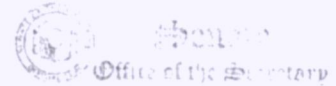


SENATE
S.B. No. 883



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Introduced by **SENATOR IMEE R. MARCOS**

RELEASED

AN ACT STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION, EXPANDING ITS POWERS AND ACTIVITIES, INCREASING ITS CAPITALIZATION, AND AMENDING FOR THIS PURPOSE PRESIDENTIAL DECREE NO. 1467, ENTITLED "CREATING THE 'PHILIPPINE CROP INSURANCE CORPORATION' PRESCRIBING ITS POWERS AND ACTIVITIES, PROVIDING FOR ITS CAPITALIZATION AND FOR THE REQUIRED GOVERNMENT PREMIUM SUBSIDY, AND FOR OTHER PURPOSES, " AND OTHER LAWS

EXPLANATORY NOTE

Article 2, Section 9 of the 1987 Constitution provides that, "*the State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all*". Section 20 of the same article further states that "*the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments*".

The 2017 World Risk Index Report ranks the Philippines as the third (3rd) most vulnerable nation to natural disasters in the world. Its position along the Northwestern Pacific Basin, better known as the Pacific "*Ring of Fire*," makes it vulnerable to both meteorological and tectonic events, inflicting untold damage to the agricultural sector. The Department of Agriculture reported that in October 2016, Typhoons *Karen* and *Lawin* destroyed PhP 10.2 billion of produce. In December 2017, Typhoon *Urduja* caused PhP 1.9 billion-worth of farm damage. In September 2018, Typhoon *Omping* again caused PhP 26.7 billion in damages. Even in the absence of a super-typhoon, the *El Nino* phenomenon of 2019 ruined crops worth upwards of PhP 8 billion.

Given the frequency of natural calamities and the precarious vulnerability of the agricultural sector, the Philippine government needs to provide insurance, social

protection, and other safety nets to high-risk farmers and fisherfolk. Presidential Decree No. 1467, entitled "*Creating the 'Philippine Crop Insurance Corporation' Prescribing Its Powers And Activities, Providing For Its Capitalization And For the Required Government Premium Subsidy, And For Other Purposes*" as amended mandates the Philippine Crop Insurance Corporation (PCIC) to provide insurance protection to farmers that cover crops, livestock, and fisheries against calamity, disease, and pest-related losses. In addition, the PCIC also offers non-crop coverage through asset insurance to agricultural assets and life insurance to farmers and their families.

The PCIC today is one of the best performing Government-Owned and Controlled Corporations (GOCCs). On the customer satisfaction side, the PCIC has consistently rated above 95%. In 2016, the PCIC recorded the perfect score of 100% in its corporate governance scorecard! The PCIC was also able to expand insurance coverage in the past 3 years, from 1.1 million insured famers in 2016 to 2.27 million in 2018.

Still, those 2.27 million insured farmers in 2018 represent a mere 33.5% of the targeted farmers and fisherfolk. As such, there is a need for the PCIC to quickly expand its insurance base. Diversifying the types of insurance products it offers is a quick way to expand PCIC's operations. Currently, the PCIC only provides traditional crop insurance, requiring a farmer to file a claim with the insurance provider in order to access payment and assistance. An assessor will then have to visit each reported site to ascertain damage, the verified request would then initiate the timorous process for payment.

In an index- based insurance system, neither an assessment nor an official disaster declaration is necessary. The occurrence of indexed events, usually rainfall and windspeed, automatically provides the farmer immediate payment, a far more convenient method of insurance protection for far-flung and remote rural areas.

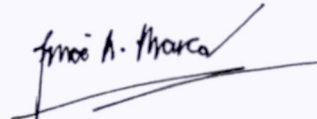
However, there are inherent benefits and disadvantages to both systems. While the traditional system is hampered by the delay and inconvenience of filing claims, it offsets the inconvenience with larger pay-outs than the index-based insurance system. It also covers pestilence and farm epidemics, in addition to other fortuitous events, as insurable circumstances- unlike the limited indices of weather. Hence, there is a need for the PCIC to provide both index-based insurance products, as well as their traditional insurance products.

