

**SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)**



18 JUL 25 A10:18

SENATE
S. B. No. 1887

RECEIVED
/ 10 ✓

INTRODUCED BY SENATOR JOSEPH VICTOR G. EJERCITO

**AN ACT
ESTABLISHING A MANDATORY CROP INSURANCE COVERAGE FOR SMALL
FARMERS, PROVIDING FOR A NATIONAL GOVERNMENT SUBSIDY, AND
FOR OTHER PURPOSES**

EXPLANATORY NOTE

The Philippine Crop Insurance Corporation (PCIC) is a government corporation tasked to implement and manage the government program on agricultural insurance. Created in 1978 under Presidential Decree No. 1467, PCIC, initially, only covered palay. Subsequently, corn and other crop insurance packages were added to the program.

The government has provided subsidies to support the crop insurance program and has been shouldering shares of insurance premiums of insured farmers. However, this has not resulted to better outcomes in terms of alleviating the financial burden of farmers. The current crop insurance program is often characterized by a low penetration rate. According to a study of the Congressional Policy and Budget Research Department (CPBRD) in 2012, less than 2% of the estimated 5.2 million smallholder farmers are covered by the PCIC. This may be due to the fact that crop insurance has only been mandatory upon farmers obtaining agricultural credit under a loan program. Coverage remains optional on the part of self-financed farmers. Furthermore, there is also low awareness among farmers on the insurance lines of the PCIC and their terms and conditions.

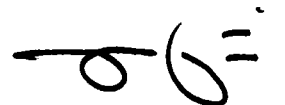
Crop insurance is badly needed in a country being hit by an average of 20 typhoons annually. The Philippines is also exposed to El Niño and La Niña, and pest infestations like the *cocolisap* infestation in 2014. According to the data reported in the Philippine Statistics Authority's e Compendium of Philippine Environment Statistics (CPES), damages in agriculture caused by natural disasters from 2006 to 2015 amounted to P225.6 Billion in total. This is reflective of how disasters and calamities

affect agricultural production in the country. Crop insurance is therefore important to serve as a risk-mitigating tool to address the hazards of climate change.

Crop insurance is a must for a country like the Philippines where farmers are the poorest among the various sectors of society. During devastation of disasters, farmers are left in a sorry state; left with damaged agricultural produce.

This proposed measure seeks to develop a crop insurance program that will ensure that small farmers and their crops are protected from negative impacts of extreme weather/climate conditions, plant diseases and pest infestations, and other disasters. This bill seeks to provide free crop insurance coverage for small farmers owning or cultivating five hectares of farmland and a 50% insurance premium subsidy for farmers owning or cultivating more than five but not exceeding eight hectares of farmland. In an effort to help farmers in times of need, to improve agricultural productivity, and to ensure food security, it is imperative to have a mandatory crop insurance.

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



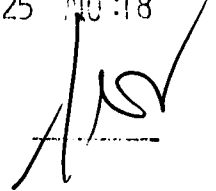
SENATOR JOSEPH VICTOR G. EJERCITO

18 JUL 25 10:18

SENATE

S. B. No. 1887

RECEIVED



INTRODUCED BY SENATOR JOSEPH VICTOR G. EJERCITO

AN ACT
ESTABLISHING A MANDATORY CROP INSURANCE COVERAGE FOR SMALL FARMERS, PROVIDING FOR A NATIONAL GOVERNMENT SUBSIDY, 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 “**Crop Insurance**
2 **Program for Small Farmers Act of 2018**”

3 **SEC. 2. Declaration of Policy.** - It shall be the policy of the State to promote
4 genuine inclusive growth and alleviate poverty. It is likewise the policy of the State to
5 promote a just and dynamic social order that shall ensure prosperity, promote full
6 employment, a rising standard of living and an improved quality of life for all.

7 In pursuit of this, the State shall develop a program that will ensure that
8 farmers and their crops are protected from negative impacts of extreme
9 weather/climate conditions, plant diseases and pest infestations, and other disasters,
10 thereby protecting crop production, ensuring food security and farmers’ livelihood.

11 **SEC. 3. Crop Insurance for Small Farmers Program.** – (a) The
12 Department of Agriculture (DA) in coordination with the Philippine Crop Insurance

1 Corporation (PCIC) shall develop a special Crop Insurance Program for Small Farmers,
2 guided by the following objectives:

- 3 1. Promotion of food security through palay and other crop production;
- 4 2. Provision of immediate support and protection to farmers incurring crop
5 losses due to extreme conditions; and
- 6 3. Alleviate the financial burden of farmers due to uncompensated losses.

