The Promise of Insurance

Opportunities and Challenges in Bangladesh's Insurance Sector

SUKANTA HALDER

The insurance industry in Bangladesh has immense potential for growth, thanks to the country's rapid economic development, increasing per capita income, average life expectancy, and large number of young people. However, despite these positive indicators, only 3-4% of the population has insurance coverage, which means that there is still considerable untapped potential in the market. The fear among the common people about the insurance sector and the lack of trust in insurance companies is one of the biggest challenges facing the industry in Bangladesh.

PHOTO CREDIT: IMAGE BY GSTUDIOIMAGEN ON FREEPIK

Jalalul Azim, Managing Director and CEO of Pragati Life Insurance, believes that the growth of the economy will lead to an increase in the potential for general insurance. As the economy improves, there will be more import-export and mill-factories, which will need insurance coverage.

Currently, there are 33 life insurance and 46 non-life insurance companies active in the country. Of them, 49 are listed with the stock market. The insurance industry contributes only 0.4% to Bangladesh's growing gross domestic product.

Highlighting the importance of the Insurance sector, Shamima Nasrin, the deputy vice-president of Prime Insurance Company Limited says that even a small increase in the insurance penetration rate can lead to a significant reduction in uninsured losses and a boost in GDP growth. A strong insurance industry can also support the growth of key macroeconomic indicators, such as unemployment, foreign direct investment, and GDP, by providing access to liquidity through insurance coverage, she adds.

Regulatory reforms, the introduction of bancassurance, health, expatriate, agricultural, educational, coastal, and public pension insurance products, as well as broad distribution networks, can spur further growth in the insurance industry, according to experts.

However, to achieve the desired goals of the insurance sector, the fear about the insurance sector among the common people needs to be removed, opines Jalalul Azim.

Many companies in Bangladesh spend more than the amount permitted by the regulator to survive in the competition, and when they cannot refund the customers after the expiry of the policy or the death of the customer, it leads to a further loss of trust.

According to industry insiders, claim settlement is one of the most critical services an insurance provider is obligated to fulfill for its customer. The claim settlement ratio was around 83% in 2019 and 78% in 2013. In India, the settlement-to-claim ratio in most of the life insurers was in the range of 98.3% to 99.3% in 2020-21, while only one company's ratio stood at less than 90%.

Although Bangladesh's insurance industry is still relatively small, it has experienced significant growth in recent years due to the creation of new products and innovations, as well as a shift in government policy that allowed the industry to move from its traditional structure of state-owned corporations to a more liberalized and competitive market.

Regulatory reforms, the introduction of bancassurance, health, expatriate, agricultural, educational, coastal, and public pension insurance products, as well as broad distribution networks, can spur further growth in the insurance industry, according to experts.

They claimed that regulations that put an emphasis on lowering bankruptcy risk could contribute in fostering market confidence and, as a result, boost the amount of money flowing into the insurance sector.

A well-educated and skilled workforce is also crucial for the growth of the insurance industry in Bangladesh. Unfortunately, many people hold negative perceptions of insurance agents and employees due to a lack of awareness and knowledge about the industry. SM Ibrahim Hossain, former senior faculty member of Bangladesh Insurance Academy, emphasized the importance of improving both knowledge and behavior among these employees.

To enhance the public's understanding of insurance benefits and foster trust with customers, insurance companies must prioritize education and transparency. This can be achieved by offering clear and comprehensive information about their products and services, providing excellent customer service, and ensuring that the claims settlement process is both fair and efficient.

According to Prof. Md Main Uddin, a former chairman of the department of banking and insurance at the University of Dhaka, developing the insurance market is crucial for achieving balanced and sustainable economic growth in Bangladesh. He sees a huge potential for the sector to contribute to the country's development.

However, Sheikh Kabir Hossain, president of the Bangladesh Insurance Association, points out that the sector is facing a major crisis due to the lack of proper policy measures. He believes that the government needs to take a more proactive role in promoting the insurance industry and removing regulatory barriers. With the right policies and support, the insurance sector could become a key driver of growth in the coming years, Hossain adds.

WALK THE TALK

Sheikh Rakibul Karim, FCA

CEO, Guardian Life Insurance Limited

There remains significant untapped potential for further expansion and improvement of the insurance sector in Bangladesh. In this context, both the government and insurance companies can play pivotal roles in supporting and promoting the sector's growth. The government can create a regulatory environment that fosters innovation, promotes financial inclusion, and safeguards the interests of customers.

Ala Ahmad

CEO, MetLife Bangladesh

Life insurance is a critical contributor to a country's economic development for two key reasons. Firstly, it safeguards human capital against financial vulnerability, which enables individuals to avoid financial hardship and continue contributing to society. Secondly, life insurance facilitates investment in various government and private sectors, as insurers invest the funds collected from premiums. Thus, life insurance not only provides a safety net for individuals but also contributes to economic growth and stability at the societal level.

Claims amount received by MetLife customers in 2022

Taka
2,548
Crore

Scan this QR Code
To submit your claims online

Scan this QR Code
To know more about our digital services

MetLife
Navigating life together

MetLife/Asiatic/CL/February 2023