

Republic of the Philippines
House of Representatives
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3758

Introduced by Hon. GINA P. DE VENECIA

EXPLANATORY NOTE

Agriculture is very much vulnerable to the unpredictability of nature. With agricultural production representing a major source of livelihood for many Filipinos, the impact of natural disasters and other agricultural risks cannot be taken lightly. The need to safeguard the livelihood and interests of local farmers should be properly addressed.

Data from the Department of Agriculture indicates vulnerability of the sector to the unpredictability of nature. Droughts, floods and typhoons have been wreaking havoc on crops and causing untold miseries among farmers. In 2009, monsoon rains and floods brought about by Typhoons Ondoy and Peping struck Central and Northern Luzon within a three-week period and destroyed properties and infrastructure worth billions of pesos. The crops sub-sector bore the major brunt of the immediate losses (P23.5 billion), followed by the fisheries sub-sector (P1.2 billion). In all, the storms adversely affected a total of about 480,000 farmers in seven regions of Luzon.

Agricultural and fisheries products need insurance coverage to mitigate the debilitating effects of natural disasters and other agricultural risks. Agricultural insurance is a risk management tool designed to ease property and production losses of subsistence farmers and fisherfolks. It also serves as a financial mechanism to stabilize financial fluctuations suffered by the country's lending institutions.

At present, Republic Act 8175 otherwise known as the "Revised Charter of the Philippine Crop Insurance Corporation (PCIC) Act of 1995" covers both agricultural crop and non-crop related insurance. Almost eighty five percent (85%) of the crop-related insurance coverage is focused on rice and corn, while the rest are on high-value crops and livestock. Non-crop insurance, on the other hand, covers agricultural machineries and personal life insurance of farmers and fisher folks.

Meanwhile, Republic Act 8550 otherwise known as the "Fisheries Code of 1998" and Fisheries Administrative Order No. 215, series of 2001 (Insurance for Aquaculture Crops/Stocks) provide for limited insurance coverage of aquaculture under the insurance program of the PCIC but the program has yet to be implemented. However, while PCIC has extended insurance coverage to the fisheries sector, it still has no operational insurance program for the sector's fishponds, fish pens, fish cages and other aquaculture projects due to appropriations problem.

Extending a more comprehensive and sustainable agricultural insurance coverage to both the agriculture and the fisheries sectors ((i.e. coverage for losses caused not only by force majeure but also by plant and fish diseases) through legislation is therefore necessary to hasten effective implementation of the program. Policy setting via administrative fiat or through a corporate board's authorization is only ad hoc in nature and lacks the enforceability of a law.

PCIC remains in dire need of financial resources to implement its various programs. Under RA 8175, authorized capital stock of PCIC was increased from P750 million to P2 billion, but as of December 2009 PCIC's paid up capital only stood at P1.23 billion. Moreover, total receivables from the national government in terms of premium subsidy arrearages have reached P523 million (from 1981 to 2009). The shortfalls in capital contribution and premium shares greatly diminished PCIC's investment capacity, making investment income barely enough to cover indemnity and administrative costs. But more importantly, this funding constraint has limited PCIC's reach to provide insurance cover to more than 5.4 million smallholder farmers and fisherfolks in the country. Only three (3%) percent of these have some form of risk protection from PCIC.

To help sustain the agricultural insurance's funding requirement and expand insurance coverage, this proposed measure requires the Philippine Amusement and Gaming Corporation (PAGCOR) to earmark one-half percent (0.5%) of its net earnings to the insurance program. Currently, RA 8175 requires the Philippine Charity Sweepstakes Office (PCSO) to contribute ten percent (10%) of its net earnings to PCIC.

To help safeguard PCIC's limited resources and hasten the release of claims to legitimate applicants, this bill imposes heavier fines to spurious claimants. Erring agency personnel who help facilitate processing of false claims are likewise meted with stiffer penalties which include dismissal and forfeiture of separation benefits. With these additional provisions, it is hoped that the viability and sustainability of the program would be enhanced.

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



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**AN ACT STRENGTHENING THE PHILIPPINE CROP INSURANCE SYSTEM BY
EXPANDING ITS PROGRAM COVERAGE, INCREASING ITS FUNDING SOURCE AND
IMPOSING HEAVIER PENALTIES ON SPURIOUS CLAIMS, AMENDING PRESIDENTIAL
DECREE NO. 1467, AS AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE
PHILIPPINE CROP INSURANCE CORPORATION (PCIC)**

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

Section 1. Title. — This Act shall be known as the "STRENGTHENED CHARTER OF THE
PHILIPPINE CROP INSURANCE CORPORATION ACT OF 2009".