Private sector participation in the crop insurance industry has been grudging and infrequent. By endowing the PCIC the power to reinsure private crop insurers, the long-held objective of encouraging private investment in agriculture may hopefully be achieved. Indeed, Presidential Decree No. 1270, entitled "*Authorizing the Organization and Licensing of A Professional Reinsurer To Be Known as the National Reinsurance Corporation of the Philippines and Designating Said Corporation as the National Institution That Will Subscribe To The Capital Stock Of The Asian Reinsurance Corporation,*" mandates the Philippine National Reinsurance Corporation (NatRe) to provide reinsurance

service in the country. NatRe, however, does not reinsure agricultural insurance, making the PCIC the sole reinsurer in the agricultural insurance space.

With the additional powers given to the PCIC under this proposed bill, an increase of its capitalization from the current level of PhP 2 billion to PhP 10 billion is also sought.

Given the abovementioned circumstances, the immediate passage of this bill is necessary.



IMEE R. MARCOS

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



SENATE
S.B. No. 883

Introduced by **SENATOR IMEE R. MARCOS**

**AN ACT STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION,
EXPANDING ITS POWERS AND ACTIVITIES, INCREASING ITS CAPITALIZATION,
AND AMENDING FOR THIS PURPOSE PRESIDENTIAL DECREE NO. 1467,
ENTITLED "CREATING THE 'PHILIPPINE CROP INSURANCE CORPORATION,'
PRESCRIBING ITS POWERS AND ACTIVITIES, PROVIDING FOR ITS
CAPITALIZATION AND FOR THE REQUIRED GOVERNMENT PREMIUM SUBSIDY,
AND FOR OTHER PURPOSES," AND OTHER LAWS**

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

1 Section 1. *Title* - This Act shall be known as the "Revised Charter of the
2 Philippine Crop Insurance Corporation".

3 Section 2. *Declaration of Policy* - It is hereby declared the policy of the
4 State:

5 (a) To alleviate the financial burden of farmers due to uncompensated
6 losses arising from destruction of crops wrought by disasters and calamities, keep
7 farmers away from indebtedness, enhance farmers' credit standing, and provide
8 farmers additional government support to increase agricultural production;

1 (b) To ensure food security, intensify food production, promote agricultural
2 credit, and broaden the coverage of mandatory crop insurance amidst the recurrence
3 of disasters and calamities, natural or otherwise, such as floods, typhoons, heavy
4 rains, and drought that destroy crops, especially palay and other grains and crops
5 necessary for food security;

6 (c) To assist banks and financial institutions by enhancing their capabilities
7 to extend loans to farmers; and

8 (d) To strengthen the organizational capability and to expand the coverage
9 of the Philippine Crop Insurance Corporation (PCIC), a government-owned corporation
10 established pursuant to Presidential Decree No. 1467 to provide insurance protection
11 to farmers against losses arising from natural calamities, fortuitous events, plant and
12 fishes diseases, and pest infestations.

13 Sec. 3. *Definition of Terms.* As used in this Act, the following terms shall be
14 defined as follows:

- 15 a) *Insurance* – is the service rendered by insurance providers to protect the
16 insured clients against the probability of a large unexpected loss through
17 the transfer and sharing of risks to compensate for unexpected but
18 financially disastrous events. A contract of insurance is an agreement
19 whereby one party- the insurance provider - undertakes for an agreed
20 consideration to pay another party- the insured client/beneficiary – for loss,
21 damage or liability arising from an agreed contingent event.
- 22 b) *Crop insurance* – is an insurance service to protect farmers and agriculture
23 producers against financial losses and uncertainties brought about by crop
24 failures, pest, extreme weather conditions and/or other causes beyond their
25 control, as indicated in the insurance policy issued by the insurance
26 provider/s to the client/s.
- 27 c) *Insurance Policy* – is a document or certification issued by the insurance
28 provider/s to the insurance clients as proof that the latter is covered by an
29 insurance service with the specified terms, premium costs, trigger event,
30 payout benefits, and duration of coverage as indicated in the said document.
- 31 d) *Reinsurance* – is a service rendered by reinsurance providers to protect the
32 insurance providers against the probability of a large unexpected loss
33 through the transfer and sharing of risks to limit the loss an insurer can
34 potentially suffer. A contract of reinsurance is an agreement whereby an
35 insurer procures a third party -the reinsurer- to insure him against loss or
36 liability by reason of such original insurance.
- 37 e) *Weather Index-Based Insurance (WIBI)* – is an insurance product that
38 provides insurance payout against the incidence of extreme weather
39 condition through the use of scientifically measurable weather parameters
40 such as rainfall, temperature, frost, humidity and/or other gauges as proxy
41 for actual loss using transparent indicators of the occurrence of an adverse
42 event.
- 43 f) *Payout*- the amount paid or to be paid by the insurance service provider on
44 account of the occurrence of an agreed contingent event, such as the

1 breach of an agreed lower or upper limit in weather indicators, as specified
2 in an insurance contract.
3 g) Triggers- threshold measurement points for the selected weather index
4 parameter or indicator at which the insurance contract starts to pay out.

