

Bangladesh Microinsurance Market Development Programme (BMMDP)







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Foreword and acknowledgments



Switzerland and Bangladesh have been long-standing development partners for over 50 years. What Bangladesh achieved, notably in food security, sanitation, child mortality, malnutrition, and access to education, is commendable and Switzerland is proud to have been part of the journey.

One of the biggest global challenges the world is facing in the 21st century is climate change and this hard reality does not spare Bangladesh. Climate change threatens the development and growth trajectory of the country and the ambition of the Government to leave no one behind, ahead of the 2026 graduation out of the least developed country category. Every year, a growing frequency of weather hazards and natural disasters creates socio economic losses in every sector. Agriculture and related small and medium-sized enterprises are affected the most.

In this daunting context, "The Bangladesh Microinsurance Market Development Programme (BMMDP)", supported by Switzerland, reduces weather shocks for farmers and SMEs through microinsurance services. Pioneered by Switzerland and in cooperation with the private sector, BMMDP enables vulnerable farmers not only to mitigate climate-change-induced risks but also to increase economic resilience. The diverse micro insurances tested by BMMDP are a concrete and sustainable contribution to the SDG 13 on climate action. Scalable, they have the potential to make a significant contribution to poverty alleviation.

This journey of BMMDP would not have been possible without the contribution of all the stakeholders concerned. Switzerland expresses its gratitude to the Financial institution Division (FID) of the Ministry of Finance, the Economic Relations Division (ERD), the Insurance Development and Regulatory Authority (IDRA), Palli Karma-Sahayak Foundation (PKSF), BRAC, Green Delta Insurance Company (GDIC), Reliance Insurance Company (RIC), Syngenta Foundation for Sustainable Agriculture (SFSA), and Swisscontact for having embarked on this adventure and making BMMPD the success it is today!

Congratulations to everyone involved and I am looking forward to writing the next chapter of microinsurance in Bangladesh together.

Suzanne Mueller Chargé d'affaires (a.i.) Embassy of Switzerland in Bangladesh



BMMDP is a programme funded by the Embassy of Switzerland in Bangladesh and anchored by Financial Institutions Division, Ministry of Finance and NGO Affairs Bureau, Government of the People's Republic of Bangladesh. The programme is managed by Swisscontact. The programme aims to contribute to the diversification of agriculture risk mitigation measures in Bangladesh. The programme has been branded as 'Surokkha', which implies the protection of our farmers from any inconvenience caused by all kinds of calamities.

The programme worked on three distinct but interrelated components. Crop Surokkha (crop insurance), Livestock Surokkha (livestock risk mitigation services), and Surokkha (sector capacity development in agriculture microinsurance). Crop insurance is implemented by the Syngenta Foundation for Sustainable Agriculture (SFSA), Livestock risk mitigation is implemented by the Palli Karma Sahayak Foundation (PKSF), and sector capacity building is implemented by Swisscontact in addition to its role of managing agent for offering back stopping support to all three components.

The development of agricultural insurance is extremely crucial, particularly for smallholder farmers who are vulnerable to weather-related risks. The main purpose of developing this programme is to protect the livelihoods of farmers and their harvests from natural calamities through microinsurance.

The programme with support of the implementation partners have gained significant traction in slowly changing the landscape of microinsurance services for the country. For the first time, the insurance service providers have started developing products keeping the needs of the customers (farmers in rural communities).

Until December 2022, BMMDP reached over 1,500,000 farmers (directly and indirectly) through its activities, and around 280,000 farmers increased their investment in agriculture and livestock. Additionally, approximately 824,000 farmers purchased crop and livestock insurance policies, and financing worth CHF 166,418,000 was triggered due to the BMMDP and its partners.

I would like to express my sincere gratitude to the Embassy of Switzerland in Bangladesh for trusting Swisscontact with the responsibility of this timely but challenging programme and for its continued guidance and support. My heartfelt appreciation to all the public and private sector partners for their relentless support to the programme for making this the success it is today. I firmly believe that this initiative will be useful for the development of the microinsurance and agricultural insurance industry.



Mujibul (Cezanne) Hasan Country Director, Bangladesh Swisscontact From vision to impact: An insight into the Bangladesh Microinsurance Market Development Programme (BMMDP)

Mandated by

Embassy of Switzerland in Bangladesh

Target

336,000 farmers insured by June 2023

Five year 9 months

1 November 2017 - 30 June 2023

Budget

CHF 7.4 million

The overall goal of BMMDP is to improve farmers' well-being through enhanced agricultural productivity and increased resilience to natural disasters.

