

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Sixteenth Congress
First Regular Session

House Bill No. 472



Introduced by
HON. AGAPITO H. GUANLAO

EXPLANATORY NOTE

This proposed legislative measure was filed before the 15th Congress as House Bill 1773 in which it passed the scrutiny of the Committee on Government Enterprises and Reorganization.

This measure seeks to establish a one-stop-shop for the acquisition and processing of loans and insurance packages for small farmers and fisherfolk and their organizations as well as provide for an integrated model that integrates all instruments for farmers and fisherfolk support.

This piece of legislation remains important and relevant in the light of the existing situation, thus, the passage of this bill is earnestly sought.


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Introduced by
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AN ACT
ESTABLISHING THE STATE AGRICULTURAL GUARANTEE AND
INSURANCE PROTECTION FUNDS (SAGIP Funds), CREATING THE STATE
AGRICULTURAL GUARANTEE AND INSURANCE PROTECTION
CORPORATION (SAGIPCo), DEFINING ITS OBJECTIVES, POWERS,
FUNCTIONS, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES

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

ARTICLE I – TITLE, DECLARATION OF POLICY AND
DEFINITION OF TERMS

SECTION 1. *Title.* – This Act shall be known as the "SAGIP Funds Act of
2013"

SECTION 2. *Declaration of Policy* – It is the policy of the State to develop the full potential of the Filipino people as the basic resource of the land. Complementary with this, the State, covering an agricultural country, shall put priority in harnessing the contribution of farmers and fisherfolk in the promotion of a stable economy founded on a vibrant, progressive and globally competitive agricultural and fishery sector.

As enshrined in the Philippine constitution, specifically Article II, Section 9, "The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all." In addition, Article XIII, Section 1 states, "The Congress shall give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequities by equitably diffusing wealth and political power for the common good."

Towards this end the State shall guarantee a sound social and economic climate that will nurture a sense of security and dignity among the farming/fishing sector, particularly the small scale/subsistence farmers and fisherfolk. This shall be attained by providing them a package of services that will (a) enable the farmers/fisherfolk manage effectively and efficiently the risks inherent in their respective trade and economic endeavor, (b) encourage private financial institutions, particularly those based in rural areas, to extend credit to farmers/fisherfolk through guarantees and other financial management mechanisms, such as but not limited to crop/livestock/aquaculture insurance, and (c) provide a mantle of insurance protection, in the event of disability or death, and other social amelioration programs for farmers/fisherfolk and their families that will ensure their welfare and future. Concomitant with these, rural finance to micro, small and medium enterprises in the countryside shall be encouraged by providing windows of participation of the private sector, particularly the private commercial banks, cooperatives, and other rural financial institutions in support and in collaboration with people's organizations.

SECTION 3. *Definition of Terms.* – The following words and phrases as used in this Act shall have the meaning indicated below unless a different meaning is manifestly intended by their context:

- (a) Funds – The State Agricultural Guarantee and Insurance Protection Funds (SAGIP Funds);
- (b) SAGIPCo – The State Agricultural Guarantee and Insurance Protection Corporation;
- (c) Board – The Board of Trustees of the State Agricultural Guarantee and Insurance Protection Corporation (SAGIPCo);
- (d) Member – Any farmer/fisherfolk covered by the SAGIP Funds;
- (e) Dependents – The legitimate, legitimated or legally adopted child who is unmarried, not gainfully employed, and not over eighteen years of age, or over eighteen years of age but congenitally incapacitated and incapable of self-support, physically or mentally; the legitimate spouse dependent for support upon the farmer/fisherfolk; and the legitimate parents wholly dependent upon the SAGIP Funds member for regular support;
- (f) Member's Contribution – The personal contribution of the member plus the counterpart of the National Government to the SAGIP Funds;
- (g) Physical Disability – Any loss or reduction of earning capacity of the member due to impairment of the normal functions of his physical and/or mental faculties which reduces his ability to engage in any gainful occupation;
- (h) Farmer-Beneficiary – Anyone who is a recipient of a transfer/award of land under the Comprehensive Agrarian Reform Program;

- (i) Formal Source of Credit – Any private or public lending/financial institution accredited by law to extend credit or loan;
- (j) Production Loan – Any loan or credit from any formal source of credit to finance the cost of production inputs of a farmer/fisherfolk;
- (k) Post-Harvest Loan – Any loan or credit from any formal source of credit for the purpose of financing procurements, purchases, preservation and storage, transport and/or conversion of raw agricultural/fishery materials to finished products for the consumption of the public;
- (l) Farmer – Any natural person whose primary livelihood is cultivation of land or the production of agricultural crops, livestock and aquaculture products, in small or commercial scale either by himself or primarily with the assistance of his immediate farm household or workers, whether the land is owned by him, or by another person under a leasehold tenancy agreement or arrangement with the owner thereof;
- (m) Fisherfolk – Any natural person whose primary livelihood is fishing or the catching and/or gathering of other marine products, in small or commercial scale, either by himself or with the assistance of his immediate fishing household or workers, whether the vessel, banca and other equipment used is owned by him or by another person under lease or other arrangement with the owner thereof;
- (n) People's Organization – Any association or group, e.g. a cooperative, formally organized voluntarily by farmers, fisherfolk or other land reform beneficiaries for the purpose of pooling agricultural land or fishing gears, vessels or facility, human, technological, financial or other economic resources, and operated on the principle of one member, one vote;
- (o) Survivor's Cash Assistance – The cash amount equivalent to twenty percent (20%) of the sum insured as provided for in Section 20 of Article IV of this Act. This amount is deemed included in said sum insured, payable to qualified primary beneficiaries of the deceased insured to cushion them against the severe adverse economic effect resulting from the demise of their income earner;
- (p) Funeral Grant – The cash amount equivalent to up to twenty percent (20%) of the sum insured as provided for in Section 20 of Article IV of this Act. This amount is deemed included in the sum insured payable, upon the death of the insured member, to the surviving spouse, legitimate child or to any other person who can show incontrovertible proofs of his having borne the funeral expenses of the insured;
- (q) Death Indemnity – The cash amount equivalent to the sum insured provided for in Section 20 of Article IV of this Act minus the cash benefits paid for survivor's cash assistance and the funeral grant;
- (r) Natural Disaster – Any natural calamity such as typhoon, flood, drought, earthquake and volcanic eruption; and

- (s) Insurance Policy or Certificate – The contract of insurance which defines the rights and obligations of the insured and the insurer.

