

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3858



Introduced by Representative **TYRONE D AGABAS**

EXPLANATORY NOTE

This bill which seeks to require the payment of insurance by Philippine Crop Insurance Corporation between the range of Eighty Percent (80%) to a Hundred Percent (100%) of the actual value of the projected harvest of farmers has already been approved by the House of Representatives on its 3rd and final reading in the 17th Congress. It is however essential to file this bill to protect the interest of farmers against losses brought about by natural calamities, crop infestations, and crop diseases.

Section 5, Article XIII of the 1987 Constitution mandates the State to provide support to agriculture through appropriate technology and research, and adequate financial, production, marketing, and other support services. To this end, the State recognizes its responsibility of protecting farmers' interests against natural calamities, crop infestations and other crop diseases, hence, the passage of the Revised Charter of the Philippine Crop Insurance Commission (PCIC) under Republic Act 8175 amending Presidential Decree No. 1467 which created the Philippine Crop Insurance Commission on June 11, 1978.

The Philippines is a tropical country. On the average, as further worsened by climate change, our country suffers the force of 20 typhoons each year. In every typhoon, our farmers suffer most as their return on the investment are equated least. Lending institutions most often prey on vulnerability of our farmers for lack of funds. Hence, the insurance benefit accorded by the PCIC to our farmers. However, the payment

coverage on damaged crops under the PCIC is even more unforgiving. Its stringent mode of payment is as intolerant as typhoons themselves. There is a need to provide a better payment scheme so as to give justice to the plight of farmers whose crops are often devastated by natural calamities, pest and other diseases.

Approval of this bill is earnestly sought.



ATTY. TYRONE D. AGABAS
Representative
6th District, Pangasinan

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Introduced by Representative **TYRONE D. AGABAS**

AN ACT STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION (PCIC), REPEALING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1467, INTITLED "CREATING THE 'PHILIPPINE CROP INSURANCE CORPORATION' PRESCRIBING ITS POWERS AND ACTIVITIES, PROVIDING FOR ITS CAPITALIZATION AND FOR THE REQUIRED GOVERNMENT PREMIUM SUBSIDY, AND FOR OTHER PURPOSES," AS AMENDED BY PRESIDENTIAL DECREE NO. 1733 AND REPUBLIC ACT NO. 817

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

1 **SECTION 1. Short Title.** – This Act shall be known as the "Revised
2 charter of the Philippine Crop Insurance Corporation".

3 **Sec. 2. Declaration of Policy.** – *It is hereby declared the policy of the*
4 State:

5 **(a)** To ensure food security, intensify food production,
6 promote agricultural credit, and broaden the coverage of
7 mandatory crop insurance amidst the recurrence of
8 disasters and calamities, natural or otherwise, such as
9 floods, typhoons, heavy rains, and drought that destroy
10 crops, especially palay and other grains and crops necessary
11 for food security.

12 **(b)** To alleviate the financial burden of the farmers due to
13 uncompensated losses arising from destruction of crops
14 wrought by disaster and calamities, keep farmers away from
15 indebtedness, enhance farmers' credit standing, and provide
16 farmers additional government support to increase
17 agricultural production.

(c) To assist banks and financial institutions by enhancing their capabilities to extend loans to farmers; and

(d) To strengthen the organizational capability and to expand the coverage of the Philippine Crop Insurance Corporation (PCIC), a government-owned corporation established pursuant to Presidential Decree No. 1467 to provide insurance protection to farmers against losses arising from natural calamities, fortuitous events, plant and fish diseases, and pest infestations.

Sec. 3. Expanded Purposes and Coverage of the PCIC. – The PCIC, hereinafter referred to as the Corporation, shall insure qualified farmers and fisher folks against losses arising from natural calamities, fortuitous events, plant and fish diseases, and pest infestations. It shall provide insurance coverage for palay and corn crops, high-value commercial crops, livestock, aquaculture and fishery product, agroforestry crops, and forest plantations; non-crop agricultural assets such as machineries, equipment, transport facilities and other related infrastructure; and life and accident term insurance coverage for farmers and fisherfolk. Such crop insurance shall cover, in every case, the cost of production inputs, the value of the of the farmer's or fisherfolk's own labor and members of the household including the value of the labor of hired workers, and apportion of the projected value of the crops. Such insurance protection, however, shall exclude losses arising from avoidable risk emanating from or due to the negligence, malfeasance or fraud committed by the insured or any member of the immediate farm household or employee, or the failure of the insured to follow proven farm practices.

