FREEDOM

We are delighted to announce that THE BANGLADESH EXPRESS has successfully completed its 30-year golden journey on July 29, 2024.

We extend our deepest gratitude to our readers, patrons, and advertisers for their unwavering support and partnership, which have been instrumental in our growth and success. Thank you for being an essential part of our journey and for your continued trust in our mission.

We look forward to celebrating this milestone with a special supplement, followed by a discussion and events featuring the participation of our valued community.

HAPPY 30th YEARS ANNIVERSARY

1994-2024

THE BANGLADESH EXPRESS

A People's Daily ▪ Journey Since 1994

www.thebangladeshexpress.com

Bangladesh Insurance Forum

Message from BIF President

Insurance Industry Deserves Greater Focus

Bangladesh has entered a new era under the leadership of Nobel laureate Prof. Dr. Muhammad Yunus, following a mass revolution. The nation is now poised to progress towards a poverty-free future, where the financial sector must play a pivotal role. In this context, the significance of insurance cannot be overstated. Insurance contributes to capital formation and investment by pooling premiums from policyholders and channelling these funds into the country's development process. This, in turn, boosts national production and helps businesses, individuals, and the government manage uncertainties, fostering economic resilience and growth.

As Bangladesh aspires to become a developed nation, the insurance industry is positioned to play a crucial role. With a rising middle class, increasing financial awareness, and expanding economic activities, the demand for comprehensive insurance products is on the rise. Industry experts predict remarkable growth in both the life and non-life sectors, but several challenges remain, including regulatory issues and the need for stringent supervision.

Globally, the insurance industry grew by an estimated 7.5% in 2023, marking the fastest growth since 2006, before the global financial crisis. Bangladesh's insurance industry could achieve similar success if the government ensures a conducive business environment. Greater attention to this sector is essential for building a better Bangladesh.

Currently, the insurance sector contributes 5% to the overall economy. With continued support from policymakers, this contribution could increase significantly. The recent introduction of Bancassurance-a promising innovation-has the potential to provide a significant boost to the industry, paving the way for its rapid development.

B. M. Yousuf Ali

Bangladesh Insurance Forum (BIF) is a registered non-profit organisation and the platform for CEOs of all leading insurance companies in Bangladesh

INSURANCE EXPRESS
A MONTHLY SPECIAL OF THE BANGLADESH EXPRESS

Dhaka, Saturday, 31 August, 2024

Editorial Office
76 Purana Paltan Line, 3rd Floor
Dhaka-1000. Contact : 09611656102
E-mail: dailybdexpress94@gmail.com
www.thebangladeshexpress.com

From the Desk of the Editor

The Evolution of Insurance: Key Lessons for the Future

Insurance, a concept as ancient as civilisation itself, has transformed from rudimentary risk-sharing practices to a sophisticated and indispensable industry. Its evolution spans millennia and traverses cultures and continents, significantly contributing to economic stability and growth. The history of insurance imparts crucial lessons on adaptability, trust, and the necessity of robust regulation. From the early risk management practices in Ancient Babylonia to today's advanced systems, the insurance journey highlights the importance of evolving with changing risks and societal needs. It underscores the vital role of trust in maintaining insurance integrity-policies are effective only when policyholders have confidence in them. By reflecting on these historical insights, the insurance industry can continue to adapt and serve as a dependable safeguard for future generations.

Today, Bangladesh's insurance industry is a dynamic and growing sector, with both life and non-life insurance companies playing an increasingly important role in the country's economic development. The industry has expanded significantly, with over 70 insurance companies now operating in the country, offering a wide range of products, from traditional life insurance to health, property, and microinsurance. The demand for insurance in Bangladesh has surged due to a rising middle class, increasing financial literacy, and expanding economic activities. **Bancassurance**, a recent innovation, has further boosted the industry by integrating insurance products with banking services, making it easier for people to access coverage.

Despite these advancements, challenges remain. Regulatory issues, including the need for stronger supervision and the resolution of pending policies, continue to be areas of concern. Additionally, the industry must work to overcome lingering negative perceptions about insurance, particularly regarding claim settlements. However, the growth potential is immense. If the government and industry stakeholders can create a conducive environment, Bangladesh's insurance sector could achieve remarkable progress, contributing significantly to the nation's goal of becoming a developed country.

From the ancient practices of Babylonian merchants to the modern-day policies protecting millions in Bangladesh, the journey of insurance is a testament to humanity's enduring need to manage risk and uncertainty. As Bangladesh continues to develop, the insurance industry will undoubtedly play a crucial role in safeguarding the future of its citizens, ensuring that the promises made by insurance policies today are kept in the years to come.

Insurance Express is a monthly special of THE BANGLADESH EXPRESS and
Published under a financial literacy programme, a collaborative initiative of

THE BANGLADESH EXPRESS
A People's Daily ▪ journey Since 1994
&
Bangladesh Insurance Forum

The Bangladesh Express is printed by the Editor from Sonali Printing Press, 167 Inner Circular Road, Dhaka
& published from 76 Purana polton Line(3rd floor), Dhaka-1000. Phone: 880-48314265, 01911356700
E-mail: editor@thebangladeshexpress.com; news@thebangladeshexpress.com; dailybdexpress94@gmail.com.
website: http://www.dailybdexpress.com; http://www.thebangladeshexpress.com

Editor's Pick

From Ancient Babylonia to Modern Bangladesh

The Timeless Evolution of Insurance

● **FARUK AHMED**

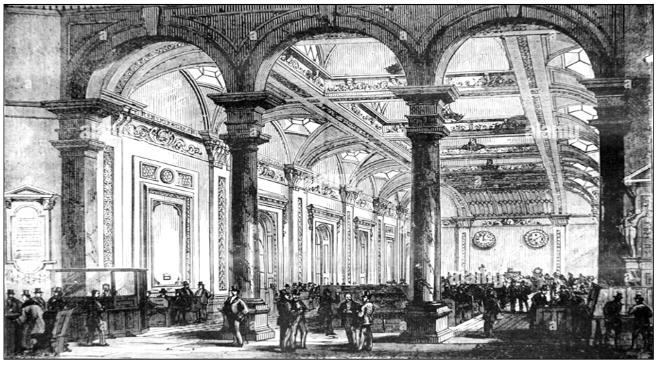
Many people are hesitant about insurance. But do they realize the importance and urgency of this innovative financial tool that can save their lives and provide crucial support in times of need?

The answer is revealed in the numbers. The global average insurance penetration in developing countries is often below 3% of GDP, and coverage rates are typically low. According to the International Association of Insurance Supervisors (IAIS), many developing countries have less than 10% of their population covered by insurance.

As of recent data, insurance penetration in Bangladesh is relatively low, with only around 1% of GDP attributed to insurance. The coverage rate is also limited, with a small percentage of the population having insurance, often less than 5%. Efforts are ongoing to increase awareness and accessibility, but the sector is still in a phase of growth and development.

Insurance is the silent guardian of our hopes, ensuring that even in the face of uncertainty, our dreams remain secure. If the risk is like a lump of smouldering coal that may spark a fire at any moment, insurance is civilization's fire extinguisher.

The main concept of insurance-that of spreading risk among many-is as old as human existence.



Historic Lloyd's building in London

Insurance Development & Regulatory Authority

Insurance is the silent guardian of our hopes, ensuring that even in the face of uncertainty, our dreams remain secure. Just as smouldering coal can ignite an uncontrollable blaze, risk has always threatened the stability of lives and communities.

From the earliest days of human civilization, the concept of spreading risk among many has been a vital tool, evolving into the sophisticated insurance systems we rely on today-from ancient Babylon to modern Bangladesh, safeguarding our progress every step of the way.

From its ancient roots in Babylonian risk-sharing, insurance has evolved into a cornerstone of security in Bangladesh. Today, it empowers individuals and businesses alike, safeguarding their futures in an unpredictable world. This transformation underscores insurance's enduring relevance, adapting to meet the needs of a modern, dynamic society.

The history of insurance traces the development of the modern business of insurance against risks, especially regarding cargo, property, death, automobile accidents, and medical treatment.

