Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

NON-TRADITIONAL SECURITIES AND INSTRUMENTS DEPARTMENT

In the Matter of

Revocation of Certificate of Registration of PRUDENTIALIFE PLANS, INC. as Dealer of Pre-Need Education, Life and Pension Plans

SEC Pre-Need Order No. 028 series of 2009.

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ORDER

On 23 December 2008, the Securities and Exchange Commission (SEC) renewed the Dealer's License of **Prudentialife Plans, Inc.** (Prudentialife) under SEC Pre-Need Order No. 260, series of 2008 subject to the condition that it shall comply with the **Multi-Year Capital and Trust Fund Build-Up Program** of the SEC. The terms for the multi-year capital and trust fund build-up for pre-need corporations were approved by the SEC on 12 February 2009.

Based on the Actuarial Valuation Report (AVR) submitted by Prudentialife, the capital and trust fund deficiencies of the company as of 31 March 2008 are **Php 4,498,755,222** and **Php 3,641,624,725**, respectively.

In a letter dated 31 January 2009, Prudentialife proposed to fund its deficiencies by way of shares of stocks of its related companies. The SEC informed Prudentialife that the offered shares of stocks are not acceptable and real properties may instead be considered by the SEC. A request for reconsideration was submitted by Prudentialife stating its pending deals related to some of the properties, hence, its inability to contribute them for funding purposes. It is, however, willing to submit the titles on a custodianship basis but without annotation on the titles.

Further, Prudentialife requested that in the event that its request for reconsideration is denied by the SEC, it be allowed to operate as a one-type plan pre-need corporation based on the following arguments:

(a) The Trust Fund is liquid. Per projections submitted in the program, the Trust Fund has sufficient liquid assets to service the obligations of the company to its planholders for the next five (5) years;

(b) About Php 1.5 Billion of the company's losses are due to the mark-to-market losses. This should return to profit as market conditions improve;

(c) Revaluation of some assets and relief on the Php 1.5 Billion mark-to-market losses will result to positive stockholders' equity. The company is currently discussing with its Accountants and Auditor on how to improve its Balance Sheet by reclassifying some assets as available for sale to reflect fair market prices; and

(d) Trust Fund variance after relief on mark-to-market losses and additional contribution would amount to Php 950 Million. The trust

fund variance as of 31 March 2008 is at Php 3.6 Billion. If the company will be given a relief on the Php 1.5 Billion mark to market loss, its trust fund deficiency will be reduced to Php 2.1 Billion. This will be reduced to Php 950 Million if the proposed additional Php 1.15 Billion contribution will be considered.

Upon review of the arguments raised and the records on file, we hold that **Prudentialife no longer possesses the qualifications provided for under existing SEC rules and regulations to be or remain a dealer of pre-need plans**.

Accordingly, by virtue of the authority of the SEC under Section 16 of the Securities Regulation Code, the Dealer's License and Certificate of Registration and Permit to Sell Pre-need Plans the Certificate of Registration and Permit to Sell earlier granted to **PRUDENTIALIFE PLANS, INC.** are hereby revoked, effective on the date of promulgation of this Order. As a consequence of such revocation, the licenses granted to the general agent and salesmen of the company are likewise revoked.

Thus, Prudentialife or any person acting on behalf of the company is hereby ordered to:

(a) terminate the offering and/or sale of pre-need plans and to continue servicing its obligations to its planholders;

(b) infuse Php 100 Million cash into the Trust Fund within thirty (30) working days from the date of revocation;

(c) increase the periodic deposit to the Trust Fund for its education, pension and life plans to 80% of the periodic collections effective the month following the date of revocation;

(d) deposit the corresponding Insurance Premium Fund required per Actuarial Valuation Report as of 31 March 2009 not later than 31 December 2009;

(e) convert the Php 1,943,800,000 deposit for future stock subscription into paid-up capital within thirty (30) days from the date of revocation, or, in the alternative, the company shall retain said deposit and shall not be allowed to make any withdrawal therefrom until it becomes financially solvent and sound, as certified by an accredited independent auditor, and with prior approval from the Commission;

(e) immediately cancel all unsold plans and cause the publication of the cancellation within ten (10) days from the date of revocation;

(f) comply with all the reportorial requirements provided under the law, rules and regulations duly issued by the Commission;

(g) not declare any form of dividends, stock options or warrants unless approved by the SEC;

(h) not distribute any form of profit sharing, performance bonus and other compensation schemes that are based on the profits or earnings of the corporation to the members of the Board of Directors, executives and officers without prejudice to the observance of law-mandated bonuses;

(i) not grant increase in salaries, per diems, allowances, fringe benefits and any similar compensation and benefits to the members of the Board of Directors, executives and officers unless approved by the SEC;

(j) not cause the sale, lease and/or mortgage of its assets without SEC approval; and

(k) comply with all the other terms and conditions that the SEC may impose in connection with the revocation.

SO ORDERED.

Issued this 20 day of April 2009, at Mandaluyong City, Philippines.

JOSE P. AQUINO
Acting Director for NTD