

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. 40



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

On 11 June 1978, via Presidential Decree No. 1467, the Philippine Crop Insurance Corporation (PCIC) was created.

At that time, there was food production government initiative, focusing on palay and/or rice production. This was coupled with supervised rice production credit program.

However, the recurrent natural disasters resulted to farmers suffering from heavy financial losses due to the destruction of their standing crops. Consequent to the loss of their income was the loss of their credit standing. This in turn, seriously affected the finances of lending institutions participating in the supervised credit program. It considerably constricted the loaning capabilities of the banks and their willingness to extend loans to rice farmers.

Thus, a crop insurance scheme was implemented under the said decree. It was to provide relief to the rice producers from the heavy burdens and loss caused by the disasters, as well as to stabilize the finances of lending institutions. It served as a strong incentive to the intensification of the food production initiative, minimized the erosion of the financial capability, and the willingness of lending institutions to provide financial support to rice production program.

In 29 December 1995, Republic Act No. 8175 or the Revised Charter of the Philippine Crop Insurance Corporation Act was ordained.

The PCIC was strengthened. Among other amendments to PCIC's charter, crop insurance was no longer limited to palay. It was extended to other crops. Also, there was an inclusion of other non-crop agricultural assets such as machineries, equipment and transport facilities. The coverage

of the insurance was likewise broadened such that the cost of production inputs, the value of the farmer's own labor and that of hired workers, and a portion of the expected yield, became insurable.

Nevertheless, crop insurance under RA 8175 remained to be mandatory only upon all farmers obtaining production loans for palay under the supervised credit program. It remained optional on the part of self-financed farmers who can secure crop insurance only if they agree to place themselves under the supervision of agricultural production technicians. Thus, only the financial institutions remained secure, even if a disaster occurs.

A larger part of the farmer's population, and consequently a bigger portion of the expected production output, remained uninsured.

The other major problems sought to be remedied by PD No. 1467 have again resurfaced. There are continuing financial burden to farmers affected by disasters, and this resulted to diminishing agricultural production and threats to food security.

And in recent times, these problems have grown by geometric proportions. This is because typhoons, and other calamities and disasters, natural or otherwise, including, as recently experienced, floodings brought about by spilling of dam waters, became more frequent, powerful and intense. Therefore, a very big and ever escalating portion of the country's expected agricultural production is, and continuous to be, adversely affected.

As an example, very recently, the National Disaster Risk Reduction and Management Council (NDRRMC) reported that typhoon Pedring damaged P9.437 billion worth of agricultural products and properties, while Quiel's destruction was estimated at P115 million.

On the other hand, the PCIC's preliminary assessment showed about P333.93 million worth of crops, mostly palay, were insured in 30 provinces covering the entire Luzon.

The insured crops of P334 Million is therefore represent only 3% of the almost P10 Billion damaged crops.


Under this proposed measure, participation in the insurance for palay and other essential crops shall become compulsory.

For farmers who cannot secure crop insurance by themselves, the National Food Authority (NFA) shall be the one to secure the insurance for them. The NFA shall pay for the insurance premium and shall become at least a fifty percent (50%) beneficiary of the insurance proceed or claim.

With these amendments to the PCIC Charter, all expected farm output shall be fully insured. If the hazard insured against occurs, such as natural or

manmade disasters, the farmers will not financially suffer. The banks and financial institutions shall also not suffer as the farmers shall continue to have the means to pay for their loans even though their crops were damaged. There shall be continuity of agricultural credit and financing. Food security shall not be compromised because the farmers, and the government through the NFA, shall have the money (from the insurance proceeds), to procure replacement food supply and grains and seeds for the next planting season.

It is in this view that the immediate passage of this bill, filed as House Bill No. 418 in the Sixteenth Congress by the undersigned, is earnestly sought.



