

February 24, 2014

FOR : **THE BOARD OF DIRECTORS**

FROM : **ATTY. JOVY C. BERNABE
PRESIDENT**

SUBJECT : **REVIEW OF OPERATIONS FOR THE TWELVE-MONTH
PERIOD ENDED DECEMBER 31, 2013**

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We respectfully submit the Review of Operations for the twelve-month period ended December 31, 2013:

I. INSURANCE PRODUCTION

The total number of farmers who availed of PCIC’s various insurance lines is 743,589. The area covered by crop insurance and premium income increased by 134.06% and 187.40%, respectively, from the same period last year. The total amount of cover (AC) reached **₱ 31.867 B**, an **increase of 177.65%** from the same period last year.

Box 1. Analysis of Insurance Production Accomplishment vs Same Period Last Year

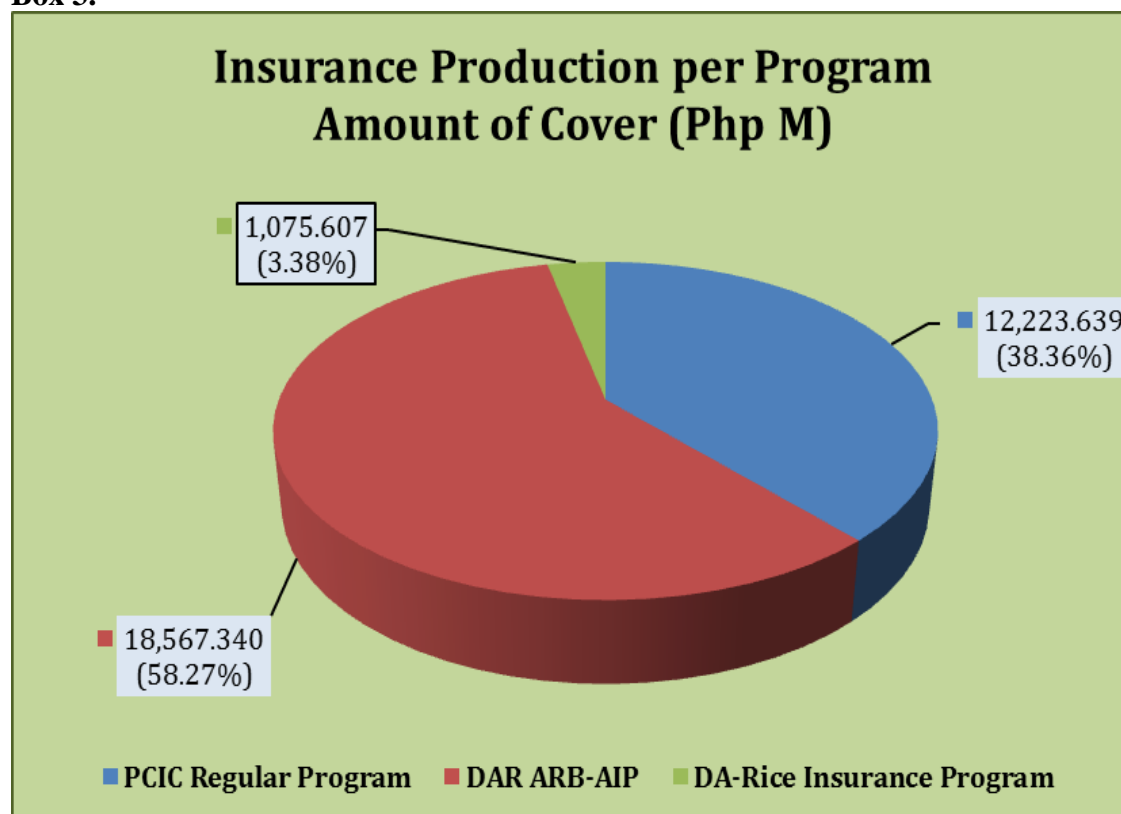
Insurance Lines	Number of Farmers	ACCOMPLISHMENT					
		Amount of Cover		Premium		Area	
		Amount (Php M)	.vs 2012 (%) Inc/(Dec)	Amount (Php M)	.vs 2012 (%) Inc/(Dec)	No. of Ha.	.vs 2012 (%) Inc/(Dec)
Rice	305,120	8,357.810	114.43	981.622	123.37	399,145	109.31
Corn	44,893	1,533.540	228.02	298.168	256.26	59,945	159.97
Rice & Corn Combined	350,013	9,891.350	126.59	1,279.790	144.63	459,090	114.77
HVCC	22,173	3,656.010	8,709.87	242.188	16,187.02	46,937	1,827.91
Livestock	19,404	507.801	97.14	33.397	157.49		
Non-Crop Insurance	2,408	1,142.787	53.12	6.219	31.37		
Term Life Insurance	342,016	16,597.700	174.60	48.332	171.03		
Fisheries	7,575	70.939	220.556	1.217	187.03		
Total	743,589	31,866.587	177.65	1,611.143	187.40	506,027	134.06

