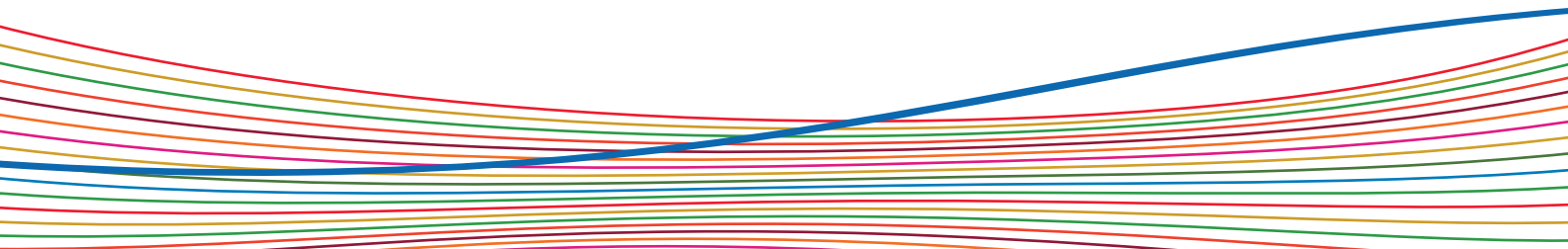




Insurance and
Risk Finance
Facility



Inclusive insurance and risk financing in Bangladesh Snapshot and way forward 2024



Why this report ?

This report summarizes the key findings of an inclusive insurance and disaster risk finance country diagnostic carried out by the UNDP's Insurance and Risk Finance Facility (IRFF) and UNDP Bangladesh. The objective of this summary report is to present a high-level overview of the following information for Bangladesh:

1

Key risks,
especially
climate risks

2

The current
state of
**inclusive
insurance**

3

The current
state of
**disaster risk
finance**

4

**Recommendations
to advance** inclusive
insurance, disaster risk
finance and overall
development.

This summary is a starting point for discussion and collaborative action planning on inclusive insurance and disaster risk finance between UNDP and critical stakeholders, including the insurance sector, government agencies and other development sector actors.

IRFF goals

Impacts: Reduced vulnerability, enhanced resilience of countries and communities and strengthened prospects for sustainable development.

Outcomes: Country and community long-term resilience improved by development and delivery of integrated insurance, risk finance and investment solutions, from products, tools and services all the way leading to market transformation.

Contact IRFF for questions:

If you wish to discuss the findings and recommendations of this report, reach out to:

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Key messages



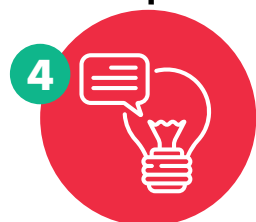
Risks: Bangladesh is the seventh most climate-affected country in the world.¹ Key hazards include floods, tropical cyclones and other severe storms, drought, earthquake and epidemics.



Inclusive insurance: Inclusive insurance exists in the form of microinsurance; some insurers offer life insurance products with low sums insured, and microfinance institutions mainly offer credit life insurance, either by themselves or in partnership with formal insurers. Several pilot initiatives, primarily around index-based agriculture insurance, are also being implemented. The Bangladesh Insurance Development and Regulatory Authority (IDRA), though it is generally supportive of inclusive insurance, has not issued specific regulatory guidance for inclusive insurance or microinsurance. This means that pilots are implemented without guidance, or are not regulated adequately to ensure the best interests of the target population and marginal farmers. Demand for insurance among low-income and rural populations is low and small-scale private sector driven pilots have not created awareness or literacy on insurance, given the severe lack of trust in insurance and insurance providers in the country.



Disaster risk finance: The Disaster Management Act 2012, the Disaster Management Policy 2015, Standing Orders on Disaster 2019 and the National Plan for Disaster Management 2021–2025 are all critical legislative, regulatory and policy elements in disaster risk management (DRM). However, there is no guiding policy or strategy specifically on disaster risk finance. While a few small reserve funds are available for disaster relief and recovery, the primary source of disaster financing is humanitarian aid.



