

People continue to abandon life insurance policies amid economic hardship

SUKANTA HALDER

Life insurers in Bangladesh saw some 3.47 lakh policies discontinued in the January-September period this year amid worsening financial health of clients, political changeover and repeated flooding devastating lives and livelihoods in vast areas of the country.

Besides, unclear policy data and fragile customer confidence in the local insurance sector contributed to policy discontinuations, according to sector insiders.

In 2023, some 15.42 lakh customers of a total of 36 life insurance companies saw their policies lapse, according to regulatory data, and the trend did not see much improvement this year.

In the first nine months of 2024, Delta Life Insurance Company Limited topped the policy lapse list, with 56,338 of its clients shelving different types of insurance payments.

On the list, National Life Insurance Company Ltd and Popular Life Insurance Company Ltd appeared second and third respectively, according to the Insurance Development and Regulatory Authority (Idra).

Pragati Life Insurance PLC saw 23,023 of its policies lapse, the fourth highest, while Alpha Islami Life Insurance Ltd saw 21,917 of its life policies discontinued.

A policy lapse occurs when policyholders fail to pay their premiums on time, leading to the cancellation of insurance coverage.

"Lapsed policies are bad for both customers and insurers," said SM Ibrahim Hossain, director of the Bangladesh Insurance Academy, a state run institute that trains insurance professionals.

For customers, he explained that a policy lapse means losing the safety net that could protect them against unforeseen events. For insurers, it leads to revenue loss and negative impacts on financial stability and customer relationships, he added.

However, Uttam Kumar Sadhu, chief executive officer of Delta Life Insurance Company, is optimistic about getting

REASONS BEHIND POLICY DISCONTINUATION

- Worsening financial health of clients
- Agents' tendency not to disclose key information while selling policies
- Political change in the country
- Floods in August
- High inflation



COMPANY NAME	NUMBER OF LAPSED POLICIES
Delta Life Insurance	56,338
National Life Insurance	5000
Popular Life Insurance	33,378
Pragati Life Insurance	23,023
Alpha Islami Life Insurance	21,917

back "a large number" of their lost clients by the end of 2024.

"Customers often face financial crises due to various reasons. Due to this, they understandably cannot pay the money on time," said Sadhu, whose company had around 12.43 lakh policies in September after subtracting the discontinued ones.

"After three to four months, a large portion of them will revive," he said. "This has been observed in the past as well."

The CEO said initiatives have been taken to provide rewards and incentives to revive the lapsed policies. The results of the improvement will be available by the end of December.

Nura Alam Siddikie Ovee, chief

executive officer of Alpha Islami Life Insurance Limited, said the main reason behind policy discontinuation is the financial crisis.

"Many people are now in financial hardship due to high inflation and the economic fallout stemming from the political changeover in August," he added.

In addition, as many insurance agents are changing companies, taking their customers to their new firms, this is another reason many policies have been discontinued, he said.

Ovee also pointed out that many policyholders were convinced to buy policies but later found those did not apply to them. "Some policies have also

been cancelled due to this."

Md Jalalul Azim, managing director of Pragati Life Insurance, said one of the reasons behind the policy discontinuation was the fierce nationwide protest in July-August, which ultimately hurt incomes and slowed down the overall economy.

Besides, he said flooding in August and September in many areas, including Cumilla, Feni, Lakshmipur, Noakhali, Chattogram and Sylhet, deterred their agents from collecting premiums from many clients on time, resulting in policy lapses.

Azim mentioned that those policies can be reactivated by paying late fees. However, they have waived the fees until December this year to encourage customers to renew the policies.

Md Kazim Uddin, managing director of National Life Insurance PLC, said many of their customers had their policies matured recently, but problem banks could not pay them due to a liquidity crisis. This has created a confidence crisis among customers, which has had a negative impact on the insurance sector.

In view of this, many customers did not deposit the insurance premium and a lot of policies have lapsed, he said.

