

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

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SENATE

S. NO. 266

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Introduced by Senator Antonio "Sonny" F. Trillanes IV

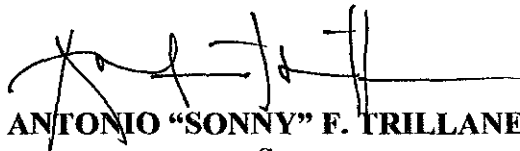
EXPLANATORY NOTE

The Philippines has been devastated by countless numbers of calamities every year. An average of 20 typhoons is expected to hit our country every year. Aside from typhoons, floods, droughts, volcanic eruptions and earthquakes endanger countless lives and livelihood as they strike the country.

On the average, damages caused by typhoons a year totaled to about P15 billion. These typhoons render a lot of our people homeless, most of them the poor, and damaging most of our agriculture thereby putting the economic growth of our country to a halt.

This proposed measure provides some solutions to mitigate the debilitating effects of disasters on the lives and properties of Filipinos. It intends to create the "Philippine Catastrophe Insurance and Reinsurance Corporation" by renaming the Philippine Crop Insurance Corporation. The newly created office shall administer not only the country's crop insurance program but also the insurance/ reinsurance of participating persons against loss of lives and properties due to natural disasters.

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



ANTONIO "SONNY" F. TRILLANES IV
Senator

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AN ACT
PROVIDING FOR A MORE COMPREHENSIVE PROTECTION PROGRAM
AGAINST LOSS OF LIVES AND PROPERTIES DUE TO NATURAL
DISASTERS AND SIMILAR ACTS OF NATURE, AMENDING PRESIDENTIAL
DECREE NO. 1467 OTHERWISE KNOWN AS THE CHARTER OF THE
"PHILIPPINE CROP INSURANCE CORPORATION" TO EMBODY THE
ELABORATIONS WITHIN ITS POWERS AND RESPONSIBILITIES,
PROVIDING FUNDS THEREFOR, CHANGING ITS CORPORATE NAME TO
"PHILIPPINE CATASTROPHE INSURANCE AND REINSURANCE
CORPORATION" AND FOR OTHER PURPOSES

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

1 **Section 1. Short Title.** – This Act shall be known as the "Charter of the Philippine
2 Catastrophe Insurance and Reinsurance Corporation."

3
4 **Sec. 2. Declaration of Policy.** – It is hereby declared the policy of the State to
5 develop and support an adequate catastrophe insurance (or quasi-insurance) and
6 reinsurance program as a mechanism to mitigate the debilitating effects of natural
7 disasters such as typhoons, floods, droughts, earthquakes, volcanic eruptions, and similar
8 acts of nature on the lives and properties of Filipinos.

9 It is widely recognized that natural disasters have resulted in loss of income and
10 investments and consequently loss of credit standing of the victims which in turn affected
11 the finances of lending institutions and constricted their re-lending capabilities as well as
12 their willingness to extend loans to finance activities inherently exposed to natural perils,
13 i.e. agriculture, which furthermore stunted development of the rural areas and spawned
14 social issues such as but not limited to agrarian problem, population congestion in the
15 metropolitan areas and growing number of urban poor.

1 Considering the destabilizing effects of calamitous events which could reach the
2 proportions of a national problem, it is hereby declared as part of this policy to provide a
3 wide range of security services and disability benefits that would enable victims of
4 natural disasters to resume normal lives shortly after such crisis situations thereby
5 minimizing the snowball effects on the national economy as a whole.

6 Furthermore, it is hereby declared as part of this policy to complement rather than
7 compete with the private insurance industry's efforts to cover such risks. Inasmuch as the
8 structure of private insurers to provide specific needs of the countryside with only
9 minimal costs.

10 Considering that majority of the population live below poverty line and cannot
11 afford the cost of protection from private insurers, it is likewise declared as part of this
12 policy to extend to poor members of the economy such subsidies as may be called for in
13 order to bring the benefits of this program within their reach.

