



भांडागारणविकासऔरविनियामकप्राधिकरण

भारतसरकार



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**Warehousing Development and Regulatory Authority
Government of India**

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F. No. WDRA/2015/1-2(12)/Tech- II/ 615

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Circular No.: 02/Tech.II/2022

Subject: Insurance policies to be taken by the applicant/warehouseman for the purpose of registration / renewal of registration of warehouse (s)- regarding.

1. Section 11(1) (k) of the Warehousing (Development and Regulation) Act, 2007, and Regulation 4 (5) of the Warehousing Development and Regulatory Authority (Negotiable Warehouse Receipts) Regulations, 2017 provide that electronic Negotiable Warehouse Receipts/ electronic Non-Negotiable Warehouse Receipts (eNWRs/eNNWRs) should have name of the insurance company indemnifying for fire, floods, theft, burglary, misappropriation, riots, strikes or terrorism.
2. Section 17 of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2017 provides that no registration / renewal of registration of warehouse (s) shall be issued unless the warehouse is adequately insured as per the requirement of the Authority. The insurance coverage of the applicant or warehouseman with respect to the goods deposited in the warehouse(s), must be against at least:
 - (a) fire,
 - (b) flood,
 - (c) burglary,
 - (d) misappropriation and
 - (e) Riots and strikes
3. The underlying principle of the provisions specified under para 1 above is to protect the integrity of e- NWRs/eNNWRs being issued by the registered warehouses against the deposit of goods (both agri and non-agri) in the warehouses.

4. Since Warehousing (Development and Regulation) Registration of Warehouses Rules, 2017 do not mandate building insurance, it has been decided by the Authority that building insurance shall not be mandatory for Registration/Renewal of registration of warehouses. A number of representations have also been received from the applicants of WDRA registration and also the registered warehousemen that the insurance requirements under earlier circular was putting undue financial pressure on them, as they were required to insure the entire capacity while the stock covered under eNWR/eNNWR might not be to that extent. The IRDAI has also introduced new types of policies for small and medium enterprises.
5. Therefore, in supersession of earlier insurance norms circulated by the WDRA vide its Circular No. 01/Tech. II/2017 dated 27.04.2017, the following insurance policies will need to be taken by the applicants/ warehousemen with respect to the goods stored/ proposed to be stored in the warehouse(s) for the purpose of registration of warehouse(s):

5.1 Standard Fire and Special Perils (SFSP) Policy

- 5.1.1 Considering feedback received from different stakeholders and with a view to reduce the stress on the applicants for WDRA registration and the registered warehousemen, the insurance requirements have been given a relook to rationalize the same. Efforts have also been made to give an option to the applicants to decide about the quantum of Insurance coverage to be taken by them depending on the value of WDRA notified goods to be stored in the warehouse(s).
- 5.1.2 As per recent IRDAI guidelines, following three types of Policies are available for covering the risks arising out of Fire and Special Perils :

Sl. No.	Amount of Sum Insured	Type of Policy
1.	Sum Insured Upto Rs.5.00 Crores	Bharat Sookshma Udyam Suraksha
2.	Sum Insured exceeding Rs.5.00 Crores but upto Rs.50.00 Crores	Bharat Laghu Udyam Suraksha
3.	Sum Insured exceeding Rs.50.00 Crores	Standard Fire and Special Perils with specified add-on covers as per existing practice.

Details of these policies may be obtained from concerned insurance companies as per the existing provision.

- 5.1.3 The applicant is required to take any of the above three policies based on the sum insured opted as applicable i.e. Bharat Sookshma Udyam Suraksha Policy, Bharat Laghu Udyam Suraksha Policy or Standard Fire and Special Perils Policy with specified Add-on covers as per existing practice. Whatever Policy the applicant/warehouseman takes depending on the value of sum insured under the Policy, following two options shall be available subject to his choice/feasibility:-



- (a) Insurance based on self-declaration. OR
- (b) Insurance on full capacity of the warehouse.

5.1.3.1 Insurance on self-declaration basis

In order to facilitate the Warehouseman, option of taking insurance on the basis of self-declared value of stock has also been provided. In this case, sum Insured may be based on expected highest value of the commodities to be stored in any of the first six months from the date of registration, as declared by the applicant. However, the declared value must not be less than Rs. 1,00,000/- (One Lakh) in any case. The policy taken as above on self-declaration basis may be either a Declaration Policy or a Non declaration policy as permitted in the insurance policy.

5.1.3.2 Insurance taken on full capacity basis

A warehouseman may opt for insurance policy on the basis of full capacity of the warehouse instead of taking insurance policy on the basis of self-declaration (Para 5.1.3.1).