Box 2. Analysis of Insurance Production Accomplishment vs Annual Target

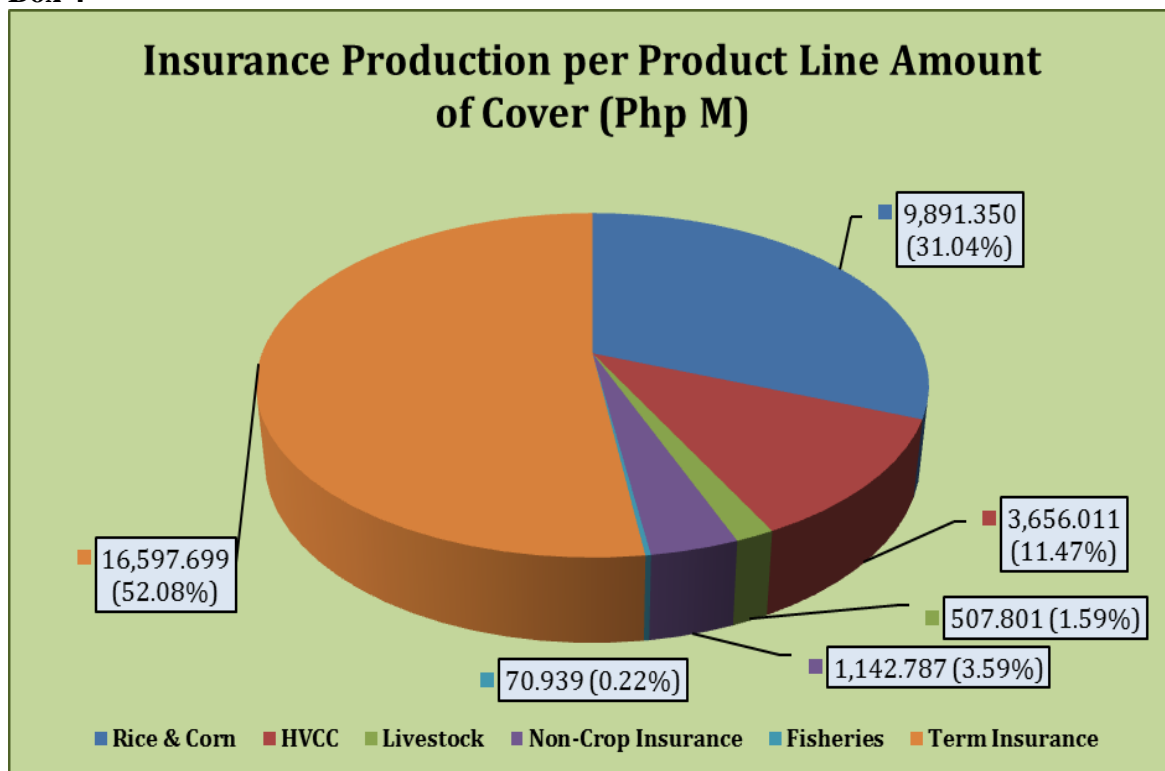
Insurance Lines	Accomplishment			Target - CY 2013			% Accomplishment		
	No. of Farmer	No. of Area/Head /Policy	Amount of Cover (Php M)	No. of Farmer	No. of Area/Head /Policy	Amount of Cover (Php M)	No. of Farmer	No. of Area/Head /Policy	Amount of Cover (Php M)
Rice	305,120	399,145	8,357.810	189,407	317,104	7,790.824	161.09	125.87	107.28
Corn	44,893	59,946	1,533.540	46,773	83,715	2,210.034	95.98	71.61	69.39
Rice & Corn Combined	350,013	459,091	9,891.350	236,180	400,819	10,000.858	148.20	114.54	98.91
HVCC	22,173	46,937	3,656.010	87,638	81,606	2,411.406	25.30	57.52	151.61
Livestock	19,404	67,909	507.801	20,198	70,275	284.782	96.07	96.63	178.31
Non-Crop Insurance	2,408	2,407	1,142.787	1,405	1,405	838.590	171.39	171.32	136.27
Term Life Insurance	342,016	21,499	16,597.700	148,470	54,570	6,648.881	230.36	39.40	249.63
Fisheries	7,575	75	70.939	3,146	390	67.200	240.78	19.23	105.56
Total	743,589	597,918	31,866.587	497,037	609,065	20,251.717	149.60	98.17	157.35