ARTICLE II – ADMINISTRATION

SECTION 4. *Creation, Name, Domicile and Corporate Life* – To carry out the above-stated policy, there is hereby created the State Agricultural Guarantee and Insurance Protection Funds, hereinafter referred to as the SAGIP Funds, which shall be administered by a body corporate to be known as the State Agricultural Guarantee and Insurance Protection Corporation, hereinafter referred to as the SAGIPCo.

The SAGIPCo's authorized capital shall be Fifty Billion Pesos (P50,000,000,000.00), sixty percent (60%) of which shall be subscribed by the Government and the balance of forty percent (40%) to be offered to the private sector consistent with relevant provisions of R.A. 7393 and under the supervision of the Securities and Exchange Commission. In view of this, the SAGIPCo shall prepare its own Articles of Incorporation and By-Laws in accordance with the Corporation Code of the Philippines.

The SAGIPCo shall have its principal place of business in Metro Manila. It may establish such offices, branches, agencies or other units in any part of the Philippines as its business operation may require.

The SAGIPCo shall have a corporate life of fifty (50) years from the date of approval of this Act.

The SAGIPCo shall be attached to the Department of Agriculture for budgetary purposes.

SECTION 5. *Objectives.* – The SAGIPCo shall have the following objectives:

- a) To encourage lending institutions, government and private, to extend credit facilities to farmers/fisherfolk and the rural sector through guarantee and other mechanism;
- b) To provide insurance protection directly or indirectly to farmers/fisherfolk against losses to their crops, livestock, aquaculture products, properties, equipment and other farm/fishing facilities;
- c) To provide life insurance coverage directly or indirectly, like in reinsurance arrangements, to farmers/fisherfolk and the rural sector;
- d) To extend social security services to farmers/fisherfolk or their families such as providential or educational loans, funeral grants, medical and/or hospitalization benefits, survivors' cash assistance and old-age benefits; and

- e) To support the Comprehensive Agrarian Reform Program by providing land amortization redemption insurance for farmer-beneficiaries.

SECTION 6. *Powers and Functions of the SAGIPCo* – The SAGIPCo shall have the following powers and functions:

- a) To prescribe, repeal and alter its own by-laws;
- b) To determine, adopt, amend and rescind such operating policies, rules and regulations as may be necessary to implement the programs which it is mandated to pursue;
- c) To adopt and use a corporate seal;
- d) To sue and be sued;
- e) To have continuous succession until dissolved by law;
- f) To reinsure in the Philippines or abroad all or any of the loss that the SAGIP Funds may be held to indemnify;
- g) To adopt from time to time a budget for the administration and operation of the SAGIPCo;
- h) To invest its funds, directly or indirectly, in accordance with existing laws;
- i) To conduct continuing actuarial and statistical studies and valuations for the purpose of determining the financial condition of the SAGIP Funds and taking into consideration such studies and valuations and the limitations herein provided, readjust the benefits, contributions, premium rates, interest rates, or the allocation of funds;
- j) To borrow funds from any source, private or public, foreign or domestic and to issue bonds to augment its finances;
- k) To receive grants from any source, domestic or foreign, public or private, in accordance with existing laws;
- l) To act as a receiver;
- m) To purchase or otherwise acquire ownership and manage any and all parts of the business, property and liabilities of any person or company which the SAGIPCo is authorized to carry on or possess;
- n) To purchase or otherwise acquire ownership of and/or invest in, hold, sell, dispose of stocks or bonds or any interest in either, or any obligation or evidence of indebtedness of any corporation, domestic or foreign;
- o) To purchase, acquire, sell, lease, convey, mortgage, encumber, and deal with any property, real or personal, or any security of real estate or movable property;

exercise easement rights or privileges over or in respect to any property, real or personal, as may be reasonably necessary to carry out the purposes of this Act; and

- p) To exercise all the general powers conferred by law upon corporations as are incidental or conducive to the attainment of the objectives of this Act.

SECTION 7. *Governing Board.* – The SAGIPCo shall be governed by a Board of Trustees, hereinafter referred to as the "Board" which shall be composed of the Secretary of Agriculture as *ex officio* chairman, the President of the SAGIPCo who shall serve as Vice Chairperson, and seven (7) members. The members are: the Secretaries of Agrarian Reform and Finance, on *ex officio* capacity; and one representative each of the farming sector, the fishing sector, the private insurance industry, the cooperative insurance sector and the rural financial institutions.

All Members of the Board shall be natural-born Filipino citizens and at least thirty-five (3) years of age at the time of their appointment by the President of the Philippines from among the recommendees of the groups they represent.

Of the first appointees under this Act, the vice chairperson (President of SAGIPCo) and the representative from the cooperative insurance sector shall serve for a term of four years. The representatives from the farming sector, fisheries sector, the private insurance industry and the rural financial institutions shall serve for a term of two (2) years. Thereafter, the appointed vice chairperson and members of the Board shall serve for a term of four years.

No Board Member, except the President of the SAGIPCo and the three *ex officio* members, may be re-appointed after the expiration of his/her term of office. The Secretaries of Agriculture, Agrarian Reform and Finance may appoint their respective representatives to the Board provided they hold not lower than Assistant Secretary level position.

The Board shall meet regularly at least once a month or as often as it deems necessary. At least five (5) members shall constitute a quorum. The Board may be convoked by the Chairperson or in his/her absence, the Vice Chairperson. The Chairperson and members of the Board shall each receive a per diem of Five Thousand Pesos (P5,000.00) for every session attended, but in no case shall the total thereof exceed Twenty Five Thousand Pesos (P25,000.00) per month.

