

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS
Third Regular Session



COMMITTEE REPORT No. 2664

Submitted by the Committee on Government Enterprises & Privatization on
30 JAN 2013

RE: House Bill No. 6883

Recommending its approval in substitution of House Bill Nos. 2825, 3758 and 4184

Sponsors: Representatives Erico Basilio A. Fabian, Agapito H. Guanlao, Walden F. Bello,
Gina P. De Venecia, Angelo B. Palmones, Kaka J. Bag-ao and Rufus B. Rodriguez

Mr. Speaker:

The Committee on Government Enterprises & Privatization to which were referred
House Bill No. 2825 introduced by Representatives Walden F. Bello and Kaka J. Bag-ao,
entitled:

“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”

House Bill No. 3758, introduced by Representatives Gina P. De Venecia, Erico B.
Aumentado, Giorgidi B. Aggabao, Arthur C. Yap and Augusto Syjuco, entitled:

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)

And House Bill No. 4184, introduced by Representatives Angelo Palmones, Erico B. Aumentado and Jeci A. Lopus, entitled:

“AN ACT
FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467
OTHERWISE KNOWN AS THE PHILIPPINE CROP INSURANCE
CORPORATION DECREE AND REPUBLIC ACT NO. 8175
OTHERWISE KNOWN AS THE REVISED CHARTER OF THE
PHILIPPINE CROP INSURANCE CORPORATION AND FOR OTHER
PURPOSES”

has considered the same and recommended that the attached House Bill No. 6883
entitled:

“AN ACT
STRENGTHENING THE PHILIPPINE CROP INSURANCE
CORPORATION, AMENDING FOR THE PURPOSE PRESIDENTIAL
DECREE NO. 1467 AS AMENDED”

be approved in substitution of House Bill Nos. 2825, 3758 and 4184, with Representatives Walden F. Bello, Kaka J. Bag-ao, Gina P. De Venecia, Erico B. Aumentado, Angelo Palmones, Jeci A. Lopus, Giorgidi B. Aggabao, Arthur C. Yap, Augusto Syjuco, Erico Basilio A. Fabian, Agapito H. Guanlao, and Rufus B. Rodriguez, as authors thereof.

Respectfully submitted:

ERICO BASILIO A. FABIAN

Chairman

Committee on Government Enterprises & Privatization

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City

Republic of the Philippines
House of Representatives
Quezon City

FIFTEENTH CONGRES
Third Regular Session

House Bill No. **6883**

(In substitution of House Bill Nos. 2825, 3758, and 4184)

Introduced by Representatives Walden F. Bello, Kaka J. Bag-ao, Gina P. De Venecia, Erico B. Aumentado, Angelo B. Palmones, Jeci A. Lapus, Giorgidi B. Aggabao, Arthur C. Yap, Augusto Syjuco, Agapito H. Guanlao, Rufus B. Rodriguez, and Erico Basilio A. Fabian

AN ACT
STRENGTHENING THE PHILIPPINE CROP INSURANCE
CORPORATION, AMENDING FOR THE PURPOSE PRESIDENTIAL
DECREE NO. 1467 AS AMENDED

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

1 SECTION 1. Section 1 of Presidential Decree No.1467, as amended, is hereby
2 further amended to read as follows:
3

4 “Section 1. Creation of the Philippine Crop Insurance Corporation
5 – There is hereby created a body corporate to be known as the “Philippine
6 Crop Insurance Corporation” (PCIC and herein called the Corporation)
7 which shall be attached to the Department of Agriculture [for budgetary
8 purposes]. The Corporation shall insure qualified farmers AND
9 FISHERFOLK against losses arising from natural calamities,
10 FORTUITOUS EVENTS, plant AND FISH diseases and pest infestations.
11 [Initially,] The Corporation shall provide insurance coverage for palay
12 AND CORN crops, HIGH-VALUE COMMERCIAL CROPS,
13 LIVESTOCK, AQUACULTURE AND FISHERY PRODUCTS,
14 AGROFORESTRY CROPS AND FOREST PLANTATIONS; [and later
15 on to other crops without prejudice to the inclusion of other] non-crop
16 agricultural assets such as but not limited to machineries, equipment,
17 transport facilities and other related infrastructures; AND LIFE AND
18 ACCIDENT TERM INSURANCE COVERAGE FOR FARMERS AND
19 FISHERFOLK, as the Board of Directors of the Corporation may
20 determine. Such crop insurance shall cover, in every case, the cost of
21 production inputs, the value of the farmer’s AND FISHERFOLK’S own
22 labor and those of the members of his household, including the value of
23 the labor of hired workers, and a portion of the expected yield as the
24 Board of Directors in its discretion, decide to insure. Such insurance

1 protection, however, shall exclude losses arising from avoidable risks
2 emanating from or due to the negligence, malfeasance or fraud committed
3 by the insured or any member of his immediate farm household or
4 employee or the failure of the insured to follow proven farm practices.”
5

