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Star BUSINESS

Directors' assets may be sold to settle policyholders' dues

Idra drafts tougher law to restructure troubled insurers, restore order in the sector

SUKANTA HALDER

The Insurance Development and Regulatory Authority (Idra) has finalised a draft of the Insurance Resolution Ordinance 2025, which would grant the regulator sweeping powers to declare financially troubled insurers bankrupt.

If necessary, it could even liquidate the personal assets of directors to clear dues owed to policyholders.

Industry experts say the move, on one hand, shows the regulator itself is acknowledging the fragile state of the sector. This is because the proposed ordinance mainly focuses on distressed insurers, strategies for their recovery, and punitive measures for wrongdoing.

But on the other hand, according to experts, this is the first time in nearly 15 years since Idra's inception that the regulator is preparing to implement bold clean-up measures.

In the long run, they say such a move could help restore public confidence, bring discipline to the industry, and protect the interests of policyholders.

The draft outlines procedures for restructuring troubled insurers, including changes in ownership, mergers, or liquidation.

"The main goal of the ordinance is to protect policyholders, especially by making sure their claims are paid on time," said Saifunnahar Sumi, spokesperson for Idra.

"The process of merging weak companies under the Insurance Act 2010 is not broad enough. This ordinance will help expedite that," she told The Daily Star.

The spokesperson said Idra will make the draft public soon to invite feedback from stakeholders.

The country has 82 insurance companies — 36 life insurers and 46 non-life.

For years, the country's insurance sector has been marred by mismanagement, fund embezzlement, and weak oversight.

More than 26 lakh policies have lapsed over the past 14 years, according to Idra data. Besides, nearly 11 lakh policyholders are currently unable to recover their dues.

Against this backdrop, the government has recently moved to amend the existing insurance law, expanding Idra's authority to dissolve and restructure insurer boards, limit family ownership concentration, and impose hefty fines for violations.

But why is Idra finalising the draft of the ordinance now, even after the proposed amendments to the insurance law?

"This has been a long-overdue step," said Md Main Uddin, a professor and former chairman of the Department of Banking and Insurance at the University of Dhaka.

Back in 2011, the authorities set up the insurance regulatory body but failed to give it the teeth to act effectively, he said. "This should have been done immediately after the formation of Idra."

Meanwhile, Barrister Khan Mohammad Shameem Aziz, an advocate at the Supreme Court, said, "The purpose of a separate ordinance is to allow the regulator to independently make any decision regarding troubled insurers within a legal framework."

While the Insurance Act 2010 sets general rules for regulation and supervision, it falls short when it comes to outlining specific procedures for crisis scenarios, he told The Daily Star.

Regulatory data show that 15 life insurance companies largely failed to settle policyholder claims last year due to alleged irregularities and corruption.

Idra appointed audit firms to conduct special audits of 15 life insurers covering the 2022-2024 period, as unpaid claims at that time continued to rise.

By the end of 2024, these companies owed policyholders Tk 4,615 crore but had paid only Tk 635 crore, according to regulatory data.

In another move, the regulator recently directed six of the struggling life insurers to submit recovery plans, leaving policyholders anxiously awaiting resolution.

According to Prof Uddin, Idra often hesitated to take action against certain companies accused of corruption and irregularities under the previous government.

That reluctance, he said, left several firms to deteriorate beyond repair.

Prof Uddin believes the proposed ordinance could finally help clean up the sector and restore some long-lost order.

FINE UP TO TK 1CR, 7-YR JAIL

The draft ordinance includes provisions for removing or replacing top officials, including chairpersons, directors, chief executives, and key personnel.

It also allows for raising capital through existing or new shareholders.