5 Section 4. *Expanded Purposes and Coverage of the PCIC.* – The PCIC,
6 hereinafter referred to as the Corporation, shall insure qualified farmers and fisherfolk
7 against losses arising from natural calamities, fortuitous events, plant and fish
8 diseases, and pest infestations. It shall provide insurance coverage for palay and corn
9 crops, high-value commercial crops, livestock, agriculture and fishery products,
10 agroforestry crops, and forest plantations: non-crop agricultural assets such as
11 machineries, equipment, transport facilities and other related infrastructure; and life
12 and accident term insurance coverage for farmers and fisherfolk. Such crop insurance
13 shall cover, in every case, the cost of production inputs, the value of the farmer’s or
14 fisherfolk’s own labor and members of the household including the value of the labor
15 of hired workers, and a portion of the projected value of the crops. Such insurance
16 protection, however, shall exclude losses arising from avoidable risks emanating from
17 or due to the negligence, malfeasance or fraud committed by the insured or any
18 member of the immediate farm household or employee, or the failure of the insured
19 to follow proven farm practices.

20 The Corporation shall also insure properties and facilities which are owned or
21 used by government agencies involved in agri-fishery-forestry projects or activities
22 and government-financed agri-fishery-forestry projects. It shall also provide
23 reinsurance coverage to agri-fishery-forestry properties and facilities underwritten by
24 private and government insurance companies, and weather index-based insurance
25 (WIBI) and reinsurance for palay and corn crops, high-value commercial crops,
26 livestock, aquaculture and fishery products, agroforestry crops, and forest plantations.

27 Section 5. *Powers.* The Corporation shall continue to exercise the following powers
28 and functions:

- 29 5.1 To prescribe, repeal, and alter its own bylaws;
- 30 5.2 To adopt and use a corporate seal;
- 31 5.3 To sue and to be sued;
- 32 5.4 To have continuous succession until dissolved by law;
- 33 5.5 To determine its operating policies and to issue such rules and regulations
34 as may be necessary to implement the crop insurance scheme;
- 35 5.6 To insure the crops of farmers and fishpond, seaweed, oyster, or mussel
36 farm of fisherfolk against loss, damage and destruction caused by natural
37 calamities such as typhoons, floods, droughts, earthquake, volcanic
38 eruptions, rodents, vermin, diseases, insects and other pests; and to carry
39 on any business necessary, related to and expedient for the above purpose;
- 40 5.7 To establish a Weather Index-Based Insurance system at its discretion, with
41 the core features as follows:

42 5.7.1 An agreed weather reference index, such as, but not limited to
43 rainfall (mm), wind speed (kilometers per hour) and temperature (degrees).

1 5.7.2 A Trigger- Reference Point on the agreed index parameter the
2 occurrence of which activates the insurance payout;

3 5.7.3 A Payout or lump sum insurance payment amount based on a pre-
4 determined schedule that takes into account the actual area planted and
5 growth phase of the crop.

6 5.7.4 No Need for Calamity Declaration - Any breach of the insurance
7 parameters as stated in the policy contract shall be the sole trigger or basis for
8 any payout and shall not require the declaration of a state of calamity by the
9 LGU in order to trigger the obligation of the insurer to the insured
10 farmers/producers.

