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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.



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## Bangladesh Insurance Forum



### Message from BIF President

A recent report says the global insurance market is expected to grow by an annual rate of 5.5%, matching the growth rate. In previous decades, insurance growth trailed behind economic growth. The weights of the three segments will shift. Over the last three years alone, global premium income increased by a whopping EUR 1.1 trillion, or 21.5%. In this race, Bangladesh finds itself significantly trailing, with fewer than one in seventeen people holding life insurance policies in a country of 180 million. Insurance penetration stands at a mere 0.40% of GDP, notably lower than regional Countries such as India, Pakistan, and Sri Lanka. This deficiency is rooted in a trifecta of challenges: a lack of awareness, insufficient education on insurance, a negative image fostered by a lack of knowledge.

However, things are changing as more people now understand the importance of insurance thanks to some progressive reform measures, customer-centric regulations, innovations in product and service deliberations and the proactive roles of the government. The roles of CEOs are vital to exploring untapped possibilities under a conducive regulatory environment. The regulatory authority's recent proactive steps have been instrumental in guiding the industry towards greater transparency and accountability. These regulations are not just mandates; they are opportunities for us to demonstrate our commitment to ethical practices and customer-centric service. By embracing these changes, we can rebuild confidence among our clients and the public, ensuring that the insurance sector remains a pillar of stability and security.

The insurance industry has long been recognized as one that requires the ability to adapt-even if change might not happen overnight. As the landscape continues to shift in 2024, it's crucial for insurers to be cognizant of the diverse challenges they face and strategically tackle each one. In an era of rapid change and increasing challenges, it is imperative that we, the CEOs of leading insurance companies, work together to strengthen trust and uphold the highest ethical standards. Our collective efforts and collaboration within the forum are crucial to navigating these changes effectively. Let us continue to work hand in hand, sharing insights and best practices, to foster a culture of integrity and excellence.

Together, we can lead the industry to new heights, ensuring a sustainable and trustworthy future for all stakeholders.

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, Wednesday, 31 July, 2024

**Editor**

**FARUK AHMED**

**Managing Editor**

**Shamim Ara**

**Special Contributors**

**Rafiqul Islam Azad**

**K Masum Ahsan**

**Shekh Md. Mamunur Rashid**

**UK Correspondents**

**Farhan Ishrak Ahmed**

**Robina Yasmin**

**Graphic Design**

**Md. Morsalin Rahman**

**Abul Monsur Manik**

**Production & Circulation**

**Mohammed Ali**

**Md. Sanowar Hossain**

**Sheik Md Shamim Miah**

**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

### Is the Insurance Industry Truly Ready to Take Off?

The insurance industry in Bangladesh is on the cusp of significant growth, driven by a combination of factors including economic expansion, increased awareness, regulatory reforms, and technological advancements. The industry has historically lagged behind its regional counterparts due to low penetration rates, a lack of awareness, and a negative public image. However, progressive measures by the government, such as customer-centric regulations and innovations in product and service delivery, are beginning to change this narrative. Despite its potential, the country's insurance industry faces challenges such as high inflation, tighter monetary policy, and issues of trust and confidence following scandals in the banking sector. However, the introduction of bancassurance regulations in 2023, which allows banks to sell insurance products, is seen as a major development that could increase insurance penetration. The government's focus on financial inclusion and rural development also supports the expansion of microinsurance products tailored to low-income individuals.

The good news is that things are changing as more people now understand the importance of insurance thanks to some progressive reform measures, customer-centric regulations, innovations in product and service deliberations, and the proactive roles of the government. The country's insurance industry is poised for significant growth in terms of premiums, claims, and investments, as trust, confidence, awareness, and ethical standards are being upheld by both the regulator and market players. Industry experts predict significant growth for the country's insurance sector, driven by the government's new initiatives, enhanced supervision, and customer-centric regulations. Collaborations with banks and innovations across all aspects of operations, from issuing policies to claim settlements and from product offerings to service delivery, are contributing to this optimistic outlook. However, insurers still have much to do to explore untapped opportunities fully. The insurance industry, long known for its need to adapt, must be aware of the diverse challenges it faces and strategically address them as the landscape continues to evolve in 2024.

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E-mail: editor@thebangladeshexpress.com; news@thebangladeshexpress.com; dailybdexpress94@gmail.com.  
website: <http://www.dailybdexpress.com>; <http://www.thebangladeshexpress.com>

# Online Insurance Market Set to Soar: Projected to Hit \$330.1 Billion by 2031



## Express Report

The global online insurance market generated \$53.2 billion in 2021, and is projected to reach \$330.1 billion by 2031, growing at a CAGR of 20.2% from 2022 to 2031, according to the report published by Allied Market Research.

The report offers a detailed analysis of the top winning strategies, evolving market trends, market size and estimations, value chain, key investment pockets, drivers & opportunities, competitive landscape, and regional landscape.

The report is a useful source of information for new entrants, shareholders, frontrunners, and

shareholders in introducing necessary strategies for the future and taking essential steps to significantly strengthen and heighten their position in the market.

## COVID-19 Scenario:

The outbreak of the COVID-19 pandemic had a positive impact on the growth of the global online insurance market, due to surging demand for reinforcing remote access methods.

Growing need for regrouping and redesigning operational solutions for fulfilling demand of policy holders through online tool.

The report offers a detailed segmentation of the global online

## CAGR Value

Global Market Grow at Highest CAGR till forecast.



## Market Segmentation



By Application  
By Type

## Key Industry Development

Partnerships/Mergers  
New Collaborations  
Product Launches  
Acquisitions



## Market Growth

Global Market Growth is anticipated to rise at a considerable rate during current year to forecast period



## Regional Analysis



North America  
South America  
Asia-Pacific  
Europe

## Market Size

Market Size is expected to grow during base year to forecast period

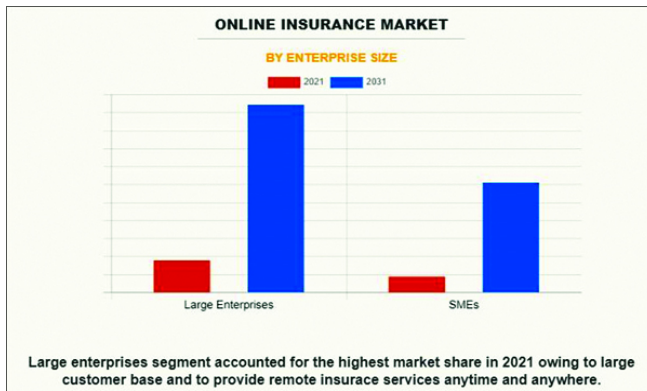


## Top Key Players

A comprehensive analysis of major market players and the prominent strategies adopted by them.







insurance market based on enterprise size, insurance type, end user, and region. The report provides a comprehensive analysis of every segment and their respective sub-segment with the help of graphical and tabular representation. This analysis can essentially help market players, investors, and new entrants in determining and devising strategies based on the fastest-growing segments and highest revenue generation that is mentioned in the report.

Based on enterprise size, the large enterprises segment held the major market share in 2021, holding more than two-thirds of the global online insurance market share, and is expected to maintain its leadership status during the forecast period.

However, the SMEs segment, is expected to cite the fastest CAGR of 21.5% during the forecast period.

