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Bright spots

SUKANTA HALDER and AHSAN HABIB

Bangladesh's life insurance sector has always struggled in claim settlement, but the sector still has some good companies who are bearing the torch for all with faster fund repayment and good corporate governance.

Some 35 life insurance companies are currently operating in the country where MetLife Bangladesh—only foreign insurer of the sector—stood tall by settling Tk 3,229 crore claims and maintaining a 96 percent claim settlement ratio in 2022.

Another seven companies settled claims over Tk 200 crore and maintained the claim settlement ratio to over 90 percent.

Of the seven, Delta Life Insurance repaid Tk 841 crore maintaining a claim settlement ratio of 93 percent.

Popular Life Insurance settled Tk 576 crore claims with 99.97 percent ratio.

Meghna Life, Pragati Life, and Guardian Life repaid claims of Tk 421 crore, Tk 313 crore, and Tk 297 crore respectively last year.

All the three companies' claim settlement ratio was above 98 percent.

MetLife could maintain a consistent and robust claim settlement ratio thanks to the company's strong focus on customer convenience, advanced technology and very organised financial and customer fund management process, said Ala Ahmad, CEO of MetLife Bangladesh.

Prime Islami Life and Sandhani Life Insurance repaid claims worth Tk 290 crore and Tk 211 crore respectively last year.

The willingness of the directors and management of Pragati Life made it possible for the company to settle claims of the policyholders as soon as the policies mature, said Jalalul Azim, managing director of the company.

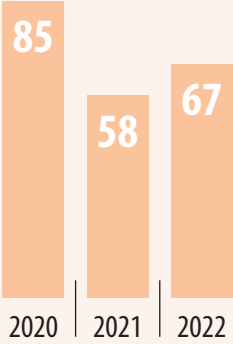
The good claim settlement ratio positively impacted Pragati's reputation and boosted general public's confidence on the company, which will surely give a boost to the expansion of the business, he said.

Good investment ensures good return, Azim said. "Many companies do not do that."

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CLAIM SETTLEMENT BY LIFE INSURANCE COMPANIES

In %; SOURCE: IDRA



REASONS OF LOW CLAIM SETTLEMENT



Bad investment of life fund



Lack of corporate governance



Fund embezzlement



Lack of digitisation

AT A GLANCE

- Life insurance penetration is **0.4%**
- Insurance sector suffers from lack of trust
- Six companies' claim settlement ratio is below **50%**
- Claim settlement ratio is above **95%** in **18** insurers
- Highest amount of claims settled by MetLife

Poor performers

SUKANTA HALDER and AHSAN HABIB

A number of life insurance companies in Bangladesh struggled to settle claims in 2022 due to a lack of liquidity resulting from bad investments and fund embezzlement by their chairmen and directors.

Of the 35 life insurers operating in the country, the claim settlement rate of five firms remains below 40 percent, according to data of the Insurance Development and Regulatory Authority.

Baira Life Insurance is in the worst position, having paid out just 1.83 percent, or Tk 1 crore, of its clients' claims amounting to Tk 56.9 crore in 2022.

Similarly, the settlement rate of Fareast Islami Life Insurance stood at 21.2 percent last year, with the company having paid out Tk 970 crore against claims of Tk 4,559 crore.

Meanwhile, the claim settlement rate of Sunflower Life Insurance and Golden Life Insurance was 24.6 percent and 37.7 percent respectively.

Likewise, Progressive Life Insurance settled 39 percent of its claims in 2022.

On condition of anonymity, a top official of a leading life insurance company said some life insurers are struggling to settle claims as they made a number of bad investments, where the return was insignificant.

Also, some of the firms are facing a liquidity crunch as their life fund has been embezzled, he added.

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Insurance claim settlement far below average

It was less than 70% in 2022

SUKANTA HALDER and AHSAN HABIB

Claim settlement in the insurance sector in Bangladesh stood at 67 percent in 2022, highlighting bad investments and non-compliance that prevented insurers from attaining a higher ratio, data from the regulator showed.

Last year, 35 life insurance companies settled 66.97 percent of claims, meaning around 33 percent of claims made by the clients remained unsettled, according to the Insurance Development & Regulatory Authority (Idra).

Though the claim settlement ratio improved in 2022 compared to 2021, it was much lower than that of 2020.

The ratio plunged to 57.84 percent owing to the impacts of the coronavirus pandemic. It was 85.08 percent in 2020. The ratio

averaged more than 80 per cent in the decade to 2021.

An insurance claim is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event.

"The entire financial sector is witnessing a confidence crisis due to a lack of good governance," said AB Mirza Azizul Islam, a finance adviser to a former caretaker

government.

He said most banks and insurance companies that were approved on political consideration lack good governance.

"Banks are facing a confidence crisis due to huge non-performing loans while insurance companies are witnessing the same problem due to the low claim settlement ratio."

Idra data showed that four

insurance companies had a claim settlement ratio of less than 40 percent last year.

Baira Life Insurance's settlement ratio stood at 1.83 percent, the lowest among the insurers.

Fareast Islami life insurance, Sunflower Life Insurance, and Golden Life Insurance logged a ratio of 21 percent, 24 percent, and 37 percent respectively.

Prof Md Main Uddin, a former chairman of the Department of Banking and Insurance at the University of Dhaka, said had insurance companies invested in good securities using life funds, there would not have been any delay in settling claims.

