

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 5977



Introduced by **HON. MIGUEL LUIS R. VILLAFUERTE, HON. VINCENZO RENATO LUIGI R. VILLAFUERTE, HON. TSUYOSHI ANTHONY G. HORIBATA, AND HON. TERRY L. RIDON**

EXPLANATORY NOTE

The agriculture sector is a vital pillar of the Philippine economy, significantly contributing to the country's Gross Domestic Product (GDP). The sector accounted for 10% of GDP and employed approximately 23% of the labor force, as reported by the Asian School of Business, citing data from the Philippine Statistics Authority, making it crucial for our nation's food security and livelihood, especially in rural areas.¹

However, as one of the most disaster-prone countries in the world, the Philippines' agriculture sector continually bears the brunt of climate-related disasters. This reality underscores the urgent need for a stronger, more responsive crop insurance system. A report by the Department of Agriculture dated July 25, 2025 revealed that agricultural losses caused by tropical storms Crising, Dante, and Emong, and monsoon rains reached P1.12 billion, with more than half of the damage sustained by rice farms. An estimated 45,408 farmers and fisherfolk have been severely affected, highlighting the inadequacy of existing risk protection mechanisms for farmers.²

Currently, the Philippine Crop Insurance Corporation (PCIC), a government-owned and -controlled corporation attached to the DA is mandated to provide insurance protection to the country's agricultural producers, especially subsistence farmers and fisherfolk. It covers losses from natural calamities, plant diseases, and pest infestations, as well as damage to non-crop agricultural assets. However, a 2022 World Bank study flagged the PCIC for its limited reach, noting that the agency insured only about one-third of the nation's farmers.³

In line with President Ferdinand Marcos Jr.'s directive to expand agricultural insurance to help farmers and fisherfolk quickly recover from disasters, this bill seeks to strengthen and modernize the PCIC to enable it to provide more comprehensive, accessible, and financially sustainable insurance coverage, especially amid increasing climate-related risks and disasters.

In view of the foregoing, the approval of this bill is earnestly sought.

¹ Risa Ichwandiani & Syarifah Hasanah Hassan. (2025). *Industry Analysis: Agriculture in the Philippines*. Kuala Lumpur: Asia School of Business. <https://asb.edu.my/wp-content/uploads/2025/02/BCS010-Agriculture-in-the-Philippines.pdf>

² Department of Agriculture. (2025, July 25). *Bad weather damage on agriculture tops P1.1B; rice hardest hit*. DA Website. <https://www.da.gov.ph/bad-weather-damage-on-agriculture-tops-p1-1b-rice-hardest-hit/>

³ Business World Online. (2022, June 6). PCIC's coverage for farmers still inadequate, World Bank study says. https://www.bworldonline.com/banking-finance/2022/06/06/452798/pcics-coverage-for-farmers-still-inadequate-world-bank-study-says/#google_vignette



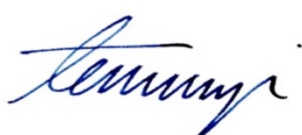
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**AN ACT STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION,
REPEALING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1467, AS AMENDED,
ENTITLED “CREATING THE ‘PHILIPPINE CROP INSURANCE CORPORATION’
PRESCRIBING ITS POWERS AND ACTIVITIES, PROVIDING FOR ITS CAPITALIZATION
AND FOR THE REQUIRED GOVERNMENT PREMIUM SUBSIDY, AND FOR OTHER
PURPOSES”**

Be it enacted by the Senate and the 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. Toward 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 the farmers due to uncompensated losses arising from destruction of crops wrought by disaster and calamities, keep farmers away from indebtedness, enhance farmers’ credit standing, and provide farmers additional government support 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 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.

SECTION 3. *Expanded Purposes and Coverage of the PCIC.* – The PCIC, hereinafter referred to as the Corporation, shall insure qualified farmers and fisherfolks 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 machinery, 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 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 com crops, high-value commercial crops, livestock, aquaculture and fishery products, agroforestry crops, and forest plantation.

SECTION 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;
- (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 crop insurance scheme;
- (f) To insure the crops of farmers and fishpond, seaweed, oyster, or mussel farm of fisherfolks against loss, damage and destruction caused by natural calamities such as typhoons, floods, drought, earthquakes, volcanic eruption, rodents, vermin diseases, insects, and other pests; 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 risks of the Corporation;
- (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 Corporation 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 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;

- (j) To purchase, or otherwise acquire, sell, lease, convey, mortgage, encumber, and 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/necessary to carry out the purposes for which the Corporation 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 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.

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, 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.

SECTION 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, hereinafter referred to as 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 fisherfolk; *Provided, however*, That each of these subsistence farmers 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 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 increased 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.

SECTION 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 bases, 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; and
- (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.

SECTION 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 (P6,000,000.00) 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 subscription by the general public.

SECTION 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 fisherfolks. 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 a 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.

SECTION 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.

SECTION 11. *Board of Directors.* – 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:

- (a) President of the LBP;
- (b) President of the Corporation;
- (c) DA Secretary;
- (d) Representative from the private insurance industry to be nominated by the Secretary of Finance; and
- (e) Three (3) representatives from 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.

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

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.

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*.

SECTION 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 determine the rate of premium, as well as the allocated sharing thereof of farmers, fisherfolk, lending institutions, the Government, and other parties;
- (c) To formulate and adopt policies and plans, and to 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 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;
- (d) To 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 Corporation's goals and objectives;
- (e) To enter into, make, and execute contracts of any kind or nature as may be necessary, or incidental to the accomplishment of the purpose of the Corporation;
- (f) 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;
- (g) To establish and guidelines for employment on the basis of merit, technical competence and moral character, and approve a staffing pattern of defining their powers and *duties:* and
- (h) To exercise the general powers mentioned in the Corporation Law insofar as these are not inconsistent or incompatible with provisions of this Act.

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

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

- (b) To 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) To direct and supervise the operations and internal administration of the Corporation and, for this purpose, to delegate some or any powers and duties to subordinate officials;
- (d) To recommend to the Board the appointment, promotions, 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 corporation shall be settled by the Corporation'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 Corporation 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, may elevate the matter to the President of the Corporation.
- (c) Any party aggrieved by a decision, order or ruling of the President of the Corporation may appeal said decision, order or 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.

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 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.

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

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

SECTION 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 the 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 therefore, 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.

SECTION 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.

SECTION 20. *Tax Subsidy.* – The Corporation may avail of the Tax Expenditure subsidy administered by the Fiscal Incentives Review Board (FIRB), subject to 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 Corporation shall pay the 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 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 (P600,000.00), 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 (P5,000.00) or imprisonment of two (2) months, or both at the discretion of the court.
- (d) 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.

SECTION 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.

SECTION 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.

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 Corporation 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, 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.

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,