SECTION 8. *Powers and Functions of the Board.* – The Board shall have the following powers and functions:

- a) To implement the provisions and purposes of this Act;
- b) To formulate and adopt policies, plans and programs to promulgate rules and regulations for the management, operation and conduct of the affairs and business of the SAGIP Funds;
- c) To enter into, make and execute contracts of any kind or nature as may be necessary, or incidental to the accomplishment of the purposes of this Act;

- d) To approve the budget of the SAGIPCo and to determine the reasonable compensation of its personnel independent of the provisions of R.A. 6758 "The Salary Standardization Law";
- e) To review and approve the appointment of personnel of the SAGIPCo from the rank of division chief or higher;
- f) To have final authority on administrative cases involving personnel of the SAGIPCo where the penalty imposed is suspension of thirty (30) days or more;
- g) To establish policies and guidelines for employment on the basis of merit, technical competence and moral character, and approve a staffing pattern of personnel defining their powers and duties subject to Civil Service laws, rules and regulations;
- h) To have original jurisdiction to settle any dispute or claim arising from the operations of the SAGIPCo subject to Article VI of this Act;
- i) To exercise the general powers provided in the Corporation Law insofar as they are not inconsistent or incompatible with the provisions of this Act.

SECTION 9. *Management.* – The management of the SAGIPCo and the general conduct of its operations shall be vested in the President who shall serve as the Chief Executive Officer. The President shall be a natural-born Filipino citizen, at least thirty-five (35) years old and a person of known integrity and competence in technical and administrative fields related to the purposes of this Act.

He shall be appointed by the President of the Philippines for a term of four (4) years and may be re-appointed once for another term.

He shall receive a salary to be determined by the Board.

He shall have the following powers and duties:

- a) To act as *ex-officio* Vice Chairperson of the Board and, in that capacity, assist the Chairperson and act in his/her stead in case of absence or incapacity;
- b) To execute and administer the policies, plans, programs and rules and regulations approved and/or promulgated by the Board;
- c) To submit for the consideration of the Board such policies, plans and programs as he/she deems necessary to carry out this Act;
- d) To direct and supervise the operation and internal administration of the SAGIPCo;
- e) To appoint or promote employees of the SAGIPCo;

- f) To transfer, assign, re-assign employees of the SAGIPCo as the exigencies of the service may require and to approve penalties in administrative cases involving suspension for less than thirty (30) days and lighter penalties;
- g) To recommend to the Board the appointment or promotion of personnel from the rank of division chief or higher and to submit for decision by the Board administrative cases where the penalty imposed is suspension for thirty (30) days or more, demotion or separation from the service;
- h) To exercise such other powers and perform such other duties as may be directed by the Board.

SECTION 10. *Auditor.* – The Chairman of the Commission on Audit shall be the *ex-officio* auditor of the SAGIP Funds. He may appoint a representative who shall be the auditor of the SAGIP Funds, and the necessary personnel to assist said representative in the performance of his/her duties.

The Auditor shall submit to the Board an audited statement showing the financial condition and progress of the SAGIP Funds for the calendar year just ended.

SECTION 11. *Abolition of the Philippine Crop Insurance Corporation and the Quedan and Rural Credit Guarantee Corporation.* – The Philippine Crop Insurance Corporation (PCIC) organized under Presidential Decree No. 1467, as amended, and the Quedan and Rural Credit Guarantee Corporation (Quedancor) organized under R.A. 7393, as amended, are hereby abolished and their assets and administration transferred to the SAGIPCo. The liabilities of PCIC shall be absorbed by SAGIPCo. However, the liabilities of Quedancor shall be worked out in a separate scheme under an inter-agency body to be created by the Office of the President of the Republic so as not to encumber the initial operation of the SAGIP Funds.

All personnel of the PCIC and the Quedancor shall be absorbed by the SAGIPCo without reduction in rank or diminution in pay and benefits: *Provided*, That in the hiring of other personnel of the SAGIPCo, preference shall be given to civil service eligibles certified by the Civil Service Commission and be subject to civil service rules and regulations.

ARTICLE III – SCOPE OF THE SAGIP FUNDS

SECTION 12. *Compulsory Coverage.* – Membership in the SAGIP Funds shall be compulsory for all farmers/fisherfolk engaged in small-scale or commercial agricultural/fishing production who are beneficiaries of the Comprehensive Agrarian Reform Program and all farmers/fisherfolk who secure loans from any accredited formal source of credit for agricultural/fishing production and post-harvest purposes.

For this purpose, the SAGIPCo shall draw up the mechanics, rules and regulations with the Department of Agrarian Reform, the Department of Agriculture, the Department of Finance and the lending institutions/conduits concerned.

SECTION 13. *Voluntary Coverage.* – Other farmers/fisherfolk who are already covered by other government insurance systems and all others not otherwise covered in Section 12 above who are engaged in small-scale agriculture/fishing may become members of the SAGIP Funds under such rules and regulations as the SAGIPCo may prescribe.

SECTION 14. *Effective Date of Coverage.* – Compulsory coverage shall take effect upon the issuance of a certificate of membership or other documents, e.g. an identification card, evidencing membership; *Provided,* That the effective date for the land amortization-redemption insurance benefit coverage for the CARP beneficiaries shall be upon issuance by the Department of Agrarian Reform of the Certificate of Land Transfer or other papers evidencing such beneficiary status.

Voluntary coverage shall take effect upon approval of the application for membership in accordance with such rules and regulations prescribed by the SAGIPCo.

SECTION 15. *Effect of Cession from the Agricultural/Fishing Profession.* – Any member who ceases to engage in agriculture/fishing activities may continue his membership under such terms and conditions to be prescribed by the SAGIPCo.

ARTICLE IV – BENEFITS

SECTION 16. The SAGIP Funds shall provide the members with crop/livestock/aquaculture insurance, loan guarantees, life insurance, social security and other benefits subject to such rules and regulations as SAGIPCo may promulgate; *Provided,* that they are members of cooperatives/people's organizations or other self-help groups.

A. CROP/LIVESTOCK/AQUACULTURE INSURANCE

SECTION 17. *Integration of the Crop/Livestock/Aquaculture Insurance Programs into the SAGIP Funds.* – The crop/livestock/aquaculture insurance programs administered by the Philippine Crop Insurance Corporation are hereby transferred into the SAGIP Funds. The SAGIPCo shall promulgate the implementing rules and regulations covering the integration of the operations of PCIC into the administration of the SAGIP Funds.

Pertinent provisions of P.D. 1467, as amended, and R.A. 8175 that are not inconsistent with this Act shall have suppletory effect upon the crop/livestock/aquaculture insurance operations of SAGIPCo.

