



Opportunities for Strengthening Agriculture Insurance Programs: Philippine Crop Insurance Corporation and LGU Partnerships

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Outline of Presentation

- Motivation of the study
- Review of the design and implementation of the agricultural insurance program of PCIC
- Targeting of beneficiaries for government subsidy (RSBSA)
- LGU Partnerships
- Moving forward

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Regional Partners

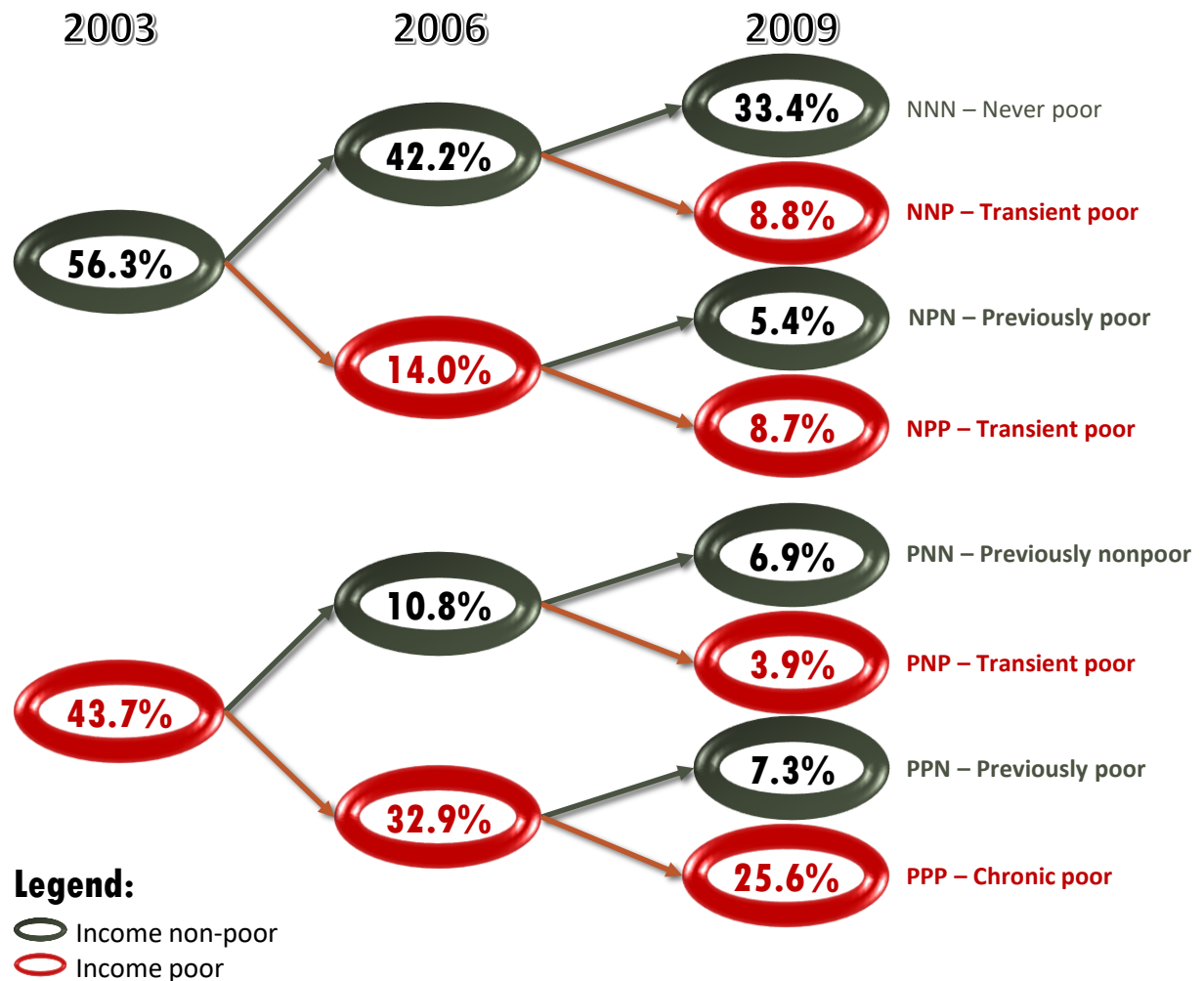
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Motivation

Movements of agricultural households in and out of poverty

- There are considerable movements in and out of poverty among households engaged in agriculture.
- Among households whose head are engaged in agriculture, 33 percent are never poor, 26 percent are always poor and 41 percent are sometimes poor.



