

TENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

NO 53

S E N A T E

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COMMITTEE REPORT No. 3

Submitted by the Committee on Agriculture and Food  
on ~~\_\_\_\_\_~~ **AUG 29 1995**

Re : S. No. 1157, prepared by the Committee

Recommending its approval in substitution of S.Nos. 337, 727  
and 953

Sponsors : Senators Macapagal, Alvarez, Roco, Shahani and  
the Members of the Committee

Mr. President :

The Committee on Agriculture and Food to which were referred  
S. No. 337, introduced by Senators Macapagal, entitled:

AN ACT FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS  
AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE  
PHILIPPINE CROP INSURANCE CORPORATION (PCIC), IN ORDER  
TO MAKE THE CROP INSURANCE SYSTEM MORE STABLE AND MORE  
BENEFICIAL TO THE FARMERS COVERED THEREBY AND FOR THE  
NATIONAL ECONOMY

S. No. 727, introduced by Senator Alvarez, entitled

AN ACT FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS  
AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE  
PHILIPPINE CROP INSURANCE CORPORATION (PCIC), IN ORDER  
TO MAKE THE CROP INSURANCE SYSTEM MORE STABLE AND MORE  
BENEFICIAL TO THE FARMERS COVERED THEREBY AND FOR THE  
NATIONAL ECONOMY

S.No. 953, introduced by Senator Roco, entitled:

AN ACT FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS  
AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE  
PHILIPPINE CROP INSURANCE CORPORATION (PCIC), IN ORDER  
TO MAKE THE CROP INSURANCE SYSTEM MORE STABLE AND MORE  
BENEFICIAL TO THE FARMER COVERED THEREBY AND FOR THE  
NATIONAL ECONOMY

has considered the same and has the honor to report them back to  
the Senate with the recommendation that the attached bill, S. No.  
1157, prepared by the Committee, entitled:

AN ACT FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS  
AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE  
PHILIPPINE CROP INSURANCE CORPORATION (PCIC), IN ORDER  
TO MAKE THE CROP INSURANCE SYSTEM MORE STABLE AND MORE  
BENEFICIAL TO THE FARMERS COVERED THEREBY AND FOR THE  
NATIONAL ECONOMY

be approved in substitution of S.Nos. 337, 727 and 953 with Senators Macapagal, Alvarez, Roco and Shahani as authors thereof.

Furthermore, S.B. Nos. 337, 727, 953 as well as the attached bill, S.No. \_\_\_\_\_, prepared by the Committee are similar and identical to S.No. 1829, under Committee Report No. 497 of the Ninth Congress.

Respectfully submitted:

*Shahani*

LETICIA RAMOS SHAHANI

Chairperson

Committee on Agriculture and Food

*Vicente C. Sotto III*  
VICENTE C. SOTTO III  
Vice-Chairman

*Macapagal*  
GLORIA M. MACAPAGAL  
Vice-Chairperson

*Juan M. Flavies*  
JUAN M. FLAVIER  
Vice-Chairman

*Sergio R. Osmena III* with amendments  
SERGIO R. OSMENA III  
Vice-Chairman

MEMBERS

*Orlando S. Mercado*

ORLANDO S. MERCADO

*Blas F. Ople*  
BLAS F. OPLE

*Dissenting - I agree with the points raised by Sen. Mercado.*  
*Nikki M.L. Coseteng*  
NIKKI M.L. COSETENG

EX-OFFICIO MEMBERS

*Alberto G. Romulo*  
ALBERTO G. ROMULO  
Majority Leader

*Dissenting: There should be new hearings on this bill. This is not a pro-farmer bill. It is a money bill that should have been referred to the Committee on Finance. Where will we get the \$1.5 Billion required by this bill. This is also a bill to raise the per diem & allowances of members of the*  
*Ernesto M. Maceda*  
ERNESTO M. MACEDA  
Minority Leader

The Honorable Edgardo J. Angara  
President of the Senate  
Manila

10:52

TENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

PH

SENATE

S. No. 1157

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Prepared by the Committee with Senators Macapagal, Alvarez,  
Roco, Shahani and the members of the Committee as authors

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AN ACT

FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS AMENDED,  
OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE CROP INSURANCE  
CORPORATION (PCIC), IN ORDER TO MAKE THE CROP INSURANCE SYSTEM MORE  
STABLE AND MORE BENEFICIAL TO THE FARMERS COVERED THEREBY AND FOR  
THE NATIONAL ECONOMY

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 Act of 1995."

3 SEC. 2. *DECLARATION OF POLICY.* - It is the policy of the State  
4 to develop and support an adequate agricultural insurance program  
5 as a mechanism for managing the risks inherent in agriculture and  
6 stabilizing the financial fluctuations suffered by agricultural  
7 producers in case of crop loss, with the end in view of encouraging  
8 lending institutions to extend credit to the agricultural sector.

9 Considering that a major sector of our farming economy is  
10 composed of marginalized small-scale/subsistence farmers, it is  
11 likewise declared a policy of the State to extend to said farmers  
12 such subsidies as may be called for in order to bring the benefits  
13 of this program within their reach.

14 In pursuit of this policy, and in order to maximize the  
15 benefits under this program, the State shall encourage the

6  
1 formation, development and promotion of people's organizations  
2 and/or associations such as cooperatives as provided for by Section  
3 23, Article II, Sections 15 and 16, Article XII, and Sections 15  
4 and 16, Article XIII, of the 1987 Constitution, as service channels  
5 through which such benefits shall preferably be extended.

6 SEC. 3. Section 1 of Presidential Decree No. 1467, as amended,  
7 is hereby amended to read as follows:

8 "SEC. 1. Creation of the Philippine Crop Insurance  
9 Corporation. - There is hereby created a body corporate to be known  
10 as the "Philippine Crop Insurance Corporation" (PCIC and herein  
11 called the Corporation) which shall BE ATTACHED TO THE DEPARTMENT  
12 OF AGRICULTURE AND SHALL provide insurance protection to farmers  
13 against losses arising from natural disasters as well as plant  
14 diseases and pest infestation, initially to palay crops and later  
15 on the other crops. SUCH INSURANCE SHALL COVER SUCH OTHER CROPS AS  
16 THE BOARD OF DIRECTORS OF THE CORPORATION SHALL DECIDE, AND SHALL  
17 COVER COST OF PRODUCTION INPUTS, INCLUDING THE FARMERS'S OWN LABOR,  
18 THAT OF THE MEMBERS OF HIS HOUSEHOLD AND PAID LABOR AS WELL AS  
19 PORTIONS OF EXPECTED YIELD OR INCOME, AS DETERMINED BY THE BOARD OF  
20 DIRECTORS OF THE CORPORATION. Such insurance protection, however,  
21 shall exclude losses arising from avoidable risks emanating from or  
22 due to neglect, malfeasance or fraud by the insured or any member  
23 of his immediate farm household or employee or the failure of the  
24 insured to follow proven farm practices [and that the indemnity for  
25 such losses shall not exceed at all times the cost borne by the  
26 insured farmer in the production of the crop].

