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Crop Insurance: Security for Farmers and Agricultural Stakeholders in the Face of Seasonal Climate Variability

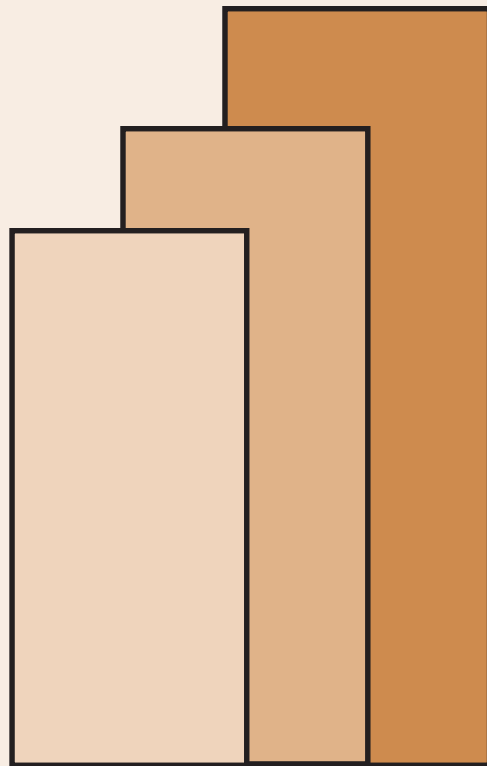
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CROP INSURANCE: SECURITY FOR FARMERS AND AGRICULTURAL STAKEHOLDERS IN THE FACE OF SEASONAL CLIMATE VARIABILITY*

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ABSTRACT

Crop insurance is a risk management tool designed to even out agricultural risks and address the consequences of natural disasters to make losses more bearable, especially to the marginalized farmers. In the Philippines, the Philippine Crop Insurance Corporation (PCIC) implements and manages the government program on agricultural insurance. This paper provides a comprehensive review of the crop insurance program in the Philippines – its history, operationalization, performance, and a number of challenges. Some of the identified constraints in operating the program are high overhead cost, need for larger investment fund, and question of sustainability. The results of secondary data assessment and key informant interviews revealed that PCIC has captured only a small segment of its target clientele, particularly the subsistence farmers, due to logistical and marketing constraints. Moreover, farmer dependence on informal credit, particularly in rural farming communities, seems to have also created a nonviable setting for a crop insurance program.

Keywords: Seasonal Climate Forecast (SCF), crop insurance, Philippine Crop Insurance Corporation (PCIC), agricultural credit

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CROP INSURANCE: SECURITY FOR FARMERS AND AGRICULTURAL STAKEHOLDERS IN THE FACE OF SEASONAL CLIMATE VARIABILITY

1.0 Introduction

1.1 Rationale

Agriculture is very much vulnerable to the unpredictability of nature. With agricultural production representing a major source of livelihood for many Filipinos, the impact of natural disasters and other agricultural risks cannot be taken lightly. The need to safeguard the livelihood and interests of local farmers should be properly addressed.

Among those that the Philippine government has come up to mitigate risks in agriculture are price stabilization measures, typhoon and/or drought relief, livestock and feed subsidies, farm input subsidies, and subsidized crop insurance schemes. Crop insurance is a risk management tool designed to even out agricultural risks and address the consequences of natural disasters to make losses more bearable, especially to the marginalized farmers.^[1]

1.2 Beginnings and Current Status

In 1976, the Land Bank of the Philippines led and funded an interagency committee that undertook a full-blown feasibility study on the technical, marketing, management, and financial aspects of a crop insurance program in the Philippines. The move was in response to the vulnerability of the country, specifically the agricultural sector, to natural disasters such as typhoons, floods and droughts.

The inter-agency Committee for the Development of the Philippine Crop Insurance System (IAC-PCIS) comprising of representatives from the Department of Agriculture (DA), Department of Agrarian Reform (DAR), Armed Forces of the Philippines (AFP), private insurance industry, other private agencies, cooperative organizations/movement, and the University of the Philippines recommended actions which eventually led to the creation of the Philippine Crop Insurance Corporation (PCIC). Through Presidential Decree No. 1467, promulgated on 11 June 1989, the insurance program was operationalized.^[1]

The PCIC implemented the insurance program nationwide starting on May 7, 1981 with rice as the only covered crop. Corn was added in the program beginning July 1, 1982. To make the program more responsive, R.A. 8175, known as the revised charter of Philippine Crop Insurance Corporation, was signed into law in December 1995 amending P.D. 1467.^[2]

Aside from protecting farmers from financial losses, crop insurance was also considered as a confidence building instrument/financial security that can be offered as 'surrogate' collateral to banks and other financial institutions to influence and encourage them to continue participating and supporting government credit programs like the one offered

under ‘Masagana 99’^[1] Annex 1 presents the operational details of PCIC’s corn and rice crop insurance program.