7 (b) The Crop Insurance Program for Small Farmers shall operate under an
8 insurance framework including, but not limited to, the following:

- 9 1. The Philippine Atmospheric, Geophysical and Astronomical Services
10 Administration (PAGASA) shall be the primary reference weather station
11 from which observed weather parameter shall be obtained. Other reference
12 weather stations may include other weather stations accredited by PAGASA;
- 13 2. There shall be an identified trigger or threshold reference point to serve as
14 a basis of measurement wherein in case of an occurrence of a breach the
15 PCIC is obligated to indemnify and pay the required payout to the insured;
- 16 3. Phases of crop growth shall be covered by the insurance where a separate
17 trigger and payout may be determined;
- 18 4. The payout or the insurance payment shall be based on a pre-determined
19 schedule that takes into account the actual area planted; and
- 20 5. Any breach of the threshold reference point shall be the basis of any payout.
21 Declaration of a State of Calamity in a local government unit shall not be
22 required to trigger the obligation of the PCIC to the insured farmers.

23 **SEC. 4. Terms and Conditions.** - Within ninety (90) days after the effectivity
24 of this Act, the Department of Agriculture (DA) in coordination with the Philippine Crop
25 Insurance Corporation (PCIC), and in consultation with the Insurance Commission (IC)
26 shall formulate the terms and conditions which shall govern a comprehensive
27 insurance scheme for the benefit of the farmers. The terms and conditions shall be

1 published in the Official Gazette or in a newspaper of general circulation in the
2 Philippines.

3 **SEC. 5. Insured Farmers under the Crop Insurance Program for Small**
4 **Farmers and Premium Subsidy.** – (a) All farmers of palay and other crops owning
5 or cultivating eight (8) hectares of farmland and below shall automatically be covered
6 by the Crop Insurance Program for small farmers. Subsidy for insurance premiums
7 shall be determined by the following qualifications:

- 8 1. For farmers owning or cultivating five (5) hectares of farmland and below,
9 the National Government shall fully subsidize their insurance premiums;
- 10 2. For farmers owning or cultivating more than five (5) hectares but not
11 exceeding eight (8) hectares of farmland, the National Government shall
12 only cover and subsidize fifty percent (50%) of their insurance premiums.

13 (b) The DA together with the Department of Agrarian Reform (DAR) and PCIC,
14 in coordination with local government units, shall develop, maintain and annually
15 update a database of farmers covered under this Program, and determine their
16 qualifications as to the type of subsidy covered;

17 (c) The DA and PCIC shall develop a system for the processing and payment
18 of the fifty percent (50%) insurance premiums not covered by National Government
19 subsidy. Such premium may be paid in money or in a quantity of paddy the value of
20 which shall be equal to the amount of the premium due to the farmer, such value
21 being computed according to the current market price of the crop as determined by
22 DA.

23 (d) All farmers covered under this Act shall be deemed to have entered into a
24 contract of insurance with the National Government through the PCIC;

25 (e) Small farmers who are currently covered by an existing crop insurance shall
26 have an option to choose whether to remain under their existing crop insurance or be
27 covered by the Crop Insurance Program for small farmers.

1 **SEC. 6. Rate of Premium.** - The rate of premium shall be determined by the
2 Board of Directors of the Philippine Crop Insurance Corporation (PCIC) subject to the
3 approval by the President of the Philippines.

4 **SEC. 7. Source of Funding.** – In accordance with Section 5(a) of this Act,
5 insurance premiums of small farmers shall be subsidized by the National Government.
6 The funding for this Program shall be deemed appropriated from the funds of the
7 Department of Agriculture.

8 Initially, the premium subsidy for the first year of implementation shall be
9 drawn on a month-to-month basis, depending on the actual amount of insurance
10 underwritten by the PCIC. Subsequently, projections of the premium subsidy shall be
11 submitted by the PCIC to the President, and upon the approval of the President shall
12 be included in the National Expenditure Program.

13 **SEC. 8. Claim to Indemnity.** – In cases where the identified trigger or
14 threshold reference point has been breached, the insured person shall submit a written
15 claim to indemnity in respect of losses incurred to the municipal agriculturist. The
16 municipal agriculturist shall then forward the written claim to indemnity to the PCIC.

17 The payment of the indemnity shall be in accordance with the terms and
18 conditions set forth by the DA and PCIC under Section 4 of this Act.

19 **SEC. 9. Implementing Rules and Regulations.** - The Department of
20 Agriculture, and the Philippine Crop Insurance Corporation, in consultation with
21 relevant government agencies and instrumentalities, shall provide the necessary
22 implementing rules and regulations within sixty (60) days upon the approval of this
23 Act. Such rules and regulations shall take effect after they have been made and shall
24 be published in at least two (2) newspapers of general circulation.

1 **SEC. 10. *Separability Clause.*** – If any provision of his Act is declared invalid
2 or unconstitutional, the remaining parts or provisions not affected shall remain valid.

3 **SEC. 11. *Repealing Clause.*** – All laws, acts, decrees, executive orders,
4 issuances, and rules 12 and regulations or parts thereof which are contrary to and
5 inconsistent with this Act are hereby 13 repealed, amended or modified accordingly.

6 **SEC. 12. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
7 publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,