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REPUBLIC OF THE PHILIPPINES)
First Regular Session)

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SENATE
S. No. 390

RECEIVED



INTRODUCED BY SENATOR JOSEPH VICTOR "JV" 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

This propose legislative measure seeks to develop a crop insurance program that will ensure that small farmers and their crops are protected from negative impacts of natural and other disasters. It acknowledges the need to strengthen the competitiveness and growth of small farmers, and encourage their participation to contribute fully in sustaining food security in the country.

The COVID-19 pandemic has particularly highlighted the growing food insecurity among households. In a report made by the Congressional Policy and Budget Research Department (CPBRD), it has revealed that some 62.1% of Filipino households experienced moderate to severe food insecurity in 2020 amid the ongoing COVID-19 pandemic, according to a Rapid Nutrition Assessment Survey (RNAS) conducted by the Food and Nutrition Research Institute (FNRI).¹

The pandemic and the natural disasters that hit the country not only affected consumption but more so the production of adequate food. The countries vulnerability

¹ Food Insecurity Among Families Amid the Covid-19 Pandemic, Facts in Figures May 2021 issue, CPBRD (accessed through https://cpbrd.congress.gov.ph/images/PDF%20Attachments/Facts%20in%20Figures/FF2021-35_Food_Insecurity.pdf)

to disasters and its disastrous effect to agricultural productivity call for a more permanent and long term solution that will ensure that the agricultural sector, especially the small farmers, are protected and given support to sustain and protect their production. Needless to say, crop insurance is imperative for a country like the Philippines where farmers are the poorest among the various sectors of the society.

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. Further, the coverage remains optional on the part of self-financed farmers and mandatory only on the part of farmers obtaining agricultural credit under a loan program.

This bill seeks to expand the coverage of the current subsidized crop insurance program of the government. It covers small farmers by providing free crop insurance coverage for those owning or cultivating five hectares of farmland and below, and a 50% insurance premium subsidy for farmers owning or cultivating more than five but not exceeding eight (8) 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 passage of this measure is earnestly sought.



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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 Program
2 for Small Farmers Act of 2022.”

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 farmers and
8 their crops are protected from negative impacts of extreme weather/climate
9 conditions, plant diseases and pest infestations, and other disasters, thereby
10 protecting crop production, ensuring food security and farmers’ livelihood.

11 Sec. 3. *Crop Insurance for Small Farmers Program.* – (a) The Department of
12 Agriculture (DA) in coordination with the Philippine Crop Insurance Corporation (PCIC)
13 shall develop a special Crop Insurance Program for Small Farmers, guided by the
14 following objectives:

- 15 1. Promotion of food security through palay and other crop production;
16 2. Provision of immediate support and protection to farmers incurring crop
17 losses due to extreme conditions; and

1 3. Alleviate the financial burden of farmers due to uncompensated losses.

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

4 1. The Philippine Atmospheric, Geophysical and Astronomical Services
5 Administration (PAGASA) shall be the primary reference weather station
6 from which observed weather parameter shall be obtained. Other
7 reference weather stations may include other weather stations
8 accredited by PAGASA;

9 2. There shall be an identified trigger or threshold reference point to serve
10 as a basis of measurement wherein in case of an occurrence of a breach
11 the PCIC is obligated to indemnify and pay the required payout to the
12 insured;

13 3. Phases of crop growth shall be covered by the insurance where a
14 separate trigger and payout may be determined;

15 4. The payout or the insurance payment shall be based on a pre-
16 determined schedule that takes into account the actual area planted;
17 and

18 5. Any breach of the threshold reference point shall be the basis of any
19 payout. Declaration of a State of Calamity in a local government unit
20 shall not be required to trigger the obligation of the PCIC to the insured
21 farmers.

22 Sec. 4. *Terms and Conditions.* – Within ninety (90) days after the effectivity of
23 this Act, the Department of Agriculture (DA) in coordination with the Philippine Crop
24 Insurance Corporation (PCIC), and in consultation with the Insurance Commission (IC)
25 shall formulate the terms and conditions which shall govern a comprehensive
26 insurance scheme for the benefit of the farmers. The terms and conditions shall be
27 published in the Official Gazette or in a newspaper of general circulation in the
28 Philippines.

29 Sec. 5. *Insured Farmers under the Crop Insurance Program for Small Farmers*
30 *and Premium Subsidy.* – (a) All farmers of palay and other crops owning or cultivating
31 eight (8) hectares of farmland and below shall automatically be covered by the Crop

1 Insurance Program for small farmers. Subsidy for insurance premiums shall be
2 determined by the following qualifications:

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

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

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

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

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

25 *Sec. 6. Rate of Premium.* – The rate of premium shall be determined by the
26 Board of the Philippine Crop Insurance Corporation (PCIC) subject to the approval by
27 the President of the Philippines.

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

1 Initially, the premium subsidy for the first year of implementation shall be
2 drawn on a month-to-month basis, depending on the actual amount of insurance
3 underwritten by the PCIC. Subsequently, projections of the premium subsidy shall be
4 submitted by the PCIC to the President, and upon the approval of the President shall
5 be included in the National Expenditure Program.

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

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

12 *Sec. 9. Implementing Rules and Regulations.* – The Department of Agriculture,
13 and the Philippine Crop Insurance Corporation, in consultation with relevant
14 government agencies and instrumentalities, shall provide the necessary implementing
15 rules and regulations within sixty (60) days upon the approval of this Act. Such rules
16 and regulations shall take effect after they have been made and shall be published in
17 at least two (2) newspapers of general circulation.

18 *Sec. 10. Repealing Clause.* - All laws, presidential decrees, executive orders,
19 rules and regulations contrary to or inconsistent with the provisions of this Act are
20 hereby repealed or modified accordingly.

21 *Sec. 11. Effectivity.* - This Act shall take effect fifteen (15) days after its
22 publication in the Official Gazette or in at least two (2) newspaper of general
23 circulation.

24
25 Approved,