- 11 5.8 To insure in the Philippine or abroad all or any risks of the Corporation;
12 5.9 To purchase or otherwise acquire ownership and manage any and all parts
13 of the business, property and liabilities of any person or company carrying
14 on any business which the Corporation is authorized to carry on or possess;
15 5.10 To acquire by purchase or otherwise acquire ownership of and to invest in,
16 hold, sell, or otherwise dispose of stocks or bonds or any interest in either,
17 or any obligation or evidence of indebtedness of any person, firm or
18 corporation, domestic or foreign, or the bonds or other obligations or
19 evidence of indebtedness, of any person, firm or corporation; and as owner
20 of such stocks, bonds or interest therein, or other obligations or evidence
21 of indebtedness, to exercise the rights, powers and privileges of ownership,
22 including the right to vote thereon or consent in respect thereto for any and
23 all lawful purposes;
24 5.11 To purchase, or otherwise acquire, sell, lease, convey, mortgage, encumber,
25 and otherwise deal with any property, real or personal, or any interest
26 therein; extend credit on the security of real estate or movable property;
27 exercise easement right or privilege over or in respect to any property, real
28 or personal, as may be permitted by law and as may be
29 reasonable/necessary to carry out the purpose for which the Corporation is
30 formed or as may or hereafter be permitted by law;
31 5.12 To establish branches whenever it may be expedient and necessary; and
32 5.13 To generate internal funds by floating bonds, expanding the Corporation's
33 insurance lines to include agricultural guarantee loans, and extending
34 coverage to other areas of agricultural, such as livestock, aquaculture,
35 fishery, agroforestry, and forest plantations, in order to address insurance
36 needs of the target sector and to do and perform acts and things and to
37 exercise all the general powers conferred by law upon the Corporation as
38 are incidental or conducive to the attainment of the objectives of the
39 Corporation.

40 Section 6. *Reinsurance of Private Agricultural Insurance* – In order to encourage
41 more private investments in agriculture;

42 6.1 Any provision of law, decree, executive order, administrative
43 order, or rules and regulations to the contrary notwithstanding, authority is hereby
44 granted to the Insurance Commissioner to grant the PCIC a license as a

1 professional reinsurer for agricultural insurance under Presidential Decree No. 612,
2 otherwise known as the Insurance Code, as amended.

3 6.2 The Insurance Commissioner shall approve the Articles of
4 Incorporation and By-Laws of the PCIC to ascertain the carrying out of the
5 purposes herein above enumerated and, upon approval of the said Articles of
6 Incorporation and By-Laws, shall forward the same to the Securities and Exchange
7 Commission for registration.

8 6.3 Upon approval of the Insurance Commissioner, all agricultural
9 insurance companies doing business in the Philippines shall cede to the PCIC at
10 least ten percent (10%) of their outward reinsurance placed with unauthorized
11 foreign reinsurers, and at least ten percent (10%) of all new reinsurance placed
12 which would otherwise be outward foreign reinsurance as well as of the renewals
13 of such new reinsurance placements. The aforesaid compulsory cessions from
14 insurance companies shall be accorded the best terms and conditions afforded by
15 the existing treaties.

16 Section 7. *Who Shall Be Insured* - Participation in the insurance for palay and other
17 crops essential for food security, as determined by the Department of Agriculture (DA),
18 shall be compulsory upon all farmers. For other crops, participation shall be
19 compulsory upon all farmers obtaining production loans under the supervised credit
20 program, and optional on the part of self-financed farmers provided they agree to
21 place themselves under the supervision of agricultural production technicians.

22 The term "supervised credit program" as used in this Act shall mean the
23 production credit program wherein the farmer who obtained production loans agree
24 in writing to apply proven farm practices necessary to conserve the land, improve its
25 fertility and increase its production, and abide by the approved farm plan and budget
26 jointly prepared by such farmer and the duly accredited supervised credit technician.

27 The term "supervision of agricultural production technician" shall mean the
28 supervision undertaken by agricultural production technicians who are duly accredited
29 by the appropriate government agencies concerned, as required under the supervised
30 credit system.

31 Section 8. *Rate of Premium, Sharing, and Amount of Indemnity* - The rate of
32 premium, as well as the allocated sharing thereof of farmers, fisherfolk, lending
33 institutions the Government of the Republic of the Philippines (herein called the
34 Government) and other parties, shall be determined by the Board of Directors of the
35 Corporation: Provided, That the share of the Government in the premium cost in the
36 form of premium subsidy shall be limited to subsistence farmers and fisherfolk:
37 Provided, however, That each of these subsistence farmers is cultivating not more
38 than seven (7) hectares of farmlands and each fisherfolk is cultivating not more than
39 five (5) hectares of fishpond, seaweed, oyster, or mussel farm by themselves or with
40 the help of the members of their households or hired labor, the premium rate and
41 sharing to be determined by the Board of Directors: Provided, further, that the
42 premium share of the subsistence farmer or fisherfolk shall be reasonably affordable:
43 Provided, furthermore, That the Government shall share in the premium cost only in
44 insurance coverage against unforeseen and unavoidable risks such as typhoons,

1 drought, rainfall, outbreaks of pests and diseases: Provided, finally, That premium
2 subsidy or insurance benefits shall, upon the accumulation of surplus funds, be
3 increased to such amount as may be determined by the Board of Directors, taking into
4 consideration that the Corporation has been established not only for profit but mainly
5 to help Filipino farmers and fisherfolk.

