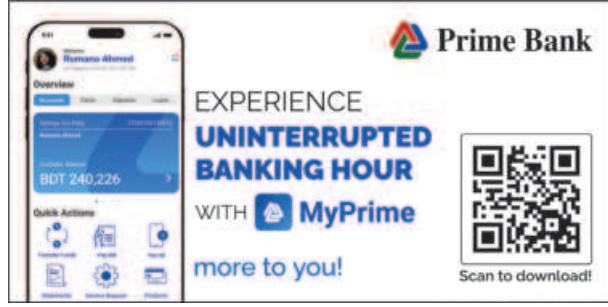


star BUSINESS



MAIN POINTS

INSURERS
THAT GOT
OBSERVERS
FROM THE
REGULATOR



- » Progressive Life Insurance Company Ltd
- » Sunlife Insurance Company Ltd
- » Golden Life Insurance Ltd
- » Padma Islami Life Insurance Ltd

WHAT PROBLEMS DO INSURERS FACE?



A large portion of premiums have turned into bad investments



Overspending their allowable limit



Having asset values that are lower than the claims of policyholders

TOTAL VALUE OF CLAIMS TO BE PAID IN NEXT FIVE YEARS

Progressive Life Insurance:	Padma Islami Life Insurance:	Golden Life Insurance:	Sunlife Insurance Company:
Tk 430cr	Tk 102cr	Tk 70cr	Tk 200cr

BANGLADESH'S INSURANCE SECTOR

Life insurance companies: 35	Non-life insurance companies: 46	Contribution to GDP: 0.4%	Life insurance penetration: 0.5%	Emerging market average: 3.3%
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Observers appointed at 4 life insurers

Idra move aims at helping settle claims

SUKANTA HALDER

The Insurance Development and Regulatory Authority (Idra) has appointed four of its officials as observers at four life insurance companies for their failure to protect the interests of policyholders.

The companies are Progressive Life Insurance Company Limited, Sunlife Insurance Company Limited, Padma Islami Life Insurance Limited, and Golden Life Insurance Limited.

The appointments came about through letters dated June 1. The officials will work towards fast settling claims and resolving related complaints, explained an Idra official on condition of anonymity.

The Idra received complaints over the years from policyholders and initiated probes into the companies in question, said sources in the regulatory body for the insurance sector.

It found that Progressive Life Insurance had to pay Tk 430 crore in claim settlements in the next five years but had only Tk 46 crore in assets, which include government securities, mutual funds, shares, debentures and real estates.

In the last 10 years, the company's unauthorised management expenditure amounted to Tk 100 crore.

Sunlife Insurance had to pay Tk 200 crore in insurance claims in the next five years but had assets worth Tk 100 crore in total.



In the case of Padma Islami Life Insurance, the amount payable was Tk 102 crore. Although the company's assets amounted to Tk 160 crore, the Idra assessed that only Tk 20 crore could be liquidated.

Golden Life Insurance had to pay Tk 70 crore but had assets amounting to Tk 48 crore. In the last 10 years, its unauthorised management expenses amounted to Tk 112 crore.

The Idra found that of the four companies, only Padma Islami Life Insurance settled 70 per cent of the claims to date. For the rest, it was an average of 30 per cent to 40 per

cent.

According to Section 72 of the Insurance Act 2010, there is an obligation to pay claims within 90 days of the expiry of the policy. If paid after 90 days, interest will have to be paid.

The insurance industry's considerable potential is being wasted for a lack of confidence caused by the low claim settlement rates of some companies, according to an official of the Idra.

Such companies are in trouble because they are making bad investments out of a large portion of their premiums, he said.

Bangladesh's life insurance penetration is 0.5 per cent, well behind the emerging market average of 3.3 per cent. In 2020, India's life insurance penetration was 3.2 per cent while it was 2.4 per cent in China.

Currently, there are 35 life insurance and 46 non-life insurance companies active in the country. Of them, 49 are listed on the stock market.

The insurance industry contributes only 0.4 per cent to Bangladesh's growing gross domestic product.

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Banks told to clear dues with airlines

STAR BUSINESS REPORT

Bangladesh Bank yesterday instructed seven banks that failed to clear their dues with foreign airline companies on time to adjust their payments as soon as possible.

Md Abul Bashar, acting spokesperson of Bangladesh Bank, informed journalists about this development at a press briefing at the central bank headquarters in Dhaka.

A number of media outlets reported that foreign airline companies are owed \$214 million by the seven lenders operating in the country, he said.

The central bank collected data in this regard and found that the actual amount is \$177.79 million, Bashar added.

Asked whether the

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DHAKA-ASHULIA ELEVATED EXPRESSWAY

Bangladesh pays first foreign bill in taka

JAGARAN CHAKMA

Bangladesh has made the first payment for a mostly foreign loan-funded project in the taka, ushering in another mode of better preserving foreign currency reserves.

The project is on constructing a 24-kilometre elevated expressway connecting Dhaka to Ashulia at a cost of Tk 17,653 crore, or around \$1.2 billion.

