the IC-approved liquidation plan and is now in the process of converting the non-liquid trust fund assets of PPI into cash which will be distributed to its planholders.

The release of the first tranche for pension, life and education planholders, funded by the liquid assets belonging to each trust fund, started in August 2013. The release of the second tranche for education planholders started in September 2015 which was funded by the proceeds from the sale of a 1, 100 square-meter lot in Bonifacio Global City which was sold last December 2014.

Commissioner Dooc announced that the target distribution for second tranche for pension planholders is in the last quarter of this year.

“Following the Commission’s approval of the sale of the PPI Guadalupe Building last year, pension planholders of PPI can expect that the release of the 2nd tranche will start in the fourth quarter of this year”, said Commissioner Dooc.

He added, “As for the release of the 2nd tranche distribution for life planholders and the 3rd tranche for education planholders, there are several properties currently under negotiation for sale. The proceeds of the sale of these properties will be used to fund the payments to be distributed to the planholders of PPI.”

Commissioner Dooc admitted that the conversion of the non-liquid trust fund assets of PPI takes time as he does not want these assets to be subjected to fire sales. “The protection of the interests of PPI planholders is always the primordial concern of the IC that is why we want the value of these assets be optimized.”, said Commissioner Dooc.

The Insurance Commission encourages all planholders who have not yet claimed their checks in the first tranche distribution for pension and life plans and the first and second tranches for education plans to claim their checks at Prudentiallife Plans, Inc. Head Office at 118 Gamboa Street, Legaspi Village, Makati City or 3111 31/F One Corporate Center, Julia Vargas cor. Meralco Avenue, Pasig City from 8:30 a.m. to 5:30 p.m, Mondays to Fridays.

Commissioner Dooc lauded the decision of the Supreme Court as it affirms with certainty the power of the IC provided under the Pre-Need Code of the Philippines to take over troubled pre-need companies whose continued operations may be financially hazardous to the public by placing it under conservatorship, receivership, or liquidation.



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