



AGRICULTURAL INSURANCE LEGISLATION

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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by

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for

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FOREWORD

In recent years governments have attached increasing importance to insurance in agriculture as being an essential tool in the development and rationalization of the sector. While it is the farmers themselves who are the first to suffer loss or damage brought about by the vagaries of nature, the community as a whole also suffers when the supply of agricultural products, among them food, is diminished as a result.

In case of the developing countries, situated as they often are in regions less favoured geographically, with a preponderance of uneconomically small farms and, perhaps, legislative systems not always fully geared to solving problems associated with those vagaries of nature, some useful service might be rendered if information on the laws, etc., governing crop and livestock insurance in force in countries where noteworthy schemes: are in operation were to be made available in a readily usable form. Hence the present study.

FAO has at all times been vitally interested in this subject. Beginning with the Regional Meeting on Food and Agricultural Programmes and outlook for Asia and the Far East, held at Bangalore (India) in 1953, a number of congresses and seminars have been held on this particular subject. Most recently, at the World Conference on Agrarian Reform and Rural Development, which took place in Rome from 12 to 20 July 1979, the National Action Programme concept was approved, recommending Governments to introduce insurance schemes and funding for compensation and price support in order to attenuate as far as possible the consequences of poor harvests and fluctuations in product prices and the risks that these represent for the small farmer.

The present study is arranged in three parts. Part I consists of a general review of the approach and the content of agricultural insurance laws in force in a certain number of countries. Part II contains the legislative texts chosen, here, following an analysis of similar laws in an even wider range of countries, within the limitations imposed by the documentation available in FAO files. Part III illustrates an outline scheme for analysing agricultural insurance legislation offering a methodological approach which might serve as a guide in the drafting of similar laws. It is hoped that this study will be of practical help to persons with official responsibilities in this sector and all those in any way interested in this subject in whatever country.

The study is the work of Miss Beatriz Benilde Galán, a specialist in agrarian law, and consultant, following the guidelines and the methodological approach suggested by Mr. Ivo P. Alvarenga, Legal Officer, Legislation Branch, Legal Office, FAO. To both of them our thanks are due.

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INTRODUCTION

One of the fundamental risks attendant upon farming is the uncertainty as regards yields - an uncertainty generated by adverse factors - and vagaries such as climate and such as floods, droughts, diseases, pests and fire to which crops and animals are exposed. As a general rule, farmers are not in a position to face up to these contingencies on their own. And this is where insurance has an effective solution to offer.

Insurance schemes protect capital laid out by the farmer and facilitate the introduction of new techniques and enhanced yields. They make for stability in farm incomes by distributing losses sustained by certain farmers in certain areas of a country over a wider number and many more such areas, and by building up reserves in good years to be able to deal with the compensation that will be needed in bad years. Where insurance goes hand in hand with agricultural credit the farmer will be even more effectively helped because he will then be able to offer as security for the loans he has taken out the compensation due to him, with the further advantage of not having to resort to the private moneylender whenever unprovided-for losses come his way.

Lastly, insurance helps to encourage mutual aid among farmers. It consolidates the position of cooperatives and farmers' associations in general by offering advantages both to the individual and also at the local, regional and national levels.

As this study was in preparation, one fact in particular emerged, namely that in the various national agricultural insurance laws that were examined, there is a group of common themes each, however, having a number of different aspects of its own. The themes in question concern, in the order followed here: systems of administering insurance, the funding of insurance schemes, participation by the insured, cover and risks, assessment of losses and compensation, and the links that insurance and agricultural credit have with each other; also, the participation of provident associations and cooperative associations. These subject-matters are dealt with in Part I of this study with illustrations from the legislative provisions of the countries concerned.

PART I

AGRICULTURAL INSURANCE LEGISLATION IN SELECTED COUNTRIES ANALYSED

1. ADMINISTRATION

Agricultural insurance requires an institutional structure for its operation and supervision. The actual structure will depend on the system of government in the country in question - federal, say, or wholly centralized - or on the social and economic system obtaining there, for example on the development or otherwise of the provident or the cooperative principle.

Administration, as understood here, refers also to the powers of the government whether national or state (or provincial - this latter adjective will be used for convenience here) to prescribe rules for agricultural insurance and to secure compliance with them. In federal-type constitutions, such as Canada's, there is a (federal) Crop Insurance Act under the terms of which the provinces enact their respective insurance laws and are responsible for the actual administering of the centrally enacted law. In countries which do not have a federal constitution, on the other hand, there is a greater degree of centralization, and the national government will prescribe the rules and administer the law. Examples of the latter approach are to be seen in Sri Lanka and Sweden. Where the actual operation of schemes is concerned, the various systems met with according to the country are:

- (a) State-run insurance: here the government (national or provincial) is responsible for administration. In the case of the national government most probably the ministry of agriculture or a self-governing state body reporting to the government will be assigned the task, as in Chile, Israel, Mauritius, Mexico and Poland. If the provincial government is responsible, the task will be placed in the hands of a regional, or decentralized body, as in the case of Canada;
- (b) Mixed systems: here the administration will be, at one and the same time, national, provincial and municipal, with scope for provident, cooperative or other farmers' associations to share in the task. Examples are to be found in Japan and Sweden;
- (c) Privately-run insurance schemes: in this case the insurance is run by private enterprise, with government authorization. The schemes operating in Israel, Mexico, Sweden and USA exist side by side with publicly administered systems.

Whatever systems are in force, the government will always have a say in their operation, acting through its competent bodies, which control and supervise adherence to the respective formulas.

An analysis follows of the administration of agricultural insurance and of the different legislative provisions operating in its regard.

The federal Parliament of CANADA on 18 July 1959 passed the Crop Insurance Act. This is a framework law within which the provinces may legislate their own crop insurance schemes and enter into agreements with the federal Government for their financing. By this token it is for the respective provinces to decide to legislate or not in this sense, in conformity, however, with the terms and conditions laid down in the federal Act, in any regulations there-under and in such agreements as they may enter into with Ottawa.

The Governor in Council 1/ is empowered to make regulations for the administration of the federal Crop Insurance Act and of agreements and for carrying their purposes and provisions into effect.

Subject to the Act, the Minister of Agriculture may, with the approval of the Government in Council, enter into agreements 2/ with the provinces whereby the latter receives contributions and loans from the Government of Canada to defray costs incurred in the operation of insurance schemes. Reinsurance agreements are also provided for.

These agreements remain in force as long as the provincial law remains on the statute book and the province continues to enforce. Notice of intention to terminate an agreement by the Minister, with the approval of the Governor in Council, may not be given before five years have passed since the agreement entered into effect. However, an agreement may be terminated at any time if the parties agree and the Governor in Council approves.

At the end of each financial year the Minister of Agriculture is required to report to Parliament on the operation of any agreement made under the Crop Insurance Act and on payments made thereunder to the provinces.

In the Canadian province of QUEBEC the Crop Insurance Act of 24 December 1974 provides that the Lieutenant-Governor in Council 3/ may authorize the Minister of Agriculture to enter into agreements with the federal Government and with any individual, association, company or corporation, with a view to securing the implementation of the Act, in particular as regards the reimbursement of costs of administration, the contributions borne by the Province, and reinsurance.

The body responsible for the administration of Crop Insurance is the Régie de l'assurance récolte du Québec, which acts as an agent of the Crown in the right of the province. The Régie is a corporation vested with general

1/ In the Canadian system of government, the Governor in Council is the representative of the British Crown.

2/ Agreements must state the following: crops; areas where the scheme applies, nature of losses insured; method of ascertaining and determining losses; eligible producers, amount of the insurance; duration; premiums; provisions for establishing the value of crops; expenses incurred by the province in the administration of the scheme, and the procedure for calculating these; the minimum number of policies or the minimum amount of insurance for a given crop or area; a covenant by the province to establish a reserve fund for meeting indemnity payments; the use to be made of premiums paid; the keeping of records, etc.

3/ The highest authority in each province in Canada is the Lieutenant-Governor in Council, who is appointed by the Government of Canada to be the representative of the Crown there.

powers recognized by the Civil Code and with special powers assigned to it by the provincial Act. It has its corporate seat in Quebec, and may hold sittings in any place in the Province 4/.

The Régie prescribes the formalities to be observed in the submission of applications for insurance and claims for indemnity, the time limits for making such applications or any changes in insurance plans and claims for the respective agricultural zones. It classifies insurable crops and determines zones within the Province in the light of soil class and climate; it determines who shall be authorized to sell insurance and to carry out inspections and to assign indemnities, as well as the procedures to be observed in these matters. The Régie's decisions may be appealed to the Provincial Court of the district in which the property where the crop to be insured is located. The Régie is required each year to submit the Minister of Agriculture a report on its operations for the previous year. (This report is laid before the National Assembly) and every five years to submit an actuarial analysis of its operations.

In CHILE, Act No. 17.308 of 1 July 1970 empowers the President of the Republic to prescribe for matters having to do with general crop and livestock insurance. The implementing Regulations were approved by Decree No. 1 491 of 30 June 1970.

In charge of administering the Act is the State Insurance Institute, itself subject to audit by the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges. The Institute is required to operate agricultural insurance, carry out the necessary research, surveys and calculations, maintain statistics, make recommendations to appropriate bodies with a view to improving the operations of the scheme, and propose to the Agricultural Planning Board 5/ the geographic areas and specific crops to be covered by agricultural insurance. The Institute each year in the light of a report from the Board and the Department for the Control

4/ The Régie de l'assurance récolte du Québec has a membership of five, appointed by the Lieutenant-Governor, including the president and the vice-president, who are also ex officio general manager and assistant general manager. The other members are elected from among representatives of farmers' associations and para-agricultural undertakings. Three members, who must include the president and the vice-president, constitute a quorum. The secretary and the staff of the Régie are appointed and receive remuneration under the terms of the Civil Service Act. The members and other officers and employees of the Régie enjoy immunity in respect of official acts done in good faith. There is an Advisory Committee which consists of the Lieutenant-Governor in Council and specialists of the provincial administration services and insurance specialists and not less than six farm producers. Membership may not exceed the number of ten. This Committee advises the Lieutenant-Governor in Council and the Régie at the request of either.

5/ The Agricultural Planning Board is a service within the Ministry of Agriculture with responsibility for centralizing and coordinating the planning of all activities in the farming sector, including the technical aspects of agricultural insurance.

of Insurance Companies etc., formulates insurance plans 6/ sufficiently in advance of the respective cropping seasons and publicizes these by means of its Information Manual, or in newspapers in the region or, again by means of circulars to the banks and to agricultural bodies generally. In carrying out its tasks the Institute may call upon the expert advice of individuals or bodies corporate, Chilean or not, with a view to co-ordinating with other countries operating or intending to operate agricultural insurance.

By decision of the Government of ISRAEL in 1966, a public company, the Insurance Fund for Natural Risks in Agriculture Ltd. (IFNRA), was set up to make available multi-risk cover pending the introduction of a fully-fledged crop and livestock insurance law, its experience in the meantime offering pointers for the drafting of the new Law.

Since IFNRA is a government company, the responsible authority is the Minister of Agriculture, acting through the IFNRA Board of Directors 7/. The Board meets every quarter to decide policy and budget and to appoint committees 8/. The company has five departments dealing with the different operations involved in insurance 9/.

6/ In formulating these plans, the State Insurance Institute indicates for the "differential insurance areas" the following: the provinces, departments, sub-delegations or districts affected in each case; the species that may be insured in the respective areas classified by type of crop; species classified as "non-insurable" and species to be substituted for these; the level of cover for each species as referred to the type of crop and the distribution of this cover among tillage operations and requisites - this with an indication of the period of the year when they are to be performed or applied, as the case may be, the latest dates of sowing and harvesting for the various species as referred to the type of crop and as prescribed by the Agricultural Planning Board for the respective areas; and the premium rates for each species as referred to the type of crop and differential area in question.

7/ The Board of Directors has 28 members of whom 14 are appointed by the Ministers of Agriculture and of Finance, the others from among the representatives of the respective Production and Marketing Board and Farmers' Organizations. The Chairman is elected by the membership, and the Managing Director is appointed, from among the Government representatives.

8/ The Directorate is the Board's principal committee. It has ten members, including the President and the Managing Director. It meets every two weeks and supervises the affairs of the company. It is assisted by two further committees, the Premium Committee, which recommends insurance terms, and the Finance Committee, which recommends on financial and administrative matters.

9/ These five Departments are: (a) Office of the Managing Director. This is responsible for the overall operations of the Company, including internal audit; (b) Insurance Department, in charge of planning and developing insurance programmes and contracts, actuarial and statistical work and computer services; (c) Financial Department, in charge of accounting collection of premiums and receipt of Government subsidies, administration and services; (d) Claims Department, responsible for calculating indemnities and for arbitration Committees; (e) Adjusting Department, responsible for loss adjustment, the training of adjustors and establishing adjustment procedures.

IFNRA is a member of the International Association of Hail Insurers, which has one hundred and thirty-six affiliated companies operating in twenty-two countries.

In JAPAN, the Farm Losses Compensation Law, No. 85 of 1947, as amended, introduced a system of crop and livestock insurance on mutual benefit principles.

The scheme is decentralized. At village, township or city level, there are farmers' mutual benefit associations to which farmers cultivating a minimum area of land are mandatorily affiliated without contributions being demanded of them. These associations are the point of contact between farmers and the Government and are responsible for agricultural insurance operations at "grassroots" level. They determine normal yields for the respective land areas, collect premiums, prepare mutual assistance contracts, adjust losses, determine indemnities and pay out on claims.

In each prefecture, federations of farmers' mutual benefit associations are established in order to operate insurance. These federations are intermediate organizations between the central Government and the local mutual benefit associations. They take over a share of responsibilities which the local associations cannot undertake in their entirety in their own areas; they evaluate losses and, at the request of the associations, provide guidance for the control of pests and diseases.

The central administrative body is responsible for the Ministry of Agriculture and Forests' Reinsurance Special Account, into which are paid the premiums from the federations for reinsurance against freak losses.

In MAURITIUS, the Sugar Insurance Fund Act, 1974, assented to by the Governor-General on 24 May of the year as Act No. 4 of 1974, establishes the Sugar Insurance Fund Board. This is a body corporate consisting of various Government officers and of representatives of planters and millers 10/. The chief executive officer of the Board is the Manager, who is responsible for the administrative control of all officers and servants of the Board. An Investment Committee is also established to carry into effect the directives of the Minister responsible for Finance 11/.

10/ The Sugar Insurance Fund Board consists of the Financial Secretary (Chairman), the Permanent Secretary, Ministry of Agriculture and Natural Resources, or his representative, the Director of the Economic Planning Unit, or his representative, the General Manager of the Control Board, and a representative of the Minister of Finance, a representative of the Chamber of Agriculture, two representatives of planters who are grouped, a representative of planters who are not grouped, and a representative of millers. The Chairman has a casting vote in the event of a tie. The quorum consists of five members. A party to any proceedings before the Board may be assisted by counsel or technical experts.

11/ The Investment Committee consists of the following members of the Board: the Financial Secretary (Chairman), another ex officio member (Deputy-Chairman), the appointed member representing the Chamber of Agriculture and one other member to be elected by the Board. Three members are required for a quorum, and the chairman has a casting vote in the event of a tie.

The Mauritius Sugar Syndicate has a special role in the sector and acts as intermediary between the Board and the insured planter.

In MEXICO, the Crop, Livestock and Farmers' Life Insurance Act, of 9 December 1980, lays down that general crop insurance and insurance for livestock and agriculture-related insurance services shall be provided by a government company, namely the Aseguradora Nacional Agrícola y Ganadera S.A. (referred to elsewhere in the Act as "the Company", and in this study by its acronym: ANAGSA), or by benefit societies (sociedades mutualistas) and other insurance bodies authorized by the Secretariat for the Treasury and Public Credit.

Subject to prior authorization, ANAGSA may set up branches offices and agencies and appoint correspondents. The object of the Company is, in addition to providing straight insurance, to undertake any other insurance activities authorized by the Secretariat for the Treasury and Public Credit, also, jointly with the Secretariat for Agriculture and Water Resources, to underwrite risks insured directly by the benefit societies and other insurance bodies and take out reinsurance for risks that ANAGSA has itself insured 12/.

Since this is a social service of benefit to the Community as a whole, the Government has the duty of guiding insurance operations in a manner consonant with the findings of agronomic studies determining the differential insurance areas, the cost of the crops, the average yields, risk-prevention measures and the technical requirements for sowing and harvesting.

In POLAND, the Law of 28 March 1952, as amended in 1958, sets up the National Insurance Institute to take charge of all insurance operations in that country. An Order of the Council of Ministers relative to compulsory insurance, of crops against hail and flooding, of 14 June 1963, as amended by the Order of 13 May 1967, determines the Institute's terms of reference. The latter is a State Company assigned the task of determining premium rates, with the approval of the Treasury, negotiating insurance contracts, assessing losses among insured crops and paying out compensation as prescribed by the same Ministerial Order.

There are local (gromada) people's councils who act as intermediary between the National Insurance Institute and the farmer. These councils are in effect grass-roots administrative units for one or more villages reporting to a rural municipality.

12/ ANAGSA has a Director General, appointed from within its ranks upon nomination by the federal Government, thirteen members (with three alternates) representing the Secretariats of the Treasury and Public Credit, Agriculture and Water Resources, Agrarian Reform, Planning and Budget and the Bank of Mexico (these are members representing Series A shares); the Federation of Benefit Societies for Agricultural Insurance, Ejido farmers, small-farmers, stockbreeders and land-settlement farmers (representing Series B members' shares).

In SRI LANKA, the Agricultural Insurance Law No. 27 of 1973 established an Agricultural Board ^{13/} with the object of operating a comprehensive agricultural insurance scheme in respect of the paddy crop and of certain "specified crops" (i.e. crops so determined by the Minister for Agriculture by Notification in the Gazette) and in respect of livestock. In addition, the Board is to undertake research necessary for the promotion and development of this insurance. The Minister may by Order published in the Gazette authorize the Board to engage in other activities besides those enumerated in the Law and take any other action he may deem expedient for the efficient discharge of its functions.

In SWEDEN the agricultural insurance system is currently undergoing review by an interministerial committee established to determine what amendments are needed to the Act governing this subject since 1961.

The Central Agency responsible for managing insurance is the National Agricultural Marketing Board (Jordbruksnämnden) while there are twenty-four district agricultural boards (lantbruksnämnder) with offices up and down the country responsible for supervising yields and everything having to do with insurance operations. These boards determine premium rates, manage the funds earned with the harvest and pay compensations.

The Central Statistics Office is the clearing house for all information having to do with cropped areas in the various districts and with crop returns. These data are processed electronically and the office determines the amount of compensation due to each insured person for unforeseen losses. There is also a Yields Statistics Board, which is responsible for following up progress in insurance matters and for informing the Government accordingly.

Where livestock insurance is concerned there is a national-level institute operating on mutual benefit lines. This is the Scandinavian Livestock Insurance Company (Kreatursförsäkringsbolaget), which also has a subsidiary in the Domestic Animals Contagious Diseases Insurance Company (Försäkringsbolaget för Smittsamma Husdjurssjukdomar). Also participating in administrative matters having to do with insurance are the Swedish Farmers' Association, the Swedish Veterinary Association and national associations of breeders of horses and of ovine animals.

To be noted, finally, is the part played by a private insurance company which handles insurance against losses caused by hail.

In the UNITED STATES OF AMERICA, the operative legislation is contained in the Federal Crop Insurance Act of 16 February 1938, and subsequent amendments. The most recent and extensive of such amendments are contained in Public Law 96-365 ^{14/}: An Act to improve the Federal Crop Insurance Program, and for other purposes, of 26 September 1980.

^{13/} Making up the Agricultural Insurance Board are the Chairman, appointed by the Minister of Agriculture, an officer of the Ministry, the Director of Agriculture or an officer designated by him, an officer of the People's Bank, of the Bank of Sri Lanka or other bank approved by the Government, an officer of the Insurance company of Sri Lanka and an officer of the Paddy Marketing Board. These members, together with persons appointed by the Board to carry on its business, are deemed to be state officers within the meaning of the Penal Code.

^{14/} The consolidated text appears in Part II of this study.

The system is for the most part centralized on the Department of Agriculture, which acts for the purpose through an agency called the Federal Crop Insurance Corporation. Private firms also operate in this field under the laws of the State where they have their place of business 15/. The Corporation is responsible for determining overall policy, planning and developing insurance programmes, entering into contracts, determining premiums and the extent of cover, the direction and supervision of operations, and finance and accounting. For these purposes it may call upon the services of farmers' associations and cooperatives 16/.

15/ There are districts within which more than three quarters of the farmers are affiliated to the corporation's system and others where five percent or less satisfy conditions for insuring their crop under that system.

16/ The Corporation has its principal office in the District of Columbia, and agencies and branch offices in various parts of the country. The management of the Corporation is vested in a Board of Directors and a Manager, both appointed by the Secretary of Agriculture. The Board has six members, two of these from the department of Agriculture, one with expertise in insurance matters, and three active farmers, who are also policy holders and come from different geographic areas. The Actuarial and the Research and Development Divisions are under the direction of the assistant manager for Corporate Service, the Contract Service and Marketing under that of the assistant manager, for Operations and the Budget and Finance, and the Personnel, Management and Administration Service under that of the assistant manager for Administration. The National Service Office performs central office functions not performed by the principal office and is responsible for keeping records of contracts, and the billing, collecting and depositing of premium payments as well as performing accountancy and statistical tasks. The various Contract Service Centres distribute forms and documents, adjust losses and carry out inspections, while the Sales Centres, are responsible for the operation of the sales and collection programme.

2. FINANCE

The costs of administering a publicly-run insurance scheme are borne by the State either wholly (as in the case of Canada, Japan, Sri Lanka, Sweden) or in part (Israel, Mauritius, Mexico, Poland, U.S.A.). In the latter case, the balance is made good from premiums paid by the insured, either direct or through the intermediary of their provident, cooperative or other farmers' associations.

With privately-run schemes, costs are defrayed entirely out of the premiums; and these may also be met with a premium supplement to cover the insurer's profits. Where a scheme is not entirely self-financing from premium revenue, the government may intervene to subsidize those premiums, as happens in Canada, Japan and Mexico, or the provincial, cooperative or trade associations may do so, as provided under the schemes operating in Israel and Mauritius.

The various legislative systems prescribe in particular the time and form of premium payment and the procedure for calculating the amount - usually in the light of losses sustained in previous periods of time.

Again, if it is to succeed, any insurance scheme must constitute an initial reserve to meet claims arising out of heavy losses occurring before a sufficient premium surplus has been built up. The actual amount will depend on the magnitude of the scheme itself, on the funds supplied by the government as start-up capital, on reinsurance formulas, etc. Surpluses of premiums over amounts paid out on claims provide the reserve that is formed each year, whether in cash or in kind or a combination of both. This will be turned to good account in years of particularly heavy losses for paying out on claims. Chile, Israel, Japan, Mauritius, Mexico, Poland and the U.S.A. have provisions in their agricultural insurance laws governing such reserves.

In order to balance out any excess risk accepted by insurance bodies provision is made in some laws for reinsurance with public agencies or provident associations, or private firms, even. Canada, Japan, Mexico and the United States legislate in this sense.

To complete the list, one may note insurance systems which provide for the granting of special loans by the Government or private bodies in order to help the insurers over financial difficulties arising when freak losses occur. The Canadian and Japanese laws so provide.

In CANADA the federal Government may enter into agreements with the provinces to provide the latter with contributions in respect of the cost incurred by them in any year in operating insurance schemes 17/. Loans, too,

17/ The annual contribution payable to a province under an agreement is equal to 50 percent of the costs incurred by it in administering its insurance scheme. If the province undertakes to pay a share of the premiums, the federal Government's contributions will be the amount required either to reimburse the province for the share paid by it in that year or to reimburse 25 percent of the premiums paid under insurance policies in that year whichever is the less. Where, however, the federal Government contribution is not assigned to reimbursing the administrative costs sustained by the province but the latter undertakes to pay a share of the premiums, then that contribution will be given in an amount to match either the amount necessary to reimburse the province for the share of the premiums that it paid in the year in question or 25 percent of the premiums paid under policies that year, whichever is the less.

are available under agreements with the federal Government, these being repayable, including the interest thereon, under terms and conditions prescribed by the Governor in Council 18/. Contributions and advances on account of these, and amounts required for making loans, are paid out of a Consolidated Reserve Fund upon the certificate of the Minister.

Under these agreements the provinces undertake to establish a reserve fund for the payment of indemnities and may avail themselves of reinsurance facilities, again by entering into agreements. It is for this purpose that the Crop Reinsurance Fund was established within the Consolidated Revenue Fund as a special account to which are credited the amounts paid by the provinces for reinsurance and to which are charged amounts required for payments to the provinces for reinsurance purposes.

On the requisition of the Minister of Agriculture, the Minister of Finance may authorize payment out of the Crop Reinsurance Fund of amounts payable under these reinsurance agreements 19/. If the amount standing to the credit of the Crop Reinsurance Fund is insufficient to make payments, the Minister of Finance may, with the approval of the Governor in Council, advance the amount needed to meet the deficit to the Crop Reinsurance Fund out of the Consolidated Revenue Fund.

In QUEBEC, the provincial Government contributes to the financing of the insurance plan by allocating to the Régie each year a sum equivalent to the premium revenue for that year. With the contributions from the Government and premiums collected the Régie constitutes a fund to cover the payment of compensations and indemnities to which the insured are entitled, separate accounts being kept for the respective categories of crops.

The expenses incurred in the application of the province's insurance plan are paid out of moneys voted annually for this purpose by the Legislature.

The Régie each year establishes premium rates for mixed farming crops and for commercial crops, these rates being uniform for the respective farming zones and for each category of crops. Accordingly, each year it fixes for mixed-farming crops unit prices for the respective crops, taking into account average production costs and any other data it considers pertinent. Where commercial crops are concerned, the Régie also computes the rate of assessment by fixing the unit prices for the crops insured, again in the light of any pertinent other data. It may allow a discount to farmers who pay their assessment in advance, the actual amount varying with the date of the payment. Unit prices, the amount of assessments and rates of discount are published in the Gazette and in at least one agricultural journal designated by the Régie. Failing such publication, the rates and prices of the preceding year continue to apply.

18/ Loans may not exceed 25 percent of the amount by which the indemnities payable under insurance policies exceed the aggregate of premiums paid in the year in question, or 200 000 dollars. This means, in effect, that the provinces are granted loans only when losses are very heavy.

19/ The amount payable to a province in any year for reinsurance purposes may not exceed 75 percent of the amount by which the indemnities to be paid by the province under policies in force for that year exceed an aggregate of premium receipts in that year, the reserve for the payment of indemnities and 2.5 percent of the total liability of the province under those same policies.

The producers' boards established under the Farm Products Marketing Act of 1974 are required to collect the assessment payable by producers subscribing to the collective plan and forward the proceeds to the Régie. Similarly under an obligation to collect assessments and remit these to the Régie through the local offices are persons authorized, under a duly homologated agreement or an arbitration award, to collect moneys from farmers under the terms of the Act.

The Régie may obtain reinsurance under agreements with the Government of Canada or with any other authorized body corporate in respect of which the Lieutenant-Governor in Council authorizes the Minister to make agreements for this purpose.

The Minister of Finance makes advances to the Régie when this is necessary in order for it to cover compensation payments. The sums required are advanced out of the Consolidated Reserve Fund and are to be paid back into it under conditions determined by the Lieutenant-Governor in Council.

CHILE's Act No. 17.308 empowers the President of the Republic to allocate moneys needed for constituting a Compensation Fund to provide cover for the risks to which farming is by its very nature exposed. Participating in this Fund are the State Insurance Institute, the Department for the Control of Banks, the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges, and the Ministry of Agriculture acting through the General Administration Secretariat.

The Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges is responsible for approving premium rates for each species and type of crop for the respective differential insurance areas. If calculations show these rates to be uneconomical, the crop species or type affected is declared "non-insurable" for the differential insurance area in question. In these cases &&& State Insurance Institute requests the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchange to determine, with the advice of the Agricultural Planning Board, rates for substitute crops which the farmers concerned can grow instead.

Premiums are paid by the lending bank out of the first allocations of credit received by the farmers by means of monthly settlements of account presented to it by the State Insurance Institute.

A portion of the premium revenue is set aside to constitute a technical reserve to cover risks under current policies. The State Insurance Institute also constitutes a reserve for commitments pending in an amount governed by the relevant adjustments. There is also a special contingency reserve to meet unforeseeable negative performance. The Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges each year prescribes the actual percentage of the premium revenue that is to be set aside to form this special reserve.

In ISRAEL, the financial structure of the insurance scheme is broadly one in which the farmers' associations operate through branch funds together making up a Central Fund 20/. The Government contributes to the Central Fund and allows it certain tax reliefs as well.

Thus, in December 1976, the Government signed an agreement with INFRA establishing full mutuality between the Branch Funds (which correspond to the respective lines - crops or livestock - of agricultural production, though premiums must still be calculated separately for each). The agreement also provides that 25 percent of the receipts of each branch are to be transferred to a special reserve fund and premiums are to be determined actuarially taking into account the Government's participation and the need for reinsurance. The surplus over current expenditure and the indemnities and operational expenses is to be invested in Government Bonds.

JAPAN's agricultural insurance programme is assigned considerable importance, due chiefly to the fact that the Government looks on it as one of the most efficacious means of achieving greater productivity in the farming sector. This explains why the programme is in receipt of considerable financial support from the State, the Government taking over all management costs at the national level and a portion of those at the prefecture and local levels.

Premiums are in large measure subsidized by the State, the latter paying a high proportion of these in the event of catastrophic losses and in the highest-risk areas. The actual amount of premiums is calculated by the Ministry of Agriculture and Forests taking as basis the results of the last twenty years. Calculations are revised every three years. Premiums vary in relation to the crop insured, to the geographical area and to the risks covered. Rates are determined separately for the respective prefectures and are uniform for all farmers in one and the same commune-level association.

With a view to containing the size of the reserve, the Ministry of Agriculture and Forests operates a Reinsurance Special Account. Thanks to agreements between this Account and the local mutual benefit associations and prefecture-level federations of these (which make over to the Account a portion of their premium revenue), reinsurance is provided in respect of crops and sericulture and stock raising activities which have been insured by those mutual benefit associations and their federations under the mandatory system. Reinsurance is available only for freak losses which cannot be insured by the subsidies which the Government provides by paying the premiums.

The Agricultural Mutual Assistance Fund is financed from the contributions of the federations and from advance payments made by the Central Government. The Fund grants loans to the federations when these so request.

20/ The Insurance Fund for Natural Risks in Agriculture Ltd., has a share capital made up of one founder share "A", fourteen founder shares "B" and 100 000 ordinary shares. The Government holds the founder share "A" and 25 000 ordinary shares. Founder shares "B" and ordinary shares are held at the rate of 3 125 each by the eight production and marketing boards (for vegetables, citrus, flowers, cotton, poultry, fruits, wine grapes and groundnuts) and four farmers' associations (fish breeders, arable crop growers, sugarbeet growers and for individual farms), together with the Agricultural Center (collective and cooperative farms), as well as the Agricultural Union (Cooperative Liberal Farms). The Government has 50 percent of the voting power, the remaining votes being equally divided among holders of founder shares "B". The Government also has the casting vote. INFRA may not distribute profits or dividends to its shareholders.

In MAURITIUS, the 1974 Act establishing the Sugar Insurance Fund lays down among its financial provisions that the expenses of administering the Fund shall be defrayed out of the assets of the Fund itself. When any part of those assets is not required to meet liabilities, the Board of the Fund may, on the recommendation of its Investment Committee and with the approval of the Ministry of Finance, make investments.

The Fund comprises a General Insurance Account and a Fire Insurance Account 21/ into which are paid the moneys due to it each year from the insured or from the Mauritius Sugar Syndicate as required by the Board by way of General Insurance premiums and Fire Insurance premiums 22/. The Ministry of Finance may rule that planters or metayers grouped in regions may pay a reduced General Insurance premium.

The Board has a special privilege ranking before any other privilege on all sugar deposited in the name of the Syndicate in respect of any amount due to the Board by way of the General Insurance premium or Fire Insurance premium and of any amount paid in excess to an insured by way of compensation. The Minister of Finance may authorize the Syndicate to levy a special duty on all insurable sugar where he is of the opinion that the price of sugar on the world market so justifies, and the Syndicate pays this duty into a Reserve Fund.

A Reserve Fund 23/ is maintained by the Board and is drawn upon only (a) in order to provide compensation payable in respect of losses in excess of thirty-five percent where the overall loss in production in any crop year exceeds thirty-five percent of the total amount of insurable sugar for that year, and (b) in order to meet expenditure incurred for the insurance of any liability payable out of this Fund.

Subject to the approval of the Minister of Finance, the Board may enter into re-insurance contracts in order to cover liabilities entailed in the payment of compensation. On the recommendation of the Investment Committee and with the approval of the Minister of Finance, it may also borrow on such terms and at such rates as it considers reasonable and give the assets of the Fund by way of security for the loans so obtained.

21/ The General Insurance Account consists of the assets and liabilities of the Cyclone and Drought Insurance Fund established under the Cyclone and Drought Insurance Fund Act, 1969, and all general insurance premiums and such other sums as may accrue to it. The Fire Insurance Account consists of one million rupees transferred from the General Insurance Account, of Fire Insurance premiums and of such other sums as may accrue to it.

22/ The General Insurance premium is determined by the Board as a percentage of the value of the insurable sugar for the crop year in question, and is calculated in round figures by reference to the weight and value of the insurable sugar and the "premium percentage". The latter is set out in the second column of the second Schedule, opposite the ranking assigned to the insured. The premium payable by a member of a group of planters or metayers is proportional to the tonnage of cane supplied by him. The premium payable for Fire Insurance is one rupee per ton of insurable sugar.

23/ The Reserve Fund is made up of the assets of the special reserves established under the Cyclone and Drought Insurance Act, 1969, and of sums that the Minister of Finance may order shall be credited to the General Insurance Account and the Fire Insurance Account, together with any special amount that the Syndicate may levy with the authorization of the Minister of Finance.

In MEXICO the Federal Government provides partial subsidies for insurance. ANAGSA (see Chapter 1) is a company constituted with State and privately-held shares 24/. Each year it publishes, following approval by the Secretariat of the Treasury and Public Credit, a statement of its financial position and a statement of its operating results. The same Secretariat appoints an external auditor, while the supervision of the company is the responsibility of the National Banking and Insurance Commission.

The Secretariat, again, determines the maximum percentage of premium revenue that may be allocated to administrative expenses, and the items that may be included under this heading 25/. The federal Government acting through the Secretariat approves premium rates once they have been approved by the Managing Board 26/. The insured must pay their premiums within 15 days of receiving the policy.

ANAGSA is required to constitute technical reserves for the following: current risks; obligations pending; provident fund, and any reserves prescribed by the Secretariat of the Treasury and Public Credit.

Contracts for the reinsurance of risks insured by other bodies are governed by general rules made by the Secretariat of the Treasury and Public Credit. The contracts in question may be entered into only in respect of policies which those other bodies, including the mutual benefit societies, have already taken out under contract with the Company authorizing them to undertake insurance business in the first place. Reinsurance contracts are available only for schemes approved by the Secretariats of the Treasury and Public Credit and of Agriculture and Water Resources. A further condition is that all risks insured directly in the respective period must be so reinsured 27/. Benefit societies seeking reinsurance are required to adapt their operations to the conditions, including cover and premiums that the Secretariat of the Treasury and Public Credit authorizes in the case of the Company itself.

24/ The ANAGSA capital, as required by the Articles, consists of two series of equal-value shares. "Series A" shares, which must not represent less than 51 percent of the capital, are held by the Federal Government and its departments; "Series B" shares are subscribed by institutions in the public and private sectors. The latter shares are registered.

25/ Premium revenue from the various schemes that ANAGSA operates must be sufficient for it to constitute reserves for the respective risks, as determined actuarially and in the light of the general characteristics of those risks.

