



The inaugural issue of INSURANCE EXPRESS honours the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman. He recognized the crucial role of insurance in the economy and in people's lives, dedicating a significant part of his formative years to this field during his days of struggle.



Bangladesh Insurance Forum



Message from the President of BIF

Dear Readers,

I am delighted to welcome you to the inaugural issue of “**INSURANCE EXPRESS**”, a monthly special edition of THE BANGLADESH EXPRESS. This publication, created in collaboration with the Bangladesh Insurance Forum (BIF), aims to spotlight and promote the Bangladesh insurance industry, offering valuable insights and fostering informed dialogue. This collaborative magazine marks a significant milestone in our efforts to provide insightful, in-depth, and engaging content to our esteemed readers. Our goal is to aware consumers about the benefits and potential of insurance coverage, while reducing the gap between insurers and policyholders, as well as market players and policymakers.

The Bangladesh insurance industry, encompassing both life and non-life sectors, is poised for remarkable growth. The demand for comprehensive insurance products is escalating with a rising middle class, increasing financial awareness, and expanding economic activities. Life insurance offers individuals crucial financial security, while non-life insurance addresses the growing need for coverage in areas like health, property, and business. Supportive government policies, technological advancements, and an evolving regulatory environment further enhance the industry's potential. These factors make the insurance sector a key player in Bangladesh's economic development, promising substantial opportunities for insurers and policyholders alike.

A financial magazine like Insurance Express is vital for promoting the insurance industry by disseminating crucial information, enhancing market player-customer relationships, and boosting financial literacy. It serves as a platform for sharing insights and fostering informed decision-making, thereby driving industry growth and development. Since its inception in 1994, THE BANGLADESH EXPRESS has been a beacon of journalistic integrity and excellence. This new publication will build on that legacy by offering a unique blend of news, analysis, and features that reflect the dynamism and diversity of Bangladesh's socio-economic landscape.

As we embark on this exciting journey, I extend my heartfelt gratitude to our readers, contributors, and partners for their unwavering support. Together, we will make this magazine a cornerstone of informed and impactful discourse.

Warm regards,

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

Dhaka, Sunday, 30 June, 2024

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From the Desk of the Editor

The Journey of Insurance Express

The Bangladesh Express proudly announces the launch of its monthly special, "Insurance Express" in collaboration with the Bangladesh Insurance Forum (BIF) under a Financial Literacy Programme and. This industry magazine is dedicated to promoting the insurance sector in Bangladesh, providing a comprehensive platform for disseminating vital information, the latest news, and expert knowledge. Aimed at fostering growth and awareness, "Insurance Insights" will feature in-depth articles, interviews with industry leaders, and updates on regulatory changes. This initiative underscores Bangladesh Express's commitment to supporting the insurance industry's development and ensuring its readers stay informed and engaged with the dynamic landscape of insurance in Bangladesh.

The Insurance Express is designed to illuminate the country's insurance industry and foster a deeper understanding among potential policyholders. In the landscape where insurance is a mandatory facet in developed nations, Bangladesh finds itself significantly trailing, with fewer than one in seventeen people holding life insurance policies in a country of 180 million. The general insurance penetration stands at a mere 0.40%, notably lower than regional counterparts such as India, Pakistan, and Sri Lanka. This deficiency is rooted in a trifecta of challenges: a lack of awareness, insufficient education, and a negative image fostered by a dearth of knowledge and policy support.

To address these issues and foster a positive environment for the country's insurance industry, Insurance Express will be a platform for all involved in this sector. Our mission is to serve as a valuable resource for insurance professionals and policyholders by delivering the latest industry trends, insightful news, expert views, and educational materials. Together, we can build a more informed and engaged audience, ultimately contributing to the growth and development of the insurance industry in Bangladesh.

We invite all of you to contribute by sharing your activities, expertise and perspectives. You are always welcome to send your press release, views, news and thoughts to our e-mail: insurance.express@yahoo.com or dailybdexpress94@gmail.com

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

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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.
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New insurance policy soon to boost insurance industry



Express Report

The government plans to reform the existing insurance policies with customer-centric regulations to strengthen the country's promising industry. This initiative aims to bolster the industry's role in advancing towards a smarter Bangladesh, aligning with the government's vision.

The proposed new insurance policy includes government-backed guarantees tailored to meet state requirements, alongside a heightened focus on insurance provisions. Furthermore, insurance coverage for large projects funded through the banking sector is being actively considered.

Since the initial formulation of an insurance policy in 2014 aimed at developing the sector, several years have elapsed without significant updates. To address ongoing challenges, new strategies and action plans are set to replace outdated

policies, ensuring effective resolution of previous issues.

A highly placed official at the Ministry of Finance said that the uneven distribution of insurance services relative to insurance coverage was a primary motivation behind these reforms. Allegations of irregularities in several cases have prompted the need for a new insurance policy.

"Customer suffering in the insurance sector seems unending, yet not all companies subject their customers to such hardship. Some insurers, however, have significantly tarnished their credibility with customers, prompting complaints to the Department of Banks and Financial Institutions", he said.

"There is no end to customer suffering in the insurance sector. But not all insurance companies suffer customers. Some insurance companies have lost their credibility with customers", the official told



Insurance Express on condition of anonymity.

In response to numerous customer complaints, an official of the Insurance Development and Regulatory Authority (IDRA), said that new insurance policies are being developed to introduce reforms and enhance accountability within the sector.

Despite the promising outlook for Bangladesh's insurance sector, driven by economic expansion, rapid industrialisation, increased per capita income, and improved life expectancy, overall insurance penetration remains low, IDRA officials said.

Industry insiders recognise specific reasons for the low penetration of insurance products and sluggish growth of the industry, including trust issues, a shortage of institutionally trained insurance professionals, and a lack of effective awareness programs.

The insurance sector has been suffering from lack of good governance for a long time along with high administrative costs, inadequate capital, and a lack of risk management activities.

The proposed new insurance policy views the insurance industry as a vital socio-economic service sector. It aims to expand the social security net and enhance coverage, particularly in health and risk-based insurance, aligning with Bangladesh's development goals under the SDGs.

Currently, the insurance penetration rate in Bangladesh's economy remains subpar compared to developed nations where it is notably higher. The new policy addresses this disparity seriously and aims to increase the penetration rate through strategic measures.

In Bangladesh, the insurance penetration ratio stands at a mere 0.5 per cent, significantly below global standards and trailing behind neighbouring countries such as India (4.0), Sri Lanka (1.2), and Pakistan (0.8).