Apart from this, due to high inflation, which has been above 9 percent since March last year, it has become difficult for many people to maintain their normal lives, he said.

People are breaking their savings to meet family expenses, he said, adding that as a result, many are unable to deposit premiums on time, resulting in policy lapses.

Zahangir Alam, a director and the spokesperson of the Idra, told The Daily Star last Thursday that they are pursuing insurers in various ways to keep the number of discontinued policies low.

Besides, companies that have the highest number of policy lapses are being monitored closely, he said.

In the last 14 years, more than 26 lakh insurance policies have lapsed in Bangladesh. In 2009, the total number of policies was nearly 1.12 crore while it fell to 85.88 lakh in 2023, according to Idra data.

India GDP growth slows to 5.4% in Q2

AFP, New Delhi

India's economic growth slowed to 5.4 percent year-on-year in the September quarter, official data showed Friday, a significant decline from the 6.7 percent during the previous quarter.

Friday's figure still places the world's most populous country among the fastest-growing major economies globally, but suggests a moderation in breakneck expansion seen over the past year.

The data is likely to put pressure on the Reserve Bank of India to cut interest rates after holding them steady at 6.50 percent for more than 18 months.

The latest growth data could now spur the bank to start cutting rates this year.

Year-on-year gross domestic product came in much below most analyst estimates.

The Indian economy had expanded 6.7 percent year-on-year in the previous April-June quarter.

A government statement laid blame for the lower than expected growth figures on sluggish manufacturing and mining activity.

The moderation in economic growth is also unwelcome news for Indian Prime Minister Narendra Modi's Bharatiya Janata Party (BJP), which failed to secure an outright mandate in this year's general elections, leaving it reliant on coalition parties to govern.

Its two biggest allies have reportedly sought billions of dollars in financial assistance for infrastructure projects in their states.

Sri Lanka records highest deflation since 1961

AFP, Colombo

Sri Lanka's consumer prices fell by 2.1 percent in November, the highest deflation rate recorded by the economically fragile island nation since 1961, official data showed Saturday.

An unprecedented financial crash in 2022 brought months of consumer goods shortages, with inflation peaking at nearly 70 percent that year.

Since then, a \$2.9 billion bailout loan from the International Monetary Fund, tax hikes and other austerity measures have slowly made headway in repairing the island's economy.

"Headline inflation will remain negative in the next few months, deeper than previously projected, mainly due to larger downward adjustments in energy prices and reduction in volatile food prices," Sri Lanka's central bank said in a statement.

The bank said inflation was likely to return to its target level of five percent in the coming months.

Sri Lanka had already seen deflation of 0.8 percent in October and 0.5 percent in September.

President Anura Kumara Dissanayake, who was elected in September, has vowed to maintain the IMF bailout programme negotiated by his predecessor that includes higher taxes and cuts to state spending.

Canada gets ready to push back against Trump tariffs

AFP, Ottawa

Canada is considering retaliatory measures against the United States, a government source said Friday, as the country was urged to take seriously Donald Trump's threats to impose tariffs on Canadian imports.

A senior official, speaking on background, told AFP the government is preparing for all eventualities, including possible retaliatory tariffs. A list of US items to target was already being put together, the official added.

President-elect Trump announced the pending import tariffs against neighbors Canada and Mexico and also rival China in social media posts on Monday.

into the United States.

Some have suggested the threat may be bluster, or an opening salvo in future trade negotiations. But Canadian Prime Minister Justin Trudeau rejected those views.

President-elect Trump announced the pending import tariffs against neighbours Canada and Mexico and also rival China in social media posts on Monday

"Donald Trump, when he makes statements like that, he plans on carrying them out," Trudeau told reporters in Prince Edward Island province. "There's no question about it." The Canadian leader spoke with Trump by telephone this week about

trade and border security, describing it as a "good" conversation.

On Friday he said he has impressed upon Trump "the need to work together to ensure prosperity on both sides of the border."

