Oil inches up on Middle East concerns

REUTERS, *Singapore*

Oil prices gained on Tuesday following a more than 1 percent drop the previous session as escalating geopolitical tensions in major producing region the ME fuelled supply concerns.

Brent crude futures rose 7 cents, or 0.07 percent, to $82.46 a barrel by 0734 GMT. US West Texas Intermediate crude was up 15 cents, or 0.31 percent, at $76.93 a barrel.

Both the contracts fell over $1 on Monday as a deepening real estate crisis fuelled worries about demand from China, the world's biggest crude consumer, after a Hong Kong court ordered the liquidation of property giant China Evergrande Group.

"Oil price trading above US$80/bbl is pricing in some geopolitical risk premium again as flare ups continue in the ME region. This could fade out within a week or two if there is no strong reaction from the US," said DBS Bank's energy sector team lead Suvro Sarkar.

NUMBER OF INSURERS IN BANGLADESH

- 35 life insurance
- 46 non-life insurance
- 15-20 are in good shape

COVERAGE

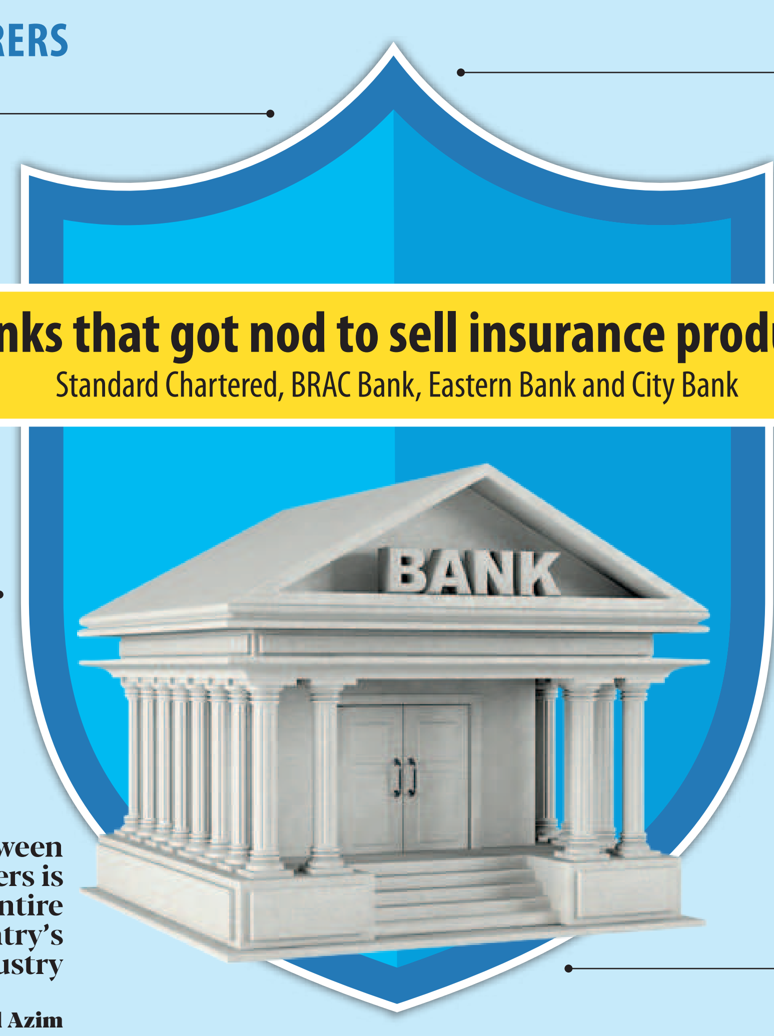
- Around 1 crore people, organisations under insurance coverage

Banks that got nod to sell insurance products

Standard Chartered, BRAC Bank, Eastern Bank and City Bank

INSURANCE PENETRATION IN BANGLADESH

- Less than 1%



BENEFITS OF INSURERS

- Business will improve and widen
- A new base of customers will be created
- A new channel will emerge for selling financial products

BANKS' BENEFITS

- Product diversification
- Extra earnings

The arrangement between banks and insurers is set to change the entire landscape of the country's insurance industry

Md Jalalul Azim
MD of Pragati Life Insurance

Bancassurance to help insurers break new ground

MD ABU TALHA SARKER

Bancassurance will open a new horizon for the insurance industry in Bangladesh as the collaborative arrangement will help insurers expand their coverage at low cost, according to industry people.

