

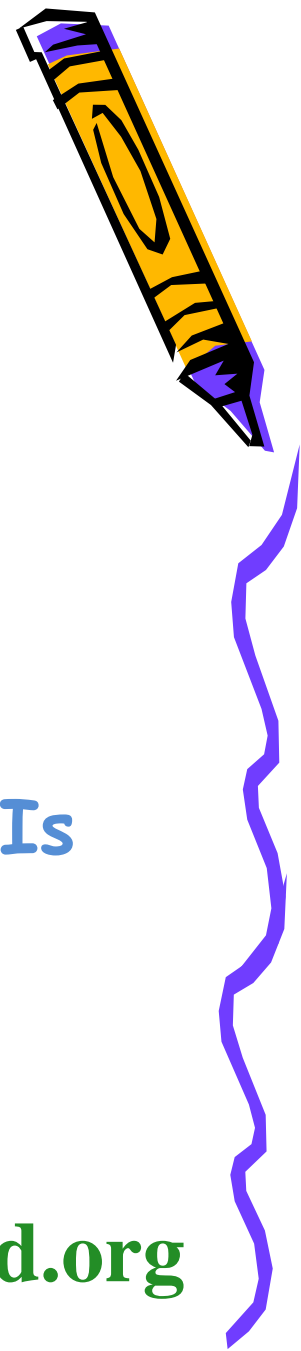


Presentation
on
*"Livestock Insurance for Beef
Fattening"*
Social Business Model
in Bangladesh
Implemented by PKSf and Partner MFIs

by Mohammad Fazlul Kader

Savings and Credit Forum, SDC, 11th May 2016

www.pksf-bd.org



Livestock scenario in Bangladesh

2013-14
Cattle
million
Goat
million
Buffalo
million
Lamb
million
Poultry
million

23.44
25.61
1.45
3.16
307.47

Cattle Head per hectare in Bangladesh is highest in the world

India
Denmark

2.49
1.12
0.81

Contribution to:
GDP

1.78%
8.14%

Employment (Self)

Total number of Employment (including family labor without wage)

4.4 million

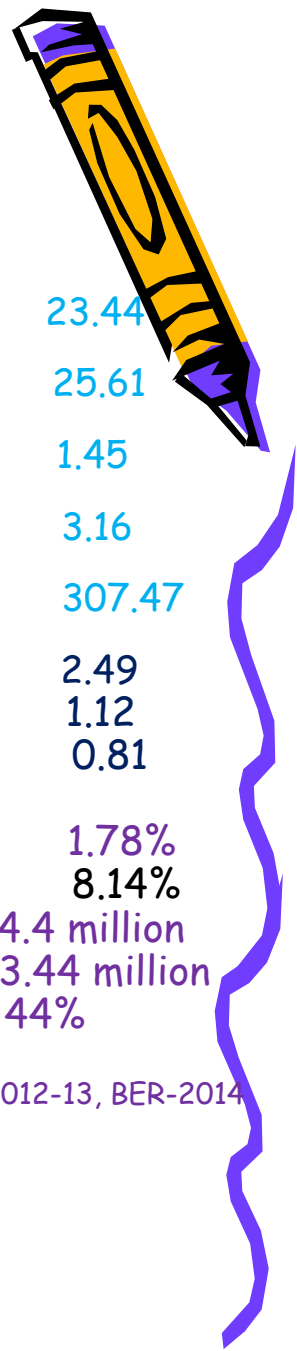
Total number of Employment (excluding family labor without wage)

3.44 million

Meeting Demand for Protein

44%

BBS-2012-13, BER-2014



Demand-Supply of Beef in Bangladesh



www.economist.com

King of carnivores

BIDS-2014

Per Capita Beef Consumption (Kg/Person):

Bangladesh	India	China	Switzerland
1.3	1.5	4.7	20.5

Demand for Meat
Supply of Meat
Deficit in Supply
Supply of Beef as % of total Meat supply

4.72 million MT
1.41 million MT
3.31 million MT
14.4%



Demand-Supply of Beef in Bangladesh (Contd.)



