

Bancassurance in Bangladesh: How we can harness the distribution potential to grow inclusive insurance

July 2025



Structural gaps in Bangladesh's insurance sector: Low penetration, limited product diversity, and rural exclusion

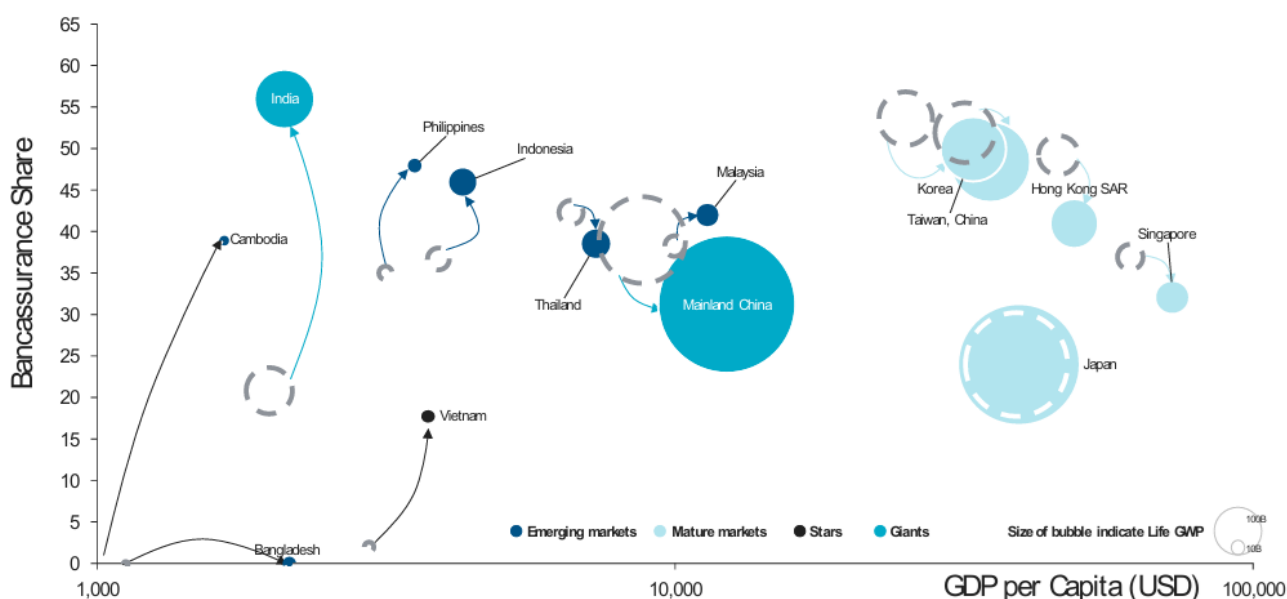


Bangladesh's insurance sector shows significant growth potential. Yet, it remains in its early stages of development. Insurance penetration in the country stands at just 0.5% of the GDP, with an average annual premium per capita ("insurance density") of USD 12. This is far below the global average of around 7%, and lower than regional counterparts, such as India (4%), Malaysia (5%), and Vietnam (2.3%).

Despite these challenges, projections indicate that gross written premiums may reach USD 15.56 billion by 2025, driven by increasing awareness, gradual regulatory reforms, and the rise of new distribution channels, particularly bancassurance. This model enables banks to distribute insurance products to their customers.

Evidence from other countries suggests that GDP per capita alone does not indicate insurance penetration or distribution success. Countries with comparable economic profiles have scaled bancassurance effectively. For instance, Vietnam achieved more than 30% of total life insurance sales through bancassurance with a per capita income of USD 3,000. In India and the Philippines, bancassurance channels account for more than 55% and 35% of life insurance distribution, respectively. ([Crossroads of Bancassurance in Asia Pacific, 2023](#)).