This is because bancassurance is an agreement under which banks will sell an insurer's products, allowing the latter to enjoy access to the bank's client base and thereby increase its sales.

Besides, the banks benefit by receiving additional income from the sales of the insurance products.

As such, a number of bancassurance agreements have been signed ever since Bangladesh Bank and the Insurance Development Regulatory Authority rolled out the related guidelines in December last year.

Md Jalalul Azim, managing director and CEO of Pragati Life Insurance, said the arrangement between banks and insurers is set to change the entire landscape of the country's insurance industry.

"It will help insurers reach a new customer base and thereby increase their coverage while also helping develop the overall industry and economy," he added.

While informing that Pragati Life recently signed bancassurance agreements with Mutual Trust Bank (MTB) and Dutch-Bangla Bank, Azim said it is tougher to sell insurance products through the traditional method.

"We have to set up offices with staff and multiple agents, for which we end up spending a lot on commission and other day-to-day expenses," he added.

Against this backdrop, Azim said the costs have decreased since the introduction of bancassurance as they now only need to pay commission to the banks.

Insurance penetration in Bangladesh remains exceedingly low at less than 1 percent as people lack trust in the industry given its poor claim settlement ratio.

However, there is where bancassurance can play a pivotal role as people will be more inclined to purchase insurance products that are backed by their trusted bank, he added.

M Khorshed Anowar, deputy managing director of Eastern Bank, said bancassurance also holds immense potential for the banking industry as they stand to benefit from the largely untapped insurance market.

Anowar explained that given the current economic climate in Bangladesh, local clients have more confidence in banks than insurers.

So, insurers can leverage this trust to increase sales by having banks market products on their behalf while the latter will benefit from sales commission.

While pointing out that Eastern Bank has inked bancassurance agreements with MetLife Bangladesh and Green Delta Life Insurance, he informed that customers can purchase both life and non-life insurance products through the bank's web portal.

Anowar also said that only the insurance providers will be liable for settling claims. Md Shafquat Hossain, deputy managing director of MTB, said bancassurance is a completely new concept in the country and so, they have launched the service on a limited scale.

"We will collaborate with the insurers and our staff will be trained to assist customers in every way possible when purchasing an insurance product," he added.

Hossain informed that they have introduced an automated system that will deduct insurance premiums directly from the customer's account, thereby reducing the hassle in this regard.

"We have plans to fully digitalise the process and make bancassurance more accessible," he said.

Citing how bancassurance provides customers access to insurance products through banking channels, Hossain said the arrangement will help bring coverage to a wider range of customers.

"This will make insurance more accessible in both rural and urban areas as banks are predominantly viewed as trusted financial institutions," he added.

Other than Pragati, MTB has penned bancassurance deals with MetLife Bangladesh, Guardian Life Insurance and Pioneer Insurance Company.

"MTB is entering agreements with leading insurance companies and so, customers' investment will be well protected," Hossain said.

It will help insurers reach a new customer base and thereby increase their coverage while also helping develop the overall industry and economy

"The liability of customers' payment shall be ensured by these reputed insurance companies," he added.

But despite having already signed bancassurance deals, MTB is yet to get approval from Bangladesh Bank or a licence from the Insurance Development and Regulatory Authority to market the products.

Mashfiqur Rahman, senior vice-president of the bancassurance department at Guardian Life Insurance, said the agreement will increase the current status of insurance companies in Bangladesh.

"But it will take time as nothing happens overnight," he added.

Rahman also informed that banks do not want to mislead their customers to mislead as so, they will only do business with insurers when the arrangement is secure.

He explained that banks are selecting their insurance partners based on their reputation in the industry.

Additionally, banks are still developing their knowledge and workforce on bancassurance.

As a part of their efforts, the banks are regularly holding meetings with insurance companies to know the policies and get hands-on experience on how the products are designed.

"Our objective should be to keep customers in confidence or else we will suffer in the long run. In that case, as a business, as an industry, we can no longer survive," Rahman said.

