

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

Seventeenth Congress  
First Regular Session

HOUSE BILL NO. **4107**



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Introduced by **AGRI PARTYLIST**  
**Representative Orestes T. Salon and Representative Delphine Gan Lee**

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**EXPLANATORY NOTE**

This bill seeks to provide for a more comprehensive and sustainable agricultural insurance coverage to both the agriculture and fisheries sectors, amending for the purpose Presidential Decree No. 1467 entitled, *"Creating The Philippine Crop Insurance Corporation, Prescribing Its Powers And Activities, Providing For Its Capitalization And For The Required Government Premium Subsidy, And For Other Purposes,"* as amended.

Presidential Decree No. 1467 (PD 1467) was signed by then President Ferdinand Marcos in 1978 to implement a crop insurance scheme that will *"provide relief to our rice producers from the heavy burdens and loss caused by such disasters as well as to stabilize the finances of lending institutions"* and because *"crop insurance can serve as strong incentive to the intensification of the government food production program as well as minimize the erosion of the financial capability, and the willingness of lending institutions to provide financial support to rice production program."*

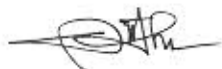
Since the law was enacted, several amendments have been introduced through Presidential Decree No. 1733 which was enacted in 1980 and Republic Act No. 8175, in 1995. These laws, though they further strengthened the provisions of PD 1467, are still lacking in many aspects, particularly in protecting production losses of subsistence farmers and fisherfolks. While it is commendable that the Philippine Crop Insurance Corporation (PCIC) has extended insurance coverage to the fisheries sector, it still has no operational

insurance program for fishponds, fish pens, fish cages and other aquaculture projects due to limited funds.

The Philippines has been battered by a deluge of typhoons in the past decades, particularly during the last five years wherein we saw the devastation delivered by the most powerful calamities the country has ever faced. Billions of pesos worth of produce are destroyed each time in both the crops and fisheries sectors. This leaves our farmers and fisherfolks in a sorry state, as most of them borrow money for capital or engage in tie-ups with land owners or capitalists. Losing their produce during natural calamities almost certainly means another round of borrowing money or engaging in usurious transactions in order to get by. Hence, this unending cycle further brings our farmers and fisherfolks deeper into the pit of hopelessness and poverty.

Expanding the insurance coverage given by the PCIC ensures our farmers and fisherfolks of financial security throughout the year. Aside from protecting crops and aquaculture and fishery products, it also provides life and accident insurance to both farmers and fisherfolks. The funds of the PCIC are also increased, for the agency to further boost its investment capacity and to adequately cover 11 million farmers and fisherfolks in the country. The government owes this to them, who contribute nearly twenty percent to the country's gross domestic product.

In view of the foregoing, approval of this bill is earnestly sought.



**REP. ORESTES T. SALON**  
AGRI Partylist



**REP. DELPHINE GAN LEE**  
AGRI Partylist

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HOUSE BILL NO. **4107**

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**Introduced by AGRI PARTYLIST**  
**Representative Orestes T. Salon and Representative Delphine Gan Lee**

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**AN ACT**

**PROVIDING FOR A MORE COMPREHENSIVE AND SUSTAINABLE  
AGRICULTURAL INSURANCE COVERAGE FOR THE  
AGRICULTURE AND FISHERIES SECTORS, AMENDING FOR THE  
PURPOSE PRESIDENTIAL DECREE NO. 1467, AS AMENDED,  
ENTITLED, "CREATING THE PHILIPPINE CROP INSURANCE  
CORPORATION, PRESCRIBING ITS POWERS AND ACTIVITIES,  
PROVIDING FOR ITS CAPITALIZATION AND FOR THE REQUIRED  
GOVERNMENT PREMIUM SUBSIDY, AND FOR OTHER PURPOSES"**

*Be it enacted by the Senate and House of Representatives of the Philippines in  
Congress assembled:*

**SECTION 1.** Section 1 of Presidential Decree No. 1467, as amended, is

hereby further amended to read as follows:

