

# [ PRESIDENTIAL DECREE NO. 1467, June 11, 1978 ]

## **CREATING THE "PHILIPPINE CROP INSURANCE CORPORATION" PRESCRIBING ITS POWERS AND ACTIVITIES, PROVIDING FOR ITS CAPITALIZATION AND FOR THE REQUIRED GOVERNMENT PREMIUM SUBSIDY, AND FOR OTHER PURPOSES**

**WHEREAS**, while the achievements of the on-going supervised rice production credit program has been substantial, the financial burden on the part of the farmers and the lending institutions in terms of uncompensated losses arising from destruction of standing crops wrought by floods, typhoons, heavy rains, drought and other natural calamities has not only tended to keep the farmers in perpetual indebtedness but has also considerably constricted the loaning capabilities of lending institutions and their willingness to extend loans to rice farmers;

**WHEREAS**, as a result of the recurrent natural disasters our farmers suffer heavy losses due to the destruction of their standing crops resulting in loss of income and the consequent loss of their credit standing through no fault of their own, which in turn seriously affects the finances of lending institutions participating in the supervised credit program;

**WHEREAS**, implementing a crop insurance scheme can serve to provide relief to out rice producers from the heavy burdens and loss caused by such disasters as well as to stabilize the finances of lending institutions;

**WHEREAS**, crop insurance can serve as a strong incentive to the intensification of the Government food production program as well as minimize the erosion of the financial capability, and the willingness of lending institutions to provide financial support to rice production program;

**WHEREAS**, a study conducted by an Inter-Agency Committee sponsored by the Land Bank of the Philippines (LBP) disclosed the feasibility of providing crop insurance protection to rice farmers covered by the supervised credit program, as well as to self-financed farmers who place themselves under the supervision of duly accredited technicians;

**WHEREAS**, because of its important role, the crop insurance scheme requires inter-agency operational linkages and support to insure the successful and economical attainment of its laudable objectives;

**NOW, THEREFORE, I, FERDINAND E. MARCOS**, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree and order:

**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 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 to other crops. 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 born by the insured farmer in the production of the crop.

**SEC. 2. *Place of Business and Term of Existence.* —**

2.1 The Corporation shall have its principal place of business in Metro Manila;

2.2 The term of legal existence of Corporation shall be fifty (50) years from and after the date of the approval of this Decree.

**SEC. 3. *Powers.*—**The Corporation shall have the following powers:

3.1 To prescribe, repeal and alter its own by-laws; to determine its operating policies and to issue such rules and regulations as may be necessary to implement the crop insurance scheme;

3.2 To adopt and use a corporate seal;

3.3 To sue and to be sued;

3.4 To have continuous succession until dissolved by law;

3.5 To insure the rice production of farmers against loss, damage and destruction caused by natural calamities such as typhoons, floods, drought, earthquake, volcanic eruptions, rodents, vermins, disease, insects and other pests; and to carry on any business necessary, related to, and expedient for the above purpose;

3.6 To insure in the Philippine or abroad all or any risks of the Corporation;

3.7 To purchase or otherwise acquire ownership and manage any and all parts of the business, property and liabilities of any person or company carrying on any business which the Corporation is authorized to carry on or possess;

3.8 To acquire by purchase or otherwise acquire ownership of and to invest in, hold, sell, or otherwise dispose of stocks or bonds or any interest in either, or any obligation or evidence of indebtedness of any corporation, domestic or foreign, or the bonds or other obligations or evidence of indebtedness, of any person, firm or corporation; and as owner of such stocks, bonds or interest therein, or other obligations or evidence of indebtedness, to exercise the rights, powers and privileges of ownership, including the right to vote thereon or consent in respect thereto for any and all lawful purposes;

3.9 To purchase, or otherwise acquire, sell, lease, convey, mortgage, encumber, and otherwise deal with any property, real or personal, or any interest therein; extend credit on the security of real estate or movable property; exercise easement right or privilege over or in respect to any property, real or personal, as may be permitted by law and as may be reasonable necessary to carry out the purposes for which the corporation is formed or as may or hereafter be permitted by law;

3.10 To establish branches whenever it may be expedient and necessary;

3.11 To do and perform acts and things, and to exercise all the general powers conferred by law upon Corporations, as are incidental or conducive to the attainment of the objectives of the Corporation.

