



HOUSE OF REPRESENTATIVES

H. No. 6923

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AN ACT STRENGTHENING THE PHILIPPINE CROP INSURANCE CORPORATION (PCIC), REPEALING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 1467, 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," AS AMENDED BY PRESIDENTIAL DECREE NO. 1733 AND REPUBLIC ACT NO. 8175

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

1 SECTION 1. *Title.* — This Act shall be known as the “Revised
2 Charter of the Philippine Crop Insurance Corporation”.

3 SEC. 2. *Declaration of Policy.* — It is hereby declared the
4 policy of the State:

5 (a) To ensure food security, intensify food production, promote
6 agricultural credit, and broaden the coverage of mandatory crop
7 insurance amidst the recurrence of disasters and calamities, natural
8 or otherwise, such as floods, typhoons, heavy rains, and drought
9 that destroy crops, especially palay and other grains and crops
10 necessary for food security;

11 (b) To alleviate the financial burden of farmers due to
12 uncompensated losses arising from destruction of crops wrought by
13 disasters and calamities, keep farmers away from indebtedness,
14 enhance farmers’ credit standing, and provide farmers additional
15 government support to increase agricultural production;

16 (c) To assist banks and financial institutions by enhancing
17 their capabilities to extend loans to farmers; and

18 (d) To strengthen the organizational capability and to expand
19 the coverage of the Philippine Crop Insurance Corporation (PCIC), a
20 government-owned corporation established pursuant to Presidential
21 Decree No. 1467 to provide insurance protection to farmers against
22 losses arising from natural calamities, fortuitous events, plant and
23 fish diseases, and pest infestations.

24 SEC. 3. *Expanded Purposes and Coverage of the PCIC.* — The
25 PCIC, hereinafter referred to as the Corporation, shall insure
26 qualified farmers and fisherfolk against losses arising from natural

1 calamities, fortuitous events, plant and fish diseases, and pest
2 infestations. It shall provide insurance coverage for palay and corn
3 crops, high-value commercial crops, livestock, aquaculture and
4 fishery products, agroforestry crops, and forest plantations;
5 non-crop agricultural assets such as machineries, equipment,
6 transport facilities and other related infrastructure; and life and
7 accident term insurance coverage for farmers and fisherfolk. Such
8 crop insurance shall cover, in every case, the cost of production
9 inputs, the value of the farmer's or fisherfolk's own labor and
10 members of the household including the value of the labor of hired
11 workers, and a portion of the projected value of the crops. Such
12 insurance protection, however, shall exclude losses arising from
13 avoidable risks emanating from or due to the negligence,
14 malfeasance or fraud committed by the insured or any member of
15 the immediate farm household or employee, or the failure of the
16 insured to follow proven farm practices.

17 The Corporation shall also insure properties and facilities
18 which are owned or used by government agencies involved in
19 agri-fishery-forestry projects or activities and government-financed
20 agri-fishery-forestry projects. It shall also provide reinsurance
21 coverage to agri-fishery-forestry properties and facilities
22 underwritten by private and government insurance companies, and
23 weather index-based insurance (WIBI) and reinsurance for palay
24 and corn crops, high-value commercial crops, livestock, aquaculture
25 and fishery products, agroforestry crops, and forest plantations.