Strong Seasonal Trait:

% of Cattle slaughtered in Festival & special season

60%

Price of Beef (In USD):

	<u>2011</u>	<u>2013</u>	<u>2015</u>
<u>2016</u>	3.42 USD	3.7 USD	4.6 USD
	5.2 USD		

Price hike
17.55%
Base Year 2011

8.18 %

26.32%



Profitability of beef fattening in Bangladesh



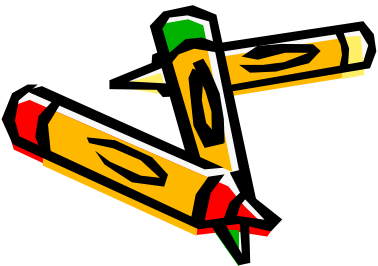
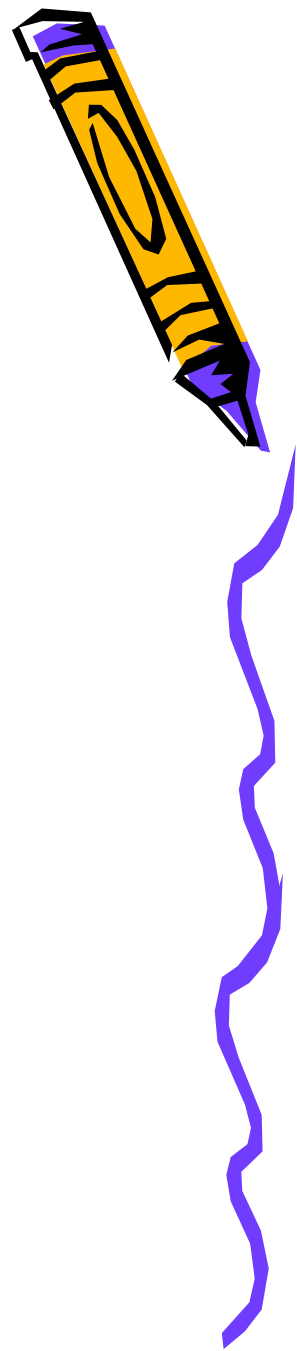
- Typical period of beef fattening 4 moths
- Sales Revenue as % of Total cost 94% to 119%
- Cost of fattening as % of cost of bull 70%
- Net return on Investment -6% to 19%



Organizations Carrying out the Micro insurance Operations:

Palli Karma-Sahayak Foundation (PKSF) The Second Tier Organization

- Domestic Apex Development Finance Institution
- Created by the Government of Bangladesh in 1990
- Objective: poverty alleviation thru sustainable employment generation
- Famous for promoting Microfinance (MF) and implementing Technical support projects integrated with MF
- Currently Finances 200 MFIs having a network of 7200 branches that serves 11 million HH in Bangladesh
- Partner MFIs have a loan portfolio of 1.73 billion USD of which 30% is financed by PKSF



Organizations Carrying out the Micro insurance Operations (Contd.): Microfinance Institutions (MFIs) of PKSF



Partner MFIs

- Provide Credit-Savings and quasi insurance services to diverse group of low income population;
- Serve about 11 million HH in all over Bangladesh;

Last Year disbursed about USD 3.5 billion to 8.8 million clients;

- Have a loan portfolio of USD 1.73 billion;

Integrated many non-credit services like health, education, climate change adaptation, capacity enhancement with financial program;

- Have unique advantage in pooling adequate risks for providing sustainable micro insurance services.