Chronic and Transient Poverty

- Of those who were poor in 2009, 55 percent are chronic poor while the remaining 45 percent are transient poor (poor now but were previously non-poor)
- This is not surprising given that agriculture is exposed to many risks.

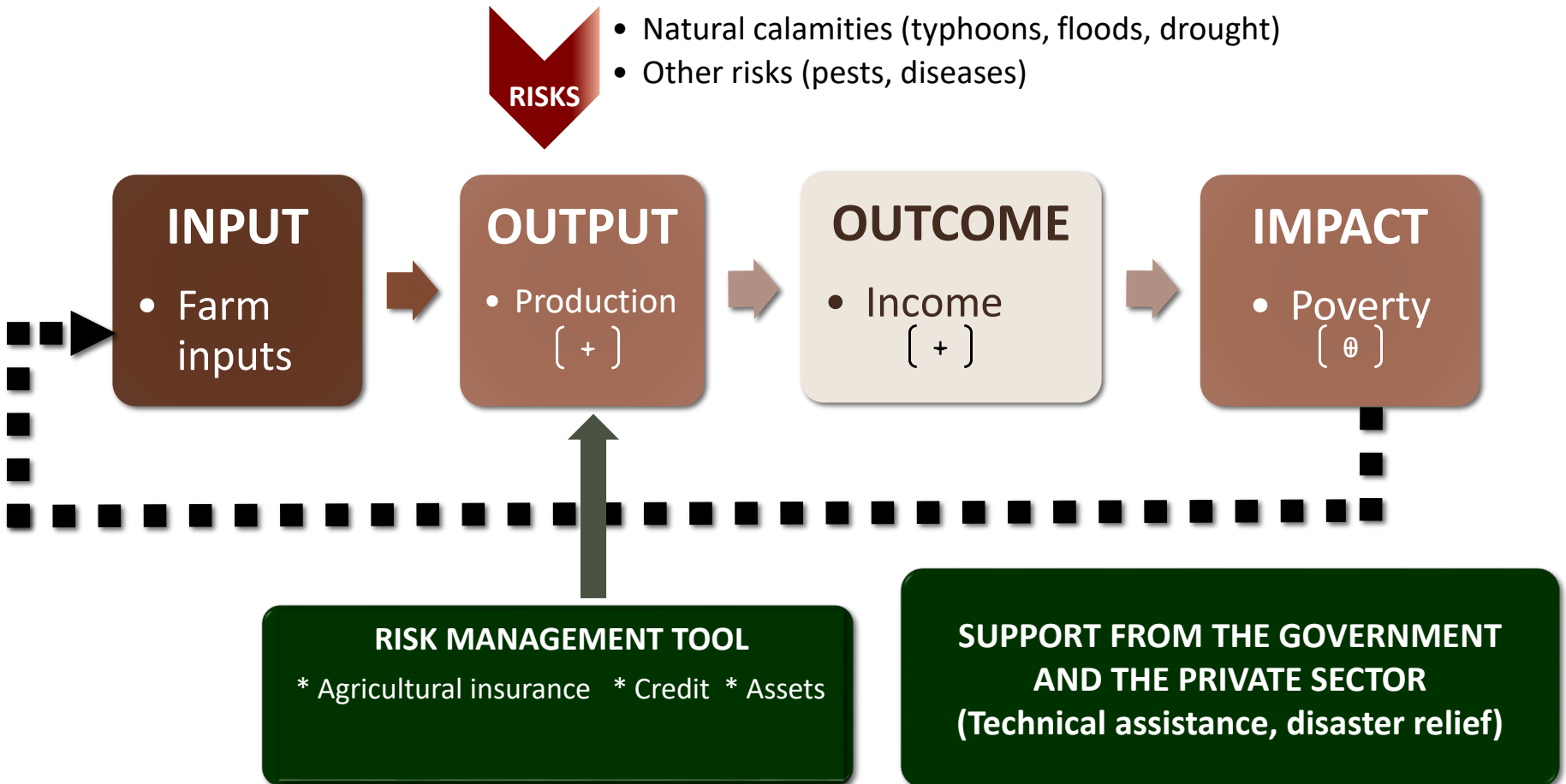
Poverty Status	All Households	Agricultural Households
Chronic poor	11.1	25.6
Transient poor	12.3	21.4
Poor	23.4	47.0