Further expanding its coverage, PCIC pushed an interim cover for tobacco in September 1991 and for High Value Commercial Crops (HVCC) in October 1993. It also joined the Pool of Livestock Insurers, now the PLMSC, to undertake livestock insurance covering cattle, swine, goats and poultry. PCIC also administered the Comprehensive Agricultural Loan Fund (CALF) Guarantee Program of the DA and its policy arm, the Agricultural Credit Policy Council. It started with the multi-risk guarantee coverage for priority crops in October 1988, which shifted to credit guarantee in September 1991. It also implemented the Fisheries Sector Program (FSP) guarantee Fund of the DA-ACPC, which concluded its operation in December 2000.^[1]

More recently, PCIC launched the Term Insurance Power Packages (TIPP) intended for farmers, fisherfolks and other stakeholders in the agriculture sector. TIPP include a one year life insurance, accident insurance and loan repayment protection plan for agricultural producers and stakeholders. The new insurance packages for agricultural stakeholders and producers were termed as the agricultural stakeholders and producers protection plan (ASP3), the accident and dismemberment security scheme (ADS2) and the loan repayment protection plan (LRP2).^[3]

The agricultural stakeholders and producers protection plan (ASP3) is a one year term insurance for the life of the agricultural stakeholder/producer against death resulting from accident, natural causes, murder and assault. This plan could be individual and/or group. The accident and dismemberment security scheme (ADS2) covers death and dismemberment due to accident. And, the loan repayment protection plan (LRP2) covers the face value of the agricultural loan upon death or total permanent disability of the borrower.^[3]

2.0 Agricultural Insurance in the Philippines

PCIC implements and manages the government program on agricultural insurance. The scheme provides insurance protection to agricultural producers against loss of crops, livestock and agricultural assets on account of natural calamities, plant pests and disease and/or other perils.^[2] More than this service, agricultural insurance is thought to have greater socio-economic relevance. The system targeted to address not only the welfare aspect of the after-loss event, but also help in achieving the objective of stabilizing farm incomes more equitably. It also aims to reverse the risk-averse nature of farmers and motivate them to invest more on new technologies to help increase productivity.^[1]

2.1 Operationalization of the insurance program

2.1.1 Organizational structure. PCICs operation is decentralized up to the Regional level. This brings the program closer to its farmer-clienteles and enables it to immediately respond to local needs especially in times when calamities struck. Claims have to be settled expeditiously to augment farmers’ funds and enable them to replant as soon as

conditions become favorable. For efficiency, Regional Offices have been given some degree of autonomy with the authority to settle claims at their level based on policies and operating guidelines laid down by the Head Office.^[1]

As it is, PCIC's policy making body is composed of a seven-member Board of Directors, three of whom are from the different Farmers' Groups from Luzon, Visayas and Mindanao. The President serves as the Chief Executive Officer and main implementor of the program. PCIC runs three major insurance schemes: 1) the crop insurance programs, which include the traditional rice and corn insurance program subject of the government premium subsidy and the market-rated high value commercial crop insurance; 2) non-crop agricultural assets, which covers farm buildings, machineries, equipments, transport facilities, and other related infrastructures; and 3) the livestock insurance program which it implemented as part of the PLMSC. The guarantee programs administered by PCIC from 1988 to 2000 were considered only as incidental to the corporation's major mandate.^[1]

2.1.2 Beneficiaries. Rice and Corn farmers, High Value Commercial Crops growers, Livestock raisers and Agricultural Assets operators availing loans from any lending institution (be it Commercial, Development, Rural Bank, Coop banks and other LI and Lending Conduits) and other quasi LI, NGOs, Coops, and Government Entities providing loans can avail the program. An assured farmer/LI/LC will recover his/their investment if they suffer crop and other agricultural project losses caused by Natural Calamities, Pest and Disease infestation and other losses^[2]

Only irrigated farms or areas with irrigation water are eligible for crop insurance coverage. Rainfed farms can only be covered during the wet season^[2]

2.1.3 Procedures. To file for crop insurance, a farmer has to visit the nearest PCIC Regional Office or any authorized underwriting agents (UA) of PCIC such as the Municipal Agricultural Officers (MAO) of Local Government Units (LGU), Lending Institution (LI) and Lending Conduits (LC). The farmer must file an Application for Crop Insurance (ACI) for self-financed farmer or an application for production loan (APL) with the lending institution for borrowing farmers. PCIC or any underwriting agents will give a self-financed farmer a certificate of insurance cover (CIC) as receipt of the premium payment. A group crop insurance scheme may cover borrowing farmers. There is also a special insurance package whereby a duly accredited farmer organization (FO) seek crop insurance coverage for its members on a group basis under a single CIC^[2]

2.1.4 Coverage. The term of insurance is usually from planting up to expected date of harvest, provided that insurance cover shall commence from the date of issuance of Certificate of Insurance Cover (CIC) or actual planting date whichever is later.

Compensable losses include:^[2]

- Natural Calamities such as typhoon, flood, drought, earthquake and volcanic eruption.
- Plant Disease:

RICE

Tungro
Rice blast/neck rot
Grass stunt
Bacterial Leaf Blight
Sheath Blight

CORN

Stalk rot
Banded Leaf
Sheath Blight

- Pest Infestation:

RICE

Rats
Locust
Armyworm/Cutworms
Stem borer
Brown Plant hopper/
Hopper

CORN

Rats
Locust
Armyworm/Cutworms
Corn borer

burn

Non compensable losses include:

- Fire from whatever cause;
- Theft and robbery, sequestration, strike or other commotion, war or radioactive contamination;
- Avoidable risks emanating from or due to neglect of the assured, i.e. non-compliance with accepted farm management practices;
- Strong wind and heavy rain not induced by typhoon;
- Any measure resorted to by the government in the larger interest of the public.