Livestock Insurance Experience of PKSF

- PKSF introduced cattle insurance under its 'Beef Fattening Program' in 2009.
- Launched actuarial-based products under Developing Inclusive Insurance Project (DIISP) in 2014

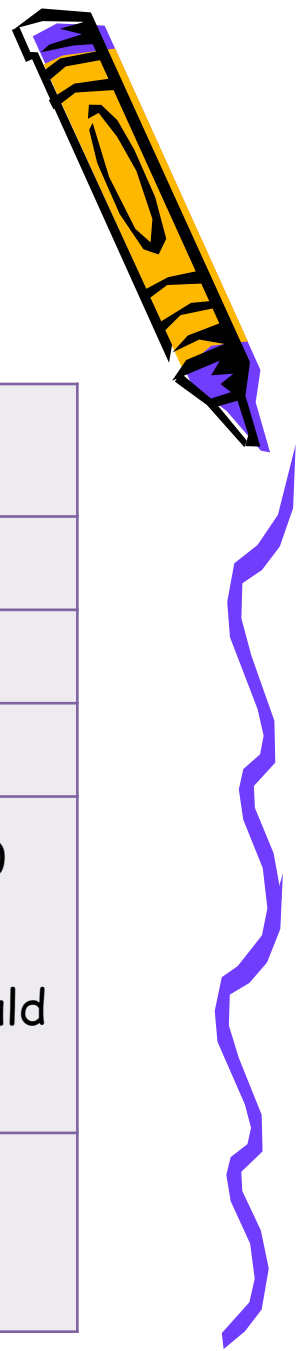


Key Objectives of Micro insurance Project of PKSF

- To protect the poor households engaged in seasonal beef fattening activities from risks of loss related to cattle mortality.
 - To reduce cattle mortality rate by integrating
- Good beef fattening practices and veterinary services with micro insurance program for making the service affordable to poor HH
- To enable poor microcredit client HHs to have sustained additional income from beef fattening activities



Main Features of the Insurance Product



Risks Covered	Death of the Cattle. Death by killing or due to negligence in ensuring vaccination is not covered.
Eligibility	Microcredit clients of Partner MFIs of PKSF.
Benefit	Waiver of the full amount of the borrowed loan.
Term	6 month - 10 month (actual loan cycle)
Premium Structure	<ol style="list-style-type: none">1. Not more than 0.7% of the loan amount + BDT 20 Para-vet service as insurance premium2. For borrower's life coverage, 0.3% premiums would be added (optional)
Premium payment Mode	To be paid at the beginning of loan disbursement



Special Services given under the micro insurance program



- Partner MFIs provide/ensure veterinary services to each insured cattle. Each cattle has a health card and its health is checked on a weekly basis.

This service is provided by **para-veterinarians** engaged by MFIs

Half day training is given to Clients

- for enabling them to buy healthy young suitable bulls for fattening

And

- To orient them about good practices for beef fattening (Clean farming, housing, deworming, fodder management, monitoring growth etc)

