

THIS POLICY CONTAINS CLAUSES THAT LIMIT THE AMOUNT PAYABLE

TOBACCO STOCK BROAD FORM

INCEPTION DATE: 48 HOURS AFTER COMPANY RECEIPT OF APPLICATION OR REQUEST

TO ADD/INCREASE, BUT IN NO EVENT PRIOR TO MAY 20th, 12:01 A.M.

1. **PROPERTY INSURED** – Tobacco Stock
 - (a) **CURRENT YEAR TOBACCO STOCK** – “Tobacco Stock” shall mean tobacco harvested on the insured farm in the year in which this policy is issued and held by the Insured for sale or for curing. Coverage shall begin when the harvested tobacco is in the kiln, except as provided under 6. (c) below.
2. **TERRITORIAL LIMIT** – Ontario, Canada.
3. **PERILS INSURED** – In consideration of the payment of the premium, this policy insures against All Risks of direct physical loss or damage to Tobacco Stock, from any external cause, except as limited or excluded under items 6 and 7, not to exceed the amount specified in the policy.
4. **CO-INSURANCE CLAUSE** – The Insured shall maintain insurance to the extent of at least 90% of the Actual Cash Value of the poundage specified in the Contract Agreement with the Buyer, and failing which, the insured will be a co-insurer to the extent of an amount sufficient to make the (total) insurance equal to 90% of the Actual Cash Value of the poundage specified in the Contract Agreement with the Buyer. IN CASE OF LOSS, the Co-Insurance Clause shall not apply where the total loss does not exceed Twenty-Five Hundred Dollars.
5. **DEDUCTIBLE CLAUSE** – The Insurer is liable only for the amount by which the loss or damage exceeds the sum of \$1,000.00 in any one occurrence, subject to the Insured's percentage interest, under all Sections of this form except Item 6(d), 6(f), and 6(h).
6. **EXTENSION OF COVERAGE AND LIMITATIONS OF LIABILITY** –
 - (a) **SMOKE DAMAGE CLAUSE** – Applying only to stock in kilns. This policy is limited to cover loss or damage caused directly by smoke to the Tobacco Stock in kiln(s). The term “Smoke” shall mean smoke due to a sudden, unusual and faulty operation of the curing system. There shall, in no event, be any liability in respect to any cumulative damage or depreciation resulting from the use of fuel which is below the normal accepted standard used by the industry in curing tobacco. The liability of the Insurer is limited to 40% of the Actual Cash Value (ACV) of the tobacco in each kiln, subject to the Insured's percentage interest in the crop and 90% Co-Insurance Clause.

In the event of a loss, the damaged tobacco shall be taken from the kiln and piled so that an inspection can be made to ascertain the degree and value of loss.

In the event of a partial loss, the damaged tobacco shall be shipped and sold and the loss will be ascertained at that time.
 - (b) **LIMITED CONSEQUENTIAL LOSS BY HYDRO INTERRUPTION** – If this extension is shown as covered on the declaration page, Coverage is provided as a result of direct damage, of which there must be visible and physical evidence, caused by:
 - a) Fire,
 - b) Lightning,
 - c) Windstorm, or
 - d) Impact by motor vehicle or aircraft

For loss of tobacco contained in your kilns during curing, caused by a change in temperature resulting from the interruption of electrical power. Coverage is provided if the loss from an insured peril occurs on your premises and away from your premises but only as far as and not including the closest transformer station supplying power to your premises.

Coverage on rented kilns will be extended for an additional premium if reported within 5 days from the 1st day of rental. This extension of coverage will cease to apply if rented kilns are not reported within the 5 days.

THERE SHALL BE NO LIABILITY FOR DAMAGE HOWEVER CAUSED BY:

 - a) Power surge;
 - b) Mechanical or electrical breakdown or deterioration of your curing apparatus;
 - c) Lack of maintenance of electrical installations on the premises described in the policy.

The Insured or his employees shall exercise due diligence and dispatch in restoring the electrical service and the resumption of the normal curing process.

The liability of the Insurer shall be the Actual Cash Value of the tobacco damaged or destroyed in each kiln, subject to:

 - (1) a limit of \$9,000.00 per kiln and an aggregate of \$50,000.00 per occurrence, per farm location;
 - (2) the limitation of the Insured's percentage interest in the crop;
 - (3) the 90% Co-insurance Clause as per clause (4) herein.
 - (c) **TOBACCO IN TRANSIT** – Limit of Liability - \$25,000.00 per occurrence, per farm location.

