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ROYAL INSURANCE CORPORATION OF BHUTAN LTD.

"Your partner for growth and security"

CROP INSURANCE POLICY

PREAMBLE

WHEREAS the Insured named in the Schedule has applied to Royal Insurance Corporation of Bhutan Limited (hereinafter called "the Company") for the insurance herein contained, the Company agrees subject to:

- a) any proposal or other information supplied by or on behalf of the Insured.
- b) disclosing all facts and circumstances known to the Insured that is material to the assessment of the risks insured hereby, and
- c) forming the basis of this insurance, and the Insured having paid and the Company having received the premium on or before the due date thereof to grant such insurance to the Insured subject to the terms, conditions, provisions, and exclusions set out in this Policy or as contained in any endorsement that may be issued.

DEFINITIONS

"Company" means the Royal Insurance Corporation of Bhutan Limited.

"Crop" means the variety of seed and/ or plants the Insured cultivates as mentioned in the Policy Schedule.

"Cropping Plan" means a detailed statement forming part of this policy showing the insurance cover selected by the Insured, the field number or name, the Crop and variety planted, the respective area planted, the sowing date, the emergence date, the average yield per acre, the value per ton of harvested Crop and the Sum Insured of this crop.

"Franchise deductible" A minimum amount of loss that must be incurred before insurance coverage applies.

"Defined Area or Unit area of insurance" means specified area for the Notified Crop under the policy.



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"Endorsement" means any alteration made to the policy which has been agreed to by the company in writing.

"Exclusion" means the damages/perils/properties/contingencies which are not covered under the policy and the company has no liability in the event of loss occurrence.

"Harvesting" means the process of cutting the insured Crops or part thereof from an insured Field for sale or use on the insured farm.

"Insured" means a person(s)/ entity (ies) whose name specifically appears as such in Policy Schedule.

"Insured Area" means the area under cultivation which is covered under the Policy

"Level of Indemnity" means the percentage of indemnity as specified in the Policy Schedule.

"Notified Crop" is the Crop which is selected for the insured season in the defined area by the insurer or selected by the Government authority for the crop insurance with the consent of the insurer and which is specifically mentioned in the Policy Schedule

"Policy" means the Policy booklet, the Schedule, any Extension and applicable endorsements under the Policy. The Policy contains details of the extent of cover available to the Insured, the exclusions under the cover and the terms and conditions of the issue of the Policy.

"Policyholder" means the person(s) or the entity named in the Policy Schedule who executed the Policy Schedule and is (are) responsible for payment of premium (s).

"Policy Period" shall mean the period commencing from the Policy Start Date and time and ending on Policy End Date and time as specifically appearing in the Policy Schedule.

"Proposal" means any signed proposal in the form of letters and declarations, written statements and any information in addition hereto supplied to the Company by or on behalf of the Insured.

"Schedule" means the schedule, and any annexure to it, attached to and forming part of this policy.

"Sum Insured" means the amount as stated in the Policy Schedule which shall represent the Company's maximum liability for any and all claims incurred under the Policy,



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“Terrorism” means an act, including but not limited to the use of force or violence and / or the threat thereof, of any person or group(s) of persons whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purpose including the intention to influence any government and/or to put the public, or any section of the public in fear.

“Theft” means the act of stealing, specifically, the felonious taking and removing of property, with intent to deprive the rightful owner of the same and includes larceny.

SCOPE OF COVER

The Company hereby agrees, subject to the terms, conditions and exclusions herein contained, or otherwise expressed herein, to compensate the Insured Person for

- A. Crops covered: All the crops under the Priority Sector Lending (PSL)
- B. Who can insure: The scheme will be available to all farmers cultivating the identified crops.
- C. Period of Insurance: 1 Year (Annual policy renewable every year)
- D. Geographical Area: All over Bhutan
- E. Perils covered: Physical loss or Damage to the Standing Crop (Sowing to Harvesting) due to:
 - a) Weather – rainfall, storm, tempest, flood, inundation, drought, hailstone,
 - b) Landslide/rockslide/subsidence
 - c) Pest & Diseases
 - d) Natural fire and lightning
 - e) Forest fire (excluding bush fire and damage to crops from burning of debris)
 - f) Damage to crops by wild animals

Any reported loss due to above perils will be settled on the basis of claim settlement section of the policy but in no case shall the Company’s Liability exceed the Sum Insured stated in the Policy.

