



DEPARTMENT OF AGRICULTURE
**PHILIPPINE
CROP INSURANCE
CORPORATION**

Annual Report 2011





TABLE OF CONTENTS

Letter from the President.....	1
I. Highlights of Operation	2
Introduction.....	2
Results of Operations	3
Insurance Production	3
Claims Paid.....	8
Statement of Underwriting Profit.....	10
Special Projects	11
Weather Index-Based Insurance (WIBI)	11
Area-Based Yield-Index Insurance (ARBY)	12
General Administration and Supervision	12
Employee Training	12
ISO Certification	13
30th Foundation Day Celebration.....	14
Conclusion/Plans for Next Year.....	15
II. Financial Statement.....	16
III. Notes to Financial Statement	18
IV. Board of Directors	23
V. Key Officers	24
VI. Directory	25



30
YEARS
1981-2011

**“Tungo sa Mas Matatag, Mas
Malawak at Mas Magaling
Na Crop Insurance”**





LETTER FROM THE PRESIDENT



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF AGRICULTURE

PHILIPPINE CROP INSURANCE CORPORATION

Dear Valued Partners and Stakeholders:

"Tungo sa Mas Matatag, Mas Malawak at Mas Magaling Na Crop Insurance" was the theme adopted on the occasion of the 30th Founding Anniversary of the Philippine Crop Insurance Corporation (PCIC) last May 19, 2011.

The theme was a solemn commitment for the management and staff of PCIC as well as its partners and other stakeholders to constantly continue and improve the initiatives we have instituted since we first took over the reins of the organization in 2008.

Our year end review and report for the year 2011 show a milestone of improvements in our operations, proof that we are right on track in our objective to build and realize a strong PCIC.

Among them are as follows:

1. The number of insured farmers rose to 186,868 which is 23.77% more than the previous year;
2. The size of farms insured reached 184,926 hectares which is about 17.45% greater than last year;
3. Premium generated rose to P467.73 Million which is 20.94% more than the previous year's collection;
4. PCIC paid insurance claims of about 51,379 farmers worth P401.346 Million for natural calamities pests and diseases;
5. PCIC started to pilot innovative insurance schemes with the aim of developing simpler but more responsive crop insurance products; and
6. A landmark achievement that we attained during our Pearl Anniversary, which added further luster to our accomplishments, was the conferment upon our agency of an International Standards Organization (ISO) 9001-2008 certification for our quality management systems, which have been recognized as at par with world standards. The certification, dated May 16, 2011, was awarded to us by TUV Rheinland, a Germany-based ISO certification agency, on May 19, fittingly during our foundation anniversary celebration. For this, we gratefully acknowledge the assistance of the Development Academy of the Philippines.

Much remains to be done, however. We need to continue to expand our coverage in terms of the number of farmers and the size of farmland. We need to get more LGUs, cooperatives and NGOs to join our network of partners that ensure wider appreciation for the benefits of insuring farm investments. We need to advocate greater support for agricultural insurance from the Legislature and the national government.

We are confident, however, that with our 2011 accomplishments and gains, we have built a firmer platform to launch a stronger, broader and better agricultural insurance system in the country.

Very truly yours,

ATTY. JOVY C. BERNABE
President



I. INTRODUCTION

The Philippine Crop Insurance Corporation (PCIC) is mandated to provide insurance protection to the country's agricultural producers, specially the subsistence farmers, against loss of their crops and related non-crop agricultural assets due to natural calamities, such as typhoons, floods, droughts, earthquakes and volcanic eruptions, plant pests and diseases and other perils.

This mandate is based on its Charter under Presidential Decree No. 1467, issued in 1978, entitled "Creating the 'Philippine Crop Insurance Corporation,' Prescribing its Powers and Activities, Providing for its Capitalization and for the Required Government Subsidy, and for other Purposes," and Republic Act No. 8175, enacted in 1995, entitled "An Act Further Amending Presidential Decree No. 1467, as amended, otherwise known as the Charter of the Philippine Crop Insurance Corporation, in order to make the Crop Insurance System More Stable and More Beneficial to the Farmers Covered Thereby and for the National Economy."

The agency has two-fold broad objectives: to help stabilize the income of agricultural producers; and to ensure the flow of credit to the countryside.

Under PCIC's programs, projects, and provisions of the Charter, its social orientation supports Key Result Area 2¹ of the Philippine Development Plan, which is poverty reduction and empowerment of the poor and marginalized sector.

It also supports two of President Aquino's Social Contract with the Filipino People. These are: Contract No. 7, "recognizing farms and rural enterprises as vital to achieving food security and more equitable economic growth, worthy of re-investment for sustained productivity;" and Contract No. 8, "building capacity and creating opportunity among the poor and the marginalized in the country."

Being an attached agency in the Department of Agriculture (DA), the PCIC's agricultural insurance programs contribute to the comprehensive delivery of Major Final Output (MFO) No. 2, "agriculture and fisheries support services delivered," specifically the sub-MFO "credit facilitation service" as shown by the Organizational Performance Indicator Framework (OPIF) of the Department.

(The OPIF is a public expenditure management tool that directs agencies to allocate resources towards generating results and ensures that they account for their performance. It sets out an agency's societal and organizational outcomes as well as its MFOs and programs, activities, and projects (PAPs). An MFO is a development good or service produced by an agency that directly benefits its clients and stakeholders.)

This report details the results of implementation of the PCIC's PAPs in 2011, aimed at building an institutionally strong PCIC.



¹ From Executive Order 43 (2011), the key result areas are:

- a. Transparent, accountable, and participatory governance;
- b. Poverty reduction and empowerment of the poor and vulnerable;
- c. Rapid, inclusive, and sustained economic growth;
- d. Just and lasting peace and the rule of law; and
- e. Integrity of the environment and climate change adaptation and mitigation.