27 SEC. 4. Section 5 of Presidential Decree No. 1467, as amended,  
28 is hereby amended to read as follows:

29 "SEC. 5. Rate of Premium and Its Sharing. - The rate of

1 premium, as well as the allocated sharing thereof by the farmers,  
 2 the lending institutions, the Government of the Republic of the  
 3 Philippines (herein called the Government) and other parties, shall  
 4 be determined by the Board of Directors of the Corporation:  
 5 PROVIDED, HOWEVER, THAT THE SHARE OF THE GOVERNMENT IN THE PREMIUM  
 6 COST, IN THE FORM OF PREMIUM SUBSIDY, SHALL BE LIMITED ONLY TO  
 7 SMALL-SCALE/SUBSISTENCE FARMERS EACH OF WHOM IS CULTIVATING NOT  
 8 MORE THAN SEVEN (7) HECTARES BY HIMSELF OR WITH THE HELP OF THE  
 9 LABOR OF THE MEMBERS OF HIS HOUSEHOLD AND HIRED LABOR, THE PREMIUM  
 10 RATE AND SHARING TO BE DETERMINED BY THE BOARD OF DIRECTORS subject  
 11 to approval by the President of the Philippines: PROVIDED, FURTHER,  
 12 THAT THE PREMIUM SHARE OF THE SMALL-SCALE/SUBSISTENCE FARMER SHALL  
 13 BE REASONABLY AFFORDABLE BY HIM: PROVIDED, FINALLY, THAT THE  
 14 GOVERNMENT SHALL SHARE IN THE PREMIUM COST ONLY IN INSURANCE  
 15 COVERAGE AGAINST UNAVOIDABLE RISKS SUCH AS, BUT NOT LIMITED TO,  
 16 TYPHOONS, DROUGHTS, OUTBREAKS OF PESTS AND DISEASES.

17 SEC. 5. A new sub-section, numbered 6.3 shall be added to  
 18 Section 6 of Presidential Decree No. 1467, as amended, to read:

19 "6.3 UNAPPROPRIATED AND/OR UNRELEASED GOVERNMENT PREMIUM  
 20 SUBSIDY FOR POLICIES WRITTEN FOR THE PERIOD FROM MAY 1, 1981 UP TO  
 21 THE APPROVAL OF THIS ACT COMPUTED ON THE BASIS OF PREMIUM RATES AND  
 22 SHARING AS PREVIOUSLY APPROVED BY THE PRESIDENT OF THE PHILIPPINES  
 23 AS AUTHORIZED BY LAW SHALL BE PROGRAMMED FOR PAYMENT BY THE  
 24 GOVERNMENT WITHIN A PERIOD OF TEN (10) YEARS. AND THE YEARLY SUMS  
 25 SHALL BE INCLUDED IN THE BUDGETARY APPROPRIATIONS FOR SUBMISSION TO  
 26 CONGRESS, STARTING THE FISCAL YEAR FOLLOWING APPROVAL HEREOF, IN  
 27 ADDITION TO THE PREMIUM SUBSIDY REQUIREMENT FOR THE YEAR INVOLVED."

28 SEC. 6. Subsections 8.1 and 8.3 of Presidential Decree No.  
 29 1467, as amended, are hereby amended to read as follows:

1 "8.1 The authorized capital stock of the Corporation is  
 2 [Seven Hundred fifty million pesos (P750,000,000.00)] TWO BILLION  
 3 PESOS (P2,000,000,000.00) divided into [Five million (P5,000,000)]  
 4 FIFTEEN MILLION (P15,000,000) common shares with a par value of One  
 5 Hundred Pesos (P100.00) each share, which shall be fully subscribed  
 6 by the Government; and [Two million five hundred thousand  
 7 (P2,500,000)] FIVE MILLION (P5,000,000) common shares with a par  
 8 value of One hundred pesos (P100.00) per share, which shall have  
 9 the features as provided in Section 8.4 hereof and shall be issued  
 10 in accordance with the provisions of Section 8.5 hereof.

11 "8.3 The [remaining] ADDITIONAL common capital stock of [Two  
 12 hundred fifty million pesos (P250,000,000.00)] ONE BILLION PESOS  
 13 (P1,000,000,000.00) shall be fully subscribed by the Government and  
 14 the necessary funds shall be appropriated, programmed, and paid by  
 15 the proper office, entity or agency of the government as the  
 16 financial needs of the Corporation shall require and until the  
 17 authorized capital stock is fully paid up."

18 SEC. 7. A new section is hereby inserted between Sections 8  
 19 and 9 of Presidential Decree No. 1467, as amended, designated as  
 20 Section 8-A, which read as follows:

21 "Sec. 8-A A STATE REINSURANCE FUND FOR AGRICULTURAL INSURANCE  
 22 IN THE AMOUNT OF FIVE HUNDRED MILLION PESOS (P500,000,000.00) SHALL  
 23 BE CREATED EXCLUSIVELY TO ANSWER FOR A PROPORTION OF ALL LOSSES IN  
 24 EXCESS OF RISK (PURE) PREMIUMS UNDER THE CORPORATION'S CROP  
 25 INSURANCE PROGRAM FOR SMALL FARMERS. THE FUND SHALL BE ADMINISTERED  
 26 BY THE DEPARTMENT OF AGRICULTURE AND SHALL BE FUNDED BY THE  
 27 NATIONAL GOVERNMENT THROUGH ANNUAL BUDGETARY ALLOCATIONS OF ONE  
 28 HUNDRED MILLION PESOS (P100,000,000.00) STARTING WITH THE CALENDAR  
 29 YEAR IMMEDIATELY FOLLOWING THE APPROVAL OF THIS ACT AND EVERY YEAR

1 THEREAFTER UNTIL THE FULL AMOUNT IS COMPLETED. THE MECHANICS OF  
2 CLAIMS AGAINST THE FUND AND TO WHAT EXTENT THE FUND SHALL BE LIABLE  
3 SHALL BE DETERMINED JOINTLY BY THE DEPARTMENT OF AGRICULTURE AND  
4 THE CORPORATION, SUBJECT TO APPROVAL BY THE PRESIDENT OF THE  
5 PHILIPPINES."

6 SEC. 8. Sub-sections 9.1 and 9.4 of Section 9 of Presidential  
7 Decree No. 1467, as amended, are hereby amended to read as follows:

8 "SEC. 9.1 The power of the Corporation shall be vested in and  
9 exercised by a Board of Directors composed of TEN (10) members and  
10 made up of the following: THE SECRETARY OF AGRICULTURE AS CHAIRMAN,  
11 The Secretary of Finance, [the Secretary of Agriculture] the  
12 President of the Land Bank of the Philippines, the Secretary of  
13 Agrarian Reform, [the Secretary of Labor, the Secretary of National  
14 Defense], the [Budget Commission] SECRETARY OF BUDGET AND  
15 MANAGEMENT, [and] the President of the Corporation, A  
16 REPRESENTATIVE FROM [and in addition, a nominee of the Secretary of  
17 Finance, preferably representing] the private insurance industry,  
18 TO BE NOMINATED BY THE SECRETARY OF FINANCE AND THREE (3)  
19 REPRESENTATIVES FROM THE SMALL-SCALE/SUBSISTENCE FARMERS SECTOR TO  
20 REPRESENT THE THREE (3) MAIN REGIONS OF THE COUNTRY, LUZON, VISAYAS  
21 AND MINDANAO WHO SHALL BE SELECTED AND NOMINATED BY THE DIFFERENT  
22 FARMERS' ORGANIZATIONS FROM THEIR RESPECTIVE REGIONS. THE NOMINEES  
23 OF THE PRIVATE INSURANCE INDUSTRY AND THAT OF THE FARMERS SECTOR  
24 SHALL BE SUBMITTED TO AND APPOINTED BY THE PRESIDENT OF THE  
25 PHILIPPINES. [The Chairman of the Board of Directors shall be  
26 appointed by the President from among the members of the Board of  
27 Directors; and that] The President of the Corporation shall be ex-  
28 officio Vice Chairman who, as such shall assist the Chairman and  
29 act in his stead in case of absence or incapacity. In case of

1 absence or incapacity of both the Chairman and the Vice-Chairman,  
2 the Board of Directors shall designate a temporary Chairman from  
3 among its members."