On the basis of insurance type, the life insurance segment held the largest market share in 2021, accounting for more than half of the global online insurance market share, and is expected to maintain its leadership status during the forecast period. Nevertheless, the health insurance segment, is expected to cite the highest CAGR of 22.6% during the forecast period.

In terms of end user, the insurance companies segment held the largest market share in 2021, accounting for half of the global online insurance market share. Furthermore, the same segment is expected to maintain its leadership status during the forecast period. Nevertheless, the third party administrators brokers segment, is expected to cite the highest CAGR of 21.8% during the forecast period.

Region-wise, the North American region held the major market share in 2021, grabbing nearly two-fifths of the global online insurance market share. Moreover,

the North American market is slated to dominate the global market share during the forecast period. In addition, the Asia-Pacific region is expected to cite the fastest CAGR of 22.2% during the forecast period. The report also analyses other regions such as Europe and LAMEA.

The key players analyzed in the global online insurance market report includes Allianz SE, assicurazioni generali spa, AXA Group, Munich Re, Swiss Re, Aviva, Zurich Insurance Group, Esurance Insurance Services, Inc, Lemonade, Inc., and RootT

## Life insurance premiums set to soar

A study by the Swiss Re Institute predicts that the global life insurance market would generate an additional 1 500 billion USD in premiums over the next decade, to reach 4 000 billion USD by 2034.

The advanced markets would account for almost 61%, or 915 billion USD of additional premiums.

The remaining 39%, or 585 billion USD, would be generated by emerging markets.

As interest rates continue to rise, savings products are becoming more attractive to consumers.

Consequently, policyholders are increasingly underwriting capital-generating life policies which will guarantee them higher pensions.

Between 2022 and 2027, insurers' operating and investment income in the eight largest life markets, including the US, UK, Germany and Japan, are expected to grow by 60% and 40% respectively.



Editor's Pick

# INSURANCE INDUSTRY SET TO SOAR

● FARUK AHMED



"You don't need to pray to God any more when there are storms in the sky, but you do need to be insured."

This insightful comment by German playwright and poet Bertolt Brecht, made over a century and a half ago, underscores the vital role of insurance in our lives. Mohammad Abu Taher, a retired government official realised Bertolt Brecht's quote 50 years ago. He opened a life insur-

ance policy and regularly paid premiums. Now his family members are living without any financial crisis as the Jibon Bima Corporation paid him a sum of money after his death which is enough for her wife and children to maintain their livelihood.

"Insurance is a safety net that protects your dreams and future. It's not just a policy; it's peace of mind, knowing that





you've prepared for life's uncertainties. Secure today, so that tomorrow you can focus on what truly matters", said Mrs Hosneara Begum, wife of Abu Taher, a resident of the Khilgaon area in the capital city.

Insurance provides financial stability to families and helps them cover expenses like education, loans, housing, groceries and more. It also ensures financial stability during unexpected situations and helps cover medical expenses, property damage and other similar costs, she added.

Nazneen Akhter, a 40-year-old school teacher, recently received treatment at a city hospital for a sudden heart attack, with medical expenses exceeding Tk 3,00,000. However, when I visited her, she was stress-free because her insurance company would cover all the costs.

"Insurance acts as a vital shield against unforeseen circumstances", she said replying my question. "It protects you from unplanned expenses and offers a financial cushion from accidents, illnesses and more. Insurance safeguards the financial interests of your family in your absence. It helps them cover immediate expenses and secures their long-term financial stability", she said.

Like the late Abu Taher and Nazneen Akhter, many responsible people in Bangladesh are realising the

importance of insurance coverage which has opened a window of opportunity for Bangladesh to flourish its insurance industry- now far behind the race for low penetration in comparison with its neighbouring countries.

The importance of insurance is particularly pronounced in today's times. Medical expenses are sky-

rocketing due to medical inflation and the increasing frequency of various illnesses. Therefore, having a robust health insurance policy is essential at this

*"The importance of insurance is particularly pronounced in today's times. Medical expenses are skyrocketing due to medical inflation and the increasing frequency of various illnesses. Therefore, having a robust health insurance policy is essential at this time."*

time.

Health insurance offers financial protection against medical costs. It provides an affordable solution by allowing you to buy policies with a high sum assured without straining your wallet. It also guarantees access to quality healthcare services in your hour of need.

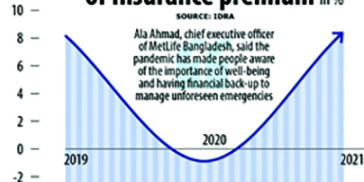
Insurance also acts as a catalyst for personal economic growth by empowering surviving family members to pursue their aspirations in the absence of the policyholder. It provides a safety net to ensure your loved ones have access to essential resources, such as education. Your loved ones can also use the insurance payout to improve their financial situation by investing in businesses, purchasing real estate and more.

## AT A GLANCE

- Gross premium of life, non-life ins rose **8.45%** in last one year
- It grew to Tk **14,392** cr in 2021 from Tk **13,271** cr a year ago
- Insurance industry contributes only **0.4%** to GDP
- In Bangladesh, there are **33** life insurance companies
- 46** non-life ins companies active
- 49** are listed with stock market



## GROWTH RATE of Insurance premium In %



Recognizing its importance, people and policymakers in the Western world have since embraced insurance as a cornerstone of their development strategies. According to the World Health Organisation, about 2 billion people are facing financial hardship including 1 billion experiencing catastrophic out-of-pocket health spending (SDG indicator 3.8.2) or 344 million people going deeper into extreme poverty due to health costs.

The precise number of people worldwide who are covered by insurance remains unclear, as it varies significantly based on the type of insurance (such as health, life, or property) and the available data. However, it is estimated that a substantial portion of the global population is still uninsured, particularly in low- and middle-income countries like Bangladesh, India, Pakistan and other South East nations.

According to Statista, the United States has a highly developed insurance market, offering a wide range of products and boasting high coverage rates in health, life, and property insurance. The United Kingdom follows, with comprehensive coverage across various types of insurance, including health, life, and general insurance. Germany also has a well-established insurance market, particularly strong in health and life insurance, supported by active participation from both the public and private sectors.

Japan has a high insurance penetration rate, especially in life insurance, and a well-developed market for other types of coverage. Switzerland, known for its strong insurance industry, has high coverage rates in health, life, and general insurance while Australia has a comprehensive insurance market, with significant coverage in health, life, and property insurance.

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.

In the landscape where insurance is a mandatory facet in developed nations, Bangladesh finds itself significantly trailing, with fewer than one in sev-

enteen 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.

"But things are changing as more people are now understanding the importance of insurance thanks to some progressive reform measures, customer-centric regulations and innovations in product and service deliberations thanks to the proactive roles of the government", said B M Yousuf Ali, President of the 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 country's insurance industry is poised for significant growth in terms of premiums, claims, and investments, as trust, confidence, awareness, and ethical standards are being upheld by both the regulator and market players," he said noting that good companies are being rewarded and bad actors are being punished.