- F. Franchise Deductible: A Franchise limit of 5% will be applied. This means that, if the loss amount is less than 5% of the insured value, the loss amount will not be payable. However, when the loss amount exceeds the limit, the full amount of loss will be paid.
- G. Loss or Damage to the Insured Post Harvest subject to the following conditions
 - a) Crops post harvests are laid in the field for drying purpose in “cut & spread” condition”.



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- b) Coverage is available only up to a maximum of 14 days from harvesting.
- c) Assessment of damage would be on individual basis.

EXCLUSIONS

The Company shall not be liable to make any payment under this Policy in connection with or in respect of any expenses whatsoever incurred arising out of damage or loss to insured Crop arising from:

1. The burning of the crop by order of any public authority.
2. Fire during harvest due to spark originating from engine exhaust and/or other hot machinery parts on harvesters and/or tractors.
3. Malicious, willful act or gross negligence of the Insured or any of his representative(s) or employee(s).
4. Any peril not specifically covered under the Policy.
5. Consequential loss whether or not caused by an insured peril.
6. Theft / clandestine sale of the Insured Crop
7. Intentional destruction of the Insured Crop
8. Loss occurring prior to the commencement of risk.
9. Loss, damage cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss
10. Any crop which has been harvested without the consent of the company upon happening of a claim prior to loss assessment.
11. Any damage to harvested Crops after 14 days waiting period and crops in transit.
12. Directly or indirectly connected with or traceable to, war, invasion, act of foreign enemy, hostilities (whether war be declared or not) civil war, rebellion, revolution, insurrection, mutiny, tumult, military or usurped power, seizure, capture, arrests, restraints and detainment of all kinds or any consequences thereof.
13. Loss occurring due to industrial pollution and / or toxic waste.
14. Any expenses whatsoever incurred by an Insured Person in connection with or in respect of any loss, howsoever caused, even if such loss results in diminished agricultural output/yield.



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BASIS OF SUM INSURED

The sum insured shall be based on the yield per acre/decimal by factoring in the cost of production of the respective crop (cost of production per kg *average yield from an acre of land (kg) for particular crop* area in acres under cultivation).

PREMIUM

Based on the data on yield and the cost of production collected by the Ministry of Agriculture, the actuarial will work out the premium to be charged on the sum insured which will be variable. So premium payable will be higher for insured having more area of land under cultivation of the identified crops and for those crops with higher cost of production.

STANDARD TERMS AND CONDITIONS:

- 1. Incontestability and Duty of Disclosure:** The Policy shall be null and void and no benefit shall be payable in the event of untrue or incorrect statements, misrepresentation, misdescription or on non-disclosure in any material particular in the proposal form, personal statement, declaration, and connected documents, or any material information having been withheld, or a claim being fraudulent or any fraudulent means or devices being used by the Insured or anyone acting on his behalf to obtain any benefit under this Policy.
- 2. Reasonable Care:** The Insured shall take all reasonable steps to safeguard the interests of the Insured against loss or damage that may give rise to a claim.
- 3. Observance of terms and conditions:** The due observance and fulfillment of the terms, conditions and endorsement of this Policy in so far as they relate to anything to be done or complied with by the Insured shall be a condition precedent to any liability of the Company to make any payment under this Policy.
- 4. Material change:** The Insured shall immediately notify the Company/ the Agriculture extension office of any material change in the risk, and cause at his own expense such additional precautions to be taken as circumstances may require ensuring safe operation of the Insured items or trade or business practices thereby containing the circumstances that may give rise to the claim, and the Company may adjust the scope of cover and / or premium if necessary, accordingly.



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- 5. Special Provisions:** Any special provisions subject to which this Policy has been entered into and endorsed in the Policy or in any separate instrument shall be deemed to be part of this Policy and shall have effect accordingly.
- 6. Duties of the Insured on occurrence of loss:** On the occurrence of any loss, within the scope of cover under the Policy the Insured shall:
- a. The insured farmer would give intimation to the company within 24 hours of the event through the concerned financial institution/Bank/ authorized agent or directly.
 - b. Allow the Surveyor or any agent of the Company to inspect the lost/damaged properties premises /goods or any other material items, as per 'the Right to Inspect' Clause as provided in the policy.
 - c. Assist and not hinder or prevent the Company or any of its agents in pursuance of their duties under 'Rights of the Company on Happening of Loss or Damage' Clause as provided in the policy.
 - d. Not abandon the insured Property/item/premises, nor take any steps to rectify/remedy the damage before the same has been approved by the Company or any of its agents or the Surveyor.

