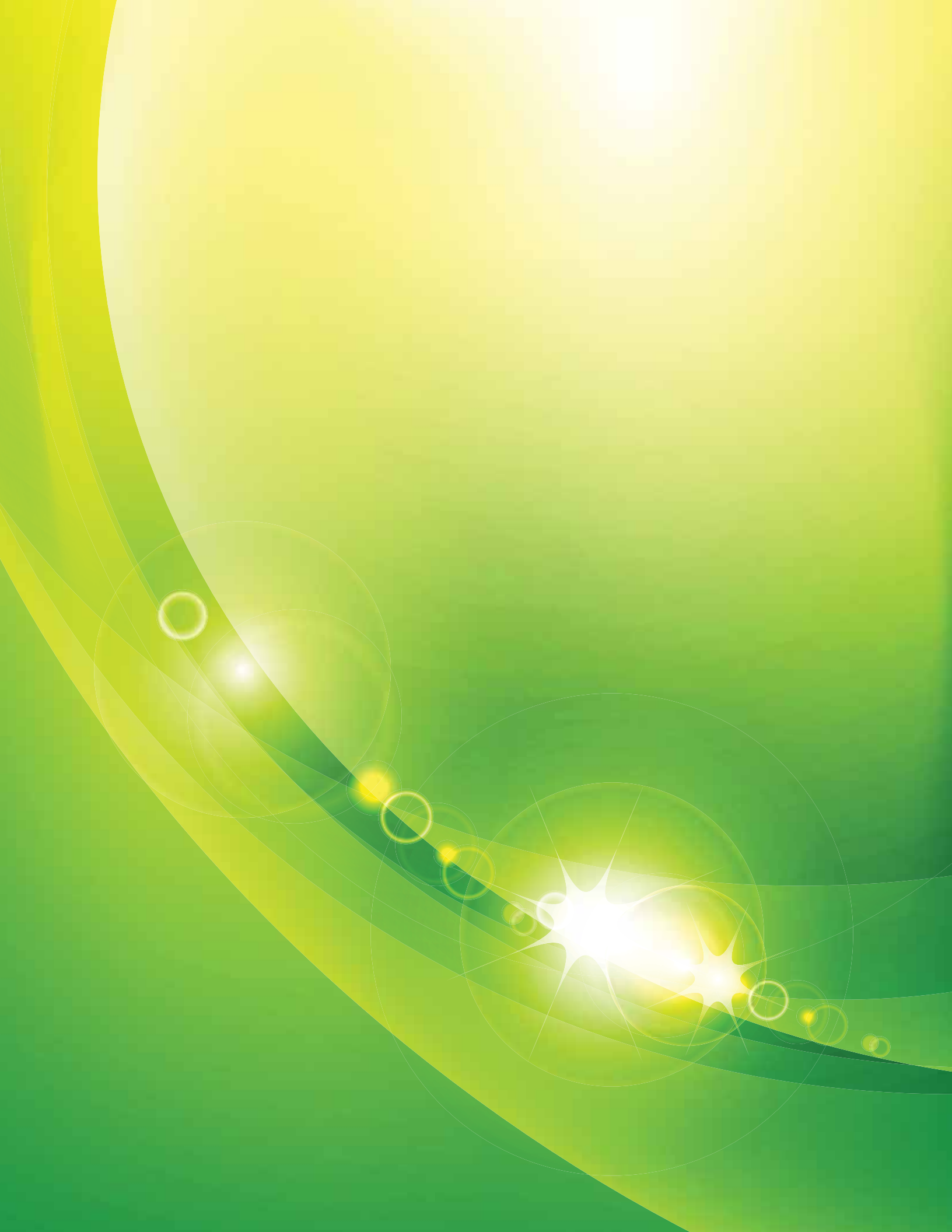


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Republic of the Philippines  
Department of Agriculture  
PHILIPPINE CROP INSURANCE CORPORATION

## Dear Valued Partners and Stakeholders:

Overall, 2012 was a positive year for your agricultural insurance provider, as our array of products and services gained greater popularity among farmers, livestock producers and fisherfolk as well as public and private institutions.

We generated tremendous demand for our services in nearly all of our insurance lines, exceeding by significant rates the previous year's results. We enrolled:

- 25% more rice farmers;
- 62% more corn farmers;
- 73.33% more livestock farmers;
- 257 % more farmers in non-crop insurance; and
- 143% more in term-insurance program

We covered 15% more hectares of rice lands and 37% more corn lands.

We paid out 44% less in insurance claims than the previous year, simply because there were less typhoons and flood-causing monsoons this year and certainly less pest infestation. We gained underwriting profit that is almost 60% of the premium income and 404% more than the previous year's.

And for the first time in a long while, we posted a net income worth some P143 Million, a development that is a complete turn-around from the picture over the last nine years, and in most years, in fact, in our corporate history.

Enrollees among high value crop farmers however dropped 1% while that in the fisheries sectors dipped 30%.