Crop insurance will not also indemnify losses that occurred:

- Before the effectivity of the coverage;
- Prior to emergence of first leaf of corn or seed growth (coleoptile) for rice of directly seeded;
- After the schedule date of harvest as appearing in the Farm Plan & Budget and Certificate of Cover except when the delay is justifiable;
- After the actual harvest

2.2 Crop Insurance Performance

2.2.1 Insurance Coverage and Claims

Rice and corn insurance (traditional) lines are PCIC's bread and butter programs and constitute roughly 84% of its total business. At its peak in 1991, these traditional lines benefited around 336,000 farmers with sum insured reaching over 3 billion pesos covering an area over a half-million hectares. Insurance Coverage has since declined with the steep contraction of the self-financed (SF) market and the shrinking of the directional rural credit starting in 1992. With the Borrowing Farmer (BF) sector dominating the traditional lines, PCIC claimed that the sliding performance of the traditional crop insurance program greatly reflected the lending performance of formal lenders particularly the Land Bank of the Philippines (LBP) where 77% of the BF clients came from.^[1]

On the claims side, about 29% of insured rice and corn farmers, on average, filed claims tending to support underlying notion on the high covariability of risks in agriculture, with too "few good risks supporting bad risks". The problem of adverse selection seemed to be highlighted as well particularly in the SF sector where its damage rate was significantly higher than that of the BF sector and this was even aggravated in its first decade of operation where actual damage rates exceeded the total premiums paid by the farmers (including the NG premium subsidy). It was only during the latter years, when upward premium adjustments were made, that the loss ratios (indemnity paid to premiums earned) were on the upbeat.^[1]

Despite favorable loss ratios for the traditional lines (except 1999 where it registered at 1.098:1), PCIC is no better off in its overall financial circumstance because of high administrative cost and inadequate support from the National government.^[1]

Table 1. Cumulative Insurance Coverage and Claims Paid(1981 - 2000)^[1]

Insurance Lines	Insurance Coverage		Claims Paid	
	No. of Farmers/ Policies Written	Sum Insured (₱M)	No. of Farmers/ Policies Paid	Claims Paid (₱M)
1. Rice	2,800,194	22,279.407	739,007	1,597.284
2. Corn	417,320	4,278.997	167,941	520.745
3. High Value Commercial Crops	7,690	255.158	1,357	8.549
4. Livestock	205,355	2,038.722	6,738	36.036
5. Non-Crop Agri-Assets	103,844	2,771.027	60	1.584
TOTAL	3,534,403	₱ 31,593.311	915,103	₱ 2,164.198

Figure 1 shows that since 1991, almost all of the insurance program’s beneficiaries belonged to the borrowing farmer category. Self-financed farmers had been effectively exempted from program coverage.

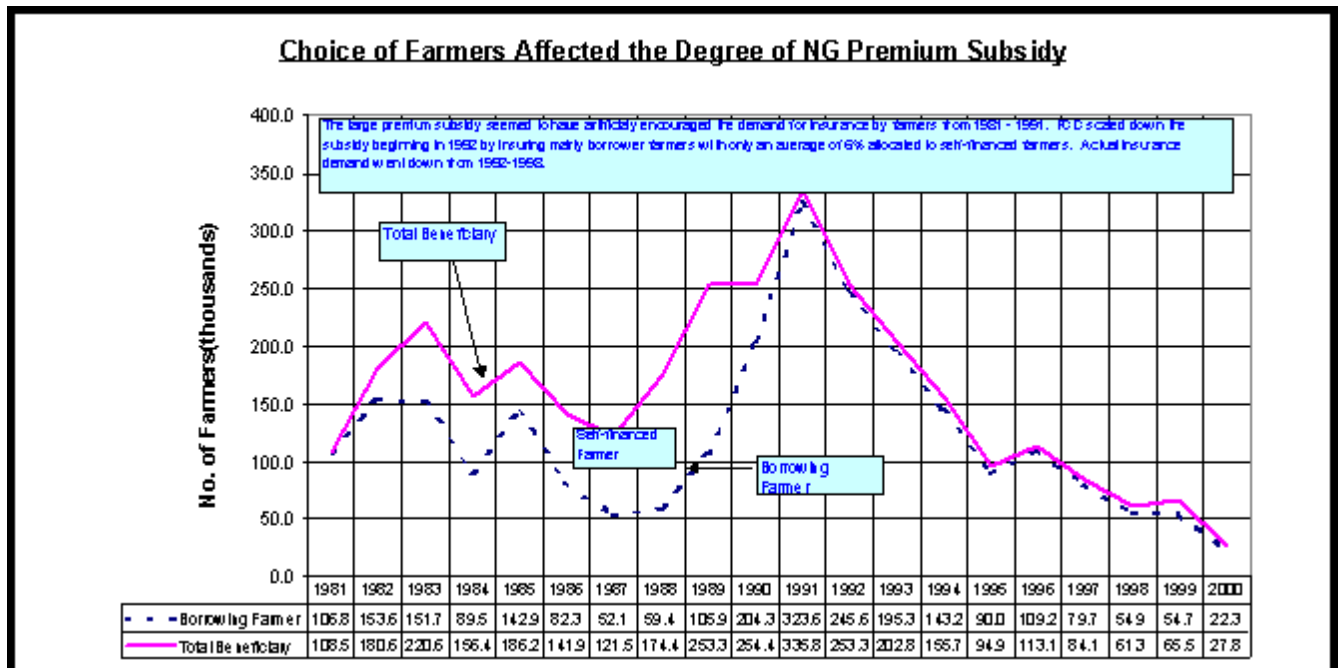


Figure 1. Total number of crop insurance beneficiaries vs. number of borrowing farmer beneficiaries^[1]

2.2.2 Causes of Loss for Rice and Corn Insurance Claims

Seasonal climate variability proved to be the top source of uncertainty for rice and corn farmers. Based on PCIC data, the two top causes of loss claims for rice and corn crops up until year 2000 were typhoons/floods and droughts. Losses from rats/pests and diseases seemed to have gained momentum since the start of the new millennium.

