



AGRICULTURAL INSURANCE LAW,
No. 27 OF 1973
OF
THE NATIONAL STATE ASSEMBLY

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Agricultural Insurance Law, No. 27 of 1973

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A LAW TO PROVIDE FOR THE ESTABLISHMENT OF A BOARD KNOWN AS THE AGRICULTURAL INSURANCE BOARD FOR UNDERTAKING THE BUSINESS OF AGRICULTURAL INSURANCE FOR SPECIFIED CROPS AND LIVESTOCK, TO REPEAL THE CROP INSURANCE ACT, NO. 13 OF 1961; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

BE it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

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*.

Short title and date of operation.

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:—

Establishment and constitution of the Board.

- (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.

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Chairman of the Board, &c.

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.

(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.

General control of the Board.

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.

Seal 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 an 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.

Powers of Minister in relation to the Board.

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.

Staff of the Board.

(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.

Board deemed to be a scheduled institution within the meaning of the Bribery Act.

9. The general objects of the Board shall be—

General objects of the Board.

- (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

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- (b) to undertake research necessary for the promotion and development of such agricultural insurance.

Powers of the Board.

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. 1 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").

Compulsory
insurance
of
the paddy crop.

(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".

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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.

(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.

Determination
and payment of
premium.

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.

(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 of 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. Loss claim.

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*. Award of indemnity.

(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 or of the award of the indemnity, as the case may be, make a written appeal to the Board, stating the grounds of appeal. Appeals against rejection of claims to indemnity, &c.

(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.

Maximum insurance liability.

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

Minister to determine the crops and species of livestock for voluntary insurance.

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.

Insurance policy.

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.

Reinsurance.

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.

Capital of the Board.

(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").

Fund of the Board.

(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 money 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

Expenses of administration.

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.

Borrowing powers of the Board.

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).

Investment of funds of the Board.

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.

Application of provisions of Part II of the Finance Act, No. 38 of 1971.

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

Regulations.

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 in 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.

Protection for
action taken
under this Law
or on 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.

Offences.

(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.

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(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.

This Law to prevail over other written law.

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.

Property of the Republic both immovable and movable to be made available to the Board and acquisition of immovable property under the Land Acquisition Act. for the Board.

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 persons entitled thereto.

Payment of indemnity on death of 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.

Assignment of insurance policy by way of security for loan.

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.

Prohibition of seizure or sequestration of indemnity due to any person.

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.

Deductions from indemnity.

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.

Effect of transfer of interest to which an insurance policy relates.

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—

Voidance of insurance.

(a) has concealed or misrepresented any material fact or committed any fraud relating to the insurance, or

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(b) fails to comply with any term or condition of such contract.

Payment of premium in kind.

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, draw any part of the Fund which consists of specified crops and shall credit to such Fund the proceeds of the sale of such crops after deducting therefrom the expenses incurred in the sale.

Power of inspection of lands in which specified crops are raised.

38. (1) The Board or any officer authorized in its 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 provisions 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.

Power to direct an insured person to take measures to prevent damage to insured land.

39. The Board or any officer authorized in its 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.

Repeal of Crop Insurance Act, No. 13 of 1961.

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—

Interpretation.

“ 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.