6 THE CORPORATION SHALL ALSO INSURE PROPERTIES
7 AND FACILITIES WHICH ARE OWNED AND/OR USED BY
8 GOVERNMENT AGENCIES INVOLVED IN AGRI-FISHERY-
9 FORESTRY PROJECTS/ACTIVITIES AND GOVERNMENT-
10 FINANCED AGRI-FISHERY-FORESTRY PROJECTS. THE
11 CORPORATION SHALL ALSO PROVIDE REINSURANCE
12 COVERAGE TO AGRI-FISHERY-FORESTRY PROPERTIES AND
13 FACILITIES UNDERWRITTEN BY PRIVATE AND GOVERNMENT
14 INSURANCE COMPANIES.
15

16 SEC. 2. Subsections 3.5 and 3.11 of Section 3 of PD No. 1467, as amended, are
17 hereby further amended to read as follows:
18

19 “Sec. 3. Powers. The Corporation shall have the following powers:
20

21 x x x
22

23 “3.5. To insure the [rice production] PRODUCE of farmers AND
24 FISHERFOLK against loss, damage and destruction caused by natural
25 calamities such as typhoons, floods, drought, earthquake, volcanic
26 eruptions, rodents, vermins, disease, insects and other pests; and to carry
27 on any business necessary, related to, and expedient for the above
28 purpose;
29

30 x x x
31

32 “3.11. To generate internal funds by floating bonds, expansion to
33 other insurance lines and extending coverage to other areas of agriculture,
34 LIVESTOCK, AQUACULTURE AND FISHERY, AGROFORESTRY
35 AND FOREST PLANTATIONS in order to address the insurance needs
36 of the target sector and to do and perform acts and things and to exercise
37 all the general powers conferred by law upon the Corporation as are
38 incidental or conducive to the attainment of the objectives of the
39 Corporation.”
40

41 SEC. 3. Section 5 of PD No. 1467, as amended, is hereby further amended to read
42 as follows:
43

44 “Sec. 5. Rate of Premium and its Sharing. – The rate of premium,
45 as well as the allocated sharing thereof by the farmers, THE
46 FISHERFOLK, the lending institutions, the Government of the Republic

1 of the Philippines (herein called the Government) and other parties, shall
2 be determined by the Board of Directors of the Corporation: *Provided*,
3 That the share of the Government in the premium cost in the form of
4 premium subsidy, shall be limited to subsistence farmers AND
5 FISHERFOLK: *Provided, however*, That each of these subsistence
6 farmers is cultivating not more than seven (7) hectares OF FARMLANDS
7 AND EACH FISHERFOLK IS CULTIVATING NOT MORE THAN
8 FIVE (5) HECTARES OF THE FISHPOND, SEAWEED, OYSTER OR
9 MUSSEL FARM by themselves or with the help of the labor of the
10 members of their households or hired help, the premium rate and sharing
11 to be determined by the Board of Directors subject to approval by the
12 President of the Philippines: *Provided, further*, That the premium share of
13 the subsistence farmer OR FISHERFOLK shall be reasonably affordable
14 by him: *Provided, furthermore*, That the Government shall share in the
15 premium cost only in insurance coverage against unforeseen and
16 unavoidable risks such as, but not limited to, typhoons, droughts,
17 outbreaks of pests and diseases: *Provided, finally*, That premium subsidy
18 and/or insurance benefits shall, upon the accumulation of surplus funds, be
19 increased to such amounts as may be determined by the Board, taking into
20 consideration that the Corporation has been established not only for profit
21 but mainly to help the insured in their direst hours of need.”

22
23 SEC. 4. Subsections 6.3 and 6.5 of Section 6 of PD No. 1467, as amended, are
24 hereby further amended to read as follows:

25
26 “Sec. 6. Premium Subsidy

27
28 x x x
29

30 “6.3. Unappropriated and/or unreleased government premium
31 subsidy for policies written for the period from May 1, 1981 up to [the
32 approval of this Act] DECEMBER 31, 2011 computed on the basis of
33 premium rates and sharing previously approved by the President as
34 authorized by law shall be programmed for payment by the Government
35 [within a period of ten (10) years from the approval of this Act,] and the
36 yearly sums shall be included in the budgetary appropriations for
37 submission to Congress, starting the fiscal year following approval hereof,
38 in addition to the premium subsidy requirement of the year involved.

39
40 x x x
41

42 “6.5. [Ten percent (10%) of the net earnings of the] THE
43 Philippine Charity Sweepstakes Office (PCSO) [from its lotto operations,
44 shall be earmarked for] SHALL CONTRIBUTE A YEARLY AMOUNT
45 OF FIVE MILLION PESOS (P5,000,000) FROM ITS CHARITY FUND
46 TO the Crop Insurance Program and said amount shall be directly remitted

1 by the PCSO to the Corporation [every six (6) months] YEARLY until the
2 [amount of government subscription] UNRELEASED PREMIUM
3 SUBSIDY is fully paid.”
4

5 SEC. 5. Subsections 8.1, 8.3, 8.4.1, 8.4.3, and 8.5 of Section 8 of PD 1467, as
6 amended, are hereby further amended, to read as follows:
7

