

# The concept of microinsurance in bangladesh

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The concept of microinsurance in Bangladesh has been emerged from the enactment of microcredit programme of NGOs, MFIs and Grameen Bank. The first private insurance company in Bangladesh is Dekta Life Insurance. It started its business in the microinsurance market in 1988 with the product named “ Grameen Bima”. The microfinance institutions, NGOs had began to offer Microinsurance products with a small scale in the late 1990s. ASA as a NGO render microinsurance service since 1993. In 1996 shadhani insurance was also begun to provide microinsurance service. In 1997 the Proshika introduced their microinsurance product in the name of “ Grameen Kollyan” in 1997. But the rapid growth of microinsurance was noticed while the NGOs and MFIs involved and also mainstream insurance companies in early 2000. BRAC also provided microinsurance service from 2001. Although almost two decades microinsurance products are offered by NGOs, MFIs and mainstream insurance companies, still there no regulatory authority and act for microinsurance in Bangladesh.

The mainstream insurance companies offer microinsurance according to the Insurance Act 1938 which amended in 2001. The NGOs and MFIs was used to offer microinsurance and microcredit in unregulated environment. But the Microcredit Regulatory Authority Act was enacted in July 16, 2006. The mainstream insurance companies are supervised by chief controller of insurance under Ministry of Commerce’s regulations.

The microinsurance market of Bangladesh has been expanding over last decade. But the products are produced from the supply side without considering the demand and affordability of the clients. Thus we can see very little product variation and innovation in the existing microinsurance

products of NGOs, MFIs and mainstream insurance companies. The mainstream insurance companies mainly provide life and health microinsurance products. The NGOs and MFIs mostly offer loan protection insurance which are mainly for their own benefit not the customers. Some NGOs and MFIs are also offer life, health, disaster, livestock, assets, crop etc. insurance. The Microinsurance Mutual Enabling (MIME), a mutual microinsurance project consists of six partner NGOs/MFIs that is initiated by INAFI Bangladesh. They mainly provide two products; simple term life insurance and life insurance with endowment.

The poor people of Bangladesh are faces different vulnerable risks like head of household's disability or death, chronic illness, loss of livestock and other properties. The people do not use any formal mechanism to minimize those losses, thus they cope with those losses in an informal way. They have very little financial knowledge and afraid of modern financial system, because they have faced several bad experience of misinformation and abuse of their fund. They lost their trust to the insurer for those reasons. The insurers need to face challenges to build up trust on them.