Source: Authors' estimates based on Panel dataset 2003, 2006, and 2009



Agricultural insurance could be an effective risk management tool that can significantly reduce poverty among agricultural households

Role of agricultural insurance



About Agricultural Insurance Program



Philippine Crop Insurance Corporation (PCIC)

- Principal mandate is to provide insurance protection to farmers against losses arising from natural calamities, plant diseases and pest infestation of their crops
 - Covered risks: natural calamities with official declaration from PAGASA (typhoons, floods, droughts and other typhoon-related occurrences) and PHIVOLCS (earthquakes, volcanic eruptions)
- Crop and non-crop insurance

Crop insurance was government's response to improve the old agricultural guarantee fund

Enabling Law	Pertinent Provisions
RA 3844 (Aug 8, 1963)	Creation of Land Bank, to finance the distribution and acquisition of agri land
RA 6390 (Sep 10, 1971)	Creation of the Agricultural Guarantee Fund (AGF), to guarantee 70% of losses of rural banks extended to finance agricultural loans to farmers. Aside from NG shares in Lepanto Mines, P20 million was allocated to the AGF
PD 1467 (Jun 11, 1978)	PCIC was created, AGF transferred to PCIC as part of capital contribution of gov't (P250 million capital contribution, P750 million authorized capital stock)
PD 1733 (Oct 21, 1980)	Crop insurance was made compulsory for all lending institutions granting production loans for palay under the supervised credit program of government, and the same shall act as underwriters of PCIC

Note that for unpaid loans with agricultural guarantee, the farmer will still have to pay the loan to the creditor, even if the AGF has already remitted funds to the creditor. For crop insurance, indemnity claims will be used to pay the farmers' loan.

Benefits of crop insurance to farmers

- Helps farmers manage risks
- Provides farmers funds to cover production costs for the next season
- Helps farmers to finance household expenditures after a shock
- Better than agricultural guarantee fund

Crop insurance

- Crop insurance is considered as a production cost insurance since it typically covers cost of production inputs (*with prescribed [cover ceilings](#)*)
- period of cover: one cropping period/planting-harvesting (*for temporary crops*); one year (*for permanent crops*)

Product line	Share to total premium collections (%) (1981-2014)	Share to total claim payments (%) (1981-2014)
Rice and corn	88.4	94.9
High-value crops	6.5	1.5
Non-crop (i.e., livestock/poultry, fishery, non-crop agricultural asset, term)	5.1	3.6

Borrowing rice farmers are subsidized by government and lending institutions (LI)