The corporation shall also insure properties and facilities which are owned or used by government agencies involved in agri-fishery-forestry projects or activities and government – financed agri-fishery-forestry project. It shall also provide reinsurance coverage to agri-fishery-forestry properties and facilities underwritten by private and government insurance companies, and weather index-based insurance (WIBI) and reinsurance for palay and corn crops, high-value commercial crops, livestock, aquaculture and fishery products, agroforestry crops, and forest plantation.

Sec. 4. Powers. – The Corporation shall continue to exercise the following powers and functions:

(a) To prescribe, repeal, and alter its own bylaws;

(b) To adopt and use a corporate seal;

- 60 **(c)** To sue and to be sued;
- 61 **(d)** To have continuous succession until dissolved by law;
- 62 **(e)** To determine its operating policies and to issue such
63 rules and regulations as may be necessary to implement the
64 crop insurance scheme;
- 65 **(f)** To insure the crops of farmers and fishpond, seaweed,
66 oyster, or mussel farm of fisherfolks against loss, damage
67 and destruction caused by natural calamities such as
68 typhoons, floods, drought, earthquakes, volcanic eruption,
69 rodents, vermin diseases, insects, and other pests; and to
70 carry on any business necessary, related to and expedient
71 for the above purpose;
- 72 **(g)** To insure in the Philippines or abroad all or any risks of
73 the Corporation;
- 74 **(h)** To purchase or otherwise acquire ownership and manage
75 any and all parts of the business, property and liabilities of
76 any person or company carrying on any business which the
77 Corporation is authorized to carry on or possess;
- 78 **(i)** To acquire by purchase or otherwise acquire ownership of
79 and to invest in, hold, sell, or otherwise dispose of stocks or
80 bonds or any interest in either, or any obligation or evidence
81 of indebtedness of any corporation, domestic or foreign, or
82 the bonds or other obligations or evidence of indebtedness,
83 of any person, firm or corporation; and as owner of such
84 stocks, bonds or interest therein, or other obligations or
85 evidence of indebtedness, to exercise the rights, powers and
86 privileges of ownership, including the right to vote thereon or
87 consent in respect thereto for any and all lawful purposes;
- 88 **(j)** To purchase, or otherwise acquire, sell, lease, convey,
89 mortgage, encumber, and otherwise deal with any property,
90 real or personal, or any interest therein; extend credit on the
91 security of real estate or movable property; exercise
92 easement right or privilege over or in respect to any
93 property, real or personal, as may be permitted by law and
94 as may be reasonable/necessary to carry out the purposes
95 for which the Corporation is formed or as may or hereafter
96 be permitted by law;
- 97 **(k)** To establish braches whenever it may be expedient and
98 necessary; and

(1) To generate internal funds by floating bond, expanding the Corporation's insurance lines to include agricultural guarantee loans, and extending coverage to other areas of agriculture, such as livestock, aquaculture, fishery, agroforestry, and forest plantations, in order to address insurance needs of the target sector and to do and perform acts and things and to exercise all the general powers conferred by law upon the Corporation as are incidental or conducive to the attainment of the objectives of the Corporation.

Sec. 5. Who Shall Be Insured. – Participation in the insurance for palay and other crops essential for food security, as determined by the Department of Agriculture (DA), shall be compulsory upon all farmers. For other crops, participation shall be compulsory upon all farmers obtaining production loans under the supervised credit program, and optional on the part of self-financed farmers provided they agree to place themselves under the supervision of agricultural production technicians.

The term “supervised credit program” as used in this Act shall mean the production credit program wherein the farmer who obtained production loans agree in writing to apply proven farm practices necessary to conserve the land, improve its fertility and increase its production, and abide by the approve farm plan and budget jointly prepared by such farmer and the duly accredited supervised credit technician.

The term “supervision of agricultural production technician” shall mean the supervision undertaken by agricultural production technicians who are duly accredited by the appropriate government agencies concerned, as required under the supervised credit system.