14
15 **Sec. 3. *Creation of the Philippine Catastrophe Insurance and Reinsurance***
16 ***Corporation.*** – The Philippine Crop Insurance Corporation shall hereby be renamed
17 “Philippine Catastrophe Insurance and Reinsurance Corporation” (PCIRC) and herein
18 called “corporation” which shall, in addition to the administration of the country's crop
19 insurance program and related functions, provide insurance/ reinsurance protection to
20 participating persons, whether natural or juridical, against loss of lives and properties due
21 to natural disasters such as typhoons, floods, droughts, earthquakes, volcanic eruptions,
22 and similar acts of nature. The corporation shall likewise develop and implement
23 guarantee programs and such other collateral substitute schemes as may be necessary to
24 encourage banks and other institutional sources of funds to lend to small entrepreneurs
25 without being too concerned about collateral.

26 Furthermore, the corporation shall make available to private insurers its
27 organizational structure to enable them to provide protection services in the countryside
28 at minimum incremental overhead costs and at premium levels affordable by rural folks.

29 Protection services shall be introduced progressively in relation to the financial
30 capability of the corporation.

31
32 **Sec. 4. *Place of Business and Term of Existence.*** –

33 **4.1** The corporation shall have its principal place of business in Metro
34 Manila;

1 **4.2** The term of legal existence of the corporation shall be fifty (50)
2 years from and after the date of the approval of this Act.

3
4 **Sec. 5. Powers. –**

5 **5.1** To prescribe, repeal and alter its own by-laws; to determine its
6 operating policies and to issue such rules and regulations as may be necessary to
7 implement the insurance and reinsurance programs as well as the guarantee and
8 other collateral substitute schemes;

9 **5.2** To adopt and use a corporate seal;

10 **5.3** To use and be sued;

11 **5.4** To have continuous succession until dissolved by law;

12 **5.5** To insure persons, whether natural or juridical, against loss of lives
13 and properties due to natural disasters and to carry on any business necessary,
14 related to, expedient for the above purpose;

15 **5.6** To accept cessions of risks from duly registered insurance/
16 reinsurance companies operating in the Philippines;

17 **5.7** To guarantee the production and production-related loans granted
18 by lending institutions to small entrepreneurs against default;

19 **5.8** To implement other collateral substitute schemes;

20 **5.9** To insure/ reinsure in the Philippines or abroad all or any risks of
21 the corporation;

22 **5.10** To act as underwriting agent for and in behalf of private insurance
23 companies;

24 **5.11** To develop loss prevention programs for managing the devastating
25 effects of natural disaster and calamities and to set up facilities and structures for
26 the purpose;

27 **5.12** To purchase or otherwise acquire ownership and manage any or all
28 parts of the business, property and liabilities of any person or company carrying
29 on any business which the corporation is authorized to carry on or possess;

30 **5.13** To acquire by purchase or otherwise acquire ownership of and to
31 invest in, hold, sell or otherwise dispose of stock or bonds or any interest in either,
32 or any obligation or evidence of indebtedness, of any person, firm or corporation
33 and as owner of such stocks, bonds, or interest therein, or other obligations or
34 evidence of indebtedness, to exercise the rights, powers and privileges of

1 ownership, including the right to vote thereon or consent in respect thereto for any
2 and all lawful purposes;

3 **5.14** To purchase, or otherwise acquire, sell, lease, convey, mortgage,
4 encumber, and otherwise deal with any property, real or personal, or any interest
5 therein; extend credit on the security of real estate or movable property; exercise
6 easement right or privilege over or in respect to any property real or personal, as
7 may be permitted by law and as may be reasonably necessary to carry out the
8 purpose for which the corporation is formed or as may or hereafter be permitted
9 by law;

10 **5.15** To establish branches whenever it may be expedient and
11 necessary;

12 **5.16** To do or perform acts and things, and to exercise all the general
13 powers conferred by law upon corporation, as are incidental or conducive to the
14 attainment of the objectives of the corporation.

15
16 **Sec. 6. *Who Shall Be Insured/ Reinsured/ Guaranteed.*** – Any person, whether
17 natural or juridical, residing in the Philippines may be insured against loss of lives and
18 properties due to natural disasters under such insurance schemes as shall be designed by
19 the Board of Directors of the corporation. Provided that in case the person has secured
20 loans from government sponsored credit program to finance agricultural production
21 activities, coverage shall be compulsory upon such person.