The importance of microinsurance in the climate vulnerable agri-sector is highlighted in the SDG targets:



The concept is aligned with the 8th Five Year Plan of the Government of Bangladesh (GoB), which states that farmers need:

- better access to credit
- insurance
- agricultural services

Insurance will play an important role in the management of climatic risk in agriculture. BMMDP's intervention directly contribute to the implementation of the National Financial Inclusion Strategy-Bangladesh (NFIS-B) and the National Agricultural Policy, which call for the introduction of crop and livestock insurance.



Impact at a glance



825,000 farmers adopted crop and livestock insurance against a target of 348,000



Over 560,000 farmers benefited from applying climate resilient farm management practices against a target of **39,500**



34 partners promoted crop and livestock insurance products to farmers against a target of **28**

More than 1.5 million

farmers were reached through BMMDP activities

Volume of financing worth CHF 166 million

triggered through BMMDP activities

Around 56,000

acres of land were covered under crop insurance

571,000 farmers experienced increased income



Background

More than 80 percent of the population is potentially exposed to floods, earthquakes, and droughts, and more than 70 percent to cyclones. This makes Bangladesh's smallholder farmers extremely vulnerable to weather-

smallholder farmers extremely vulnerable to weatherrelated risks. The intensity of these risks is increasing because of climate change. Production losses of major crops due to natural disasters are on average equivalent to 6.4 percent of the national crop production. Farmers have limited access to social protection and microinsurance which could protect them. This lack of access, combined with their limited savings, can result in high vulnerability. Crop and livestock insurance could play a major role in protecting these farmers.

Bangladesh

- Seventh most climate change-vulnerable country
- Fifth in terms of economic losses due to climate change, which totalled USD \$3.72 billion
- 56 percent (90 million) of the population live in "high climate exposure areas" with 53 million subjected to "very high" exposure
- According to global evidence, a 1 percent rise in insurance penetration would reduce the disaster recovery burden on the government by 22 percent
- Extreme weather events are detrimental to the agricultural sector where 70 percent of the population depend on agriculture for their livelihood

Without proper access to insurance, Bangladesh's smallholder farmers' only available strategy for reducing exposure to weather risks is to limit their investment in high-value inputs, and diversify into off-farm activities. Low investment in inputs and services means that these farmers do not lose as much in the event of a disaster, but it means that their productivity and returns on their investments remain low as well. "Low investment, low return" risk reduction strategies condemn smallholders to remain in, or lead a life perpetually on the brink of poverty.



With the little opportunities for crop and livestock insurance that do currently exist, there remain barriers for stakeholders, including:

- Availability of insurance products. Products addressing priority risks are unavailable. There is a lack of knowledge and of access to finance.
- Lack of microinsurance regulations. There is a lack of microinsurance regulations in the country that may enable the private sector to develop agriculture, livestock, poultry, and fisheries insurance products targeting low-income customers.
- Unaffordable premium rates. The rates charged on products are not necessarily based on analyses which use mathematical, statistical, and financial modelling and theories (actuarial services). Reinsurers cannot price the risks properly. As a result, the premium rates are therefore unaffordable.
- Limited connectivity. The majority of farmers reside in remote areas, whereas insurance companies are mostly urban-based. As a result, the geographical distance between service suppliers and potential customers poses an additional challenge.

The Embassy of Switzerland of Bangladesh recognised there was a need to support the agri-sector in Bangladesh. They sought to determine whether crop and livestock insurance could reduce the climate induced vulnerability of farmers. This type of service would enable farmers to manage risks better.

The Embassy had already gathered extensive experience in crop and livestock insurance across sub-Saharan Africa as an effective tool for climatic risk transfer and building resilience. They also provided the Palli Karma-Sahayak Foundation (PKSF) (an institution founded by the Bangladesh government to alleviate poverty through employment generation) with a grant to conduct a feasibility study to assess whether crop and livestock insurance had any potential in Bangladesh.