**"SEC. 1. *Creation of the Philippine Crop Insurance Corporation.*** – There is hereby created a body corporate to be known as the 'Philippine Crop Insurance Corporation' (PCIC and herein called the Corporation) which shall be attached to the Department of Agriculture [for budgetary purposes]. The Corporation shall insure qualified farmers AND FISHERFOLK

against losses arising from natural calamities, FORTUITOUS  
EVENTS, plant AND FISH diseases and pest infestations.  
[Initially,] [t]The Corporation shall provide insurance coverage for  
*palay* AND CORN crops, HIGH-VALUE COMMERCIAL  
CROPS, LIVESTOCK, AQUACULTURE AND FISHERY  
PRODUCTS, AGROFORESTRY CROPS AND FOREST  
PLANTATIONS; [and later on to other crops without prejudice to  
the inclusion of other] non-crop agricultural assets such as but not  
limited to machineries, equipment, transport facilities and other  
related infrastructures, AND LIFE AND ACCIDENT TERM  
INSURANCE COVERAGE FOR FARMERS AND  
FISHERFOLK, as the Board of Directors of the Corporation may  
determine. Such crop insurance shall cover, in every case, the cost  
of production inputs, the value of the farmer's OR  
FISHERFOLK'S own labor and those of the members of his  
household, including the value of the labor of hired workers, and a  
portion of the expected yield as the Board of Directors, in its  
discretion, decide to insure. Such insurance protection, however,  
shall exclude losses arising from avoidable risks emanating from  
or due to the negligence, malfeasance or fraud committed by the  
insured or any member of his immediate farm or FISHPOND/

FISHCAGE household or employee or the failure of the insured to follow proven farm OR FISHPOND/FISHCAGE practices.

THE CORPORATION SHALL ALSO INSURE PROPERTIES AND FACILITIES WHICH ARE OWNED OR USED BY GOVERNMENT AGENCIES INVOLVED IN AGRI-FISHERY-FORESTRY PROJECTS OR ACTIVITIES AND GOVERNMENT-FINANCED AGRI-FISHERY-FORESTRY PROJECTS. THE CORPORATION SHALL PROVIDE REINSURANCE COVERAGE TO AGRI-FISHERY, FORESTRY PROPERTIES AND FACILITIES UNDERWRITTEN BY PRIVATE AND GOVERNMENT INSURANCE COMPANIES.”

**SEC. 2.** Subsections 3.5 and 3.11 of Section 3 of Presidential Decree No. 1467, as amended, are hereby further amended to read as follows:

“SEC. 3. *Powers.* – The Corporation shall have the following powers:

xxx

3.5 To insure the [rice production] CROPS of farmers AND FISH PRODUCTION OF FISHERFOLKS against loss, damage and destruction caused by natural calamities such as typhoons, floods, drought, earthquake, volcanic eruptions, rodents, vermin[s],

disease, insects and other pests; and to carry on any business necessary, related to, and expedient for the above purpose;

xxx

3.11 To generate internal funds by floating bonds, [expansion to other] EXPANDING THE CORPORATION'S insurance lines and extending coverage to other areas of agriculture SUCH AS LIVESTOCK, AQUACULTURE, FISHERY, AGROFORESTRY, AND FOREST PLANTATIONS in order to address insurance needs of the target sector and to do and perform acts and things and to exercise all the general powers conferred by law upon the Corporation as are incidental or conducive to the attainment of the objectives of the Corporation."

**SEC. 3.** Section 5 of Presidential Decree No. 1467, as amended, is hereby further amended to read as follows:

"SEC. 5. *Rate of Premium and its Sharing.* – The rate of premium, as well as the allocated sharing thereof [by the] OF farmers, FISHERFOLKS, [the] lending institutions, the Government of the Republic of the Philippines (herein called the Government) and other parties, shall be determined by the Board of Directors of the Corporation: *Provided*, That the share of the Government in the premium cost in the form of premium subsidy,

85 shall be limited to subsistence farmers AND FISHERFOLKS:  
86 *Provided, however,* That each of these subsistence farmers AND  
87 FISHERFOLKS is EITHER cultivating not more than seven (7)  
88 hectares OF FARMLANDS OR CULTIVATING NOT MORE  
89 THAN FIVE (5) HECTARES OF THE FISHPOND, SEAWEED,  
90 OYSTER OR MUSSEL FARM by themselves or with the help of  
91 the labor of the members of their households or hired labor, the  
92 premium and sharing to be determined by the Board of Directors  
93 subject to approval by the President of the Philippines: *Provided,*  
94 *further,* That the premium share of the subsistence farmer OR  
95 FISHERFOLK shall be reasonably affordable by him: *Provided,*  
96 *furthermore,* That the Government shall share in the premium cost  
97 only in insurance coverage against unforeseen and unavoidable  
98 risks such as, but not limited to typhoons, droughts, outbreaks of  
99 pests and diseases: *Provided,* finally, That premium subsidy  
100 and/or insurance benefits shall upon the accumulation of surplus  
101 funds, be increased to such amount as may be determined by the  
102 Board, taking into consideration that the Corporation has been  
103 established not only for profit but mainly to help the insured in  
104 their dire hours of need.”