4 "9.4 The Chairman and the members of the Board shall each  
5 receive a per diem of [Three hundred pesos (P300.00) ONE THOUSAND  
6 PESOS (P1,000.00) for each session of the Board attended, but in no  
7 case to exceed [Three thousand pesos (P3,000.00)] FIVE THOUSAND  
8 PESOS (P5,000.00) a month: PROVIDED, HOWEVER, THAT IN CASE OF THE  
9 REPRESENTATIVES OF THE SMALL-SCALE/SUBSISTENCE FARMERS SECTOR, THE  
10 BOARD IS AUTHORIZED TO DETERMINE REASONABLE TRAVELING AND  
11 SUBSISTENCE EXPENSES IN GOING TO AND RETURNING FROM SAID BOARD  
12 MEETINGS TO BE DISBURSED TO THEM IN ADDITION TO THEIR PER DIEM."

13 SEC. 9 A new Section is hereby inserted between Sections 11  
14 and 12 of Presidential Decree No. 1467, as amended, designated as  
15 Section 11-A, which shall read as follows:

16 "SEC. 11-A SETTLEMENT OF CLAIMS. -

17 "11-A.1 CLAIMS FOR INDEMNITY AGAINST THE CORPORATION SHALL BE  
18 SETTLED BY THE CORPORATION'S REGIONAL OFFICE CONCERNED. HOWEVER,  
19 IF IN THE OPINION OF THE REGIONAL OFFICE THE CLAIM IS NOVEL,  
20 DIFFICULT OR CONTROVERSIAL, THE MATTER MAY BE ELEVATED BY THE  
21 REGIONAL OFFICE TO THE PRESIDENT/EXECUTIVE VICE-PRESIDENT OF THE  
22 CORPORATION FOR DECISION.

23 "11-A.2 A PARTY AGGRIEVED BY THE DECISION OF THE REGIONAL  
24 OFFICE MAY WITHIN THIRTY (30) DAYS FROM RECEIPT OF THE DECISION  
25 REQUEST FOR RECONSIDERATION THEREOF, AND IF NOT SATISFIED  
26 THEREWITH, MAY ELEVATE THE MATTER TO THE PRESIDENT/EXECUTIVE VICE-  
27 PRESIDENT OF THE CORPORATION OR MAY APPEAL SAID DECISION, ORDER OR  
28 RULING TO THE CORPORATION'S BOARD OF DIRECTORS."

29 SEC. 10. This Act shall take effect fifteen (15) days after



1 its complete publication in at least two (2) newspapers of general  
2 circulation.

3 Approved,

S E N A T E  
S. B. NO. 337

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Introduced by Senator Macapagal

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#### EXPLANATORY NOTE

The Philippine Crop Insurance Corporation (PCIC) was established by Presidential Decree No. 1467 promulgated on June 17, 1978 and mandated to provide insurance protection to farmers against losses arising from natural disasters, plant diseases and pest infestations, initially to palay crops and later on to the other crops.


As of December 1991 PCIC has extended its coverage not only to rice but also included corn, livestock, tobacco, vegetables, fruits, plantation crops, aquiculture crops and fisheries. Rice and corn insurance coverage amounted to P2.8 billion involving 301,954 farmers cultivating 494,538 hectares. Under the livestock program, a total of 24,056 livestock and poultry raisers were covered. Coverage was also extended to 47 hectares of tobacco farmland in only 3 months of operation (September to December) under a Memo Agreement between the National Tobacco Administration and the PCIC. The PCIC in its 5th year of operations under the PCIC-CALF Program covered a total of P869.6 million worth of loans for the production of fruits, vegetables, plantation crops, aquaculture products and other crops involving 72,039 farmers. In its 2nd year of operations, the PCIC fisheries program covered 1,453 fisherfolks.

As can be seen from the above, PCICs activities are completely centered on insurance protection of crops, such as rice, corn, fruits, plantation crops, aquaculture and fisheries the production of which fall under the aegis of the Department of Agriculture. Likewise, support services to the rice and corn farmers, which category comprise the majority of insurance coverage by PCIC, fall under the supervised program of the Department of Agriculture. Technical assistance and supervised credit to insure adherence to proven farm practices, conservation of land, fertility improvement and production enhancement are all provided by the different bureaus under the Agriculture Department.

In order to rationalize and coordinate the functions of PCIC which is closely interlinked in the application thereof with the functions of the Department of Agriculture, this bill proposes to make the PCIC an attached agency of the Department with the Secretary of Agriculture as Chairman,

and the Secretary of Finance, as Vice-Chairman, considering the insurance functions of PCIC. In this manner, cohesion and formulation of policies and functions which will result in more efficient operations and delivery of services and benefits to the farmer beneficiaries, will be greatly enhanced.

In view of the foregoing, approval of this measure is strongly recommended.

  
GLORIA MACAPAGAL  
Senator

TENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

S E N A T E  
S. B. NO. 337

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Introduced by Senator Macapagal

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AN ACT  
FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS AMENDED,  
OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE CROP  
INSURANCE CORPORATION (PCIC), IN ORDER TO MAKE THE CROP  
INSURANCE SYSTEM MORE STABLE AND MORE BENEFICIAL TO THE  
FARMERS COVERED THEREBY AND FOR THE NATIONAL ECONOMY

Be it enacted by the Senate and 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 Act of 1995."

SEC. 2. **Declaration of Policy.** - It is the policy of  
the State to develop and support an adequate agricultural  
insurance program as a mechanism for managing the risks  
inherent in agriculture and stabilizing the financial  
fluctuations suffered by agricultural producers in case of  
crop loss, with the end in view of encouraging lending  
institutions to extend credit to the agricultural sector.

Considering that a major sector of our farming economy  
is composed of marginalized small-scale/subsistence farmers,  
it is likewise declared a policy of the State to extend to  
said farmers such subsidies as may be called for in order to  
bring the benefits of this program within their reach.

In pursuit of this policy, and in order to maximize the  
benefits under this program, the State shall encourage the  
formation, development and promotion of people's  
organizations and/or associations such as cooperatives as  
provided for by Section 23, Article II, Sections 15 and 16,

Article XII, and Sections 15 and 16, Article XIII, of the 1987 Constitution, as service channels through which such benefits shall preferably be extended.

SEC. 3. Section 1 of Presidential Decree No. 1467, as amended, is hereby 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 AND SHALL provide insurance protection to farmers against losses arising from natural disasters as well as plant diseases and pest infestation, initially to palay crops and later on the other crops. SUCH INSURANCE SHALL COVER SUCH OTHER CROPS AS THE BOARD OF DIRECTORS OF THE CORPORATION SHALL DECIDE, AND SHALL COVER COST OF PRODUCTION INPUTS, INCLUDING THE FARMER'S OWN LABOR, THAT OF THE MEMBERS OF HIS HOUSEHOLD AND PAID LABOR AS WELL AS PORTIONS OF EXPECTED YIELD OR INCOME, AS DETERMINED BY THE BOARD OF DIRECTORS OF THE CORPORATION. Such insurance protection, however, shall exclude losses arising from avoidable risks emanating from or due to neglect, malfeasance or fraud by the insured or any member of his immediate farm household or employee or the failure of the insured to follow proven farm practices [and that the indemnity for such losses shall not exceed at all times the cost borne by the insured farmer in the production of the crop].

