CIRCULAR NO. 08/Tech. II/2014

Subject: - Insurance policies to be taken by the warehouseman for the purpose of accreditation and registration of their warehouses (15th Meeting of WDRA held on 30.12.2013 and 16th Meeting held on 05.06.2014) – regarding.

i. Section 11(1) (k) of the Warehousing (Development and Regulation) Act, 2007 provides that warehouse receipt should have name of the insurance company indemnifying for fire, floods, theft, burglary, misappropriation, riots, strikes or terrorism.

ii. Section 8 (vii) of the Warehousing (Development and Regulation) Registration of Warehouses Rules, 2010 provides that no registration certificate shall be issued unless the warehouse is adequately insured as per the requirement of the Authority.

iii. Regulation 3 (2) (viii) of the Warehousing Development and Regulatory Authority (Warehouse Accreditation) Regulations, 2011 provides that the warehouses should have insurance policies to cover risk on account of fire, floods, theft, burglary, riots and for the goods stored for accreditation of warehouses.

iv. Regulation 3 (3) (v) provide that a certificate of accreditation shall be granted by an accreditation agency only when a warehouses complies with insurance policies of the warehouse and the goods stored or to be stored in the warehouses.

The WDRA has decided that the following insurance policies shall be taken by the warehouseman for the purpose of accreditation and registration of their warehouses with the WDRA:

A registered warehouse should have policy of special fire and other perils for the average value of the stocks held in storage which shall be based on the fact that the value declared for sum insured shall not be less than Rs. 2000/- per quintal of the total stocks in a warehouse, however, upper limit of per quintal may be based on actual high value stocks in storage. The fire policy taken by the warehouseman should be consistent with the category of goods stored in the warehouse. The fire policy must be extended to cover spontaneous combustion in case of agricultural goods stored in the warehouse are prone to spontaneous combustion.

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The registered warehouse should have minimum value of policy to cover all individual assuming that an individual employee handles maximum 5000 ton stocks at a given point of time or actual value of the stocks if the storage capacity is less than 5000 ton. Accordingly, value of 5000 ton stocks will be 5000 x 20000 = Rs. 10 crore and the same shall be made applicable in case of floater fidelity policy which is meant for floating the risk of infidelity of employees working in more than one warehouses of the same warehousing company.

However, in case of standalone warehouses, 10% value of the stocks held in storage in registered capacity shall be worked out to come out with a figure, to cover risk of misappropriation by employee/employees.

The above norms are subject to following modifications in case of CWC, PACS and Stand-alone Warehouses:-

I. Central Warehousing Corporation: The insurance policies being taken by the CWC for its warehouses shall be treated as adequate insurance for the purpose of accreditation and registration with the WDRA.

II. PACS Godowns: The PACS godowns shall be registered without insisting on fidelity guarantee, but with a condition that the godown shall take adequate fidelity guarantee after its registration by the WDRA. The WDRA will issue NWRs books to it only after ensuring adequate insurance for fidelity guarantee.

III. Standalone Warehouses: The insurance for standalone old warehouses shall be taken for the amount worked out on the average utilization of the capacity of the warehouse for the last three years. For new standalone warehouses, the insurance shall be taken on the basis of 30% of the storage capacity to be registered with WDRA to begin with. The policy shall be a declaration policy providing for additional premium as and when the utilization goes beyond 30%.

Distribution:

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

(Tarun K. Dey),
Director (Tech).