26/ The Secretariat of the Treasury and Public Credit considers the Company's proposals in the matter of premium rates. These proposals will be based on technical and actuarial studies, themselves taking into account the organizational pattern and the economic capacity of the insured and, again, the characteristics of the region concerned, and crops and livestock and other elements. The views of this Secretariat of Agriculture and Water Resources must also be sought here.

27/ In agreeing to the concession under this reinsurance contract, ANAGSA accepts, all indemnity liabilities under the terms of the contracts, while the benefit societies surrender as a countervailing amount the entire premium revenue paid in, minus a commission to administrative costs, these latter being submitted sufficiently in advance to ANAGSA for approval.

In POLAND, the agricultural insurance system operates under State control and with the State intervening in the operations. It is financed in part by the Government and in part by the farmers themselves, who pay premiums determined in the light of the rules of the National Insurance Institute as approved by the Treasury and published in the Official Gazette.

The amount of the premium varies according to whether compulsory or optional insurance is involved. If compulsory, then the premium is looked on as a sort of tax and is indeed levied along with the latter. With optional insurance the premium is paid by the farmer directly in cash to the National Insurance Institute or, alternatively, is withheld by the cooperatives from the price at which the insured's produce is sold.

The law prescribes that a reserve is to be constituted for use by the National Insurance Institute whenever due to freak events disbursements for compensation exceed the level normally provided for.

In SRI LANKA, the Government takes over the management costs of the Paddy Crop Insurance Plan. Law No. 27 of 1973 prescribes the initial capital of the Agricultural Insurance Board in terms of two million rupees, which may be increased by an amount determined by the Minister for Agriculture with the approval of the Minister in charge of Finance. The amounts in question are to be paid to the Board out of the Consolidated Fund, and as soon as possible after such payment the Minister of Finance is required to report thereon to the National State Assembly. The Law establishes the National Agricultural Fund, out of which are paid all sums required to defray expenditure incurred by the Board in carrying out its object 28/.

The amount of premium due from the insured is determined by the Board and is payable either in cash or in a proportion of the harvest or partly in one and partly in the other form 29/. The Paddy Marketing Board or its authorized purchasers may, at the request of the Agricultural Insurance Board, deduct the premium payable from that due to an insured as the price of the crop purchased from him under the guaranteed price scheme. Failure to pay all or part of the premium entails the insured being considered in default, together with any additional charge by way of interest at such rate as the Minister may by Notification published in the Gazette determine; and the amount in question is recoverable on application to the Rural Court of the jurisdiction where the paddy land is situated or, if necessary, to the Magistrate's Court having jurisdiction over that place, the produce moreover being liable to seizure and sale.

In the matter of the voluntary insurance of other crops and livestock, the Board may with the approval of the Minister for Agriculture enter into reinsurance contracts with the Government or any local or foreign institution

28/ Into the Agricultural Insurance Fund are paid all sums voted by the National State Assembly for use by the Board and all moneys received by the Board in the exercise of its terms of reference and all sums of money lying to the credit of the Insurance Fund originally established under the Crop Insurance Act. No. 13 of 1961 (now repealed).

29/ The value of the amount of paddy is calculated on the basis of the price for the crop under the guaranteed price scheme. However, if this plan is not applicable to the crop in question, the value is calculated on the basis of the market price of the crop for the last three years preceding that in which the premium, as determined by the Board, is to be paid.

undertaking the business of reinsurance. With the concurrence of the Ministers of Agriculture and for Finance or in accordance with the terms of the general authority given with their concurrence, the Board may borrow by way of overdraft or otherwise or negotiate credit for meeting its obligations or carrying out its object. With the consent of the Minister for Agriculture given with the concurrence of the Minister for Finance, the Board may borrow money otherwise than by way of loan for the requisition or the acquisition of any movable property required for its business and for repayment of any moneys borrowed by way of loans.

In SWEDEN, all administrative costs entailed in the insurance scheme are borne by the Government. Premiums in the strict sense are not levied on farmers, the latter contributing only in an indirect way to funding the insurance when they pay certain taxes on farm products, such taxes being collected in accordance with the instructions of the National Agricultural Board 30/.

In the Swedish system no provision is made for reinsurance, since the Government offers sufficient security for the payment of compensations.

In the UNITED STATES, the federal Government defrays most of the expenses of operation and administration of the crop insurance programme by making special contributions to the Federal Crop Insurance Corporation Fund in amounts and at times as determined by the Secretary of Agriculture 31/. The Corporation is authorized to prescribe premiums at rates which the Board considers actuarially sufficient to cover claims on losses of crops insured and to establish at the earliest possible date a reasonable reserve against unforeseen losses 32/.

30/ Insurance is funded to the tune of two-thirds from the Government budget allocation, which bears all management costs. The remaining third is paid by the farmers collectively. A rate prescribed by the Government is deducted from the selling price of their products to their cooperatives. In effect, the annual contribution to the Government is paid by cooperatives or farmers' associations which have previously levied the relevant amount on their farmer members.

31/ Expenses in connection with agents' and brokers' commissions, interest on Treasury notes and other obligations, partial premiums payments by the Corporation, and the direct cost of loss adjusters for crop inspections and loss adjustments may be paid from premium income and other Corporation funds, and any such payments may be restored by appropriations in subsequent years.

32/ The methods for determining premiums are fairly similar to those used for calculating cover and are prescribed by the Corporation's rules. The level of the premium is governed by the crop insured, the amount of the protection per acre provided by the insurance and the probability of losses in the different areas. Adjustments or rebates can be made in the respective districts under a merit rating system which takes into account the producer's actual yield history. If the insured has not suffered loss for several years, he is entitled to certain rebates or discounts. These procedures are described in detail in P.K. Ray, A Manual on Crop Insurance for Developing Countries, FAO, Rome, 1974, p. 56.

If at any time the moneys available to it to pay out on claims are insufficient, it may request the Secretary of Agriculture to use the funds of the Commodity Credit Corporation 33/ in order to make timely payment of indemnities to producers. Otherwise it may issue to the Secretary of the Treasury notes or other obligations which it may redeem out of premium revenue or the issuance of capital stock 34/. Redemptions, purchases and sales by the Secretary of Agriculture are treated as federal public debt transactions. These statutory borrowing powers may be exercised only within the amounts earmarked by the federal appropriation acts.

Within the limits of the budget appropriations the Corporation may draw on premium revenue in order to defray costs of administration.

The insured are required to pay their premiums by such dates and according to such procedures as the Board may determine. Additional premium is payable to cover cotton seed losses 35/.

The surplus income of the Corporation may be deposited in the Treasury of the United States or in any approved bank. The Federal Reserve Bank may act as depository, custodian and fiscal agent on behalf of the Corporation.

The Corporation is directed to provide reinsurance to both governmental entities and private insurers on condition that the primary insurance plan is acceptable to it. In order to secure equity among those taking out crop insurance whenever the Corporation provides reinsurance, the latter is to pay a portion of each producer's premium for the insurance thus reinsured, to the tune of 30 percent that the Corporation pays to encourage broad participation in the programme. The Corporation also pays operating and administrative costs of the underwriters of policies which it reinsures; and in these cases the private insurance agents and brokers concerned may not be compensated for their services out of premium receipts.

33/ Commodity Credit Corporation: a US government agency affiliated with the Department of Agriculture responsible for stabilizing, supporting and protecting farm income and prices, and maintaining balanced supplies and orderly distribution of farm commodities.

34/ The Corporation's authorized and appropriated capital stock stands at \$500 million, federally subscribed, and may be called on subject to the approval of the Secretary of Agriculture.

35/ This additional premium is determined on the basis of the average relationship between returns from cotton seed and returns from lint cotton for the same period of years as that used for computing yields and premium rates.

3. PARTICIPATION BY THE INSURED

Participation by the insured in agricultural insurance schemes may be mandatory or it may be voluntary, depending on the peculiar features and specific necessities of the country. If the government discerns a need to impart greater stability to the operation of these schemes through an adequate participation on the part of the farmers in such a way as that continuity is assured, it will apply the mandatory formula. Where no such need arises it will allow the voluntary system to operate.

The insured may participate in a scheme directly or indirectly. If directly, then the law will impose the insurance system applicable to all farmers (as in the case of the group plan under Quebec's Crop Insurance Act); if indirectly, the farmer, while not obliged to insure his crop or his livestock, in practice has little choice but to accept the insurance plan offered to him as a condition for eligibility for credit. Examples of this type of participation may be seen in the laws of Chile, Israel, Japan and Mexico.

Under voluntary systems, farmers request insurance only when they consider it to their advantage to protect themselves against adverse events in years that they think may be bad ones or in areas where the risk factor is higher. In these cases it will always be necessary for the insured to renew his contract if the interest is there. The Crop Insurance Acts of the United States and of Quebec (the latter contemplating individual plans as well as a group plan) provide for such voluntary-type insurance.

The participation of the insured may sometimes be only partially mandatory. This is seen when the farmer is obliged to insure only certain crops or certain areas or certain kinds of livestock, while the voluntary formula will apply to the rest of his production. Insurance is mandatory for the sugar cane crop in Mauritius and for paddy in Sri Lanka, and for areas greater than two arable hectares in Sweden.

In any discussion on farmer participation, consideration will need to be given to the insurance contract, with special reference to the policy, the conditions to be met by the insured and the content of that policy.

In CANADA, the Crop Insurance System is, generally speaking, voluntary although the respective provinces may legislate for its own schemes.

In QUEBEC, the Crop Insurance Act, 1974, as amended in 1975 and 1977, institutes a collective insurance plan and another of an individual kind. Mixed farming crops (grouped in categories under the regulations) must be insured under the former scheme but are optionally insurable under the latter scheme as well. The crops of farmers specializing in the dairy industry or in raising beef-cattle, horses, sheep or other herbivorous animals must be insured under the collective plan.

The collective plan is ordered by the Lieutenant-Governor in Council in any zone determined by the Régie following consultation with the local producers' associations, if it is proved to the satisfaction of the Lieutenant-Governor that a sufficient number of producers, or the producers whose crops represent a sufficient proportion of the insured value or the whole of the crops in the area, agree to the plan. Once the plan is established it may not be abolished unless it can be shown to the satisfaction of the Lieutenant-Governor in Council that the producers, subject to the conditions mentioned earlier, are in favour of its abolition.

Any producer desirous of insuring his crop under a collective plan must register with the Régie and supply the latter with all necessary information and pay the requisite assessment or premium 36/. If the Régie accepts the producer, it issues a certificate of insurance indicating the amount of assessment and a cover for each category of crops; if it does not recognize him as eligible it must inform him to that effect and give its reasons.

Producers eligible under the collective plan who specialize in poultry or hog raising may also insure their crops under the individual plan, provided they supply to the satisfaction of the Régie, the plan of their farms, precise information on the average yield of their crops and any other data prescribed by regulation. If the Régie accepts an application 37/ it issues an insurance certificate or otherwise notifies the producer of any conditions upon which issuance may proceed. In the event of any alteration of his agricultural programme, the producer must notify the Régie of the fact so that the latter may indicate the conditions on which it will issue a new certificate.

Under both the collective and the individual plans, the disposal of a farm to another producer does not invalidate the insurance, and the acquirer enters into the rights and obligations of his predecessor, provided the Régie is duly notified of the disposal.

The Régie may likewise prescribe conditions governing participation by producers of one or more categories of commercial crops who wish to insure each year against loss in yield or reduction in quality, or both, due to the harmful effect of the forces of nature contemplated in the regulations, and may apply the terms of the individual plan governing applications, the content of these, alteration of programme, issuance of certificate, etc., to producers so wishing to insure.

In CHILE insurance is voluntary. It will be mandatory, however, in the case of those farmers who wish to obtain credit from the institution - national, private or semi-private - in those regions and for those crops for which insurance has been introduced. In the case of the semi-private companies, the credit institution takes cognizance of applications and informs the State Insurance Institute in order that the latter may give its ruling as to acceptance or refusal. When only insurance is being applied for, the Institute receives the application and decides on its acceptance or otherwise and is responsible for inspecting the risks in question.

Farmers wishing to take out insurance and obtain credit together must submit their application on the form prepared by the Institute and by the banks and approved by the Department of the Control of Insurance Companies, Limited Liability Companies and Commercial Exchange 38/. The bank acknowledges

36/ Any producer joining the collective plan is required to maintain membership for as long as the plan continues in being, and at the time of registering and each subsequent year must authorize the collection of his premiums ("assessments") as prescribed by the Act.

37/ Applications for insurance must state, by categories of crops, the areas to be insured and their average yield, and the number and species of animals.

38/ The form is made out in quintuplicate (top copy and first copy remain with the bank, the second and third copy with the Institute and the bottom copy with the applicant). The application must be completed showing personal data, crop species and type, location and area of the holding, date of sowing, capital outlay per hectare, and probable average yield per hectare for the differential insurance area where the holding is located.

receipt and sends an inspector to the holding 39/. If the inspector has no reservations to make or if these can be made good, the Institute approves the application and issues cover which will be provisional for a period of sixty days. The procedure is completed with the issue of the policy, which will have attached to it the inspection report and a statement of the entitlements and obligations of the insured.

The Institute reserves the right to cancel contracts if it comes to its notice that there have been omissions or if there have been any acts which constitute a substantial aggravation of the risk or contravene the law in any way. Except in cases of voluntary withdrawal, the insured are entitled to have any unused premium returned to them. The Institute informs the bank of the cancellation of any contract.

In ISRAEL agricultural insurance, even if it is not by law compulsory, is virtually so because the farmers' associations are expected to convince their members as to the advantages of the system. The Insurance Fund for Natural Risks in Agriculture Ltd. (INFRA) offers insurance contracts each year only to those farmers' associations which act as intermediaries between the Fund itself and their farmer members.

JAPAN has a voluntary insurance scheme for those farming less than a stated area and for crops not covered under the mandatory system. The mandatory system operates for farmers working larger areas and in respect of rice, including upland rice, and wheat and barley. In the cases mentioned, the farmers of a given area are automatically members of the farmers' mutual help association, which is responsible for negotiating insurances at the local level.

Where livestock is concerned, under Law No. 119 of 1957, which amended the Agricultural Losses Compensation Law (No, 85 of 1947), compulsory insurance operates to cover risks of death, diseases and losses occurring among livestock from five to twelve years of age and to horses and related species from two to sixteen years. The mandatory system also applies to any other type of animal if the local mutual help association so decides 40/.

In MAURITIUS, the 1974 Act prescribes compulsory insurance for the sugarcane crop against losses caused by fire.

Every miller is required to register his factory with the Board by 31 May each year and furnish any information the Board may require. Every planter must also by the same date so register his cane plantations for the following crop year, declaring in respect of each cane plantation appearing his name the area of land which he has under cane cultivation for his own account and his metayers (if any) 41/ have under cane cultivation and intended for harvesting during that crop year.

39/ The inspector draws up a report in triplicate (one copy to the farmer and two for the bank) and indicates his agreement with or reservations as to the information supplied by the applicant.

40/ Parallel to the mandatory scheme there is a plant health protection system which applies preventive measures against diseases of crops and animals. This service promotes increased productivity and helps to keep down the total indemnities that must be paid out.

41/ The Act defines "metayers" as persons who cultivate cane on land belonging to a planter and give the planter a portion of the annual sugar yield of such a land.

The Board keeps a register in which is entered the area of cane plantations of every planter. It may require a planter to furnish a certificate by a sworn land surveyor in support of any declaration made by him in this connection. Similarly, any change in the ownership of a factory or cane plantation must be notified in writing to the Board by the previous and the new owner, together with documentary evidence of the change. Every miller, planter, cooperative society or middleman must furnish in writing to the Board such information and in such manner as may be prescribed.

For each crop year the Board assigns a ranking for those insured for General Insurance 42/. Planters cultivating in the aggregate less than ten arpents of sugarcane, and metayers, are to be grouped by regions with effect from a stated crop year 43/.

While under MEXICO's Crop, Livestock and Farmers' Life Insurance participation is in principle optional, it is mandatory if the farmer 44/ wishes to avail himself of national credit facilities. The process begins with the interested party submitting his application. The Company may then carry out any inspections it deems appropriate with a view to establishing whether the crops have taken root, whether sowing was done within the prescribed dates, etc., and, in the case of Livestock Insurance, with a view to establishing the identity of the animals and the premises when they are housed. Once approval has been given, the contract is signed on the form of the model policy 45/. Insurance may be taken out for oneself or for others. Changes of beneficiary may be introduced with the Company's consent.

With General Crop Insurance, the duration of cover is stipulated in the policy in relation to the circumstances of the respective crops and in conformity with the general rules prescribed by the Secretariat of the Treasury and Public Credit jointly with the Secretariat of Agriculture and Water Resources. With Livestock Insurance the maximum duration of cover is one year, the expiry date being specified in the policy. The same applies in the case of Insurance for Agriculture-related Activities.

42/ Ranking is assigned according to the formula set out in the first Schedule and the result reduced to the next lower multiple of 0.1. Where the Board's records are insufficient for calculation purposes it may assign the ranking on such information as it has available.

43/ One arpent: approx. 0.85 acres, or 3400 m².

44/ The Act defines the insured as any farmer or stockbreeder who is owner of the crops or animals covered by the contract or, in the case of insurance for agriculture-related activities, as the owner of the assets so covered.

45/ The approval of the National Banking and Insurance Commission is required for the form of application and related insurance documents. The policy records the names and addresses of the contracting parties, and indication of the species and type of crop, the area under it and location, the risks covered, the dates within which sowing and harvesting must be done, the date the policy was issued and when the latter terminates, total cover per hectare, premium, etc. Any amendments to the policy are effected by means of endorsements.

ANAGSA reserves a right to annul contracts if there come to its notice any omissions or acts or circumstances constituting a substantial aggravation of the risk. Where a contract is annulled by the insured himself or by an applicant, premiums are not returnable.

In POLAND, there are two types of agricultural insurance: optional and compulsory, depending on the type of risk covered. Compulsory insurance covers the following crops: wheat, rye, barley, oats and millet (both grain and straw of these), buckwheat (grain), maize (grain and leaves), and potatoes. These can be insured against damage caused by floods and hail. Potatoes are compulsorily insured against floods only. Optional insurance covers two other risks: damage due to winter frost and spring frost (in respect of any kind of crops) and storm damage (for hops).

Within fourteen days of a farm enterprise - individual farm or a cooperative - coming into being or, again, in the case of individual plots being worked by the cooperative's members, the owner is required to report the fact, together with any changes that have been introduced on the farm in question. These notifications are to be made to the board of the local people's council of the gromada 46/ or the inspection Department of the National Insurance Institute. Within a month following the notification, the Institute sends the farmer as insurance contract recording among other data the cropped area, cover and premiums.

In SRI LANKA, compulsory insurance for the paddy crop applies in areas determined by the Minister for Agriculture by Order published in the Gazette 47/. Where other crops and livestock are concerned, voluntary insurance operates, for which the Act prescribes that the Minister of Agriculture may by Order published in the Gazette determine the crops and species of livestock in respect of which the Agricultural Insurance Board may enter into an insurance contract and issue the relevant policy to any persons who apply therefore 48/.

An insured person may transfer his policy to an approved credit agency by way of security for the loan in respect of the sowing of a specified crop on the extent of land covered by a policy. The transferee of any rights, titles and interests of an insured person is entitled to all the rights of the transferor and is subject to all the outstanding obligations of the transferor. A contract of insurance under this Law may be declared void and the premiums paid in respect of it may be forfeited to the Board if the insured person has cancelled or misrepresented any material fact or committed any fault relating with the insurance or fails to comply with any term or condition of the contract. The Board or any officer authorized in that behalf may enter and inspect any land on which there is any specified crop or any insured livestock and may direct an insured person or the holder of an insurance policy to take necessary measures in respect of the crop or livestock in order to prevent or minimize damage.

46/ As mentioned under Chapter 1 - Administration people's councils at gromada level are small administrative units reporting to a rural municipal authority.

47/ The Act defines "insured person" as any owner cultivator, tenant cultivator, landlord with tenant cultivators or landlord with agricultural labourers who has entered into a contract of insurance with the Board against the loss of their paddy crop arising from any "specified cause".

48/ These policies must contain the name of the insured, the subject-matter of insurance, the sum insured, the term of cover, the causes of loss insured and such terms, exceptions, conditions and endorsements as may be determined by the Board.

In SWEDEN, agricultural insurance is compulsory for holdings which have at least two arabal hectares under cultivation, irrespective of the geographic region or the cropping system used.

Farmers are required mandatorily each year to complete land use forms. The statements contained therein are analysed in the respective districts and the findings sent up by means of computer to the Central Statistics Office. This information can be supplemented where necessary through direct contact between officials and the farmers. If false statements come to light at the verification stage, the persons who made them are liable to a fine.

In the UNITED STATES, the insurance system in force is of the voluntary kind. While private firms also handle crop insurance, farmers wishing to insure their crops with the Federal Crop Insurance Corporation contact the latter by filing an application for an insurance contract with the local offices or through a fieldman who will deal with all the formalities 49/.

Upon signing their contract, farmers undertake to inform the insurance agency as to the sown acreage and of any substantial loss occurring to their crops and of any post-harvest losses. They also undertake to keep a record showing the volume of production on their farm.

Applications for insurance forwarded by fieldmen are dealt with first at the local offices, which will then calculate the appropriate premium in the light of the information supplied by the farmers themselves and bill the insured for the amount about harvest time.

The insurance contract can be assigned to a bank or creditor. The Corporation will annul any contract containing false statements or where it has ascertained that the farmer has failed to observe any of the provisions governing crop insurance. The Act expressly authorizes persons over 18 years of age and less than 21 to take out crop insurance provided they have a bona fide interest in a crop as owner-operators, landlords, tenants or sharecroppers, while remaining subject to the same liabilities and retaining the same entitlements, in these cases, as persons over 21 years of age.

4. COVER; RISKS

The geographical scope of cover may take in an entire national territory or only part of it. Legislation, according to the country, may follow now one criterion, now another, in determining the area where cover shall be available. The criteria themselves may vary from one country's laws to another's depending on the availability of data on losses and yields, the frequency of risks or the absence of risks and the existence of an adequate administrative structure. Examples are to be found in the legislation of Chile, Mexico and the USA. The last-mentioned establishes districts for the application of insurance while the other two countries have differential insurance areas.

49/ Insurance documents are processed by the National Service Offices, and reach the headquarters of the latter only when particular problems arise. The Corporation has fourteen Contract Service Centers and fourteen Sales Centers dealing with the respective areas where the insurance is offered.

The specific scope afforded may apply to a given crop or range of crops, or type or breed of livestock ^{50/}. In determining the crops or livestock to be protected, the laws of the various countries take into account the economic importance of the line of production concerned. The viability of insurance operations and the feasibility of balancing out risks.

As for the duration of cover, where one is dealing with crops, this is deemed to commence at the time of seeding or planting and to end at harvest time. Canada, Chile and Mexico refer to latest dates for sowing and harvesting to be observed by the insured. In the case of livestock insurance, the laws usually lay down a maximum duration for the policy. Mexico requires such insurance not to exceed one year.

Coming now, to the amount of the protection, where what is insured is a specified volume of crop or specified value of the harvest, or both, the cover is computed by reference to average yields for determinate areas. When what is insured is the essential and direct outlay, the cover relates to the value put on that outlay; or, alternatively, the cover may be determined by reference to the expected average yield (this may fluctuate between 50 and 70 percent of the value of the yield, as provided for in the insurance system of Chile).

As regards the computation of the amount of cover, the laws apply different procedures. In the United States it is customary to take as the basis the insured farm and establish the average yield per acre over a given number of years. Where it is not possible to apply this procedure for want of precise data, a "territorial plan" is applied, under which the amount of insurance may range between 50 and 70 percent of average long-term yields for the territorial area in question. In Japan, cover is computed in relation to each paddy field, productivity and normal yields. A similar procedure is followed in Sweden, where the amount of insurance cover is determined for each farm taking as basis the normal yield values per hectare for the respective crops. In Sri Lanka the calculation is based on average territorial yields and on the losses of the insured crop.

Where risks are concerned, the different systems list the vagaries of the weather, plant and animal diseases, and insects or pests which may depress agricultural yields. There are laws which expressly exclude any avoidable risk and those cases where the insured has fraudulently or negligently exposed himself to such risks in his farming. Chile and the United States legislate in this sense. In other laws, again, cover is afforded for losses arising out of the adoption of novel cultivation methods, provided the methods in question have received the prior approval of the insurance agency, as is the case with the paddy insurance scheme in Sri Lanka. Where insurance covers all normal and frequent risks of a given region, and provided the cultivation is carried out in conformity with the dictates of sound farming practice, the so called all-risk or multi-risk insurance applies, as under the Canadian (Québec), Chilean, Mauritian, Mexican, Swedish and United States Laws. For livestock insurance, the various laws list different types of risks - death, loss of specific function and disease - but exclude situations where the animals are exposed to loss or imminent or unavoidable risks (thus the American Act). Lastly, there are laws which afford protection only against specified risks or in respect of a specified category of crop, as in Israel.

^{50/} Respectively seguro agrícola and seguro ganadero in those countries where the terminological distinction is made.

CANADA's Crop Insurance Act provides, where cover is concerned, that agreements entered into by the Ministry of Agriculture with the respective provinces must state the crops and areas of the province to which the insurance scheme applies, the nature of the losses insured and the method procedure of ascertaining losses and determining their magnitude.

The amount of the insurance to be applied to any crop in any area or on any farm may not exceed 50 percent of the average yield of the crop in the area or on the farm in question.

The Act also provides for what it calls extended coverage - in other words, insurance against losses arising from the destruction in whole or in part of stands of fruit trees or perennial plants other than trees, or those arising from excess ground moisture, weather or other agricultural hazards preventing the seeding of summer-fallowed land for the growing of an insured crop 51/.

QUEBEC's Crop Insurance Act makes a distinction between "mixed farming crops" and "commercial crops", the former comprising forage and cereal plants (except grain-corn) grown on a cultivated farm and intended mainly for feeding the producer's farm animals, the latter referring to plants grown on a cultivated farm and intended mainly for sale, including grain-corn and alfalfa grown for commercial purposes.

The duration of cover comprises the period extending from seeding to harvesting, with due regard to the earliest or latest dates prescribed by the regulations and according to established and recognized local usage. The Régie may modify the dates in question if in its opinion it has not been possible, due to any of the harmful effects of the forces of nature contemplated in the Act, to seed or harvest by the prescribed dates.

In the case of mixed farming crops insured under the collective plan, cover for the respective categories may be available up to 80 percent of the average area unit yield of those crops as the Régie may by regulation determine 52/. For mixed farming crops insured under the individual plan,

51/ Subject to approval by the Governor in Council, the Federal Government pays to the respective provinces amounts equal to the contributions relating to this type of coverage. Agreements regarding extended coverage between the Federal Government and the province concerned must specify the areas of the province to which the extended coverage applies, the nature of the losses insured against, the fruit trees or perennial plants covered, and the manner of ascertaining and determining losses. They must also state the amount of cover, which in the case of the destruction of stands of fruit trees or perennial plants other than trees may not exceed 80 percent of the average cost of their replacement, and, in the case of excess ground moisture, weather or other agricultural hazards, may not exceed 80 percent of the average cost of summer-fallowing the land.

52/ Under the collective plan average area unit yield is determined by zone on the basis of the usual long-term yield in each zone, taking into account the available statistics or any other datum the Régie considers pertinent. The amount of the insurable value equals the arithmetical product obtained by multiplying the yield allowed to the producer for each category of crop by the corresponding unit price. For the purposes of computing this amount the Régie takes into account the equivalences and the terms and conditions prescribed with respect to milk production (for dairy cattle) and the inventory of animals (for other herbivorous animals).

and for commercial crops, cover may be up to 80 percent of the average area unit yield for such category of crops as the Régie may by regulation determine 53/. The Régie may, again by regulation, determine options in the percentages of guaranteed protection.

For both mixed farming crops and commercial crops insured under the collective plan extended cover is available in those cases where it is impossible to seed or harvest all or part of the insured area due to the harmful effect of any of the forces of nature contemplated in the Act 54/.

Québec's insurance scheme is of the multi-risk kind in that it offers protection against the following: the harmful effects of snow, hail, hurricane, excessive rain, drought, frost, wild animals, insects and plant diseases against which there is no adequate means of protection and which are identified by regulation, and any insect attack or plant disease against which there is ordinarily an adequate means of protection but which becomes uncontrollable because it appears in the form of an infestation or an epidemic, flood, frost and freezing, or the formation of ice in the soil. Further risks covered in the case of commercial crops are excessive wind, excessive humidity and excessive heat.

In CHILE the State Insurance Institute operates insurance for the entire national territory for species of crops meeting certain requirements 55/.and, subject to a report from the Agricultural Planning Board, determines the geographic scope and what risks may be insured.

Cover commences the moment the insurance is accepted and terminates on the date indicated in the Information Manual as the last day of harvesting or when, even if before that date, the fruit is harvested. Extensions are allowable only when in the opinion of the Institute any of the events insured are responsible for a temporary interruption of harvesting.

One and the same insurance contract will cover all crops of the same species and type grown by any farmer provided they are so grown in the same differential insurance area. The aggregate land area cultivated by a farmer is considered the insured unit in relation to that portion of it which is cultivated with the loan applied for or covered by the insurance, provided it constitutes a single geographic unit or the plots of land which it comprises are not more than half a kilometre away from each other.

Every year the Institute determines, in the light of a report from the Agricultural Planning Board and sufficiently in advance of the respective farming seasons, the per-hectare cover for each differential insurance area

53/ Under the individual plan and with respect to mixed farming crops, the average yield for each category of crops to be insured is established by the Régie in the light of available statistics, inspection of the premises, soil analysis, inspection of the producer's books and other documents or on any other datum the Régie considers pertinent.

54/ This special protection guarantees up to 80 percent of the average cost of preparing the area for seeding as determined by regulation by the Régie. The granting of extended coverage entails cancellation of insurance against losses occurring on the area of land not seeded and the non-return of premiums.

55/ To be insurable, crops must be of a species and of the kind authorized for the purpose by the Agricultural Planning Board; they must be grown on land offering ease of access; they may not be exposed to imminent or unavoidable risks, and they must not be already damaged. Nor may they be experimental crops. Sowing must be carried out within the dates prescribed by the Agricultural Planning Board.

and for each species and type of crop. Within a given differential insurance area and for each species undergoing the same type of cultivation insurance cover and premiums are identical. The amount of cover may not exceed the aggregate of the essential and direct outlay 56/ required for the respective unit areas in order to obtain the expected average harvest 57/. The cover may be raised only when in the opinion of the Institute additional outlay is required in order to offset the losses due to a less than total adverse event.

Within the meaning of the Act, integrated insurance is that providing cover for all risks except losses which may arise from causes imputable to human agency. The following insurable risks are enumerated: drought, frost, hail, hurricane-force wind, freak rainfall, fire, diseases and pests, excess humidity, and flooding.

In ISRAEL, agricultural insurance is available for cotton, groundnuts, vegetables, citrus and subtropical fruits, arable crops (wheat, maize), poultry and fish.

The level of cover varies from item to item and in the light, of information that the Insurance Fund for Natural Risks in Agriculture Ltd. (INFRA) receives from the respective production and marketing boards concerning cropped areas, yields and producer prices 58/. Risks covered also vary from one species to another 59/.

56/ In the calculation of cover for seasonal crops, essential and indirect outlay will be deemed to be that necessary in order to obtain the expected average harvest, provided the outlay is made for any of the following purposes: soil preparation, irrigation (in the case of irrigated crops), fertilizer, fumigants, insecticides and the application of these, and seed, and sowing and transplanting tasks. In the case of perennial crops, essential and direct outlay is that which a farmer must make in order to obtain the crop in question as from the year in which the plant comes on yield.

57/ The expected average harvest consists in the average yield per hectare during the last three farming years in the respective differential insurance areas.

58/ In the case of cotton, insurance is calculated by taking as base the average for the last five years for each grower. For citrus fruits, the calculations take into account information received by INFRA on varieties and percentages of fruit going to export, home consumption or industrial processing. On this basis insurance cover, obtained by multiplying the average yield for the last five years by current prices for that product exported and locally consumed, is determined for each grower and each variety of fruit. For vegetables the cover is calculated on the basis of production costs for the period under consideration in order to measure the stage of growth reached, and is similar for all growers using the same cultivation practices. For arable crops the insurance cover is determined in the light of calculations carried out in respect of each unit area cultivated.

59/ Insurance can be taken out: for cotton, against hail, storms, flooding and heat; for peppers, against virus diseases specific to that crop and, for sugarbeet, against damage caused by birds; for subtropical fruits, such as loquat and avocado, against frost, storms and heatwaves; for pears, plums, apricots, apples and table grapes, against hail, storms and frost, these being risks also covered for flowers, where, in addition, flooding and heatwave are also covered. Poultry is insured against virus diseases, and fish against frost, flooding and oxygen deficiency.

In JAPAN, for the three structural levels on which the agricultural insurance system rests (communal associations, federations of communal associations at prefecture level, and mutual assistance funds for reinsurance of the Ministry of Agriculture and Forests), the agricultural losses compensation law has introduced mandatory insurance for rice, wheat and barley crops, sericulture, and cattle up to twelve years and horses up to sixteen years. Other items are insured under voluntary schemes.

The amount of insurance is determined by reference to each separate plot of land and in the light of the average yields for that plot, the maximum being put at 75 percent of those yields 60/.

Risks covered by agricultural insurance, at the three levels referred to earlier are: ordinary, extraordinary and exceptional. The last-mentioned type of risk is associated with losses caused by unforeseen and unavoidable hazards or wind, floods, drought, snow, earthquake, volcanic eruption, disease, insects, birds and wild animals. Livestock insurance covers risks of death and disease of the animals and any damage caused to them.

In MAURITIUS, the Sugar Insurance Fund Act, 1974, provides that the insurable sugar of planters or groups of planters or metayers is to be determined by the Board as 71 percent of the product of the weighted average sugar yield per arpent for normal years on the cane plantation in question and the number of arpents to be harvested 61/.

The insurable sugar of a miller is 29 percent of the total amount of sugar which all the cane plantation harvested in his factory area can be expected yield.

Sugar cane insurance covers risks of cyclones, drought, excessive rainfall and fire.

In the case of MEXICO, ANAGSA draws up insurance programmes for the branches in which it does business, the authorization of the Secretariats of the Treasury and Public Credit and of Agriculture and Water Resources being required 62/.

60/ For calculating the maximum insurance coverage for rice, the Government determines the per-koku price (1 koku = 150 kg), while the farmer is free to choose any cover up to a maximum of 70 percent of the price so fixed.

61/ The assessment of the average sugar yield per arpent for normal years is made in the light of such records or other information as the Board has available. Where the yield is substantially increased as compared with the most recent normal years as a result of overhead irrigation or the clearance of stones, the assessment may be made by reference to both the yield for most recent of the normal years and the weighted average sugar yield per arpent for the two most recent normal years. The insurable sugar per arpent of a group of planters or metayers for a given year is taken as the product obtained by multiplying the average sugar yield per arpent of the group in normal years by 71 percent.

62/ For insurance purposes Mexico is divided into territories grouping together municipalities or parts of municipalities which the within one and the same Federal division and have similar ecological and economic characteristics. These differential insurance areas, as they are called, may be further subdivided as practical considerations dictate.

As for the purpose of General Crop Insurance, this is defined in the Act as being as to make good to farmers the essential and direct outlay made by them on their crop with a view to obtaining a harvest; with Livestock Insurance, it is to compensate with stockbreeders for the outlay he has made should his animals fall sick or cease to fulfill their specific function, or fall sick as a result of one or more of the events contemplated in the Act; and for Insurance for Agriculture-related Activities, it is to compensate the insured for losses sustained affecting assets directly related with crop or stock farming or forestry.

In the first-mentioned of these schemes, cover is calculated in terms of unit area and is determined in the insurance programme for the respective cropping season; it extends to the material outlay made in order to achieve the anticipated harvest, the value of the labour put into the task, interest on loans and the insurance premium itself - all, however, subject to the average value of the anticipated harvest remaining undiminished in the differential insurance zone in question. Livestock Insurance stipulates cover for the commercial value of the animal at the time the contract is entered into. This value may increase subsequently under the terms of the policy and as provided under the rules made by the Secretariat of the Treasury and Public Credit jointly with the Secretariat of Agriculture and Water Resources 63/. Cover in the case of insurance for agriculture-related activities corresponds to the commercial value of insured assets at the time of loss or damage. The Secretariats here mentioned may authorize the extending of special cover for those working farmers in association or farms with a high technological component.