B. QUEDAN AND RURAL CREDIT GUARANTEE

SECTION 18. *Integration of the Quedan and Rural Credit Guarantee Programs into the SAGIP Funds.* – The quedan and rural credit guarantee programs administered by the Quedancor are hereby transferred into the SAGIP Funds. The SAGIPCo shall promulgate the implementing rules and regulations covering the

integration of the operations of Quedancor into the administration of the SAGIP Funds.

Pertinent provisions of R.A. 7393, as amended, that are not inconsistent with this Act shall have suppletory effect upon the quedan and rural credit guarantee operations of SAGIPCo.

C. LIFE INSURANCE

SECTION 19. *Coverage.* – All farmers/fisherfolk who have accumulated membership contributions sufficient to pay the cost of the group life insurance premiums shall be issued life insurance policies or certificates of insurance covered by the SAGIP Funds. Such premiums shall be charged against the total personal contributions of the member plus the counterpart of the National Government.

Benefits from life insurance coverage shall include death indemnity to beneficiaries, survivors cash assistance and funeral grant in case of death of the insured farmer/fisherfolk.

SECTION 20. *Sum Insured.* – The principal sum of life insurance coverage shall be fixed by the Board from time to time but in no case shall it be less than One Hundred Thousand Pesos (P100,000.00) which shall include death indemnity to beneficiaries, survivors' cash assistance and funeral grant.

SECTION 21. *Double Indemnity Benefit.* – The SAGIP Funds, upon receipt and approval of the proof of the death of the member from any bodily injury effected through external and/or violent means sustained in an accident, within ninety (90) days after the date of such injury, independently of other causes, shall pay, in addition to the principal death indemnity benefit, an additional amount equal to the said death indemnity benefit; Provided, that this benefit shall be proportionately extended to the Member even if his death occurred as in Paragraph 2 of the succeeding Section of this Article.

SECTION 22. *Term of Coverage.* – Life insurance coverage shall be on a yearly basis commencing from the receipt by the SAGIPCo of the member's contribution sufficient to pay the premium and ending one year thereafter. The coverage shall be automatically renewed any time after the expiry date if the member's contribution reaches a level sufficient to pay the subsequent year's premium.

In case a Member dies at a time when his member's contribution is not yet sufficient to pay the premium, his/her beneficiaries shall be indemnified in a sum proportionate to the amount of life insurance which his/her outstanding membership contribution can purchase.

SECTION 23. *Premiums.* – The premium rate shall be determined by the Pool of Farmers/Fisherfolk Life Insurers as defined in the succeeding section: *Provided*, That such rate shall be affordable to the insured: and *Provided*, further, That the rate shall be approved by the SAGIPCo.

SECTION 24. *Pool of Farmers/Fisherfolk Life Insurers (FARMLIFEPOOL).* – The group life insurance policies shall be underwritten by a Pool of Farmers/Fisherfolk Life Insurers or FARMLIFEPOOL composed of private life insurance companies (with the cooperative insurance sector as lead) domestic or foreign, duly licensed to operate in the Philippines and which shall enter into a pooling or reinsurance agreement with the SAGIPCo.

The FARMLIFEPOOL shall define the terms and conditions of the life insurance coverage pursuant to this Act, fix the premium rate, design the methods, procedures and forms, and promulgate policies, rules and regulations for the efficient functioning of the life insurance program, subject to approval by the SAGIPCo.

The FARMLIFEPOOL shall adopt a *pari-passu* sharing scheme in terms of risks and premiums; Provided, that the SAGIPCo shall retain five percent (5%) of the premiums collected to defray administrative and operating costs, as the case may be.

D. SOCIAL SECURITY AND OTHER BENEFITS

SECTION 25. *Land Amortization Redemption Insurance.* – The SAGIPCo shall extend land amortization redemption insurance to all farmer-beneficiaries of the Comprehensive Agrarian Reform Program under R.A. 6657 and/or other agrarian reform laws under such terms, conditions and mechanics of implementation as it may prescribe, subject to the following basic conditions:

- a) The premium rate shall be in terms of the unpaid value of land transferred to him and shall consider, among other factors, the age of the farmer-beneficiary at the onset of the insurance cover;
- b) The indemnity shall pay the balance of the land amortizations due and payable per amortization schedule reckoned on the date of death of the member beneficiary to fully settle payment of the land awarded/transferred to him, exclusive of arrearages;
- c) The land amortization redemption insurance policy shall be in force and effect at the time of the farmer-beneficiary's death.
- d) The program does not conflict with other programs being implemented by other government institutions such as the Land Bank of the Philippines.

SECTION 26. *Disability Benefits.* – A member's disability caused by bodily injury or disease, which completely prevents him from engaging in farming/fishing or any business or occupation, or performing any work, physical or mental, for compensation or profit, shall entitle him to disability benefits under terms and conditions to be determined by the SAGIPCo.

SECTION 27. *Old-Age Benefit.* – Once a Member reaches the age of sixty-five (65) years, he shall be entitled to old-age bonus under terms and conditions to be determined by the SAGIPCo, and subject to: (a) the amount of accumulated

unused member's contribution at the time of entitlement, and (b) length of membership in the SAGIP Funds which, in no case, shall be less than five (5) years.

The total amount of old-age bonus shall be equivalent to his total accumulated unused member's contribution plus an equal counterpart amount to be paid by the SAGIP Funds; *Provided*, That a farmer/fisherfolk who became a member after reaching sixty-five (65) years of age shall not be entitled to the benefits under this Section.

SECTION 28. *Other Benefits.* – The SAGIPCo may devise and implement other programs such as educational loans, mortgage redemption insurance for loans obtained from accredited formal sources of credit, property insurance, and other similar programs, thru pooling or other arrangements for the benefit of its Members.

ARTICLE V – THE FUNDS OF SAGIP: SOURCING, UTILIZATION AND MANAGEMENT

SECTION 29. *The Funds of SAGIP.* – The SAGIP Funds shall have three "Funds" to be administered by the SAGIPCo, namely: (a) The Agricultural and Fisheries Insurance Fund (AGAIN Fund) for the crop/livestock/aquaculture insurance program including the insurance of other agricultural/fisheries assets; (b) The Agricultural/Fisheries Credit Guarantee Program Fund (AGAP Fund) for the quedan and agricultural/fisheries/rural credit guarantee programs of SAGIPCo; and (c) The Philippine Agriculture/Fishery Sector Social Amelioration Fund (PAGASSA Fund) for the social security benefits of farmers/fisherfolk.

