

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 3537



Introduced by REP. FAUSTINO 'BOJIE' G. DY III

EXPLANATORY NOTE

Agriculture remains as the sole source of income and employment for many Filipinos. It is also the sector most vulnerable to the worsening climate crisis. Therefore, it justifies the active role of the State to create interventions that can improve the existing livelihoods of farmers.

The government has been implementing agricultural programs to secure livelihoods and boost agricultural production through social safety net initiatives such as price stabilization measures, typhoon and drought relief, livestock and input subsidies as well as subsidized crop insurance schemes.

Crop insurance schemes have a crucial risk management role in insuring crops against loss and damage inherent to the industry, in stabilizing farmer incomes, and in mitigating risks in order to safeguard the precious capital of Filipino farmers. In 1978, the government laid the foundation for the creation of the Philippine Crop Insurance Corporation (PCIC) as the implementing agency of the State's agricultural insurance program.

The PCIC's principal mandate is to provide insurance protection to farmers and fisherfolks against losses arising from natural calamities, plant diseases and pest infestations of their crops. However, the PCIC has oftentimes failed to adequately protect subsistence farmers and fisherfolk from the effects of calamities — often paying far less than the actual value of the projected harvest.

Hence, this Bill which has the following key provisions:

- a. Augments the financial capacity of PCIC in order to provide a more extensive insurance coverage for palay and corn crops, high-value commercial crops, livestock, aquaculture and fishery products, 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 subsistence farmers and fisherfolk;
- b. Authorizes PCIC to 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 projects;
 - c. Increases the capital stock of PCIC to P10 Billion to be subscribed by the national government, the Land Bank of the Philippines (LBP) and the general public;
 - d. Mandates that ten percent (10%) of the net earnings of the Philippine Charity Sweepstakes Office from its lotto operation shall be earmarked for the Crop Insurance Program.

By improving the PCIC, we give better protection to the farmers and farming families it is meant to serve.

In view of the foregoing, the immediate passage of this bill in the 20th Congress is earnestly sought.


FAUSTINO 'BOJIE' G. DY III

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 3537

Introduced by REP. FAUSTINO ‘BOJIE’ G. DY III

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

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

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

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

- a. Ensure food security, intensify food production, promote agricultural credit, and broaden the coverage of mandatory crop insurance amidst the recurrence of disasters and calamities, natural or otherwise, such as floods, typhoons, heavy rains, and drought that destroy crops, especially palay and other grains and crops necessary for food security;
- b. Alleviate the financial burden of farmers and fisherfolk due to uncompensated losses arising from destruction of crops wrought by disasters and calamities; keep them away from indebtedness; enhance their credit standing; and provide additional government support to farmers and fisherfolk to increase agricultural production;
- c. Assist banks and financial institutions by enhancing their capabilities to extend loans to farmers; and
- d. Strengthen the organizational capability and expand the coverage of the

Philippine Crop Insurance Corporation (PCIC), to provide insurance protection to farmers and fisherfolk against losses arising from natural calamities, fortuitous events, plant and fish diseases, and pest infestations.

SECTION 3. Expanded Purposes and Coverage of the PCIC. – The Philippine Crop Insurance Corporation (PCIC), a government-owned corporation established pursuant to Presidential Decree No. 1467, with its principal place of business in Metro Manila, shall insure qualified farmers and fisherfolk against losses arising from natural calamities, fortuitous events, plant and fish diseases, and pest infestations.

The PCIC shall provide insurance coverage for palay and corn crops, high-value commercial crops, livestock, aquaculture and fishery products, 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 labor of the farmers or fisherfolk, and members of their households including the value of the labor of hired workers, and a portion of the projected value of the crops. Such insurance protection, however, shall exclude losses arising from avoidable risks 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 PCIC 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 projects. 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.

