



Micro-insurance for the poor

MD FAZLUR RAHMAN

THE Palli Karma-Sahayak Foundation (PKSF) plans to launch micro-insurance, aiming to improve the livelihoods of the poor in Bangladesh.

"The micro-insurance programme that we are planning to introduce will be for the poor, just like the microcredit programmes," said Md Fazlur Kader, a deputy managing director of the state-run agency.

"We call pro-poor insurance micro-insurance. We are looking at insurance as a development tool," he told The Daily Star in an interview on Wednesday.

"It will help improve the quality of the lives of the poor."

PKSF was established by the Bangladesh government in 1990 as the apex organisation with the mandate to alleviate poverty by generating employment.

PKSF disburses funds to microfinance institutions (MFIs), who are referred to as their partner organisations (POs), to implement development programmes designed for the poor of Bangladesh.

At present, PKSF has over 200 MFIs as POs, providing financial services to 1.25 crore borrowers across the country.

Kader said the programme would cover livestock, health and life insurance. "The country's NGOs or MFIs have not launched this type of programme yet. They have however launched a sort of quasi-insurance service."

"We are trying to bring all of these quasi-insurance services under one system."

He said PKSF has already launched a project. "We are now surveying demand to be able to provide appropriate services."

"There is an issue of confidence and trust. How quickly we will be able to settle claims will be our key point."

Kader said when any incident takes place that needs insurance payment, it is difficult for the poor clients to claim insurance payment. "Clients require to submit a number of documents to be able to claim insurance."

He said Bangladesh would follow the Philippines model, where claims are settled within one to five days. "We are trying to do the same in Bangladesh."

He said Bangladesh enjoys some advantages. "Our POs work directly with the poor. Micro-insurance will remain limited to their microcredit clients."

The country's Microcredit Regulatory Act permits MFIs to introduce insurance services, the PKSF official said. "But the insurance services will not be given to all; the facility will be limited to members only. We will ensure that the service is fair, well-managed and sustainable."

He said PKSF is now conducting a survey. "We hope we will be able to design different prod-



Md Fazlur Kader

ucts by December."

Kader said before launching any product, PKSF would work to create awareness among people. "There is some confusion with insurance in the country. We have to remove those."

"We will focus on micro-insurance in light of the country's social safety net scheme."

Kader however said they would not be able to solve all problems with insurance alone. "But it could be sustainable. It can help solve some of the problems."

"As a result, the government will not need to supply resources for the poor in the name of social safety net. The government will be able to free up money from this sector and use elsewhere."

He said nobody should be confused about

micro-insurance, as it will not belittle the importance of other social safety net projects. "It will complement those government schemes. It will not replace them."

Kader said there are many challenges too. "In general, there are many moral hazards in settling claims at present. We have to introduce a fair, transparent, effective and sustainable scheme, which is also pro-poor."

He said they would primarily start livestock insurance, health insurance and life insurance.

He said they would also introduce innovative features. "If someone does not smoke cigarettes, his premium will be lower as the person is less likely to suffer from heart related diseases. We will see whether the person has modern and clean sanitation facilities installed at home."

"We will also look at a person's hygiene issues. If a client takes up various preventive health measures, like drinking and cooking with pure water, then his premium amount will be low."

"We will try to make the system as attractive as possible so that it encourages people to take up various preventive health measures that helps improve the livelihood of people."

Kader said NGOs have vast networks across the country and their activists go from door-to-door. "So they will be able to know whether the insurance recipients are complying or not, which will determine the premium amount that the client has to pay."

"It will not be seen as a commercial venture. We will however make the service sustainable so that investment can be recouped. Our ultimate goal is to maximise the social benefit."

He said they would first launch the service on a pilot basis. "Our POs will implement the service. If we succeed, we will then turn the scheme to a regular PKSF programme."

He said PKSF already covers livestock insurance. "We have brought 60,000 cows under the scheme. And the programme is expanding very fast."

PKSF plans to expand the micro-insurance programme in the country in the next three years. "We are conducting the survey in 16 districts. We have picked the districts such that the findings have national representation."

"We will make claim settlements poor-friendly so that the cases are settled fast. Otherwise, we will not be able to make the venture successful."

He said the Philippines has progressed a lot in the case of micro-insurance, reaching out to hundreds and thousands of clients. The nation has brought the rural and urban population under the same system.

"We, along with some POs, have already visited the country to gain first-hand knowledge. India is also working on insurance."

He said the Philippines started micro-insurance in 1999. "They have taken a decade to come this far. But I think we will not need that much time as our microcredit sector is mature."

Quasi-insurance is nothing new in Bangladesh. POs have successfully launched insurance for livestock.

Kader said POs are already providing quasi-insurance services. "We will formalise it, and modernise it. We will try to introduce micro-insurance in both rural and urban settings."

He said they are trying to introduce micro-insurance in the health segment, as poor families suffer a lot if the breadwinner in the house falls ill. "Illness makes the poverty situation of a family intolerable. We are giving a lot of importance to health insurance."

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SME efforts win praise at UN

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THE SME Foundation has thanked Prime Minister Sheikh Hasina for pointing out the contribution of the foundation in her speech at the UN General Assembly.

The prime minister said the state-run agency is responsible for developing and promoting small and medium enterprises in the country, while addressing the 66th annual session of the UN General Assembly, the main policymaking organ of the United Nations, in New York on September 23.

"We are very, very pleased and this is a huge recognition for us. We strongly feel that the prime minister herself deserves credit here because she has been supportive and instrumental in promoting SME's in the country, and in particular the SME Foundation," said Syed Rezwanaul Kabir, managing director of the foundation.

He said although the foundation was established in 2006, it gained momentum in the last couple of years. "The recognition is a result of the coordinated efforts of all the stakeholders of the sector."

Kabir singled out the country's entrepreneurs, particularly women entrepreneurs, who are continuously defying all sorts of barriers to take their venture to the next stage.

"The prime minister has particularly talked about women entrepreneurs. We fully agree with her observation. We have found out that

The foundation chief urged the country's banking system to change their attitude towards women entrepreneurs. "They are still facing problems when it comes to getting loans. The banks should remember that nobody becomes a successful entrepreneur overnight."

the number of women loan defaulters is very negligible."

The foundation chief urged the country's banking system to change their attitude towards women entrepreneurs. "They are still facing problems when it comes to getting loans. The banks should remember that nobody becomes a successful entrepreneur overnight."

Kabir said their responsibility has increased further following the prime minister's speech. "Now we have to gear up efforts to solve the problems entrepreneurs face."

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Men and women attend a workshop on IT at BIAM auditorium in Dhaka recently. SME Foundation organised the event for 80 participants.

SME FOUNDATION