However, we think that we have entered a period of steady growth in demand for our insurance services among farmers and animal herders as well as in the financial well-being of the company.

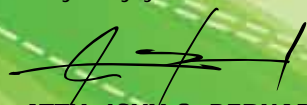
We all know that such development can only bode well for protecting food security for the country and its communities, income security of farm workers and the continued strengthening of the company.

For this, we give credit to our dedicated staff who have been doing demand generation activities at the local level through effective social marketing campaigns, as well as our stakeholders and partners, from Agriculture Secretary Proceso J. Alcala, our greatly supportive board chairperson, to the enlightened local government officials, farmers and fisherfolk, and banks and cooperatives.

With this year's operational results, we can only be optimistic about the year ahead. We therefore look forward to sustaining our gains by: 1) increasing enrollment for all our insurance lines; 2) strengthening our existing and generating new partnerships among cooperatives, banks and other lending institutions; 3) shoring up our financial capacity; 4) continuing the development of index-based insurance products; and 5) enhancing our organizational capacities by continued staff training and setting up automated systems and procedures, among others.

We cannot achieve these plans alone, however. Your continued engagement with us, therefore, is earnestly requested.

Very truly yours,



**ATTY. JOVY C. BERNABE**  
President

# HIGHLIGHTS OF OPERATION 2012

Shared commitment to strengthen support and protection to farmers, fisherfolk and the agricultural sector among employees and partners of the Philippine Crop Insurance Corporation (PCIC) increased the popularity and accelerated the expansion of agricultural crop insurance coverage last year. It likewise resulted in positive results in the PCIC's operational key result areas, specially its underwriting profit.

## Operation

### Insurance Production

The number of farmers who enrolled with PCIC last year totaled 311,388, up 66.635 % from the 190,568 covered the previous year.

This growth pattern was supported very broadly among the insurance lines, except in the High Value Commercial Crop and Fisheries, which showed slight declines.

Among rice farmers, 27,181 more farmers, some 24.90% more than last year, participated in the insurance program. Among the corn farmers, 7,634 more were added to the roster of insured with PCIC, which is 61.6% more the preceding year. These increases amounted to 28.64% more than the previous year, when the numbers of these sectors are combined. Rice and corn farmers are the primary targets of the PCIC.

A number of factors contributed to this marked output in rice and corn insurance policies. First is the increase in the number of farmers availing themselves of production loans from PCIC's partner lending institutions from the government and the private sector. This was observed





Launching of the DA-PCIC and Negros Occidental Insurance Program in Bago City, Negros Occidental on September 11, 2012 with LDC Executive Director Manuel R. Jarmin; NIA Administrator Antonio S. Nangel, DA Sec. Proceso J. Alcala, Negros Occidental Gov. Alfredo G. Marañon, Jr., DA Asec. Divinio Catbagan, Bago City Mayor Ramon D. Torres, PCIC President Jovy C. Bernabe, and PCIC Director David M. Villanueva.

specially in the operations of CRB-Bulacan, ASKI in Regions I, II, III and III-A, TSPI in Regions I, II, III, III-A, V and X, First Valley Bank in Regions IX, X and XII and the Land Bank of the Philippines' rice and corn production loan programs. Second is fresh participation of partner institutions in the insurance program, namely: National Agribusiness Corporation in Region I, Nueva Ecija Provincial Government through its Barangay Techno-Demo Program, and the People's Bank of Caraga – Compostela Branch. Third and final factor was the sustained participation of loyal partners, namely: DA which required compulsory coverage of participants in its LBP-DA Sikat Saka and DA-NIA

Third Cropping Program, Provincial Government of Isabela, TSPI in Region V, IFSDP in Region VII, and CREDO in Region II which re-enrolled in PCIC during the year.

In the High Value Commercial Crop (HVCC) Insurance program, enrollment dropped by less than 1%. The reduction in policies generated resulted from the continuous rains and flooding in some high value commercial crop areas which prevented farmers to plant HVCC, as well as the fact that high-value crop growers have no fund for insurance premium.

# HIGHLIGHTS OF OPERATION

Among livestock farmers, 5,743 more farmers participated in the insurance program, raising the number of insured from last year by 73.33%. This resulted from the continued partnership of the PCIC with the National Dairy Authority (NDA) which provides for insuring its assets, including the dispersed dairy cattle, in Regions I, II, III, IV, VI, VII, X and XI; enrollment of beneficiaries of the Cebu Provincial Government's livestock dispersal program, enrollment of the beneficiaries of the DA-LGU livestock dispersal program for swine breeders and fatteners and large cattle in the provinces of Oriental Mindoro, Quezon and Laguna; enrollment of the assets of the Dairy Milk Production Project funded by the DA-Agricultural Competitiveness Enhancement Fund in Zamboanga City, and enrollment of the LGU livestock dispersal program in Region IX.

