



Weather Index Based Insurance

Quest for viable business model

Executing Agency



MoF FID

Implemented by



Managed by



Funded by





**Strong evidence
indicates the
need for a
weather index
based agriculture
insurance product**

Project Partners



**Business Finance
for the Poor
in Bangladesh**



**GREEN DELTA
INSURANCE**

Project Highlights



9,865 farmers insured



7 crops covered



7 districts

- Total Sum insured BDT 92.92.6million
- 3,200claims which equivalent to 40% of the premium collected
- Good case study of partnership between a insurance company and field partners.
- Farmers willing to pay for insurance coverage

Absence of functioning ecosystem and heavy lifting by one organisation only

- Primary crop data from the field
- Collecting weather data from BMD and interpolated data from international weather service data providers
- Relying on international actuary to design products
- Relying on international reinsurance organisations
- Relying on influential but unstructured distribution channels to reach out to farmers
- Taking a lead on creating awareness
- Limits customer value of weather index

Farmers desire greater product value

What do customers want?

- Greater coverage
- Greater pay out

What is being achieved now

- Premium: Pay out **1:1.6**
- Pay out ratio **35% loss**
- Premium: Sum insured **1:34**

What are the standards GDIC aspires for?

- Premium: Payout **1:3.5-4**
- Pay out ratio **60% loss ratio**
- Premium: Sum insured **1:120**

**Private sector
missing out on a
potential BDT 4,000
crore/year market
and 4 crore
customer base**

- This is more than twice the size of the e-commerce market place in Bangladesh with intense competition between local and international players
- The total non-life insurance portfolio of the sector is slightly higher than the potential agri insurance market

Key Challenges

**High cost
restraining
willingness and
ability to offer
customer value**



- Absence of local weather data infrastructure and reliance on high cost international weather service providers
- Misunderstanding of market potential not attracting commercial distribution partnerships for quicker growth
- VAT dampening consumer demand
- Absence of competition and cooperation

Key Recommendations

Challenges to be addressed	Market Actors	Key Recommendations
Weather data challenge solution	Public Sector	An open source weather data platform supported by Bangabandhu Satellite can be developed by Bangladesh Meteorological department
Distribution challenge solution	MNOs	Significant cross section between MNO and agri insurance customer base. Commercial partnerships can significantly lower customer acquisition cost, create alternative revenue streams and create opportunities to cross sell
	Banks and MFIs	De risk to take more risk. Enable banks and MFIs to offer insurance backed agriculture loan
Competition and Cooperation	Private Sector	?
Enabling regulatory environment	Public Sector	VAT waiver for the next 5 years to enable insurance companies to achieve scale and viability faster Incorporate weather index agriculture insurance in insurance fair to boost awareness

Thank you