

EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

Office of the Secretary
S E N A T E

S E N A T E
S. B. No. 822

19 JUL 30 A9:13

Introduced by Senator SONNY ANGARA

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AN ACT

STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION (PCIC), AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1467, AS AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE CROP INSURANCE CORPORATION

EXPLANATORY NOTE

The Philippines is primarily an agrarian country, with up to 32 percent (9.7 million) of its 30-million hectares of land devoted to agricultural production. Agriculture sector remains the main source of income and employment for 25.44% of the working population. It is equivalent to about 10 million of the 41.16 million total employed workers, based on the Philippine Statistics Authority's (PSA) 2018 Labor Force Survey¹.

However, farmers and fisherfolk have remained the poorest among the basic sectors of the country, with poverty incidence higher by roughly 15% than the general population². Problems in the agriculture sector are compounded by losses brought by natural calamities that have brought both severe drought and heavy rainfall. Thus, it is imperative for the government to make an effort to assist farmers and fisherfolk through the agricultural insurance program. Agricultural insurance program is one of the micro-/area-based schemes that provide protection to one of the most vulnerable sectors in the Philippines—the agriculture sector³.

This bill intends to expand the agricultural crops that can be insured by the Philippine Crop Insurance Corporation (PCIC) by including corn crops, high-value commercial crops, livestock, aquaculture and fishery products, agroforestry crops and forest plantations; provide life and accident insurance to both farmers and fisherfolk;

¹ <http://www.psa.gov.ph/content/2018-annual-labor-and-employment-status>

² Risks, Shocks, Building Resilience: Philippines, PIDS 2015-2016 Economic Policy Monitor, 2016.

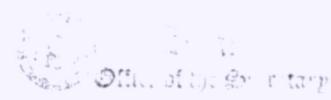
³ *ibid.*

strengthen the financial capacity of the PCIC by mandating the Philippine Charity Sweepstakes Office (PCSO) to remit P5 million annually until the unreleased government premium subsidy is fully paid; and, increase the PCIC's capitalization from ₱2 billion to ₱10 billion. It is our hope that this bill could provided financial security that farmers and fisherfolk really needs and deserves. In view of the foregoing, immediate approval of this bill into law is earnestly sought.



SONNY ANGARA

EIGHTEENTH CONGRESS OF THE)
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SENATE
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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 Section 1. Section 1 of Presidential Decree No. 1467, as amended, is hereby
2 further amended to read as follows:

3 "Sec. 1. *Creation of the Philippine Crop Insurance Corporation.* – There is
4 hereby created a body corporate to be known as the 'Philippine Crop
5 Insurance Corporation' (PCIC and herein called the Corporation) which shall
6 be attached to the Department of Agriculture [for budgetary purposes].
7 The Corporation shall insure qualified farmers **AND FISHERFOLK** against
8 losses arising from natural calamities, **FORTUITOUS EVENTS**, plant **AND**
9 **FISH** diseases and pest infestations. [Initially,] [t]he Corporation shall
10 provide insurance coverage for palay **AND CORN** crops, **HIGH-VALUE**
11 **COMMERCIAL CROPS, LIVESTOCK, AQUACULTURE AND FISHERY**
12 **PRODUCTS, AGROFORESTRY CROPS AND FOREST PLANTATIONS;**
13 [and later on to other crops without prejudice to the inclusion of other]
14 non-crop agricultural assets such as but not limited to machineries,
15 equipment, transport facilities and other related infrastructures, **AND LIFE**
16 **AND ACCIDENT TERM INSURANCE COVERAGE FOR FARMERS AND**
17 **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 household or employee or the failure of the insured to follow proven farm practices.

"THE CORPORATION SHALL ALSO INSURE PROPERTIES AND FACILITIES WHICH ARE OWNED OR USED BY GOVERNMENT AGENCIES INVOLVED IN AGRI-FISHERY-FORESTRY PROJECTS/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:

"x x x

"3.5. To insure the [rice—production] **CROPS** of farmers **AND FISHERFOLK** 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;

"x x x

"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**

1 **PLANTATIONS** in order to address insurance needs of the target sector
2 and to do and perform acts and things and to exercise all the general
3 powers conferred by law upon the Corporation as are incidental or
4 conducive to the attainment of the objectives of the Corporation."