In Non-Crop Agricultural Asset Insurance (NCI), the number of enrolled rose by 1,892 farmers, reflecting a 257.41% increase from last year. The required insurance coverage for agricultural

assets funded by the DA and the LGUs Regions III, IIIA and V as well as the insurance coverage of government owned facilities in Region VI were the main contributory factors.

In the Term-Insurance Program (TIP), the number of enrolled rose by nearly 79,490 persons, posting a 143.27% increase from the previous year. The hefty increase rode on the significant increase in the number of cooperatives and irrigators association that availed of the Loan Repayment Protection Plan (LRPP) in Region II, the innovative bundling of term insurance with the rice insurance production adopted in Region II, enrollment of three big, bank-assisted cooperatives in Occidental Mindoro, and the participation of the National Agricultural and Fisheries Council, Agricultural Training Institute and the Department of Environment and Natural Resources (DENR) Employees Cooperative in the Accident and Dismemberment Security Scheme. These factors added on to the usual, loyal subscribers to this program that includes the Isabela Provincial Government and the cooperatives and irrigators associations in Laguna, Batangas, Occidental Mindoro and Cebu.



DA Secretary Proceso J. Alcala witnesses the signing of memorandum of understanding between PCIC and RBAP. In the picture: seated are (from left to right) RBAP Exec. Dir. Vicente R. Mendoza, PCIC President Jovy C. Bernabe, DA Sec. Alcala, RBAP President Ian Eric S. Pama, and DA Usec. Bernadette Romulo-Puyat; standing are (from left to right) PCIC Acting SVP Norman R. Cajucom, Dir. Dioscoro A. Granada, Dir. David M. Villanueva, Dir. Fidel L. Cu, Dir. Nestor S. Custodio, DA Usec. Emerson U. Palad, and PCIC Corporate Secretary Atty. Roland A. Tulay.



The provincial government of Northern Samar seals an agreement with PCIC that provides insurance to around 5,000 of its farmers and fisherfolk. It has set aside some P2.4 Million for the farm insurance program, effective from October to December 2012.



Isabela Governor Faustino G. Dy III, Provincial Government of Isabela (PGI) PAO Danilo Tumamao, PCIC RO II RM Edna S.P. Marallag and PCIC ROII MSD-Chief Rodelia Pagaddu sign the PGI-PCIC RO II MOA at Isabela Capitol, Ilagan, Isabela.



The PCIC and National Agricultural and Fishery Council (NAFC) sign a Memorandum of Agreement (MOA) on 26 July 2012 to extend the benefits of the agricultural insurance programs to agricultural producers, agricultural stakeholders and members of the Agricultural Fishery Councils.

Finally, in the fisheries insurance program, the latest to have been offered by the PCIC, the number of insured dropped by 1,111 persons, or nearly 30%.

In terms of the hectareage insured, that is the lands planted to rice, corn and high value crops involved, the sizes expanded by 15.38% in rice, 37.11% in corn, and 17.38% in combined rice and corn lands; the size contracted by 13.74% in lands planted to high value commercial crops.

The amount of cover PCIC provided rose 74.08% to P11.477 Billion while the premium generated rose 19.85% to P560.59 Million.

Underlying this remarkable improvement in insurance policy production is PCIC's continued pursuit of the strategy of partnering with LGUs, specially at the provincial level, for the enrollment of their farming and fishing constituents, as well as their extension workers and physical assets geared to supporting farmers and fisherfolk in the various insurance programs.

During the year for instance, new agreements were sealed with the Provincial Governments of

Northern Samar and Capiz. During the year, they joined three other provinces who have partnered with PCIC earlier on. They are Cebu, Negros Occidental, and Isabela.

This was supplemented by an advocacy effort conducted with the influential Rural Bankers Association of the Philippines (RBAP) whose members continue to be a major source of funding for investments in the farms. During the year, the PCIC and RBAP signed a memorandum of agreement whereby the RBAP members committed to promote PCIC's agricultural insurance products and services while the PCIC commits to provide training and education to personnel of RBAP affiliated banks who would like to become insurance underwriters and provide products responsive to the needs of RBAP clients.

The PCIC likewise expanded its institutional partnerships for crop insurance. In July, it sealed an agreement with the National Agricultural and Fishery Council (NAFC) to insure officers of its nationwide network of agricultural and fishery councils.



# HIGHLIGHTS OF OPERATION

Another strategy was the conduct of public awarding of indemnity payments in various provinces to highlight to other the benefits of participating in crop insurance programs. These programs were conducted in Pampanga, San Juan City, Capiz, Negros Occidental, Cebu City, Ormoc City, Digos City, Lanao del Norte and Midsayap, Cotabato. These special public events were attended not just by the beneficiaries, but by local government officials and the community members.