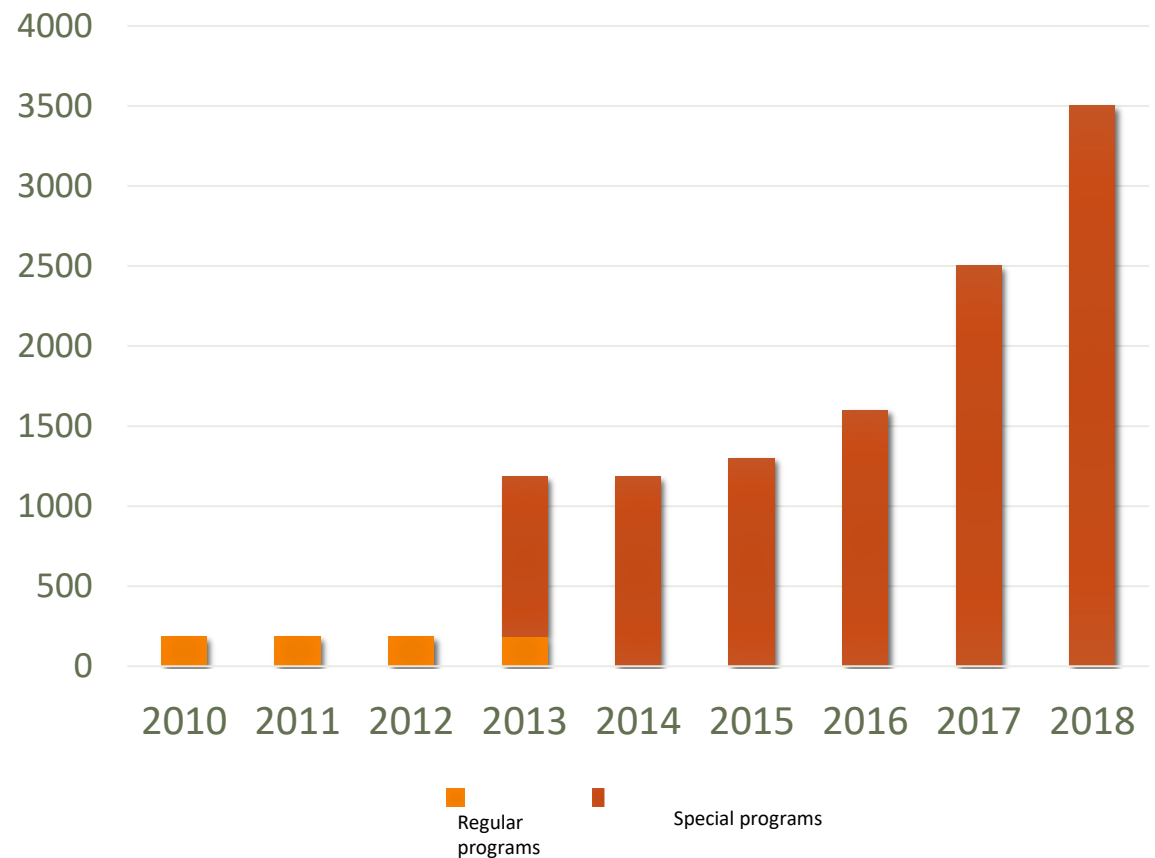
Risk Classification	Borrowing Farmer, Rice				Self-Financed Farmer, Rice		
	Farmer	LI	Government	Total	Farmer	Government	Total
Multi-risk cover							
Low	1.46%	2.00%	5.90%	9.36%	3.46%	5.90%	9.36%
Medium	2.91%	2.00%	5.90%	10.81%	4.91%	5.90%	10.81%
High	4.37%	2.00%	5.90%	12.27%	6.37%	5.90%	12.27%
Natural disaster cover							
Low	1.12%	1.50%	4.22%	6.84%	2.62%	4.22%	6.84%
Medium	2.23%	1.50%	4.22%	7.95%	3.73%	4.22%	7.95%
High	3.35%	1.50%	4.22%	9.07%	4.85%	4.22%	9.07%

Source of data: PCIC

Government Premium Subsidy has increased significantly

- Premium subsidy has increased significantly from Php 186 million before 2013 to Php 3.5 billion in 2018.