The insurance industry helps to eliminate risks (as when fire insurance providers demand the implementation of safe practices and the installation of hydrants), spreads risks from individuals to the larger community, and provides an important source of long-term finance for both the public and private sectors.

But insurance has a history that dates back to the ancient world. Over the centuries, it has developed into a modern business of protecting people from various risks. The industry has been profitable for many years and has been an important aspect of private and public long-term finance.

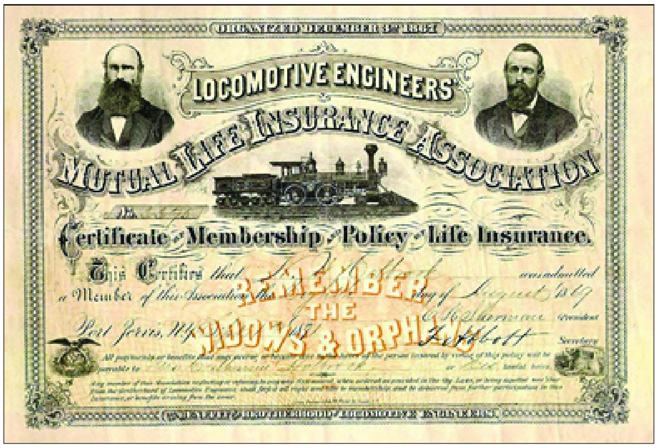
The journey of insurance traces back to ancient Babylonia, where early forms of risk-sharing and protection were established through the Code of Hammurabi. These rudimentary systems laid the groundwork for what would become one of the world's most enduring industries.

Origins of Insurance: How It All Began

The concept of ensuring one's assets - whether that is their possessions, their business interests or even their health and life - has its origins in prehistoric society.

The Code of Hammurabi, a Babylonian legal text dating from around 1750 B.C., contains the first instance of a policy outlining the concept of 'liability.' The code states that a broker who loses or damages his client's assets will be eligible to recoup the losses - unless the assets were lost in an event called an 'Act of God', i.e. one that was unavoidable.

Furthermore, it states that a sailor who has damaged another sailor's ship in an accident will be liable to pay for the repairs, both to the other ship, and to their own ship if it was owned by someone else. Liability later became an important aspect of insurance law.



The citizens of Rhodes in Greece took this idea one step further when, in about 1000 B.C., they worked out the concept of general averages.

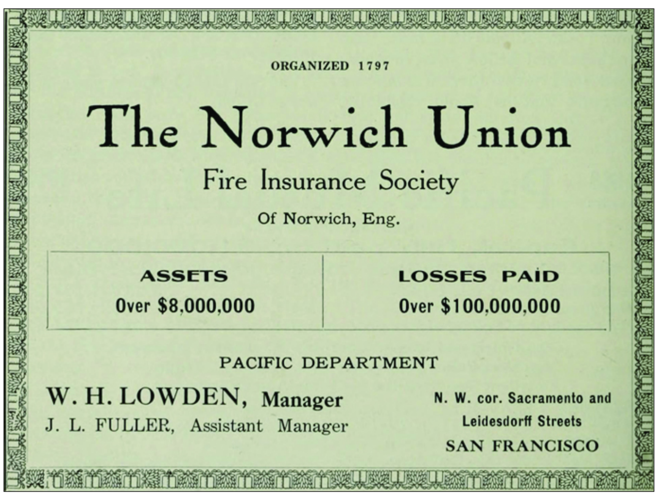
This is a concept still used in maritime law today and means that if a ship loses its cargo - whether by jettisoning it to escape from a storm or as a result of piracy - all merchants who were shipping items on board that ship must agree to pay an equal percentage of the losses. To protect themselves against these potentially large losses, merchants would often pay a share of the insurance up-front, with the owner of the ship liable for any additional costs.

In the ancient period, the Athenians developed this concept further still by working out that it was, on average, more risky to ship cargo at certain times of year. Therefore, merchants would have to front a larger sum of money in the precarious winter months, or during periods of war. The concept of risk has since become integral in working out the cost of insurance policies.

The first forms of insurance were recorded by the Babylonian and Chinese traders. To limit the loss of goods, merchants would divide their items among various ships that had to cross treacherous waters. One of the first documented loss limitation methods was noted in the Code of Hammurabi, which was written around 1750 BC.

Under this method, a merchant receiving a loan would pay the lender an extra amount of money in exchange for a guarantee that the loan would be cancelled if the shipment were stolen. The first to insure their people were the Achaemenian monarchs, and insurance records were submitted to notary offices. Insurance was also noted for gifts of substantial value. These gifts were given to monarchs. By recording their gifts in a register, givers would receive help from a monarch by proving the gift's existence if they were in trouble.

As the ancient world evolved, maritime loans with rates based on favorable seasons for traveling surfaced. Around 600 BC, the Greeks and Romans formed the first types of life and health insurance with their benevolent societies. These societies provided care for families of deceased citizens. Such societies continued for centuries in many different areas of the world and included funerary rituals. In the 12th century in Anatolia, a type of state insurance was introduced. If traders were robbed in the area, the state treasury would reimburse them for their losses.

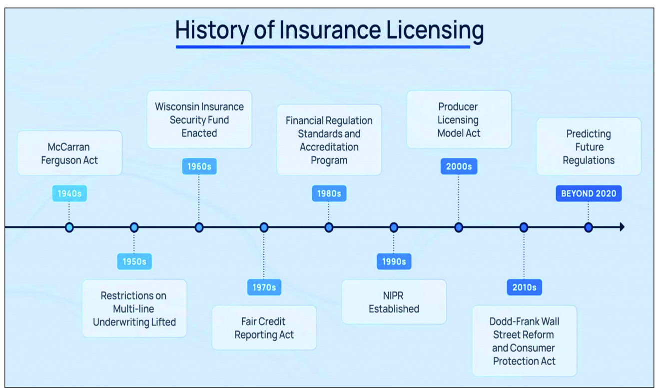


Standalone insurance policies that were not tied to contracts or loans surfaced in Genoa in the 14th century. This is where the first documented insurance policy came from in 1347. In the following century, standalone maritime insurance was formed. With this type of insurance, premiums vary based on unique risks. However, the separation of insurance from contracts

and loans was a major change that would influence insurance for the rest of the time.

The first book printed on the subject of insurance was penned by Pedro de Santarém, and the literature was published in 1552. As the Renaissance ended in Europe, insurance evolved into a much more sophisticated form of protection with several varieties of coverage. Until the late 17th century, many areas were still dominated by friendly societies that collected money to pay for medical expenses and funerals.

However, the end of the 17th century introduced a rapid expansion of London's importance in the world of trade. This also increased the need for cargo insurance. London became a hub for companies or people who were willing to underwrite the ventures of cargo ships and merchant traders. Lloyd's of London, one of London's leading insurers, is still a major insurance business in the city.



KEY TAKEAWAYS

* What some consider to be the first example of insurance and transferring risk can be found in the Code of Hammurabi.
* In Medieval Europe, the guild system emerged, with members paying into a pool that covered their losses.
* In the 1600s, ships sailing to the New World would secure multiple investors to spread the risk around.
* The horrific Great Fire of London in 1666 gave rise to fire insurance.
* Life insurance became more widespread and affordable after the development of mortality tables, which helped predict longevity.

Medieval Guilds Provided Group Coverage

In the Middle Ages, most craftsmen were trained through the guild system. Apprentices spent their childhoods working for masters for little or no pay. Once they became masters themselves, they paid dues to the guild and trained their own apprentices.

The wealthier guilds had large coffers that acted as a type of insurance fund. If a master's practice burned down-a common occurrence in the largely wooden cities of medieval Europe-the guild would rebuild it using money from its own funds. If a master was robbed, the guild would cover their obligations until money started to flow in again. If a master was suddenly disabled or killed, the guild would support them or their surviving family.

This safety net encouraged more people to leave farming to take up trades. As a result, the amount of goods available for trade increased, as did the range of goods and services. The basic style of insurance used by guilds is still around today in the form of group coverage.