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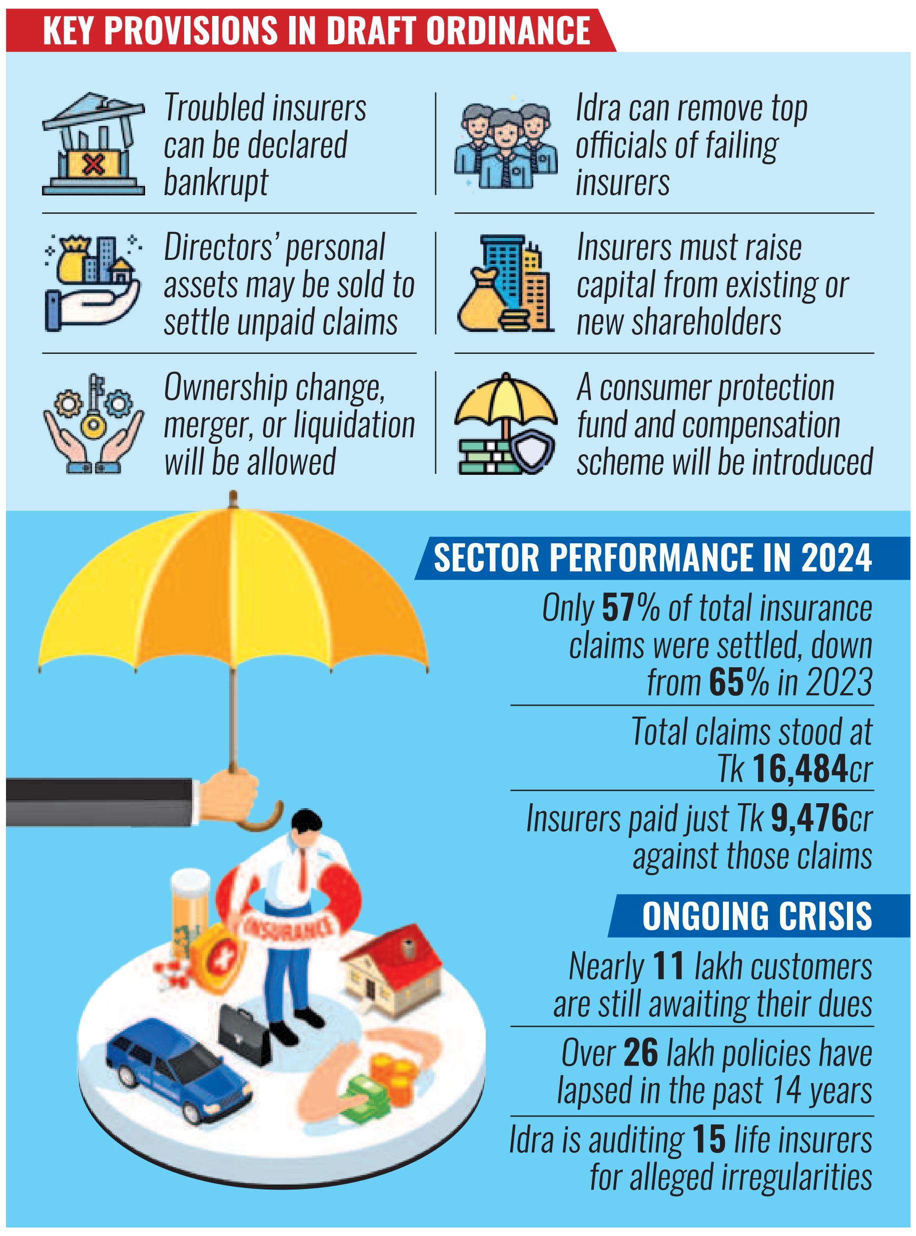

Trade policy reforms needed ahead of LDC graduation: PRI

STAR BUSINESS REPORT

Bangladesh's budget for fiscal year 2025-26 is missing out on enabling transformative trade policy reforms amidst two looming challenges—LDC graduation and US reciprocal tariffs, Policy Research Institute (PRI) warned in a post-budget analysis yesterday.

The institute cited the absence of "bold or transformational change" and the presence of "marginal policy tweaks" that are unlikely to drive export diversification or improve competitiveness, said Zaidi Sattar, chairman of the PRI.

According to the PRI, the FY26 budget offers only a token reduction in para-tariffs such as supplementary duties, while keeping customs duty (CD) and regulatory duty (RD) unchanged.

The clock was ticking as the country's least developed country (LDC) status graduation deadline was in November 2026, while the 90-day suspension of the Trump tariffs will expire in July, he said.

The lack of implementation of the National Tariff Policy 2023, which was designed as a preparatory step for LDC graduation, is also alarming, signalling inertia in reform, the economist said.

Presenting the paper at the PRI's office in the capital, Sattar spoke of two key external pressures heightening the urgency for reform.

Firstly, the LDC graduation will expose Bangladeshi exports to higher tariffs globally unless the country can secure preferential trade agreements, he said.

Secondly, the United States Trade Representative (USTR) has temporarily paused imposing 37 percent reciprocal tariffs on certain Bangladeshi exports, with the moratorium set to expire in July, he said.

A credible reform response aligned with the USTR requirements could preserve access to key markets, Sattar noted, urging the government to urgently redesign trade policies to meet international standards.

The PRI also criticised the revenue structure's reliance on trade taxes, which contradicts global best practices and discourages competitiveness.

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Safety net allocation inadequate

NGOs say the poor are being left uncared for

STAR BUSINESS REPORT

Bangladesh's allocation to social safety net programmes is inadequate, and a significant portion of the existing funds does not reach the poor, said speakers at a discussion in Dhaka yesterday.

