



Unleashing the Potential of Agriculture Microinsurance Market in Bangladesh: Prospects and Challenges

Financial Institutions Division (FID) in association with the Insurance Development and Regulatory Authority (IDRA) and the Embassy of Switzerland in Bangladesh organised a workshop titled ‘Unleashing the Potential of Agriculture Microinsurance Market in Bangladesh: Prospects and Challenges’ on April 6, 2022. Here we publish a summary of the discussion. The session was moderated by Maksuma Akhter Banu, Deputy Secretary of the Financial Institutions Division.

Mujibul Hasan Cezanne, Country Director, Swisscontact Bangladesh
On behalf of Swisscontact Bangladesh and Bangladesh Microinsurance Market Development Programme, I would like to thank the Embassy of Switzerland for giving us the mandate to conduct and manage the two studies. I would also like to express my sincere gratitude to the Financial Institutions Division and IDRA for their overall cooperation and guidance in carrying out the studies.



We need to ensure cooperation and collaboration between various stakeholders so that the sector may reach its full potential.

Microinsurance can, directly and indirectly, be related to several SDGs. It is also deeply entwined with the government's Vision 2041 which focuses on, among other things, the resilience of crop and livestock production system in the face of climate change. The microinsurance sector is still in a nascent stage but it has huge potential. We need to ensure cooperation and collaboration between various stakeholders so that the sector may reach its full potential.

Syeda Zinia Rashid, PhD, Senior Programme Officer, Embassy of Switzerland in Bangladesh
Switzerland has a strong niche in the agricultural sector of Bangladesh. As a long-standing development partner of the Bangladesh government, Switzerland has been contributing to many development areas including agriculture. Bangladesh is prone to climate change impacts and disaster risks, and the challenges are increasing day by day. Here also Switzerland is committed to support the farmers' community in cooperation



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Tim Gamper, International Consultant & Lead for the Study
The study titled 'Unleashing the potential of agriculture microinsurance market in Bangladesh: Prospects and challenges' covers four areas: Bangladesh's microinsurance market system, challenges and constraints to growth, potential microinsurance subsector analysis and proposed



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microinsurance sector strategy.
The key message I want to share with you is that there is a dire need for partnership between the public sector, private sector and development partners to make microinsurance projects successful in Bangladesh.

Microinsurance is aligned with the Bangladesh government's priority plans such as Bangladesh Delta Plan 2100, Perspective Plan (2021-2041) and 8th Five-Year Plan.

In Bangladesh, the current per capita expenditure on insurance is USD 8 per person while in India it is USD 71 per person. So, there is considerable scope to develop the insurance market in Bangladesh. The Philippines has made extraordinary accomplishments by bringing 30 percent of its population under microinsurance in only 20 years. This should be an indicator for how far Bangladesh can also develop its microinsurance market.

The market potential for crop insurance in Bangladesh is USD 549 million while for livestock it is USD 74 million. Approximately 7.8 percent of SMEs are owned by women. These figures show that there is a clear market for microinsurance in Bangladesh.

However, there are some challenges when it comes to capitalising on this market. The

PROBLEMS	SOLUTIONS
<ul style="list-style-type: none">➤ Absence of a microinsurance regulatory framework and consumer protection law	<ul style="list-style-type: none">➤ Development of Micro-Insurance Policy, Agriculture Insurance Policy, Livestock Insurance Policy➤ Facilitate policy dialogues, anchored by FID, with relevant government agencies and regulators
<ul style="list-style-type: none">➤ Absence of a functioning support service market for demand-driven product development	<ul style="list-style-type: none">➤ Facilitate the development of a support service market (data provider, actuarial services, insurance services) that enables innovative products tailored to the need of the customers➤ Develop the reinsurance capacity (skills and technology) of SBC➤ Advocate with FID, BIA, and NBR to waive/minimize 15% VAT on agriculture insurance premium
<ul style="list-style-type: none">➤ Low demand for agriculture insurance amongst the target groups	<ul style="list-style-type: none">➤ Support market actors, such as IDRA, insurance companies, aggregators, agro-input companies, to conduct campaigns, literacy programs, marketing activities
<ul style="list-style-type: none">➤ Limited distribution mechanism for agriculture insurance	<ul style="list-style-type: none">➤ Advocate with MRA and IDRA for developing favorable regulations that allow innovation in distribution with new distribution partners
<ul style="list-style-type: none">➤ Weak Claims Management Implementation Processes	<ul style="list-style-type: none">➤ Facilitate insurance companies to integrate automated claim settlement and payout system➤ Facilitate linkage among local service providers and MFS/aggregators and support insurance companies to adopt flexible options for claim settlement (e.g., cattle post-mortem)

supply side challenges for insurance companies in Bangladesh are limited market demand information, product development, technology service provisions, delivery channels, actuarial skills, and concerns regarding commercial viability. The demand side challenges are lack of trust, poor client value proposition, liquidity constraints in premium payment and delay in payment of claims.