SECTION 30. *The Agricultural and Fisheries Insurance Fund (AGAIN Fund).* – There is hereby established an Agricultural and Fisheries Insurance Fund (AGAIN Fund) which shall be utilized by the SAGIPCo solely for providing crop, livestock and aquaculture insurance cover for farmers/fisherfolk as defined under this Act. The AGAIN Fund shall be constituted from the following sources:

- a) The outstanding balance of PCIC assets as at the date of effectivity of this Act;
- b) The amount provided in subparagraphs a, b, and c, paragraph 1, Sec. 43, Article V of this Act;
- c) Budgetary appropriations from Government;
- d) Transfers from other funds administered by the SAGIPCo; and
- e) Loans, issuance of bonds, donations, grants and contributions from local and/or foreign sources.

SECTION 31. *The Agricultural/Fisheries Credit Guarantee Program Fund (AGAP Fund).* – There is hereby established an Agricultural/Fisheries Credit Guarantee Program Fund (AGAP Fund) which shall be used by the SAGIPCo solely for the purpose of providing guarantee cover for credit obtained by farmers/fisherfolk

and rural entrepreneurs from formal credit sources as prescribed under this Act. The AGAP Fund shall be constituted from the following sources:

- a) The outstanding balance of Quedancor assets as at the date of effectivity of this Act;
- b) The Special Revolving Trust Fund (SRTF) created under Letter of Instruction No. 1242 including incomes and recoveries thereof;
- c) The amount provided in subparagraph d, paragraph 1, Section 43, Article V of this Act;
- d) Budgetary appropriations from Government;
- e) Transfers from other funds administered by the SAGIPCo; and
- f) Loans, issuance of bonds, donations, grants and contributions from local and/or foreign sources.

SECTION 32. *The Philippine Agriculture/Fishery Sector Social Amelioration Fund (PAGASSA Fund)* – There is hereby created a Philippine Agriculture/Fishery Sector Social Amelioration Fund (PAGASSA Fund) representing the accumulations of membership contributions of farmers and fisherfolk plus the counterpart contributions of the National Government which shall accrue to the trust fund of the contributing members in accordance with the rules and regulations that shall be promulgated by the SAGIPCo. The PAGASSA Fund shall be the source of funding the life insurance coverages and social security benefits as well as other purposes prescribed under this Act. The PAGASSA Fund shall be constituted from the following sources:

- a) The amount provided in sub-paragraph e, paragraph 1, Section 43, Article V of this Act;
- b) Contributions of the Members and the National Government which shall be One Hundred Pesos (P100.00) per month from the member and a counterpart contribution of the National Government of twenty five percent (25%) of the personal contribution of the member in accordance with the implementing rules and regulations that SAGIPCo shall promulgate; *Provided, That the total Member's contribution shall be credited in the name of the member upon actual receipt of SAGIPCo and the counterpart of the National Government shall be credited on a quarterly basis from out of the appropriated sum as specified under Section 43, Article V of this Act. The rate of contribution of the member and the National Government shall be reviewed periodically and may be revised as the experience in risk, cost of administration and actual or anticipated as well as unexpected losses may require;*
- c) Loans, grants, donations and contributions from local and/or foreign source or issuance of bonds; and
- d) Fund transfers from other funds administered by the SAGIPCo.

SECTION 33. *Collection and Remittance.* – The SAGIPCo shall require a complete and proper collection of funds due it and shall require proper identification of farmers, fisherfolk and other cooperating persons, entity, association or corporation. Payments may be made in cash, checks, stamps, coupons, tickets, or other reasonable devices that the SAGIPCo may prescribe and adopt. All monies received or collected by any person, entity, association or corporation for the SAGIP Funds shall be remitted to the SAGIPCo within fifteen (15) calendar days from the date of receipt or collection or within such time as the SAGIPCo may prescribe.

SECTION 34. *Penalty for Non-Remittance or Delayed Remittance.* – Unremitted collected monies for the SAGIP Funds shall be subject to the penalties and fines specified in Section 58 Article VII of this Act and shall earn such interest as the SAGIPCo may prescribe, payable by the person, entity, association or corporation that collected the monies.

SECTION 35. *Member's Contributions.* – The contributions of the Member and the National Government shall be treated in the books of account of SAGIP Funds as Member's Contributions in the name of the Member upon receipt thereof by the SAGIPCo.

The Member's Contributions shall be utilized firstly, to defray the life insurance premium of the Member and secondly, if he is a farmer-beneficiary of the Comprehensive Agrarian Reform Program under R.A. 6657 and/or other agrarian reform laws, to pay the cost of the land amortization redemption insurance premium. The remainder of a Member's Contributions may be used, at his option, to pay for crop or other non-life insurance premiums or other costs related to social benefit programs availed by him/her from the SAGIP Funds.

The unused portion of the Member's Contributions shall earn interest at rates prescribed by the SAGIPCo; Provided, That in no case shall such interest rate be lower than the prevailing interest rate on savings deposits; and Provided, further, That the Government contribution shall only begin to earn interest upon receipt thereof by the SAGIP Funds.

SECTION 36. *Deputized Collecting Agents and Their Incentives.* – The People's Organization, like the cooperative, cooperative bank, cooperative insurance company, where a member farmer/fisherfolk originally belongs shall be deputized to be the collecting agent of the farmer/fisherfolk-member of the SAGIP Funds. The Deputized Collecting Agent shall be entitled to the following incentives:

- a) A service fee of not more than five percent (5%) of the the members' total contributions remitted to the SAGIP Funds, exclusive of the Government's counterpart contribution; and
- b) Preferential assistance in securing financing for its agricultural/fishery projects.

SECTION 37. *Contribution of the Funds to Operating Expenses.* – The AGAIN, AGAP and PAGASSA Funds shall share in the annual personnel

expenditures, maintenance and other operating expenses and capital outlays of the SAGIPCo:

- a) For AGAIN Fund, not exceeding fifteen percent (15%) of the year-end balance;
- b) For AGAP Fund, not exceeding ten percent (10%) of the year-end balance; and
- c) For PAGASSA Fund, not exceeding fifteen percent (15%) of yearly collections including accruals thereto for the first two (2) years but not exceeding ten percent (10%) thereafter.

