

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2825

Introduced by AKBAYAN Representatives Walden F. Bello and Kaka J. Bag-ao

EXPLANATORY NOTE

All over the world, there is a growing recognition of the need to help small agricultural producers adapt to the negative impacts of climate change. Conditions that are linked to climate change such as the rise in temperature and the increased incidence of extreme events like droughts, heavy rainfalls, typhoons and flooding heighten risks in agricultural production. For Filipino farmers, the fact that the Philippines is visited by an average of twenty (20) typhoons in a year multiplies the uncertainties associated with farming.

Small agricultural producers, who shoulder the cost of crop failures, are particularly vulnerable to displacement as a result of emerging changes in the climate. They can no longer rely on their normal cropping schedules, and as such, are not able to more accurately ascertain the viability of their crop production. They are more susceptible to pest and rat infestation, which they associate with extreme weather conditions. Moreover, they have to bear the brunt of droughts and storms, which have occurred more frequently and with greater severity over the last few decades. Indeed, the recent effects of typhoons Pepeng and Ondoy are tragic reminders of the dangers posed by climate change, not only on agricultural output, but on the lives as well as means of livelihood of thousands of small farmers and agricultural producers.

Adapting to climate change requires a broad range of interventions designed to help improve stakeholders' capability to cope with its effect. One concrete support that can help safeguard the economic viability of small farmers and agricultural producers is the improvement and expansion of government's agricultural insurance system.

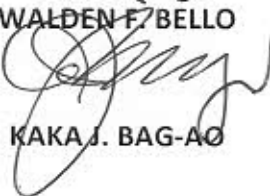
Presently, the Philippine Crop Insurance is government's main agency in charge of agricultural insurance. However, resource and other institutional constraints prevent it from covering a large segment of producers in the agricultural sector. Indeed, a study by the Philippine Institute for Development Studies, indicate that, at most, PCIC, has only been able to provide insurance protection to 6.4 per cent of the country's small agricultural producers, in 1991. This limited coverage, most of which are concentrated in the rice and corn sectors, means that only a fraction of small agricultural producers are able to benefit from insurance protection in times of disasters and calamities.

The huge discrepancy in PCIC's coverage over potential and actual damage due to climate change related problems was clearly evident after typhoon Ondoy. PCIC reported that it would release Php 95 million to indemnify 13,733 farmers, even as the Department of Agriculture placed over-all damages in agriculture, as a result of the said typhoon, at Php 5.1 billion.

This bill seeks to expand and improve agricultural insurance in the country by amending the charter of PCIC. The proposed amendments aims to address the agency's resource and institutional limitations by increasing fund allocation for insurance coverage, improving its marketing component and institutionalizing farmers' and stakeholders' participation in its direction setting and management, among others.

These proposed amendments in the PCIC charter are envisioned to provide small agricultural producers with better safety nets to help improve their resilience and ensure their survival amidst the challenges brought about by climate change.

The aftermath of supertyhoons Ondoy and Pepeng, and the challenges at hand due to climate change clearly calls for our action. Hence, the immediate passage of this bill is earnestly sought.


WALDEN F. BELLO

KAKA J. BAG-AO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2825

Introduced by AKBAYAN Representatives Walden F. Bello and Kaka J. Bag-ao

AN ACT
FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS AMENDED,
OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE CROP
INSURANCE CORPORATION, IN ORDER TO EXPAND AND IMPROVE
AGRICULTURAL INSURANCE IN THE PHILIPPINES AND PROMOTE SMALL
AGRICULTURAL PRODUCERS' RESILIENCE TO CLIMATE CHANGE

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

Section 1. This act shall be known as the *"Revised Charter of the Philippine Insurance Corporation Act of 2009."*

Section 2. PD 1467, as amended by Section 1 of Republic Act no. 8175 shall be amended as follows:

Sec. 2 Declaration of Policy - It is the policy of the State to develop and support an adequate agricultural insurance system as a mechanism **TO MANAGE** the risks inherent in agriculture and **TO HELP SMALL FARMERS AND AGRICULTURAL PRODUCERS ADDRESS THE UNCERTAINTIES IN AGRICULTURAL PRODUCTION ARISING FROM CLIMATE CHANGE. IT IS ALSO THE POLICY OF THE STATE TO STABILIZE** [stabilizing] the financial fluctuations suffered by agricultural producers **AS A RESULT** [in case] of loss **IN AGRICULTURAL OUTPUT** [on crops] including agricultural facilities and related infrastructures **ON ACCOUNT OF THE AFOREMENTIONED RISKS AND UNCERTAINTIES** [with the end in view of encouraging lending institutions to extend credit to the agricultural sector].

x x x

Section 3. Section 1 of the Presidential Decree No. 1467, as amended in Section 3 of Republic Act 8175 shall read as follows:

Sec. 1. Creation of the Philippine Crop Insurance Corporation – There is hereby created a body corporate to be known as the Philippine Crop Insurance Corporation (PCIC and herein called the Corporation) [which shall be attached to the Department of Agriculture for budgetary purposes]. The Corporation shall insure [qualified] farmers against losses arising from natural calamities, plant diseases and pest infestation. [Initially] The Corporation shall provide insurance coverage for **ALL AGRICULTURAL COMMODITIES ESPECIALLY** for palay [crops and later on to other crops] **AND CORN**, without prejudice to the inclusion of

other non-crop agricultural assets, such as, but not limited to machineries, equipment, transport facilities and other infrastructures as the Board of Directors of the Corporation may determine. Such [crop] insurance shall cover, in every case, the cost of production of inputs, the value of the farmers' own labor and those of the members of his or her household, including the value of the labor of hired workers, and a portion of the expected yield as the Board of Directors, in its discretion, decide to insure. Such insurance, however, shall exclude losses arising from avoidable risks emanating from or due to the negligence, malfeasance or fraud committed by the insured or any member of his immediate farm household or employee [or the failure of the insured to follow proven farm practices].