8 “Sec. 8. Capital Stock
9

10 “8.1. The authorized capital stock of the Corporation is [Two
11 billion pesos (P2,000,000,000.00)] TEN BILLION PESOS
12 (P10,000,000,000) divided into [Fifteen million (15,000,000)] SEVENTY
13 FIVE MILLION (75,000,000) common shares with a par value of One
14 hundred pesos (P100) each share, which shall be fully subscribed by the
15 Government and [Five million (5,000,000)] TWENTY FIVE MILLION
16 (25,000,000) preferred shares with a par value of One hundred pesos
17 (P100) per share which shall have the features as provided in Section 8.4
18 hereof and shall be issued in accordance with the provisions of Section 8.5
19 hereof.
20

21 x x x
22

23 “8.3. The additional common capital stock of [One billion pesos
24 (P1,000,000,000)] SIX BILLION PESOS (P6,000,000,000) shall be fully
25 subscribed by the Government and the necessary funds shall be
26 appropriated by Congress unless otherwise provided by existing laws:
27 *Provided*, That Congress shall provide, on an annual basis, [at least fifty
28 percent (50%) of] the needed capital, until the authorized capital stock is
29 fully paid up.”
30

31 x x x
32

33 “8.4.1 Preferred as to dividends at a minimum of [six per cent
34 (6%)] ONE AND ONE-HALF PERCENT (1.5%) OR THE
35 PREVAILING 360-DAY TREASURY BILL RATE AT THE TIME OF
36 DECLARATION OF DIVIDENDS, WHICHEVER IS HIGHER;
37

38 x x x
39

40 “8.4.3 NON-Participating;
41

42 x x x
43

44 “8.5 [The preferred shares] AT LEAST FIVE HUNDRED
45 MILLION PESOS OF PREFERRED SHARES SHALL BE
46 SUBSCRIBED AND PAID FOR BY THE LAND BANK OF THE

1 PHILIPPINES. THE BALANCE OF THE PREFERRED SHARES may
2 be available for sale or to subscription by the general public.”

3
4 SEC. 6. Section 8-A of PD No. 1467, as amended, is hereby amended, to read as
5 follows:
6

7 “Sec. 8-A. RESERVE FUND FOR CATASTROPHIC LOSSES. A
8 state reserve fund for catastrophic losses in the amount of Five hundred
9 million pesos (P500,000,000) shall be created exclusively to answer for
10 the proportion of all losses in excess of risk (pure) premiums under the
11 Corporation’s Crop Insurance Program for small farmers AND
12 FISHERFOLK. THE FUND MAY BE INCREASED SUBJECT TO THE
13 APPROVAL OF THE PRESIDENT. The Fund shall be administered by a
14 government financial institution to be designated by the Corporation’s
15 Board of Directors. Such sum as may be necessary for the purpose shall be
16 funded by the National Government through the annual General
17 Appropriations Act starting the calendar year immediately following the
18 approval of this Act and every year thereafter until the full amount is
19 completed. The mechanics of claims against the fund and to what extent
20 the Fund shall be liable shall be determined jointly by the financial
21 institution administering the Fund, subject to the approval by the
22 President.”
23

24 SEC. 7. Separability Clause. – If any provision or part hereof is held
25 unconstitutional or invalid, the other provisions not affected shall remain in force and
26 effect.
27

28 SEC. 8. Repealing Clause. - All laws, executive orders, and other issuances or
29 parts thereof inconsistent with this Act are hereby repealed or modified accordingly.
30

31 SEC. 9. Effectivity. – This Act shall take effect fifteen (15) days after its complete
32 publication in at least two (2) newspapers of general circulation.
33

34 Approved.

FACT SHEET

House Bill No. 6883

(As Approved On _____)

“AN ACT STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION, AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1467 AS AMENDED”

Introduced by:

*REPRESENTATIVES WALDEN F. BELLO, KAKA J. BAG-AO, GINA P. DE VENECIA,
ERICO B. AUMENTADO, ANGELO B. PALMONES, JECI A. LAPUS, GIORGIDI B.
AGGABAO, ARTHUR C. YAP, AUGUSTO SYJUCO, ERICO BASILIO A. FABIAN,
AGAPITO H. GUANLAO, AND RUFUS B. RODRIGUEZ*

*Committee Referral: COMMITTEE ON GOVERNMENT ENTERPRISES &
PRIVATIZATION*

Committee Chairperson: Rep. ERICO BASILIO A. FABIAN

OBJECTIVES

- To expand the coverage of crop insurance
- To strengthen the financial capacity of PCIC

KEY PROVISIONS:

- Seeks to expand insurance coverage from current farmers to fisherfolk and include other agricultural crops such as corn, high value commercial crops, livestock, aquaculture and fishery products, agroforestry crops and forest plantations.
- Mandates PCSO to contribute P5 M annually until the unreleased premium subsidy is fully paid;
- Increases the authorized capital stock of PCIC from P2 B to P10 B

RELATED LAWS:

- Republic Act No. 8175
- Presidential Decree No. 1467