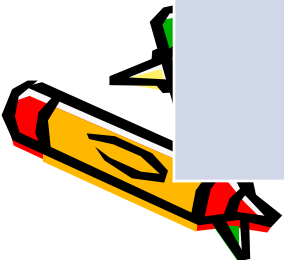


Location

40 MFIs worked in 30 of 64 districts of Bangladesh



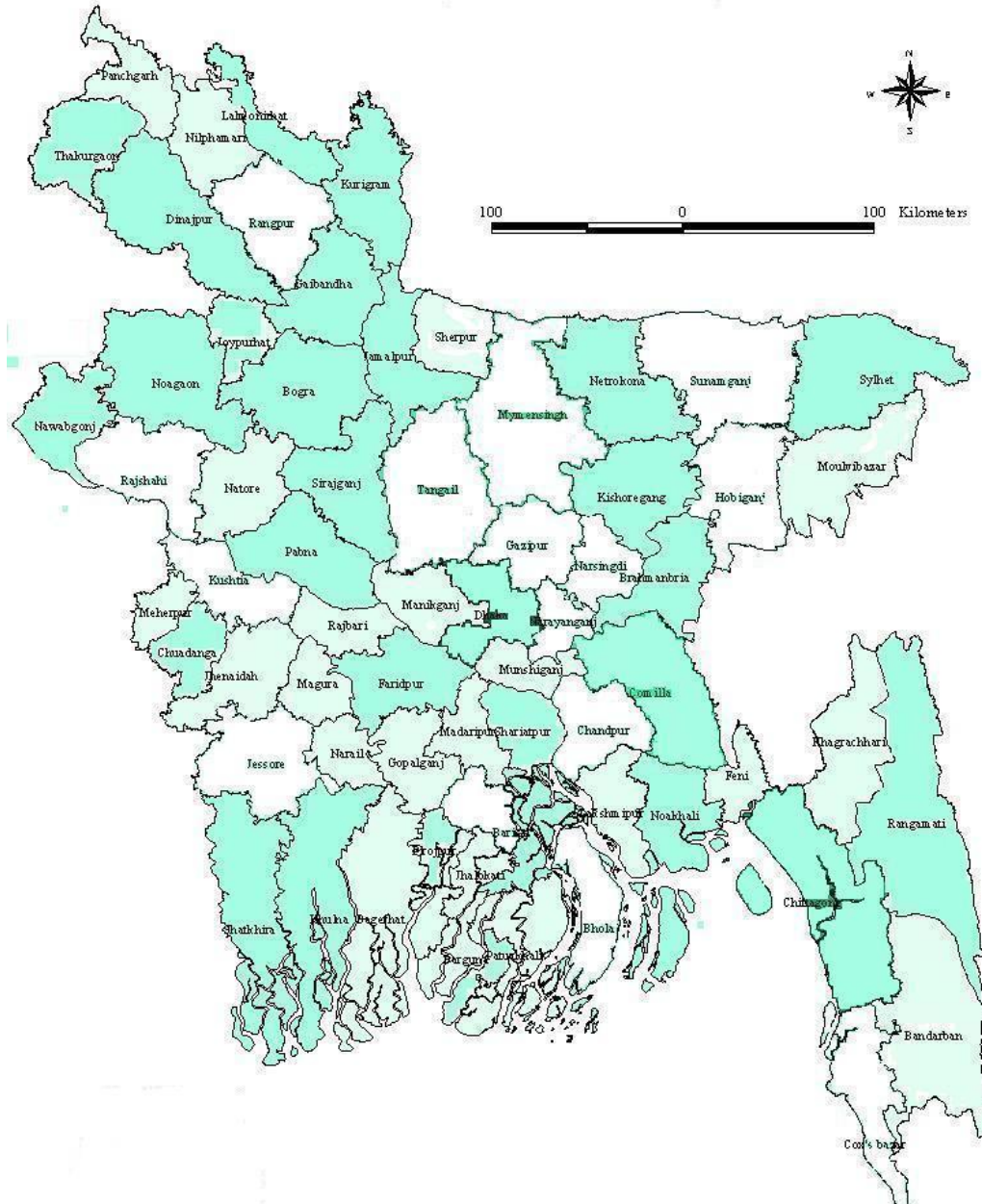
District name	District name	District name	District name
Comilla	Joypurhat	Chittagong	Kishoreganj
Brahmanbaria	Chapinawabgan j	Satkhira	Netrakona
Faridpur	Lalmonirhat	Khulna	Noakhali
Bogra	Chuadanga	Thakurgaon	Shariatpur
Dhaka	Pabna	Rangamati	Sirajganj
Jamalpur	Gaibandha	Shariatpur	Patuakhali
Sylhet	Naogaon	Pirojpur	Kurigram and Pirojpur
			Dinajpur