The risks contemplated under general crop insurance are enumerated in the Act as follows: drought, frost, hail, hurricane-force wind, fire, disease, pests, including crop-predating animals, excessive damp, flooding low temperature, heatwave and any others authorized by, and governed by rules emanating from the Secretariat of the Treasury and Public Credit jointly with the Secretariat of Agriculture and Water Resources. Cover can be made available for additional risks (failure of crop to germinate, thin emergence, prevented sowing, excess cover in respect of marginal land, and other events or situations not imputable to the farmer) arising out of meteorological phenomena, pests where control is attempted but unsuccessfully and other events not arising from damage due to third parties. Additional risks in the case of livestock (i.e. additional to risks already insured) are: death from exhaustion due to climatological factors or to pasture pest control substances or, again, due to animal health measures, irrespective of the risks of death or physical incapacity while the animal is undergoing transport or at cattle: shows. Next, with insurance for agriculture-related activities, cover is available for farm installations, agro-industrial plant, forest and livestock products while in transport, tractors, harvesters, etc, against such risks and subject to such conditions as are prescribed by the Secretariat of the Treasury and Public Credit jointly with the Secretariat of Agriculture and Water Resources.

63/ In calculating the value of a harvest reference is made to average yields of the respective crops, by type and region, over the last three representative years, advances in technology and official guaranteed prices obtaining at the time the insurance programme was drawn up. Under livestock insurance, in respect of risks of death or of loss of specific function, cover is assessed by reference to the species, age, breed, sex, specific function of the animal, stabling, etc., but may not exceed a figure determined by ANAGSA for the species and breed in question. As for sickness risks, cover matches the cost of veterinary attention and necessary medicines or until ANAGSA rules that the animal must be destroyed.

In POLAND, compulsory insurance covers the following crops: rye, wheat (grain), buckwheat, barley, oats and millet (grain, straw), and maize (grain, leaves), against flood and hail risks. In the case of potatoes, compulsory insurance only is available against flood risks. Optional insurance covers all crops against flood, hail, winter and spring frost risks, and, in the case of hops, against storm risks.

Under compulsory insurance the amount of cover is determined by the National Insurance Institute by agreement with the Treasury by reference to average yields in the respective regions and to market prices. Optional insurance cover is calculated on a voluntary basis by agreement between the parties at the time of negotiation.

In SRI LANKA, Law No. 27 of 1973 prescribes that the total insurance liability covered by a policy is the amount obtained by multiplying the total insured acreage of land cultivated with paddy in any cultivating season by the maximum indemnity payable 64/.

Insurance covers losses due to excess of rainfall, shortage of rainfall, flooding, insect pests, diseases of plants, and wild animals and birds 65/.

SWEDEN is divided, for crop insurance purposes, into agricultural yield districts, each of which encompasses numerous farms. Insurance is compulsory for all cultivation units having at least two hectares of arable land, irrespective of their geographic situation or farming system. As a general rule insurance is available for grain crops - wheat, barley, rye, oats, oilseeds, potatoes and sugarbeet.

The amount of cover is determined for each farm on the basis of normal yields adjusted to regional estimates and normal per-hectare yields for the respective crops.

Sweden's agricultural insurance system is of the multi-risk kind in that it provides cover against shortfalls in yield and loss of quality - except in the case of fruit, where only loss of quality is insurable (against hail, fire, storm and frost). Private firms may independently provide insurance against hail and frost risks.

Where livestock insurance is concerned the Scandinavian Livestock Insurance Company and its subsidiary the Company for the Insurance of Domestic Animals against Contagious Diseases offer insurance for a term of four years, and for this reason need to estimate the value of the animals in order to ensure that the amount insured is at all times in tune with market values.

64/ As a rule, the maximum cover allowable in the event of total loss is put at 75 percent of the normal yield of the respective seasonal crops in a given area at the guaranteed price or at the average cost per acre, whichever is the lower. Farmers who have adopted new methods of cultivating or more highly developed agricultural practices are entitled to higher cover for risks and losses associated therewith, the amount of insurance in this case being increased by 75 percent. This special provision is designed to encourage farmers to follow improved practices and with a view to achieving better yields.

65/ Cf. S.B. Sennayake: Agricultural Insurance in Sri Lanka, FAO-AGSM Banking and Credit Group Reference Unit, 1978. (Mr. Senanayake is the president of the Agricultural Insurance Board).

In the UNITED STATES the Federal Crop Insurance Act prescribes the number of counties where each year cover is made available for insurable crops. The selecting of counties is done by the Board of the Federal Crop Insurance Corporation in the light of applications received from farmers in the different areas and of yields obtained with the different commodities in relation to aggregate agricultural income. Counties so selected are intended to be representative of the different areas where insurable agricultural commodities are produced in the normal way.

Cover is available for the various commodities listed in the Act 66 /; and where two or more of these are insured a multiple contract is signed. Except for tobacco, the period of cover extends throughout that during which the crop is standing.

The Corporation offers specific risk protection programmes, where these are not available from private insurers, covering prevented planting, wild-life depredation, tree damage and disease and insect infestation.

Provision is also made whereby appreciation, including interest charges, may be treated as a insurable cost of production in calculating premiums and indemnities in connection with insurance on yields of timber and forests.

Insurance against loss in yield covers up to 75 percent of the recorded or appraised average yield on insured farms for a representative period, subject to such adjustments as the Board may prescribe in order to obtain a fair and just average yield with respect to farms in the same area and subject to the same conditions 67/.

5. LOSSES; INDEMNITIES

All agricultural insurance schemes have as their basic purpose to indemnify the insured for catastrophic consequences risks beyond human control. The laws generally require the insured to report losses occurring on his farm and, also, any circumstances substantially aggravating the risks. Chile and Mexico, for example, have legislated in this sense.

Once notified of any losses, the insurance agency arranges an inspection in order to assemble all information necessary for estimating their magnitude. Inspections are carried out during the cultivation period and up to harvest time. They include land mensuration, comparisons with neighbouring farms, and observation of the agricultural and economic conditions prevailing in the region.

66/ Agricultural commodity means wheat, cotton, flax, corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, sugar cane, tomatoes, grain sorghum, sunflowers, raisins, oranges, sweet corn, dry peas, freezing and canning peas, forage, apples, grapes, potatoes, timber and forests, nursery crops, citrus, and other fruits and vegetables, nuts, tame hay, native grass, aquacultural species (including any species of finfish, mollusk, crustacean or other aquatic invertebrate, amphibian, reptile, or aquatic plant propagated or reared in a controlled or selected environment), or any other agricultural commodity, excluding livestock and stored grain, determined by the Board pursuant to the Act.

67/ The Regional Underwriter determines average rates of cover depending on the productivity of the land in different parts of the country. These rates, however, may not exceed the county figures previously established by the actuaries. In order to reflect more closely the investment made in the crop in a given area, average yield is considered as being reduced to the maximum for which cover may be granted in case the protection offered would otherwise exceed the investment made in the crop in a given area.

Estimating losses follows different patterns under different insurance laws. The USA, for example, has a staff of loss adjustors acting under the supervision of the State Director, the District Supervisors and the Key Adjustors. Following inspection during the growing period and at harvest time, the adjustor determines whether or not losses have been due to risks covered under the policy. In Japan, on the other hand, losses are appraised by the insured himself and reported through the local mutual relief cooperative of which he is a member. Estimates are made on the standing crops rather than on post-harvest calculations.

In calculating the indemnity payments, the laws prescribe differing criteria. The United States' system hinges on the unit of loss adjustment referred to the total cropped acreage insured by an individual in any county or other, smaller, homogeneous area. Calculations are based on losses determined by actual shortfalls in yields as compared with insured yields. In Japan, the indemnity is calculated for the individual farm in terms of the difference between the maximum cover and actual yields multiplied by the per-unit-weight price opted for by the insured. For determining indemnity payments the Swedish system has a territorial basis, whereby all farmers in a declared loss area are indemnified.

Under the collective plan operated in QUEBEC, the insured is required to notify the Régie only of losses occurring on part of the zone as a result of hail, snow or excess water. In order to ascertain whether in a given zone a category of crops has sustained losses eligible for indemnity, the Régie every year carries out a collective inspection. Under the Act, losses are insurable only when the actual yield of the crop in a given zone is lower than the guaranteed average yield 68/. The amount of indemnity is computed by multiplying the insurable value recorded on the insurance certificate by the percentage net losses established by the collective inspection. In the event of losses of pasture due exclusively to drought the indemnity is equal to two fifths if the indemnity payable in respect of forage crops.

Under this province's individual plan, the insured is required, under penalty of forfeiting his entitlement to indemnity, to notify the Régie as soon as possible of shortfalls in yield as a result of certain adverse events contemplated in the Act. He must also, with all speed, carry out such emergency measures as are necessary in order to prevent or reduce loss in yields, and will be entitled to compensation equal to the amount of the expenses incurred and allowed by the Régie. Once losses have been estimated in individual inspections the Régie determines the amount of compensation in terms of the difference between the guaranteed yield 69/ and the actual yield as appraised in terms of unit prices fixed by the Régie 70 / and stated in the insurance certificate.

68/ As indicated under chapter 4, under Québec's collective plan coverage may be as much as 80 percent of the average yield relative to the unit area under the respective categories of crops.

69/ Under the individual plan cover may be provided for up to 80 percent of the average yield for the respective categories of crops (see footnote 53/)

70/ As pointed out in chapter 2, where mixed farming crops are concerned the Régie each year fixes unit prices for insured crops taking into account their average production costs and any other datum it considers pertinent.

The aggregate of indemnities paid out at one and the same time under the collective and individual plans for one and the same category of crops in a given insurance year, and disregarding indemnities for pasture referred to earlier, may not exceed the maximum amount of indemnity that an insured may obtain under either plan.

In the case of loss of commercial crops, the relevant indemnity is calculated by the Régie in terms of the difference between insured yield and actual yield, these being evaluated in terms of unit prices determined by the Régie 71/ and stated in the insurance certificate. However, the Régie may establish different procedures for calculating indemnities, especially if it is necessary to apply adjustment or when loss of quality is still covered by the insurance.

The insured forfeits his entitlement to indemnity if seeding or harvesting are not carried out in due time, in accordance with local practice, as determined by regulation. The Régie may reduce the amount of indemnity when it considers that the shortfall in yield can be imputed to inefficient management on the part of the insured or his agents. False statements by the insured entail forfeiture of his entitlements.

In CHILE, the Agricultural Insurance Regulations make it obligatory for the insured to give timely notice to the nearest office of the State Insurance Institute of any losses, whether total or partial, of harvesting (in the case of partial losses) or of any circumstances substantially aggravating risks 72/.

71/ Where commercial crops are concerned, in order to calculate premium rates the Régie each year fixes for Products covered one or more unit prices in the light of such data as it considers pertinent (see chapter 2).

72/ Notification of losses must be given in writing within forty-eight hours of their occurrence, and by telephone or telegram immediately. Notification of harvesting must be given five days prior to commencement of operations, while notice of circumstance appreciably aggravating risks must be given within 24 hours of their emergence. If the loss occurs while harvesting operations are in progress or within five days prior to their commencement, the notice of loss renders notification of harvesting unnecessary.

If in the course of harvesting a damaged crop the insured realizes that the yield is markedly lower than that determined in the adjustment process, he must immediately notify the State Insurance Institute and suspend operations until a fresh inspection can be carried out. The insured must follow a similar procedure when the damage occurs during the actual harvesting process. The notices referred to must also indicate the nature and magnitude of the loss, the area harvested up to the moment of the difference in yield was realized or up to the moment the damage occurred, as well as the yield, expressed in kilos, obtained up to that moment. Failure to give due notice constitutes grounds for forfeiture of the insured's entitlements.

On receiving notice of total loss or commencement of harvesting the Institute must indicate the dates on which the inspector or adjuster will visit the farm; on receiving notice of partial loss it will inform the interested party that he must give five days' notice of his intention to harvest the crop; and upon receipt of a notice of circumstances appreciably aggravating the risk it must send an inspector to give instructions as to suitable preventive measures and draw up a report on the situation 73/.

Inspections following notices of loss or notification of harvesting are carried out by officials of the State Insurance Institute. However, in the case of events of a certain magnitude or those giving rise to difficulties in assessing actual losses, the inspections are made by insurance adjusters appointed by the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges. Reports must be made of all inspections so carried out 74/.

The inspector or adjuster is required to report on the determination of the losses that have occurred and of the amount of the indemnity. In the case of total loss, the indemnity will be equal to the amount of the outlay actually made up to the moment of that loss but will in no case be greater than the cover contracted for. In the case of partial loss, the indemnity will be equal to the volume of the direct and essential outlay made that corresponds to the shortfall in yield as compared with the expected average yield mentioned in the policy for the respective insured unit, provided the entire outlay contemplated in the policy in order to obtain the expected average harvest has in fact been made. Where the contrary is the case, no account will be taken of any outlay not made, and indemnity will be paid only on the outlay actually made. For the purpose of calculating the indemnity no account will be taken of any outlay made subsequent to a partial loss. Where insurance is taken out in connection with agricultural credit, the Institute will remit the amount of the indemnity to the bank direct, and the latter will then return to the insured any credit balance he may have after the loan has been paid off.

73/ State Insurance Institute is required to acknowledge receipt within seventy-two hours.

74/ In cases of total loss, the report must indicate the nature of the event, the date of its occurrence and of the notice given, of the area insured, and of work completed and inputs applied prior to the event. In the case of partial loss the report will be drawn up with reference to the notice of such loss. It will indicate the area affected by the total loss (the area saved in part, and the area saved completely, the area remaining under crops, cultivating tasks remaining to be performed, and the expected average harvest, in kilogrammes, etc.); another report will be drawn up in the case of notification of harvesting. This will indicate the date of notification of harvesting and of the inspection, the work carried out subsequent to the occurrence of the loss, the work requiring to be done until harvest time, the volume, in kilogrammes, harvested prior to the inspection and the volume remaining to be harvested the quality of the product to be harvested, etc. In the case inspections carried out in relation to any notice of circumstances appreciably aggravating risks, the information required will concern the nature of those circumstances, their causes, preventive measures to be applied, etc.

In ISRAEL the insured are required to inform the Insurance Fund for Natural Risks in Agriculture Ltd. (INFRA) of any crop losses sustained by them. The fund sends its own staff to estimate the damage that has occurred under the risks covered and calculates the indemnities by computer. The data are communicated to the insured and to the production and marketing boards for the crops in question.

Indemnities are paid upon confirmation of the above-mentioned amounts by IFNRA's Directorate. Payment is made on a uniform basis either by unit area, or by unit yield. In the event of repeated losses the company retains a part of the sum payable as indemnity where certain crops are concerned.

In JAPAN a farmer who has suffered losses due to the natural causes contemplated in the law must report the occurrence immediately and in any case before harvesting. The local loss appraisal committee (consisting of farmers elected from almost all the villages in the area and deemed to be capable of making a correct and equitable evaluation) then inspects the unit insured and assesses the expected yield there. If necessary and in order to facilitate the task of estimating, it may make a pilot harvesting by way of cross-checking the estimates. Following the meeting of the Committee, and in order to examine problems and results of the field appraisals, further meetings are held at prefecture level and at the national level, where also the findings of other evaluation groups and errors of local adjusters are checked and reviewed 75/.

Indemnities for crops on the respective holdings are calculated in the light of the difference between 70 percent of the normal yield (and actual yield multiplied per unit measure as opted for by the insured). Indemnities are paid out only when crop losses in a season fall below 30 percent of normal yields on the insured holding. In order to calculate indemnities in the case of partial losses, a sliding scale is applied which has the advantage of simplicity since estimates in round numbers of the losses occurring over the previous decade are less complex than estimates of actual percent losses. Where it is impossible to transplant, or for germination to take place, as a result of adverse weather conditions, 50 percent of the insured amount is made good. If the insurance agency considers it worth while it may require a fresh planting or sowing. For the payment of indemnities, prefecture and government (acting through the Reinsurance Special Account of the Ministry of Agriculture and Forests) may intervene, depending on the extent of the damage.

In MAURITIUS, under the Sugar Insurance Fund Act 1974, the Board may not later than 31 January of any crop year declare that crop year to be an "event year", in respect of any factory area, on account of the occurrence of any cyclone, drought or excessive rainfall. It may also provisionally declare a crop year to be an event year or, again, that it shall not be an event year, in respect of a factory area. The declarations in question are to be published in the Gazette and in two daily newspapers.

Where an event year has been declared, each insured within a given factory area receives compensation determined by the Board by reference to the sugar price at which the General Insurance premium was paid and the value

75/ These reviews take into account aggregate production figures supplied by the crop report agencies and in the light of available meteorological records. The Government may also appoint principal adjusters in order to check the findings of the local adjusters.

percentage set out in the appropriate column of the second Schedule opposite the ranking assigned to the insured 76 /.

The compensation payable to planters or metayers grouped in regions is based on the shortfall of the respective region, and the compensation to which each planter or metayer is eligible in proportion to the cane tonnage supplied by him 77 /.

Compensation under General Insurance is paid by the Board to the Syndicate, and the latter makes over the monies in question through the agency of its broker, middleman or other representative.

Subject to conditions that it may determine the Board may make advances to insured of up to an equivalent of 50 percent of the total loss suffered or likely to be suffered.

Compensation may be forfeited or reduced where the Board is satisfied that the cultivation and the maintenance of the cane plantations have been neglected before or after the occurrence of an event 78/. The Board will pay no compensation if it is satisfied that a planter has sold or disposed of cane harvested from plantations registered in his name or through any person not authorized under the Cane Planters and Millers Arbitration and Control Board Act 1973.

In the case of fire, a planter or metayer in whose name the cane plantation is registered must notify the Board of the fact not later than three days after the event, setting out the date, time and place of the fire, the area of the cane plantation destroyed, and the category and variety of the canes so destroyed. The Board will then have the cane plantation inspected and upon ascertainment of the extent of the damage will pay compensation. In the case of a planter or metayer, the compensation will consist in twenty rupees per ton of cane produced and, in the case of a miller's or a planter's cane production plantation, eight, rupees and 70 cents per ton of cane short produced.

76/ This compensation is calculated to the nearest rupee and is payable by such dates as the Board may establish, and the Board may deduct any amount on duty paid to an insured by way of compensation for the previous crop year. Where the Board is satisfied that the shortfall on the sugar yeild of a planter or group of planters or metayers is due to causes other than cyclones, drought or excessive rainfall, it may pay compensation calculated by reference to the amount of sugar insurable as calculated with reference to the third Schedule.

77/ When the shortfall of a planter or metayer in a group has been caused by a cyclone, drought or excessive rainfall and is greater than an average shortfall due to such events in respect of other plantations in the region, the Board may pay up to an additional ten percent compensation.

78/ The Board will consider a claim for compensation or reassessment of compensation only if the claim is lodged in writing within nine months of the date on which the crop year was declared an event year or within three months of an order of a Supreme Court declaring or ordering the Board to declare an event year and if the planter in question has his plantations registered.

No compensation is payable where the Board is satisfied that the fire was deliberately set by the insured or his agent, or in respect of canes which were not due to be harvested in that crop year, or when burned canes can be harvested and milled at a factory or, again, when the insured fails to give full assistance for the carrying out of the necessary inspection. Compensation is payable out of a Fire Insurance Account, and is a bar to eligibility for compensation under General Insurance 79/. Where the net amount standing to the credit of the Fire Insurance Account and the General Insurance Account as estimated at 31 May is insufficient to meet liabilities, the Ministry of Finance may reduce the respective compensations by such percentage as may ensure that they do not in the aggregate exceed the net amount standing to the credit of those accounts.

In MEXICO, the General Crop, Livestock and Farmers' Life Insurance Act and the Regulations thereunder require the insured to give notice of any insurable event, of harvesting and of any circumstances substantially aggravating the risks, as well as notification of harvesting or supervision of harvesting. Failure to notify, except in cases of fortuitous events or force majeure, constitutes grounds for forfeiture of insurance entitlements, and failure to do so within the statutory time limit entails reduction in compensation and even forfeiture. Following the notification, an inspection is carried out and a report drawn up, and in the light of the latter and of the policy and any endorsements thereon, ANAGSA determines whether or not compensation is payable. The amount of compensation in the event of damage is calculated by reference to adjustment procedures established by the Regulations, in which the insured is entitled to participate. With the General Crop and Livestock Insurance, these procedures start with the costing of the direct outlay made on the - now damaged - crop up to the time of the event., However, the Compensation will in no event exceed the amount appearing in the policy 80/.

In POLAND, the National Insurance Institute evaluates damage caused to insured crops in the presence of the farmer and the representative of the local People's Council. The calculation takes into account the actual area on which the crops were destroyed, the amount of produce that would have been obtained had no such event occurred, the percentage of the actual damage and the unit price of the produce. The assessment of losses is made independently for each farm, and deduction is made for the cost of harvesting and threshing, as if the damage had not occurred. In the case of losses repeated in one and the same year, the losses are assessed in the aggregate.

79/ Whenever the net credit balance in the General Insurance and Fire Insurance accounts at 31 May is deemed to be insufficient to meet compensation payments the Minister of Finance may reduce the latter by a percentage calculated to ensure that they shall not exceed in aggregate the amount standing to the credit of those Funds.

80/ Under the General Crop Insurance, in the event of partial loss, compensation is payable per insured unit area as presented in the Regulations. If the loss occurs during the cropping season, the insured is required to resow or start another crop, if it is possible to do so, and will receive payment for the expenses incurred. If the loss is so great that there is no point in cultivating further, the insured may cease doing so by agreement with ANAGSA, and the compensation will be equal to the amount of outlay actually made and will be determined on the basis of the tables appearing in the policy.

Within fourteen days following reception of the notice of loss the Institute carries out an inspection to determine the amount of compensation. The determination takes into account the extent of the damage. However, if the area of the crops damaged is greater than the area declared in the insurance contract, the compensation will not exceed the amount of the stipulated cover. Compensation is paid after the harvesting date but not later than 30 November of the year in which the loss occurred. Contemporaneously with the actual payment there are transferred to the Institute, up to an amount equivalent to that of the compensation, all claims of the person in whose name the farm is registered vis-à-vis third parties and involving the liability of the latter in the event. In the payment of compensation a ten percent withholding is applied except in cases of early total loss where a replacement crop is possible. Where the amount payable for damage exceeds that of the premium revenue, the Institute pays compensation out of the reserve funds that it is required to constitute.

In SRI LANKA, Law No. 27 of 1973 provides that in the event of the loss of paddy crop due to any specified cause, the insured person must within seven days of the occurrence submit a written claim for indemnity to the Board through the agent appointed by the latter within the area of jurisdiction where the land is situated.

The Commissioner of Agricultural Services, who is responsible for the paddy insurance scheme, may appoint officers or other persons to compute losses in the respective insurance districts. These officers and other persons act under direct responsibility of the Auxiliary District Commissioner.

The computation of the amount of indemnity payable in respect of the loss of paddy crop is made according to such terms and conditions as the Minister for Agriculture may prescribe by Order published in the Gazette 81/.

Any sum due to an approved credit agency which has granted loans to an insured person for the purpose of paying the premium may be deducted from the amount of the indemnity payable. The Board may also deduct any other sum due from the insured to an approved credit agency in respect of any loan or interest thereon.

The moneys due to an insured by way of indemnity may not be attached or forfeited save by an order to an injunction for the payment of a sum of money to the Government or an authorized credit agency. If an officer authorized by the Board rejects a claim to indemnity or if the insured is dissatisfied with the amount awarded, the insured may within thirty days of the notification to him of the rejection of the award of the indemnity make a written appeal to the Board, whose decision is final.

In SWEDEN, the protection offered by the agricultural insurance system is governed by reference to the total average yields of all farms. Loss is deemed to have occurred whenever the value of the crop is less than that of the standard yield or than the average yield expected in a compensation district under normal conditions.

81/ The method of determining insurance cover is based on the combination of the systems in force in the USA and Japan under schemes determined by the insurance agency for each cropping season and published in the Gazette. The compensation payable with respect to an insured extent of land will be governed by the stage of cultivation at a time the loss occurs; for example, if the crop suffers damage immediately following sowing, the insurance will pay out only the actual cost involved in resowing. Compensation not exceeding 15 percent of the total liability covered by the insurance is paid out of the Agricultural Insurance Fund, while the balance in excess of that amount is paid out of moneys provided by the Government.

The compensation unit is the district or county taken as a whole (territorial base) and the calculation of the amount is done independently of the actual results obtained on the respective farms. Accordingly, it is not necessary to inspect whether each and every insured farmer has taken all measures to save his crop. The sum paid is the difference between the value of the crop and the standard yield, subject to a percentage to be borne by the insured and varying from area to area and with the crop in question. This compensation system, which does away with the need for technicians to analyse individual farm losses means that farmers in districts where only a few of their number have sustained losses to obtain compensation. On the other hand, the case may arise where compensation is paid to farmers whose farms have not sustained any loss, since payment depends on whether a loss has or has not been declared for their district as a whole 82/.

The amounts paid out by way of compensation are subsidized each year in part from national budget allocations and in part by way of charges levied on the scale of crop and livestock products and collected in accordance with the instructions of the Agricultural Marketing Board.

In the UNITED STATES, loss adjustment in the case of insured crops is done by a group of local adjustors acting under the supervision of the Director for the State, the County Inspector and the "key adjustors". The work of the local adjustors consists in inspecting the loss occurring to crops at the beginning of the farm year, during the growing period and subsequent to harvesting. The report of the adjustors determines losses occurring, the acreage damaged and the amount of produce not harvested. Once it has been checked by the key adjustors the report constitutes a definite document on which compensation will be calculated.

In the case of grains and other fields crops, losses are defined as the difference between yields obtained and the volume of the production guaranteed in terms of bushels per acre 83/. If the insured obtains a harvest lower than the guaranteed amount, he is paid by way of compensation the difference in terms of a given unit price which he chose among several possible prices prior to seeding. In the event of total loss, the compensation is equivalent to a total amount per acre per individual holding, while a special method of a loss adjustment is required only for ascertaining real yields in the event of major partial losses, and for these the compensation is paid out as governed by the total shortfall in yield per acre in a given agricultural year as compared with the farmer's guaranteed yields.

The Federal Crop Insurance Corporation in conformity with the rules laid down by the Board, determines the amount of compensation in the light of the price used for calculating the premiums corresponding to the crop in question. The amounts so paid are subject to no restrictions or levies. If a claim for indemnity is denied it is possible to sue the Corporation (subject to a one-year time bar) in a United States district court in that county or district where the insured farm lies.

82/ For the purposes of the agricultural insurance system Sweden is divided into 400 districts varying in size from 1 000 to 12 000 ha of arable land and each having from 200 to 900 farms. Effort has been made to group together areas of similar topography and climate and with homogenous farming patterns, and which are exposed to more or less similar risks.

83/ A bushel (dry measure) is equivalent to approximately 35 litres. One Acre = 0.405 ha.

In the event of the moneys available being insufficient to meet all claims the Corporation will seek additional or provisional funding as described in Chapter 2.

6. AGRICULTURAL INSURANCE LINKED WITH CREDIT AND SIMILAR INSTITUTIONS

In a number of countries agricultural insurance is linked up with agricultural credit, insurance being seen as an aid to farmers in order to face the financial difficulties arising out of any losses in yield that they have suffered. Those who have received indemnity payments may use the moneys so obtained to repay their loans to the banks. At the same time, it will be easier for them to obtain fresh credit, thus enabling them to embark on the next season's crop or stock raising activities. Seen in this light, insurance is an accessory element to the agricultural credit system, while the banks themselves have the benefit of the additional security offered by the policies.

In the implementation of insurance schemes in the various countries it is usual for the mutual cooperative farmers' associations to provide their services in order to keep down costs and to distribute risks over their entire membership, the members thus becoming at the same time both insurers and insured. It is the farmers themselves who have an interest in seeing that the insurance system functions properly and they themselves maintain strict control over its operation, thus making for a reduction in costs by striving for good crop yields and a low mortality among livestock, with negligible administrative overheads.

The mutual benefit principle is one of the longest-standing forms of insurance and has a role as important as that of the cooperative principle in providing a point of contact between insured farmers within a given region. In the light of information received from their members these organizations determine average yields and amounts of premiums and indemnities, they carry out appraisals, collect premiums, pay out on losses and even have a propaganda role in disseminating information about the advantages - including the economic one - of agricultural insurance. Associations of the kind have had a notable part to play in the livestock insurance schemes operated in Japan and Sweden.

In the Canadian province of QUEBEC the Régie de l'assurance-récolte may enter into agreements with producers' associations or groups of associations availing themselves of the collective plan for both mixed-farming crops and commercial crops.

In CHILE, credit is closely linked with agricultural insurance, the granting of it being conditional upon the applicant taking out insurance for the farm where the loan is intended to be used. The law is explicit in providing that agricultural insurance constitutes sufficient collateral and is designed to facilitate the flow of credit to farming activities. The State Insurance Institute, having first obtained the agreement of the Treasury and the Ministry of Agriculture, will each year determine which banks are to demand agricultural insurance of their clients, and the banks, once the Institute has given its assent, may grant credit in connection with crops covered by the insurance in differential insurance areas only if they demand that insurance be taken out at the same time. The bank is responsible for taking cognizance of the application and for carrying out the minimum inspections required by the Agricultural Planning Board in order to ascertain whether the farmer is complying with instructions as to the working of the land and the outlay necessary in order to achieve the expected average harvest. The bank receives the amount of any indemnities due from the Institute and remits to the insured the balance in his favour once his debt is paid off.

In ISRAEL farmers' associations collaborate in the insurance plan and are represented on the Board of Directors of the Insurance Fund for Natural Risks in Agriculture Ltd. (IFNRA). The associations act as intermediaries between IFNRA and the insured by arranging insurance contracts, and receiving moneys for the payment of indemnities, etc.

In JAPAN, despite the importance of the credit system in agricultural insurance plans, there is no direct connection between credit and insurance. There is direct participation by the municipally grouped mutual benefit associations, which are a point of direct contact between farmers themselves and the local government, federation, or prefecture level, and the central government. The municipal-level associations bring together farmers who are automatically members if they work an area of land of a certain size contemplated by the law and in terms of specified crops 84/.

In MAURITIUS, the Sugar Syndicate has an important part to play in the insurance system. It is the depository for sugar sold by producers and, at the request of the Sugar Insurance Fund Board, may deduct from the amount payable to the insured for their sugar so sold the cost of premiums and any other sums owing in respect of compensation paid in excess on the previous crop. An intermediary between the Board and the insured, it receives compensations from the former and pays these over to the insured through the agency of a broker, middleman or other authorized representative. The Syndicate, again, on the strength of an order of the Minister of Finance published in the Gazette may demand of the insured the payment of a special levy on all insurable sugar, which the Syndicate will then pay into the Reserve Fund. Co-operative Societies also participate in the insurance system described.

In MEXICO the General Crop and Livestock Insurance and that for Agriculture-related Activities have close links with the agricultural credit system. National-level banks and the Federal Government are required by law to obtain cover from ANAGSA for the intended beneficiary farms before granting credit.

The Secretariat of the Treasury and Public Credit may authorize insurance institutions and benefit societies to operate insurance schemes. The national federation of benefit societies has a spokesman on the ANAGSA Governing Board in the person of a member representing Series "B" shareholders. Benefit societies reinsuring with ANAGSA are required in their own direct insuring operations to comply with the provisions of the Act and make use of the policies, forms and other documentary material used by the Company. They must also each year furnish a balance sheet and a statement of profits and losses for submission to the Secretariat of the Treasury and Public Credit for approval. The latter, acting through the National Banking and Insurance Commission may require the auditing of these benefit societies, as well as

84/ Each member association of the municipal-level associations accepts only 10 percent of the risks that it insures and withholds 10 percent of the premiums (including the amount provided by the Government, and is liable for 10 percent of the indemnities to be paid out. The remaining 90 percent of the risks are borne by the prefecture-level federations to which the respective local associations are affiliated. There are some 4 000 farmers' mutual assistance associations and some 70 federations of these. In their turn, all federations are affiliated to the National Agricultural Insurance Association, which among its main functions has that of promoting research on, and the publication of studies having to do with, progress in agricultural insurance.

the constitution of reserve funds. Dealings between ANAGSA and these societies are also regulated under the Act 85/.

In SRI LANKA, Law No. 27 of 1973 provides that the holder of an insurance policy issued in conformity with the Law may transfer this policy to an authorized credit agency (defined as any cooperative society or other institution declared by the Board to be an approved credit agency for the purposes of the Law) as security for a loan granted by that agency in connection with the sowing of a specified crop on the extent of land described in the policy. The Agricultural Insurance Board is authorized to deduct from the indemnities payable to the farmer under the policy such sums as he may owe the credit agency in order to repay the loan and interest thereon.

Credit agencies authorized by the Government enjoy a privileged position in that the Law lays down that moneys due to any person by way of indemnity may not be attached or forfeited by order of the Court except in those cases where the order concerns the payment of moneys to the Government or to an approved credit agency.

In SWEDEN, farmers' cooperatives and associations have a part to play in the insurance system as intermediaries between government and farmers by purchasing their members' products and deducting from the sale price of these the amount corresponding to the charges levied in place of premiums.

The UNITED STATES Act enjoins upon the Board of the Federal Crop Insurance Corporation to establish or use committees or associations of producers for their cooperation in the insurance plan, to avail itself of the services or private insurance companies, and to encourage the sale of federal crop insurance through private agents and brokers. The Board may provide for the reimbursement of expenses incurred in implementing the Insurance Act, as well as a reasonable compensation for these bodies, out of premium revenue. The amended Act contains an explicit proviso to the effect that the Board's disbursement on these accounts may not enter into the computation of premium rates.

85/ ANAGSA grants reinsurance contracts to benefit societies whereby the latter may continue operating General Crop and Livestock Insurance subject to the Act and its Regulations and as governed by the clauses appearing in the contracts themselves. These clauses stipulate, inter alia, that the benefit societies in question reinsure with the Company all the obligations that they have undertaken by way of insurance under policies issued with respect to cropped areas determined each year under ANAGSA's operational programmes, themselves approved by the Secretariat of the Treasury and Public Credit and of Agriculture and Water Resources. In its turn, ANAGSA, by accepting to reinsure, undertakes to pay 100 percent of the indemnities covered by those insurance policies. Again, under the terms of the contract, ANAGSA allows the benefit societies a portion of the premiums collected by them by way of commission in order to defray their managements costs. For this purpose of determining the level of this commission the benefit societies forward to ANAGSA for its approval and sufficiently in advance their annual management budget, which will undergo such adjustments as ANAGSA deems to be necessary.

PART II

AGRICULTURAL INSURANCE LAWS

1. CANADA

Crop Insurance Act. - Revised Statutes of Canada, 1970, Vol. II, Chap. C-36; R.S.C., 1970, 2nd Supplement, Chap. 5, Statutes of Canada, 1973, chap. 33.

CHAPTER C - 36

An Act to provide for contributions and loans to the provinces in respect of crop insurance.

SHORT TITLE

1. This Act may be cited as the Crop Insurance Act. 1959, c. 42, s. 1.

INTERPRETATION

2. In this Act-

"agreement" means an agreement made under this Act;

"contributions" means contributions by Canada pursuant to an agreement;

"crop" means an agricultural crop declared by the regulations to be a crop for the purposes of this Act;

"insurance scheme" means a scheme of crop insurance established by provincial law;

"insured crop" means a crop insured under provincial law;

"Minister" means the Minister of Agriculture;

"provincial law" means a law of the province that-

- (a) establishes a scheme for the insurance of one or more crops, under the terms and conditions specified in this Act, the regulations and the agreement made with the province, against loss to crops resulting from natural causes;
- (b) provides for the administration of such a scheme of insurance by the province or an agency of the province, and
- (c) authorizes the province to enter into an agreement. 1959, c. 42, s. 2.