## Box 1

Insurance Lines	Number of Farmers		Difference - Increase/ (Decrease)	
	CY 2012	CY 2011	Amount	%
Rice	136,339	109,158	27,181.00	24.90
Corn	20,027	12,393	7,634.00	61.60
Rice & Corn Combined	156,366	121,551	34,815.00	28.64
HVCC	1,221	1,230	-9.00	-0.73
Livestock	13,575	7,832	5,743.00	73.33
Non-Crop Insurance	2,627	735	1,892.00	257.41
Term Insurance Plan	134,973	55,483	79,490.00	143.27
Fisheries	2,626	3,737	-1,111.00	-29.73
<b>Total</b>	<b>311,388</b>	<b>190,568</b>	<b>120,820.00</b>	<b>63.40</b>



The PCIC Region V awards indemnity check in the amount of P176,000.00 to the DELARECO (Department of Land Reform Cooperative) at Sorsogon Provincial Office on September 13, 2012. The amount represents payment for the DELARECO claim under the Loan Repayment Protection Plan due to the untimely death of one of its members.



PCIC pays out an initial amount of P6.61 Million to Southern Luzon farmers who suffered damages from the extreme "habagat" or southwest monsoon rains and typhoon Gener that hit the country in August 2012.



## Government Premium Subsidy

In 2012, PCIC received GPS from two sources, the General Appropriations Act and the DA Rice Program under its LBP-DA Sikat Saka and NIA Third Cropping Program.

PCIC targeted some P183.771 Million in GPS in 2012, but used up some P239.29 Million, exceeding the target by 30.21% or P55.519 Million.

## Claims Paid

PCIC paid some P226.091 Million in claims by 31,865 farmers, down 43.67% from the amount paid the previous year. The decline in payment to the rice sector influenced this overall result, helped on by a decline in the Non-Crop Insurance claims.

In the rice insurance program, 27,709 farmers received P185.857 Million in indemnity while 3,565 corn farmers received P27.393 Million, or a combined payment of P213.249 Million for 31,274 farmers. These payments reflected a decline of 50.49% or P189.547 Million in rice, increase of 47.29% worth or P8.795 Million in corn, or a combined decrease of 45.88% worth P180.754 Million in both rice and corn.

A large part of the farmer losses, pegged at P110.983 Million, or 52.04% of total rice and corn indemnity, was due to typhoons and floods. It is to be noted, however, that the year's damage was lower by 61.51% or P177.357 Million, than the previous year. Only six typhoon-and-Southwest-monsoon induced floods hit the country during the year, compared to eight the previous year. Moreover, while Typhoons Pablo and Quinta which occurred in December 2-4 and December 23-24, respectively, were of greater intensity than the previous year's typhoons, these last two occurred when most of the insured crops were already harvested. Also, they directly hit the island of Mindanao where there is relatively less risk exposure than other areas in the country.

Drought accounted for P10.247 Million worth of damage while pest and diseases accounted for P92.019 Million. It is to be noted, also, that the last type of farmer loss was 7.91%, or P7.905 Million, less than the previous year, presumably due to improved pest management, an area where the PCIC engages actively through farmer training.

In the HVCC insurance program, 82 farmers received P0.906 Million in indemnity, 38.74% or P0.253 Million more than last year. Heavy rains



PCIC awards indemnity checks to insured farmers' and fisherfolk's cooperatives/associations amounting to P1.005 million under the Integrated Farming Systems Development Program (IFSDP) of the Province of Cebu, as well as to Landbank of the Philippines-Cebu Lending Center in Cebu City on February 23, 2012.



The Provincial Government of Capiz led by Governor Victor A. Tanco ties up with the Philippine Crop Insurance Corporation to insure the farm investments of the province's rice farmers against natural calamities and pests and diseases.

# HIGHLIGHTS OF OPERATION

and floods caused the losses among farmers of eggplant and hot pepper in Paniqui and Victoria, Tarlac; onions in Magsaysay, Occidental Mindoro; pechay in Quezon and coffee in Leyte. Fire damaged sugarcane crops in Camputatan Sur, Medellin, Cebu.

In the livestock program, 363 farmers received P6.389 Million, 163.79% or P3.967 Million, more than the preceding year. The increase in loss payments resulted from the high incidence of mortality due to pneumonia, among the insured cattle of the NDA.

In the NCI program, 15 policy holders received P1.525 Million, 8.24% or P0.137 Million, less than the previous year. Among the larger losses indemnified were the loss of 10 boats due to big

waves and one boat due to fire in Region VII, and the loss of a poultry house due to Typhoon Gener in Region VI.

In the TIP, 131 farmers received P4.022 Million, 54.28%, or P1.415 Million, more than the year before.

In a favorable development, the year-on-year damage ratio in terms of rate decreased by 4.12% while loss ratio or losses in terms of value dipped by 0.46%.

Table 1 below summarizes the claims paid as well as damage rate and loss ratio for the period while Box 2 shows the trend in rice and corn damage rate per type of cause across five years.