China is providing 85 per cent of the cost as a loan at 2 per cent interest, payable in 20 years, including a grace period of five years. The remaining 15 per cent is being borne by the Bangladesh government.

The Export Import Bank of China is paying the loan part in US dollars to the Chinese contractor, China National Machinery Import & Export Corporation, which is implementing the project. The Bangladesh government will reimburse the bank.

As for the 15 per cent of the Bangladesh government, Shahabuddin Khan, the project director, said, "We convinced them (the contractor) to accept the bill in the taka as they will have some spending to do in Bangladesh."

"They accepted our proposal taking into consideration the present context," he told The Daily Star last week.

According to him, over 250 Chinese citizens, including engineers and staff, and 1,000 Bangladeshis are now working on the project.

To address a demand-supply gap in the foreign exchange market, the Bangladesh Bank has sold foreign currencies and allowed the depreciation of the taka.

Owing to higher import bills compared to combined receipts from export and remittance, the foreign exchange reserves plunged to \$29.92 billion on May 31 from \$42.20 billion on the same day last year, data from the central bank showed.

Prime Minister Sheikh Hasina inaugurated the construction in November last year and the first payment of Tk 1,339 crore, or \$130 million, was made in October. Of the sum, the Bangladesh government's portion amounted to Tk 34 crore.

The next payment of Tk 600 crore, or \$58.25 million, will be made in June and of it, the Bangladesh government will pay Tk 90 crore.

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Corporate tax cuts needed for financial sector

STAR BUSINESS REPORT

The financial sector is going through a challenging situation owing to a surge in the borrowing cost and its impact on profitability, so a cut in corporate tax rates may help the sector gain momentum and boost the economy, said a top executive of a non-bank financial institution.

"This is because the sector's profitability is dependent on businesses, and businesses are suffering tremendously due to lower demand," said M Jamal Uddin, chief executive officer and managing director of IDLC Finance Ltd.

"This lower demand has been caused by higher inflation, which is ultimately the result of the Russia-Ukraine war," he said in an interview with The Daily Star while sharing his observations about the proposed budgetary measures for the next fiscal year of 2023-24.

The top executive said banks and NBFIs have not seen any direct policy-level changes in terms of tax measures. At the same time, there are no significant changes that may influence the banking habits of individuals or corporate customers.

"However, a slight decrease in the corporate tax rate for banks and NBFIs may help the sector."

In the proposed tax measures, the National Board of Revenue (NBR) has sought to continue the corporate tax rates for listed banks and NBFIs at 37.5 per cent. The rate for non-listed financial institutions is 40 per cent, the second-highest after mobile phone operators and tobacco companies.

Jamal said one of the major concerns of the financial sector is the ailing capital market, which has been bearish for a while due to macroeconomic adversities.



M Jamal Uddin

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Lay's starts producing potato chips in Bangladesh

PepsiCo teams up with Transcom Consumer Products

STAR BUSINESS REPORT

Lay's, one of the world's most-loved potato chip brands from PepsiCo, has officially started producing its chips in Bangladesh.

Highlighting its steadfast dedication to Bangladesh, "Lay's Make in Bangladesh" initiative has been taken in partnership with Transcom Consumer Products Ltd, according to a press release.

Ahmed ElSheikh, president for the India region at PepsiCo, and Simeen Rahman, group chief executive officer of Transcom Group, unveiled the initiative at a manufacturing plant in Bogura.

Lay's is one of the brands that makes up Frito-Lay North America, the \$19 billion convenient foods division of PepsiCo.

"The establishment of the manufacturing unit dedicated to making the iconic Lay's potato chips, at the plant, serves as a powerful testament to Lay's unwavering commitment to supporting the local community and driving economic growth in the region," PepsiCo said.

The launch of the initiative stems from PepsiCo's presence in the country over two decades because of its strong and fruitful partnership with Transcom Group.

Benefiting from Lay's existing popularity in Bangladesh, this initiative will meet the robust and growing local demand for innovative formats and flavours

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Ahmed ElSheikh, president of the India region at PepsiCo, and Simeen Rahman, group chief executive officer of Transcom, jointly unveil the manufacturing plant of Lay's in Bogura yesterday. One of the world's most-loved potato chip brands from PepsiCo, Lay's has started producing chips in Bangladesh in partnership with Transcom Consumer Products Ltd.

PHOTO: TRANSCOM GROUP

Dhaka bourse suffers sharpest fall in six months

STAR BUSINESS REPORT

The key index of the Dhaka Stock Exchange (DSE) yesterday lost 0.63 per cent, the sharpest single-day decline in at least the past six months, as tensions grew over the proposed increase in capital gains tax for general investors.

The DSEX, the benchmark index of the premier bourse in Bangladesh, shed 40 points to 6,316 by the end of the session.

The DS30, representing blue chip stocks, decreased 0.43 per cent to 2,188 points while the DSES, an index comprised of shariah-compliant companies, edged down 0.72 per cent to 1,372 points.

As the draft Income Tax Act 2023 proposed raising the capital gains tax for general investors, people are afraid of a potential decrease in net

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