Republic of the Philippines

House of Representatives

Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. _

HOUSE OF REPRESENTATIVES

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BILLS AND INDEX SERVICE

Introduced by Hon. Anthony M. Bravo and Hon. Sabiniano S. Canama COOP-NATCCO PARTYLIST

EXPLANATORY NOTE

The Philippine Crop Insurance Corporation (PCIC) is a government owned and controlled corporation created under PD 1467. It was later amended by PD 1733 and further amended by RA 8175. It is the implementing agency of the government's agricultural insurance program. PCIC is an attached agency of the Department of Agriculture and its principal mandate is to provide insurance protection to farmers against losses arising from natural calamities, plant diseases and pest infestations of their crops.

The problem with the PCIC is that it has continually failed to adequately protect our subsistence farmers from the rigors of calamities, often paying far less than what the actual value of the projected harvest is. This bill seeks to amend the PCIC Charter to require a payment between the range of 80% to a hundred percent of the actual value of the projected harvest of our farmers. It is only by properly compensating the farmers will we fully protect their interest and those of their families. This is very much needed at present and in the years to come considering the devastation brought about by climate change which has led to stronger typhoons and more unpredictable weather patterns.

In light of the foregoing, the immediate passage of this bill is earnestly requested.

HON, ANTHONY M. BRAVO

HON. SABINIANO S. CANAMA

Republic of the Philippines HOUSE OF REPRESENTATIVES Quezon City

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First Regular Session

House Bill No. 436

Introduced by Hon. Anthony M. Bravo and Hon. Sabiniano S. Canama COOP-NATCCO PARTYLIST

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AN ACT
STRENGTHENING THE PHILIPPINE CROP INSURANCE
CORPORATION (PCIC), AMENDING FOR THE PURPOSE
PRESIDENTIAL DECREE NO. 1467, AS AMENDED, OTHERWISE
KNOWN AS THE CHARTER OF THE PHILIPPINE CROP
INSURANCE CORPORATION

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

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

"SEC. 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 qualified farmers AND FISHERFOLK against losses arising from natural calamities, FORTUITOUS EVENTS, plant AND FISH diseases and pest infestations. [Initially] [t]The Corporation shall provide insurance coverage for palay AND CORN crops, HIGH-VALUE COMMERCIAL CROPS, LIVESTOCK, AQUACULTURE AND FISHERY PRODUCTS, AGROFORESTRY CROPS AND FOREST PLANTATIONS; [and later on to other crops without prejudice to the inclusion of other] noncrop agricultural assets such as but not limited to machineries, equipment, transport facilities and other related infrastructures[;], AND LIFE AND ACCIDENT TERM INSURANCE COVERAGE FOR FARMERS AND FISHERFOLK, as the Board of Directors of the Corporation may determine. 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 those of the members of his household, 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
2	arising from avoidable risks emanating from or due to the negligence,
3	malfeasance or fraud committed by the insured or any member of his
1	immediate farm household or employee or the failure of the insured to follow
5	proven farm practices.
5	THE CORPORATION SHALL ALSO INSURE PROPERTIES AND
7	FACILITIES WHICH ARE OWNED OR USED BY GOVERNMENT
	TO DESCRIPTION OF THE PROPERTY

THE CORPORATION SHALL ALSO INSURE PROPERTIES AND FACILITIES WHICH ARE OWNED OR USED BY GOVERNMENT AGENCIES INVOLVED IN AGRI-FISHERY-FORESTRY PROJECTS/ACTIVITIES AND GOVERNMENT-FINANCED AGRI-FISHERY-FORESTRY PROJECTS. THE CORPORATION SHALL PROVIDE REINSURANCE COVERAGE TO AGRI-FISHERY-FORESTRY PROPERTIES AND FACILITIES UNDERWRITTEN BY PRIVATE AND GOVERNMENT INSURANCE COMPANIES."

SEC. 2. Subsections 3.5 and 3.11 of Section 3 of Presidential Decree No. 1467, as amended, are hereby further amended to read as follows:

"SEC. 3. Powers. - The Corporation shall have the following powers:

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3.5. To insure the [rice production] CROPS of farmers AND FISHERFOLK against loss, damage and destruction caused by natural calamities such as typhoons, floods, drought, earthquake, volcanic eruptions, rodents, vermin[s], diseases, insects and other pests; and to carry on any business necessary, related to and expedient for the above purpose;

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3.11. To generate internal funds by floating bonds, [expansion to other] EXPANDING THE CORPORATION'S insurance lines 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."

SEC. 3. Section 5 of Presidential Decree No. 1467, as amended, is hereby further amended to read as follows:

"SEC. 5 Rate of Premium and its Sharing. - The rate of premium, as well as the allocated sharing thereof [by the] OF farmers, FISHERFOLK, [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 AND FISHERFOLK: Provided, however, That each of these subsistence farmers is cultivating not more than seven (7) hectares OF FARMLANDS AND EACH FISHERFOLK IS CULTIVATING NOT MORE THAN FIVE (5) HECTARES OF THE 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 subject to approval by the President of the Philippines: Provided, further, That the premium share of the subsistence farmer OR FISHERFOLK shall be reasonably affordable by him: 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 pests 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 direst hours of need."