SEC. 4. Section 5 of Presidential Decree No. 1467, as amended, is hereby 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 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, HOWEVER, THAT THE SHARE OF THE GOVERNMENT IN THE PREMIUM COST, IN THE FORM OF PREMIUM SUBSIDY, SHALL BE LIMITED ONLY TO SMALL-SCALE/SUBSISTENCE FARMERS EACH OF WHOM IS CULTIVATING NOT MORE THAN SEVEN (7) HECTARES BY HIMSELF OR WITH THE HELP OF THE LABOR OF THE MEMBERS OF HIS HOUSEHOLD AND 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 SMALL-SCALE/SUBSISTENCE FARMER SHALL BE REASONABLY AFFORDABLE BY HIM: PROVIDED, FINALLY, THAT THE GOVERNMENT SHALL SHARE IN THE PREMIUM COST ONLY IN INSURANCE COVERAGE AGAINST UNAVOIDABLE RISKS SUCH AS, BUT NOT LIMITED TO, TYPHOONS, DROUGHTS, OUTBREAKS OF PESTS AND DISEASES.

SEC. 5. A new sub-section, numbered 6.3 shall be added to Section 6 of Presidential Decree No. 1467, as amended, to read:

"6.3 UNAPPROPRIATED AND/OR UNRELEASED GOVERNMENT PREMIUM SUBSIDY FOR POLICIES WRITTEN FOR THE PERIOD FROM MAY 1, 1981 UP TO THE APPROVAL OF THIS ACT COMPUTED ON THE BASIS OF PREMIUM RATES AND SHARING AS PREVIOUSLY APPROVED BY THE PRESIDENT OF THE PHILIPPINES AS AUTHORIZED BY LAW SHALL BE PROGRAMMED FOR PAYMENT BY THE GOVERNMENT WITHIN A

PERIOD OF TEN (10) YEARS. AND THE YEARLY SUMS SHALL BE INCLUDED IN THE BUDGETARY APPROPRIATIONS FOR SUBMISSION TO CONGRESS, STARTING THE FISCAL YEAR FOLLOWING APPROVAL HEREOF, IN ADDITION TO THE PREMIUM SUBSIDY REQUIREMENT FOR THE YEAR INVOLVED."

SEC. 6. Subsections 8.1 and 8.3 of Presidential Decree No. 1467, as amended, are hereby amended to read as follows:

"8.1 The authorized capital stock of the Corporation is [Seven hundred fifty million pesos (P750,000,000.00)] TWO BILLION PESOS (P2,000,000,000.00) divided into [Five million (P5,000,000.00)] FIFTEEN MILLION (P15,000,000.00) common shares with a par value of One hundred pesos (P100.00) each share, which shall be fully subscribed by the Government; and [Two million five hundred thousand (P2,500,000.00)] FIVE MILLION (P5,000,000.00) common shares with a par value of One hundred pesos (P100.00) per share, which shall have the features as provided in Section 8.4 hereof and shall be issued in accordance with the provisions of Section 8.5 hereof.

"8.3 The [remaining] ADDITIONAL common capital stock of [Two hundred fifty million pesos (P250,000,000.00)] ONE BILLION PESOS (P1,000,000,000.00) shall be fully subscribed by the Government and the necessary funds shall be appropriated, programmed, and paid by the proper office, entity or agency of the government as the financial needs of the Corporation shall require and until the authorized capital stock is fully paid-up."

SEC. 7. A new Section is hereby inserted between Sections 8 and 9 of Presidential Decree No. 1467, as amended, designated as Section 8-A, which read as follows:

"Sec. 8-A. A STATE REINSURANCE FUND FOR AGRICULTURAL INSURANCE IN THE AMOUNT OF FIVE HUNDRED MILLION PESOS (P500,000,000.00) SHALL BE CREATED EXCLUSIVELY TO ANSWER FOR A PROPORTION OF ALL LOSSES IN EXCESS OF RISK (PURE) PREMIUMS UNDER THE CORPORATIONS'S CROP INSURANCE PROGRAM FOR SMALL FARMERS. THE FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF AGRICULTURE AND SHALL BE FUNDED BY THE NATIONAL GOVERNMENT THROUGH ANNUAL BUDGETARY ALLOCATIONS OF ONE HUNDRED MILLION PESOS (P100,000,000.00) STARTING WITH THE CALENDAR YEAR IMMEDIATELY FOLLOWING THE APPROVAL OF THIS ACT AND EVERY YEAR THEREAFTER UNTIL THE FULL AMOUNT IS COMPLETED. THE MECHANICS OF CLAIMS AGAINST THE FUND AND TO WHAT EXTENT THE FUND SHALL BE LIABLE SHALL BE DETERMINED JOINTLY BY THE DEPARTMENT OF AGRICULTURE AND THE CORPORATION, SUBJECT TO APPROVAL BY THE PRESIDENT OF THE PHILIPPINES."

SEC. 8. Sub-sections 9.1 and 9.4 of Section 9 of Presidential Decree No. 1467, as amended, are hereby amended to read as follows :

SEC. 9.1 The power of the Corporation shall be vested in and exercised by a Board of Directors composed of TEN (10) members and made up of the following : THE SECRETARY OF AGRICULTURE AS CHAIRMAN, the Secretary of Finance, [the Secretary of Agriculture] the President of the land Bank of the Philippines, the Secretary of Agrarian Reform, [the Secretary of Labor, the Secretary of National Defense], the [Budget Commission] SECRETARY OF



BUDGET AND MANAGEMENT, [and] the President of the Corporation, A REPRESENTATIVE FROM [and in addition, a nominee of the Secretary of Finance, preferably representing] the private insurance industry, TO BE NOMINATED BY THE SECRETARY OF FINANCE AND THREE (3) REPRESENTATIVES FROM THE SMALL-SCALE/SUBSISTENCE FARMERS SECTOR TO REPRESENT THE THREE (3) MAIN REGIONS OF THE COUNTRY, LUZON, VISAYAS AND MINDANAO WHO SHALL BE SELECTED AND NOMINATED BY THE DIFFERENT FARMERS' ORGANIZATIONS FROM THEIR RESPECTIVE REGIONS. THE NOMINEES OF THE PRIVATE INSURANCE INDUSTRY AND THAT OF THE FARMERS SECTOR SHALL BE SUBMITTED TO AND APPOINTED BY THE PRESIDENT OF THE PHILIPPINES. [The Chairman of the Board of Directors shall be appointed by the President from among the members of the Board of Directors; and that] the President of the Corporation shall be ex-officio Vice-Chairman who, as such, 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."

"9.4 The Chairman and the members of the Board shall each receive a per diem of [Three hundred pesos (P300.00)] ONE THOUSAND PESOS (P1,000.00) for each session of the Board attended, but in no case to exceed [Three thousand pesos (P3,000.00)] FIVE THOUSAND PESOS (P5,000.00) a month: PROVIDED, HOWEVER, THAT IN CASE OF THE REPRESENTATIVES OF THE SMALL-SCALE/SUBSISTENCE FARMERS SECTOR, THE BOARD IS AUTHORIZED TO

DETERMINE REASONABLE TRAVELING AND SUBSISTENCE EXPENSES IN GOING TO AND RETURNING FROM SAID BOARD MEETINGS TO BE DISBURSED TO THEM IN ADDITION TO THEIR PER DIEM."