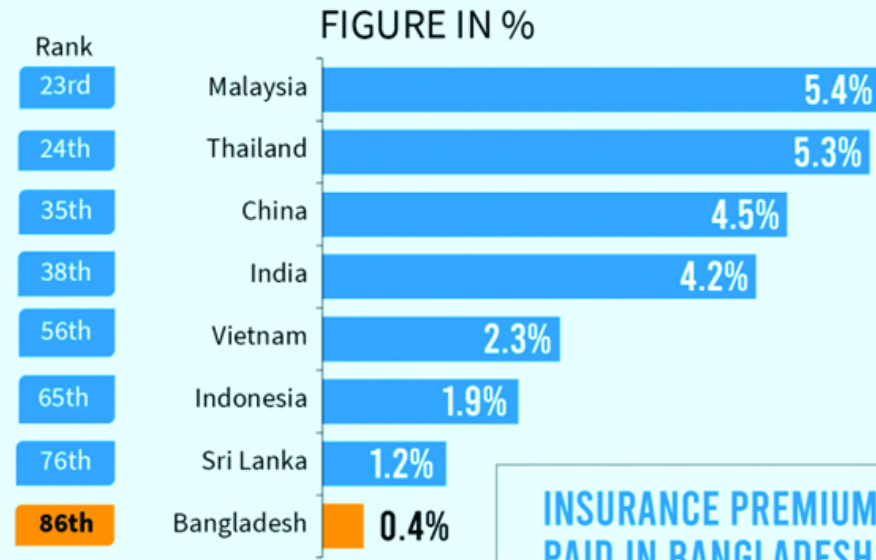
81 insurance companies, comprising 35 life insurance firms and 46 non-life insurance entities are offering various insur-

ance products and services. These insurers collectively provide coverage to approximately 18.97 million individuals.

In the life insurance sector, leading companies by market share include MetLife (American Life Insurance Company) at 27.10%, National Life Insurance Company Limited at 14.10%, Delta Life Insurance Company at 7.43%, Jiban Bima Corporation at 6.69%, and Popular Life Insurance Limited at 5.93%.

In the non-life insurance sector, prominent companies with the largest market share are Sadharan Bima Corporation at 11.03%, Green Delta Insurance Company Limited at 9.12%, Reliance Insurance Limited at 7.63%, Pioneer Insurance Company Limited at 6.52%, and Pragati Insurance Limited at 5.60%.

INSURANCE PENETRATION IN EMERGING ASIA-PACIFIC, 2020



INSURANCE PENETRATION IN BANGLADESH

0.40% of GDP in 2020



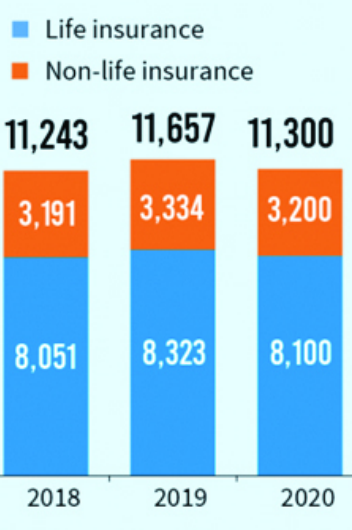
Life Insurance **0.30%**
Non-life **0.1%**

Swiss Re Institute expects 5.8% global economic growth in 2021

Source: Swiss Re Institute

INSURANCE PREMIUM PAID IN BANGLADESH

FIGURES IN CRORE TAKA





Insurance Paving the Path to Smart Bangladesh

● FARUK AHMED



In the USA, insurance acts as a powerful growth engine, whereas in Bangladesh, it is seen as an obsolete machine. This is because the public and politicians have yet to understand its impact on individual well-being and national development.

Anjuman Ara, a middle-aged widow said this during our conversation at the Dhaka Shahjalal Airport some days ago. She

stood clutching her boarding pass, lamenting her departure from her beloved motherland, Bangladesh, forever, as she prepared to settle in the USA with her son and daughter.

"You can't aspire to build a developed nation or a Smart Bangladesh without recognizing the vital role of the insurance industry. This realization comes from my life's bitter experiences," she said.



My question was, why are you leaving your motherland forever when the economy shows signs of growth and the government is striving to build a smart nation? "Necessity knows no law," Anjuman Ara explained.

"My husband, a businessman, tragically passed away three years ago from a massive heart attack soon after closing his business, burdened

by significant outstanding bank loans. His critical mistake was not having insurance coverage," Anjuman lamented.

"Thankfully, he had a life insurance policy that provided relief to settle his debts. Now, I have no choice but to leave my homeland and settle in the USA with my daughter, who has obtained American citizenship," she added, highlighting the growing trend of talented youths leaving Bangladesh annually for a better life in developed nations.

Insurance coverage helps mitigate risks, reduces the impact of major losses on businesses and households, and positively influences output and investment," she



‘ Insurance coverage helps mitigate risks, reduces the impact of major losses on businesses and households, and positively influences output and investment ’

emphasised, noting that in developing nations like the USA, insurance is a mandatory cornerstone.

Anjuman Ara's case is emblematic of a broader trend where many individuals seek settlement in countries like the USA, UK, Canada, and Australia, where insurance is mandatory for all citizens. This requirement serves to mitigate risks

associated with business losses, and medical expenses, and ensures a secure and fulfilling retirement.

In Bangladesh, most people lack insurance coverage due to negative perceptions stemming from past wrongdoings. Since insurance is not mandatory, the penetration rate is too low and many face an uncertain future and often seek to leave the country, Anjum Ara a retired school teacher said.

Over the past 15 years, the number of Bangladeshi students pursuing higher education abroad has tripled, despite a significant increase in educational opportunities within the country. In 2022, at least 49,151 Bangladeshi students went abroad to study in 58 countries, according to the latest UNESCO data.

The economic factors driving this migration stem from the pursuit of prosperity like higher income, improved living standards, quick and free healthcare facilities and peaceful retirement life thanks to insurance coverages, said Alomgir Firoz, senior deputy managing director of Popular Life Insurance Co Ltd.



"Life insurance is a multifaceted financial tool. With several beneficial features of life insurance, ranging from multiple premium payments to riders and quick claim settlements, you can secure your loved ones and enjoy peace of mind", he said.

"Not having health insurance can lead to large debt, affect your health if you delay care and may even hurt you at tax time, depending on your state", he added.

More than 92% of the U.S. population has health insurance, which can keep your medical bills more manageable. But there were still 26 million Americans (8% of the U.S. population) who didn't have health insurance in 2022, according to the most recent data from the U.S. Census.

In 2022, most American people (92.1 per cent) had health insurance coverage at some point during the calendar year. In this context, Bangladesh lags significantly behind, with less than one in seventeen individuals holding life insurance policies in a population of 180 million.

In the landscape where insurance is a mandatory facet in developed nations, Bangladesh finds itself significantly trailing, with fewer than one in seventeen people holding life insurance policies in a country of 180 million. The general insurance penetration stands at a mere 0.40%, notably lower than regional counterparts such as India, Pakistan, and Sri Lanka.

This deficiency is rooted in a trifecta of challenges: a lack of awareness, insufficient education, irregularities and a negative image fostered by a dearth of knowledge and policy support.

Several study reports show that the insurance sector can play a critical role in financial and economic development in various ways. The sector helps pool risk and reduces the impact of large losses on firms and households-with a beneficial impact on output, investment, innovation, and competition.

‘ Insurance acts as a catalyst for personal economic growth by empowering surviving family members to pursue their aspirations in the absence of the policyholder. ’

In light of these circumstances, the critical question arises: Can Bangladesh achieve the status of a smart nation with the current low rate of insurance penetration?

The likely answer is no.