In Million P

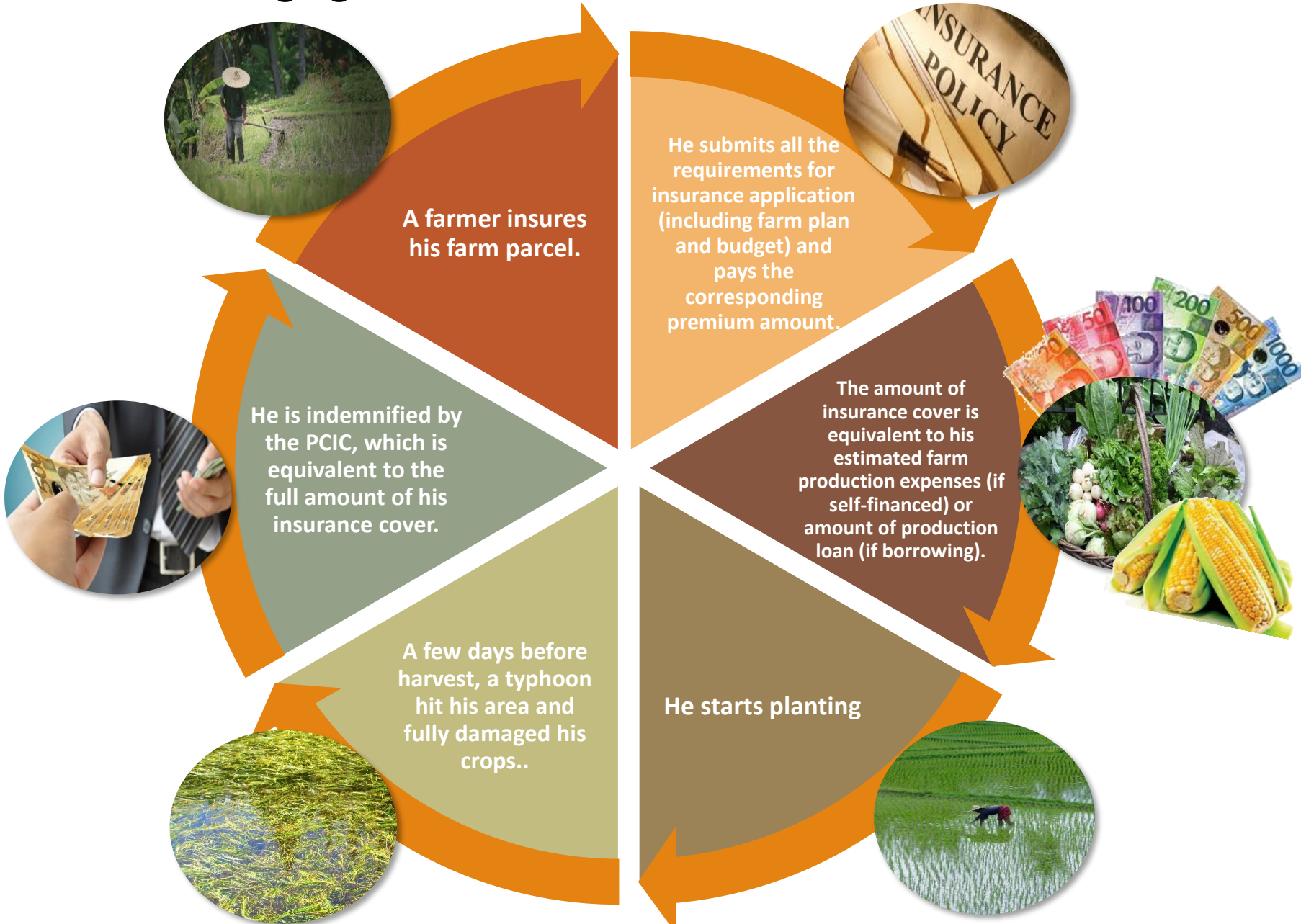


Bulk of premium subsidies come from special programs

Year	Special Program	Amount	Number of Beneficiaries	Funding Source
2013	DAR ARB AIP	P1 B	11,588	DAR
2013-2014	WARA	P167.24 M	5,126	DA
2014	DA Sikat-Saka and NIA Third Cropping	P110.58 M	10,891	DA
2014	RSBSA	P1.64 B	392,315	DBM
2014	Yolanda	P218.29 M	107,626	PCIC corporate funds
2015	DA Sikat-Saka	P127.57 M	12,011	DA
2015	RSBSA	P1.58 B	566,161	DBM
2015	Yolanda	P268.95 M	144,707	PCIC corporate funds
2016	RSBSA	P1.9 B	651,132	DBM

Source of data: COA Annual Audit Reports for PCIC, 2014-2015, number of beneficiaries for 2015 is from PCIC Status of Implementation of Major Programs/Projects

Process of securing agri insurance



Some areas for improvements

1. Low level of awareness
2. Low penetration rate, especially in certain regions and groups of farmers
3. Limited coverage of special programs
4. Insurance cover: Crop insurance below average production cost for rice and corn
5. Bias towards rice and corn
6. Term insurance package
7. Varied processing time
8. Indemnity payments

Targeting of beneficiaries for insurance premium subsidies

- Given the limited funds, insurance premium subsidies should be directed to the poorest farmers.
 - Need to validate list of farmers in the Registry System for Basic Sectors in Agriculture (RSBSA) and list of agrarian reform beneficiaries. There are many ARBs not in the RSBSA. RSBSA list contains non-farmers and excludes some farmers.
 - List has been reduced from 13.5 million to 10.9 million farmers and fisherfolks in 2017

Registry System for Basic Sectors in Agriculture (RSBSA)

- RSBSA is a nationwide database of baseline information concerning farmers, farm laborers, and fisherfolks in 75 provinces (excluding NCR and ARMM).
- The registration activity is conducted in 2 phases:
 - Phase 1 covers 20 provinces
 - Phase 2 covers 55 provinces
- Basic sectors included in the registry includes crop and animal production, aquaculture and fishing.