GDP per capita [USD], bancassurance % of total life insurance, and total life GWP per country [B USD] (2015-2021)

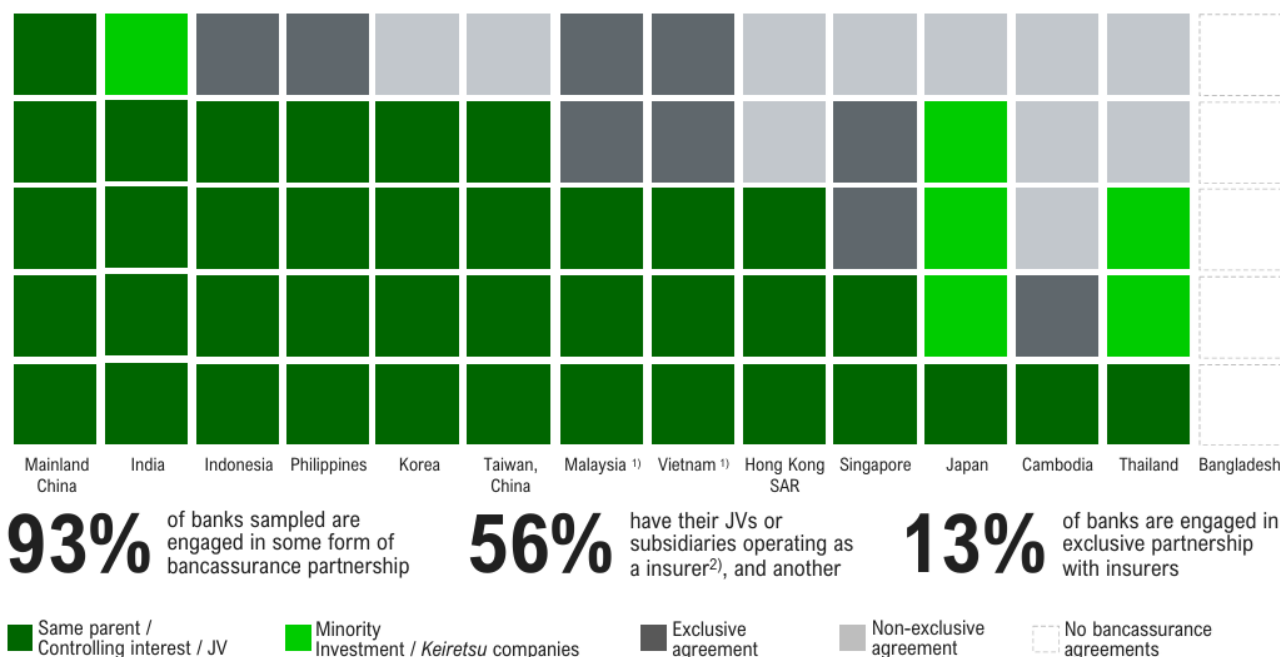


Source: International Monetary Fund; Falia Bancassurance Survey; FitchSolutions Insurance Report 2022, Desktop Research, Roland Berger

Bangladesh's protection gap becomes even more pronounced in a regional context. In most Asia-Pacific markets, more than 90% of the top banks maintain active bancassurance partnerships. In contrast, as of 2023, no such arrangements

exist among Bangladesh's leading banks, which highlights both the urgency and opportunity to adopt context-specific bancassurance models as broader sectorial reforms ([Crossroads of Bancassurance in Asia Pacific, 2023](#)).

Bancassurance landscape for top 5 banks across 14 APAC markets (2023)



1) For banks under research in Malaysia and Vietnam, non-life insurance is internal while exclusive commercial agreement with life insurers is respectively signed

2) Some banks set up own (often non-life) insurance subsidiary but still partner with other life insurers

3) The Bangladesh Bank (BB), the central bank, has finalized bancassurance guidelines in Jun 2022, setting out how the banks can participate in the distribution channel.

Source: The Asian Banker, Annual Reports, Capital IQ, Roland Berger

Bangladesh's domestic insurance market remains heavily imbalanced, characterized by product concentration, limited rural reach, and misalignment with the needs of low-income and informal populations. Approximately 73.5% of total premiums are derived from savings-linked life insurance, which leaves critical risk areas, such as health, agriculture, property, and climate, largely unaddressed. As a result, the sector offers a narrow and inadequate product mix that fails to meet the evolving needs of rural, informal, and low-income populations.