Overall, typhoons and floods were the major causes of production damage for rice, while drought was the number one cause of loss for corn. Claims on rice insurance from typhoon/flooding totaled to PhP 1.050 Billion from 1981 to 2007. Claims on corn insurance caused by drought amounted to PhP258 Million from 1982 to 2007 (Figure 2 and Annex 2).

An aggregate amount of PhP1.7Billion in rice and corn crop insurance claims is attributed to damages from typhoons/floods and droughts. The figure represents 66% of the total indemnity paid by PCIC for all insured commodities covering all causes since

the start of its operation. This figure alone effectively describes the impact of seasonal climate variability on crop insurance operations and agricultural productivity as a whole.

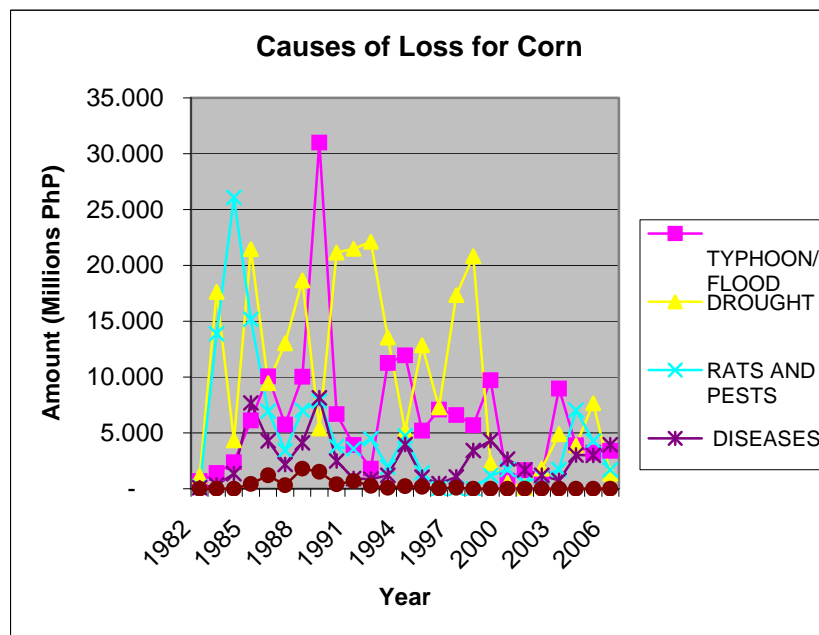
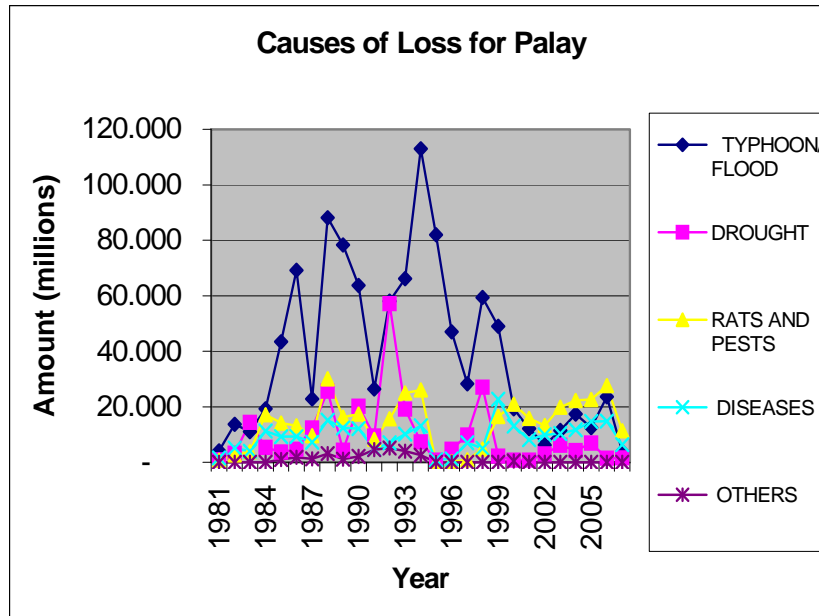


Figure 2. Causes of production losses for rice and corn

2.3 Constraints in Operating the Philippine Crop Insurance Program

PCIC claimed that the operation of the agricultural insurance program is problematic because “the non-independence and high *covariability* of risks in agriculture and the casual empiricism that the elasticity of demand for agricultural insurance with respect to price is highly elastic going up (and relatively inelastic going down)”. The following discussions elaborate on the constraints in operating the Philippine crop insurance program^[1]

2.3.1 High Overhead Cost. Pomareda (1986) suggested that the reasonable claims figure for crop insurance programs worldwide should be around 15% of the total sum insured whilst overhead cost should be around 5%. In the case of PCIC, the damage rates for rice and corn ranged from 2.68% (1991) to 18.51% (1988), or an annual average of 8.2%. Or in terms of loss ratio, the national composite rate over the last 10 years is 0.82:1 - meaning, PCIC is doing well and within worldwide norms on the underwriting side. Cost wise, however, the delivery of agricultural insurance to the countryside is quite staggering. Cost-trimming measures could have been easily adopted if PCIC were a private entity, but the organization is bound by its legal mandate to serve the small-marginalized farmers, even in the out-of-the-way places. The huge operational overhead is further aggravated by the individual underwriting and claims approach PCIC has been using. Cost-cutting measures had been instituted by PCIC in response to financial pressures, including the drastic downsizing of its personnel from over 500 to 222 in mid-2000. Benefits from the measures were significant but not enough to pull PCIC out of the bind.^[1]