### Highlights of Bangladesh Insurance

- ▶ 78 Insurance Companies
- ▶ 32 Life Insurance companies (One State-owned)
- ▶ 46 Non-Life Insurance companies (One State-owned)
- ▶ 137 Insurance Surveyors 17 Million Insurance Coverage (2017)

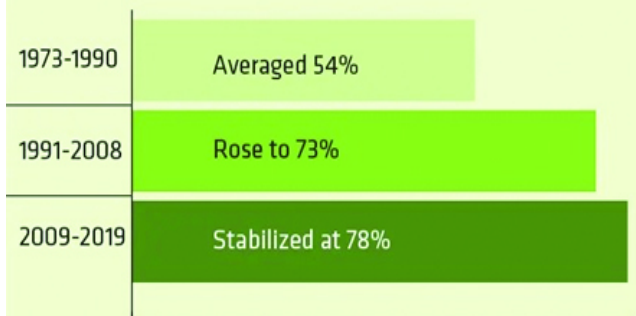
Actions speak louder than words. Today, more than 17.11 million people are enjoying benefits from insurance coverage with gross premiums for both life and non-life insurance reached Tk 17484.08 crore in 2023 which was Tk 16814.71 crore in 2022, Tk 14407.49 in 2021, according to Insurance Development and Regulatory Authority.

At present, 78 insurance companies are doing business in Bangladesh. Of them, 32 companies deal with life insurance, 46 non-life and

137 insurance surveyors are engaged with more than 17 million insurance coverage.

Currently, insurance penetration in Bangladesh is relatively low, with life insurance penetration around 0.5% of GDP and general insurance even lower. This suggests a significant untapped market. As awareness of the benefits of insurance grows, more individuals and businesses are likely to seek coverage, presenting a substantial growth opportunity for insurers.

#### LIFE INSURANCE COMPLAINTS: BANGLADESH'S HISTORICAL TRENDS



**2021: Plummeted to 68% from 88% in 2020**

Bangladesh Insurance Sector at a Glance 9 Tk in crore)	
Total Gross Premium (Life)	12279.78
Total Gross Premium (Non-Life)	5204.30
Total Gross Premium (Life+Non-Life)	17,484.08
Total no of policies (Life)	73,74093
Total Gross Premium (Non-Life)	85,88,979
Total Assets (Life)	47059
Total Assets (Non-Life)	72,576
Total investment (Life)	39117
Total investment (Non-Life)	12149
Total Claims Settled	10236.22

Source : IDRA

### Is the Insurance Industry Truly Ready to Take Off?

The above question has been raised by many as persistently high inflation rates characterise the current macroeconomic environment in several jurisdictions, tighter monetary policy and increased interest rates remain a big challenge for the insurance industry for

further expansion.

The situation has been aggravated by some incidents of money draining from banks by bad actors who have already hit cus-

tomers' trust and confidence in the country's finance industry.

The finance industries are interconnected, and issues in one sector can significantly impact others. In recent years, major scandals involving bad actors in the banking industry have had a catastrophic effect on the insurance industry, eroding trust and confidence across the board.

Since the initial formulation of an insurance policy in 2014 aimed at developing the sector, several years have elapsed without significant updates. The concerns for the CEOs are that customers may not trust them for a generation and at the same time insurers may lose confidence in their high-profile customers for their low claim settlement and misdeeds with policyholders.

The banking industry in Bangladesh has thrived over the years, achieving double-digit profit margins, sustaining growth, and navigating intense competition while delivering attractive returns to shareholders. However, the pursuit of greater profits without a solid foundation and proper framework has introduced challenges and raised concerns. Recently, the intensity of these issues has become more apparent, and major players are now facing scrutiny.



And this hurt the country's insurance industry. Despite huge potential, the insurance industry remained far behind the race of its neighbouring countries like India, Pakistan and Sri Lanka.

Countering the image issue is not the only block in the road to developing a respectable and successful institution, there are also the problems of 2 Ps 3Cs and a T-- people, product, compliance and ethics, competition, change management and technology among others.

The country's insurance industry is poised for significant growth due to the government's new initiatives, increased supervision, and customer-centric regulations. Collaboration with banks and innovations in all aspects of operations, from issuing policies to claim

settlements and from product offerings to service delivery, are driving this positive outlook.

Industry experts say that the insurance industry in Bangladesh has significant potential for growth and development, driven by a combination of factors

including economic growth, increasing awareness about insurance products, regulatory reforms, and

technological advancements.

And this is backed by data. according to GlobalData, the general insurance industry in Bangladesh is poised for significant growth, with a projected compound annual growth rate (CAGR) of 8.8% from 2023 to 2027. This growth will see gross written premiums (GWP) rise from \$620.8m in 2023 to \$809m in 2027.

*The country's insurance industry is poised for significant growth due to the government's new initiatives, increased supervision, and customer-centric regulations.*



**Bangladesh General Insurance - Gross written premiums (BDT billion) and annual growth, 2018 - 2027f**



GlobalData.

Source: GlobalData Insurance Intelligence Center | Note: e: estimated; f: forecast



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 2023, the rate of claim settlement for life insurance was 72% while it was 41% for non-life insurance, according to IDRA, which is higher than in previous years and reflects that people's trust and confidence on the country's insurance industry has increased significantly.

"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," the report stated.

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.

Bangladesh's economy has been one of the fastest-growing in the world, with GDP growth rates consistently above 6% in recent years. This economic development has led to a rising middle class with increasing disposable income. As more people acquire wealth and assets, the demand for insurance products, such as life, health, and property insurance, is expected to grow.

The Insurance Development and Regulatory Authority (IDRA) has been working on improving the regulatory framework to create a more robust and transparent insurance market. Reforms such as the implementation of risk-based capital requirements, solvency standards, and better corporate governance practices are likely to enhance the stability and credibility of the industry, attracting more domestic and foreign investment.

Awareness and understanding of insurance products among the general population are gradually increasing. Insurance companies, along with the government and regulatory bodies, are investing in public education campaigns to inform people about the benefits of insurance. This increased awareness is expected to boost the penetration rate of insurance products, which is currently low compared to other countries in the region.

The adoption of digital technologies is transforming the insurance industry globally, and Bangladesh is no exception. Insurtech solutions, including online policy

purchasing, digital claims processing, and the use of data analytics for underwriting and risk assessment, are making insurance products more accessible and efficient.

The growth of mobile internet and digital payment systems in Bangladesh further supports this trend, allowing insurers to reach a broader audience.

A significant portion of Bangladesh's population lives in rural areas and is involved in agriculture, there is a growing market for microinsurance products tailored to the needs of low-income individuals.

Microinsurance can provide coverage for health, life, crop loss, and natural disasters, offering financial protection to vulnerable populations. The government's focus on financial inclusion and rural development supports the expansion of these products.

### CEOs Remain Optimistic as New Regulations Roll Out

A bad apple spoils the barrel, so new regulations are being implemented to address the problem.

But most CEOs are very much optimistic about the rapid growth of the country's insurance industry which remained out of effective supervision for a long.

With new reform measures in place, I 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, said B M Yousuf Ali, President of the Bangladesh Insurance Forum and Managing Director of Popular Life Insurance Company.

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

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.

*“The adoption of digital technologies is transforming the insurance industry globally, and Bangladesh is no exception.”*



"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", said the CEO of a private commercial bank.

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, he said.

The "Bangabandhu Shiksha 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.