**Table 1**  
CLAIMS PAID CY 2012

INSURANCE LINES	CLAIMS PAID (PM)			DIFFERENCE INCREASE/ (DECREASE)		FOR THE TWELVE-MONTH PERIOD ENDED DEC. 31,2012			
	DECEMBER 2012		DEC. 2011	AMOUNT (PM)	(%)	DAMAGE RATE (%)		LOSS RATIO	
	Number of Farmers	Indemnity	Indemnity			2011	2012	2011	2012
Rice	27,709	185.857	375.404	(189.547)	(50.49)	10.85	4.77	1.01	0.42
Corn	3,565	27.393	18.598	8.795	47.29	5.09	5.86	0.28	0.33
Rice & Corn Combined	31,274	213.249	394.003	(180.754)	(45.88)	10.30	4.89	0.90	0.41
HVCC	82	0.906	0.653	0.253	38.74	0.88	2.18	0.27	0.61
Livestock	363	6.389	2.422	3.967	163.79	1.44	2.48	0.28	0.49
NCI	15	1.525	1.662	(0.137)	(8.24)	0.23	0.20	0.33	0.32
TIP	131	4.022	2.607	1.415	54.28	0.15	0.07	0.20	0.23
Fisheries	0	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00
TOTAL	31,865	226.091	401.346	(175.255)	(43.67)	6.09	1.97	0.86	0.40
Decrease (2012 vs 2011)						4.12		0.46	

## Box 2

### Combined Rice and Corn Damage Rate Trend Analysis Per Cause of Loss



PCIC RO III awards indemnity checks to six (6) Irrigators Associations (IAs) in the province of Pampanga due to continuous rains brought by Habagat.





## Statement of Underwriting Profit

As a result of good risk management and lesser number of typhoons in 2012, the year's operations realized some P334.496 Million in underwriting profit, a whopping 403.88% more than the previous year's P66.384 Million. Underwriting profit is the difference between the premium income, or the amount of premiums paid by clients and the amount of damage claims paid. During the year, the premium income reached P560.587 Million, 19.85% or P92.857 Million more than the previous year, while the claims paid reached only P226.091 Million which is 43.67%, or P175.255 Million, less than the previous years (see Table 2 below for supplemental information on underwriting profit, and Box 3, the chart for the underwriting profit trend from 2007 to 2012).

Much of the underwriting profit came from rice and corn insurance. The damage rate in these sectors for natural calamities was 2.78% while the average premium rate was 8.727 %, or a savings income of 5.95%. This is worth P259.732 Million. Corresponding damage rate for pest and disease stood at 2.11% while the premium rate was 3.26%, for a savings of 1.15%. This is worth P50.20 Million.

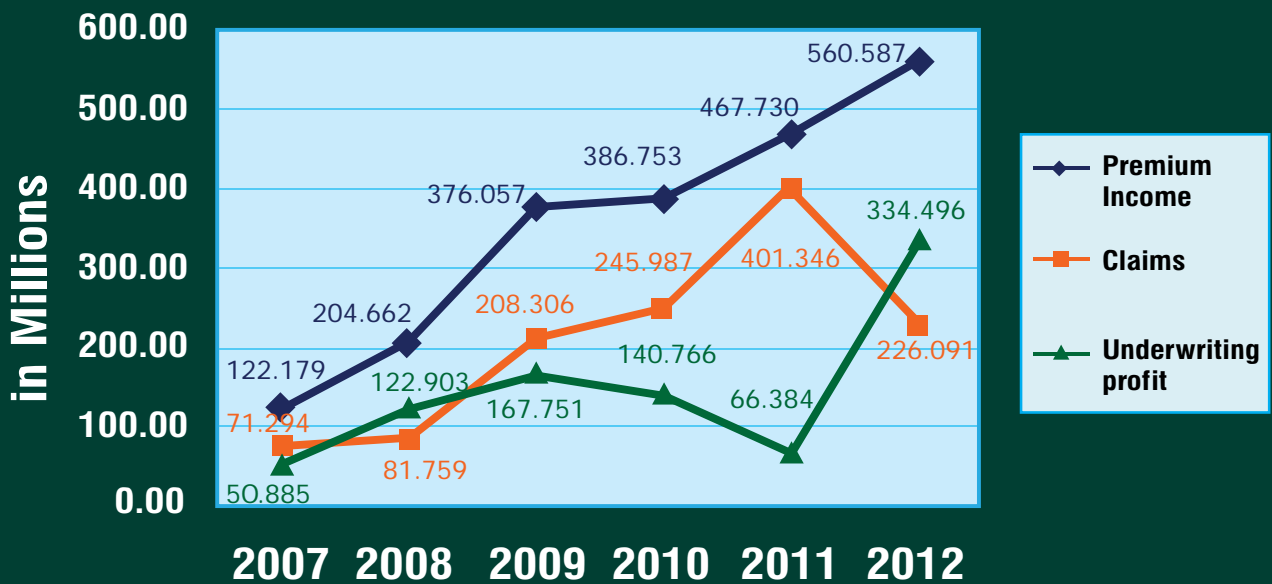
Reflecting uniformity and unity in their institutional sense of purpose, all PCIC regional offices posted an underwriting profit. The top performers were Regions II, IIIA, I, III, IV, IX and XII in this order.

