

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. 418



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

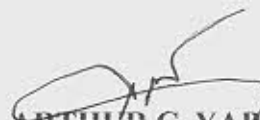
The agricultural sector in the Philippines is highly vulnerable to the unpredictability of nature which throughout the year brings about droughts and typhoons leaving damages to crops, lives and properties of farmers and fishermen. Considering that a significant portion of the population depend on agricultural activities, the need to protect the welfare and interests of local farmers and fishermen must be addressed.

Under present law, both agricultural and non-crop related products are insured to mitigate the debilitating effects of natural calamities on their production and on the livelihood of local producers. Presidential Decree No. 1467, as amended, otherwise known as the 'Revised Charter of the Philippine Crop Insurance (PCIC)', covers rice, corn and other high-value crops and livestock. Non-crop insurance includes agricultural machineries and personal life insurance of farmers and fisherfolks. However, while PCIC has extended insurance coverage to the fisheries sector, it has no operational program for fishpond and fish cage operators and other aquaculture projects.

Hence, providing for a more comprehensive insurance coverage for these sub-sectors through legislation is necessary. Policy setting by way of administrative issuances has proven insufficient, particularly in the light of funding concerns.

This bill aims to sustain the insurance coverage's funding requirements by requiring the Philippine Amusement and Gaming Corporation (PAGCOR) to earmark one-half percent (0.5%) of its net earnings to the program. Moreover, to safeguard PCIC's existing financial resources, this bill imposes heavier penalties to spurious claimants. In this manner, it is hoped that more seasonable release of claims to legitimate claimants will be facilitated.

In view of the foregoing, the immediate passage of this bill is earnestly urged.


ARTHUR C. YAP
Representative

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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
FOR THE PURPOSE PRESEDENTIAL DECREE NO. 1467, AS
AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE
PHILIPPINE CROP INSURANCE CORPORATION (PCIP)

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

1 **SECTION 1. *Title*** - This Act shall be known as the “Strengthened Charter of
2 the Philippine Crop Insurance Corporation Act of 2013”.

3 **SECTION 2. *Declaration of Policy*** - It is hereby declared the policy of the
4 State to develop and support an agricultural insurance program as a mechanism for
5 managing risks inherent to both the agricultural and fisheries sectors. These risks
6 include, but not limited to, losses to crops and damages to agricultural infrastructure
7 brought by natural calamities especially typhoons and crops pest and diseases.

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

10 (a) Seek all available funding sources, including earmarked funding from revenue
11 generating institutions like Philippine Charity Sweepstakes Office (PCSO) and
12 the Philippine Amusement and Gaming Corporation (PAGCOR);

13 (b) Ensure that insurance claims are awarded only to real beneficiaries by imposing
14 stiff penalties to spurious claimants and corrupt functionaries within the
15 corporation.

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

3 **SECTION 1.** *Creation of the Philippine Crop Insurance Corporation.* –

4 There is hereby created a body corporate to be known as the ‘Philippine
5 Crop Insurance Corporation’ (PCIC and herein called the Corporation)
6 which shall be attached to the Department of Agriculture for budgetary
7 purposes. The Corporation shall insure qualified farmers **AND**
8 **FISHERFOLKS** against losses arising from natural calamities, plant
9 **AND FISH** diseases, and pests infestations. The Corporation shall provide
10 insurance coverage for palay and corn crops, high-value commercial
11 crops, livestock [and], **AQUACULTURE AND** later on to other crops,
12 without prejudice to the inclusion of non-crop agricultural **AND**
13 **AQUACULTURE** assets such as but not limited to machineries,
14 equipment, transport facilities, and other related infrastructures, as the
15 Board of Directors of the Corporation may determine. Such crop insurance
16 shall cover, in every case, the cost of production inputs, the value of the
17 farmer’s **AND FISHERFOLK’S** own labor and those of the members of
18 his household, including the value of the labor of hired workers, and a
19 portion of the expected yield as the Board of Directors may determine.
20 Such insurance protection, however, shall exclude losses arising from
21 avoidable risks emanating from or due to the negligence, malfeasance or
22 fraud committed by the insured or any member of his immediate farm **OR**
23 **FISHPOND / FISHPEN / FISHCAGE** household or employee or the
24 failure of the insured to follow proven farm **FISHPOND / FISHPEN /**
25 **FISHCAGE** practices.”