6 The amount of indemnity shall be determined by the Board of Directors, which
7 shall take into account the value if the potential harvest for crops at the ripening stage
8 of growth; actual cost of production inputs already applied at the time of loss per farm
9 plan and budget, subject to limits stipulated in the policy contract; pro-rated cost of
10 the harvested crops; the salvage value; if any, and the percentage of yield loss.

11 Section 9. *Premium Subsidy.* -

12 9.1 The required Government premium subsidy, as determined by the
13 Board of Directors and approved by the President of the Philippines, shall be
14 deemed appropriated from the funds of the National Treasury not otherwise
15 appropriated, and shall be drawn, on a month-to-month or other periodic basis,
16 depending upon the actual amount of insurance underwritten by the
17 Corporation. For this purpose, the Corporation shall bill the Government the
18 sum of money corresponding to the computed amount of subsidy.

19 9.2 Yearly projections of the premium subsidy shall be submitted by
20 the Corporation to the President of the Philippines, and upon approval shall be
21 included in the Government's budgetary appropriations.

22 9.3 Calamity funds earmarked by the Government shall include a
23 certain percentage for crop insurance and shall be released to and administered
24 by the Corporation.

25 9.4 Ten percent (10%) of the net earnings of the Philippine Charity
26 Sweepstakes Office (PCSO) from its lotto operation shall be earmarked for the
27 Crop Insurance Program and said amount shall be directly remitted by the PCSO
28 to the Corporation every six (6) months until the amount of government
29 subscription is fully paid.

30 Section 10. *Capital Stock.* -

31 10.1 The authorized capital stock of the Corporation is ten billion pesos
32 (P 10,000,000,000.00) divided into seventy-five million (75,000,000) common
33 shares with a par value of one hundred pesos (P100.00) each share, which
34 shall be fully subscribed by the Government and twenty-five million
35 (25,000,000) preferred shares with a par value of one hundred pesos (P100.00)

36 10.2 The common capital stock of one billion five hundred million pesos
37 (P1,500,000,000.00) having been fully paid to the Corporation, the balance of
38 six billion pesos (P6,000,000,000.00) shall be subscribed by the national
39 government through the following:

40 10.2.1 Annual equity contribution to the PCIC under the
41 General Appropriations Act;

1 10.2.2 Fifty percent (50%) share of the national
2 government in the annual net earnings of the Corporation mandated
3 under Republic Act 7656, which is authorized to be retained by the PCIC.
4

5 10.3 The preferred shares shall be entitled to a preference over
6 common shares in any declaration of dividends. They shall also be given priority
7 in the distribution of assets in the event of liquidation of the Corporation. They
8 shall have the following specific features:
9

10 10.3.1 Preferred as to dividends at a minimum of one and one-half
11 percent (1.5%) or the prevailing three hundred sixty (360)-day
12 Treasury bill rate at the time of declaration of dividends,
13 whichever is higher;

14 10.3.2 Cumulative;

15 10.3.3 Nonparticipating;

16 10.3.4 Nonvoting;

17 10.3.5 Dividends thereon shall be exempt from income tax;

18 10.3.6 Redeemable at the option of the Corporation at the prevailing
19 book value in no case less than par after five (5) years from
20 issuance thereof; and

21 10.3.7 Transferable;

22 10.4 At least five hundred million pesos (P500,000,000.00) of
23 preferred shares shall be subscribed and paid for by the Land Bank of
24 the Philippines (LBP). The balance of the preferred shares may be
25 available for sale or to subscription by the general public.

26 Section 11. *Reserve Fund for Catastrophic Losses* – A state reserve fund for
27 catastrophic losses in the amount of five hundred million pesos (P500,000,000.00)
28 shall be created exclusively to answer for the proportion of all losses in excess of risk
29 (pure) premium under the Corporation's Crop Insurance Program for small farmers
30 and fisherfolk. The Fund may be increased subject to the approval of the President of
31 the Philippines. The Fund shall be administered by a government financial institution
32 to be designated by the Corporation's Board of Directors. Such sum as may be
33 necessary for the purpose shall be funded by the National Government through the
34 annual General Appropriations Act. The mechanics of claims against the Fund and to
35 what extent the Fund shall be liable shall be determined jointly with the financial
36 institution administering the Fund, subject to the approval by the President of the
37 Philippines.