**Table 2**  
**RESULT OF UNDERWRITING FOR CY 2012**

PARTICULARS	AMOUNT (PM)				DIFFERENCE INC./ (DEC.)	
	December 2012	% To Total	December 2011	% To Total	AMOUNT (PM)	%
Premium Income	560.587	100	467.730	100	92.857	19.85
Less: Claims Paid	226.091	40.33	401.346	85.81	(175.255)	(43.67)
Underwriting Profit	334.496	59.67	66.384	14.19	268.112	403.88

## Box 3

## Underwriting Profit Trend Analysis



# HIGHLIGHTS OF OPERATION

## General Administration

During the year, PCIC Chair and Agriculture Secretary Proceso J. Alcala worked closely with the PCIC management and staff to highlight the importance of crop insurance in developing the agriculture and fisheries sectors. He convened the PCIC Board in April where he approved the agency's corporate plans. He joined the RBAP advocacy event in Davao, and asked PCIC officials to join him in Occidental Mindoro.

Pursuing the institutional strengthening through International Standards Organization (ISO) certification it gained in 2011, the PCIC embarked on renewing and expanding its accreditation to include the regional offices. Toward this end, it conducted ISO certification orientation training across its regional offices nationwide. The plans were met enthusiastically by the regional staffs and the training provided the basic outputs needed to start the process of accreditation.



His Excellency President Benigno C. Aquino III gives a Plaque of Recognition to PCIC President Bernabe during the Recognition Ceremony for Government Organization with ISO 9001:2008 Quality Management System (QMS) Certification at Rizal Hall Malacañan Palace on January 17, 2012.



Finally, recognizing its institutional responsibility to contribute to building a better society and conserving and protecting the environment, the PCIC created a Committee on Corporate Social Responsibility by virtue of Special Order No. 2012-019A signed by President Bernabe. The committee was tasked to mainstream CSR in PCIC's operations and business strategy and plan, lead and monitor the agency's CSR plans. The initial plan consisted of production and ecological aspects. Under the first aspect, the PCIC will conduct an awareness and education campaign on the physical and climatological conditions of the communities. Under the second aspect, the PCIC will establish and grow reforestation projects.

The PCIC kicked off its CSR plan through a reforestation project in Tanay, Rizal on July 27. Led by President Bernabe, the head office and Regional Office IV staff planted some 1,250 narra seedlings on two hectares of government land in Barangay Tinucan. The site is an important watershed that drains into Infanta, Quezon that was ruined by floods and landslides due to lack of forest cover in 2007. Similar events were conducted by the PCIC's regional offices either at the same time or later.



## Plans for the Year Ahead

In the following year, the PCIC aims to sustain its gains through the following:

1. Increase insurance coverage for all insurance lines: rice crop insurance, corn crop insurance, high value commercial crop insurance, livestock insurance, non-crop agricultural asset insurance, fisheries insurance, term insurance for agricultural sector. PCIC to utilize the government premium subsidy for the following programs:
  - Regular insurance program for rice and corn crops
  - DA-LBP Sikat Saka and DA-NIA Third Cropping Rice Program
  - DA Weather Adverse Rice Areas
  - Agrarian Reform Beneficiaries Agricultural Insurance Program (in collaboration with the Department of Agrarian Reform)
2. Increase insurance capacity of PCIC
  - Coordinate with legislators for the approval of the Bill that will increase the capitalization of PCIC
  - Coordinate with DBM on premium receivables from the National Government
  - Coordinate with DA, ACPC and BSP re implementation of Agri-Agra Law, specifically the collection of PCIC's share in the penalties collected from the banks
3. Develop innovative index-based insurance products for rice and corn crops: Weather Index-Based Insurance (WIBI) and Area Based Yield Index Insurance (ARBY)
4. Strengthen/Establish Partnership with government and private institutions (PPP with lenders: Rural Banks, Microfinance Institutions, Farmers' Organizations, Insurance Providers, and Reinsurance Companies)
5. Continue capability building activities (manpower, automated systems and procedures, and trainings of manpower)

# PCIC POSTS SECOND BIGGEST NET INCOME IN ITS HISTORY

The final income statement shows that PCIC posted some P142.940 Million operating profit as of end-December last year, reflecting a complete turn-around from the P184 Million net loss the previous year.

It is also the second biggest net income realized by the firm, after the P159.651 Million it gained in 1991.

This highly favorable outcome resulted from a combination of good work on the part of the PCIC officials, staff and stakeholders that included financial prudence, and the generally fairer weather during the year compared with the previous year.

The income statement shows that PCIC generated a total of P559.725 Million in insurance premiums during the year. It paid out some P254.656 Million in insurance benefits and other underwriting expenses and spent some P191, 401 Million in operating expenses.

