



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

No. AC&MFD/AFP&DD/Livestock/NIL/2014-14558

August 12, 2014

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

Dear Sir,

EXTENSION OF CROP LOAN INSURANCE SCHEME (CLIS)
TO FARMERS WITH LANDHOLDING UP TO 25 ACRES

Please refer to our letter dated 21st August, 2008 regarding the Cabinet's approved Crop Loan Insurance Scheme (CLIS), whereby the Government is bearing the cost of insurance premium on account of subsistence farmers up to a maximum of 2% per crop per season.

2. In this regard, to facilitate the farming community, the Government has enhanced the scope of premium subsidy/reimbursement under the CLIS to farmers with landholding up to 25 acres besides subsistence landholders with effect from 1st July, 2014. Other parameters of the Scheme remain the same.

3. Accordingly, banks/MFBs are advised to implement the enhanced coverage of the CLIS and submit their claims as per the revised criteria on 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

Encl: Crop Loan Insurance Scheme

Crop Loan Insurance Scheme 2014 Extended to All Crops

Name	Crop Loan Insurance Scheme
Participants	All commercial banks and microfinance banks (MFBs) involved in agricultural lending and all insurance companies dealing in general insurance interested to participate in this scheme
Clients' Eligibility	All borrowers availing Agri Production Loans from Banks/MFBs.
Applicability	All agriculture production loans disbursed by banks/MFBs.
Declaration/ Qualification	<p>The name of the farmer and his/ her crop must be entered in the Land Revenue record. The scheme will also be applicable to tenants, lessees, etc.</p> <p>MFBs may ensure due diligence and field verification of the total land holdings /cultivation of the borrower to meet the requirements for submitting premium claims.</p>
Crops Covered	Major field crops i.e. Wheat, Rice, Sugarcane, Maize and Cotton.
Risks/Perils Covered	<p>Indemnity would be payable on the occurrence of production loss due to:</p> <p>a) Natural calamities like excessive rain, hail-storm, frost, cyclone, flood, and drought, etc</p> <p>b) Crop diseases like viral and bacterial attacks, or any other damage caused to the produce by infestation like locust attack, etc.</p>
Coverage Period	The insurance cover would be for the period from sowing/transplanting of the crop to its harvesting except in the case of sugarcane & fruits where, in addition to above, an explicit time period (or fruiting season) should also be specified for the purpose of insurance cover.
Sum Insured	Sum insured will be based on the per acre borrowing limits prescribed by the State Bank subject to a maximum amount agreed between the banks/MFBs and insurance company.
Premium Rate	Maximum 2% per crop per season inclusive of standard levies
Premium Payment	<p>The bank/MFB will collect the premium from the farmers upfront on behalf of the insurance companies which will be deposited in the insurance companies' collection account to be opened and maintained with the bank for the purpose</p> <p>Premium in respect of farmers (with subsistence land</p>

	holding or with landholdings up to 25 acres) shall be paid upfront by the banks/MFBs to insurance companies at the time of disbursement of production loans.
Indemnification	<p>A valid claim (as mutually agreed between the bank and the insurance company) under the scope of cover will be payable subject to the following:</p> <p>(i) The Insured Crop is situated in an area declared as Calamity Affected by the respective Provincial Government or Revenue Authority</p> <p>(ii) Damage to the crop was due to any of the insured perils</p>
Payment of the Claims	<p>Claims shall be payable to the banks/MFBs by the insurers for credit to the insured borrowers' loan account.</p> <p>Insurance companies to ensure payment to banks/MFBs within 30 days after notification of calamity for ultimate credit to the loan accounts of the borrowers.</p>
Aggregate Liability of the Insurer	The maximum amount of claim is restricted upto 300% of the total premium received by the insurance company during the year or repayment period of the production loan.
Data Sharing	Banks/MFBs shall make all the necessary arrangements, to facilitate the Insurance Companies by providing them all the relevant data, as & when desired by them
Exclusions	As per standard exclusions applicable to this class of business
Selection of Insurance Companies	Banks/MFBs will select insurance companies on a competitive/transparent basis through their Board of Directors
Media Campaign	Banks/MFBs/insurance companies may launch suitable media campaign well before the starting of Rabi season to create awareness among farmers and convince them for availing institutional credit so as to increase their farm production

Government's Role, Contribution & Financial Support

Premium Subsidy for small & medium farmers	Government of Pakistan will bear the cost of insurance premium on account of small* & medium^ farmers (with land holding of upto 25 acres) to a maximum of 2% per crop per season
Insurance Agreements	Copies of the insurance agreements between banks/MFBs and the insurance companies containing all details of the policy including premium rate, shall be provided to SBP and MOF for perusal and record.
Verification of Banks' Claims	Before making payments to banks/MFBs, SBP will verify the claims and amount so claimed
Reimbursement of Premium Claims	<p>The bank/MFB granting the loan to the farmers will pay the agreed premium to the insurance company on account of small & medium farmers and claim the amount of the same from the Government.</p> <p>Banks/MFBs to compile data on insurance premium paid in respect of subsistence farmers and send to SBP as under:-</p> <p>a) For Rabi crops by 31st December b) For Kharif crops by 30th June</p> <p>MOF will ensure reimbursement to the banks/MFBs within two weeks on receipt of verification from SBP by issuing a sanction letter through AGPR in favor of SBP.</p>
Declaration of calamity hit area by the Provincial Governments. AJK, FANA and FATA	The Provincial Government, AJK, FANA and FATA shall issue the notification within a fortnight from the date of occurrence of calamity.
<p>* Farmers with subsistence landholdings: Punjab & KPK 12.5 acres, Sindh 16 acres and Balochistan 32 acres</p> <p>^ Farmers with landholdings above 12.5 acres and up to 25 acres.</p>	