

Bangladesh's Insurance Landscape: Progress and Prospects

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In 1972, Bangladesh nationalized its insurance industry through the Bangladesh Insurance (Nationalization) Order 1972, excepting postal life and foreign life insurance. All 49 insurance entities were placed under five corporations. Subsequently, the Insurance Corporations Act 1973 restructured this into two entities: Sadharan Bima Corporation for general business and Jiban Bima Corporation for life business. However, in 1984, the Government amended the Insurance Act of 1938 and the Insurance Corporation Act of 1973 to allow private insurance companies to conduct insurance business.

Over time, Bangladesh's insurance sector has witnessed significant growth. According to the latest data from the Insurance Development and Regulatory Authority (IDRA), the country hosts 81 insurance companies, comprising 35 life insurance firms and 46 non-life insurance entities. These insurers collectively provide coverage to approximately 18.97 million individuals across various policies.

In the life insurance sector, leading companies by market share include MetLife (American Life Insurance Company) at 27.10%, National Life Insurance Company Limited at 14.10%, Delta Life Insurance Company at 7.43%, Jiban Bima Corporation at 6.69%, and Popular Life Insurance Limited at 5.93%.

In the non-life insurance sector, prominent companies with the largest market share are Sadharan Bima Corporation at 11.03%, Green Delta Insurance Company Limited at 9.12%, Reliance Insurance Limited at 7.63%, Pioneer Insurance Company Limited at 6.52%, and Pragati Insurance Limited at 5.60%.

The insurance industry has witnessed a significant increase in the assets of both life and non-life insurance companies. By the end of 2022, the collective total assets of insurance companies rose to Tk 63,629.05 crores, marking a notable increase of 3.34% from the previous year's Tk 61,571.87 crores. Additionally, the investment amount for 2022 reached Tk 46,484.32 crores, reflecting a growth of 1.15% compared to the previous year.

Despite the promising outlook for Bangladesh's insurance sector, driven by economic expansion, rapid industrialization, increased per capita income, and improved



life expectancy, overall insurance penetration remains low. Currently, the insurance penetration ratio stands at a mere 0.5 percent, significantly below global standards and trailing behind neighboring countries such as India (4.0), Sri Lanka (1.2), and Pakistan (0.8).

Industry insiders recognize specific reasons for the low penetration of insurance products and sluggish growth of the industry, including trust issues, a shortage of institutionally trained insurance professionals, and a lack of effective awareness programs.

Professor M. Muzahidul Islam from the Department of Banking and Insurance at the University of Dhaka points out, "Many companies show reluctance in settling claims for their customers once their products mature. Consequently, people harbor a lack of trust in genuinely benefiting from any insurance schemes."

He further underscores the critical necessity for modernization in the insurance

sector, emphasizing that companies must take proactive measures to address existing issues of distrust. This includes initiatives to attract new policyholders while simultaneously ensuring the satisfaction of current consumers through the provision of dynamic and responsive services.

Shamima Nasrin, Vice President at Prime Insurance Co. Ltd., observes, "People perceive paying premiums over a specific period as an unnecessary expense if they don't experience any casualties in their lives or properties. Consequently, the number of policyholders remains significantly low in Bangladesh. However, people must recognize that insurance ensures economic certainty in the future."

Experts believe that incorporating the importance of insurance into educational curricula can alleviate the existing lack of awareness about it.

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insurance as one of the fundamental services in our lives. We are essentially a nation with low insurance literacy. In our financial culture, insurance is perceived as less significant compared to the banking sector. Workers in insurance companies are often under-remunerated in contrast to those in banks. IDRA is not consistently active in inspecting all private insurance companies." Professor Islam adds.

Furthermore, as Bangladesh undergoes consistent economic and social development, there is a need for a corresponding evolution in risk management planning, predominantly in the insurance sector.

Istiaque Mahmud, Head of Bancassurance at Guardian Life Insurance, notes, "Our previous national economic challenges and ingrained social belief systems contribute to the lag in insurance penetration in Bangladesh. Continuous economic growth is pivotal; it can lead people towards sustainability and enable them to afford insurance products."

Additionally, the absence of a dedicated training center for the proper education of insurers leaves companies reliant on agents, who, in many instances, do not remain faithful to either the policyholders or their respective companies due to their informal and sporadic work arrangements.

Beyond the imperative awareness-building process to extend the reach of insurance to a

broader audience, the government must play a crucial role in overseeing the sector. This oversight is essential for establishing transparent monitoring processes that create a win-win situation for both clients and companies.

"There exists a deficiency in transparency within the management of insurance entities, and it is crucial for the regulatory authority in the insurance sector to be active and dynamic," expresses Prof. Dr. Md. Rafiqul Islam from the Department of Banking and Insurance at the Faculty of Business Studies, University of Dhaka. He emphasizes the need for increased awareness among policyholders about the terms and conditions of insurance products, advocating for informed decisions when purchasing from reputable companies to fully understand the benefits of their chosen insurance products.