(Source: PCIC ROs' Reports)

Box 3.



Box 4



Reasons for increase of insurance production:

- ALL INSURANCE LINES

Insurance Production from New Insurance Program in FY 2014:

- Enrollment of Agrarian Reform Beneficiaries in the DA-PCIC and DAR ARB-AIP for rice, corn, high-value crop and livestock and personal accident insurance programs.

- RICE & CORN

- Increasing number and continuous participation of cooperatives/farmers' organizations/associations and other lending institutions participating in LBP's rice and corn production loan programs.
- Compulsory insurance requirements under DA Rice Programs such as, Sikat Saka, Third Cropping and Weather Adverse Rice Areas.
- Participation of the Provincial Government of Isabela and CREDO (RO II).
- Participation of Nueva Ecija Provincial Government (NEPG) – Brgy. Techno Demo Program in rice insurance program (RO IIIA).
- Increased number of farmers availing production loans from ASKI in ROs I, II, III & IIIA.
- Expanded operations resulted to increase number of farmers availing production loans from TSPI in ROs I, II, III, IIIA, IV, V & X.
- Participation of Philippine North Banking Corporation and La Filipina Uy Gongco Corporation in corn insurance program (RO II).
- Increased number of farmers availing production loans from First Valley Banks in ROs IX, X & XII.

- HVCC
 - Participation of TSPI in HVCC insurance program.

- LIVESTOCK
 - Continuous participation of National Dairy Authority (NDA) in livestock insurance program.
 - Enrollment of recipients of the DA and LGUs livestock dispersal program in ROs I, II, & VII.
 - Enrollment of DVF Dairy Farm in livestock insurance program (RO IIIA).
 - Enrollment of recipients of the MRDP livestock project in ROs X & XI.

- NCI
 - Increased insurance coverage of LBP funded projects thru LIBI.
 - Enrollment of Philippine Coconut Authority's (PCA) properties in non-crop insurance program (RO IV & XI).
 - Enrollment of DA RFU VI & DA RFU VIII properties and facilities in non-crop insurance program.
 - Enrollment of National Irrigation Administration (NIA) and Bureau of Fisheries and Aquatic Resources (BFAR) properties in non-crop insurance program (RO VII).

- TIP
 - Participation of NAFC and ATI in Accident and Dismemberment Security Scheme - Term Insurance program.
 - Participation of DILG/LGUs in Pangasinan and La Union (RO I)
 - Significant increase in the number of cooperatives/irrigators' associations availing Loan Repayment Protection Plan (RO II).
 - Renewal of ADSS insurance coverage in the province of Cebu under IFSDP (RO VII).

