

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 9259



Introduced by REP. JOEY SARTE SALCEDA

AN ACT
FURTHER AMENDING PRESIDENTIAL DECREE NO. 1467, AS AMENDED,
OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE CROP
INSURANCE CORPORATION (PCIC), TO ENCOURAGE PRIVATE SECTOR
PARTICIPATION IN AGRICULTURAL INSURANCE, AND TO EXPAND
THE INSURANCE SERVICES OF THE CORPORATION TO INCLUDE
LIVESTOCK INSURANCE

EXPLANATORY NOTE

A 2019 discussion paper by the Philippine Institute of Development Studies (PIDS), titled “Towards a More Inclusive Agricultural Insurance Program,” found that agricultural insurance penetration rates in the Philippines remains in need of improvement, with programs focusing on mandatory insurance coverage.

As of 2018, only 13.33% of the total agricultural land cultivated in the Philippines was insured with the Philippine Crop Insurance Corporation (PCIC).

To improve insurance coverage, the PIDS paper recommended that the PCIC’s charter be expanded to make it a reinsurer for other entities willing to offer agricultural insurance. Such entities may include cooperatives, farmers’ associations, and other private sector participants, such as private financial institutions.

Reinsurance is secondary insurance for primary insurance companies. Reinsurance allows primary insurers to hedge some of the risks they incur against another insurance product. By mitigating some of the risks to primary agricultural insurance, the PCIC will be able to lower the costs of private agricultural insurance.

Creating this reinsurance system also encourages more private sector participating in the primary agricultural insurance business, which should increase penetration rates of agricultural insurance in the country. Having more entities that offer agricultural insurance will also improve competition in the sector and help keep insurance prices at affordable and competitive levels.

Reinsurance also allows the risks of primary insurance to be transferred to the capital markets. This transfer of risks is critical as in the wake of the increasing adverse impact of climate change. As the impacts of climate change, while a global problem, are local in scope, reinsurance and transfer of risk to the capital market allows hard-hit farmers in one locality to benefit from the risk-diversifying tools and effects of the national and even global financial markets.

Expanding agricultural insurance coverage, and including livestock insurance in covered products, is especially relevant given the African Swine Fever (ASF) crisis that has affected our local meat industry.

In view of the foregoing, the approval of this bill is urgently sought.



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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 “Expanded Agricultural Insurance Act.”

SEC. 2. *Declaration of Policy.* – It shall be 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 all agricultural commodities, whether crops or livestock, and including the agricultural facilities and related infrastructures, with the end in view of encouraging lending institutions to extend credit to the agricultural sector.

It shall also be the policy of the State to promote the modernization of the agricultural sector by mitigating the risks inherent to the industry and which increase the barriers to increased market participation in businesses related to agriculture.

Towards this end, the State shall encourage active private sector participation in extending agricultural insurance to members of the agricultural sector by allowing the Philippine Crop Insurance Corporation to undertake reinsurance agreements with private sector agricultural insurers and to extend its insurance services to livestock insurance.

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

“Section 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,] [t]The Corporation shall provide insurance coverage for **ALL AGRICULTURAL COMMODITIES, INCLUDING** 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 **LIVESTOCK**, 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.] **THE CORPORATION SHALL ALSO OFFER REINSURANCE SERVICES FOR ENTITIES WILLING TO OFFER AGRICULTURAL INSURANCE.**”

SEC. 4. Subsection 3.11 of Sec. 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, **INCLUDING REINSURANCE AGREEMENTS WITH AGRICULTURAL COOPERATIVES, FARMERS’ ASSOCIATIONS, AND OTHER PRIVATE SECTOR PARTICIPANTS IN THE AGRICULTURAL INSURANCE MARKET**, and extending coverage to other areas of agriculture **SUCH AS LIVESTOCK INSURANCE** 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. *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. 6. *Repealing Clause.* – Any provisions of Presidential Decree No. 1467, as amended, and all other laws, inconsistent herewith is hereby repealed or modified accordingly.

SEC. 7. *Effectivity.* – This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspaper of general circulation.

Approved,