

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 5543



Introduced by:

HON. CHRISTOPHERSON "COCO" M. YAP

EXPLANATORY NOTE

"Agriculture is the most healthful, most useful, and most noble employment of man"
-GEORGE WASHINGTON

The Philippine Crop Insurance Corporation (PCIC) stands as a vital yet often underappreciated pillar of support for the country's farmers and fisherfolk, especially in times when natural and man-made calamities threaten our food security. Established in 1978 by virtue of Presidential Decree No. 1467, as amended by Presidential Decree No. 1733 and further strengthened by Republic Act No. 8175, the PCIC is mandated to implement the government's agricultural insurance program. Its primary objective is to protect farmers from devastating losses arising from natural disasters, plant diseases, and pest infestations, initially focusing on palay and corn, but with the authority to expand coverage to other crops and agricultural assets.

Despite its crucial role, the PCIC's capacity and reach have not always kept pace with the evolving risks and needs of the agricultural sector. Over the years, various legislative initiatives have sought to enhance the PCIC's mandate, including the introduction of weather index-based insurance and the expansion of coverage to high-value crops, livestock, aquaculture, agroforestry, and even the assets and facilities essential to agri-fishery-forestry operations.

This bill seeks to further strengthen the PCIC by authorizing it to provide comprehensive insurance protection not only to farmers of palay and corn, but also to those engaged in high-value commercial crops, livestock, aquaculture and fishery products, agroforestry crops, and forest plantations. It likewise extends coverage to non-crop agricultural assets such as machinery, equipment, transport facilities, and related infrastructure, as well as life and accident term insurance for farmers and fisherfolk. The bill also empowers the PCIC to insure government

properties and facilities used in agri-fishery-forestry projects, and to provide reinsurance for agri-fishery-forestry properties underwritten by private and government insurance companies. To enable the PCIC to fulfill this expanded mandate, the bill proposes to increase its authorized capital stock from two billion pesos (P2 billion) to ten billion pesos (P10 billion).

Given the increasing uncertainties faced by the agriculture and fisheries sectors—ranging from the high cost of imported inputs to the growing impact of climate change—strengthening the PCIC’s capacity to provide timely and adequate insurance coverage is both urgent and necessary. This measure aims to ensure that our farmers and fisherfolk are better protected, more resilient, and empowered to continue their indispensable role in securing the nation’s food supply.

In view of the foregoing, **ug sa ngalan sa SERBISYONG TINUORAY**, the undersigned respectfully requests the immediate passage of this measure.


CHRISTOPHERSON “COCO” M. YAP
Representative, Second District of Southern Leyte

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AN ACT
STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION,
REPEALING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1467, AS
AMENDED, OTHERWISE KNOWN AS THE “CHARTER OF THE PHILIPPINE
CROP INSURANCE CORPORATION,” 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 the policy of the State to support agriculture through adequate financial, production, marketing, and other support services. To this end, the State shall: (a) Ensure food security, intensify food production, promote agricultural credit, and broaden the coverage of mandatory crop insurance in light of recurring disasters and calamities, whether natural or otherwise, that destroy crops essential for food security; (b) Alleviate the financial burden of farmers and fisherfolk arising from uncompensated losses due to disasters and calamities, enhance their credit standing, and provide additional government support to increase agricultural production; (c) Assist banks and financial institutions in extending credit to farmers and fisherfolk; and (d) Strengthen the organizational capability and expand the coverage of the Philippine Crop Insurance Corporation (PCIC) to provide insurance protection against losses arising from natural calamities, fortuitous events, plant and fish diseases, and pest infestations.

SECTION 3. Expanded Purpose and Coverage. — The PCIC, a government-owned and controlled corporation established under Presidential Decree No. 1467, as amended, 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, corn, high-value commercial crops, livestock, aquaculture and fishery products, agroforestry crops, and forest plantations; non-crop agricultural assets such as machinery, equipment, transport facilities, and related infrastructure; and life and accident term insurance for farmers and fisherfolk. Such insurance shall cover the cost of production inputs, the value of labor of the insured and their household members, the value of hired labor, and a portion of the projected value of the crops, as determined by the Board of Directors. Losses arising from avoidable risks due to negligence, malfeasance, or fraud by the insured or their agents, or failure to follow proven farm practices, shall be excluded.

The PCIC may also insure properties and facilities owned or used by government agencies in agri-fishery-forestry projects, provide reinsurance coverage to agri-fishery-forestry properties underwritten by private and government insurance companies, and offer weather index-based insurance and reinsurance for eligible agricultural products.