26 SEC. 4. *Powers.* – The Corporation shall continue to exercise
27 the following powers and functions:

- 1 (a) To prescribe, repeal, and alter its own bylaws;
- 2 (b) To adopt and use a corporate seal;
- 3 (c) To sue and to be sued;
- 4 (d) To have continuous succession until dissolved by law;
- 5 (e) To determine its operating policies and to issue such rules
6 and regulations as may be necessary to implement the crop
7 insurance scheme;
- 8 (f) To insure the crops of farmers and fishpond, seaweed,
9 oyster, or mussel farm of fisherfolk against loss, damage and
10 destruction caused by natural calamities such as typhoons, floods,
11 droughts, earthquakes, volcanic eruptions, rodents, vermin,
12 diseases, insects and other pests; and to carry on any business
13 necessary, related to and expedient for the above purpose;
- 14 (g) To insure in the Philippines or abroad all or any risks of
15 the Corporation;
- 16 (h) To purchase or otherwise acquire ownership and manage
17 any and all parts of the business, property and liabilities of any
18 person or company carrying on any business which the Corporation
19 is authorized to carry on or possess;
- 20 (i) To acquire by purchase or otherwise acquire ownership of
21 and to invest in, hold, sell, or otherwise dispose of stocks or bonds or
22 any interest in either, or any obligation or evidence of indebtedness
23 of any corporation, domestic or foreign, or the bonds or other
24 obligations or evidence of indebtedness, of any person, firm or
25 corporation; and as owner of such stocks, bonds or interest therein,
26 or other obligations or evidence of indebtedness, to exercise the
27 rights, powers and privileges of ownership, including the right to

1 vote thereon or consent in respect thereto for any and all lawful
2 purposes;

3 (j) To purchase, or otherwise acquire, sell, lease, convey,
4 mortgage, encumber, and otherwise deal with any property, real or
5 personal, or any interest therein; extend credit on the security of
6 real estate or movable property; exercise easement right or privilege
7 over or in respect to any property, real or personal, as may be
8 permitted by law and as may be reasonable/necessary to carry out
9 the purposes for which the Corporation is formed or as may or
10 hereafter be permitted by law;

11 (k) To establish branches whenever it may be expedient and
12 necessary; and

13 (l) To generate internal funds by floating bonds, expanding
14 the Corporation's insurance lines to include agricultural guarantee
15 loans, and extending coverage to other areas of agriculture, such as
16 livestock, aquaculture, fishery, agroforestry, and forest plantations,
17 in order to address insurance needs of the target sector and to do
18 and perform acts and things and to exercise all the general powers
19 conferred by law upon the Corporation as are incidental or conducive
20 to the attainment of the objectives of the Corporation.

21 *SEC. 5. Who Shall Be Insured.* - Participation in the
22 insurance for palay and other crops essential for food security, as
23 determined by the Department of Agriculture (DA), shall be
24 compulsory upon all farmers. For other crops, participation shall be
25 compulsory upon all farmers obtaining production loans under the
26 supervised credit program, and optional on the part of self-financed

1 farmers provided they agree to place themselves under the
2 supervision of agricultural production technicians.

3 The term "supervised credit program" as used in this Act shall
4 mean the production credit program wherein the farmer who
5 obtained production loans agree in writing to apply proven farm
6 practices necessary to conserve the land, improve its fertility and
7 increase its production, and abide by the approved farm plan and
8 budget jointly prepared by such farmer and the duly accredited
9 supervised credit technician.

10 The term "supervision of agricultural production technician"
11 shall mean the supervision undertaken by agricultural production
12 technicians who are duly accredited by the appropriate government
13 agencies concerned, as required under the supervised credit system.

14 SEC. 6. *Rate of Premium, Sharing, and Amount of Indemnity.*
15 - The rate of premium, as well as the allocated sharing thereof of
16 farmers, fisherfolk, lending institutions, the Government of the
17 Republic of the Philippines (herein called the Government) and
18 other parties, shall be determined by the Board of Directors of the
19 Corporation: *Provided*, That the share of the Government in the
20 premium cost in the form of premium subsidy shall be limited to
21 subsistence farmers and fisherfolk: *Provided, however*, That
22 each of these subsistence farmers is cultivating not more than
23 seven (7) hectares of farmlands and each fisherfolk is cultivating not
24 more than five (5) hectares of fishpond, seaweed, oyster, or mussel
25 farm by themselves or with the help of the labor of the members of
26 their households or hired labor, the premium rate and sharing to be
27 determined by the Board of Directors: *Provided, further*, That the

1 premium share of the subsistence farmer or fisherfolk shall be
2 reasonably affordable: *Provided, furthermore,* That the Government
3 shall share in the premium cost only in insurance coverage against
4 unforeseen and unavoidable risks such as typhoons, droughts,
5 rainfall, outbreaks of pests and diseases: *Provided, finally,* That
6 premium subsidy or insurance benefits shall, upon the accumulation
7 of surplus funds, be increased to such amount as may be determined
8 by the Board of Directors, taking into consideration that the
9 Corporation has been established not only for profit but mainly to
10 help Filipino farmers and fisherfolk.