II. RESULTS OF OPERATIONS

The following is an account of the physical and financial result of the PCIC's regular operations categorized according to specific indicators:

Insurance Production

The number of farmers that enrolled in the various insurance lines for CY 2011 totalled 186,868 which is 23.77% more than the previous year's enrolment level. The premiums earned amounted to P467.730 Million, posting a growth of 20.94% from the previous year. The total crop area insured rose to 184,925.57 hectares, which is 17.45% more than the previous year's insured crop area. The total amount of cover reached P6.593 Billion, 10.70% more than the previous year's amount of cover.

The following are the results of production by insurance lines during the year (see Table 1):

Table 1
INSURANCE PRODUCTION BY INSURANCE LINES

Insurance Lines	Number of Farmers	ACCOMPLISHMENT					
		Amount of Cover		Premium		Area	
		Amt. (PM)	.vs 2010 (%) Inc/(Dec)	Amt. (PM)	.vs 2010 (%) Inc/(Dec)	No. of Has.	.vs 2010 (%) Inc/(Dec)
Rice	109,158	3,461.227	15.44	373.005	17.84	165,285.85	16.00
Corn	12,393	365.143	43.00	65.297	52.31	16,817.21	37.00
Rice & Corn Combined	121,551	3,826.370	17.61	438.302	21.95	182,103.06	18.00
HVCC	1,230	74.280	(8.00)	2.398	20.08	2,822.51	2.00
Livestock	7,832	168.265	105.00	8.621	95.84		
Non-Crop Insurance	735	737.525	(48.00)	5.042	(48.33)		
Term Insurance	55,483	1,760.118	57.00	12.842	14.73		
Fisheries	37	26.246	100.00	0.525	100.00		
Total	186,868	6,592.804	10.70	467.730	20.94	184,925.57	17.45

For CY 2011, the total number of farmers who availed rice insurance services amounted to 109,158. Premiums, including government premium subsidy, totalled P373 Million, or 17.84% more than last year. The aggregate size of the rice farms insured reached over 165,285 hectares, 16% more than last year. The total insurance cover stands at P3.46 Billion, 15.44% more than the previous year.

Also in corn insurance, 12,393 farmers participated in the program. Premiums totalled P65.297 Million which is 52.31% more than last year. Total size of the corn farms enrolled reached over 16,817 hectares, or 37% more than last year. The amount of insurance protection stood at P365.154 Million which is 43% more than last year.



HIGHLIGHTS OF OPERATION

The combined number of rice and corn farmers who participated in crop insurance for CY 2011 reached 121,551. The total premiums earned from farmers, lending institutions and government, as premium subsidy to the rice and corn insurance coverage of marginalized subsistence farmers amounted to P438.302 Million, or 21.95% more than the last year figure. Total insured rice and corn crops area reached 182,103 hectares, or 18.00% more than last year while the total amount of cover reached P3.826 Billion, or 17.61% more than the volume posted the year before.

In the high-value commercial crop insurance, 1,230 farmers enrolled in the program tilling 2,822.51 hectares devoted to high-value crops production. PCIC has provided protection to the high-value farmers' farm investments amounting to P74.280 Million.

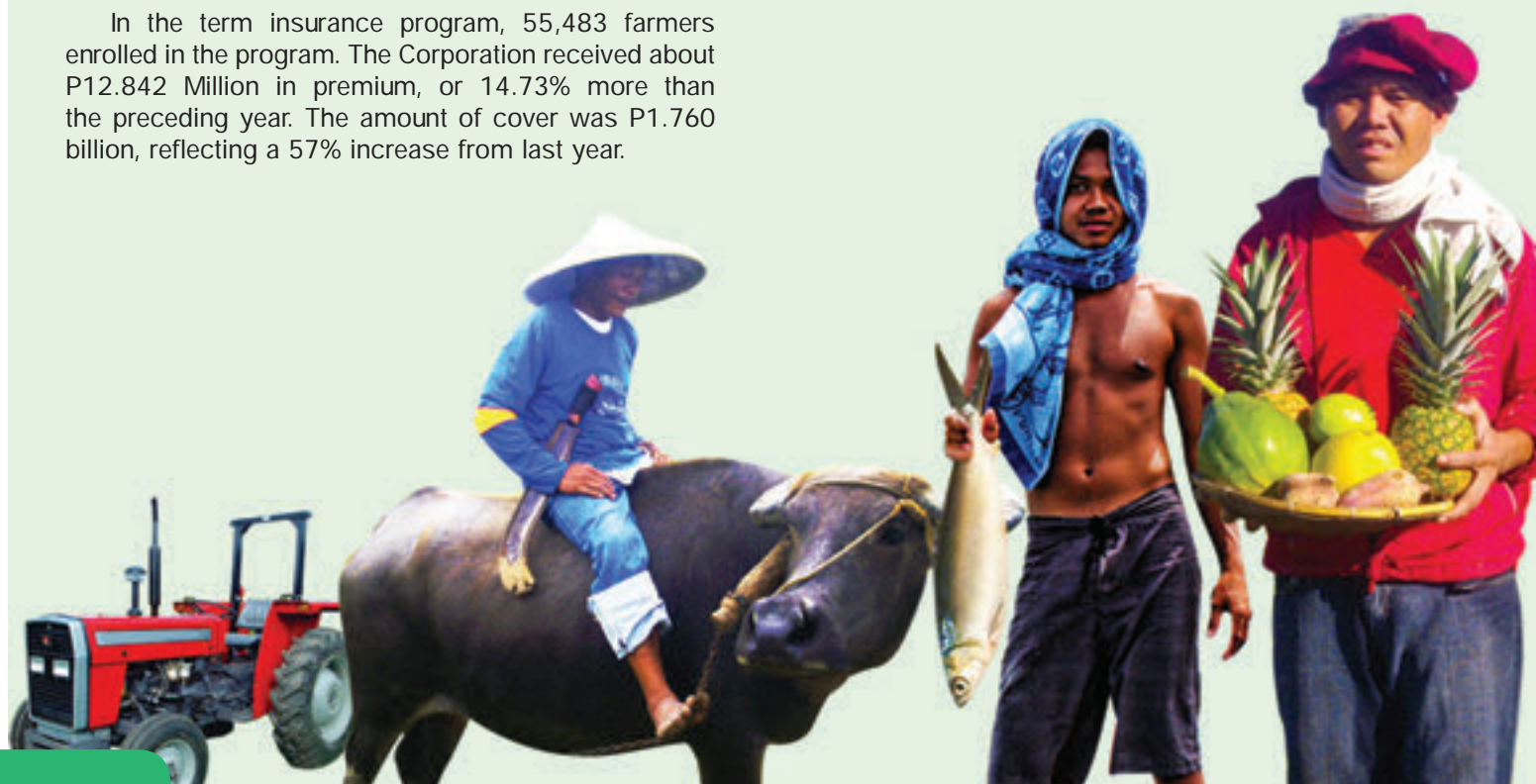
In livestock insurance, 7,832 farmers participated in the program. The Corporation received a total of P8.621 Million in premiums, or 95.84% more than the last year's premium income, involving P 168.26 Million worth of livestock policies, which is a 105% increase from last year's figure.