II. GOVERNMENT PREMIUM SUBSIDY UTILIZATION

Box 5

Insurance Program	Number of Farmers	Number of Area/ Head/ Policy	Amount of Cover (Php M)	Gross Premiums (Php M)	Government Premium Subsidy			
					2013 Target (Php M)	Utilized (Php M)	% Utilization	Available Balance
PCIC Regular (12 months)								
Rice	90,590	142,014	3,199.372	339.925	165.000	169.876	102.96	(4.876)
Corn	19,681	23,926	520.098	91.136	18.771	43.946	234.12	(25.175)
Combined Rice & Corn	110,271	165,940	3,719.471	431.061	183.771	213.822	116.35	(30.05)
HVCC	840	584	27.421	1.427	-			
Livestock	8,407	48,109	218.221	11.630	-			
Non-Crop Insurance	2,408	2,251	1,142.787	6.219	-			
Term Life Insurance	151,751	11,261	7,044.799	31.143	-			
Fisheries	7,575	75	70.939	1.217	-			
Sub-total	281,252		12,223.639	482.697	183.771	213.822	116.35	(30.05)
DA Rice Insurance Program (12 months/1 year)								
LBP Sikat Saka	3,931	6,810	299.528	38.222	29.854	38.222	128.03	(8.368)
NIA Third Cropping	2,235	3,152	57.266	0.775	15.255	0.775	5.08	14.480
Weather Adverse Rice Areas	105,352	116,241	718.813	70.013	79.254	70.013	88.34	9.241
Sub-total	111,518	126,202	1,075.607	109.010	124.363	109.010	87.65	15.353
DAR-ARB-AIP (8 months - May to December 2013)								
Rice	103,012	130,929	4,082.829	532.688	543.326	532.688	98.04	10.638
Corn	25,212	36,020	1,013.441	207.032	303.546	207.032	68.20	96.514
HVCC	21,333	46,107	3,628.589	240.761	131.083	240.761	183.67	(109.678)
Livestock	10,997	19,800	289.580	21.766	22.045	21.766	98.73	0.279
ADSS	190,265	10,238	9,552.899	17.189	-	17.189	100.00	(17.189)
Sub-total	350,819		18,567.340	1,019.436	1,000.000	1,019.436	101.94	(19.436)
Grand-total	743,589		31,866.586	1,611.143	1,308.134	1,342.268	102.61	(34.134)

- PCIC Regular Programs

The target government premium subsidy (GPS) for rice and corn crop insurance programs for CY 2013 is Php 183.771 million. GPS utilization reached Php 213.822 million or 116.35% accomplishment. All GPS utilized in excess of Php 183.771 million target will be shouldered by PCIC as premium discount per PCIC BOD Resolution No. 2013-050 dated December 18, 2013.

- DAR-ARB Agricultural Insurance Program

The target DAR-GPS for rice, corn, high-value crops, livestock and accident insurance under the DAR-PCIC ARB AIP for CY 2013 is Php 1 Billion. DAR-GPS utilization reached 1.019 Billion or 101.94% accomplishment. The DAR-GPS utilized in excess of Php 1 Billion target will be shouldered by PCIC as premium discount per PCIC BOD Resolution No. 2014-001 dated January 16, 2014.

III. CLAIMS PAID

The total claims paid to farmers amounted to **Php 539.081 million**, an increase of **138.43*%** from the same period last year, broken down as follows.