They highlighted the need to prioritise schemes that directly support the poor and marginalised, such as old-age, disability, and maternity allowances. Programmes not directly linked to poverty alleviation should be excluded from the social safety net, they added.

The discussion, titled "Social Safety Net Programme and the National Budget to Address Inequality", was organised by the Right to Food Bangladesh network at the Jatiya Press Club.

Mohsin Ali, general secretary of Right to Food Bangladesh, said the interim government formed on August 8 is now being tested on how it will act on the issue of social safety nets.

He said that while the introduction of the National Social Security Strategy in 2015 was a good initiative, the beneficiary selection process remains unclear in practice. Saidur Rahman Khan, director general of the Department of Social Services, said complaints about allowance disbursement have declined in recent times.

"We are working to prevent duplication so that the same person does not receive allowances from multiple sources," he added.

"We need to think about what a social safety net means, who should receive it, and how it should be delivered," said MM Akash, former economics professor at Dhaka University.

He stressed the importance of utilising social initiatives to reduce pressure on the state.

SM Zulfiqar Ali, research director at the Bangladesh Institute of Development Studies, said that while the number of allowances and beneficiaries has increased in the FY2025-26 budget, the monthly allowance amount still falls short of the poverty line income.

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Bangladesh missing out on multibillion-dollar agro-processing potential

Industry experts tell The Daily Star-Swisscontact roundtable

Experts attend a roundtable titled "Export readiness of agro-processing SMEs through skills development" at The Daily Star Centre in Dhaka yesterday. The event was jointly organised by The Daily Star and Swisscontact. PHOTO: PRABIR DAS

STAR BUSINESS REPORT

Despite their multibillion-dollar export potential, Bangladesh's agro-based products are yet to account for a substantial portion of the global market due to systemic challenges in compliance, quality control, and value addition, according to experts and industry leaders.

They emphasised the need for policy reform, targeted training, and stronger institutional support to address the challenges—ranging from certification gaps to limited testing infrastructure—to enable small and medium enterprises (SMEs) to thrive in international markets.

They were addressing a roundtable titled "Export readiness of agro-processing SMEs through skills development" at The Daily Star Centre yesterday.

The event was jointly organised by The Daily Star and Swisscontact under a BYETS project, with support from the Embassy of the Netherlands in Dhaka.

Bangladesh's agricultural exports could triple from the current $1 billion within the next three years—provided the government introduces adequate policy support, said Md Abul Hashem, president of the Bangladesh Agro-Processors' Association (Bapa).

Hashem identified several critical challenges, including the absence of internationally recognised testing facilities.

"The Bangladesh Standards and Testing Institution (BSTI) certifications are not globally accepted, limiting our export reach," he said.

He also pointed to a severe shortage of technical experts and farmers' limited skills in fertiliser application, which impacts product quality.

Hashem said while Bapa has trained 1,200 workers in large industries, SMEs—which form the backbone of agro-processing—often lack the capacity to comply with international standards.

This is now where the focus is shifting, said Nadia Afrin Shams, team leader at Swisscontact Bangladesh.

"Last month's international mango expo started this conversation. Today's roundtable builds on that momentum," she said, adding that Swisscontact aims to co-develop inclusive skills-based solutions with SME stakeholders.

The discussion also revealed how firms are working to overcome export compliance challenges.

Mahbub Baset, chief operating officer of consumer food manufacturer IFAD Multi Products Ltd, shared how regulatory setbacks in the US market—stemming from the use of banned additives—led his company to adopt natural alternatives.

"These experiences have helped us strengthen internal controls. Now, with

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Nagad gets its board restructured

STAR BUSINESS REPORT

The Directorate of Post, which oversees mobile financial service (MFS) provider Nagad, has restructured its board.

The new board was formed on June 23 with the approval of the Ministry of Finance.

Professor Niaz Asadullah, a development economist at Monash University in Kuala Lumpur, has taken over as chairman of the MFS provider.

The previous board, appointed by Bangladesh Bank in September last year, has been dissolved.

With the restructuring, several high-ranking officials have been inducted as board members by virtue of their positions.

These include the director general of the Directorate of Post; the joint secretary of Debt Management at the Finance Division; the joint secretary of the Financial Institutions Division; the director of the Banking Regulation and Policy Department at Bangladesh Bank; and the director of the central bank's Payment Systems Department.

Besides, the board now includes Khandaker Sabbir Mohammad Kabir, director of Accounting and Audit at American International University-Bangladesh; Tanim Hossain Shawon, a Supreme Court advocate; Saleh Uddin, executive editor of the Daily Ittefaq; and HM Barru Sunny, founder of Urban-E-Tech and a member of the Bangladesh Computer Association.

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