38 Section 12. *Reinsurance*. – In order to spread the risk of the Corporation, the
39 PCIC is hereby authorized to seek reinsurance protection whenever it may be
40 available.

41 Section 13. *Board of Directors*.

42 13.1 The powers of the Corporation shall be vested in and exercised
43 by a Board of Directors, hereinafter referred to as the Board, composed of
44 seven (7) members and made up of the following: the President of the LBP,

1 the President of the Corporation, the DA Secretary, a representative from the
2 private insurance industry to be nominated by the Secretary of Finance and
3 three (3) representatives from the subsistence farmers' sector, preferably
4 representing agrarian reform beneficiaries/cooperatives/associations coming
5 from Luzon, Visayas, and Mindanao, who shall be selected and nominated by
6 the different farmers' organizations or cooperatives. The respective nominees
7 of the private insurance industry and the farmers' sector shall be submitted to
8 and appointed by the President of the Philippines. The chairman of the Board
9 shall be appointed by the President of the Philippines from among the members
10 of the Board. The President of the Corporation shall also be appointed by the
11 President of the Philippines and shall be *ex officio* Vice Chairman who shall
12 assist the Chairman and act in his stead in case of absence or incapacity.

13 In case of absence or incapacity of both the Chairman and the Vice
14 Chairman, the Board shall designate a temporary chairman from among its
15 members. Except for the President of the LBP and the DA Secretary, all
16 members of the Board, including the President of the Corporation, shall be
17 appointed by the President of the Philippines within a reasonable period of time
18 after the approval of this Act.

19 13.2 The members of the Board shall have their respective alternates
20 who shall attend the meetings, and act as members of the Board in the absence
21 or incapacity of the regular members.

22 13.3 The Board shall meet regularly at least twice a month and as often
23 as the exigencies of the Corporation's affairs demand. The presence of at least
24 five (5) members shall constitute a quorum which shall be necessary for the
25 transaction of any business. The Board may be convoked either by the
26 Chairman or, in his absence, by the Vice Chairman.

27 13.4 The Chairman and the members of the Board shall each receive
28 *per diem* pursuant to existing law for each meeting of the Board personally
29 attended: Provided, however, That in the case of the representatives of
30 subsistence farmers' sector, the Board is authorized to determine reasonable
31 traveling and, if necessary, subsistence expenses in going to and returning from
32 said Board meetings to be disbursed to them in addition to their per diem.
33

34 Section 14. *Power and Functions of the Board of Directors.* – The Board shall
35 have the following powers and functions:

36 14.1 To implement the provisions and purposes of this Act;

37 14.2 To formulate and adopt policies and plans, and to promulgate rules and
38 regulations for the management, operation and conduct of the affairs
39 and business of the Corporation and, for this purpose, may limit or refuse
40 insurance in any area or on any farmer because of the risk involved or
41 may expand the subject of insurance coverage to crops other than palay:
42 Provided, That such coverage on other crops shall be approved by the
43 President of the Philippines;

- 1 14.3 To borrow funds from local and international financing sources or
2 institutions and issue bonds up to five (5) times the value of its
3 authorized capital stock for the purpose of financing the programs and
4 projects deemed vital for the attainment of the Corporation's goals and
5 objectives;
6 14.4 To enter into, make, and execute contracts of any kind or nature as may
7 be necessary, or incidental to the accomplishment of the purposes of the
8 Corporation;
9 14.5 To approve the budget of the Corporation and to fix the reasonable
10 compensation of its personnel: Provided, That the Board shall have
11 exclusive and final authority to promote, transfer, assign or reassign
12 personnel of the Corporation and these personnel actions are deemed
13 made in the interest of the service and not disciplinary, any provision of
14 existing law to the contrary notwithstanding;
15 14.6 To establish policies and guidelines for employment on the basis of
16 merit, technical competence and moral character, and approve a staffing
17 pattern of personnel defining their powers and duties; and
18 14.7 To exercise the general powers mentioned in the Corporation Law
19 insofar as these are not inconsistent or incompatible with the provisions
20 of this Act.