Insurance in some form is as old as historical society. So-called bottomry contracts were known to merchants of Babylon as early as 4000-3000 BC. Bottomry was also practiced by the Hindus in 600 BC and was well understood in ancient Greece as early as the 4th century BC.

Spreading Risk in Dangerous Waters

In the late 1600s, shipping was just beginning between the New World and the Old, as colonies were being established and exotic goods were ferried back. The practice of underwriting emerged in the same London coffeehouses that operated as the unofficial stock exchange for the British Empire. A coffeehouse owned by Edward Lloyd, later of Lloyd's of London, was the primary meeting place for merchants, ship owners, and others seeking insurance.2

A basic system for funding voyages to the New World was established. In the first stage, merchants and companies would seek funding from the venture capitalists of the day. They, in turn, would help find people who wanted to be colonists, usually those from the more desperate areas of London, and would purchase provisions for the voyage.

In exchange, the venture capitalists were guaranteed some of the returns from the goods the colonists would produce or find in the Americas. It was widely believed you couldn't take two left turns in America without finding a deposit of gold or other precious metals. When it turned out this wasn't exactly true, venture capitalists still funded voyages for a share of the new bumper crop: tobacco.

After a voyage was secured by venture capitalists, the merchants and ship owners went to Lloyd's to hand over a copy of the ship's cargo manifest so the investors and underwriters who gathered there could read it.

Those who were interested in taking on the risk signed at the bottom of the manifest beneath the figure indicating the share of the cargo for which they were taking responsibility (hence, underwriting). In this way, a single voyage would have multiple underwriters, who tried to spread their own risk by taking shares in several different voyages.

By 1654, Blaise Pascal, the Frenchman who gave us the first calculator, and his countryman Pierre de Fermat, discovered a way to express probabilities and better understand levels of risk. That breakthrough began to formalize the practice of underwriting and made insurance more affordable.3

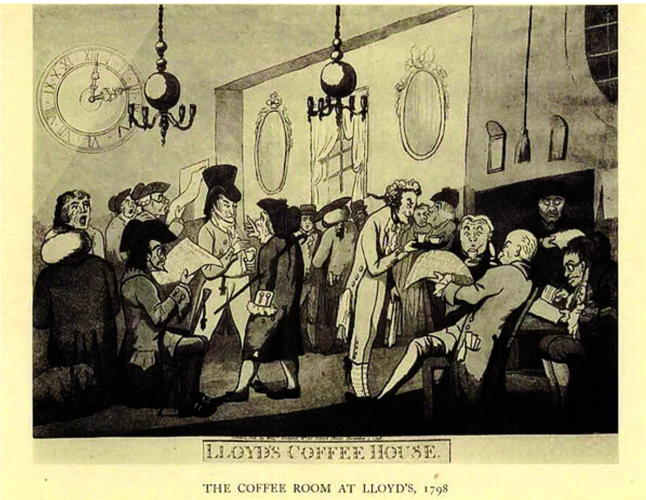
Fire Insurance Rises out of the Ashes

In 1666, the Great Fire of London destroyed around 13,200 homes. London was still recovering from the plague that had begun to ravage it a year earlier and an estimated 100,000 survivors were left homeless.4 The following year, property developer Nicholas Barbon began selling fire insurance as a personal business, which was then established as a joint-stock company, the Fire Office, in 1680.5

History of Life Insurance

Life insurance began to emerge in the 16th and 17th centuries in England, France, and Holland. The first known life insurance policy in England was issued in 1583.6 But, lacking the tools to properly assess the risk involved, many of the groups that offered insurance ultimately failed.

That started to change in 1693, when astronomer and mathematician Edmund Halley, best known today as the namesake of Halley's Comet, studied birth and death records in the city of Breslau for the purposes of calculating the price of life annuities. This gave rise to the use of mortality tables in the insurance industry.7



Insurance Evolution:
From Ancient Beginnings to the Modern Era

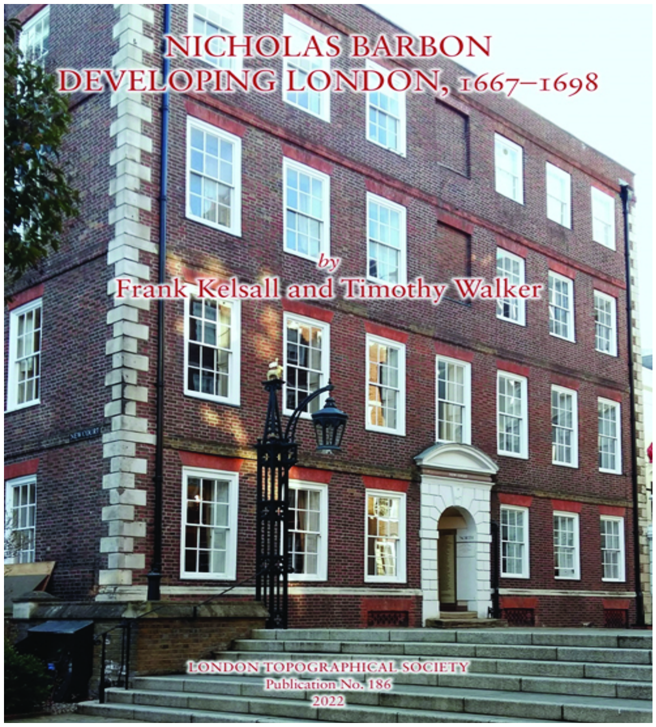
Modern insurance can be traced back to the city's Great Fire of London, which occurred in 1666. After it destroyed more than 30,000 homes, a man named Nicholas Barbon started a building insurance business. He later introduced the city's first fire insurance company. Accident insurance was made available in the late 19th century, and it was very similar to modern disability coverage.

Once, so-called bottomry contracts were known to merchants of Babylon as early as 4000-3000 BC. Bottomry was also practised by the Hindus in 600 BCE and was well understood in ancient Greece as early as the 4th century BCE. Under a bottomry contract, loans were granted to merchants with the provision that if the shipment was lost at sea the loan did not have to be repaid. The interest on the loan covered the insurance risk.

Ancient Roman law recognized the bottomry contract in which an article of the agreement was drawn up and funds were deposited with a money changer. Marine insurance became highly developed in the 15th century. In Rome, there were also burial societies that paid the funeral costs of their members out of monthly dues. The insurance contract also developed early. It was known in ancient Greece and among other maritime nations in commercial contact with Greece.

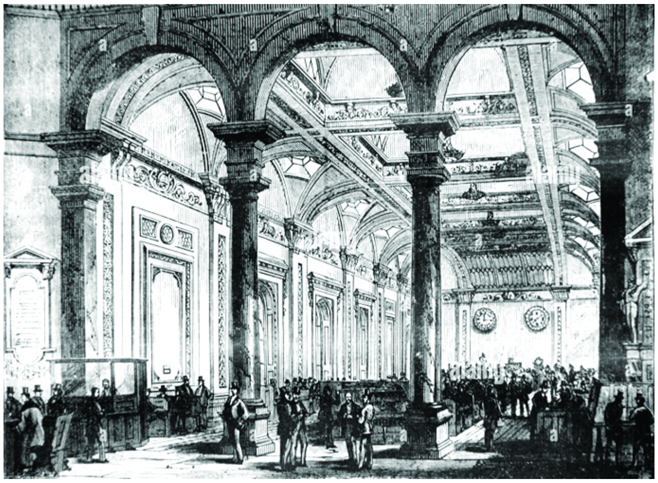
England

Fire insurance arose much later, obtaining impetus from the Great Fire of London in 1666. A number of insurance companies were started in England after 1711, during the so-called bubble era. Many of them were fraudulent, get-rich-quick schemes concerned mainly with selling their securities to the public. Nevertheless, two important and successful English insurance companies were formed during this period-the London Assurance Corporation and the Royal Exchange Assurance Corporation. Their operation marked the beginning of modern property and liability insurance.



