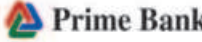



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BUSINESS



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HALF-YEARLY PERFORMANCE OF INSURANCE COMPANIES

- 40 insurance companies release earnings
- Profits of 22 insurers decline
- Earnings of five remain almost unchanged
- 13 insurers post higher profits


TOP FIVE LISTED INSURERS IN TERMS OF PROFITS

(Jan-Jun 2022);
SOURCE: HALF YEARLY STATEMENTS

INSURANCE FIRMS	TK IN CRORE
Green Delta	38
Reliance	35
Pioneer	29
Pragati	20
Bangladesh National	10

REASONS OF DROP IN PROFITS

- Lower revenue from marine insurance
- Fall in income from stock investment
- Absence of third party insurance



Profit declines for insurers

Fall in marine insurance business, bearish stock market, economic slowdown to blame

AHSAN HABIB

Most of the listed non-life insurance companies in Bangladesh posted lower profits in the first half of 2022 largely due to a decrease in premium incomes from their marine insurance segment as the country moved to curb imports. A sharp fall in third-party insurance and lower earnings from the stock market investments were also responsible for the fall in profits.

Of the 43 non-life insurance companies listed on the Dhaka Stock Exchange (DSE), 40 published their financial reports for the first half of 2022. Of them, 22 posted lower profits compared to a year ago.

The profits of five non-life insurance companies were almost flat while the rest made higher profits, according to their financial statements.

"The overall business activities of the country squeezed because of the coronavirus pandemic and this has impacted the insurance sector as well. The gross premium income declined for many insurers," said Sheikh Kabir Hossain, president of the Bangladesh Insurance Association.

In Bangladesh, non-life insurance companies do business mainly in three segments—fire, transport and marine.

The marine insurance

business fell in the January-June period of 2022 as the opening of the letters of credit (LCs) has begun plummeting since March.

The insurers' profit was significantly impacted in the second quarter because of the outbreak of Russia's war in Ukraine as the conflict forced the government to curb imports to save US dollars and keep inflation in check.

"Due to the dollar shortages, the LC opening fell," said Hossain.

Half-yearly profits of Sonar Bangla Insurance, where Hossain is the chairman, dropped to Tk 6.7 crore from Tk 7.4 crore during the same period last year.

Industry people say a big blow came from a sharp fall in automobile insurance as third-party insurance has become largely non-existent in the country.

Third-party insurance is a policy purchased by the insured from the insurer for the protection against the claims of the third party. But in Bangladesh, none buys third-party insurance products since it is not mandatory.

As per Motor Vehicles Ordinance 1983, third-party insurance was compulsory. It is not mandatory under the existing Road Transport Act 2018.

"The income from the segment has fallen drastically after the

withdrawal of the insurance requirement," Hossain added.

Green Delta Insurance registered the highest profit of Tk 38 crore among the listed non-life insurance companies followed by Reliance Insurance, which clocked a profit of Tk 35 crore in the January-June period.

SM Mahbubul Karim, chief executive officer of Nitol

our insurance business was hampered considerably in the first half of 2022."

Meanwhile, the re-insurance premium of fire insurance has gone up.

"This is because we can't assume the full burden of the risks related to such insurance products," said Ahmed Saifuddin Chowdhury, managing director of Bangladesh General Insurance

according to Chowdhury.

"This trend is common worldwide and Bangladesh is not an exception," he said.

Chowdhury says the investment income of the insurance companies was good except that from the stock market.

Insurers with significant exposure to the stock market were hit by the falling trend in the first half owing to the macroeconomic instability caused by higher imports, dollar shortages, and runaway inflation.

The DSEX, the benchmark index of the premier bourse in Bangladesh, tumbled 6.96 per cent in the first half, data from the DSE showed. The index had surged 9.46 per cent during the same period last year.

Zharna Parul, company secretary of Paramount Insurance, says the income from investment was lower this year due to the bearish run in the stock market.

She identified the fall in marine insurance income as the main factor for the decline in profits in the industry.

"Almost all companies faced the same situation as the overall LC opening dropped because of a costlier US dollar."

The US dollar was up at least 10 per cent against the taka in June as the country's foreign exchange market began facing a shortage of US dollars.



Insurance, says the Russia-Ukraine war hit the insurance business at a time when the economy of Bangladesh was on its way to recovering from the coronavirus pandemic fully.

Profits of Nitol Insurance went down to Tk 4 crore in January-June from Tk 5 crore, according to its financial reports.

Karim says export and import businesses have slowed and people are struggling to make a living as their expenses have surged owing to higher inflation.