Insurance: A growth engine

Insurance is fundamentally based on the concept of risk-sharing. Insurance firms offer policyholders benefits through risk distribution that cannot be achieved via financial markets alone. Progress is achieved through unity, and success is attained through collaboration.

Insurance reduces the investment risk faced by companies and the state. Many companies find it far more expensive, if not impossible, to take out a loan without purchasing the requisite insurance protection. Insured, thereby reducing the costs of raising the capital they need.

This is particularly important in emerging markets like Bangladesh, where a shortage

of capital is a major disincentive to investment. The nation aspires to become a developed country by 2024 and to build a smart nation in the coming years.

With insurance, seasoned economists say economic resources are allocated more efficiently so that individuals and businesses can be more confident in assuming developing risks, and economic growth and job creation are stimulated. It increases capital formation and investment by collecting premiums from policyholders and investing those funds. This leads to increased national production. They also (2) reduce business risks which encourages more economic activity.

With a policy in place, companies have a buffer against the financial consequences of potentially door-shuttering events-including those that might otherwise cause millions of dollars in losses.

On the consumer side, insurance acts as a shield against unexpected personal expenses, alleviating the



costs of medical care, property damage, and beyond. As a result, consumers can maintain their buying power and stimulate the economy with purchases in both trying and thriving times.

One of insurance's key roles is safeguarding the financial health of small and medium-sized enterprises. Insurance cover is crucial for people to insure themselves against the inability to work, set aside money for retirement or protect themselves against the loss of their assets. This is where insurance comes in as a key component in ensuring the healthy development of small and medium-sized enterprises.

"Insurance acts as a catalyst for personal economic growth by empowering surviving family members to pursue their aspirations in the absence of the policyholder. It provides a safety net to ensure your loved ones have access to essential resources, such as education", said Prof Amzad Hossain of Rajshahi University.

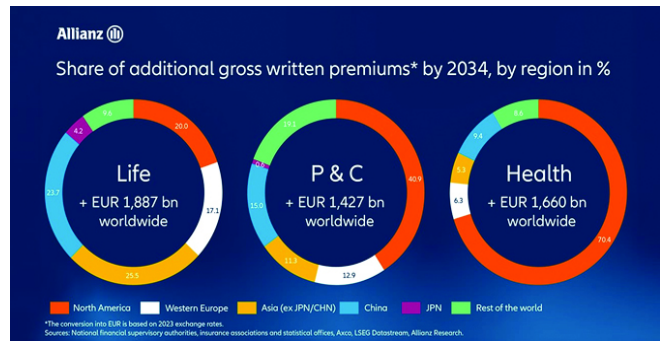
"Your loved ones can also use the insurance payout to improve their financial situation by investing in businesses, purchasing real estate and more which ultimately contribute a lot to the nation's economic growth", he said.

Global Market Trends on the Rise

In ancient times, Babylonian and Chinese traders began the practice of insurance by sharing the risks of their goods and distributing items among multiple ships to navigate perilous waters. Little could they have imagined that this fledgling concept would one day evolve into a trillion-dollar industry and a crucial driver of economic growth.

According to the Allianz Global Insurance report, the global insurance industry grew by an estimated 7.5% in 2023, clocking the fastest growth since 2006, the year before the GFC. In all, insurers worldwide collected EUR6.2trn in life (EUR2,620bn), p&c (EUR2,153bn) and health (EUR1,427bn) insurance premiums.

Over the next decade, the report forecasts that the global insurance market is expected to grow by an annual



rate of 5.5%, i.e., at exactly the same rate as the global GDP; in the previous decades, insurance growth trailed behind economic growth. The weights of the three segments will shift.

According to the report, most of this growth will be in the life segment (EUR1.887bn) with Asia (w/o Japan) remaining the growth engine for global life business (+7.3% p.a.). The region should account for half of absolute premium growth (EUR928bn), more than North America (EUR377bn) and Europe (EUR323bn) combined. While China (+7.7% p.a.) will still dominate the region in absolute terms, the true growth champion over the next decade is likely to be India (+13.6% p.a.).

Over the last three years alone, global premium income increased by a whopping EUR1.1trn or 21.5%. However, the robust development must be seen against the backdrop of high inflation. In real terms, therefore, the picture is becoming less impressive. Real premiums almost stagnated, advancing only by 0.7% since 2020.

While in many other industries traditional markets are losing relevance vis-à-vis new, emerging markets, the global insurance industry is still dominated by the US. In fact, over the last decade, the US insurance market could even raise its global market share, from an already impressive 41.3% to a whopping 44.2%.

However, other "old" markets like Western Europe (-6.7pp) and Japan (-2.8pp) developed more or less as

THE ROLE OF INSURANCE IN THE ECONOMY

INSURANCE
Key element of economic activity

- A collective 'safety net' and a lever of economic and social development.
- A key enabler and transmission mechanism for economic activity
- A catalyst in the financial and investment flows needed for sustainable development

Social-economic sustainability = Insurance industry's sustainability

LifeInsuranceShop.in

3 Reasons WHY INSURANCE IS IMPORTANT

- Provides Financial Stability**
- Promotes Personal Economic Growth**
- Helps to achieve long term goals**

www.moneymasterz.in

expected, losing market share, first and foremost to China which could almost double its global share to 10.6%.

Insurers constitute a large share of the financial sector. They hold about 12% of global financial assets, or \$24 trillion (IMF (2016)), while with a worldwide market share of 35 respectively 29 per cent, Europe and the US are the two most important markets for insurer services (Insurance Europe (2015)).

As risks are rising worldwide, the limits of insurability get into the focus. Preventive measures, new technologies and smart partnerships can shift the limits of insurability but they cannot remove them, according to the report.

Industry experts see the reason for such business growth that insurers have a socially beneficial role in supplying risk-sharing benefits to their policyholders (e.g., Insurance Europe (2014)). They are also unique in providing such risk-sharing benefits as policyholders cannot otherwise trade in these risks.

In this way, insurers show similarity to banks as the latter play a socially valuable role by supplying liquid claims to depositors. Banks and insurers are, thus, both characterized by production activity on the liability side of their balance sheet. It is this characteristic that makes them so different from other businesses.

However, certain factors driving the insurance sector are beyond the immediate control of policymakers or can only be influenced over an extended period. Study

results indicate that supportive policies can significantly accelerate the sector's development. For instance, they highlight the importance of a stable macroeconomic framework and low inflation in fostering the sector's growth.

The positive impact of private ownership on the sector's growth is another important finding, as the state still plays a predominant role in many countries. The insurance sector flourishes under a supportive legal framework and benefits significantly from developed credit and bond markets.