Despite the positive outlook, the industry faces several challenges, including low insurance penetration, lack of consumer trust, limited product diversity, and inadequate distribution channels. Additionally, the industry must contend with regulatory changes, market competition, and the need for skilled professionals. Addressing these challenges will be crucial for sustained growth.

"Incompetence, corruption, and greed have become pervasive in today's financial world. As a result, millions of households and businesses are left to address the fallout from a few bad actors. This has damaged the reputation of insurers and bankers, who were once seen as trusted allies by their customers", said Mohammad Jainul Bari, Chairman of the Insurance Development and Regulatory Authority (IDRA).

"We are reforming regulations in response to a series of scandals that many believe reflect a pervasive culture of rule-breaking in the country's insurance sector. If ethics become a more prominent force in the financial services sector, the insurance industry is likely to experience faster growth in the future."

He continued that ethics has become increasingly important in the financial services sector, particularly in a country like Bangladesh. An

*"With new reform measures in place, I 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, said B M Yousuf Ali, President of the Bangladesh Insurance Forum and Managing Director of Popular Life Insurance Company."*

ethical environment in the business and the financial sector provides vital support for maximising long-term owner value.

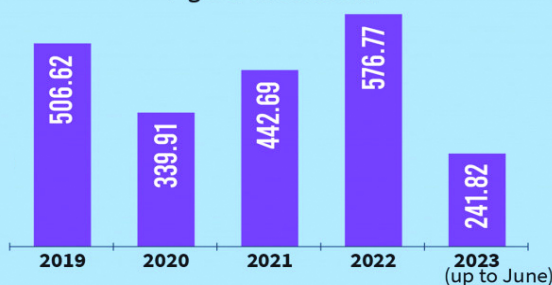
On Sunday, April 28th, the Bangladesh Insurance Development and Regulatory Authority (IDRA) issued the "Insurance Claims Management Guideline 2024" to promote transparency and accountability within insurance operations and protect the interests of customers. The directive was circulated to all life and non-life insurance firms and affiliated bodies.

This guideline applies to various entities, including insurers, reinsurers, surveyors, insurance agents, intermediaries, and service providers, as well as customers and other relevant stakeholders identified by IDRA. It delineates the responsibilities of insurers, obligations of Bangladesh insurance customers, duties of reinsurers and surveyors, and the necessary criteria for efficient insurance claims management.

Furthermore, it emphasises the establishment of insurance company help desks, such as call centres, and

### Claims settled by Popular Life Insurance

Figures in crore taka



Tk1,516.09cr  
till Sep 2022

Tk22.96cr  
in 2022

Source: Company





clarifies the roles and responsibilities of boards of directors and their committees.

The guideline also enumerates 5 crucial actions that insurance customers must take, such as promptly informing the insurer of any losses or accidents within the specified timeframe outlined in the insurance contract, and subsequently providing all relevant documentation for the insurance claim.

Moreover, it outlines 17 actions that Bangladesh insurance companies must undertake to effectively manage insurance settlement claims.

After these new regulations, the Bangladesh insurance market is drawing interest from international insurers aiming to enter or expand in emerging markets. Foreign investment and partnerships can inject crucial capital, expertise, and innovation, driving the modernization of the industry and enhancing product offer-



MD. KAZIM UDDIN, CEO of National Life Insurance Company

ings.

"All of us feel that the banking industry badly needs skilled human resources who will not only service old products but will also create and launch new innovative products", said MD. KAZIM UDDIN, the CEO of

National Life Insurance Company Limited.

*Educating the market remains the first requirement towards creating new products and developing skilled human resources.*

"Educating the market remains

the first requirement towards creating new products and developing skilled human resources. Besides people and product issues, you need to be ever vigilant about the ever-changing technology and regulatory requirements", he said.

### Last But Not Least

The insurance industry has long been recognized as one that requires the ability to adapt-even if change might not happen overnight. As the landscape continues to shift in 2024, it's crucial for insurers to be cognizant of the diverse challenges they face and strategically tackle each one.

As the insurance sector grapples with multifaceted challenges, identifying and understanding these risk factors is the first step in crafting a resilient strategy for the future. These are: Compliance changes, Cybersecurity threats, Technology changes, Climate change & other environmental factors, Talent shortage and Financial risks.

For insurance companies, risk mitigation shouldn't be a reactionary response. Rather, it should be a continuous process. By building a proactive company culture that emphasizes strategic foresight, preparedness and adaptability, firms can navigate current challenges and also preempt future ones.

# Ethical value should be the cornerstone of insurance business: IDRA chairman

## Express Report

Mohammad Jainul Bari, Chairman of the Insurance Development and Regulatory Authority (IDRA), envisions the country's struggling insurance industry gaining momentum through new regulations, innovations, and enhanced collaboration with banks.

However, ethical values should be the cornerstone of the insurance business, the regulator emphasized in an exclusive interview. He noted that stringent actions would be taken against those who violate the rules and laws designed to restore trust and confidence-key factors that have hindered the industry's growth.

He said the concerns for the CEOs are that customers may not trust them for a generation and at the same time insurers may lose confidence in their high-profile customers for their low claim settlement and misdeeds with policy-holders.

"So, it is high time for insurance brands to put their money where their mouth is, innovate their change in the insurance sector and start living by their promises", Jainul Bari said.

"Despite the recent success on the economic front, some unwanted incidents in financial markets have pushed us to define the destination. The real challenge for the finance community is to formulate a collaborative approach with society to clean the mess and maintain ethical practices", he said.

Mohammad Jainul Bari, a Career civil servant joined Insurance Development and Regulatory Authority (IDRA) as its



*Mohammad Jainul Bari*

chairman on 16 June 2022. Before his Joining IDRA, Mr Bari worked as Secretary of the Planning Division, Ministry of Planning and Secretary of the Ministry of Social Welfare respectively.

He did my graduation and Masters degree in English Literature from the University of Dhaka and also another Master's degree in Public Policy and

Management from Northern University Bangladesh.

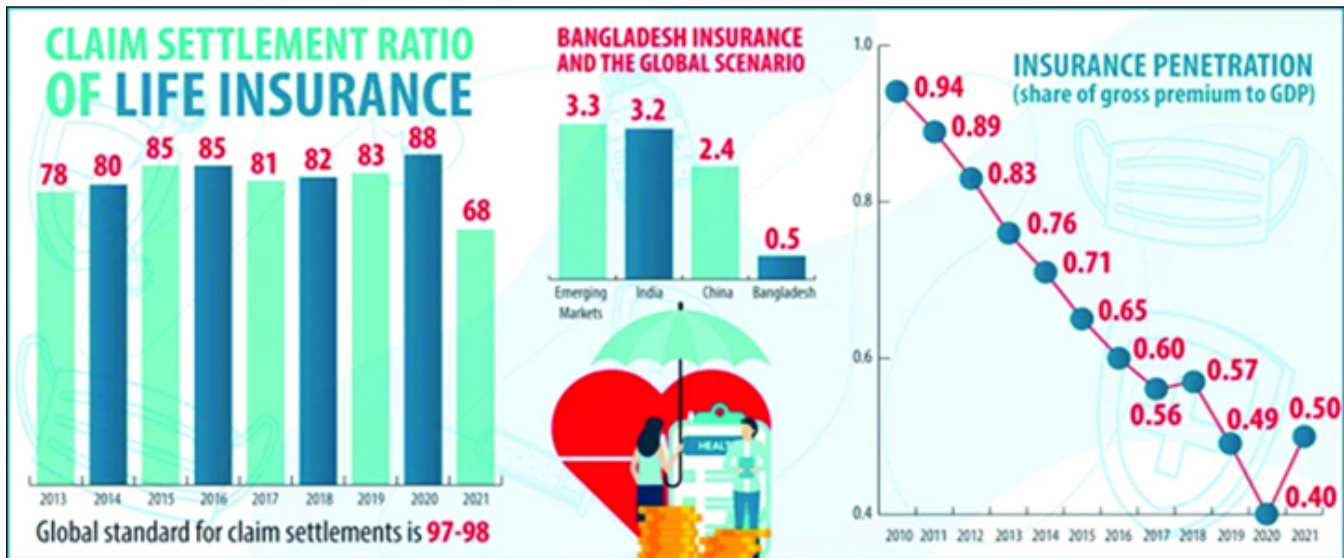
During about 31 years of service with the government, Mohammad Jainul Bari