In non-crop insurance, 735 farmers availed themselves of the program. Premium paid stood at P5.042 Million, which is 48.33% less than the previous year's premium income. This led to the decrease in the worth of policies provided by 48% to P737.525 Million.

In the term insurance program, 55,483 farmers enrolled in the program. The Corporation received about P12.842 Million in premium, or 14.73% more than the preceding year. The amount of cover was P1.760 billion, reflecting a 57% increase from last year.

Finally, in fisheries insurance, PCIC issued policies involving P26.246 Million worth of fisheries investments. The fisheries insurance program was approved by the PCIC Board in the last quarter of the previous year.

The increases in the insurance production indicators, most especially in the rice and corn insurance lines, can be attributed to more aggressive campaign undertaken by the PCIC staff, specially in the regions. The campaigns effectively impressed upon the farmers and other stakeholders the benefits and advantages of participating in the insurance programs. These ensured the continued participation of existing insurance subscribers while encouraging the participation of new ones to the program.





HIGHLIGHTS OF OPERATION



A key part of the initial leg of this campaign was implemented during the early part of the year, in April, during the farmers' forum held in Barangay Sabang, Baler, Aurora with Senator Edgardo Angara, a staunch champion of agricultural insurance and PCIC champion, as Guest of Honor (see picture above).

Among the more important targets of this campaign were the Local Government Units that invested in crop insurance, non-crop insurance for the agriculture and fisheries-related facilities and infrastructure, and term-insurance for their farmer constituents, personnel and staff.

During the year, the PCIC forged tie-ups, through memoranda of agreements, with three provincial LGUs, namely: Isabela, Cebu and Negros Occidental. The Cebu agreement involved insurance protection for some 50,000 marginalized farmers and fisherfolk. In August, the PCIC and the Cebu provincial LGU distributed policies to 1,200 farmers and fisherfolk in the town of San Remigio; and in October, some 1,163 farmers and fisherfolk received their insurance policies in Argao.



THE PROVINCE OF CEBU AND PCIC signed a Memorandum of Agreement at Cebu International Convention Center on April 12, 2011 that insured 50,000 marginalized farmers and fisherfolk (left photo). A similar event was conducted between the PROVINCE OF NEGROS OCCIDENTAL AND PCIC on June 21, 2011 (right photo).

The PCIC partnerships with these LGUs were mutually beneficial. On the part of the LGUs, the partnerships utilized their limited agriculture and fisheries development and calamity funds and allowed them to assist affected farmers and fisherfolk immediately after typhoons, floods, droughts, pests and diseases faster than when they depended on their own resources only. On the part of the PCIC, it boosted premium collection. The outcome resulted to the fast turn-around in the rehabilitation of the affected farms which contributed to the limited disruption in the production of agricultural and fisheries products and their flow to the markets and to the consumers. It also enabled the affected farmers and fisherfolk to recover from their losses immediately, thus, lessening the impact of damages incurred by them.



HIGHLIGHTS OF OPERATION

New policies were issued to farmers and cooperatives participating in the Land Bank of the Philippines' (LBP) rice and corn production loan program, even as existing policy holders also affiliated with the LBP's program renewed their policies. Among those that continued their participation in the insurance programs were Aurora Bank and Alay sa Kaunlaran (ASKI) and Tulay sa Pag-unlad Inc. (TSPI) Multi-Purpose Cooperative in Regions I, II, III and IIIA; the Cooperative Bank in Cagayan; the Cooperative Rural Bank of Bulacan; the Department of Agriculture-Regional Field Unit III rice insurance program; the Provincial Government of Isabela; and the First Valley Bank in the Region IX, X and XII.

The decreases posted in the non-crop insurance lines were mostly due to the non-renewal of accounts covering assets of projects funded under the DA's Agricultural Competitiveness Enhancement Fund

(ACEF) Program. The DA-ACEF Program Management temporarily suspended the implementation of the program pending review of the implementation, rules and regulations on the matter.