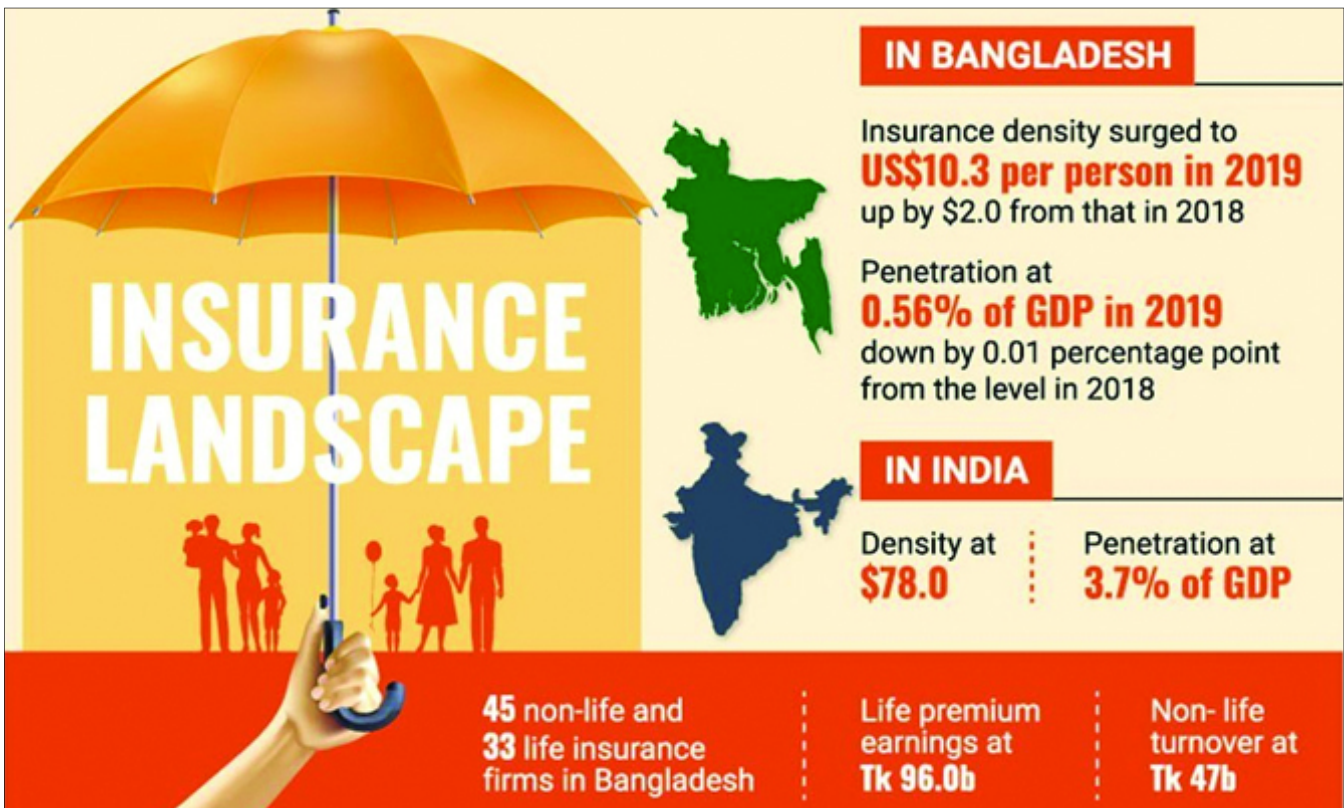
Finally, religion plays an important role, suggesting the need for more progress in introducing insurance institutions and products more harmonised with religious beliefs, such as the case of Takaful arrangements in Muslim countries.

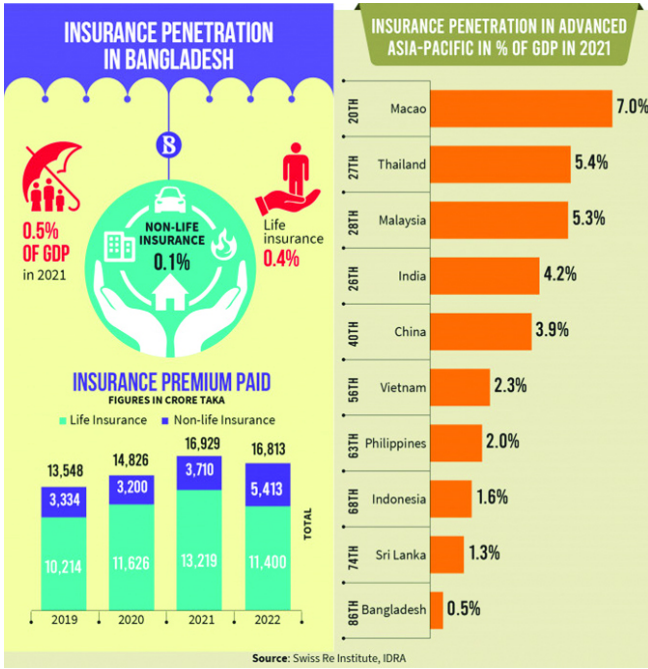
In the global race for growth, Bangladesh's insurance industry lags significantly behind.

Bangladesh Insurance: Needs more attention

After the country's independence, there were only two state-run insurance companies, and obtaining insurance policies was a daunting task for both individuals and businesses due to the bureaucratic attitude of the officials.

"In some cases, people had to curry favour with officials to secure a policy from the state-run insurance companies," said a former CEO of an insurance company. "With no competition and no business goals,





insurance penetration was minimal compared to other markets," he added.

However, those days are now behind us. Today, the country has 81 insurance companies, of which 35 companies deal with life insurance and 46 with non-life insurance. Competition is always a good thing. It forces us to do our best. A monopoly renders people complacent and satisfied with mediocrity.

But the harsh reality is that the country's insurance sector had little contribution to the GDP if we compare it with our neighbouring countries. The insurance sector's contribution to India's GDP is nearly 4 per cent, while in our country, it is only 0.27 per cent.

When emerging markets are poised to become global growth drivers, skyrocketing availability of data, advances in digital & mobile technology & rampant progress in analytics & artificial intelligence all mark the end of 2021 for the insurance industry, then Bangladesh insurance industry is limping with many obstacles, according to Aon's 2022 Asia Market Review.

The primary bottlenecks hindering the growth of Bangladesh's insurance industry include bureaucratic

inefficiencies, lack of public awareness, insufficient regulatory frameworks, and limited access to innovative insurance products. These challenges stifle market penetration and restrict the sector's potential contribution to the nation's GDP.

However, if the authorities concerned pay more atten-

“The main problem in our insurance industry is the lack of sincerity and integrity from top to bottom. The Kazi's cow is in the book, but not in the barn”

Kazi Mohammad Mortuza Ali, former Managing Director of Prime Life Insurance

tion to the industry, the contribution of the country's insurance sector to the GDP could be increased to 4 to 5 per cent, said a CEO of a leading insurance company.

Uneven competition, low rate of claim settlements, and financial irregularities by a few agents hit policyholders' trust and confidence. The situation has been aggravated due to the lack of professionalism, and financial



literacy among policy seekers, the gap between the promise and the reality and the rising income inequality that has kept a large proportion of the population outside insurance coverage.

"A paradoxical situation has emerged in the country: the rich can manage risks personally and have insurance policies", according to Dr Md Main Uddin, professor and former chairman of the Department of Banking and Insurance at the University of Dhaka.

"The poor who face many risks do not have insurance policies which can be attributed not only to the lack of awareness, but also to the economic factors creating their inability to buy the policies", he wrote in an article published recently.

"There is also a mismatch between the demand for and supply of the products and services", Dr Md Main Uddin said. " Before launching any product, there should be a survey on prospective customers".