2.3.2 Need for Larger Investment Fund. PCIC is not allowed to load its overhead and profit margins to the price of insurance particularly for the rice and corn lines. Because of this, PCIC was authorized under RA 8175 to increase its capitalization to ₱ 2B so that earnings on its investments will answer for its overhead expenses. Unfortunately, the National Government was unable to fully fulfill its financial obligation to the program. Capital contribution from the government came in trickles and far between and as of June 2001, only amounted to ₱ 905M. This was complicated by the non-remittance and/or late remittance of the government’s share in the premium for the traditional lines resulting in illusory premium rates. Total premium arrears due the national government has been growing. These shortfalls in capital contribution and premium shares greatly diminished PCIC's investment funds, making investment income insufficient to cover administrative costs. Despite management's efforts, the funding gap between overhead cost and investment earnings still persisted.^[1]

PCIC cannot raise prices to fill the funding gap. This is a politically sensitive issue that even requires approval from the President of the Philippines. Further, the elasticity of demand for prices going up means that PCIC will be pricing itself out of the market and may completely reverse whatever social welfare value it offers. It does not help as well that PCIC is limited by law to investing only in government securities and lost out opportunities for other higher yielding investments.^[1]

2.3.3. Question of sustainability. There is a growing realization in the agriculture sector that agricultural insurance is important in yield risk management owing to the ill-effects of the vagaries of nature as well as pests and diseases. However, because of the inherent low-income stature of small farmers, continuing government intervention is needed to bring down insurance cost to their level of affordability. With insufficient government support, the viability and sustainability of the program seems to be in peril.^[1]

3.0 Discussion: Hurdles and Recommended Direction

Having gone through almost three decades of existence and operational fluctuations, the Philippine crop insurance program still has relatively modest impact to show. Its mandate of providing security for agricultural producers, particularly subsistence farmers, has been met with logistical and operational challenges over the past years.

The numbers alone tell the tale of the local insurance program—from 1981 to 2000, PCIC was only able to provide insurance for a cumulative total of 2.8M farmers. At its peak in 1991, the program serviced around 336,000 farmers. These figures seem relatively small compared to the estimated 5.2M smallholder farmers in the country.

Officials from PCIC claimed that the agency had been lulled to complacency by targeting borrowing farmers as its main market. The statement would be an interesting subject of discourse as many literatures reveal that the number of borrowing farmers has been increasing over the years. With an estimated 3M farmers availing of credit from formal and informal sources per year^[5], the insurance program seemed to have captured only a small portion of the credit market. If the figures are correct, PCIC had failed to institutionalize crop insurance in many formal lending institutions/organizations.

PCIC claimed that the performance of the insurance program was greatly dependent on the performance of formal lending institutions, particularly that of the Land Bank of the Philippines (LBP). However, when insurance coverage was falling during the late 90's and early 2000, LBP had been consistently reporting increasing loan releases to small farmers and fisherfolks. In 2000 alone, it claimed to have released 12.1B to its agricultural clientele. By 2004, it reported a total disbursement of 16.6B as loan to about 430,000 farmers and fisherfolks.^[6] The fact that LBP claimed to have released the loans through partner organizations like cooperatives, rural banks, development banks and QUEDANCOR might be able to explain the confusion.

Table 2. Estimated number of smallholder farmers and credit info in 2002

	%	Total
Total number of smallhold farmers ^[4]		5,290,000
Number of Borrowers/non-borrowers ^[5]		
Borrowers	64.0	3,385,600
Non-borrowers	36.0	1,904,400
Source of Credit ^[5]		
Formal	39.7	1,344,083
Informal	60.3	2,041,517

Note: ^[4] was estimated by ACPC based on the labor force survey (LFS); percentages reflected in ^[5] came from the study of ACPC and SWS in 2003

If PCIC indeed targeted farmers patronizing formal credit, then it should have also tapped the abovementioned institutional partners of LBP. The market of borrowing farmers should have been exploited more fully. It seemed that PCIC operated an insurance business, devoid of an aggressive marketing arm. By basing its operation on the captured market of formal lenders, it effectively operated as a supporting body and not as a fully functioning autonomous institution. PCIC should have done more to entice more farmers, especially those not availing loans from formal sources, to avail of the securities they offer.

The insurance program could only pass the blame to insufficient financial support from the national government. The government is supposed to subsidize the cost of insurance for small farmers and fisherfolks, but its contribution in the past had been characterized by non-remittances or late remittances. In effect, PCIC had been offering a relatively cheap insurance coverage without the benefit of the promised government subsidy. Poor capital contribution and premium shares from the government coupled with high overhead expenses for PCIC, could collectively lead to the eventual downfall of the Philippine agricultural insurance program.

If the agricultural insurance program is to survive and become operationally sustainable, it will have to operate as an economically viable unit. With the absence of assured financial support from the government, efforts must be made to streamline the program's operation and install a more aggressive marketing component.

Ultimately, PCIC must go after its mandated target market—the small farmers and fisherfolks. It seems that as it is right now, agricultural credit and agricultural insurance are intertwined. If the insurance program is not allowed by law to impose commercially competitive rates and profit from smallholder farmers, then the program has no choice but to stick close to formal lenders and avail of promised subsidies. But still, the market for borrowing farmers is big enough for PCIC to create waves and generate significant impact. The program just has to find creative ways to expand its share of the market.

