

It's Never Too Late for Improved Rice Crop Insurance

by Aurora Regalado



Table 2: Total number of disasters in Southeast Asia 1990–2009*

Country	Number	Sample %
Cambodia	15	1.9
East Timor	19	2.4
Indonesia	223	27.6
Lao PDR	22	2.7
Malaysia	52	6.4
Myanmar	21	2.6
Philippines	237	29.4
Singapore	3	0.4
Thailand	89	11.0
Timor-Leste	2	0.2
Vietnam	124	15.4
Total	807	100.0

*as of data generated in April 2009.

Source: EM-DAT : The OFDA /CRED International Disaster Database
www.embat.be – Université Catholique Louvain – Brussels – Belgium.

The Philippines is one of the countries most prone to disaster in the world (Table 1) and the worst seriously affected in Southeast Asia (Table 2). With such a situation, it shouldn't have been a brainer to have one's crop insured, right? But not in the Philippines.

Table 1: Countries most exposed to natural hazards from multiple hazards (Top 60 based on land area with 2 or more hazards)

1. St. Kitts and Nevis
2. Macau, China
4. Hong Kong, China
6. Vanuatu
7. Costa Rica
8. Philippines
9. Nepal
10. Guatemala

Crop insurance is defined as “a risk management tool designed to even out agricultural risks and address the consequences of natural disasters to make losses more bearable, especially to the marginalized farmers.”¹ To mitigate risks inherent in Philippine agriculture, the government has been implementing a crop insurance program since 1981 through the Philippine Crop Insurance Corporation (PCIC). It started to cover rice crop and later added corn in 1982. The program expanded its coverage to include tobacco (1991) and High-Value Crops (1993).

Today, in addition to its crop insurances, PCIC has other insurance packages for livestock and non-crop agricultural assets and term insurance plans.

For rice, the insurance covers both inbred and hybrid varieties (see Box 1 for details).

¹ Reyes and Domingo, 2009

Box 1: AMOUNT OF COVER

The insurance shall cover the cost of production inputs per Farm Plan and Budget, plus an additional amount of cover at the option of the farmer of up to a maximum of 20% hereof to cover portion of the value of the expected yield, subject to the following prescribed cover ceilings:

Inbred Varieties

Irrigated/Rain fed P39,000 per ha.
Seed Production P41,000 per ha.

Hybrid Varieties

Commercial Production (F1) P42,000 per ha.
Seed Production (A x R) P52,000 per ha.

TYPES OF INSURANCE COVER

Multi-Risk Cover - This is a comprehensive coverage against crop loss caused by natural disasters (i.e., typhoon, flood, drought, earthquake, and volcanic eruption) as well as pest infestation and plant diseases.

Natural Disaster Cover - This is a limited coverage against crop loss caused by natural disasters.

PERIOD OF COVER

The period of cover shall be from direct seeding or upon transplanting up to harvesting; provided that insurance coverage shall commence from the date of issuance of the Certificate of Insurance Cover (CIC) or actual date of seeding or upon transplanting, whichever is later.

INSURABLE RICE VARIETIES

All rice varieties accredited for production by the National Seed Industry Council (NSIC) are insurable.

PREMIUM RATE

Premium rate is variable per region, per season and per risk classification. This shall be shared by the farmer, lending institution and the government

COVERED RISKS

- Natural disasters including typhoons, floods, drought, earthquakes, and volcanic eruptions.

- Plant diseases, e.g., tungro, rice blast/neck rot, grassy stunt, bacterial leaf blight and sheath blight.
- Pest infestation by any of the following major pests: rats, locusts, armyworms/cutworms, stem borer, black bugs and brown plant hopper/hopper burn.

National Composite Rates and Premium Sharing (%)**Borrowing Farmers****Multi-Risk Cover**

	Low Risk	Medium Risk	High Risk
Farmer	1.46	2.91	4.37
Lending Institution (LI)	2.00	2.00	2.00
Government	5.90	5.90	5.90
TOTAL	9.36	10.81	12.27

Natural Disaster Cover

	Low Risk	Medium Risk	High Risk
Farmer	1.12	2.23	3.35
Lending Institution (LI)	1.50	1.50	1.50
Government	4.22	4.22	4.22
TOTAL	6.84	7.95	9.07

Self-Financed Farmers**Multi-Risk Cover**

	Low Risk	Medium Risk	High Risk
Farmer	3.46	4.91	6.37
Government	5.90	5.90	5.90
TOTAL	9.36	10.81	12.27

Natural Disaster Cover

	Low Risk	Medium Risk	High Risk
Farmer	2.62	3.73	4.85
Government	4.22	4.22	4.22
TOTAL	6.84	7.95	9.07

Crop Insurance Performance

PCIC reported that it was able to serve some 3.468 million farmers, insuring a total sum of P31 billion from 1981 to 2007 (Table 3). It was able to cover more than 300,000 farmers in the 1990s. This went down in 2001 to only about 50,000 famers covered and further down to about 36,000 farmers by 2006. PCIC attributed the decline to the decreasing number of self-financed farmers insuring their crop.⁴

Key Problems Affecting Philippine Crop Insurance Program

- High overhead cost and insufficient investment funds
- Dependence on borrowing farmers' market
- Lack of market orientation

These problems were reiterated during the credit and in-

surance group discussion at the Workshop on Strategies for Rice Self-Sufficiency in November 2010. The farmers also raised some problems they have encountered when claiming indemnity after their farms were hit by the last typhoon, Juan. They said that the Local Government Unit's Municipal Agriculture Officer undervalued the damage to their crops.

The PCIC representative replied the assessment is not done by the LGU-MAO alone to ensure objectivity. The agency also explained that they could cover only about 3 percent of farmers given a budget of only P183 million.

Specific CSO-GO-Private Sector's Proposal

To cover a modest 10% of farmers, the workshop group composed of civil society groups, government and private sector proposed to increase the crop insurance budget to P613 million starting 2011.

Table 3. Cumulative Insurance Coverage and Claims Paid for Rice and Corn from (1981-2007)

Insurance Lines	Insurance Coverage		Claims Paid	
	No. of Farmers/ Policies Written	Sum Insured (PM)	No. of Farmers/ Policies Paid	No. of Farmers/ Policies Paid
Rice	3,010,929	26,437.23	845,812	1,960.54
Corn	457,226	5,011.11	189,548	611.22
TOTAL	3,468,155	31,448	1,035,360	2,572

Source: PCIC 2007

⁴ PCIC data as cited by Reyes, et.al., 2009

⁵ Ibid.

References:

Credit and insurance workshop results, Workshop on Strategies to Rice Self-sufficiency, 25-26 November 2010, Quezon City

Credit, Guarantee and Insurance: Issues and Interventions. Paper is prepared jointly by Agricultural Credit Policy Council (ACPC) and the office of DA Undersecretary for Special Concerns for the 2008 Food Summit to be held on 4 April 2008 at the Fontana Leisure Parks, Clark, Pampanga.

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<http://pcic.gov.ph/03insurance/RICE%20CROP%20INSURANCE.pdf>

<http://www.pcic.gov.ph>