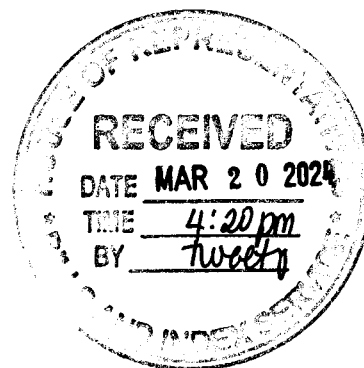


**Republic of the Philippines**  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

**NINETEENTH CONGRESS**  
Second Regular Session

**HOUSE BILL NO. 10207**



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*Introduced by Rep. Wilfrido Mark M. Enverga*

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**EXPLANATORY NOTE**

Ensuring food security and protecting our vulnerable farmers and fisherfolk remain a key objective for the Philippine government. The Philippines' agricultural landscape, climate change, and our location vis a vis weather disturbances and events make our agricultural sector increasingly vulnerable to the financial impacts of these events. As a countermeasure, the government provides financial support and protection mechanisms to increase the resilience of farmers and fisherfolk. This can be seen through several welfare and post-disaster aid programs, agriculture credit lending, and the creation of the Philippine Crop Insurance Corporation (PCIC).

Of particular note is the PCIC, initially established by Presidential Decree 1467 in 1978 with the core mandate of insuring rice production of farmers against loss, damage, and destruction caused by natural calamities, rodents, diseases, and pests. Since then, the PCIC has evolved to providing subsidized insurance to farmers and fisherfolk across the nation.

In 2021, by virtue of Executive Order No. 148, the Philippine Crop Insurance Corporation was made as an attached corporation of the Department of Finance (DOF) for policy and program coordination, and general supervision.

The PCIC Board of Directors was reorganized to ensure that the operations of the PCIC are rationalized and monitored centrally in order that government assets and resources are used effectively, and the government's exposure to all forms of liabilities including subsidies is warranted and incurred through prudent measures;

To achieve the goal of improving the PCIC, expanding its products and coverage, and ultimately providing more value to Filipino farmers and fisherfolk, the DOF has sought the assistance of multilateral development banks to conduct a stock take and assessment on the state of agricultural insurance in the Philippines and how to charter the path for its improvement.

DOF requested the World Bank to study the Philippine agricultural insurance industry. The report titled "Reforming Agricultural Insurance in the Philippines," highlighted, among others, that only  $\frac{1}{3}$  of farmers in the Philippines have been protected by agricultural insurance in the Philippines, despite the large subsidies provided by the government.

The large number of subsidies provided by the government to the PCIC and the large barriers to entry in this market have also limited private insurance companies from entering the agricultural insurance market.

Additionally, existing product offerings of the PCIC may not be the most suitable for most Filipino farmers, particularly our small farmers. To address these challenges and for government to ensure the sustainability and effectiveness of the PCIC, an amendment to the PCIC Charter is necessary.

This bill aims to strengthen the institutional, operational, and financial capabilities of the PCIC through its compliance with local insurance regulations and international best practices. It likewise aims to improve the efficiency of PCIC programs for the benefit of our vulnerable farmers and fisherfolks through targeted and innovative risk transfer programs. Finally, the bill seeks to encourage private sector collaboration through Public Private Partnerships (PPP), consultancy, or pilot insurance programs to further deepen the agricultural insurance market.