**SEC. 4. *Who shall be Insured.***—Participation in the palay crop insurance shall be compulsory upon all farmers obtaining production loans for palay under the supervised credit program, and optional on the part of self-financed farmers provided they agree to place themselves under the supervision of agricultural production technicians. The term "supervised credit program" as used in this Decree shall mean the production credit program wherein the farmer who obtained production loans for palay agree in writing that he will apply proven farm practices necessary to conserve the land, improve its fertility and increase its production, and abide by the approved farm plan and budget jointly prepared by him and the duly accredited supervised credit technician. The term "supervision of agricultural production technician" shall mean the supervision undertaken by agricultural production technicians who are duly accredited by the appropriate government agencies concerned, as required under the supervised credit system.

**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 subject to approval by the President of the Philippines.

**SEC. 6. *Premium Subsidy.*** —

6.1 For the first year of the operation of the Corporation, the required Government premium subsidy, as determined by the Board and approved by the President of the Philippines, shall be deemed appropriated from the funds of the National Treasury not otherwise appropriated, and shall be drawn, on a month-to-month or other periodic basis, depending upon the actual amount of insurance underwritten by the Corporation. For this purpose, the Corporation shall bill the Government the sum of money corresponding to the computed amount of subsidy;

6.2 For subsequent years, yearly projections of the premium subsidy shall be submitted by the Corporation to the President of the Philippines, and upon his approval shall be included in the government budgetary appropriations.

**SEC. 7. *Transfer of the Agricultural Guarantee Funds to the Corporation and Abolition of the Agricultural Guarantee Fund Board.***—The assets, liabilities and administration of the agricultural Guarantee Fund at present being administered by the Land Bank of the Philippines to guarantee rice production loans under the supervised production credit program as well as the Agricultural Guarantee Fund created under Section 13 of Republic Act 6390, as amended, are hereby transferred to the Corporation as part of the contribution of the government to the capital of the Corporation as provided in Section 8 hereof: *Provided*, That the termination or cessation of the guarantee operations under both funds shall be left to the discretion of the Board of Directors of the Corporation. The agricultural Guarantee Fund Board, created under Section 13 of Republic Act 6390, as amended, is hereby abolished.

**SEC. 8. Capital Stock. —**

8.1 The authorized capital stock of the Corporation is SEVEN HUNDRED FIFTY MILLION PESOS (P750,000,000.00) divided into FIVE MILLION (5,000,000) 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) 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.

8.2 The paid-in capital of the Corporation upon its organization shall be TWO HUNDRED FIFTY MILLION PESOS (P250,000,000.00), and shall be appropriated and paid in as follows:

8.2.1 ONE HUNDRED FIFTY MILLION PESOS (P150,000,000) to be subscribed and paid in by the Government out of the net assets transferred from the agricultural Guarantee Funds as provided in Section 7 hereof; *Provided*, That the amount by which the net assets exceed ONE HUNDRED FIFTY MILLION PESOS (P150,000,000) shall be considered contributed surplus and treated as such on the books of the Corporation;

8.2.2 An additional ONE HUNDRED MILLION PESOS (P100,000,000) to be likewise subscribed and paid in by the Government out of funds of the National Treasury not otherwise appropriated.

8.3 The remaining common capital stock of TWO HUNDRED FIFTY MILLION PESOS (P250,000,000) 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.

8.4 The preferred shares shall be entitled to a preference over common shares in any declaration of dividends. They shall also be given priority in the distribution of assets in the event of liquidation of the Corporation. They shall have the following specific features:

8.4.1 Preferred as to dividends at a minimum of six per cent (6%);

8.4.2 Cumulative;

8.4.3 Participating;

8.4.4. Non-voting;

8.4.5 Dividends thereon shall be exempt from income tax;

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