Europe

No discussion of the early development of insurance in Europe would be complete without reference to Lloyd's of London, the international insurance market. It began in the 17th century as a coffeehouse patronized by merchants, bankers, and insurance underwriters, gradually becoming recognized as the most likely place to find underwriters for marine insurance. Edward Lloyd supplied his customers with shipping information gathered from the docks and other sources; this eventually grew into the publication Lloyd's List, still in existence.



Historic Lloyd's building in London

Modern Lloyd's building in London

Lloyd's was reorganized in 1769 as a formal group of underwriters accepting marine risks. (The word underwriter is said to have derived from the practice of having each risk taker write his name under the total amount of risk that he was willing to accept at a specified premium.)

With the growth of British sea power, Lloyd's became the dominant insurer of marine risks, to which were later added fire and other property risks. Today Lloyd's is a major reinsurer as well as primary insurer, but it does not itself transact insurance business; this is done by the member underwriters, who accept insurance on their own account and bear the full risk in competition with each other.

United States

The first American insurance company was organized by Benjamin Franklin in 1752 as the Philadelphia Contributionship. The first life insurance company in the American colonies was the Presbyterian Ministers' Fund, organized in 1759. It helped ease the financial difficulties of women whose husbands died while fighting in World War II. It wasn't until the 1980s that the need for car insurance grew enough that steps were taken to make it mandatory. Although insurance is an established business, it is still changing and will change in the future to meet the evolving needs of consumers.

By 1820 there were 17 stock life insurance companies in the state of New York alone.

Many of the early property insurance companies failed because of speculative investments, poor management, and inadequate distribution systems. Others failed after the Great Chicago Fire in 1871 and the San Francisco earthquake and fire of 1906. There was little effective regulation, and rate-making was difficult in the absence of cooperative development of sound statistics. Many problems also beset the life insurance business.

Great Chicago Fire in 1871

San Francisco earthquake and fire of 1906

In the era following the U.S. Civil War, bad practices developed: dividends were declared that had not been earned, reserves were inadequate, advertising claims were exaggerated, and office buildings were erected that sometimes cost more than the total assets of the companies. Thirty-three life insurance companies failed between 1870 and 1872, and another 48 between 1873 and 1877.

After 1910 life insurance enjoyed a steady growth in the United States. The annual growth rate of insurance in force over the period 1910-90 was approximately 8.4 percent-amounting to a 626-fold increase for the 80-year period. Property-liability insurance had a somewhat smaller increase. By 1989 some 3,800 property-liability and 2,270 life insurance companies were in business, employing nearly two million workers. In 1987 U.S. insurers wrote about 37 percent of all premiums collected worldwide.

Russia

Insurance in Russia was nationalized after the Russian Revolution of 1917. Domestic insurance in the Soviet Union was offered by a single agency, Gosstrakh, and insurance on foreign risks by a companion company, Ingosstrakh. Ingosstrakh continues to insure foreign-owned property in Russia and Russian-owned property abroad. It accepts reinsurance from foreign insurers. However, following the movement toward a free market economy (perestroika) after 1985 and the breakup of the Soviet Union in 1991, some 230 new private insurers were established.

Gosstrakh offers both property and personal insurance. The former coverage is mandatory for government-owned property and for certain property of collective farms. Voluntary property insurance is available for privately owned property. Personal coverages such as life and accident insurance and annuities also are sold. Before 1991, insurance against tort liability was not permitted, on the ground that such coverage would allow negligent persons to escape from the financial consequences of their behaviour. However, with the advent of a free market system, it seems likely that liability insurance will become available in Russia.

Eastern Europe

After the breakup of the Soviet Union, countries in Eastern Europe developed insurance systems of considerable variety, ranging from highly centralized and state-controlled systems to Western-style ones. Because of recent political and economic upheavals in these countries, it seems likely that the trend will be toward decentralized, Western-style systems.

A few generalizations about insurance in Eastern European countries may be made. Although state insurance monopolies are common, they are losing some business to private insurers. Insurance of state-owned property, which was considered unnecessary in socialist states, has been established in several countries.

Japan

Japan's rapid industrialization after World War II was accompanied by an impressive growth in the insurance business. Toward the end of the 20th century, Japan ranked number one in the world in life insurance in force. It accounted for about 25 per cent of all insurance premiums collected in the world, ranking second behind the United States. The number of domestic insurers is relatively small; foreign insurers operate in Japan but account for less than 3 per cent of total premiums collected.

Tokyo 1945

Tokyo 2023

India

The history of Insurance in India started from the prehistoric period as insurance in its primitive form has been known to exist from as far as 3000 BC. Various civilisations were known for practising the basic concept of insurance - pooling and sharing in an unorganized manner.

While considering the history of insurance in India, the principle of insurance was reflected in the joint family concept, widely followed in many regions, and is considered as one of the best forms of life insurance down the ages.

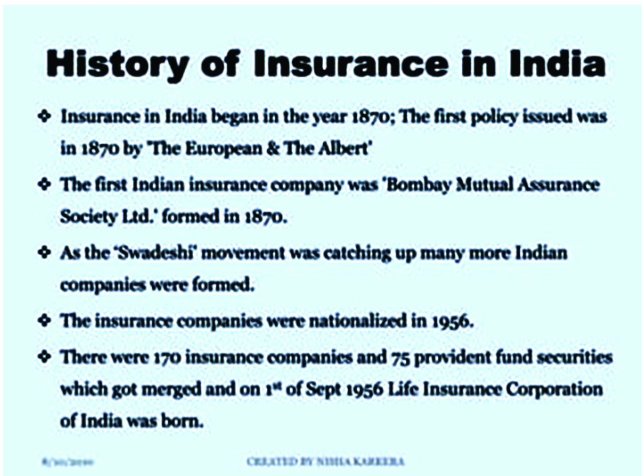
Sorrows and losses from unfortunate events were shared by family members and that helped to give them a security feeling. The breakup of the joint family system and the emergence of the nuclear family in the modern era, coupled with the stress of family life paved a path for the evolution of alternative methods for insurance.

Modern Insurance in India began around 1800 AD with agencies of foreign insurance starting a marine Insurance business.

Bangladesh

After the historic partition, the Insurance business gained momentum in East Pakistan from 1947-1971, when 49 insurance companies transacted both life and general insurance schemes. These companies were of various origins British, Australian, Indian, West Pakistani and local.

Ten insurance companies had their head offices in East Pakistan, 27 in West Pakistan, and the rest were located outside Bangladesh. These were mostly limited liability companies. Some of these companies were specialized in dealing in a particular class of business,



History of Insurance in India

- Insurance in India began in the year 1870; The first policy issued was in 1870 by 'The European & The Albert'
- The first Indian insurance company was 'Bombay Mutual Assurance Society Ltd.' formed in 1870.
- As the 'Swadeshi' movement was catching up many more Indian companies were formed.
- The insurance companies were nationalized in 1956.
- There were 170 insurance companies and 75 provident fund securities which got merged and on 1st of Sept 1956 Life Insurance Corporation of India was born.

while others were composite companies that dealt in more than one class of business.

In 1972, the government of Bangladesh nationalized insurance industry by the Bangladesh Insurance (Nationalisation) Order 1972. By this order, save and except postal life insurance and foreign life insurance companies, all 49 insurance companies and organisations transacting insurance business in the country were placed in the public sector under five corporations. These were: the Jatiya Bima Corporation, Tista Bima Corporation, Karnafuli Bima Corporation, Rupsa Jiban Bima Corporation, and Surma Jiban Bima Corporation.

The Jatiya Bima Corporation was an apex corporation only to supervise and control the activities of the other insurance corporations, which were responsible for underwriting. Tista and Karnafuli Bima Corporations were for general insurance and Rupsa and Surma were for life insurance.

The specialist life companies or the life portion of a composite company joined the Rupsa and Surma corporations while specialist general insurance companies or the general portion of a composite company joined the Tista and Karnafuli corporations. In 1972, Bangladesh nationalized its insurance industry through the Bangladesh Insurance (Nationalization) Order 1972, excepting postal life and foreign life insurance. All 49 insurance entities were placed under five corporations.
However, in 1984, the government amended the Insurance Act of 1938 and the Insurance Corporation Act of 1973 to allow private insurance companies to conduct insurance business.
Over time, Bangladesh's insurance sector has witnessed significant growth. According to the latest data from the Insurance Development and Regulatory Authority (IDRA), the country hosts 81 insurance companies, comprising 35 life insurance firms and 46 non-life insurance entities.

