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Opportunities for Strengthening Agriculture Insurance Programs: PCIC and LGU Partnerships

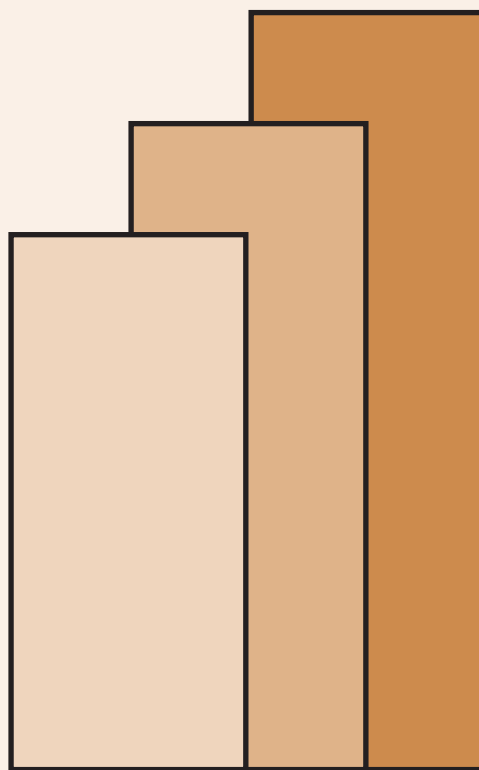
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Opportunities for strengthening agriculture insurance programs: Philippine Crop Insurance Corporation and LGU partnerships

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Abstract

Providing agriculture insurance to the farmers and fisher folks in the Philippines has been implemented for nearly three decades. While it is agreed that agricultural insurance is crucial in assisting farmers, fisher folks, and governments lessen the negative financial impact from natural events, issues of providing premium subsidies and being tied to credit in the Philippines remain to important policy issues. This paper reviews available information about partnerships between LGUs and the Philippine Crop Insurance Corporation. The aim is to look at these innovations which may promote and enhance agricultural insurance in the Philippines. Providing for full premium subsidies and as a form of loan to the farmers was implemented by the LGUs reviewed in this paper. Further study is needed to determine which scheme works best in terms of increasing coverage over the long-term and ensuring financial viability.

Key words: agricultural insurance, LGUs, Philippine Crop Insurance, subsidy

1 Introduction

The agriculture remains a source of livelihood for almost half of humanity. It is also a source of growth for national economies, and can be a provider of investment opportunities for the private sector. However, millions of poor people face prospects of tragic crop failure or livestock mortality when, as a result of climate change, rainfall patterns shift or extreme events such as drought and floods become more frequent. Agricultural insurance is crucial in assisting farmers, herders, and governments lessen the negative financial impact of these adverse natural events (Mahul and Stutley, 2010).

In the Philippines, the Philippine Crop Insurance Corporation (PCIC) implements 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. 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 (Reyes and Domingo, 2009).

Currently, only fourteen local government units across the country has an existing partnership with PCIC (figure 1 below). A brief description of each of the fourteen LGUs are summarized in table 1 with name of the program, priority crops, and indicative budget of the program. The research team was able to visit four LGUs which have current partnership

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with PCIC. These are the Provincial governments of Isabela, Cebu, Negros Occidental and Davao del Norte. This paper draws insights from the focus group discussions and key informant interviews during the field visits. The main purpose of the regional visits were to gain a better understanding of the implementation of the agricultural insurance program and gauge whether LGUs increase enrollment of farmers with crop insurance. In section 2, we discuss the programs of the four provincial governments in providing agricultural insurance in partnership with PCIC. Section 3 discusses the coverage rates, number of enrolled farmers, and the matching exercise of the data sets from the PCIC, LGU, and the RSBSA. Section 4 explains free subsidy vis-a-vis cost-sharing subsidy and section 5 concludes the paper.

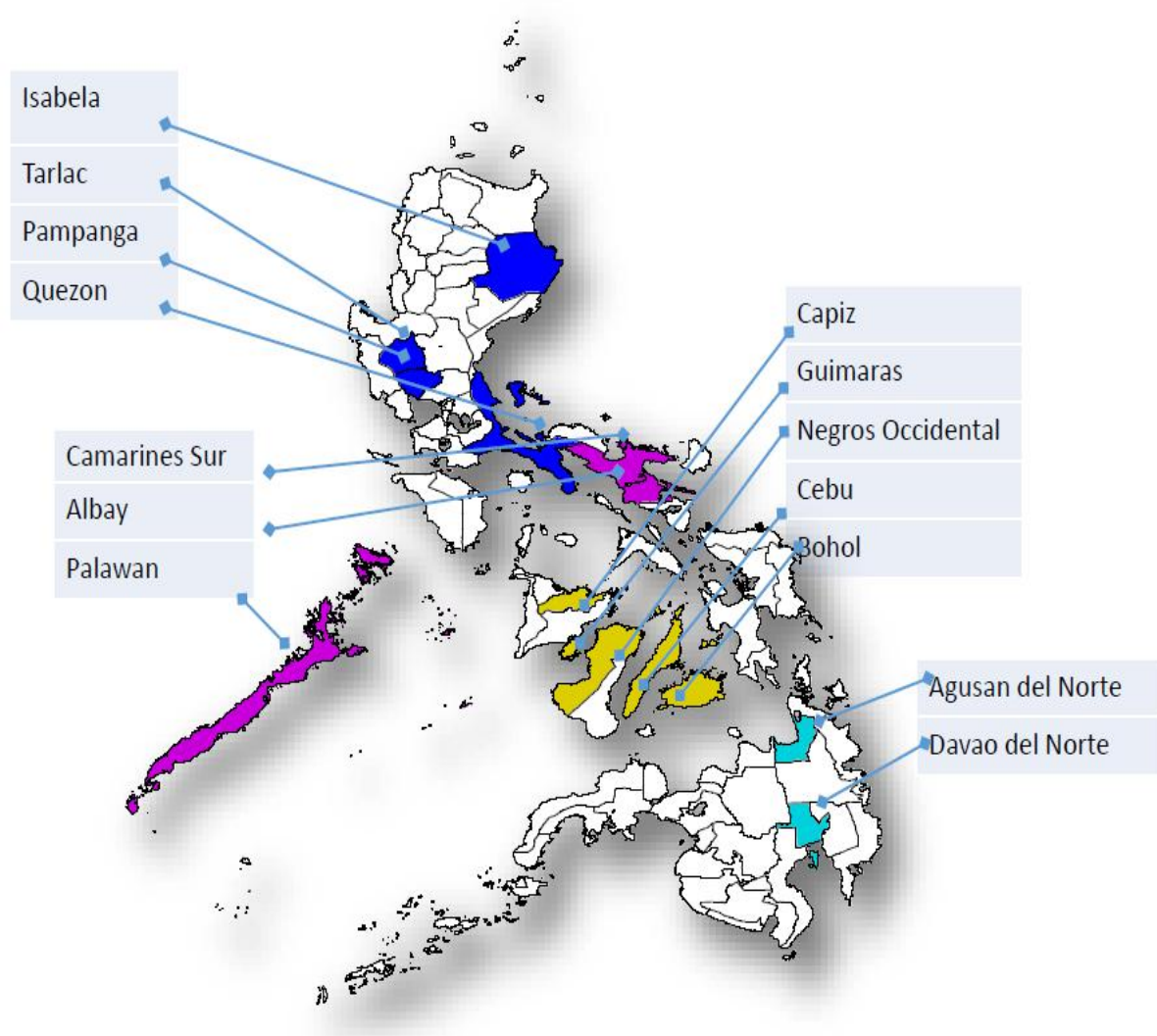


Figure 1 LGUs with current partnership with PCIC

Table 1 LGU Agriculture Insurance Program

Name of LGUs	Name of Program	Rate of Subsidy	Funds (PhP)	Allotted
Isabela	BRO - Paneguro sa Pananim	Farmer and LI share only	7,000,000	
Victoria , Tarlac	Palay Insurance CY 2013 and 2014	Wet Season - 8.48%	300,000.00	
Guagua , Pampanga	Palay Insurance 2014	Wet Season - 8.48%	60,000.00	
San Fernando , Pampanga	Palay Insurance	Dry & Wet Season - 5.13%	231,500.00	
	ADSS (CY 2014 & 2015)	8.48%	25,700.00	
Lucena City , Quezon	Corn Production	Phase A - 5.84%	850,000.00	
		Phase B - 9.51%		
Palawan	Corn Production	3.00%	9,000,000.00	
Negros Occidental	Negros First Universal Crop Insurance (NFUCIP)	4.75%	5,000,000.00	
Capiz	Viable Insurance for Capiz	5.94%	3,200,000.00	
Guimaras	LGU DA Guimaras	5.94%	150,000.00	
Cebu	Agri Fishery Insurance Program	Farmer and LI share only	12,000,000.00	
Bohol	Rice Accelerated Engagement Response (RACER), Rice Action Program for Institutional Dev. (RAPID)	Farmer and LI share only	2,072,000.00	
Davao del Norte	Insurance coverage of Agri-Fishery Projects/Programs	50%	1,034,000.00	
Agusan del Norte	Climate Change Resiliency thru Risk Transfer Mechanism for Farmers, 2015		500,000.00	

Source: PCIC, 2015 Note: No information given for Camarines Sur

2 The PCIC LGU Partnerships

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

Background

During the administration of Governor Faustino G. Dy III and Vice Governor Rodolfo Albano III, the provincial government of Isabela initiated the Bojie-Rodito Opportunities (BRO) program for agriculture. The program was created to provide support to small farmers who till one hectare or less of land, and whose primary source of income is agriculture. Aside from helping farmers deal with financial difficulties, the program is intended to promote economic independence and improve productivity (PIA, 2012) of the farmers in the province. The BRO program targets around 102,000 small rice and corn farmers to be provided with crop insurance (RDC II, 2011). The program has ten subprograms that aid not only through agricultural programs, but also through providing health benefits to the intended beneficiaries. Moreover, the BRO program includes loan assistance to marginalized farmers (BRO-LAMF), enrollment to Philhealth (BRO-PHM), and scholarships for the farmers' children (BRO-ED).

As part of the BRO program, the Province of Isabela, in partnership with the PCIC, has provided full subsidies for the farmers' premium share, particularly for rice and corn crop multi-risk insurance through the Bojie-Rodito Opportunities-Paneguro sa Pananim (BRO-PSP) subprogram since the dry season of 2010. This program started first in five municipalities, and was expanded across the province. The initial MOA for the program was signed on September 2, 2010 at the Isabela Capitol.

Process

The main parties involved for the program in terms of identifying the potential beneficiaries are staff from the Isabela provincial government and from the local government units. The municipal agriculturists are required to provide a master list of small farmers to the provincial government. Since the provincial government prioritizes farmers who need the free insurance the most, the insurance applicants may in some cases be further verified by either provincial government or LGU staff. The provincial government aims to offer the insurance to all small farmers, thus making the program open to both new clients and renewals. Farmers who are eligible for this program have rice and corn areas of 0.25 to one hectare. Also, eligible farmers for the insurance have either just planted or will be planting in the next ten days. As part of the policy, after ten days from planting, the crops become ineligible for insurance since the crops may have already been exposed to risks.

Insurance applications may be accomplished in various ways. Generally, provincial staff may transact directly with the farmers on the field, and LGU staff may perform the transactions then later forward the applications to the capitol for the more distant municipalities. While there are sufficient staff on the field, staff are also available at the provincial office to accommodate walk-in farmer clients. While the farmers are required to submit requirements such as the application forms, farm plan and budget, and farm sketch, the latter two requirements may be sourced from the LGUs' respective Municipal Agriculturist Offices (MAO). Provincial staff or LGU staff may also assist the farmers in filling out the application forms. It is important to note that all applications are first submitted to the provincial government, and the provincial government will be the one to forward the documents to PCIC RO II in Tuguegarao City. Downloaded funds to PCIC from the Provincial Government are used to subsidize the premium, subject to the following rates;

Table 2 Premium rate sharing for rice and corn (BRO-PSP)

	Rice		Corn	
	Wet season (May 1 - October 31)	Dry season (November 1 - April 30)	Phase A (April - June)	Phase B (September - December)
Provincial Government of Isabela	4.17	2.82	14.8	10.06
Government share	5.37	2.18	14.05	9.55
Total	9.54	5	28.85	19.61

Upon approval, the farmers' CICs will be forwarded back to the provincial government. The CICs will then be forwarded to the municipalities, and copies of the CICs may be sent to the farmers.

Claims

Farmers have to file a notice of loss and have the LGU staff or to the provincial staff who will forward the forms to the PCIC regional office. Normally, adjusters arrive at the area with damaged crops within two to three days of receipt of notice of loss. The checks for approved claims payments are again forwarded from the PCIC to the provincial government, and the provincial government forwards the checks to the LGU staff to be distributed to the farmers.

The maximum amount for cover for corn is 10,000 pesos per hectare, while that for rice is 12,000 pesos. In its first year, 3 million pesos was allocated to cover 7,000 farmers. Another 9,000 farmers were also covered during the next three cropping seasons from an additional 5 million pesos allocation. In 2012, subsidies reached a total of 10 million pesos; 7 million pesos was allocated for the wet cropping season, while the remaining 3 million pesos was used for the dry cropping season. From 2010 to 2012, there were about 3,137 farmers who were able to receive claims payment, which translates to about 8.351 million pesos in terms of indemnity claims.

Accident Insurance for Fisher folk

Another component of the BRO program provides fisher folk, particularly those in the coastal municipalities of Isabela province is the accident insurance through the Accident and Dismemberment Security Scheme (ADSS). Around 1,000 fisher folk (PCIC, 2011) were given free accident insurance with a 50 thousand pesos cover for a year. Unlike the crop insurance program wherein funds are downloaded, this partnership between the Isabela provincial government and the PCIC requires no Memorandum of Agreement since premium payments are given directly upon the submission of applications at the PCIC regional office.

Isabela enrolled rice and corn farmers

Since the implementation of the BRO-PSP, there were a total of 7,662 enrolled corn farmers and 14,092 rice farmers who were given subsidy by the Province of Isabela. Table 3 provide the details of the area covered, amount of cover and the total insured premium of the BRO-PSP. Since 2010, the BRO-PSP covers a total of 6,380.04 hectares planted with corn and 10,791.53 hectares planted with rice. For the same time period, the total insured premium for corn was 6.9 million pesos slightly higher for rice with 5.5 million pesos. In this program, the amount of cover per hectare for rice is 10,000 pesos while for corn is fixed also at P12,000 pesos per hectare.

Table 3. Isabela number of corn and rice farmers, area, amount of cover, and total insured premium

Phase	CORN					RICE				
	Area	#Farmers	Premium/ha (P)	Amount of Cover /Ha. (P)	TOTAL INSURED PREMIUM (P)	Area	#Farmers	Premium/ha (P)	Amount of Cover /Ha. (P)	TOTAL INSURED PREMIUM (P)
Phase I 2010 (Nov. 2009-April 2010)	2044.11	2382.00	1006.00	10000.00	2056374.66	716.03	960.00	338.40	12000.00	242304.55
Phase II (May 2011-Nov. 2011)	647.19	717.00	1480.00	10000.00	957841.20	3233.86	4364.00	500.40	12000.00	1597333.97
Phase III (Nov. 2011-Apr 2012)	3120.00	3802.00	1006.00	10000.00	3138815.57	666.33	831.00	338.40	12000.00	336934.33
Phase IV (May 2012-Nov. 2012)	813.31	1070.00	1480.00	10000.00	1090307.34	3011.57	3981.00	500.40	12000.00	1506987.43
Phase V (Nov. 2012-Apr 2013)	886.77	1086.00	1006.00	10000.00	892090.62	1293.11	1589.00	338.40	12000.00	364657.30
Phase VI (May 2013-Nov. 2013)	143.25	150.00	1480.00	10000.00	144109.50	1526.20	1954.00	500.40	12000.00	763709.98
Phase VII (Nov. 2013-Apr 2014)	276.30	329.00	1006.00	10000.00	277957.80	256.15	338.00	338.40	12000.00	108634.84
Phase VIII (May 2014-Nov. 2014)	87.90	70.00	1480.00	10000.00	96984.40	587.71	763.00	500.40	12000.00	470829.74
Phase IX (Nov. 2014-Apr 2015)	405.32	438.00	1006.00	10000.00	371155.16	216.60	272.00	338.40	12000.00	58466.86
TOTAL	6380.04	7662.00			6,969,261.59	10791.53	14092.00			5,449,859.00

Source: Office of the Provincial Agriculture, Isabela

Table 4 below shows the number of farmers, area, the amount of cover and indemnity from 2011 to first quarter of 2015. There were a total of 2,459 rice farmers who were able received pay-outs from the PCIC. The total indemnity since 2011 up to first quarter of 2015 is 6.4 million pesos. On the other hand, there were a total of 709 corn farmers who were indemnified with a total of 1.9 million pesos since the BRO-PSP was implemented in 2011. It can be gleaned from the table that the total area covered for rice, 1,855 hectares is much bigger than the area covered for corn with 631 hectares.

Table 4 BRO-PSP, number of farmers, area, the amount of cover and indemnity

Rice	NOF	Area	AC	Indemnity
2011	2,250	1,686.99	19,915,993.24	5,861,434.16
2012	93	90.62	1,245,640	314,965.95
2013	76	62.03	744,360	196,588.62
2014	34	10.00	450,000	71,120
2015*	6	5.2	62,400	9,336.00
Total	2,459	1,855	22,418,393	6,453,445

Corn	NOF	Area	AC	Indemnity
2010	253	230	2,754,900.00	920,520.00
2011	378	332	2,850,700.00	824,371.00
2012	5	3	29,500.00	10,055.00
2013	20	17	165,500.00	42,113.00
2014	53	49	494.00	191,340.00
Total	709	631	5,801,094.00	1,988,399.00

Delving deeper into Isabela's agri-insurance program is to look at the total number of farmers enrolled in PCIC and determine how many were enrolled under the BRO-PSP. In 2013, PCIC data had 41,450 rice farmers enrolled and 1,954 of whom were enrolled under the BRO-PSP or about 4.71 percent. We also noticed that 6,817 rice farmers were enrolled in both 2013 and 2014. Although there was a decline in the total number of enrolled farmers in 2014 to only 21,720 rice farmers, 1,840 of whom were under the BRO-PSP program. It can still be said that the share of LGU enrolled farmers increased to 8.47 percent in 2014 as compared to 4.71 percent in 2013. For corn, there were 15,411 farmers enrolled in 2013 while a huge decline to 2,916 corn farmers in 2014. This is possible due to shifting of farmers from regular program of PCIC to special national government programs that also provides full premium subsidy to farmers. Another plausible reason for the reduced number of enrolled farmers in 2014 is the possibility of not meeting the cut-off date of enrollment with the PCIC. Looking at PCIC data sets, there were 998 corn farmers who were both enrolled in 2013 and 2014. Moreover, corn farmers enrolled under the BRO-PSP program accounted for 8.02 percent in 2013 and increased to 54.22 percent in 2014.

Table 5 PCIC and BRO-PSPS enrolled rice and corn farmers

Isabela	Total Enrolled Farmers			Enrolled under Province			
	2013	2014	both	2013	2014	% Farmers (2013)	% Farmers (2014)
Rice	41,450	21,720	6817	1954	1840	4.71	8.47
Corn	15,411	2,916	998	1236	1581	8.02	54.22

Source: PCIC data

Another worth examining is the breakdown of the number of farmers who are enrolled in the different programs classified by PCIC (figure 2). From 2013, there was an increase in the LGU enrolled farmers from 5 percent to 8 percent in 2014. The DAR program was only implemented in 2013 but not in 2014, however PPP or the 20 poorest priority provinces program was implemented in Isabela. Sikat Saka special program of the Department of Agriculture also increased in 2014. Figure 3 shows the breakdown of the corn farmers enrolled under the different programs from 2013 to 2014. Majority of the enrolled corn farmers were under the Department of Agrarian Reform program, 76 percent in 2013. The LGU enrolled farmers' account only for 8 percent in 2013 while in 2014, LGU program enrolled 45 percent in 2014.

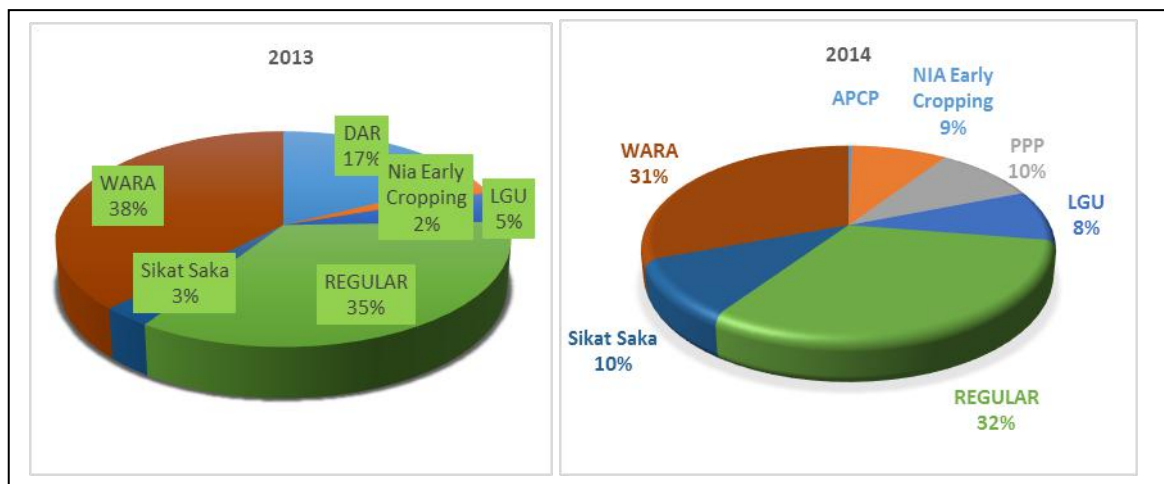


Figure 2 Percentage of enrolled rice farmers per program in Isabela, 2013-2014

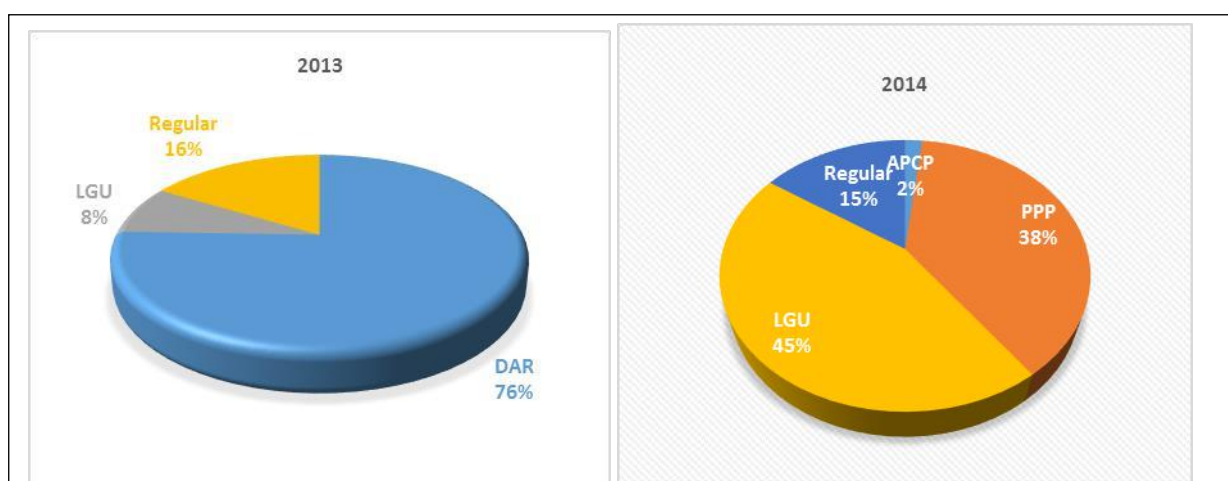


Figure 3 Percentage of enrolled corn farmers per program in Isabela, 2013-2014

2.2 Agriculture Fishery Insurance Program of the Province of Cebu

Background

The Province of Cebu has provided free insurance to farmers and fisher folk since 2011. The former administration of Governor Gwendolyn Garcia first signed a Memorandum of Agreement with the Philippine Crop Insurance Corporation (PCIC) for the insurance coverage of 50, 000 marginalized farmers and fisher folks in Cebu. The first MOA was signed

in April 11, 2011 between PCIC President Jovy Bernabe and former Governor Garcia. This was part of Garcia's Integrated Farming Systems Development Program (IFSDP). The IFSDP aimed to provide a unifying framework in the implementation of all agri-fishery programs and projects in the province. Moreover, the special insurance scheme is envisaged to ensure the sustainability not only of the implementation of the program but farmer's participation in the IFSDP.

At present, Governor Hilario Davide III renewed the agriculture-fishery insurance with the PCIC last October 1, 2014. Again the province of Cebu is providing free insurance to eligible farmers and fisher folks to cover for full premium insurance subject to criteria stipulated in the MOA. Governor Davide describes this program as Agri-Fisheries Insurance Program of the Province. The provincial government will pay the 8 million pesos premium for the free insurance targeted to insure around 80, 000 farmers and fisher folks.

The free insurance program was considered to be special as this modifies the existing agricultural insurance scheme to adapt to local conditions and more comprehensive to the extent that it will cover practically all or any project or activity that promotes agricultural development or supporting agricultural production in the province. It was also highlighted in the new program that the provision of free insurance to the farmers and fisher folks is necessary as they are the most vulnerable to climate change that adversely their livelihood. The province also considers that providing insurance is a way for farmers and fisher folks to recover after they are hit by calamities.

Features

Institutional arrangements. There is a well-defined shared responsibility between PCIC and Cebu Provincial government in the implementation of the insurance program. The PCIC shall provide the province of Cebu the guidelines and all the forms needed to implement the program. The PCIC shall also conduct the necessary trainings pertaining on agriculture insurance to identified personnel of the province. It also the responsibility of PCIC to assist the province in information dissemination through different media. The PCIC also helps in the conduct of regular monitoring and must recommend measures to improve the implementation of the program. Another role of the PCIC is to accredit the province as underwriter/partner of PCIC for the implementation of the insurance program for all lines namely; rice, corn, high value commercial crops, livestock, fisheries, non-crop agricultural assets, term insurance packages or the insurance protection for the life and limbs of the farmers and fisher folks.

On the other hand, the province of Cebu shall allocate funds for the cost of the insurance premium for all the identified projects and programs. Cebu province also provides technical assistance and training to all participating municipal agriculture officers, technicians, farmers, and fishermen and shall attend and participate in the training on insurance to be conducted by the PCIC. Another responsibility of the province is to provide farm inputs including but not limited to seeds, planting materials, fertilizers, and equipment and breeder stocks in support of the program. The province of Cebu shall also conduct periodic monitoring of the project activities and act as underwriter for all insurance lines.

The participating LGUs also has their responsibilities through their local agriculture office which shall certify the validity of the master list or the physical existence of the prospective program beneficiaries. The LGUs shall also assist in project monitoring and crop loss/damage assessment when it is necessary.

Process Flow. The next discussions focus on the underwriting process and the claims adjustment processes. The period of filing of insurance cover is 15 to 30 days before expected date of planting. Looking at *figure 4* below describes the underwriting process which generally involves eleven steps with several sub-process and details in each step. In step 1, farmer or fisherman shall accomplish and submit application form indicating the desired insurance coverage with the guidelines set by the Office of the Provincial Agriculture (OPA) and the PCIC which is at least 15-30 days before the schedule date transplanting/direct seeding for rice, corn and high value crops (HVC) to the head of the farmer/fishermen's association (FA/FiA), step 2. The head of the FA/FiA (step 3) then submits all the documents to the LGU production technician (PT), who consolidates the applications for crop insurance or the list of borrower (LOB) per type of cover entering the name and address of each farmer, age, farm area, farm location and description, plating schedule, seed variety, amount of cover and signature of famers and fishermen. The LGU PT then certifies that the farmer/fishermen is under his/her supervision, and no risk has occurred at the time of filing of the application or the crop is not yet exposed to risk. After certification, review of the completeness of the documents which include the LOB including the farm areas that are simultaneously cultivated with more or less the same planting date within a period of thirty calendar days with other farms within the group. This must also take into account that the planting schedule falls within the same cropping season. Another relevant part in this step is that the LOB shall be supported by a standard farm plan and budget (SFPB), an individual location sketch map (LSP), and control map (CM). The SFPB should show the estimated quantity and cost of production on a per hectare basis and should be common to all farmers in the LOB. And finally under *step 3*, the LGU PT sees to it that the farm lot compiles with the eligibility requirements for insurance coverage. The criteria enumerates that the farm to be insured must not be part of a riverbed, lakebed, marsh land, shoreline or riverbank. The farm must also have an effective irrigation and drainage system but rain fed areas are eligible subject to planting cut-off date. The last criterion is that the farm must be accessible to a regular means of transportation and it must be also suitable for production with the recommended package of technology².

Step 4 in the underwriting process is with the MAO office. The designated officer receives and reviews application for crop insurance, LOBs for completeness including the necessary signatures, all spaces in the application are filled in, SFPB and the location sketch map are duly accomplished. If information is complete, the MOA officer stamps dates and sign the receipt of the documents. After this, the documents shall be transmitted to the OPA which contains the summary report, LOB with the LSP and SFPB. But for livestock applications, the documents shall be submitted to the office of the provincial veterinarian. Step 5, includes

²Example of this technology is right zinc content for rice and not more than 15 degrees slope for corn except for those with contour structure using appropriate soil and water conservation management practices.

receipt of the documents by OPA affixing date of receipt and distributes the documents to the OPA community coordinator (step 6). The role of the OPA community coordinator again reviews the completeness of the PCIC required documents. If everything is in order then, the documents shall be submitted again to the OPA Planning and Monitoring Unit (PMU) and then endorses all documents to the PCIC regional office- *step 7*. PCIC regional office then receives, pre-process and computes for the premium to be paid by the province adopting the approved special preferential premium rates. PCIC in charge then prepares and transmits the billing statement to the OPA PMU per commodity representing the farmers' insurance premium payment. The OPA PMU then receives and forwards the billing statement to the treasurer's office (TO) of the province. Next is, TO issues checks corresponding to the farmer's premium to be paid by the province within seven days from the receipt of the billing statement from the regional office of PCIC, this completes *steps 8 to 10*.

Step 11 is the issuance of the certificate of insurance (CIC)³ for the rice and corn upon receipt of premium from the provincial government's OPA PMU together with the PCIC in charge. On the other hand, all other commodities or product lines such as livestock, HVC and term insurance package (TIPP) shall be prepared by PCIC regional office. Lastly in this step, the OPA remits the check payments to PCIC together with the CIC for rice and corn. The last step 12 in the underwriting process is the acknowledgement of receipt payment together with the documents submitted from the OPA PMU. The PCIC then sends copies of approved documents and policies to OPA PMU and to the LGU MAOs.

The claims adjustment process is described in *figure 5* below as agreed by the province of Cebu and PCIC. Generally there are only five steps in the claims adjustment process. In case of claims for indemnity the farmer shall send a notice of loss (NL) to PCIC thru the LGU MAOs, OPA or OPV by telephone call, text message, faxed or email- *step 1*. The NL also can be directly filed to PCIC 7 within the prescribed number of days. Table 6 below summarizes the prescription period of the filing of notice of loss for the different product lines. *Palay* and corn farmers shall file within 20 calendar days from the occurrence of loss while livestock loss shall be filed within 10 calendar days. For the high valued commercial crops namely, mango and vegetables damaged must be filed within the 72 hours to 10 days. And file of loss shall be done within 72 hours or 3 days for seaweed and tilapia farm damages. For the term insurance, file of loss shall be file within 30 days with proof of loss and formal claim documents are needed.

Table 6 Number days to file notice of loss

Product Lines	Number of days
Palay	20
Corn	20
HVCC	3-10
Livestock	10
Fishery	3
Term Insurance	30

³This is one CIC per LOB with complete LSP/SFPB.

In *step 2*, the PCIC 7 insurance adjuster shall conduct claims investigation and verification together with the LGU agriculture technician, municipal agriculture officer or the city agriculture officer in the case of the component cities of the province of Cebu. The adjuster shall determine the loss categories which are if the loss is 90% above it is considered as total loss. Partial loss entails that the loss is more than 10% and below 90%. While no loss category means that the loss of the *palay*, corn and fishery is less than 10%.

Step 3 happens in PCIC 7 claims processor who will compute the amount of indemnity on the result of adjustment and verification at the time of loss based on the age and stage of cultivation. Another basis is the actual cost of production input (CPI) per farm budget plan (FBP) already applied at time of loss or per amount stipulated on the implementing rules and regulation (IRR), whichever is lower, and the percentage of loss. In cases of claims payments, PCIC 7 issues two checks. The first check represents the premium of the farmers will be reverted to the coffers of the province of Cebu. The second check represents the net indemnity to be paid directly to the farmers or the fishermen through the OPA, and this completes *step 4* of the process. Step 5, the last in the claims adjustment process happens in the OPA planning and monitoring unit that acknowledges the receipt of the claims payment from PCIC 7. The whole claims process takes around fifteen to thirty days on average. A ten percent discount on the insurance premium will also be given to farmers immediately after the preceding crop seasons in case there are no claims.

Eligibility criteria. The farmer or fisherman must be a member of an association duly recognized by the LGU. This association must be under the supervision of a PCIC accredited agricultural/fishery production technician. Lastly, the use of organic farming technologies is strongly encouraged to the farmers.

Farm area and project size. Resource constraints and the need to leverage the impact of the program, the provincial government mandates that only one crop insurance coverage per farmer per household shall be allowed. For rice or *palay* farmers, a minimum of 1,000 square meters and a maximum area of 10,000 square meter per farmer. For corn farmers, a minimum of 2,500 square meters to a maximum of 10,000 square meters per farmer. The HVCC farmers which refer to mango growers and farmers growing selected vegetables⁴ also are eligible in the free crop insurance of the province. Minimum of one to five mango trees per farmer can be insured per farmer with a total of 25 trees per policy while for the vegetable growers a minimum of 200 to 1,000 square meters per farmer. For live stocks, for cattle and carabao only one animal per raiser is allowed to be insured and for goat, minimum of one to maximum of three heads per raiser can be insured. Lastly, fishery product line includes seaweeds and tilapia growers. For seaweed farms, a maximum of 25 monolines per seaweed grower at 100 meters length per monocline. Tilapia growers must be communal base with maximum of 500 square meters per farmer association.

Amount of Cover, Premium Rates and Covered Risks. Table 7 provides the amount of cover and premium rates and covered rates for the province of Cebu. For *palay* or rice both

⁴The vegetables included are ampalaya, bell pepper, cabbage, cauliflower, carrot, eggplant, tomato, peanut and mungo.

inbred and hybrid, the amount of coverage is 15, 000 pesos per hectare with premium rates that vary depending on the seasons. The wet seasons are for the months of May to October, the premium rate is 2.984 percent while for the dry season, between November to April the premium rate is 2.956 percent. Corn farmers' amount of cover is 15, 000 pesos per hectare whether these are certified or hybrid seeds planted. The premium rates also vary depending on the months of planting, from January to June the rate is 3.35 percent and for July to December, 3.96 percent is the premium rate. The covered risks for both rice and corn are for natural calamities, pests and diseases. The identified natural calamities are typhoons, floods, droughts, earthquake, and volcanic eruption. The same risks also cover for the high value commercial crops. The amount of cover for mango tree is 5,000 pesos per tree with a 2.5 percent premium rate. The same premium rate of 2.5 percent is applied to vegetables namely; ampalaya, bellpepper, cabbage, cauliflower, carrot, eggplant, tomato, peanut and mungo beans. The amount of cover for the vegetables is 6,000 pesos per 1,000 square meters. Another worth mentioning in this program is a built-in benefit component of the insurance package for rice and corn crop with an equivalent to 10, 000 pesos per farmer who dies within the term of coverage, provided said farmer is not more than 80 years of age at the inception of insurance.

The premium rate for livestock is five percent; this covers goat, cattle and carabao. The amount of cover is 2,000 pesos per head while for cattle and carabao is 10, 000 pesos per head. The identified risks are diseases namely; liverfluke, verminous bronchitis, all other parasitic diseases, leptospirosis, swine enzootic pneumonia, colibacillosis, streptococcosis, tetanus, aflatoxicosis, cancerous diseases, footrot, rabies, poisoning, heat stroke, and heart attack. The other risks are accidental drowning, strangulation, snakebites and other events of accidental nature except those caused by vehicular accidents. If the cause of the death of the animal is due to lightning and or fire is also covered in the insurance. If goats die due to dog bite, this can also be considered as covered risk. Lastly, accidents arising from the transport of animals from and to the farm to the place of treatment are covered considered covered risks as stipulated in the agreements between PCIC and the province of Cebu.

With regard to fishery, seaweeds premium rate is 2.5 percent and the amount of cover is 15, 000 pesos per 25 monolines, or an option of 600 pesos per monoline. For tilapia, the amount of cover is 15, 000 pesos per 500 square meters with a premium rate of 2.5 percent. The covered risks for both seaweeds and tilapia are natural calamities namely; typhoons, floods, droughts, earthquake and volcanic eruption.

Another product line offered is for non-crop insurance for motorized and non-motorized fishing boat. The amount covered for motorized boat with ten horse power is 15, 000 pesos while for non-motorized fishing boat is lower at 5, 000 pesos. The covered risks for this product line are fire and lightning and it comes with riders which are typhoons and localized strong wind that may damage the fishing boats.

The province of Cebu and PCIC offer also the accident and dismemberment security scheme (ADSS) in which the amount of cover is 50, 000 per policy and the premium rate is 35 pesos per person. This ASDSS covers ages 15-80 years old, and has no contestability period as in terms of filing the claims. In case of accidental death, additional 2, 000 pesos burial

assistance regardless of the cause of death. Lastly, a maximum of 5,000 pesos medical reimbursement or ten percent of the total bill can be given to the insured farmer.

Figure 4 Cebu Province agriculture insurance underwriting process

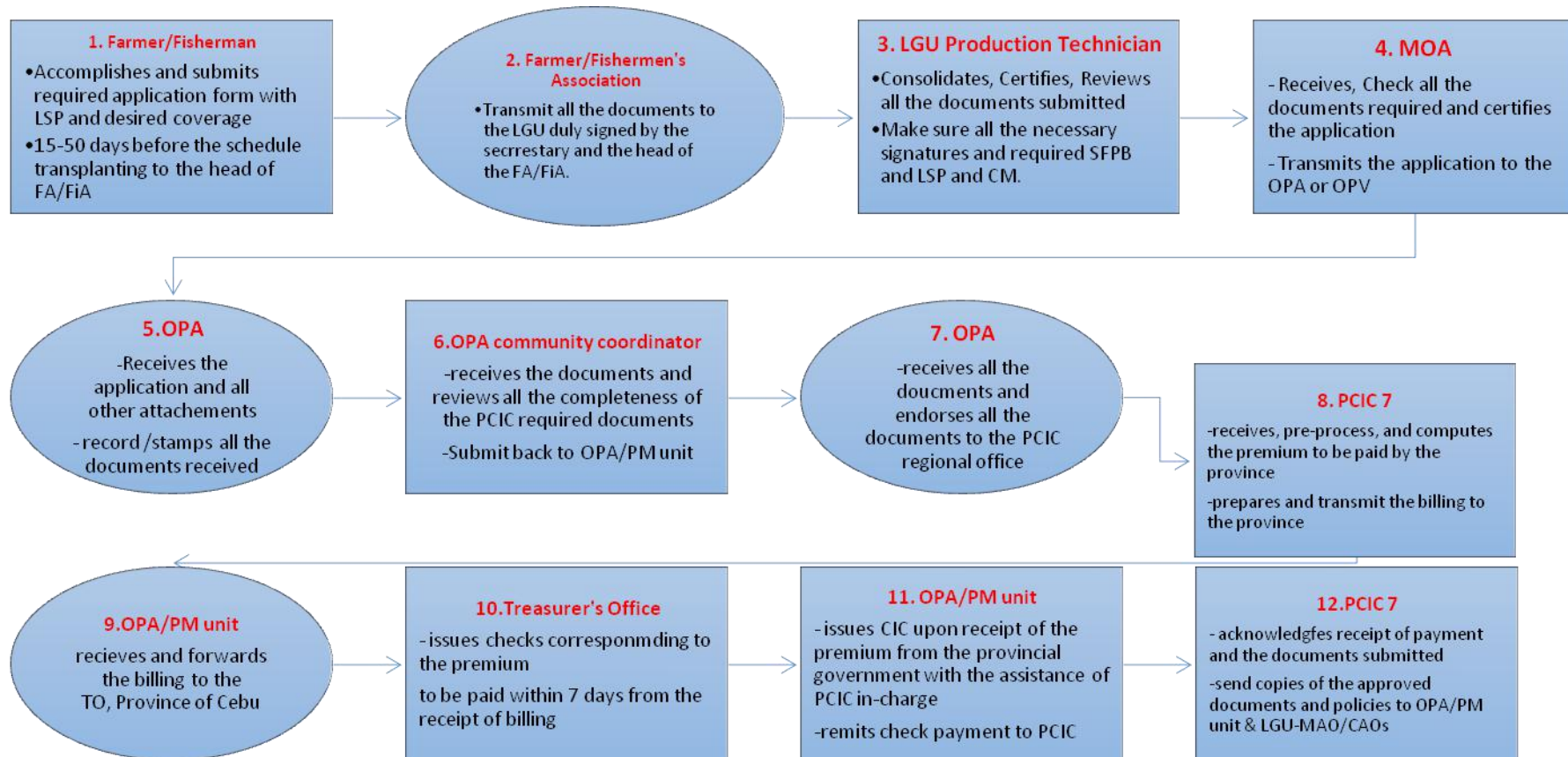


Figure 5 Cebu province claims adjustment process

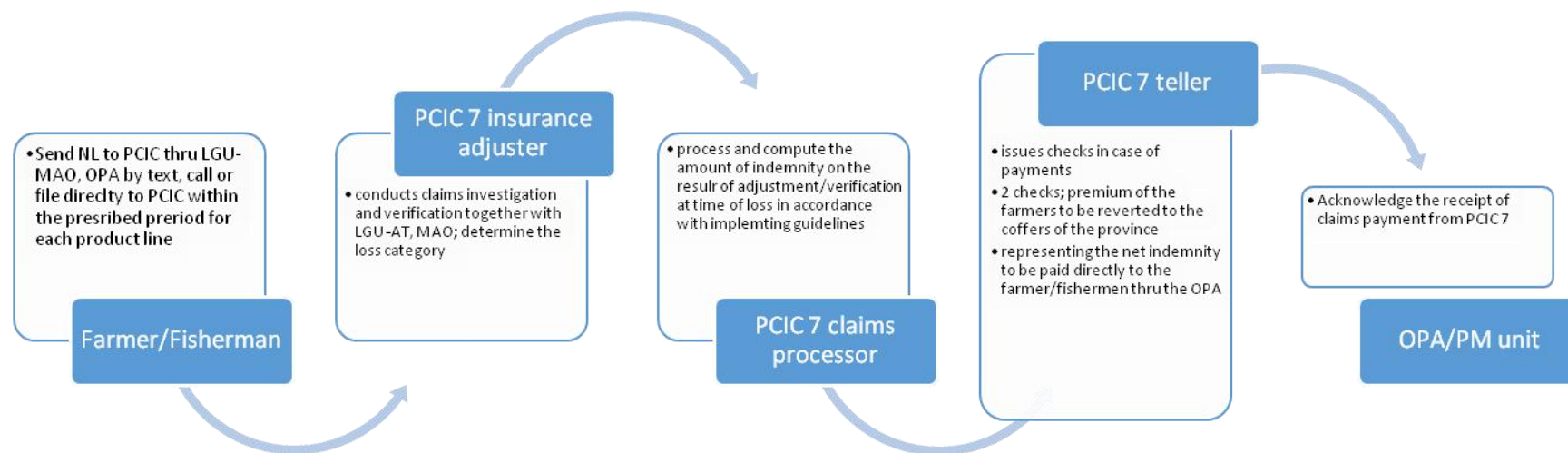


Table 7 Cebu Province, amount of cover, premium rates and covered risks

Commodity	Amount of Cover (PhP)	Premium Rate (%)		Covered Risks
		Wet (May-Oct)	Dry (Nov-Apr)	
Palay	15,000 /ha	2.984	2.956	Natural Calamities- Typhoon, Flood, Drought,
Corn	15,000 /ha	3.353	3.96	Earthquake, Volcanic Eruption
HVCC				
Mango	5,000 /tree			Pests
Vegetables ⁵	6000 /1,000 sqm	2.50		Diseases
Livestock				
Goat	2,000/head			Diseases
cattle				Accidental drowning
carabao	10,000/head	5.0		Strangulation, Fire/Lightning
Fishery				
Seaweeds	15,000/25 monolines 600/monoline			Natural Calamities- Typhoon, Localized Strong wind, Flood, Drought, Earthquake, Volcanic eruption
Tilapia	15,000 per 500 sqm	2.50		
NCI				
Motorized	15,000 per unit			Fire and Lightning
Non-motorized	5,000 per unit			Riders: typhoon & localized Strong wind
ADSS	50,000 per policy	35.00 per person		Accidental death
Features:	15-80 yrs old no contestability period P 2000 burial benefit regardless of the cause of death Maximum of P 5000 medical reimbursement (10%)			Dismemberment due to accident ⁶

⁵ Vegetables include; ampalaya, bellpepper, cabbage, cauliflower, carrot, eggplant, tomato, peanut, mungo

⁶ 100% -loss of both hands and feet or sight or both eyes; 100% -loss of either hand or foot and sight of one eye; 100% loss of one hand and one foot; 50% loss of either hand or foot; 50% loss of sight of one eye

Cebu Province enrolled farmers

Table 8 below shows the total amount of cover from years 2011 to 2014. The average amount of the total coverage for Cebu province for four years is 653 million pesos. It can be gleaned from the table that there was a huge increase between years 2011 to 2012 with an increase from 388 million to 953 million pesos coverage. This increase was due to the introduction of the ADSS or commonly known as the term insurance program introduced in 2012. For years 2013 to 2014, an increase of 3.4 percent or 21,672,348.59 million pesos. The average premium for the years 2011 to 2014 is four million pesos. Again, as observed there was a huge increase in premium from 2011 to 2012, from 1.6 million to 5.9 million pesos in 2012. There was a slight decrease in premium paid from 2013 to 2013 to 5.8 percent or 251, 312 pesos. For indemnity, the highest is in 2014 with 5.4 million pesos translating to 1.32 indemnity to premium. While in the previous years, I/P ratio is less than one, for 2012 it is 0.09 and in 2013 it is 0.14. Table 8 provides a glimpse of the amounts reverted back to the Province fund when are claims by insured farmers. The highest amount was in 2014 at 575, 640.14 pesos. This implies that more funds can be used the by Provincial government to cover more beneficiaries in Cebu Province.

Table 8 Province of Cebu, Total Amount of Cover, Premium, Indemnity, 2011-2015, in Pesos

Years	Amount of Cover	Premium	Indemnity	Returned to Cebu Province	I/P
2011	388,613,058.00	1,640,462.32		2,263.29	
2012	943,763,175.30	5,906,959.88	540,031.58	44,222.73	0.09
2013	629,731,359.41	4,370,238.74	628,425.72	18,932.20	0.14
2014	651,403,708.00	4,118,926.72	5,453,506.85	575,640.14	1.32
2015	500,976,774.00	3,199,829.00	2,226,473.25	153,875.46	0.70
Ave	622,897,614.94	3847283.332	2,212,109.35	158,986.76	0.57

Source: PCIC 7

Figure 6 Product lines, number of farmers in Cebu province, 2011-2015

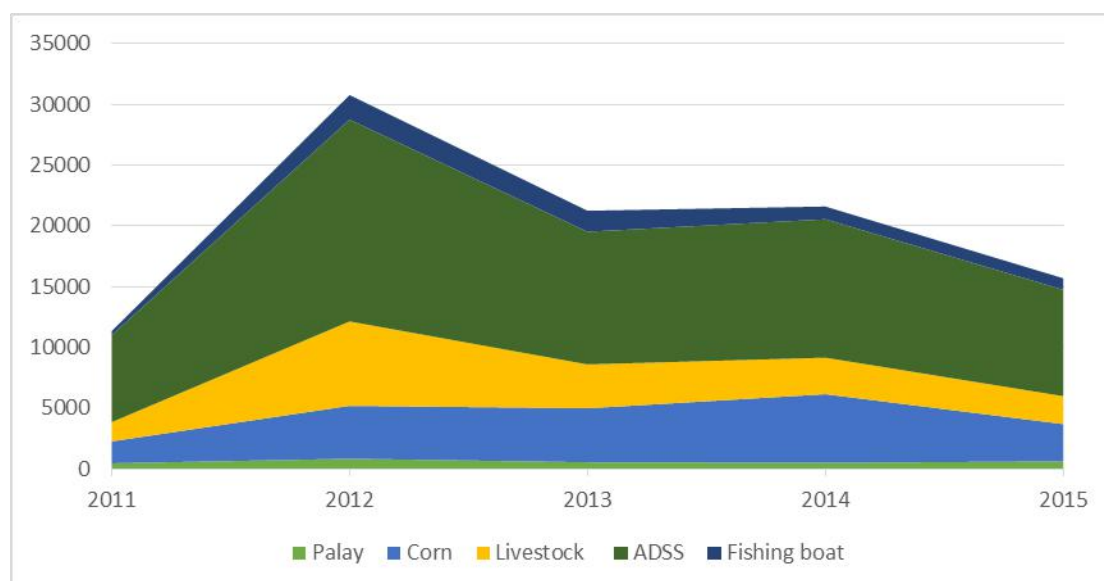


Figure 6 above shows the different product lines availed of by Cebu province for the years 2011 to 2015. The average number of farmers covered from 2011 to 2015 for rice is 571 while for corn is 4, 067. This translates to an average of 279 hectares for rice and 10, 543 hectares for corn in the province of Cebu. For insured fishing boats the average for the same period is 1,282 and for the live stocks insured the average is 3,791. The number of insured farmers availing of the ADSS or term insurance is averaging 11, 533 for the province of Cebu.

Table 9 PCIC and Cebu Agri-Fishery enrolled rice and corn farmers

Cebu	Total Enrolled Farmers			Enrolled under Province					
	2013	2014	both	2013	2014	% (2013)	Farmers	% (2014)	Farmers
Rice	1539	1124	272	530	792	34.44		70.46	
Corn	7,684	25,155	2477	4691	7410	61.05		29.46	

In Cebu province, there were 272 rice farmers who were enrolled both in 2013 and 2014. There was also increase in the number of enrolled rice farmers under the province from 34.44 percent to 70.46 percent (table 9). For corn farmers, there were 2,477 farmers who were enrolled in both in 2013 and 2014. Under the Cebu province program, it has significantly declined from 61.05 percent to 29.46 percent due migration of many farmers to special national government program for Yolanda affected areas in the province of Cebu.

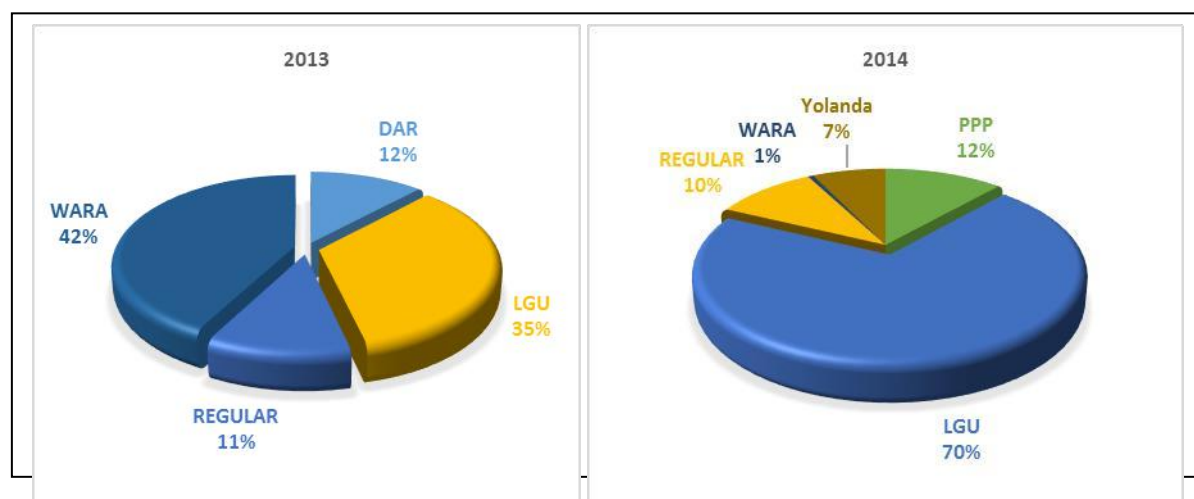


Figure 7 percentage of enrolled rice farmers per program in Cebu, 2013-2014

In 2013, (figure 7) the province enrolled about 35 percent and in 2014 it accounted for 70 percent of the total enrolled number of rice farmers in the province. The Weather Adverse Rice Areas program of the Department of Agriculture accounts for 42 percent of the enrolled number of rice farmers in Cebu tremendously declined in 2014 at merely one

percent. Another special program from the national government which is the poorest priority province (PPP) accounted for 12 percent of the enrolled rice farmers in 2014.

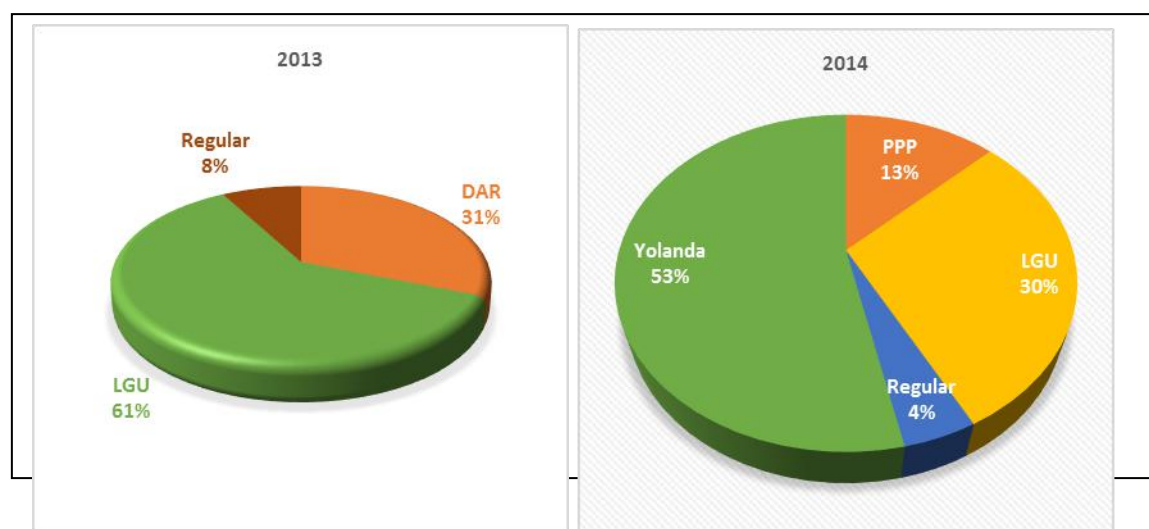


Figure 8 percentage of enrolled corn farmers per program in Cebu, 2013-2014

In Cebu province, (figure 8) LGU enrolled corn farmers accounted for 61 percent in 2013 and only 30 percent in 2014. It be observed that corn farmers were migrated to the special program called Yolanda which accounted 53 percent of the total enrolled corn farmers in 2014 and the PPP also accounted for 13 percent in 2014.

2.3 Negros First Universal Crop Insurance Program (NFUCIP): Agricultural Insurance Program in Negros Occidental

Background

NFUCIP is an agricultural insurance program of the province of Negros Occidental in partnership with the PCIC. This program was conceptualized in 2011 with the aim of protecting crops of around 10,000 farmers in the province from damages/losses. NFUCIP was launched on August 5, 2011. The province has provided an initial fund of 5 million pesos to cover rice crops of farmers and within 3 years there are 10, 021 farmers who have been insured with an area coverage of 9, 481.17 hectares.

The general objective of the program is similar to that stipulated in the PCIC charter, which is to mitigate the adverse impacts of various perils on agriculture, specifically the rice sector. The program was also aimed at enhancing agricultural productivity and in turn, achieving food security in the province.

Features

NFUCIP covers only rice from 2011 to 2013 but the coverage expanded in 2014 to include other agricultural products such as corn, high-value commercial crops (HVCC), tilapia, and marine hull. Insurable rice and corn varieties are those that are accredited for production by the National Seed Industry Council (NSIC). The HVCC that can be insured are the following: ampalaya (bitter melon), banana, bell pepper, cabbage, cauliflower, carrot, eggplant, tomato, peanut, mungo (mungo bean), okra, onion, papaya, patola, squash, lettuce, cassava, cucumber, garlic, pineapple, sugarcane, sweet potato, watermelon, and soybeans.

The premium rates offered for each product line are as follows: rice is 4.75 percent, corn is 9.85 percent, HVCC 7 percent, sugarcane is pegged at 7 percent of the amount of cover at 30, 000 pesos per hectare and the same is applied to tilapia insurance. The rate for motorized banca is 4 percent while the non-motorized banca is 6 percent.

What distinguishes NFUCIP from programs implemented in other provinces is its premium scheme. The provincial government pays a fixed amount of Php500 in the form of loan, which has to be paid after harvest, while the assured agricultural producer pays the remaining premium amount upon enrolment.

The insurable area for rice and corn (per farmer) ranges between $\frac{1}{4}$ hectare and 7 hectares while that for HVCC (excluding banana and sugarcane) ranges between 500 square meters and 1 hectare. For banana, the insurable number of trees ranges between 25 and 100. Any area/trees in excess of the maximum insurable area/trees can still be insured provided that the farmer has to shoulder the total premium cost of the excess.

The risks covered in rice and corn insurance are natural calamities, pests and diseases (refer to Table 6 for a complete list of covered risks).

If a farmer experienced crop damage, the amount that he/she will receive as indemnity payment will be used to pay for the Php500-worth of loan to the provincial government. In case of no loss event, a farmer has to pay the loaned amount of 500 pesos for every hectare of insured area. In the case of rice, however, a farmer is allowed to pay in-kind, which can be in the form of 1 sack (40 kilograms; 14% moisture content) of un-milled rice.

In addition to the rice and corn insurance, every assured farmer is entitled to a number of benefits such as free life insurance coverage of 10,000 pesos for the whole duration of the cropping period, free health care coverage under the Negros Occidental Comprehensive Health Program (NOCHP)⁷, and access and priority to other agricultural program and

⁷ Also known as the Negros First Family Health Card, NOCHP is considered as a priority program of the provincial government and congressional districts of Negros Occidental, in collaboration with PhilHealth, under the 'Negros First' Provincial Executive-Legislative Agenda for 2010-2013. The program aims at providing comprehensive health care to qualified Negrosanons. The qualifications for enrolment are as follows: active PhilHealth members; permanent residents of Negros Occidental (outside Bacolod City) for at least 6 months; with annual per capita income below Php12,500; head of the family (regardless of age); and, single parents or senior citizens with qualified dependents. The cardholders are entitled to free outpatient care (consultations with full course treatment medicines; except for chronic diseases where free consultation is once a month and medicines covered are for a maximum of 5 days) and subsidized in-patient care, provided that all expenses would not exceed Php5,000, in provincial government-run hospitals and other participating government hospitals.

services. All beneficiaries are also given an NFUCIP identification card and an ATM card from the Development Bank of the Philippines (DBP) with an initial deposit of 100 pesos.

The underwriting process in Negros Occidental involves four steps only. Figure 9 below shows the details of the underwriting process which only involve two major agencies the OPA and PCIC. The parties involved are the farmers/fisher folks, PCIC and the OPA.

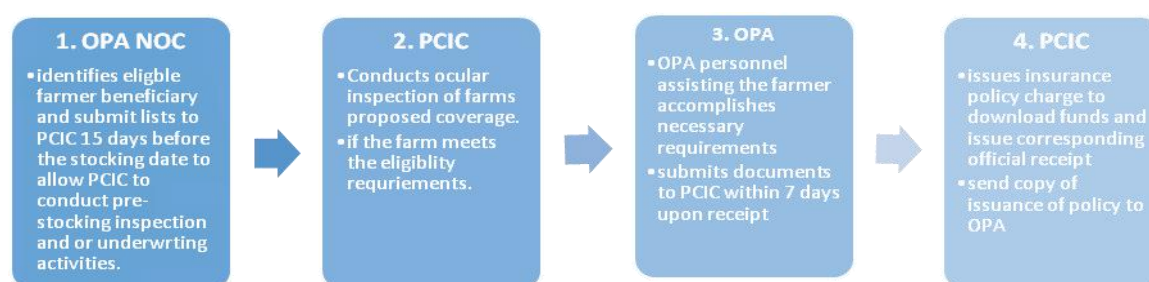


Figure 9 Negros Occidental underwriting process

The settlement of claim shall be done as expeditiously not later than 60 calendar days from submission by the affected farmers of complete claims documents to PCIC regional office. A claim not acted within 60 calendar days shall be considered approved.

Table 10 Premium rate (%), amount of cover (per cropping period; PhP), premium amount due (PhP), and covered risks, by product line

Product	Premium rate (%)	Amount of cover ^{a/} (PhP)	Premium amount due (PhP)	Risks covered	
				Natural calamities	Pests and diseases
Rice	4.75	17,680 (for every hectare)	840 (for every hectare)		rat, grasshopper, borer, blackbug, hopperburn, tungro, rice blast, neckrot, grass stunt, bacterial leaf, and sheath blight
Corn	9.85	10,000 (for every hectare)	985 (for every hectare)		armyworm, corn borer, rat, locust, bacterial stalk rot, banded leaf, and sheath blight
HVCC, excluding banana and sugarcane	7	10,000 (for every 500 square meters)	822.50 ^{b/} (for every 500 square meters)	typhoon, flood, landslide, earthquake, and volcanic eruption	pod borer, fruit and shoot borer, fruit fly, fruit worm, cut worm, web worm, diamond backmoth, examiners, armyworm, leaf folder, spotted lady bird beetle, squash beetle, moths, white fly, bean fly, planthopper, leafhopper, crickets, damping off, bacterial soft rot, mosaic, anthracnose, cercospora, leaf spot, phomopsis blight, late blight, and black rot
Banana	7	90 per tree	7.40 ^{b/} (for every tree)		

^{a/} per cropping period; ^{b/} includes 12.5% document's stamp and 5% premium

Negros Occidental enrolled rice and corn farmers

It can be gleaned from table 11 below that since the NFUCIP was implemented in 2011, rice farmers were prioritized by the province with 2,038 farmers enrolled and no other crops were insured under the program. In 2014, NFUCIP was expanded to include farmers producing corn and high value commercial crops. Insurance for fishing boats were also included as part of non-crop insurance. It can also be observed that the number of farmers enrolled in the program has been increasing from 2,038 in 2011 to 4,414 in 2014. With this, the number of hectares also increased from 1,552 hectares in 2011 to 4,323 hectares in 2014. The amount of cover and premium have been on steady rise, from 27.4 million to 76.4 million pesos amount of cover from the same period. For the premium, in 2011 it was only 1.3 million pesos but in 2014 it became 6.1 million pesos. The total amount allocated by the province from 2011 to 2014 was 16 million pesos.

Table 11 NFUCIP, Number of Famers, Area, and Amount of cover, Premium and Amount allocated

Year	Product	Num of Farmers	Area in Hectares	Amount of Cover	Premium	Amount Allocated (PhP)
2011	Rice	2038	1,552.61	27,450,215.52	1,304,195.76	4,500,000.00
2012	Rice	1228	1,357.19	23,995,119.20	1,140,039.60	4,500,000.00
2013	Rice	2654	2,607.18	45,041,477.00	5,188,777.98	5,000,000.00
2014	Rice	4414	4,323.94	76,447,257.40	6,137,502.16	2,000,000.00
	Corn	225	177.28	1,772,800.00	245,534.79	
	HVCC	12	2.35	282,000.00	19,862.50	
	NCI	30		310,000.00	12,400.00	

Source: PCIC, Region 6

Looking at the data from PCIC and NFUCIP from 2013 to 2014, one can observe that there was an increase in both rice and corn farmers having insurance cover. In Negros Occidental province, there were 2,408 rice farmers who were enrolled in both 2013 and 2014. There was also increase in the number of enrolled rice farmers under the province from 24.89 percent to 42.84 percent (table 12). For corn farmers, from five to 225 farmers in 2014. NFUCIP insured 195 of these corn farmers or 86.67 percent of the total enrolled by PCIC was covered by the province.

Table 12 PCIC and NFUCIP enrolled rice and corn farmers

Crop	Total Enrolled Farmers			Enrolled under Province			
	2013	2014	both	2013	2014	% Farmers (2013)	% Farmers (2014)
Rice	9,515	10,303	2408	2654	4414	27.89	42.84
Corn	5	225	1		195		86.67

In 2013, 52 percent of the rice farmers with insurance were under the special program of the Department of Agriculture known as weather adverse rice areas (WARA). In the same year, rice farmers enrolled under the LGU program accounted for 28 percent. In 2014,

WARA insured farmers still account for 49 percent of the insured rice farmers in the Negros Occidental slightly lower than in 2013. As compared to only 28 percent in 2013, LGU enrolled farmers increased to 43 percent (figure 10).

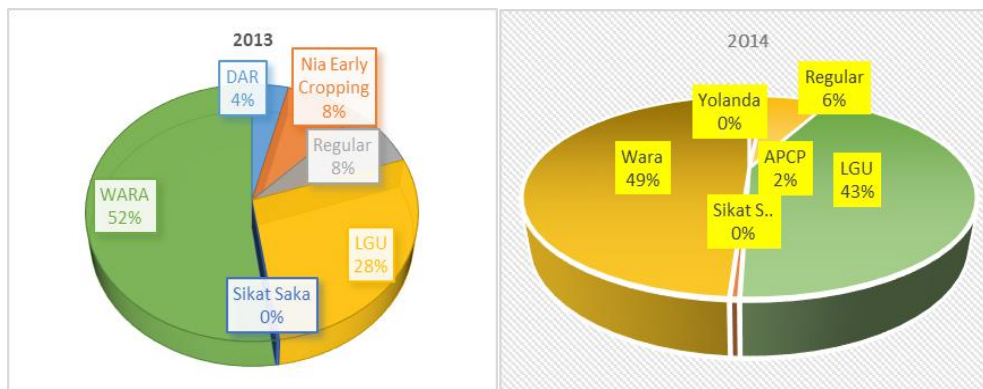


Figure 10 percentage of enrolled rice farmers per program in Negros Occidental, 2013-2014

2.4 Davao del Norte-PCIC Agricultural Insurance Program

Background

On January 21, 2013, a Memorandum of Agreement was signed between the PCIC and the Provincial Government of Davao del Norte concerning the implementation of the “Insurance Coverage of the Agri-Fishery Projects/ Programs of the Province of Davao del Norte”. Under this agreement, the province of Davao del Norte agreed to allocate P1.34 Million to shoulder 50 percent of the farmer’s share in insurance premium for rice, equivalent to 3.35 percent per hectare for the dry season, and 2.33 percent for the wet season. Table 13 shows the premium rate for rice as specified in the MOA:

Table 13 Premium Rate for Rice

Season	Farmer Share	National Government Share	LGU Share	Total
Dry Season	3.355%	6.36%	3.355%	13.07%
Wet Season	2.33%	5.73%	2.33%	10.39%

Source: Sangguniang Panlalawigan Resolution No. 763.

The premium-sharing arrangement will initially be for rice. As part of the MOA, the PCIC shall accredit the Provincial Government of Davao del Norte as an accredited underwriter and partner in the implementation of the other insurance lines also (corn, high value commercial crops, livestock, fisheries, non-crop agricultural assets, term insurance package).

Amount of cover that will be available for qualified farmers under this scheme shall not be less than 10,000 pesos per hectare but not to exceed 20,000 pesos per hectare. The details of the eligibility⁸ requirements for the program are;

- The farmer must be cultivating at least .5 hectares and not more than 7 hectares;
- The farm must not be part of a riverbed, lakebed, marshland, shoreline, or riverbank;
- The farm must have an effective irrigation and drainage system while rain-fed areas are eligible subject to planting cutoff date;
- The farm must be accessible to a regular means of transportation
- The farm must be suitable for production in accordance with the DA recommended good agricultural practices, i.e. right zinc content for rice

⁸ Source for this is the SP Resolution No. 763 and PCIC document

Table 14 Details the underwriting procedure to be followed for the program

Step	Agent	Task/Activity	Documentary Requirements
1	Eligible Farmer	Complies with the requirements for enrollment and submits to FO/FA where member,	Application for Crop Insurance (ACI) Location and Sketch Plan (LSP) Standard Farm Plan and Budget (SFPB)
	FO/FA	Transmits all documents to the LGU duly signed by the secretary and the head of the FA/FO to the LGU Production technician	List of Borrowers (LOB), ACI, LSP, SFPB
2	LGU Production Technician	Consolidates the applications or LOB, certifies the farmers/s are in his/her supervision and reviews the completeness of the documents; checks that the farm is in compliance with the eligibility requirements, and forwards to MAO/CAO	Certification from LGU Production Technician, LOB, ACI, LSP, SFPB
	Municipal Agricultural Officers (MAO)/ City Agricultural officers (CAO)	Reviews all the documents and transmits them to the Office of the Provincial Agriculturist	Summary Report (SR)/ LOB with LSP and SFPB
3	Office of the Provincial Agriculturist (OPA)	Receives the application for crop insurance and all attachments and distributes to OPA Commodity Coordinator	All previous documents
4	OPA Commodity Coordinator	Receives documents and reviews completeness of all attachments, and if in order, submits back to the Office of the Provincial Agriculturist	All previous documents
5	Office of the Provincial Agriculturist	Endorses received documents to PCIC Region XI	All previous documents
6	PCIC Region XI	Receives, pre-processes and computes the premium to be paid by the Province of Davao del Norte adopting the approves special preferential premium rates, prepares and transmits billing statements to the Province of Davao del Norte representing the farmers insurance payment	Billing statement
7	Office of the Provincial Agriculturist	Receives and forwards billing statement to the Treasurer's Office, Province of Davao del Norte	Billing statement
8	Treasurer's Office, Province of Davao del Norte	Issues checks corresponding to the farmer's premium to be paid by the Province of Davao del Norte within 7 days from receipt of billing statement	Checks
9	Office of the Provincial Agriculturist	Issues Certificates of Insurance Cover upon receipt of premium from the Provincial Government with the assistance of the PCIC in-charge (one CIC per LOB with complete LSP/SFPB), and remits check payment together	Certificate of Insurance Cover, Checks

		with CIC to PCIC Region 11	
10	PCIC Region 11	Acknowledges payment and documents and sends copies of approved documents and policies to the Office of the Provincial Agriculturist	CICs

Source: Sangguniang Panlalawigan Resolution No. 763

Table 15 Claims process for the program

Step	Agent	Task/Activity	Documentary Requirements
1	Farmer	Sends notice of loss (NL) to PCIC through the MAOs/CAOs, OPA via phone call, text message, fax or email or directly to PCIC Region 11, should be filed within 10 calendar days	Notice of Loss (NL)
2	PCIC Region 11 Insurance Adjuster	Conducts claims investigation and verification together with the LGU-ATs/MAOs/CAOs Loss Category: Total Loss- if loss is 90% and above Partial Loss- if loss is more than 10% and below 90% No Loss- if loss is 10% or less	
	PCIC Region 11 Claims Processor	Processes and computes the amount of indemnity based on the results of adjustment/ verification at time of loss based on: Age and stage of cultivation Actual CPI (per FPB) already applied at time of loss or per amount of cover whichever is lower Percentage of yield loss	
	PCIC Region 11 Teller	Processes and issues two checks; one representing the premium of the farmers to be reverted back to the coffers of the Provincial Government, second check representing net indemnity to be paid directly to farmers via the Office of the Provincial Agriculturist	2 checks per farmer
3	Office of the Provincial Agriculturist	Acknowledges receipt of claims payment from PCIC region 11	2 checks per farmer

Source: Sangguniang Panlalawigan Resolution No. 763

Essentially, in the process, the Provincial Government of Davao City initially finances 25% of the premium payments of the farmer, which will revert back to the government's coffers when the farmer gets his/her indemnity claim. If there is no claim for the cropping season in question, or no loss events, the Office of the Provincial Agriculturist will pay the total amount of the premium subsidized by the LGU. The agricultural technicians, via the Farmers Associations/ Farmers Organizations, will be the one in charge of collecting the payments.

Table 16 details the covered risks for rice:

Table 16 Covered Risks and Amount of Cover for Rice

Commodity	Amount of Cover Per Hectare	Covered Risks
Rice	Minimum of P10,000 to a maximum of P20,000 per hectare	Natural calamities: Typhoon, flood/landslide, drought, earthquake, volcanic eruptions Pests and Diseases: Rats, locusts, stem borer, tungro, armyworms/cutworms, black bugs, rice blast, neckrot, hopperburn, grassy stunt, bacterial lead/sheath/blight

Source: Sangguniang Panlalawigan Resolution No. 763

3 Coverage rates

Perhaps a way to look whether the LGU programs have succeeded in their agri-insurance program is look at the coverage rates of the above mentioned LGU programs. Table 17 provide details of the area coverage rate of the provinces mentioned previously. PCIC data showed that the highest coverage rate for rice was in Agusan del Norte (21.89%) in 2013 while Pampanga (24.93%) in 2014. For corn, the highest coverage rate in 2013 was Pampanga (12.655) and Cebu (15.74%) in 2014. Overall, there were eleven provinces that showed increased in coverage rates from 2013 to 2014 for rice. On the other hand, there ten provinces that showed positive increase in coverage rate for corn from 2013 to 2014. Another way of showing coverage rate is to look at the registry system for basic sectors in agriculture (RSBSA)⁹ and compare this with PCIC data. Table 18 shows different product lines of PCIC with the corresponding coverage rate of the fourteen provinces. The highest coverage rate for rice farmers is in Pampanga with 43.61 percent. Except for Quezon and Palawan, the rest of the provinces have double-digit coverage rates. The highest coverage rate for corn farmers are in Capiz with 35.38 percent. This is followed by Camarines Sur with 29.05 percent. For high value commercial crops, the highest coverage rate is 6.55 percent and for livestock the highest coverage rate was in Cebu for 10.69 percent.

4 Free subsidy vis-a-vis cost-sharing subsidy

Based from the above discussions, there is still so much information to get as to which agriculture insurance can be considered better if not the best so that other LGUs in the country might replicate. Cai et al, (2014) gave a more definitive answer on which scheme of insurance program work based on the result of their field experiments in China. The authors explained that, whether free distribution or cost-sharing subsidy policies are better for the long run development of insurance programs is not clear: while full subsidy policy can guarantee a high coverage and let more people learn about insurance benefits by receiving or observing payouts (higher spillover effect), there are also disadvantages; it will be more difficult to maintain adoption rates if subsidies are removed even partially because of a price anchoring effect (farmers may treat the previous price as the reference point, if that happens, they will be less likely to buy the insurance if the post-subsidy price is higher in future years); second, the payout and learning effect might be smaller (there can be different reasons such as less attention, loss aversion). The same authors discussed that:

⁹ A registry system of farmers and fisher folks in the Philippines conducted in 2012 commissioned by DBM.

first, for households who paid for the insurance in the first year, receiving payouts had a positive level effect on second year demand, and households are less sensitive to a price increase if they received payout. However, for households who received it for free, although receiving payouts has a positive effect on second year take-up, there is no significant effect on the slope of the demand curve, and the level effect of receiving a payout is much higher under the partial subsidy policy. Second, we see similar patterns in the case of observing payouts. Under the cost sharing subsidy policy, observing friends receiving payouts improves second year take-up at all price levels and makes people less sensitive to price changes for households who did not purchase insurance in the first year. However, there is no such effect for households who purchased insurance in the first year, regardless of whether they received payout by themselves or not. Third, the full subsidy policy, observing friends receiving payouts does not have slope effects. The paper of Cole *et al.* (2013) used a randomized experiment which provided free rainfall insurance for a selected group of landowner farmers in a semi-arid area of India, and found that provision of insurance induced farmers to shift production towards higher-return but higher-risk cash crops.

In the case of four LGU programs, it seems that providing a premium subsidy resulted to an increase in the enrollment of rice and corn farmers only but not in other product lines such HVCC. Another more important issue is whether the insured farmers are supposedly those in need of protection from calamities and other shocks so that they can recover or replant the next season. Are these free crop insurance really targeted to the “poorest of the poor”?

Table 17 Area coverage rates for rice and corn, by Province

Province	Rice			Corn		
	2013	2014	change	2013	2014	change
Isabela	18.3	12.6	-5.72	6.43	1.32	-5.1
Tarlac	13	8.96	-3.99	7.74	9.71	1.96
Pampanga	22.1	24.9	2.8	12.7	2.41	-10.24
Quezon	2.71	6.35	3.64	1.45	3.47	2.01
Palawan	5.27	7.21	1.93	0.11	0.04	-0.07
Cam. Sur	3.4	13.9	10.47	2.16	11.5	9.32
Albay	3.17	13.1	9.9	0.27	1.87	1.59
Negros Occ.	6.89	10.4	3.53	0.01	0.5	0.49
Capiz	3.96	12.9	8.9	0.44	12.9	12.46
Guimaras	2.66	9.99	7.33		0.77	
Cebu	11.4	14.4	2.98	4.33	15.7	11.41
Bohol	8.5	11.5	2.97	0.37	0.75	0.38
Agusan del Norte	21.9	13.3	-8.62	0.06	0	-0.06
Davao del Norte	10.4	22.9	12.49	0.04	1.79	1.75

Source: PCIC

Table 18 Farmer coverage rate by commodity, RSBSA and PCIC data

Province	Rice	Corn	HVCC	Livestock
Isabela	19.50	4.28	1.02	0.14
Pampanga	43.61	4.80	6.55	1.00
Tarlac	13.46	15.85	1.96	0.12
Quezon	7.29	5.29	2.57	1.92
Palawan	4.45	0.07	0.19	0.40
Albay	16.74	6.31	1.19	0.25
Camarines Sur	18.64	29.05	5.10	0.55
Capiz	24.50	35.38	0.30	0.64
Guimaras	23.57	0.78		0.11
Negros Occidental	17.10	1.23	0.31	0.99
Bohol	11.34	1.01	0.51	5.58
Cebu	23.64	11.85	4.32	10.69
Davao del Norte	29.51	3.03	1.54	1.93
Agusan del Norte	12.70			0.71

Sources: PCIC and RSBSA

5 Summary and policy recommendations

Table 19 summarizes the salient features of the different agriculture and fishery programs of the LGUs mentioned in the previous discussions. The starting year of the partnership between PCIC and the LGUs differ. The province of Isabela is considerably the first among the LGUs to implement an agriculture insurance program. The provincial governments of Cebu and Negros Occidental signed their MOA with PCIC in 2011 while Davao del Norte had their partnership with PCIC in 2013. The common theme of the insurance program is to increase agricultural productivity among the farmers in their respective provinces. Two LGUs explicitly mentioned about the effects of climate change as a compelling reason to provide agriculture insurance, these are Davao del Norte and Cebu. It is also worth mentioning that Isabela and Negros Occidental includes health component in their insurance programs aside from the term insurance product. A somehow unique feature about Isabela is the inclusion of scholarships in their agriculture insurance program, an improvement in the long term human capital among children of farmer and fisher folks.

There are different modalities of government support to the insurance programs. For instance, Cebu and Isabela provinces currently gives full premium subsidy to the eligible farmers and fisher folks. The full implementation of the BRO-PSP is possible with the help of the local or the municipal agriculture officers and technicians. The province of Negros Occidental does not give free premium, but instead offers loan to the eligible farmers' equivalent to 25 percent of the total premium. The farmer shall pay a certain amount upon enrolment depending on the product line and the remaining amount shall be paid by the province. The amount paid by the province shall be payable after the harvest. In the case of Davao del Norte, there is sharing scheme between the provincial government and the farmer. The farmer pays 25 percent of the total premium while the provincial government shoulders the 25 percent and the 50 percent is the subsidy from the national government.

There are more similarities in the product lines in Cebu, Davao del Norte and Negros Occidental. Mango insurance is only in Cebu, sugarcane insurance in Negros Occidental while banana insurance is available in Davao del Norte and Negros Occidental. For the premium rates, it differs across product lines but it can be observed that Negros Occidental has a higher rate than Cebu. Premium rates in Cebu ranges between 2.5 percent to 3.6 percent while for Negros Occidental is higher at 4.75 percent to 9.85 percent. It is also surprising that there is no mention of livestock insurance in Negros Occidental. In terms of the process of underwriting, it appears that Negros Occidental has the shortest with four steps, Davao del Norte has ten steps, and Cebu with twelve steps. For claims and adjustments, seemingly the general rule is not more than 60 days after filing the notice of loss.

The different LGU programs discussed gave us a glimpse of how the agriculture insurance is being promoted and implemented in the different LGUs in the country. Different modalities in the sharing schemes among the national government, LGUs and the farmers are crucial in the sustainability of the program. As to which program is better to replicate, the PIDS team recognizes that there is need to study more on the financial viability of the each of the LGU program. The case of the Isabela is a full subsidy to the premium payable by the farmers and fisher folks. In the case of Cebu, the farmers and fisher folks who are enrolled in the program are also given full premium subsidy. However, in case of indemnity PCIC returns back the amount paid by the province thus replenishing the funds allocated for the Agri-Fishery program. The NFUCIP is relatively different program compared to Cebu and Isabela as this is a form of loan to the farmers. After harvest, the farmers have to pay the amount paid by the Province of Negros Occidental to PCIC or “insure now pay later” scheme. Based from the interviews of the PIDS team at the OPA, as of 2015 about 50 percent was the repayment rate of the farmers who availed of the loan from the OPA.

Perhaps the empirical work of Cai et al, (2014) sheds light on which scheme of insurance program work based on the result of their field experiments in China. The authors explained that, whether free distribution or cost-sharing subsidy policies are better for the long run development of insurance programs is not clear: while full subsidy policy can guarantee a high coverage and let more people learn about insurance benefits by receiving or observing payouts (higher spillover effect), there are also disadvantages; it will be more difficult to maintain adoption rates if subsidies are removed even partially because of a price anchoring effect (farmers may treat the previous price as the reference point, if that happens, they will be less likely to buy the insurance if the post-subsidy price is higher in future years); second, the payout and learning effect might be smaller (there can be different reasons such as less attention, loss aversion). The same authors discussed that: first, for households who paid for the insurance in the first year, receiving payouts had a positive level effect on second year demand, and households are less sensitive to a price increase if they received payout. However, for households who received it for free, although receiving payouts has a positive effect on second year take-up, there is no significant effect on the slope of the demand curve, and the level effect of receiving a payout is much higher under the partial subsidy policy. Second, there are similar patterns in the case of observing payouts. Under the cost sharing subsidy policy, observing friends receiving payouts improves second year take-up at all price levels and makes people less sensitive to price changes for households who did not purchase insurance in the first year. However, there is no such effect for households who

purchased insurance in the first year, regardless of whether they received payout by themselves or not. Third, the full subsidy policy, observing friends receiving payouts does not have slope effects. Further study is needed to determine which scheme works best in terms of increasing coverage rate over the long-term and ensuring financial viability of the program.

Finally, we recommend that; 1) PCIC continue its partnership with LGUs with the latter providing partial/full subsidy for insurance premium. This will ensure greater coverage/penetration rate with adequate insurance cover; 2) Encourage LGUs to require farmers to get agricultural insurance as their counterpart for agriculture assistance programs; 3) Clarify targeting mechanisms as to who shall be given full/partial subsidy by the LGU and national government (NG); and 4) If fund is not enough (NG), identify which groups will be covered (farmers with smallest landholding?) but still provide adequate insurance cover.

Table 19 Summary of the features of selected LGUs’ Agriculture Insurance Programs

Features	Isabela			Cebu			Negros Occidental			Davao del Norte		
Year Established	2010			2011			2011			2013		
Objectives	Aid small farmers, promote economic independence and improve			Promotes agricultural development or supporting agricultural			To mitigate the adverse impacts of various perils on agriculture,			To insure all agrifishery projects/ programs under the provincial government to protect		
Government Support	Yes, full premium subsidy			Yes, full premium subsidy			Loan from the Province with farmer share			Loan from the Province with farmer share		
Products Lines	Availability	Amount of cover (PhP)	Rates (%)	Availability	Amount of cover (PhP)	Rates (%)	Availability	Amount of cover (PhP)	Rates (%)	Availability	Amount of cover (PhP)	Rates (%)
Rice	Yes	10,000/hectare		Yes	15,000/hectare	2.9	Yes	17, 680/hectare	4.75	Yes	10,000-20,000/hectare	dry season- 13.07% ; wet
Corn	Yes	10,000/hectare		Yes	15,000/hectare	3.6	Yes	10, 000/hectare	9.85	No		season- 10.39%
Term Insurance	Yes	50,000/year		Yes	50,000/policy	35/person	Yes	50,000/year	50PhP/person			
Livestock												
Goat				Yes	2,000/head	5						
Cattle				Yes	10, 000/head	5						
Carabao				Yes	10, 000/head	5						
Fishery												
Seaweeds				Yes	600/monoline	2.5						
Tilapia					15,000/500 sqm.	2.5		15,000/500 sqm	7			
Fishpond				Yes								
Non-crop assets												
Motorized banca				Yes	15,000/unit	2.5	Yes	10, 000/unit	4			
Non-Motorozide banca				Yes	5,000/unit	2.5	Yes	6,000/unit	6			
HVCC												
Sugarcane				No			Yes	30,000/hectares	7			
Banana				No			Yes	90/tree	7			
Mango				Yes	5,000/tree	2.5						
Vegetables												
Ampalaya				Yes	6,000/ 1, 000 sq.m.	2.5	Yes	10,000/ 500 sqm	7			
Bell pepper				Yes	6,000/ 1, 000 sq.m.	2.5	Yes	10,000/ 500 sqm	7			
Cabbage				Yes	6,000/ 1, 000 sq.m.	2.5	Yes	10,000/ 500 sqm	7			
Carrot				Yes	6,000/ 1, 000 sq.m.	2.5						
Cassava							Yes	10,000/ 500 sqm	7			
Cauliflower				Yes	6,000/ 1, 000 sq.m.	2.5	Yes	10,000/ 500 sqm	7			
Cucumber							Yes	10,000/ 500 sqm	7			
Eggplant				Yes	6,000/ 1, 000 sq.m.	2.5	Yes	10,000/ 500 sqm	7			
Garlic				Yes	6,000/ 1, 000 sq.m.	2.5	Yes	10,000/ 500 sqm	7			
Lettuce							Yes	10,000/ 500 sqm	7			
Mungo Beans				Yes	6,000/ 1, 000 sq.m.	2.5	Yes	10,000/ 500 sqm	7			
Okra							Yes	10,000/ 500 sqm	7			
Onion							Yes	10,000/ 500 sqm	7			
Papaya							Yes	10,000/ 500 sqm	7			
Patola							Yes	10,000/ 500 sqm	7			
Peanut				Yes	6,000/ 1, 000 sq.m.	2.5	Yes	10,000/ 500 sqm	7			
Pineapple							Yes	10,000/ 500 sqm	7			
Soy beans							Yes	10,000/ 500 sqm	7			
Squash							Yes	10,000/ 500 sqm	7			
Sweet potato							Yes	10,000/ 500 sqm	7			
Tomato							Yes	10,000/ 500 sqm	7			
Watermelon							Yes	10,000/ 500 sqm	7			
Enrolment/Underwriting Process					about 12 steps			about 4 steps			about 10 steps	
Claims/Adjustment Process					about 5 steps			not detailed but not more than 60 days			about 3 steps	

Sources: various PCIC documents and from www.pcic.gov.ph

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