

/P&G/1289/2009

RAJASTHAN FINANCIAL CORPORATION
(FR SECTION)

Ref.No.RFC/23FR/HO/Policy-118/ 1552

Dated : 03.11.2009

CIRCULAR
(FR-584)

Reg : Insurance of assets of assisted units

Instructions already exist in P&G (Chapter FR-8) that the Branch Office should ensure that the assets of the assisted units (i.e. fire prone industries and transport vehicles) are kept insured throughout and the insurance policies are renewed timely during the currency of the loan.

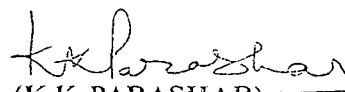
The issue has been discussed in the PC&CC in its meeting held on 14.10.09 and it has been observed that on account of the various risks and in order to insulate our risk and safeguard our loanees from the perils of loss in case of any eventuality, henceforth, the insurance cover is mandatory for all the new units whether manufacturing or service (irrespective of fire prone or not).

Accordingly, a condition is being stipulated in the loan sanction letter / loan agreement making it compulsory for our units to obtain insurance cover for fire, theft, loot and arson and need based other coverage before release of disbursement. Accordingly, the loanee is required to submit blank post dated cheques (PDCs) at the time of execution of agreement (i.e. before disbursement of loan) for the insurance premium for the currency of loan.

It will be responsibility of the Branch Manager to get the Insurance Policies renewed before the date of expiry under intimation to the loanee. In case the cheque given by the loanee is returned unpaid then in such an eventuality, the Insurance premium may be made by the Corporation and expenses so incurred in renewal and liquidated damages (equal to the premium amount) may be debited in the loanee's account.

Accordingly, the Chapter No. FR 8 of P&G on "Insurance of Assets" is amended as per Annexure A.

All concerned are advised to make a note of above and ensure compliance of the aforesaid amendments.


(K.K. PARASHAR)

GENERAL MANAGER (DEV.)

3/11/09

Copy to :

1. All BOs/SOs.
2. DGM(A&I) Ajmer / Jodhpur.
3. Standard Circulation at HO.

(Follow-up & Recovery)

INSURANCE OF ASSETS

GENERAL

8.1 As per terms & conditions of sanction of loan it is an essential condition that assisted unit should keep its assets adequately insured against fire, theft, loot and arson. Accordingly, it should be ensured by the branch that the assets of assisted units are kept insured throughout the currency of the loan as per terms & conditions of sanction / loan agreement.

8.2 Branch Office has to watch and ensure that the assets of the assisted units are through out kept insured and the insurance policies are timely renewed during the currency of the loan.

8.3 It is the responsibility of the BO to see that none of the assets assisted by us remains uninsured (in any period of time).

As per our policy all out efforts should be made to see that assets are kept insured continuously during the currency of loan.

8.4 Insurance Records

The details of every policy issued by the Insurance Company insuring the fixed assets of assisted unit is to be entered in the quarterly status sheet of the unit.

8.5 Every Branch shall keep an insurance intimation register like due date register. In this register month-wise details of the insurance policy expiring shall be maintained to facilitate timely intimation to the assisted units for renewal of their insurance policies.

8.6 Renewal of Insurance Policies

Every assisted unit is to be sent an intimation (Proforma FR-52) for renewal of insurance so as to reach at least 15 days in advance of the expiry of insurance policy so that insurance policy may be got renewed before the date of expiry.

8.7 Procedure for Renewal

In case the insurance policy is not renewed upto the date of expiry a notice (Proforma FR-53) should be sent to the concern giving 15 days time to get the policy renewed. This may be stated in the letter that in case of failure in getting the policy renewed in the stipulated period the policy shall be got

renewed by the Corporation and expenses so incurred in renewal shall be debited to their loan account.

- 8.8 If even after issuance of such a notice, the policy is not got renewed then the BO should get the policy renewed from the same company to which the previous insurance policy belongs and debit the amount of premium and also liquidated damages (equal to the premium amount) to the loan account of the concern. Intimation about it should be sent to the unit also (Proforma FR-54).
- 8.9 The cases in which the Corporation is having PDCs (taken at the time of execution of loan agreement on account of insurance premium) then in such cases, the policy may be got renewed and the said cheque may be given to the Insurance Company under intimation to the loanee concern.

In case cheque is bounced then payment of the Insurance premium may be made by the Corporation and expenses so incurred in renewal and liquidated damages (equal to the premium amount) may be debited in the loanees account.

- 8.10 A Proper record of insurance of assets should be kept by the BO and it should be updated every month.