

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



'16 AUG -3 P2:21

SENATE

S.B. No. 977

BY:

Introduced by Senator **SONNY ANGARA**

**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

Agriculture sector remains the main source of income and employment for 30.9% of the working population. It is equivalent to about 12 million of the 38.5 million total employed workers, based on the Philippine Statistics Authority's (PSA) 2013 Labor Force Survey. According to World Bank data, 40.6% of the country's total land area is agricultural and 51% of the total population still lived in rural areas in 2011¹. 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 was originally filed in the House of Representatives during the 16th Congress as House Bill (HB) No. 5024 by Representatives Arthur C. Yap, Agapito H. Guanlao, Gina P. De Venecia, Pryde Henry A. Teves, Anthony M., Bravo And Cresente C. Paez, et al. 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, and to 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 to increase the PCIC's capitalization from P2 billion to P10 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

¹ "Improving Credit Access for the Food and Agriculture Sector Through Enhanced Implementation of Existing Policies and New Strategies", Gary Teves, Discussion Paper No. 2014-15, UP School of Economics, November 2014.

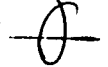
² Risks, Shocks, Building Resilience: Philippines, PIDS 2015-2016 Economic Policy Monitor, 2016.

³ Ibid.

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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 further
2 amended to read as follows:

3

4 "SEC. 1. Creation of the Philippine Crop Insurance Corporation. – There is
5 hereby created a body corporate to be known as the 'Philippine Crop Insurance
6 Corporation' (PCIC and herein called the Corporation) which shall be attached to
7 the Department of Agriculture [for budgetary purposes]. The Corporation shall
8 insure qualified farmers AND FISHERFOLK against losses arising from natural
9 calamities, FORTUITOUS EVENTS, plant AND FISH diseases and pest
10 infestations. [Initially,] [t]The Corporation shall provide insurance coverage for
11 palay AND CORN crops, HIGH-VALUE COMMERCIAL CROPS, LIVESTOCK,
12 AQUACULTURE AND FISHERY PRODUCTS, AGROFORESTRY CROPS AND
13 FOREST PLANTATIONS; [and later on to other crops without prejudice to the
14 inclusion of other] non-crop agricultural assets such as but not limited to
15 machineries, equipment, transport facilities and other related infrastructures,
16 AND LIFE AND ACCIDENT TERM INSURANCE COVERAGE FOR FARMERS
17 AND FISHERFOLK, as the Board of Directors of the Corporation may determine.
18 Such crop insurance shall cover, in every case, the cost of production inputs, the
19 value of the farmer's OR FISHERFOLK'S own labor and those of the members of
20 his household, including the value of the labor of hired workers, and a portion of
21 the expected yield as the Board of Directors, in its discretion, decide to insure.
22 Such insurance protection, however, shall exclude losses arising from avoidable
23 risks emanating from or due to the negligence, malfeasance or fraud committed
24 by the insured or any member of 3 his immediate farm household or employee or
25 the failure of the insured to follow proven farm practices.

1 "THE CORPORATION SHALL ALSO INSURE PROPERTIES AND FACILITIES
2 WHICH ARE OWNED OR USED BY GOVERNMENT AGENCIES INVOLVED IN
3 AGRI-FISHERY-FORESTRY PROJECTS/ACTIVITIES AND GOVERNMENT-
4 FINANCED AGRI-FISHERY-FORESTRY PROJECTS. THE CORPORATION
5 SHALL PROVIDE REINSURANCE COVERAGE TO AGRI-FISHERY-
6 FORESTRY PROPERTIES AND FACILITIES UNDERWRITTEN BY PRIVATE
7 AND GOVERNMENT INSURANCE COMPANIES."
8

9 **SEC. 2.** Subsections 3.5 and 3.11 of Section 3 of Presidential Decree No. 1467, as amended,
10 are hereby further amended to read as follows:
11

12 "SEC. 3. Powers. – The Corporation shall have the following powers:
13

14 "x x x
15

16 "3.5. To insure the [rice production] CROPS of farmers AND FISHERFOLK
17 against loss, damage and destruction caused by natural calamities such as
18 typhoons, floods, drought, earthquake, volcanic eruptions, rodents, vermin[s],
19 disease, insects and other pests; and to carry on any business necessary,
20 related to, and expedient for the above purpose;
21