> *Marine Insurance Policies were introduced as early as the 14th century and are widely recognized as one of the oldest types of insurance. Attorneys in Perkins Coie's Insurance Recovery practice receive recognition for their work on behalf of their policyholder clients, whom they counsel on types of coverage.*

The insurance market in Bangladesh is projected to reach a market size (gross written premium) of US$14.92bn in 2024. Among the various segments, Life insurance dominates the market with a projected market volume of US$9.10bn in 2024.

The Bottomline

Over millennia, insurance evolved from ancient Babylonia to modern Bangladesh, adapting to the changing needs of societies-from maritime trade in medieval Europe to the Industrial Revolution's complex risks. This timeless evolution reflects humanity's constant pursuit of security and resilience, bridging ancient practices with contemporary innovations in a rapidly changing world. Today, insurance plays a crucial role in Bangladesh by safeguarding lives, businesses, and the economy.
Because of the great expansion in world trade and the extent to which business firms make investments outside their home countries, the market for insurance on a worldwide scale expanded rapidly in the 20th century. This development required a worldwide network of offices to provide brokerage services, underwriting assistance, claims services.
The majority of the world's insurance businesses are concentrated in Europe and North America. These companies must service a large part of the insurance needs of the rest of the world. The legal and regulatory hurdles that must be overcome to do so are formidable.

CEO of NATIONAL LIFE

We expect robust growth in life business in 2024-28

--- Kazim Uddin, CEO of National Life Insurance

In a densely populated country like Bangladesh, the life insurance industry has the potential to thrive, provided the government fosters a supportive regulatory environment.

Express Report

If your loved ones depend on you, life insurance is more than a policy-it's a promise. It provides peace of mind today, safeguards their future, and ensures they're protected, no matter what tomorrow holds.

Kazim Uddin, the Managing Director and CEO of National Life Insurance Company (NLI), the country's first private sector life insurer narrated these words during an exclusive interview with the Insurance Express, a monthly Special of THE BANGLADESH EXPRESS

"You don't need miracles in the West. You have insurance. Fun is like life insurance; the older you get, the more it costs. People are realising this day by day", the CEO said adding that For nearly seventy years, the life insurance industry has been an untouchable sacred cow, feeding the public a steady diet of misleading promises. But times are changing rapidly, thanks to recent reform measures and development initiatives by regulators.

In a densely populated country like Bangladesh, he continued, the life insurance industry has the potential to thrive, provided the government fosters a supportive regulatory environment, Kazim Uddin, the NLI boss said.

In a densely populated country like Bangladesh, the life insurance industry has the potential to thrive, provided the government fosters a supportive regulatory environment.

"We expect robust growth in life business (premiums up 6.7% in 2024?28), supported by rising demand for term life cover by the middle-class and the country's young population, and also increasing industry adoption of Insurtech", he said.

The insurance market in Bangladesh is projected to reach a market size (gross written premium) of US$14.92bn in 2024. Among the various segments, Life insurance dominates the market with a projected market volume of US$9.10bn in 2024, he noted.

"However, there is still a long way to go, as the insurance sector faces a complex array of challenges, including evolving compliance requirements, cybersecurity threats, technological and climate shifts, environmental factors, and, most critically, a shortage of skilled talent", Kazim Uddin said.

Addressing the problems and prospects of the insurance business in Bangladesh, the CEO pinpointed several problems such as human resource, operational, marketing, and ethical problem, lack of awareness, lack of government supervision, lack of promotional programs and negative image.

> National Life Insurance has announced a 38% cash dividend to its shareholders for the calendar year 2023. The company has grown & developed massively and substantially over about 38 years.

The lack of qualified professionals in areas like underwriting, actuarial science, risk management, and claims processing leads to operational inefficiencies. This impacts the industry's ability to effectively assess risks, set premiums, and manage claims, he noted.

"Without adequate expertise, processes are often delayed, leading to slower customer service and longer turnaround times, which can erode customer trust and satisfaction", Kazim Uddin said and claimed that his company has focused on this key issue resulting in impressive growth in its operations.

The shortage of tech-savvy professionals hampers the industry's ability to adopt and implement new technologies. This stifles innovation and prevents the industry from keeping up with global trends, the CEO noted.

Without adequate expertise, processes are often delayed, leading to slower customer service and longer turnaround times, which can erode customer trust and satisfaction.

"Without a strong talent pool to drive digital transformation, the industry remains reliant on outdated practices, making it less competitive in the long term. The scarcity of talent can drive up wages, as companies compete to attract the few qualified professionals available, further straining resources", he said.

A shortage of talent can lead to non-compliance with regulatory standards, as there are fewer qualified individuals to navigate the complex legal landscape of the insurance sector. This can result in fines, penalties, and reputational damage. Poorly managed risk due to a lack of expertise can lead to financial instability within

This plan is designed according to the needs of those persons who apart from making provision for his, old age protection feel to generate funds periodically either for the expansion of business or house construction or children's education or marriage.

Our Child Protection Policy will insure you and your child both under the same policy. Should the child loss you before the policy matures, all the future premiums will be waived, yet the full sum insured and Bonuses will be paid to the child on the maturity of the policy. Bonuses continue to accrue even after the father's death. In addition, an income of Tk. 100/- per year per thousand Sum insured will be paid per year to the child for the remaining years of the policy or till death of the child, if earlier. Should both survive the policy term, full sum assured together with declared bonuses, shall become payable.

insurance companies, affecting the entire industry, Kazim Uddin said.

National Life Insurance has announced a 38% cash dividend to its shareholders for the calendar year 2023. The company has grown & developed massively and substantially over about 38 years.

The company has diversified its product offerings to align with the diverse needs and preferences of its customers. It now provides a wide range of life assurance products designed to meet clients' aspirations, needs, and religious beliefs. Policyholders of NLI benefit from highly competitive policy bonuses, enjoying rates that surpass those offered by other leading companies.

> The relationship between customers and insurance companies in Bangladesh is characterized by a lack of trust. Most Bangladeshis are sceptical of insurance agents, and awareness of life insurance products remains limited

National Life Insurance has announced a 38% cash dividend to its shareholders for the calendar year 2023. The company has grown & developed massively and substantially over about 38 years.

In 2023, the company obtained the FBCCI Business Excellence Award and Prime Minister's Crest for its excellent services and was rated AAA by the credit rating agency for its quality assets, diversified investment and impressive business growth. The company also obtained ICSB Award in 2022 and RTV Award in 2021 as the best life insurance company.

The members of the Board of Directors are resourceful people imbued with the spirit of social service, which the company stands for and are leaders in other professions and businesses, such as finance, marketing and private enterprise.

Mr. Kazim Uddin, a veteran insurance personality has dedicated over 33 years to the organisation, rising through various roles, including serving as Deputy Managing Director since 2014. In December 2021, he was recognised as the Best CEO in South Asia's insurance sector, an honour bestowed by the South Asian Partnership Summit (SAPS).

Mr. Kazim Uddin completed his MBA from The University of Cumilla. He has travelled to various countries and participated in many life insurance Seminars and Training sessions and obtained advanced training both domestically and internationally.

Replying to a question, Kazim Uddin, the CEO of NLI said the role of insurance in managing risks in an economy cannot be overstated. At a micro level, insurance safeguards households and companies from a myriad of risks. From a macro perspective, it reduces the financial burden on a government and creates a stable environment in which businesses can thrive and succeed.

"While Bangladesh has taken gigantic strides on the path to economic prosperity, its insurance sector is a vital area that requires considerable attention and can benefit significantly from regulatory reforms", he said noting that Life insurance constitutes 73.5% of Bangladesh's insurance market and non-life insurance, 26.5%", the CEO said adding that micro-insurance and Islamic insurance (takaful) are also a part of Bangladesh's insurance sector.