AGREEMENTS AUTHORIZED

3. Subject to this Act, the Minister may, with the approval of the Governor in Council, enter into an agreement with any province-

- (a) to provide for the payment by Canada to the province of contributions in respect of the costs incurred by the province in the operation of an insurance scheme; and

- (b) for either
 - (i) the making of loans to the province in respect of the costs incurred by the province in the operation of an insurance scheme, or
 - (ii) the reinsurance of a portion of the liability of the province for the payment of indemnities under an insurance scheme, which agreement for reinsurance is hereinafter referred to as a "reinsurance agreement". 1964-65, c. 28, s. 1.

CONTRIBUTIONS AND LOANS

4. (1) The contribution payable to a province under an agreement shall be paid in respect of each year and shall be the total of-

- (a) fifty per cent of the expenses incurred by the province in that year in the administration of the insurance scheme; and
- (b) if the province has by the agreement undertaken to pay a share of the premiums, the lesser of
 - (i) the amount required to reimburse the province for the share of the premiums paid by it in that year, and
 - (ii) twenty-five per cent of the premiums paid in respect of policies of insurance in that year.

(2) The loans that may be made to a province under an agreement shall not exceed in any year seventy-five per cent of the amount by which the indemnities required to be paid under policies of insurance exceed the aggregate of

- (a) the premium receipts for that year;
- (b) the reserve for the payment of indemnities, and
- (c) two hundred thousand dollars. 1959, c. 42, s. 4; 1966-67, c. 37, s. 1.

REINSURANCE

5. (1) There shall be established in the Consolidated Revenue Fund a special account to be known as the Crop Reinsurance Fund-

- (a) to which shall be credited the moneys paid by a province for the purpose of reinsurance under a reinsurance agreement; and
- (b) to which shall be charged all amounts required for the purpose of making payments to a province under the terms of a reinsurance agreement.

(2) The Minister of Finance may, subject to this Act, on the requisition of the Minister, authorize payment out of the Crop Reinsurance Fund of any amount required to be paid to any province under the terms of a reinsurance agreement.

(3) If at any time the amount standing to the credit of the Crop Reinsurance Fund is insufficient to make any payment required under the terms of reinsurance agreement, the Minister of Finance may, with the approval of the Governor in Council, advance to the Crop Reinsurance Fund out of the Consolidated Revenue Fund, the amount required to meet the deficit.

(4) An advance made by the Minister of Finance under subsection (3) is repayable out of the Crop Reinsurance Fund without interest at such times as the Minister of Finance may prescribe. 1964-65, c. 28, s. 2.

6. (1) Subject to subsection (2), the total amount that may be paid under section 5 to a province in any year pursuant to the terms of reinsurance agreement shall not exceed seventy-five per cent of the amount by which the indemnities required to be paid by the province in the year under policies of insurance in force in that year exceed the aggregate of

- (a) the premium receipts for the year minus any moneys paid by the province for the purpose of reinsurance for that year;
- (b) the reserve for the payment of indemnities; and
- (c) a portion of any sums paid by the province in respect of the indemnities required to be paid by the province in the year under the policies of insurance in force in the year, equal to two and one-half per cent of the total liability of the province under such policies.

(2) Where a province has paid any sums described in paragraph (1)(c), if in any year the total of such sums not repaid to the province exceeds sixteen and two-thirds per cent of the total liability of the province under the policies of insurance in force in the year, the total amount that may be paid under section 5 to the province in the year shall not exceed seventy-five per cent of the amount by which the indemnities required to be paid by the province in the year under the policies of insurance in force in that year exceed the aggregate of

(a) the premium receipts for the year minus any moneys paid by the province for the purpose of reinsurance for that year; and

- (b) the reserve for the payment of indemnities. 1964-65, c. 28, s. 2; 1966-67, c. 37, s. 2.

TERMS OF AGREEMENT

7. (1) An agreement shall

- (a) specify the terms and conditions of the insurance scheme, including
 - (i) the crops and the area or areas in the province to which the insurance scheme extends;
 - (ii) the nature of the losses insured against and the manner of ascertaining and determining losses;
 - (iii) the producers who are eligible for crop insurance;
 - (iv) the amount of the insurance to be effected on any crop in any area or on any farm in any area, which shall not exceed eighty per cent of the average yield of the crop in the area or on the farm whichever is the greater;

- (v) the period or season during which the insurance in respect of any crop shall be effective;
 - (vi) the premiums to be paid in respect of any policy of crop insurance, which shall be such as in the opinion of the Governor in Council will make the insurance scheme self-sustaining and the share of such premiums to be paid by the province; and
 - (vii) particulars of the policies of insurance to be issued;
- (b) contain provisions for establishing the value of crops for the purposes of the insurance scheme;
 - (c) set forth those expenses incurred by the province in the administration of the insurance scheme in respect of which contributions will be made by Canada under this Act, and the manner and method of calculating and determining such expenses;
 - (d) stipulate the minimum number of policies of insurance, or the minimum amount of insurance, in respect of any area or any crop required to entitle the province to contributions in respect thereof under this Act;
 - (e) provide for the settlement of differences arising under the agreement;
 - (f) contain a covenant by the province
 - (i) that it will establish a reserve fund for the payment of indemnities,
 - (ii) that all premium receipts will be used only for
 - (A) the payment of indemnities under policies of insurance,
 - (B) the repayment to the province of any amounts paid by the province, out of funds not derived from premium receipts, by way of payment of indemnities under policies of insurance,
 - (C) the reinsurance of the liabilities of the province pursuant to a reinsurance agreement, and the reinsurance by the province in any other manner of any portion of its liabilities under the insurance scheme that is not covered by a reinsurance agreement,
 - (D) the repayment of any loans made to the province pursuant to an agreement under subparagraph 3(b) (i), and
 - (E) the payment of not more than fifty per cent of the administration expenses referred to in paragraph (c),and
 - (iii) that it will keep and maintain such records and will furnish to Canada such information as the regulations prescribe;
 - (g) specify the manner in which the province will inform each person to whom a policy of crop insurance is issued of Canada's participation in the insurance scheme under which the policy is issued;

- (h) contain a covenant by Canada to make the contributions and loans that are authorized to be made under this Act; and
- (i) specify the portion of the premium receipts to be paid
 - (i) to the Crop Reinsurance Fund, which shall be such portion as in the opinion of the Governor in Council will make that Fund self-sustaining, and
 - (ii) for any purpose other than the maintenance of the reserve fund for the payment of indemnities.
- (2) Subject to this Act and the regulations, an agreement may be amended at any time by mutual consent of the parties thereto,
 - (a) with respect to any matter specified in paragraph (1)(a) with the consent of the Minister; and
 - (b) with respect to any other matter, with the consent of the Governor in Council. 1959, c.42, s. 5.; 1964-65, c. 28, s. 3; 1966-67, c. 37, s. 3.

EXTENDED COVERAGE

8. (1) In this section "extended coverage" means insurance against
- (a) loss arising from the destruction in whole or in part of stands of fruit trees or perennial plants other than trees; or
 - (b) loss arising when the seeding of summer-fallowed land intended to be used to grow and insured crop is prevented by excess ground moisture, weather, or other agricultural hazards.
- (2) Where the Minister enters or has entered into an agreement under section 3 with any province operating an insurance scheme that includes extended coverage, the Minister may, subject to any regulations made by the Governor in Council, agree to the payment by Canada to that province of contributions in respect of that extended coverage on the same basis as contributions are payable under subsection 4(1) in respect of an insurance scheme.
- (3) An agreement entered into under subsection (2) shall
- (a) specify the area or areas in the province to which the extended coverage applies, the nature of the losses insured against by the extended coverage, the fruit trees or perennial plants to which the agreement relates, and the manner of ascertaining and determining the losses insured against by the extended coverage to which the agreement relates;
 - (b) specify the amount of insurance to be effected under the extended coverage to which the agreement relates which shall not exceed,
 - (i) in the case of a loss described in paragraph (1)(a), eighty per cent of the average cost of replacement of the fruit trees or perennial plants destroyed, and
 - (ii) in the case of a loss described in paragraph (1)(b), eighty per cent of the average cost of summer-fallowing the land; and

- (c) contain such other terms, conditions and provisions with respect to matters referred to in subsection 7(1) or otherwise as the Minister considers appropriate. 1966-67, c. 37, s. 4.

REGULATIONS

9. (1) The Governor in Council may make regulations for the administration of this Act and all agreements and for carrying their purposes and provisions into effect, and, without restricting the generality of the foregoing, may make regulations

- (a) defining the expression "producer" for the purposes of this Act;
- (b) for calculating and determining the average yield of any insured crops in any area or on any farm in an area;
- (c) for calculating and determining the average cost of replacement of fruit trees and perennial plants to which an agreement under section 8 applies, and the average cost of summer-fallowing to which an agreement under section 8 applies;
- (d) prescribing the matters that in addition to those set forth in an agreement shall be included in any insurance scheme;
- (e) specifying the time and manner of payment of contributions by Canada under this Act; and
- (f) prescribing the records to be kept by the province and the information to be furnished to Canada.

(2) No regulation by reference to which an agreement with a province has been made shall be altered except with the consent of the province or in accordance with the regulations to which it has agreed. 1959, c. 42, s. 6; 1966-67, c. 37, s. 5.

PAYMENTS OUT OF CONSOLIDATED REVENUE FUND

10. (1) Contributions or an advance on account thereof shall be paid out of the Consolidated Revenue Fund upon the certificate of the Minister, but all payments of contributions are subject to the conditions specified in this Act and the regulations and to the observance of the covenants, agreements and undertakings contained in an agreement.

(2) All amounts required for the purpose of making any loan to a province under the terms of an agreement shall be paid out of the Consolidated Revenue Fund upon the certificate of the Minister, and shall be repayable upon such terms and conditions including interest, as are prescribed by the Governor in Council. 1959, c. 42, s. 7.

DURATION OF AGREEMENT

11. (1) Subject to subsection (2), every agreement shall continue in force so long as the provincial law remains in operation and the province continues to give full effect to the agreement or until the expiration of five years from the day on which notice of intention to terminate the agreement is given by the Minister with the approval of the Governor in Council to the province with which the agreement was made, but notice of intention to terminate an agreement shall not be given until after the expiration of five years from the day the agreement came into force.

(2) An agreement may with the approval of the Governor in Council be terminated at any time by mutual consent of the parties thereto. 1959, c. 42, s. 8.

PRAIRIE FARM ASSISTANCE ACT

12. (1) The cultivated land of a farmer in any area to which an insurance scheme extends is not eligible for assistance under the Prairie Farm Assistance Act if an insured crop is grown by the farmer on any part thereof.

(2) Section 11 of the Prairie Farm Assistance Act and section 23 of the Prairie Grain Advance Payments Act do not apply to the initial payment for grain grown on any land that by virtue of subsection (1) is not eligible for assistance under the Prairie Farm Assistance Act.

(3) Notwithstanding subsection 11(7) of the Prairie Farm Assistance Act, the Minister of Finance, subject to such regulations as the Governor in Council may make in that regard, may, by payment out of the Prairie Farm Emergency Fund, repay to the person entitled thereto amounts that, after the 14th day of October 1964, are levied under the Prairie Farm Assistance Act and deducted from any payment made by the Canadian Wheat Board -

(a) to adjust an increase in the sum certain payable pursuant to paragraph 25(1) (b) of the Canadian Wheat Board Act, or

(b) pursuant to section 26 of the Canadian Wheat Board Act,

in respect of grain grown on any land that, by virtue of subsection (1) of this section, is not eligible for assistance under the Prairie Farm Assistance Act.

(4) In this section

"cultivated land" means cultivated land as defined in the Prairie Farm Assistance Act;

"initial payment" means

(a) with respect to grain sold and delivered to the Canadian Wheat Board, the sum certain per bushel payable therefor under the Canadian Wheat Board Act, and

(b) with respect to grain sold and delivered to any other person, the price paid therefor by the purchaser thereof. 1959, c. 42, s. 9; 1964-65, c. 28, s. 4.

REPORT TO PARLIAMENT

13. The Minister shall, as soon as possible after the termination of each fiscal year, submit a report to Parliament respecting the operations for that year of the agreements made under this Act and the payments made to the provinces under each agreement. 1959, c. 42, s. 10.

CHAPTER 5 (2nd Supplement)

An Act to amend the Crop Insurance Act [1970-71-72, c. 29].

1. (1) Paragraph 8(1) (b) of the Crop Insurance Act is repealed and the following substituted therefor:

"(b) loss arising when the seeding or planting of a crop is prevented by excess ground moisture, weather or other agricultural hazards."

(2) Subparagraph 8(3) (b) (ii) of the said Act is repealed and the following substituted therefor:

"(ii) in the case of a loss described in paragraph (1) (b), eighty per cent of the average cost of such of the following operations as have been carried out, namely:

- (A) summer-fallowing of the land,
- (B) cultivating the land,
- (C) fertilizing the land,
- (D) purchasing plants for transplanting; and
- (E) other preparation for seedig or planting a crop; and"

2. Paragraph 9(1) (c) is repealed and the following substituted therefor:

"(c) for calculating and determining the average cost of

- (i) replacement of fruit trees and perennial plants,
- (ii) summer-fallowing,
- (iii) cultivating,
- (iv) fertilizing,
- (iv) purchasing plants for transplanting, and
- (v) other preparation for seeding or planting a crop,

to which an agreement under section 8 applies;"

CHAPTER 33

An Act to amend the Crop Insurance Act [Assented to 14th September, 1973].

1. Subsection 4(1) of the Crop Insurance Act is repealed and the following substituted therefor:

"4. (1) The contribution payable to a province under an agreement shall be paid in respect of each year and shall be the amount specified in subsection (1.1) or (1.2).

(1.1) Where an agreement provides that contribution will be payable toward the expenses incurred by the province in the administration of the insurance scheme, the contribution payable to the province in respect of a year shall be an amount equal to the aggregate of

- (a) fifty percent of the expenses incurred by the province in that year in the administration of the insurance scheme; and

- (b) if the province has by the agreement undertaken to pay a share of the premiums, the lesser of
 - (i) the amount required to reimburse the province for the share of the premiums paid by it in that year, and
 - (ii) twenty-five per cent of the premiums paid in respect of policies of insurance in that year.

(1.2) Where an agreement does not provide for a contribution toward the expenses incurred by the province in the administration of the insurance scheme but the province has by the agreement undertaken to pay a share of the premiums, the contribution payable to the province in respect of a year shall be an amount equal to the lesser of

- (a) the amount required to reimburse the province for the share of the premiums paid by it in that year, and
- (b) fifty per cent of the premiums paid in respect of policies of insurance in that year.

(1.3) Where an agreement entered into by a province provides for the contribution described in subsection (1.1) and subsequently the Minister and the province amend the agreement to provide for the contribution described in subsection (1.2), the amended agreement shall specify the year in and from which the amended agreement will operate in respect of insured crops in that province."

2. Clause 7(l) (f) (ii) (E) of the said Act is repealed.

2. QUEBEC

Crop Insurance Act. - Statutes of Québec, 1974, Chap. 31; 1975, Chap. 39; 1977, Chap. 40.

CHAPTER 31

Crop Insurance Act (Assented to 24th December 1974).

DIVISION I

DEFINITIONS

1. In this Act, unless the context requires a different meaning,
 - (a) "producer" means the owner, lessee or occupant of a cultivated farm;
 - (b) "mixed farming crop" means forage or cereal plants, except grain-corn, grown on a cultivated farm, and intended mainly for feeding the producer's farm animals;
 - (c) "commercial crop" means plants grown on a cultivated farm and intended mainly for sale, including grain-corn;
 - (d) "zone" means a territory the geographic boundaries of which, established by the Régie, and are based on criteria of homogeneity as regards the nature of the soil, the topography and climatic conditions;
 - (e) "collective appraisal" means a sampling taken on various cultivated farms in the same zone to determine the actual yield of the insured crops in the zone;
 - (f) "individual appraisal" means a verification made on one producer's farm to determine the actual yield of his insured crop;
 - (g) "milk production" means the quantity in pounds of fat or milk which a producer markets or is authorized to market during a year;
 - (h) "Régie" means the Régie established by section 2;
 - (i) "regulation" means a regulation made by the Régie and approved by the Lieutenant-Governor in Council.

DIVISION II

REGIE DE L'ASSURANCE-RECOLTE DU QUEBEC

2. A body called "Régie de l'assurance-récolte du Québec" is established.

The object of the Régie is to administer the crop insurance provided for by this act.

3. The Régie is an agent of the Crown in right of the Province.

The Régie is a corporation within the meaning of the Civil Code and has the general powers of such a corporation, and such special powers as are assigned to it by this Act.

4. The Régie has its corporate seat at Québec or in an adjacent locality. It may hold its sitting at any place in the Province.

5. The Régie is composed of five members including a president and a vice-president, appointed by the Lieutenant-Governor in Council who shall fix the salary or, if necessary, the additional salary, fees and allowances of each of them.

The president and the vice-president are, respectively, general manager and assistant general manager of the Régie.

The president and vice-president shall be appointed for not more than ten years; the other controllers shall be appointed for three years: two shall be chosen among the representatives of the farmers' associations and the third shall be chosen among the representatives of para-agricultural undertakings.

Notwithstanding the, expiry of their term, the members of the Régie shall remain in force until reappointed or replaced.

6. Three members including the president or the vice-president constitute a quorum of the Régie.

If the president is unable to act by reason of absence or illness, he shall be replaced by the vice-president; when another member is so unable to act, the Lieutenant-Governor in Council may appoint a person to replace him temporarily on the conditions and for the remuneration he determines.

7. The secretary and the staff of the Régie shall be appointed and remunerated in accordance with the Civil Service Act (1965, 1st session, chapter 14).

8. The minutes of the sittings, approved by the Régie and certified by the president or the secretary, are authentic. The same applies to documents and copies emanating from the Régie or forming part of its records.

9. The president and the vice-president shall attend exclusively to the business of the Régie and the duties of their office.

10. The president is responsible for the administration of the Régie within the scope of its regulations.

11. No member shall have any interest in a cultivated farm, in the business of farm products or in a related enterprise that causes his personal interests to conflict with those of the Régie.

If, upon his appointment, a member has such an interest or if he acquires one subsequently by succession, gift or otherwise, he must dispose of it within a reasonable delay.

This section does not apply to the member chosen among the representatives of farmers' associations.

12. Decisions of the Régie shall be rendered in writing and shall state the reasons on which they are based; they shall form part of the records of the Régie.

The Régie, for cause, may revise or cancel any decision.

13. The members and the officers and employees of the Régie cannot be sued by reason of official acts done in good faith in the exercise of their functions.

None of the extraordinary recourses provided in articles 834 to 850 of the Code of Civil Procedure shall be exercised and no injunction shall be granted against the Régie or against the members acting in their official capacity.

Article 33 of the Code of Civil Procedure does not apply to the Régie.

14. Two judges of the Court of Queen's Bench, upon motion, may annul summarily any writ, order or injunction issued or granted contrary to section 13.

15. In exercising its powers, the Régie itself, or any member or any person appointed by it, may inquire into any matter within its competence.

For such purpose, the Régie has the powers and immunities of commissioners appointed under the Public Inquiry Commission Act (Revised Statutes, 1964, chapter 11).

16. It is forbidden to hinder an investigator or inspector of the Régie in the performance of his duties, to mislead or attempt to mislead him by concealment or fraudulent misrepresentation or to refuse to obey any order he may give under this act or the regulations.

Such investigator or inspector shall, if so required, produce a certificate attesting his authority, signed by the president of the Régie or a person authorized for that purpose by him.

Any person contravening the provisions of this section is liable, on summary proceeding, to a fine of not more than five hundred dollars.

17. The fiscal year of the Régie terminates on 31 March.

18. The books and accounts of the Board shall be audited each year by the Auditor-General of the province of Québec.

The Régie shall at least every five years prepare an actuarial analysis of its operations and gather all information pertinent to fixing the rates of assessment.

19. The Régie shall, not later than the last day of June each year, submit to the Minister of Agriculture a report of its operations for the previous year. Such report shall contain all the information which the Lieutenant-Governor in Council may prescribe.

Such report shall be immediately laid before the National Assembly if in session or, if not, within fifteen days after the opening of the next session.

DIVISION III

ADVISORY COMMITTEE

20. The Régie shall be assisted by an advisory committee established by the Lieutenant-Governor in Council and composed of:

- (a) specialists of the provincial administration services;
- (b) insurance specialists;
- (c) not less than six farm producers.

The members of such committee shall not exceed ten in number.

The members of such committee shall receive no salary; they shall be indemnified for their expenses in attending meetings and shall receive an attendance allowance fixed by the Lieutenant-Governor in Council.

The Lieutenant-Governor in Council may attach to such committee a secretary and such other functionaries and employees as are necessary for its work; they shall be appointed and remunerated in accordance with the Civil Service Act.

21. The functions of such committee shall be:

- (a) to give its advice and make recommendations to the Régie on any matter which the Régie sees fit to submit to it;
- (b) to study at the request of the Régie any problem relating to the application of this act and make reports and recommendations to the Régie in that regard;
- (c) to perform any other advisory function that the Lieutenant-Governor in Council or the Régie may assign to it.

22. The committee, at its discretion, may resolve itself into sections or subcommittees for the study of particular problems.

DIVISION IV

MIXED FARMING CROP

23. Subject to a consultation with the associations or groups of producers concerned, the mixed farming crops, grouped into categories according to the regulations, shall each year be insured by the Régie under the collective plan.

The same crops shall each year be insurable, optionally, under the individual plan.

24. The insurance protects against the harmful effects of the following forces of nature:

- (a) snow,
- (b) hail,
- (c) hurricane,

- (d) excessive rain,
- (e) drought,
- (f) frost,
- (g) wild animals,
- (h) insects and plant diseases against which there is no adequate means of protection and which are identified by regulation,
- (i) flood, to the extent allowed by regulation,
- (j) freezing of the soil or the formation of ice in the soil during the preceding months of November to April, subject, as regards the individual plan, to section 48.

25. Subject to the conditions peculiar to freezing of the soil, the insurance shall be in force, each year, from the beginning of growth or seeding, to the extent that it is possible, until the end of the harvest, according to established and recognized local usage, as determined by regulation.

26. The rate of the assessment payable by the producers shall be fixed annually and shall be uniform within each agricultural zone for each category of crops.

27. For the purpose of computing the rate of the assessment and, as the case may be, of the indemnity, the Régie shall fix each year the unit prices of the crops insured; to fix such prices, for each crop, it shall take account of its average cost of production or any other datum it considers pertinent.

28. The assessment rates and unit prices contemplated in sections 26 and 27 shall be published in the Québec Official Gazette and in at least one agricultural journal designated by the Régie, not later than 31 March in the year in which they are to apply.

Failing such publication, the rates and prices in force during the preceding summer continue to apply.

29. In case of disagreement between two or more producers who, for the same cultivated farm, consider themselves eligible for insurance, the Régie must decide the matter after having allowed each of them to be heard.

I. Collective plan

30. Subject to the consultation provided for in the first paragraph of section 23, every producer specialized in the dairy industry or in the raising of beef-cattle, horses, sheep or other herbivorous animals must each year insure his crops under the collective plan.

31. Unless the producer has been previously informed of his registration by the Régie, he shall, before the final date fixed by regulation, register directly with the Régie by giving all the required information on the form prescribed for that purpose.

32. The Régie shall confirm the eligibility of the producer by issuing an insurance certificate, within thirty days after the date of registration. The insurance certificate must indicate, in particular, the amount of the assessment payable and the amount of the insurable value for each category of crops.

33. If the Régie is of the opinion that having regard to the conditions prescribed in the act and the regulations, a producer is not eligible under the collective plan, it shall inform him of that fact within the delay prescribed in section 32 and give him the grounds of its refusal.

34. The payment of the assessment payable shall be sent to the Régie not later than 31 August of the year of the insurance.

35. (1) Every producers' board established under the Farm Products Marketing Act (1974, chapter 36) must collect, at the time and in accordance with the terms and conditions determined by regulation, the assessment of each of the producers entered on its register or file and eligible to the collective plan.

The board shall send to the Régie, at the time fixed by section 34, the assessments collected and a copy of its register or file.

(2) Every person required to collect moneys from a producer under the Farm Products Marketing Act (1974, chapter 36), a regulation made by the Agricultural Marketing Board in accordance with the said act, an agreement duly homologated or an arbitration award must, at the same time as he collects the moneys, collect and remit, at the time and in accordance with the terms and conditions determined by regulation, to the board entrusted with the application of the joint plan, the assessment of each of the producers entered on its register or file and eligible to the collective plan.

The board shall send to the Régie, at the time fixed by section 34, the assessments received and a copy of its register or file.

36. The Régie may make with an association or group of producers eligible to insurance under the collective plan an agreement relating to any measure proper to the carrying out of the insurance.

37. A producer whose assessment cannot be collected in accordance with section 35 or 36 must make the payment of his assessment himself, at the time fixed by section 34.

38. Every producer whose assessment has not been paid must, at any time, make the payment on demand of the Régie, saving his recourse, where such is the case.

39. The insurance shall guarantee, for each category of crops, up to 80 per cent of the average area unit yield for those crops, as the Régie may determine by regulation.

The average area unit yield shall be established by zones, on the basis of the usual long-term yield in each zone, taking into account the available statistics or any other datum the Régie considers pertinent.

40. For the purposes of computing the amount of the insurable value of the producer, the Régie, by regulation, shall determine the yield allowed to him for each category of crop.

For such purpose, the Régie, taking into account the equivalences and the terms and conditions prescribed, shall base itself on the milk production for dairy cattle and on the inventory of animals for other herbivorous animals.

41. The amount of the insurable value equals the product obtained by multiplying the yield allowed under section 40 by the corresponding unit price.

42. The alienation to another producer, by sale, succession or otherwise, of the whole or part of one's dairy production shall not invalidate the insurance; in such case the acquirer, on filing a notice to that effect before the first of November of the year of insurance and a satisfactory proof of the transaction, shall be subrogated in the rights and obligations of his predecessor respecting the insurance.

The same rule applies upon alienation to another producer of the whole or part of a farm used for the raising of beef-cattle, horses, sheep or other herbivorous animals provided the live-stock is included in whole or in part in the transaction.

43. In case of damage caused by one or another of the forces of nature contemplated in section 24, the insured is not required to file a notice of damage with the Régie.

44. To determine, in a zone, whether a category of crops has sustained a loss in yield that may be indemnified, the Régie shall each year make a collective appraisal.

If the appraisal shows the actual yield of the crop in the zone is less than the average yield guaranteed under section 39, each insured person in the zone shall be entitled to the payment of an indemnity.

Such indemnity shall be equal to the product obtained by multiplying the insurable value entered on the insurance certificate of the insured by the percentage of net loss established by the collective appraisal.

45. For his pastures, an insured is entitled to an indemnity equal to two-fifths of the indemnity granted for loss in yield of forage plants when such loss is due exclusively to drought.

II. Individual plan

46. Every producer eligible for insurance under the collective plan, every poultry farmer and every producer specializing in hog raising may insure his crops on the individual plan, provided he has, to the satisfaction of the Régie, the plan of his farm, precise data on the average yield of his crops and any other data prescribed by regulation.

47. The insurance shall guarantee, for each category of insured crops, up to eighty per cent of the average yield of such crops, as determined by regulation by the Régie

The Régie may also by regulation determine options in the percentages of guaranteed protection.

The average yield of each category of crops to be insured shall be established by the Régie on the basis of the available statistics, the inspection of the premises, the analysis of the soil, the examination of the producer's books and documents, or on the basis of any other datum that the Régie considers pertinent.

48. Protection against freezing of the soil and the formation of ice in the soil is invalid unless the forage plants were covered by insurance under the individual plan during the preceding year.

For the year 1975, such protection is invalid unless the forage plants were covered by insurance during the preceding year, under the Crop Insurance Act (1966/67, chapter 44).

49. A producer who wishes to insure his crops must apply for insurance in writing to the Régie on the form prescribed for that purpose, before the final date fixed by regulation, and pay the amount of the assessment payable.

50. The application for insurance shall in particular state, by category of crops, the areas to be insured, their average yield and the number and species of the producer's farm animals.

51. The producer is free to insure one or another category of crops but the whole of the area under cultivation in the category of crops that he has elected to insure must be subject to the insurance.

52. The Régie shall issue an insurance certificate to the producer entitled to it within sixty days after the final date fixed by regulation for submitting the application, if such application complies with this act and the regulations and is accompanied with the amount of the assessment payable; if not, it shall so notify the producer before the expiry of such period of sixty days and inform him of the conditions on which a certificate will be issued to him. The producer, within fifteen days of receipt of the notice of the Régie, may submit to it a corrected application accompanied with any balance of the assessment.

53. Except for an unseeded area covered by special protection under section 55, every producer who alters the agricultural program that he has represented to the Régie in his application for insurance or in a corrected application shall immediately notify the Régie of that fact; the Régie shall then inform him as soon as possible of the conditions on which a new certificate may be issued to him.

If a producer does not comply with the preceding paragraph, he shall not be entitled to any repayment of assessment and the insurance shall be valid only for that part of the agricultural program which he has represented to the Régie and which he carries out.

54. The alienation to another producer, by sale, succession or otherwise, of a cultivated farm the crop of which is insured shall not invalidate the insurance; in such case the acquirer shall, unless otherwise provided, be subrogated in the rights and obligations of his predecessor respecting the insurance, provided he immediately informs the Régie of that fact and submits sufficient proof of the transaction.

55. The producer may benefit, as the Régie may determine by regulation, by special protection when, through the harmful effects of one or another of the forces of nature contemplated in section 24, he finds it impossible to seed the area or part of the area prepared for it and insured. This special protection shall not exceed in value eighty per cent of the average cost of the expenditures made to prepare the area for seeding, as determined by regulation by the Régie.

The application of this special protection shall entail cancellation of the insurance against loss of yield on the unseeded area, without any repayment of assessment.

56. As soon as any of the forces of nature contemplated in section 24 produces effects that are such as to reduce the yield of an insured crop, the insured must with the least possible delay notify the Régie, on pain of forfeiture of his right to any indemnity.

The insured must also with the least possible delay carry out the emergency measures necessary to avoid or reduce any loss in yield. The carrying out of such measures shall entitle him to compensation equal to the amount of the expenses incurred and allowed by the Régie, as determined by regulation. Such compensation shall not exceed the difference between the amount of the indemnity that would be payable in the case of total loss and the amount of the indemnity actually paid during the year.

57. For the purpose of fixing the amount of the indemnity due to an insured, the Régie shall have the loss assessed by means of an individual appraisal.

58. The indemnity to which the insured is entitled shall be established according to the difference between the guaranteed yield under section 47 and the actual yield, valued on the basis of the unit prices fixed by the Régie under section 27 and mentioned in the insurance certificate.

Excluding the indemnity contemplated in section 45, the aggregate of the indemnities payable under both the collective plan and the individual plan, for the same category of crops during the same insurance year, shall not exceed the maximum indemnity an insured may collect under one plan or the other.

DIVISION V

COMMERCIAL CROPS

59. The Régie may, by regulation, whenever it considers that it has the necessary data, allow the producers of one or more categories of commercial crops, in one or more zones that it determines, to insure each year against the loss in yield of their commercial crops or against both such loss in yield and a reduction in quality due to the harmful effect, while the insurance is in force, of the forces of nature mentioned and defined in the regulations and, subject to the provisions which follow, fix the conditions of participation of the producers who wish to insure.

The forces of nature to which such insurance may apply are, in addition to those contemplated in section 24, excessive wind, excessive humidity and excessive heat.

60. Subject to this division, sections 24 to 26, 28, 29, the second paragraph of section 47 and sections 49 to 57 apply mutatis mutandis to commercial crops.

61. The insurance, while in force, shall guarantee up to eighty per cent of the average yield of the crop insured, as determined by regulation of the Régie.

The Régie may also by regulation determine options in the percentages of guaranteed coverage.

62. For the purpose of computing the rate of assessment, the Régie shall fix each year one or more unit prices of the products insured; such prices shall be determined on the basis of such data as the Régie considers pertinent.

63. In case of loss, the indemnity to which the insured is entitled shall be determined by the Régie according to the difference between the insured yield and the actual yield, valued on the basis of the unit prices fixed by the Régie under section 62 and shown on the insurance certificate.

Nevertheless, the Régie may, by regulation, determine different terms and conditions of computing the indemnity, in particular when stage adjustments are applied or when the reduction in quality is covered by the insurance.

64. The Régie may, subject to this division, make with an association or group of producers or with a corporation, an agreement relating to collective participation in an insurance programme for commercial crops and any other measure proper to the carrying out of such programme.

DIVISION VI

APPEALS

65. An appeal shall lie from the decisions of the Régie to the Provincial Court sitting in the district where the land of which the yield is insured is situated, but only on questions of law.

66. Such appeal shall be brought summarily by an inscription in appeal signed by the appellant or his attorney and filed, within thirty days of the decision, in the office of the clerk of the Provincial Court, with a deposit of twenty dollars for the preparation and transmission of the record.

As soon as copies of the inscription and certificate of the deposit have been served on the Régie, it shall transmit the record to the Provincial Court.

67. The Provincial Court may confirm, revise or revoke the decision appealed from. The judgment of the court shall be final and not subject to appeal. If the court revises or revokes the decision, the deposit of twenty dollars shall be refunded to the appellant.

DIVISION VII

INSURANCE FUND

68. The government shall pay to the Régie, before 30 September each year, a contribution equal to the amount of the assessments collected by it for such year.

69. The aggregate of the assessments collected by the Régie and the contributions paid by the government under section 68 must suffice for the long-term payment to all insured persons of the indemnities to which they are entitled.

70. The assessments of insured persons and the contributions of the government shall constitute a fund for the payment of indemnities and compensations and shall be entered in separate accounts for each category of crops, as shall the indemnities paid for each of such categories.

71. When the resources of the fund are insufficient to pay the compensations and indemnities, the Minister of Finance may make advances to the Régie, out of the consolidated revenue fund, to complete such payments.

Every advance shall be repayable on the conditions fixed by the Lieutenant-Governor in Council; the repayments shall be paid into the consolidated revenue fund.

72. The assessments of insured persons and the contributions of the government shall be deposited, as and when collected, in one or more banks within the meaning of the Bank Act (Statutes of Canada) or of the Québec Savings Banks Act (Statutes of Canada) or in a savings and credit union governed by the Savings and Credit Unions Act (Revised Statutes, 1964, chapter 293).

Sums which the régie does not expect to be immediately needed for payment of compensations and indemnities shall be deposited immediately with the Québec Deposit and Investment Fund.

DIVISION VIII

AGREEMENTS AND REGULATIONS

73. The Lieutenant-Governor in Council may authorize the Minister of Agriculture to make agreements with the government of Canada or with any person, association, partnership or corporation to further the carrying out of this act, particularly respecting the repayment of the costs of administration and of the contributions paid by the government of Québec and the reinsurance of the risks insured by the Régie.

The Lieutenant-Governor in Council shall have the powers necessary for carrying out such agreements.

74. In addition to the other regulatory powers assigned to it by this act, the Régie may, by regulation:

- (a) determine the form of applications for insurance, of certificates and of claims, and the information to be furnished in them;

- (b) fix for each agricultural zone the final date for submitting applications for insurance, alternation of agricultural programs and claims;
- (c) determine what persons may apply for insurance on behalf of a producer;
- (d) classify the categories of insurable crops and describe in the Province zones which according to the nature of the soil and climatic conditions, are homogeneous;
- (e) determine the conditions of eligibility of a producer to the individual plan;
- (f) determine what persons are authorized to sell insurance and the methods and procedures to be followed in selling it;
- (g) determine what persons are authorized to make collective or individual appraisals and the methods and procedures to be followed in making an appraisal;
- (h) determine the terms and conditions of payment of the indemnities under individual plans and for commercial crops;
- (i) determine the equivalences and the terms and conditions for computing the value insurable under the collective plan;
- (j) make rules of procedure and practice for meetings of the Régie and applications for review;
- (k) subject to the provisions of this act, define the word "yield";
- (l) establish rules for its internal management;
- (m) prescribe any other measure it considers appropriate for the carrying out of this act.