22 "x x x
23

24 "3.11. To generate internal funds by floating bonds, [expansion to other]
25 EXPANDING THE CORPORATION'S insurance lines and extending coverage to
26 other areas of agriculture SUCH AS LIVESTOCK, AQUACULTURE, FISHERY,
27 AGROFORESTRY, AND FOREST PLANTATIONS in order to address 4
28 insurance needs of the target sector and to do and perform acts and things and
29 to exercise all the general powers conferred by law upon the Corporation as are
30 incidental or conducive to the attainment of the objectives of the Corporation."
31

32 **SEC. 3.** Section 5 of Presidential Decree No. 1467, as amended, is hereby further amended to
33 read as follows:
34

35 "SEC. 5. Rate of Premium and its Sharing. – The rate of premium, as well as the
36 allocated sharing thereof [by the] OF farmers, FISHERFOLK, [the] lending
37 institutions, the Government of the Republic of the Philippines (herein called the
38 Government) and other parties, shall be determined by the Board of Directors of
39 the Corporation: Provided, That the share of the Government in the premium cost
40 in the form of premium subsidy, shall be limited to subsistence farmers AND
41 FISHERFOLK: Provided, however, That each of these subsistence farmers is
42 cultivating not more than seven (7) hectares OF FARMLANDS AND EACH
FISHERFOLK IS CULTIVATING NOT MORE THAN FIVE (5) HECTARES OF

1 THE FISHPOND, SEAWEED, OYSTER OR MUSSEL FARM by themselves or
2 with the help of the labor of the members of their households or hired labor, the
3 premium rate and sharing to be determined by the Board of Directors subject to
4 approval by the President of the Philippines: Provided, further, That the premium
5 share of the subsistence farmer OR FISHERFOLK shall be reasonably affordable
6 by him: Provided, furthermore, That the Government shall share in the premium
7 cost only in insurance coverage against unforeseen and unavoidable risks such
8 as, but not limited to typhoons, droughts, outbreaks of pests and diseases: 5
9 Provided, finally, That premium subsidy and/or insurance benefits shall upon the
10 accumulation of surplus funds, be increased to such amount as may be
11 determined by the Board, taking into consideration that the Corporation has been
12 established not only for profit but mainly to help the insured in their direct hours
13 of need.”

14
15 **SEC. 4.** Subsections 6.3 and 6.5 of Section 6 of Presidential Decree No. 1467, as amended, are
16 hereby further amended to read as follows:

17
18 “SEC. 6. Premium Subsidy. –

19
20 “x x x

21
22 “6.3. Unappropriated and/or unreleased government premium subsidy for policies
23 written for the period from May 1, 1981 up to [the approval of this Act]
24 DECEMBER 31, 2011 computed on the basis of premium rates and sharing
25 previously approved by the President as authorized by law shall be programmed
26 for payment by the Government [within a period of ten (10) years from the
27 approval of this Act], and the yearly sums shall be included in the budgetary
28 appropriations for submission to Congress, starting the fiscal year following
29 approval hereof, in addition to the premium subsidy requirement of the year
30 involved.

31
32 “x x x

33
34 “6.5. [Ten percent (10%) of the net earnings of] [t]The Philippine Charity
35 Sweepstakes Office (PCSO) [from its lotto operation shall be earmarked for]
36 SHALL CONTRIBUTE A YEARLY AMOUNT OF FIVE MILLION PESOS
37 (P5,000,000) FROM ITS CHARITY FUND TO the Crop Insurance Program and
38 said amount shall be directly remitted by the PCSO to the Corporation [every six
39 (6) months] YEARLY until the [amount of government subscription]
40 UNRELEASED PREMIUM SUBSIDY is fully paid.”

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

3
4 "SEC. 8. Capital Stock. –

5
6 "8.1. The authorized capital stock of the Corporation is [Two billion pesos
7 (P2,000,000,000)] TEN BILLION PESOS (P10,000,000,000) divided into [Fifteen
8 million (15,000,000)] SEVENTY-FIVE MILLION (75,000,000) common shares
9 with a par value of One hundred pesos (P100) each share, which shall be fully
10 subscribed by the Government and [Five million (5,000,000)] TWENTY-FIVE
11 MILLION (25,000,000) preferred shares with a par value of One hundred pesos
12 (P100) per share which shall have the features as provided in Section 8.4 hereof
13 and shall be issued in accordance with the provisions of Section 8.5 hereof.

14
15 "x x x

16
17 "8.3. The additional common capital stock of [One billion pesos
18 (P1,000,000,000)] SIX BILLION PESOS (P6,000,000,000) shall be fully
19 subscribed by the Government and the necessary funds shall be appropriated by
20 Congress unless otherwise provided by existing laws: Provided, That Congress
21 shall provide, on an annual basis, [at least fifty percent (50%) of] 7 the needed
22 capital, until the authorized capital stock is fully paid up.