Section 4. Section 3.11 of the PD 1467, as amended by Section 4 of Republic Act 8175 shall be amended to read as follows:

3.11 To generate internal funds by floating funds, expansion to other insurance lines, **INCLUDING ENTERING INTO REINSURANCE ARRANGEMENTS WITH AGRICULTURAL COOPERATIVES AND OTHER AGRICULTURAL PRODUCERS' ASSOCIATIONS OR ORGANIZATIONS**, extending coverage to other areas of agriculture in order to address the insurance needs of small agricultural producers, and to exercise all the general powers conferred by law upon the Corporation as are incidental or conducive to the attainment of the objectives of the corporation.

Section 5. Subsections 8.1 and 8.3 of Section 8 of Presidential Decree No. 1467, as amended in Section 7 of Republic Act 8175, are hereby further amended, to read as follows:

8.1 The authorized capital stock of the Corporation is **TEN [Two] billion pesos (Php 10,000,000,000) divided into NINETY million (90,000,000) [15,000,000]** common shares with a par value of one hundred pesos (Php 100) for each share, which shall be fully subscribed by the Government, and **TEN [Five] million (10,000) [5,000,000]** preferred shares with a par value of Php 100 per share, which shall have the features provided in Section 8.4 hereof and shall be issued in accordance with the provisions of Section 8.5 hereof.

8.2 The additional common capital stock of **7.5 [One] billion pesos (7,500,000,000) [1,000,000,000]** shall be fully subscribed by the Government and the necessary funds shall be appropriated by Congress unless otherwise provided by existing laws: Provided that **AT LEAST FIFTY PERCENT OF THE CAPITAL NEEDED PER ANNUM SHALL BE PROVIDED UNDER THE GENERAL APPROPRIATIONS ACT** [Congress shall provide, on an annual basis, at least fifty per cent of the needed capital] until the authorized capital stock is fully paid up;

Section 6. Subsection 9.1 of Section 9 of Presidential Decree No. 1467, as amended by Section 10 of Republic Act 8175 shall read as follows:

9.1 The powers of the Corporation shall be vested in and exercised by a Board of Directors now composed of **NINE (9) [seven (7)]** members made up of the following: **THE SECRETARY OF THE DEPARTMENT OF AGRICULTURE, THE SECRETARY OF THE DEPARTMENT OF AGRARIAN REFORM, THE SECRETARY OF THE DEPARTMENT OF FINANCE, THE SECRETARY OF THE DEPARTMENT OF BUDGET AND MANAGEMENT**, the President of the Land Bank of the Philippines (LBP), the President of the Corporation [the Executive Director of the

Agricultural Credit Policy Council] a representative from the private insurance industry to be nominated by the Secretary of Finance and three (3) representatives from the subsistence farmers' sectors preferably representing agrarian reform beneficiaries/cooperatives/associations coming from Luzon, Visayas and Mindanao, who shall be selected and nominated by the different farmers organizations and/or cooperatives.. The respective nominees of the private insurance industry and the farmers' sector shall be submitted to and appointed by the President. The **SECRETARY OF THE DEPARTMENT OF AGRICULTURE SHALL BE THE** chairman of the Board of Directors [shall be appointed by the President]. The President of the Corporation shall also be appointed by the President and shall be *ex-officio* vice chairman who shall assist the chairman and act in his stead in case of absence or incapacity. In case of absence or incapacity of both chairman and the vice-chairman, the Board of Directors shall designate a temporary chairman from among its members. [Except for the President of the LBP and the Executive Director of ACPC, all members of the Board of Directors, including the President of the Corporation, shall be appointed by the President within the a reasonable period after the approval of this act].

Section 7. A new section is hereby inserted between Sections 11 and 12, to read as follows:

Section 11-A. **CREATION OF A CONGRESSIONAL OVERSIGHT COMMITTEE ON AGRICULTURAL INSURANCE. A CONGRESSIONAL OVERSIGHT COMMITTEE ON AGRICULTURAL INSURANCE SHALL BE CREATED TO CONDUCT AN ANNUAL REVIEW AND ASSESSMENT OF THE CORPORATION'S PERFORMANCE. THE COMMITTEE SHALL BE COMPOSED OF MEMBERS OF THE HOUSE COMMITTEE ON AGRICULTURE AND FOOD AND PARTY LIST MEMBERS REPRESENTING SMALL FARMERS AND AGRICULTURAL PRODUCERS. IT SHALL CONDUCT CONSULTATIONS AND HEARINGS WITH FARMERS' AND AGRICULTURAL PRODUCERS' ORGANIZATIONS, COOPERATIVES AND ASSOCIATION, IN LINE WITH ITS REVIEW PROCESS.**

Section 7. All laws, executive orders, and other issuances or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

Section 8. This Act shall take effect fifteen (15) days following the completion of its publication in at least two (2) newspapers of general circulation.

Approved,