11 The amount of indemnity shall be determined by the Board of
12 Directors, which shall take into account the value of the potential
13 harvest for crops at the ripening stage of growth; actual cost of
14 production inputs already applied at the time of loss per farm
15 plan and budget, subject to limits stipulated in the policy contract;
16 pro-rated cost of the harvested crops; the salvage value; if any, and
17 the percentage of yield loss.

18 SEC. 7. *Premium Subsidy.* - (a) The required Government
19 premium subsidy, as determined by the Board of Directors and
20 approved by the President of the Philippines, shall be deemed
21 appropriated from the funds of the National Treasury not otherwise
22 appropriated, and shall be drawn, on a month-to-month or other
23 periodic basis, depending upon the actual amount of insurance
24 underwritten by the Corporation. For this purpose, the Corporation
25 shall bill the Government the sum of money corresponding to the
26 computed amount of subsidy.

1 (b) Yearly projections of the premium subsidy shall be
2 submitted by the Corporation to the President of the Philippines,
3 and upon approval shall be included in the Government's budgetary
4 appropriations.

5 (c) Calamity funds earmarked by the Government shall
6 include a certain percentage for crop insurance and shall be released
7 to and administered by the Corporation.

8 (d) Ten percent (10%) of the net earnings of the Philippine
9 Charity Sweepstakes Office (PCSO) from its lotto operation shall be
10 earmarked for the Crop Insurance Program and said amount shall
11 be directly remitted by the PCSO to the Corporation every six (6)
12 months until the amount of government subscription is fully paid.

13 SEC. 8. *Capital Stock.* - (a) The authorized capital stock of
14 the Corporation is ten billion pesos (P10,000,000,000.00) divided
15 into seventy-five million (75,000,000) common shares with a par
16 value of one hundred pesos (P100.00) each share, which shall be
17 fully subscribed by the Government and twenty-five million
18 (25,000,000) preferred shares with a par value of one hundred pesos
19 (P100.00).

20 (b) The common capital stock of one billion five hundred
21 million pesos (P1,500,000,000.00) having been fully paid to the
22 Corporation, the balance of six billion pesos (P6,000,000,000.00)
23 subscribed by the Government shall be appropriated annually by
24 Congress unless otherwise provided by existing laws.

25 (c) The preferred shares shall be entitled to a preference over
26 common shares in any declaration of dividends. They shall also be

1 given priority in the distribution of assets in the event of liquidation
2 of the Corporation. They shall have the following specific features:

3 (1) Preferred as to dividends at a minimum of one and
4 one-half percent (1.5%) or the prevailing three hundred sixty
5 (360)-day Treasury bill rate at the time of declaration of dividends,
6 whichever is higher;

7 (2) Cumulative;

8 (3) Nonparticipating;

9 (4) Nonvoting;

10 (5) Dividends thereon shall be exempt from income tax;

11 (6) Redeemable at the option of the Corporation at the
12 prevailing book value but in no case less than par after five (5) years
13 from issuance thereof; and

14 (7) Transferable.

15 (d) At least five hundred million pesos (P500,000,000.00) of
16 preferred shares shall be subscribed and paid for by the Land Bank
17 of the Philippines (LBP). The balance of the preferred shares may
18 be available for sale or to subscription by the general public.

19 *SEC. 9. Reserve Fund for Catastrophic Losses.* – A state
20 reserve fund for catastrophic losses in the amount of five hundred
21 million pesos (P500,000,000.00) shall be created exclusively to
22 answer for the proportion of all losses in excess of risk (pure)
23 premium under the Corporation's Crop Insurance Program for small
24 farmers and fisherfolk. The Fund may be increased subject to the
25 approval of the President of the Philippines. The Fund shall be
26 administered by a government financial institution to be designated
27 by the Corporation's Board of Directors. Such sum as may be

1 necessary for the purpose shall be funded by the National
2 Government through the annual General Appropriations Act. The
3 mechanics of claims against the Fund and to what extent the Fund
4 shall be liable shall be determined jointly with the financial
5 institution administering the Fund, subject to the approval by the
6 President of the Philippines.