The government established the Insurance Development and Regulatory Authority (IDRA) in 2011 to oversee the insurance business and protect the interests of policyholders. In case of claim disputes, policyholders now have the option to file complaints with IDRA. In response to such complaints, IDRA has the authority to settle claims, with the limit increased to 5 lakh takas for life insurance customers and up to 20 lakh takas for general insurance (non-life) customers, respectively. This elevated settlement threshold, achieved without resorting to court proceedings, is considered a noteworthy step in favor of customers.

Furthermore, IDRA has recently issued instructions mandating that insurance companies must resolve any customer complaints within a maximum period of 30 days.

In a recent development, the Bangladesh Bank and the Insurance Development Regulatory Authority introduced Bancassurance agreements and accompanying guidelines in December, 2023, indicating a potential transformation in the traditional insurance landscape in Bangladesh. Both banking and insurance industry experts foresee that banks, owing to their extensive trust and vast micro-level networks, could bring about substantial positive changes through collaboration with the insurance sector, thereby impacting the overall economy significantly.

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Insuring wisely: What you need to know

SAUDIA AFRIN

While everyone aspires to a future marked by stability, the unpredictable nature of what lies ahead remains a constant challenge. Opting for insurance stands out as a crucial financial choice, particularly for those with dependents susceptible to financial adversity in their absence or in the face of events that significantly impact their income-generating capacity. Given the numerous insurance providers, it's crucial to weigh key factors before buying a policy.

CHOOSING THE RIGHT POLICY

Consider your insurance objectives. According to Bangladesh Insurance Academy guidelines, life insurance covers temporary, term-based, education, pension, and group insurance. Non-life insurance, per Section 5(3) of the Insurance Act of 2010, excludes human life contracts, covering property, fire, marine, motor, and engineering insurance, among others. Consult an insurance planner for tailored advice.

AFFORDABILITY

Assessing affordability involves considering financial obligations such as dependents' expenses, debts, and foreseeable costs. For life insurance, deduct liquid assets from these obligations to determine necessary coverage. It's advised that the annual premium not exceed 10 to 15 percent of total annual income, as recommended by SM Ibrahim Hossain, director of Bangladesh Insurance Academy.

Compare premiums from various insurers for competitive rates and comprehensive coverage. Timely payments are crucial to prevent policy lapses, with a one-month grace period typically provided. Failure to submit the premium within this timeframe may lead to policy lapse, with reinstatement rules in place.

COVERAGE PERIOD

Life insurance typically involves a long-term commitment, ranging from 10 to 24 years, with annual or semi-annual premium payments. For term-based insurance, SM Ibrahim Hossain recommends a minimum coverage period of 16 years to maximize benefits.

In micro-insurance, premiums are paid on a monthly basis.

Property insurance, on the other hand, requires annual premiums, necessitating renewal each year.

AGE

The standard age for opening an insurance policy is typically between 25 to 35, but individuals can open a policy at the age of 45 as well. However, opening a policy at an earlier age is advantageous as premium amounts increase with age.

SURRENDER POLICY

Policyholders have the option to discontinue their policy based on

initiating an insurance policy. Failure to disclose relevant or accurate details may lead to claim denial or policy termination.

EXPLORING ADDITIONAL COVERAGE OPTIONS

Tailor your coverage beyond standard policies by considering supplementary options like riders or endorsements. These customizable additions enhance protection to match your specific needs, such as critical illness, accidental death, or natural disaster coverage.

Razu Ahmed of Guardian Life



PHOTO: SK ENAMUL HAQ

current affordability and personal preference. However, understanding certain rules is crucial to maximize insurance benefits.

After holding the policy for certain years, policyholders can convert it into a paid-up insurance policy using the cash surrender value, entailing a relatively low one-time premium. This paid-up insurance eliminates subsequent premium payments.

Shamim Nasrin, Vice President of Prime Insurance, advises against early policy surrender due to the higher associated costs compared to received premiums, potentially resulting in dissatisfaction with the payout amount.

ACCURATE DISCLOSURE

Ensure you provide precise and comprehensive information when

Insurance Limited notes, "Health insurance, as supplementary coverage, can be tailored to meet client eligibility, typically including hospital benefits, critical illness coverage, permanent disability, and double indemnity."

ASSESSING INSURERS AND SEEKING ADVICE

Prioritize an insurer's reputation for fulfilling financial obligations. Before buying a policy, assess their financial strength, tenure, market perception, customer service, and governance. Seeking input from trusted contacts aids informed decision-making. With the introduction of Bancassurance, a collaboration between banks and insurers, confidence is set to rise. Consult your bank for available insurance options.





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