4.0 Agricultural Insurance and the ACIAR Project

Battling the ill-effects of seasonal climate variability in agricultural production could be addressed in three fronts: (a) prevention of agricultural damage through accurate advisory and proper timing; (b) alleviation of impact through in-course mitigating measures; and (3) softening of risks through crop insurance.

The ACIAR funded project “Bridging the Gap Between SCF and Decision Makers in Agriculture” essentially deals with managing climate variability through better forecasts and better utilization of these forecasts by decision makers. A crop farmer has a healthier chance of going through seasonal abnormalities and coming out unscathed if he is well informed. Accurate seasonal climate forecasts would allow for proper weighing of risks. The decision to push through with the cropping season would then be ideally a product of an enlightened process.

Filipino farmers, who are mostly risk-averse by nature, look for assurances in their farm operations. With more than 90% for local agricultural workers classified as smallholders, many could not afford a failed season of cropping. SCFs and applicable mitigating measures soften the blow of climatic aberrations. Adding crop insurance as an intervention gives assurance to the farmer that he would at least breakeven during the season.

In a recent PIDS-led survey conducted in Isabela, Philippines, it was found out that formal lending institutions and crop insurance were virtually non-existent in select farming communities. Farmer dependence on informal credit seemed to have also created a nonviable setting for a crop insurance program. It seems unlikely that an informal lender would insure his borrowers from eventual crop loss. Without hinting on the possible deviousness of local informal credit operators, a loss for the borrowing farmer could still be a gain for the lender.

Local usurers and loan sharks have long been profiting from smallholder agricultural workers through high-interest loans. Interviewed farmers explicitly aired an example of this unfair credit relationship. Corn growers from the highlands of Isabela testified that all smallholder farmers in their area were up to their necks in debt. Local traders and financiers had been feeding-off on the delinquencies of already impoverished agricultural workers. There must be an entry point within the scheme of things, where formal credit institutions and the agricultural insurance program could enter and do good.

Aside from tackling other socio-economic issues, a way must be found to bridge seasonal climate forecasts with the adoption of agricultural risk management tools like crop insurance. Decision makers should have this option in their arsenal of possible development interventions. Destruction from foreseen climatic variability could best be addressed through a wide-spectrum approach—technologies to mitigate the effects of drought and flooding could help a lot, but when still in doubt, it is best to be insured.

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The PCIC and the Rice and Corn Crop Insurance Program

The crop insurance program is being implemented in the Philippines by the **Philippine Crop Insurance Corporation**, a government-owned and controlled corporation organized by virtue of Presidential Decree 1467 issued in 1978. Its charter was later revised under RA 8175 to give it some legal impetus to expand and to adopt to current circumstances.

Rice and Corn consist the traditional insurance lines of PCIC.

A. PCIC's Mandate

As the implementing agency of the agricultural insurance program under P.D. # 1467, as amended by R.A. 8175, PCIC is mandated to provide insurance protection to the country's agricultural producers particularly the subsistence farmers, against:

- Loss of their crops and non-crop agricultural assets on account of natural calamities such as typhoons, floods, droughts, earthquakes and volcanic eruptions, plant pests and diseases, and/or other perils.
- PCIC can also provide guarantee cover for production loans extended by lending institutions to agricultural producers for crops not yet covered by insurance.

B. PCIC's Mission

PCIC as an agricultural insurer is committed to help stabilize the income of agricultural producers and promote the flow of credit in the countryside by:

- Providing insurance protection to qualified farmers and other agricultural stakeholders against losses of their crops and and produce, including their farm machineries and equipment, transport facilities and other related infrastructures arising from natural calamities, pests and diseases, and other perils beyond their effective control;
- Extending innovative and client-responsive insurance packages and other services thru peoples' organizations including farmers' cooperatives, agricultural lenders and service providers.

C. PCIC's Vision

Philippine Crop Insurance Corporation as:

- A viable service-oriented government institution attending to every insurance need of subsistence farmers and other agricultural stakeholders with utmost professionalism, integrity and efficiency;
- A corporate body working with strong network of insurance and agricultural intermediaries in the spirit of partnership and oneness of purpose; and
- A key factor in realization of vibrant and progressive rural economy where Filipino farmers work with peace of mind under the protective mantle of agricultural insurance.

D. PCIC's Regular Insurance Program on Rice and Corn:

Rice and Corn Crop Insurance is an insurance protection extended to farmers against losses in rice and corn crops due to natural calamities as well as plant pests and diseases.

1. Eligibility and Coverage

Borrowing Farmers - for those obtaining production loan under the government supervised credit program;

Self-Financed Farmers - optional, provided they agree to place themselves under the supervision of a PCIC accredited Agricultural Production Technician.

Amount of Cover (per hectare)

Palay:

Regular Cover (max. AC) - P16,800.00

Hybrid Rice (F1) - P20,000.00

Corn:

Open-pollinated variety - P 8,000.00

Hybrid variety - P14,000.00

2. Premium Subsidy

Government premium subsidy is for subsistence farmers only (those who are tilling 7 has. or less rice/corn land)

3. Period of Cover

From direct seeding or upon transplanting up to harvest provided that insurance shall commence from the date of issuance of the Certificate of Insurance Cover (CIC) or actual direct seeding or upon transplanting for rice and emergence of the first leaf for corn.

4. Type of Insurance Coverage

Natural Disaster Cover - damage due to typhoon, flood, drought, volcanic eruption, and earthquake; Multi-Risk Cover - includes risks due to natural disasters, plus pest infestation and diseases.