A pronounced urban-rural divide furthers this exclusion, as nearly 60% of Bangladeshis live in rural areas, while most insurance services, branches, agents, and support infrastructure remain concentrated in cities. Although Bangladesh has 21,601 agent banking outlets, with around 85% located in rural areas (Bangladesh Bank, 2023), insurance agent networks and support services remain urban-centric, which limits rural access to formal risk protection. As of December 2022, only 18.7% of the population held any form of insurance policy, a figure that likely overstates actual coverage due to policy duplication.

Regulatory evolution and remaining gaps in Bangladesh’s insurance ecosystem



Bangladesh’s insurance sector is governed by the [Insurance Act 2010](#) and regulated by the Insurance Development and Regulatory Authority (IDRA), which [oversees 81 insurers](#). Despite its mandate, the IDRA continues to face capacity and enforcement limitations. [The UNDP Insurance and Risk Finance Facility \(2024\)](#) highlights the lack of dedicated regulatory guidance for inclusive or microinsurance. This leaves pilot programs, particularly those that serve marginal farmers, without formal safeguards or legal recognition.

Moreover, existing regulatory obligations that require insurers to serve rural and social sectors have seen limited enforcement. The absence of clear approval pathways has slowed the rollout of innovative products, such as weather-indexed crop insurance. These gaps, combined with [slow claims processing](#), [opaque commission structures](#), and [underdeveloped](#)

[grievance systems](#), have undermined public trust, particularly among rural and low-income communities.

A long-standing rift between the IDRA and the Bangladesh Bank also constrained integrated product innovation. This began to change with the [December 2023 Bancassurance Guidelines](#), which now permit eligible banks to serve as corporate agents. The framework sets [prudential criteria](#)—including a capital-to-risk weighted assets ratio (CRAR) of at least 12.5% (gross), non-performing loans under 5% (net), and three consecutive years of profitability. The framework also mandates formal agreements on revenue-sharing, training standards, and consumer protection. The guidelines mark a significant shift toward trusted, bank-led insurance delivery. However, operational clarity will be essential to ensure effective implementation, especially for underserved and rural segments.

Table 1: Key regulatory provisions from the bancassurance guidelines and their implications

Key aspects of Bancassurance guidelines	Guideline provisions	Intended impact of bancassurance development	Implementation challenges
Regulatory approval	Banks must obtain approval from the Bangladesh Bank and a corporate agency license from the IDRA.	It ensures regulated market entry to reduce the risks of noncompliance and mis-selling.	Dual approval may delay market participation and reduce agility in product rollout.

Key aspects of Bancassurance guidelines	Guideline provisions	Intended impact of bancassurance development	Implementation challenges
Eligibility criteria	To qualify for bancassurance, banks must maintain a CRAR of 12.5%, an NPL ratio below 5%, and positive net profits for three consecutive years.	It restricts weaker banks from participating and ensures financial stability in bancassurance operations.	The restricted participation of smaller or rural banks will limit outreach to underserved regions.
Bancassurance agreement	Banks and insurers must sign a binding agreement that details roles, revenue-sharing, and consumer protection.	It promotes transparency and structured collaboration between banks and insurers.	No standard agreement template or guidance is available to protect low-income consumers.
Commission structure	Commissions between banks and insurers are negotiable, but they must comply with IDRA regulations.	It ensures fair competition and prevents excessive commission-driven sales.	No publicly available caps or regulatory guidelines exist to deter aggressive or misaligned sales tactics, which increases the risk of such practices.
Claims processing	Banks must facilitate but not directly process claims to ensure seamless communication between insurers and policyholders.	It enhances efficiency while maintaining clear accountability for claim settlements.	Banks have a limited capacity to guide claimants, while poor insurer coordination can delay settlements.
Training & certification	Banks must ensure that Bancassurance Managers and Officers are trained and certified as per the IDRA's requirements.	It improves service quality and reduces the risks of mis-selling and misinformation.	No monitoring mechanism is available to maintain training quality or ensure ongoing compliance checks.