Should the expenses in any year become less than the maximum amount permissible, the difference shall be kept by the SAGIPCo in a separate trust fund for its future capital outlays and operating expenses.

SECTION 38. *Inter-Fund Transfers.* – When the exigencies of operations so require, the Board may transfer amounts from one fund to another; Provided, That the amount transferred shall not exceed twenty-five percent (25%) of the balance of the fund source within any given year subject to applicable laws and jurisprudence.

SECTION 39. *Management of the SAGIP Funds.* – All monies paid to or collected by the SAGIP Funds under this Act shall be deposited, administered and disbursed in the same manner and under the same conditions and requirements as provided by law for other public special funds.

Investible funds of the SAGIP Funds shall be invested in high-yielding government securities in accordance with law. In addition, the SAGIPCo is likewise authorized to invest in cooperatives, cooperative banks, cooperative insurance companies and other people's organizations that are accredited deputized collecting agents of SAGIP Funds; Provided, That the investment shall have interest income of higher than ordinary savings account and; Provided, further, That the investment shall not exceed ten percent (10%) of the total capital of the concerned cooperative, cooperative bank, cooperative insurance company or people's organization; Provided, finally, That the investment shall be approved by the Board based on sound financial management practices.

SECTION 40. *Records and Reports.* – The SAGIP Funds shall keep and maintain records of all its funds and their disbursements. Within thirty (30) days from the termination of its fiscal/calendar year, the President of SAGIPCo shall prepare for submission to the President of the Philippines and to Congress of the Philippines a report of operation of the SAGIP Funds during the preceding year including but not limited to statistical data on the number of persons covered and benefitted, finances of the SAGIPCo, and recommendations. He shall also cause the circulation to the farmers/fisherfolk and the general public a synopsis of the annual report, showing in particular the status of the finances of SAGIPCo and the benefits administered. Separate and distinct records of operation of each funds, social security benefits and insurance shall be maintained.

SECTION 41. *Grants, Aids and Contributions.* – The SAGIP Funds shall be authorized to receive grants, aids and contributions in the form of cash or property

from any person, entity, or association or corporation, domestic or foreign, for the purpose of furthering the programs and policies adjudged to be in interest of the government as a whole.

SECTION 42. *Other Sources of Funds.* – The SAGIP Funds shall be authorized to collect licensing, accreditation, servicing, adjustment, and other fees which the Board may prescribe in its rules and regulations from time to time.

SECTION 43. *Appropriations.* – To ensure the viability and stability of the SAGIP Funds programs and objectives, the following are hereby appropriated:

- a) During the first year of the SAGIP Funds' operation, the government shall, within six (6) months thereof, release to the SAGIP Funds:
 - 1) The amount of Three Hundred Thirty Seven Million, Three Hundred Ninety Seven Thousand Pesos (P337,397,000.00) representing the unpaid balance of the authorized capital stock of the Philippine Crop Insurance Corporation for the AGAIN Fund;
 - 2) The amount of One Hundred Sixty Eight Million Seven Hundred Fifty Eight Thousand Two Hundred Pesos (P168,758,200) representing its unpaid premium shares in the PCIC rice and corn crop insurance programs for the previous years for the AGAIN Fund;
 - 3) The amount of Two Hundred Million Pesos (P200,000,000.00) representing its estimated premium shares in the PCIC rice and corn crop insurance program for the ensuing year for the AGAIN Fund;
 - 4) The amount of Two Billion Pesos (P2,000,000,000.00) for the AGAP Fund. This appropriated amount shall be funded from the outstanding balance of the Agricultural Competitiveness Enhancement Fund set up under R.A. 8178, as amended; and
 - 5) The amount of Six Hundred Million Pesos (P600,000,000.00) as its initial contribution to the PAGASSA Fund. This amount shall be treated as its advances to the Member's Contributions computed at the rate of twenty five percent (25%) of the personal contribution of the member, which shall be One Hundred Pesos (P100) per month, and shall be transferred quarterly to the individual accounts of members as counterpart contribution of their actual member's contribution to the PAGASSA Fund. This appropriated amount shall be funded from the support services fund of the comprehensive Agrarian Reform Program under R.A. No. 6657 or other agrarian reform laws that shall have been enacted by the time this Act has been approved.
- b) For the subsequent years, yearly projection of the Government's contribution to the AGAIN, AGAP and PAGASSA Funds shall be submitted by the SAGIPCo to the President of the Philippines, through the Secretary of Agriculture, in accordance with the regular budgetary practice, and upon his/her approval shall be included in the Government budgetary appropriations; Provided, That the

support services fund of the Agrarian Reform Fund shall bear up to fifty percent (50%) of the required amount. Releases shall be made on a quarterly basis depending upon the actual amounts of:

- 1) Crop/livestock/aquaculture insurance underwritten by the SAGIPCo; Provided, That the SAGIPCo shall bill the Government the sum of money corresponding to the computed amount of contributions to the AGAIN Fund and to crop insurance premiums;
 - 2) Amount of fund releases for calls on guarantee in excess of the existing AGAP Fund for the guarantee operations; and
 - 3) Contribution of members to the PAGASSA Fund.
- c) Should any of the SAGIP Funds being administered by the SAGIPCo encounter catastrophic losses during a year due to unexpected surge of indemnity claims and/or calls on guarantee, SAGIPCo shall bill the National Government the reimbursement of its catastrophic losses in the subsequent year after such losses have been determined to preserve the integrity of the SAGIP Funds.

SECTION 44. *Examination and Valuation of Benefits and Funds.* – The SAGIPCo shall keep and cause to keep such records as may be necessary for the purpose of making actuarial studies, calculations, examinations, valuation of the SAGIP Funds and shall keep or cause to keep records of such statistical data needed in the computation of rates of old age bonus, disability, sickness, and other adjustments of the benefits in the SAGIP Funds. The examination and valuation of benefits and funds shall be made periodically in accordance with accepted actuarial principles.