"In line with the downward trend of all other businesses,

Company.

Reinsurance is the practice where insurers transfer a portion of their risk portfolios to other parties with a view to reducing the likelihood of paying a large obligation resulting from an insurance claim.

Bangladesh General Insurance Company's profits slipped to Tk 6.8 crore in the first half of 2022. It was Tk 8.5 crore during the identical period in 2021.

The marine insurance business fell in recent months due to the lower LC opening,

Prepare to gain bigger share of EU export market: experts

STAR BUSINESS REPORT

Bangladesh needs to prepare to grab a bigger slice of the European Union's export market as China may lose 8 to 10 per cent of its share within the next few years due to global geopolitical changes, an economist said yesterday.

As such, Bangladesh should comply with the EU's new Generalised System of Preferences (GSP), which requires improving human rights, labour rights and protecting the environment, in order to avail the facility, according to MA Razzaque, research director of the Policy Research Institute.

For instance, 25 per cent of the companies in Germany prefer to follow the Environment, Social and Governance criteria in sourcing goods from other countries, Razzaque said.

Currently, Germany is the largest export destination of Bangladesh in the EU and the second-largest overall after the US.



Trade tension between the US and China has triggered changes in the global geopolitical scenario and some countries like Bangladesh have been enjoying the benefit as work orders are shifting from China, the world's largest apparel exporter, to other countries.

Non-garment sectors should also be more compliant to grab more of the EU market under the new GSP regime,

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Bangladesh and EU market

- EU is the biggest destination for Bangladesh's exports
- Shipments to the region grew 33% YoY in FY22
- Bangladesh enjoys zero-duty access to the EU for its products
- Bangladesh started benefitting from changes in the global geopolitical landscape
- China may lose 8%-10% market share in EU within the next few years



Bangladesh's exports to EU

In million US dollar;
SOURCE: EPB

	FY19	FY20	FY21	FY22
	22,855	18,698	17,464	23,232

SUGGESTIONS

- Improve human and labour rights, protect the environment to continue enjoying the duty benefits to the EU
- Diversify export basket
- Improve compliance of non-garment sectors to grab more of the EU market

Another digital vision with many still unconnected

MAHMUDUL HASAN

The government is gearing up to implement a new "Smart Bangladesh" vision by 2041 with the belief that a preceding "Digital Bangladesh" had been realised by 2021.

However, its own research tells that a huge number of the population still do not use mobiles, let alone the internet, and digital services are failing to reach people for inadequacies in the digital infrastructure.

A "Smart Bangladesh Taskforce" was recently formed aimed at rolling out advanced information technology in the country, especially to transform the education, health, agriculture and financial sectors.

The taskforce will formulate short, medium and long-term plans to establish "Smart Bangladesh". It will also provide direction in the formulation of regulations on information technology in the economic, social, commercial and scientific spheres.

Prime Minister Sheikh Hasina is the chairperson of the taskforce, while the secretary to the ICT division will act as the member secretary.

"We, the ICT division, proposed for establishing the Smart Bangladesh Taskforce as the tenure of the Digital Bangladesh taskforce ended in 2021," said NM Zeaul Alam, senior secretary to the ICT Division.

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Cotton use likely to remain unchanged

STAR BUSINESS REPORT


Bangladesh's cotton consumption may remain unchanged in the year from August 2022 to July 2023 owing to lower-than-expected imports, said the US Department of Agriculture (USDA) recently.

The US agency said cotton imports by Bangladesh was likely to be 8.4 million bales during the period, down from its previous forecast of 8.5 million bales.

As such, the second-biggest garment exporting country will use 8.5 million bales, it observed in its latest report on world markets and trade of cotton released earlier this month.


The agency lowered its forecast on global cotton

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STOCKS

DSEX ▲	CASPI ▲
0.64% 6,300.13	0.66% 18,512.45



COMMODITIES

Gold ▼	Oil ▼
\$1,735.48 (per ounce)	\$88.70 (per barrel)



ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.46% 58,773.87	▼ 0.47% 28,794.50	▲ 0.49% 3,262.57	▲ 0.61% 3,277.79

Punish egg market manipulators FBCCI demands

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has demanded punitive measures against anyone found manipulating prices in the domestic egg market.

Leaders of the country's apex trade body came up with the demand during a discussion with market players at the FBCCI office yesterday.

Md Jashim Uddin, president of the FBCCI, said although the price of each egg recently went up by Tk 3, it came down again following drives by government agencies.

This shows that the market was clearly manipulated, so traders have to rid of this culture, he added.

He urged the Directorate of National Consumer Rights Protection (DNCRP)

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