Subject to the Insured's percentage interest in the crop.

Transit is defined as: from the time any harvested tobacco, including from the field location, is loaded onto the transporting conveyance until unloaded at the place of destination.
 - (d) **BALED TOBACCO BURGLARY** – Limit of Liability - \$25,000.00 per occurrence, per farm location.

Subject to the Insured's percentage interest in the crop.

Burglary which shall be defined as the felonious entry into a building by actual force and violence of which there shall be visible mark at the point of entry.

DEDUCTIBLE UNDER THIS EXTENSION -

If the insured has installed a local siren alarm system using contacts and motion detectors to adequately protect the tobacco stock then the deductible will remain at \$1,000.00 as outlined in Part 5, Deductible Clause. The insured is to provide adequate maintenance of the alarm system and to keep a log book recording the testing of the system every 30 days.

If the insured only has large bales of tobacco weighing upwards of 600 pounds the deductible will remain at \$1,000.00 as outlined in Part 5, Deductible Clause. There is no alarm system requirement on these bales.

If the insured did not install a local siren alarm system as outlined above, or failed to set the alarm system when securing the building, or the alarm system fails to operate because it was not maintained or the alarm system was not tested and documented every 30 days, then the deductible will be increased to \$5,000.00 for that occurrence.

- (e) VANDALISM OR MALICIOUS ACTS EXTENSION – Limit of Liability - \$25,000.00 per occurrence, per farm location.
Subject to the Insured's percentage interest in the crop.

This item covers loss to tobacco resulting from a felonious act to the Insured's buildings or attached equipment. There shall in no event be any liability for loss or damage:

- (a) due to cessation of work;
- (b) due to theft or attempted theft;
- (c) to building premises.

THE INSURED WARRANTS (applicable to items 6(d) and 6(e))

- (a) that all windows and other openings will be securely fastened, and all doors will be securely locked when the Insured or his employees are not at the premises;
- (b) that in the event of loss, the police will be notified at once;
- (c) that the Insured will keep an accurate record of all tobacco baled and of its disposal.

Failure to comply with these warranties or any one of them will invalidate the coverage.

- (f) KILN COLLAPSE – caused by overloading.
The Insurer will pay the labour cost only to remove and rehang the tobacco subject to a maximum of \$250.00 for any one occurrence.
- (g) BUILDING COLLAPSE - caused by snow load or ice load.
The Insurer will cover any physical damage to your tobacco including the cost to remove and rebale subject to a maximum of \$25,000.00 per occurrence, per farm location. Subject to the Insured's percentage interest in the crop.
- (h) FIRE DEPARTMENT FEES – Limit of Liability \$1,000.00
Fire Department charges where a Fire Department is called, because of a fire in a building in which Tobacco Stock is contained.

7. **PERILS EXCLUDED** – This policy does not insure against:

- (a) prior damage caused by disease or any other prior damage to growing crops or while being harvested;
- (b) loss or damage resulting from rough handling, inadequate packing or improper preparation;
- (c) loss or damage caused by earthquake;
- (d) (1) loss or damage caused by or resulting from seepage, leakage or influx of water through any openings, or foundations, walls and floors; or the backing up of sewers, sumps, septic tanks or drains; but this exclusion shall not apply to loss or damage caused by fire, explosion or malicious mischief;
- (2) loss or damage caused by or resulting directly from flood (but this exclusion shall not apply to property which is in due course of transit). "Flood" shall mean waves, tide or tidal water, and the rising (including the over-flowing or breakage of boundaries) of lakes, ponds, reservoirs, rivers, harbours, streams and similar bodies of water, whether wind-driven or not;
- (3) loss or damage to Tobacco Stock caused by collapse of building by snow load or ice load, except as stated under item 6(g);
- (e) loss or damage caused by or resulting from dampness of atmosphere, dryness of atmosphere, extremes or changes of temperature, except under item 6(b), heating, shrinkage, evaporation, loss of weight, leakage of contents, marring, scratching, crushing or by being spotted, discoloured, moulded, rusted, frosted, rotted, soured or steamed, rust or corrosion, exposure to light, contamination, change in flavour or colour or texture or finish, scalding, pole rot, lath breaking, string unraveling, leaf droppage or loss due to tobacco being cured using a direct fired curing system;
- (f) loss or damage caused by or as a result of electrical disturbances of any kind due to electrical currents artificially generated, unless fire or explosion ensues and then only for the loss or damage caused by ensuing fire or explosion;
- (g) mechanical breakdown, latent defect or faulty material, design or workmanship, inherent vice, gradual deterioration or wear and tear;
- (h) loss or damage caused by or resulting from delay, loss of market, loss of use, moths, rodents and vermin;
- (i) theft, except under item 6(c);
- (j) mysterious disappearances;
- (k) any loss or shortage disclosed on taking inventory;
- (l) loss or damage resulting from misappropriation, secretion, conversion, infidelity or any dishonest act on the part of the Insured or other interested party, his or their employees or agents or any person or persons to whom the property may be entrusted;
- (m) loss or damage (unless fire or explosion ensues and then only for the loss or damage caused by such ensuing fire or explosion) sustained while the property insured is actually being worked upon and directly resulting or caused by any repairing, adjusting or servicing of the property insured;
- (n) loss or damage caused by or resulting from:
 - (1) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack: (a) by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air force; or (b) by military, naval or air force; or (c) by an agent of any such government, power, authority or forces;
 - (2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
 - (3) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations confiscation by order of any government or public authority, or risk of contraband or illegal transportation or trade;
- (o) loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, aggravated by the peril(s) insured against in this policy;
- (p) loss or damage caused by neglect of the Insured to use all reasonable means to save and preserve the property after any loss.

8. **VALUATION CLAUSE** –

- (a) TOBACCO STOCK IN KILN – The actual cash value of Tobacco Stock damaged or destroyed in any kiln building shall be calculated as follows: (a) the value of the tobacco damaged or destroyed in any one kiln building shall be the average of the value computed using the Contract Agreement 2009 Flue-Cured buying grades & price list on the Tobacco Stock in the two kiln buildings filled from the same field in the same year's harvest before and after that which is subject to loss; (b) if no kiln building has been so filled before the one subject to loss, such average shall be the value computed in respect of Tobacco Stock in the two kiln buildings so filled after it, and if no kiln building has been so filled after the one subject to loss, such average shall be of such value computed in respect of Tobacco Stock in the two kiln buildings so filled before it.
- (b) CURED TOBACCO STOCK – In the event of loss or damage to the Tobacco stock described, the value shall be:
 - (1) the actual cash value of the tobacco damaged or destroyed based on the Contract Agreement pricing.
 - (2) In ascertaining the value, proper deduction shall be made for any prior loss or damage and for the cost of stripping, handling, transportation, and other expenses not incurred prior to loss.

9. **ACTUAL CASH VALUE** – Actual Cash Value is defined as the “2009 Flue-Cured Buying Grades & Price List” forming part of the Contract Agreement per pound of tobacco.
10. **AUTOMATIC REDUCTION** – The amount of insurance stated in this policy is a provisional amount related to the full value at risk during the current season and is reduced as the insured property is sent to the Buyer.
11. **PRO-RATA CLAUSE** – The amount of insurance applicable under this policy at any given time is that proportion that the actual cash value, using the automatic reduction clause, bears to the actual cash value of all remaining tobacco on the farm during the term for which this policy is issued.
12. **INSURABLE INTEREST** – The Insured having declared his interest as indicated on the front of the policy and that such interest is in tobacco grown during the 2009 crop year. This insurance is limited to indemnity of the insured in respect of his own interest only, and the Insurer’s total liability (unless otherwise endorsed) is limited in any event to the stated percentage.
13. **TOTAL INSURANCE APPLICABLE** – At the time of any loss or damage, if the Insured has other insurance, the amount of insurance under this policy shall be reduced in the proportion that this sum bears to the total amount of all insurance, whether valid and collectible or not.
14. **LOSS PAYABLE** – All monies payable under this policy for loss of or damage to the insured property shall be payable jointly to the insured and any other named interest subject to all conditions of this policy.
15. **CLAIM PAYMENT REDUCTION** – The payment of any claim under any section of this Rider shall reduce the total amount of insurance applicable under all sections by the amount of any claim payment.
16. **DISTRIBUTION** – If at the time of loss or damage the Tobacco Stock insured under the policy is contained in more than one building, the Insurer’s liability for Tobacco Stock in the building in which the loss or damage occurs shall be limited in the proportion that the value in each shall bear to the value in all at the time of loss.
17. **NON-WAIVER CLAUSE** – No condition of this policy shall be waived in whole or in part unless the waiver is clearly expressed in writing signed by a person authorized for that purpose by the Insurer.
18. **EXPIRATION OF INSURANCE** – Coverage ceases on cured Tobacco Stock on May 1st, 12:01 a.m. the year following the inception date of the policy, or upon delivery to the Buyer, or the Insured has sold an amount of tobacco equal to his current year’s Contract Agreement, whichever event occurs first.
19. **TOBACCO STOCK DEFINITION** –
 KILN STOCK – Kiln stock is tobacco stock located within a kiln while undergoing the curing procedure.
 BARN STOCK – Barn Stock is cured tobacco other than that tobacco as defined under the definition of Kiln Stock.

