

NATIONAL INSURANCE DAY SPECIAL

Insurance prospect remains largely untapped

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While almost all the economic indicators of Bangladesh are in a positive trend, insurance is failing to keep pace due to a lack of awareness among the masses and mistrust.

Life insurance penetration in Bangladesh was 0.3 per cent in 2019, while the average for emerging countries was 1.7 per cent, according to Swiss Re, a leading global reinsurer.

In case of non-life insurance, it was 0.1 per cent in Bangladesh, whereas 1.5 per cent for emerging nations.

In the year, insurance penetration was less than 0.5 per cent, according to the global reinsurer, which was 0.57 per cent in 2018 and 0.55 per cent the year before.

"Our insurance sector has not kept pace with the GDP growth mainly because of policy lapses of many life insurance companies," said SM Ibrahim Hossain, director (additional charge) and chief faculty member of the Bangladesh Insurance Academy.

The academy is a state-run insurance training and education provider.

Normally life insurance policies are undertaken for 10 years, but many are discontinued after one or two years due to a lack of awareness, Hossain said.

As agents get a higher commission in the initial years, they do not push policyholders to retain it until the end, for which the discontinuation rate rises, Hossain said.

"If life insurance policies are continued until the end, the contribution of the sector could be very high," he said.

He recommended revising the commission of agents so that they continue their efforts till the end.

In the insurance sector, policy diversification is rare, he said, adding that policies should be aligned with the demands of the people.

The companies should have a policy in light of the recent pandemic, but only a few launched related policies for people, he said.

Responding to a question, Hossain said the new generation were still not interested in joining the sector due to poor salary structures compared to that in the banking sector along with the associated image crisis.

"I believe the situation will change within the next five to 10 years," he said.

Till 2010, the government had thought

little about the sector but that year a law was formulated and in the following year the Insurance Development and Regulatory Authority (IDRA) was established.

Then a National Insurance Policy was formulated in 2014. The government stipulated that every person and asset come under it and that all stakeholders work together to implement it.

Sheikh Kabir Hossain, president of the Bangladesh Insurance Association, said the sector had been in neglect for long for which it was lagging behind, but the present government was putting emphasis on the insurance sector's growth.

Since formulating the Insurance Act in 2010, the new government has been strengthening the regulator bit by bit each year, he said.

There was a tendency towards discontinuing life insurance policies once they had been availed, which will reduce in future as the regulator has taken some relevant initiatives, said Hossain.

When a life insurance policyholder pays at least three premium instalments, that person becomes eligible for some benefits even if the policy is discontinued, he said.

On the other hand, the regulator does not allow commissions to be paid to agents until they collect at least three premium instalments, he said.

"So, this is how life insurance policy lapses will be reduced," he said.

To fast settle claims, life insurers have now been instructed to ensure payments against claims within two months, said Hossain, also the chairman of Sonar Bangla Insurance.

Unhealthy competition in non-life insurance also has been reduced through the implementation of a provision, which allowed a maximum 15 per cent commission for agents, he said.

"So, I hope the sector will do better in the future,



though it might take some time," he hoped.

If a country's insurance sector develops, the economy develops sustainably, he added.

Bangladesh's insurance sector is currently unable to keep pace with emerging markets around the globe. To bring this to perspective, total inflation adjusted premium growth was 3.1 per cent in Bangladesh in 2019.

However, this was 8.1 per cent in emerging countries.

There are currently 33 life insurance and 46 non-life insurance companies active in the country. Of them, 49 are listed with the stock market.

Work has slowly yet progressively been carried out for the sector, said Farzanah Chowdhury, managing director and chief

operandi and have not yet come about to use technology, while many are devoid of the drive to train employees, she said.

A negative image had mired the industry, mainly stemming from some in life insurance that did not pay up against claims properly, and this had an impact on the whole sector, said Chowdhury.

Some insurance companies are running in their old-fashioned modus

operandi and have not yet come about to use technology, while many are devoid of the drive to train employees, she said.

"The new generation is also not coming over to the insurance sector, so whatever innovation taking place here is meagre. So, our product diversification is not matching the way how the economy is expanding," she added.

Rarely were people aware and it

is not compulsory too, so people do not have the appetite to be insured, she said, adding, "So, the insurers are not responsible alone for the low penetration."

To boost awareness and attract people, transparency needs to be ensured, confidence grown and corporate governance needs confirmed, said Chowdhury.

"First, proper and prompt claim settlements are necessary," she said.

The companies need to inform people about policy benefits and whenever they settle claims, she said.

The insurance companies should use modern technology, otherwise it will be tough to keep pace with the modern economy, she added.

She also recommended human resource development, product-based training, reaching the marginal segment of society and product diversification for the young generation.

As the penetration level is low in the country, the potential is huge for the sector, she said.

Many people are not aware of non-life insurance but this segment can insure or cover everything but natural demise, she added.

On March 1, 1960, Bangabandhu Sheikh Mujibur Rahman started his professional life at the then Alpha Insurance Company.

The government has declared the day as National Insurance Day. To observe the day, the IDRA would organise a discussion involving Prime Minister Sheikh Hasina.

Marking Bangabandhu's birth centenary, Bangabandhu Surokha Bima has been launched where insured people can get up to Tk 2 lakh against premiums of Tk 100, the IDRA said in a press release.

Bangabandhu Sportsman Insurance also has been launched, it added.



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