

REPUBLIC ACT NO. 8175

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. *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 loss on crops, including the agricultural facilities and related infrastructures, 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 subsistence farmers, who by definition shall be farmers who depend primarily on farming for their subsistence and till their own land with the help of members of their household (hereinafter referred to as '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 of Article II, Sections 15 and 16 of Article XII, and Sections 15 and 16 of Article XIII of the 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 further amended, to read as follows:

"SEC. 1. *Creation of the Philippine Crop Insurance Corporation.* – There is hereby created a body corporate to be known as the "Philippine Crop Insurance Corporation" (PCIC and herein called the Corporation) which shall be attached to the Department of Agriculture for budgetary purposes. The Corporation shall insure qualified farmers against losses arising from natural calamities, plant diseases and pest infestations. Initially, the Corporation shall provide insurance coverage for palay crops and later on to other crops without prejudice to the inclusion of other non-crop agricultural assets such as but not limited to machineries equipment, transport facilities and other related infrastructures, as the Board of Directors of the Corporation may determine. Such crop insurance shall cover, in every case, the cost of production inputs, the value of the farmer's own labor and those of the members of his household, including the value of the labor of hired workers, and a portion of the expected yield as the Board of Directors in its discretion, decide to insure. Such insurance protection, however, shall exclude losses arising from avoidable risks emanating from or due to the negligence, malfeasance or fraud committed by the insured or any member of his immediate farm household or employee or the failure of the insured to follow proven farm practices."

SEC. 4. Subsection 3.11 of Section 3 of Presidential Decree No. 1467 as amended, is hereby further amended, to read as follows:

"3.11. To generate internal funds by floating bonds, expansion to other insurance lines and extending coverage to other areas of agriculture in order to address insurance needs of the target sector and to do and perform acts and things and to exercise all the general powers conferred by law upon the Corporation as

are incidental or conducive to the attainment of the objectives of the Corporation."

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

"SEC. 5. *Rate of Premium and its Sharing.* – The rate of premium, as well as the allocated sharing thereof by the farmers, the lending institutions, the Government of the Republic of the Philippines (herein called the Government) and other parties, shall be determined by the Board of Directors of the Corporation: *Provided*, That the share of the Government in the premium cost in the form of premium subsidy, shall be limited to subsistence farmers: *Provided, however*, That each of these subsistence farmers is cultivating not more than seven (7) hectares by themselves or with the help of the labor of the members of their households or hired labor, the premium rate and sharing to be determined by the Board of Directors subject to approval by the President of the Philippines: *Provided, further*, That the premium share of the subsistence farmer shall be reasonably affordable by him: *Provided, furthermore*, That the Government shall share in the premium cost only in insurance coverage against unforeseen and unavoidable risks such as, but not limited to typhoons, droughts, outbreaks of pest and diseases: *Provided, finally*, That premium subsidy and/or insurance benefits shall upon the accumulation of surplus funds, be increased to such amount as may be determined by the Board taking into consideration that the Corporation has been established not only for profit but mainly to help the insured in their direct hours of need."

SEC. 6. Section 6 of Presidential Decree No. 1467, as amended, is hereby amended by adding three (3) new paragraphs to be designated as subsections 6.3, 6.4 and 6.5 to read as follows:

"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 previously approved by the President as authorized by law shall be programmed for payment by the Government within a period of ten (10) years from the approval of this Act, and the yearly sums shall be included in the budgetary

appropriations for submission to Congress, starting the fiscal year following approval hereof, in addition to the premium subsidy requirement for the year involved.

"6.4. Calamity funds earmarked by the Government shall include a certain percentage for crop insurance and shall be released to and administered by the Corporation.

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

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

"8.1. The authorized capital stock of the Corporation is Two billion pesos (P2,000,000,000) divided into Fifteen million (15,000,000) common shares with a par value of One hundred pesos (P100) each share, which shall be fully subscribed by the Government and Five million (5,000,000) preferred shares with a par value of One hundred pesos (P100) 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 additional common capital stock of One billion pesos (P1,000,000,000) shall be fully subscribed by the Government and the necessary funds shall be appropriated by Congress unless otherwise provided by existing laws: *Provided*, That Congress shall provide, on an annual basis, at least fifty percent (50%) of the needed capital, until the authorized capital stock is fully paid up."

SEC. 8. A new subparagraph is hereby added to Section 8 of Presidential Decree No. 1467, as amended, designated as subparagraph 8.6, to read as follows:

"8.6. The additional common capital stock shall not be used, in any case, to expand the present manpower of the Corporation."

SEC. 9. Two (2) new sections are hereby inserted between Sections 8 and 9 of Presidential Decree No. 1467, as amended, designated as Sections 8-A and 8-B, to read as follows:

"SEC. 8-A. A State reserve fund for catastrophic losses in the amount of Five hundred million pesos (P500,000,000) shall be created exclusively to answer for the 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 a government financial institution to be designated by the Corporation's Board of Directors. Such sum as may be necessary for the purpose shall be funded by the National Government through the annual General Appropriations Act 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 financial institution administering the Fund, subject to the approval by the President.