For Insurance to be taken on Full Capacity Basis, either Declaration Policy or Non-declaration Policy may be taken as described below:-

(a) Declaration Policy

The applicant/warehouseman may opt for a declaration policy as per the schemes available with the insurance companies. In case of a declaration policy, the average value of the commodities, including Non Agri commodities if applicable, will be taken as declared by the warehouseman, but not less than Rs 20,000/- per ton in any case and the average capacity utilization will be taken as 60% of the full capacity. Since the warehouseman is mandated to declare the actual value of stocks every month to the insurance company, the higher and lower variations in value will automatically be taken care of.

The minimum sum insured for declaration policy under SFSP in case of one or more locations shall be as permitted by the insurance company

It will be mandatory as per Declaration Policy to declare the correct value of stock to the insurance company as required in the policy. Any loss caused to the depositor due to misdeclaration shall be made good by the warehouseman.

(b) Non-declaration Policy

In case the applicant/warehouseman opts for a non-declaration policy, the average value of the stocks will be taken as Rs. 20,000/- per ton only if the warehouse is storing / proposing to store **wheat, rice / paddy, barley, oat, maize, sorghum and millets**. In case of other commodities (including Non Agri commodities, as applicable), the value of the stock will be calculated on the basis of average market price of the commodities stored / to be stored. In all cases of non-declaration policy taken on Full capacity basis, the sum insured will be calculated on the basis of full (100%) utilization of the capacity.



5.1.3.3 General considerations under Insurance Policy

- a) There will be no separate stipulation for new warehouses. Warehouseman will have the options to choose Insurance either on the basis of Self Declaration (Para 5.1.3.1) or on the basis of full capacity (Para 5.1.3.2). The type of policy required will depend on the value of insurance as explained in Para 5.1.2.
- b) For warehousemen operating more than one warehouse at different locations within the geographical limits of India, stocks can also be insured on Floater Basis under one single Sum Insured. The warehouseman will have to declare the location of all godowns with complete address and description of commodities intended to be stored therein as these details will be incorporated in the policy by the insurers. There is no need to declare location wise sum insured.
- c) In case of Bharat Sookshma Udyam Suraksha Policy and Bharat Laghu Udyam Suraksha Policy, "Act of Terrorism" is available as an in built cover. However, this aspect should be checked by the Warehouseman from the Insurance Company while taking the policy.

However, In case of Standard Fire and Special Perils Policy (SFSP), Add on cover for Terrorism shall be taken by the warehouseman for those areas which are notified under the Armed Forces (Special Powers) Act, 1958 (AFSPA).

5.2 Burglary Policy

The requirement of Burglary Insurance Policy shall be as follows:

SI. No.	Particulars of Sum Insured Under SFSP	Required Sum Insured under Burglary Policy
1.	Upto Rs. 10 Crores	20% of SI under SFSP
2.	More than Rs. 10 Crores upto Rs. 50 Crores	Rs. 2.0 Crore + 10% of value exceeding Rs. 10 Crores under SFSP
3.	More than Rs. 50 Crores upto Rs. 100 Crores	Rs. 6.0 Crore +5% of value exceeding Rs. 50 Crores under SFSP
4.	More than Rs.100 Crores upto Rs. 200 Crores	Rs. 8.5 Crore + 0.25% of value exceeding Rs. 100 Crores under SFSP
5.	Above Rs 200 Crores	Rs. 8.75 Crore + 0.15 % of value exceeding Rs. 200 Crores under SFSP subject to a cap of Rs. 15 Crores for sum insured under Burglary Policy

5.3 Fidelity Guarantee Insurance Policy

The requirement of Fidelity Guarantee Insurance Policy shall be as under:

SI. No.	Value of Sum Insured in SFSP Policy	Requirement of Sum Insured
1.	For warehouse(s) including companies etc. having sum insured under SFSP Policy upto Rs. 100 Crores	10% of the sum insured in SFSP Policy

2.	For warehouse(s) including companies etc. having sum insured under SFSP Policy above Rs. 100 Crores	Rs.10 Crores + 7.50% of value exceeding Rs. 100 Crores with an upper cap of Rs. 25 Crores in case of Non-agri or combined (Non-agri and Agri both) commodities and Rs. 20 Crores in case of Agri commodities.
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If multiple SFSP Policies are taken, sum total of sum insured of all SFSP Policies shall be taken to work out the requirement of Fidelity Guarantee Policy for the warehouse(s).

The applicant/ warehouseman may take a collective Fidelity Guarantee Insurance policy mentioning the names of the individual employees in all the warehouses covered under the policy or a Position Policy in which the positions in the warehouses are included. Further, the collective Fidelity Guarantee Policy where only the number of employees is mentioned will also be accepted by the Authority.

6. Additional Cover in case of Cold Storages

In addition to above three policies mentioned under para 5.1, 5.2 and 5.3, additional cover shall also be taken by the warehouseman for the following perils: -

6.1 If sum insured is above Rs. 50 crores

In addition to Standard Fire and Special Perils Policy, **Add on cover** for deterioration of stocks due to failure of electricity supply and damage to the plant and machinery caused by the fire and other perils shall be taken by warehouseman.