During the year, the PCIC generated remarkable improvement in insurance policy production.

Other than fiscal prudence, underlying this achievement was the support given by the DA, led by Secretary Proceso J. Alcala, through the implementation of various projects like the Sikat Saka and Third Cropping Program, as well as PCIC's continued pursuit of partnering with LGUs, specially at the provincial level. These tie-ups ensured the enrollment of the farmers and fishers among their constituents, as well as their extension workers and physical assets aimed to support farming and fishing. The PCIC likewise broadened its partnerships for crop insurance with national and sectoral government agencies.

This was further supported by an advocacy effort conducted with the influential Rural Bankers Association of the Philippines (RBAP) whose members continue to be a major source of funding for investments in the farms.

Another contributing factor was the conduct of public awarding of indemnity payments in various provinces to highlight to other farmers the benefits of participating in crop insurance programs.

The PCIC last posted a net income in 2002, recorded at some P48.290 Million. Prior to this, ten other similar successes were intermittently spread over its 30 year operations. These were recorded in 1981, 1982, 1985, 1987, 1989, 1991-1993, and 2001-2002.

For the first time in almost a decade and for only the 11th time in its over 30-year corporate history, the Philippine Crop Insurance Corp. (PCIC) realized net positive income from its operations in 2012.



## PHILIPPINE CROP INSURANCE CORPORATION STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the Year Ended December 31, 2012  
(In Philippine Peso)

	2012	2011
<b>INSURANCE PREMIUMS</b>		
Traditional lines-National Government Share	239,323,936	219,447,692
Traditional lines-Farmers and Institutions	281,864,016	217,810,070
Term/life insurance	18,143,898	13,102,635
Non-crop insurance	4,705,470	4,903,980
Livestock insurance	13,381,387	8,626,153
High value crops	1,476,480	2,091,691
Fisheries	423,958	667,721
<b>TOTAL</b>	<b>559,319,145</b>	<b>466,649,942</b>
Add/(deduct): Premium reserve	879,813	(8,206,339)
Premium refund	(473,941)	(272,262)
<b>NET PREMIUMS</b>		
<b>UNDERWRITING EXPENSE</b>	<b>559,725,017</b>	<b>458,171,341</b>
Insurance benefits	227,103,791	401,018,313
Premium discounts	3,446,453	62,652,507
Commission expense	18,717,758	15,728,864
Reinsurance premiums ceded treaty/facultative	4,540,475	6,752,406
Death benefits	745,000	770,000
Honoraria/incentive to claims adjuster	7,785	120,132
Honoraria/incentive to agricultural technician	94,303	11,568
	<b>254,655,565</b>	<b>487,053,790</b>
<b>NET UNDERWRITING INCOME/(LOSS)</b>	<b>305,069,452</b>	<b>(28,882,449)</b>
<b>OPERATING EXPENSES</b>		
Personal services	103,657,967	99,894,212
Maintenance and other operating expenses	86,337,923	86,595,809
Financial expenses	1,404,670	1,441,202
	<b>191,400,560</b>	<b>187,931,223</b>
<b>INCOME/(LOSS) FROM OPERATIONS</b>	<b>113,668,892</b>	<b>(216,813,672)</b>
<b>OTHER INCOME</b>	<b>29,270,900</b>	<b>32,925,539</b>
<b>NET INCOME/(LOSS)</b>	<b>142,939,792</b>	<b>(183,888,133)</b>

**PHILIPPINE CROP INSURANCE CORPORATION**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

December 31, 2012  
(In Philippine Peso)

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	352,114,911	111,382,335
Financial investments held-to-maturity		7,694,487
Receivables - current	160,725,659	204,823,221
Other current assets	4,915,439	5,776,545
	<b>517,756,009</b>	<b>329,676,588</b>
<b>Non-current assets</b>		
Receivables - non-current, net	334,360,545	332,641,130
Financial investments held-to-maturity	396,668,900	396,668,900
Property and equipment, net	22,386,958	22,802,082
Other Assets	9,974	
	<b>753,426,377</b>	<b>752,112,112</b>
<b>TOTAL ASSETS</b>	<b>1,271,182,386</b>	<b>1,081,788,700</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	103,931,412	75,454,218
Inter-agency payable	2,894,730	3,570,856
Other current liabilities	666,012	618,096
	<b>107,492,154</b>	<b>79,643,170</b>
<b>Non-current liabilities</b>		
Due to other national government agencies	167,537,885	150,579,889
Due to other funds	953,009	1,028,121
Deferred credits	32,692,536	28,608,213
Reserve for unearned premium	85,020,162	79,694,420
	<b>286,203,592</b>	<b>259,910,643</b>
<b>TOTAL LIABILITIES</b>	<b>393,695,746</b>	<b>339,553,813</b>
<b>EQUITY</b>	<b>877,486,640</b>	<b>742,234,887</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,271,182,386</b>	<b>1,081,788,700</b>

## 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 period ended December 31, 2012 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.