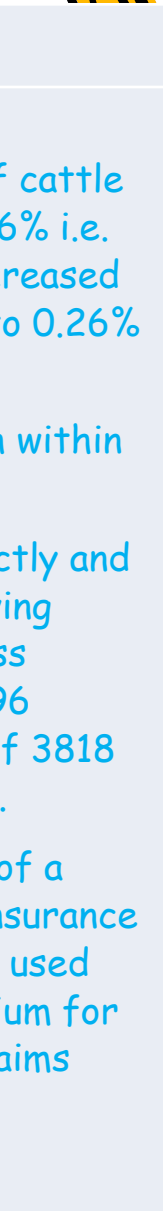
Location of Microinsurance Program

BANGLADESH

Map - 1

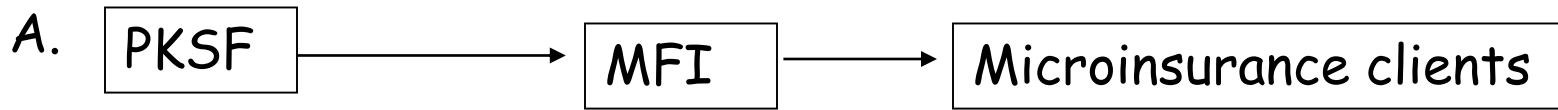


Impact logic



Input	Activities	Outputs	Outcomes
<p>Funding for</p> <ul style="list-style-type: none">• Training• Engaging Para-veterinarians in MFIs• Launching actuarial based livestock insurance product for beef fattening activities of poor farmers	<ul style="list-style-type: none">• Conducted orientation training on• Enhancing insurance awareness• Good beef fattening practice• Supervision to ensure adherence to good beef fattening practice• Selling livestock insurance policies	<p>Orientation given to</p> <ul style="list-style-type: none">• 0.15 million clients of MFI on need for livestock insurance• 0.5 million MFI clients on good beef fattening practice• Supervision of 0.5 million cattle under beef fattening program• Sold 0.5 million livestock insurance policies	<ul style="list-style-type: none">• Mortality of cattle reduced by 66% i.e. mortality decreased from 0.76% to 0.26%• 1306 claims settled., each within 5 days• Helped directly and indirectly saving disastrous loss amounting 0.96 million USD of 3818 poor farmers.• Emergence of a sustainable insurance program that used 27% of premium for settling all claims

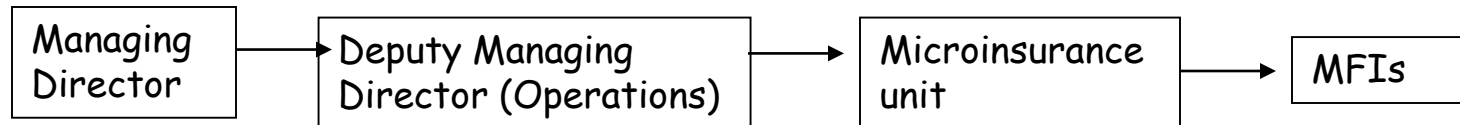
Operational Set up for implementation of livestock micro insurance program



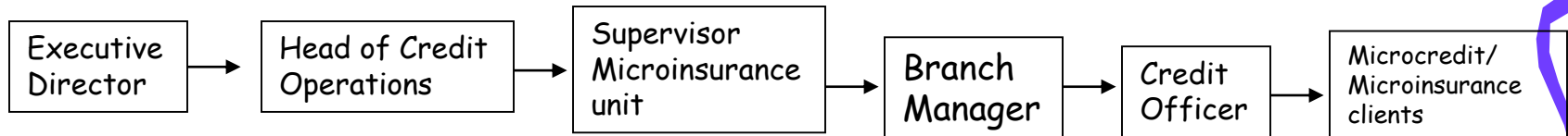
Second tier organization

First tier organization

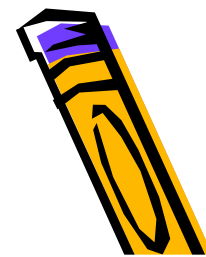
B. Second tier organization ;



C. First tier organization ;



Commercial Viability of micro insurance program



Period	Number of cattle insured	Total Premium collected	Number of death of insured cattle	Total amount of claims paid	Claims paid to Premium collection
January to December 2014	419457	61.3 million BDT USD 0.78 million	1078	21.46 million BDT USD 0.27 million	35%
January 2014 up to August, 2015	501175	99.81 million BDT USD 1.27 million	1306	25.83 million BDT USD 0.33 million	25.88%



Overcoming the Key Challenges in Implementing livestock Micro Insurance Program

- Developing actuarial based product in absence of actuarial data
- Low awareness about insurance
- Making behavioral changes in switching from traditional beef fattening practice to good beef fattening practice
- Training Para-veterinarians i.e. community based animal health workers.
- Inadequate vaccination facilities
- Pooling of adequate risks