23
24 "8.4. The preferred shares shall be entitled to a preference over common shares
25 in any declaration of dividends. They shall also be given priority in the distribution
26 of assets in the event of liquidation of the Corporation. They shall have the
27 following specific features:

28
29 "8.4.1. Preferred as to dividends at a minimum of [six per cent (6%)] ONE AND
30 ONE-HALF PERCENT (1.5%) OR THE PREVAILING THREE HUNDRED SIXTY
31 (360)-DAY TREASURY BILL RATE AT THE TIME OF DECLARATION OF
32 DIVIDENDS, WHICHEVER IS HIGHER;

33
34 "x x x

35
36 "8.4.3. NON-Participating;

37
38 "x x x

39
40 "8.5. AT LEAST FIVE HUNDRED MILLION PESOS (P500,000,000) OF
41 PREFERRED SHARES SHALL BE SUBSCRIBED AND PAID FOR BY THE

1 LAND BANK OF THE PHILIPPINES. THE BALANCE OF [T]The preferred
2 shares may be available for sale or to subscription by the general public.”
3

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

7 “SEC. 8-A. RESERVE FUND FOR CATASTROPHIC LOSSES. – A State reserve
8 fund for catastrophic losses in the amount of Five hundred million pesos
9 (P500,000,000) shall be created exclusively to answer for the proportion of all
10 losses in excess of risk (pure) premiums under the Corporation’s Crop Insurance
11 Program for small farmers AND FISHERFOLK. THE 8 FUND MAY BE
12 INCREASED SUBJECT TO THE APPROVAL OF THE PRESIDENT. The Fund
13 shall be administered by a government financial institution to be designated by
14 the Corporation’s Board of Directors. Such sum as may be necessary for the
15 purpose shall be funded by the National Government through the annual General
16 Appropriations Act starting the calendar year immediately following the approval
17 of this Act and every year thereafter until the full amount is completed. The
18 mechanics of claims against the [f]Fund and to what extent the Fund shall be
19 liable shall be determined jointly by the financial institution administering the
20 Fund, subject to the approval by the President.”
21

22 **SEC. 7.** Subsection 9.1 of Section 9 of Presidential Decree No. 1467, as amended, is hereby
23 further amended to read as follows:
24

25 “SEC. 9. Board of Directors. –
26

27 “9.1. The powers of the Corporation shall be vested in and exercised by a Board
28 of Directors now composed of seven (7) members and made up of the following:
29 the President of the Land Bank of the Philippines (LBP), the President of the
30 Corporation, the [Executive Director of the Agricultural Credit Policy Council
31 (ACPC)] SECRETARY OF THE DEPARTMENT OF AGRICULTURE (DA), a
32 representative from the private insurance industry to be nominated by the
33 Secretary of Finance and three (3) representatives from the subsistence farmers
34 sector, preferably representing agrarian reform
35 beneficiaries/cooperatives/associations coming from Luzon, Visayas and
36 Mindanao, who shall be selected and nominated by 9 the different farmers
37 organizations and/or cooperatives. The respective nominees of the private
38 insurance industry and the farmer’s sector shall be submitted to and appointed
39 by the President. The chairman of the Board of Directors shall be appointed by
40 the President from among the members of the Board of Directors. The President
41 of the Corporation shall also be appointed by the President and shall be ex officio
42 vice chairman who shall assist the chairman and act in his stead in case of

1 absence or incapacity. In case of absence or incapacity of both the chairman and
2 the vice chairman, the Board of Directors shall designate a temporary chairman
3 from among its members. Except for the President of the LBP and the [Executive
4 Director of the ACPC] SECRETARY OF THE DA, all members of the Board of
5 Directors, including the President of the Corporation, shall be appointed by the
6 President within a reasonable period of time after the approval of this Act.”
7

8 **SEC. 8. Separability Clause.** If any provision or part hereof is held unconstitutional or invalid,
9 the other provisions not affected shall remain in force and effect.
10

11 **SEC. 9. Repealing Clause.** All laws, executive orders and other issuances or parts thereof
12 inconsistent with this Act are hereby repealed or modified accordingly.
13

14 **SEC. 10. Effectivity.** This Act shall take effect fifteen (15) days after its publication in the
15 Official Gazette or in a newspaper of general circulation.
16

17 Approved,