Key recommendations: To support inclusive insurance development, interventions are proposed on developing a facilitative regulatory environment; providing opportunities for innovative product development; and facilitating alternative distribution partnerships. To improve the market for disaster risk finance, key interventions include developing a comprehensive disaster risk financing strategy and supporting the development of specific risk transfer instruments.

Bangladesh's development and risk profile

Key macroeconomic and development indicators

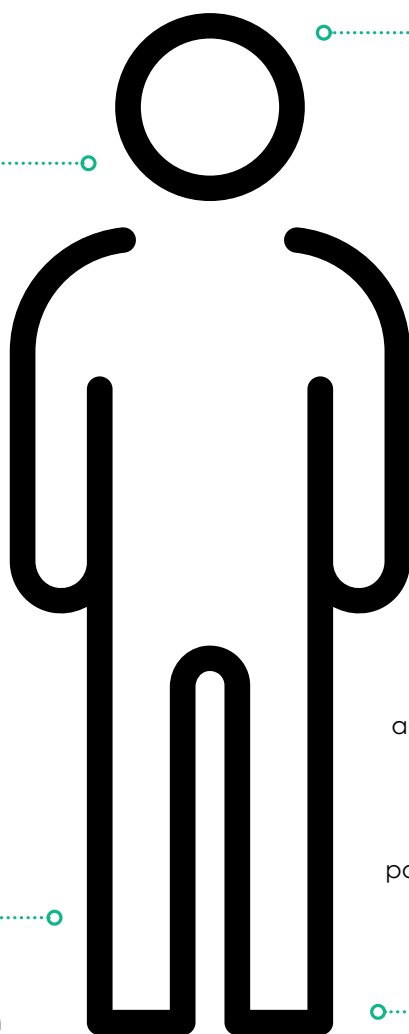


171.2 million people lived in Bangladesh in 2022, making it the **8th** most populous country in the world.²



US\$460.2 billion was the size of Bangladesh's GDP in 2022, the **41st** largest GDP globally.³ However, due to the country's large population, GDP per capita is **146th** globally, at \$2,688.30.⁴

7.1% was the GDP growth rate in 2022, representing a recovery from **3.4%** in 2020, a low rate caused by the COVID-19 pandemic. Pre-pandemic growth in 2019 was **7.9%**.⁵



49% was the employment-to-population ratio in 2022⁶ and **37%** of the labour force are engaged in agriculture.⁷ The services sector contributes the most to GDP at **51%**, followed by industry at **33.9%** and agriculture at **11.2%**,⁸ but productivity levels are extremely low and a transformation to more modern methods is needed.



18.7% was the poverty rate according to national measures in 2022, down from **24.3%** in 2016 and **40%** in 2005.⁹ Measured on the international poverty line of \$2.15 per day, the poverty rate dropped from **11.8%** in 2010 to **5%** in 2022. The country achieved lower-middle-income status in 2015.¹⁰

53% of adults (age 15+) had some sort of financial account in 2021, up from **50%** in 2017 and **31%** in 2014, showing that financial inclusion efforts have improved.¹¹ However, barriers remain, especially for low-income and rural individuals.

Geographic context:

Bangladesh is located at the junction of three tectonic plates and experiences cyclonic storms from the Bay of Bengal, as well as flooding from rivers originating in the Himalayas and Myanmar. The country is situated on a deltaic plain, known as the world's largest delta, with five major river systems. While there are some elevated areas in the northern part, most of Bangladesh is less than 10 metres above sea level. All this makes Bangladesh highly vulnerable to natural disasters.

Hazard context:

Bangladesh is one of the most disaster-prone countries in the world. The country has the ninth highest disaster risk globally according to the World Risk Index¹² and was ranked in the Global Climate Risk Index as the seventh most climate-affected country in the world between 2000 and 2019.¹³ The impacts of natural hazards are greatly amplified by the country's dense population and high poverty levels. An estimated **78%** of the population lives in high multi-hazard risk areas.¹⁴