22 Likewise, any duly registered insurance/ reinsurance companies operating in the
23 Philippines may reinsure their risks with the corporation under such reinsurance schemes
24 as shall be designed by the Board of Directors of the corporation.

25 Further, any accredited bank/ lending institutions may be covered by guarantee
26 for the production-related loans extended by said bank/ lending institution to small
27 entrepreneurs under such guarantee scheme as shall be designed by the Board of
28 Directors of the corporation; Provided that any guarantee payment received by said bank/
29 lending institution from the corporation shall be returned by the former to the latter
30 within five (5) years from receipt of such guarantee payment.

31
32 **Sec. 7. *Premium Subsidy.***– Premium (or enrolment fee) for life insurance and
33 property insurance or households with income below poverty line (to be determined from
34 time to time by the proper government body) shall be subsidized by the government
35 through contributions from barangay funds and other sources and earnings of the state

1 catastrophe insurance trust funds as set up in Section 8 hereof: Provided, that sum insured
2 shall not exceed such limits to be established by the Board of Directors of the
3 corporation; Provided further that compensation for damages of widespread effect
4 suffered on account of covered perils may be limited by the Board to such amount that
5 will not endanger its corporate existence.

6
7 **Sec. 8. State Catastrophe Insurance Trust Fund.** – There shall be created a State
8 Catastrophe Insurance Trust Fund in the amount of five hundred million pesos
9 (P500,000,000.00) out of the funds of the national treasury not otherwise appropriated to
10 be administered by the corporation, the earnings of which trust fund shall be used to
11 operationalize the subsidized catastrophe insurance scheme for households with income
12 below poverty line.

13
14 **Sec. 9. Capital Stock.** – The capital stock of the corporation shall be as follows:

15 **9.1** The authorized capital stock of the corporation shall be four billion
16 pesos divided into thirty five million (35,000,000) common shares with a par
17 value of one hundred pesos (P100.00) each share which shall be fully subscribed
18 by the government; and five million (5,000,000) preferred shares with a par value
19 of one hundred pesos (P100.00) per share which shall have the features as
20 provided in Section 9.4 hereof and shall be issued in accordance with the
21 provisions of Section 9.5 hereof.

22 **9.2** The paid-in capital of the corporation upon its organization shall be
23 one billion pesos (P1,000,000,000.00) and shall be appropriated as follows:

24 **9.2.1** Five Hundred Million Pesos (P500,000,000.00) to be
25 subscribed and paid in by the government. Its paid-in capital in PCIC shall
26 form part of the government's contributions; Provided that if the amount
27 by which the net assets (net of liabilities and paid-in preferred shares)
28 exceed five hundred million pesos (P500,000,000.00), the government
29 shall make the necessary contributions to bring the amount to the required
30 level.

31 **9.2.2** An additional Two Hundred Fifty Million Pesos
32 (P250,000,000.00) to be likewise subscribed and paid in by the
33 government out of the investible funds of the Special Revolving Trust
34 Fund (SRTF), under LOI 1242, currently administered by PCIC.

1 **9.2.3** One Hundred Million Pesos (P100,000,000.00) preferred
2 stocks to be subscribed and paid in by the Land Bank of the Philippines
3 (LBP) out of its paid-in capital in PCIC.

4 **9.2.4** Another One Hundred Fifty Million Pesos
5 (P150,000,000.00) preferred shares to be subscribed and paid in by the
6 LBP. The remaining common capital stock of Two Billion Seven Hundred
7 Fifty Million Pesos (P2,750,000,000.00) shall be subscribed by the
8 government and the necessary funds shall be appropriated, programmed
9 and paid by the proper office, entity or agency of the government within
10 four (4) years from approval of this Act.

11 **9.3** The preferred shares shall be entitled to a preference over common
12 shares in any declaration of dividends. They shall also be given priority in the
13 distribution of assets in the event of liquidation of the corporation. They shall
14 have the following specific features:

15 **9.3.1** Preferred as to dividends at a minimum of six percent (6%);

16 **9.3.2** Cumulative;

17 **9.3.3** Participating;

18 **9.3.4** Non-voting;

19 **9.3.5** Dividends thereon shall be exempt from income tax;

20 **9.3.6** Redeemable at the option of the corporation at the
21 prevailing book value but in no case less than par after five (5) years from
22 insurance thereof.

