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SBP launches Livestock Insurance Scheme for borrowers

The State Bank of Pakistan, in collaboration with SECP, banks, insurance companies and provincial livestock & dairy departments, has developed a framework for Livestock Insurance for borrowers. It is aimed at improving access to finance to the livestock & dairy sector by mitigating risk of loss of livestock due to disease, natural calamities & accidents.

The livestock sector contributes 55% in Agriculture GDP and 11.4% to the overall GDP. It is an important tool for poverty alleviation and for raising the living standards of the poor especially in rural areas. However, banks' financing to Livestock/Dairy & meat is only Rs 56 billion which constitutes 17% of total agri. lending of Rs. 336 billion in 2012-13. One of the major reasons for modest off take of credit to this sector is the limited availability of appropriate insurance products or other risk mitigation tools.

Livestock Insurance Scheme will provide an essential risk mitigating tool to encourage banks to enhance flow of credit to this highly potential and underserved sector. The scheme would safeguard the interest of farmer borrowers in case of death due to disease, accident, flood, heavy rains and storm of their dairy, milch or fattening animals i.e. buffaloes, cows & bulls. Under the Scheme, banks will obtain insurance of all livestock loans up to Rs. 5 million for the purchase of animals.

SBP has advised banks to implement the scheme as per given parameters and enter into agreements with reputable insurance companies for underwriting livestock insurance for their borrowers. Further, banks may also negotiate with insurance companies for best terms vis-à-vis insurance coverage for disability and theft of animal, premium rate etc. as per mutual arrangement.

SBP will request Government of Pakistan to bear the cost of insurance premium of small farmers through budgetary support as is being done under the Government's mandatory Crop Loan Insurance Scheme for five major crops. As per SBP classification, farmers having up to 20 cows/buffaloes and 50 fattening cattle are categorized as small farmers.