served in key positions in field administration and ministries. He has a proven track record in working in skill development, management, negotiation, policy formulation, policy analysis, and planning.

He also possesses wide experience working in the areas of poverty alleviation, disaster management, humanitarian support, strategy development, preparation of development programs







and projects, implementation, monitoring and evaluation of programs and projects, procurement management, land management and coordination with public institutions, NGOs and local government bodies.

On its journey to be the benchmark insurance regulator in South Asia, IDRA was able to move up to another progressive level over the years despite the challenges. "One of the biggest challenges faced was building the confidence level of the general people of Bangladesh regarding the claim settlements.

To develop the country's insurance industry and increase its contribution to the economy, the IDRA is working with two foreign-funded projects under the Capital Market Development Program (CMDP) funded by the Asian Development Bank (ADB) and the Bangladesh Insurance Sector Development Project (BISDP) jointly funded by World Bank (WB) and Bangladesh Government.

"We expect financial and technical assistance will strengthen the regulatory capacity of the IDRA and also develop the infrastructure and automate the whole insurance sector of Bangladesh.

"We have compelled the companies to settle the claims at about 81.52 per cent in the life sector during the year of 2022 and we hope claim settlement in the life sector will be more than 90% in future", the IDRA chairman said.

The Insurance Development and Regulatory Authority has initiated the establishment of a state-of-the-art technology platform known as the Unified Messaging Platform (UMP) to advance the digitization of the

insurance sector. This platform will enable the Authority to monitor all premium collection activities of insurers.

The insurance industry has experienced a notable positive transformation during the last few years due to the regulatory changes introduced by the Insurance Development and Regulatory Authority.

As Bangladesh is moving forward to become a developing country, with a corresponding increase in GDP and Human Assets Index (HAI) and decrease in Economic Vulnerability Index (EVI), it is imperative that the insurance sector, being one of the pillars of the financial sector of this country, rises to meet the challenges of the future.

"We expect that the public will be well-informed and educated about the concept of insurance and the importance of being insured. This will undoubtedly facilitate the creation of a demand-driven insurance industry in future", the IDRA chairman said.

Incompetence, corruption, and greed have become pervasive in today's financial world. As a result, millions of households and businesses are left to address the fallout from a few bad actors. This has damaged the reputation of insurers and bankers, who were once seen as trusted allies by their customers, he observed.

"We are reforming regulations in response to a series of scandals that many believe reflect a pervasive culture of rule-breaking in the country's insurance sector. Effective regulation will only be achieved when ethical practices and a strong moral foundation are widely embraced by individual insurers. If ethics become a

The insurance industry has experienced a notable positive transformation during the last few years due to the regulatory changes introduced by the Insurance Development and Regulatory Authority.



more prominent force in the financial services sector, the insurance industry is likely to experience faster growth in the future."

He continued that ethics has become increasingly important in the financial services sector, particularly in a country like Bangladesh. An ethical environment in the business and the financial sector provides vital support for maximising long-term owner value.

"Over time, our economy has become stronger and remained resilient when others of the globe were vulnerable and driven by financial meltdown. But

“Incompetence, corruption, and greed have become pervasive in today's financial world. As a result, millions of households and businesses are left to address the fallout from a few bad actors. This has damaged the reputation of insurers and bankers, who were once seen as trusted allies by their customers”

some unwanted incidents in capital markets and the banking industry have maligned its success", he said.

The present government led by Sheikh Hasina has realised the potential of the Insurance industry and declared March 01 as the 'National Insurance Day', the IDRA chairman said recalling the father of the nation Bangabandhu Sheikh Mujibur Rahman who sacrificed his life to build an economically developed poverty-free Sonar Bangla.

Bangabandhu was an integral part of the insurance industry, working with Alpha Insurance Company, he mentioned.

From our part, IDRA is formulating necessary rules and laws to ensure transparency, increase efficiency and protect the interests of policyholders.

"We have already asked the companies to separate the policyholder account and shareholder account immediately for the protection of the policyholder. We intend to formulate the Solvency Margin Rule to address the protection of policyholders", he said.

IDRA has already taken some initiatives to enhance insurance penetration in the country, Jainul Bari said

noting that the Digital insurance scheme by different insurance companies is expected to reach a considerable number of people in the middle-income

segments.

"Insurance companies have a vital opportunity to address the protection gap for women, who constitute about 50% of the population. Women can play a key role in marketing and selling insurance products to diverse customer segments, especially to other women. This strategy can help expand the customer base significantly."

Therefore, he continued, the industry needs to reassess its capabilities, identify the unique insurance needs of different population segments, and develop tailored financial products to meet these demands.

"We are hopeful that these reforms will be helpful for the regulator to achieve its vision and mission, and thereby create a more conducive environment for the industry", Mohammad Jainul Bari concluded.



## MARKET UPDATE

# 26 lakh insurance policies discontinued in 14 years

## Express Report

More than 26 lakh insurance policies have lapsed in Bangladesh in the last 14 years owing to a raft of factors including the worsening of financial health of clients, a lack of awareness among them, and agents' tendency not to explain product features properly while selling them.

In 2009, the total number of policies was nearly 1.12 crore and it fell to 85.88 lakh in 2023, figures from the Insurance Development and Regulatory Authority (Idra) showed.

The lapse is the rate at which policyholders fail to pay their premiums on time, leading to cancellations of insurance coverage.

About 50 percent of life insurance policyholders in Bangladesh don't pay premiums after the first year.

The lapse rate is 10 percent in India. Globally, 96 to 98

percent policies are continued, said SM Ibrahim Hossain, director of the Bangladesh Insurance Academy, a state-run institute imparting training to insurance professionals.

The reasons for the higher lapse rate include purchasing of higher value plans compared to the affordability of clients and agents' bent not to furnish potential customers with key information that may lead to non-subscription of the products in the first place, according to Mohammad Jainul Bari, chairman of the Idra.

"Many a time, agents don't share rules when they sell policies. Agents may also sell a product that may not suit the requirements of the customer or he or she may not have the financial capacity to continue it."

There are some other reasons for policy discontinuation and one of them is fund embezzlement by agents.