21 Section 15. *Management.* – The management of the Corporation shall be vested
22 in the President of the Corporation who shall be a person of known integrity,
23 competence in technical and executive fields related to the purposes of this Act. The
24 president of the Corporation shall be appointed by the Board and shall not be removed
25 except for cause. There shall also be Vice President(s) as the Board may decide, to be
26 appointed by the latter. The president of the Corporation shall have the following
27 powers and duties:

- 28 15.1 To execute and administer the policies, plans and programs and
29 the rules and regulations approved or promulgated by the Board;
30 15.2 To submit for the consideration of the Board such policies, plans
31 and programs deemed necessary to carry out the provisions and
32 purposes of this Act;
33 15.3 To direct and supervise the operations and internal administration
34 of the Corporation and, for this purpose, to delegate some or any
35 powers and duties to subordinate officials;
36 15.4 To recommend to the Board the appointment, promotions,
37 transfer, assignment, reassignment, demotion, dismissal and
38 compensation of personnel; and
39 15.5 To exercise such other powers and perform such other duties as
40 may be directed by the Board.

41 Section 16. *Interagency Linkages.*

42 16.1 To support and promote the operations of the Corporation, all
43 government departments, bureaus, offices, agencies and instrumentalities,
44 national or local, all lending institutions, government or private, now or
45 hereafter engaged in the supervised credit program to farmers and fisherfolk

1 and such other public or private entities as may be called upon by the
2 Corporation, shall act as cooperating agencies to the Corporation and, for this
3 purpose, are hereby directed to design their policies, programs, rules and
4 regulations so as to attune and synchronize them with the objectives of the
5 Corporation.

6 16.2 All lending institutions granting production loans for palay, corn
7 and other crops under the supervised credit program of the Government shall
8 automatically act as underwriters for and on behalf of the Corporation. As such,
9 they shall receive and process applications for insurance coverage; approve
10 those found in order and collect premiums thereof. Premiums so collected,
11 together with the premium payable by the lending institution itself, shall be
12 remitted to the Corporation in the manner and within such period as may be
13 prescribed by the Corporation.

14 16.3 The Philippine Atmospheric Geophysical and Astronomical Service
15 Administration (PAGASA), consistent with its mandates under the PAGASA
16 Modernization Act of 2015 (or RA No. 10692), shall provide adequate, up-to-
17 date, and timely information on atmospheric, astronomical, and other weather
18 related phenomena as well as assessments pertinent to climate change
19 adaptation programs, such as crop insurance.

20 Section 17. *Settlement of Claims.* -

21 17.1 Claims for indemnity against the Corporation shall be settled by
22 the Corporation's regional manager concerned or the appropriate officer
23 to whom the function is delegated. However, if in the opinion of the
24 regional manager the claim is novel, difficult, or controversial, the matter
25 may be elevated by the regional trail manager to the President of the
26 Corporation for decision.

27 17.2 The claimant aggrieved by the decision of the regional manager
28 may, within thirty (30) days from receipt of the decision, request for
29 reconsideration thereof, and if not satisfied therewith, may elevate the
30 matter to the President of the Corporation.

31 17.3 Any party aggrieved by a decision, order or ruling of the
32 President of the Corporation may appeal said decision, order, or ruling
33 to the Corporation's Board.

34 17.4 Any claim not acted upon within sixty (60) days from submission
35 of complete claim documents to the Corporation shall be considered
36 approved.

37 Section 18. *No Claims Benefits.* – Any insured farmer or fisherfolk who has not
38 filed any claim during the immediately preceding three (3) crop seasons, or any
39 insured fishpond or fish cage operator who has not filed any claim during the
40 immediately preceding three (3) harvest seasons shall be entitled to a no-claim benefit
41 of at least ten percent (10%) of premium share paid for said crop seasons to be
42 deposited in a trust fund and to be managed by the Corporation. Such trust fund may

1 be used to finance premium rebate or premium credit applicable to the immediately
2 following crop seasons as determined by the Board of the Corporation.

3 Section 19. *Commission on Audit.* – The Commission on Audit shall be the ex
4 officio auditor of the Corporation.

5 Section 20. *Legal Counsel.* - The Corporation shall have its own Legal
6 Department, the Chief and members of which shall be appointed by the Board.

7 Section 21. *Utilization of Profits.* The profits of the Corporation shall be
8 determined year basis and the manner of its distribution shall be determined by law.