Key risks and hazards



Flood

Bangladesh has extremely high exposure to flooding (the highest possible risk, according to the INFORM risk index).¹⁵ Types of flooding experienced in the country include flash floods, urban floods due to poor drainage, monsoon floods caused by flooding of major rivers and coastal floods caused by storm surges. Around **30%** of the country is affected by flooding each year, rising to **70%** in extreme years.¹⁶ EM-DAT has recorded **84** flood events since 1980, affecting nearly **283 million** people, or around 6.6 million annually.¹⁷ According to a model developed by the Asian Development Bank (ADB) in 2015, flooding is expected to cause an estimated **\$2.2 billion** in average annual economic impacts.¹⁸

Five severe river floods since 1988 caused estimated damages of between **\$0.9 billion** and **\$6.6 billion** each, and a 2020 flood affected around **5 million** people. With climate change, the annual flow of the three major river basins is predicted to increase, leading to an increase in the probability of flooding.¹⁹

Recent flash flood events occurred in 2015 (affecting **1.8 million** people), 2017 (causing **\$1.5 billion** in crop damage) and 2022 (affecting **7.2 million** people and thousands of water ponds and sanitation facilities).²⁰



Tropical cyclones

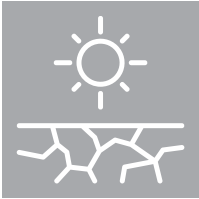
In the last decade, catastrophic cyclone events have become especially frequent, with about one tropical storm-strength or greater cyclone passing through Bangladesh annually. Five of the 10 deadliest cyclones ever recorded globally have occurred in Bangladesh, including the 1970 Bhola cyclone, which caused an estimated **300,000** deaths, and the 1991 Bangladesh cyclone, which caused an estimated **138,000** deaths.²¹ Recent cyclones include Amphan 2020, which affected **5.4 million** people and caused an estimated **\$130 million** in damages/losses²² and Sidr 2007, which led to **4,200 deaths**, 9 million people affected and an estimated **\$2.3 billion** in damages/losses.²³

EM-DAT has recorded **132** storm events (including at least 57 tropical cyclones) since 1980, affecting **68.5 million** people, or an average of 1.6 million annually.²⁴ According to ADB's 2015 model, an estimated **\$1 billion** in average annual economic impacts are expected due to cyclones.²⁵



Severe storms

Severe thunderstorms, known as "kal-baishakhi", are associated with strong winds, torrential rain, tornadoes, hail and lightning. They are common in central Bangladesh and occur between February and June, peaking in April. There are an average of **150** events per year. At least three tornadoes have resulted in over 1,000 deaths each since 1960, and a tornado in 1970 caused an estimated **\$50 million** in damage.²⁶



Drought

The dry regions of Bangladesh located along the western border are most vulnerable to droughts in pre- and post-monsoon periods. On average, drought happens once every 2.5 years (accounting for 20 drought episodes in the last 50 years), with a **4%** annual probability of severe meteorological drought. Droughts damage an average of **3.52 million** hectares per year between the March–July (“Kharif”) and November–March (“Rabi”) cropping seasons. Future climate change projections suggest that the impact of drought will worsen as daily average temperatures rise.²⁷



Earthquake

Bangladesh lies in the intensely active seismic zone at the foot of the Himalayas and the Arakan Yoma. Six earthquakes with magnitudes between 7.0 and 8.8 on the Richter scale have been experienced in areas close to or within Bangladesh in the last 250 years, in 1762, 1885, 1897, 1918, 1923 and 1950.²⁸ Earthquakes have caused an estimated **\$91 million** in damages since 1900.²⁹ Despite their low frequency, earthquakes are considered to pose a high risk in Bangladesh, and the National Plan for Disaster Management 2021–2025 has prioritized earthquake risk reduction as a key action plan.³⁰



Landslides

Since 1990, Bangladesh has experienced more than **30** landslides, primarily in the south-eastern hilly regions, with a death toll of approximately **200** people, alongside massive economic and property loss.³¹ EM-DAT records **6** major landslides since 1980, affecting **154,000** people, including **265** deaths.³²



Epidemics

Bangladesh has battled epidemics (sudden localized incidents) for many years, often leaving the most vulnerable behind without adequate access to health care. EM-DAT records **28** epidemics since 1980, affecting over **3 million** people, including nearly **10,000** deaths.³³

Dengue, an infection transmitted through mosquitoes, can thrive in Bangladesh's context of heavy rainfall, accompanied by high temperatures and humidity.³⁴ In 2019, dengue cases exceeded **100,000** and in 2022 there were over **61,000** confirmed cases.³⁵