Sec. 6. Rate of Premium, Sharing, and Amount of Indemnity. – The rate of premium, as well as the allocated sharing thereof of farmers, fisherfolks, 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 farmer is cultivating not more than seven (7) hectares of farmlands and each fishfolk is cultivating not more than five (5) hectares of fishpond, seaweed, oyster, or mussel farm 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: *Provided, further*, That the premium share of the subsistence farmer or fisherfolk shall be reasonably affordable: *Provided, furthermore*, That the Government shall share in the premium cost only in insurance coverage against unforeseen and unavoidable risk such as typhoons, droughts, rainfall, outbreaks of pest and diseases: *Provided, finally*, That premium subsidy or insurance benefits shall, upon the accumulation of surplus funds, be increase to such amount as may be determined by the Board of Directors, taking into consideration that the Corporation has been established not only for profit but mainly to help Filipino farmers and fisherfolk.

The amount of indemnity shall be determined by the Board of Directors, which shall take into account the value of the potential harvest for crops at the ripening stage of growth; actual cost of production inputs already applied at the time of loss per farm plan and budget, subject to limits stipulated in the policy contract; pro-rated cost of the harvested crops; the salvage value; if any, and the percentage of yield loss.

Sec. 7. Premium Subsidy. – (a) The required Government premium subsidy, as determined by the Board of Directors and approved by the President of the Philippines, shall be deemed appropriated from the funds of the National Treasury not otherwise appropriated, and shall be drawn, on a month-to-month or other periodic basis, depending upon the actual amount of insurance underwritten by the Corporation. For this purpose, the Corporation shall bill the Government the sum of money corresponding to the computed amount of subsidy.

(b) Yearly projection of the premium subsidy shall be submitted by the Corporation to the President of the Philippines, and upon approval shall be included in the Government's budgetary appropriations.

(c) Calamity funds earmarked by the Government shall include a certain percentage for crop insurance and shall be released to and administered by the Corporation.

(d) Ten percent (10%) of the net earnings of the Philippine Charity Sweepstakes Office (PCSO) from its lotto operation shall be earmarked for the Crop Insurance Program and said amount shall be directly remitted by the PCSO to the Corporation every six (6) months until the amount of government subscription is fully paid.

Sec. 8. Capital Stock. – (a) The authorized capital stock of the Corporation is ten billion pesos (P10,000,000,000.00) divided into seventy-five million (P75,000,000.00) common shares with par

value of one hundred pesos (P100.00) each share, which shall be fully subscribed by the Government and twenty-five million (P25,000,000.00) preferred shares with a par value of one hundred pesos (P100.00).

(b) The common capital stock of one billion five hundred million pesos (P1, 500,000,000.00) having been fully paid to the Corporation, the balance of six billion pesos (P6, 000,000,000.00) subscribed by the Government shall be appropriated annually by Congress unless otherwise provided by existing laws.

(c) The preferred shares shall be entitled to a preference over common shares in any declaration of dividends. They shall also be given priority in the distribution of assets in the event of the liquidation of the Corporation. They shall have the following specific features:

(1) Preferred as to dividends at a minimum of one and one-half percent (1.5%) or the prevailing three hundred sixty (360)-day Treasury bill rate at the time of declaration of dividends, whichever is higher;

(2) Cumulative;

(3) Nonparticipating;

(4) Nonvoting;

(5) Dividends thereon shall be exempt from income tax;

(6) Redeemable at the option of the Corporation at the prevailing book value but in no case less than par after five (5) years from issuance thereof; and

(7) Transferable.

(d) At least five hundred million pesos (P500,000,000.00) of preferred shares shall be subscribed and paid for by the Land Bank of the Philippines (LBP). The balance of the preferred shares may be available for sale or to subscription by the general public.

Sec. 9. Reserve Fund for Catastrophic Losses. – A state reserve fund for catastrophic losses in the amount of five hundred million pesos (P500, 000,000.00) 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 fishfolks. The fund may be increased subject to the approval of the President of the Philippines. The fund shall be administered by the 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. The mechanics of claims against the fund and to what extent the fund shall be liable shall be determined jointly with the financial institution administering the Fund, subject to the approval by the President of the Philippines.

Sec. 10. Reinsurance. – in order to spread the risk of the Corporation, the PCIC is hereby authorized to seek reinsurance protection whenever it may be available.