9 Section 22. *Exemption from Taxes.* – In furtherance of the effective
10 achievement of the purposes of this Act, the Corporation shall continue to be
11 exempted to the extent allowed by national policy from all national, provincial,
12 municipal and city taxes and assessments now enforced: Provided, That said
13 exemption shall apply only to such taxes and assessments for which the Corporation
14 itself would otherwise be liable and shall not apply to taxes and assessments payable
15 by persons or other entities doing business with the Corporation.

16 Section 23. *Penal Provisions.* -

17 23.1 Any person who through malfeasance, misfeasance or
18 nonfeasance allows a spurious claim to be paid, including the claimant himself,
19 shall, upon final conviction, be punished by imprisonment of not less than three
20 (3) years but not more than eight (8) years or a fine of not less than one
21 hundred thousand pesos (P100,000.00) but not more than six hundred
22 thousand pesos (P600,000.00) or both imprisonment and fine at the discretion
23 of the court. The PCIC personnel who allowed the commission of the offense
24 shall in addition be dismissed from office, and forfeit all privileges and benefits
25 which may accrue to such personnel.

26 23.2 Any person or entity granting production loan for palay under the
27 supervised credit program of the Government without requiring crop insurance
28 thereof or having collected premiums from farmers, would fail to remit the same
29 within the time and place specified in the rules and regulations of the
30 Corporation shall, upon conviction, be punished by a fine not exceeding ten
31 thousand pesos (P10,000.00) or imprisonment of not exceeding six (6) months,
32 or both, at the discretion of court.

33 23.3 Any person or entity who shall violate any provision of this Act or
34 any rule regulation issued for its implementation, for which no penalty is
35 provided, shall be deemed guilty of a penal offense and, upon conviction, be
36 punished by a fine not exceeding five thousand pesos (P5,000.00) or
37 imprisonment of two (2) months, or both, at the discretion of the court.

38 Whenever any violation of the provisions of this section is committed by a
39 corporation or association, or by a government office or entity, the executive officer
40 or officers of said corporation, association, or government office or entity who shall

1 have knowingly permitted, or failed to prevent, said violation shall be held liable as
2 principal.

3 Section 24. *Applicability of Presidential Decree No. 612, Presidential Decree No.*
4 *1467, Presidential Decree No. 1733, and Republic Act 8175.* – The provisions of
5 Presidential Decree No. 612, entitled "*The Insurance Code*," Presidential Decree No.
6 1467, entitled "*Creating the 'Philippine Crop Insurance Corporation' Prescribing Its*
7 *Powers and Activities, Providing for Its Capitalization and for the Required Government*
8 *Premium Subsidy, and for Other Purposes*," Presidential Decree No. 1733, entitled
9 "*Amending Presidential Decree No. 1467 Creating the 'Philippine Crop Insurance*
10 *Corporation' by Adding Penal Sanctions Therein*," Republic Act No. 8175, entitled "*An*
11 *Act Further Amending Presidential Decree No. 1467, As Amended, Otherwise Known*
12 *As the Charter of the Philippine Crop Insurance Corporation (PCIC), In Order to Make*
13 *the Crop Insurance System More Stable and More Beneficial to the Farmers Covered*
14 *Thereby and for the National Economy*," insofar as they are not in conflict or
15 inconsistent with or repugnant to the provisions of this Act shall apply to the
16 Corporation.

17 Section 25. *Term of Existence and Periodic Review.* – The Corporation's term
18 of legal existence, which was set to last for fifty (50) years starting from the date of
19 approval of Presidential Decree No. 1467 on July 11, 1978, shall continue and is hereby
20 affirmed. To ensure the Corporation's continuing relevance, the PCIC Board shall
21 undertake periodic review of the Corporation's activities and shall submit to both
22 Houses of Congress at least once a year a report which shall include, among others,
23 a recommendation for improving services to the target sectors and the financial
24 viability of the Corporation.

25 Section 26. *Separability Clause.* – If any provision or part hereof is held
26 unconstitutional or invalid, the other provisions not affected shall remain in force and
27 effect.

28 Section 27. *Repealing Clause.* – All other laws, executive orders, and other
29 issuances or parts thereof inconsistent with this Act are hereby repealed or modified
30 accordingly.

31 Section 28. *Effectivity.* – This Act shall take effect fifteen (15) days after its
32 publication in the Official Gazette or in a newspaper of general circulation.

33 Approved,

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