Industry experts say the insurers have to balance the need for adequate reserves for claims, maintained profitability and affordable coverage for consumers.

"The main problem in our insurance industry is the lack of sincerity and integrity from top to bottom. The Kazi's cow is in the book, but not in the barn", said

Company Ltd.

"Many initiatives in the past aimed to explore the insurance industry's potential, but they remained theoretical and lacked implementation due to a focus on self-preservation", explained Mortuza Ali, an Associate of



the Chartered Insurance Institute (ACII), London, and former Director of the Bangladesh Insurance Academy. "This attitude led to numerous irregularities that tarnished the industry's reputation and deterred potential stakeholders. To build a Smart Bangladesh the insurance industry can play a vital role by ensuring transparency in all operations from marketing to claim settlement and introducing innovations in products and services", he said.

Insurance Innovation for a Smart Bangladesh

With new reform measures in place, industry experts anticipate significant growth in Bangladesh's insurance industry, driven by innovations such as bancassurance partnerships with banks and the adoption of digital operations through mobile banking and apps.

The government in last year introduced 'BANCASSURANCE,' a system enabling the sale of insurance products through the banking channel in the country under the supervision of the IDRA and Bangladesh Bank.

BANCASSURANCE offers several benefits by integrating insurance products with banking services. It enhances customer convenience by providing a one-stop shop

for financial needs. Banks leverage their extensive customer base and distribution network to reach more policyholders effectively.

This collaboration fosters trust and credibility among customers, who benefit from simplified processes and competitive pricing. For insurers, bancassurance expands market reach without significant infrastructure costs, boosting sales and profitability.

The partnership also enables banks to diversify revenue streams and enhance customer loyalty through comprehensive financial solutions. Overall, bancassurance promotes efficiency, accessibility, and customer satisfaction in the financial services sector.





"Bangabandhu Shikkha Bima" scheme has been introduced by the Insurance Development and Regulatory Authority of the Government of the People's Republic of Bangladesh to prevent students from dropping out of educational institutions.

The "Bangabandhu Shikkha Bima" scheme needs to be introduced on a priority basis in various educational institutions to maintain the continuity of the risk-free educational life of potential students. Astha Life is going to launch "Bangabandhu Shiksha Bima" among 1.84 lakh students of educational institutions controlled by the Armed Forces.

However, the industry needs to pay more attention to digital transformation which is imperative to remain competitive and meet evolving customer expectations. Embracing digital transformation not only optimises internal processes but also expands market reach, attracting a tech-savvy customer base and fostering innovation in product offerings to stay ahead in the dynamic insur-

ance landscape.

Digital platforms facilitate personalized insurance products, real-time risk assessment, and streamlined claims processing, enhancing overall customer satisfaction. As the health insurance industry is shaken up by the sharing economy, these companies are being forced to evolve to stay in step with the competition.

While innovation is necessary, destroying brand recognition is a bad idea.





In the age of instant gratification, term life insurance has lagged in delivering swift service responses. The traditional methods of quoting insurance involve cumbersome paperwork, long waiting periods for underwriting decisions and a general lack of transparency.

As insurance companies seek to win over younger customers, their products need to be designed to build trust with them. Companies should inject their web designs with bright, adventurous colours to give their digital products a more modern appearance.

Industry experts emphasize that for Bangladesh to realize its Smart Nation ambitions, insurance companies must prioritize digitalization across their processes, products, and services.

Industry experts emphasize that for Bangladesh to realize its Smart Nation ambitions, insurance companies must prioritize digitalization across their processes, products, and services.

Better Late Than Never

The good news is that the country's ailing insurance industry is revitalising day by day thanks to some reform measures, smart leadership and the government's proactive role in this promising industry which can pave the way to build a Smart Bangladesh dreamt by Prime Minister Sheikh Hasina.

Standing at the crossroads in December 2022, Sheikh Hasina announced a smart-country scheme to navigate the Fourth Industrial Revolution, coining it as Smart Bangladesh. Yet another invisible target that she saw with a clear vision. Bangladeshi policy-makers need to get on board with the vision to achieve this new impossible.

Smart Bangladesh embodies the collective national

aspiration of becoming an advanced economy by overcoming the 'middle-income trap,' a challenge that many Asian countries have yet to surmount.

To materialise her dream by utilising the potential of insurance, the government has established a stronger regulatory body named the Insurance Development and Regulatory Authority (IDRA) to improve transparency and efficiency and declared March 1 as National Insurance Day.

On this day in 1960, Father of the Nation Bangabandhu Sheikh Mujibur Rahman started

working for the then-Alpha Insurance Company.

The government plans to reform the existing insurance policies with customer-centric regulations to strengthen the country's promising industry. This initiative aims to bolster the industry's role in advancing towards a smarter Bangladesh, aligning with the government's vision, a highly placed official of the Finance ministry said.

"To address ongoing challenges, new strategies and action plans are set to replace outdated policies, ensuring effective resolution of previous issues", he said noting that the present government has realised the potentiality of the once neglected insurance industry.



Building Trust: Key to Elevating Insurance Sector Towards A Smart Growth

---- Sheikh Kabir Hossain, President, BIA



Insurance, being a risk-sharing business, relies heavily on trust. However, in our country, this trust has been eroded by a few bad actors



Express Report

To transform the insurance sector and help the nation achieve developed smart nation status within the stipulated time, it is urgent to foster trust in businesses, attract talented individuals, engage skilled professionals, and implement robust reform measures.

"Strengthening these areas will create a resilient and innovative insurance industry, essential for sustainable development and economic growth", said Sheikh Kabir Hossain, President of Bangladesh Insurance Association (BIA), the apex body of the country's 81 insurance companies.

"No nation can truly achieve smart nation status without leveraging the insurance industry. For Bangladesh to unlock its full potential, it must focus on harnessing the power of this sector", the BIA president said before the inaugural issue of the Insurance Express.

"By doing so, Bangladesh can build a resilient and innovative economy, driving forward its vision of becoming a smart nation", he said emphasising the insurance industry's role in financial stability and growth is crucial for the nation's sustainable development and future success.

"A trust leap occurs when we take a risk to try something new or different from our usual approach. Insurance, being a risk-sharing business, relies heavily on trust. However, in our country, this trust has been eroded by a few bad actors," he remarked, emphasizing that the sector's foundation on money alone is insufficient without trust.

"Money is the currency of transactions, while trust is the currency of interactions," Sheikh Kabir Hossain said,

emphasizing the importance of consumer education and the media's watchdog role. He praised the publication of Insurance Express for its efforts to promote the industry and enhance public awareness.

After completing his education, he served the Bureau of Statistics the then Government of East Pakistan, Sonali Bank and Bangladesh Parjatan Corporation. He resigned from his service in the year 1975 after the assassination of Bangabandhu Sheikh Mujibur Rahman and started a business. Now he is a renowned business icon in Bangladesh and CIP - awarded by the Government of Bangladesh.

To develop the insurance industry, it is imperative to increase its contribution to the country's overall economy by increasing public awareness about insurance. Trust is the cornerstone of business. It's the basis of every human relationship, every interaction, every communication, every initiative, every work project and even any strategic imperative you need to accomplish, Sheikh Kabir Hossain said.