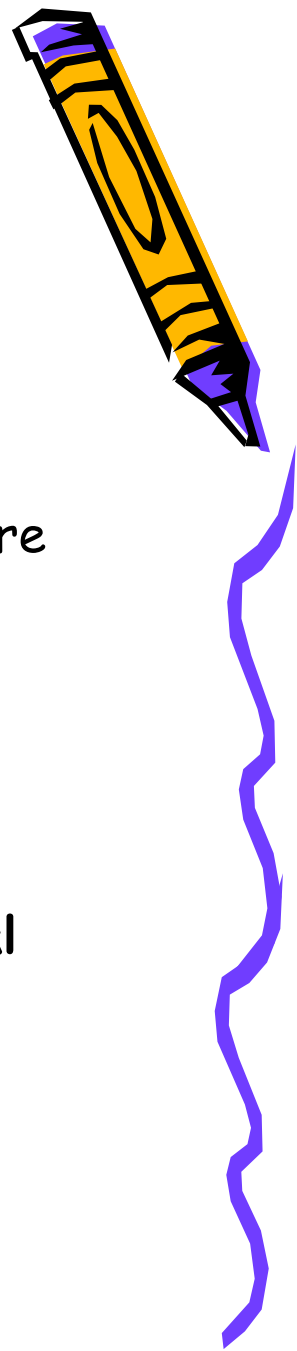


Outreach by Product and type of smallholder farmer



Name of Product	Type of smallholder farmers	Number of outreach	
		2016	2018
1.cattle rearing (beef fattening) insurance	Marginal and small farmers	0.7 million	1 million
2. Buffalo fattening insurance			0.02 million
3. Goat rearing insurance		Nil	0.05 million
4. Lamb rearing insurance			0.02
5. Dairy Cow insurance		Small farmers and Micro entrepreneurs	Nil

Key Micro insurance Performance Indicators



- **Insurance penetration rate** in each area of intervention.
- **Suitable claim settlement period** which should not be more than 7 days
- **Increase in diversity of Products** covering variety of insurable risks
- **Sustainability of Insurance Programs**
- **Legal reform** to accommodate **more suitable institutional mechanisms** to implement micro insurance programs
- **Emergence of micro insurance professionals**



Contributions to systematic Market Development



- MFIs have a combined outreach of 26.5 million HH in Bangladesh. Successful micro insurance program of PKSf is expected to induce them to undertake MI programs
- Mainstream Insurance Companies may come forward to provide insurance portfolio risk coverage to MFIs
- Success in microinsurance ventures of MFIs may encourage regulators to devise suitable regulations by incorporating more flexibility to accommodate more diverse service delivery mechanisms.



Proposed Activities

- Expansion of current cattle insurance in business clusters;
- Develop & test new products (e.g. dairy cow, buffalo, goat, sheep, poultry etc.);
- Enhance awareness for LI;
- Capacity Development of PKSF & MFIs;
- Ensure supply of essential services (e.g. veterinary, vaccination, food & nutrition, shelter);
- Coordination and knowledge Dissemination



Proposed plan of activities for Feasibility Study

- Review of risks associated with Livestock Sector;
- Capture actuarial data on mortality & morbidity pattern of livestock;
- Review present scenerio availability of veterinary services including the supplies of other support services
- Identify prospective livestock clusters;
- Analyze feasibility of expansion & new development;



Key Lessons Learnt

- Affordable livestock insurance products can be offered to smallholder farmers by integrating effective veterinary services and good livestock management practice through MFIs;
- It is possible to develop actuarial based product in absence of country specific actuarial table (mortality table);
- Awareness on insurance can be well instituted within a short spell of time if it is followed by offering suitable product and sustainable institutional mechanism.
- Behavioral changes for switching from traditional to good livestock rearing practice may be possible within a short period of time.
- Installation of legal framework should not precede crystallization of good micro insurance practice.

Integration with sustainable Reinsurance mechanism is essential.



Thank You