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



**WILERIDO MARK M. ENVERGA**

1 Republic of the Philippines  
2 HOUSE OF REPRESENTATIVES  
3 Quezon City

4 NINETEENTH CONGRESS  
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14 **“AN ACT STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION**  
15 **(PCIC) BY INTRODUCING A MARKET-BASED REFORM ON AGRICULTURAL**  
16 **INSURANCE, AND FOR OTHER PURPOSE”**  
17

18 SECTION 1. *Short Title.* – This Act shall be known as the “Revised Charter of the Philippine  
19 Crop Insurance Corporation”.  
20

21 SEC 2. *Declaration of Policy.* – It is hereby declared the policy of the State to provide  
22 support to agriculture through adequate financial, production, marketing, and other  
23 support services. Towards this end, the State shall:  
24

25 (a) Develop and support an adequate and sustainable agriculture risk transfer  
26 program, that is based on international best practices, actuarial valuation, and  
27 sound market-based principles, as a mechanism for managing the risks inherent  
28 in the agricultural sector.  
29

30 (b) Improve the cost-efficiency and effectivity of government support to agriculture  
31 insurance;  
32

33 (c) Enhance risk management in the agriculture and fishery sector to encourage  
34 banks, financial institutions, and registered cooperatives/associations to extend  
35 loans to farmers and fisherfolk;  
36

37 (d) Encourage the participation of the private sector in extending agriculture  
38 insurance to members of the agriculture sector; and  
39

40 (e) Strengthen the organizational and operational capability and capacity of the  
41 Philippine Crop Insurance Corporation (PCIC), necessary to provide support to  
42 implement the government’s programs to improve agricultural insurance that  
43 would benefit especially the small hold farmers.

SEC 3. *Attachment to the Department of Finance.* – The PCIC shall continue to be attached to the Department of Finance for policy and program coordination, and general supervision.

SEC 4. *Revised Purposes of the Philippine Crop Insurance Corporation.* – The Philippine Crop Insurance Corporation, hereinafter known as the Corporation, is a government-owned corporation established pursuant to Presidential Decree No. 1467, with its principal place of business in Metro Manila, shall insure the crops of qualified farmers and fisherfolk against losses arising from fortuitous natural and climatic events or outbreak of pests and diseases.

The Corporation shall design and provide suitable disaster risk transfer solutions, such as, but not limited to, indemnity or indexed based instruments that provide coverage to crops, livestock, aquaculture and fishery products, agroforestry crops, forest plantations, and non-crop agricultural assets against losses arising from fortuitous natural and climatic events or outbreak of pests and diseases.

SEC 5. *Powers.* – The Corporation shall exercise the following powers and functions:

- (a) To prescribe, repeal, and alter its own by-laws;
- (b) To adopt and use a corporate seal;
- (c) To sue and to be sued;
- (d) To have continuous succession until dissolved by law;
- (e) To determine its operating policies and to issue such rules and regulations as may be necessary to implement the agricultural insurance scheme;
- (f) To provide risk transfer solutions against losses and damages arising from fortuitous natural and climatic events or outbreak of pests and diseases for crops, livestock, fisheries, and aquaculture products;
- (g) To insure and reinsure in the Philippines, primarily with the GSIS, pursuant to RA 656 and related laws/rules/regulations/issuances, or other insurance/reinsurance companies domestic or foreign, all or any risks of the Corporation, provided that for foreign reinsurers that they have a resident agent duly certified by the Insurance Commission;
- (h) To undertake reinsurance or co-insurance agreements primarily with the GSIS pursuant to RA 656 and related laws/rules/regulations/issuances or with

reputable private sector participants in the agricultural insurance market, which are accredited by the Insurance Commission, following a selection process that evaluates their track record, capacity to underwrite agricultural risks, and performance, among others, subject to the approval of the Board;

(i) To purchase or otherwise acquire ownership and manage any and all parts of the business, property and liabilities of any person or company carrying on any business which the Corporation is authorized to carry on or possess;

(j) To acquire by purchase or otherwise acquire ownership of and/to invest in, hold, sell, or otherwise dispose of stocks or bonds or any interest in either, or any obligation or evidence of indebtedness of any corporation, domestic or foreign, or the bonds or other obligations or evidence of indebtedness, of any person firm or corporation; and as owner of such stocks, bonds or interest therein, or other obligations or evidence of indebtedness, to exercise the rights, powers and privileges of ownership, including the right to vote thereon or consent in respect thereto for any and all lawful purposes; [and]

(k) To establish branches whenever it may be expedient and necessary.

