

Inventory Analysis of Micro Insurance Products in Bangladesh

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Motivation of the study

- In the first presentation we have observed that the
 - poor are vulnerable and
 - exposed to different types of risks
- There is a dominance of Health related risks
- Besides Crop, Property and Livestock related risks are also frequent.
- The critical issue is how to minimize vulnerability of these poor and low income households



Concept of Micro Insurance

- Micro insurance is one of the mechanisms to minimize the vulnerability of poor households.
- Designed to meet the demand of low income households and affordable to them
- Different from formal insurance in terms of *coverage, premiums, delivery channels, terms and benefits.*

Research Question

- The question is what kind of products are suitable for the poor and low income households and
- Who can offer such services in an efficient way.
- In order to explore the issue we need to analyze the inventory of micro insurance products available in Bangladesh



Methods

- Inventory analysis is based on two separate semi structured questionnaire surveys on microinsurance providers in Bangladesh.
- Microinsurance offered by
 - commercial insurance companies and
 - microfinance institutions
- The first survey is conducted in co-operation with Bangladesh Insurance Association (BIA).
- This presentation is based on the findings from the above two surveys.

Micro Insurance Products offered by Commercial Insurance Companies

Risk Coverage:

- Among these 12 products, 7 cover only death benefit rest of them include accidental and disability benefit.
- In addition, supplementary policy is added with 7 products which requires additional premium.
- 9 of these are endowment and 3 are products term products

Basic features of Microinsurance Products

	Freq.
Risk Coverage	
Death Only	7
Death and Accidental/disability Benefit	5
Supplementary Policies	
With Supplementary Policies (e.g. accidents)	7
Without Supplementary Policies	5
Type	
Endowment	9
Term	3
Total Number of reported products	12

Note: We have received information on 12 microinsurance products from 9 life insurance companies.

Micro Insurance Products offered by Commercial Insurance Companies Continue:

Sum Insured:

- 6 of the reported products fall within the 5000 to 10000 TK lower limit.
- Only one product have a upper limit of less than or equal to 50000 TK.
- Most of these products do not have a well designed lower and upper insurance limit suitable for microinsurance category.

Insurance Limit:

Insurance Amount (Lower Limit)	Freq	Insurance Amount (Upper Limit)	Freq
≤ 5000	3	≤ 50000	1
> 5000 and ≤ 10000	6	> 50000 ≤ 150000	2
> 10000 and ≤ 15000	2	> 150000 ≤ 200000	6
> 15000 and ≤ 20000	1	No Upper limit	3

Micro Insurance Products offered by Commercial Insurance Companies Continue:

Premium

- The average premium of micro insurance product is around 100 Taka per thousand Taka insured.
- But 7 of the 12 reported insurance products charges more than 100 Taka for the clients within the age range of 40-60 years

Annual premium per 1000 TK insured

Age Range	Premium				
	<80	>80 and <100	100	>100 and <120	Not given
For Age<40	1	3	3	3	2
For Age 40-60	1	0	2	7	2

Micro Insurance Products offered by Commercial Insurance

Companies Continue:

Targeted Clients:

There is well defined lower limit of income of targeted clients but the upper limit is not well

Defined

Claim settlement:

In the sample survey it is observed that that the number of required documents varies from as low as 4 to as high as 8 documents per claim.

Income range of Targeted clients

Minimum income level of targeted clients	Freq	Age range of targeted clients	Freq
≤ 1000 Taka Per month	3	18-45	3
> 1000 and ≤ 3000 Taka Per month	3	18-50	3
> 3000 and ≤ 5000 Taka Per month	4	20-50	1
No specification	2	20-55	2
		No specification	2