If the Insured does not comply with the provisions of this Clause or other obligations cast upon the Insured under this Policy, in terms of the other clauses referred to herein or in terms of the other clauses in any of the Policy documents, all benefits under the Policy shall be forfeited, at the option of the Company.

- 7. Right to Inspect:** If required by the Company, an agent/representative of the Company including a loss assessor or a Surveyor appointed in that behalf shall in the case of any loss or any circumstances that have given rise to the claim to the Insured be permitted at all reasonable times to examine into the circumstances of such loss so far as they relate to such claims or will in any way assist the Company to ascertain in the correctness thereof or the liability of the Company under the Policy.
- 8. Position after a claim:** The Insured shall not be entitled to abandon any Insured item/property whether the Company has taken possession of the same or not. As from the day of receipt of the claim amount by the Insured, as determined by the Company to be fit



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and proper, the Sum Insured for the remainder of the Period of Insurance shall stand reduced by the amount of the compensation.

9. Fraudulent claims: If any claim is in any respect fraudulent, or if any false statement or declaration is made or used in support thereof, or if any fraudulent means or devices are used by the Insured or anyone acting on his/her behalf to obtain any benefit under this Policy, or if a claim is made and rejected and no court action or suit is commenced within twelve months after such rejection or, in case of arbitration taking place as provided therein, within twelve (12) calendar months after the Arbitrator or Arbitrators have made their award, all benefits under this Policy shall be forfeited.

10. Cancellation/Termination: The Company may at any time, cancel this Policy on grounds like fraud, moral hazard or misrepresentation by giving at least seven days written notice in writing the Insured at his last known address in which case the Company shall be liable to repay on demand a ratable proportion of the premium for the unexpired term from the date of the cancellation.

The Insured may also give at least seven days notice in writing, to the Company, for the cancellation of this policy, in which case the Company shall from the date of receipt of notice cancel the policy and refund the premium for the period this policy has been in force as per the short period refund grid:

PERIOD ON RISK	RATE OF PREMIUM REFUNDED
Up to 15 days	50% of premium
Up to 30 days	25% of premium
Exceeding 30 days	Nil

Upon making any refund of premium under this Policy in accordance with the terms and conditions hereof, the cover and Company's liability in respect of the Insured shall forthwith terminate.



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Notwithstanding anything contained herein or otherwise stated, no refunds of premium shall be made where any claim has been lodged with the Company, or any benefit has been availed by the Insured Person/ admitted by the Company under the Policy.

Notwithstanding anything contained herein or otherwise stated, any request of Cancellation shall be confirmed by Financial Institution (s) whose name appears in Policy Schedule.

11. Renewal notice: The Company shall not be bound to accept any renewal premium nor give notice that such is due. Every renewal premium (which shall be paid and accepted in respect of this Policy) shall be so paid and accepted upon the distinct understanding that no alteration has taken place in the facts contained in the proposal or declaration herein before mentioned and that nothing is known to the Insured that may result to enhance the risk of the Company under the guarantee hereby given. No renewal receipt shall be valid unless it is on the printed form of the Company and signed by an authorized official of the Company.

12. Arbitration clause: If any dispute or difference arises as to the quantum to be paid under the Policy (liability being otherwise admitted) such difference shall settle by reference to arbitration of a sole arbitrator whom the company shall appoint. The award of such arbitrator shall be final and binding on both the parties. It is hereby expressly stipulated and declared that it should be a condition precedent to any right of action or suit upon this policy that award by such arbitration/arbitrators of the amount of the loss or damage shall be first obtained. It is also hereby further expressly agreed and declared that if the Company shall disclaim liability to the insured for any claim hereunder and such claim shall not within 12 calendar months from the date of such disclaimer have been made the subject matter of a suit in a court of law, then the claim shall for all-purpose be deemed to have been abandoned and shall not thereafter be recoverable hereunder.



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13. Endorsement Applicable To The Policy:

E1: AGREED BANK CLAUSE It is hereby declared and agreed: - That upon any monies becoming payable under this Policy the same shall be paid by the Company to the Bank and such part of any monies so paid as may relate to the interests of other parties insured hereunder shall be received by the Bank as agents for such other parties. That the receipts of the Bank shall be complete discharge of the Company thereof and shall be binding on all the parties insured hereunder.

N.B: The Bank shall mean the first named Financial Institution/ Bank named in the Policy. That if and whenever any notice shall be required to be given or other communication shall be required to be made by the Company to the Insured or any of them in any manner arising under or in connection with this Policy such notice or other communication shall be deemed to have been sufficiently given or made if given or made to the Bank.