5. Filing of Application for Insurance Coverage

For Borrowing Farmers:

- Individual borrowing farmer may file his application for production loan with a lending institution/bank;
- Borrowing farmers as a group must submit List of Borrowers (LOB), Standard Farm Plan and Budget (SFPB) and Control Map (CM)/ Location Sketch Plan (LSP)

For Self-Financed Farmers:

- Should file Application for Crop Insurance (ACI) any day before actual transplanting/direct seeding.
- Individual Farmer may file ACI with PCIC Insurance Underwriter, accredited solicitor or underwriting agent;

- Farmers applying for coverage under the Group Crop Insurance Scheme (GCIS) shall submit the following:
 - List of Participants (LOP)
 - Standard Farm Plan and Budget (SFPB)
 - Control Map (CM) / Location Sketch Plan (SFPB)

6. Premium Rate and Sharing

Premium rates varies with risk classification, crop season, and region.

Example of Farmers Share for Palay crop and Medium-Risk areas:

	Natural Disaster		Multi-Risk Cover	
	Wet Season	Dry Season	Wet Season	Dry Season
Region 6	2.09	2.27	2.34	2.54
Region 7	3.92	3.70	4.33	4.27
Region 8	3.54	2.70	5.19	4.66

7. Filing of Notice of Loss

- Notice of Loss (NL) should be filed within 10 calendar days from occurrence of loss.
- Where damage is gradual or progressive, NL should be filed not later than 20 calendar days before the scheduled date of harvest.
- Claims for Indemnity (CI) should be filed within 45 calendar days from occurrence of loss.

8. Loss Adjustment and Claims Settlement

- Team of adjusters shall be constituted composed of:
 - 1 from PCIC
 - 1 from DA/LGU/DAR/NIA
 - 1 from designated member of the farmers' organization (if claims is under GCIS)
- The General Assessment Team shall be constituted during occurrence of widespread calamity and or pest/disease infestation.
- Claims shall be adjusted and settled on individual or collective basis.

Source: <http://www.pcic.da.gov.ph/Products.html>

PHILIPPINE CROP INSURANCE CORPORATION
DISTRIBUTION OF PALAY INSURANCE CLAIMS
By Year, By Cause of Loss, In Million Pesos

YEAR	TYPHOON/ FLOOD	DROUGHT	RATS/PESTS INFESTATION	PLANT DISEASES	OTHERS	TOTAL
1981	4.167	0.940	0.817	1.568	-	7.492
1982	13.717	3.257	2.622	5.122	-	24.718
1983	11.029	14.361	3.840	3.982	-	33.212
1984	19.269	5.389	17.158	11.269	-	53.085
1985	43.444	3.635	14.175	9.206	0.957	71.417
1986	69.171	4.729	13.201	9.262	1.781	98.144
1987	22.887	12.344	9.538	7.188	1.236	53.193
1988	88.138	25.653	30.070	15.150	3.138	162.149
1989	78.316	4.388	16.316	12.378	1.125	112.523
1990	63.753	20.149	17.421	12.138	2.138	115.599
1991	26.411	9.510	8.196	4.691	4.540	53.348
1992	58.015	57.134	15.657	7.075	5.121	143.002
1993	66.187	19.129	24.953	10.127	3.995	124.391
1994	113.022	7.350	26.043	13.119	2.585	162.119
1995	82.051	0.763	-	0.848	-	83.662
1996	47.013	4.728	0.266	1.172	0.003	53.182
1997	28.303	9.836	0.921	7.028	0.010	46.098
1998	59.416	27.104	4.842	4.980	0.007	96.349
1999	49.024	2.213	16.524	22.708	-	90.469
2000	19.294	0.784	20.912	13.029	0.396	54.415
2001	12.179			8.162	-	36.945

		0.730	15.874			
2002	6.234	2.997	13.303	9.896	-	32.430
2003	11.510	6.080	19.780	10.360	-	47.730
2004	17.370	4.280	22.320	11.700	-	55.670
2005	12.510	6.880	22.670	14.720	-	56.780
2006	23.667	1.496	27.585	14.764	-	67.512
June 2007	3.905	1.557	11.350	6.378	-	23.190
ALL YEARS	1,050.002	257.416	376.354	248.020	27.032	1,958.824

Source: PCIC, 2007

PHILIPPINE CROP INSURANCE CORPORATION
DISTRIBUTION OF CORN INSURANCE CLAIMS
By Year, By Cause of Loss, In Million Pesos

YEAR	TYPHOON/ FLOOD	DROUGHT	RATS/PESTS INFESTATION	PLANT DISEASES	OTHERS	TOTAL
1982	0.698	1.151	0.133	0.086	-	2.068
1983	1.395	17.642	13.890	0.331	-	33.258
1984	2.380	4.346	26.082	1.357	-	34.165
1985	6.111	21.470	15.179	7.683	0.419	50.862
1986	10.068	9.449	6.951	4.291	1.210	31.969
1987	5.736	13.041	3.441	2.165	0.303	24.686
1988	10.039	18.671	7.030	4.107	1.803	41.650
1989	30.996	5.391	7.870	8.140	1.509	53.906
1990	6.676	21.134	3.774	2.485	0.396	34.465
1991	3.928	21.500	3.565	0.921	0.694	30.608
1992	1.806	22.101	4.479	0.856	0.261	29.503
1993	11.269	13.551	1.936	1.213	0.098	28.067
1994	11.949	5.196	4.743	3.980	0.233	26.101
1995	5.212	12.867	1.431	1.042	0.163	20.715
1996	7.100	7.272	-	0.448	0.017	14.837
1997	6.609	17.352	0.032	1.055	0.086	25.134
1998	5.679	20.818	0.013	3.416	-	29.926
1999	9.715	2.326	1.170	4.326	-	17.537