STATUTORY CONDITIONS

- 1 – **MISREPRESENTATION:** If any person applying for insurance falsely describes the property to the prejudice of the Insurer, or misrepresents or fraudulently omits to communicate any circumstance which is material to be made known to the Insurer in order to enable it to judge of the risk to be undertaken, the contract shall be void as to any property in relation to which the misrepresentation or omission is material.
- 2 – **PROPERTY OF OTHERS:** Unless otherwise specifically stated in the contract, the Insurer is not liable for loss or damage to property owned by any person other than the Insured, unless the interest of the Insured therein is stated in the contract.
- 3 – **CHANGE OF INTEREST:** The Insurer shall be liable for loss or damage occurring after an authorized assignment under the Bankruptcy Act or change of title by succession, by operation of law, or by death.
- 4 – **MATERIAL CHANGE:** Any change material to the risk and within the control and knowledge of the Insured shall void the contract as to the part affected thereby, unless the change is promptly notified in writing to the Insurer or its local agent; and the Insurer when so notified may return the unearned portion, if any, of the premium paid and cancel the contract, or may notify the Insured in writing that, if he desires the contract to continue in force, he must, within fifteen days of the receipt of the notice, pay to the Insurer an additional premium; and in default of such payment the contract shall no longer be in force and the Insurer shall return the unearned portion, if any, of the premium paid.
- 5 – **TERMINATION OF INSURANCE:**
 - (1) The Insurance may be terminated:
 - (a) subject to the statutory provision relating to cases where loss under the contract has, with the consent of the Insurer, been made payable to some person other than the Insured, by the Insurer giving to the Insured at any time fifteen days notice of cancellation by registered mail, or five days notice of cancellation personally delivered, and, if the Insurance is on the cash plan, by refunding the excess of premium actually paid by the Insured beyond the pro rata premium for the expired time;
 - (b) If on the cash plan, by the Insured giving written notice of termination to the Insurer, in which case the Insurer shall, upon surrender of this policy, refund the excess of premium actually paid by the Insured beyond the customary short rate for the expired time.
 - (2) Repayment of the excess premium may be made by money, postal or express company money order, or by cheque payable at par.
 - (3) If the notice is given by registered letter, the repayment shall accompany the notice.
 - (4) The fifteen days mentioned in clause (a) of sub-paragraph (1) of this condition shall commence to run from the day following the receipt of the registered letter at the post office to which it is addressed.
- 6 – **REQUIREMENTS AFTER LOSS:**
 - (1) Upon the occurrence of any loss of or damage to the Insured property, the Insured shall, if such loss or damage is covered by the contract, in addition to observing the Requirements of conditions 9, 10 and 11:
 - (a) forthwith give notice thereof in writing to the Insurer;
 - (b) deliver as soon as practicable to the Insurer a proof of loss verified by a statutory declaration,
 - (i) giving a complete inventory of the destroyed and damaged property and showing in detail quantities, costs, actual cash value and particulars of amount of loss claimed,
 - (ii) stating when and how the loss occurred, and if caused by fire or explosion due to ignition, how the fire or explosion originated, so far as the Insured knows or believes,
 - (iii) stating that the loss did not occur through any wilful act or neglect or the procurement, means or connivance of the Insured,
 - (iv) showing the amount of other insurances and the names of other insurers,
 - (v) showing the interest of the Insured and of all others in the property with particulars of all liens, encumbrances and other charges upon the property,
 - (vi) showing any changes in title, use, occupation, location, possession or exposures of the property since the issue of the contract,
 - (vii) showing the place where the property insured was at the time of loss;