Another noteworthy undertaking accomplished during the year is another innovative strategy: forging insurance tie-ups with government agencies and non-government organizations. During the year, the PCIC sealed memoranda of agreement for insurance coverage of agriculture and fisheries development related assets and personnel of the National Dairy Authority and Agricultural Training Institute. It likewise signed agreements for the same insurance cover with private entities, namely the: Cocoa Foundation of the Philippines (CocoaPhil) and the Central Luzon State University Alumni Foundation, Inc. (CAFI).



PCIC signed an agreement with the National Dairy Authority (NDA) on June 28, 2011 to provide insurance cover and related insurance services to the latter's livestock and other agricultural assets. Above, PCIC President Jovy C. Bernabe and Agriculture Undersecretary Bernadette Romulo-Puyat show the newly signed Memorandum of Agreement (MOA) with NDA Administrator Grace J. Cenas (left).



The MOA between PCIC and Cocoa Foundation of the Philippines, Inc. (CocoaPhil) was signed on November 24, 2011. CocoaPhil was represented by its President, Edward F. David (seated second from the right).



HIGHLIGHTS OF OPERATION



The MOA between PCIC and Central Luzon Alumni State University Foundation, Inc. (CAFI) was signed on October 27, 2011. President Eliseo L. Ruiz (seated rightmost) represented CAFI.

During the year, also, the PCIC rolled out the fisheries insurance program which has been approved by the PCIC Board the previous year. In May, the first insurance policy was issued to Southern Negros Agri-Fisheries Multi-Purpose Cooperative (SONAMCO), in Siaton, Negros Oriental.



PCIC issued the first insurance coverage to Southern Negros Agri-Fisheries Multi-Purpose Cooperative (SONAMCO) of Negros Oriental on May 19, 2011. Above, Atty. Bernabe and SONAMCO General Manager Juventud V. Chavez show the newly signed copy of the MOA. BFAR Director Malcolm I. Sarmiento (middle) and Assistant Director Gil A. Adora (rightmost) witnessed the event.

Claims Paid

A total of 51,379 farmers and other agricultural stakeholders filed claims and received indemnity for crop damage, death of livestock, damage to agricultural properties and death of insured farmers during the year 2011. Aggregate claims payment reached P401.346 Million, reflecting an increase of 63.16% in the amount paid out compared in the previous year.

The following is the breakdown of the number of claimants and payouts by insurance line during the year (see Table 2):

Table 2
CLAIMS PAID BY INSURANCE LINE

INSURANCE LINES	CLAIMS PAID (PM)			DIFFERENCE INC./ (DEC)	
	DECEMBER 2011		DEC. 2010	AMOUNT (PM)	(%)
	Number of Farmers	Indemnity	Indemnity		
Rice	47,945	375.404	213.076	162.328	76.18
Corn	2,930	18.598	27.192	(8.594)	(31.60)
Rice & Corn Combined	50,875	394.003	240.268	153.735	63.98
HVCC	40	0.653	1.190	(0.537)	(45.13)
Livestock	376	2.422	1.912	0.510	26.67
NCI	5	1.662	0.301	1.361	452.16
TIPP	83	2.607	2.316	0.291	12.56
Fisheries	0	0.000	0.000	0.000	0.00
TOTAL	51,379	401.346	245.987	155.359	63.16

In rice, 47,945 farmers received a total of P375.404 Million in insurance payments, which reflects some 76.18% increase from the previous year.

In corn, 2,930 farmers received some P18.596 Million, in insurance payments which is 31.60% less than the previous year's payment.

The combined rice and corn farmers that were paid numbered 50,875. Collectively, they received some P394 Million, which is 63.98% more than the previous year's combined payments.

In the high-value commercial crop insurance, 40 farmers were paid P0.653 Million, which is 45.13% less than the past year's payment.

In livestock, 376 farmers were paid some P2.422 Million in damages, which is 26.67% more than the preceding year's.

In non-crop insurance, five farmers received some P1.662 Million in indemnity, which is about 452% greater than last year's figure.

In the term insurance program, 83 farmers were paid some P2.607 Million, which is 12.56% greater than the claims paid last year.

No claim and payment were made in the fisheries insurance program.

Typhoons, flooding, drought, pests and diseases were the leading causes of crop damage in the rice and corn insurance sectors. Claims made and paid due to typhoon and flood damage reached P288.341 Million, indicating a huge 255.85% increase for similar claims and payments made last year. Significant damages were wrought by Typhoons Bebing, which occurred in May; Egay and Falcon, June; Juaning, July; Mina, August; Pedring, September; Quiel, October; and Sendong, December.



HIGHLIGHTS OF OPERATION

Despite the El Nino phenomenon which experienced last year, drought damage claims, in contrast, reached some P5.739 Million only, reflecting a drop of 91.55% from the last year's figure.

Claims for pest damages totalled about P73.548 Million, or 17.44% more than last year's payment. This is mainly due to rodent infestation in all regions due to floodings that cause migration of rodents.

Lastly, claims for diseases stood at around P26.377 Million, which is 8.10% less than last year. The erratic weather conditions favored the growth of causal organism for rice blast in Regions II, III, IIIA, VIII, XI and XII and bacterial stalk rot in Regions V and IX.

As a result of the quality management systems review and consequent upgrading made in relation to the agency's quest for organizational improvement and

International Standards Organization (ISO) certification (see part III of this report), the processing of damage claims vastly improved during the year. The period from the filing of the claim to release of indemnity payment has been cut down to less than 20 days of the reglementary period.