Inclusive insurance:³⁶ Status

Enabling environment³⁸

Highlights from the enabling environment for inclusive insurance in Bangladesh

Policies

National Financial Inclusion Strategy of Bangladesh (NFIS 2021) (2021-2026)

NFIS 2021 comprises a roadmap and comprehensive framework to achieve the country's financial inclusion goals.³⁷ One of its 12 goals is to "strengthen insurance services" and targets include developing a policy framework on microinsurance, introducing bancassurance and introducing innovative insurance products for marginal people, small businesses and agriculture. Progress to date on insurance and other financial inclusion initiatives is unknown.

Financial education initiatives

IDRA arranges workshops, seminars/webinars and awareness campaigns for potential customers while sensitizing insurers to offer new products, with particular attention to the needs of people in rural areas. IDRA has also developed booklets, brochures and a website that includes essential information about insurance.⁴²



Bangladesh Insurance Sector Development Project (BISDP)

The BISDP is an \$80 million project funded by the World Bank that seeks to strengthen the institutional capacity of IDRA and the two state-owned insurance companies (life and non-life insurers) and to increase the coverage of insurance in Bangladesh.⁴³ The programme includes a component on citizen engagement in insurance and understanding needs for financial literacy; however, it does not have a significant focus on inclusive insurance and does not include objectives for inclusive insurance.



Inclusive insurance related regulations

No specific regulations for inclusive insurance and/or microinsurance are in place. Some efforts have been made by non-life insurers to engage IDRA on potential for Weather Index-Based Crop Insurance, but nothing concrete has been approved or issued.

Regulations

Insurance Act, 2010

- The Insurance Act of 2010³⁹ is the primary legislation governing insurance business in Bangladesh, superseding the Insurance Act of 1938.⁴⁰
- IDRA's Obligations of Insurers to Rural and Social Sectors Regulation, 2012⁴¹ requires both life and non-life insurance companies to have a specific rate of business operations in rural areas of the country.

Stakeholders



Insurance Development and Regulatory Authority of Bangladesh (IDRA)

- IDRA was instituted as the primary regulator of the insurance industry in 2011.
- Its main objective is to enhance the overall ecosystem of insurers and policyholders and to support industry growth.
- IDRA faces significant challenges in the industry, including technological and technical capability deficiencies, limited financial resources to drive new innovations and lack of adequate human resources and expertise, particularly in the area of microinsurance.⁴⁴

Bangladesh Bank (BB)

- BB is Bangladesh's central bank. It has supported insurance initiatives, issuing the Bancassurance Guidelines for Banks in late 2023, which would facilitate the expansion of insurance.
- It has also adopted several financial inclusion measures, issuing a set of directives to state-owned commercial and specialized banks to open accounts for the unbanked population, referred to as No-Frills Accounts (NFAs). As of 2018, these included over 111,000 small life insurance accounts.⁴⁵

Microcredit Regulatory Authority (MRA)

- MRA, established in 2006, is the central body for monitoring and supervising the microfinance operations of non-governmental organizations (NGOs) in Bangladesh, including microinsurance, through the MRA Act, MRA Regulations, circulars and off- and on-site supervision.
- However, specific circulars, directives and guidelines have not been created to cover microfinance institutions (MFIs), and MRA's team are not insurance experts. With regard to microinsurance policy for MFIs, better coordination is needed between MRA and IDRA.

Bangladesh Insurance Association (BIA)

BIA was formed under the Companies' Act 1913 and registered with the Registrar of Joint Stock Companies in 1988. As of 2023, it had 76 members (45 general and 31 life). BIA hosted the 15th International Conference on Inclusive Insurance in 2019.

Bangladesh Insurance Academy

- Bangladesh Insurance Academy was established under the Insurance Corporations Act, 1973 and is the only public training institute offering insurance training and education for insurance professionals in the country.
- It provides basic, comprehensive and field-based training programmes on life and non-life insurance, both pre-designed and customized for insurers. It also organizes seminars, symposiums and conferences on insurance-related issues.

