



## HOUSE OF REPRESENTATIVES

H. No. 5024

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BY REPRESENTATIVES YAP (A.), GUANLAO, DE VENECIA, TEVES, BRAVO (A.), PAEZ, SACDALAN, UNGAB, RODRIGUEZ (M.), BELMONTE (J.), TINIO, GERONA-ROBREDO, ABU, PANCHO, CORTUNA, DELA CRUZ, HERNANDEZ, MASONGSONG, DEL MAR, PAQUIZ, AGLIPAY, LEE, ADIONG, GARIN (O.), LOPEZ (C.), OCAMPO, AMATONG (I.), PICHAY, FARIÑAS, ONG, CAMINERO, SARMIENTO (C.), RIDON, DEL ROSARIO (A.G.), MENDOZA (R.), QUISUMBING, CUA, ALMARIO, ANGPING, BATAOIL, LOBREGAT, PIAMONTE, ABUEG, ACHARON, ACOSTA-ALBA, ALMONTE, ARENAS, CAYETANO, COLMENARES, CRUZ-GONZALES, ESCUDERO, FORTUN, GARCIA (G.), GO (A.C.), GULLAS, HICAP, ILAGAN, MENDOZA (M.), MACROHON-NUÑO, OLIVAREZ, ORTEGA (V.), PADILLA, RAMOS, ROMULO, SUANSING, TING, UY (J.) AND YU. PER COMMITTEE REPORT NO. 434

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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:*

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

1           “SEC. 1. *Creation of the Philippine Crop Insurance*  
2           *Corporation.* -- There is hereby created a body corporate to be  
3           known as the ‘Philippine Crop Insurance Corporation’  
4           (PCIC and herein called the Corporation) which shall be attached  
5           to the Department of Agriculture [for budgetary purposes]. The  
6           Corporation shall insure qualified farmers **AND FISHERFOLK**  
7           against losses arising from natural calamities, **FORTUITOUS**  
8           **EVENTS**, plant **AND FISH** diseases and pest infestations.  
9           [Initially,] [t]The Corporation shall provide insurance coverage  
10          for palay **AND CORN** crops, **HIGH-VALUE COMMERCIAL CROPS**,  
11          **LIVESTOCK, AQUACULTURE AND FISHERY PRODUCTS,**  
12          **AGROFORESTRY CROPS AND FOREST PLANTATIONS;** [and later  
13          on to other crops without prejudice to the inclusion of other]  
14          non-crop agricultural assets such as but not limited to  
15          machineries, equipment, transport facilities and other related  
16          infrastructures, **AND LIFE AND ACCIDENT TERM INSURANCE**  
17          **COVERAGE FOR FARMERS AND FISHERFOLK**, as the Board of  
18          Directors of the Corporation may determine. Such crop  
19          insurance shall cover, in every case, the cost of production  
20          inputs, the value of the farmer’s **OR FISHERFOLK’S** own labor  
21          and those of the members of his household, including the value  
22          of the labor of hired workers, and a portion of the expected yield  
23          as the Board of Directors, in its discretion, decide to insure.  
24          Such insurance protection, however, shall exclude losses arising  
25          from avoidable risks emanating from or due to the negligence,  
26          malfeasance or fraud committed by the insured or any member of

1 his immediate farm household or employee or the failure of the  
2 insured to follow proven farm practices.

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

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

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

16 "x x x

17 "3.5. To insure the [rice production] CROPS of farmers  
18 AND FISHERFOLK against loss, damage and destruction caused  
19 by natural calamities such as typhoons, floods, drought,  
20 earthquake, volcanic eruptions, rodents, vermin[s], disease,  
21 insects and other pests: and to carry on any business necessary,  
22 related to, and expedient for the above purpose;

23 "x x x

24 "3.11. To generate internal funds by floating bonds,  
25 [expansion to other] EXPANDING THE CORPORATION'S  
26 insurance lines and extending coverage to other areas of  
27 agriculture SUCH AS LIVESTOCK, AQUACULTURE, FISHERY,  
28 AGROFORESTRY, AND FOREST PLANTATIONS in order to address

1 insurance needs of the target sector and to do and perform acts  
2 and things and to exercise all the general powers conferred by  
3 law upon the Corporation as are incidental or conducive to the  
4 attainment of the objectives of the Corporation.”