The way forward includes improving actuarial skills, investment in technology, exploring new partnerships and emerging frontiers, developing a clear microinsurance regulatory framework and strengthening inter-ministerial cooperation.

Elias Omondi, International Expert on Agriculture Insurance Policy

A significant portion of the agricultural market in Bangladesh is underinsured, leaving them exposed to risks and unable to manage and recover from them. For example, production losses of major crops due to natural disasters are on average equivalent to 6.4 percent of the national crop production. Currently, insurance penetration in Bangladesh is below 1 percent. If we support the agricultural space, we can easily increase insurance penetration in Bangladesh.

We should focus on product development. We need to first figure out how to design the products, with the target audience in mind.



We need to develop a guideline or roadmap that clearly sets out where we want to go as an industry.

Supervisory guidance on the development of agriculture insurance product is necessary, and here a collaboration between the industry and the regulatory body should be ensured.

Distribution is another key element that needs focus. Since the farmers in Bangladesh are on the lowest part of the pyramid, we must use alternative channels of distribution to reach them.

Fintech can play a very important role here, as it can provide a whole new way of delivering products to customers. But we must make sure that it is something that farmers are willing to adapt to.

We have to increase affordability of agricultural insurance products. Otherwise, it would be pointless to create a product. We should reduce tax and VAT on agricultural insurance products.

We need to develop a guideline or roadmap that clearly sets out where we want to go as an industry. This will help us chart our plans and figure out how we will promote agriculture microinsurance and push for it in the market. We can bundle insurance products with credit to facilitate promotion and distribution. Sustainable insurance is the key to mitigating the risk farmers face due to climate change related disasters. However, at the same time, we should also take care of the climate and nature.

Syed Shahriyar Ahsan, Managing Director, Sadharan Bima Corporation

The total number of households in Bangladesh is around 2.87 crore—of which 1.52 crore households are dependent on agriculture. Although we have done a lot of work around general insurance, the agriculture insurance sector remains neglected.



We must also ensure that the insurance premium is kept low and that it is VAT free.

If we cannot ensure agriculture insurance for our farmers and bring agricultural losses under insurance coverage, we will not be able to achieve sustainable development in the agriculture sector.

Currently, Sadharan Bima Corporation in collaboration with Swisscontact and Syngenta Foundation is issuing weather index-based crop insurance policies in the northern region of the country. Having such insurance will allow farmers to avoid loss and damage from disasters, and they will not have to worry about paying off the loans. We must also ensure that the insurance



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lives of the marginal communities. Microinsurance for the agriculture sector in Bangladesh needs to be carefully designed, with products that are based on the needs of the farmers. The process of claiming insurance should be made easier.

Sheikh Kabir Hossain, President, Bangladesh Insurance Association

Agriculture is one of our most important sectors. In the past, it was a major income source for the country and its people. However, this field has now fallen behind due to various natural calamities as well as neglect. But now, we must revitalise this sector.

Both the private and public sectors need to come forward and work together to design



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insurance products that can be of use to the farmers. The VAT and tax on agriculture insurance should be kept at the minimum level. Private companies should subsidise these insurance schemes.

Dr M Mosharraf Hossain, Chairman, Insurance Development and Regulatory Authority

We, as insurance companies, must come forward with quality insurance products for agriculture sector to save our farmers from the perils caused by climate change and disasters. We have to bundle our products to bring in multiple elements together so that people feel encouraged to purchase them. Bundling features such as timely



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payouts, zero interest rate, loan coverage, etc., can ensure the maximum reach of agriculture insurance. We also have to reduce the tax burden on agriculture insurance products.

Sheikh Mohammad Salim Ullah, Secretary, Financial Institution Division, Ministry of Finance
Bangladesh, despite having many constraints, has made substantial progress in reducing poverty, accelerating the pace of socio-economic development, and achieving the targets of SDGs. The prudent policy of our government, combined with the resilience of our people, has been the key to our success. I urge all the insurance companies to adopt digitisation in their insurance management systems, not only for their business, but for the overall economic growth of the country.



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There should be a clear policy guideline for microinsurance as well as for agriculture insurance. In order to bring visible change in the industry, I request my colleagues from IDRA to take the lead in developing the necessary policy framework. Additionally, I would recommend that insurance companies should start working in rural areas alongside their existing markets.

I also urge the Ministry of Agriculture and the Ministry of Livestock and Fisheries to promote microinsurance in the livestock and fishery industry.

Abdullah Harun Pasha, Additional Sectary, Financial Institution Division

I think we have conducted a very successful workshop today where we have focused on the various aspects of microinsurance for the agriculture sector. We are grateful to the Swiss government for extending their support to us. I believe that Bangladesh will continue to make progress and by



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Market Potential of Microinsurance for Agriculture/Livestock Sector



Denis Garand, International Expert on Microinsurance
Microinsurance helps low income and poor people manage their risks. The premium level of microinsurance should not be more than 10 days' income of the client.



The way forward includes improving actuarial skills, investment in technology, exploring new partnerships and emerging frontiers, developing a clear microinsurance regulatory framework and strengthening inter-ministerial cooperation.