Supply-side snapshot

Overall insurance coverage (traditional and inclusive): Fast facts

35 life insurance companies and **46** non-life insurance companies were operating in Bangladesh as of March 2024.⁴⁶

2 insurers are state-owned, Jibon Bima Corporation (JBC, life insurance) and Shadharon Bima Corporation (SBC, non-life insurance), **2** are foreign-owned, and the rest are privately-owned local insurance companies.



0.5% is the insurance penetration rate (gross written premiums as a percentage of GDP), significantly lower than the average insurance penetration of **3.7%** among Emerging Asia countries.⁴⁷

\$1.99 billion was total gross premium volume in 2021, with life insurance accounting for **78%** (\$1.55 billion) and non-life **22%** (\$0.44 billion).⁴⁸

31.8 million life and non-life insurance policyholders were in the market as of December 2022.⁵¹

Inclusive insurance: Fast facts



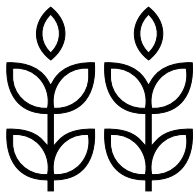
- Inclusive insurance in Bangladesh primarily exists in the form of microinsurance, focused on low-income populations. Microinsurance services in Bangladesh are offered by three types of organizations: NGO-MFIs, private insurance companies and state-owned corporations (JBC and SBC).
- Policies that have small sums assured are also reported by IDRA as 'micro' policies. According to unaudited reports by IDRA, 'micro' life insurance accounted for **13.5%** of total life insurance premiums written in 2022.⁴⁹ These are primarily endowment (micro savings) plans and group term life policies with accident coverage and are offered by most major life insurers in order to comply with IDRA's Obligations of Insurers to Rural and Social Sectors Regulation, 2012.
- Because IDRA has not created a formal definition of microinsurance, official statistics on the outreach of microinsurance are unavailable. However, the Microinsurance Network, based on self-reported data of 10 insurance companies, estimated that **16 million** lives were covered by microinsurance in 2020, primarily credit life, but also other life insurance, health, personal accident and others.⁵⁰

Insurance by MFIs



- NGO-MFIs also provide a form of credit life insurance or loan protection insurance outside of formal insurance regulation, under the MRA Act, 2006.
- Some MFIs and NGOs work with regulated insurance companies such as Chartered Life, Green Delta, Guardian Life Reliance Insurance, Pragati Life Insurance and SBC to offer additional coverages such as health insurance schemes, crop and livestock insurance and microenterprise insurance, many on a pilot basis.⁵² These schemes have been funded both by government and the development sector. However, there are concerns around sustainability and commercialization after projects end, and many projects fail to find interested insurance companies to carry on the programme after pilot financial support ends.

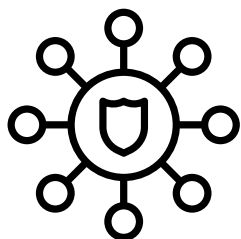
Other initiatives in agriculture insurance



- The Bangladesh Microinsurance Market Development Programme (BMMDP)⁵³ aims to build the climate resilience of farmers and collaborates with insurers to provide agriculture and livestock microinsurance with embedded extension services, on a commercial (unsubsidized) basis. The BMMDP, financed by the Swiss Agency for Development and Cooperation (SDC), provides 22 types of crop insurance across 51 districts in Bangladesh, including weather-based insurance, Area Yield Index-Based Crop Insurance (AYII) and a cattle health insurance product. Around 825,000 farmers have purchased insurance policies since 2017.
- Another significant initiative is between BRAC (the largest NGO in Bangladesh), Syngenta Foundation and Green Delta Insurance to expand the penetration of weather index-based and area yield-based crop insurance among smallholder farmers. In their model, the farmer must pay the full premium and the aim is to sustain the model with or without funding.⁵⁴ The programme is expected to reach 1.8 million beneficiaries by 2025.⁵⁵

Distribution

Common channels



- As in most Asia-Pacific markets, traditional channels such as **agents and brokers** remain the dominant channels for delivering insurance products of any kind to customers. These are the foremost channel for retail customers, with an extensive network of around 432,000 agents in total.⁵⁶ Various microinsurance studies have also found that agents and brokers are the primary channels for distribution of microinsurance in Bangladesh.⁵⁷
- **Telecom companies** such as Airtel, Banglalink, Grameenphone and Robi have partnered with insurance providers to develop and distribute low-cost insurance products, primarily in the areas of life and health insurance. Though the country has a significant number of registered mobile subscriptions, reaching 109 per 100 inhabitants⁵⁸ in 2021, the outreach of insurance through this channel is still minimal.
- **MFIs**, with a total reach of 41 million members (of whom 90% are women⁵⁹ and many are in more remote, rural areas), have yet to reach their potential with respect to insurance distribution. MFI-insurer partnerships on products beyond credit life have been limited.

