



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Twentieth Congress
First Regular Session



House Bill No. 6093

Introduced by REP. ARTHUR C. YAP

**AN ACT STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION BY
EXTENDING ITS CORPORATE TERM AND EXPANDING ITS SERVICES, AMENDING
PRESIDENTIAL DECREE NO. 1467, AS AMENDED, AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

The Philippine Crop Insurance Corporation (PCIC) was established by virtue of Presidential Decree (PD) 1467 on 11 June 1978 to protect farmers' investments against losses due to natural calamities and pest and diseases through crop insurance. The Charter of the PCIC has since been revised twice through PD 1733 on 21 October 1980 and Republic Act 8175 on 29 December 1995.

From a few thousand clients at the century's turn, PCIC now caters to several million farmers every year. Year in and year out, PCIC has indemnified farmers across the country with insurance payments worth billions of pesos for losses incurred due to natural calamities that have become more destructive because of climate change as well as pests and diseases affecting the production of the farmers.

The end of the PCIC's corporate life is fast approaching. In 2028, the PCIC's corporate term of 50 years, as set in Section 2.2 of PD 1467, will expire. In order for PCIC to continue to perform its critical mandate of providing Filipino farmers a very effective and important risk management tool for dealing with climate change and building resilience; and in recognition of the importance of crop insurance to promote agricultural development and

food security, it needs to be strengthened in a number of ways starting with the extension of the corporate life of the PCIC.

Thus, apart from sustaining PCIC's legal existence for 25 years, this bill also seeks to strengthen the Corporation by institutionalizing the expansion of its agricultural insurance lines. From initially covering rice and corn, PCIC now has insurance products that cover high-value crops, livestock and poultry, fisheries, non-crop agricultural assets and credit and life-term insurance that assures payment for small loans in case of death or incapacity of borrower, and loss of life by natural causes or accident of farmers and fisherfolk and members of their families. The bill expressly indicates these insurance products.

The bill now mentions fisherfolk among its client-beneficiaries and fish diseases as one of the covered losses. In keeping with the times, the bill also tasks PCIC to harness the latest technology and innovate on its products and processes, including the development of parametric/index insurance.

The bill likewise mandates the PCIC to engage in public-private partnership arrangements to access the vast financial, technological and other resources of the

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private sector for the expansion of agricultural insurance in the country. It also empowers the Board to prescribe the criteria for evaluating the eligibility of the farmers and fisherfolk to be insured, and to determine the appropriate premium rates of the insurance products of the Corporation. It caps the provision of subsidized crop insurance coverage to three hectares only.

These provisions are expected to ensure that the PCIC and its agricultural insurance service remain an expansive, relevant and responsive support to the development not only of the agriculture sector, but of the entire country.

The passage of this measure is thus earnestly sought.

A handwritten signature in black ink, consisting of a stylized 'G' followed by a flourish.

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

Section 1. 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 agricultural insurance amidst the recurrence of natural disasters and calamities, such as floods, typhoons, heavy rains, and drought and pests and diseases 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 losses arising from destruction of their livelihood brought 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;
- d) Strengthen and expand the coverage of the Philippine Crop Insurance Corporation to provide insurance protection to farmers and fisherfolk against losses arising from natural calamities, fortuitous events, plant and fish diseases, and pest infestations; and
- e) Encourage active private sector participation in the agricultural insurance industry through various public-private partnership arrangements that will unlock vast financial, technological and other resources for expanding agricultural insurance coverage in the country.

Section 2. Section 1 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

“Section 1. Creation of the Philippine Crop Insurance Corporation – There is hereby created a body corporate to be known as the Philippine Crop Insurance Corporation (PCIC and herein called the Corporation) which shall be attached to the Department of Agriculture for budgetary purposes. The Corporation shall insure farmers AND FISHERFOLK against losses arising from natural calamities, FORTUITOUS EVENTS, plant AND FISH diseases, and pest infestations.

THE CORPORATION SHALL PROVIDE INSURANCE COVERAGE FOR PALAY AND CORN CROPS, HIGH-VALUE 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. IT SHALL UTILIZE THE LATEST TECHNOLOGY FOR ITS OPERATIONS AND OFFER PARAMETRIC/INDEX-BASED INSURANCE, AMONG OTHER INNOVATIVE INSURANCE PRODUCTS. Such AGRICULTURAL insurance shall cover, AS FAR AS PRACTICABLE, the cost of production inputs, the value of the labor of the farmer or fisherfolk, and members of their households including the value of the labor of hired workers, and a portion of the expected yield as the Board of Directors in its discretion, decide to insure. 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 CORPORATION SHALL LIKEWISE ENTER INTO PUBLIC-PRIVATE PARTNERSHIPS WITH ENTITIES WILLING TO OFFER AGRICULTURAL INSURANCE.”

Section 3. Subsection 3.11 of Section 3 of Presidential Decree No. 1467, as amended, is hereby further amended to read as follows:

“3.11. To generate internal funds by floating bonds, expansion to other insurance lines and extending coverage to other areas of agriculture, INCLUDING ENTERING INTO PUBLIC-PRIVATE PARTNERSHIPS WITH AGRICULTURAL COOPERATIVES, FARMERS’ ASSOCIATIONS, AND OTHER PRIVATE SECTOR PARTICIPANTS IN THE AGRICULTURAL INSURANCE MARKET, 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 Corporation as are incidental or conducive to the attainment of the objectives of the Corporation.”

Section 4. Section 4 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

“Section 4. Who shall be insured – TO SUPPORT THE AGRICULTURAL SECTOR, THE CORPORATION SHALL PROVIDE AGRICULTURAL INSURANCE PRODUCTS TO ELIGIBLE OR QUALIFIED FARMERS AND FISHERFOLK AS EVALUATED BY THE CORPORATION. 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 TO ENSURE THAT THE AGRICULTURAL INSURANCE PROGRAM IS SUSTAINABLE.”

Section 5. Section 5 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

“Section 5. Rate of Premium and its Sharing. – The rate of premium, as well as the allocated sharing thereof by the farmers, the lending institutions, the Government of the Republic of the Philippines (herein called the Government) and other parties, shall be determined by the Board of Directors of the Corporation: Provided, That the share of the Government in the premium cost in the form of premium subsidy, shall be limited to subsistence farmers: Provided, however, That each of these subsistence farmers is cultivating not more than THREE (3) hectares by HIM/HERSELF INCLUDING members of their households, the premium rate and sharing to be determined by the Board of Directors: Provided, further, That the premium share of the subsistence farmer, IF ANY, shall be reasonably affordable by HIM/HER: Provided, furthermore, That the Government shall share in the premium cost only in insurance coverage against unforeseen and unavoidable risks such as, but not limited to typhoons, droughts, outbreaks of pest and diseases: Provided, finally, That premium subsidy and/or insurance benefits shall upon the accumulation of surplus funds, be increased to such amount as may be determined by the Board taking into consideration that the Corporation has been established not only for profit but mainly to help the insured in their direct hours of need.”

SECTION 6. Term of Existence – The term of legal existence of the Philippine Crop Insurance Corporation, as provided in Section 2.2 of Presidential Decree No. 1467, as amended, is hereby extended for a period of Twenty-Five Years from its expiration on 11 June 2028, or until 11 June 2053.

Section 7. Separability Clause – If any provision of this Act is declared unconstitutional, the remainder hereof not otherwise affected shall remain in full force and effect.

Section 8. Repealing Clause. – All laws, decrees, orders, resolutions, instructions and rules and regulations or parts thereof which are inconsistent with this Act are hereby deemed repealed or modified accordingly.

Section 9. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,