Overview: Bangladesh Microinsurance Market Development Programme

Weather index-based crop insurance

Implemented by Syngenta Foundation for Sustainable Agriculture-Bangladesh (SFSA-B)

Sector capacity development in agricultural microinsurance

Implemented by Swisscontact:

- Action and policy research
- Capacity building
- Use case generation

Livestock risk mitigation service

Implemented by PKSF

Weather index-based crop insurance

SFSA-B was assigned to develop suitable weather index-based crop insurance products and business models, while also raising awareness among local insurance companies. SFSA-B contributed to enhancing the knowledge and capacity of insurance stakeholders through knowledge creation and evidence-gathering.

BMMDP helped bridge the gap between insurance providers and farmers through the development of alternative distribution channels for insurance products, such as local crop input suppliers, contract farming processors and traders, and microfinance institutions (MFIs).



BMMDP facilitated these organisations to bundle insurance products with their existing services. This would yield several benefits:

- These organisations already had a strong rural footprint and access to remote areas where the farmers were based, making the delivery of insurance more viable.
- Bundling insurance into existing financial products made insurance more attractive.
- Working with local organisations to embed insurance provisions within agri-input products to farmers made these insurance products more commercially viable, while driving down cost.

Area yield index-based crop insurance

Building on learning from the limitations in coverage for weather index-based crop insurance, BMMDP piloted an area yield index insurance (AYII) product for potato and Boro rice. This product covered all biological perils, in addition to weather-related perils, and was a better fit. The programme worked with forward market linkage companies to provide improved value propositions for bundled insurance products.



Livestock risk mitigation services

BMMDP played a vital role in supporting the development of appropriate risk mitigation services, both financial and non-financial, for small-scale livestock farmers. PKSF identified partner organisations (POs) to serve as distribution and marketing networks, providing customised risk-reducing services to livestock credit borrowers. To ensure the farmers' welfare, a risk mitigation fee of 0.7 percent was charged on the loan amount, following the prevailing practice. In case of livestock mortality from predefined causes, the corresponding loan amount was waived by the POs.

Livestock vaccination camps were organised to provide farmers with vaccination services. The POs also offered risk reduction services through a range of activities such as financial literacy training and risk-mitigation measures.



Cattle health insurance services

For the first time in Bangladesh, and possibly in the world, BMMDP facilitated development of a cattle health insurance service that offered health coverage in addition to traditional coverage offered under cattle insurance.

For this intervention, BMMDP has partnered with agri-tech companies and insurance companies, namely iFarmer, mPower, and Pragati insurance company. The intervention applied cutting-edge technology solutions for identification of insured cattle.



Innovations

Product innovation

BMMDP has always prioritised product innovation that were customercentric.

Weather index-based crop insurance allows farmers to receive payouts based on weather triggers. These include: unseasonal heavy rain, excessive rainfall, dry spells, low temperature, and relative high humidity. The terms of the product sheet are similar for each sub-district and insurer wise and not distribution channel specific. A total of 22 types of crop insurance were developed.

Building on learning from the limitations in coverage for weather indexbased crop insurance, BMMDP piloted an AYII product for potato and Boro rice that covered a wider set of risks in comparison to the pilot weather index-based crop insurance products. Area yield index-based crop insurance protects farmers based on a predetermined historical benchmark of yield and covers more common risks beyond just weather. This means farmers receive compensation for their percentage losses in yield, regardless of whether the damage was caused by weather or biological factors. BMMDP facilitated the development of cattle health insurance products for the first time in Bangladesh. This includes utilising a sophisticated muzzle-based cattle identification software that reduces the possibilities of claim fraud. This system is also comparatively low cost and more accurate than conventional methods of cattle identification.

Product bundling

Product bundling refers to a marketing strategy whereby insurance products and/or services are embedded together to sell them as a combined unit with agri-input products. This makes it convenient in terms of purchasing several products and/or services from one company. Insured farmers have received a forward market linkage facility, a special kind of extension service that addresses their worries about getting a full value of the production. This includes selling their crops at a better price in the market, being connected directly with large retailers, gaining negotiation skills, accessing updated market information, bargaining rent for storing their products in cold storage etc.

BMMDP also experimented with the bancassurance concept in Bangladesh, where the entire liability (loan) and asset (cattle) is covered by insurance. Thus, the risks for banks for venturing into financing in high-risk sectors like livestock are significantly lowered through the use of microinsurance tools.