SEC. 9. A new Section is hereby inserted between Sections 11 and 12 of Presidential Decree No. 1467, as amended, designated as Section 11-A, which shall read as follows:

"SEC. 11-A. SETTLEMENT OF CLAIMS. -

"11-A.1 CLAIMS FOR INDEMNITY AGAINST THE CORPORATION SHALL BE SETTLED BY THE CORPORATION'S REGIONAL OFFICE CONCERNED. HOWEVER, IF IN THE OPINION OF THE REGIONAL OFFICE THE CLAIM IS NOVEL, DIFFICULT OR CONTROVERSIAL, THE MATTER MAY BE ELEVATED BY THE REGIONAL OFFICE TO THE PRESIDENT/EXECUTIVE VICE-PRESIDENT OF THE CORPORATION FOR DECISION.

"11-A.2 A PARTY AGGRIEVED BY THE DECISION OF THE REGIONAL OFFICE MAY WITHIN THIRTY (3) DAYS FROM RECEIPT OF THE DECISION REQUEST FOR RECONSIDERATION THEREOF, AND IF NOT SATISFIED THEREWITH, MAY ELEVATE THE MATTER TO THE PRESIDENT/EXECUTIVE VICE-PRESIDENT OF THE CORPORATION OR MAY APPEAL SAID DECISION, ORDER OR RULING TO THE CORPORATION'S BOARD OF DIRECTORS."

SEC. 10. This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.

Approved,

fn:pcic  
dk:new bills 4

4 10:28  
'95 JUL -4 AIO:2

TENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES ) S.S  
FIRST REGULAR SESSION )

S E N A T E

S. No. 727

RECEIVED BY: *[Signature]*

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Introduced by Senator Heherson T. Alvarez  
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EXPLANATORY NOTE

Risk management in farming, specially in calamity-prone locations like the Philippines which lies in the typhoon belt and in the volcanic "ring of fire", can spell the difference between a stagnant and a prosperous agri-based economy. A Food and Agriculture Organization (FAO) study puts it this way:

"Uncertainty of crop yield is . . . one of the basic risks which every farmer has to face. But the farmers in most countries of Asia and the Far East region are poor and have extremely limited means and resources; they are therefore unable to bear the risks specially when these are of a disastrous nature. A serious crop failure means not only loss of their investments in crops. The resulting impoverishment of farmers leads to their failure to pay rents and taxes, to their loss of purchasing power, and to mounting debt. Thereby the entire community is affected by risks of which the farmers are the direct and primary victims."<sup>1</sup>

Recognizing the need to insulate the farmers from such risks, Presidential Decree No. 1467 was promulgated on June 11, 1978 (later on amended by P.D. No. 1733 promulgated on October 21, 1980) establishing a crop insurance program. But to make it more responsive to the needs of the present, a set of amendments have been introduced by this proposed measure.

A significant feature of the bill is its declaration as national policy government's responsibility to minimize the disastrous effects of such risks that agricultural producers are exposed to by providing agricultural insurance.

A recently held UNCTAD's Experts' Consultation on Agricultural Insurance<sup>2</sup> concluded that agricultural insurance plays an important developmental role in a country's economy and noted that various forms of support, including premium subsidies, continue to be provided by governments even in developed economies. In many countries including the U.S.A, the Western European countries, Japan, South Korea, etc., the farmers receive from their respective governments massive subsidies of various kinds compared to which the partial subsidy of the insurance premiums envisioned in this bill is a pittance.

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<sup>1</sup>Cited in Crop Insurance for Asian Countries, FAO Regional Office for Asia and Pacific, Bangkok, Thailand, 1980

<sup>2</sup>Geneva, January 28-29, 1993

Cognizant of the vital role of subsistence farmers in the agricultural sector, the bill also provides for premium subsidy to small-scale farmers. The formation of small farmer organizations is also encouraged to serve as conduits by which services such as crop insurance can be economically and effectively channeled.

Other features of this amendatory bill include the expansion of the capital base of the Philippine Crop Insurance Corporation (PCIC) to increase its capacity to provide more protection and to cover more agricultural products and the authority to insure the cost of production inputs and part of the expected yield or income so that, in case of crop loss, the small farmer still has something left to tide him over until the next harvest.

The bill also mandates the attachment of the PCIC to the Department of Agriculture from the Department of Finance and the restructuring of the PCIC governing board to provide for small-scale/subsistence farmer sector representation.

A new feature is the creation of a State Agricultural Reinsurance Fund, from which indemnity payments by government beyond certain catastrophic levels of liability would be sourced, and which would have the effect of pulling premium rates down and assuring liquidity of the crop insurance program.

As a whole, this amendatory bill is in line with Sec. 23(6) of the Magna Carta of Small Farmers, R.A. 7607: "The Government shall widen the scope of the existing crop and livestock insurance programs by providing an insurance scheme that can accommodate major crops, livestock and other produce of small farmers".

In view of the foregoing, early approval of this bill is strongly recommended.

  
HEHERSON T. ALVAREZ

REPUBLIC OF THE PHILIPPINES)  
SECOND REGULAR SESSION ) S.S.

'95 JUL -4 NO:29

S E N A T E

S. NO. 727

RECEIVED BY: my

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Introduced by Senator Heherson T. Alvarez  
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**AN ACT**

**FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE CROP INSURANCE CORPORATION (PCIC), IN ORDER TO MAKE THE CROP INSURANCE SYSTEM MORE STABLE AND MORE BENEFICIAL TO THE FARMERS COVERED THEREBY AND FOR THE NATIONAL ECONOMY**

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

SECTION 1. *Short Title.* - This shall be known as the "Revised Charter of the Philippine Crop Insurance Corporation Act of 1994".

SEC. 2. *Declaration of Policy.* - It is the policy of the State to develop and support an adequate agricultural insurance program as a mechanism for managing the risks inherent in agriculture and stabilizing the financial fluctuations suffered by agricultural producers in case of crop loss, with the end in view of encouraging lending institutions to extend production credit to the agricultural sector.

Considering that a major sector of our farming economy is composed of marginalized small-scale/subsistence farmers, it is likewise declared a policy of the State to extend to said farmers such subsidies as may be called for in order to bring the benefits of this program within their reach.

In pursuit of this policy, and in order to maximize the benefits under this program, the state shall encourage the formation, development and promotion of people's

organizations and/or associations such as cooperatives as provided for by Section 23, Article II, Sections 15 and 16, Article XII, and Sections 15 and 16, Article XIII, of the 1987 Constitution, as service channels through which such benefits shall preferably be extended.

SEC. 3. Section 1 of Presidential Decree No. 1467, as amended, is hereby 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 AND SHALL provide insurance protection to farmers against losses arising from natural disasters as well as plant diseases and pest infestation, initially to palay crops and later on the other crops. SUCH INSURANCE SHALL COVER SUCH OTHER CROPS AS THE BOARD OF DIRECTORS OF THE CORPORATION SHALL DECIDE, AND SHALL COVER COST OF PRODUCTION INPUTS, INCLUDING THE FARMER'S OWN LABOR, THAT OF THE MEMBERS OF HIS HOUSEHOLD AND PAID LABOR AS WELL AS PORTIONS OF EXPECTED YIELD OR INCOME, AS DETERMINED BY THE BOARD OF DIRECTORS OF THE CORPORATION. Such insurance protection, however, shall exclude losses arising from avoidable risks emanating from or due to neglect, malfeasance or fraud by the insured or any member of his immediate farm household or employee or the failure of the insured to follow proven farm practices [and that the indemnity for such losses shall not exceed at all times the cost borne by the insured farmer in the production of the crop].