"The main reason for the low claim settlements is bad investments and non-compliance. The Idra should take measures and legal actions against the insurers

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Banglalink to apply for digital banking licence

MAHMUDUL HASAN

Mobile network operator Banglalink has decided to apply for a digital banking licence as it looks to leverage its vast pool of customers to serve a population increasingly using technologies to make and receive payments.

The decision to apply for a digital bank is based on "our global strategy of transforming ourselves" as a digital operator

The decision to apply for a digital bank is based on "our global strategy of transforming ourselves" as a digital operator, Kaan Terzioğlu, group chief executive officer of Banglalink's parent company Veon, told The Daily Star on Monday.

"Our digital operation strategy means we are providing digital services to our customers in finance, entertainment, healthcare and education."

VEON, which operates in seven countries, is increasingly launching more digital services amid the decreasing voice revenue in the global telecom industry.

In Pakistan, it has digital services such as JazzCash, Tamasha and Mobilink Microfinance Bank. In Kazakhstan, it launched digital services such as Simply, Izi, Hitter, and BeeTV.

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Low rainfall forces farmers to irrigate Aman fields

MOSTAFA SHABUJ and SOHEL PARVEZ

After 16 percent below normal rainfall in June, Bangladesh saw a drier July as it registered 50.8 percent below normal rain, which forced many farmers to irrigate their fields to cultivate Aman paddy, the second largest rice crop.

Farmers mostly rely on monsoon rains to grow paddy during the Aman season. So now, the use of irrigation is going to push up the overall cost of production.

Take the case of Hazrat Ali Rubel, a farmer at Panditpur under Gobindaganj upazila of Gaibandha.

Yesterday, the 36-year-old grower transplanted paddy seedlings that were nearly three weeks old on two bighas of land.

"But the drought has hit the field," he said. "There has been no rainfall to mention. The irrigation pump operator now demands Tk

300 for irrigating on one bigha once."

Rafiqul Islam, another farmer in the same upazila, said his transplantation was delayed for 10-15 days as he waited for rain.

"Now, all have begun transplantation through supplementary irrigation although there is high cost," he added.

Data of the Bangladesh Meteorological Department (BMD) showed that Bangladesh received 250 millimetres of (mm) rainfall in July, which was below normal rainfall of 507mm for the month.

Chattogram saw the lowest amount of rain followed by Barishal, Rajshahi, Dhaka and Khulna, according to the BMD.

In July last year, Bangladesh recorded 57.6 percent lower rainfall than normal during the monsoon season, which was the lowest in 41 years.

Some farmers said because of lower rainfall, they had to transplant late, which

might affect yields.

The Department of Agricultural Extension (DAE) targeted to bring 59.33 lakh hectares of land under rice cultivation amid the current Aman season. Of that, it targets to ensure transplantation of rice on 56.59 lakh hectares this season.

Until July 31, 28 percent of the overall target has been achieved, said Md Tajul Islam Patwary, director, routine charge for the Field Services Wing of the DAE.

He said the rate of transplantation has been higher so far this year compared to the previous year.

"We are hopeful the target will be achieved. There has been less rainfall in various spots for the last couple of days. But if needed, supplementary irrigation will be provided," Patwary added.

Shibendra Narayan Gope, chief engineer

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The lack of sufficient rain amid the ongoing Aman season is forcing farmers to make use of irrigation pumps for their paddy saplings, driving up the overall production cost. The picture was taken from Gobindaganj upazila of Gaibandha yesterday.

PHOTO: MOSTAFA SHABUJ

TALKS ON EPA WITH JAPAN Bangladesh focuses on lower duty, higher investment

REFAYET ULLAH MIRDHA

Bangladesh focused on areas of duty-reduction and increasing investment from Japan during recent discussions on the potential signing of an Economic Partnership Agreement (EPA) between the two countries, according to an official of the commerce ministry.

During the discussions held at a city hotel in Dhaka last week, Japan said it would protect its domestic agriculture industry from implications of the potential EPA as the country is self-sufficient in this regard.

This means Bangladesh may not enjoy any duty benefits on agricultural exports to Japan even if an EPA is signed between the two countries, Senior Commerce Secretary Tapan Kanti Ghosh said yesterday.

"But Japan can protect any of its local industries should it feel the need to," he said, adding that Bangladesh has the same option.

Bangladesh's main target for the EPA is to enjoy zero-duty benefit on shipments of garment items, leather and leather goods, electronics and other products, Ghosh told The Daily Star over phone.

This is because Bangladesh's export basket

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| STOCKS | | | |
|----------|--|-----------|--|
| DSEX ▲ | | CASPI ▲ | |
| 0.22% | | 0.14% | |
| 6,338.77 | | 18,710.04 | |

| COMMODITIES | | | |
|-------------|--|--------------|--|
| Gold ▼ | | Oil ▼ | |
| \$1,942.75 | | \$81.17 | |
| (per ounce) | | (per barrel) | |

| ASIAN MARKETS | | | |
|---------------|-----------|-----------|----------|
| MUMBAI | TOKYO | SINGAPORE | SHANGHAI |
| ▼ 0.10% | ▲ 0.92% | ▼ 0.01% | Flat |
| 66,459.31 | 33,476.58 | 3,373.79 | 3,290.95 |