While Bangladesh's insurance sector has experienced some growth compared to other emerging nations, there remains significant room for improvement. He emphasised that one of the most critical areas that requires attention is claim settlement.

"There has long been a culture of non-settlement and it has been so because the regulatory authority has not been strengthened purposefully", Kazim Uddin said adding that the government will have to have the intention to make it strong in the real sense of the word.

The relationship between customers and insurance companies in Bangladesh is characterized by a lack of trust. Most Bangladeshis are skeptical of insurance agents, and awareness of life insurance products remains limited, he observed.

"Claim settlement-related problems also undermine the customer-insurer relationship, and the process of settling claims can be arduous and long," he noted.

The relationship between customers and insurance companies in Bangladesh is characterized by a lack of trust. Most Bangladeshis are sceptical of insurance agents, and awareness of life insurance products remains limited.

Insurance appears to be a negative product in Bangladesh as the majority of people and businesses tend to be reluctant to pay non-mandatory sums for insurance coverage, while the industry is yet to become strategic or innovative enough to change the behaviour.

In developed countries like Canada, Japan, Sweden, Australia, and New Zealand, almost everyone had insurance coverage even a decade ago. Neighbouring India and Pakistan ensured insurance coverage for 27% and 12.5% of their population, respectively, while Sri Lanka, with its full literacy rate, has almost everyone insured.

According to the Insurance Development and Regulatory Authority (IDRA), less than one in every 17 people hold life insurance policies in Bangladesh.

Some 3.64 lakh policies of 36 life insurance companies of Bangladesh lapsed in the first quarter of 2024 due to a myriad of factors, including the worsening financial health of clients and agents' tendency not to disclose key information while making sales,

In conclusion, Kazim Uddin, CEO of National Life Insurance, emphasised the need for insurance companies to implement effective policies to reduce the average customer collection time. In addition to leveraging internal resources, he highlighted the importance of collaboration among insurance businesses across various areas.

Through the Insurance Association, members can positively influence market expansion, establish guidelines, maintain healthy competition, combat insurance fraud, and create favourable conditions for the entire industry's growth.

He also stressed that, beyond strengthening domestic cooperation, Vietnamese insurance companies must actively pursue international partnerships.

Insurance: A Shield in the Storm

Express Report

Eti Rani Das, a 35-year-old woman, now firmly believes that most people endure severe hardships during difficult times because they lack insurance coverage.

"You no longer need to pray to God when storms loom in the sky-what you need is insurance," she said with conviction, standing by the roadside in front of National Life Insurance Company in the bustling Kawran Bazar area of the city.

"In our society, many harbour negative perceptions about insurance policies, but the reality is quite different. I think Insurance is a shield in the storm", she said with a smile.

Her words reflect a growing awareness among individuals who, like Eti, have come to recognise the invaluable protection that insurance offers against life's unpredictable challenges. For Eti, insurance is no longer just a policy-it's a safeguard that ensures stability and peace of mind, even when the clouds gather overhead.

Eti Rani Das lives in a modest home in Bindan, within the Pubail area of the city, with her husband and children. Despite their limited means, she took a bold step by opening a policy with the National Life Insurance Company and has consistently received her benefits on time.

"Today, I received my benefits within 20 minutes, even though there are rumours that some companies delay payments to their policyholders," Eti shared. She also recalled how her insurance company provided timely financial support during the COVID-19 pandemic when her family was in dire straits.

"One bad apple can spoil the barrel, but there are many insurance companies in Bangladesh that truly value their customers and settle claims promptly," Eti said. "Trust and confidence are the cornerstones of success in the insurance industry."

She said, "Insurance isn't just a policy; it's a promise of protection when life takes an unexpected turn. Having insurance coverage is like holding an umbrella on a rainy day-a shield that keeps you safe. A good insurance company will never take that umbrella away when you need it the most."

MARKET UPDATE

Bangladesh's general insurance industry to see 8.8% CAGR in 2027

Express Report

The general insurance industry in Bangladesh is set for substantial growth, with GlobalData forecasting a compound annual growth rate (CAGR) of 8.8% from 2023 to 2027.

This expansion is expected to increase gross written premiums (GWP) from $620.8 million in 2023 to $809 million by 2027.

To increase insurance awareness and attract new customers, the Government of Bangladesh and the Insurance Development and Regulatory Authority (IDRA) have proposed a series of steps to boost general insurance growth," Insurance Analyst at GlobalData commented.

"Bangladesh's general insurance penetration stood at 0.15% in 2022, which is significantly lower compared to the penetration in regional economies such as India (0.95%), China (1.17%), and Japan (1.73%)", the report published in specialised publication GlobalData mentioned.

In 2022, the general insurance industry in Bangladesh experienced an estimated growth rate of 9.6%, and it is expected to continue growing at a similar rate over the next five years.

This growth is supported by favourable regulatory developments aimed at improving market practices to enhance customer confidence and boost insurance penetration.

"In April 2023, the IDRA proposed changes in the solvency margins that the general insurers need to maintain their risk-bearing capacity. Insurance companies would be required to maintain the new solvency margins by establishing reserves from their profits or by injecting fresh capital," an IDRA official said.

One major development in increasing insurance penetration is the introduction of a bancassurance regulation in Bangladesh in 2023, which will allow local banks to partner with life and general insurers to sell insurance products.

This regulation is currently awaiting approval from the Ministry of Finance and is expected to improve the financial literacy of the population and raise awareness, further supporting the growth of the insurance industry.

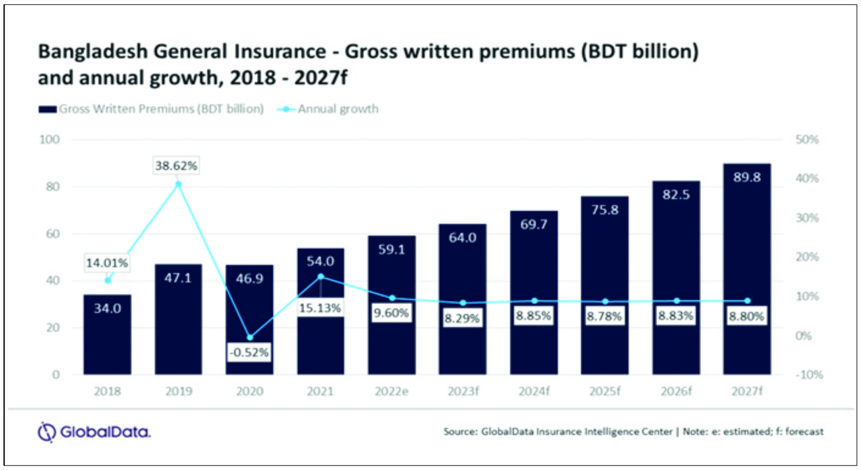
The previous regulation mandated general insurers to maintain a 40% risk reserve of the net written premium for all lines of business.

However, the new draft regulation specifies different reserves based on the lines of business in which the insurer operates, such as fire insurance, marine and marine hull insurance, aviation insurance, motor insurance, health insurance, and miscellaneous insurance.

To boost insurance penetration, the Insurance Development and Regulatory Authority (IDRA) in Bangladesh is actively promoting microinsurance products aimed at low-income individuals.

These products cover risks related to property damage, including crop and livestock losses due to extreme weather events, making insurance more accessible to a broader segment of the population.

"Government schemes for low-cost insurance products, regulatory support, and bancassurance are expected to play a pivotal role in increasing insurance penetration in Bangladesh over the next five years and supporting growth in the general insurance business." An IDRA official said.



Indian government does not address captive insurance opportunity

Express Desk

For the third consecutive year, the Union Budget of India 2024 does not include captive insurance. Charul Sharma and Andrew Christie of EY take a look at recent developments.

The Union Budget 2024 of India was expected to pave the way for the captive insurance industry in the country. However, the budget release did not include any mention of captive insurance. For the insurance sector, the Insurance Regulatory and Development Authority of India (IRDAI) has set a goal of achieving "Insurance for All by 2047".