75. The regulations of the Régie shall be published in the Québec Official Gazette with a notice that upon the expiry of fifteen days following such publication, they shall be submitted to the Lieutenant-Governor in Council for approval. They shall not come into force until after similar publication of a notice of such approval.

DIVISION IX

MISCELLANEOUS, TRANSITIONAL AND FINAL PROVISIONS

76. This act does not apply to:

- (a) land farmed occasionally, as determined by the regulations;
- (b) land where plants are grown which are not adapted to the soil or to the local climate, as determined by the regulations.

77. An insured shall not be entitled to any indemnity if the seeding or harvest is not effected at the proper time according to established and recognized local usage as determined by regulation.

78. The Régie may reduce the amount of any indemnity whenever it considers that the decrease in yield is attributable to the negligence or mismanagement of the insured or his agents.

79. Any person who knowingly makes a misrepresentation for the purpose of obtaining a certificate or an indemnity shall not be entitled to any indemnity.

80. Every indemnity shall be exempt from seizure; it shall be assignable, except in the collective plan, for the purpose of guaranteeing a loan made to the insured for the operation of his cultivated farm.

81. The expenses incurred for the carrying out of this act and for the payment of the administrative costs of the Régie shall be paid out of the moneys voted annually for such purpose by the Legislature.

82. The Minister of Agriculture has charge of the carrying out of this act.

83. The Insurance Act (Revised Statutes, 1964, chapter 295), the Insurance Brokers Act (Revised Statutes, 1964, chapter 268) and the Claims Adjusters Act (Revised Statutes, 1964, chapter 269) do not apply to the Régie or to its members, officers, employees, agents or mandataries.

84. This act shall replace the Crop Insurance Act (1966/1967, chapter 44).

85. The Régie constituted by this act succeeds to the Crop Insurance Board constituted by the Crop Insurance Act (1966/1967, chapter 44) and it assumes the rights and obligations of the latter. Without continuance of suit, it becomes a party to any proceeding commenced by or against it before the coming into force of this act.

However, the advances made under section 58 of the Crop Insurance Act (1966/1967, chapter 44) and not reimbursed on 12 June 1974 shall be cancelled.

86. The regulations made under the Crop Insurance Act (1966/1967, chapter 44) remain in force until amended, replaced or repealed by regulations made under this act.

In plans of insurance of special crops, hay, cereal plants and grain-corn (in force from 1968 to 1974), cigarette tobacco (in force from 1968 to 1974), sugar-beets (in force from 1969 to 1974), winter wheat (in force from 1969/70 to 1973/74), cigar and pipe tobacco (in force from 1970 to 1974), apples (in force from 1972 to 1974), potatoes (in force in 1973 and 1974), canned vegetables (in force in 1973 and 1974) and rape seed (in force in 1973 and 1974), operations carried on under regulations made by the Crop Insurance Board which had not received the approval of the Lieutenant-Governor in Council are deemed to have been carried on as if such regulations had received such approval.

87. The claims of the insured under the Crop Insurance Act (1966/1967, chapter 44) shall be settled in accordance with the said act, notwithstanding its replacement by this act.

88. The members in office of the Crop Insurance Board established under the Crop Insurance Act (1966/1967, chapter 44) shall continue to perform their duties as members of the Régie established under this act until the expiry of their term of office under the former act.

89. This act shall come into force on the day of its sanction, except the first paragraph of section 23 and sections 30 to 45 which shall come into force on the date to be fixed by proclamation of the Lieutenant-Governor in Council.

CHAPTER 39

An Act to amend the Crop Insurance Act (assented to 20 November 1975).

1. Section 1 of the Crop Insurance Act (1974, chapter 31) is amended by replacing paragraphs (b) and (c) by the following:

"(b) "mixed farming crop" means forage or cereal plants, except grain-corn and alfalfa, grown on a cultivated farm and intended mainly for feeding the producer's farm animals;

"(c) "commercial crop" means plants grown on a cultivated farm and intended mainly for sale, including grain-corn and alfalfa;"

2. Section 24 of the said act is amended by adding at the end of paragraph (g), the following: "including birds,".

3. Section 30 of the said act is amended by adding at the end, the following: "in any zone determined by regulation of the Régie".

4. Section 60 of the said act is amended by replacing the word "second" in the second line by the word "third".

5. This act shall come into force on the day of its sanction.

CHAPTER 40

An Act to amend the Crop Insurance Act (Assented to 1 April 1977).

1. Section 1 of the Crop Insurance Act (1974, chapter 31), amended by section 1 of chapter 39 of the statutes of 1975, is again amended by replacing paragraphs (b) and (c) by the following:

"(b) "mixed farming crop" means forage or cereal plants, except grain-corn, grown on a cultivated farm and intended mainly for feeding the producer's farm animals;

"(c) "commercial crop" means plants grown on a cultivated farm and intended mainly for sale, including grain-corn and alfalfa grown for commercial purposes;".

2. Section 23 of the said act is replaced by the following;

"23. In the cases contemplated in section 30, the mixed farming crops of every producer specializing in the dairy industry or in the raising of beef-cattle, horses, sheep or other herbivorous animals grouped into categories according to the regulations, are insurable by the Régie under the collective insurance plan provided for in this act.

The same crops are also insurable under the individual insurance plan provided for in this act."

3. Section 24 of the said act amended by replacing paragraphs (h) and (j) by the following;

"(h) insects and plant diseases against which there is no adequate means of protection and which are identified by regulation, and any insect or plant disease against which there is ordinarily an adequate means of protection, but which becomes uncontrollable because it appears, according to the Régie, in the form of an infestation or an epidemic;"

"(j) the formation of ice in the soil and frost in the preceding months of November through April, subject to section 48."

4. Section 25 of the said act is replaced by the following:

"25. Subject to the conditions peculiar to the formation of ice in the soil and frost in the preceding months of November through April, the insurance shall be in force, each year, from the beginning of growth or seeding, to the extent that it is possible, until the end of the harvest. The final dates for seeding or the harvest in a region shall be established by regulation, taking into account established and recognized local usage.

However, the Régie may change the dates fixed under the first paragraph if of opinion that the seeding or the harvest could not be done in time on account of the harmful effects of any of the forces mentioned in paragraphs (a) to (i) of section 24."

5. Section 26 of the said act is amended by adding the following paragraph:

"The Régie may fix a discount rate for the benefit of every producer paying his assessment in advance; the discount rate may vary according to the date of payment in advance of the assessment."

6. Section 28 of the said act is amended by replacing the first paragraph by the following:

"28. The assessment rates, discount rates and unit prices contemplated in sections 26 and 27 shall be published in the Gazette officielle du Québec and in at least one agricultural journal designated by the Régie, not later than 31 March in the year in which they are to apply."

7. Section 30 of the said act, amended by section 3 of chapter 39 of the statutes of 1975, is replaced by the following:

"30. Subject to a consultation by the Régie with the associations or groups of producers in the zone, the establishment of a group insurance plan may be ordered by the Lieutenant-Governor in Council in any zone which the Régie may determine by regulation if it is proved to the satisfaction of the Lieutenant-Governor in Council:

- (a) that a sufficient number of producers of the zone agree thereto or
- (b) that the producers of the zone whose crops represent a sufficient proportion of the insurable value of all the crops in the zone, agree thereto.

Subject to the consultation provided for in the first paragraph, such a plan, once established, shall not be abolished except where it is proved to the satisfaction of the Lieutenant-Governor in Council:

- (a) that a sufficient number of the insured producers of the zone are in favour of its abolition or
- (b) that the insured producers of the zone whose crops represent a sufficient proportion of the insurable value of all the crops in the zone, are in favour of its abolition."

8. Section 31 of the said act is replaced by the following:

"31. The producer wishing to be insured under the collective plan must register directly with the Régie before 30 April of the year of insurance by giving all the required information, on the form prescribed for that purpose, and must pay the assessment payable.

The producer having joined the collective plan must remain a member as long as the plan is in force. When registering for each year of insurance after the first, he shall authorize the collection of his annual assessment in accordance with the terms and conditions provided for in sections 35 and 36 as the case may be."

9. Section 34 of the said act is replaced by the following:

"34. When the assessment payable is collected in accordance with section 35 or 36, the payment of that assessment must reach the Régie not later than 31 August of the year of insurance."

10. Section 35 of the said act is replaced by the following:

"35. (1) Every producers' board established under the Farm Products Marketing Act (1974, chapter 36) must collect, at the time and in accordance with the terms and conditions determined by regulation the assessment of each of the producers entered on its register or file who, in accordance with the list supplied by the Régie, has joined the collective plan.

The board shall send to the Régie, at the date fixed in section 34, the assessments so collected.

(2) Every person required to collect moneys from a producer under the Farm Products Marketing Act (1974, chapter 36), a regulation made by the Agricultural Marketing Board in accordance with the said act, an agreement duly homologated or an arbitration award must, when informed by the producers' board concerned, at the same time as he collects the moneys, collect and remit, at the time and in accordance with the terms and conditions determined by regulation, to the board entrusted with the application of the joint plan, the assessment of each of the producers entered on its register or file who, in accordance with the list supplied by the Régie, has joined the collective plan.

The board shall send to the Régie, at the date fixed in section 34, the assessments so received."

11. Section 37 of the said act is replaced by the following:

"37. A producer who has signed the collective plan and whose assessment is not collected in accordance with section 35 or 36 must, for every year of insurance after the first, make the payment of his assessment himself, before 30 April of the year of the insurance."

12. Section 43 of the said act is replaced by the following:

"43. In case of damage caused by one or another of the forces of nature contemplated in section 24, the insured is not required to file a notice of damage with the Régie, subject to the last paragraph of section 44."

13. Section 44 of the said act is amended by adding, at the end, the following:

"Where a loss in yield is confined to a part of a zone and is the harmful effect of hail, snow or flood, this section applies, mutatis mutandis, to that part of the zone.

The insured must then send a notice of damage to the Régie as soon as possible, under penalty of losing his right to any indemnity."

14. Section 46 of the said act is replaced by the following:

"46. Every producer specializing in the dairy industry, every breeder of beef-cattle, horses, sheep or other herbivorous animals, and every breeder of poultry, hogs or other granivorous animals may insure his crops on the individual insurance plan, provided he has, to the satisfaction of the Régie, the plan of his farm, precise data on the average yield of his crops and any other data prescribed by regulation."

15. Section 48 of the said act is replaced by the following:

"48. Protection against the formation of ice in the soil and frost in the preceding months of November through April is invalid unless the forage plants were covered by insurance under the individual plan during the preceding year or unless the producer insures his forage plants and pays the amount of the assessment payable before 1 November of the year preceding the year in which the insurance will be in force."

16. Section 53 of the said act is amended by replacing the first paragraph by the following:

"53. Except for an unseeded area covered by special protection under section 55, every producer who alters the agricultural program that he has represented to the Régie in his application for insurance or in a corrected application shall immediately notify the Régie of that fact before the final date fixed by regulation; the Régie shall then inform him as soon as possible of the conditions on which a new certificate may be issued to him."

17. Section 60 of the said act, amended by section 4 of chapter 39 of the statutes of 1975, is replaced by the following:

"60. Subject to this division, sections 24 to 26, 28, 29, the third paragraph of section 47 and sections 48 to 57 apply, mutatis mutandis, to commercial crops."

18. Section 74 of the said act is amended by replacing paragraphs (f) to(h) by the following:

"(f) determine what persons are authorized to sell insurance, the conditions of their hiring and remuneration, and the methods and procedures to be followed in selling insurance;

"(g) determine what persons are authorized to make collective or individual appraisals, the conditions of their hiring and remuneration, and the methods and procedures to be followed in making an appraisal;

"(h) determine the terms and conditions of payment of indemnities and compensation;"

19. Section 75 of the said act is replaced by the following:

"75. The regulations made under this act shall be published in the Gazette officielle du Québec with a notice that upon the expiry of fifteen days following such publication, they shall be submitted to the Lieutenant-Governor in Council for approval.

The above regulations shall come into force on the day of the publication in the Gazette officielle du Québec of a notice of their approval by a the Lieutenant-Governor in Council or, if amended by him, of their final text.

20. Consultations held by the Régie de l' assurance-récolte du Québec toward establishing a collective insurance plan and assessments collected for that purpose are valid even if held or collected before the coming into force of this act.

21. Notwithstanding the date provided in the first paragraph of section 28 of the Crop Insurance Act, the Régie may within 60 days of the coming into force of this act validly establish and publish the rates and prices contemplated in the said section 28, to apply to insurance under the collective plan for 1977.

22. This act shall come into force on the date to be fixed by proclamation of the Lieutenant-Governor in Council.

TITLE III

Negotiation and registration of policies; obligations of the insured; adjustment of claims and settlement

9. Agricultural insurance claims shall be settled expeditiously so that the farmer suffering the loss may be enabled to resume production.

10. The territorial extent of, and plant species eligible for, insurance cover and the risks that may be entertained shall be determined by the State Insurance Institute in the light of a report on these matters by the Agricultural Planning Board.

11. Under agricultural insurance the State Insurance Institute may provide cover for crops against the following risks:

- (a) drought;
- (b) frost;
- (c) hail;
- (d) hurricane-force wind;
- (e) freak rainfall;
- (f) fire;
- (g) diseases and pests;
- (h) excess humidity, and
- (i) flooding.

Compensation shall be payable in respect of losses under the above risks provided they did not arise as a consequence of revolution, civil commotion, strikes or other acts of violence of human causing.

12. Fire risks in forests and nurseries currently insured with private companies may continue to be insured provided no agricultural credit operation is involved in respect of such forests and nurseries. Where the insured has made an application for agricultural credit for such purposes the insurance contemplated in these Regulations may be taken out with the State Insurance Institute, only as provided in regulations 2 and 3.

A. Planning and operational programming

13. The State Insurance Institute may insure throughout the national territory any plant species in the growing of which the following requirements are met:

- (a) they are species and types of crop for which the State Insurance Institute authorizes insurance;
- (b) the crops are grown on an accessible plot;
- (c) the crop is not exposed to imminent and unavoidable risks;
- (d) the sowing is completed within the dates prescribed by the Agricultural Planning Board;
- (e) the crop is not already damaged;
- (f) that other than experimental crops are involved;
- (g) that the situation is not one in which crops grown on one and the same surface area as that on which similar crops have suffered damage during the last two consecutive cropping cycles in the same season, save in cases of two freak adverse seasons both of which are recognized as such by the Agricultural Planning Board and the State Insurance Institute;

- (h) the crops are not of the kind where cultivation entails an outlay not covered proportionally by the average per hectare value of the crop in the differential insurance area in question, the relevant profitability margin being also taken into account;
- (i) the owner of the crop has not in the past cancelled or withdrawn from an agricultural insurance contract for reasons imputable to him.

14. Within any differential insurance area each species receiving the same type of cultivation shall be insured for the same premium and the same cover.

15. For agricultural insurance purposes the aggregate area that a farmer cultivates shall be deemed to be the unit insured as to that portion which is cultivated with the aid of the loan he has applied for or is covered by the insurance, provided that the area in question constitutes a single geographic area or, failing that, provided the parcels of land making up that aggregate are not more than one kilometre distant from each other on average.

16. For agricultural insurance purposes, cover shall be computed per hectare and shall not exceed the aggregate necessary and direct outlay per unit area in order to obtain the expected average harvest.

By expected average harvest shall be understood the average yield that any crop has registered per hectare in the respective differential insurance areas for the last three farming years.

For the purpose of determining cover the expected average harvest shall be taken into account together with the average value of the direct outlay necessary in order to obtain the harvest in question.

17. The State Insurance Institute shall each year and sufficiently in advance of the cropping cycle in question, determine, in the light of a report to that effect by the Agricultural Planning Board, the per-hectare cover for the respective differential insurance areas and for each species and type of crop.

18. For the purpose of computing the cover for seasonal crops there shall be understood by necessary and direct outlay that outlay which a farmer must make in order to obtain the expected average harvest which must be covered in its entirety by means of the proceeds from the crop itself, provided the said outlay is made for any of the following purposes:

- (1) soil preparation;
- (2) irrigation, in the case of irrigated crops;
- (3) fertilizer, fumigants, insecticides and the application of these;
- (4) seed, sowing and transplanting;
- (5) tillage;
- (6) harvesting;
- (7) wages and fees payable in respect of agricultural workers.

19. In the case of perennial crops, there shall be understood by necessary and direct outlay that outlay which a farmer must make in order to obtain the crop in question, beginning with the year in which the plant comes on yield.

20. Notwithstanding the provisions of regulation 17, cover may be extended when, in the view of the State Insurance Institute, following a partial loss it is necessary to make an additional outlay for the purposes of attenuating the effects of that loss.

21. The Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges shall approve the premium rates for each species and type of crop as referred to the respective differential insurance areas. In computing the said premium rates, allowance shall be made for catastrophic damage to be compensated for out of the compensation fund for risks of this nature. The said fund shall be constituted as prescribed by the President of the Republic pursuant to section 12 of Act No. 17.308 1/.

22. If in the light of the Actuary's calculations the premium proves to be too costly, the species and the relevant type of cultivation shall be classed as "non-insurable" for the differential insurance area in question.

23. In the cases referred to in the previous regulation, the State Insurance Institute shall request the Department for the Control of Insurance Companies to determine the aforesaid premium rates, with the advice of the Agricultural Planning Board, for substitute crops which farmers may grow when affected by the provisions of that regulation.

24. The State Insurance Institute shall as recommended in the report of the Agricultural Planning Board and of Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges, draw up insurance programmes each year, indicating for the respective differential insurance areas:

- (a) the provinces, departments, subdelegations and districts in respect of which insurance may be applied in each area, with their classification by type of crop;
- (b) the species that may be insured in the respective areas as classified by type of crop;
- (c) species classified by type of crop as "non-insurable", and the species substituting these;
- (d) the level of cover for each species as referred to the type of crop and the distribution of such cover among tillage operations and requisites together with an indication of the period of the year when these are to be carried out or applied as the case may be;
- (e) latest dates of sowing and of harvesting for each species, as referred to the type of crop prescribed by the Agricultural Planning Board for the respective areas;
- (f) premium rates for each species, as referred to the type of crop and to the differential insurance area in question;
- (g) any other information deemed to be necessary or useful for farmers.

25. The programme referred to in the previous regulation shall be communicated sufficiently in advance of the respective cropping season by means of an Information Manual to be published by the State Insurance Institute, or by means of notices in the regional press, or by means of circulars addressed to banks or similar bodies operating in fields connected with agriculture or by means of any other suitable vehicle of dissemination.

1/ See Note to title of these Regulations.

26. For the purpose of operating the insurance here contemplated a cropping season shall be understood to commence and to terminate on such dates as the State Insurance Institute may determine, subject to authorization by the Agricultural Planning Board.

B. Applications; negotiation; inspection risks

27. Application for credit and insurance shall be made on one and the same form to be supplied for this purpose by the State Insurance Institute and the banks and to be approved by the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges.

28. Application forms for credit and insurance shall be made out in quintuplicate, the original and the first copy for the bank, the second and third to be forwarded to the State Insurance Institute, the bottom copy to be retained by the applicant.

29. The applicant shall state the following items in his insurance application:

- (a) name and address;
- (b) species and type of crop;
- (c) location of the area under cultivation or to be cultivated, together with an indication of the surface area in hectares and the date of sowing;
- (d) total outlay per hectare, referring to all operations from the preparation of the soil and gathering of the crop, together with an indication of the aggregate outlay;
- (e) likely average yield per hectare as referred to the differential insurance area where the land under cultivation is located;
- (f) any other important items likely to influence the occurrence of events covered by agricultural insurance as known or expected to be known to the insured at the time of applying for the insurance.

30. Where insurance is applied for on behalf of another, the applicant shall submit evidence of the consent of that other and give all details known or expected to be known to the insured or to the person so applying on his behalf.

31. The bank receiving any application for credit and insurance shall acknowledge receipt of the said application, following which it shall have 15 working days in which to make its decision.

With a view to so deciding, the bank shall instruct an inspector from its own staff to inspect the holding and compile a report, in triplicate, confirming the exactitude of the information given by the farmer or indicating any pertinent adjustments, adding the date and his signature.

One copy of the report shall be handed to the applicant farmer and the other two lodged with the bank ordering the inspection for consideration in reaching its decision.

32. Where the report records shortcomings which can be made good by the farmer himself the inspector shall allow him a prudential period of time for that purpose and shall repeat the inspection on a date he may determine in order to satisfy himself that the task has been performed, and shall record such performance in a fresh report.

33. Upon favourable findings emerging from the inspection and if no difficulties otherwise stand in the way of negotiating the policy, the official appointed by the bank shall authorize the said negotiation in question, setting his stamp and signature thereto, together with the date. At this point the credit and insurance cover in the amounts specified shall be deemed to be approved.

However, the insurance cover shall be understood to be provisional for a period of 60 days, upon the expiry of which it shall be confirmed provided the State Insurance Institute has raised no objections thereto.

An official of the bank, who shall have been trained in premium rate management and in the use of the tables appearing in the Information Manual shall fill in the space on the form reserved for insurance with data as to the sum insured, the premium rate, the premium actually paid, the duration of the insurance and the serial number.

34. Since the application for credit and insurance is approved under the terms set forth in the previous regulation, the insurance policy or contract shall be issued. In this shall be indicated, for all legal purposes, all items entered in the inspection report or reports and also all rights and obligations contemplated by the Act, these Regulations and any instruction issued by the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges, or by the State Insurance Institute to the insured by means of their Information Manual.

35. Premiums shall be charged to the first instalments of the loan received by the farmers and shall be credited by the bank to the State Insurance Institute in monthly remittances.

36. Any bank granting agricultural credit shall require its officials to carry out at least those inspections recommended by the Agricultural Planning Board for the respective crops in order to satisfy themselves that the farmer is punctually carrying out instructions concerning soil preparation and applying the inputs necessary to achieving the expected average harvest.

The State Insurance Institute may also, acting through its specialist staff conduct general inspections from time to time, or ad hoc inspections relative to insurance against a specific risk in cases where no credit operation is involved.

37. A single insurance contract shall be used for all crops of one and the same species and types grown by any farmer, provided they are so grown within one and the same differential insurance area. Where different species are grown under multiple and combined arrangements they shall be deemed for agricultural insurance purposes to be a single insurable entity only. The same criteria shall apply whenever the interested parties are members of any community, cooperative, association, committee or other agricultural organization in common acting on behalf of all such members. In the last-mentioned case a memorandum shall be attached to the said contract describing the crops on each holding and of each farmer; and the 15-day time limit referred to in regulation 31 shall be extended to 25 days.

38. Agricultural insurance cover shall commence immediately upon acceptance and shall terminate at the time of year specified in the Information Manual as the latest date of harvesting or at any time fruit is gathered from the plant before that date.

39. The period of agricultural insurance cover may be extended only when the State Insurance Institute is satisfied that the occurrence of any of the events contemplated has the effect of temporarily interrupting harvesting operations.

40. Within the meaning of these Regulations by insured shall be understood any farmer who, whether or not he has applied for the insurance, is the owner of crops covered by any insurance contract.

C. Obligations of the insured

41. The obligations incumbent upon the insured in addition to those otherwise laid down in these Regulations or those concerning the notification referred to in the following regulations, shall be those set forth below:

- (a) to carry out efficiently the tasks, including cultivation tasks, set out in the Information Manual and punctually make any outlay required;
- (b) to comply with the instructions issued by the plant health authorities in respect of any crops insured;
- (c) to carry out sowing and harvesting within the time limits prescribed in the Information Manual and in accordance with regional practice;
- (d) to afford due assistance to the inspection staff of banks and the State Insurance Institute so that they may inspect to their entire satisfaction any crops insured;
- (e) to afford assistance to insurance adjusters in cases of total or partial loss, in inspecting and assessing damage, and in determining the course to be followed in the case of any partial loss;
- (f) to do all in their power, and as circumstances otherwise dictate, in order to prevent or attenuate damage to crops and to seek the agreement of the insurer before removing standing crops or any harvest;
- (g) within 15 days of the occurrence of any loss, to supply evidence of the outlay made prior thereto;
- (h) to comply with such instructions as are given by inspectors or adjusters in order to prevent or attenuate losses.

42. The insured shall give timely notification to the insurer of any loss, of harvesting and of any circumstances substantially aggravating any risk.

43. The nearest office of the State Insurance Institute shall be notified in writing within 48 hours of the occurrence of any total or partial loss. Such requirements shall not preclude immediate notification by telephone or telegram. Written notification shall be in the form prescribed by regulation 48, main paragraph.

44. Within the meaning of the previous regulation any hail, hurricane-force wind, freak rainfall or fire damage shall be deemed to have been caused on the date of the occurrence at any appreciable degree of intensity of any of these phenomena or adverse events causing the damage to the crop.

Damage due to frost, drought, flooding or excess humidity shall be deemed to have been caused at the moment in which the physiological effects on the plant are first noticed, in the loss of turgor, enhanced rigor and any dark brown discoloration in the aerial parts of that plant; and, in the case of drought and excess humidity or flooding, in water logging and the subsequent development of chlorosis.

Pests and diseases shall be deemed to have caused damage whenever this is due to the presence of insects or fungus diseases in the crop in excess of the level accepted as normal in the pathology of the plant in question.

45. Notice of harvesting shall be in order only in cases of partial loss, and shall be given five days prior to the actual removal of the crop.

46. Notification of circumstances appreciably aggravating any risk shall be given within 24 hours of their emergence.

47. If any loss occurs during harvesting operations or within five days prior to their commencement, notification of loss shall be in lieu of the notice of harvesting.

48. Notification of loss, notice of harvesting and reports of circumstances aggravating the risk must be communicated to the State Insurance Institute mandatorily by telegram and by registered letter with certified reception or acknowledgement of personal delivery to the offices of the said State Insurance Institute, in all cases demanding acknowledgement of receipt, giving:

- (a) in the case of any loss, an indication of the nature thereof, the date of occurrence and a statement as to whether it is total or partial;
- (b) in the case of harvesting, indication of the date on which it is to commence and the date on which the loss was reported;
- (c) in the case of circumstances aggravating the risk, the nature of such circumstances and their causes.

49. If the insured reports any loss or damage when none has occurred he shall be liable for any costs incurred in line inspection rendered necessary. In the case of repetitions of such reports, the State Insurance Institute may rescind the contract.

50. If the insured commences harvesting without having given notice to the insurer, where such notice is required, he shall forfeit entitlement to compensation.

51. The State Insurance Institute shall be required to acknowledge receipt of notification of loss, of harvesting or of circumstances aggravating the risk, and this within 72 hours of the date of such receipt.

52. Acknowledgement of receipt of notification of total loss shall show the date on which the inspector from the State Insurance Institute or the settlement officer appointed by the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges is to appear in order to carry out the necessary inspection.

53. Acknowledgement of receipt of notification of partial loss shall contain a warning to the interested party to the effect that he must give the notice prescribed in regulation 45 of any removal of the crop.

54. Acknowledgement of receipt referring to notice of harvesting shall indicate the date on which the insurance inspector or settlement officer is to call.

55. The State Insurance Institute upon being notified of circumstances substantially aggravating risks shall immediately send an inspector to order such preventive measures as he may deem appropriate and to report thereon.

56. Where, in the course of harvesting any crop that is a partial loss, the insured realizes the yields thus obtained are patently lower than those determined for settlement purposes he shall immediately notify the State Insurance Institute and suspend operations until the same inspector or settlement officer making the earlier inspection can carry out a fresh one. The insured shall take similar action in cases where his crop suffers loss during harvesting.

57. The notifications referred to in the previous regulation shall contain indication of the dates prescribed for notification of loss or notice of harvesting, the area harvested up to the time the difference in yield was realized or up to the time the loss occurred and the volume, in kilograms, of the harvest up to that moment.

58. Failure on the part of the insured to notify as referred to in the foregoing regulations shall constitute ground for forfeiture of his entitlements. Failure to notify in due time shall constitute grounds for reducing the compensation pro rata with the aggravation of the risk as a result up to the forfeiture of the said entitlement.

D. Adjustment and settlement of claims

59. Inspection relating to notification of total or partial loss or to notice of harvesting or removal of crops shall be carried out by inspectors from the State Insurance Institute except in connection with losses of a certain magnitude or where difficulties arise in assessing damage, in which case they shall be carried out by claims adjusters appointed by the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges.

60. Claims adjusters shall be appointed by the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges at a rate of not less than one per differential insurance area.

The officials in question shall enjoy such status as the said Department may determine.

The list of claims adjusters shall be determined annually by the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges by memorandum addressed to the State Insurance Institute.

61. Any inspection conducted in the case of total loss shall be the subject of a report containing, inter alia, the following:

- (a) the nature of the loss, the date of its occurrence and the date it was notified;
- (b) the total area insured, cultivation tasks carried out and requisites applied up to the time of the loss.

62. Any inspection so conducted in cases of partial loss, shall be recorded in a report arising out of the notification of that loss, and in an additional report if following upon notice of harvesting.

Reports compiled following notification of loss shall contain, inter alia, the following data;

- (a) area affected by total loss, area saved in part and the area completely saved;
- (b) area to remain under crops following the loss;
- (c) cultivation tasks remaining to be performed, and requisites requiring to be used, as needed in order to obtaining the expected average harvest for the area in question;
- (d) expected average harvest in kilograms, and
- (e) warning to the interested party required to give notice of harvesting.

Reports compiled following upon notice of harvesting shall contain, inter alia, the following data:

- (a) date of notice of harvesting and of the inspection;
- (b) cultivation tasks carried out following the notice; and tasks yet to be performed before harvest;
- (c) volume of the harvest given in the inspection report Compiled following notification of loss and an indication of Whether the said harvest was in fact obtained;
- (d) volume, in kilograms, harvested up to the time of the inspection and the volume in kilograms, yet to be brought in, and
- (e) quality of the crop harvested and yet to be removed.

63. In inspections carried out following notification of circumstances substantially aggravating the risk, the followig data, inter alia, shall be taken into consideration:

- (a) nature of the circumstances;
- (b) causes thereof;
- (c) prevention measures requiring to be applied by the insured, and
- (d) warning to the insured to the effect that he will forfeit entitlements to compensation if he fails to apply the measures recommended.

64. The determination of the extent of the damage in the event of total or partial loss and the determination of the amount of Compensation due shall be done by the inspector in a settlement report or by the claims adjuster in those cases for which such procedure is contemplated under the terms of regulation 59.

65. In cases of total loss, compensation shall be equal to the amount of the outlay up to the moment that the loss occurred; and in no case may such compensation for the outlay exceed the amount insured.

In cases of partial loss, compensation shall be equal to the amount of direct and necessary outlay made relative to the shortfall in production as compared with the expected average harvest as computed in the policy for the unit insured, provided the entire outlay contemplated in the said policy in order to obtain the expected average harvest was made in its entirety. Otherwise compensation shall not be payable in respect of any portion of that outlay not actually made but only in respect of the arithmetical remainder following such deduction.

66. In computing compensation the insurance company shall not recognize any outlay made subsequent to any partial losses sustained.

67. In those cases where insurance has not been granted in connection with agricultural credit, the insurance company shall remit the compensation to the bank directly and the bank shall take over the debt of the insured, returning to him any balance standing to his credit.

TITLE IV

Constitution and investment of reserves

68. The State Insurance Institute shall set up a special contingency reserve for the purpose of funding unforeseeable disbursement, in addition to the technical reserve for current risks under policies in being. It may also contribute to the constitution of any International Compensation Fund designed to cover excess losses and cyclical variations deemed to be catastrophic losses and to provide technical assistance.

The monies necessary for this purpose shall be determined by the President of the Republic under powers vested in him by Act No. 17. 308 1/.

69. Reserves for current risks under policies in being shall consist of a portion of the paid-up premium as determined by the Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges.

70. The State Insurance Institute shall also set up a reserve for pending commitments in the amount to be determined in the relevant settlement.

71. The Department for the Control of Insurance Companies, Limited Liability Companies and Commercial Exchanges shall each year determine the proportion of premiums for insurances taken out which it is intended shall go to make up the special contingency reserve.

72. The technical reserves set up for current risks and contingencies shall be invested in the same manner and subject to the same restrictions as those prescribed by article 21 of the Decree with Force of Law No. 251 of 20 May 1931 2/ for cumulative capital and reserve funds of insurance companies.

1/ See footnote to title.

2/ Decree with Force of Law No. 251 approving the Act of the Department of Insurance Companies, Limited Liability Companies and Commercial Exchanges. - 20 May 1931. - Diario Oficial No. 15.977, 22 May 1931.

TITLE V

Suspension; penalties

73. Insurance companies shall be free of all liability:

- (1) In the occurrence of any event not contemplated in the policy;
- (2) if the policy is altered by the insured or where it is ascertained that the insured knowingly supplied false information at the time of signing his insurance application;
- (3) if the loss could have been avoided and is deemed to have occurred as a result of acts or omissions on the part of the insured;
- (4) where the loss was the result of any aggravation of the risk arising out of any act of the insured;
- (5) where the aggravation of the risk was caused by third parties and the insured did not take the necessary measures to prevent such aggravation;
- (6) in any other cases contemplated in these Regulations.

74. Failure of the insured to comply with any of the obligations incumbent on him under the terms of these Regulations shall entail forfeiture of his entitlements.

75. The State Insurance Institute shall reserve the right to annul agricultural insurance contracts if at any time there come to its knowledge any omissions or the occurrence of any actions or circumstances constituting a substantial aggravation of risks or contravening the law governing such insurance, and shall notify interested persons thereof by registered letter.

76. In those cases where the State Insurance Institute annuls any contract on the emergence of any grounds at law for so doing, the relevant decision shall take effect 24 hours following notification of the farmer by registered letter. In such cases the insured shall be entitled to reimbursement of that portion of the premium remaining unused.

77. Whenever a contract has been annulled by decision of the insured, no premium shall be repayable at whatever stage in the life of the contract that decision is made.

78. Whenever an insurance is annulled for any of the reasons contemplated in the foregoing regulations, the State Insurance Institute shall notify the bank to that effect and the bank shall forthwith require the insured to pay off the entire balance as if this had fallen due.

79. The State Insurance Institute shall each year determine, subject to clearance by the Treasury and the Ministry of Agriculture, which banks shall demand of their clients mandatory agricultural insurance; and once the Institute has notified them of its decision, the said banks may not grant agricultural credit for crops covered by the insurance in the differential areas in question unless it also requires such insurance concomitantly. The said banks shall agree with the Institute the appropriate procedure consonant with the Act and these Regulations.

80. Agricultural insurance contracts shall be exempt from all forms of tax, and the proceeds of premiums paid therefor shall be except from the tax on services as contemplated in Title II of Act No. 12.120. Likewise any papers issued in connection with the negotiation of the said insurance shall be exempted from the taxes contemplated in Act No. 16. 272 1/, The Stamp Act.

TRANSITIONAL REGULATION

For the current year the State Bank of Chile and the Compradora de Maravilla S.A. Company shall mandatorily require agricultural insurance of their clients as prescribed by these Regulations.

1/ Act No. 16.272: The Stamp Act. - 4 August 1965, as amended.

4. MAURITIUS

Sugar Insurance Fund Act 1974, Act No. 4 of 1974. - 24 May 1974.