Sec. 2. Declaration of Policy. — It is hereby declared the policy of the State to develop
and support an agricultural insurance program as a mechanism for managing risks
inherent to both the agricultural and fisheries sectors. These risks could include but not
limited to losses to crops and damages to agricultural infrastructures brought about by
natural calamities especially typhoons and crop pests and diseases.

To effectively implement this policy and ensure payment of benefits to legitimate
insurance claimants, the State shall:

- a. seek all available funding sources, including earmarked funding from revenue
generating institutions like Philippine Charity Sweepstakes Office (PCSO) and the
Philippine Amusement and Gaming Corporation (PAGCOR);
- b. ensure that insurance claims are awarded only to real beneficiaries by imposing
stiff penalties to spurious claimants and corrupt functionaries within the
corporation.

Sec. 3. Section 1 of Presidential Decree No. 1467, as amended, is hereby further amended, to 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 **AND FISHERFOLKS** against losses arising from natural calamities, plant **AND FISH** diseases, and pest infestations. The Corporation shall provide insurance coverage for palay and corn crops, high-value commercial crops, livestock and **AQUACULTURE** and later on to other crops, without prejudice to the inclusion of other non-crop agricultural **AND AQUACULTURE** assets such as but not limited to machineries, equipment, transport facilities, and other related infrastructures, as the Board of Directors of the Corporation may determine. Such crop insurance shall cover, in every case, the cost of production inputs, the value of the farmer's **AND FISHERFOLK'S** own labor and those of the members of his household, including the value of the labor of hired workers, and a portion of the expected yield as the Board of Directors may determine. Such insurance protection, 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 **OR FISHPOND/FISHPEN/FISH CAGE** household or employee or the failure of the insured to follow proven farm **OR FISHPOND/FISHPEN/FISHCAGE** practices."

Sec. 4. Subsection 3.5 of Section 3 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"3.5 To insure the palay, corn **AND OTHER CROPS** production of farmers **AND FISH PRODUCTION OF FISHERFOLKS** against loss, damage and destruction caused by natural calamities such as typhoons, floods, drought, earthquake, volcanic eruptions, rodents, vermins, disease, insects and other pests; and to carry on any business necessary, related to, and expedient for the above purpose."

Sec. 5. Section 5 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"Sec. 5. Rate of Premium and Its Sharing. — The rate of premium, as well as the allocated sharing thereof by the farmers, **THE FISHERFOLKS**, the lending institutions, the Government of the Republic of the Philippines (herein called the Government) and other parties, shall be determined by the Board of Directors of the Corporation: provided, that the share of the Government in the premium cost, in the form of premium subsidy, shall be limited to subsistence farmers **AND FISHERFOLKS**: *Provided, however*, that each of these subsistence farmers **AND FISHERFOLKS** is **EITHER** cultivating not more than seven (7) hectares **OF FARMLAND OR OPERATING/OWNING FISHPOND OR SEAWEED, OYSTER OR MUSSEL FARMS WITH LESS THAN FIVE (5) HECTARES OR FISHCAGES OF LESS THAN 400 SQUARE METERS, RESPECTIVELY**, by themselves or with the help of the labor of the

members of their households or hired labor, the premium rate and sharing to be determined by the Board of Directors subject to approval by the President of the Philippines: *Provided, further*, that the premium share of the subsistence farmer **OR FISHERFOLK** shall be reasonably affordable by him: *Provided, furthermore*, that the Government shall share in the premium cost only in insurance coverage against unforeseen and unavoidable risks such as, but not limited to, typhoons, droughts, outbreaks or pests and diseases: *Provided, finally*, that premium subsidy and/or insurance benefits shall, upon the accumulation of surplus funds, be increased to such amount as may be determined by the Board, taking into consideration that the Corporation has been established not only for profit but mainly to help the insured in their direst hours of need."

Sec. 6. Section 6 of Presidential Decree No. 1467, as amended, is hereby amended by adding one (1) new paragraph to be designated as subsection 6.6 to read as follows:

"6.6 ONE-HALF PERCENT (0.5%) OF THE NET EARNINGS OF PAGCOR FROM ITS CASINO OPERATIONS AND OTHER RELATED BUSINESSES SHALL BE EARMARKED FOR THE CROP INSURANCE PROGRAM AND SAID AMOUNT SHALL BE DIRECTLY REMITTED BY THE PAGCOR TO THE CORPORATION EVERY SIX (6) MONTHS UNTIL THE AMOUNT OF GOVERNMENT SUBSCRIPTION IS FULLY PAID."