Box 6

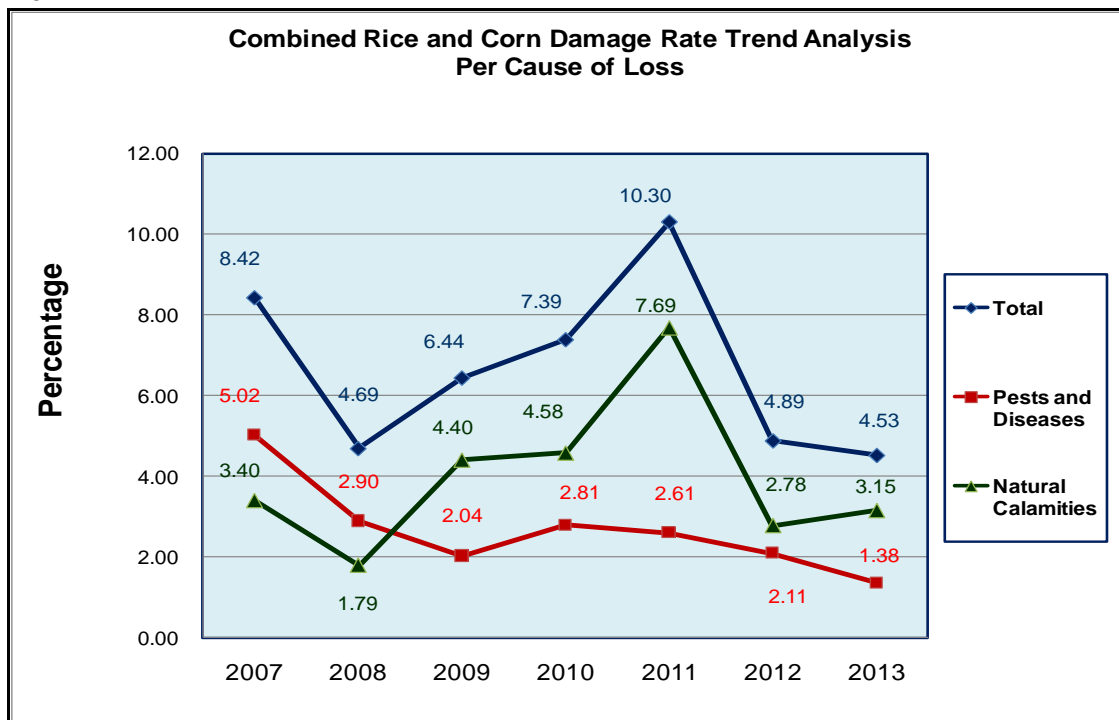
INSURANCE LINES	CLAIMS PAID (PM)			DIFFERENCE INCREASE/ (DECREASE)		FOR THE TWELVE-MONTH PERIOD ENDED DEC. 31, 2013			
	DECEMBER 2013		DEC. 2012	AMOUNT (PM)	(%)	DAMAGE RATE (%)		LOSS RATIO	
	Number of Farmers	Indemnity	Indemnity			2012	2013	2012	2013
Rice	58,372	379.334	185.857	193.447	104.10	4.77	4.54	0.42	0.39
Corn	7,449	68.388	27.393	40.995	149.66	5.86	4.46	0.33	0.23
Rice & Corn Combined	65,821	447,722	213.250	234.472	109.95	4.89	4.53	0.41	0.35
HVCC	1,037	24.169	0.906	23.263	2,576.66	2.18	0.66	0.61	0.10
Livestock	460	16.698	6.389	10.309	161.36	2.48	3.29	0.49	0.50
NCI	25	43.456	1.525	41.935	2,749.84	0.20	3.80	0.32	6.99
TIP	189	7.037	4.022	3.015	74.96	0.07	0.04	0.23	0.15
Fisheries	0	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00
TOTAL	67,532	539.081	226.091	312.989	138.43	1.97	1.69	0.40	0.33
(Decrease) (2013 vs 2012) (Favorable)						(0.28)		(0.07)	

Box 6.1 Insurance Claims Payment by Program for the twelve-month period ended December 31, 2013