According to Hossain, non-payment of premiums and

## Industry at a glance

Life insurance penetration in Bangladesh is 0.5% : There are 35 life insurance companies in the country

## INSURANCE POLICIES

- ▶ The number was 1.12 crore in 2009
- ▶ The number was: 85.88 lakh at the end of 2023

## Reasons behind policy discontinuation

- ▶ Insurance agents not providing all key information to customers
- ▶ Changes in financial condition of customers
- ▶ Embezzlement of customers' money by field-level employees
- ▶ Clients being encouraged to buy policies beyond their financial capability
- ▶ A lack of understanding among clients on products suitable for them
- ▶ Insurance agents leaving the profession
- ▶ Lack of confidence in the insurance industry



The higher policy discontinuation rate highlights the negative perception that people have about the insurance sector. This is a major failure of insurance companies

Md Main Uddin  
A professor of Dhaka University

the loss of income sources also play a role.

"In many cases, policy-holders pay the premiums to someone else who does not deposit the money within the stipulated period or does not deposit the fund at all."

He said agents sometimes switch professions and insurers close branches. Natural calamities such as floods, droughts and cyclones also caused the deterioration of the financial capacity of policy-holders.

An Idra official, on condition of anonymity, said that there are some managing directors of insurance companies who influence their agents so that policies are discontinued.

"If the policy is not renewed at the end of the first year, the companies will not have to settle the claims."

Ala Ahmad, chief executive officer of MetLife Bangladesh, the lone international life insurer in the country, said lapsed policies are bad for both customers and insurers.

"For customers, they mean losing the safety net that could protect them against unforeseen events. For insurers, they lead to lost revenue and negatively impacting financial stability and customer relationships."

Oftentimes, lapses occur due to a lack of awareness of the importance of regularly paying premiums, he said.

Ahmad said MetLife has taken initiatives to help customers remain fully protected throughout their insurance tenure.

These include after-sales proactive briefing calls to customers, SMS-based reminders, enhancing digital premium payment channels and training agents so that they can educate customers to keep their policies active, he added.

Md Jalalul Azim, managing director of Pragati Life Insurance Ltd, said when he joined the company in 2013, some 20 percent of the policies continued after 25 months. This has improved to 49 percent now.

He said the company is now focused on selling the right kind of products that customers need. "Thus, the discontinuation

rate has dropped."

Azim said the use of digital technologies in collecting premiums is increasingly offering convenience to customers.

Pragati Life Insurance plans to raise the policy continuation rate to 60 percent within three years.

Md Main Uddin, a professor of the department of banking and insurance at the University of Dhaka, thinks the higher policy discontinuation rate highlights the negative perception that people have about the insurance sector.

"This is a major failure of insurance companies."

Agents receive a higher percentage of commission on the premiums paid in the first year, so they are more interested in selling as many products as they can.

Currently, agents get about 35 percent commissions on the premiums in the first year, 10 percent in the second year and 5 percent in each of the subsequent years before a policy becomes mature.

Therefore, Prof Main said, the rate of commission should be revised so that agents are more attentive towards policy renewal.

Jainul Bari said the Idra has decided to revise the commission rate within a month.

In 2023, ten companies with a high lapse rate were asked to raise it to 60 percent.

"We have not received the annual reports of the companies yet. After getting the reports, we will understand how much progress they have made," Bari added.

Some companies have been fined for their failure to increase the policy continuation rate and show-cause notices have been issued, he said.

## Why an Insurance Company Might Cancel Your Policy



Numerous claims



Home in disrepair or requiring maintenance/renovation



Nonpayment



Criminal record, false declarations, or moral hazard



Change in your financial situation



# Insurance for bike, other vehicles set to be mandatory again



## Express Report

The government is going to make obtaining motor insurance mandatory for motorbikes and other vehicles plying on the roads.

The insurance was made optional in the Road Transport Act-2018, but the authorities are now returning to the previous position and amending the act accordingly.

The cabinet approved the draft amendment in principle in a meeting on Wednesday, with Prime Minister Sheikh Hasina in chair.

Cabinet Secretary Mahbub Hossain later informed the media that the draft law includes a provision to fine vehicles operating without insurance up to Tk 3,000.

The Bangladesh Insurance Association (BIA) has welcomed the initiative and said it will be beneficial for both insurers and vehicle owners.

BIA Vice President Nasir Uddin Ahmed told Prothom

Alo, "We have long been demanding amendments to the road transport law. We are pleased to hear that the cabinet approved the draft law in principle today. It will benefit both the insurance sector and vehicle owners."

It was revealed that the financial institution division of the finance ministry submitted a summary of the law to the prime minister's office in March 2023, arguing that no country permits vehicles to operate on roads without insurance.

Prime Minister Sheikh Hasina, speaking at the inaugural event of National Insurance Day on 1 March 2023, emphasised that no vehicles should be allowed on the roads without proper insurance.

"We should pay attention so that no vehicles operate on the roads without proper insurance," she said.

Sources in the financial institutions division said the initiative to amend the road transport law was undertaken based on the prime minister's instructions.

18 non-life insurers spent beyond regulatory limits in 2022

Eighteen non-life insurance companies spent more in 2022 on management expenses than allowed, leaving a negative impact on their overall business and eroding their capacity to settle claims.

The companies are Karnaphuli Insurance, Purabi General Insurance, Bangladesh General Insurance, Peoples Insurance Company, Standard Insurance, Crystal Insurance Company, Provati Insurance Company, Express Insurance, South Asia Insurance, Phoenix Insurance Company, Islami Commercial Insurance, and Meghna Insurance Company.

Also included are Republic Insurance Company, Nitol Insurance, Global Insurance, Desh General Insurance Company, Islami Insurance Bangladesh, and Bangladesh Co-Operative Insurance, according to a document of the Insurance Development and Regulatory Authority (IDRA).

Company officials attributed the excess spending to an unstable business environment following the Covid-19 pandemic and other global crises.

Allowable management expense refers to the amount permitted by the IDRA to be spent on running operations, namely for paying agent commissions and operating costs.

The limits are set based on the gross premium income in a calendar year. Insurers can spend a certain percentage that they receive in the form of premiums from fire and other types of insurance while marine insurance is considered separately.

For example, of the first Tk 15 crore of total gross premium income in a calendar year, a non-life insurance company can spend 35 percent of the amount it gets from fire and other forms of insurance behind management expenses. The amount is 26 percent when it comes to marine insurance.

In the case of the next Tk 15 crore, the company can spend 33 percent of the premium for fire and other insurance and 25 percent of the premium collected under marine insurance.