SEC. 4. Section 5 of Presidential Decree No. 1467, as amended, is hereby 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 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*, HOWEVER, THAT THE SHARE OF THE GOVERNMENT IN THE PREMIUM COST, IN THE FORM OF PREMIUM SUBSIDY, SHALL BE LIMITED ONLY TO SMALL-SCALE/SUBSISTENCE FARMERS EACH OF WHOM IS CULTIVATING NOT MORE THAN SEVEN (7) HECTARES BY HIMSELF OR WITH THE HELP OF THE LABOR OF THE MEMBERS OF HIS HOUSEHOLD AND 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 SMALL-SCALE/SUBSISTENCE FARMER SHALL BE REASONABLY AFFORDABLE BY HIM; *PROVIDED*, FINALLY, THAT THE GOVERNMENT SHALL SHARE IN THE PREMIUM COST ONLY IN INSURANCE COVERAGE AGAINST UNAVOIDABLE RISKS SUCH AS, BUT NOT LIMITED TO, TYPHOONS, DROUGHTS, OUTBREAKS OF PESTS AND DISEASES.

SEC. 5. A new sub-section, numbered 6.3 shall be added to Section 6 of Presidential Decree No. 1467, as amended, to read:

"6.3 UNAPPROPRIATED AND/OR UNRELEASED GOVERNMENT PREMIUM SUBSIDY FOR POLICIES WRITTEN FOR THE PERIOD FROM MAY 1, 1981 UP TO THE APPROVAL OF THIS ACT COMPUTED ON THE BASIS OF PREMIUM RATES AND SHARING AS PREVIOUSLY APPROVED BY THE PRESIDENT OF THE PHILIPPINES AS AUTHORIZED BY LAW SHALL BE PROGRAMMED FOR PAYMENT BY THE GOVERNMENT WITHIN A PERIOD OF TEN (10) YEARS. AND THE YEARLY SUMS SHALL BE INCLUDED IN THE BUDGETARY APPROPRIATIONS FOR SUBMISSION TO CONGRESS, STARTING THE FISCAL YEAR FOLLOWING APPROVAL HEREOF, IN ADDITION TO THE PREMIUM SUBSIDY REQUIREMENT FOR THE YEAR INVOLVED."

SEC. 6. Subsections 8.1 and 8.3 of Presidential Decree No. 1467, as amended, are hereby amended to read as follows:

"8.1 The authorized capital stock of the Corporation is [Seven Hundred Fifty Million Pesos (P750,000,000.00)] TWO BILLION PESOS (P2,000,000,000.00) divided into [Five Million (5,000,000.00)] FIFTEEN MILLION (15,000,000) common shares with a par value of One Hundred Pesos (P100.00) each share which shall be fully subscribed by the Government; and [Two Million Five Hundred Thousand (2,500,000.00)] FIVE MILLION (5,000,000) preferred shares with a par value of One Hundred Pesos (P100.00) per share, which shall have the features as provided in Section 8.4 hereof and shall be issued in accordance with the provisions of Section 8.5 hereof.

"8.3 The [remaining] ADDITIONAL common capital stock of [Two Hundred Fifty Million Pesos



(P250,000,000.00)] ONE BILLION PESOS  
(P1,000,000,000.00) shall be fully subscribed by the Government and the necessary funds shall be appropriated, programmed, and paid by the proper office, entity or agency of the government as the financial needs of the Corporation shall require and until the authorized capital stock is fully paid up."

SEC. 7. Sub-section 9.1 and 9.4 of Section 9 of Presidential Decree No. 1467, as amended, is hereby amended to read as follows:

"SEC. 9.1 The power of the Corporation shall be vested in and exercised by a Board of Directors composed of nine (9) members and made up of the following: The SECRETARY OF AGRICULTURE AS CHAIRMAN, the Secretary of Finance, [the Secretary of Agriculture] the President of the Land Bank of the Philippines, the Secretary of Agrarian Reform, [the Secretary the Labor, the Secretary of National Defense], the [Budget Commission] SECRETARY OF BUDGET AND MANAGEMENT, [and] the President of the Corporation, and in addition, a nominee of the Secretary of Finance, preferably representing the private insurance industry, AND TWO (2) REPRESENTATIVES FROM THE SMALL-SCALE/SUBSISTENCE FARMERS SECTOR TO BE APPOINTED BY THE PRESIDENT OF THE PHILIPPINES. [The Chairman of the Board of Directors shall be appointed by the President from among the members of the Board of Directors; and that] The President of the Corporation shall be ex-officio Vice Chairman who, as such, 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."

"9.4 The Chairman and the members of the Board shall each receive a per diem of [Three Hundred Pesos (P300.00)] ONE THOUSAND PESOS (P1,000.00) for each session of the Board attended, but in no case to exceed [Three Thousand Pesos(P3,000.00)] FIVE THOUSAND PESOS (P5,000.00) a month; *PROVIDED, HOWEVER, THAT IN THE CASE OF THE REPRESENTATIVES OF THE SMALL-SCALE/SUBSISTENCE FARMERS SECTOR, THE BOARD IS AUTHORIZED TO DETERMINE REASONABLE TRAVELING AND SUBSISTENCE EXPENSES IN GOING TO AND RETURNING FROM SAID BOARD MEETINGS TO BE DISBURSED TO THEM IN ADDITION TO THEIR PER DIEM.*"

SEC. 8. A new section is hereby inserted between Sections 8 and 9 of Presidential Decree No. 1467, as amended, designated as Section 8-A, which shall read as follows:

"Sec. 8-A. A STATE REINSURANCE FUND FOR AGRICULTURAL INSURANCE IN THE AMOUNT OF FIVE HUNDRED MILLION PESOS (P500,000,000.00) SHALL BE CREATED EXCLUSIVELY TO ANSWER FOR A PROPORTION OF ALL LOSSES IN EXCESS OF RISK (PURE) PREMIUMS UNDER THE CORPORATION'S CROP INSURANCE PROGRAM FOR SMALL FARMERS. THE FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF AGRICULTURE AND SHALL BE FUNDED BY THE NATIONAL GOVERNMENT THROUGH

ANNUAL BUDGETARY ALLOCATIONS OF ONE HUNDRED MILLION PESOS (P100,000,000.00) STARTING WITH THE CALENDAR YEAR IMMEDIATELY FOLLOWING THE APPROVAL OF THIS ACT AND EVERY YEAR THEREAFTER UNTIL THE FULL AMOUNT IS COMPLETED. THE MECHANICS OF CLAIMS AGAINST THE FUND AND TO WHAT EXTENT THE FUND SHALL BE LIABLE SHALL BE DETERMINED JOINTLY BY THE DEPARTMENT OF AGRICULTURE AND THE CORPORATION, SUBJECT TO APPROVAL BY THE PRESIDENT OF THE PHILIPPINES."

SEC. 9. A new section is hereby inserted between Sections 11 and 12 of Presidential Decree No. 1467, as amended, designated as Section 11-A, which shall read as follows:

"SEC. 11-A. Settlement of Claims. -

"11-A.1 CLAIMS FOR INDEMNITY AGAINST THE CORPORATION SHALL BE SETTLED BY THE CORPORATION'S REGIONAL OFFICE CONCERNED. HOWEVER, IF IN THE OPINION OF THE REGIONAL OFFICE THE CLAIM IS NOVEL, DIFFICULT OR CONTROVERSIAL, THE MATTER MAY BE ELEVATED BY THE REGIONAL OFFICE TO THE PRESIDENT/EXECUTIVE VICE PRESIDENT OF THE CORPORATION FOR DECISION.