23 **9.4** The preferred shares may be available for sale or to subscription by
24 the general public.

25
26 **Sec. 10. Government Premium Subsidy.** – Unappropriated and/ or unreleased
27 government premium subsidy for rice and corn crop insurance policies written for the
28 period from May 1, 1981 up to the approval of this act computed on basis of premium
29 rates and sharing as previously approved by the President of the Philippines as authorized
30 by law shall be programmed for payment by the government within a period of ten (10)
31 years and the yearly sums shall be included in budgetary appropriations for submission to
32 Congress, starting the fiscal year following approval hereof, in addition to the premium
33 subsidy requirement for the year involved.

1 **Sec. 11. Board of Directors. –**

2 11.1 The power of the corporation shall be vested in and exercised by a
3 Board of Directors composed of thirteen (13) members and made up of the
4 following: the Secretary of Finance, the Secretary of Agriculture, the President of
5 the Land Bank of the Philippines, the Secretary of Agrarian Reform, the Secretary
6 of Labor, the Secretary of National Defense, the Secretary of Public Works and
7 Highways, the Secretary of Interior and Local Government, the Director of the
8 Cooperative Development Authority, the Budget Secretary and the President of
9 the Corporation, and in addition, a nominee of the Secretary of Finance,
10 preferably representing the private insurance industry and a nominee of the
11 Secretary of Agriculture, preferably representing the farmers sector. The
12 Chairman of the Board of Directors shall be the Secretary of Finance and that the
13 President of the corporation shall be the Ex-Officio Vice Chairman, as such, shall
14 assist the Chairman and act in his stead in case of absence or incapacity. In case
15 of absence or incapacity of both the Chairman and the Vice-Chairman, the Board
16 of Directors shall designate a temporary chairman from among its members.

17 11.2 The members of the Board shall have their respective alternates
18 who shall attend the meetings, and act as Members of the Board in the absence or
19 incapacity of the regular members;

20 11.3 The Board of Directors shall meet regularly at least once a month
21 and as often as the exigencies of the corporation's affairs demand. The presence
22 of at least seven (7) members shall constitute a quorum which shall be necessary
23 for the transaction of any business. The Board may be convoked either by the
24 Chairman or in his absence by the Vice-Chairman;

25 11.4 The Chairman and the members of the Board shall each receive a
26 per diem of One Thousand Five Hundred Pesos (P1,500.00) for each session of
27 the Board attended, but in no case to exceed Ten Thousand Pesos (P10,000.00) a
28 month.

29
30 **Sec. 12. Powers and Functions of the Board of Directors. –** The Board shall,
31 without limiting the generality of the foregoing have the following powers and functions:

32 12.1 To implement the provisions and purposes of this Act;

33 12.2 To formulate and adopt policies and plans, and to promulgate rules
34 and regulations for the management, operation and conduct of the affairs and
35 business of the corporation and for this purpose may limit or refuse insurance/

1 reinsurance in any area or on any person because of the risk involved or may
2 expand the subject of insurance/ reinsurance coverage as the Board may deem
3 appropriate to attain the goals and objectives of the corporation;

4 **12.3** To borrow funds from local and international financing sources or
5 institutions for the purpose of financing the program and projects deemed vital for
6 the attainment of the corporation's goal and objectives;

7 **12.4** To enter into, make and execute contracts of any kind or nature as
8 may be necessary, or incidental to the accomplishment of the purposes of the
9 corporation;

10 **12.5** To approve the budget of the corporation and to fix the reasonable
11 compensation of its personnel; Provided that the Board of Directors shall have
12 exclusive and final authority to promote, transfer, assign or reassign personnel of
13 the corporation and these personnel actions are deemed made in the interest of the
14 service and not disciplinary, and provision of existing law to the contrary
15 notwithstanding;

16 **12.6** To establish policies and guidelines for employment on the basis of
17 merit, technical competence and moral character, and approve a staffing pattern of
18 personnel defining their powers and duties;

19 **12.7** To exercise the general powers mentioned in the corporation law in
20 so far as they are not inconsistent or incompatible with the provisions of this Act.