"SEC. 8-B In order to spread the risk of the Corporation, the PCIC is hereby authorized to seek reinsurance protection whenever it may be available."

SEC. 10. Subsection 9.1 of Section 9 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"9.1. The powers of the Corporation shall be vested in and exercised by a Board of Directors now composed of seven (7) members and made up of the following: the President of the Land Bank of the Philippines (LBP), the President of the Corporation, the Executive Director of the Agricultural Credit Policy Council (ACPC), a representative from the private insurance industry to be nominated by the Secretary of Finance and three (3) representatives from the subsistence farmers sector, preferably representing agrarian reform beneficiaries/cooperatives/associations coming from Luzon, Visayas and Mindanao, who shall be selected and nominated by the different farmers organizations and/or cooperatives. The respective nominees of the private insurance industry and the farmer's sector shall be submitted to and appointed by the President. The chairman of

the Board of Directors shall be appointed by the President from among the members of the Board of Directors. The President of the Corporation shall also be appointed by the President and shall be *ex officio* vice chairman who shall assist the chairman and act in his stead in case of absence or incapacity. In case of absence or incapacity of both the chairman and the vice chairman, the Board of Directors shall designate a temporary chairman from among its members. Except for the President of the LBP and the Executive Director of the ACPC, all members of the Board of Directors, including the President of the Corporation, shall be appointed by the President within a reasonable period of time after the approval of this Act."

SEC. 11. Subsection 9.4 of Section 9 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"9.4. The Chairman and the members of the Board shall each receive a *per diem* of not less than One thousand five hundred pesos (P1,500) for each meeting of the Board personally attended, but in no case to exceed Seven thousand five hundred pesos (P7,500) a month: *Provided, however,* That in the case of the representatives of subsistence farmers' sector, the Board is authorized to determine reasonable travelling and, if necessary, subsistence expenses in going to and returning from said Board meetings to be disbursed to them in addition to their *per diem*."

SEC. 12. Subsection 10.3 of Section 10 of Presidential Decree No. 1467, as amended, is hereby further amended, to read as follows:

"10.3. To borrow funds from local and international financing sources or institutions and issue bonds up to five (5) times the value of its authorized capital stock for the purpose of financing the programs and projects deemed vital for the attainment of the Corporation's goals and objectives."

SEC. 13. A new section is hereby inserted between Sections 11 and 12 of Presidential Decree No. 1467, as amended, designated as Section 11-A, to 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 manager concerned or the appropriate officer to whom he may delegate the function. However, if in the opinion of the regional manager the claim is novel, difficult or controversial, the matter may be elevated by the regional manager to the President of the Corporation for decision.

"11-A. 2. The claimant aggrieved by the decision of the regional manager 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 of the Corporation.

"11-A. 3. Any party aggrieved by a decision, order or ruling of the President of the Corporation may appeal said decision, order, or ruling to the Corporation's Board of Directors.

"11-A. 4. Any claim not acted upon within sixty (60) days from submission by the affected farmer of complete claim documents to the Corporation shall be considered approved."

SEC. 14. Presidential Decree No. 1467, as amended, is hereby further amended by adding a new section thereof to read as follows:

"SEC. 11-B. *No Claim Benefits.* – Any insured farmer who has not filed any claim during the immediately preceding three (3) crop seasons shall be entitled to a no-claim benefit of at least ten percent (10%) of his premium share paid for said crop seasons to be deposited in a trust fund and to be managed by the Corporation. Such trust fund may be used to finance premium rebate or premium credit applicable to the immediately following crop seasons as determined by the Board of Directors of the Corporation."

SEC. 15. Section 15 of Presidential Decree No. 1467, as amended, is hereby further amended to read as follows:

"SEC. 15. *Utilization of Profits.* – The profits of the Corporation shall be determined on a calendar year basis and the manner of its distribution shall be determined by law."

SEC. 16. A new section is hereby inserted between Sections 17 and 18 of the same decree, as amended, to be designated as Section 17-A, to read as follows:

"SEC. 17-A. *Penal Provisions.* – Any person who through malfeasance, misfeasance or nonfeasance allows a spurious claim to be paid, including the claimant himself, shall upon final conviction, be punished by imprisonment of not less than one (1) year but not more than six (6) years or a fine of not less than Fifty thousand pesos (P50,000) but not more than Five hundred thousand pesos (P500,000) or both at the discretion of the court. The PCIC personnel who allowed the commission of the offense shall, in addition, be dismissed from office, and forfeit all privileges and benefits which may accrue to him."

SEC. 17. *Review.* – The PCIC Board shall undertake a periodic review of the Corporation's activities and shall submit to both Houses of Congress at least once every two (2) years, a report which shall include, among others, a recommendation for improving services to the target sectors and the financial viability of the Corporation.

SEC. 18. *Separability Clause.* – If any provision or part hereof is held unconstitutional or invalid, the remainder of the law, or the provisions not otherwise affected shall remain valid and subsisting.

SEC. 19. *Repealing Clause.* – Any provision of Presidential Decree No. 1467, as amended, and all other laws inconsistent herewith is hereby repealed or modified accordingly.

SEC. 20. *Effectivity.* – This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.

Approved, December 29, 1995.