He said it was important to further demonstrate that 25 percent tariffs on Canadian imports would harm not just Canadians, but Americans too.

"Ultimately, it is through lots of constructive conversations with President Trump that I'm going to have that will keep us moving forward on the right track for all Canadians," he said.

In 2023, more than three-quarters of Canadian exports, or Can\$592.7 billion (\$423 billion), went to the United States. Nearly two million Canadian jobs are dependent on trade.

Inflation-wary US consumers flock to 'Black Friday' deals

AFP, New York

US shoppers were out in force for "Black Friday," with preliminary data showing strong online sales despite inflation nerves prompting retailers in the world's biggest economy to come up with ever more deals.

As markets and consumers eye possible turbulence during the transition from President Joe Biden to Donald Trump, there are hopes that the year's biggest shopping season -- stretching from Thanksgiving to Christmas -- will be a bonanza.

The National Retail Federation (NRF) said a record 183.4 million people are planning to shop over the weekend, ticking up from 182 million last year and 18.1 million higher than 2019, before the Covid pandemic derailed the global economy.

Adobe Analytics said US consumers had spent \$7.9 billion online as of Friday afternoon, an increase of 8.2 percent over last year.

The so-called "Black Friday" discounts day originated as a single day when shoppers poured -- sometimes stamped

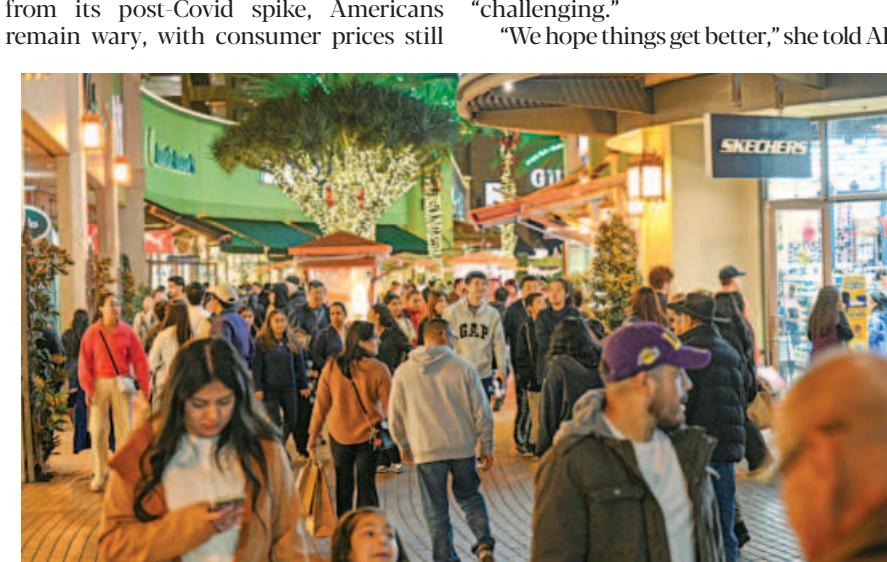
into malls in search of incredible deals, but is now accompanied by "Small Business Saturday" and "Cyber Monday."

While inflation has been largely tamed from its post-Covid spike, Americans remain wary, with consumer prices still

significantly elevated above their pre-pandemic levels.

Beatrice Judon, a shopper "over 75" years old, described the situation as "challenging."

"We hope things get better," she told AFP.



People shop early Black Friday deals on Thanksgiving Day on November 28 at the Citadel Outlets shopping centre in Los Angeles. Adobe Analytics said US consumers had spent \$7.9 billion online as of Friday afternoon, an increase of 8.2 percent over last year.

Unlocking fiscal constraints for climate action

MAMUN RASHID

Climate change has emerged as a significant risk to sovereign debt sustainability, impacting fiscal stability and growth prospects. For example, extreme weather events such as cyclones and floods lead to infrastructure destruction, reduced agricultural output and displacement, necessitating increased public expenditure for recovery.