Insurance Program	Number of Farmers	Indemnity (Php M)	Damage Rate (%)	Loss Ratio
PCIC Regular				
Rice	35,561	251.400	7.86	0.74
Corn	5,332	42.760	8.22	0.46
Combined Rice & Corn	40,893	294.160	7.91	0.68
HVCC	327	12.602	45.96	7.45
Livestock	440	16.487	7.56	1.22
Non-Crop Insurance	25	43.456	3.84	8.38
Term Life Insurance	176	6.700	0.10	0.36
Fisheries	0	0.000	0.00	0.00
Sub-total	41,861	373.405	3.05	0.79
DA Rice Program				
LBP Sikat Saka	330	3.423	1.14	0.10
NIA Third Cropping*	691	3.707	6.47	0.85
Weather Adverse Rice Areas	10,431	20.132	2.80	0.28
Sub-total	11,452	27.262	2.53	0.25
DAR-ARB-AIP (May -Dec. 2013 Insurance Coverage)				
Rice	11,359	100.672	2.47	0.19
Corn	2,117	25.628	2.53	0.12
HVCC	710	11.566	0.32	0.05
Livestock	20	0.211	0.07	0.01
ADSS	13	0.337	0.004	0.05
Sub-total	14,219	138.414	0.75	0.14
Grand-total	67,532	539.081	1.69	0.33

*Spill-over of last year's insurance production.

Box 7



Reasons for (decrease)/increase of claims paid:

- Combined Rice and Corn Claims Paid per Cause of Loss

Box 8

Cause of Loss	CLAIMS PAID				REASONS FOR INCREASE: 177.65% Increased Production in 2013 vs 2012
	Dec. 2013	Dec. 2012	Increase/(Decrease)		
			Amount (PM)	(%)	
Typhoon/ Flood	265.335	110.983	154.352	139.08	Certain claims due to typhoons Quinta & Pablo in December, 2012 in RO X were paid in 2013. Floodings due to continuous & monsoon rains and typhoons Basing, Creseng, Labuyo, Maring, Santi & Yolanda in all ROs.
Drought	46.264	10.247	36.017	351.49	Drought in eastern part of Pangasinan & Ilocos Norte (RO I), Echague, Reina Mercedes, Cauyan, Ilagan & Aurora, Isabela & Rizal, Cagayan (RO II), Tarlac (RO III), Mindoro Occidental (RO IV), Bohol (RO VII) Bukidnon and Misamis Oriental (RO X).
Pests & Diseases	136.122	92.019	44.103	47.93	1. Increased rat infestation in areas with continuous cropping (without follow period due to DA-NIA Third Cropping Rice Program) (ROs II, III, IIIA, IV, V, VII, VIII, IX, X & XII). 2. Prevalence of stemborer infestation and stalk rot incidence in RO IX.
TOTAL	447.721	213.249	234.472	109.95	

- HVCC

The increase in production by 8,709.87% in 2013 over 2012 also registered increased losses:

- Vegetable, onion, coffee crops in the provinces of Benguet, Mt. Province and Pangasinan (RO I); and banana plants in Compostela Valley (RO XI) were damaged by flood due to heavy rain/habagat.
- Coconut trees in Aurora, Quezon were damaged by heavy rains and strongwinds brought by Typhoon Labuyo (RO IIIA).
- Ginger crop in Catanauan, Quezon was damaged by bacterial wilt disease, triggered by heavy rainfall (ROIV).
- Onion, banana, coconut, sugarcane and ampalaya crops in RO IV; abaca, banana, coconut and sugarcane crops in RO VI; and banana plants in RO VII were damaged by flood/heavy rain and strongwinds brought by Typhoon Yolanda.

- LIVESTOCK

- High incidence of mortality among the insured dairy cattle of NDA due to diseases (e.g., pneumonia, toxemia/paresis mastitis, displace obamassum).