105           **SEC. 4.** Subsections 6.3 and 6.5 of Section 6 of Presidential Decree No.  
106 1467, as amended, are hereby further amended to read as follows:

107           “SEC. 6. *Premium Subsidy.* –

108           xxx

109           6.3.     Unappropriated and/or unreleased government  
110 premium subsidy for policies written for the period from May 1,  
111 1981 up to [the approval of this Act] DECEMBER 31, 2011  
112 computed on the basis of premium rates and sharing previously  
113 approved by the President as authorized by law shall be  
114 programmed for payment by the Government [within a period of  
115 ten (10) years from the approval of this Act], and the yearly sums  
116 shall be included in the budgetary appropriations for submission to  
117 Congress, stating the fiscal year following approval hereof, in  
118 addition to the premium subsidy requirement of the year involved.

119           xxx

120           6.5.     [Ten percent (10%) of the net earnings of] [t]The  
121 Philippine Charity Sweepstakes Office (PCSO) [from its lotto  
122 operation shall be earmarked for] SHALL CONTRIBUTE A  
123 YEARLY AMOUNT OF FIVE MILLION PESOS  
124 (P5,000,000.00) FROM ITS CHARITY FUND TO the Crop  
125 Insurance Program and said amount shall be directly remitted by



the PCSO to the Corporation [every six (6) months] YEARLY until the [amount of government subscription] UNRELEASED PREMIUM SUBSIDY is fully paid.”

**SEC. 5.** Subsections 8.1, 8.3, 8.4.1 and 8.4.3, and 8.5 of Section 8 of Presidential Decree No. 1467, as amended, are hereby further amended to read as follows:

“SEC. 8. *Capital Stock.* –

8.1. The authorized capital stock of the Corporation is [Two billion pesos (P2,000,000,000.00)] TEN BILLION PESOS (P10,000,000,000.00) divided into [Fifteen million (P15,000,000.00)] SEVENTY-FIVE MILLION (75,000,000) common shares with a par value of One hundred pesos (P100) each share, which shall be fully subscribed by the Government and [Five million (P5,000,000.00)] TWENTY-FIVE MILLION (25,000,000.00) preferred shares with a par value of One hundred pesos (P100) per share which shall have the features as provided in Section 8.4 hereof and shall be issued in accordance with the provisions of Section 8.5 hereof.

xxx

8.3. The additional common capital stock of [One billion pesos (P1,000,000,000.00)] SIX BILLION PESOS

(P67,000,000,000.00) shall be fully subscribed by the Government and the necessary funds shall be appropriated by Congress unless otherwise provided by existing laws: *Provided*, That Congress shall provide, on an annual basis, [at least fifty percent (50%) of] the needed capital, until the authorized capital stock is fully paid up.

8.4. The preferred shares shall be entitled to a preference over common shares in any declaration of dividends. They shall also be given priority in the distribution of assets in the event of liquidation of the Corporation. They shall have the following specific features:

8.4.1. Preferred as to dividends at a minimum of [six percent (6%)] ONE AND ONE-HALF PERCENT (1.5%) OR THE PREVAILING THREE HUNDRED SIXTY (360)-DAY TREASURY BILL RATE AT THE TIME OF DECLARATION OF DIVIDENDS, WHICHEVER IS HIGHER;

xxx

8.4.3. Non-Participating;

xxx

8.5. AT LEAST FIVE HUNDRED MILLION PESOS (P500,000,000.00) OF PREFERRED SHARES SHALL BE

SUBSCRIBED AND PAID FOR BY THE LAND BANK OF  
THE PHILIPPINES. THE BALANCE OF [T]The preferred  
shares may be available for sale or to subscription by the general  
public.”

**SEC. 6.** Section 8-A of Presidential Decree No. 1467, as amended, is  
hereby amended to read as follows:

“SEC. 8-A. *RESERVE FUND FOR CATASTROPHIC  
LOSSES.* – A State reserve fund for catastrophic losses in the  
amount of Five hundred million pesos (P500,000,000.00) shall be  
created exclusively to answer for the proportion of all losses in  
excess of risk (pure) premiums under the Corporation’s Crop  
Insurance Program for small farmers AND FISHERFOLK. THE  
FUND MAY BE INCREASED SUBJECT TO THE APPROVAL  
OF THE PRESIDENT. The fund shall be administered by a  
government financial institution to be designated by the  
Corporation’s Board of Directors. Such sum as may be necessary  
for the purpose shall be funded by the National Government  
through the annual General Appropriations Act stating the calendar  
year immediately following the approval of this Act and every year  
thereafter until the full amount is completed. The mechanics of  
claims against the [f]Fund and to what extent the Fund shall be

liable shall be determined jointly by the financial institution administering the Fund, subject to the approval by the President.”

