

[CIRCULAR LETTER NO. 2018-44, September 04, 2018]

GUIDELINES ON THE ISSUANCE OF STAY ORDERS

*Adopted: 31 August 2018
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WHEREAS, the statutory objectives of the conservatorship and receivership processes under Sections 255 & 256 of Republic Act No. 10607, otherwise known as the Amended Insurance Code of the Philippines, Sections 49 & 50 of Republic Act No. 9829, otherwise known as the Pre-Need Code of the Philippines, and Section 4 (i) of Executive Order No. 192, s. 2015 are to: (1) restore distressed regulated companies to financial viability; and (2) preserve and administer the assets of the same for the benefit of said companies' policyholders, planholders, members, and creditors;

WHEREAS, this Commission has, on various occasions, issued Stay Orders in the interest of achieving the objective/s of the rehabilitation of concerned companies under conservatorship or receivership and/or preserving the assets of the same under for the benefit of said companies' policyholders, planholders, members, and creditors;

WHEREAS, to facilitate the conservatorship and receivership processes, this Commission deems it necessary and beneficial to issue uniform guidelines as regards the issuance of Stay Orders;

WHEREAS, in relation to the foregoing, corporate rehabilitation courts are empowered to issue Stay or Suspension Orders under Section 16 of Republic Act No. 10142, otherwise known as the Financial Rehabilitation and Insolvency Act (FRIA);

WHEREAS, this Commission is of the position that, by analogy, it is likewise statutorily empowered to issue Stay Orders as it essentially acts as a specialized "rehabilitation court" for the subject regulated entities;

NOW, THEREFORE, pursuant to the statutory powers of the Insurance Commissioner to prepare and approve rules, regulations and orders concerning the insurance, pre-need, and HMO industries under Section 437 of the Amended Insurance Code of the Philippines, Section 6 of the Pre-Need Code of the Philippines, and Section 4 of Executive Order No. 192, s. 2015, the following uniform guidelines on the issuance of Stay Orders are hereby issued and promulgated, *viz*:

1. **When Issued.** - In cases of conservatorship, a Stay Order may be issued by this Commission upon the favorable recommendation of the duly appointed conservator and/or this Commission's

Conservatorship, Receivership and Liquidation (CRL) Division. The recommendation for the issuance of a Stay Order shall be substantiated by finding/s that the issuance of the Stay Order is necessary to:

- a. Achieve the objectives of the financial rehabilitation of the concerned company; and/or
- b. Preserve the assets of the company for the benefit of its policyholders, planholders, members, and/or creditors.

In cases of **receivership**, a Stay Order **shall** be issued simultaneously with the order placing the concerned company under receivership.

2. **Provisions of Stay Order.** - All Stay Orders issued pursuant to this Circular Letter shall provide that:

- a. All actions or proceedings, in court or otherwise, for the enforcement of claims against the concerned company under conservatorship or receivership shall be suspended; Provided, that, all such claims shall be referred or endorsed to the concerned conservator or receiver for appropriate action;
- b. All actions to enforce any judgment, attachment or other provisional remedies against the concerned company shall likewise be suspended; Provided, that, any final and executory judgment of any court, tribunal, office, or agency of competent jurisdiction shall be treated by the conservator or receiver as a non-disputed claim;
- c. Said company shall be prohibited from selling, encumbering, transferring or disposing in any manner any of its properties, except in the ordinary course of business and/or as may be approved by the Insurance Commissioner upon the favorable recommendation by the appointed conservator, receiver, and/or this Commission's CRL Division; and
- d. Said company shall be prohibited from making any payment of its liabilities as of the date of the issuance of the Stay Order, except for approved administrative expenses and/or those approved by the Insurance Commissioner upon the favorable recommendation by the appointed conservator, receiver, and/or this Commission's CRL Division.

3. **Only Right to Enforce Claim Suspended.** - The issuance of the Stay Order shall not be deemed, in any way, to diminish or impair the right/s of the policyholders, planholders, members, and/or creditors to their respective claims; except that their right to enforce said claims shall be suspended during the term of the Stay Order.

4. **Exceptions to the Stay Order.** - The Stay Order shall not apply: