

PCIC INSURANCE PROGRAMS PERFORMANCE YEAR-END 2014

Program Profile

The Philippine Crop Insurance Corporation (PCIC) was created under P.D. 1467 on 11 June 1978. Its charter was amended by P.D. 1733 on 21 October 1980 and R.A. 8175 on 29 December 1995. Its primary aim is to provide protection on crops against losses caused by natural calamities, earthquake, typhoons, drought, volcanic eruptions and plant pest infestations and for the non-crops protection of agricultural assets due to risk.

The PCIC has six (6) types of insurance programs that are available to the farmers, fisherfolk, lending institutions and other agricultural stakeholders: 1) Insurance for Rice and Corn, which is extended to farmers against losses due to natural calamities and occurrence of plant pests and diseases; 2) Insurance for High Value Commercial Crops against the same threats; 3) Insurance for Livestock as protection against loss of carabao, cattle, horse, swine, goat, poultry and game animals due to accidental death or diseases; 4) Fisheries Insurance, which protects against losses in fish and fishery/aquatic products due to natural calamities and fortuitous events; 5) Non-Crop Insurance Program, which protects the owner of agricultural assets such as warehouses, rice mills, irrigation facilities and other agricultural machineries from losses due to risks such as fire, lightning, theft, or earthquake; and 6) Term Insurance Power Package, which insures farmers and livestock raisers in the unfortunate event of death or disability.

Insurance Outreach, by Commodity

The total insurance coverage in 2014 amounted to ₱ 35.6 billion (Table 1). The largest share was the coverage for rice, amounting to P12.3 billion or 35% of the total amount. There were 396,415 farmers served with a total area coverage of 530,548 hectares. The coverages for corn and High Value Commercial Crops (HVCC) were P3.3 billion and P5.6 billion, respectively with combined beneficiaries totaling 189,218 farmers. Term insurance power packages had the second highest coverage at had the second highest coverage at P10.5 billion with 220,526 beneficiaries and was followed by livestock insurance with P2.1 billion.

The percent change in coverage and number of beneficiaries for the years in review, by commodity, are shown in Table 2. Except for Term Insurance Power Packages and Fisheries, the rest of commodities had positive growth. Highest change was observed in coverage for Livestock with 316% followed by corn with 116%. The tremendous increase in livestock coverage can be attributed to 1) subsistence farmers listed in RSBSA in 75 provinces with full premium subsidy under the GAA for the year 2014; 2) insurance coverage of farmers under the Yolanda Rehab Program and APCP-CAPPBD and renewal of recipients of the LGUs specially in province of Cebu of livestock dispersal program under IFSDP (Integrated Farming Systems Development Program (RO VII). Likewise, there was continuous participation of the National Dairy Authority (NDA) in the livestock insurance program in Regions VII, X and XI. Increase in non-crop insurance is due to renewal of

insurance coverage in Regions IV and VII and coverage for those farmers beneficiaries under typhoon Yolanda program. However, the increased growth in insurance coverage under HVCC program are 1) coverage for farmers listed in RSBSA in 75 provinces with full premium subsidy under the GAA; 2) insurance coverage of subsistence farmers under the Yolanda Rehab Program and APCP-CAPPBD; and 3) Participation of Tulay sa Pag-unlad, Inc. (TSPI) in HVCC insurance program.

Table 1. PCIC Insurance Coverage and Outreach, by Commodity For the Year-end 2014

Commodity/Program	Insurance Coverage		No. of Beneficiaries	
	Amount (PM)	% share	No.	% share
Rice	12,393.90	34.8	396,415	43.2
Corn	3,316.81	9.3	104,800	11.4
High value commercial crops	5,620.94	15.8	84,418	9.2
Livestock	2,116.85	5.9	99,185	10.8
Non-crop insurance (e.g. machineries, equipment)	1,597.13	4.5	11,882	1.3
Term insurance power packages	10,460.87	29.4	220,526	24.0
Fisheries	114.13	0.3	588	0.1
Total	35,620.64	100.0	917,814	100.0

Source: Philippine Crop Insurance Corporation (PCIC).

Rice and Corn Program, likewise, had a significant increase in both amount on insurance coverage and number of farmer with 59% and 47% respectively. The significant growth can be attributed to 1) increasing number and continuous participation of cooperatives/farmers' organizations/associations and other lending institutions participating in LBP's corn production loan programs; 2) insurance coverage for rice and

corn farmers listed in RSBSA in 75 provinces with full premium subsidy under the FY 2014 GAA; 3) insurance coverage of subsistence farmers and fisherfolk under the Yolanda Rehab Program; 4) Continuous insurance coverage of subsistence rice farmers under the DA Rice Programs (DA-LBP Sikat Saka, NIA Third Cropping, WARA 2013 & WARA 2014); 5) Insurance coverage of ARBs under the APCP-CAPPBD; 6) Continuous participation of the Provincial Government of Isabela in RO II; and 7) Increased number of farmers availing production loan from ASKI, TSPI, and First Valley Bank.

Table 2. Insurance Coverage, by Commodity, Year-ends 2013 and 2014

Commodity/Program	2013		2014		% Change	
	Amount (PM)	No. of Beneficiaries	Amount (PM)	No. of Beneficiaries	Amount (PM)	No. of Beneficiaries
Rice	8,367.34	295,923	12,393.90	396,415	48.12	33.96
Corn	1,533.14	44,931	3,316.81	104,800	116.34	133.25
Sub-total	9,900.48	340,854	15,710.71	501,215	58.69	47.05
High value crops	3,576.00	26,781	5,620.94	84,418	57.19	215.22
Livestock	508.50	19,759	2,116.85	99,185	316.29	401.97
Non-crop (e.g., machineries)	1,142.15	2,384	1,597.13	11,882	39.84	398.41
Term insurance power packages	16,583.10	342,044	10,460.87	220,526	(36.92)	(35.53)
Fisheries	70.96	7,676	114.13	588	60.85	(92.34)
Total	31,781.19	739,498.00	35,620.64	917,814	12.08	24.11

Source: Philippine Crop Insurance Corporation (PCIC).

Rice and Corn Insurance, Bank-Financed versus Self-Financed

Crop insurance covers both bank-financed and self-financed farmers. Table 3 shows that, in 2014, the aggregate number of bank-financed rice and corn farmers covered by insurance increased by 18% compared to 2013 (i.e., by 42,419 farmers), but the aggregate number of self-financed rice and corn farmers covered by insurance increased by a much greater 110% (i.e., by 117,942 farmers). Separately, self-financed rice farmers with

insurance coverage increased by 118% (i.e., by 102,663 farmers), while self-financed corn farmers with insurance coverage increased by 75% (i.e., by 15,279 farmers).

Overall, the number of rice and corn farmers availing themselves of crop insurance went up in 2014 relative to the previous year. In 2013, 86,750 rice farmers availed themselves of crop insurance. This increased by 118% in 2014 to 189,413 rice farmers. On the other hand, 20,230 corn farmers availed themselves of crop insurance in 2013. This increased by 75% to 35,509 corn farmers in 2014. These data suggests increasing awareness and appreciation among rice and corn farmers of the benefit of crop insurance.

In terms of amount, the aggregate amount of insurance coverage increased by 131% in 2014 (i.e., by P5.9 billion) for bank-financed rice and corn farmers, while the aggregate amount of coverage decreased by 3% (i.e., by P160 million) for self-financed rice and corn farmers. The decline in the aggregate amount of insurance coverage for self-financed rice and corn farmers in 2014 was due to the significant 25% decline (i.e., by P1.18 billion) in the amount of insurance coverage for self-financed rice farmers. This is due to the fact that in 2013, the of amount insurance coverage had no limitation but in 2014, DAR-ARB limited the amount of coverage to only Twenty Thousand Pesos per hectare (P20,000/ha). **(Explain here why.)** On the other hand, the amount of coverage for bank-financed rice farmers went up by a significant 145% (i.e., by P5.2 billion), while the amount of coverage for bank-financed corn farmers increased by 79% (i.e., by P763.25 million). This is mainly due to the fact that insurance coverage is a requisite of a production loan from the rural bank. Likewise, this is also due to the full subsidy of the insurance premium of subsistence farmers and fisherfolk registered under the RSBSA for all insurance product lines, except the term insurance packages.

**Table 3. Insurance Coverage, by Type of Financing
Year-ends 2013 and 2014**

Commodity/ Program	Year-end 2013			Year-end 2014			% Change		
	Bank-Financed	Self-Financed	Total	Bank-Financed	Self-Financed	Total	Bank-Financed	Self-Financed	Total
Rice									
Amount (PM)	3,589.13	4,778.21	8,367.34	8,796.46	3,597.44	12,393.90	145.09%	(24.71%)	48.12%
Share (%)	43%	57%	100%	71%	29%	100%			
No. of Beneficiaries	209,173	86,750	295,923	207,002	189,413	396,415	(1.04%)	118.34%	33.96%
Share (%)	71%	29%	100%	52%	48%	100%			
Corn									
Amount (PM)	961.64	571.90	1,533.54	1,724.89	1,591.92	3,316.81	79.37%	178.36%	116.29%
Share (%)	63%	37%	100%	52%	48%	100%			

No. of Beneficiaries	24,701	20,230	44,931	69,291	35,509	104,800	180.52%	75.53%	133.25%
Share (%)	55%	45%	100%	66%	34%	100%			
TOTAL									
Amount (PM)	4,550.77	5,350.11	9,900.88	10,521.35	5,189.36	15,710.71	131.20%	(3.00%)	58.68%
Share (%)	46%	54%	100%	67%	33%	100%			
No of Beneficiaries	233,874	106,980	340,854	276,293	224,922	501,215	18.14	110.25	47.05%
Share (%)	69%	31%	100%	55%	45%	100%			

*HVCC, Livestock, NCI, TIPP & Fisheries unclassified

Table 4 presents the performance of PCIC insurance coverage by hectares/No. of heads covered/No. of policies issued in the years 2013 and 2014. The increase in area coverage in 2014 was mainly due to the increase in rice, corn and High value crops insurance coverage. In terms of heads insured, livestock significantly increased by 918%. Both the number of policies issued under fisheries sector and non-crop insurance contributed tremendously to the total insurance coverage; the increase was 324% for the former while for the latter, the increase was 325%. On the other hand, there was a decrease in coverage of the term insurance power package by 11%.

Table 4. PCIC Insurance Coverage, by Hectares/No. of heads covered/No. of policies issued For the Year-end 2014

Commodity/Program	Hectares/No. of heads covered/No. of policies issued		% Change
	2013	2014	
Rice	399,452 ha	530,548.23 ha.	32.82
Corn	59,930.90 ha	132,602.94 ha.	121.26
High Value Crops	47,248.20 ha	129,057.19 ha.	173.15
Livestock	67,957 heads	691,995.00 heads	918.28
Policies			
Fisheries	76	322	323.68
Non-crop	2,257	9,583	324.59
Term insurance power packages	21,500	19,100	-11.16

Insurance Outreach, by Region

By Region, the most number of insurance beneficiaries and highest amount of coverage in 2014 were in Region VI. Table 5 shows PCIC insurance coverage by Region (2013-2014). There was tremendous increase in the amount of coverage (73%) in 2014 and in the number of farmer beneficiaries (78%). It can be noted that in 2013, Region II had the second highest in amount and in terms of farmer beneficiaries. However, in 2014, the amount decreased by 16% and the number of beneficiaries by 20%. Region VIII, on the other hand, had the highest increase for the two parameters, with the amount increasing by 230% and the number of farmer beneficiaries by 234%. The other typhoon-prone regions, namely Regions IV, V, XI and XII also had increase in the two parameters.

Table 5. Insurance Coverage, by Region, Year-ends 2013 and 2014

Region	Year-end 2013				Year-end 2014				% Change	
	Amount (PM)	%Share	No. of Beneficiaries	%Share	Amount (PM)	%Share	No. of Beneficiaries	%Share	Amount (PM)	No. of Beneficiaries
I	2,274.63	7.2	58,077	7.9	1,405.18	3.9	41,745	4.5	(38.2)	(28.12)
II	4,438.01	14.0	126,567	17.1	3,714.82	10.4	101,240	11.0	(16.3)	(20.01)
III	3,529.69	11.1	91,617	12.4	3,544.13	9.9	88,786	9.7	0.4	(3.09)
IV	3,146.48	9.9	56,841	7.7	3,921.00	11.0	65,232	7.1	24.6	14.76
V	740.35	2.3	21,219	2.9	1,430.90	4.0	54,746	6.0	93.3	158.00
VI	3,222.25	10.1	90,057	12.2	5,559.99	15.6	160,247	17.5	72.5	77.94
VII	5,586.84	17.6	129,136	17.5	4,424.01	12.4	154,577	16.8	(20.8)	19.70
VIII	984.52	3.1	20,049	2.7	2,985.97	8.4	66,909	7.3	203.3	233.73
IX	2,849.02	9.0	60,504	8.2	2,293.80	6.4	66,464	7.2	(19.5)	9.85
X	1,208.94	3.8	34,571	4.7	1,360.12	3.8	35,939	3.9	12.5	3.96
XI	2,506.44	7.9	21,638	2.9	3,127.09	8.8	36,647	4.0	24.8	69.36
XII	1,294.00	4.1	29,222	4.0	1,853.61	5.2	45,282	4.9	43.2	54.96
All regions	31,781	100.0	739,498	100.0	35,620.63	100.0	917,814	100.0	12.1	24.11

Insurance Claims Paid

The 12% increase in PCIC's insurance coverage in 2014 relative to the previous year resulted in an even greater 71% growth in the amount of premium payments generated by the crop insurance corporation (i.e., from P1.59 billion in 2013 to P2.73 billion in 2014). It can be noted that increase in the amount of premium payments was due to the full subsidy of insurance premium of subsistence farmers and fisherfolk registered under the RSBSA for all insurance product lines, except the term insurance power packages. The growth in High value crops insurance contributed to the greater growth in premium payments.

(*Explain here the reason for the greater 71% growth in premium payments than the 12% growth in amount of coverage. This could probably be explained by which types of insurance were availed of more in 2014. Pls check.)