ARTHUR C. YAP
Representative

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AN ACT
TO PROVIDE COMPENSATION TO FARMERS WHO
SUFFER FROM RECURRENT DISASTERS AND
CALAMITIES, TO SUSTAIN AGRICULTURAL CREDIT
AND FINANCING, AND TO ENSURE FOOD SECURITY,
BY MAKING INSURANCE MANDATORY FOR PALAY
AND OTHER ESSENTIAL CROPS, AMENDING FOR
THE PURPOSE SECTION 4 OF PRESIDENTIAL
DECREE NO. 1467, AS AMENDED BY REPUBLIC ACT
NO. 8175, OR THE "REVISED CHARTER OF THE
PHILIPPINE CROP INSURANCE CORPORATION
(PCIC) ACT OF 1995", AND FOR OTHER PURPOSES

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

1 **SECTION 1. *Short Title.*** – This Act shall be known as the
2 “Expanded Crop Insurance Act of 2016”.

3 **SECTION 2. *Declaration of Policy.*** – It is hereby declared the policy
4 of the State to:

5 1. Ensure food security, intensify food production, promote agricultural
6 credit and broaden the coverage of mandatory crop insurance,
7 especially amidst the recurrence of disasters and calamities, natural or
8 otherwise, including floods, typhoons, heavy rains, drought, that

destroys crops, especially palay and other grains and crops necessary for food security;

2. Alleviate the financial burden of farmers due to uncompensated losses arising from destruction of crops wrought by said disasters and calamities, keep them away from perpetual indebtedness, enhance their credit standing, and provide additional government support to increase agricultural production; and,
3. To assist banks and financial institutions, not to constrict their loaning capabilities, and kindle their willingness to extend loans to farmers.

SECTION 3. *Amendment of the Revised Charter of the Philippine*

Crop Insurance Corporation. – Section 4 of Presidential Decree No. 1467, otherwise known as the Charter of the Philippine Crop Insurance Corporation (PCIC), as amended by Republic Act No. 8175 or the "Revised Charter of the PCIC Act of 1995", is hereby further amended, to read as follows:

"SECTION 4. *Who Shall Be Insured.* —

PARTICIPATION IN THE INSURANCE FOR PALAY AND OTHER CROPS DETERMINED TO BE ESSENTIAL FOR FOOD SECURITY SHALL BE COMPULSORY UPON ALL FARMERS. FOR FARMERS WHO CANNOT SECURE CROP INSURANCE BY THEMSELVES, THE NATIONAL FOOD AUTHORITY (NFA) SHALL BE THE ONE TO SECURE FOR THEM. THE NFA SHALL PAY FOR THE INSURANCE PREMIUM AND SHALL BECOME AT LEAST A FIFTY

1 **PERCENT (50%) BENEFICIARY OF THE INSURANCE**
2 **PROCEED OR CLAIM. FOR ALL OTHER CROPS,**
3 [P]participation [in the palay crop insurance] shall be
4 compulsory upon all farmers obtaining production loans [**for**
5 **palay**] under the supervised credit program, and optional on the
6 part of self-financed farmers provided they agree to place
7 themselves under the supervision of agricultural production
8 technicians. The term "supervised credit program" as used in
9 this Decree shall mean the production credit program wherein
10 the farmer who obtained production loans [**for palay**] agree in
11 writing that he will apply proven farm practices necessary to
12 conserve the land, improve its fertility and increase its
13 production, and abide by the approved farm plan and budget
14 jointly prepared by him and the duly accredited supervised
15 credit technician. The term "supervision of agricultural
16 production technician" shall mean the supervision undertaken
17 by agricultural production technicians who are duly accredited
18 by the appropriate government agencies concerned, as required
19 under the supervised credit system.

20 xxx"

21 **SECTION 4. *Implementing Rules.*** – Within sixty (60) days after the
22 effectivity of this Act, the Secretary of the Department of Agriculture, the
23 Administrator of the NFA and the President of the PCIC shall be constituted
24 into a Committee mandated to issue the Implementing Rules and
25 Regulations of this Act.

1 **SECTION 5. *Separability Clause.*** - If any provision of this Act, or
2 any parts thereof, is declared unconstitutional, the same shall not affect the
3 validity and effectivity of the other portions.

4 **SECTION 6. *Repealing Clause.*** - All laws, executive orders,
5 presidential decrees, proclamations, rules, regulations, issuances and
6 enactments of parts thereof inconsistent with this Act are hereby repealed or
7 modified accordingly.

8 **SECTION 7. *Effectivity.*** - This Act shall take effect fifteen (15) days
9 from its complete publication in the Official Gazette or in a newspaper of
10 general circulation in the Philippines, whichever comes earlier.

APPROVED