- (c) If required, give a complete inventory of undamaged property and showing in detail quantities, cost, actual cash value;
 - (d) If required and if practicable, produce books of account, warehouse receipts and stock lists, and furnish invoices and other vouchers verified by statutory declaration, and furnish a copy of the written portion of any other contract.
- (2) The evidence furnished under clauses (c) and (d) of sub-paragraph (1) of this condition shall not be considered proofs of loss within the meaning of conditions 12 and 13.
- 7 – **FRAUD:** Any fraud or wilfully false statement in a statutory declaration in relation to any of the above particulars, shall vitiate the claim of the person making the declaration.
- 8 – **WHO MAY GIVE NOTICE AND PROOF:** Notice of loss may be given, and proof of loss may be made, by the agent of the Insured named in the contract in case of absence or inability of the Insured to give the notice or make the proof, and absence or inability being satisfactorily accounted for, or in the like case, or if the Insured refuses to do so, by a person to whom any part of the Insurance money is payable.
- 9 – **SALVAGE:**
- (1) The Insured, in the event of any loss or damage to any property Insured under the contract, shall take all reasonable steps to prevent further damage to any such property so damaged and to prevent damage to other property Insured hereunder including, if necessary, its removal to prevent damage or further damage thereto
 - (2) The Insurer shall contribute pro rata towards any reasonable and proper expenses in connection with steps taken by the Insured and required under sub-paragraph (1) of this condition according to the respective interest of the parties.
- 10 – **ENTRY, CONTROL, ABANDONMENT:** After any loss or damage to insured property, the Insurer shall have an immediate right to access and entry by accredited agents sufficient to enable them to survey and examine the property, and to make an estimate of the loss or damage, and after the Insured has secured the property, a further right of access and entry sufficient to enable them to make appraisal or particular estimate of the loss or damage, but the Insurer shall not be entitled to the control or possession of the insured property, and without the consent of the Insurer there can be no abandonment to it of insured property.
- 11 – **APPRAISAL:**
- (1) If any difference arises as to the value of the property insured, the property saved or the amount of the loss, that value and amount shall, whether the right to recover on the contract is disputed or not, be ascertained by two competent and disinterested appraisers, the Insured and the Insurer each selecting one, and the two so chosen then selecting a competent and disinterested umpire.
 - (2) The appraisers together shall then estimate and appraise the loss or damage; stating separately the sound values and damage and, failing to agree, shall submit their differences to the umpire; and the finding in writing of any two shall determine the value of the property insured, the property saved and the amount of loss.
 - (3) The parties thereto shall pay the appraisers respectively selected by them, and shall bear equally the expense of the appraisal and umpire.
- 12 – **WHEN LOSS PAYABLE:** The loss shall be payable within sixty days after completion of the proof of loss, unless the contract provides for a shorter period.
- 13 – **REPLACEMENT:**
- (1) The Insurer, instead of making payment, may repair, rebuild, or replace the property damaged or lost, giving written notice of its intention to do within thirty days after receipt of the proofs of loss.
 - (2) In that event the Insurer shall commence to so repair, rebuild, or replace the property within forty-five days after receipt of the proofs of loss, and shall thereafter proceed with all due diligence to the completion thereof.
- 14 – **ACTION:** Every action or proceeding against the Insurer for the recovery of any claim under or by virtue of this contract shall be absolutely barred unless commenced within one year next after the loss or damage occurs.
- 15 – **NOTICE:**
- (1) Any written notice to the Insurer may be delivered at, or sent by registered post to, the chief agency or office of the Insurer in the Province or delivered or so sent to any authorized agent of the Insurer therein.
 - (2) Written notice may be given to the Insured by letter personally delivered to him or by registered letter addressed to him at his latest post office address notified to the Insurer, or, where no address is notified and the address is not known, addressed to him at the post office of the agency, if any, from which the application was received.