Other potential channels

- Bancassurance guidelines for banks have been issued, with significant potential for expanding insurance outreach via insurer-bank partnerships.
- Insurtech, which combines insurance and technology, is showing potential in Bangladesh. Adorsho PraniSheba (AP) is a startup focused on providing cattle farmers with Internet-of-Things-based cattle identification and insurance, among other services. BimaFy is a digital insurance platform that promotes and markets the insurance products of reputable insurance companies to primarily urban customers.



Demand

The primary reasons for low demand are believed to be low trust/confidence in insurance providers, low insurance literacy and over-reliance on informal coping strategies.⁶⁰ In general, the industry lacks sufficient data regarding the risk management needs of inclusive insurance target populations.



Disaster risk financing: Status



Disaster risk assessments and data systems



Bangladesh has conducted several disaster risk assessments to better understand and manage the risks associated with natural disasters and has developed systems for key data related to disasters. Key disaster risk assessments and data systems include:

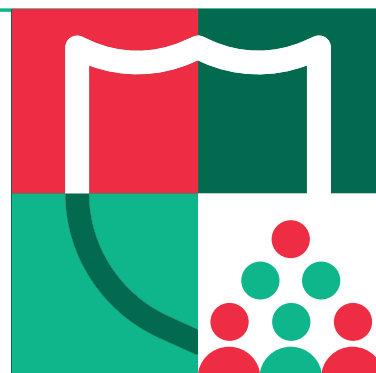
- Multi Hazard Risk and Vulnerability Assessment (MRVA):** The MRVA was prepared by the Department of Disaster Management (DDM) to identify and prioritize risks based on disaster impacts and calculations. MRVA covers eight hazards: flood; cyclone; storm surge; landslide; drought; earthquake; tsunami; and technology and health hazards.⁶¹
- Index for Risk Management (INFORM):** A baseline for risk monitoring, INFORM is a localized sub-national index developed by the UN Resident Coordinators Office (UNRCO) in collaboration with the Ministry of Disaster Management and Relief (MoDMR), with technical support from entities such as the Bangladesh Bureau of Statistics. INFORM measures three main risk dimensions, including hazard and exposure, vulnerability and coping capacity, and covers several risk categories ranging from natural hazards and vulnerable groups to infrastructure capacity.⁶²
- Early Warning Systems:** The Bangladesh Meteorological Department (BMD) provides warnings and advisories for tropical cyclones, storm surge, severe thunderstorm, tsunamis, heavy rainfall and extreme temperature. The international community and NGOs are partnering with the government to strengthen early warning systems.⁶³
- Climate Vulnerability Index:** UNDP, through the Local Government Initiative on Climate Change Project, is establishing a mapping system for a climate vulnerability index up to the lowest tier of local government. A draft of the index, based on exposure, sensitivity and adaptive capacity data, was released in March 2023.⁶⁴

Existing legal, institutional and policy frameworks⁶⁵

- The **Disaster Management Act 2012** is the principal legal document providing the institutional framework for disaster risk management (DRM) by the Ministry of Disaster Management and Relief (MoDMR). The Act endorses **Standing Orders on Disasters (SOD) 2019**, whereby each ministry, division, department and agency prepares its own detailed work plan to perform DRM responsibilities. It also provides for the formation of a National Disaster Management Fund and a District Disaster Management Fund.