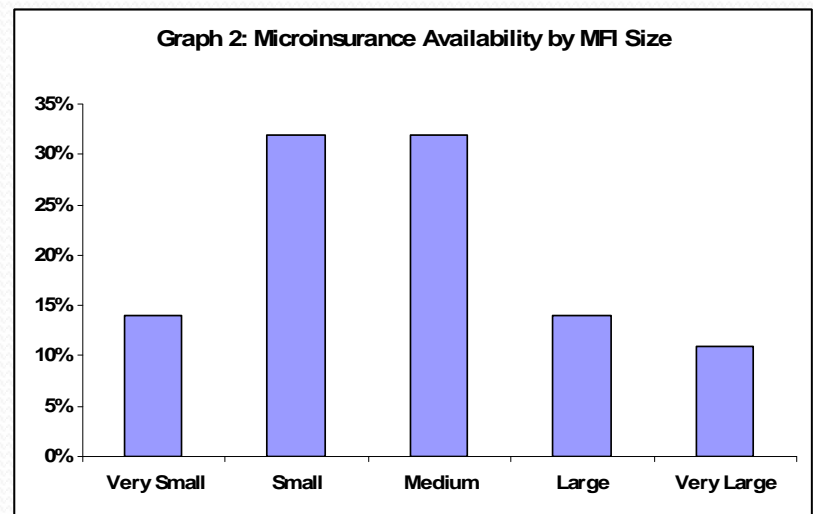
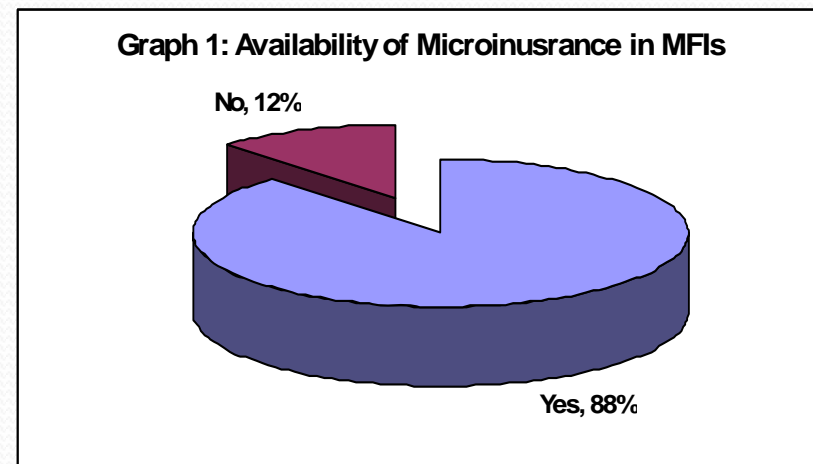
Issues Arising From the Analysis of the Insurance Schemes of Commercial Insurance Companies

- What should be the appropriate claims settlement procedure to shorten time of settlement and at the same time reduce moral hazard problem?
- How can documentation requirements be minimized?
- How can commercial insurance companies reduce transaction cost of operating in rural areas?
- How to get rid of negative image?

Micro Insurance Products offered by MFIs

- Among the 42 surveyed MFIs, 37 have (88 percent) some form of micro insurance products.
- Of the 37 MFIs, 64 percent are small and medium in size.
- All the small MFIs in our sample offer only term life insurance.
- Large MFIs offer insurance schemes that incorporate both credit risk and endowment.

- **Availability of microinsurance among MFIs**



Micro Insurance Products offered by MFIs Continue:

- Term Life Insurance: More than 49 percent of the sample MFIs offer term life insurance to protect credit risk only while 27 percent offer the other type of term life insurance.
- Endowment Life Insurance: Only 11 percent of the MFIs offer such endowment policy that indicates the less concentration of the MFIs to prioritize the members' interest first.
- Health insurance: Grameen Kalyan (GK), Sajida Foundation, etc offer health insurance schemes. GK provides health services through its network of 38 health centres in 32 upazilas in 12 districts.
- Livestock Insurance: Livestock insurance is offered by those MFIs that offer livestock loan. Grameen Bank is one of those MFIs.



Micro Insurance Products offered by MFIs :

Design of the insurance product

- Eligibility: Under term life insurance covering credit risk only, general loan or term loan or livestock or micro enterprise loan, borrowers only are eligible.
- Duration: The micro insurance schemes are generally for one year as most loans of MFIs are for one year. Only five of the 37 MFIs offer micro insurance for specific term. These schemes contain endowment life insurance and livestock and micro enterprise.