7 SEC. 10. *Reinsurance.* – In order to spread the risk of the
8 Corporation, the PCIC is hereby authorized to seek reinsurance
9 protection whenever it may be available.

10 SEC. 11. *Board of Directors.* – (a) The powers of the
11 Corporation shall be vested in and exercised by a Board of Directors,
12 hereinafter referred to as the Board, composed of seven (7) members
13 and made up of the following: the President of the LBP, the
14 President of the Corporation, the DA Secretary, a representative
15 from the private insurance industry to be nominated by the
16 Secretary of Finance and three (3) representatives from the
17 subsistence farmers' sector, preferably representing agrarian reform
18 beneficiaries/cooperatives/associations coming from Luzon, Visayas,
19 and Mindanao, who shall be selected and nominated by the different
20 farmers' organizations or cooperatives. The respective nominees of
21 the private insurance industry and the farmers' sector shall be
22 submitted to and appointed by the President of the Philippines. The
23 chairman of the Board shall be appointed by the President of the
24 Philippines from among the members of the Board. The President of
25 the Corporation shall also be appointed by the President of the
26 Philippines and shall be *ex officio* Vice Chairman who shall assist
27 the Chairman and act in his stead in case of absence or incapacity.

1 In case of absence or incapacity of both the Chairman and the Vice
2 Chairman, the Board shall designate a temporary chairman from
3 among its members. Except for the President of the LBP and the DA
4 Secretary, all members of the Board, including the President of the
5 Corporation, shall be appointed by the President of the Philippines
6 within a reasonable period of time after the approval of this Act.

7 (b) The members of the Board shall have their respective
8 alternates who shall attend the meetings, and act as members of the
9 Board in the absence or incapacity of the regular members.

10 (c) The Board shall meet regularly at least twice a month and
11 as often as the exigencies of the Corporation's affairs demand. The
12 presence of at least five (5) members shall constitute a quorum
13 which shall be necessary for the transaction of any business. The
14 Board may be convoked either by the Chairman or, in his absence,
15 by the Vice Chairman.

16 (d) The Chairman and the members of the Board shall each
17 receive *per diem* pursuant to existing law for each meeting of the
18 Board personally attended: *Provided, however,* That in the case of
19 the representatives of subsistence farmers' sector, the Board is
20 authorized to determine reasonable traveling and, if necessary,
21 subsistence expenses in going to and returning from said Board
22 meetings to be disbursed to them in addition to their *per diem*.

23 SEC. 12. *Powers and Functions of the Board of Directors.* -
24 The Board shall have the following powers and functions:

- 25 (a) To implement the provisions and purposes of this Act;
26 (b) To formulate and adopt policies and plans, and to
27 promulgate rules and regulations for the management, operation

1 and conduct of the affairs and business of the Corporation and, for
2 this purpose, may limit or refuse insurance in any area or on any
3 farmer because of the risk involved or may expand the subject of
4 insurance coverage to crops other than palay: *Provided*, That such
5 coverage on other crops shall be approved by the President of the
6 Philippines;

7 (c) To borrow funds from local and international financing
8 sources or institutions and issue bonds up to five (5) times the value
9 of its authorized capital stock for the purpose of financing the
10 programs and projects deemed vital for the attainment of the
11 Corporation's goals and objectives;

12 (d) To enter into, make, and execute contracts of any kind or
13 nature as may be necessary, or incidental to the accomplishment of
14 the purposes of the Corporation;

15 (e) To approve the budget of the Corporation and to fix the
16 reasonable compensation of its personnel: *Provided*, That the Board
17 shall have exclusive and final authority to promote, transfer, assign
18 or reassign personnel of the Corporation and these personnel actions
19 are deemed made in the interest of the service and not disciplinary,
20 any provision of existing law to the contrary notwithstanding;

21 (f) To establish policies and guidelines for employment on the
22 basis of merit, technical competence and moral character, and
23 approve a staffing pattern of personnel defining their powers and
24 duties; and

25 (g) To exercise the general powers mentioned in the
26 Corporation Law insofar as these are not inconsistent or
27 incompatible with the provisions of this Act.