#### SEC 6. *Board of Directors*

6.1. The powers of the Corporation shall be vested in and exercised by a Board of Directors composed of seven (7) members, and made up of the following:

|                  |   |                                                     |
|------------------|---|-----------------------------------------------------|
| Chairperson      | : | Secretary, DOF                                      |
| Vice-Chairperson | : | Secretary, DA                                       |
| Members          | : | President, PCIC                                     |
|                  |   | President, LBP                                      |
|                  |   | President and General Manager, GSIS                 |
|                  |   | Representative from the private insurance industry, |
|                  |   | to be nominated by the Secretary of Finance         |
|                  |   | Representative from the subsistence farmer's sector |

The appointive directors, namely, the representative from the private insurance industry, and representative from the subsistence farmer's sector, shall be submitted to and appointed by the President of the Philippines.

6.2 The members of the Board shall have their respective duly authorized designated alternates who shall attend the meetings, and act as members of the Board in the absence or incapacity of the regular members; (PD 1467)

6.3 The Board of Directors shall meet regularly at least once 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 convoked either by the Chairman or in his absence by the Vice Chairman. In the absence of the Chairperson, the Vice Chairperson shall preside over the meeting of the Board.

SEC 7. *Powers and Functions of the Board of Directors.* – The Board shall have the following powers and functions:

- (a) Implement the provisions and purpose of this Act;
- (b) Constitute board committees to oversee the management, operations and administration of the Corporation;
- (c) Determine the rate of premium, as well as the allocated sharing thereof of farmers, fisherfolk, lending institutions, the government, and other parties;
- (d) Formulate and adopt policies and plans, and promulgate rules and regulations for the management, operation and conduct of the affairs and business of the Corporation and, for this purpose, may limit or refuse insurance in any area or on any farmer because of the risk involved, except in cases of compulsory insurance;
- (e) To expand to other insurance lines and extending coverage to other areas of agriculture in order to address 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;
- (f) Enter into, make, and execute contracts as may be necessary, or incidental to the accomplishment of the purposes of the Corporation;
- (g) Establish, as necessary, partnership with the private sector to address the needs of the different market segments;
- (h) Approve the annual budget for, and authorize such expenditures by the Corporation, as are in the interest of the effective administration and operation of the Corporation;
- (i) Establish the policies and guidelines for the employment of personnel on the basis of merit, technical competence and moral character, and approve a staffing pattern of personnel defining their powers and duties, Provided that the salaries of the officials and employees of the Corporation shall be based on the

164 compensation and position classification system established by the Governance  
165 Commission for Government-Owned and -Controlled Corporation and as  
166 approved by the President of the Philippines. provided, that the Board shall have  
167 exclusive and final authority to promote, transfer, assign or reassign personnel of  
168 the Corporation, subject to pertinent civil service laws; provided, that in no case  
169 shall there be any diminution of existing salaries, benefits and other emoluments;  
170 and

- 171  
172 (j) Exercise the general powers mentioned in Republic Act No. 11232, otherwise  
173 known as the "Revised Corporation Code of the Philippines", insofar as these are  
174 not inconsistent or incompatible with the provisions of this Act.

175  
176 SEC 8. *Management.* – The management of the Corporation shall be vested in the  
177 President of the Corporation, who shall be a person of known integrity and technical and  
178 managerial competence. The President of the Corporation shall be appointed by the  
179 President of the Philippines, and may be removed for a valid cause or any of the following  
180 reasons in accordance with the requirement of due process:

- 181  
182 (a) If he or she becomes physically or mentally incapacitated from discharging the  
183 duties and responsibilities of the office, and such incapacity has lasted for more  
184 than six (6) months;  
185  
186 (b) If he or she is guilty of acts or omissions which are of fraudulent or illegal character  
187 or which are manifestly opposed to the aims and interests of the Corporation  
188  
189 (c) If he or she no longer possesses the qualifications specified in this Act;  
190  
191 (d) If he or she does not meet the standards of performance based on the evaluation  
192 of the Governance Commission for GOCCs under the GCG Law.