SECTION 4. Powers. – The PCIC shall continue to exercise the following powers and functions:

- a. To prescribe, repeal, and amend its own by-laws;
- b. To adopt and use a corporate seal;
- c. To sue and 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 crop insurance scheme;
- f. To insure the crops of farmers and fishpond, seaweed, oyster, or mussel farm of fisherfolk against losses, damages and destruction caused by rodents, vermin, diseases, insects, and other pests and natural calamities such as typhoons, floods, droughts, earthquakes, volcanic eruptions; and to carry on any business necessary, related to and expedient for the above purpose;
- g. To insure in the Philippines or abroad, all or any risk of the PCIC;
- h. 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 PCIC is authorized to carry on or possess;
- i. 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 any obligation 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;
 - j. To purchase or otherwise acquire, sell, lease, convey, mortgage, encumber, or otherwise deal with any property, real or personal, or any interest therein; extend credit on the security of real estate or movable property; exercise easement right or privilege over or in respect to any property, real or personal, as may be permitted by law and as may be reasonable or necessary to carry out the purposes for which the PCIC is formed or as may or hereafter be permitted by law;
 - k. To establish branches whenever it may be expedient and necessary; and
 - l. To generate internal funds by floating bonds, expanding the PCIC'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 the 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 PCIC as are incidental or conducive to the attainment of the objectives of the PCIC.

SECTION 5. Who Shall Be Insured. – It shall be compulsory for farmers to take out insurance for palay and other crops essential for food security, as determined by the Department of Agriculture (DA). For other crops, insurance coverage shall be compulsory upon all farmers obtaining production loans under the supervised credit program of the government and optional on the part of self-financed farmers: Provided, That they agree to place themselves under the supervision of agricultural production technicians.

As used in this Act, the term *supervised credit program* refers to the production credit program wherein the farmer who obtains production loans agrees in writing to apply proven farm practices necessary to conserve the land, improve its fertility and increase its production, and abide by the approved farm plan and budget jointly prepared by such farmer and the duly accredited supervised credit technician.

The term *supervision of agricultural production technician* refers to the supervision, pursuant to Presidential Decree No. 409, dated March 11, 1974, undertaken by agricultural production technicians who are duly accredited by the appropriate government agencies concerned, as required under the supervised credit program of the government.

SECTION 6. Rate of Premium, Sharing, and Amount of Indemnity. – The rate of premium, as well as the allocated sharing thereof of farmers, fisherfolk, lending institutions, the government of the Republic of the Philippines, hereinafter referred to as the Government, and other parties, shall be determined by the Board of Directors of the PCIC, hereinafter referred to as the Board: Provided, That the share of the Government in the premium cost in the form of premium subsidy shall be limited to subsistence farmers and fisherfolk: Provided, however, That each of these subsistence farmers is cultivating not more than seven (7) hectares of farmland and each fisherfolk 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: 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 risks such as typhoons, droughts, rainfall, or outbreaks of pests or diseases; Provided, finally, That premium subsidy or insurance benefits shall, upon the accumulation of surplus funds, be increased to such amount as may be determined by the Board.

The amount of indemnity shall be determined by the Board, which shall take into account the value of the potential harvest of crops at the ripening stage, 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.

SECTION 7. Premium Subsidy. –

(a) The required government premium subsidy, as determined by the Board 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 bases, depending upon the actual amount of insurance underwritten by the PCIC. For this purpose, the PCIC shall bill the Government the sum of money corresponding to the computed amount of subsidy;

(b) Yearly projections of the premium subsidy shall be submitted by the PCIC to the President of the Philippines, and upon approval, shall be included in the government's budgetary appropriation;

(c) Calamity funds earmarked by the government shall include a certain percentage for crop insurance and shall be released to and administered by the PCIC;

(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 PCIC every six (6) months until the amount of government subscription is fully paid.

SECTION 8. Capital Stock. –

(a) The authorized capital stock of the PCIC is Ten billion (P10,000,000,000.00) pesos, divided into seventy-five million (75,000,000) common shares with par value of One hundred (P100) pesos per share, which shall be fully subscribed by the government, and twenty-five million (25,000,000) preferred shares with a par value of

One hundred (P100) pesos per share;

(b) The common capital stock of One billion five hundred million (P1,500,000,000.00) pesos having been fully paid to the PCIC, the balance of Six billion (P6,000,000,000.00) pesos to be subscribed by the government shall be appropriated annually by Congress.