Climate resilient extension services

As an extension service, insured farmers receive weekly weather forecast and agri-advisory services through mobile phone calls and SMS. The climate resilient extension service was tailored to farmers by specific geographical locations, types of crops, and stage of production. The service was very popular among farmers and had played an instrumental role in expanding crop insurance in the programme.

Distribution channels

BMMDP tried to develop distribution solutions based on existing channels in the market.

MFIs played a vital role in the pilots as a distribution channel for insurance products. They had the capacity to explain the benefits of agricultural insurance products, operationalise the process, and set up a management and accounting system for agricultural insurance services.

Most importantly, creating a competent pool of staff was pivotal for their evolution as insurance distributors. Agri-input companies and farmers associations were also integral in establishing a distribution channel, acting as distribution agents for the agricultural insurance products, and raising awareness among farmers about the benefits of insurance. The spectrum of microinsurance and its impact

Transformational narratives

"

I gained a sense of security and the courage to invest more in my land."

Mst. Tohura Khatun

Mst. Tohura Khatun (25) lives in the northernmost district of Thakurgaon with her husband and two daughters.

For years, Tohura's husband has been earning a meagre amount of money, selling fish and vegetables at the local bazaar. As a result, Tohura has struggled to manage finances for their household expenditures. They had ten decimal of land, which she used for seasonal cultivation of potato and rice crops. Unfortunately, her area usually suffers from weather-related risks such as hailstorms, heavy rain, drought, excessive fog during winter and unusual fluctuations of weather and temperature. Her productivity was therefore adversely affected for several seasons, and she incurred heavy losses. Out of fear, she failed to increase her investment and overcome the losses.

During this time, she came to know about the crop insurance facility provided under BMMDP (Surokkha) where farmers are given weather index-based crop insurance products and introduced to risk mitigation methods for the agriculture sector (initially, crop and livestock sub-sectors).

"With the help of local implementing partner ESDO, I registered for crop insurance for my land last year. Since then, I have subscribed to a premium of BDT 100 for 10 decimal of land for the crop season. In April 2022, a hailstorm heavily damaged our potatoes. Most of the loss was covered by insurance. This insurance has helped me to overcome financial losses," says Tohura.

As part of the insurance package, Tohura and many other farmers in the area also receive a weekly forecast on the weather conditions and proper farmer management practices via an automated phone call. This information, which was unavailable before, has allowed farmers like Tohura to prepare well before the arrival of any weather shocks.

Tohura has also registered for crop and livestock insurance. Tohura bought a calf with the money and plans to sell it next year to earn a good profit. She further explains, "I want to increase my livestock from one to two, two to three, with the amount of profit I will be receiving in each deal." As a value-addedservice, she also received a two-day training on better cattle rearing practices.

Having gained more financial security in the household has strengthened her contribution to the family. Tohura no longer worries about the forthcoming expenses of education or marriage arrangements for her daughters. "I have opened a savings account in their names, where I deposit BDT 200 every month for their future."

"

The money that I have received through the cattle insurance has not only covered the damages I incurred, but will also help with further expansion of my business."

Abdul Hamid

Abdul Hamid runs a dairy farm in his village, Kayumkholam, located in Ullapara, Sirajganj. Hamid was a teenager when he started working as a dairy farmer. With time, he was able to start his own business.

In the hopes of purchasing more cattle to expand his dairy business, Hamid reached out to the local banking agent at BRAC Bank to gather information about loans. It was during this discussion that Hamid was informed about the embedded insurance service that he could receive upon purchasing a loan. "For five milking cows, I required a loan of BDT 500,000. The agent told me that in order to procure the loan, I will have to buy insurance, which would reduce the risk of investment in the case of cattle death or illness."

In April 2022, he took a loan of BDT 500,000 from BRAC Bank. Local field officers from the Syngenta Corporation followed up with Hamid and collartagged the insured cows. The tags were embedded with a chip that stored data related to the identification, species of cow, and the date the cow was purchased. The information database was managed by Green Delta Insurance Company (GDIC). The officers also provided Hamid with health cards for each cow that included information on when the cows were vaccinated, medical history, and more.

Nine months later, one of the insured cows that Hamid had purchased with the loan money died from milk fever right after giving birth. Hamid informed the agent at BRAC Bank about claiming insurance. Under the bancassurance mechanism, Hamid had to submit a post-mortem report to the local banking agent. This was then sent on to GDIC for further verification against the information database that they manage.