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

28 3.5 To Insure the, palay, corn **AND OTHER CROPS** production of
29 farmers **AND FISH PRODUCTION OF FISHERFOLKS** against loss,

1 damage and destruction caused by natural calamities such as typhoons,
2 floods, drought, earthquake, volcanic eruptions, rodents, vermins, disease,
3 insects, and other pests; and to carry on any business necessary, related to,
4 and expedient for the above purpose.

5 **SECTION 5.** Section 5 of Presidential decree No. 1467, as amended, is hereby
6 further amended, to read as follows:

7 **SECTION 5. Rate of Premium and its Sharing** - The rate of premium,
8 as well as the allocated sharing thereof by the farmers, **THE**
9 **FISHERFOLKS**, the lending institutions, the government of the
10 Republic of the Philippines (herein called the Government) and other
11 parties, shall be determined by the Board of Directors of the Corporation:
12 *Provided*, that the share of the Government in the premium cost, in the
13 form of premium subsidy, shall be limited to subsistence farmers **AND**
14 **FISHERFOLKS**: *Provided, however*, that each of these subsistence
15 farmers **AND FISHER FOLKS** is **EITHER** cultivating not more than
16 seven (7) hectares **OF FARMLAND, OR OPERATING / OWNING**
17 **FISHPOND OR SEAWEED, OYSTER OR MUSSEL FARMS LESS**
18 **THAN FIVE (5) HECTARES OR FISHCAGES OF LESS THAN 400**
19 **SQUARE METERS, RESPECTIVELY**, by themselves or with the help
20 of the labor of the members of their household or hired labor, the premium
21 rate and sharing to be determined by the Board of Directors subject to
22 approval by the President of the Philippines: *Provided, further*, that the
23 premium share of the subsistence farmer **OR FISHERFOLK** shall be
24 reasonably affordable by him: *Provided, furthermore*, that the
25 Government shall share in the premium cost only in insurance against
26 unforeseen and unavoidable risks such as, but not limited to, typhoons,
27 droughts, outbreaks or pests and diseases; *Provided, finally*, that premium
28 subsidy and/or insurance benefits shall, upon the accumulation of surplus
29 funds, be increased to such amount as may be determined by the Board,

1 taking into consideration that the Corporation has been established not
2 only for profit but mainly to help the insured in their direst hours of need.

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

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

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

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

28 **SECTION 8.** Sub-section 9.1 of Section 9 of Presidential Decree No.
29 1467, as amended, is hereby further amended to read as follows:

1 9.1 The powers of the Corporation shall be vested and exercised by a
2 Board of Directors now composed of [seven (7)] **EIGHT (8)** members,
3 and made up of following: the President of the Land Bank of the
4 Philippines (LBP), the President of the Corporation, **THE SECRETARY**
5 **OF THE DEPARTMENT OF AGRARIAN REFORM**, the Executive
6 Director of the Agricultural Credit Policy Council (ACPC), a
7 representative from the private insurance to be nominated by the Secretary
8 of Finance and three (3) representatives from the subsistence farmer's /
9 **FISHERFOLK'S** sector shall be submitted to and appointed by the
10 President. The chairman of the Board of Directors shall be appointed by
11 the President from among the members of the Board of Directors. The
12 President of the Corporation shall also be appointed by the President and
13 shall be ex-officio vice chairman who shall assist the chairman and act in
14 his stead in case of absence or incapacity. In case of absence or incapacity
15 of both the chairman and the vice chairman, the Board of Directors shall
16 designate a temporary chairman from among its members. Except for the
17 President of the LBP and the Executive Director of the ACPC, all
18 members of the Board of Directors, including the President of the
19 Corporation, shall be appointed by the President within a reasonable
20 period of time after the approval of this Act.