(c) The preferred shares shall be given priority over common shares in the declaration of dividends and in the distribution of assets in the event of liquidation of the PCIC. Preferred shares shall have the following specific features:

- i. As to dividends, they shall be entitled to a minimum interest rate of one and half percent (1.5%) or the prevailing 360-day Treasury bill rate at the time of declaration of dividends, whichever is higher;
- ii. They shall be cumulative, non-participating, and nonvoting;
- iii. The dividends thereon shall be exempt from income tax;
- iv. They shall be redeemable at the option of the PCIC at the prevailing book value but in no case less than par after five (5) years from issuance thereof; and
- v. They shall be transferable.

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

SECTION 9. Reserve Fund for Catastrophic Losses. – A State Reserve Fund, herein referred to as the Fund, for catastrophic losses in the amount of Five hundred million (P500,000,000.00) pesos shall be created exclusively to answer for the proportion of all losses in excess of risk or pure premium under the PCIC's Crop Insurance Program for small farmers and fisherfolk. 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 PCIC's Board. Such sum as may be necessary for the purpose shall be funded by the 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 of the President of the Philippines.

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

SECTION 11. Board of Directors. – The powers of the PCIC shall be vested in and exercised by its Board of Directors, composed of seven (7) members as follows:

1. President of the LANDBANK;
2. President of the PCIC;
3. Secretary of the Department of Agriculture (DA);
4. Representative from the private insurance industry to be nominated by the Secretary of Finance; and
5. Three (3) representatives from the subsistence farmers' sector, preferably

representing agrarian reform beneficiaries, cooperatives, or associations coming from Luzon, Visayas, and Mindanao, who shall be selected and nominated by the different farmers' organizations 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 Chairperson of the Board shall be appointed by the President of the Philippines from among the members of the Board. The President of the PCIC shall also be appointed by the President of the Philippines and shall be the ex officio Vice Chairperson who shall assist and act as Chairperson in case of the latter's absence or incapacity.

In case of absence or incapacity of both the Chairperson and Vice Chairperson, the Board shall designate a temporary Chair from among its members. Except for the President of the LANDBANK and the Secretary of the DA, all members of the Board, including the President of the PCIC, shall be appointed by the President of the Philippines within a reasonable period of time after the approval of this Act.

The members of the Board may designate their respective alternates who shall attend the meetings in their absence or incapacity. The Board shall meet regularly at least twice a month or as often as the exigencies of the PCIC'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. In the absence of the Chairperson, the Vice Chairperson shall preside over the meeting of the Board.

The Chairperson and the members of the Board shall each receive per diem pursuant to existing law for each meeting of the Board actually attended: Provided, That in the case of the representatives of the subsistence farmers' sector, the Board is authorized to provide funds to defray the cost of reasonable travel expenses and, if necessary, subsistence expenses in addition to per diem.

SECTION 12. 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. Determine the rate of premium, as well as the allocated sharing thereof of farmers, fisherfolk, lending institutions, the Government, and other parties;
- c. Formulate and adopt policies and plans, and promulgate rules and regulations for the management, operation and conduct of the affairs and business of the PCIC 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 and other crops essential for food security: Provided, That such coverage on other crops shall be approved by the President of the Philippines;
- d. Borrow funds from local and international financing sources or institutions 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 PCIC's goals and objectives;
- e. Enter into, make, and execute contracts of any kind or nature as may be necessary or incidental to the accomplishment of the purposes of the PCIC;
 - f. Approve the budget of the PCIC and 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 the PCIC: Provided further, That these personnel actions are deemed made in the interest of the service and not disciplinary in nature or purpose;
 - g. 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; and
 - h. Exercise the general powers mentioned in Republic Act No. 11232, otherwise known as the "Revised Corporation Code of the Philippines", insofar as these are not inconsistent or incompatible with the provisions of this Act.

SECTION 13. Management. – The management of the PCIC shall be vested in its President, who shall be a person of known integrity and technical and managerial competence. There shall also be Vice Presidents as the Board may decide, to be appointed by the Board. The President of the PCIC shall have the following powers and duties:

- a. Execute and administer the policies, plans and rules and regulations approved and promulgated by the Board;
- b. Submit for the consideration of the Board such policies, plans and programs deemed necessary to carry out the provisions and purposes of this Act;
- c. Direct and supervise the operations and internal administration of the PCIC 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
- e. To exercise such other powers and perform such other duties as may be directed by the Board.