Shamima Nasrin, deputy vice-president of Prime Insurance Company, said banks will be able to strike separate deals with three life insurers and as many non-life insurers under bancassurance.

"Bancassurance will be a discrete wing for banks. So, banks will recruit experts and knowledgeable officials from insurance companies, which will be a big boost for the sector as well," she added.

At present, there are about 81 insurance companies in the country, including 35 life insurers, with around 2 crore people either directly or indirectly involved with the sector.

Md Mesbaul Haque, executive director and spokesperson of Bangladesh Bank, confirmed that four banks have so far gotten approval. They are Standard Chartered Bank Bangladesh, Eastern Bank, BRAC Bank and City Bank.

Mohammad Shahriar Siddiqui, director of the banking regulation and policy department at Bangladesh Bank, said they are very quick in reviewing applications.

"Every bank knows what to do to get the required permission from us as we have mentioned it all in our bancassurance guideline," he added.

Unprecedented role of artificial intelligence

SALEKEEN IBRAHIM

In the rapidly changing landscape of the financial industry, where accuracy and anticipation are dominant, artificial intelligence (AI) can play a crucial role in the risk management process across institutions.

By leveraging advanced algorithms and machine learning techniques, AI can help financial organisations identify, analyse, and mitigate risks more effectively and efficiently. The integration of AI into the risk assessment process will not be a technological jump only -- rather it will be a strategic imperative for the economic stability of Bangladesh.

AI excels in processing vast volumes of data at an unprecedented speed. In a country like Bangladesh, AI can promptly analyse diverse sets of information, including economic pointers, market movements, and historical data. This agility is crucial for a dynamic risk management approach.

The impact of predictive analytics on risk management is immense. The heart of AI lies in its capability to predict future movements based on historical configurations. By connecting predictive analytics, financial institutions can gain a philosophical understanding of potential risks before they emerge. Risk managers also can make more stable decisions that can help mitigate potential risks.

The machine learning algorithm is another wonder and can learn and adapt to evolving risks. By constantly refining their prototypes, AI systems can identify refined hints in data systems that may avoid traditional risk assessment methods. This adaptability is crucial in a world where risks are becoming more complex and interconnected.

The financial sector is predominantly vulnerable to fraudulent activities. AI, armed with sophisticated fraud detection mechanisms, can recognise irregular patterns and potential threats in real time. By proactively addressing fraud, underwriters can safeguard their assets and maintain the integrity of the entire economic system.

AI has become a cost-reduction tool in risk management. This has been possible thanks to its ability to handle and analyse large volumes of unstructured data at faster speeds with significantly lower points of human involvement. It has also enabled banks and financial institutions to lower operational, regulatory and compliance costs along with accurate credit decision-making capabilities.

AI's aptitude for automated decision-making also ensures a consistent and unbiased approach. This efficiency is essential as a split-second decision can have far-reaching consequences.

AI allows financial institutions to prepare personalised risk profiles for clients. By considering individual financial behaviours and transaction patterns, institutions can tailor risk management strategies, offering a more robust and effective approach to safeguarding assets.

As we move forward, it becomes evident that the incorporation of AI into risk assessment is not just a technological trend; it is a strategic necessity. Proper risk assessment, supported by AI-driven insights, will be the precondition to maintaining robust asset quality, ensuring revenue streams, and ultimately contributing to economic stability.

In the coming years, financial institutions that embrace AI in risk management will gain a competitive edge, not just in efficiency but in the ability to navigate the complexities of the changing economic environment. The fusion of human touch and AI will be the foundation of a resilient financial sector, promoting not only growth and prosperity but also revitalising the foundations of economic stability.

We can't deny that in this era of data science and AI, the path forward is clear where adaptability, precision, and foresight will shape the future of risk management in the financial heart of Bangladesh. Risk managers and underwriters must sense the essence of learning AI and its methodology to get themselves equipped for impending combat, both in terms of career and competence.

The author is a banker

IMF lifts global growth forecast

Cites unexpected 'resilience'

AFP, *Washington*

The IMF announced Tuesday it has raised its 2024 global growth forecast to 3.1 percent, citing unexpected "resilience" in major advanced and emerging market economies around the world.