[An Act to amend and consolidate the law relating to the insurance of sugar cane crops against cyclones, drought or excessive rainfall and to provide for the compulsory insurance of sugar cane crops against fire losses]

PART I

PRELIMINARY

1. This Act may be cited as the Sugar Insurance Fund Act 1974,

2. In this Act-

"average sugar yield per arpent" means the average cane yield in tons per arpent harvested, converted to sugar by reference to extraction;

"Board" means the Sugar Insurance Fund Board established by section 4;

"Committee" means the Investment Committee established by section 10;

"Control Board" means the Cane Planters and Millers Arbitration and Control Board established under the Cane Planters and Millers Arbitration and Control Board Act, 1973;

"co-operative society" means a co-operative society registered under the Co-operative Societies Ordinance, 1945;

"crop year" means the period beginning on the 1st of June in any year and ending on the 31st of May in the following year;

"event year" means a crop year declared as such under section 25;

"extraction" means the average percentage, determined by the Board and calculated to two decimal places, of the sugar recovered from the canes supplied to a factory by a planter or group of planters or of metayers;

"factory" means a sugar factory;

"factory area" has the same meaning as in the Cane Planters and Millers Arbitration and Control Board Act, 1973;

"Fire Insurance Account" means the account required to be kept under section 19;

"fire insurance premium" means the premium specified in section 34;

"first loss" means the product of the amount of insurable sugar of an insured for an event year and the first loss percentage set out in the third column of the Second Schedule opposite the ranking assigned to the insured;

"Fund" means the Sugar Insurance Fund established by section 3;

"General Insurance Account" means the account required to be kept under section 19;

"general insurance premium" means the premium determined in accordance with section 24(6);

"grouped" means grouped in a region and "group" has a corresponding meaning;

"insurable sugar" means-

- (a) in the case of a planter or metayer, the insurable sugar determined in accordance with section 22;
- (b) in the case of a miller, the insurable sugar determined in accordance with section 23;

"insured" means a miller, a planter, or a group of planters or of metayers;

"Manager" means the Manager of the Board appointed under section 12;

"member" means a member of the Board and includes the Chairman;

"metayer" means a person who, by agreement with a planter, cultivates cane on land which belongs to the planter and, in consideration for the use of the land, gives the planter a portion of the annual sugar yield of such land, with or without any additional payment;

"middleman" has the same meaning as in the Cane Planters and Millers Arbitration and Control Board Act, 1973;

"miller" has the same meaning as in the Cane Planters and Millers Arbitration and Control Board Act, 1973;

"Minister" means the Minister to whom responsibility for the subject of Finance is assigned;

"normal years" in relation to a planter or group of planters or of metayers means the three crop years of the twelve crop years preceding an event year which had the highest average sugar yield per arpent;

"officer" means a person employed by the Board to perform administrative or technical duties;

"planter" has the same meaning as in the Cane Planters and Millers Arbitration and Control Board Act, 1973;

"ranking" has the same meaning assigned to it in section 21;

"region" means a part of a factory area determined as such pursuant to section 31;

"register" means the register required to be kept by the Board under section 43;

"registered" means registered with the Board under section 40;

"servant" means a person employed by the Board other than an officer;

"shortfall" means the insurable sugar of an insured in an event year less the first loss of the insured in that year less the sugar accruing to the insured in that year;

"sugar" means raw sugar with a polarisation of 98.5' and includes white sugar or any other type of sugar converted to raw sugar on the basis of such equivalent as the Minister may, after consultation with the Board, prescribe;

"sugar accruing" or "sugar accrued" means-

- (a) in respect of a miller, twenty-nine per cent of the total sugar produced from planters' canes and metayers' canes;
- (b) in respect of a planter or group of planters or of metayers seventy-one per cent of the total sugar produced from the canes of the planter or the group of planters or of metayers;

"sugar price" means the price determined pursuant to section 47;

"Syndicate" means the Mauritius Sugar Syndicate.

PART II

ESTABLISHMENT OF THE FUND, THE BOARD AND THE COMMITTEE

3. (1) There is established for the purposes of this Act the Sugar Insurance Fund.
(2) The object of the Fund shall be. to insure the sugar industry against loss due to cyclones, drought, excessive rainfall or fire.
4. (1) The Fund shall be administered by a Board to be known as the Sugar Insurance Fund Board.
(2) The Board shall be a body corporate having perpetual succession and a common seal.
(3) The registered office of the Board shall be at such place as the Board may designate by notice published in the Gazette.
(4) Subject to the other provisions of this Act, the Board shall, for the purposes of this Act, have the same powers as a neutral person.
5. (1) The Board shall consist of-
 - (a) the Financial Secretary who shall be the Chairman;
 - (b) the Permanent Secretary, Ministry of Agriculture and Natural Resources or his representative;
 - (c) the Director of the Economic Planning Unit or his representative;
 - (d) the General Manager of the Control Board;
 - (e) a representative of the Minister;
 - (f) a representative of the Chamber of Agriculture;

- (g) two representatives of planters who are grouped;
 - (h) a representative of planters who are not grouped; and
 - (i) a representative of millers.
- (2) The members specified in subsection (1) (f), (g), (h) and (i) shall be appointed by the Minister.
- (3) An appointed member shall-
- (a) be paid such allowance as may be determined by the Minister;
 - (b) hold and vacate office on such terms as the Minister may determine;
 - (c) not be deemed to hold a public office by virtue of his appointment.
6. (1) The Chairman shall preside at all meetings of the Board and in his absence from any meeting, the members present shall elect from among themselves a member to preside at that meeting and the member so elected shall, in relation to that meeting, exercise the functions and have all the powers of the Chairman.
- (2) The quorum of the Board shall be five.
- (3) All acts, matters or things authorized or required to be done by the Board shall be decided by a simple majority of the members present and voting at that meeting.
- (4) At a meeting of the Board, each member shall have one vote on the matter in question and, in the event of an equality of votes, the Chairman shall have a casting vote.
- (5) Subject to the other provisions of this section and any regulations made under this Act, the Board shall regulate its meetings in such manner as it thinks fit.
7. (1) The Board shall sue and be sued in its corporate name.
- (2) Service of any process by or on the Board shall be sufficient if made on behalf of or on the Manager.
8. (1) Subject to subsection (2), no document and no cheque drawn on a banking account shall be executed by or on behalf of the Board unless it is signed by-
- (a) a member; and
 - (b) the Manager.
- (2) A document to which the Board is a party may be signed outside Mauritius by any person nominated for the purpose by the Board.
9. A party to any proceedings before the Board may be assisted by counsel or technical experts.

10. (1) There is established for the purposes of this Act an Investment Committee which shall consist of the following members of the Board-

- (a) the Financial Secretary who shall be the Chairman;
- (b) another ex-officio member who shall be the Deputy-Chairman;
- (c) the appointed member representing the Chamber of Agriculture; and
- (d) one other member to be elected by the Board for such term of office as the Board may determine.

(2) Decisions of the Committee shall be taken by a majority of the members present and voting at that meeting and in the event of an equality of votes, the Chairman shall have a casting vote.

(3) The quorum of the Committee shall be three.

11. The Minister may, in relation to the exercise by the Committee of its functions under this Act, give such directions to the Committee as he considers necessary and the Committee shall comply with those directions.

PART III

STAFF OF THE BOARD

12. (1) The Board shall, with the approval of the Minister, appoint a Manager who shall be the chief executive officer of the Board.

(2) The Manager shall be responsible for the execution of the policy of the Board and for the control and management of its day to day business.

(3) In the exercise of his functions, the Manager shall act in accordance with such directions as he may receive from the Board.

13. (1) The Board may appoint on such terms and conditions as it may, with the approval of the Minister, determine, such officers and servants as may be reasonably necessary for the purposes of or in connection with the discharge of its functions.

(2) All officers and servants shall be under the administrative control of the Manager.

14. (1) Subject to such general or specific instructions and rules of a general nature as may be given or made by the Board, the Board may delegate to the Manager such of its powers as may be necessary to enable him to effectively perform his duties.

(2) The Manager may, with the approval of the Minister, delegate any of his functions to such officers as he may determine.

15. The Board may, with the approval of the Minister, make such rules as it thinks fit to govern the conditions of service of its officers and servants and, in particular, to deal with-

- (a) the appointment, dismissal, discipline, pay and leave of, and the security to be given by, officers and servants;

- (b) appeals by officers and servants against dismissal and other disciplinary measures;
- (c) the establishment and maintenance of provident and pension fund schemes and the contribution payable thereto and the benefits recoverable therefrom.

PART IV

FINANCIAL PROVISIONS

16. Subject to section 20(2) (b), the expenses of administering the Fund shall be defrayed out of the assets of the Fund.

17. (1) Subject to subsection (2), the Board may, on the recommendation of the Committee and with the approval of the Minister, invest any money forming part of the assets of the Fund which is not required to meet the liabilities of the Fund..

(2) There shall be held in cash, on deposit or in Treasury Bills such proportion of the assets of the Funds as the Board may, with the approval of the Minister, determine.

18. The Board may, on the recommendation of the Committee and with the approval of the Minister-

- (a) borrow in such manner, on such terms and at such rate as it considers reasonable, any sum necessary to enable the Fund to meet its liabilities; and
- (b) give the assets of the Fund by way of security for such loans.

19. (1) The Fund shall consist of two accounts-

- (a) a General Insurance Account; and
- (b) a Fire Insurance Account.

(2) The General Insurance Account shall consist of-

- (a) the amount accruing to it in accordance with section 58(1) (a);
- (b) all general insurance premiums; and
- (c) such other sums as may accrue to it.

(3) The Fire Insurance Account shall consist of-

- (a) the amount accruing to it in accordance with section 58(1) (b);
- (b) all fire insurance premiums; and
- (c) such other sums as may accrue to it.

20. (1) The Board shall maintain a Reserve Fund which shall consist of-

- (a) the amount accruing to it in accordance with section 58(2);
- (b) such sums as the Minister may direct to be credited from the General Insurance Account and the Fire Insurance Account; and
- (c) the amount of any special duty leviable under section 50(1).

- (2) No drawing shall be made from the Reserve Fund except-
 - (a) to provide compensation payable in respect of loss in excess of thirty-five per cent where the overall loss in production in any crop year exceeds thirty-five per cent of the total amount of insurable sugar for that crop year; or
 - (b) to meet expenditure incurred for the insurance of any liability payable out of the Fund.

PART V

GENERAL INSURANCE

21. (1) The Board shall in respect of every crop year assign a ranking to every insured.
- (2) Subject to subsection (3) and (4) and section 41, the ranking shall be calculated according to the formula set out in the First Schedule and the result reduced to the next lower multiple of 0.1.
- (3) Where the records of the Board are insufficient to enable it to calculate the ranking of a planter or group of planters or of metayers in accordance with subsection (2), the Board shall assign the ranking on such information as it has available.
- (4) Where the ranking of an insured is less than five, or exceeds fifteen, in any crop year, his ranking-
- (a) shall be deemed to be five or fifteen, as the case may be, for the purposes of determining the premium percentage, the first loss percentage and the value percentage set out in the second, third and fourth columns of the Second Schedule respectively;
 - (b) shall, for the following crop year, be calculated by reference to the actual figure for his ranking.
22. (1) Subject to subsections (2) and (3) and sections 27 and 31 (3), the insurable sugar of any planter or group of planters or metayers in respect of a cane plantation shall be determined by the Board and shall be seventy-one per cent of the product of the weighted average sugar yield per arpent for the normal years on that cane plantation and the number of arpents to be harvested.
- (2) (a) Where the Board is satisfied that the area or yield records of a cane plantation registered by a planter, a group of planters or metayers are not adequate or reliable in respect of any one of the normal years, it shall assess the weighted average sugar yield per arpent of that cane plantation by reference to the weighted average sugar yield per arpent for the other normal years for which adequate and reliable area or yield records are available;
- (b) Where the Board is satisfied that no adequate and reliable area or yield records are available for a cane plantation in respect of any of the normal years, it shall assess the average sugar yield per arpent which the cane plantation can be expected to yield on such information as it has available.

(3) The Board may, where it is satisfied that the average sugar yield per arpent of the whole or part of a cane plantation in any crop year has been so substantially increased in relation to the clearance of stones that a determination under subsection (1) will not give the true average sugar yield per arpent of that cane plantation, assess the insurable sugar per arpent of that cane plantation for that crop year by reference to-

- (a) its average sugar yield per arpent in the most recent of the normal years; or
- (b) its weighted average sugar yield per arpent in the two most recent of the normal years.

23. The insurable sugar of a miller shall be twenty-nine per cent of the total amount of sugar which all the cane plantation harvested in his factory area can be expected to yield determined by the Board in accordance with section 22.

24. (1) Subject to section 51 every insured shall, in respect of the harvest of each crop year, contribute to the General Insurance Account an annual general insurance premium determined by the Board in accordance with subsection (6).

(2) Where it is not possible for the Board to determine the general insurance premium by the 31st of December, the Board may make a provisional estimate of the amount payable.

(3) The Syndicate shall, at the request of the Board, and without incurring any liability to any person, pay the general insurance premium of the estimate made under subsection (2) to the Board not later than the 31st of December in respect of the crop year for which it is payable.

(4) The difference between the general insurance premium and the provisional estimate made under subsection (2) shall be recovered-

- (a) through the Syndicate on or before the 30th of April of the crop year for which the premium is payable; or
- (b) from the insured after the 30th of April.

(5) Where the provisional estimate made under subsection (2) exceeds the general insurance premium, the excess shall be credited to the insured's general insurance premium for the following year.

(6) (a) Subject to section 31(4), the general insurance premium shall be a percentage of the value of the insurable sugar of the insured for the crop year for which the premium is payable and shall be calculated to the nearest rupee;

- (b) the general insurance premium shall be determined by reference-
 - (i) to the weight and value of insurable sugar of the insured; and
 - (ii) to the premium percentage set out in the second column of the Second Schedule opposite the ranking assigned to the insured in respect of the crop year for which the premium is payable.

(c) the premium payable by any planter or metayer within a group of planters or metayers shall be proportional to the tonnage of canes supplied by him.

25. (1) The Board may, not later than the 31st of January of any crop year, in respect of any factory area, declare that crop year to be an event year on account of the occurrence of all or any of the following causes: cyclone, drought or excessive rainfall.

(2) The Board may provisionally declare a crop year to be an event year in respect of a factory area and the Board shall in such case not later than the 31st of January, either make a declaration under subsection (1) or declare that that crop year shall not be an event year in respect of that factory area.

(3) Any declaration under subsection (1) or (2) shall be published in the Gazette and in two daily newspapers.

(4) (a) Where no declaration under subsection (1) has been made in respect of a factory area, any insured in that area, may, not later than the 15th of February, request the Board in writing to make the declaration.

(b) The Board shall thereupon, not later than the 15th of June next ensuing, or such later date as the Minister may by Order published in the Gazette appoint, make the declaration or refuse to make it.

(5) Where the Board refuses to make a declaration under subsection (1) following a request made by an insured under subsection 4(a), it shall notify in writing its refusal to the insured concerned.

26. (1) Subject to subsection (4) and section 28, 31(6), 31(7), 32, and 33, where an event year has been declared, every insured within the factory area shall be eligible for compensation on the shortfall due to cyclones, drought or excessive rainfall.

(2) The Board shall determine the amount of compensation payable to an insured by reference to-

(a) the sugar price at which general insurance premium was paid for the relevant crop year; and

(b) the value percentage set out in the fourth column of the Second Schedule opposite the ranking assigned to the insured.

(3) Compensation under subsection (2) shall be calculated to the nearest rupee and payable in such instalments as the Board may determine.

(4) Where a registered planter has the majority or controlling interest in a cane plantation registered in the name of another person, any compensation payable in respect of that cane plantation shall, for the purposes of subsection (1), be assessed and paid to the registered planter who holds the majority or controlling interest in the cane plantation as if it were part of the other cane plantations registered in his name.

(5) The Board may deduct from any money payable to an insured by way of compensation -

(a) any sum due to the Board in respect of a general insurance premium payable by the insured; and

(b) any sum unduly paid by way of compensation to the insured in respect of a previous crop year.

27. (1) Notwithstanding section 26, and subject to sections 32 and 33, where the Board is satisfied that any part of the loss in the sugar yield of a planter or group of planters or metayers is attributable to causes other than cyclones, drought or excessive rainfall, the Board may, in respect of the loss due to cyclones, drought or excessive rainfall, pay compensation determined by reference to the amount of insurable sugar calculated in accordance with the formula set out in the Third Schedule.

(2) Where compensation as determined under subsection (1) is paid to an insured, the Board shall reduce the general insurance premium payable by the insured accordingly.

28. (1) Subject to subsection (2) the Board shall, in accordance with any arrangement which it may approve for the purposes of this section, but subject to sections 25, 26 and 27, pay to the insured compensation out of the General Insurance Account.

(2) The Board may pay the compensation to the Syndicate for distribution to the insured through his broker, middleman, or other representative authorised by him to receive from the Syndicate payment of the proceeds of the sale of his sugar.

(3) For the purpose of subsection (2), a broker, middleman or other representative shall be deemed to have been authorised to receive payments from the Syndicate in respect of any crop year by an insured who has consigned to the broker, middleman or other representative, as the case may be, the sugar accruing in that crop year to the insured.

(4) Compensation payable in any crop year in respect of a factory or cane plantation with respect to which there has been a change in ownership after registration under section 40 shall, in the absence of a notification under section 41(1), be paid-

(a) in respect of a factory, to the miller who operated the factory;

(b) in respect of a cane plantation, the planter in whose name the canes were supplied.

29. Where the net amount standing to the credit of the General Insurance Account estimated as at the 31st of May is insufficient to meet the liabilities of the General Insurance Account in respect of losses incurred in an event year under this Part, the Minister may, by Order published in the Gazette and in two daily newspapers, direct that compensation assessed in accordance with section 26 or 27 shall be reduced by such percentage as shall ensure that the compensation payable shall not, in the aggregate, exceed the net amount standing to the credit of the General Insurance Account.

30. (1) Subject to subsections (2) and (3), the Board may make advances to an insured eligible to compensation under section 26 on such conditions as the Board may determine.

(2) The advances made under subsection (1) shall in the aggregate not exceed fifty per cent of the loss suffered or likely to be suffered by the insured.

(3) The Board may, for the purposes of subsection (1), and without prejudice to any assessment which is required to be made under this Act of the payment of compensation, assess the loss suffered by an insured in such manner as it thinks fit.

31. (1) Planters cultivating in the aggregate less than ten arpents of sugar cane and metayers shall, with effect from the crop year beginning on the 1st of June, 1974, be grouped by regions.

(2) The regions within any factory area shall be determined by the Board.

(3) The insurable sugar per arpent of a group of planters or of metayers in any crop year shall be the product of the average sugar cane yield per arpent of the group in the normal years and seventy-one per cent of the average extraction of the group in the normal years.

(4) The premium payable by a group of planters or of metayers in a region shall be based upon the total insurable sugar of the group, and the premium payable by a planter or metayer within the group shall be proportional to the tonnage of canes supplied by him.

(6) The sugar accruing to a group of planters and metayers in any crop year shall be the product of the tonnage of canes produced by the planters or metayers within the group and seventy-one per cent of the extraction of the group in that crop year.

(5) The compensation payable in respect of an event year to planters or metayers grouped in a region shall be based upon the shortfall of the region and the compensation payable to a planter or metayer within the region shall be proportional to the tonnage of canes supplied by him.

(7) Where the loss, attributable to a cyclone, drought or an excessive rainfall, of any planter or metayer who is grouped is greater than the average loss attributable to the cyclone, drought or excessive rainfall in respect of other plantations within the region, the Board may pay to that planter or metayer by way of compensation such further amount as it thinks fit but not exceeding ten per cent of the amount of compensation payable under subsection (6) to the planter or metayer.

32. (1) Where the Board is satisfied that the cultivation and maintenance of cane plantations have been neglected before or after the occurrence of a cyclone, drought or excessive rainfall, the Board may refuse to pay compensation in respect of those cane plantations or may reduce the compensation payable to such amount as it thinks fit.

(2) The Board shall not consider any claim by an insured for compensation or for re-assessment of compensation in respect of the loss suffered by the insured in any crop year unless-

(a) the claim is lodged in writing with the Board within nine months of the date on which the crop year was declared an event year or within three months of an order of the Supreme Court declaring or ordering the Board to declare an event year;

(b) in the case of a planter, his cane plantations have been registered.

33. (1) Where the Board is satisfied that a planter-

(a) has under his name, sold or disposed of canes harvested from cane plantations other than those registered in his name in respect of any crop year; or

- (b) has sold or disposed of any of the canes harvested from cane plantations, registered in his name, under a fictitious name or to any person other than a person to whom he is authorised to sell or dispose of his canes under the Cane Planters and Millers Arbitration and Control Board Act, 1973,

the Board shall not pay to the planter any compensation to which he may have been entitled for that crop year.

PART VI

FIRE INSURANCE

34. (1) Subject to subsection(2), every insured shall, in respect of the harvest of each crop year, contribute to the Fire Insurance Account and annual fire insurance premium of one rupee per ton of insurable sugar.

(2) The Minister may, in the month of November by Order published in the Gazette, vary the amount of the fire insurance premium.

(3) The Syndicate shall at the request of the Board and without incurring any liability to any person, pay the fire insurance premium to the Board not later than the 31st of December in respect of the crop year for which it is payable.

35. (1) Not later than three days after a cane plantation has been damaged by fire, the planter or metayer in whose name the cane plantation is registered shall notify the Board of the fact by registered letter.

(2) The notification sent to the Board under subsection (1) shall set out-

- (a) the date, time and place of the fire;
- (b) the area of the cane plantation destroyed; and
- (c) the category and variety of canes destroyed.

36. (1) On receipt of a notification under section 35 (1), the Board shall cause the cane plantation to be inspected for the purpose of-

- (a) ascertaining the extent of the damage, if any, in terms of tons of canes which would have been harvested in that crop year but for such fire; and
- (b) determining the cause of fire.

(2) Every insured shall give full assistance to the Board's officer in the carrying out of the inspection.

37. (1) Subject to subsection (2), every insured who has suffered loss as a result of fire shall be entitled to compensation which shall-

- (a) in the case of a planter or metayer, be at the rate of twenty rupees per ton of canes short produced;
- (b) in the case of a miller on a planter's cane plantation destroyed by fire, be at the rate of eight rupees and seventeen cents per ton of canes short produced.

- (2) No compensation shall be paid-
- (a) where the Board is satisfied that the fire was deliberately set by the insured or his agent to the cane plantation with a view to obtaining compensation;
 - (b) in respect of canes which were not due to be harvested in the crop year during which the fire occurred;
 - (c) where the burnt canes can be harvested and milled at a factory; or
 - (d) in case of non-compliance by an insured with section 35 or 36(2).

38. (1) Compensation under section 37 shall be paid out of the Fire Insurance Account.

(2) Where the net amount standing to the credit of the Fire Insurance Account estimated as at the 31st of May is insufficient to meet the liabilities of the Fire Insurance Account in respect of fire losses, the Minister may, by Order published in the Gazette and in two daily newspapers, direct that compensation assessed in accordance with section 37 shall be reduced by such percentage as shall ensure that the compensation payable shall not, in the aggregate, exceed the net amount standing to the credit of the Fire Insurance Account.

39. Where compensation is paid under this Part to an insured, the insured shall not be eligible for compensation under Part V in respect of the insurable sugar represented by sugar short produced as a result of fire.

PART VII

MISCELLANEOUS

40. (1) Every miller shall, not later than the 31st of May, register his factory with the Board and shall furnish, at the time of registration, such information as the Board may require.

(2) Subject to subsection (3) every planter shall, not later than the 31st of May, register with the Board all his cane plantations for the following crop year and shall declare in respect of each cane plantation registered in his name-

- (a) the area of land which-
 - (i) he has under cane cultivation for his own account; and
 - (ii) his metayers have under cane cultivation;

(b) the area which he intends, and the total area which his metayers intend, harvesting during that crop year.

(3) Where a planter fails to register his cane plantations under subsection (1) he may register his cane plantations with the Board on payment of a late registration fee of ten rupees together with a surcharge of one rupee for every arpent or part of an arpent which he intends or his metayers intend harvesting on those plantations.

(4) The Board may require a planter to furnish a certificate signed by a sworn land surveyor in support of any declaration made by him under this section.

(5) Where a husband and wife, married under the system of community of goods and property, own cane plantations, those cane plantations shall be registered in the joint name of the husband and wife.

(6) Cane plantations owned by two or more planters in undivided ownership or jointly leased by them, shall be registered in their joint name.

41. (1) Any change in the ownership of a factory or cane plantation after registration under section 40 shall, within one month of the change in ownership, be notified in writing to the Board jointly by the previous and the new owner who shall, at the time of notification, give the Board documentary evidence of the change in ownership.

(2) On receipt of a notification under subsection (1), the Board shall-

- (a) change the registration in respect of the factory or cane plantation from the name of the previous to that of the new owner, and
- (b) assign to the new owner, if he has at the time of registration no other cane plantation registered, the ranking which had been or would have been assigned to the previous owner; or
- (c) where necessary adjust the ranking assigned to the previous and new owners.

42. An officer may, on being so directed by the Board for the purposes of this Act-

- (a) enter on any land and inspect any cane plantation;
- (b) on the production of his authority, if so required, require the production, by the owner of a cane plantation or his representative or by any other person, of any book, register or document which, in his opinion, is likely to contain any matter which will enable the Board to exercise its duties under this Act.

43. (1) (a) The Board shall keep a register in which shall be entered the area of the cane plantations of every planter.

(b) The Board may, on evidence being adduced to its satisfaction that any entry in the register is incorrect, cause such entry to be rectified.

(2) Notwithstanding anything contained in the Sworn Land Surveyors Ordinance, the Board may cause the area of any cane plantation to be ascertained by an officer or by a sworn land surveyor, and the area so ascertained shall, for the purposes of this Act, be deemed to be the correct area and shall be entered by the Board as the area of the cane plantation in the register.

44. (1) The Board shall have a special privilege ranking before any other privilege conferred under any other law in force and operating independently of inscription, on all sugar deposited in any place in the name of the Syndicate in respect of-

- (a) any amount due to the Board in respect of a general insurance premium or a fire insurance premium by an insured; and
- (b) any amount unduly paid to an insured by the Board by way of compensation for any crop year.

(2) The Syndicate shall, on a written request from the Board and without incurring any liability to the insured, deduct from any money payable to an insured the amount due by or overpaid to him under subsection (1), and shall pay that amount to the Board.

45. (1) Every miller, planter, co-operative society or middleman shall furnish in writing to the Board such information within such time and in such manner as may be prescribed.

(2) Every planter shall, on being so required by the Board, furnish to the co-operative society, middleman or miller to whom he sold his canes such information within such time and in such manner as may be prescribed.

(3) The Board may call for such other information from any person as it may reasonably require for the purposes of this Act.

(4) Any compensation which may be payable under this Act may be withheld by the Board until the provisions of this section have been complied with.

46. Where a planter is unable to sign a document required under this Act or regulations made under this Act, his thumbprint or mark, if attested by the signature of two witnesses, shall have the same effect as if that person had signed his name.

47. (1) The Minister shall on or before the 31st December in any crop year, after consultation with the Chamber of Agriculture, determine the sugar price, applicable to any specified class of insured, at which insurable sugar shall be valued for that crop year in respect of that particular class of insured.

(2) the sugar price determined under subsection (1) shall be-

(a) expressed to the nearest rupee; and

(b) published in the Gazette and in two daily newspapers.

48. The Board shall, with the approval of the Minister, appoint a consulting actuary who shall, at least once every five years, review the position of the Fund and make such recommendations to the Board as he considers necessary and who shall advise the Board on any change to be made to-

(a) the percentages laid down in the Second Schedule; and

(b) the method of determining ranking and the value of insurable sugar.

49. The Board may, with the approval of the Minister, insure against its liability to pay compensation under this Act.

50. (1) The Minister may, where he is of opinion that the price of sugar on the world market so justifies, by Order published in the Gazette, authorise the Syndicate to levy a special duty on all insurable sugar.

(2) A special levy authorised under subsection (1) shall be paid into the Reserve Fund by the Syndicate without incurring any liability to any person.

51. (1) The Minister may, by Order published in the Gazette, declare that planters or metayers who are grouped shall pay such reduced general insurance premium as is specified in the Order.

(2) Where planters or metayers who are grouped are authorised under subsection (1) to pay reduced general insurance premiums, there shall be paid from the Consolidated Fund into the General Insurance Account the difference between the general insurance premiums payable under section 24 by such planters or metayers and the reduced premium authorised under subsection (1).

(3) Notwithstanding any Order under subsection (1) for the payment of reduced general insurance premium, planters and metayers to whom the Order applies shall, for the purposes of reinsurance under section 49, be deemed to have paid the full general insurance premium.

52. Any insured who is aggrieved by a decision of the Board under sections 22, 23, 25, 26, 27, 32, 33, 37 or 53(2) may appeal against the decision to the Supreme Court in such manner as may be provided by rules made by the Supreme Court.

53. (1) Any person who-

- (a) knowingly makes a declaration required under section 40 or knowingly furnishes information under section 45 which is false in any material particular;
- (b) prevents or impedes or attempts to prevent or impede any officer from entering any land or from exercising any of his powers under this Act;
- (c) fails to comply with any request made by any officer under section 42(b);
- (d) otherwise fails to comply with or contravenes any other provision of this Act or regulations made under this Act,

shall commit an offence and shall, on conviction, be liable to a fine not exceeding one thousand rupees and to imprisonment for a term not exceeding twelve months.

(2) Where any planter or metayer has been convicted of an offence under subsection (1) (b) the Board may withhold, in whole or in part, any compensation payable to him.

54. In any proceedings-

- (a) by an insured against a decision of the Board under section 32(1), the onus of proving that the cultivation and maintenance of the cane plantations had not been neglected;
- (b) by an insured dissatisfied with the assessment made by the Board under Section 26., the onus of proving that the basis on which the assessment was made is incorrect,

shall lie on the insured.

55. The Minister may, by Order published in the Gazette and in two daily newspapers, amend the Schedules to give effect to any recommendation which the Board may make following the advice of the consulting actuary.

56. The Board may make such regulations as it deems necessary for carrying into effect the provisions of this Act.

57. The First Schedule to the Statutory Bodies (Accounts and Audit) Act, 1972, shall have effect as if for item 12 there were substituted the following item-

"12. The Sugar Insurance Fund - Act No. 4 of 1974"

58. (1) (a) Subject to paragraph (b), the assets and liabilities of the Cyclone and Drought Insurance Fund established under the Cyclone and Drought Insurance Fund Act, 1969, shall at the commencement of this Act, accrue to the General Insurance Account.

(b) One million rupees shall at the commencement of this Act be transferred from the General Insurance Account to the Fire Insurance Account.

(2) The assets of the Special Reserve established under the Cyclone and Drought Insurance Fund Act, 1969, shall, at the commencement of this Act, accrue to the Reserve Fund.

(3) Any matter which was pending before, or any proceeding started by or against the Cyclone and Drought Insurance Board established under the Cyclone and Drought Insurance Fund Act, 1969, immediately before the commencement of this Act, shall continue and be determined as if begun before, or started by or against the Sugar Insurance Fund Board.

(4) Any appointment made, any authorisation granted or delegation given under the Cyclone and Drought Insurance Fund Act, 1969, shall, if the appointment, authorisation or delegation is in force at the commencement of this Act, continue and shall, in so far as it could have been made, granted or given under this Act, have effect as if it had been so made, granted or given.

59. The Cyclone and Drought Insurance Fund Act, 1969, is repealed.

60. This Act shall come into force on the 1st June, 1974.

5. MEXICO

Crop, Livestock and Farmers' Life Insurance Act. - 9 December 1980. -Diario Oficial No. 39, 29 December 1980, Section I, page 3.

TITLE I

General

SOLE CHAPTER

1. General Crop Insurance, Livestock Insurance, Insurance for Agriculture-related Activities and Farmers' Life Insurance are hereby instituted.

2. The purpose of General Crop Insurance shall be to make good to the farmer in its entirety his effective outlay on crops, including the value of labour, expended for the purpose of obtaining a harvest, whenever such harvest becomes a total or partial loss as a result of the occurrence of any of the events provided for in this Act.

3. The purpose of Livestock Insurance shall be to make good to the insured party, under the terms of this Act, the value of his livestock whenever, as a result of the occurrence of any of the events here provided for, such livestock dies or ceases to fulfill its specific function; and to provide veterinary services and medicines whenever such livestock falls sick; and also to reimburse the insured under the terms of this Act for all expenses incurred by him in caring for his livestock whenever the timely provision of the said services is not possible.

4. The purpose of Insurance for Agriculture-related Activities shall be to make good to the insured, under the terms of this Act, the losses incurred in respect of assets having a direct relationship with agriculture or forestry.

5. The purpose of Farmers' Life Insurance shall be to provide cover, under the terms of this Act, in the event of the death of the insured, in the form of a sum of money for his designated beneficiaries.

6. The general crop, livestock, agriculture-related activities and farmers' life insurance schemes shall be serviced by the Aseguradora Nacional Agrícola y Ganadera S.A. (the National Crop and Livestock Insurance Company Ltd.), and by such insurance institutions and benefit societies as the Secretariat for the Treasury and Public Credit empowered in that behalf.

7. Where institutions other than the National Crop and Livestock Insurance Company Ltd., are authorized to operate insurance schemes referred to in this Act, the reinsurance that they take out with the said Company shall be governed by the provisions of Title III, Chapter V of this Act.

8. Mexican Banks and Federal Government funds which by law may provide financing for crop or stock farms shall, in the case of equipment or re-equipment loans ^{1/}, first apply to the National Crop and Livestock Insurance Company Ltd., for the insurance appropriate to the farms which it is intended shall receive financing from them, together with farmers' life insurance for the recipients.

Before providing any of the types of financing referred to in the previous subsection, other banks shall apply for the appropriate insurance to the Company or to other duly authorized insurance institutions.

The National Banking and Insurance Commission shall issue general rules governing compliance by the above-referred-to banks and institutions with this requirement.

9. The Secretariat of the Treasury and Public Credit may make by-laws and additional rules of an administrative nature as required for the enforcement of this Act.

10. Where this Act is silent, the General Insurance Institutions Act, the Insurance Contracts Act, the General Mercantile Companies Act and other pertinent provisions of law shall apply.

11. Wherever in this act the term "Company" is used, it shall be understood to mean the National Crop and Livestock Insurance Company Ltd.

TITLE II

The Company

Chapter I

Constitution; management; capital

12. This Act shall govern the insurance institution known as the National Crop and Livestock Insurance Company Ltd., its organization, its Articles and its operation.

13. The Company shall have such seat as is provided for in its Articles and may set up branches, offices and agencies, and appoint correspondents, subject to authorization in each case, throughout the Republic.

14. The Company shall have such duration as is provided for in its Articles.

15. The share capital of the Company shall be that determined by the Articles and shall consist of two series of shares of equal value, namely, Series A shares, which may be held by the Federal Government and administrative departments of the Federal Government only, in a proportion at no time less than 51 percent of the share capital, and Series B shares, which shall be registered and may be subscribed by institutions in both the public and the private sectors.

^{1/} Tr. Note: Equipment/re-equipment loan: Crédito de habilitación o refaccionario.

No individual or body corporate of foreign nationality may hold any interest on share whatsoever in the Company, and if, under whatever circumstances, any individual or body corporate as referred to above acquires an interest or any share or shares, such acquisition shall be devoid of legal effect, and the said interest shall be struck off the register and rendered null and void, together with the shares evidencing that interest; and the share capital shall be deemed to be diminished in an amount equivalent to the interest so struck off.

16. The Company shall be managed by a Board of Managers and a Director General.

Chapter II

Object

17. The object of the Company shall be to:

- (i) operate the insurance schemes provided for by this Act and similar and related schemes authorized by, and governed by rules emanating from, the Secretariat of the Treasury and Public Credit acting in conjunction with the Secretariat of Agriculture and Water Resources to the extent that it is concerned;
- (ii) underwrite, as appropriate, risks covered by direct insurance operated by the benefit societies referred to in this Act;
- (iii) underwrite, as appropriate, the risks covered by direct insurance operated by insurance institutions under the schemes referred to in this Act;
- (iv) to provide reinsurance facilities for risks which it has itself underwritten or has underwritten on behalf of benefit societies or other institutions;
- (v) to undertake research and surveys and make estimates required for operating the insurance schemes referred to in this Act;
- (vi) to compile statistics in relation to the insurance schemes that it operates;
- (vii) to make any recommendations it considers necessary in order to improve the operation of the insurance schemes contemplated in this Act; and
- (viii) to undertake such other activities having to do with its object as are authorized by, and governed by rules emanating from, the Secretariat of the Treasury and Public Credit acting in conjunction with the Secretariat of Agriculture and Water Resources to the extent that it is concerned.