Registry System for Basic Sectors in Agriculture (RSBSA)

- RSBSA contains 9,670,900 farmers, farm workers and fishermen
- PCIC version of the RSBSA also includes 3,845,437 farmers and fisherfolk based on the list provided by DAR, PCIC, NIA, BFAR and DA to the DBM
- The combined lists containing 13,516,337 entries were reduced to **10,915,180** based on the review and analysis done by the PMIO-IT team using the PCIC Automated Business Systems (PABS)

Insurance premium subsidy

- 1995: Sec.5 of RA provides for limited partial premium subsidy to subsistence farmers (total landholding: 7 has. and below)
- 2015: Maximum cover ceiling of 3 ha/farmer at P20,000/ha for RSBSA implemented in 2015 (PCIC MC 2015-004) to cover more beneficiaries
- 2017: DBM has asked PCIC to prioritize farmers with farm sizes 3ha and below in the RSBSA

Expanded program using RSBSA

Maximum cover ceiling of 3 ha/farmer at P20,000/ha for RSBSA implemented in 2015 (PCIC MC 2015-004) to cover more beneficiaries

But note that 97% of rice and corn farmers listed in the RSBSA have farm sizes 3 ha and below

Farm size	Rice	Corn
0.5 & below	1,065,902	669,806
> 0.5 to 1.0	501,205	257,715
> 1.0 to 2.0	237,892	116,477
> 2.0 to 3.0	74,728	41,037
> 3.0 to 5.0	36,247	22,822
> 5.0 to 7.0	7,101	4,966
All	1,923,075	1,112,823

Targeting for RSBSA Program, 2017

- The order of prioritization shall be based on the farmer's landholding size, as follows:
 - First – Farmers tilling an area of 1.5 hectares and below;
 - Second – Farmers tilling an area of more than 1.5 hectares to 2.0 hectares;
 - Third – Farmers tilling an area of more than 2.0 hectares to 3.0 hectares;
 - Fourth – Farmers tilling an area of more than 3.0 hectares, subject to the limitation that only 3.0 hectares will be entitled to full premium subsidy. Areas in excess of 3.0 hectares may be insured at the expense of the farmer.