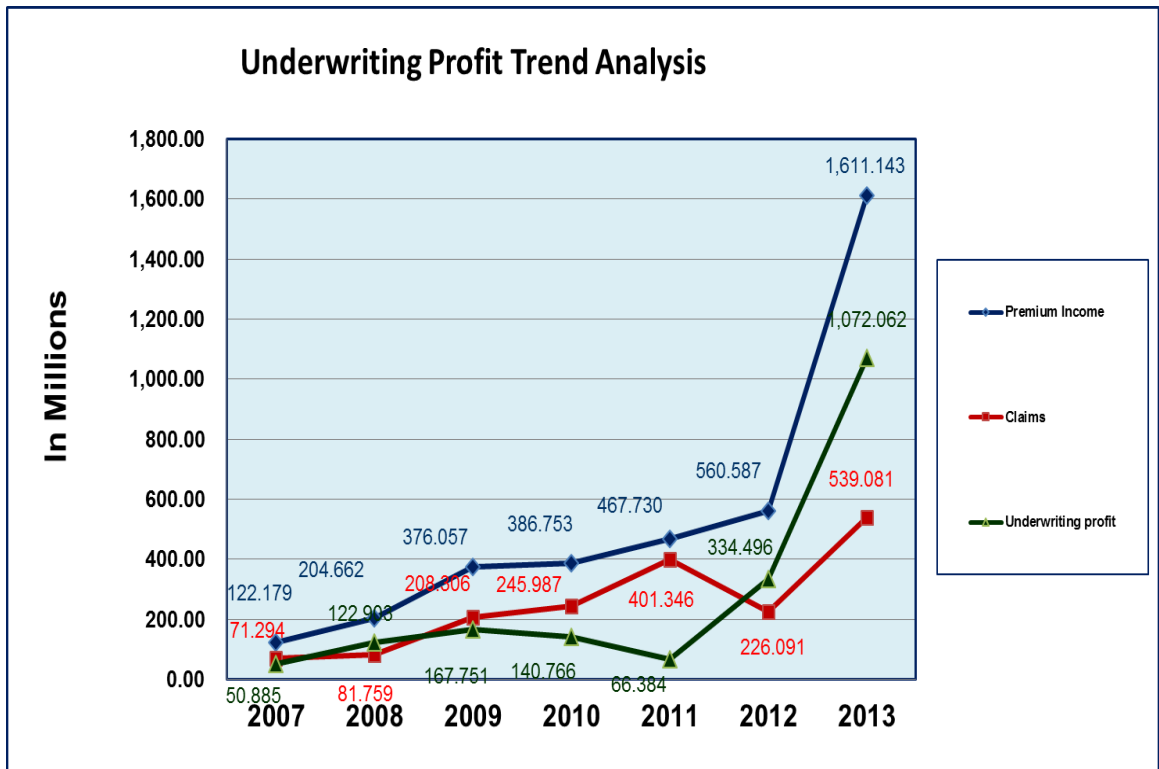
IV. STATEMENT OF UNDERWRITING PROFIT

Our underwriting profit for the twelve-month period ended December 31, 2013 amounted to Php 1,072.062 million, an increase of Php 737.565 M or 220.50% over the same period last year, computed as follows:

Box 9

PARTICULARS	AMOUNT (PM)				DIFFERENCE INCREASE/ (DECREASE)		TOP PERFORMERS/ REMARKS
	DEC. 2013	% To Total	DEC. 2012	% To Total	AMOUNT (PM)	%	
Prem. Income	1,611.143	100	560.587	100.00	1,050.555	187.40	The insurance production per amount of cover increased by 177.65% as compared to same period last year.
Less: Claims Paid	539.081*	33.46	226.091	40.33	312.990	138.44	For rice and corn, actual damage rate (DR) for pests and diseases is 1.38% only. The ave. PR for pests and diseases for both rice and corn is 3.82%, a savings of 2.44% which is equivalent to Php 241.787 million. Further, the DR for natural calamities is 3.15%, while the ave. PR is 9.12, a savings of 5.97%, equivalent to Php 590.282 million
Underwriting Profit	1,072.062	66.54	334.496	59.67	737.565	220.50	ROs II, XI, IX, I, IV, IIIA, XII, III & VII; All ROs registered an underwriting profit.

Box 10



For your information.

ATTY. JOVY C. BERNABE