Chapter III

Administration and supervision

18. The Managing Board shall have a membership consisting of thirteen full members, appointed as follows: representing Series A shares there shall be elected two members for the Secretariat of the Treasury and Public Credit., two for the Secretariat of Agriculture and Water Resources, and one each for the following: the Secretariat of Agrarian Reform, the

Secretariat of Planning and Budget, and the Bank of Mexico; and representing Series B shares there shall be elected six members respectively for: the National Rural Credit Bank, the Federation of Benefit Societies for Crop and Livestock Insurance, Ejido ^{1/} Farmers and Small Owner-Farmers, Stockbreeders and Agricultural Land Settlements.

The Secretary for Agriculture and Water Resources shall be a Series A share member and Chairman of the Managing Board.

An alternate shall be appointed for each full member.

19. Members shall have a term of office of one year and may be re-elected. Sitting members shall remain in office until such time as those newly appointed take up that office.

20. The following may on no account be members:

- (i) any two or more persons related by blood or marriage within and including the third degree of kindred; and
- (ii) officers or employees of the Company.

If any member once appointed comes under either of the categories here referred to during his turn of office he shall be replaced forthwith by his alternate.

21. If at any meeting the Chairman of the board is absent, members attending and representing Series A shares shall appoint a person to preside.

22. The Managing Board shall meet not less frequently than once a month and may deliberate with a quorum of seven members provided that these include not less than four appointed as representatives of Series A shares.

Decisions shall be taken on a majority of the votes of the members attending. In the case of a tie the Chairman shall have a casting vote.

23. The Managing Board shall have wide powers for the administration of the Company; it may undertake all necessary action compatible with its nature and object, and accordingly shall be authorized to:

- (i) approve the programme of activities and funding and the budget of the Company;
- (ii) authorize programmes for the purchase and sale of movable property, and authorize similar programmes with regard to immovable property as provided under law;
- (iii) establish and close, subject to authorization by the Secretariat of the Treasury and Public Credit, branches and agencies of the company;
- (iv) appoint regional advisory councils with their memberships consisting of representatives of the crop husbandry, ejido, small owner-farmers, and stockbreeding sectors;

^{1/} Tr. Note: Ejido: a form of tenure under which land belongs to a town or community either for use in common or for distribution among farmers, in this case "ejidatarios", for cultivation in small lots.

- (v) delegate certain of its powers to advisory councils or committees or the Director General, and prescribe the rules governing the exercise of such powers;
- (vi) approve the by-laws of the Company and its scale of salaries;
- (vii) approve applications for, and conditions governing, the taking out of shares representing authorized capital;
- (viii) follow up the decisions of the General Meeting of shareholders;
- (ix) approve the issue of securities, whether as stock or as shares;
- (x) appoint the Director General upon his nomination by the Federal Government;
- (xi) appoint and dismiss the Secretary of the Board;
- (xii) carry out the terms of reference implicit in the object of the Company not otherwise expressly reserved by this Act or the Articles to the General Meeting of shareholders; and
- (xiii) do whatever else is required in order to exercise the above-listed powers and, in general, to pursue the object of the Company.

24. The Director General shall have the following powers:

- (i) to sign on behalf of the Company;
- (ii) to represent the company at law. In the execution of his mandate he shall have full powers as general agent for administrative acts, acts of ownership and for legal proceedings and for the recovery of moneys due, including such powers as require special mandate under law, pursuant to Article 2554 of the Civil Code for the Federal District, and, in addition, the power to underwrite securities for whatever purpose. He may file claims and initiate criminal proceedings, remit debts and abandon appeals instituted under constitutional guarantees.

He may likewise delegate these powers wholly or in part and countermand them except in the case of powers relating to acts of ownership, in which case he shall require the express authorization of the Managing Board;
- (iii) to manage the assets and affairs of the Company, enter into agreements and perform all acts required in the normal carrying on of business;
- (iv) to submit to the Managing Board for information and approval insurance plans, premium rates, specimens of insurance and re-insurance contracts, policies, endorsements, instructions, questionnaires and other relevant documents under the Company's by-laws;
- (v) to submit to the Managing Board for its consideration a monthly statement showing the Company's financial position and a statement showing the results of its operations;

- (vi) to implement the decisions of the Managing Board and of the committees of the Managing Board as required;
- (vii) to establish and organize offices of the Company, appoint and dismiss, as appropriate, officers and employees under terms approved by the Managing Board;
- (viii) to take part in the meetings of the Board, though without right to vote; and
- (ix) to do any other thing required by the General Meeting of Shareholders or as instructed by the Managing Board.

25. The supervision of the Company shall be the responsibility of two Syndics appointed to represent Series A shareholders and Series B shareholders, respectively. An alternate shall be appointed for each Syndic.

The Syndic representing Series A shares shall be appointed upon nomination by the Secretariat of the Treasury and Public Credit, and the Syndic representing Series B shares, upon nomination by the Members representing these shares.

26. The Secretariats of the Treasury and Public Credit and of Agriculture and Water Resources may, within three working days from the date of receipt of communication thereof, jointly or severally, veto the resolutions of the Managing Board.

Upon expiry of that time-limit without objections being raised, the resolution in question may be implemented.

27. The Company shall publish a statement showing the financial position and a statement showing operational results, having first obtained the approval of the Secretariat of the Treasury and Public Credit therefor.

28. The Company shall prepare a monthly statement showing its financial position and another statement showing the results of its operations.

29. The Company shall be inspected and supervised by the National Banking and Insurance Commission as provided by law and by such rules as the Secretary for the Treasury and Public Credit may make for this purpose.

The Secretariat shall appoint the External Auditor to the Company.

TITLE III

COMPANY OPERATIONS

Chapter I

Insurance contracts

30. Within the meaning of this Act there shall be understood by "Insured party" any crop farmer or stock breeder who is the owner of the crop or livestock covered by the insurance contract; in the case of Insurance for Agriculture-related Activities, the owner of the assets covered; and for Farmers' Life Insurance, the person named in the contract.

31. Insurance may be contracted by an applicant on his own behalf or on behalf of a third party. In case of doubt it should be assumed that the applicant for insurance is acting on his own behalf.

32. The insured party may, having first notified the Company in writing, alter the beneficiary.

33. General Crop Insurance shall be contracted by means of an application for insurance cover for crops being granted as from the date on which the application was received and in conformity with the terms of the relevant policy; and the Company shall be at liberty to carry out any inspections it deems appropriate.

Irrespective of what precedes, in the case of seasonal crops, the cover shall extend to the growing cycle of the plant but also from the preparation of the soil up to the completion of harvesting as specified in the policy, and may cease before the stipulated date whenever the crop has been harvested.

Contracts may be made for perennial crops in respect of their planting and production stages.

The expiry of the validity shall be stipulated in the policy in the light of the circumstances affecting the respective crops, in accordance with the general rules laid down by the Secretariat of the Treasury and Public Credit acting in conjunction with the Secretariat of Agriculture and Water Resources to the extent that it is concerned.

34. In contracts for Livestock Insurance, cover shall commence on the date the application was submitted, and the Company shall be at liberty to carry out such inspections as it deems appropriate. The duration shall be for a maximum of one year and shall terminate on the date indicated in the policy.

35. In the case of Insurance for Agriculture-related Activities, cover shall commence on the date the application was presented, and the Company shall be at liberty to carry out inspections of the assets insured whenever it deems appropriate.

The duration shall be for a maximum of one year and shall terminate at the hour and on the date indicated in the policy.

36. In Farmers' Life Insurance contracts, the duration shall be twelve months and shall commence on the date the relevant application is received.

37. Cover under General Crop Insurance shall be calculated by unit area and shall be specified in the insurance programme relating to the respective cropping cycle and shall extend to the value of the effective outlay made in order to obtain the expected harvest and shall include the value of labour, interest on loans and the insurance premium, provided there is no reduction in the average value of the expected harvest for the differential insurance area in question. In calculating the volume of the harvest, the Secretariat of Agriculture and Water Resources shall take into account average yields obtained for respective crops by type and region for the last three representative farming years, progress in technology, average farm prices in the region, and the official guarantee prices in force at the time planning was done or the agreed values at the time the draft insurance programme was prepared.

38. Cover under Livestock Insurance shall extend to the market value of the animal at the date the contract was made, and this value may increase under the terms of the policy in accordance with the general rules made by the Secretariat of the Treasury and Public Credit acting in conjunction with the Secretariat of Agriculture and Water Resources to the extent that it is concerned.

39. Cover under insurance for Agriculture-related Activities shall be determined by the market value of the insured assets at the time the loss or damage occurred.

40. Cover under Farmers' Life Insurance shall be as authorized by the Secretariat of the Treasury and Public Credit, and the amount shall not be less than 90 days' average minimum wage in agriculture in the economic zone in question.

41. The Secretariat of the Treasury and Public Credit, acting in conjunction with the Secretariat of Agriculture and Water Resources to the extent that it is concerned, may authorize special cover for persons operating collective farms or farms with a high technical component.

42. The premiums that the Company collects for the insurance scheme that it operates shall be sufficient to constitute the reserves relative to the risks insured in the light of the respective actuarial, computations, account being taken of the general characteristics of the risks to be insured.

The Secretariat of the Treasury and Public Credit shall determine the maximum percentage of premium revenue which may be allocated to meeting administrative costs and what items may be included under such costs.

43. The Federal Government shall, acting through the Secretariat of the Treasury and Public Credit, from time to time by General Order prescribe the premium rates referred to in this Act once these have been approved by the Managing Board of the Company.

Within the meaning of the previous sub-section, the Secretariat of the Treasury and Public Credit shall have regard to the proposals of the Company made in the light of technical and actuarial studies allowing for the different systems of organization and economic capacity of the insured parties, and to the characteristics of the region, of the crops, of the livestock, and other conditions in the respective cases, and having heard the views of the Secretariat of Agriculture and Water Resources.

44. The Company shall submit for the approval of the National Banking and Insurance Commission specimens of applications for policies and of other documents having to do with the insurance schemes that it operates, as well as its own by-laws.

45. In the case of General Crop Insurance, the secretariat of the Treasury and Public Credit, acting in conjunction with the secretariat of Agriculture and Water Resources to the extent that it is concerned, may, prior to each cropping cycle and at the request of the company, modify the amount of cover and premium rates.

46. Policies shall be issued against application save where the National Banking and Insurance Commission authorizes exceptions to this rule. The Company, however, shall carry out such inspections as it deems appropriate.

47. The purpose of the inspections carried out by the Company in relation to applications for General Crop Insurance shall be to check, *inter alia*, the following: the topography of the land and soil quality; whether seed-bed preparation and sowing operations were carried out correctly; whether sowing was carried out within the dates set under the insurance programme; whether the plants have germinated or taken root; the variety of seed used; the type of cultivation; the density of the stands; and the general state of cultivation; and, in the case of Livestock Insurance, to determine the identity and state of health of the animals

and the circumstances of the premises where they are housed; and in the case of Insurance for Agriculture-related Activities, to determine the value, the ownership, the identity, the location and general conditions of the assets to be insured, and, as appropriate, other conditions as the Secretariat of the Treasury and Public Credit may specify.

In the case of Farmers' Life Insurance no special condition shall be imposed on the applicant beyond those which, as appropriate, the Secretariat of the Treasury and Public Credit may, acting in conjunction with the Secretariat of Agriculture and Water Resources to the extent that it is concerned, impose.

48. Those sections of this Act which prescribe rights and obligations of the insured or of the Company shall be copied in extenso in readily legible print on the policy.

49. Any alteration requiring to be made to a policy shall be so made by means of an endorsement. Such endorsement may cover:

- (i) increases;
- (ii) decreases;
- (iii) cancellations; and
- (iv) alterations in other contractual obligations and such other alterations as the National Banking and Insurance Commission authorizes.

Chapter II

Insurance operations

50. The Company shall, subject to the authorization of the Secretariats of the Treasury and Public Credit and of Agriculture and Water Resources to the extent that it is concerned, develop insurance programmes in the branches where it operates.

51. Under General Crop Insurance the insurance unit shall be the hectare, and the Company shall provide cover for effective outlays made, including the value of the labour, expended on the crops, against the following risks:

- (i) drought;
- (ii) excess humidity;
- (iii) frost;
- (iv) low temperature;
- (v) pests and predators;
- (vi) disease;
- (vii) hurricane-force winds;
- (viii) flooding;
- (ix) hail;
- (x) heatwaves; (xi) fire;(xii) other risks as may be authorized and regulated by the Secretariat of the Treasury and Public Credit acting in conjunction with the Secretariat of Agriculture and Water Resources to the extent that it is concerned.

52. Under General Crop Insurance, the Company may provide cover for losses arising from the following additional risks:

- (i) failure to germinate;
- (ii) thin emergence;
- (iii) prevented sowing;
- (iv) situation in which it is found that excess cover has been taken out in marginal areas; and
- (v) other events not imputable to the farmer.

Cover against the events referred to in this section shall be available provided the causes are in the nature of meteorological phenomena, pests combated yet not controlled, and other events not caused by the negligence of the farmer or by the act of third parties.

General Crop Insurance shall provide cover for the outlay made in accordance with the general rules published by the Secretariats of the Treasury and Public Credit and of Agriculture and Water Resources.

53. Under Livestock Insurance the Company may insure animals against the following risks:

- (i) death due to disease or accident;
- (ii) disease; and
- (iii) loss or diminution of the specific function for which they were intended.

Insurance against disease shall be available if the death risk has been covered, while insurance against loss or diminution of specific function shall be available if death and disease risks have been covered.

54. Under Livestock Insurance the Company may offer additional cover for insured animals against death from exhaustion caused by climatological phenomena or by agricultural chemicals affecting grazing land, or by frost, drought, pests and diseases, and such risks as may arise as a result of animal health measures prescribed by the appropriate authorities.

55. Irrespective of the events referred to in section 53, Livestock Insurance may be taken out in order to cover the risk of death and physical incapacity during transport and at cattle shows.

56. In the case of Insurance of Agriculture-related Activities, the Company may provide cover for farm installations; agro-industrial plant; crops already harvested and undergoing transport to reception centres; forest and livestock products during transport; tractors, harvesters, self-propelled agricultural machinery and agro-industry machinery against such risks and in the form and under conditions prescribed for the purpose by the Secretariat of the Treasury and Public Credit by means of general rules, acting in conjunction with the Secretariat of Agriculture and Water Resources to the extent that it is concerned.

57. Under Farmers' Life Insurance the Company may provide cover for any person engaging in crop or animal production in a rural area. The indemnity shall be payable to the beneficiaries in the event of death of the insured due to whatever cause.

Farmers' Life Insurance shall be operated in accordance with general rules prescribed by the Secretariat of the Treasury and Public Credit with the advice of the Secretariat of Agriculture and Water Resources. The said rules shall include provision for the payment of a minimum premium for those groups of farmers who have very low economic potential and are without social welfare benefits.

58. The insurance schemes referred to in this Act may be operated by benefit societies and similar insurance institutions under contract entered into with the Company.

For the purpose of the foregoing sub-section the said benefit societies and other insurance institutions shall meet the following requirements:

- (i) have the authorization of the Secretariat of the Treasury and Public Credit to operate and to provide the insurance facilities contemplated in this Act; and
- (ii) in the case of benefit societies, to undertake to reinsure with the Company the total amount of the risks which they underwrite directly.

Chapter III

Rights and obligations of the insured

59. Any person applying for insurance and any insured party shall have the following obligations:
- (i) to furnish in the application truthful information with a view to the negotiation of the insurance contract and the appreciation of the risks;
 - (ii) to allow the Company's personnel proper facilities to inspect to its entire satisfaction the assets covered by the insurance;
 - (iii) to carry out in due and proper form all the work required for the farm and for the conservation of the assets insured;
 - (iv) do everything in his power in order to prevent or attenuate the loss and to comply with the instructions of the Company for this purpose;
 - (v) to submit, within 30 working days of being requested therefore by the Company, evidence of all outlays made;
 - (vi) to pay the premium within 15 working days following the date on which the policy is received;
 - (vii) to notify the Company in the form and under the terms prescribed in the Regulations of any partial or total losses and of any circumstances substantially aggravating the risk and, again, in the case of General Crop Insurance, to give notification of harvesting or suspension of harvesting;
 - (viii) to bring to the notice of the Company any contract that he has entered into or is entering into with other insurance bodies in respect of the same assets; and
 - (ix) any other obligations prescribed by this Act, in the relevant policy and under any other provisions of the law which apply.

60. Failure to comply with the obligations referred to in the previous section shall give cause for the annulment or rescinding of the policy and the total or partial forfeiture of the indemnity, as prescribed by the Regulations,

61. The Company shall be free of any responsibility in the following circumstances:

- (i) on the occurrence of an event other than those covered in the contracts;
- (ii) if the Company has evidence that the insured party provided false information at the time of signing his application for insurance;
- (iii) if the damage could have been avoided or is considered to have occurred as a result of any act or omission of the insured party;
- (iv) if the damage is the result from an aggravation of the risk due to any act of the insured party; and
- (v) if the aggravation of the risk was due to third parties but the insured party did not take the necessary steps to prevent it either personally or by informing the Company or the competent authorities.

62. In the event of a General Crop Insurance Contract being rescinded by the insured party or an applicant, there shall be no cause for repayment of the premium, irrespective of the time at which the contract is so rescinded.

63. In the event of the Company rescinding a contract for due legal cause, the procedure shall take effect twenty-four hours after the notification thereof to the crop farmer or stock breeder concerned in accordance with the terms and conditions laid down in the Regulations. In such circumstances the insured party shall be entitled to repayment of the unexpired portion of the premium.

64. Failure to notify as provided for in this Chapter, save in fortuitous circumstances or cases of force majeure, shall give cause for forfeiture of the insured party's entitlements. Late notification shall give cause for the reduction of the indemnity pro rata with the aggravation of the risk thereby occasioned, including the forfeiture of the insured party's rights. The Secretariat of the Treasury and Public Credit shall prescribe general rules governing these matters.

65. The following shall be the insured party's rights:

- (i) to be supplied with correct and timely information as to the conditions, requirements and formalities of the respective types of insurance;
- (ii) to be supplied punctually with the policy containing the terms and conditions of the insurance;
- (iii) to furnish, as appropriate, evidence at his disposal of the occurrence of any adverse event;
- (iv) in the event of omission or non-performance by the Company, to appeal to the competent authorities to give evidence of any adverse event under the terms of the Regulations;

- (v) to be paid any appropriate indemnity under the terms prescribed by this Act and the Regulations thereunder; and
- (vi) such other rights as are prescribed by this Act, the Regulations thereunder, the relevant policy and any other applicable provisions of law.

Chapter IV

Loss adjustment and compensation

66. Under General Crop Insurance an adverse event in the form of frost, hail, hurricane-force wind and fire shall be deemed to have occurred on the date on which it took place with sufficient intensity to damage the crop.

In the case of adverse events that are slow to take effect, such as drought, flooding, excess humidity, low temperatures and heat-weaves, damage shall be deemed to have occurred as from the date on which visible signs appear that the crop has been affected.

In the case of risks connected with diseases and pests, the damage shall be deemed to have occurred when fungal, viral or bacterial disease or insect attack is present in a degree exceeding that taken as normal in the respective plant pathology or entomology; and in the case of crop-predating animals, when the damage has become apparent on the plant.

67. In the case of Livestock Insurance, disease shall be deemed to be present as from the moment that the symptoms of the disease in question appear and the Company is satisfied that the pathological condition subsists.

As regards the risk of loss of specific function, this shall be deemed to subsist as from the moment that the animal ceases to have its capacity for production, work or reproduction, whether totally or permanently, such circumstances to be demonstrated to the satisfaction of the Company.

In the case of death, from the time at which this occurs.

68. Under Insurance for Agriculture-related Activities, the adverse event shall be deemed to have occurred once the damage subsists and is demonstrated to the satisfaction of the Company.

69. For Farmers' Life Insurance, the adverse event shall be deemed to have occurred on the death of the insured party.

70. Compensation shall be determined in the light of the cover provided for in the policy, extending to the outlay provided for in that policy for the class of insurance taken out. In no circumstances may the compensation exceed the said cover. Calculations shall follow the procedure laid down in the policy itself; and the insured party shall have the right to participate in the adjustment procedure.

71. Irrespective of the provisions of the previous section, where General Crop Insurance is concerned and the loss occurs on a portion of the area insured, compensation shall be paid in relation to the affected acreage, under the terms set forth in the Regulations.

72. If the adverse event occurs during the crop season in such a way that it is possible to resow or to sow other crops, the insured party shall be required to do so. In such cases the expenses incurred in resowing or in sowing such other crops shall be made good to him.

73. Where the loss occurring is so great that there is no point in his continuing cultivating the crop in question, the insured person may suspend operations, subject to the agreement of the Company, such agreement to be signified immediately if the situation so warrants; and the compensation shall be equivalent to the expenses effectively incurred and computed by reference to the table set forth in the policy.

74. In any situation not provided for in this Act, where any loss has occurred that is not imputable to the insured party, a technical ruling shall be required of the Secretariat of Agriculture and Water Resources; and any evidence supplied by the insured party vouching for the damage shall be taken into account.

75. Within twenty working days following the date on which the report recording the damage was drawn up, the Company shall notify the insured party whether it agrees, or refuses, to pay compensation, together with the reasons supporting either decision, and shall, within fifteen working days following the date on which the insured party presents the final statement in sufficient detail, pay the relevant compensation.

If the Company fails to observe the time limits provided for in the previous sub-section, it shall pay interest on the amount of the compensation remaining unpaid.

Inspections which it is necessary to carry out in the case of any adverse event shall be so carried out by the Company within a firm time limit determined by the Regulations in the respective cases.

76. Under Farmers' Life Insurance, compensation shall be paid upon presentation of the death certificate of the insured and upon identification of the beneficiary.

Chapter V

Re-insurance

77. Re-insurance contracts to cover crops and livestock, agriculture-related risks and farmers' life underwritten directly by other insurance institutions or benefit societies shall be governed by the general rules issued by the Secretariat of Treasury and Public Credit.

78. Re-insurance contracts entered into by the Company shall be subject to the following basic conditions:

- (i) they shall be entered into only in respect of policies issued by insurance institutions or benefit societies which have entered into the insurance contract referred to in section 58 of this Act with the Company;
- (ii) only those insurance schemes shall be entered into which are determined by the Company under operational programmes approved by the Secretariats of the Treasury and Public Credit and of Agriculture and Water Resources;
- (iii) benefit societies and other insurance institutions shall be required to enter into the appropriate direct insurance contracts in accordance with the provisions of this Act, using the specimen policies, forms and documentation used by the Company; and
- (iv) it shall be required of benefit societies in order to obtain re-insurance from the Company that the contract be entered into in respect of all the risks that they have insured directly in the respective financial period, including specific risks so insured.

79. Benefit societies or insurance institutions entering into re-insurance contracts shall adjust their operations to the same cover, premiums and other conditions as approved by the Secretariat of the Treasury and Public Credit for the Company.

80. Benefit societies re-insured by the Company may set aside for administrative expenditure only that part of their premium revenue which is specified in the appropriate re-insurance contract as authorized pursuant to section 58 of this Act.

81. Benefit societies shall each year prepare a balance sheet and a statement of profit and loss showing their financial position and the result of their operations for the financial period then ending, and shall submit these to the Secretariat of the Treasury and Public Credit for approval. The said Secretariat shall be assisted by the Company in the inspection of these documents. It may, furthermore, acting through the National Banking and Insurance Commission, at any time order the said benefit societies to carry out any auditing operation or to establish reserves to strengthen or otherwise improve their financial position.

82. The Company may assist the Secretariat of the Treasury and Public Credit, at its request, in exercising the powers vested in it by law, by carrying out inspections, investigations and audit operations of all kinds designed to determine the losses sustained by the benefit societies and the causes therefor, and give advice to the said benefit societies with a view to improving their systems of operation.

83. The Company shall assist the Secretariat of Treasury and Public Credit in any auditing or winding up of proceedings under law in respect of benefit societies operating with the said Company and Secretariat, and may be appointed auditor in their regard as required by the circumstances.

84. The Company shall, for auditing and statistical purposes, keep a separate account of direct insurance operations and re-insurance operations undertaken by it, together with the results thereof.

CHAPTER VI

Establishment and investment of reserves

85. The Company shall establish the following technical reserves:

- (i) for current risks;
- (ii) for obligations pending;
- (iii) contingency reserve; and
- (iv) such other reserves as the Secretariat for the Treasury and Public Credit may prescribe.

86. The reserves referred to in the previous section shall be established and invested under terms prescribed by means of general rules prescribed by the Secretariat of the Treasury and Public Credit having consulted the National Banking and Insurance Commission and having regard to the Insurance Companies Act.

87. In the event that an insured party lodges a claim against the Company before the National Banking and Insurance Commission under the terms of the insurance contract, the Company shall establish the reserve for obligations pending as required for this purpose by the Insurance Companies Act; however, by virtue of the social function that it represents, it shall not be held to the mandatory investment of such reserve prescribed by that Act.

TRANSITIONAL PROVISIONS

One. This Act shall enter into force on 1 January 1981.

Two. This Act repeals the General Crop and Livestock Insurance Act of 29 December 1961, published in the Diario Oficial of the Federation on 30 December 1961 1/.

Three. Pending the issue of the Regulations and general rules referred to in this Act, the Regulations under the General Crop and Livestock Insurance Act of 23 August 1963 and published in the Diario Oficial of the Federation on 6 September 1963 shall continue to apply where pertinent.

Four. The National Crop and Livestock Insurance Company Ltd. shall, within a period not exceeding one year, amend its Articles to conform to the provisions of this Act.

1/ Ed. Note: This Act was published in FAO Food and Agricultural Legislation, Vol. XI, No. 1.

6. SRI LANKA

Agricultural Insurance Law, No. 27 of 1973 (A Law to provide for the establishment of a Board known as the Agricultural Board for undertaking the business of agricultural insurance for specified crops and livestock, to repeal the Crop Insurance Act, No. 13 of 1961 ¹/_; and to provide for matters connected therewith or incidental thereto). - 11 July 1973. - Laws of the National State Assembly.

1. This Law may be cited as the Agricultural Insurance Law, No. 27 of 1973, and shall come into operation on such date as may be appointed by the Minister by Order published in the Gazette.

PART I

ESTABLISHMENT OF THE AGRICULTURAL INSURANCE BOARD

2. (1) There shall be established a Board which shall be called the Agricultural Insurance Board (hereinafter referred to as "the Board") and which shall consist of the following members:

- (a) the Chairman appointed by the Minister;
- (b) an officer of the Ministry in charge of the subject of Agriculture nominated by the Secretary to that Ministry;
- (c) the Director of Agriculture or an officer nominated by him;
- (d) the Commissioner of Co-operative Development or an officer nominated by him;
- (e) an officer of the People's Bank, Bank of Ceylon or any other Bank approved by the Government, such Bank being determined by the Minister and such officer being nominated by the Chairman of the Board of Directors of the Bank;
- (f) an officer of the Insurance Corporation of Ceylon nominated by its Chairman, and
- (g) an officer of the Paddy Marketing Board nominated by its Chairman.

(2) The Board shall by the name assigned to it by subsection (1) be a body corporate and shall have perpetual succession and a common seal and may sue and be sued in such name.

3. (1) The Chairman of the Board shall, subject to the provisions of subsections (2) and (5), hold office for a period of three years, and be eligible for reappointment.

¹/ _{Published in FAO Food and Agricultural Legislation, Vol X, No. 3.}

(2) The Chairman of the Board may be removed from office by the Minister by Order published in the Gazette, if the Minister considers that it is expedient to do so, and such removal shall not be called in question in any court.

(3) If the Chairman is for any reason temporarily unable to perform the duties of his office the Minister may appoint a fit person to act in his place,

(4) The Chairman of the Board shall be remunerated in such manner and at such rates and shall be subject to such conditions of service as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance.

(5) The Chairman of the Board may resign his office by letter addressed to the Minister.

(6) The quorum for the meetings of the Board shall be three members of the Board and, subject as aforesaid, the Board may regulate its own procedure.

(7) The Board may act notwithstanding any vacancy amongst its members.

4. The general supervision, control, and administration of the affairs and the business of the Board shall be vested in the members of the Board.

5. (1) The seal of the Board shall be in the custody of the Board.

(2) The seal of the Board may be altered in such manner as may be determined by the Board.

(3) The seal of the Board shall not be affixed to any instrument or document except in the presence of two members of the Board both of whom shall sign the instrument in token of their presence.

6. The Minister may give such general or special directions in writing as to the performance of the duties and the exercise of the powers of the Board, and such Board shall give effect to such directions.

7. (1) The Board may appoint to the staff of the Board such officers and servants as may be necessary for the efficient discharge of its functions.

(2) At the request of the Board, any officer in the state service may, with the consent of that officer and the Secretary to the Ministry in charge of the subject of Public Administration, be temporarily appointed to the staff of the Board for such period as may be determined by the Board with like consent or be permanently appointed to such staff.

(3) Where any officer in the state service is temporarily appointed to the staff of the Board, subsection (2) of section 9 of the Motor Transport Act, No. 48 of 1957, shall, mutatis mutandis, apply to and in relation to him.

(4) Where any officer in the state service is permanently appointed to the staff of the Board, subsection (3) of section 9 of the Motor Transport Act, No. 48 of 1957, shall, mutatis mutandis, apply to and in relation to him.

(5) Where the Board employs any person who has entered into a contract with the Government for a specified period, any period of service to the Board by that person shall be regarded as service to the Government for the purpose of discharging the obligations of such contract.

(6) All officers and servants of the Board shall be deemed to be State officers within the meaning and for the purposes of the Penal Code.

8. The Board shall be deemed to be a scheduled institution within the meaning of the Bribery Act and the provisions of that Act shall be construed accordingly.

9. The general objects of the Board shall be-

(a) to operate a comprehensive agricultural insurance scheme for the benefit of farmers in respect of the paddy crop, and of such other crops (hereinafter referred to as "specified crops"), as may be specified by the Minister by Notification published by the Gazette and in respect of livestock, which scheme will indemnify them against loss, provide a stabilizing effect on farm income, and promote agricultural production; and

(b) to undertake research necessary for the promotion and development of such agricultural insurance.

10. (1) The Board may exercise all or any of the following powers:

(a) to acquire, hold, take on lease or hire, mortgage, sell or otherwise dispose of any movable or immovable property;

(b) to conduct, assist and encourage research into all aspects of the business of agricultural insurance;

(c) to enter into and perform, either directly or through any officer or agent authorized in that behalf, all such contracts as may be necessary for the performance of its duties and the exercise of its powers;

(d) to do anything for the purpose of advancing the skill of persons employed by the Board, and to provide facilities for training persons required to carry out the work of the Board;

(e) to authorize any member or officer of the Board or any state officer to perform such functions as the Board may consider necessary for the efficient transaction of its business;

(f) to make rules in relation to its officers and servants including their appointment, promotion, remuneration, disciplinary control, conduct and grant of leave to them;

(g) to enter into joint schemes with any Government Department, public corporation, Agricultural Productivity Committee, set up under the Agricultural Productivity Law, No. 2 of 1972, or any agent of such Committee, or any co-operative society set up under the Co-operative Societies Law, No. 5 of 1972, for carrying out the objects of the Board;

(h) to make rules in respect of the administration of the affairs of the Board;

(i) to do all other things which in the opinion of the Board are necessary to facilitate the proper carrying on of its business.

(2) The Minister may by Order published in the Gazette authorize the Board, subject to such conditions as may be specified in the Order, to carry on any undertaking or business or to do any act or thing not mentioned in the preceding provisions of this section, if he is satisfied that it is expedient so to do for any purpose connected with the efficient discharge and performance of the powers and duties conferred or imposed on the Board by such preceding provisions.

(3) Every Order made under subsection (2) shall as soon as convenient after publication in the Gazette be brought before the National State Assembly for approval. Any Order which is not so approved shall be deemed to be revoked as from the date of disapproval, but without prejudice to anything previously done thereunder. Every Order which is not so revoked shall be as valid and effectual as though it were herein enacted.

(4) Nothing in the preceding provisions of this section shall be construed as authorizing the disregard by the Board of any law for the time being in force.

PART II

COMPULSORY INSURANCE OF THE PADDY CROP

11. (1) Subject to the other provisions of this Law, every person having an interest in the paddy crop in any such area as may from time to time be determined for the purposes of this Part of this Law by the Minister by Order published in the Gazette, shall, with effect from such date as may be specified in such Order, be deemed to have entered into a contract of insurance with the Board against the loss of such crop arising from any such cause as may be specified in such Order (hereinafter referred to as a "specified cause").

(2) For the purposes of subsection (1), a person having an interest in the paddy crop shall mean an owner cultivator, a tenant cultivator, a landlord with tenant cultivators and a landlord with agricultural labourers, and any such person who is under subsection (1) deemed to have entered into a contract of insurance is hereinafter referred to as an "insured person".

In this subsection "owner cultivator", "tenant cultivator", "landlord" and "agricultural labourers" have the same meanings respectively as in the Paddy Lands Act, No. 1 of 1958 1/.

(3) The Board may, with the approval of the Minister by Order published in the Gazette, exclude from the provisions of this section, any area or extent of land where the risk of loss is considered excessive.

12. (1) The Board shall determine, and may from time to time alter, the amount of the premium to be paid by insured persons.

(2) Where two or more insured persons have shares in the paddy crop, the premium payable by each such insured person shall be determined by the Chairman of the Board, having regard to the share to which each such insured person is entitled.

1/ Published in FAO Food and Agricultural Legislation, Vol. VII, No. 3.

(3) Such premium may be paid in money or in a quantity of paddy the value of which is equal to the amount of the premium, such value being computed according to the price for the time being for paddy under the Guaranteed Price Scheme, if that Scheme applies to such crop or, if that Scheme does not apply to such crop, according to such average of the market prices of such crop during the three years immediately preceding the year in which the premium is payable, as may be determined by the Board.

(4) Where the Guaranteed Price Scheme applies to the paddy crop, it shall be lawful for the Paddy Marketing Board or its authorized purchasers, at the request of the Agricultural Insurance Board, to deduct from the amount payable to the insured person as the price of any quantity of that crop purchased from him under that Scheme by the Paddy Marketing Board or its authorized purchasers, as the case may be, the amount of the premium payable to the Agricultural Insurance Board by the insured person under this Law.

(5) If an insured person who is liable to pay any sum as the whole or part of a premium fails to pay that sum within the time allowed by the Board, that sum shall be deemed to be in default and, together with an additional charge by way of interest at such rate as may be determined by the Minister by Notification published in the Gazette, shall be recovered on application made to the Rural Court having jurisdiction over the place where the extent of paddy land the premium in respect of which is in default is situated or where there is no Rural Court having jurisdiction over that place to a Magistrate's Court having jurisdiction over that place, by an officer authorized in that behalf by the Board in like manner as a fine imposed by such Court, and for the purposes of such recovery, the produce from the extent of land in respect of which such premium is payable shall be liable to seizure and sale.

(6) For the purpose of subsection (5), a certificate under the hand of the officer authorized in that behalf by the Board to the effect that the sum specified therein is due to the Board from the insured person shall be conclusive proof that such sum is due to the Board from such person.

13. Where, due to any specified cause, there is a loss of the paddy crop in an extent of land, the insured person shall, within seven days of the occurrence of such loss, prefer a written claim to indemnity in respect of such loss to the agent appointed by the Board within whose area of jurisdiction such extent of land is situated.

14. (1) The computation of the amount of indemnity payable in respect of the loss of the paddy crop shall be made according to such terms and conditions as shall be specified by the Minister by Order published in the Gazette.

(2) Any sum due to an approved credit agency which has granted loans to an insured person for the purpose of paying the premium may be deducted from the amount of the indemnity payable to such insured person.

15. (1) Where an officer authorized in that behalf by the Board rejects a claim to indemnity made by an insured person or where an insured person is dissatisfied with the amount of the indemnity awarded to him by any such officer, such insured person may, within thirty days of the notification to him of the rejection of the award of the indemnity, as the case may be, make a written appeal to the Board, stating the grounds of appeal.

(2) The decision of the Board on any appeal under this section shall be final and conclusive and shall not be called in question in any court.

16. (1) For the purposes of this Part of this Law, where the amount of indemnities payable in respect of any season does not exceed fifteen per centum of the total insurance liability, such amount shall be paid out of the Agricultural Insurance Fund.