Sec. 11. Board of Directors. – (a) The powers of the Corporation shall be vested in and exercised by Board of Directors, hereinafter referred to as the Board, composed of seven (7) members and made up of the following: the President of the LBP, the President of the Corporation, the DA Secretary, a representative from the private insurance industry to be nominated by the Secretary of Finance and Three (3) representative from the subsistence farmers' sector, preferably representing agrarian reform beneficiaries/ cooperatives/ associations coming from Luzon, Visayas and Mindanao, who shall be selected and nominated by the different farmers' organization or cooperatives. The respective nominees of the private insurance industry and the farmers' sector shall be submitted to and appointed by the President of the Philippines. The chairman of the Board shall be appointed by the President of the Philippines from among the members of the Board. The President of the Corporation shall also be appointed by the President of the Philippines 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 shall designate a temporary chairman from among its members. Except for the President of the LBP and the DA Secretary, all members of the Board, including the President of the Corporation, shall be appointed by the President of the Philippines within a reasonable period of time after the approval of this Act.

(b) The members of the Board shall have their respective alternates who shall attend the meeting, and act as member of the Board in the absence or incapacity of the regular members.

(c) The Board shall meet regularly at least twice a month and as often as the exigencies of the Corporation's affairs demand. The presence of at least five (5) members shall constitute a quorum which shall be necessary for the transaction of any business. The

Board may be convened either by the Chairman or, in his absence, by the Vice Chairman.

(d) The Chairman and the members of the Board shall each receive *per diem* pursuant to existing law for each meeting of the Board personally attended: *Provided, however,* That in case of the representatives of subsistence farmers' sector, the Board is authorized to determine reasonable traveling and, if necessary, subsistence expenses in going to and returning from said Board meeting to be disbursed to them in addition to their *per diem*.

SEC. 12. Powers and Functions of the Board of Directors. – The Board shall have the following powers and functions:

(a) To implement the provision and purpose of this Act;

(b) To formulate and adopt policies and plans, and to promulgate rule 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 because of the risk involved or may expand the subject of insurance coverage to crops other than palay: *Provided,* That such coverage on other crops shall be approved by the President of the Philippines;

(c) To borrow funds from local and international financing source or institution and issue bonds up to five (5) times the value of its authorized capital stock for the purpose of financing the programs and projects deemed vital for the attainment of the Corporation's goals and objectives;

(d) To enter into, make, and execute contract of any kind or nature as may be necessary, or incidental to the accomplishment of the purpose of the Corporation;

(e) To approve the budget of the Corporation and to fix the reasonable compensation of its personnel: *Provided,* That the Board shall have exclusive and final authority to promote, transfer, assign or reassign personnel of these Corporation and these personnel actions are deemed made in the interest of the service and not disciplinary, any provision of existing law to the contrary notwithstanding;

(f) To establish and guidelines for the employment on the basis of merit, technical competence and moral character, and approve a staffing pattern of defining their powers and duties; and

305 (g) To exercise the general powers mentioned in the
306 Corporation Law insofar as these are not inconsistent or
307 incompatible with provisions of this Act.

308 **SEC. 13. Management.** – The management of the Corporation shall
309 be vested in the President of the Corporation who shall be a person
310 of known integrity, competence in technical and executive fields
311 related to the purposes of this Act. The president of the
312 Corporation shall be appointed by the Board and shall not be
313 removed except for cause. There shall also be Vice President of the
314 Corporation shall have following powers and duties:

315 (a) To execute and administer the policies, plans and
316 programs and rules and regulations approved or promulgated by
317 the Board;

318 (b) To submit for the consideration of the Board such
319 policies, plans and programs deemed necessary to carry out the
320 provisions and purposes of this Act;

321 (c) To direct and supervise the operations and internal
322 administration of the Corporation and, for this purpose, to
323 delegate some or any powers and duties to subordinate officials;

324 (d) To recommend to the Board the appointment,
325 promotions, transfer, assignment, reassignment, demotion,
326 dismissal and compensation of personnel; and

327 (e) To exercise such other powers and perform such other
328 duties as may be directed by the Board.

329 **SEC.14. Settlement of Claims.** – (a) Claims for indemnity against
330 the corporation shall be settled by the Corporation's regional
331 manager concerned or the appropriate officer to whom the function
332 is delegated. However if in the opinion of the regional manager the
333 claim is novel, difficult, or controversial, the matter may be
334 elevated by the regional manager to the president of the
335 Corporation for decision.

336 (b) The claimant aggrieved by the decision of the regional
337 manager may, within thirty (30) days from receipt of the
338 decision, request for reconsideration thereof and if not satisfied
339 therewith, may elevate the matter to the President of the
340 Corporation.