21
22 **Sec. 13. Management.** – The management of the corporation shall be vested in
23 the President of the corporation who shall be a person of known integrity, competence in
24 technical and executive field related to the purposes of this Act. He shall be appointed by
25 the Board and shall not be removed except for cause. He may have such Vice President(s)
26 as the Board of Directors may decide, to be appointed by the latter. He shall have the
27 following powers and duties:

28 **13.1** To execute and administer the policies, plans and programs and the
29 rules and regulations approved or promulgated by the Board;

30 **13.2** To direct and supervise the operation and internal administration of
31 the corporation and for this purpose, to delegate some or any of his powers and
32 duties to subordinate officials;

33 **13.3** To recommend to the Board the appointment, promotion, transfer,
34 assignment, re-assignment, demotion, dismissal and compensation of personnel;

1 **13.4** To exercise such powers and perform such other duties as may be
2 directed by the Board of Directors.

3
4 **Sec. 14. Personnel.** – All personnel of the PCIC shall form part of the corporation
5 without reduction in rank or diminution in pay and benefits: Provided, that in the hiring
6 of other personnel, preference shall be given to civil service eligibles certified by the
7 Commission on Civil Service and that such hiring be subject to civil service rules and
8 regulations: Provided further, that employees of the corporation holding technical
9 positions shall be exempted from the government’s position classification and
10 compensation standards.

11
12 **Sec. 15. Commission on Audit.** – The Commission on Audit shall be the Ex-
13 Officio Auditor of the corporation.

14
15 **Sec. 16. Legal Counsel.** – The corporation have its own legal department, the
16 Chief and Members of which shall be appointed by the Board of Directors.

17
18 **Sec. 17. Inter-Agency Linkages.** – To support and promote the operations of the
19 corporation, all government departments, bureaus, offices, agencies and instrumentalities,
20 national or local, all lending institutions, government or private, now or hereafter
21 engaged in the supervised credit program, namely: Department of Finance, Department
22 of Trade and Industry, Department of Interior and Local Government, Department of
23 Labor, Department of National Defense, National Economic and Development Authority,
24 Armed Forces of the Philippines, Philippine National Police, Cooperative Development
25 Authority, National Irrigation Administration, Bureau of Soils, Bureau of Animal
26 Industry, Bangko Sentral ng Pilipinas, Rural Banks, Cooperative Rural Banks and
27 Development Banks, all barangay associations, and such other public or private entities
28 as may be called upon by the corporation, shall act as cooperating agencies to the
29 corporation, and for this purpose, are hereby directed to design their policies, programs,
30 rules and regulations so as to attune and synchronize them with the objectives of the
31 corporation.

32
33 **Sec. 18. Utilization of Profits.** – The profits of the corporation shall be
34 determined on the calendar year basis and the manner of its distribution shall be
35 determined by the Board of Directors.

1 **Sec. 19. Exemption from Taxes.** – In furtherance of the effective achievement of
2 the purpose of this Act, the corporation shall be exempt to the extent allowed by national
3 policy from all national, provincial, municipal and city taxes and assessments now
4 enforced or hereafter, established, provided that said exemptions shall apply only to such
5 taxes and assessments for which the corporation itself would otherwise be liable and shall
6 not apply to taxes and assessments payable by persons or other entities doing business
7 with the corporation.

8
9 **Sec. 20. Repealing and Separability Clause.** – All laws, decrees, charters,
10 executive orders, administrative orders, proclamations, rules and regulations, or parts
11 thereof in conflict with this Act are hereby repealed or modified accordingly. If any
12 provision, part of parts of this decree is or are declared unconstitutional, such declaration
13 shall not invalidate the other provisions hereof.

14
15 **Sec. 21. Applicability of P. D. No. 612.** – The provisions of the insurance code
16 insofar as they are not in conflict or inconsistent with or repugnant to the provisions of
17 this decree shall apply to the corporation.

18
19 **Sec. 22. Effectivity.** – This Act shall take effect fifteen (15) days after its
20 publication in any newspaper of general circulation.

Approved,