Stressing the importance of crop insurance in the DA's development program, Agriculture Secretary Proceso J. Alcala, who also presides as chairperson of the PCIC Board, led the award of indemnity checks on three occasions. These were in Cauayan, Isabela in October where he distributed indemnity checks worth a total of P14.6 Million to 1,470 farmers; in Pampanga in October, where he awarded P5 Million in indemnity payment to 1,901 farmers; and simultaneously in Bulacan and Pampanga, where he distributed P4.3 Million in indemnity payment to 358 farmers.



Agriculture Secretary Proceso J. Alcala, who is also the PCIC Board Chairperson, awarded indemnity checks worth P14.6 Million to 1,470 farmers who suffered typhoon damage in Cauayan, Isabela on October 19, 2011. Above, Sec. Alcala poses with a farmer beneficiary and Isabela Governor Faustino G. Dy III (leftmost).



Secretary Alcala also personally awarded indemnity checks worth P5.0 Million to 1,901 farmers in Pampanga (left photo) with Governor Lilia G. Pineda and P4.3 Million to 358 farmers in Bulacan (right photo) with Governor Wilhelmino M. Sy-Alvarado on October 21, 2011.

Statement of Underwriting Profit

The underwriting profit during the year, which is the difference between the premiums received from the insured farmers/stakeholders and the government premium subsidies for the rice and corn crops insurance coverage of the marginalized subsistence farmers provided by the National Government, on the one hand, and the claims paid, on the other, stood at P10.831 Million. The amount represents 2.32 % of the total premiums generated. Compared with the previous year's, the profit value reflects a huge drop of 92.31% (see Table 3 for reasons thereof).

Table 3
UNDERWRITING RESULT

PARTICULARS	AMOUNT (PM)				DIFFERENCE INC./ (DEC.)	
	DEC. 2011	% To Total	DEC. 2010	% To Total	AMOUNT (PM)	%
Premium Income	467.730	100	386.753	100	80.977	20.94
Less: Premium Discounts (GPS)	55.553	11.88	-	-	55.553	100
Net of PCIC Discounts (GPS)	412.177	88.12	386.753	100	25.424	6.57
Less: Claims Paid	401.346	85.81	245.987	63.60	155.359	63.16
Underwriting Profit	10.831	2.32	140.766	36.40	(129.935)	(92.31)

Records show that the greatest factor for this decline was the significant damage wrought by the unusually destructive typhoons that swept through the country, specially the Northern part of Luzon. Despite the aggregate decline in profits, however, all insurance regions, except Region III and IIIA, posted underwriting profits. These two regions suffered the greatest brunt of the typhoons, including flooding.

The resulting damage rate, or the ratio between indemnity paid and insurance cover provided, was 6.09%, while the aggregate premium computed for all insurance lines was 7.09% (comparative aggregate premium rate). The loss ratio, which is the simple ratio between indemnity over premium payment, was computed at 1:0.86, indicating that the aggregate amount of indemnity paid was less than the aggregate premium collected.



The computed damage and loss rates by insurance lines are shown in Table 4.

Table 4
DAMAGE AND LOSS RATES

INSURANCE LINE	COVER	PREMIUM	INDEMNITY	DAMAGE RATE (4/2)*100	LOSS RATE (4/3)
(1)	(2)	(3)	(4)	(5)	(6)
Rice	3,461.227	373.005	375.404	10.85	1.01
Corn	365.143	65.297	18.598	5.09	0.28
Rice & Corn	3,826.370	438.302	394.003	10.30	0.90
HVCC	74.280	2.398	0.653	0.88	0.27
Livestock	168.265	8.621	2.422	1.44	0.28
Non-Crop Insurance	737.525	5.042	1.662	0.23	0.33
Term	1,760.118	12.842	2.607	0.15	0.20
Fisheries	26.246	0.525	0.000	0.00	0.00
Total	6,592.804	467.730	401.346	6.09	0.86

III. SPECIAL PROJECTS

The PCIC utilized the implementation of multi-agency special projects to test in actual field applications some innovative crop insurance schemes. The schemes piloted were the: weather index-based insurance (WIBI) and area based yield indexed insurance (ARBY).

Weather Index-Based Insurance (WIBI)

The WIBI is a scheme in which indemnity payments are made based on the occurrence of agreed weather-based indicators and not on actual damages suffered by standing crops. Once these indicators are reached or breached, such as limited or excessive amount of rainfall in critical phases of crop growth, payments are made. No field assessment of damage, as conventionally required in traditional agricultural insurance, is done. It therefore responds more quickly to the needs of the farmers in times of "bad weather."

The WIBI products tested were insurance for rice crop in rainfed areas, involving low rainfall cover and excessive rainfall cover; and in irrigated areas, for excessive rainfall.

The pilot tests were conducted in the municipalities of Buenavista and Remedios T. Romualdez in Agusan del Norte.

The first test cycle was conducted from July to November for rice. The risks covered were low and excessive rainfall in rainfed areas and excessive rainfall in irrigated areas. It was participated in by 154 farmers and insured 167 hectares. Some P4.045 Million was allocated as insurance cover. Of the 154 farmers, 102 farmers were paid some P1.242 Million.

The agencies that collaborated with PCIC and participated in the pilot test were the International Labor Organization, Department of Agriculture-Regional Field Unit, Local Government Units of the participating municipalities, and the Department of Science and Technology-PAGASA.

In collaboration with the World Bank-Global Environment Facility, PCIC has another weather index-based crop insurance pilot project under the Philippines: Climate Change Adaptation Project Phase 1(PhilCCAP1). The pilot sites are in Cagayan Province (Region 2) and Iloilo Province (Region 6).

Area-Based Yield-Indexed Insurance (ARBY)

ARBY is a scheme that makes indemnity payments when the average yield of a clearly defined geographic unit falls below a critical threshold or strike point. This insurance product therefore is based on shortfall in guaranteed yield.