Despite the growth of distribution channels, which include MFIs and agent banking, millions of Bangladeshis remain uninsured. Several significant barriers persist, which continue to hinder progress. These include weak digital onboarding and claims servicing, unclear data-sharing protocols, fragmented oversight between the IDRA and the Microcredit Regulatory Authority (MRA), and the absence of a dedicated framework for inclusive or low-cost insurance. Microfinance institutions have extended their reach through microinsurance products, such as life, health, and livestock coverage. Yet, they operate under disparate standards and grievance mechanisms, which limit consumer confidence and trust.

In this scenario, the Bangladesh Microinsurance Market Development Program (BMMDP), funded by the Swiss Agency for Development and Cooperation (SDC), has emerged as a promising initiative. The program has tailored microinsurance products for farmers and small enterprises and offers 22 crop insurance products, including weather- and yield-indexed options, across 51 districts. Since 2017, the BMMDP has reached more than 1.5 million farmers with a target of 1.8 million beneficiaries by 2025. While this effort shows a potential pathway for inclusive risk financing, the broader impact depends on stronger IDRA–MRA alignment to ensure consistent oversight, consumer protection, and integration with national insurance governance. As noted by the UNDP IRFF (2024), this institutional fragmentation continues to constrain innovation and increase consumer risk, especially as newer models, such as bancassurance, begin to scale.

While regulatory gaps hinder insurance innovation, Bangladesh’s fragmented distribution ecosystem further restricts meaningful coverage, particularly for rural, low-income, and informal populations. Stakeholders must clearly understand the strengths and limitations of existing channels to address service gaps and use models like bancassurance to bridge the protection gap.

- **Tied agents and brokers:** Dominant but urban-centric: Traditional tied agents, who represent a single insurer, alongside independent brokers, remain the primary channels for life insurance and rely on face-to-face sales. However, their operations are concentrated mainly in urban areas, which limits reach and scalability. Their reach does not extend meaningfully into rural areas where more than 63% of Bangladeshis live, which leaves a large swath of the population underserved.
- **Direct sales channels:** Digital potential, limited reach: Some insurers have introduced direct-to-customer models via online platforms, call centers, and limited in-branch sales. While these channels offer cost-effective alternatives, their impact suffers from low digital literacy, limited internet access, and fragmented digital onboarding. As a result, direct sales remain underutilized, especially in rural and peri-urban areas.
- **Microfinance institutions (MFIs):** Deep trust, shallow oversight: MFIs and NGOs, such as BRAC and ASA, have expanded access to insurance by bundling it with credit or savings products. Their extensive rural networks and trusted relationships, particularly with

women, make them effective channels that can reach low-income populations. However, most MFIs fall under the MRA's supervision and have a limited alignment with the IDRA. This leads to fragmented oversight and restricted opportunities for scale, product innovation, and consumer protection.

🔗 **Mobile network operators (MNOs) and digital platforms:** Emerging InsurTech frontiers: Innovative partnerships between insurers and MNOs are beginning to unlock

mobile-based microinsurance delivery. Models, such as Milvik BIMA's subscription-based health and life plans, use mobile technology to offer low-cost coverage. While these platforms can potentially expand access, they continue to face regulatory uncertainty, low digital confidence, and limited consumer awareness. Their success will depend on ecosystem-wide support, trust-building, and greater integration with formal financial services.



Unlocking the potential of Bancassurance in Bangladesh: Regulatory oversight, digital innovation, and customer-centric strategies



Bancassurance has emerged as a dominant insurance delivery model in several countries. In countries, such as France and Spain, banks control more than 60% of new life insurance sales. Malaysia's banks operate distribution-focused partnerships without assuming underwriting risk, while China integrates insurance into mobile wallets and e-commerce platforms. In Latin America, banks bundle insurance with credit and deposit products to enhance accessibility and retention. These global experiences point to three common success factors:

- 🚩 A robust regulatory framework;
- 🚩 Seamless digital integration with core banking systems;
- 🚩 Customer-centric product design.