As part of this vision, IRDAI was expected to propose amendments to the Insurance Act of 1938 during the parliamentary session. One significant proposed amendment included the issuance of captive insurance licences. However, similar to the previous two attempts in the last two budget sessions, there was nothing about captive insurance in the budget that was introduced.

For the captive insurance industry to thrive in India, it is essential to review and amend the provisions of the Insurance Act of 1938, which remains the primary legislation governing insurance in the country.

The current minimum capital requirement for establishing a general (non-life) insurance company in India is ~$12 million (INR 100 crore). This poses a significant challenge for most businesses, especially small- and mid-market companies interested in forming captives, as raising such a high amount of capital is difficult or even impossible for them. This entry barrier limits the number of businesses that can afford to set up their own insurance company.

> *For the third consecutive year, the Union Budget of India 2024 does not include captive insurance. Charul Sharma and Andrew Christie of EY take a look at recent developments.*

Captives primarily insure the risks of their parent organisations and, therefore, generally may require less capital than commercial insurance companies, which cover purely third-party risks. Compared to other established captive domiciles worldwide, India's minimum capital requirement is higher. Additionally, this capital may be "trapped" in the captive, resulting in a low rate of return, thus further lowering the feasibility of such option.

To enhance the competitiveness of the captive insurance industry in India, the mandatory $12 million capital requirement should be revised to allow the regulator to set minimum capital levels on a case-by-case basis with certain overall guardrails in place. This adjustment aims to broaden opportunities within the industry and lay the groundwork for long-term growth. It will enable large corporate entities in India to establish captives and open the market to small- and medium-sized enterprises, which have shown the highest growth rates in developed captive markets.

Charul Sharma & Andrew Christie

Restrictions

An additional hurdle for the industry is the restriction under the Insurance Act of 1938 which stipulates that an insurance company can operate in only one segment of insurance. This means an insurer can choose to be a life insurance company, a general insurer, a health insurer, or a reinsurer, but not more than one simultaneously.

While it is true that life and P&C combinations in a singular captive are not common, generally, captives can be direct and reinsurance writers in one, as well as include health risks (for example) in the same captive. When a business establishes a captive insurance company, it typically does so to cover all its insurance needs, unless it finds certain segments not feasible for inclusion in the captive arrangement. Businesses may seek to include employee benefits, general liability, and property insurance, all within one captive. Captives also function as reinsurers reinsuring the risk of its parent and sister companies. Unless this restriction is amended, it could impede the industry development.

A further challenge is the prohibition of fronting in reinsurance contracts in India. Fronting insurance, defined as the use of a licensed, admitted insurer to issue an insurance policy on behalf of a self-insured organisation or captive insurer without the intention of retaining any risk, is currently illegal as per IRDAI regulations.

In many jurisdictions, captives rely on fronting to meet regulatory standards and lender/third-party requirements. The current regulations encourage traditional insurers to retain as much risk as possible and cede as little as possible, a stance that may need revision to incentivise captives in India.

Benefits of the captive insurance market to India

IRDAI should consider adopting best practices from established captive domiciles, such as Vermont, Cayman, Bermuda or certain EU domiciles. This will allow India to be seen as being competitive with other countries that have captive laws.

Given the operational nuances of captive insurers compared to traditional insurers, creating a separate legislation focused on captive insurance is crucial for industry functionality. This legislation should create guidelines on minimum capital requirements, investment restrictions, loan-back policies, dividend distribution, fronting and more.

A robust captive insurance framework would enhance India's appeal as a destination for foreign direct investment.

Establishing low-tax jurisdictions, such as GIFT City in Gujarat, can foster industry growth and attract businesses to set up captive insurance companies. GIFT City-Gujarat International Finance Tec-City-is India's inaugural international financial services centre (IFSC). While it does mention captive insurance as a potential offshore insurance business area, it highlights the need for amendments to the Insurance Act of 1938 to facilitate the successful development of this sector.

Captive insurers in GIFT City can benefit from a 100 percent income tax exemption for 10 consecutive years. Services rendered to units within the IFSC are subject to a zero rate for Good and Services Tax (GST), meaning no GST is charged on these services. Additionally, transactions conducted within the IFSC may be exempt from several other taxes, including Security Transaction Tax, Commodity Transaction Tax, and Dividend Distribution Tax.

Captives have the potential to enhance the resilience of India's financial sector and promote a culture of strategic risk management not only among large corporations but also within small- and medium-sized enterprises. Enhanced risk awareness and proactive management practices within captives can lead to more resilient and informed decision-making, benefiting the broader financial sector.

Captives allow for bespoke insurance solutions tailored to the specific needs of the owner organisation. This customisation ensures that unique risks are covered more efficiently, facilitating improved risk management and reduced financial volatility.

A robust captive insurance framework would enhance India's appeal as a destination for foreign direct investment. Multinational corporations and global investors seeking effective risk financing solutions are likely to establish captives in jurisdictions with supportive regulatory environments.

Captives enable Indian businesses to retain premiums that would otherwise go to external insurers. Assuming favourable underwriting results, earned underwriting income can be reinvested into the parent company's core operations, infrastructure development, or strategic initiatives. Further, commercial insurance premiums include profit loadings and high administrative charges. Writing a portion of business in a captive instead of a commercial insurer saves on these expenses included within the commercial premium.

Furthermore, captives would enable Indian businesses to leverage advanced data analytics and risk modelling techniques to better understand and manage their risks. By analysing historical claims data and emerging trends, captives can proactively adjust insurance strategies and optimise risk retention levels. This analytical capability enhances decision-making processes and operational efficiencies.

The establishment and operation of captive insurance entities will require a skilled workforce proficient in insurance underwriting, risk management, claims-handling, actuarial science, and compliance with regulatory frameworks. This will create demand for insurance professionals with specialised knowledge and expertise and thus create jobs for the economy. Further, India already has established captive insurance professionals who support US and European captive professional service firms (typically in a financial statement preparation capacity). This provides a readily available talent base to build upon, were the legislation passed.

(Charul Sharma is a senior in the EY Financial Services Organisation Insurance Sector and is part of the Americas Captive Insurance Services practice. She can be contacted at: charul.sharma1@ey.com

Andrew Christie is a senior manager in the Americas Captive Insurance Services practice and a member of EY's Global Captive Network. He can be contacted at: andrew.christie@ey.com

Jetty partners with Socotra to enhance renters insurance and surety services

Express Desk

Jetty, a financial services company focused on making home renting more affordable and accessible, has partnered with Socotra to bolster its insurance operations.

A strong captive insurance sector can attract foreign investment, foster growth in the financial services industry, and create job opportunities in related fields such as insurance, risk management, and financial services.

The move has seen Jetty successfully migrate two of its key products, Jetty Deposit, a surety solution, and Jetty Protect, a renters insurance product, to Socotra's cloud-native platform, according to FF News.

This means that the firm has received support for surety, renters insurance, and complex transactions related to personal leases.

Suleiman Sukkar, Vice President of Product Delivery at Socotra, explained the benefits of the firm's offering, stating, "Socotra is the system of record that enables you to move forward instead of holding you back. Insurers can create and manage products without expensive workarounds and customisations, with enforced data integrity and traceability. We are thrilled to see Jetty succeeding with Socotra, and we look forward to working with them long into the future."

As a result of this, Jetty's policy binding process has become four times faster after switching to Socotra, while the company's financial reporting processes have significantly improved, shifting from a daily batch system to near-instantaneous reporting.

This enhanced speed and reliability have enabled Jetty to meet reporting requirements and streamline policy data usage for underwriting analysis.

Jetty sought a platform that would offer easy data access and accelerate business processes without sacrificing reliability.

The company needed a system that could integrate seamlessly with external systems, provide native API support, and enhance its digital experiences.

This was found with Socotra, which offers the ability integrate with key external platforms such as Stripe and Snapsheet, alongside its key API capabilities and real-time bulk data access.

Socotra's platform has provided Jetty with a stable core system, free of business interruptions. This has allowed the insurer to scale its business aggressively while maintaining operational stability.