Micro Insurance Products offered by MFIs :

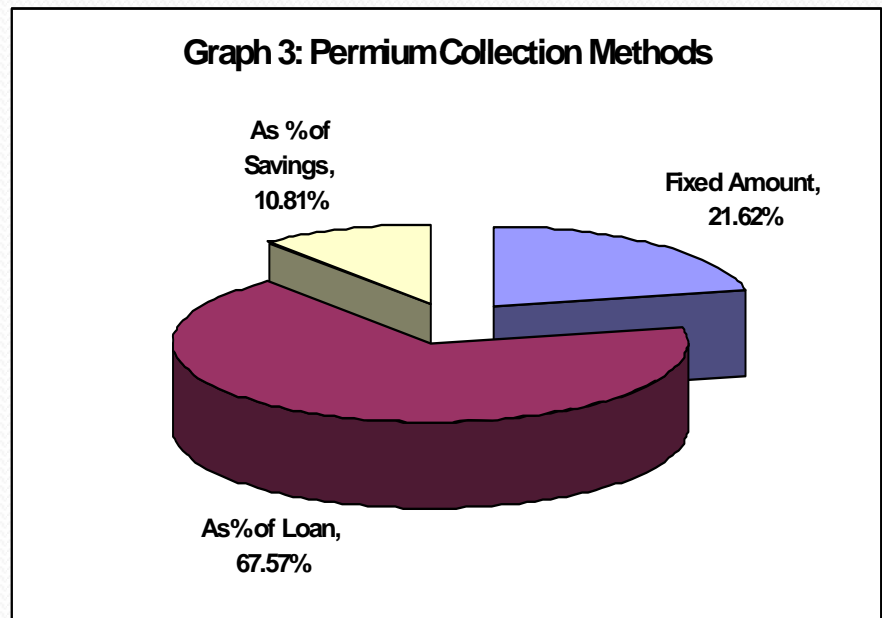
Pricing (premium) issues

- About 68 percent of the MFIs charge premium as percent of loan.
- Around 22 percent of the MFIs offering micro insurance charge fixed amount as premium

Claim Settlement:

- Claim settlement time is not over 1.5 months for any MFI.
- 53 percent of the MFIs require 1 to 2 weeks of time to settle a claim.
- Only some 5 percent MFIs require more than 3 weeks of time.

Rate of Premium as % of Loan		
As % on Loan	Freq.	Percent
0.5	11	44%
1	11	44%
2.5	1	4%
3	1	4%
8	1	4%
Total	25	100%



MI products of INAFI

Main features		Type of Scheme	
		Simple Term Life Insurance	Term Life Insurance with Endowment
Risks Covered		Life	Life
Eligibility/Selection Criteria		<ul style="list-style-type: none"> ▪ Solely based on age limit. ▪ The age range: 18-47 years. ▪ No medical investigation. 	<ul style="list-style-type: none"> ▪ Solely based on age limit. ▪ The age range: 18-47 years. ▪ No medical investigation.
Maturity/Duration (Years)		<ul style="list-style-type: none"> ▪ Minimum term: 5 years 	<ul style="list-style-type: none"> ▪ Term: 5, 7, 10 or 12 years. ▪ Maturity: End of each term.
Benefit Package under the Scheme		<ul style="list-style-type: none"> ▪ Death benefits ▪ 5% bonus on premium after every five years 	<ul style="list-style-type: none"> ▪ Death benefits or insured amount ▪ Share of profits
Sum Insured (BDT)	Minimum	<ul style="list-style-type: none"> ▪ 1800 	<ul style="list-style-type: none"> ▪ 2780
	Maximum	<ul style="list-style-type: none"> ▪ 18000 	<ul style="list-style-type: none"> ▪ 76300
Amount of Premium (BDT) (Fixed)		<ul style="list-style-type: none"> ▪ 5, 10, 15, and 20 	<ul style="list-style-type: none"> ▪ 50, 100, 150, 200, 300, and 500



Issues Arising From the Analysis of the Insurance Schemes of MFIs

- legal authority of the MFIs
- basis and methods of fixing premium
- use and management of insurance fund
- claim settlement procedures
- scope of micro insurance concerning types of risks to be covered.
- High degree of risk for MFIs in case covariate shocks.



Conclusion

Products are diversified but not fully converge with the needs of the poor.

Health-related shocks are dominating but the health insurance has limited availability.

Property-related risks are second ranked for the ultra poor but not dominating product of the insurer

There is a need for livestock insurance which is absent in insurance market.

Endowment policy with different combination of shocks like marriage will be priority for the ultra poor.



Thank you