This entire process of verification to claim settlement was automated. As per the amount of insurance that Hamid had bought, GDIC was able to settle the claim via BRAC Bank, which adjusted Hamid's premium and loan payments.

Key insights

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Latent demand for crop and livestock insurance amongst the target groups:

Cack of trust and awareness on benefits of microinsurance:

- Collaboration with DAE increases uptake
- Bundling microinsurance with other services increases adoption (OBD, credit, extension services)
- Partnerships with MFIs increase trust

Weak value proposition of the microinsurance products:

- Weather index-based crop insurance does not cover biological and most sought-after weather perils such as hailstorm
- Risk mitigation services do not fully cover livestock farmers' needs (e.g. cost of medication for cattle)

Absence of microinsurance regulatory framework and consumer protection law:

- C Absence of microinsurance, agriculture and livestock insurance policy
- Limited coordination between regulatory agencies

Limited distribution mechanism for agriculture insurance:

- C Partnerships with agri-input companies offer quick access to farmers
- Inadequate incentives for channel partners to sustainably promote microinsurance products (without programme support)
- C Programme partially effective in addressing limited distribution mechanisms

Absence of functioning support service market for demand-driven product development:

- Difficulties in onboarding more than two insurance companies due to perceived risk
- C Limited availability of historic weather data for product development
- C No government subsidy for agriculture insurance premium
- Unavailability of actuarial services in the market
- Limited local reinsurance capacity



Path ahead

Stimulating demand for microinsurance products through multistakeholder partnership through:

- Support to market actors to conduct campaigns, literacy programmes, and marketing activities
- Provision of catalytic grants for critically lacking commercial driven support services and product innovation
- Further collaboration with DAE and DLS
- Advocacy for government interventions to address farmers' financial constraints

Facilitate the development of commercially, viable, innovative, and scalable distribution mechanism:

- Advocate with MRA and IDRA for developing favourable regulations that allow innovation in distribution
- Introduction of co-variant fund for insurance companies to reduce their reluctance to enter the market
- Work with industry and distribution partners for developing a commercially viable incentive structure for promotion of products



Leaving behind a legacy

Most of the interventions under BMMDP have continued beyond the duration of the pilot phase. From building dynamic distribution channels and diversified insurance products that were catered to meet specific beneficiary needs, to the capacity of the service providers so that they can be adopted long-term, the programme has demonstrated exemplary effort to create an impact in the microinsurance sector. For example:

- BRAC continues independently with AYII for Aman rice from May 2023. BMMDP had supported BRAC in implementing AYII for potato and Boro rice till April 2023. Following in-depth discussions and engagement with BMMDP, Reliance insurance and Pragati insurance have created a three-year crop and livestock insurance programme and new crop and livestock insurance section respectively. Reliance has participated in AYII for potato and Boro rice programme, and Pragati has participated in the cattle life and health insurance programme, both with support from Swisscontact.
- 2. SFSA has continued with weather index-based insurance for farmers in partnership with Syngenta Corporation after SFSA's contact with BMMDP had ended in September 2022.
- 3. PKSF commits to continue with risk mitigation for livestock programmes following the cession of the programme contract with BMMDP.

The partners are keen to keep on delivering microinsurance and agriculture services on their own without external support. This will necessitate the changes in policies for creating the enabling environment for crop and livestock insurance in Bangladesh.



BMMDP stock photograph accreditations

1.

Front cover

Rahman, A. (2020). *Green trees on body of water under cloudy sky during daytime* [Photograph]. Unsplash. www.unsplash.com/photos/Z2RGqlLu95w

2.

Back cover

Shrabon, K. (2021). *Boat on sea under gray sky* [Photograph]. Unsplash. www.unsplash.com/photos/WBbehyM5r3k

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"Background" page

Riyad, K. (2023). (Storm clouds above a field in Chilmari, Rangpur division, Bangladesh) [Photograph]. Pexels. www.pexels.com/photo/landscape-nature-sky-people-16140780/

4.

"Innovations" page

Jorruang, T. (n.d.). *Farmer's hands are analyzing the growth of melon seedlings in the farm* [Photograph]. Vecteezy. www.vecteezy.com/photo/9369947-farmer-s-hands-are-analyzing-the-growth-of-melon-seedlings-in-the-farm

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