193  
194 The President shall be assisted by one (1) senior vice president and three (3) vice  
195 presidents whose appointment and removal for a cause shall be approved by the Board  
196 upon the recommendation of the President of the Corporation.

197  
198 The President of the Corporation shall have the following powers and duties:

- 199  
200 (a) Execute and administer the policies, plans and rules and regulations approved and  
201 promulgated by the Board;  
202  
203 (b) Submit for the consideration of the Board such policies, plans and programs  
204 deemed necessary to carry out the provisions and purposes of this Act;  
205  
206 (c) Direct and supervise the operations and internal administration of the

Corporation and, for this purpose, to delegate some or any power and duty to subordinate officials;

(d) Recommend to the Board the appointment, promotion, transfer, assignment, reassignment, demotion, dismissal, and compensation of personnel; and

To exercise such other powers and perform such other duties as may be directed by the Board.

SEC 9. *The Different Market Segments.* – The definition of the different market segments shall be determined by the Department of Agriculture (DA) Provided, that the definition is based on internationally accepted standards and is reflective of the status of the Philippine agricultural sector. Provided, further that the definitions are crafted in consultation with relevant stakeholders and experts. Provided, finally that the definition shall be reviewed at least every three (3) years to ensure that the definition continues to be applicable.

The different market segments to be defined shall include (a) Smallhold Farmers and Fisherfolk; (b) Semi-Commercial; and (c) Commercial. Provided, that the definition and segmentation of the farming population includes at least the following criteria: (i) farm size or number of livestock held or size of the agricultural asset, (ii) commodity type, and (iii) revenue/income levels.

SEC 10. *Who Shall be Insured.* – To support the agricultural sector, the Corporation shall provide agricultural insurance products to all eligible or qualified farmers and fisherfolk as evaluated by the Corporation. Farmers and fisherfolk identified in the Registry System for Basic Sectors in Agriculture (RSBSA) shall be qualified to participate in the insurance programs of the Corporation.

The insurance shall be compulsory for farmers and fisherfolk who take out production loans for palay and other crops essential for food security, as determined by the Department of Agriculture (DA). For other crops and agricultural products, insurance coverage shall be compulsory upon all farmers obtaining production loans under the credit program of the government and optional on the part of self-financed farmers.

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The Board shall prescribe the criteria to evaluate the eligibility of the farmers, fisherfolk, and food producers, which criteria shall include the vulnerability and risk exposure of farmers, fisherfolk, and food producers to fortuitous natural and climatic events or outbreak of pests and diseases. The Board shall ensure that the covered farmers, fisherfolk, and food producers are adequately protected. The criteria shall be aligned with the objectives of the government, and based on market segments to ensure that the agricultural insurance program is sustainable. The criteria shall be reviewed by the Board every three (3) years.

SEC 11. *Products and Coverage.* – The products to be offered by the Corporation shall be designed to meet the needs of the insured parties; cost efficient; based on sound market principles and international good practices; sustainable; and not disadvantageous to the Government.

Different products shall be designed to meet the differing needs and capacities of the various market segments. Provided, that the products shall be subject to the approval of the Board, and subject to the existing laws, rules and regulations, including provisions of Republic Act No. 10607 or the Revised Insurance Code and Republic Act No. 656 or the Property Insurance Law. Provided, further that the products should not include those already provided by other existing government agencies. Provided, finally that the products shall be reviewed periodically or as the need arises to ensure their continued sustainability and applicability.