"11-A.2 A PARTY AGGRIEVED BY THE DECISION OF THE REGIONAL OFFICE 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/EXECUTIVE VICE-PRESIDENT OF THE CORPORATION FOR REVIEW.

"11-A.3 ANY PARTY AGGRIEVED BY A DECISION, ORDER OR RULING OF THE PRESIDENT/EXECUTIVE VICE-

PRESIDENT OF THE CORPORATION MAY APPEAL SAID DECISION,  
ORDER OR RULING TO THE CORPORATION'S BOARD OF  
DIRECTORS."

SEC. 10. This Act shall take effect fifteen (15) days  
after its complete publication in at least two (2)  
newspapers of general circulation.

Approved,

cms/ctr/b7

10TH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

'95 JUL 27 10:49

SENATE

S. No. 953

*RF*

Introduced by Senator Raul S. Roco

**EXPLANATORY NOTE**

The Philippine Crop Insurance Corporation (PCIC) is a government corporation primarily tasked with the insurance protection to palay and corn farmers in the event their crops sustain losses attributable to natural calamities, diseases and pest infestation.

Since the PCIC started operating in 1981 until 1990, crop insurance premium was shared among the insured farmers, the national government and the lending institution where the borrower is the insured farmer. Due to financial difficulties, however, the share of the national government has been gradually shifted to the insured farmers as a consequence of a directive by the previous administration to phase out government subsidy over a five-year period from 1992 to 1996.

The above mentioned Five-Year Phase-Out Subsidy Program has had its deleterious effects on our farmers, particularly the small-scale ones. With the gradual reduction, and ultimately, withdrawal of government premium subsidy, the Crop Insurance Program has almost lost its meaning to our small farmers. While President Fidel V. Ramos has directed the freezing of premium rates for rice and corn at 1992 level for the years 1993 and 1994, the absence of a provision in the PCIC Charter making it a declared State policy to grant premium subsidy to our farmers, has in the meantime, frustrated the aspirations of countless subsistence farmers all over the country to avail themselves of an affordable crops insurance program.

The attached bill therefore introduces significant amendments to the PCIC Charter (PD 1467, as amended by PD 1733) to benefit our palay and corn farmers. Foremost of these is the provision making it a declared policy of the State to continue to grant subsidies, particularly premium subsidy, to our small-scale or subsistence farmers.

The bill is being filed upon the request of the PCIC, Regional Office V. It is a counterpart measure to H. No. 8433 authored by Representatives Leonardo Montemayor and Socorro Acosta in the Ninth Congress. It is also in response to various resolutions we received soliciting our support for H. No. 8438; the Sangguniang Panlalawigan of Catanduanes; the Castilla Development Cooperative, Inc. of Castilla, Sorsogon; the Batang Farmers Development Cooperative of Irosin, Sorsogon; and the Casiguran Farmer's Development of Casiguran, Sorsogon.

In view of the foregoing, we urge the passage of this bill.

*Raul S. Roco*  
**RAUL S. ROCO**  
Senator

10TH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

'95 JUL 27 10:50

SENATE

S. No. 953

RECEIVED BY: PH

Introduced by Senator Raul S. Roco

AN ACT

FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE CROP INSURANCE CORPORATION [PCIC], IN ORDER TO MAKE THE CROP INSURANCE SYSTEM MORE STABLE AND MORE BENEFICIAL FOR THE FARMER COVERED THEREBY AND FOR THE NATIONAL ECONOMY AS A WHOLE.

Be it enacted by the Senate and the House of Representatives of the Philippine In Congress assembled:

SEC. 1. TITLE. -- This act shall be known as the "Revised Charter of the Philippine Crop Insurance Corporation".

SEC. 2. DECLARATION OF POLICY. -- It is the policy of the State to develop and to support an adequate agricultural insurance program as mechanism for managing the risks inherent in agricultural producers in case of crop loss, and thereby encourage lending institutions to extend production credit to the agricultural sector.

Considering that a major sector of our farming economy is composed of marginilized small scale/subsistence farmers, it is likewise declared as part of this policy to extend to said farmers such subsidies ad may be called for in order to bring the benefits of this program within their reach.

In pursuit of this policy, in order to maximize the benefits under this program , the state shall encourage the formation, development and promotion of people's organizations and/or associations such as a cooperatives as provided for by Section 23, Article II, Section 15 and 76, Article XII, and Section 15

and 16, Article XIII, of the Constitution, as service channels through which such benefits shall preferably be extend.

**SEC. 3.** Section 1 of the Presidential Decree No. 1467, as amended , is hereby amended to read as follows:

"SECTION 1. Creation of the Philippine Crop Insurance Corporation.-- There is hereby 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 AND WHICH SHALL provide insurance protection to farmers against losses arising from natural disasters as well as plant diseases and pest infestation, initially to palay crops and later on the other crops. SUCH INSURANCE SHALL COVER SHALL OTHER CROPS AS THE BOARD OF THE DIRECTORS OF PCIC SHALL DECIDE, AND SHALL COVER COST OF PRODUCTION INPUTS, INCLUDING THE FARMERS'S OWN LABOR, AS WELL PORTIONS OF EXPECTED YIELD OR INCOME , AS DETERMINED BY THE BOARD OF DIRECTORS OF THE CORPORATION, Such insurance protection, however, shall exclude losses arising from the avoidable risk emanating from due to neglect, malfeasance or fraud by the insured or any member of his immediate farm household or employee or the failure of the insured to follow proven farm practice." and that the indemnity for such losses shall not exceed at all times the cost borne by the insured farmer in the production of the crop.

**SEC. 4.** Section 5 of the Presidential Decree No. 1467, as amended, is hereby amended to read as follows:

"SECTION 5. Rate of Premium and Its Sharing.-- The rate of the premium, as well as the allocated sharing thereof of the farmers, the lending institution, the

41

Government and Republic of the Philippine (herein called the Government) and other parties, shall be determined by the Board of Directors of the Corporation: PROVIDED, HOWEVER, THAT THE SHARE OF THE GOVERNMENT IN THE PREMIUM COST, IN THE FORM OF PREMIUM SUBSIDY, SHALL LIMITED ONLY TO SMALL SCALE/SUBSISTENCE FARMERS EACH OF WHOM IS CULTIVATING NOT MORE THAN SEVEN (7) HECTARES BY HIMSELF OR WITH THE HELP OF THE LABOR OF THE MEMBER OF HIS HOUSEHOLD AND HIRED LABOR, THE PREMIUM RATE AND SHARING TO BE DETERMINED BY THE BOARD OF DIRECTORS subject to approval by the President of the Philippine: PROVIDED, FURTHER, THAT THE PREMIUM SHARE OF THE SMALL/SUBSISTENCE FARMER SHALL BE REASONABLY AFFORDABLE BY HIM: AND PROVIDED, FINALLY, THAT THE GOVERNMENT SHALL SHARE IN THE PREMIUM COST ONLY IN INSURANCE CORPORATION AGAINST UNAVOIDABLE RISK SUCH AS, BUT NOT LIMITED TO, TYPHOON AND DROUGHT AS WELL AS OUTBREAKS OF PEST AND DECEASES.

