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ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHHO DZONG



MOF/PED/27/2012/1780

20<sup>th</sup> September 2012

NOTIFICATION


The Ministry of Finance is pleased to notify that the Royal Government has approved the revised Rural House Insurance Scheme (RHIS) with enhanced compensation benefits as presented below:

CATEGORY OF HOUSES	SUM INSURED (Nu.)	TOTAL PREMIUM (Nu.)	GOVT. SUBSIDY (Nu.)	INSURED'S SHARE (Nu.)
CATEGORY I	300,000	1,225	250	975
CATEGORY II	200,000	815	250	565
CATEGORY III	110,000	450	250	200
CATEGORY IV	60,000	250	150	100

In this regard, a Memorandum of Understanding (MoU) has been signed between the Ministry of Finance, Ministry of Home and Cultural Affairs and the Royal Insurance Corporation of Bhutan on 12<sup>th</sup> September 2012, with the following arrangements:

- (i) The Revised Rural House Insurance Scheme shall come into force from 1<sup>st</sup> April 2013. It shall be applicable to all Dzongkhags and shall supersede the MoU issued on 25<sup>th</sup> May 2000.
- (ii) The Ministry of Finance shall be responsible for providing the Government subsidy.
- (iii) The Ministry of Home & Cultural Affairs shall inform the Dzongkhags of the detail procedures, premium payable, claim receivable etc, and also ensure that the Dzongkhags and Gewogs comply with the Guidelines.
- (iv) The RICB shall be responsible to manage the scheme and pay all the duly verified and payable insurance claims.

Guidelines of the Rural House Insurance Scheme is attached herewith the notification.

  
(Nim Dorji)  
Joint Secretary

1. The Secretary, Ministry of Home and Cultural Affairs, Tashichho Dzong.
2. The CEO, RICB, Thimphu
3. The Dasho Dzongdag, all Dzongkhags.

**GUIDELINES FOR RURAL HOUSE INSURANCE SCHEME:-****1) Objectives:**

- i. Help rural people benefit from insurance and build better houses after a loss.
- ii. Ease the burden on the Government from compensating the claims through premium subsidy.
- iv. Provide timely relief to the affected people in times of disaster.
- v. Fulfill the corporate social responsibility of the Corporation.

**2) Eligibility:**

- (i) The scheme shall cover only one house, even if more than one house is owned by the same owner. However, individuals may insure other houses on their own without Government subsidy.
- (ii) In case of two households dwelling in the same house, the scheme shall be based on the principle of **One House One Insurance Policy**. However, households may contribute proportionate premium and receive proportionate compensation within the RHIS under mutual agreements.
- (iii) Houses left unoccupied for more than six months in a year shall not be eligible to subscribe to the scheme in the succeeding year. If the individuals intend to insure during the unoccupied period, the Corporation shall have the discretion to insure it but it shall not be eligible for Government subsidy. The scheme shall not cover losses due to fire & impact damage (*animal damage, rock slide, falling tree, vehicle impact*) losses during the unoccupied period.
- (iv) Houses newly constructed during the policy period *i.e. after collection of the annual premium by the Gewog Administration*, shall be allowed to subscribe to the scheme twice in a year (March & September). However, the insured shall pay the individual's share of premium in full.

- (v) The scheme shall cover only rural houses outside the boundaries of all types of Thromdes, and shall not cover public and private lhakhangs, drubkhang, guest houses, etc.

### 3) Coverage:

The scheme shall cover the following risks:

#### i. Fire:

Unless it is proven intentional, a fire certified by the competent authority in the Dzongkhag with evidence and witness of Gup, shall be considered adequate proof of an accidental nature of fire.

#### ii. Earthquake

There should be substantial damage requiring repairs to make the house habitable.

#### iii. Flood/ Landslide:

Landslide and inundation by river or rainfall and damage caused by such calamities shall constitute Flood/Landslide damage.

#### iv. Storm & Lightning

Refers to damage caused to the house due to the occurrence of heavy wind storm, hail storms and lightning.

#### v. Impact damage

Impact damage shall be covered under this scheme subject to Clause 2 (iii) above.

The following shall constitute causes of loss under impact damage:

- Damage by animals
- Damage by rock slide,
- Damage by falling tree
- Damage by vehicles



- Damage due to articles dropped from aircrafts/spaceships, etc.
- ❖ Losses arising out of war, nuclear risks, malicious damage, riot strike and terrorism shall be standard exclusions as per international norms.

### Premium Rate Table

SL.	CATEGORY	SUM INSURED	TOTAL PREMIUM (Nu.)	GOVT. SUBSIDY (Nu.)	INSURED'S SHARE (Nu.)
1	CATEGORY I	300,000	1,225	250	975
2	CATEGORY II	200,000	815	250	565
3	CATEGORY III	110,000	450	250	200
4	CATEGORY IV	60,000	250	150	100

### NOTE:

- i. Houses shall be categorized into four categories depending on the types of construction, no. of storey's, etc.
- ii. Houses in higher categories shall be allowed to avail lower category premium and compensation but not vice versa.

#### 4) Premium payment:

Premium shall be paid by the individual rural house owners as per category of the house.

#### 5) Premium Collection:

Premiums shall be collected by the concerned Gups under respective Dzongkhags/Dungkhags in December for providing Insurance cover for the year from 1<sup>st</sup> April to 31<sup>st</sup> March of the following year.

The premiums collected by the Gups shall be remitted to the Dzongkhags/ Dungkhags along with the schedules before 15<sup>th</sup> of January of each year.

The Dzongkhags/Dungkhags after verifying the schedules shall deposit the premium collected to the nearest RICB office or deposited in RICB Bank account in the nearest Banks not later than 15<sup>th</sup> February of each year.