For instance, Pakistan's floods in 2022 caused damages exceeding \$30 billion. In Bangladesh, Cyclone Sidr (2007) caused damages of approximately \$1.7 billion.

The European Central Bank warns that climate inaction could exacerbate sovereign risks due to materialised liabilities and financial instability. Their report highlights the growing impact of climate change on sovereign debt and financial stability, emphasising the urgency for integrating climate risks into fiscal planning.

It outlines how climate related hazards, including extreme weather and long term environmental changes, can directly harm public finances through increased recovery costs and indirectly disrupt economies, reducing tax revenues and raising borrowing costs. The report stresses that inaction on climate risks could lead to higher sovereign risk premiums and deteriorating credit ratings, especially for vulnerable countries.

It recommends that governments and financial institutions adopt proactive measures, such as incorporating climate risks into debt sustainability analyses, enhancing transparency, and mobilising green investments to mitigate these challenges.

Developing countries face a compounded crisis of rising sovereign debt and heightened vulnerability to climate change. For instance, countries like Mozambique, Bangladesh, etc. face acute fiscal constraints that limit their ability to finance climate resilience projects. This

nexus creates a vicious cycle: climate events damage economies, increase debt burdens, and reduce fiscal capacity to address future risks. New financing mechanisms aim to alleviate fiscal constraints while driving climate action, with nations restructuring or forgiving parts of their debt in exchange for investments in conservation or renewable energy.

Green bonds offer investors the opportunity to align their portfolios with environmental objectives while earning returns. Bangladesh has begun exploring creative solutions to address climate finance challenges. Some key examples include sovereign green bonds.

Bangladesh's first sustainability-linked bond (SLB) was issued by Pran Agro Limited. The bond, arranged by Standard Chartered Bank, is a significant milestone in Bangladesh's sustainable finance sector. It links financial incentives to achieving specific sustainability targets, such as reducing greenhouse gas emissions and enhancing resource efficiency. This innovative financing approach aligns with global environmental and social priorities while supporting the country's economic development.

Partnerships with the private sector could help reduce public financing burdens.

Also, clean energy from rooftop solar installations in garment factories can reduce operational costs while meeting international buyers' renewable energy requirements. The success of factories in Gazipur demonstrates the viability of this approach. The BGMEA has identified rooftop solar as a significant opportunity to reduce energy costs and carbon footprints in the garments sector. However, high initial costs deter private investments in renewable energy projects. Besides, the aging infrastructure of Bangladesh's national grid limits its ability to incorporate renewable energy.

So, credit rating agencies and multilateral development banks should include climate risk factors in their analyses to facilitate climate-resilient investments. Developing countries need access to debt-for-climate swaps or concessional loans, coupled with technical support to implement climate projects.

Simplified processes for accessing funds under frameworks like the Green Climate Fund are essential to empower vulnerable nations. Additionally, developed nations must enhance contributions to climate funds, ensuring fair and adequate financial support for adaptation and mitigation.

The writer is chairman of Financial Excellence Ltd. This piece is based on his discussion points at COP29 in Baku, Azerbaijan.

after a trip to a department store in the US capital. "We just have to wait and see."

Holiday shoppers in 2024 are "even more preoccupied and very focused around value and discounts," said Vivek Pandya, leading insights analyst at Adobe Digital Insights.

Discontent with high costs was seen as one of the main reasons Trump defeated Vice President Kamala Harris in the presidential election this month.

Target CEO Brian Cornell told analysts earlier this month that after a lengthy period of inflation, "consumers tell us their budgets remain stretched."

"They're becoming increasingly resourceful in their shopping behaviors, waiting to buy until (the) last moment of need, focusing on deals and then stocking up when they find them," he said.

"It's pretty expensive to live in America in general," said Tyler Austin, 25, who was out shopping Friday in downtown Washington for clothes "to upgrade the wardrobe."

Despite the negative perceptions of the economy, the NRF has projected holiday spending to grow between 2.5 and 3.5 percent over last year, to as much as \$989 billion over the two-month period.

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