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SEC. 4. Subsections 6.3 and 6.5 of Section 6 of Presidential Decree No. 1467, as amended, are hereby further amended to read as follows:

"SEC. 6. Premium Subsidy. -

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6.3 Unappropriated and/or unreleased government premium subsidy 29 30 for policies written for the period from May 1, 1981 up to DECEMBER 31, 2011 [the approval of this Act] computed on the 31 32 basis of premium rates and sharing previously approved by the 33 President as authorized by law shall be programmed for payment by 34 the Government [within a period of ten (10) years from the approval of this Act], and the yearly sums shall be included in the budgetary 35 36 appropriations for submission to Congress, starting the fiscal year

following approval hereof, in addition to the premium subsidy 1 requirement of the year involved. 2 XXX 3 6.5 [Ten percent (10%) of the net earnings of] THE Philippine 4 Charity Sweepstakes Office (PCSO) [from its lotto operation shall be 5 earmarked from] SHALL CONTRIBUTE A YEARLY AMOUNT 6 OF FIVE MILLION PESOS (P5,000,000.00) FROM ITS CHARITY 7 FUND TO the Crop Insurance Program and said amount shall be 8 directly remitted by the PCSO to the Corporation YEARLY [every 9 six (6) months] until the [amount of] UNRELEASED PREMIUM 10 SUBSIDY [government subscription] is fully paid." 11 12 SEC. 5. Subsections 8.1, 8.3, 8.4.1, 8.4.3, and 8.5 of Section 8 of Presidential Decree 13 No. 1467, as amended, are hereby further amended to read as follows: 14 "SEC. 8. Capital Stock. -15 8.1. The authorized capital stock of the Corporation is TEN BILLION 16 PESOS (P10,000,000,000,000) [Two billion pesos (P2,000,000,000)] 17 divided into SEVENTY-FIVE MILLION (75,000,000) [Fifteen 18 Million (15,000,000)] common shares with a par value of One 19 hundred pesos (P100.00) each share, which shall be fully subscribed 20 by the Government and TWENTY-FIVE MILLION (25,000,000) 21 [Five Million (5,000,000)] preferred shares with a par value of One 22 hundred pesos (P100.00) per share which shall have the features as 23 provided in Section 8.4 hereof and shall be issued in accordance with 24 the provisions of Section 8.5 hereof. 25 26 XXX 8.3 The additional common capital stock of SIX BILLION PESOS 27 (P6,000,000,000.00) [One Billion pesos (P1,000,000,000)] shall be 28 fully subscribed by the Government and the necessary funds shall be 29 appropriated by Congress unless otherwise provided by existing laws: 30 Provided, That Congress shall provide, on an annual basis, [at least 31 fifty percent (50%) of] the needed capital, until the authorized capital 32 33 stock is fully paid up. 8.4 The preferred shares shall be entitled to a preference over 34

common shares in any declaration of dividends. They shall also be

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given priority in the distribution of assets in the event of liquidation of 1 the Corporation. They shall have the following specific features: 2 8.4.1 Preferred as to dividends at a minimum of ONE AND 3 ONE-HALF PERCENT (1.5%) OR THE PREVAILING 360-4 DAY TREASURY BILL RATE AT THE TIME OF 5 DECLARATION OF DIVIDENDS, WHICHEVER IS 6 HIGHER [six percent (6%)]. 7 8 XXX 8.4.3 NON-Participating; 9 10 XXX LEAST FIVE HUNDRED MILLION PESOS 8.5 11 (P500,000,000.00) OF PREFERRED SHARES SHALL BE 12 SUBSCRIBED AND PAID FOR BY THE LAND BANK OF THE 13 PHILIPPINES THE BALANCE OF the preferred shares may be 14 available for sale or to subscription by the general public." 15 SEC. 6. Section 8-A of Presidential Decree No. 1467, as amended, is hereby 16 17 amended, to read as follows: "SEC. 8-A. RESERVE FUND FOR CATASTROPHIC LOSSES. - A 18 state reserve fund for catastrophic losses in the amount of Five Hundred 19 Million Pesos (P500,000,000.00) shall be created exclusively to answer for 20 the proportion of all losses in excess of risk (pure) premium under the 21 Corporation's Crop Insurance Program for small farmers AND 22 FISHERFOLK. THE FUND MAY BE INCREASED SUBJECT TO THE 23 APPROVAL OF THE PRESIDENT. The Fund shall be administered by a 24 government financial institution to be designated by the Corporation's Board 25 of Directors. Such sum as may be necessary for the purpose shall be funded 26 by the National Government through the annual General Appropriations Act 27 starting the calendar year immediately following the approval of this Act and 28 every year thereafter until the full amount is completed. The mechanics of 29 claims against the Fund and to what extent the Fund shall be liable shall be 30 determined jointly by the financial institution administering the Fund, subject 31 to the approval by the President." 32 SEC. 7. Subsection 9.1 of Section 9 of Presidential Decree No. 1467, as amended, is 33

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hereby further amended, to read as follows:

"SEC. 9. Board of Directors. -

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33 34 9.1. The powers of the Corporation shall be vested in and exercised by a Board of Directors now composed of seven (7) members and made up of the following: the President of the Land Bank of the Philippines (LBP), the President of the Corporation, the SECRETARY OF THE DEPARTMENT OF AGRICULTURE (DA) [Executive Director of the Agricultural Credit Policy Council (ACPC)], a representative from the private insurance industry to be nominated by the Secretary of Finance and three (3) representatives from the 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 organizations and/or cooperatives. The respective nominees of the private insurance industry and the farmer's sector shall be submitted to and appointed by the President. The chairman of the Board of Directors shall be appointed by the President from among the members of the Board of Directors. The President of the Corporation shall also be appointed by the President and shall be exofficio 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 of Directors shall designate a temporary chairman from among its members. Except for the President of the LBP and the SECRETARY OF THE DA [Executive Director of the Agricultural Credit Policy Council (ACPC)], all members of the Board of Directors, including the President of the Corporation, shall be appointed by the President within a reasonable period of time after the approval of this Act."

SEC. 8. 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. 9. Repealing Clause.— All laws, executive orders, and other issuances or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 10. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,