SECTION 45. *Exemption from Tax, Legal Process and Lien.* – The actuarial solvency of the SAGIP Funds shall be preserved and maintained at all times and that the assessments and contribution rates necessary to sustain the benefits under this Act shall be kept as low as possible in order not to burden the members and contributing persons, entities, or associations or corporations of the SAGIP Funds. Taxes imposed on the SAGIP Funds will impair their actuarial solvency and increase the contribution rate and/or assessments necessary to sustain the benefits under this Act. Accordingly, notwithstanding any laws to the contrary, the SAGIP Funds, its assets, revenues including accruals thereto, and all benefits paid to members, shall be exempt from all taxes, assessments, fees, charges or duties of all kinds. These exemptions shall apply only to the SAGIP Funds itself and shall not apply to persons, entities or associations or corporations doing business with the SAGIPCo.

Whatever benefits granted under this Act shall not be subject, among other matters, to attachment, garnishment, levy or other process, or be seized, taken, appropriated, or applied by any legal or equitable process to pay any debt or liability of a member or beneficiary, or any person who may have right thereunder either before or after payment; Provided, That this, however, shall not apply to obligations of the member to the SAGIP Funds, or when the benefits granted herein are assigned in writing by the member with the authority of the SAGIPCo, e.g. crop insurance indemnity paid to accredited formal lending institutions.

ARTICLE VI – ADJUDICATION OF CLAIMS AND DISPUTES

SECTION 46. *Facility of Payment.* – The SAGIPCo shall prescribe such rules and regulations to facilitate payment of benefits, proceeds, credits, and claims under this Act. Payments made by the SAGIP Funds prior to its receipt of an adverse claim, to a beneficiary or claimant subsequently found not entitled thereto, shall free the SAGIPCo from any liability to the person or persons legally entitled to such payment who shall, however, have a right to institute the appropriate action in a court of law against the fraudulent recipient of the benefits, proceeds, credits, or claims.

SECTION 47. *Settlement of Dispute.* – The SAGIPCo shall have original jurisdiction to settle any dispute arising under this Act. The Board may designate any of its member official of the SAGIPCo to act as a hearing officer to receive evidence, make findings of fact, and submit recommendations thereon. The hearing officer shall submit his/her findings, recommendations, together with all the documentary and testimonial evidence, to the Board within fifteen (15) working days from the time the parties have closed their respective evidence and filed their last pleading. The Board shall decide the case within twenty (20) days therefrom. The cases heard directly by the Board shall be decided within ten (10) working days from the time they are submitted by the parties for decision.

SECTION 48. *Appeals.* – Within ten (10) days from receipt of notice of decision or award, the aggrieved party may appeal the same to the Insurance Commission.

SECTION 49. *Execution of Decisions.* – Any decision or award of the Board shall be final and executory when no appeal is perfected and there is no order to stay by the Insurance Commission. For this purpose, the Board shall have the power to issue to the city, municipal or provincial sheriff or its appointed sheriff such writs of execution as may be necessary for the enforcement of such decision or award, and any person, entity or association or corporation who shall fail or refuse to comply with such decision, award, writ or process after being required to do so, shall, upon application by the SAGIPCo, be punished for contempt.

SECTION 50. *Oaths, Witnesses, and Production of Records.* – When authorized by the Board, an official or employee of the SAGIPCo shall have the power to administer oath or affirmation, take depositions, certify to official acts, and issue subpoena and subpoena duces tecum to compel the attendance of witnesses and the production of books, papers, correspondences, and other records deemed necessary as evidence in connection with any question arising under this Act. Any case of contumacy shall be dealt with in accordance with the provisions of Section 580 of the Revised Administrative Code.

ARTICLE VII – GENERAL AND PENAL PROVISIONS

SECTION 51. *Government Assistance Thru Inter-Agency Linkages.* – To support and promote the realization of the objectives and to enhance the operations of the SAGIP Funds, all government departments, bureaus, offices, agencies and

instrumentalities, national or local, all formal lending institutions, public or private, now or hereinafter involved with agricultural/fisheries/rural credit programs, namely: Department of Agriculture, Department of Agrarian Reform, Department of Finance, Department of Interior and Local Government, Department of Labor and Employment, Department of National Defense, Department of Public Works and Highways, Department of Social Welfare and Development, Department of Trade and Industry, National Economic and Development Authority, Bangko Sentral ng Pilipinas, National Food Authority, National Irrigation Administration, National Electrification Administration, Armed Forces of the Philippines, Land Bank of the Philippines, Development Bank of the Philippines, Philippine Al Amanah Bank, Social Security System, Government Service Insurance System, all government financing institutions, government owned or controlled banks, all private commercial, savings banks, cooperative banks, all savings and thrift associations and cooperatives, all rural banks, all barangay associations and other mutual benefit associations and cooperative insurance organizations and such other public or private persons, entities or associations or corporations covered by the objectives and the rules and regulations of the SAGIP Funds, shall act as cooperating agencies of the SAGIPCo and for this purpose shall direct their policies, programs, rules and regulations so as to attune and synchronize them with the objectives of this Act.

SECTION 52. *Prioritization of Coverage.* – The Board shall determine priorities in the implementation of this Act in terms of:

- a) Type of benefit to be extended;
- b) Type of farmer/fisherfolk to be covered;
- c) Type of produce to be covered;
- d) Geographical area of coverage; and
- e) Other factors as the Board may consider.

SECTION 53. *Prohibition from Competition with the Private Sector.* – The SAGIPCo shall not compete with the private industry. It can, however, collaborate with private companies under pooling or similar arrangements as well as in reinsurance undertaking.

SECTION 54. *Participation of People's Organizations.* – The SAGIPCo shall involve people's organizations of farmers and/or fisherfolk, such as cooperatives and self-help groups, in the implementation of this Act such as in the collection and remittance of members' contributions, loan amortizations, and insurance premiums as well as in the underwriting of insurance. The SAGIPCo shall develop and implement incentive schemes to attract the participation of such people's organization and to allow for their eventual takeover at the local level.

SECTION 55. *Government Guarantees.* – The Government of the Republic of the Philippines guarantees the fulfillment of any or all of the obligations of the SAGIP Funds to its members and/or beneficiaries of the insured when they mature.

The Government's contribution to crop insurance premium, once the premium rates and sharing are approved by the President of the Philippines, is an obligation of the Republic of the Philippines.