In Bangladesh, bancassurance remains nascent but has significant potential to expand coverage. The joint guidelines issued by the Bangladesh Bank and the IDRA in December 2023 authorize eligible banks to act as corporate agents for insurers, which enables a high-trust, scalable distribution network. Early adopters, such as City Bank and BRAC Bank, have already launched bancassurance operations, which signals early momentum and growing institutional interest.

Bank	Insurance partners	Policies sold (Apr 2025)	Key customer segments
<u>City Bank</u>	Guardian Life, Pioneer Insurance, Delta Life	15,145	Retail, corporate, urban, and semi-urban
<u>BRAC Bank</u>	MetLife (and others via digital platforms)	4,562	Retail, SMEs, digital-savvy customers

Despite recent momentum, the long-term success of bancassurance in Bangladesh will depend on the capacity of banks to embed insurance seamlessly into their core offerings. Banks must design simple, relevant, and bundled insurance

products that meet customer needs. They must also invest in staff training, ensure insurance licensing for frontline personnel, and digitally integrate insurance processes into mobile applications and core banking platforms.

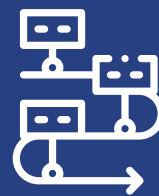
Banks must also establish transparent revenue-sharing arrangements with insurer partners, alongside robust systems for customer onboarding, claims handling, and consumer protection. The Strategic Alliance model is particularly well suited to Bangladesh's ecosystem. It allows banks to partner with multiple insurers without incurring the capital intensity of joint ventures or the operational

complexity of full integration. This model supports variety and flexibility while minimizing regulatory and financial risk.

If the model is to succeed, it must be accompanied by robust oversight, clear commission policies, and ongoing monitoring by both the IDRA and the Bangladesh Bank to prevent mis-selling and ensure customer protection.



A phased approach to bancassurance rollout: A focus on institutional readiness and inclusive scale-up



If Bangladesh intends to ensure an effective and inclusive rollout of bancassurance, it must adopt a phased approach that accounts for institutional governance, policy alignment, operational maturity, and digital readiness. This approach will allow insurers and banks to build capacity and ensure they can serve low- and moderate-income (LMI) populations equitably and early in the process, not last.

Phase 1: Governance, policy alignment, and partner onboarding

In the first phase, banks and insurers should initiate the bancassurance framework. To do this, they should establish internal governance structures, sign formal agency agreements, and secure approvals from both regulators, the Bangladesh Bank and the IDRA. This phase emphasizes clear commission policies, customer protection protocols, and institutional readiness assessments.

Phase 2: Product design, staff training, and operational pilots

The second phase will see a shift in the focus to co-developing simplified, bundled insurance products, such as credit-linked life, hospital cash, and accident covers based on customer insights. Concurrently, Bancassurance managers and officers will undergo mandatory training and

certification. Banks and insurers will roll out pilots designed for multiple customer segments, such as urban salaried customers, rural MSMEs, and female borrowers linked to MFIs in particular. These pilots would be spread across different distribution channels, such as branches, agents, digital channels, and MFIs.

Phase 3: Digital integration and API enablement

In phase three, banks and insurers will embed insurance APIs into mobile banking apps, core banking systems, and agent-assisted platforms to issue policies seamlessly, collect premiums, and track claims. This phase ensures backend integration for efficient, scalable service delivery. Real-time dashboards and feedback loops from early pilots should guide further product refinement and channel optimization.

Phase 4: Customer education, monitoring, and ecosystem coordination

In the fourth phase, the rollout will expand with a strong focus on customer awareness campaigns, simplified consent mechanisms, and grievance resolution systems. Collaboration with MFIs, agent networks, and social protection schemes can extend outreach to LMI segments, especially women and rural households.

Phase 5: Scale-up and policy refinement for inclusive reach

In the fifth phase, stakeholders will institutionalize best practices based on demonstrated success, which include increased bancassurance penetration among underserved segments, reduced grievances, and high claims settlement satisfaction. Regulators may introduce updated guidelines to harmonize KYC protocols,

grievance systems, and reporting formats. Large-scale rollouts across public and private banks, supported by digital channels and a trained workforce, will allow bancassurance to contribute meaningfully to the goals of national financial inclusion and resilience-building.