LGU Partnerships



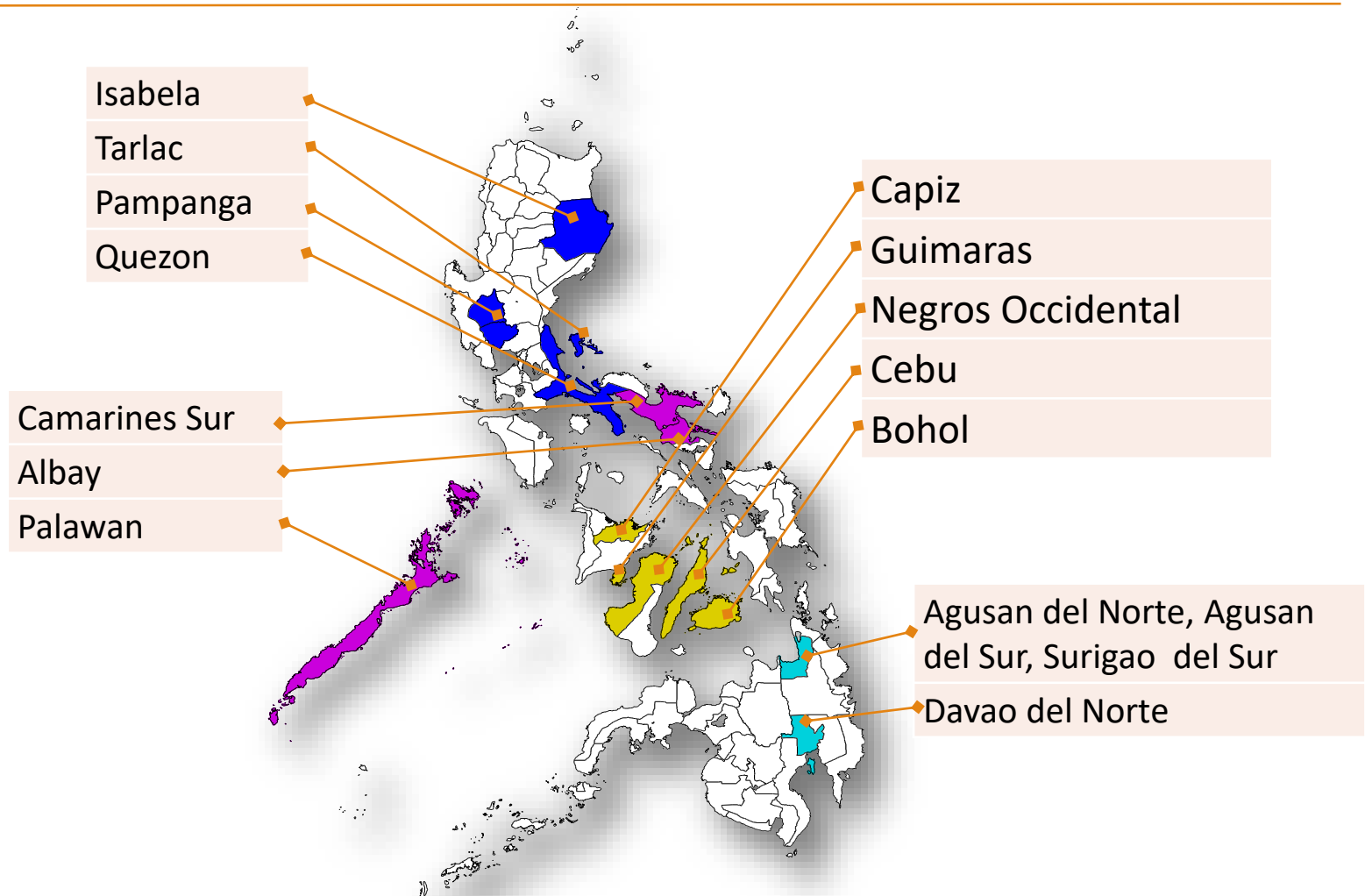
Partnerships with LGUs

- LGU PCIC partnerships can possibly increase coverage rate of insured farmers (especially those not in the RSBSA).
- Different modalities in the LGU PCIC partnership (full premium subsidy by the LGU or farmers' counterpart in the insurance premium in a form of loan).

Davao del Norte	2014	2015
Rice Farmers with Insurance under LGU Program	393	206
Total Rice Farmers with Insurance in the Province	5,471	7,282

Isabela	2013	2014
Rice Farmers with Insurance under LGU Program	1954	1840
Corn Farmers with Insurance under LGU Program	1236	1581

PCIC and LGU Partnerships on AIP



Funds allotted by LGUs

LGUs	Program	Subsidy	Funds Allotted (PhP)
Isabela	BRO - Paseguro sa Pananim	Farmer and LI share only	7,000,000
Victoria , Tarlac	Palay Insurance CY 2013 and 2014	Wet Season - 8.48%	300,000
Guagua , Pampanga	Palay Insurance 2014	Wet Season - 8.48%	60,000
San Fernando , Pampanga	Palay Insurance	Dry & Wet Season - 5.13%	231,500
	ADSS (CY 2014 & 2015)	8.48%	25,700
Lucena City , Quezon	Corn Production	Phase A - 5.84%	850,000
		Phase B - 9.51%	
Palawan	Cacao Production	3.00%	9,000,000
Negros Occ.	Negros First Universal Crop Insurance (NFUCIP)	4.75%	5,000,000
Capiz	Viable Insurance for Capiz	5.94%	3,200,000
Guimaras	LGU DA Guimaras	5.94%	150,000
Cebu	Agri Fishery Insurance Program	Farmer and LI share only	12,000,000
Bohol	Rice Accelerated Engagement Response (RACER),	Farmer and LI share only	2,072,000
	Rice Action Program for Institutional Dev. (RAPID)		
Davao del Norte	Insurance coverage of Agri-Fishery Projects/Programs	50%	1,034,000
Agusan del Norte	Climate Change Resiliency thru Risk Transfer Mechanism for Farmers, 2015		500,000

Bojie-Rodito Opportunities – Paneguro sa Pananim (BRO-PSP) Program in Isabela

- The BRO-PSP program is one of the ten subprograms of the provincial government of Isabela for agriculture.
- Eligible farmers for this program have **rice and corn areas of 0.25 to 1 hectare** and have either just planted or will be planting in the next ten days.
- In partnership with the PCIC, the program provided **full subsidies** for the farmers' premium share, particularly for rice and corn crop multi-risk insurance. The initial MOA was signed on September 2, 2010.
- Maximum amount of cover for **corn is 10,000 per hectare**, while that for **rice is 12,000 pesos**.
- Since the implementation of the BRO-PSP, a total of 7,662 corn and 14,092 rice farmers were given subsidy by the province.