The updated figure, released in the latest World Economic Outlook (WEO) report, is 0.2 percentage points higher than the International Monetary Fund's previous forecast in October.

"We had simultaneously less inflation and more growth," IMF chief economist Pierre-Olivier Gourinchas told reporters ahead of the report's publication.

"It's not just a US story. There was a lot of resilience in many, many parts of the world in the last year and going into 2024," he said, highlighting countries including China, Russia, Brazil and India.

Despite the upgrade, global growth is predicted to remain below its recent historical average of 3.8 percent this year and next due to continued impacts of elevated interest rates, the withdrawal of pandemic-related government support, and persistently low levels of productivity.

Among the Group of Seven (G7) advanced economies, growth in European countries looks set to remain weak, reflecting ongoing challenges, while Japan and Canada are expected to fare slightly better.

The IMF's overall inflation outlook remained unchanged at 5.8 percent for 2024, but that masks a significant underlying shift between richer and poorer countries.

Despite the upgrade, global growth is predicted to remain below its recent historical average of 3.8 percent this year and next

Inflation in advanced economies is now forecast to be 2.6 percent in 2024, down 0.4 percentage points from October, while emerging and developing economies are expected to hit an annual inflation rate of 8.1 percent, up 0.3 percentage points. Much of the increase can be attributed to ongoing trouble in Argentina, where consumer price increases exceeded 200 percent last year amid an ongoing economic crisis.

The United States and China, the world's two largest economies, both saw significant upgrades to their growth outlook for 2024, putting them on track for a less substantial slowdown than the IMF previously anticipated.

Eurozone narrowly dodges recession

AFP, *Brussels*

The eurozone economy narrowly avoided a technical recession in the second half of 2023 but stagnated in the final three months of the year, official data showed Tuesday.

The single-currency area's economy has been hit by many factors including higher interest rates, a cost-of-living crisis hitting households spending and weakening global demand.

The zero-percent quarter-on-quarter figure for the October-to-December period beat forecasts.

Analysts for Bloomberg and financial data firm FactSet had predicted a contraction of 0.1 percent in the fourth quarter.

There were fears that, if the predictions had been correct, that would have meant two consecutive quarters of contraction -- the threshold for a technical recession.

The EU's Eurostat data agency also recorded no growth in 27-country bloc -- including members that do not use the euro -- over the October-December period after a contraction of 0.1 percent in the third quarter.

Economists predict the economic stagnation will continue.

"We think that it will flatline in the first half of this year too as the effects of past monetary tightening continue to feed through and fiscal policy becomes more restrictive," said Jack Allen-Reynolds of Capital Economics, an economic research firm.

He added that the eurozone dodging a technical recession was "just semantics".

"The big picture is that eurozone GDP has been flat since Q3 2022 when gas prices surged and the ECB (European Central Bank) started raising interest rates," he said.

Energy prices soared after Moscow's invasion of Ukraine and Europe's subsequent shift to different energy sources after relying on Russia for many years.

The data also showed the EU and the eurozone economies grew by 0.5 percent in the whole of 2023, compared to the previous year.

A man walks past a clothing shop with a row of mannequins and a banner reading "clearance sale" in Dortmund, western Germany. The eurozone economy was weighed down last year by the performance of the continent's powerhouse Germany.

PHOTO: AFP/FILE

That figure is slightly lower than the European Commission's forecast in November of 0.6 percent growth in 2023.

The commission at the time predicted the eurozone economy would grow by 1.2 percent this year. But officials this month suggested it could be lower.

The EU's economy commissioner, Paolo Gentiloni, said there were downside risks to economic growth because of "geopolitical tensions", especially in the Middle East.

The commission will present its latest forecasts next month.

'TIRED' GERMANY

The eurozone economy was weighed down last year by the performance of the continent's powerhouse Germany.

The German economy shrank 0.3 percent in the final quarter of 2023, Eurostat said.

Germany has been hit hard by multiple factors including meek consumption, falling orders for exports and confusion over the government budget.

German Finance Minister Christian Lindner dismissed accusations that his country was the "sick man" of Europe during an event at the World Economic Forum earlier this month.