Policies

- The **Disaster Management Policy (2015)** strongly emphasizes disaster risk reduction and places importance on disaster management funds as a dedicated financial resource. It ensures governance for DRM activities at all levels.
- The **National Plan for Disaster Management (NPDM 2021–2025)** guides the implementation of DRM and is aligned with global frameworks, including the Sendai Framework for Disaster Risk Reduction (SFDRR), the Sustainable Development Goals (SDGs) and climate agreements. Social inclusion, specifically gender issues and considerations for people with vulnerabilities, is an underlying and cross-cutting strategy in all the NPDM's action plans.



Institutional

- **MoDMR** is responsible for coordinating and facilitating national DRM and disaster risk reduction (DRR) efforts across all relevant ministries and agencies. MoDMR has a designated budgetary allocation for disaster-related activities, relief activities and food distribution to vulnerable groups during disasters.
- **DDM** was established by the Disaster Management Act 2012 to implement and coordinate the Act's objectives under MoDMR. Its main role is to coordinate post-disaster activities and actions across line ministries and to assess damages and losses after a disaster.
- **National Disaster Management Council (NDMC)** is the highest body of DRM, headed by the Prime Minister. It formulates and reviews DRM policies and issues relevant directives, under the secretariat of MoDMR, and monitors the implementation of DRM activities.
- **Disaster Management Committees (DMCs)** coordinate DRM at sub-national levels.
- **The Economic Relations Division (ERD)** is responsible for mobilizing foreign financing following disasters, primarily through borrowing or humanitarian aid from bilateral and multilateral agencies.

There is no comprehensive **disaster risk financing strategy** or plan in place, despite extensive technical assistance from ADB in 2014 that included risk modelling of floods and cyclones, a funding gap analysis, and proposed disaster risk financing options.⁶⁶

Disaster risk finance mechanisms and instruments⁶⁷



Existing ex-ante instruments:

Reserve funds:

- Under the supervision of the Ministry of Finance (MoF), an **annual Fund for Unforeseen Incidents**, financed through the Government's Development Budget, is typically kept for high-frequency, lower-impact disasters. The regular amount is 1 billion Bangladeshi taka (BDT) (\$9.1 million),⁶⁸ but can increase depending on the disaster situation.⁶⁹
- The **Prime Minister's National Relief and Welfare Fund**, financed by donations, provides needs-based allocation of funds in emergency cases.⁷⁰

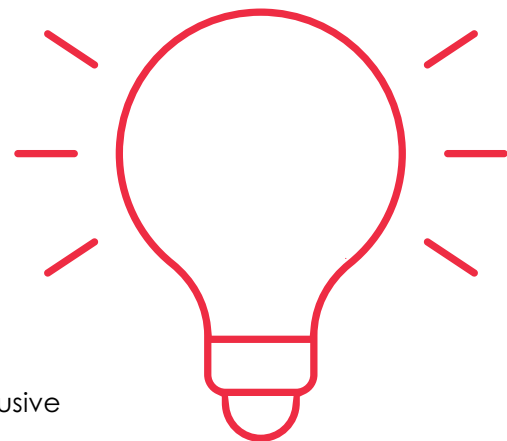
Budget allocation: MoDMR has a designated budget allocation for disaster-related relief activities.⁷¹

Bangladesh Bank Disaster Management and Corporate Social Responsibility Fund was established in 2013 and is funded by contributions from commercial banks. In the first half of 2022, 73% of the Fund, or BDT 4.6 billion (\$42 million), was spent on disaster management.⁷²

Existing ex-post instruments:

- **Humanitarian assistance** is the primary funding mechanism for post-disaster relief and recovery. Between 2016 and 2020, eight appeals based on humanitarian response plans were made, totaling \$146 million. The appeals were funded in the amount of \$80.5 million, just 55% of the requested amount.⁷³
- **Budget reallocation** is used in emergency situations when existing budgets become insufficient. MoF reallocates funding across different governmental and nongovernmental layers through supplementary budgets.
- **Post-disaster borrowing:** The Economic Relations Division (ERD) has specified rules on borrowing mechanisms (ERD Handbook).⁷⁴

Way forward for inclusive insurance and disaster risk financing



The following recommendations support the development of inclusive insurance and sovereign disaster risk finance in Bangladesh.

1

Recommendations for the development of inclusive insurance

1.1

Limited policies, regulations and directives exist for fostering the growth of the inclusive insurance market.