1 SEC. 13. *Management.* – The management of the
2 Corporation shall be vested in the President of the Corporation who
3 shall be a person of known integrity, competence in technical and
4 executive fields related to the purposes of this Act. The President of
5 the Corporation shall be appointed by the Board and shall not be
6 removed except for cause. There shall also be Vice President(s) as
7 the Board may decide, to be appointed by the latter. The President
8 of the Corporation shall have the following powers and duties:

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

12 (b) To submit for the consideration of the Board such policies,
13 plans and programs deemed necessary to carry out the provisions
14 and purposes of this Act;

15 (c) To direct and supervise the operations and internal
16 administration of the Corporation and, for this purpose, to delegate
17 some or any powers and duties to subordinate officials;

18 (d) To recommend to the Board the appointment, promotions,
19 transfer, assignment, reassignment, demotion, dismissal and
20 compensation of personnel; and

21 (e) To exercise such other powers and perform such other
22 duties as may be directed by the Board.

23 SEC. 14. *Settlement of Claims.* – (a) Claims for indemnity
24 against the Corporation shall be settled by the Corporation's
25 regional manager concerned or the appropriate officer to whom the
26 function is delegated. However, if in the opinion of the regional
27 manager the claim is novel, difficult, or controversial, the matter

1 may be elevated by the regional manager to the President of the
2 Corporation for decision.

3 (b) The claimant aggrieved by the decision of the regional
4 manager may, within thirty (30) days from receipt of the decision,
5 request for reconsideration thereof, and if not satisfied therewith,
6 may elevate the matter to the President of the Corporation.

7 (c) Any party aggrieved by a decision, order or ruling of the
8 President of the Corporation may appeal said decision, order, or
9 ruling to the Corporation's Board.

10 (d) Any claim not acted upon within sixty (60) days from
11 submission of complete claim documents to the Corporation shall be
12 considered approved.

13 SEC. 15. *No Claim Benefits.* - Any insured farmer or
14 fisherfolk who has not filed any claim during the immediately
15 preceding three (3) crop seasons, or any insured fishpond or fish
16 cage operator who has not filed any claim during the immediately
17 preceding three (3) harvest seasons shall be entitled to a no-claim
18 benefit of at least ten percent (10%) of premium share paid for said
19 crop seasons to be deposited in a trust fund and to be managed by
20 the Corporation. Such trust fund may be used to finance premium
21 rebate or premium credit applicable to the immediately following
22 crop seasons as determined by the Board of the Corporation.

23 SEC. 16. *Commission on Audit.* - The Commission on Audit
24 shall be the *ex officio* auditor of the Corporation.

25 SEC. 17. *Legal Counsel.* - The Corporation shall have its
26 own Legal Department, the Chief and members of which shall be
27 appointed by the Board.

1 SEC. 18. *Interagency Linkages.* - (a) To support and promote
2 the operations of the Corporation, all government departments,
3 bureaus, offices, agencies and instrumentalities, national or local,
4 all lending institutions, government or private, now or hereafter
5 engaged in the supervised credit program to farmers and fisherfolk
6 and such other public or private entities as may be called upon by
7 the Corporation, shall act as cooperating agencies to the
8 Corporation and, for this purpose, are hereby directed to design
9 their policies, programs, rules and regulations so as to attune and
10 synchronize them with the objectives of the Corporation.

11 (b) All lending institutions granting production loans for
12 palay, corn and other crops under the supervised credit program of
13 the Government shall automatically act as underwriters for and on
14 behalf of the Corporation. As such, they shall receive and process
15 applications for insurance coverage; approve those found in order
16 and collect premiums therefor. Premiums so collected, together with
17 the premium payable by the lending institution itself, shall be
18 remitted to the Corporation in the manner and within such period as
19 may be prescribed by the Corporation.