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

7 “SEC. 5. *Rate of Premium and its Sharing.* – The rate  
8 of premium, as well as the allocated sharing thereof [by the] OF  
9 farmers, FISHERFOLK, [the] lending institutions, the  
10 Government of the Republic of the Philippines (herein called the  
11 Government) and other parties, shall be determined by the Board  
12 of Directors of the Corporation: *Provided*, That the share of  
13 the Government in the premium cost in the form of  
14 premium subsidy, shall be limited to subsistence farmers  
15 AND FISHERFOLK: *Provided, however*, That each of these  
16 subsistence farmers is cultivating not more than seven (7)  
17 hectares OF FARMLANDS AND EACH FISHERFOLK IS  
18 CULTIVATING NOT MORE THAN FIVE (5) HECTARES OF THE  
19 FISHPOND, SEAWEED, OYSTER OR MUSSEL FARM by themselves  
20 or with the help of the labor of the members of their households  
21 or hired labor, the premium rate and sharing to be determined by  
22 the Board of Directors subject to approval by the President of the  
23 Philippines: *Provided, further*, That the premium share of the  
24 subsistence farmer OR FISHERFOLK shall be reasonably  
25 affordable by him: *Provided, furthermore*, That the Government  
26 shall share in the premium cost only in insurance coverage  
27 against unforeseen and unavoidable risks such as, but not limited  
28 to typhoons, droughts, outbreaks of pests and diseases:

1           *Provided, finally,* That premium subsidy and/or insurance  
2           benefits shall upon the accumulation of surplus funds, be  
3           increased to such amount as may be determined by the Board,  
4           taking into consideration that the Corporation has been  
5           established not only for profit but mainly to help the insured in  
6           their direct hours of need.”

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

9                   “SEC. 6. *Premium Subsidy.* –

10                   “x x x

11                   “6.3. Unappropriated and/or unreleased government  
12                   premium subsidy for policies written for the period from May 1,  
13                   1981 up to [the approval of this Act] **DECEMBER 31, 2011**  
14                   computed on the basis of premium rates and sharing previously  
15                   approved by the President as authorized by law shall be  
16                   programmed for payment by the Government [within a period of  
17                   ten (10) years from the approval of this Act], and the yearly sums  
18                   shall be included in the budgetary appropriations for submission  
19                   to Congress, starting the fiscal year following approval hereof, in  
20                   addition to the premium subsidy requirement of the year  
21                   involved.

22                   “x x x

23                   “6.5. [Ten percent (10%) of the net earnings of] [t]The  
24                   Philippine Charity Sweepstakes Office (PCSO) [from its lotto  
25                   operation shall be earmarked for] **SHALL CONTRIBUTE A**  
26                   **YEARLY AMOUNT OF FIVE MILLION PESOS (P5,000,000) FROM**  
27                   **ITS CHARITY FUND TO** the Crop Insurance Program and said

1 amount shall be directly remitted by the PCSO to the  
 2 Corporation [every six (6) months] **YEARLY** until the [amount of  
 3 government subscription] **UNRELEASED PREMIUM SUBSIDY** is  
 4 fully paid.”

5 SEC. 5. Subsections 8.1, 8.3, 8.4.1, 8.4.3, and 8.5 of Section 8 of  
 6 Presidential Decree No. 1467, as amended, are hereby further amended to read  
 7 as follows:

8 “SEC. 8. *Capital Stock.* --

9 “8.1. The authorized capital stock of the Corporation is  
 10 [Two billion pesos (P2,000,000,000)] **TEN BILLION PESOS**  
 11 **(P10,000,000,000)** divided into [Fifteen million (15,000,000)]  
 12 **SEVENTY-FIVE MILLION (75,000,000)** common shares with a par  
 13 value of One hundred pesos (P100) each share, which shall be  
 14 fully subscribed by the Government and [Five million  
 15 (5,000,000)] **TWENTY-FIVE MILLION (25,000,000)** preferred  
 16 shares with a par value of One hundred pesos (P100) per share  
 17 which shall have the features as provided in Section 8.4 hereof  
 18 and shall be issued in accordance with the provisions of Section  
 19 8.5 hereof.

20 “x x x

21 “8.3. The additional common capital stock of [One  
 22 billion pesos (P1,000,000,000)] **SIX BILLION PESOS**  
 23 **(P6,000,000,000)** shall be fully subscribed by the Government  
 24 and the necessary funds shall be appropriated by Congress unless  
 25 otherwise provided by existing laws: *Provided, That Congress*  
 26 *shall provide, on an annual basis, [at least fifty percent (50%) of]*

1 the needed capital, until the authorized capital stock is fully paid  
2 up.