SECTION 4. Powers and Functions. — The PCIC shall have the following powers and functions: (a) To prescribe, repeal, and amend its by-laws; (b) To adopt and use a corporate seal; (c) To sue and be sued; (d) To have perpetual succession unless dissolved by law; (e) To determine operating policies and issue rules and regulations necessary to implement the crop insurance scheme; (f) To insure crops, livestock, aquaculture, and related assets against losses from pests, diseases, and natural calamities, and to engage in related business activities; (g) To insure, in the Philippines or abroad, any risk of the PCIC; (h) To acquire, own, manage, or dispose of business, property, and liabilities of any entity engaged in similar business; (i) To invest in, hold, sell, or otherwise deal with stocks, bonds, or other obligations of any corporation or entity, domestic or foreign; (j) To acquire, sell, lease, convey, mortgage, or otherwise deal with real or personal property as may be necessary to carry out its purposes; (k) To establish branches as may be necessary; and (l) To generate internal funds by floating bonds, expanding insurance lines, and extending coverage to other agricultural sectors, and to perform all acts necessary or incidental to the attainment of its objectives.

SECTION 5. Compulsory and Optional Insurance. — Insurance for palay and other crops essential for food security, as determined by the Department of Agriculture (DA), shall be compulsory for all farmers. For other crops, insurance shall be compulsory for farmers obtaining production loans under the government's supervised credit program, and optional for self-financed farmers who agree to supervision by accredited agricultural production technicians.

“Supervised credit program” refers to a production credit program wherein the farmer agrees in writing to apply proven farm practices and abide by an approved farm plan and budget, jointly prepared with an accredited technician.

SECTION 6. Premium Rates, Sharing, and Indemnity. — The rate of premium and its allocation among farmers, fisherfolk, lending institutions, the Government, and other parties shall be determined by the PCIC Board. The Government’s share in the premium, as a subsidy, shall be limited to subsistence farmers and fisherfolk cultivating not more than seven (7) hectares of farmland or five (5) hectares of fishpond, seaweed, oyster, or mussel farm, as determined by the Board. The premium share of subsistence farmers and fisherfolk shall be reasonably affordable. The Government shall subsidize only insurance coverage against unforeseen and unavoidable risks. The amount of indemnity shall be determined by the Board, taking into account the value of potential harvest, actual cost of production inputs, pro-rated cost of harvested crops, salvage value, and percentage of yield loss.

SECTION 7. Premium Subsidy. — (a) The required government premium subsidy, as determined by the Board and approved by the President, shall be deemed appropriated from the National Treasury and released as needed based on actual insurance underwritten; (b) Yearly projections of the premium subsidy shall be submitted by the PCIC to the President for inclusion in the national budget; (c) Calamity funds earmarked by the government shall include a percentage for crop insurance, to be released to and administered by the PCIC; (d) Ten percent (10%) of the net earnings of the Philippine Charity Sweepstakes Office (PCSO) from lotto operations shall be earmarked for the Crop Insurance Program and remitted to the PCIC every six (6) months until the government subscription is fully paid.

SECTION 8. Capitalization. — (a) The authorized capital stock of the PCIC shall be Ten Billion Pesos (P10,000,000,000.00), divided into seventy-five million (75,000,000) common shares at One Hundred Pesos (P100.00) per share, fully subscribed by the government, and twenty-five million (25,000,000) preferred shares at One Hundred Pesos (P100.00) per share; (b) The balance of the common capital stock, after the initial subscription, shall be appropriated annually by Congress; (c) Preferred shares shall have priority in dividends and liquidation, be cumulative, non-participating, non-voting, tax-exempt, redeemable after five (5) years, and 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; the remainder may be offered to the public.

SECTION 9. State Reserve Fund for Catastrophic Losses. — A State Reserve Fund of Five Hundred Million Pesos (P500,000,000.00) shall be created to cover

catastrophic losses under the PCIC's Crop Insurance Program for small farmers and fisherfolk. The Fund may be increased with presidential approval and shall be administered by a government financial institution designated by the PCIC Board. The mechanics of claims and liability shall be determined jointly with the administering institution, subject to presidential approval.

SECTION 10. Reinsurance. — The PCIC is authorized to seek reinsurance protection as may be available to spread its risk.

SECTION 11. Board of Directors. — The powers of the PCIC shall be vested in a Board of Directors composed of:

1. The President of the Land Bank of the Philippines;
2. The President of the PCIC;
3. The Secretary of Agriculture;
4. A representative from the private insurance industry, nominated by the Secretary of Finance; and
5. Three (3) representatives from the subsistence farmers' sector, preferably representing agrarian reform beneficiaries, cooperatives, or associations from Luzon, Visayas, and Mindanao, nominated by farmers' organizations.