SECTION 14. Settlement of Claims. –

(a) Claims for indemnity against the PCIC shall be settled by the PCIC's regional manager concerned or the appropriate officer to whom the function is delegated. However, if in the opinion of the regional manager the claim is novel, difficult, or controversial, the matter may be elevated by the regional manager to the President of the PCIC for decision;

(b) The claimant aggrieved by the decision of the regional manager may, within thirty (30) days from receipt of the decision, request for reconsideration

thereof, and if not satisfied therewith, elevate the matter to the President of the PCIC;

(c) Any party aggrieved by a decision, order, or ruling of the President of the PCIC may appeal said decision, order, or ruling to the Board;

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

SECTION 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 benefit of at least ten percent (10%) of premium share paid for said crop seasons, to be deposited in a trust fund to be managed by the PCIC. 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.

SECTION 16. Commission on Audit. – The Chairperson of the Commission on Audit shall be the ex-officio auditor of the PCIC.

SECTION 17. Legal Counsel. – The PCIC shall have its own Legal Department, the head and members of which shall be appointed by the Board.

SECTION 18. Interagency Linkages. –

(a) To support and promote the objectives of the PCIC, 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 PCIC, shall act as its cooperating agencies and, for this purpose, are hereby directed to harmonize their policies, programs, rules, and regulations with the objectives of the PCIC.

(b) All lending institutions granting production loans for palay, corn, and other crops under the supervised credit program of the government shall automatically act as underwriters for and on behalf of the PCIC. 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 in the manner and within such period as the PCIC may prescribe.

SECTION 19. Utilization of Profits. - The profits of the PCIC shall be determined on a calendar year basis and the manner of its distribution shall be determined by law.

SECTION 20. Tax Subsidy. – The PCIC may avail of the Tax Expenditure subsidy administered by the Fiscal Incentives Review Board (FIRB), subject to the provisions of Title XIII (Tax Incentives) of the National Internal Revenue Code of 1997, as amended, Executive Order No. 93, as amended and the annual General Appropriations Act: Provided, That persons or other entities transacting business with the PCIC shall pay the applicable taxes.

SECTION 21. Penal Provisions. –

(a) The claimant or any person who, through malfeasance or misfeasance or nonfeasance, allows a spurious claim to be paid, including that of the claimant, 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 (P100,000.00) pesos but not more than Six hundred thousand (P600,000.00) pesos, or both imprisonment and fine, at the discretion of the Court. The PCIC's 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 PCIC shall, upon conviction, be punished by a fine not exceeding Ten thousand (P10,000.00) pesos or imprisonment not exceeding six (6) months or both, at the discretion of the Court;

(c) Any person 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 (P5,000.00) pesos 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 liable as principal.

SECTION 22. Applicability of Presidential Decree (PD) No. 612, as Amended. –

The provisions of Presidential Decree No. 612, as amended, otherwise known as the "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 PCIC.

SECTION 23. Term of Existence and Periodic Review. – The PCIC'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 PCIC's continuing relevance, the Board shall undertake periodic reviews of the PCIC's activities and shall submit to both houses of Congress, at least once a year, a report which shall include a recommendation for improving its services to the target sectors and the financial viability of the PCIC.

SECTION 24. Transitory Provisions. – The members of the Board representing the private insurance industry and the three (3) representatives from the farmers' sector shall, in an interim capacity, continue to exercise their powers and functions as part of the Board and carry out the provisions of this Act without need to be issued new appointments until a new Board is constituted and organized.

To prevent disruption in the delivery of services, the PCIC shall, pending the

full implementation of this Act, continue to operate and provide services to its clients and all its officials and employees shall continue to perform their duties and functions and receive their corresponding salaries and benefits. The approval of this Act shall not cause any demotion in rank or diminution of salary, benefits, and other privileges of the incumbent personnel of the PCIC: Provided, That qualified officers and employees may voluntarily elect for retirement or separation from service and shall be entitled to benefits under existing laws.

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

SECTION 26. Repealing Clause. – Presidential Decree No. 1467, as amended by Presidential Decree No. 1733 and Republic Act No. 8175, is hereby repealed. All other laws, executive orders, and other issuances or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 27. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,