Where such amount exceeds the aforesaid fifteen per centum, the part of such amount which is equal to such fifteen per centum shall be paid out of the Agricultural Insurance Fund and the balance of such amount shall be paid out of moneys provided for the purpose by the Government.

(2) In this section, "total insurance liability" means the amount obtained by multiplying the total insured acreage of land cultivated with paddy in any cultivation season, by the maximum indemnity payable.

PART III

VOLUNTARY INSURANCE OF OTHER CROPS AND LIVESTOCK

17. The Minister may, from time to time, by Order published in the Gazette, determine the crop or crops and the species of livestock in respect of which voluntary insurance shall be provided by the Board.

18. The Board shall, subject to such terms and conditions as may be prescribed, issue to every person who applies to insure any crop or species of livestock under this Part of this Law an insurance policy containing-

- (a) the name of the insured;
- (b) the subject-matter of insurance;
- (c) the sum insured;
- (d) the term of cover;
- (e) the causes of loss insured; and
- (f) such terms, exceptions, conditions and endorsements as may be determined by the Board.

19. For the purposes of this Part of this Law, the Board may, with the approval of the Minister, enter into reinsurance contracts with the Government or any local or foreign institution undertaking the business of reinsurance.

PART IV

FINANCE

20. (1) The initial capital of the Board shall be two million rupees.

(2) The initial capital of the Board may be increased from time to time by such amount as may be determined by the Minister with the approval of the Minister in charge of the subject of Finance.

(3) The amount of the initial capital of the Board and the amount of any increase of such capital referred to in subsection (2) shall be paid to the Board out of the Consolidated Fund in such instalments as the Minister in charge of the subject of Finance may, in consultation with the Minister, determine.

(4) As soon as possible after a payment out of the Consolidated Fund has been made towards the initial capital of the Board or towards its increase, the Minister in charge of the subject of Finance shall lay a statement of such payment before the National State Assembly.

21. (1) There shall be established an Agricultural Insurance Fund (hereinafter referred to as "the Fund").

(2) There shall be paid into the Fund-

- (a) all such sums as may be voted from time to time by the National State Assembly for the use of the Board;
- (b) all such moneys received by the Board in the exercise, discharge and performance of the powers, functions and duties under this Law;
- (c) all sums of moneys lying to the credit of the Insurance Fund established under the Crop Insurance Act, No. 13 of 1961.

(3) There shall be paid out of the Fund all sums of money required to defray any expenditure incurred by the Board in the exercise, discharge and performance of its powers, functions and duties under this Law, and all such sums of money as are required to be paid out of such Fund by or under this Law.

22. The remuneration and allowances payable to the members of the Board and all other expenses incurred in the administration of this Law shall be paid out of moneys provided by the National State Assembly for the purpose.

23. (1) The Board may, with the concurrence of both the Minister, and the Minister in charge of the subject of Finance, or in accordance with the terms of any general authority given with like concurrence, borrow, by way of overdraft or otherwise, or negotiate and obtain on credit terms, such sums as the Board may require for meeting the obligations of the Board or carrying out its object:

Provided that the aggregate of the amounts outstanding in respect of any loans raised by the Board under this subsection shall not at any time exceed such sum as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance.

(2) The Board may, with the consent of the Minister given with the concurrence of the Minister in charge of the subject of Finance, borrow money otherwise than by way of loan under subsection (1) for all or any of the following purposes:

- (a) the requisition or acquisition of any movable or immovable property required for the business of the Board;
- (b) the repayment of any money borrowed under subsection (1).

24. Any funds of the Board which are not immediately required for the purpose of the business of the Board may be applied by the Board to any such purpose connected with agricultural development as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance.

25. The provisions of Part II of the Finance Act, No. 38 of 1971, shall mutatis mutandis apply to the financial control and accounts of the Board.

PART V

GENERAL

26. (1) The Minister may make regulations for the purpose of carrying out or giving effect to the principles and provisions of this Law.

(2) In particular and without prejudice to the generality of the powers conferred by subsection (1), the Minister may make regulations in respect of all matters which are stated or required by this Law to be prescribed or for which regulations are required by this Law to be made.

(3) Every regulation made by the Minister shall be published in the Gazette and shall come into operation on the date of such publication or on such later date as may be specified in the regulation.

(4) Every regulation made by the Minister shall as soon as convenient after its publication in the Gazette be brought before the National State Assembly for approval. Any regulation which is not so approved shall be deemed to be rescinded as from the date of disapproval but without prejudice to anything previously done thereunder. Notification of the date on which a regulation is deemed to be rescinded shall be published in the Gazette.

27. (1) No suit or prosecution shall lie-

- (a) against the Board for any act which is good faith is done or purported to be done by the Board under this Law; or
- (b) against any member, officer, servant or agent of the Board for any act which in good faith is done or purported to be done by him under this Law or on the direction of the Board.

(2) Any expense incurred by such person as is referred to in subsection (1) in any suit or prosecution brought against him before any court in respect of any act which is done by him under this law or on the direction of the Board shall, if the court holds that the act was done in good faith, be paid out of the Fund.

28. (1) Every person who contravenes or fails to comply with any provisions of this Law or any regulation made thereunder or any order or direction lawfully given under this Law shall be guilty of an offence under this Law.

(2) Every person who commits an offence under this Law shall on conviction after summary trial before a Magistrate be liable to imprisonment of either description for a period not exceeding one year or to a fine not exceeding one thousand rupees or to both such fine and imprisonment.

(3) Notwithstanding anything to the contrary in the First Schedule to the Criminal Procedure Code, every offence under this Law, shall be a cognizable offence within the meaning of that Code.

(4) Where any offence under this Law is committed by a body corporate every person who at the time of the commission of the offence was a member, general manager, secretary, or other similar officer of the body corporate shall be deemed to be guilty of that offence unless he proves that the offence was committed without his consent or connivance and that he exercised all such diligence to prevent the commission of that offence as he ought to have exercised in the circumstances having regard to the nature of the offence.

29. The provisions of this Law shall have effect notwithstanding anything contrary in any other written law, and accordingly in the event of any conflict or inconsistency between the provisions of this Law and such other law, the provisions of this Law shall prevail.

30. (1) Where any immovable property of the Republic is required for the purpose of the business of the Board, such purpose shall be deemed to be a purpose for which a special grant or lease of such property may be made under section 6 of the Crown Lands Ordinance, and accordingly the provisions of that Ordinance shall apply to a special grant or lease of such property to the Board.

(2) Where any movable property of the Republic is required for the purpose of the business of the Board, the Minister may by Order published in the Gazette transfer to and vest in the Board the possession and use of such movable property.

(3) Where any immovable property is required to be acquired for the purpose of the business of the Board, and the Minister, by Order published in the Gazette, approves of the proposed acquisition, that property shall be deemed to be required for a public purpose and may accordingly be acquired compulsorily under the Land Acquisition Act and be transferred to the Board.

(4) Any sum payable for the acquisition of any immovable property under the Land Acquisition Act for the Board shall be paid by the Board.

31. Where any person to whom any indemnity payable under this Law dies before receiving such indemnity, the Board shall pay such indemnity to the District Court or Court of Requests within whose local jurisdiction the land to which such indemnity relates is wholly or mainly situated, according as such indemnity exceeds or does not exceed seven hundred and fifty rupees, to be drawn by the person entitled thereto.

32. The holder or holders of an insurance policy issued under this Law may assign such policy to an approved credit agency as security for a loan given by such agency to such holder or holders for any purpose connected with the raising of any specified crop on the extent of land to which such policy relates.

33. No sum due to any person as indemnity under this Law shall be seized or sequestered in execution of a decree or an order of any court, other than a decree or an order for the payment of a sum of money to the Republic or to any approved credit agency, notwithstanding anything to the contrary in any other written law.

34. Where any person is entitled to any indemnity payable under this Law and the Board is satisfied that any sum is due from that person to an approved credit agency in repayment of the whole or any part of a loan granted by such agency to that person or in payment of any interest on that loan, the Board may cause the sum due to such approved credit agency to be deducted from the amount of such indemnity and to be remitted to such agency.

35. Where the right, title and interest of an insured person is transferred to any other person, the transferee shall be entitled to all the rights of the transferor and shall, from the date of the transfer, be subject to all the outstanding obligations of the transferor.

36. The contract of insurance under this Law may be declared void, and the premium paid in respect of such contract may be forfeited, by the Board if the insured-

- (a) has concealed or misrepresented any material fact or committed any fraud relating to the insurance, or
- (b) fails to comply with any term or condition of such contract.

37. (1) The amount of any premium under a contract of insurance under this Law shall be paid in cash or in the specified crop to which that contract relates or partly in cash and partly in that specified crop.

(2) The Board may, as often as it is necessary, sell any part of the fund which consists of specified crops, and shall credit to such Fund the proceeds of the sale after deducting therefrom the expenses incurred in the sale.

38. (1) The Board or any officer authorized in that behalf by the Board may enter and inspect any land on which there is any specified crop or any insured livestock and any documents relating thereto and it shall be the duty of every person who is in occupation of such land to permit and assist such inspection.

(2) Every person who fails to comply with the provision of subsection (1) shall be guilty of an offence and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding one hundred rupees.

39. The Board or any officer authorized in that behalf by the Board may direct an insured person or the holder of an insurance policy under this Law to take such measures in respect of the crop or livestock as may be necessary to prevent or minimize damage to such crop or livestock.

40. (1) The Crop Insurance Act, No. 13 of 1961, is hereby repealed.

(2) Notwithstanding the repeal of the Crop Insurance Act, No. 13 of 1961, all liabilities by way of premium payments by insured persons pending and payable under the provisions of that Act, shall, on the date of commencement of this Law, be deemed to be payable to the Board.

41. In this Law-

"approved credit agency" means any co-operative society or other institution for the time being declared by the Board by notification published in the Gazette to be an approved credit agency for the purposes of this Law; and

"public corporation" means any corporation, board or other body which was or is established by or under any written law, other than the Companies Ordinance, with capital wholly or partly provided by the Government by way of grant, loan or other form.

7. UNITED STATES OF AMERICA

Federal Crop Insurance Act. - Title 7, Chap. 36, United States Code, 1976 edition, as amended by Federal Crop Insurance Act of 1980 1/, Public Law 96-365, 26 September 1980.

1501. Short title; application of other laws

This chapter may be cited as the "Federal Crop Insurance Act". Except as otherwise expressly provided the provisions in titles I to IV, inclusive, shall not apply with respect to this chapter, and the term "Act" wherever it appears in such titles shall not be construed to include this chapter.

1502. Declaration of purpose

It is the purpose of this chapter to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for the research and experience helpful in devising and establishing such insurance.

1503. Federal Crop Insurance Corporation; creation; offices

To carry out the purposes of this chapter, there is hereby created as an agency of and within the Department of Agriculture a body corporate with the name "Federal Crop Insurance Corporation" (herein called the Corporation). The principal office of the Corporation shall be located in the District of Columbia, but there may be established agencies or branch offices elsewhere in the United States under rules and regulations prescribed by the Board of Directors.

1504. Capital stock of Corporation; subscription by United States; authorization of appropriations

(a) The Corporation shall have a capital stock of \$500,000,000 subscribed by the United States of America, payment for which shall, with the approval of the Secretary of Agriculture, be subject to call in whole or in part by the Board of Directors of the corporation.

(b) There is authorized to be appropriated such sums as are necessary for the purpose of subscribing to the capital stock of the Corporation.

(c) Receipts for payments by the United States of America or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury and shall be evidence of the stock ownership by the United States of America.

(d) Within thirty days after the date of enactment of the Federal Crop Insurance Act of 1980, the Secretary of the Treasury shall cancel, without consideration, receipts for payments for or on account of the stock of the Federal Crop Insurance Corporation outstanding on such date of enactment and such receipts shall cease to be liabilities of the Corporation.

1/ Long Title: An act to improve and expand the Federal Crop Insurance Program, and for other proposes.

1504a. Capitalization of Corporation

The payment for capital stock in the Federal Crop Insurance Corporation shall be effected by transfer of funds on the books of the Treasury Department to the credit of the Corporation.

1505. Board of directors, compensation; manager of Corporation

(a) The management of the Corporation shall be vested in a Board of Directors (hereinafter called the "Board") subject to the general supervision of the Secretary of Agriculture. The Board shall consist of the manager of the Corporation, the Under Secretary or Assistant Secretary of Agriculture responsible for the Federal crop insurance program, the Under Secretary or Assistant Secretary of Agriculture responsible for the farm credit programs of the Department of Agriculture, one person experienced in the crop insurance business who is not otherwise employed by the Federal Government, and three active farmers who are not otherwise employed by the Federal Government. The Board shall be appointed by, and hold office at the pleasure of, the Secretary of Agriculture, who shall not, himself, be a member of the Board. The Secretary, in appointing the three active farmers who are not otherwise employed by the Federal Government, shall ensure that such members are policyholders and are from different geographic areas of the United States, in order that diverse agricultural interests in the United States are at all times represented on the Board.

(b) Vacancies in the Board so long as there shall be four members in office shall not impair the powers of the Board to execute the functions of the Corporation, and four of the members in office shall constitute a quorum for the transaction of the business of the Board.

(c) The Directors of the Corporation who are employed in the Department of Agriculture shall receive no additional compensation for their services as such Directors but may be allowed necessary traveling and subsistence expenses when engaged in business of the Corporation, outside of the District of Columbia. The Directors of the Corporation who are not employed by the Federal Government shall be paid such compensation for their services as Directors as the Secretary of Agriculture shall determine, but such compensation shall not exceed the daily equivalent of the rate prescribed for grade GS-18 under section 5332 of title 5 of the United States Code when actually employed, and actual necessary traveling and subsistence expenses, or a per diem allowance in lieu of subsistence expenses, as authorized by section 5703 of title 5 of the United States Code for persons in Government service employed intermittently, when on the business of the Corporation away from their homes or regular places of business.

(d) The manager of the Corporation shall be its chief executive officer, with such power and authority as may be conferred upon him by the Board. He shall be appointed by, and hold office at the pleasure of, the Secretary of Agriculture.

1506. General powers of Corporation

The Corporation-

- (a) Shall have succession in its corporate name.
- (b) May adopt, alter, and use a corporate seal, which shall be judicially noticed.

(c) May purchase or lease and hold such real and personal property as it deems necessary or convenient in the transaction of its business, and may dispose of such property held by it upon such terms as it deems appropriate.

(d) Subject to the provisions of section 1508(c), may sue and be sued in its corporate name, but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Corporation or its property. The district courts of the United States, including the district courts of the District of Columbia and of any territory or possession, shall have exclusive original jurisdiction, without regard to the amount in controversy, of all suits brought by or against the Corporation. The Corporation may intervene in any court in any suit, action or proceeding in which it has an interest. Any suit against the Corporation shall be brought in the District of Columbia, or in the district wherein the plaintiff resides or is engaged in business.

(e) May adopt, amend, and repeal bylaws, rules, and regulations governing the manner in which its business may be conducted and the powers granted to it by law may be exercised and enjoyed.

(f) Shall be entitled to the use of the United States mails in the same manner as the other executive agencies of the Government.

(g) With the consent of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, facilities, officials, and employees thereof in carrying out the provisions of this chapter.

(h) Shall assemble data for the purpose of establishing sound actuarial bases for insurance on agricultural commodities.

(i) Shall determine the character and necessity for its expenditures under this chapter and the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other laws governing the expenditure of public funds and such determinations shall be final and conclusive upon all other officers of the Government.

(j) Shall have such powers as may be necessary or appropriate for the exercise of the powers herein specifically conferred upon the Corporation and all such incidental powers as are customary in corporations generally.

(k) may enter into and carry out contracts or agreements necessary in the conduct of its business, as determined by the Board. State and local laws or rules shall not apply to contracts or agreements of the Corporation or the parties thereto to the extent that such contracts or agreements provide that such laws or rules shall not apply, or to the extent that such laws or rules are inconsistent with such contracts or agreements.

1507. Personnel of Corporation

(a) Appointment; civil service exemption; compensation

The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation pursuant to civil-service laws and regulations, fix their compensation in accordance with the provisions of chapter 51 and subchapter III of chapter 53 of title 5, define their authority and duties, and delegate to them such of the powers vested in the Corporation as he may determine: Provided, That personnel paid by the hour, day, or month when actually employed, and county crop insurance committeemen may be appointed without regard to civil-service laws and regulations.

(b) Application of employees' compensation law

Insofar as applicable, the benefits of subchapter I of chapter 81 of title 5, shall extend to persons given employment under the provisions of this chapter, including the employees of the committees and associations referred to in subsection (c) of this section and the members of such committees.

(c) In the administration of this title, the Board shall, to the maximum extent possible, (1) establish or use committees or associations of producers and make payments to them to cover the administrative and program expenses, as determined by the Board incurred by them in cooperating in carrying out this title, (2) contract with private insurance companies and reimburse such companies for the administrative and program expenses, as determined by the Board, incurred by them under terms and provisions and rates of compensation consistent with those generally prevailing in the insurance industry, and (3) encourage the sale of Federal crop insurance through licensed private insurance agents and brokers and give the insured the right to renew such insurance for successive terms through such agents and brokers, in which case the agent or broker shall be reasonably compensated from premiums paid by the insured for such sales and renewals recognizing the function of the agent or broker to provide continuing services while the insurance is in effect: Provided, That such compensation shall not be included in computations establishing premium rates. The Board shall provide such agents and brokers with indemnification, including costs and reasonable attorney fees, from the Corporation for errors or omissions on the part of the Corporation or its contractors for which the agent or broker is sued or held liable, except to the extent the agent or broker has caused the error or Omission.

(d) Allotment of funds to Federal and State agencies

The Secretary of Agriculture may allot to bureaus and offices of the Department of Agriculture or transfer to such other agencies of the State and Federal Governments as he may request to assist in carrying out this chapter any funds made available pursuant to the provisions of section 1516 of this title, except that employees or agencies responsible for administering this chapter in each county shall be selected and designated by the Corporation and shall be responsible directly to the Corporation without the intervention of any intermediate office or agency.

(e) Utilization of producer cooperative associations

In carrying out the provisions of this chapter the Board may, in its discretion, utilize producer-owned and producer-controlled cooperative associations.

(f) The Board should use, to the maximum extent possible, the resources, data, boards, and the committees of (1) the Soil Conservation Service, in assisting the Board in the classification of land as to risk and production capability and in the development of acceptable conservation practices; (2) the Forest Service, in assisting the Board in the development of a timber insurance plan; (3) the Agricultural Stabilization and Conservation Service, in assisting the Board in the determination of individual producer yields and in serving as a local contact point for farmers where the Board deems necessary; and (4) other Federal agencies in any way the Board deems necessary in carrying out this title.

1508. Agricultural commodity crop insurance

To carry out the purposes of this chapter the Corporation is authorized and empowered-

(a) Insurance against loss authorized; reinsurance; terms and conditions; report to Congress

If sufficient actuarial data are available, as determined by the Board, to insure producers of agricultural commodities grown in the United States under any plan or plans of insurance determined by the Board to be adapted to the agricultural commodity involved. Such insurance shall be against loss of the insured commodity due to unavoidable causes, including drought, flood, hail, wind, frost, winterkill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board. Except in the case of tobacco, insurance shall not extend beyond the period the insured commodity is in the field. For the purpose of the foregoing sentence, in the case of aquacultural species, the term "field" means the environment in which the commodity is produced. Any insurance offered against loss in yield shall make available to producers protection against loss in yield that covers 75 per centum of the recorded or appraised average yield of the commodity on the insured farm for a representative period (subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just). In addition, the Corporation shall make available to producers lesser levels, of yield coverage, including a level of coverage at 50 per centum of the recorded or appraised average yield, as adjusted. The Corporation shall not make available to producers any level of coverage in excess of 75 per centum of the recorded or appraised average yield, as adjusted. One of the price elections offered shall approximate (but be not less than 90 per centum of) the projected market price for the commodity involved, as determined by the Board. Insurance provided under this subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. The Board may limit or refuse insurance in any county or area, or on any farm, on the basis of the insurance risk involved. Insurance shall not be provided on any agricultural commodity in any county in which the Board determines that the income from such commodity constitutes an unimportant part of the total agricultural income of the county, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. The Corporation shall report annually to the Congress the results of its operations as to each commodity insured.

(b) (1) To fix adequate premiums for insurance at such rates as the Board deems actuarially sufficient to cover claims for losses on such insurance and to establish as expeditiously as possible a reasonable reserve against unforeseen losses.

(2) The producer may elect to have deleted from the Corporation's policy of insurance the coverage against losses caused by hail and fire and to obtain coverage therefor from other than a Federal insurer. Upon notice in writing of such election to the Corporation and submission of evidence of such substitute coverage on the commodities insured by the Corporation in a dollar amount not less than that provided by the

Corporation's policy of insurance, the producer's premium, as calculated by the Corporation, shall be reduced by an amount equal to 40 per centum of the prevailing average county hail and fire insurance premium charged by other than Federal insurers for the dollar amount of the coverage provided by the Corporation's policy of insurance, as determined by the Corporation: Provided, That the producer's premium shall not be reduced by less than 15 per centum nor more than 30 per centum: Provided further, That, notwithstanding the preceding provisions of this sentence, the producer's premium shall not be reduced by an amount that exceeds the premium for the substitute coverage of a dollar amount equal to that provided by the Corporation's policy of insurance. Any premium reduction in excess of the amount of premium that the Corporation determines would have been necessary for the Corporation to charge in order to cover indemnities actually paid by other than Federal insurers for hail and fire coverage deleted from the Corporation's policy of insurance shall be regarded as premium paid by the Corporation.

(3) For the purpose of encouraging the broadest possible participation in the insurance program, 30 per centum of each producer's premium (reduced, where applicable, for hail and fire exclusion, or State or State agency subsidy), as calculated by the Corporation on any coverage under the Corporation's policy of insurance up to a maximum of 65 per centum of the recorded or appraised average yield, as adjusted, shall be paid by the Corporation.

(4) The producer's premium, or share thereof, shall be collected at such time or times, and shall be secured in such manner, as the Board may determine.

(5) The Board may enter into agreements with any State or agency of a State under which such State or agency may pay to the Corporation additional premium subsidy to further reduce the portion of the premium paid by farmers in such State.

(6) With respect to any crop insurance covering the 1981 crop of wheat, feed grains, upland cotton, or rice, a producer shall not be eligible for a partial payment of the premium by the Corporation under paragraph (3) of this subsection for such commodity if the producer elects to make the acreage of the commodity eligible for payments under the disaster payment provisions for wheat, feed grains, upland cotton, and rice of the Agricultural Act of 1949 (as amended effective for the 1981 crops): Provided further, That a producer who is not eligible for a partial payment of premium by the Corporation under this subsection because of the producer's election to make the acreage of the commodity involved eligible for disaster payments in 1981 shall remain eligible to purchase Federal crop insurance on the 1981 acreage of the commodity at the full cost of the premium.

(c) Payment of claims; actions on claims

To adjust and pay claims for losses under rules prescribed by the Board. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court for the district in which the insured farm is located: Provided, That no suit on such claim may be allowed under this section unless it shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant.

(d) Additional premium and indemnity to cover cottonseed losses

In connection with insurance upon yields of cotton, to include provision for additional premium and indemnity in terms of lint cotton to cover loss of cottonseed, such additional premium and indemnity to be determined on the basis of the average relationship between returns from cottonseed and returns from lint cotton for the same period of years as that used for computing yields and premium rates.

(e) And directed, notwithstanding any other provision of this title, to provide reinsurance, to the maximum extent practicable, upon such terms and conditions as the Board may determine to be consistent with subsections (a) and (b) of this section and sound reinsurance principles, to insurers including private insurance companies or pools of such companies, reinsurers of such companies, or State or local governmental entities, including any political subdivisions thereof, that insure producers of any agricultural commodity under a plan or plans acceptable to the Corporation. A test program of such reinsurance shall be made available, to the maximum extent possible, to begin not later than with the 1982 crops. In order to provide equity among producers purchasing crop insurance, whenever the Corporation provides reinsurance under this subsection to any such insurers, the Corporation shall pay a portion of each producer's premium for such insurance so reinsured. Each such payment shall cover the same per centum of the premium, and be subject to the same restrictions regarding payments of premiums for crop insurance on commodities, as provided in subsection (b) of this section for Federal partial payments of Federal crop insurance premiums. The Corporation shall also pay operating and administrative costs to insurers of policies on which the Corporation provides reinsurance to the same extent that such costs are covered by the Corporation on the Corporation's policies of insurance. Insurers of policies on which reinsurance is provided shall make use of licensed private insurance agents and brokers on the same basis as provided for policies of the Corporation under section 1507(c)(3) of this title, except that the provisions for compensating agents and brokers from premiums paid by the insured shall not apply.

(f) To provide insurance or reinsurance for production of agricultural commodities in the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands in the same manner as provided in this section for production of agricultural commodities in the United States.

(g) To offer specific risk protection programs including, but not limited to, prevented planting, wildlife depredation, tree damage and disease, and insect infestation programs under such terms and conditions as the Board may determine: Provided, That no program may be undertaken if insurance for the specific risk involved is generally available from private companies.

(h) To include appreciation (including interest charges) as an insurable cost of production in calculating premiums and indemnities in connection with insurance on yields of timber and forests.

(i) To conduct research, surveys, pilot programs, and investigations relating to crop insurance and agriculture-related risks and losses including, but not limited to, insurance on losses involving reduced forage on rangeland caused by drought and by insect infestation, livestock poisoning and disease, destruction of bees due to the use of pesticides, and other unique problems of special risk related to, but not limited to, fruits, nuts, vegetables, aquacultural species, forest industry needs

(including appreciation), and other agricultural products as determined by the Board; Provided, That no such programs may be undertaken if insurance protection against such risks is generally available from private companies. Beginning in the 1981 crop year and ending after the 1985 crop year, the Corporation shall also conduct a pilot program of individual risk underwriting of crop insurance in not less than twenty-five counties. Under this pilot program, to the extent that appropriate yield data are available, the Corporation shall make available to producers in such counties crop insurance under this title based on personalized rates and with guarantees determined from the producer's actual yield history. After the completion of any pilot program under this subsection, the Corporation shall evaluate the pilot program and submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a report of the operations of the pilot program, including its evaluation of the pilot program and its recommendations with respect to implementing the program on a national basis.

1509. Exemption of indemnities from levy

Claims for indemnities under this chapter shall not be liable to attachment, levy, garnishment, or any other legal process before payment to the insured or to deduction on account of the indebtedness of the insured or his estate to the United States except claims of the United States or the Corporation arising under this chapter.

1510. Deposit and investment of funds; Federal Reserve banks as fiscal agents

All money of the Corporation not otherwise employed may be deposited with the Treasurer of the United States or in any bank approved by the Secretary of the Treasury, subject to withdrawal by the Corporation at any time, or with the approval of the Secretary of the Treasury may be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States. Subject to the approval of the Secretary of the Treasury, the Federal Reserve banks are hereby authorized and directed to act as depositories, custodians, and fiscal agents for the Corporation in the performance of its powers conferred by this chapter.

1511. Tax exemption

The Corporation, including its franchise, its capital, reserves, and surplus, and its income and property, shall be exempt from all taxation on or after February 16, 1938, imposed by the United States or by any Territory, dependency, or possession thereof, or by any State, county, municipality or local taxing authority.

1512. Corporation as fiscal agent of Government

When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and it may also be employed as a financial agent of the Government; and it shall perform all such reasonable duties, as a depository of public money and financial agent of the Government, as may be required of it.

1513. Books of account and annual reports of Corporation

The Corporation shall at all times maintain complete and accurate books of accounts and shall file annually with the Secretary of Agriculture a complete report as to the business of the Corporation.

1514. Crimes and offenses

(a) to (e) [Repealed.]

(f) Application of laws on interest of members of Congress in contracts

The provisions of section 22 of title 41 shall not apply to any crop insurance agreements made under this chapter.

1515. [Repealed.]

1516. Authorization of appropriations; regulations

(a) There are hereby authorized to be appropriated such sums as may be necessary to cover the operating and administrative costs of the Corporation, including agents' and brokers' commissions, interest of Treasury notes and other obligations, partial premium payments by the Corporation, and the direct cost of loss adjusters for crop inspections and loss adjustments, which shall be allotted to the Corporation in such amounts and at such time or times as the Secretary of Agriculture may determine. Expenses in connection with agents' and brokers' commissions, interest on Treasury notes and other obligations, partial premium payments by the Corporation, and the direct cost of loss adjusters for crop inspections and loss adjustments may be paid from premium income and other Corporation funds, and any such payments may be restored by appropriations in subsequent years. The Corporation may not employ more than two hundred additional permanent full-time employees, in excess of the number of full-time employees employed by the Corporation on the effective date of the Federal Crop Insurance Act of 1980, to implement the provisions of this title, except in the case of, and only during, emergencies.

(b) The Secretary and the Corporation, respectively are authorized to issue such regulations as may be necessary to carry out the provisions of this chapter.

(c) (1) If at any time the moneys available to the Federal Crop Insurance Corporation are insufficient to enable the Corporation to discharge its responsibility of indemnifying producers for losses under this title, the Corporation may, upon majority vote of its Board of Directors, request the Secretary of Agriculture to use the funds of the Commodity Credit Corporation to make timely payment of indemnities to producers. Upon receiving such a request, the Secretary of Agriculture may use the funds of the Commodity Credit Corporation to meet obligations to indemnify producers for losses under this title. The Secretary's authority to use the funds of the Commodity Credit Corporation for the purposes of this subsection shall expire one year after the date on which the authority is first used.

(2) The authority to make commitments under this subsection, in excess of funds available to the Commodity Credit Corporation under section 4 of the Commodity Credit Corporation Charter Act and the Act of October 11, 1978 (92 Stat. 1073), shall be effective for any fiscal year only to the extent provided by appropriation Acts.

(d) Except as provided in subsection (c), if at any time the moneys available to the Federal Crop Insurance Corporation are insufficient to enable the Corporation to discharge its responsibility of indemnifying producers for losses under this title, the Corporation may issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and

conditions as may be prescribed by the Secretary of the Treasury. Redemption of such notes or obligations shall be made by the Corporation from moneys available from premiums or the issuance of capital stock under section 504 of this title. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, which shall be not less than a rate determined by taking into consideration the average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury shall purchase any notes or other obligations issued hereunder and for that purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act and the purposes for which securities may be issued under that Act are extended to include any purchase of such notes or obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by the Secretary of the Treasury under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. The borrowing authority provided for in this subsection may be exercised by the Corporation only to such extent or in such amounts as are provided in appropriation Acts.

1517. Separability of provisions

The sections of this chapter and subdivisions of sections are declared to be separable, and in the event any one or more sections or parts of the same of this chapter be held to be unconstitutional the same shall not affect the validity of other sections or parts of sections of this chapter.

1518. Agricultural commodity defined

"Agricultural commodity", as used in this title, means wheat, cotton, flax, corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, sugar cane, tomatoes, grain sorghum, sunflowers, raisins, oranges, sweet corn, dry peas, freezing and canning peas, forage, apples, grapes, potatoes, timber and forests, nursery crops, citrus, and other fruits and vegetables, nuts, tame hay, native grass, aquacultural species (including, but not limited to, any species of finfish, mollusk, crustacean - or other aquatic invertebrate, amphibian, reptile, or aquatic plant propagated or reared in a controlled or selected environment), or any other agricultural commodity, excluding livestock and stored grain, determined by the Board under subsection (a) or (i) of section 1508 of this title, or any one or more of such commodities, as the context may indicate.

1519. Amendment or repeal

The right to alter, amend, or repeal this chapter is reserved.

1520. Persons under twenty-one years of age

Notwithstanding any other provision of law, no person shall be denied insurance under this chapter solely on the ground that he is under twenty-one years of age if such person is (1) over eighteen years of age, and (2) has a bona fide insurable interest in a crop as an owner-operator, landlord, tenant or sharecropper: Provided, That any such person who enters into a Federal Crop Insurance contract shall be subject to the same legal liability and have the same legal liability and have the same legal rights with respect to such contract as any person over the age of twenty-one years.

PART III

OUTLINE FOR THE ANALYSIS OF AGRICULTURAL INSURANCE LEGISLATION

1. ADMINISTRATION

1.1. The Law; State Supervision of insurance

1.2. Operation of insurance: schemes

1.2.1. Public (Central and provisional government administered)

1.2.2. Mixed (Central and provincial government administered; mutual associations, cooperatives and other farmers' associations sharing in the operation of the scheme).

1.2.3. Private (Private firms authorized to operate insurance schemes).

2. FINANCE

2.1. Operational costs

2.1.1. Borne by the State (Public insurance)

2.1.2. Borne by the insured (private insurance)

2.2. Premiums

2.2.1. Borne by the State (public insurance)

2.2.2. Borne by the Insured (private insurance)

2.3. Reserve (in cash or in kind)

2.4. Reinsurance

2.4.1. Provided by the State

2.4.2. Provided by mutual associations, cooperatives or private firms

2.5. State loans

3. PARTICIPATION BY THE INSURED

3.1. Compulsory

3.1.1. Directly

3.1.2. Indirectly

3.2. Voluntary

3.3. Partially compulsory and partially voluntary (with reference to specified crops or animals)

3.4. Negotiation of insurance (the policy)

4. COVER; RISKS
 - 4.1. Geographic
 - 4.2. In relation to the thing protected
 - 4.2.1. Crops (all crops or specified crops only)
 - 4.2.2. livestock
 - 4.3. Period of cover
 - 4.4. Amount of insurance: calculation
 - 4.4.1. For each farm separately
 - 4.4.2. On a territorial basis (flat rates for homogeneous areas)
 - 4.4.3. By unit of insurance (group of holding worked by one and the same farmer)
 - 4.5. Risks
 - 4.5.1. All-risk insurance
 - 4.5.2. Multi-risk insurance
 - 4.5.3. Single-risk insurance
5. LOSSES AND COMPENSATION
 - 5.1. Loss adjustment
 - 5.2. Calculation of compensation
 - 5.2.1. As determined for the individual farm
 - 5.2.2. In relation to the unit of insurance
 - 5.2.3. Integrated risk systems (or for homogeneous areas)
6. AGRICULTURAL INSURANCE LINKED WITH AGRICULTURAL CREDIT AND OTHER INSTITUTIONS
 - 6.1. With agricultural credit
 - 6.2. With farmers' associations, mutual associations, or co-operatives.

CONCLUSION

An analysis of agricultural insurance systems operating in number of different countries may yield several conclusions of general validity, provided one does not disregard the fact that the validity of this or that particular solution will be governed by the context in which it operates. In any event, agricultural insurance, whatever form it takes and whatever the agency responsible for its operation, has a major economic role.

In a young and expanding economy, insurance may be looked on as an integral part of the general economic policy for agricultural development and offer an effective instrument for stabilizing farmers' incomes and for providing advanced protection against individual and collective crises brought about by the vagaries of nature, insect attack, infestation by other pests or the outbreak of disease.

Each country will need to work out its own approach to the matter of agricultural insurance in the light of its particular type of economy, the stage of development of its agriculture and the prevailing social and political conditions.

Agricultural insurance is very wide in scope. It can operate in countries with a market economy and in countries of a centrally planned type. The fact that premiums and compensations can be effected in cash or in kind allows of adapting insurance to both types of economy.

The experience built up in the developed countries can be turned to good account by a developing country if the latter adopts a prudent approach, studying first and foremost its own situation before introducing an insurance system or embarking on a reform of whatever system it may have already. Here the exchange of information and technical and statistical methodology can be of great help.

The outline given in Part III for the analysis of agricultural insurance legislation covers the fundamental matters likely to appear in any insurance plan. Even if the legislative systems here analysed do not necessarily cover all the items appearing in this outline, one may safely say that any law that covers all those items it will certainly be a comprehensive one.

A point to note, in conclusion, is that given the range of subject matters encompassed in this methodological approach, the classification suggested in the outline cannot - given the relative novelty of the juridical terrain in question - be considered a hard and fast one but should be looked on as a preliminary essay which, in the light of experience will be seen now to fit, now to need adjustment, according to the concrete situation to which it is being applied.

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