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

7 "Sec. 5. *Rate of Premium and its Sharing.* – The rate of premium, as well
8 as the allocated sharing thereof [by the] **OF** farmers, **FISHERFOLK**, [**the**]
9 lending institutions, the Government of the Republic of the Philippines
10 (herein called the Government) and other parties, shall be determined by
11 the Board of Directors of the Corporation: *Provided*, That the share of the
12 Government in the premium cost in the form of premium subsidy, shall be
13 limited to subsistence farmers **AND FISHERFOLK**: *Provided, however,*
14 That each of these subsistence farmers is cultivating not more than seven
15 (7) hectares **OF FARMLANDS AND EACH FISHERFOLK IS**
16 **CULTIVATING NOT MORE THAN FIVE (5) HECTARES OF THE**
17 **FISHPOND, SEAWEED, OYSTER OR MUSSEL FARM** by themselves or
18 with the help of the labor of the members of their households or hired labor,
19 the premium rate and sharing to be determined by the Board of Directors
20 subject to approval by the President of the Philippines: *Provided, further,*
21 That the premium share of the subsistence farmer **OR FISHERFOLK** shall
22 be reasonably affordable by him: *Provided, furthermore,* That the
23 Government shall share in the premium cost only in insurance coverage
24 against unforeseen and unavoidable risks such as, but not limited to
25 typhoons, droughts, outbreaks of pests and diseases: *Provided, finally,* That
26 premium subsidy and/or insurance benefits shall upon the accumulation of
27 surplus funds, be increased to such amount as may be determined by the
28 Board, taking into consideration that the Corporation has been established
29 not only for profit but mainly to help the insured in their direct hours of
30 need."

31 Sec. 4. Subsections 6.3 and 6.5 of Section 6 of Presidential Decree No. 1467,
32 as amended, are hereby further amended to read as follows:

1 "Sec. 6. *Premium Subsidy.* –

2 "x x x

3 "6.3. Unappropriated and/or unreleased government premium subsidy for
4 policies written for the period from May 1, 1981 up to [~~the approval of this~~
5 ~~Act~~] **DECEMBER 31, 2011** computed on the basis of premium rates and
6 sharing previously approved by the President as authorized by law shall be
7 programmed for payment by the Government [~~within a period of ten (10)~~
8 ~~years from the approval of this Act~~], and the yearly sums shall be included
9 in the budgetary appropriations for submission to Congress, starting the
10 fiscal year following approval hereof, in addition to the premium subsidy
11 requirement of the year involved.

12 "x x x

13 "6.5. [~~Ten percent (10%) of the net earnings of~~] [~~t~~]The Philippine Charity
14 Sweepstakes Office (PCSO) [~~from its lotto operation shall be earmarked for~~]
15 **SHALL CONTRIBUTE A YEARLY AMOUNT OF FIVE MILLION PESOS**
16 **(P5,000,000) FROM ITS CHARITY FUND TO** the Crop Insurance
17 Program and said amount shall be directly remitted by the PCSO to the
18 Corporation [~~every six (6) months~~] **YEARLY** until the [~~amount of~~
19 ~~government subscription~~] **UNRELEASED PREMIUM SUBSIDY** is fully
20 paid."

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

23 "Sec. 8. *Capital Stock.* –

24 "8.1. The authorized capital stock of the Corporation is [~~Two billion pesos~~
25 ~~(P2,000,000,000)~~] **TEN BILLION PESOS (P10,000,000,000)** divided
26 into [~~Fifteen million (15,000,000)~~] **SEVENTY-FIVE MILLION**
27 **(75,000,000)** common shares with a par value of One hundred pesos
28 () each share, which shall be fully subscribed by the Government and
29 [~~Five million (5,000,000)~~] **TWENTY-FIVE MILLION (25,000,000)**
30 preferred shares with a par value of One hundred pesos (31 which shall have the features as provided in Section 8.4 hereof and shall be
32 issued in accordance with the provisions of Section 8.5 hereof.

1 "x x x

2 "8.3. The additional common capital stock of [One billion pesos
3 (P1,000,000,000)] **SIX BILLION PESOS (P6,000,000,000)** shall be fully
4 subscribed by the Government and the necessary funds shall be
5 appropriated by Congress unless otherwise provided by existing laws:
6 *Provided*, That Congress shall provide, on an annual basis, [at least fifty
7 percent (50%) of] the needed capital, until the authorized capital stock is
8 fully paid up.