Key enablers and MSC's role in advancing inclusive bancassurance



A well-coordinated ecosystem is essential for bancassurance to evolve into a scalable, inclusive, and trusted insurance delivery model in Bangladesh. This requires progress across policy, institutional, and customer levels. Key enablers include inter-agency coordination, digital onboarding, simple, gender-intelligent products, and rural delivery channels. For instance, Islami Bank could embed takaful policies—Shariah-compliant insurance programs, within Islamic finance through mobile and agent platforms.

Insurers must contribute readymade product modules, streamlined underwriting, and toolkits

for bank staff. Bancassurance must proactively include women and rural customers, two of the most significant underserved segments, to avoid replicating historical exclusion.

Currently, only 7% of bancassurance policies are sold in rural areas. In comparison, women's share of mobile financial service (MFS) accounts fell from 48.3% in 2019 to 41.8% in 2023, which has reduced their access to digital insurance. Yet women often lead household decisions on health, education, and savings, making them vital for uptake.

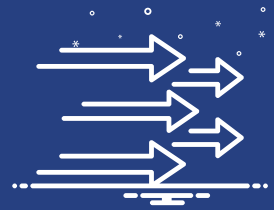
The table below outlines key actions across the macro, meso, and micro levels—and MSC's role in enabling them:

Level	Key recommendations	Details	MSC's role
Macro (policy and regulatory ecosystem)	Regulatory clarity and level playing field	Ensure clear, consistent, and inclusive bancassurance guidelines to promote a level playing field between small and large banks	Provide policy research, global benchmarking, and technical assistance to support regulatory design for equitable bancassurance implementation
	Adoption of a multi-insurer model	Encourage banks to partner with multiple insurers to enhance customer choice and encourage healthy market competition	Conduct impact assessments and present evidence-based recommendations to demonstrate the benefits to regulators and industry stakeholders

Level	Key recommendations	Details	MSC's role
Meso (industry and institutional capacity)	Digital acceleration of bancassurance	Integrate insurance sales and servicing into mobile banking platforms, such as bKash and Nagad, to streamline access and scale reach	Offer technical assistance for digital onboarding, FinTech integration, and backend systems support to enhance user experience
	Capacity building of banking staff	Equip bank staff with structured training to improve insurance advisory roles and reduce the risks of mis-selling	Develop and deliver modular training programs tailored to job roles and functions across different levels of bank employees
	AI-driven claims processing and fraud detection	Use AI to enable faster, transparent claims resolution and effective fraud detection within bancassurance channels	Help banks assess IT gaps and upgrade systems to implement AI-based claims handling and fraud mitigation mechanisms
Micro (customer engagement and product design)	Financial literacy and consumer education	Improve customer understanding, trust, and uptake of insurance through targeted awareness campaigns and simplified communication	Design and implement digital and face-to-face financial literacy campaigns and training for both customers and bank staff
	Product innovation for rural and underserved markets	Create simple, low-cost, and flexible insurance products suited to the needs of rural and low-income populations	Cocreate and pilot demand-led products with banks and insurers, and use data-based insights to refine and scale these solutions



The way ahead



If Bangladesh intends to expand insurance access among underserved populations, the nation must institutionalize scalable, trust-based distribution models. With more than 11,000 bank branches, of which nearly half are in rural areas, banks offer a high-trust channel. They can deliver affordable, need-based products, such as term life, weather-index insurance, and hospital cash plans. Strong ties between banks, MFIs, and rural communities will create a solid foundation for an inclusive rollout.

Insurance is not just a tool for financial inclusion. It has a climate imperative and expands climate risk mitigation measures among low- and moderate-income (LMI) populations. In climate-vulnerable Bangladesh, events, such as floods, cyclones, and erratic rainfall disproportionately

impact LMI households. Such catastrophes often wipe out livelihoods that lack safety nets. Parametric insurance can offer timely, rules-based payouts. Yet it requires an enabling infrastructure to be effective, which includes real-time weather data, digital payments, and inclusive underwriting.