2000	0.727	0.544	1.727	2.665	-	5.663
2001	1.660	0.105	0.538	1.672	-	3.975
2002	1.095	1.790	1.112	1.188	-	5.185
2003	8.980	4.890	1.720	0.730	-	16.320
2004	3.900	3.890	7.020	3.040	-	17.850
2005	3.240	7.670	4.300	3.000	-	18.210
2006	3.405	1.356	1.693	3.945	-	10.399
June 2007	0.672	2.382	0.366	0.754	-	4.174
ALL YEARS	161.045	257.905	120.195	64.896	7.192	611.233

Source: PCIC, 2007

PCIC Insurance Production and Claims for Palay and Corn crops from 1981 to 2007

YEAR	PRODUCTION						GROSS PREMIUM (P'M) (PALAY&CORN)	CLAIMS					
	PALAY			CORN				PALAY			CORN		
	NO. OF FARMERS	AREA(Has)	AC(P'M)	NO. OF FARMERS	AREA(Has)	AC(P'M)		FARMERS/ CLAIMANT	AFFECTED AREA (Has.)	INDEMNITY (P'M)	FARMERS/ CLAIMANT	AFFECTED AREA (Has.)	INDEMNIT Y (P'M)
1981	108,528	199,333	265.462				33.213	7,627	12,853	7.492			
1982	170,973	303,947	410.152	9,610	18,969	36.467	36.873	25,759	33,454	24.718	149	268	2.068
1983	180,135	308,743	446.112	40,498	78,784	160.765	46.935	42,500	65,948	33.212	15,200	26,913	33.258
1984	130,288	205,486	462.038	26,129	53,544	186.416	50.012	51,372	87,303	53.085	17,423	34,134	34.165
1985	159,803	279,557	865.112	26,363	58,419	302.557	90.388	46,102	83,293	71.417	13,775	28,954	50.862
1986	126,059	225,965	773.425	15,809	45,172	240.686	78.722	46,486	90,706	98.144	8,750	21,314	31.969
1987	111,776	191,446	665.950	9,721	23,362	120.103	65.660	35,708	68,764	53.193	5,988	15,058	24.686
1988	149,801	242,335	865.350	24,597	46,651	236.118	100.048	74,560	126,563	162.149	11,681	25,529	41.650
1989	219,721	356,345	1,295.724	33,578	60,406	305.164	143.543	58,382	97,315	112.523	20,308	37,119	53.906
1990	213,969	350,931	1,616.354	40,410	67,758	337.734	173.077	78,291	124,675	115.599	13,891	26,820	34.465
1991	301,954	494,538	2,838.811	33,809	52,733	299.397	339.299	35,009	58,869	53.348	10,784	19,032	30.608
1992	224,703	355,232	2,216.870	28,584	42,176	262.594	313.653	60,509	101,618	143.002	9,662	15,841	29.503
1993	177,512	288,057	1,883.225	25,316	39,986	255.528	269.336	49,086	84,535	124.391	8,939	15,506	28.067
1994	132,249	222,859	1,496.892	23,486	38,834	252.169	220.388	57,993	102,446	162.119	8,471	14,452	26.101
1995	81,314	139,252	982.688	13,568	26,272	166.583	126.810	29,352	51,690	83.662	7,429	13,161	20.715
1996	97,004	156,671	1,382.963	16,049	28,335	237.438	147.870	16,895	30,109	53.182	3,811	6,956	14.837
1997	64,028	110,583	1,093.081	20,099	35,650	327.443	131.547	10,647	19,143	46.098	5,584	9,537	25.134
1998	48,634	86,445	877.757	12,651	24,519	243.377	113.721	16,151	30,259	96.349	5,625	10,138	29.926
1999	56,402	95,398	995.039	9,112	17,345	172.221	102.729	18,902	32,936	90.469	3,658	6,564	17.537
2000	45,341	75,481	846.402	7,931	14,495	136.237	115.246	12,503	21,542	54.415	1,685	3,250	5.663
2001	30,401	52,900	580.990	4,037	7,961	83.773	94.127	9,510	16,416	36.945	1,381	2,265	3.975
2002	29,362	50,212	551.383	5,933	9,232	85.333	70.123	7,625	13,054	32.430	1,277	2,013	5.185
2003	30,993	52,502	590.786	7,869	13,347	121.940	74.872	10,547	17,440	47.730	3,188	5,111	16.320
2004	35,055	58,677	669.613	9,583	18,198	175.894	104.920	12,254	20,823	55.670	4,643	7,962	17.850
2005	37,423	56,118	688.740	6,198	10,691	120.036	97.510	12,399	19,593	56.780	3,384	6,256	18.210
2006	32,354	53,312	689.018	4,433	7,743	102.021	96.338	14,599	23,764	67.512	2,118	3,871	10.399
June 2007	15,147	26,957	387.291	1,853	3,420	43.113	45.879	5,044	8,796	23.190	744	1,295	4.174
ALL YEARS	3,010,929	5,039,282	26,437.228	457,226	844,002	5,011.106	3,282.840	845,812	1,443,906	1,958.824	189,548	359,319	611.233

Source: PCIC, 2007