The Chairperson and the President of the PCIC shall be appointed by the President of the Philippines. The Board shall meet at least twice a month, with a quorum of five (5) members. Per diems and reasonable expenses for farmer representatives shall be provided.

SECTION 12. Powers and Functions of the Board. — The Board shall: (a) Implement this Act; (b) Determine premium rates and sharing; (c) Formulate policies and plans, and promulgate rules and regulations for PCIC management and operations; (d) Borrow funds and issue bonds up to five (5) times the value of its authorized capital stock; (e) Enter into contracts necessary for PCIC operations; (f) Approve the budget and fix personnel compensation, with exclusive authority over personnel actions not disciplinary in nature; (g) Establish employment policies based on merit and competence, and approve the staffing pattern; and (h) Exercise general corporate powers under the Revised Corporation Code, insofar as not inconsistent with this Act.

SECTION 13. Management. — The President of the PCIC, appointed by the President of the Philippines, shall manage the PCIC, assisted by Vice Presidents as determined by the Board. The President shall: (a) Administer policies and rules approved by the Board; (b) Submit policies and programs for Board consideration; (c) Direct and supervise operations and administration, delegating as necessary; (d) Recommend personnel actions to the Board; and (e) Perform other duties as directed by the Board.

SECTION 14. Settlement of Claims. — (a) Claims for indemnity shall be settled by the designated regional manager or officer. Novel, difficult, or controversial claims may be elevated to the President of the PCIC; (b) Aggrieved claimants may request reconsideration within thirty (30) days, and further appeal to the President and then to the Board; (c) Claims not acted upon within sixty (60) days from submission of complete documents shall be deemed approved.

SECTION 15. No-Claim Benefits. — Any insured farmer or fisherfolk who has not filed any claim during the immediately preceding three (3) crop or harvest seasons shall be entitled to a no-claim benefit of at least ten percent (10%) of the premium share paid, to be deposited in a trust fund for premium rebates or credits 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, with personnel appointed by the Board.

SECTION 18. Interagency Linkages. — (a) All government agencies, lending institutions, and other entities engaged in supervised credit programs for farmers and fisherfolk shall act as cooperating agencies and harmonize their policies with the objectives of the PCIC; (b) Lending institutions granting production loans under the supervised credit program shall act as underwriters for the PCIC, process applications, collect premiums, and remit them as prescribed by the PCIC.

SECTION 19. Utilization of Profits. — The profits of the PCIC shall be determined on a calendar year basis, and their distribution shall be as provided by law.

SECTION 20. Tax Subsidy. — The PCIC may avail of the Tax Expenditure Subsidy administered by the Fiscal Incentives Review Board, subject to the National Internal Revenue Code and the General Appropriations Act. Entities transacting with the PCIC shall pay applicable taxes.

SECTION 21. Penal Provisions. — (a) Any person who, through malfeasance, misfeasance, or nonfeasance, allows a spurious claim to be paid, including 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 Pesos (P100,000.00) but not more than Six Hundred Thousand Pesos (P600,000.00), or both, at the court's discretion. PCIC personnel involved shall also be dismissed and forfeit all privileges and benefits; (b) Any person or entity granting production loans without requiring crop insurance, or

failing to remit collected premiums, shall be punished by a fine not exceeding Ten Thousand Pesos (P10,000.00) or imprisonment not exceeding six (6) months, or both; (c) Any other violation of this Act or its implementing rules, for which no penalty is provided, shall be punished by a fine not exceeding Five Thousand Pesos (P5,000.00) or imprisonment of up to two (2) months, or both. If committed by a corporation or government entity, responsible officers shall be liable as principals.

SECTION 22. Applicability of the Insurance Code. — The provisions of Presidential Decree No. 612, as amended, otherwise known as the “Insurance Code,” shall apply to the PCIC insofar as not inconsistent with this Act.

SECTION 23. Term of Existence and Periodic Review. — The PCIC’s term of existence, originally set at fifty (50) years from June 11, 1978, is hereby affirmed and shall continue. The Board shall conduct periodic reviews and submit annual reports to Congress, including recommendations for improving services and financial viability.

SECTION 24. Transitory Provisions. — Incumbent Board members representing the private insurance industry and the farmers’ sector shall continue in an interim capacity until a new Board is constituted. The PCIC shall continue operations and personnel shall retain their positions, salaries, and benefits, subject to voluntary retirement or separation under existing laws.

SECTION 25. Separability Clause. — If any provision of this Act is declared unconstitutional or invalid, the remaining provisions shall remain in full force and effect.

SECTION 26. Repealing Clause. — Presidential Decree No. 1467, as amended by Presidential Decree No. 1733 and Republic Act No. 8175, and all other laws, executive orders, and issuances 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,