"Socotra's expansive APIs and flexible configuration helped us deliver on our specific product needs without sacrificing engineering simplicity," said Junaid Warwani, Head of Product Engineering at Jetty.

industry TALKS

Why Bangladesh's Insurance Sector Needs a Transformation

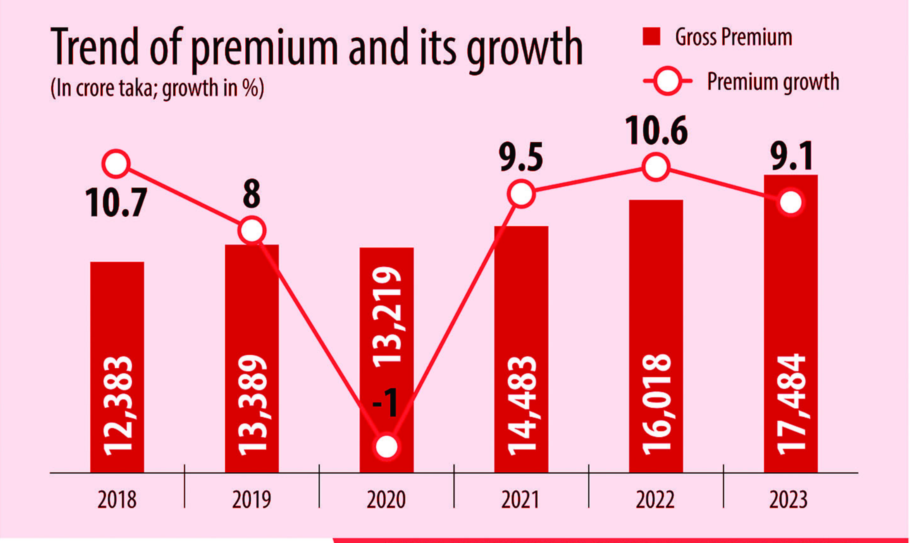
● **Md Main Uddin**

The lack of professionalism of agents has created a negative mindset towards the entire sector. Incomplete information is often provided by agents to policyholders. In many cases, policyholders do not look at the terms and conditions of policies; rather they depend on what the agents say.

The contribution of the insurance sector to the GDP is measured by a ratio popularly known as penetration ratio - a ratio of premium to GDP. The penetration ratio in Bangladesh, currently at only 0.46 percent, is very low compared to the global standards. Lack of awareness about insurance is often stated as the reason behind the meagre penetration ratio, but there are many other addressable issues in the sector.

Bangladesh has 81 insurance companies, of which 35 companies deal with life insurance and 46 with non-life insurance. The question about whether our economy needs so many insurance companies is moot. The answer is a no, and it's a no-brainer. India, for example, has only 57 insurance companies, and Malaysia has only 25. Allowing such a large number of insurance companies to operate in Bangladesh was completely unjustified. A good number of companies were given licences based on political considerations; they were permitted not because they were needed for the economy, but because they were beneficial to some influential people. If an economy has more insurance companies than it needs, companies are bound to perform poorly and resort to anomalies due to undue competition.

The progress of a country's insurance sector can be understood by looking at its claim settlement ratio. This ratio refers to the percentage of claims that the insurance company settles in a year compared to the total number of claims received. If the ratio is high, it means more claims have been settled. So, what are the



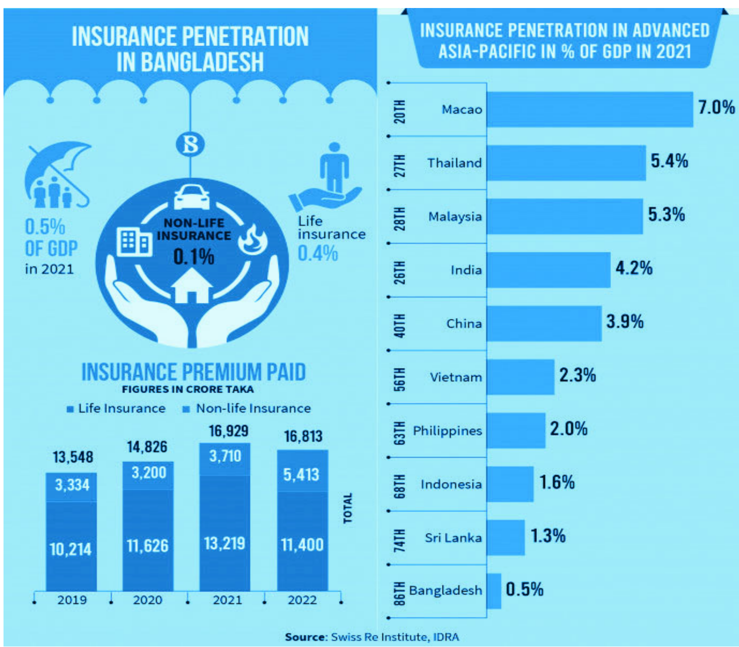
SOURCE: INSURANCE DEVELOPMENT & REGULATORY AUTHORITY claim settlement ratios of the insurance companies in Bangladesh?

Historical data show that it was about 54 percent in 1973-1990, which rose to nearly 73 percent during 1991-08, and to 78 percent during 2009-2019. However, this rate dropped dramatically to 68 percent in 2021 from 88 percent in 2020. In contrast, the global claim settlement ratio is 98 percent on average. Even in India, the average claim settlement ratio is 98 percent. One could argue that the recent deterioration of this ratio in Bangladesh may be due to the pandemic. But what about the historical low settlement ratios?

Many factors can be attributed to such low claim settlement ratios. There are allegations that insurers delay the settlement of claims when some policies mature. In some cases, if clients are not influential, their claims are not settled properly. A large number of insurance companies have to compete for the same number of clients with almost similar products and services. Some companies fail to invest their funds appropriately to generate the required return, while other companies face investment losses. Besides, corruption, financial irregularities and embezzlement in some companies resulted in a serious liquidity crisis. The regulatory authority has repeatedly failed to ensure the accountability of such companies; lack of monitoring and supervision allows them to continue operating with many anomalies.

Furthermore, the lack of professionalism of agents has created a negative mindset towards the entire sector.

To utilise the opportunity, the lack of trust and irregularities in this sector has to be mitigated. Timely claim settlements are a must-do to create trust.



Incomplete information is often provided by agents to policyholders. In many cases, policyholders do not look at the terms and conditions of policies; rather they depend on what the agents say. In such cases, the agents can exaggerate the benefits of policies. When the policies mature, the policyholders find a huge gap between the promise and the reality.

On the other hand, the rising income inequality has kept a large proportion of the population outside insurance coverage. A paradoxical situation has emerged in the country: the rich have the ability to manage risks personally and have insurance policies. But the poor who face many risks do not have insurance policies that can be attributed not only to the lack of awareness, but also to the economic factors creating their inability to buy the policies.

There is also a mismatch between the demand for and supply of the products and services. Before launching any product, there should be a survey on prospective customers so that the supplier can understand its latent demand and design it accordingly. But in our country, most of the time, products and services are launched without serious market investigation.

The negligence to the overall sector is evident from the setting up of the Insurance Development and Regulatory Authority (IDRA) only in 2010, although this sector has been operating in the country in parallel with the banking sector since independence. The IDRA does not have an adequate workforce to regulate the insurance sector properly. In addition, there is also doubt about its autonomy in taking corrective measures against the insurance companies involved in various irregularities and financial scams.

But the insurance market is crucial for sustaining the country's economic growth. To utilise this opportunity, the lack of trust and irregularities in this sector has to be mitigated. Timely claim settlements are a must-do to create trust. It is also crucial to design diversified products and services according to the customers' demand. The liquidity constraint has to be minimised by prudential use of funds. The regulatory authority needs to monitor the insurance companies rigorously and punish companies that break the law. Such actions will also create a ripple effect, and pressurise other companies to work within the regulatory framework.

Dr Md Main Uddin is professor and former chairman of the Department of Banking and Insurance at the University of Dhaka. He can be reached at mainuddin@du.ac.bd