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

23 9.4 The Chairman and the members of the Board shall each receive a
24 per diem of not less than [One Thousand five hundred pesos (P 1,500)]
25 **FIVE THOUSAND pesos (P5,000)** for each meeting of the Board
26 personally attended, but in no case extend **FIFTEEN** [Seven] thousand
27 pesos (**P 15,000**) [P 7,000] a month: *Provided*, however, that in the case
28 of the representatives of subsistence farmer's / **FISHERFOLK'S** sector,
29 the Board is authorized to determine reasonable travelling and necessary

1 expenses in going to and returning from said Board meetings to be
2 disturbed to them in addition to their per diem.

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

5 10.2 To formulate and adopt policies and plans, and to promulgate rules
6 and regulations for the management, operation and conduct of the affairs
7 and business of the Corporation and for this purpose may limit or refuse
8 insurance in any area or on any farmer **OR FISHERFOLK** because of the
9 risk involved or may expand the subject of insurance coverage on crops
10 other than **THOSE EXPRESSLY STIPULATED HEREIN**, provided
11 such coverage on other crops shall be approved by the **BOARD OF**
12 **DIRECTORS OF THE CORPORATION.**

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

15 **SECTION. 11-B. No Claim Benefits.** – Any insured farmer who has not
16 filed any claim during the immediately preceding three (3) crop seasons
17 **OR ANY INSURED FISHPOND / FISHCAGE OPERATOR WHO**
18 **HAS NOT FILED ANY CLAIM DURING THE IMMEDIATELY**
19 **PRECEDING FOUR (4) HARVEST SEASONS** shall be entitled to a
20 no-claim benefit of at least ten percent (10%) of his premium share paid
21 for said crop seasons to be deposited in a trust fund and to be managed by
22 the Corporation. Such trust fund may be used to finance premium rebate
23 or premium credit applicable to the immediately following crop seasons as
24 determined by the Board of Directors of the Corporation.

25 **SECTION 12.** Section 17 of Presidential Decree No. 1467, as incorporated by
26 Republic Act No. 8175, is hereby amended to read as follows:

27 **SECTION 17. Review.** – The PCIC Board shall undertaken periodic
28 review of the Corporation's activities and shall submit to both Houses of
29 Congress at least once [every two (2)] A year[s] a report which shall

1 include, among others, a recommendation for improving services to the
2 target sectors and the financial viability of the Corporation.

3 **SECTION 13.** Section 17-A B of Presidential Decree No. 1467, as amended, is
4 hereby further amended, to read as follows:

5 **SECTION 17-A. *Penal Provision*** – Any person who through
6 malfeasance, misfeasance or nonfeasance allows a spurious claim to be
7 paid, including the claim himself, shall, upon final conviction, be punished
8 by imprisonment of not less than [one (1) year] **THREE (3) YEARS** but
9 not more than [six (6)] **EIGHT (8)** years or a fine of not less than [Fifty
10] **ONE HUNDRED** thousand (**P100, 000**) [P 50,000] but not more than [
11 five] **SIX** hundred thousand pesos (**P600, 000**) [P 500,00] or both at the
12 discretion of the court. The PCIC personnel who allowed the commission
13 of the offense shall, in addition, be dismissed from office, and forfeit all
14 privileges and benefits which may accrue to him.

15 **SECTION 14. *Separability Clause.*** – If any provision or part hereof is held
16 unconstitutional or invalid, the remainder of the law, or the provisions not otherwise
17 affected shall remain valid and subsisting.

18 **SECTION 15. *Repealing Clause.*** – Any provision of Presidential Decree No.
19 1467, as amended, and all other laws, inconsistent herewith is hereby repealed or
20 modified accordingly.

21 **SECTION 16. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days
22 after its publication in the *Official Gazette* or in two (2) national newspaper of general
23 circulation.

Approved.