9 "8.4. The preferred shares shall be entitled to a preference over common
10 shares in any declaration of dividends. They shall also be given priority in
11 the distribution of assets in the event of liquidation of the Corporation. They
12 shall have the following specific features:

13 "8.4.1. Preferred as to dividends at a minimum of [six per cent (6%)] **ONE**
14 **AND ONE-HALF PERCENT (1.5%) OR THE PREVAILING THREE**
15 **HUNDRED SIXTY (360)-DAY TREASURY BILL RATE AT THE TIME**
16 **OF DECLARATION OF DIVIDENDS, WHICHEVER IS HIGHER;**

17 "x x x

18 "8.4.3. **NON**-Participating;

19 "x x x

20 "8.5. **AT LEAST FIVE HUNDRED MILLION PESOS (P500,000,000) OF**
21 **PREFERRED SHARES SHALL BE SUBSCRIBED AND PAID FOR BY**
22 **THE LAND BANK OF THE PHILIPPINES. THE BALANCE OF [T]**The
23 preferred shares may be available for sale or to subscription by the general
24 public."

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

27 "Sec. 8-A. **RESERVE FUND FOR CATASTROPHIC LOSSES.** – A State
28 reserve fund for catastrophic losses in the amount of Five hundred million
29 pesos (P500,000,000) shall be created exclusively to answer for the
30 proportion of all losses in excess of risk (pure) premiums under the
31 Corporation's Crop Insurance Program for small farmers **AND**
32 **FISHERFOLK. THE FUND MAY BE INCREASED SUBJECT TO THE**

1 **APPROVAL OF THE PRESIDENT.** The Fund shall be administered by a
2 government financial institution to be designated by the Corporation's Board
3 of Directors. Such sum as may be necessary for the purpose shall be funded
4 by the National Government through the annual General Appropriations Act
5 starting the calendar year immediately following the approval of this Act
6 and every year thereafter until the full amount is completed. The mechanics
7 of claims against the [f]Fund and to what extent the Fund shall be liable
8 shall be determined jointly by the financial institution administering the
9 Fund, subject to the approval by the President."

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

12 "Sec. 9. *Board of Directors.* –

13 "9.1. The powers of the Corporation shall be vested in and exercised by a
14 Board of Directors now composed of seven (7) members and made up of
15 the following: the President of the Land Bank of the Philippines (LBP), the
16 President of the Corporation, the [Executive Director of the Agricultural
17 Credit Policy Council (ACPC)] **SECRETARY OF THE DEPARTMENT OF**
18 **AGRICULTURE (DA)**, a representative from the private insurance industry
19 to be nominated by the Secretary of Finance and three (3) representatives
20 from the subsistence farmers sector, preferably representing agrarian
21 reform beneficiaries/cooperatives/associations coming from Luzon, Visayas
22 and Mindanao, who shall be selected and nominated by the different
23 farmers organizations and/or cooperatives. The respective nominees of the
24 private insurance industry and the farmer's sector shall be submitted to and
25 appointed by the President. The chairman of the Board of Directors shall be
26 appointed by the President from among the members of the Board of
27 Directors. The President of the Corporation shall also be appointed by the
28 President and shall be ex officio vice chairman who shall assist the chairman
29 and act in his stead in case of absence or incapacity. In case of absence or
30 incapacity of both the chairman and the vice chairman, the Board of
31 Directors shall designate a temporary chairman from among its members.
32 Except for the President of the LBP and the [Executive Director of the ACPC]

1 **SECRETARY OF THE DA**, all members of the Board of Directors, including
2 the President of the Corporation, shall be appointed by the President within
3 a reasonable period of time after the approval of this Act."

4 Sec. 8. *Separability Clause.* – If any portion or provision of this Act is
5 subsequently declared invalid or unconstitutional, other provisions hereof which are
6 not affected thereby shall remain in full force and effect.

7 Sec. 9. *Repealing Clause.* – All other laws, acts, presidential decrees, executive
8 orders, presidential proclamations, issuances, rules and regulations, or parts thereof
9 which are contrary to or inconsistent with any of the provisions of this Act are hereby
10 repealed, amended, or modified accordingly.

11 Sec. 10. *Effectivity.* – This Act shall take effect fifteen (15) days after its
12 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,