"Trust is indispensable. Without it, the insurance industry cannot function effectively and will fail to contribute to the nation's growth. The responsibility lies with everyone—from policymakers and regulators to market players and policyholders," he emphasised.

The BIA president said the country's insurance cos amass a mountain of wealth. Assets in the insurance sector increased by 26 per cent, skills 18 per cent to Tk 63,629.05 crore in the last five years till 2022. These huge funds should be invested properly to boost economic growth to become a smart nation.

"But lack of professional skills persists in all areas of this business from business operations to policy regulations. Inadequate policy support has aggravated the situation, which is the main hindrance to the expected growth of the country's insurance industry", he said.

Sheikh Kabir Hossain said several companies are currently unable to settle claims due to bad investments and non-compliance. Some companies have gone sick. They are unable to settle claims timely.

"IDRA and BIA are working on how to increase the claim settlement ratio. But lack of skilled manpower remains a big barrier on the way. Even the regulatory body IDRA itself has no necessary professionals", he said. "In developed nations like the USA, UK, and Canada, insurance is mandatory," noted the BIA president. "In contrast, in Bangladesh, it is not mandatory in most cases, resulting in a significant industry lag. Less than one in seventeen people hold life insurance policies in a country of 180 million."

This highlights the urgent need for greater adoption and awareness of insurance to enhance financial security and stability for all citizens. As insurance is not compulsory, the government is deprived of the revenue of Tk878 crore every year from vehicles for example, the BIA president noted.

"In any country worldwide, no vehicle can legally operate on the road without insurance. During the last Insurance Day, I urged the Prime Minister to reintroduce this requirement. I proposed amending a section of the 2018 Road Transport Act to enforce this. While the Prime Minister acknowledged the importance of my proposal, it has yet to be implemented," he lamented.

"The Road Transport Act was made in 2018 under the influence of transport owners. It allows the vehicle to be driven on the road without insurance. Since then, we have been reporting that as the insurance sector is suffering, the government is also losing revenue," the BIA chief further said.

That is why the general insurance penetration stands at a mere 0.40% in Bangladesh, notably lower than regional counterparts such as India, Pakistan, and Sri Lanka, he said noting that this deficiency is rooted in a trifecta of challenges: a lack of awareness, insufficient education, and a negative image fostered by a dearth of knowledge and policy support.

"A substantial portion of the Bangladeshi populace harbours mistrust towards insurance agents, coupled with limited awareness regarding life insurance products", he said.

In this regard, the BIA president informed that the

association is planning to launch an educational campaign, enlightening potential customers about their strengths, products, and services while dispelling misinformation.

"We need collective action, stand together and advocate for essential policy support. Leveraging influential platforms, such as the Insurance Express, a professional industry publication, could play a pivotal role in achieving these objectives.

As per the Bangladesh Bank report, the return on investments in the non-life insurance sector decreased to 5.65 per cent in 2022 compared to the previous year's 7.66 per cent, resulting in an overall decrease in profitability.

The claim settlement ratio of non-life insurance companies in Bangladesh slipped in 2022 due to a liquidity crisis, reduced investment and lower returns on investment, according to industry people which dropped to 33.44 per cent in 2022, down 5.87 per cent from 2021,

according to Bangladesh Bank Stability report.

"We often find that insurance is at the bottom of everyone's priority. It is almost a push to sell prod-

ucts and most of the people of our country do not willingly buy insurance policies.

We have even witnessed financially sound individuals and business houses prefer to save in FDR, bonds, and real estate investments or even stock markets to get a speedy return, but never insurance".

"Regulation to limit insolvency risks will also ensure that customers get paid when they need to collect claims, which is often considered a major peril of insurance contracts. Regulatory reform must focus on protecting consumers from complex and potentially deceptive contracts, and the increasing availability of insurance products to members of all stakes of the economy".

Despite the dismal image portrayed by the current situation and numbers, Sheikh Kabir Hossain said the country's insurance sector has significant potential as the average income and GDP continue to rise.

To increase the contribution of insurance to the economy, the government should mandate insurance to some extent at least. When comparing to other countries, for instance, applying for a visa in Europe or Australia everyone requires travel insurance.

"Alone, we can accomplish very little; together, we can achieve so much more. Policymakers must recognize this and take proactive steps to implement pragmatic policies that will bolster the insurance industry for a smarter Bangladesh," emphasized the BIA president.



INTERVIEW OF BIF

We Are Poised to Play A Crucial Role in Building a Smart Bangladesh

--- B M Yousuf Ali, President, BIF



Express Report

Bangladesh's insurance industry is poised to play a crucial role in achieving the nation's aspiration of becoming a developed, smart Bangladesh," B M Yousuf Ali, President of the Bangladesh Insurance Forum (BIF) said in an exclusive interview.

"The industry is progressively revitalising, driven by proactive policy-making, regulatory initiatives, and the embrace of innovations and digital transformations," he emphasised during the interview before the publication of Insurance Express, featuring the headline: "Insurance Paving

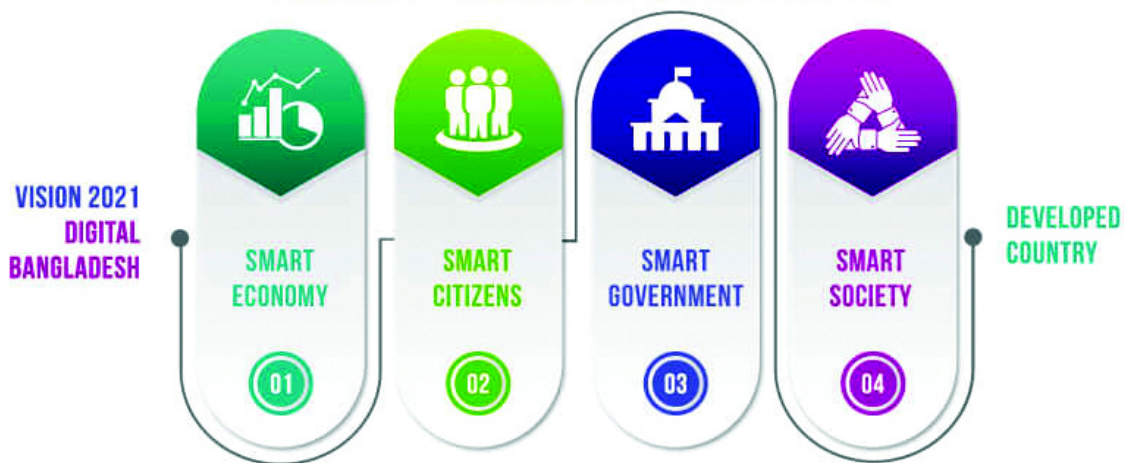
the Path to a Smart Bangladesh."

He said the importance of insurance should never be undermined. It increases capital formation and investment by collecting premiums from policyholders and investing those funds. This leads to increased national production.

"It helps the economy by providing financial protection against risks, facilitating investment through risk management, and promoting stability. It supports businesses, individuals, and governments in managing uncertainties, thus fostering economic resilience and growth" " the BIF president explained.