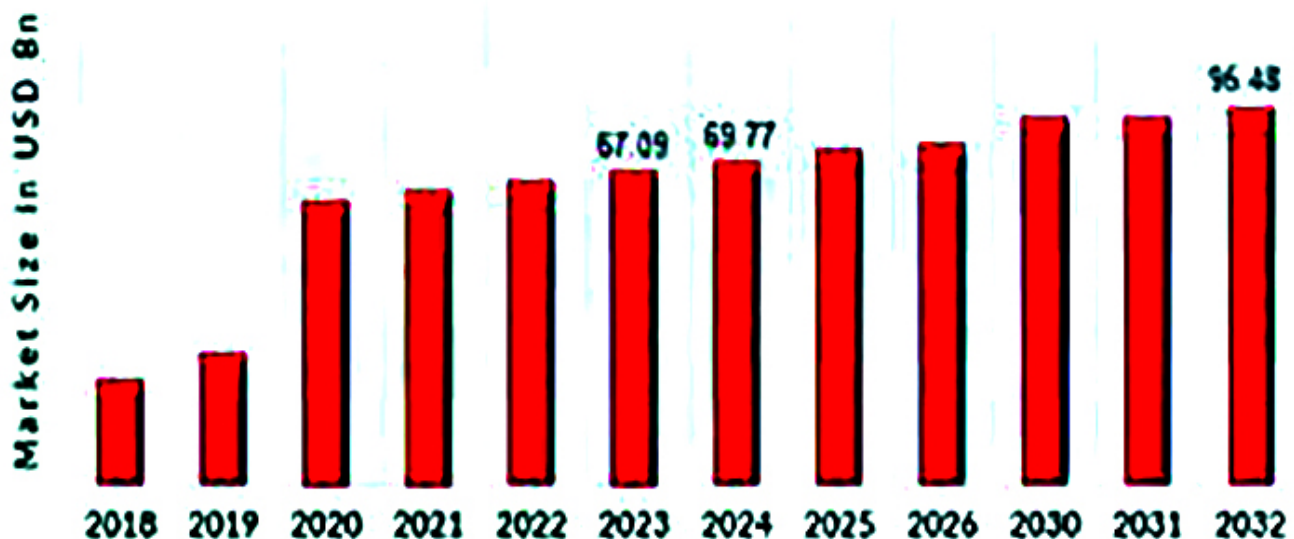
There are eight such slabs with caps on how much a company can spend on management expenses. If a company spends more than the prescribed limit, they will not be able to settle insurance claims on time, said an IDRA official.

The 18 companies are spending mainly on salaries, extra commission to agents, car purchases, advertising, printing stationery, and motor vehicle maintenance, he added.

Currently, there are 46 non-life insurance and 35 life insurance companies in Bangladesh.



## Motorcycle Insurance Market





## FEATURES

# ALL about LIFE INSURANCE

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.



## Express Report

Life insurance is a unique financial product that can achieve various financial objectives. It can be utilized as a financial cover for your beloved family and dependents, provide a second source of income during retirement, and build a corpus for the child's future higher education and marriage. Also, life insurance policies can be used as a tax-efficient legacy tool to pass on wealth from one generation to the next.

Let us find out the different types of life insurance and understand their specific features.

### Features of Life Insurance Plans

Below are some features of life insurance:

#### Premium Payment

Premium payment is a crucial aspect of life insurance. The premium is the cost of purchasing a life insurance plan. It differs based on the sum assured, tenure, riders and other aspects of your plan. There are multiple ways

to pay the premium, such as monthly, quarterly or annual payments. Life insurance plans offer these options to cater to the diverse preferences of policyholders.

#### Maturity Benefits

Maturity benefits are given to you at the completion of the policy term if you survive the tenure. Life insurance plans have a maturity date when you receive these benefits in a lump sum. The maturity benefit helps you cater to future goals and plan ahead. These benefits can differ as per the policy you have, such as endowment plans, Unit-Linked Insurance Plans (ULIPs) and others.

#### Sum Assured

The sum assured is one of the key features of life insurance. The sum assured is the guaranteed amount that is given to the plan's nominee in case of an unfortunate event during the policy term. This sum helps the policyholder's family cover their financial needs.



### Policy Term

The policy term refers to the duration for which the life insurance policy is active and provides coverage. It is the period during which the plan's nominee is eligible to receive the insurance payout. It is important to select a suitable policy term that aligns with your long-term financial objectives.

### Claim settlement

Another essential feature of insurance that you must know about is the claim settlement. Claim settlement is the process where the insurer gives the policy benefits to the beneficiary upon the untimely absence of the policyholder. A smooth and prompt claim settlement process is vital to ensure financial support for the beneficiaries in a timely manner.

### Riders

Riders are add-on benefits that can be added to a life insurance plan at an additional cost. These are optional covers that can be used to enhance a life insurance plan's coverage. Some common examples of riders include a terminal illness rider, critical illness cover, permanent disability cover and comprehensive accidental benefit among the other rider options.

### Nominee

The nominee is the person who receives the sum assured of the life insurance plan. Policyholders may nominate their spouse or children as nominees for a plan. Life insurance policies usually offer option to update the nominee as per your evolving personal relationships.

### What are the Benefits of Buying a Life Insurance Policy?

#### Financial Security

Financial security is one of the primary advantages of purchasing a life insurance plan. In the event of the policyholder's unfortunate absence, the life insurance plan offers a guaranteed payout to ensure the family's financial security. This offers peace of mind and financial stability during challenging times.

#### Investment Component

Many life insurance policies like ULIPs include an investment component that allows you to invest in different funds of your choice. This can be a good way to build wealth with market-linked assets and cater to various financial goals.

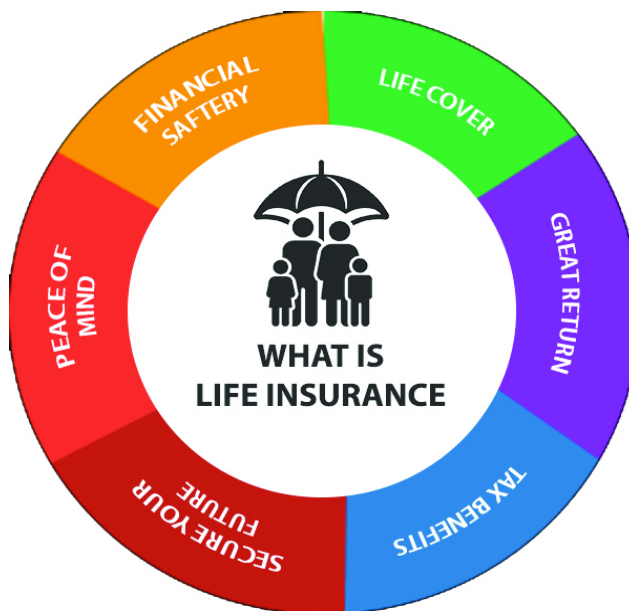
#### Add-on Benefits & Riders

Riders are one of the most versatile characteristics of life insurance. Life insurance policies can be customised with add-on bene-

fits. Riders, such as terminal and critical illness coverage, permanent disability benefits or comprehensive accidental benefit covers can help you address specific needs and circumstances.

#### Stress-free Retirement

A life insurance policy can play a crucial role in offering you a stress-free retirement. Adding life insurance to your investment portfolio can help you accumulate wealth over the years while simultaneously securing your loved ones financially. Life insurance can provide you with a comfortable and worry-free retirement with long-term financial stability.





# Life Insurance VS Health Insurance



Life insurance, as well as health insurance, are essential financial must-haves. Choosing an adequate cover for both becomes easier if you assess your health state, responsibilities, age, occupation, and other factors.

## Life Insurance or Health Insurance, Which Insurance is a Must-buy?

When it comes to buying insurance, a lot of people are split between life insurance and health insurance. Both these types of insurance have their own set of benefits. So, which one should you choose? - Life insurance, wherein your family will be financially secure in your absence?, Or health insurance, wherein you will have a strong financial back-up to meet medical costs when your health doesn't support you? Let's find out.