The product was pilot-tested in the National Irrigation Systems in Leyte, namely: Bao, Mainit-Pongso and Hindang-Hilongos.

The pilot run, conducted during the wet-season from July to October, tested the scheme against natural calamities and pests and diseases. One hundred twenty nine (129) farmers tilling 174.30 hectares participated in the pilot-testing. Some 37 farmers were eventually paid P0.04 Million.

The agencies that supported PCIC in the project were the German Agency for International Cooperation (GIZ), Department of Agriculture-Regional Field Unit VIII, National Irrigation Administration and the DA-Bureau of Agricultural Statistics.

IV. GENERAL ADMINISTRATION AND SUPERVISION

The positive results in the agency's operation can be attributed to the organizational development efforts undertaken by the management and staff as follows:

Employee Training

To ensure that its workforce provides effective and efficient support to the agency's main business, the PCIC management adopted and implemented extensive training programs. During the year, eight seminar-workshops were conducted for both its officer and rank-and-file personnel. Seminars on marketing were conducted in Davao and Baguio for Mindanao and Luzon-based personnel, respectively. Two forums

on basic quality and productivity improvement were conducted in Metro Manila. A seminar on basic records and archives management was likewise conducted. The two other seminars tackled non-life insurance for underwriters and claim adjusters and the elements and implications of the International Standard Organization (ISO) 9001-2008 (Quality Management System), which the agency gained during the year.



Marketing Seminar-Workshop of PCIC Mindanao Sector in Davao City on 19-21 January 2011.



Training-Workshop on Basic Quality and Productivity Improvement Approaches in Quezon City on 8-10 June 2011



HIGHLIGHTS OF OPERATION

ISO Certification

Following a series of training for its key personnel in Quality Management System starting the previous year with assistance from the Development Academy of the Philippines (DAP), the agency was conferred the ISO certification by TÜV Rheinland, a Germany-based ISO certifying body, with Certificate Registry No. 01 100 1 17448 dated 16 May 2011. The certification covered the provision of agricultural insurance protection in crops, non-crop and livestock. It also covered term insurance protection covering life and limb of agriculture and fisheries workers.



This ISO 9001:2008 certification was a landmark achievement of PCIC in improving its Quality Management System. The certification process allowed the agency to document, enhance and standardize its systems and procedures. This assures the PCIC's clients of higher and consistent quality management and professional delivery of mandated services in the Head Office as well as its Regional Offices.



The ISO 9001:2008 Certificate of Compliance was awarded to the PCIC fittingly during the agency's 30th foundation day celebration at San Juan on May 19, 2011.



HIGHLIGHTS OF OPERATION



30th Foundation Day Celebration

The ISO 9001:2008 Certificate of Compliance was conferred during the agency's 30th foundation day program held on May 19 at the Club Filipino in San Juan City, Metro Manila. The Pearl Anniversary program gathered past and current personnel of the agency in a celebration that was organized under the theme **"Tungo Sa Mas Matatag, Mas Malawak At Mas Magaling Na Crop Insurance."** (Photo above shows the PCIC family in a souvenir shot during the event)



The gathering was graced by Senator Francis "Kiko" Pangilinan, Chairperson of the Senate Committee on Agriculture, and one of the agency's champion in the Senate, as well as senior officials of the DA who represented Secretary Alcala, namely: Undersecretary Antonio Fleta (not in photo) and Undersecretary Bernadette Romulo-Puyat.

In his message delivered by Undersecretary Fleta, Secretary Alcala congratulated the management and staff of the agency for a job well done. He said:

"Along with government support, a management system that has been vetted at par with international standards in terms of its quality, and owned by the PCIC workforce because they were part of the formulation and documentation process, will certainly go a long way in raising fiduciary efficiency and fostering client confidence.

This augur well for the continued growth and development of the PCIC and its risk management business, which in turn, can only have positive influence on agricultural investments, crop production and food security."

V. CONCLUSION/PLANS FOR NEXT YEAR

THE PCIC'S operations in 2011 paved the way for further and faster organizational and operational improvements in the year ahead. Toward this end, we intend to achieve or do the following corporate thrusts next year:

- Increase number of enrolled farmers;
- Increase insurance coverage;
- Further shorten processing time for claims;
- Continue to strengthen linkages with intermediaries;
- Pursue pending legislation with Congress for the increase of PCIC's capitalization to P 10 billion;
- Continue pilot-testing of Weather Index-Based Insurance and Area Based Yield Index Insurance;
- Maintain ISO accreditation, including improving further operational efficiency by automating all aspects of operations of the corporation; and
- Increase revenue from the HVCC, Livestock, Non-Crop Insurance and Term Insurance Programs.



PHILIPPINE CROP INSURANCE CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011 (IN PHILIPPINE PESO)