3 "8.4. The preferred shares shall be entitled to a  
4 preference over common shares in any declaration of dividends.  
5 They shall also be given priority in the distribution of assets in  
6 the event of liquidation of the Corporation. They shall have the  
7 following specific features:

8 "8.4.1. Preferred as to dividends at a minimum of [six  
9 per cent (6%)] **ONE AND ONE-HALF PERCENT (1.5%) OR THE**  
10 **PREVAILING THREE HUNDRED SIXTY (360)-DAY TREASURY**  
11 **BILL RATE AT THE TIME OF DECLARATION OF DIVIDENDS,**  
12 **WHICHEVER IS HIGHER;**

13 "x x x

14 "8.4.3. **NON-Participating:**

15 "x x x

16 "8.5. **AT LEAST FIVE HUNDRED MILLION PESOS**  
17 **(P500,000,000) OF PREFERRED SHARES SHALL BE SUBSCRIBED**  
18 **AND PAID FOR BY THE LAND BANK OF THE PHILIPPINES. THE**  
19 **BALANCE OF [T]the preferred shares may be available for sale**  
20 **or to subscription by the general public."**

21 SEC. 6. Section 8-A of Presidential Decree No. 1467, as amended, is  
22 hereby amended to read as follows:

23 "SEC. 8-A. **RESERVE FUND FOR CATASTROPHIC**  
24 **LOSSES.** - A State reserve fund for catastrophic losses in the  
25 amount of Five hundred million pesos (P500,000,000) shall be  
26 created exclusively to answer for the proportion of all losses in  
27 excess of risk (pure) premiums under the Corporation's Crop  
28 Insurance Program for small farmers **AND FISHERFOLK. THE**

1           **FUND MAY BE INCREASED SUBJECT TO THE APPROVAL OF THE**  
2           **PRESIDENT.** The Fund shall be administered by a government  
3           financial institution to be designated by the Corporation's Board  
4           of Directors. Such sum as may be necessary for the purpose  
5           shall be funded by the National Government through the annual  
6           General Appropriations Act starting the calendar year  
7           immediately following the approval of this Act and every year  
8           thereafter until the full amount is completed. The mechanics of  
9           claims against the [f]Fund and to what extent the Fund shall be  
10          liable shall be determined jointly by the financial institution  
11          administering the Fund, subject to the approval by the  
12          President."

13          SEC. 7. Subsection 9.1 of Section 9 of Presidential Decree No. 1467,  
14          as amended, is hereby further amended to read as follows:

15                 "SEC. 9. *Board of Directors.* –

16                 "9.1. The powers of the Corporation shall be vested in  
17                 and exercised by a Board of Directors now composed of seven  
18                 (7) members and made up of the following: the President of the  
19                 Land Bank of the Philippines (LBP), the President of the  
20                 Corporation, the [Executive Director of the Agricultural Credit  
21                 Policy Council (ACPC)] **SECRETARY OF THE DEPARTMENT**  
22                 **OF AGRICULTURE (DA)**, a representative from the private  
23                 insurance industry to be nominated by the Secretary of  
24                 Finance and three (3) representatives from the subsistence  
25                 farmers sector, preferably representing agrarian reform  
26                 beneficiaries/cooperatives/associations coming from Luzon,  
27                 Visayas and Mindanao, who shall be selected and nominated by



1 the different farmers organizations and/or cooperatives. The  
2 respective nominees of the private insurance industry and the  
3 farmer's sector shall be submitted to and appointed by the  
4 President. The chairman of the Board of Directors shall be  
5 appointed by the President from among the members of the  
6 Board of Directors. The President of the Corporation shall also  
7 be appointed by the President and shall be *ex officio* vice  
8 chairman who shall assist the chairman and act in his stead in  
9 case of absence or incapacity. In case of absence or incapacity  
10 of both the chairman and the vice chairman, the Board of  
11 Directors shall designate a temporary chairman from among its  
12 members. Except for the President of the LBP and the  
13 [Executive Director of the ACPC] **SECRETARY OF THE DA**, all  
14 members of the Board of Directors, including the President of  
15 the Corporation, shall be appointed by the President within a  
16 reasonable period of time after the approval of this Act.”

17 SEC. 8. *Separability Clause.* – If any provision or part hereof is held  
18 unconstitutional or invalid, the other provisions not affected shall remain in  
19 force and effect.

20 SEC. 9. *Repealing Clause.* – All laws, executive orders and other  
21 issuances or parts thereof inconsistent with this Act are hereby repealed or  
22 modified accordingly.

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

Approved,

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