6.2 If sum insured is up to 50 crores

Currently the above two add on covers as at para 6.1 are not available in Sookshma/Laghu Udyam Suraksha Policy. In case IRDAI introduces add on cover for deterioration of stocks due to failure of electricity supply and damage to the plant and machinery caused by the fire and other perils and Insurance companies provide such a cover the same shall be adopted.

Till the above provision is available, in addition to Bharat Sookshma Udyam Suraksha Policy or Bharat Laghu Udyam Suraksha policy (as applicable), warehouseman will have to take the following policies also:-

(a) Deterioration of Stocks (DOS) Policy, and

(b) Machinery Breakdown for Cold Storage Policy

6.3. Some of the important conditions of the DOS policy are as under: -

- 6.3.1 Deterioration of the stocks due to any unforeseen and sudden physical loss of or damage to the machinery specified in the list of machinery attached to the questionnaire and proposal of this policy.
- 6.3.2 Specified machinery as included in the schedule of the DOS policy must be insured under a separate **Machinery Breakdown Policy** which should be in force at the time of loss and such loss to machinery must be indemnifiable under the Machinery Breakdown Policy.

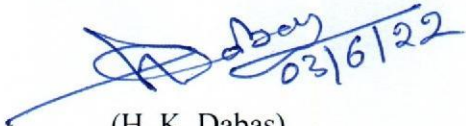
Hence, along with the DOS Policy, **Machinery Breakdown (MBD) Policy** for cold storage machinery will also be required to be taken since one of the most important conditions for admission of claim under the DOS policy is that the Specified machinery as included in the schedule of the DOS policy must be insured under a separate **Machinery Breakdown Policy** which should be in force at the time of loss and such loss to machinery must be indemnifiable under the Machinery Breakdown Policy.

The above cold storage add on cover in case of SFSP Policy or additional Policies for Deterioration of Stocks and Machinery Breakdown for cold storage machineries will be required to be taken by all the new applicants. All those registered cold storages covered under the Bharat Sookshma Udyam Suraksha or Bharat Laghu Udyam Suraksha policies and registered based on an undertaking to take the above policies whenever available, will now have to take the two policies as at para 6.2 within one month of the notification of this circular. All other cold storages already registered and have taken additional Insurance Policies for Cold Stores as per the circular No 01/TechII/2017 dated 27/04/2017 will take the additional covers/policies as specified at para 6.1. and 6.2 (as applicable) as and when renewal of previous policies is due.

7. It may also be noted that a check on adequacy of the insurance policy shall be exercised during issue of e-NWRs/e-NNWRs as under:
 - 7.1 For all the insurance policies, whether based on self-declaration value (Para 5.1.3.1) or based on capacity (para 5.1.3.2), a check on the availability of adequacy of insurance value to cover the value of e-NWR/e-NNWR will be introduced. e-NWR/e-NNWR will only be issued if there is adequate insurance cover available for the warehouse from which e-NWR/e-NNWR is being issued to cover the e-NWR/e-NNWR under issue. If adequate insurance cover is not available for the particular warehouse, then an error message will be displayed to the warehouseman about the inadequacy of insurance.
 - 7.2 The warehouseman should check the adequacy of available insurance policies and keep upgrading the value of insurance regularly so that the e-NWR/e-NNWR could be smoothly issued. The system will debar issue of e-NWR if the insurance policy is exhausted upto a limit of 90% of the value to take care of any fluctuations in prices of the commodities.
 - 7.3 When the value of the insurance cover is exhausted upto 75% of the value of balance of e-NWRs/e-NNWRs, a warning message will be sent to the warehouseman.
 - 7.4 The warehouseman is also expected to keep the policies renewed and updated on the WDRA system well in advance to avoid suspension and inactivation of the warehouse and further disruption on issue and transactions against e-NWR/e-NNWRs.
 - 7.5 In case the value of insurance taken by the warehouseman is less than the actual stock in the warehouse, then warehouseman shall be held responsible and any loss to the depositors and the same shall be recoverable from the warehouseman.
8. The applicant shall also have the option of uploading the insurance policies either at the time of warehouseman registration or just before registration of the warehouse at the time of Security Deposit submission.



9. The warehouseman is required to take the insurance cover as above. The WDRA will **not** entertain the registration of warehouses under the Self Insurance or Corpus Fund.
10. Only those insurance policies issued by IRDAI registered Indian Insurance Companies shall be accepted by the Authority.


(H. K. Dabas)
Under Secretary (Tech)

Distribution:

- i. MD, CWC
- ii. MDs, All SWCs
- iii. All WSPs
- iv. All registered Private Warehouses
- v. All registered PACS warehouses
- vi. Inspection Agencies as per the list.
- vii. Guard File.

Copy to:

- i. PPS to Chairman, WDRA
- ii. PS to Member 1, WDRA
- iii. PS to Member 2, WDRA
- iv. All officers in WDRA
- v. Dy. Director (IT), WDRA- with request to put a copy of the circular on the website of the WDRA.