## Understanding life insurance and health insurance

To make a well-informed decision, you must first understand what life insurance and health insurance are. Life insurance is a financial safety net that ensures the well-being of your family in your absence. Such policies offer death benefits, which means that your nominee gets the sum assured or the promised money in case of your untimely death. If you are the sole breadwinner of your family, life insurance becomes all the more essential for you. The money that your insurance provider pays to your family can be used for meeting their day-to-day as well as long-term expenses such as your child's education or marriage. It can also be used for clearing off debt. The idea is to provide financial support to your family so that they don't struggle when you are not around.

Health insurance, on the other hand, takes care of all

your medical expenses in case your health deteriorates and you need treatments. These cover the costs of medicines, medical tests, hospitalisation, surgeries, and other medical treatments. The idea here is to empower you financially to be able to afford quality treatment when the cost of treatments is soaring by the day.

## Which insurance should one buy?

Given the several benefits of life insurance and health insurance, it is wise to opt for both. If it is difficult to afford the premium of both the plans, then the best thing is to arrive at your suitable cover amount and buy just that. For example, experts believe that you must have a life cover equivalent to ten times your current annual income. So, you need not buy a larger cover and, thus, can savour the benefits of life insurance as well as health insurance.

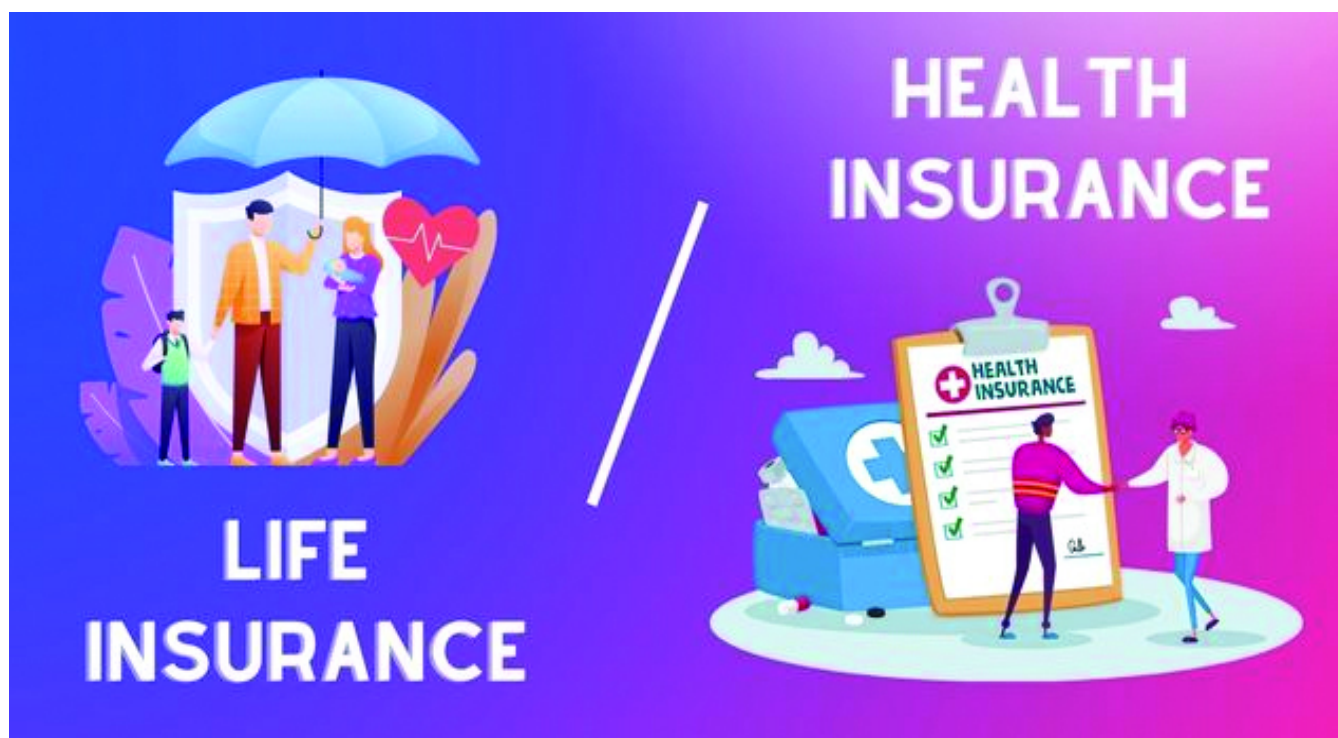
## Who needs insurance?

It is believed that only middle-aged people buy insurance. However, this is not true. Even youngsters and those nearing retirement can and must equip themselves with sufficient life and health insurance.

## Insurance and youngsters

Earlier, old age was often associated with deteriorating health and severe medical issues. Moreover, chronic diseases, such as cancer or heart problems, were not very common. But today, the scenario is completely different. Severe diseases and disorders are common, and they are not just affecting older people.





Even youngsters are prone to such fatal ailments. Also, nowadays, it is common to find young individuals taking care of their family's financial needs. Thus, they must have a back-up in case anything unfortunate happens to them. One can't predict the future. But one can always be prepared with a life and health cover. Another reason for buying insurance at a young age is that insurance policies are cheaper for young people.

### **Insurance and individuals with dependent family**

Individuals with family responsibilities should purchase a life insurance policy to secure the future of their loved ones. Although nothing can make up for your family's emotional loss, they will have enough money to deal with the financial losses that would occur in your absence. For example, child life insurance plans provide a certain sum to your child at regular intervals when you are not around, even without a premium. They can, thus, fulfil their educational goals.

As discussed earlier, you can buy a cover that is ten times your current annual income. Another way of arriving at an adequate cover is to calculate all the current and future expenses of your family while factoring in inflation. Next, deduct this amount from your total savings. The difference that you get should be your sum assured.

Health insurance in Bangladesh, too, is not just about you; it also allows you to include your spouse and dependent parents and children. Thus, even if your employer has taken a health insurance plan in your name, you must check if it is sufficient. For example,

your existing insurance may not cover critical illnesses such as cancer or heart ailments that have treatment costs running into lakhs. If not, you can buy a critical illness policy. Moreover, you can even buy a health insurance plan for your spouse and parents.

### **Insurance and elder people**

Old age comes with its share of problems, health and dependency being the major ones. But, with a sufficient life insurance and health insurance cover, you can not only take care of your health but also be financially independent and continue living with pride. For example, there are money-back policies wherein your insurer provides certain monetary benefits to you at regular intervals.

It would help if you were covered at all times. If you already have a term insurance plan which is nearing the end of the tenure, it is wise to secure yourself for the remaining years. For example, you can take a new term plan that covers you till the age of 99.

### **Choosing the right insurance policy**

With so many life insurance and health insurance plans available in India, individuals are spoilt for choice. However, deciding on a policy is not difficult because you can easily compare different plans and insurance providers online. Also, there are health insurance providers that offer a good discount if you buy health insurance for you and your spouse together. With a good idea of the benefits, inclusions, exclusions, claim settlement ratio, etc. of different insurers, you can pick the most suitable policy for yourself.