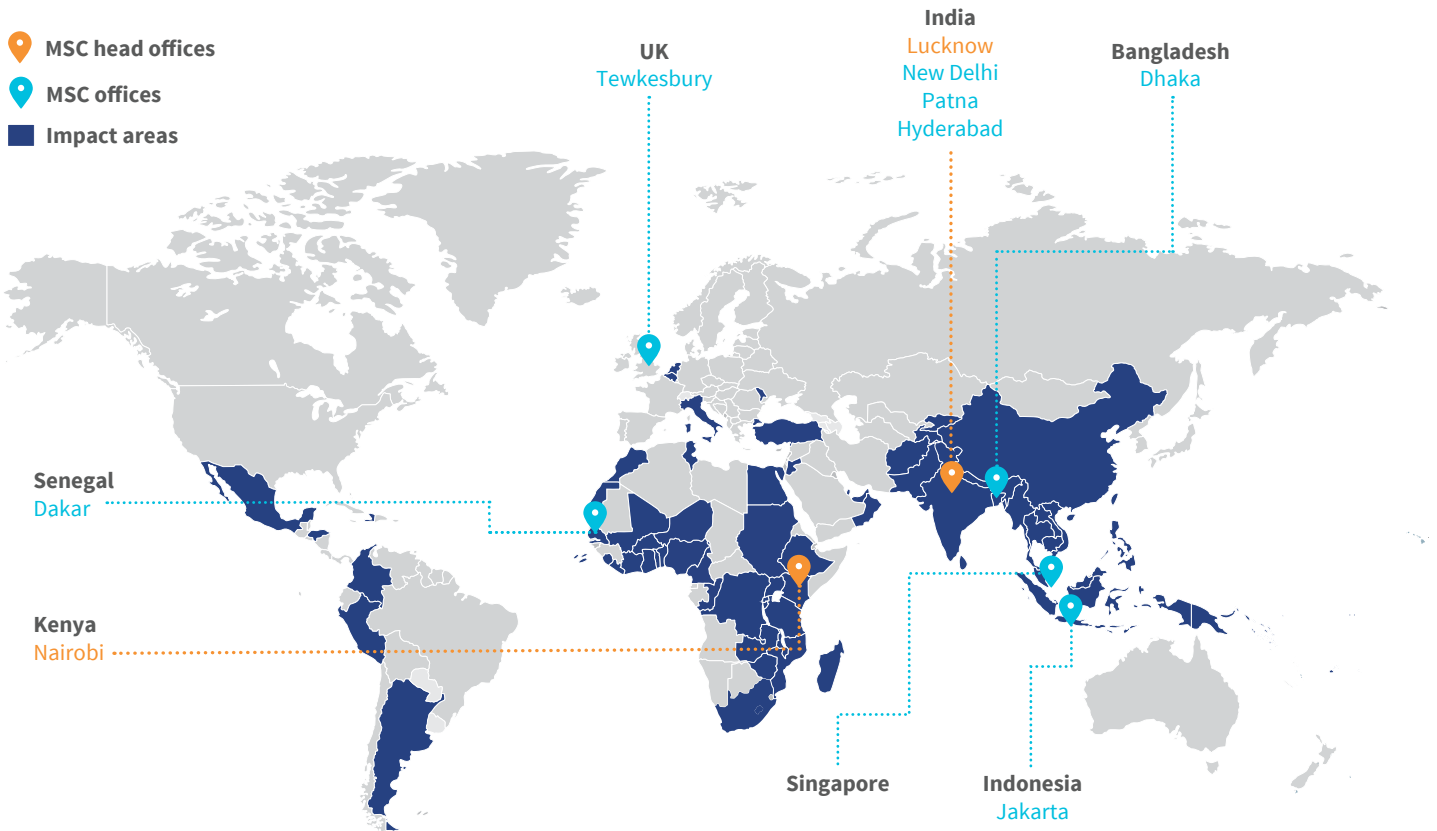
With the right investments and reforms, bancassurance can embed climate-smart insurance into the daily financial lives of LMI clients and advance resilience, equity, and sustainable development. For funders and policymakers, this is more than a distribution channel. It is an imperative, and a much-needed pathway to build shock-proof financial inclusion at scale for people who need it most.



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📍 MSC offices

■ Impact areas



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