**SEC. 7.** Subsection 9.1 of Section 9 of Presidential Decree No. 1467, as amended, is hereby further amended to read follows:

**SEC.9. Board of Directors. –**

9.1. The powers of the Corporation shall be vested in and exercised by a Board of Directors now composed of seven (7) members and made up of the following: the President of the Land Bank of the Philippines (LBP), the President of the Corporation, the [Executive Director of the Agricultural Credit Policy Council (ACPC)] SECRETARY OF THE DEPARTMENT OF AGRICULTURE (DA), a representative from the private insurance industry to be nominated by the Secretary of Finance and three (3) representatives from the subsistence farmers sector, preferably representing agrarian reform beneficiaries/ cooperatives/ associations coming from Luzon, Visayas and Mindanao, who shall be selected and nominated by the different farmers organizations and/or cooperatives. The respective nominees of the private insurance industry and the farmer’s sector shall be submitted to and appointed by the President. The chairman of the Board of Directors shall be appointed to and appointed by the

President from among the members of the Board of Directors. The President of the Corporation shall also be appointed by the President and shall be *ex officio* vice chairman who shall assist the chairman and act in his stead in case of absence or incapacity. In case of absence or incapacity of both the chairman and the vice chairman, the Board of Directors shall designate a temporary chairman from among its members. Except for the President of the LBP and the [Executive Director of the ACPC] SECRETARY OF AGRICULTURE, all members of the Board of Directors, including the President of the Corporation, shall be appointed by the President within a reasonable period of time after the approval of this Act.”

**SEC. 8.** Section 11-B of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

“SEC. 11-B. *No Claim Benefits.* – Any insured farmer who has not filed any claim during the immediately preceding three (3) crops seasons OR ANY INSURED FISHPOND/FISHCAGES OPERATOR WHO HAS NOT FILED ANY CLAIM DURING THE IMMEDIATELY PRECEDING THREE (3) HARVEST SEASONS shall be entitled to a no-claim benefit of at least ten percent (10%) of his premium share paid for said crop seasons to

be deposited in a trust fund and to be managed by the Corporation.

Such trust fund may be used to finance premium rebate or premium credit applicable to the immediately following crop seasons as determined by the Board of Directors of the Corporation.”

**SEC. 9.** Section 17-A of Presidential Decree No. 1467, as amended, is hereby further amended to read as follows:

“SEC. 17. *Penal Provisions.* – Any person who through malfeasance, misfeasance or nonfeasance allows a spurious claim to be paid, including the claimant himself, shall, upon final conviction, be punished by imprisonment of not less than [one (1) year] TWO (2) YEARS but not more than [six (6) years] EIGHT (8) YEARS or a fine of not less than [Fifty thousand pesos (P50,000.00)] ONE HUNDRED THOUSAND PESOS (P100,000.00) but not more than [Five hundred thousand pesos (P500,000.00)] SIX HUNDRED THOUSAND PESOS (P600,000.00) or both at the discretion of the court. The PCIC personnel who allowed the commission of the offense shall, in addition, be dismissed from office, and forfeit all privileges and benefits which may accrue to him.”

251       **SEC. 10. *Review.*** – The PCIC Board shall undertake periodic review of  
252 the Corporation's activities and shall submit to both Houses of Congress at least  
253 once [every two (2) years] A YEAR a report which shall include, among others,  
254 a recommendation for improving services to the target sectors and the financial  
255 viability of the Corporation.

256       **SEC. 11. *Separability Clause.*** – If any provision or part hereof is held  
257 unconstitutional or invalid, the other provisions not affected shall remain in full  
258 force and effect.

259       **SEC. 12. *Repealing Clause.*** – All laws, executive orders and other  
260 issuances, or parts thereof inconsistent with the provisions of this Act are  
261 hereby repealed or modified accordingly.

262       **SEC. 13. *Effectivity.*** – This Act shall take effect fifteen (15) days after  
263 its publication in the *Official Gazette* or in a newspaper of general circulation.

264       Approved,