However, the amount of insurance claims paid by PCIC also increased (i.e., by 49%) in 2014 compared to the previous year. The increase in insurance claims payments was due to the devastation caused by several typhoons that visited the country during the year, namely typhoons Agaton, Basyang, Caloy, Glenda, Luis, Mario, & Queenie, Ruby & Seniang in Luzon, Visayas and Mindanao regions. ***(*Can you identify here the names of some of the typhoons that particularly caused the greatest devastation in 2014?)*** This is aside from drought in Regions II, IV, VII and X that happened during the months of June until the end of 2014 and increased rat infestation in Cotabato, Zamboanga del Sur, Leyte, Nueva Ecija, Tarlac and Isabela. ***(*Where?)*** caused by rat migrations from flooded areas.

The Damage Rate (i.e., measured as *Claims Paid/Amount of Cover*) was greater in 2014 (2.07%) compared to 2013 (1.55%) due to the greater rate of increase in the amount of insurance claims paid (i.e., 49%) relative to the rate of increase in amount of insurance cover (i.e., 12%). On the other hand, the Loss Ratio (i.e., measured as *Claims Paid/Premiums Earned*) fell in 2014 because of the greater rate of increase in the amount of premium payments generated (i.e., 71%) relative to the rate of increase in the amount of insurance claims paid (i.e., 49%). Table 6 shows the amounts of insurance cover, premiums and claims paid by PCIC over the period 2013-2014.

Table 6. Insurance Coverage and Claims, Year-ends 2013 and 2014

	Year-end 2013	Year-end 2014	% Change
Amount of cover (PM)	31,854.23	35,620.63	12%
Amount of premiums (PM)	1,593.89	2,726.71	71%
Claims paid (PM)	494.60	738.45	49%
Damage rate (%)^{1/}	1.55%	2.07%	33%
Loss ratio (%)^{2/}	31%	27%	(13%)

^{1/}Damage Rate = Claims Paid/Amount of Cover

^{2/}Loss Ratio = Claims Paid/Premiums Earned

Source: Philippine Crop Insurance Corporation (PCIC).

Insurance Claims Paid, by Commodity

By type of commodity, rice crop losses accounted for around two-thirds (69%) of the aggregate amount of insurance claims paid by PCIC in 2014 (i.e., P513 million). On the other hand, the amount of insurance claims paid for corn production losses (P169 million) made up the second biggest share (23%) in the aggregate amount of insurance claims paid by PCIC in 2014; while amount of claims paid for losses in high-value commercial crops (HVCC) production (P31 million) made up only 4.2% of the aggregate amount of insurance claims paid by PCIC in 2014.

Correspondingly, the number of rice farmer insurance claim beneficiaries in 2014 (i.e., 68,591) constituted almost four-fifths (78%) of the aggregate number of insurance claim beneficiaries of PCIC during the year. The number of corn farmer insurance claim beneficiaries (i.e., 16,447), on the other hand, made up close to one-fifth (19%) of the aggregate number of PCIC insurance claim beneficiaries in 2014; while the number of HVCC farmer insurance claim beneficiaries (i.e., 1,732) made up only 2% of the aggregate number of PCIC's insurance claim beneficiaries during the year. Table 7 shows the amount and number of PCIC insurance claims in 2014, by type of commodity or program.

**Table 7. Insurance Claims, by Commodity / Program
For Year-end 2014**

Commodity /Program	Amount of Cover (PM)	Amount of Premiums (PM)	Claims Paid				Damage Rate (in %)	Loss Ratio	
			Has/No. of Heads/Policies	Amount (PM)	% Share	No. of farmers			% Share
Rice	12,393.90	1,466.68	103,992.670 Has	512.545	69.4%	68,591	77.6%	4.1%	30%
Corn	3,316.81	655.55	25,384.080 Has	169.233	22.9%	16,447	18.6%	5.1%	30%
HVCCI	5,620.94	398.72	2,576.620 Has	31.028	4.2%	1,732	2.0%	0.6%	10%
Livestock	2,116.85	160.78	29,357 Heads	10.026	1.4%	484	0.5%	0.5%	10%
NCI	1,597.13	12.11	366	9.33	1.3%	365	0.4%	0.6%	80%
TIPP	10,460.87	29.95	221 Policies	5.681	0.8%	232	0.3%	0.1%	20%
Fisheries	114.13	2.92	7	0.61	0.1%	588	0.7%	0.5%	20%
TOTAL	35,620.63	2,726.71	161,531.370	738.453	100%	88,439	100%	2.1%	30%

Source: Philippine Crop Insurance Corporation (PCIC)

Note: $\text{Damage Ratio}(\%) = \frac{\text{Claims Paid}}{\text{Amt. of Cover}} \times 100$

$\text{Loss Ratio} = \frac{\text{Claims Paid}}{\text{Premiums Earned}}$