**SEC. 5.** A new sub-section, numbered 6.3 shall be added to Section 6 of Presidential Decree No. 1467, as amended, to read:

"SECTION 6.3 UNAPPROPRIATED AND/OR UNRELEASED GOVERNMENT PREMIUM SUBSIDY FOR POLICIES WRITTEN FOR THE PERIOD FROM MAY 1, 1981 UP TO APPROVAL OF THIS ACT COMPUTED ON THE BASIS OF PREMIUM RATES AND SHARING AS PREVIOUSLY APPROVED BY THE PRESIDENT OF THE PHILIPPINES AS AUTHORIZED BY LAW SHALL BE PROGRAMMED FOR PAYMENT BY THE GOVERNMENT WITHIN THE PERIOD OF TEN (10) YEARS AND THE YEARLY SUMS SHALL BE INCLUDED IN THE BUDGETARY APPROPRIATIONS FOR SUBMISSION TO CONGRESS, STARTING THE FISCAL YEAR FOLLOWING FOR THE YEAR INVOLVED".



**SEC. 6.** Subsection 8.1 and 8.3 of the Presidential Decree No. 1467, as amended, are hereby amended to read as follows :

**SECTION 8.1.** The authorized capital stock of the Corporation is [SEVEN HUNDRED FIFTY MILLION PESOS (P750,000,000.00)] TWO BILLION PESOS (P2,000,000,000.00) divided into FIVE MILLION (P5,000,000.00) FIFTEEN MILLION (P15,000,000.00) common share with a par value of ONE HUNDRED PESOS (P100.00) each share, which shall be fully subscribed by the Government; and [TWO MILLION FIVE HUNDRED THOUSAND (P2,500,000.00)] FIVE MILLION (5,000,000.00) preferred shares with a par value of ONE HUNDRED PESOS (P100.00) per share, which shall have the features as provided in Section 8.5 hereof and shall be issued in accordance with the provisions of Section 8.5 hereof.

**SECTION 8.3** The [remaining] ADDITIONAL common stock of TWO HUNDRED FIFTY MILLION PESOS (P250,000,000.00) ONE BILLION PESOS (P1,000,000,000.00) shall be fully subscribed by the Government and the necessary funds shall be appropriated, programmed, and paid by the proper office, entity or agency of the Government as financial needs of the Corporation shall require and until authorized capital stocks is fully paid up."

**SEC. 7.** Sub-section 9.1 and 9.4 of Section 9 of Presidential Decree No. 1467, as amended, is hereby amended to read as follows:

**"SECTION 9.1.** The powers of the Corporation shall be vested in and exercised by a Board of Directors composed of nine (9) members and made up of the following: The Secretary of Agriculture as CHAIRMAN, The

43

Secretary of Finance, The President of the Land Bank of the Philippines, The Secretary of Agrarian Reform, [The Secretary of Labor, The Secretary of National Defense, the [Budget Commissioner] SECRETARY OF BUDGET AND MANAGEMENT, [AND] the President of the Corporation, and in addition a nominee of the Secretary of Finance, preferably representing the private insurance industry, AND TWO (2) REPRESENTATIVES FROM THE SMALL/SUBSISTENCE FARMERS SECTOR TO BE APPOINTED BY THE PRESIDENT OF THE PHILIPPINES. [The chairman of the Board of Directors shall be appointed by the President from among the members of the Board of Directors; and that] the President of the Corporation shall be *ex-officio* Vice-chairman who, as such, shall assist the chairman and act in his stead in case of absence or in capacity. In case of absence or incapacity of the Chairman and the Vice-chairman, the Board of Directors shall designate a temporary Chairman from among its members."

"**SECTION 9.4.** The Chairman and the members of the Board shall receive a per diem of [THREE HUNDRED PESOS (₱300.00)] ONE THOUSAND PESOS (₱1,000.00) for each session of the Board attended, but in no case to exceed [THREE THOUSAND PESOS (₱3,000.00)] FIVE THOUSAND PESOS (₱5,000.00) a month: PROVIDED, HOWEVER, THAT IN THE CASE OF THE REPRESENTATIVES OF THE SMALL/SUBSISTENCE FARMERS SECTOR, THE BOARD IS AUTHORIZED TO DETERMINE REASONABLE TRAVELING AND SUBSISTENCE EXPENSES IN GOING TO RETURNING FROM SAID BOARD MEETINGS TO BE DISBURSED TO THEM IN ADDITION TO THEIR PER DIEM."

**SEC. 8.** A new Section is hereby inserted between Section 8 and 9 of Presidential Decree No. 1467 designated as Section 8-A

which shall read as follows:

"SECTION 8-A - A STATE REINSURANCE FUND FOR THE AGRICULTURAL INSURANCE IN THE AMOUNT OF FIVE HUNDRED MILLION PESOS (P500,000,000.00) SHALL CREATED EXCLUSIVELY TO ANSWER FOR A PROPORTION OF ALL LOSES IN EXCESS OF RISK (PURE) PREMIUMS UNDER THE PCIC's CROP INSURANCE PROGRAM FOR SMALL FARMERS. THE FUND SHALL BE ADMINISTERED BY THE DEPARTMENT OF AGRICULTURE AND SHALL BE FUNDED BY THE NATIONAL GOVERNMENT THROUGH ANNUAL BUDGETARY ALLOCATIONS ONE HUNDRED MILLION PESOS (P1,000,000.00) STARTING THE CALENDAR YEAR IMMEDIATELY FOLLOWING THE APPROVAL OF THIS ACT AND EVERY YEAR THEREAFTER UNTIL THE FULL AMOUNT IS COMPLETED. THE MECHANICS OF CLAIMS AGAINST THE FUND AND TO WHAT EXTENT THE FUND SHALL BE LIABLE SHALL BE DETERMINED JOINTLY BY THE DEPARTMENT OF AGRICULTURE AND THE CORPORATION, SUBJECT TO APPROVAL BY THE PRESIDENT OF THE PHILIPPINES."

**SEC. 9.** A new section is hereby inserted between Section 11 and 12 of Presidential Decree No. 1467, as amended, designated as Section 11-A which shall read as follows:

"SECTION 11-A. SETTLEMENT OF CLAIMS"

11-A .1 CLAIMS OF INDEMNITY, AGAINST THE CORPORATION SHALL BE SETTLED BY THE CORPORATION'S REGIONAL OFFICE CONCERNED. HOWEVER, IF IN THE OPINION OF THE ORIGINAL OFFICE THE CLAIM IS NOVEL, DIFFICULT OR CONTROVERSIAL, THE MATTER MAY BE ELIMINATED BY THE ORIGINAL OFFICE TO THE PRESIDENT/EXECUTIVE VICE PRESIDENT OF THE CORPORATION FOR DECISION .

"11-A.2 A PARTY AGGRIEVED BY THE DECISION OF THE REGIONAL OFFICE 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/EXECUTIVE VICE PRESIDENT OF THE CORPORATION FOR REVIEW.

"11-A.3 ANY PARTY AGGRIEVED BY A DECISION, ORDER OR RULING OF THE PRESIDENT/EXECUTIVE VICE PRESIDENT OF THE CORPORATION MAY APPEAL SAID DECISION, ORDER, RULING TO THE CORPORATION'S BOARD OF DIRECTORS.

**SEC. 9.** This Act shall take effect fifteen (15) days after its publication in national newspaper of general circulation or the Official Gazette.

Approved.