	2011	2010
INSURANCE PREMIUMS		
Traditional lines-National Government Share	219,447,691.79	187,367,745.78
Traditional lines-Farmers and Institutions	217,810,070.21	171,785,094.98
Term/Life Insurance	13,102,634.49	11,366,368.56
Non-Crop Insurance	4,903,980.49	9,760,915.75
Livestock Insurance	8,626,153.32	4,396,649.57
High Value Crops	2,091,690.70	2,001,930.63
Fisheries	667,721.40	-
Total	466,649,942.40	386,678,705.27
Add/(Deduct) Premium Reserve	8,206,338.64	(10,568,101.31)
Premium Refund	272,262.56	279,198.94
NET PREMIUMS	458,171,341.20	396,967,607.64
UNDERWRITING EXPENSE		
Insurance Benefits	401,018,312.88	249,586,975.54
Premium Discounts	62,652,507.43	33,528,144.62
Reinsurance Premiums Ceded Treaty/Facultative	6,752,406.42	20,081,510.57
Commission Expense	15,728,863.98	11,779,024.55
Death Benefits	770,000.00	620,000.00
Honoraria/Incentive to Claims Adjuster	120,131.50	34,332.00
Honoraria/Incentive to Agricultural Technician	11,568.00	61,750.00
Total Underwriting Expense	487,053,790.21	315,691,737.28
NET UNDERWRITING INCOME	(28,882,449.01)	81,275,870.36
OTHER INCOME	32,925,538.97	36,221,358.10
GROSS OPERATING INCOME	4,043,089.96	117,497,228.46
OPERATING EXPENSES		
Personal Services		
Salaries and Wages	60,392,020.89	56,072,331.96
Other Compensation	19,774,382.31	18,738,185.25
Personnel Benefits Contribution	7,961,356.43	7,207,895.40
Other Personnel Benefits	11,766,452.87	7,562,767.95
Total Personal Services	99,894,212.50	89,581,180.56
Maintenance and Other Operating Expenses		
Professional Expenses	22,773,090.72	16,109,300.62
Rent Expense	5,975,943.62	6,040,184.56
Advertising Expense	19,227,582.34	11,777,943.78
Training Expense	2,465,379.04	3,878,208.99
Traveling Expense	8,046,841.45	6,466,794.55
Utility Expense	3,509,228.13	3,059,111.84
Depreciation Expense	5,549,277.61	4,992,286.98
Communication Expense	2,186,499.64	2,059,433.48
Supplies and Materials Expense	2,604,681.49	2,367,080.13
Other MOOE	14,257,284.57	20,872,208.49
Total MOOE	86,595,808.61	77,622,553.42
Financial Expense	1,441,202.19	1,492,529.80
Total Operating Expense	187,931,223.30	168,696,263.78
NET INCOME/(LOSS)	(183,888,133.34)	(51,199,035.32)

PHILIPPINE CROP INSURANCE CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AUDITED)
DECEMBER 31, 2011 (IN PHILIPPINE PESO)

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	111,382,335	106,158,809
Financial Investments Held-to-maturity	7,694,487	274,201,765
Receivables - current	204,823,221	154,040,124
Other current assets	5,776,545	9,243,712
	329,676,588	543,644,410
Non-current assets		
Receivables - non-current, net	332,641,130	330,893,318
Investments	396,668,900	296,668,900
Property and equipment, net	22,802,082	25,588,420
Other assets	-	-
	752,112,112	653,150,638
TOTAL ASSETS	1,081,788,700	1,196,795,048
LIABILITIES		
Current liabilities		
Accounts payable	75,454,218	48,132,018
Inter-agency payable	3,570,856	2,751,270
Other current liabilities	618,096	619,685
	79,643,170	51,502,973
Non-current liabilities		
Due to other national government agencies	150,579,889	140,184,014
Due to other funds	1,028,121	3,267,347
Deferred credits	28,608,213	13,523,518
Reserve for unearned premium	79,694,420	71,786,406
	259,910,643	228,761,285
TOTAL LIABILITIES	339,553,813	280,264,258
EQUITY	742,234,887	916,530,790
TOTAL LIABILITIES AND EQUITY	1,081,788,700	1,196,795,048

PHILIPPINE CROP INSURANCE CORPORATION**NOTES TO FINANCIAL STATEMENTS (ALL AMOUNTS IN PHILIPPINE PESOS UNLESS OTHERWISE STATED)****1. ACCOUNTING POLICIES**

The principal accounting policies adopted in preparing the financial statements of the Corporation are as follows:

1.1 Basis of preparation

The accompanying financial statements of PCIC for the year ended December 31, 2011 have been prepared by applying accounting policies in accordance with the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) to achieve a fair presentation of the financial statements.

PCIC is a going concern entity which financial statement have been prepared on accrual basis, except when stated otherwise, and in accordance with the historical cost convention. The presentation and classification of item in the financial statements shifted from NGAS to PFRS.

1.2 Adoption of the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS)

Under the Philippine Accounting Standards (PAS) 1, unless the financial statements comply with all the requirements of PFRS they are not described as complying with PFRS/PAS. The PCIC's financial statements have been prepared in compliance with some, but not all, PFRS and PAS as aligned with the provisions of the Philippine Financial Reporting Standards (PFRS). References to the preparation of these statements in accordance with the PFRS/PAS should be viewed with this qualification and related disclosures. The PCIC has adopted the applicable PFRS/PAS and compliance thereto mentioned in the specific accounts where applicable.

1.3 Changes in Accounting Policies

There was a change in accounting policies from New Government Accounting System (NGAS) to Philippine Financial Reporting Standard (PFRS).

1.4 Significant Accounting Policies**a. Recognition of income**

Revenue is recognized when it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

1. Income from Insurance Operations

Insurance premium is recognized as income upon the effectivity of the policy. The corresponding reinsurance, commission and service fees are deducted from gross revenues.

2. Income from investing activities

Income from short-term and long-term investment are recognized based on the accrual method of accounting net of the 20% tax.

2. RECEIVABLES – CURRENT

This account consists of the following:

	2011	2012
Premium receivable National Government	195,311,464	145,311,464
Premium receivable Farmers & Lis	2,963,000	2,658,367
Due from other funds - Special Revolving Trust Fund (SRTF)	1,648,039	1,612,865
Interest receivable-bonds	4,900,718	4,457,428
	204,823,221	154,040,124

Premium Receivable - National Government:

Represents the amount of unreleased share of government in the total insurance premiums.

Due from other funds-SRTF:

Represents the amount collectible by PCIC for expenses incurred in connection with the implementation of the SRTF.