341 (c) Any party aggrieved by a decision, order or ruling of the
342 President of the Corporation may appeal said decision, order or
343 ruling to the Corporation's Board.

(d) Any claim not acted upon within sixty (60) days from submission of complete claims documents to the Corporation shall be considered approved.

SEC. 15. No Claim Benefits. – Any insured farmer or fisherfolk who has not filed any claims during the immediately preceding three (3) crop seasons, or any insured fishpond or fish cage operator who has not filed any claim during the immediately preceding three (3) harvest seasons shall be entitled to a no-claim benefits of least ten percent (10%) of 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 the Corporation.

SEC. 16. Commission on Audit. – The commission on Audit shall be the *ex officio* auditor of the Corporation.

SEC. 17. Legal Counsel - The Corporation shall have its own Legal Department, the Chief and members of which shall be appointed by the Board.

SEC. 18. Interagency Linkages. – (a) To support and promote the operation of the Corporation, all government departments, bureaus offices, agencies and instrumentalities, national or local all lending institutions, government or private, now or hereafter engaged in the supervised credit program to farmers and fisherfolk and such other public or private entities as may be called upon by the Corporation, shall act as cooperating agencies to the corporation and, for this purpose, are hereby directed to design their policies, programs, rules and regulations so as attune and synchronize them with the objective of the Corporation.

(b) All lending institutions granting production loans for palay, corn and other crops under supervised credit program of the government shall automatically act as underwriters for and on behalf of the Corporation. As such they shall receive and process applications for insurance coverage; approve those found in order and collect premiums therefor, premiums so collected, together with the premiums payable by the lending institution itself, shall be remitted to the Corporation in the manner and within such period as may be prescribed by the Corporation.

SEC. 19 Utilization of Profits – the profits of the Corporation shall be determined on a calendar year basis and the manner of its distribution shall be determined by law.

SEC. 20. Exemption from taxes – In furtherance of the effective achievement of the purposes of this Act, the Corporation shall

continue to be exempted to the extent allowed by national policy from all national, provincial municipal and city taxes and assessments now enforced: *Provided*, that said exemption shall apply only to such taxes and assessments for which the Corporation itself would otherwise be liable and shall not apply to taxes and assessments payable by persons or other entities doing business with the Corporation.

SEC. 21. Penal provisions. – (a) Any person who through malfeasance or 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 (P100,000.00) but not more than six hundred thousand pesos (600,000.00), or both imprisonment and fine 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 such personnel.

(b) any person or entity granting production loan for palay under the supervised credit program of the Government without requiring crop insurance therefor or having collected premiums from farmers, would fail to remit the same within the time and place specified in the rules and regulations of the Corporation shall, upon conviction, be punished by a fine not exceeding ten thousand pesos (P10,000.00) or imprisonment of not exceeding six (6) months, or both, at the discretion of the court.

(c) Any person or entity who shall violate any provision of this Act or any rule or regulation issued for its implementation, for which no penalty is provided, shall be deemed guilty of a penal offense and, upon conviction, be punished by a fine not exceeding five thousand pesos (5,000.00) or imprisonment of two (2) months, or both at the discretion of the court.

Whenever any violation of the provisions of this section is committed by a corporation or association, or by a government office or entity, the executive officer or officers of said corporation, association, or government office or entity who shall have knowingly permitted or failed to prevent, said violation shall be held liable as principal.

SEC. 22. Applicability of Presidential Decree No. 612, as Amended. – The provisions of the Insurance Code insofar as they are not in conflict or inconsistent with or repugnant to the provisions of this Act shall apply to the Corporation.

SEC. 23. *Term of Existence and Periodic Review.* - The Corporation's term of legal existence, which was set to last for fifty (50) years starting from the date of approval of Presidential Decree No. 1467 on June 11, 1978, shall continue and is hereby affirmed. To ensure the Corporation's continuing relevance, the PCIC Board shall undertake periodic review of the Corporation's activities and shall submit to both House 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. 24. *Separability Clause.* - If any provision or part hereof is held unconstitutional or invalid, the other provisions not affected shall remain in force and effect.

SEC. 25. *Repealing Clause.* - Presidential Decree No. 1467, Presidential Decree No. 1733, Republic Act No. 8175, and all other laws, executive orders, and other issuances or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 26. *Effectivity.* -This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,