Comparative information has been presented in respect of the previous period for all amounts reported in the financial statements.

### 2. RECEIVABLES – CURRENT

This account consists of the following:

	2012	2011
Premium receivable a/	152,034,117	198,274,464
Due from other funds - Special Revolving Trust Fund (SRTF)	4,398,234	1,648,039
Interest receivable-bonds	4,293,308	4,900,718
	<b>160,725,659</b>	<b>204,823,221</b>

a/ Premium receivable due from:

	2012	2011
National Government	148,354,280	195,311,464
Lending institutions	2,557,461	2,105,654
Non-crop	799,402	829,403
Farmers	322,974	27,944
	<b>152,034,117</b>	<b>198,274,464</b>



Premium Receivable-National Government represents the amount of unreleased share of government in the total insurance premiums.

### 3. RECEIVABLES – NON – CURRENT, NET

This account consists of the following:

	2012	2011
Premium receivable-arrearages National Government (NG) a/	315,664,677	315,664,677
Other receivables b/	20,648,377	18,928,962
Less: Allowance for doubtful accounts	1,952,509	1,952,509
	18,695,868	16,976,453
	<b>334,360,545</b>	<b>332,641,130</b>

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 2011.

b/ The account Other receivables – non-current consists of the following:

	2012	2011
Receivables/disallowances/charges b.1/	11,642,199	11,729,613
Pool of livestock insurers	367,620	367,620
Due from officers and employees	111,619	97,537
Advances to officers and employees	76,122	62,337
Others b.2/	8,450,817	6,671,855
	<b>20,648,377</b>	<b>18,928,962</b>

b.1/ Receivables/disallowances/charges includes amount due from public/private individuals/entities for audit disallowances which have become final and executory.

b.2/ Part of this account is the P2.986 million premium receivable from the Department of Agriculture

## 4. FINANCIAL INVESTMENT HELD-TO-MATURITY - NON-CURRENT

This account represents investments in the following:

	2012	2011
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	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
	<b>396,668,900</b>	<b>396,668,900</b>

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. ACCOUNTS PAYABLE**

This account consists of the following:

	2012	2011
Business lines	8,740,257	40,090,339
Non-business lines a/	95,191,155	35,363,879
	<b>103,931,412</b>	<b>75,454,218</b>

a/ Bulk of these account is the P56.919 million balance of the 150M funds from the DA

**6. DUE TO OTHER NATIONAL GOVERNMENT AGENCIES (NGAs)**

This account consists of the following:

	2012	2011
Agricultural Credit Policy Council-Gintong Ani Program (ACPC-GAP)	76,077,816	76,077,816
Commission on Audit (COA)	86,049,435	74,502,073
Others	5,410,634	
	<b>167,537,885</b>	<b>150,579,889</b>

**7. 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 approved GPS for the year 2012 is P183.771M, the total GPS required for the year amounted to P239.324M. There was an additional P150.000M for Sikat-Saka Projects which will come from the Department of Agriculture.

## 8. INSURANCE BENEFITS

This represents Losses/Claims paid for the period amounting to P227 million. Out of the total Insurance Benefit paid, 95% or P215 million were claims paid for palay and corn losses.

## 9. CAPITAL STOCK

Under R.A. 8175, authorized Capital Stock of PCIC increased from P750 million to P2 billion divided into 15 million common shares each with a par value of P100 for government subscription, and 5 million preferred shares also with a par value of P100 per share.

As of December 31, 2012, the Corporation's paid-up capital stood at P1.351 billion. This consist of 12,509,544 shares of common stock with a par value of P100 per share subscribed by the National Government and 1 million shares of preferred stock with a par value of P100 per share subscribed by the Land Bank of the Philippines.

## 10. Philippine Climate Change Adaptation Project (PhilCCAP)

On June 29, 2012, PCIC received funds amounting to P4,191,000 to be used for the implementation of the Philippine Climate Change Adaptation Project (PhilCCAP), a pilot grant project funded by the World Bank which aims to develop and demonstrate approaches that will enable targeted communities to adapt to the potential impacts of climate variability and change in the Philippines.

The PCIC will provide and maintain accounting and financial records for PhilCCAP funds transferred separate from its regular books of accounts, which shall be made available for inspection by the DA officials, its COA Auditor and authorized representatives of World Bank.



The PCIC will be in-charge in pilot testing the feasibility study of weather index-based crop insurance. As of December 31, 2012, the total expenses incurred in the implementation of the program is P1,619,221 broken down as follows:

Agricultural Expenses	P 914,226.60
Representation	218,213.15
Other MOOE	211,803.56
Materials and Office supplies	132,752.88
Professional and Technical Expenses	84,506.45
Traveling Expenses	56,481.87
Communication and Postage	886.83
Bank charges	350.00
<b>TOTAL</b>	<b>P 1,619,221.34</b>

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