SMART BANGLADESH-2041



Bangladesh Insurance Forum (BIF)" is the lone non-profit professional organisation of chief executive officers of life insurance and non-life insurance companies operating in Bangladesh.

"The insurance industry has been playing a crucial role in the economy for long by providing risk management solutions that enable businesses to operate with confidence and fostering economic stability through financial protection against unforeseen events", B M Yousuf Ali, also the Managing Director and CEO of Popular Life Insurance Company further explained.

He recalled the father of the nation Bangabandhu Sheikh Mujibur Rahman who sacrificed his life to build an economically developed poverty-free Sonar Bangla. "His daughter Prime Minister Sheikh Hasina has been trying to upgrade the Sonar Bangla as a Smart Bangladesh".

Bangabandhu was an integral part of the insurance industry, working with Alpha Insurance Company. "He used his position to organise and mobilize the people of Bangladesh through the insurance sector, which played a significant role in prompting the historic 8-Point Movement that ultimately led to the country's independence".

This movement demanded greater autonomy for East Pakistan, economic reforms, fair distribution of resources, and political rights. His work in insurance and involvement in the 8-point movement highlighted his dedication to improving the socio-economic conditions of the people, paving the way for Bangladesh's independence, Yousuf Ali recalled the history.

"The insurance sector, I think, was a mechanism which helped the Bangabandhu connect people across the country intensively", he said noting that "Bangabandhu Sheikh Mujibur Rahman joined as the head of business promotion at Alpha Insurance Company in Dhaka", Yousuf Ali said.

The BIF president sees the country's insurance industry, encompassing both life and non-life sectors poised for remarkable growth under the dynamic leadership of Prime Minister Sheikh Hasina who at first announced March 1 as the National Insurance Day to utilise the industry as a growth engine to achieve her target.

Replying to a question, the BIF president said the demand for comprehensive insurance products is escalating with a rising middle class, increasing financial awareness, and expanding economic activities.

"Supportive government policies, technological advancements, and an evolving regulatory environment further enhance the industry's potential. These factors make the insurance sector a key player in Bangladesh's economic development, promising substantial opportunities for insurers and policyholders alike", he said.

Despite facing economic difficulties, he explained, the country's insurance industry has seen significant growth last year. Gross premium income increased by 9.16%, marking the third consecutive year of premium gains for both life and non-life insurers, following a decline in 2020. Quoting the data gathered by the Insurance Development and Regulatory Authority (Idra), he said life insurers collectively had Tk12,280 crore in premiums during 2023, marking an increase from Tk11,401 crore in the preceding year.

Outshining the growth of life insurers, the general insurance sector, responsible for covering all insurable risks except for death, recorded a total gross premium of Tk5,204 crore, marking a year-on-year increase of 12.8%.

The government is optimistic, aiming for a robust GDP growth rate of 6.75% for the fiscal year 2024-25. This ambitious target, nearly one percentage point higher than the previous year, reflects the resilience and determination of the nation's economic agenda, the BIF

president said.

He noted that the global 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 growth if the government ensures a conducive business environment.

"The insurance sector's contribution to the development of the overall economy is 5%. If the policy makers continue support to development, it can expand the economy. But it was supposed to be more, Yusuf Ali said noting that the recently introduced Bancassurance is an innovation which will give a big boost to this promising insurance industry", he said.

Replying to a question, the BIF president said the low penetration of this sector means it has a huge untapped opportunity given that there has been significant growth in the economy, income level, life expectancy and young population.

Over the last decades, the country's economic growth was substantial but income inequality grew considerably. This uneven income distribution kept a large proportion of the population outside insurance coverage. They failed to earn the ability to take insurance policies and continue the same.

"The insurance industry is not only central to the creation of a stable business environment for a country's economic growth, also critical for the reduction of the financial burden on the government during natural and economic crises", Yousuf Ali said.

So, he continued, the government must play a crucial role in overseeing the sector. This oversight is essential for establishing transparent monitoring processes that create a win-win situation for both clients and companies.

The government established the Insurance Development and Regulatory Authority (IDRA) in 2011 to oversee the insurance business and protect the interests of policyholders.

IDRA has recently issued instructions to protect policyholders' rights and interests. Several punitive measures have already been taken against irregularities and misconduct. "This is changing negative attitudes of people and improved paradoxical situation by ensuring that insurance companies must resolve any customer complaints within a maximum period of 30 days", he said.

In this context, the BIF boss said that the country's banking sector has been undergoing controlled transformation for many decades now, resulting in a more organized sector with a significant footprint covering over 60 per cent of the population, thereby instilling greater confidence among the people.

"Regulation is not our enemy but a catalyst for industry growth. I hope the government will focus more on the insurance industry and create a conducive business environment to harness the sector's benefits, which are essential for building a Smart Bangladesh", the BIF president said replying to our question: Are you facing tough regulation?



Bancassurance in Bangladesh: A new innovation for insurance industry



Express Report

After a decade of discussions, banks will be selling insurance products referred to as "bancassurance" - a practice that has been prevalent throughout the world for decades and is expected to boost the local insurance industry with many other prospects.

The government has taken the initiative to introduce bancassurance for the first time in the country in an effort to provide insurance coverage for ordinary residents via banks. The central bank has already finalized the bancassurance guidelines, which explain how banks can embrace the trend. The Ministry of Finance will now need to approve the guidelines for further processing.

A Bangladesh Bank official stated that a one-year trial program will commence in July prior to the arrangement's full implementation.

What is Bancassurance?

Bancassurance is a financing facility offered by banks that integrates banking and insurance. In this structure, banks often offer two forms of guarantee. They include both life insurance and other types of insurance. The first group includes plans such as whole-life, term-life, living benefit, and others. Non-life insurance often consists of credit, marine, property, travel, and other insurance.

In several areas, particularly Asia-Pacific and South America, banks have emphasized the bancassurance channel for marketing life insurance products, which have higher average sale prices and profit margins than the majority of non-life products. By adopting this business model, banks in Austria, France, Germany, Italy, Portugal, Spain, and the United Kingdom have achieved

SPOT
LIGHT

ADVANTAGES OF Bancassurance Model

The Alliance That Benefits Everyone Involved



1

BENEFICIARY 1:
CUSTOMERS



2

BENEFICIARY 2:
BANKS



3

BENEFICIARY 3:
INSURANCE CARRIERS

extraordinary success during the past 50 years. Together, these nations hold between 40 and 50 percent of the worldwide Bancassurance industry. In recent years, the regions where bancassurance has gained prominence are East Asia and South America.

According to Allied Market Research (AMR), the worldwide bancassurance sector produced \$901.5 billion in 2021 and is projected to reach \$1.8 trillion by 2031, expanding at a compound annual growth rate (CAGR) of 7.4% between 2022 and 2031.

How bancassurance can add value in Bangladesh?

Bancassurance is a relatively recent idea in Bangladesh, having been established by private commercial banks.

Benefits in economy and banking sector

Bancassurance will give the stagnant local insurance industry new business opportunities and help the banks make more money through the partnership. Banks have anticipated that after the launch of bancassurance, the insurance penetration, which remained below 0.5% of GDP, would increase considerably.