SEC 12. *Rate of Premium, Sharing, and Amount of Indemnity.* – The rate of premium for the Corporation's products, as well as the allocated sharing thereof by the farmers, fisherfolk, lending institutions, the Government of the Republic of the Philippines (herein called the Government), and other parties, shall be determined by the Board: Provided, that the determination ensures cost-efficiency and shall be based on international best practices, actuarial valuation, and on sound market-based principles. Provided further, that analytical and actuarial studies shall be conducted regularly to quantify the risk and ensure proper management and pricing of risks undertaken. Provided further, the premium share of farmer, fisherfolk, or food producer shall be affordable and reasonable.

Provided, finally that the Government shall share in the premium cost only in insurance coverage against fortuitous natural and climatic events or outbreak of pests and diseases.

The amount of indemnity shall be based on loss assessment for indemnity insurance products, subject to limits stipulated in the policy contract or as determined in the contract for non-indemnity-based programs. Provided, that the process of assessing losses is based on industry standards and international best practices. Provided further, that the assessors are duly certified by the Insurance Commission to conduct the loss assessment.

SEC 13. *Premium Subsidy.* – Any subsidies on the programs of Corporation shall be for the benefit of farmers and fisherfolk. Provided, further that the Board shall prescribe a risk based premium subsidy schedule, which shall provide the rates of subsidies on the different products for the identified sectors and segments of farmers, fisherfolk, and producers.

The schedule shall be made publicly available and distributed to the relevant stakeholders every January, following the approval of the General Appropriations Act (GAA).

Yearly projections of the premium subsidy shall be submitted to the Board, and upon their approval shall be proposed to the Development Budget Coordination Committee (DBCC) for inclusion in the Government's budgetary appropriations. Provided, that the projections are based on actuarial valuation and sound market assessment. Provided, further that the amount of subsidy to be provided will not impair the fiscal capacity of the National Government.

SEC 14. *Settlement of Claims.* – The settlement of any and all claims against the Corporation shall be based on the following principles and guidelines:

- (a) The settlement shall be done promptly, efficiently, and judiciously;
- (b) The assessment shall be based on international standards and best practices, and sound market principles;
- (c) The assessment shall be actuarially sound;
- (d) The assessment shall be done by a qualified and authorized claims adjuster duly certified by the Insurance Commission with the relevant expertise and competence on the claim to be assessed; and
- (e) The settlement procedures, including timelines, shall be done in accordance with the prescribed rules in the Insurance Code, or as prescribed by the Board, and consistent with the Citizen's Charter.

The guidelines on the claims processing, including timelines and key activities, shall be duly published by the Corporation and made publicly available. The guidelines shall be reviewed every three (3) years or as need the arises depending on the urgency of the review.

SEC 15. *Role of Private Sector.* - To enable the active participation of the private sector in agricultural insurance, the Corporation may:

- (a) Establish public-private partnerships;
- (b) Enter into a joint venture;
- (c) Consult with the private sector in product design and development, marketing, underwriting, and claims settlement;
- (d) Enter into pilot agricultural coinsurance programs under the IC Advisory 2021-09, Guidelines on the Adoption of a Regulatory Sandbox Framework for Piloting Agriculture Insurance.

SEC 16. *Risk Management.* - The Corporation shall ensure its risks are properly and adequately managed in all areas of its business. This shall include:

- (a) Retention – The Corporation is directed to abide by the rules set by the Insurance Commission (IC) as regards the maximum retention based on the Corporation's net worth;
- (b) Reinsurance – In order to spread the risk of the Corporation, the PCIC is directed to seek reinsurance protection whenever it may be available, primarily with the GSIS pursuant to R.A. No. 656 and related laws/rules/regulations/issuances, to transfer the risks above the capacity of the Corporation, in accordance with rules and regulations of the IC;
- (c) Solvency – The Corporation is directed to comply with the general requirements of the IC on solvency.
- (d) Operations – The Corporation is directed to abide by the legal and regulatory operations requirements as well as international standards, especially with regard to data, pricing, risk assessment, product design, and insurance education, among others.
- (e) Investment – The funds of the Corporation which are not needed to meet the current obligations may be invested under such terms and conditions and rules and regulations as may be prescribed by the Board: Provided, that investments shall satisfy the requirements of liquidity, safety/security and yield in order to ensure the actuarial solvency of the funds of the Corporation.