20 SEC. 19. *Utilization of Profits.* - The profits of the
21 Corporation shall be determined on a calendar year basis and the
22 manner of its distribution shall be determined by law.

23 SEC. 20. *Exemption from Taxes.* - In furtherance of the
24 effective achievement of the purposes of this Act, the Corporation
25 shall continue to be exempted to the extent allowed by national
26 policy from all national, provincial, municipal and city taxes and
27 assessments now enforced: *Provided*, That said exemption shall

1 apply only to such taxes and assessments for which the Corporation
2 itself would otherwise be liable and shall not apply to taxes and
3 assessments payable by persons or other entities doing business
4 with the Corporation.

5 SEC. 21. *Penal Provisions.* - (a) Any person who through
6 malfeasance, misfeasance or nonfeasance allows a spurious claim to
7 be paid, including the claimant himself, shall, upon final conviction,
8 be punished by imprisonment of not less than three (3) years but
9 not more than eight (8) years or a fine of not less than one hundred
10 thousand pesos (P100,000.00) but not more than six hundred
11 thousand pesos (P600,000.00), or both imprisonment and fine at the
12 discretion of the court. The PCIC personnel who allowed the
13 commission of the offense shall, in addition, be dismissed from
14 office, and forfeit all privileges and benefits which may accrue to
15 such personnel.

16 (b) Any person or entity granting production loan for palay
17 under the supervised credit program of the Government without
18 requiring crop insurance therefor or having collected premiums from
19 farmers, would fail to remit the same within the time and place
20 specified in the rules and regulations of the Corporation shall, upon
21 conviction, be punished by a fine not exceeding ten thousand pesos
22 (P10,000.00) or imprisonment of not exceeding six (6) months, or
23 both, at the discretion of court.

24 (c) Any person or entity who shall violate any provision of this
25 Act or any rule or regulation issued for its implementation, for which
26 no penalty is provided, shall be deemed guilty of a penal offense and,
27 upon conviction, be punished by a fine not exceeding five thousand

1 pesos (P5,000.00) or imprisonment of two (2) months, or both, at the
2 discretion of the court.

3 Whenever any violation of the provisions of this section is
4 committed by a corporation or association, or by a government office
5 or entity, the executive officer or officers of said corporation,
6 association, or government office or entity who shall have knowingly
7 permitted, or failed to prevent, said violation shall be held liable as
8 principal.

9 SEC. 22. *Applicability of Presidential Decree No. 612, as*
10 *Amended.* – The provisions of the Insurance Code insofar as they
11 are not in conflict or inconsistent with or repugnant to the
12 provisions of this Act shall apply to the Corporation.

13 SEC. 23. *Term of Existence and Periodic Review.* – The
14 Corporation's term of legal existence, which was set to last for fifty
15 (50) years starting from the date of approval of Presidential Decree
16 No. 1467 on June 11, 1978, shall continue and is hereby affirmed.
17 To ensure the Corporation's continuing relevance, the PCIC Board
18 shall undertake periodic review of the Corporation's activities and
19 shall submit to both Houses of Congress at least once a year a
20 report which shall include, among others, a recommendation for
21 improving services to the target sectors and the financial viability of
22 the Corporation.

23 SEC. 24. *Separability Clause.* – If any provision or part
24 hereof is held unconstitutional or invalid, the other provisions not
25 affected shall remain in force and effect.

26 SEC. 25. *Repealing Clause.* – Presidential Decree No. 1467,
27 Presidential Decree No. 1733, Republic Act No. 8175, and all other

1 laws, executive orders, and other issuances or parts thereof
2 inconsistent with this Act are hereby repealed or modified
3 accordingly.

4 SEC. 26. *Effectivity.* – This Act shall take effect fifteen (15)
5 days after its publication in the *Official Gazette* or in a newspaper of
6 general circulation.

Approved,

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