Under the system, bank depositors will be able to obtain insurance policies and pay premiums through the country's 10,803 bank branches. There are currently 12.35 billion bank accounts, and the process will benefit the banks.

Hasina Sheikh, the head of Dhaka University's Banking and Insurance Department, thinks that customers will be more interested in buying insurance policies through bancassurance because they trust

banks more than insurance companies.

According to data from the Swiss Re Institute, the ratio of premiums received by Bangladeshi insurance companies to the country's gross domestic product is barely 0.4%, while it exceeds 4% in India. In 2020, clients who purchased insurance paid premiums of Tk 11,300 billion. In the next couple of years, the government intends to increase the premium-to-GDP ratio to 4%.

Emranul Huq, managing director of Dhaka Bank, asserted that banks, in addition to insurance businesses, will get a percentage of the fees obtained from the insurance products if they provide the services. "This means the non-funded income will push up the profitability of banks," he added.

As there is no bancassurance in the country, no research has been conducted on it. A paper by Mohammad Z. Mamun, a professor at Dhaka University's Institute of Business Administration (IBA), found out that banks in the United Kingdom, France, Italy, Germany, Spain, and the Netherlands sell insurance products in addition to their own. It also has enormous potential in Bangladesh. As banks have a huge customer base, they are capable of offering insurance products to their customers. Initially, banks with a greater number of corporate clients and company wages may be more likely to offer insurance products. Sheikh Kabir Hossain, the head of the Bangladesh Insurance Association, stated that bancassurance had been a long-standing demand. "The insurance sector will grow tremendously thanks to the latest initiative of the government," he added.

Customer benefits

As bancassurance in Bangladesh is convenient, users can acquire insurance products while doing normal banking transactions, removing the need to visit an insurance agency. This saves time and makes the process of purchasing insurance much simpler and faster. Moreover, bancassurance enables banks to provide insurance products to customers who may not have access to insurance services otherwise.

As bancassurance is provided by the bank, it can be a source of trust for individuals. Customers need not visit the insurance provider for this; they can simply visit a bank branch. Hence, the bank will sell both banking and insurance goods to its own consumers. Prominent items include pension, health, accident, education, Umrah Hajj, and others. The possibility for greater financial knowledge is a further advantage of bancassurance in Bangladesh. Banks can educate their customers on insurance products and their benefits, thereby increasing the general population's awareness and comprehension of insurance. This is especially crucial given the country's relatively low insurance literacy levels.

What are the criteria for banks?

In order to approve bancassurance, the bank must meet the following requirements-

1. Capital to risk-weighted asset ratio (CRAR) with capital conservation buffer (CCB) of at least 12.5%.
2. Must have a minimum credit rating of Bangladesh Bank (BB) rating grade 2 as stated in the Guidelines on Risk-Based Capital Adequacy [Revised Regulatory Capital Framework for banks in accordance with Basel III].
3. Shall meet the Bangladesh Bank's minimum CAMELS rating of 2.
4. The proportion of net nonperforming loans

(NPL) must not exceed 5%.

5. Shall have generated a net profit in each of the previous three years.

6. Shall have a viable business plan and review process for bancassurance.

Possible Challenges

Bancassurance in Bangladesh does face certain difficulties, nevertheless. The sector's lack of monitoring and regulation is one of its greatest obstacles. This may lead to improper insurance product sales and a lack of consumer protection. In addition, some clients may not fully comprehend the terms and circumstances of the insurance products they are acquiring, which may result in unneeded setbacks in the future.

Moreover, the requirements prohibit a bank from simultaneously signing contracts with more than three life insurance companies and three non-life insurance businesses.

For local banks and insurance providers to successfully adopt the bancassurance business model, it is vitally important for them to alter their approach. They must replace conventional corporate procedures with data- and technology-driven methods.

Banks could also utilize their existing customer information to identify new business prospects without jeopardizing consumer data security or privacy. To identify prospective clients and increase the efficiency of agents and reps, insurance companies must implement innovative technological solutions. An insurance provider may collaborate with a bank to use the new information. They can map prospects' financial status in order to establish customized premium pricing that will benefit new clients.

With the right approach, adequate information and financial protection, bancassurance is likely to play a key role in boosting the financial sector and providing insurance services to people and contribute the nation in going digital.



Pragati Insurance declares dividend at 38th AGM



Express Report

Pragati Insurance Limited has organised its 38th annual general meeting (AGM) through a digital platform. The meeting declared 20 per cent cash and 7.0 per cent stock dividend for the year 2023.

It approved the agenda of the AGM through the e-voting of the shareholders, says a media release.

In 2023, the company earned a gross premium of Tk 2341.53 million. Profit before tax was Tk 497.94 million. Net claim settled during the year was Tk 378.53 million against Tk 261.69 million in 2022. Underwriting profit stood at Tk 341.05 million in 2023. The total assets of the company stood at Tk 6340.9 million in 2023.

Syed M Altaf Hussain, chairman of Pragati Insurance Limited, presiding over the meeting held recently.

“The company has declared a total dividend of 27 per cent for the shareholders. It is a great success and this success which has come into being due to the contribution of our valued clients, the right direction of the board of directors, the hard work of the management and all officers and employees of the company. I and the board of directors also remember their contribution with due respect,” said the chairman.

Mr Tabith Awal, vice-chairman of the company, and

members of the board of directors Mr Abdul Awal Mintoo, Mr Mohammed Abdul Awwal, Mr Mohammed Abdul Malek, Mr Nasir Latif, Syed Muhammad Jan, Mr Tajwar M Awal, Mrs Nigar Jahan Chowdhury, N Yeahea, Mr ASM Mohiuddin Monem were present at the AGM.

Among others, independent directors of the insurance company Mr Muhammad Jamaluddin, H Naher, Mr Mahbub Anam and Advisor Md Rezaul Karim, CEO Syed Sehab Ullah Al-Manjur (ACII), CFO Mr Amar Krishna Shil, Company Secretary Syed Anisul Hoque and a large number of shareholders participated in the 38th AGM through digital platform and expressed their satisfaction with the performance of the company.

The company secretary and CFO of the company replied to the various questions given by the shareholders.

The meeting was conducted by company secretary Syed Anisul Hoque.

The meeting re-elected three directors from sponsor shareholders. They are Mr Abdul Awal Mintoo, Mr Mohammed Abdul Malek and Haji Nigar Jahan Chowdhury.

The meeting also elected two directors from public shareholders. They are Mr Tajwar Muhammad Awal and Syed Muhammed Jan.



A picture speaks a thousand words



Leaders of Bangladesh Insurance Association (BIA) led by its President Sheikh Kabir Hossain, executive committee members -- Mr Mahbubur Rahman, chairman of Eastland Insurance Company, and Mr Nizam Uddin Ahmed, chairman of Meghna Life Insurance Company, -- met Finance Minister Abul Hassan Mahmood Ali and State Minister for Finance Waseqa Ayesha Khan at the Ministry of Finance recently.



Chief of Army Staff General and Astha Life Chairman SM Shafiuddin Ahmed inaugurates the insurance company's 'Bangabandhu Shiksha Bima' policy at Senakunja in Dhaka recently. PHOTO: ISPR