Sec. 7. Section 8-A of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"Sec. 8-A. A state reserve fund for catastrophic losses in the amount of Five hundred million pesos (P500,000,000) shall be created exclusively to answer for the proportion of all losses in excess of risk (pure) premium under the Corporation's Crop Insurance Program for small farmers **AND FISHERFOLKS**. The Fund shall be administered by a government financial institution to be designated by the Corporation's Board of Directors. Such sum as may be necessary for the purpose shall be funded by the National Government through the annual General Appropriations Act starting the calendar year immediately following the approval of this Act and every year thereafter until the full amount is completed. The mechanics of claims against the fund and to what extent the Fund shall be liable shall be determined jointly by the financial institution administering the Fund, subject to the approval by the President."

Sec. 8. Subsection 9.1 of Section 9 of Presidential Decree No. 1467, as amended, is hereby further amended to read as follows:

"9.1. The powers of the Corporation shall be vested in and exercised by a Board of Directors now composed of **EIGHT (8)** members, and made up of the following: the President of the Land Bank of the Philippines (LBP), the President of the Corporation, **THE SECRETARY OF THE DEPARTMENT OF AGRARIAN REFORM**, the Executive Director of the Agricultural Credit Policy Council (ACPC), a representative from the private insurance

industry to be nominated by the Secretary of Finance and three (3) representatives from the subsistence farmer's/**FISHERFOLK'S** sector who shall be selected and nominated by the different farmer **AND FISHERFOLK** organizations and/or cooperatives. The respective nominees of the private insurance industry and the farmer's/**FISHERFOLK'S** sector shall be submitted to and appointed by the President. The chairman of the Board of Directors shall be appointed by the President from among the members of the Board of Directors. 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 the 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 the ACPC, all members of the Board of Directors, including the President of the Corporations, shall be appointed by the President within a reasonable period of time after the approval of this Act."

Sec. 9. Subsection 9.4 of Section 9 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"9.4. The Chairman and the members of the Board shall each receive a per diem of not less than **FIVE** thousand five hundred pesos (**P5,000**) for each meeting of the Board personally attended, but in no case to exceed **FIFTEEN** thousand pesos (**P15,000**) a month: provided, however, that in the case of the representatives of subsistence farmers'/**FISHERFOLK'S** sector, the Board is authorized to determine reasonable traveling and necessary expenses in going to and returning from said Board meetings to be disbursed to them in addition to their per diem."

Sec. 10. Subsection 10.2 of Section 10 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"10.2 To formulate and adopt policies and plans, and to promulgate rules and regulations for the management, operation and conduct of the affairs and business of the Corporation and for this purpose may limit or refuse insurance in any area or on any farmer **OR FISHERFOLK** because of the risk involved or may expand the subject of insurance coverage to crops other than **THOSE EXPRESSLY STIPULATED HEREIN**, provided such coverage on other crops shall be approved by the **BOARD OF DIRECTORS OF THE CORPORATION.**"

Sec. 11. Section 11-B of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"Sec. 11-B. No Claim Benefits. — Any insured farmer who has not filed any claim during the immediately preceding three (3) crop seasons **OR ANY INSURED FISHPOND/FISHCAGES OPERATOR WHO HAS NOT FILED ANY CLAIM DURING THE IMMEDIATELY PRECEDING FOUR (4) HARVEST SEASONS** shall be entitled to a no-claim

benefit of at least ten percent (10%) of his premium share paid for said crop seasons to be deposited in a trust fund and to be managed by the Corporation. Such trust fund may be used to finance premium rebate or premium credit applicable to the immediately following crop seasons as determined by the Board of Directors of the Corporation."

Sec. 12. Section 17-A of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"Sec. 17-A. Penal Provisions. — Any person who through malfeasance, misfeasance or nonfeasance allows a spurious claim to be paid, including the claimant himself, shall, upon final conviction, be punished by imprisonment of not less than **THREE (3) YEARS** but not more than **EIGHT (8) years** or a fine of not less than **ONE HUNDRED THOUSAND PESOS (P100,000)** but not more than **SIX hundred thousand pesos (P600,000)** or both at the discretion of the court. The PCIC personnel who allowed the commission of the offense shall, in addition, be dismissed from office, and forfeit all privileges and benefits which may accrue to him."

Sec. 13. Review. — The PCIC Board shall undertake periodic review of the Corporation's activities and shall submit to both Houses of Congress at least once **A YEAR** a report which shall include, among others, a recommendation for improving services to the target sectors and the financial viability of the Corporation.

Sec. 14. Separability Clause. — If any provision or part hereof is held unconstitutional or invalid, the remainder of the law, or the provisions not otherwise affected shall remain valid and subsisting.

Sec. 15. Repealing Clause. — Any provisions of Presidential Decree No. 1467, as amended, and all other laws, inconsistent herewith is hereby repealed or modified accordingly.

Sec. 16. Effectivity. — This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspaper of general circulation.