SEC 17. *Capital Stock.* The authorized capital stock of the Corporation is Two billion pesos (P2,000,000,000.00) divided into Fifteen million (15,000,000.00) common shares with a par value of One hundred pesos (P100) each share, which shall be fully subscribed by the Government; and Five million (5,000,000.00) preferred shares with a par value of One hundred pesos (P100) per share, which shall have the features as provided in Sections 17 (a), (b), (c), (d), (e), (f) and (g) hereof and shall be issued in accordance with the provisions of Section 17 (h) hereof.

The paid-in capital of the Corporation upon its organization shall be TWO HUNDRED FIFTY MILLION PESOS (P250,000,000.00), and shall be appropriated and paid in as follows:

- (a) ONE HUNDRED FIFTY MILLION PESOS (P150,000,000) to be subscribed and paid in by the Government out of the net assets transferred from the Agricultural Guarantee Funds as provided in Section 7 hereof: Provided, That the amount by

which the net assets exceed ONE HUNDRED FIFTY MILLION PESOS (P150,000,000) shall be considered contributed surplus and treated as such on the books of the Corporation;

- (b) An additional ONE HUNDRED MILLION PESOS (P100,000,000) to be likewise subscribed and paid in by the Government out of funds of the National Treasury not otherwise appropriated.

The additional common capital stock of One billion pesos (P1,000,000.000) shall be fully subscribed by the Government and the necessary funds shall be appropriated by Congress unless otherwise provided by existing laws: Provided, That Congress shall provide, on an annual basis, at least fifty percent (50%) of the needed capital until the authorized capital stock is fully paid up.

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 liquidation of the Corporation. They shall have the following specific features:

- (a) Preferred as to dividends at a minimum of six per cent (6%);
- (b) Cumulative;
- (c) Participating;
- (d) Non-voting;
- (e) Dividends thereon shall be exempt from income tax;
- (f) 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;
- (g) Transferable; and
- (h) The preferred shares may be available for sale or to subscription by the general public.

The additional common capital stock shall not be used, in any case, to expand the present manpower of the Corporation.

SEC 18. *Commission on Audit.* – The Chairperson of the Commission on Audit shall be the ex officio auditor of the Corporation.

SEC 19. *Legal Counsel.* – The Corporation shall have its own Legal Department, the head of which shall be appointed by the Board of Directors.

SEC 20. *Oversight of the Insurance Commission.* – Pursuant to Section 253 of Republic Act No. 10607 or the Insurance Code, the IC shall conduct an examination into the affairs, financial condition, and method of business of the corporation annually, or as often as may be directed by the Insurance Commissioner or the Secretary of Finance. The results of such examination shall be submitted by the IC to the DOF.

Provided, further that the Corporation, as an entity engaged in the insurance business, shall be under the oversight of the IC. As such, the provisions of Republic Act No. 10607 otherwise known as the Revised Insurance Code, or hereafter any succeeding amendments to the Insurance Code, and the Insurance Commission's issuances shall apply to the Corporation, particularly on matters of underwriting, claims settlement, reinsurance, reserves, business operations and investment, insofar as they are not inconsistent with this Charter

SEC 21. *Term of Existence.* – The Corporation's term of legal existence shall be extended for another fifty (50) years, commencing on the date of the effectivity of this Act.

SEC 22. *Implementing Rules and Regulations.* – The Board shall promulgate the necessary rules and regulations to implement this Act not later than 30 days after its effectivity.

SEC 23. *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 24. *Repealing Clause.* – Presidential Decree No. 1467, as amended by Presidential Decree No. 1733 and Republic Act No. 8175, are hereby repealed. All other laws, executive orders, and other issuances or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC 25. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.