The annual premium subsidy shall be paid by the Ministry of Finance to the RICB in two installments (March & September).

**6) Premium collection Procedures:**

i. Premium shall be charged based on the categorization of houses as per the Premium Rate Table above.

ii. Responsibility of Gups:

Gups shall:

- a. Collect the premiums from the house owner by completing Policy Form (**Appendix - 1**)
- b. Acknowledge money receipts in the records and
- c. Remit to the concerned Dzongkhags/Dungkhags within the specified time.

iii. Responsibilities of Dzongkhags/Dungkhags:

- i. Receive the premium collected by Gups and verify the receipts (Appendix-II)
- ii. The receipt shall be distributed as follows:
  - a) Original – To the Insured
  - b) Duplicate – To be sent to RICB
  - c) Triplicate – To be retained by the Dzongkhags/Dungkhags
- iii. Deposit in the designated RICB account with bank/nearest RICB office not later than 31<sup>st</sup> March of each year.
  - a) Obtain the bank receipt (counterfoil) in original

- b) Send a statement of premium collection along with the Policy Form (Appendix – 1), Bank receipt/counter foil and money receipt of the House owner (Appendix – II)
- c) Maintain a record of premium collected and houses insured.

iv. Responsibility of RICB:

The Corporation shall issue a letter of confirmation to the Dzongkhag/Dungkhag Authorities as an acknowledgement of the receipt.

**7) Period of Insurance**

The insurance cover under this scheme will be one year contract (i.e. renewable annually).

**8) Claims/Compensation (payout)**

The Corporation shall be responsible for all pay outs arising out of each and every incident of claim. However, this responsibility of the Corporation shall attach only when the risk has incepted, i.e. the Corporation has duly received the full premium on time. Payouts will arise only in the event of incidents due to the agreed perils/ damages.

**9) Payout Disbursement**

The Corporation shall disburse the claim/compensation amount through the respective Dzongkhags/Dungkhags/Gewogs.

**10) Reinstatement/reconstruction of damage/losses**

Reinstatement of damage in case of partial loss and reconstruction of houses in case of total loss shall be mandatory to be eligible to subscribe to the scheme in the following years.

However, if repairs or reconstruction could not be undertaken after settlement of a claim due to time constraints, the insurance for the house shall be renewed for one policy period (1 year) subject to exclusion of the same damage.



**11) Claim procedure**

- i. The house owners shall intimate to the Gup about the incident and Gup shall directly intimate the Dzongkhag Administration, which in turn shall notify the nearest RICB office within one month from the date of happening of the loss/damage.
- ii. Loss assessment and indemnity procedure in case of occurrence of claims, where the settlement of claims will be on individual basis, claims shall be formulated by the Corporation in consultation with Local Government and Dzongkhag.
- iii. The claim shall be assessed by the technical team from the Corporation and seek the assistance or delegate the authority to assess a loss to the Local Government or Dzongkhag as and when necessary.
- iv. In times of disasters involving large scale of losses, the Corporation shall form teams comprising of the representatives of Local Government and Dzongkhags.
- v. The Corporation may conduct independent investigation following a claim, if necessary. The findings of the same shall be reported to the Government.

**12) Claims Approval & Responsibility of RICB**

- i. On receipt of the completed claim form with all formalities, the Corporation shall scrutinize the same and if found in order, remit the claim amount to the claimant through the concerned Dzongkhag/Dungkhag by a Bank Draft or cheque.
- ii. All claims shall be settled by the Corporation within one month from the date of receipt of the complete claim documents by the respective RICB offices. However, catastrophic losses shall be settled within a maximum period of 3 months, subject to fulfillment of all the claim procedures.
- iii. The Corporation shall be responsible for maintenance of records, payment of claims and provide feedback and information to the Government.

- iv. The Corporation shall not be responsible to pay any compensation if the premium(s) are not received on time.
- v. Non receipt of the individual's share of premium from the house owner(s) shall result in suspension of insurance for that house for the particular year.
- vi. There shall be a franchise limit of 1%, i.e., there is no payment of claims, if the claim is less than 1% of the sum insured.
- vii. 5% of assessed claims shall be deducted from the payment as standard deduction for every assessed claim as per commercial insurance norms.

### 13) Types of loss & Loss Compensation

#### i. Total Loss:

- a) Full sum insured shall be payable when the insured house is totally destroyed by the perils covered. However, 5% of the sum insured shall be compulsorily deducted as policy excess.

Salvage recovery in case of total loss shall not be applicable.

#### ii. Partial Loss

In the case of partial loss on account of the perils covered, compensation shall be payable according to the damage sustained as per the Annexure II - Claim Settlement Model.

In case of any dispute, assessment of an independent surveyor deputed by the Corporation shall be acceptable to both the parties as final.

The following shall be applicable in case of partial losses: -

- b) Salvage shall be adjusted by imposing a 5% salvage deductible on the assessed claim amount.
- c) Franchise Limit of 1% of sum insured shall be applicable, i.e. losses below 1% of the total sum insured shall not be eligible for claim.



- d) Deductible excess of 5% of assessed claim shall be applicable – 5% of the assessed claim shall be deducted as deductible excess.

No compensation shall be paid for any loss if it is proved to have been caused willfully or intentionally and the compensation shall be reimbursed if the insurance compensation has been already paid.

**14) Arbitration Clause:**

Any dispute arising out of or relating to this contract of insurance or breach thereof or to the construction, existence, interpretation, meaning or validity thereof or to the operation or performance there under, involving any of the parties, or anyone claiming the rights of any party to this contract shall be by arbitration in accordance with the provisions of the Courts of law in Bhutan.

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