Support the development of regulatory frameworks for inclusive insurance.

- Technical assistance is needed to build IDRA's capacity on inclusive insurance, potentially through participation in Access to Insurance Initiative (A2ii) programming.
- The development of regulatory guidance should be supported on key topics such as microinsurance, index-based insurance, use of insurtech, consumer protection, product approval and innovation, and reporting and monitoring.
- The regulatory gray area of provision of microinsurance by MFIs needs to be addressed by supporting coordination between IDRA and MRA. This could include providing guidelines for the formation of mutual microinsurance companies.
- Existing efforts on regulatory reform by the BISDP programme should be leveraged more broadly.

1.2

Insurers are hesitant to provide microinsurance solutions and there is a lack of products tailored to inclusive insurance target populations.

Build insurance companies' capacity and provide opportunities for inclusive insurance product innovation.

- A national insurance training institution should be engaged to develop a sustainable programme on inclusive insurance.
- An Innovation Challenge should be launched to incubate inclusive insurance solutions, working with local insurance industry and distribution channels to develop insurance products, tools and services.

1.3

Low insurance literacy, awareness and trust result in decreased customer demand, particularly among vulnerable groups.

Promote awareness-building strategies for inclusive insurance.

- IDRA should be supported to design, structure and effectively implement a multi-pronged inclusive insurance awareness and information strategy.
- Ways to build on existing insurance education efforts, such as annual insurance events, should be explored to reach a broader, more inclusive audience.
- Public decision makers and insurers should be convened and informed about inclusive insurance and supported to contribute to awareness-raising initiatives with inclusive insurance target groups.
- Insurers should be supported to improve prompt claims settlements and transparency that will build trust among the target client base. The incorporation of new client-facing and internal technologies could help.

1.4

Insurance distribution is concentrated in traditional agent and broker models. However, alternative categories and distribution partners show potential for innovation and development of products that serve the rural population.

Support the development of new distribution partnerships for inclusive insurance.

- Partnerships with potential distribution channels such as MFIs, particularly NGO-MFIs, should be explored and facilitated.
- Insurtech partnerships should be explored in order to support automation and digitization processes, including through assessing learnings from existing insurtech pilot programmes.

2

Recommendations for the development of sovereign disaster risk finance

2.1

Real-time and reliable statistics, including analysis and quantification, are inadequate to inform DRM and DRF. High-quality and trustworthy risk modelling is lacking.

Strengthen available disaster risk information and modelling systems.

- The Government needs to be supported to adopt a coherent approach to utilizing risk information that will inform relief, reconstruction, social protection and development plans. Current initiatives around the sub-national INFORM risk index and the local climate vulnerability index should be leveraged.
- Global initiatives should be leveraged to strengthen or develop risk models for specific risks and to inform decision-making and disaster finance planning.

2.2

Limited technical capacity exists to use risk information for decision-making.

Build the capacity of key government stakeholders around DRF.

- Trainings should be conducted for government partners such as IDRA, MoMDR, DDM, MoF and others on understanding and articulating disaster risk.

2.3

Optimal risk financing is lacking and there is no comprehensive risk finance strategy.

Develop a comprehensive risk finance strategy.

- MoMDR and MoF should be supported to develop a comprehensive risk layering approach to disaster risk finance, including a mix of ex-ante and ex-post instruments that can be used in relevant sectors and for the benefit of specific target populations.
- The strategy should be accompanied by relevant policy and implementation guidelines.

2.4

The Government currently does not use risk transfer solutions to address disaster risks, though some disaster insurance programmes target vulnerable individuals.

Support the development of risk transfer solutions for disaster risks.

- With international private sector partners, the development of a sub/sovereign disaster risk insurance solution, such as for severe floods, should be explored.
- The Government could undertake a feasibility study on issuing green bonds/cat-bonds, highlighting the pros and cons of raising financial resources for climate change initiatives through fixed-income instruments.
- IDRA, as well as reinsurer SBC, should explore optimal risk pooling and reinsurance arrangements at international, regional and national levels.
- Ways to scale and sustain current disaster risk insurance pilot programmes for vulnerable populations should be explored. This could include establishing a national agriculture insurance scheme.

Endnotes

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