3. RECEIVABLES – NON – CURRENT, NET

This account consists of the following:

	2011	2012
Premium receivable-arrearages National Government (NG) a/	315,664,677	315,664,677
Other receivables	16,976,453	15,228,641
	332,641,130	330,893,318

a/ The premium receivable pertains to the cumulative premium subsidy arrearages from the NG when RA 8175 was enacted in 1995. This consists of unappropriated and/or unreleased government premium subsidy for policies written for the period from May 1, 1981 up to 1995. The receivable was programmed for payment by the NG within a period of ten years from 1996. The account also includes unpaid Government Premium Share from 1996 to 2010. Premium subsidy received in 2011 amounted to P163,711,000, consist of P113.771M from the Department of Budget and Management and P50.000M from the Department of Agriculture.

4. INVESTMENTS

This account consists of the following:

	2011	2012
Investment in Lower Tier 2 Subordinated Notes from LBP a/	200,000,000	200,000,000
Investment in Bonds -LBP b/	94,625,000	94,625,000
Investment in Bonds -BTr c/	100,000,000	
APRACA Trust Development Fund d/	1,500,000	1,500,000
Cooperative Insurance System of the Philippines (3,000 shares @ P100) d/	300,000	300,000
Phil. Long Distance Telephone Company 10,140 shares @ P10 per share	101,400	101,400
Club Filipino	100,000	100,000
Pool of Livestock Insurers d/	40,000	40,000
Eastern Visayas Telephone Company, Inc. 50 shares @ P50 per share d/	2,500	2,500
	396,668,900	296,668,900

a/ Investment in Lower Tier 2 Subordinated Notes from LBP – 7.25% Unsecured Subordinated Notes Due 2019, Callable with Step-Up in 2014.

Name of Noteholder	Philippine Crop Insurance Corporation		
Security Account Number	68111000152	Face Value of Note	P200,000,000
Interest Rate	7.25%	Maturity Date	June 9, 2019
Trade Date	June 5, 2009	Settlement Date	June 9, 2009
Selling Agent/Market Maker	LBP EDSA NIA Road		
Tax Identification Number	000-188-065-000		

b/ Investment in LBP Bonds with term of 5.45 years at 5.605% interest rate which will mature on January 27, 2016

c/ Investment in BTr Bonds with term of 10 years at 7.375% interest rate which will mature on March 3, 2021

d/ The fair value of the above mentioned investments are not available (unlisted securities).

5. DUE TO OTHER NATIONAL GOVERNMENT AGENCIES (NGAs)

This account consists of the following:

	2011	2012
Agricultural Credit Policy Council-Gintong Ani Program (ACPC-GAP) a/	76,077,816	76,077,816
Commission on Audit (COA) b/	74,502,073	64,106,198
	150,579,889	140,184,014

a/ Gintong Ani II Program for Rice and Corn— Based Farming Systems (GAP – RCBFS)

On March 25, 1999, the PCIC and the Agricultural Credit Policy Council (ACPC) signed a Loan Agreement for the GAP-RCBFS. The main objective of the agreement is to implement a crop insurance program for rice and corn farmers who are members of cooperatives and borrowers of accredited lending institutions such as the cooperative banks. The program's slogan is "SEGURONG MAKAMASA PARA SA MAUNLAD NA KOOPERATIBA".

Under this agreement, the amount of P200 million shall be released by the ACPC to the PCIC as a loan, the principal amount of which is payable at the last working day of the 15th year from the date of the release, with an interest rate of 1.75 per cent per annum. Interest payments shall be made by the PCIC to the ACPC on a quarterly basis, every 5th day of the first month of the succeeding quarter. A penalty of one per cent per month based on the amount due shall be charged to PCIC if it fails to pay the amount within the period specified herein.

b/ Due to other NGAs — COA represents professional fees for auditing services rendered by COA personnel assigned at PCIC which remained unpaid since 2000, except for 2006 wherein PCIC paid P5.76 million.

6. GOVERNMENT PREMIUM SHARE (GPS)

This represents the share of the Government in the premiums. Insurance premiums for palay and corn is being shared by the farmers, lending institution and the government. The premium rating and the corresponding share of the Government was approved by the president of the Philippines.

The GPS required for the year 2011 is P219.447M. Of the total GPS required, only P113.771M was released by the Department of Budget and Management. There was an additional P50.000M which came from the Department of Agriculture, and was received by PCIC in March 6, 2012.

7. INSURANCE BENEFITS

This represents Losses/Claims paid in 2011 amounting to P401.018 million which was 60.67% higher than the 2010 level of P249.587 million. Of the total, P394.054 million or 98% were claims paid for palay and corn losses.

PCIC was able to pay 51,379 farmers their losses which in return enables them to pay their agricultural loans and qualify them to apply for loan again in the next cropping season.

Bulk of the claims was caused by floods and typhoons Bebang in May, Egay & Falcon in June, Juaning in July, Mina in August and Sendong in December.

The country also experienced drought in the first quarter due to the effects of El Nino phenomenon.

All these natural calamities are the effects of Climate Change which is expected to continue in the coming years.

8. PREMIUM DISCOUNT

This represents amount of premium discounts granted to assured farmers/lending institutions in accordance with PCIC policy. For the year 2011, PCIC granted a total P62.652M premium discount. P55.677M or 89% of the total discount was applied to the Government Premium Share (GPS). The required share of premium of Government to the total insurance granted is P219.447M. Of the total GPS required, only P113.771M was released by the Department of Budget and Management, P50.000M came from the Department of Agriculture, and the remaining P55.677M was treated as premium discount just to accommodate the number of farmers who applied for crop insurance.



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