Agriculture Fishery Insurance Program in Cebu

- Since 2011, the provincial government of Cebu has provided free insurance to farmers and fisher folks.
- In the MOA signed on October 2014, the province agreed to provide **free insurance** to eligible farmers and fisher folks to cover **full insurance premium**. The LGU will pay Php 8 million premium targeted to insure around 80,000 farmers and fisher folks.
- The LGU mandates that only one crop insurance coverage will be allowed per farmer per household.

Agriculture Fishery Insurance Program in Cebu

Insurance	Insurable area	Amount of cover	Premium rate
Rice	1,000 to 10,000sqm	15,000 per hectare	2.984% (dry season) 2.956% (wet season)
Corn	2,500 to 10,000sqm	15,000 per hectare	3.35% (January-June) 3.96% (July-December)
Mango	1 to 5 trees	5,000 per tree	2.5%
Vegetable	200 to 1,000sqm	6,000 per 1,000sqm	2.5%
Cattle, Carabao	1 head	10,000 per head	5%
Goat	1 to 3 heads	2,000 per head	5%
Seaweed	Maximum of 25 monolines	15,000 per 25 monolines or 600 per monoline	2.5%
Tilapia	Maximum of 500 sqm	15m000 per 500 sqm	2.5%

Negros First Universal Crop Insurance Program (NFUCIP) in Negros Occidental

- Launched in August 2011, NFUCIP covers rice, corn, selected HVCCs, tilapia and marine hull.
- The provincial government pays a **fixed amount of P500 in the form of loan**, while the assured agricultural producers pays the remaining premium amount upon enrolment.
- Insurable area ranges between **0.25 to 7 hectares for rice and corn**, and between **500 sqm to 1 hectare for HVCCs** excluding banana and sugarcane. For banana, between **25 to 100 trees** can be insured; additional costs of any excess is shouldered by the farmer.
- If a farmer experienced crop damage, the indemnity claim will be used to pay for the P500 loan to the LGU. In case of no loss, the farmer has to pay the loaned amount of P500 per hectare, or in kind (for rice farmers) in the form of 1 sack of un-milled rice.

Davao del Norte - PCIC Agricultural Insurance Program

- Through the MOA signed on January 21, 2013, the provincial government of Davao del Norte agreed to allocate P1.34 million to shoulder **50% of the farmer's share** in insurance premium for rice.
- Amount of cover for qualified farmers is within **10,000 pesos to 20,000 pesos per hectare**.
- Eligible farmers must be cultivating at least 0.5 hectares but not more than 7 hectares. Eligible farms must have an effective irrigation and drainage system, and passed the DA recommended good agricultural practices (i.e. right zinc content for rice).
- The provincial government initially finances 25% of the premium. This will be returned to the province upon receipt of the indemnity claim. If there is no claim or loss, the Office of the Provincial Agriculturist pays the total premium amount subsidized by the LGU.

CONCLUSION

- Crop insurance improves farmers' welfare, as measured by net farm income.
- Indemnity payments have been used mainly to pay for farm production inputs. They have also been used to smoothen household food consumption.
- Improvements in the design and implementation, particularly with regards to the penetration rate and insurance cover, can further increase these benefits. This will make crop insurance an effective risk management tool.

MOVING FORWARD

- Implementing improvements in the design and implementation, such as
 - Higher penetration rate
 - Higher insurance cover
 - Targeting of beneficiaries for the free insurance premium
 - Validate and update list of farmers and fisherfolks and agrarian reform beneficiaries
 - Partnerships with more LGUs
- Yield-based insurance
- Weather index based insurance (WIBI)
 - Trigger for payment – ex. Rainfall volume
- Role for PCIC - Reinsurance?
 - Reinsurance is insurance for insurance companies
 - To transfer part of the risks of private insurance companies to PCIC
 - Can encourage private insurance companies to offer agricultural insurance thereby increasing penetration rate



Maraming salamat po!
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