



STATE BANK OF PAKISTAN
AGRICULTURAL CREDIT & MICROFINANCE DEPARTMENT
I. I. CHUNDRIGAR ROAD
KARACHI

No. AC&MFD/AFP&DD/Livestock/40713/2014-14556

August 12, 2014

The Presidents/Chief Executive of Banks/MFBs
(Providing agri./livestock loans)

Dear Sir,

Livestock Insurance Scheme for Borrowers (LISB)

Please refer to AC&MFD Circular No. 01 of 2013 dated November 01, 2013 on the subject.

2. To facilitate small livestock farmers the Government of Pakistan in Federal Budget 2014-15, has approved the reimbursement of livestock insurance premium up to maximum of 4% for small livestock farmers getting financing for up to 10 cattle, as per the approved scheme attached herewith.
3. Banks/MFBs are therefore, advised to implement the LISB based on the parameters of the approved Scheme and enter into agreements with reputable insurance companies for underwriting Livestock Insurance for their borrowers and negotiate best terms.
4. Further, banks/MFBs will be required to submit their claims under LISB on a semiannual basis (i.e. July-December, and January-June) after due verification of the same by their internal audit.

Yours Sincerely,

(Dr. Saeed Ahmed)
Director

o/c

Enc! Livestock Insurance Scheme

Livestock Insurance Scheme for Borrowers	
Participation	All banks involved in livestock lending and all insurance companies interested to participate in this scheme.
Eligibility	All borrowers availing loan from banks for the purchase of livestock will be covered under LISB ¹ .
Loan covered	All livestock loans up to Rs.5 million for the purchase of animals
Joint insured	Bank and the borrower
Period of insurance	Yearly renewal insurance
Animals covered	<ul style="list-style-type: none"> • All local dairy, milch animal, fattening animals comprising (Buffaloes, Cows & Bulls) (Age from 9 months to 7 Years old) • All Imported animals as per terms & conditions of underwriting guideline of the participating Insurance Companies
Insured perils	<ul style="list-style-type: none"> • Death due to disease/natural • Death due to flood, heavy rains, wind storm and drought • Accidental death
Premium	<ul style="list-style-type: none"> • Up to a maximum of 4% per annum of amount insured excluding applicable levies • Bank will be responsible for collection & payment of premium to the Insurer.
Indemnity	<ul style="list-style-type: none"> • Up to the insured amount of loan or individual price of animal as declared by bank. • Maximum sum insured is PKR 5,000,000 per borrower. • 20% compulsory deductible each and every claim.
Documentation	<ul style="list-style-type: none"> • Name & address of the loanee • Loan detail • Description of Animals to be insured; • Purchase invoice of new animals; • The Insurance company and bank will ensure tagging through third party arrangement; • Photographs of animal insured • Veterinary certificate/certificate of health • A list of animals will be provided in writing • Copy of CNIC of loanee
Claim Process	<ul style="list-style-type: none"> • Insured/branch will inform immediately to the Company via email, phone call, SMS, writing etc. and will wait for at least 24 hours before disposing off the carcass. • Insurance company shall arrange a veterinary doctor approved by Pakistan Veterinary Medical Council to investigate the cause of loss and issue a death certificate. • The insured/branch will submit the claim form duly stamped and signed within 14 days. • Insurance company shall settle the claims within 30 days of claim lodgment.

¹ Insurance Companies are encouraged to develop and market feasible insurance products for individuals who undertake livestock farming and processing from their own resources.

Payment of the claims	<ul style="list-style-type: none"> • Claims shall be payable to the banks by the insurers for credit to the insured borrower's loan account
Others Modalities	<ul style="list-style-type: none"> • Evidence of Death • Free access of inspection of animal • Complete document, veterinary attendance and certificate confirming the cause of death. • Identification of Animals • In case tag is lost, the insured/BM/ACO shall immediately inform to the insurance company; • The insured farmer/bank will ensure inoculation/vaccination for recommended disease by Registered Veterinary Officer (Private/Government) within 15 days of purchase of animal. • Insurance Company and Bank shall be responsible for tagging of the insured animals for which a mechanism will be devised with mutual consent.
Main Exclusion	<ul style="list-style-type: none"> • Death due to Rinderpest, Blackquarter, Hemorrhagic Septicemia, Anthrax and Foot & Mouth Disease if the animal is not inoculated/ vaccinated. • Pre-existing diseases or injuries • Change of location without prior permission in case of; <ul style="list-style-type: none"> • Transport of animal by land vehicle beyond 25 kms from the place of farming. • Transit by foot beyond 50 kms from the place of farming.. • Slaughter of the animal under the order of the government • Epizootic illness • Participation in fairs, exhibitions, markets or contests • Poisoning • Riot, strike & civil commotion. • Sabotage and terrorism.
Data Sharing	<ul style="list-style-type: none"> • Banks shall make all the necessary arrangements, to facilitate the Insurance Companies by providing them all the relevant data, as desired by them.

Decisions on Livestock Insurance Scheme in the Budget 2014-15

- The Livestock Insurance Scheme will cover all farmers getting financing for purchase of up to 10 dairy, milch animals, fattening animals comprising (Buffaloes, Cows & Bulls).
- The Scheme will cover livestock insurance in case of death due to disease/natural, flood, heavy rains, wind storm, drought and accident.
- The bank granting loan to the farmers will pay the agreed premium to the insurance company. The premium paid on account of small livestock farmers against loans for up to 10 animals will be forwarded to the government on half year basis. i.e. 31st December and 30th June.
- Before making payment to insurance companies through banks to premium subsidy, SBP will verify the amount so claimed.
- MOF shall obtain the copy of banks' agreement with the insurance companies containing the details of the Scheme including premium rate.