SECTION 56. *Implementing Rules and Regulations.* – The implementing rules and regulations to carry out the provisions of this Act shall be promulgated by the SAGIPCo within sixty (60) days after the effectivity of this Act.

SECTION 57. *Exclusiveness of Benefits.* – Whenever other laws provide similar benefits for the same contingencies covered by this Act, the member who qualifies for the benefits shall have the option to choose which benefit will be paid to him. However, if the benefits chosen are less than the benefits provided under this Act, the SAGIPCo shall pay the difference: Provided, however, That when the disability or death of an insured member is work connected as defined in Presidential Decree No. 626, as amended, or when the loss of his crops/livestock and other agricultural/fisheries assets is due to military operations arising from insurgency, he shall be entitled to the full benefits therefor as provided herein.

SECTION 58. *Penalty Clause.* –

- a) Any person found to have participated directly or indirectly in the commission of fraud, collusion, falsification, or misrepresentation in any transaction with the SAGIP Funds whether for him or for some other persons, shall suffer penalties provided for in Article 172 of the Revised Penal Code, as amended;
- b) Whoever shall obtain or receive any money or check invoking any provision of this Act or any agreement thereunder, without being entitled thereto with the intent to defraud any member, cooperating entity, the SAGIP Fund or third party, shall be punished by a fine of not less than Ten Thousand Pesos (P10,000.00) nor more than Fifty Thousand Pesos (P50,000.00) or by imprisonment of not less than five (5) years nor more than ten (10) years, or both, at the discretion of the Court;
- c) Whoever buys, sells, offers for sale, uses, transfers, takes, or gives in exchange, or pledges or gives in pledge, except as authorized in this Act or in the rules and regulations made pursuant thereto, any stamp, coupon, ticket, book, quedan certificate or other device, prescribed by the SAGIPCo for the collection or payment of contributions required herein, shall be fined not less than Five Thousand Pesos (P5,000.00) nor more than Ten Thousand Pesos (P10,000.00), or imprisonment for not less than two (2) years nor more than five (5) years, or both, at the discretion of the Court;
- d) Whoever, with intent to defraud, alters, forges, makes or counterfeits any stamp, coupon, ticket, book, quedan certificate or other device prescribed by the SAGIPCo for the collection of contributions required herein, or uses, sells, lends, or had in his possession any material in imitation of the material used in the manufacture of such stamp, coupon, ticket, book, quedan certificate or other device, shall be fined not less than Ten Thousand Pesos (P10,000.00) nor more than Twenty Thousand Pesos (P20,000.00), or imprisonment for not less than five (5) years nor more than ten (10) years, or both, at the discretion of the Court;

- e) Whoever fails or refuses to comply with the provision of this Act or with the rules and regulations adopted by the SAGIPCo shall be punished by a fine of not less than Five Thousand Pesos (P5,000.00) nor more than Ten Thousand Pesos (P10,000.00), or imprisonment for not less than three (3) years nor more than six (6) years, or both, at the discretion of the Court;
- f) Any employee of the SAGIPCo who receives or keeps funds or property belonging, payable, or deliverable to the SAGIP Funds and who shall appropriate the same, or shall take or misappropriate or shall consent, or through abandonment or negligence, shall permit any other person to take such property or funds, wholly or partially, or shall otherwise be guilty of misappropriation of such funds or property, shall suffer the penalties provided in Article 217 of the Revised Penal Code, as amended;
- g) Any collecting agent who fails to remit the collected/received contributions, cash, credits or loan amortizations within thirty (30) days from the date of collection or receipt shall be presumed to have misappropriated such contributions, credits or loan amortization and shall be fined not less than Ten Thousand Pesos (P10,000.00) nor more than Fifty Thousand Pesos (P50,000.00), or imprisonment for not less than five (5) years nor more than ten (10) years, or both, at the discretion of the Court; and
- h) Criminal actions arising from violations of these provisions of this Act may be commenced by the SAGIPCo or by the aggrieved party, either under this Act or, in appropriate cases, under the Revised Penal Code.

SECTION 59. *Applicability of the Insurance Code of the Philippines (P.D. No. 612, as amended) and Agriculture and Fisheries Modernization Act (R.A. 8435).* – The provisions of the Insurance Code and the Agriculture and Fisheries Modernization Act in so far as they are not inconsistent with the provisions of this Act shall apply to the SAGIPCo and shall have suppletory effect. The Insurance Commission shall exercise powers of visitation over the SAGIPCo.

SECTION. 60. *Transitory Provisions.* – Upon the effectivity of this Act, the governing Board shall immediately be constituted and convened. All incumbent officers and employees of the Quedancor and PCIC shall continue in office as personnel of the SAGIPCo without demotion in rank nor diminution in compensation and fringe benefits. The incumbent president of PCIC shall be the Acting President of SAGIPCo until a new President shall have been appointed by the President of the Republic. The Officer-in-Charge of the Quedancor shall be the Acting Executive Vice President of the SAGIPCo. The Acting President shall form a Management Committee composed of senior officers of both Quedancor and PCIC to prepare and submit to the Board such plans and programs which will ensure harmonious and effective transitional activities towards the full operations of the SAGIP Funds.

Personnel of both PCIC and Quedancor who shall opt to retire because of redundancy in functions as brought about by this reorganization shall be given a retirement pay equivalent to twice the average of their monthly basic pay for the last five years for every year of service; Provided, That they have rendered government

service of not less than ten (10) years as of the date of the effectivity of this Act. Funds for this shall be drawn from the residual funds of both the PCIC and the Quedancor. This benefit is over and above the benefit which the personnel shall receive from the Government Service Insurance System. Furthermore, personnel who opted to retire under this provision shall be barred to reemploy with the SAGIPCo for five years after making such retirement.

SECTION 60. *Repealing Clause.* – All laws, decrees, charters, executive orders, administrative orders, proclamations, rules and regulations, or parts thereof inconsistent with any provision of this Act are hereby repealed or modified accordingly.

SECTION 61. *Separability Clause.* – Should any provision of this Act or any part thereof be declared invalid, the other provisions, so far as they are separable shall remain in force and effect.

SECTION 62. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette and in any two (2) newspapers of general circulation.

Approved,