

Prospect and Challenge to develop the Islamic Insurance in Bangladesh.

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Bismillahi-r-Rahmani-r-Rahim

Respectable Chairman of the House & Dear Participants & Distinguished Guests,

Assalamu Alaikum Wa Rahamatullahi Wa Barakatuh

Alhamdulillah ! By the grace of the Allah Subhanataa'la we are all here, to gather for 4th Global Takaful & Re-Takaful Forum-2022 and Post event Workshop on Operational Aspects of Takaful, Re-Takaful & Micro Takaful after passing a Pandemic period of Covid-19.



Dear Brother of Islam,

Alhamdullillah, I am really very happy and delighted being here today with you. Now, it seems that the suffocated & chilling psychological state of mind is over. Like some other people, I was also frightened for the phase after phase of pandemic but now, I think, the people of the world have taken adamantly unwritten decision that we have to march with the COVID without fear to save us from the starvation & any other economical crisis by the grace of Almighty.



But in the meantime another crisis is going on all over the World which is Russia-Ukraine war. The dimension of this on going crisis we don't know where we will reach is still uncertain.

This deadly Covid crisis & said war also caused thousands of death, made the economy fragile, and turns many sectors into a collapsing stage. As a result, several businesses are being grounded by its' blocked through economical sanctions.



According to the statement of International Labour Organization (ILO), the global unemployment has crossed almost 200 millions. Even the most developed countries are confessing their helplessness against this deadly Covid-19 disease & ongoing War.

Alhamdulillah, as we are the emerging tiger of South Asia, Bangladesh tackled the Covid situation efficiently and still trying to manage any recession due to present War crisis.

Source****



In Bangladesh, death toll from Covid-19 has almost thirty thousands. Mostly, the private sectors suffered badly; cutting off employees, and lowering wages. According to a press release by the ADB(Asian Development Bank), this pandemic force down the GDP to 5.2%, which was 8.2% in earlier. But on the other hand Bangladesh's real GDP growth may achieve **6.5 per cent** in the next fiscal year (FY 2022-23), says a global rating agency.

Bangladesh is in process of transition from a predominantly agrarian economy to an Industrial & Service economy to compete the 4th Industrial revolution. The Private sector is playing a vital & active role in the economic life of the country while the Public sector concentrates & felicitating more on the physical and social infrastructure.

Source MOH, ADB***



Comprising of a very young population, Bangladesh is the ninth most densely populated country of 170 million. Over 60% are estimated to be aged below 25 years, which is the strength of Bangladesh economy and about 70% living in rural area for which Bangladesh still in agro based economy and maintaining a very good food supply chain, No Doubt.



History of insurance sector development in Bangladesh

- ▶ Bangladesh achieved independence in 1971 from Pakistan. Just after 02 years of independence, Government Nationalized all insurance companies of the country under the provisions of Insurance Corporation Act 1973, and set up two corporations i.e. Sadharan Bima Corporation (SBC) and Jiban Bima Corporation (JBC) to deal with non-life and life Insurances respectively.
- ▶ Thereafter; Insurance Corporations Act 1973 was amended and allowed private insurance companies to operate in Bangladesh in 1984.

At present, 81 Life & Non-life Insurance Companies are working in Bangladesh Insurance Market wherein 16 are operating as Takaful i.e. Islamic Insurance and Shariah based. Out of which 12 companies are operating in Life Takaful & 4 companies are operating in Non-life Takaful.

Ownership	Non-life	Life	Total
State Owned	1	1	2
Private Sector	45	32	77
Foreign	0	2	2
Total	46	35	81
Islamic Shariah Compliance Takaful Companies 20% of Total numbers	4	12	16

- ▶ In 2010, Bangladesh Parliament passed two acts for strengthening the regulatory framework for the insurance industry. The new laws came into effect on 18 March 2010, are Insurance Act 2010, and Insurance Development and Regulatory Authority (IDRA) Act 2010 and insurance industries has been transfer from MOC to MOF.
- ▶ In the year 2021, 81 insurance companies has earned the gross premium amount of BDT 142.15 billion equivalent to USD 1.89billion wherein 14% premium earned from Takaful Operator.

As per Bangladesh Insurance Act 2010 any insurance company can operate either conventional or in Islamic.

- ▶ Islamic insurance companies can provide efficient Takaful services to the nation. Apart from this there are some technical issues and Challenges facing the Takaful industry in Bangladesh.
- ▶ Key Issues and Challenges:
 - ▶ Scarcity of human resources with both insurance and Shariah expertise
 - ▶ Lack of standardization in the industry that is due to Shariah interpretations
 - ▶ Diverging regulatory approaches and the lack of centralized regulations and shortage of suitable assets.

Bangladesh is a predominantly Muslim country but moderate and fully practicing as well. The total Population is around 170 million in which 90% of the population is Muslim. So, there is huge potential Takaful market in Bangladesh.

- ▶ **Benefits of practicing Islamic insurance in Bangladesh**
- ▶ **Product coverage**
- ▶ **Mobilization of savings**
- ▶ **Islamically approved (halal) investment opportunity**
- ▶ **Opportunity to perform good deeds and to do charitable works**

Full return in the case of withdrawing policy

- ▶ **Zakat**



Special issues and challenges facing by the Takaful industry:

- ▶ A research study has identified the issues and challenges facing by the Takaful industry of Bangladesh. And 5 challenges of Takaful industry are as follows:
- ▶ Lack of **regulatory and legal framework**
- ▶ lack of **expertise** and standardization,
- ▶ lack of market research and Development
- ▶ lack of statistics and information/Data,
- ▶ and heavy reliance on conventional Reinsurance i.e. **Re-Takaful**

Challenges of the re-Takaful industry are limited capacity, competition, lack of rating, lack of expertise and lack of transparency in reports. From analysis of the above, we can discuss the issues and challenges in the following way:

- a. Key Issues and Challenges
- b. Technical Issues and Challenges

a. Key Issues and Challenges

- ▶ The Key issues and challenges are as follows:
 - ▶ **i. Scarcity of human resources with both insurance and Shariah expertise**
 - ▶ **ii. Lack of standardization in the industry that is due to Shariah interpretations**
 - ▶ **iii. Lack of regulatory and legal framework**

▶ **b. Technical issues and challenges**

The technical issues and challenges are as follows:

i. Riba

ii. Issues surrounding Retakaful

iii. Too much stress on profit distribution



▶ **Conclusion and suggestions**

- ▶ Bangladesh is a predominately Muslim Country but moderate & full practicing as well. 90% of the total population is Muslim & most of them try to maintain Shariah compliance. Nowadays, Muslims community are well to do & coming out for business think as Sunnah of our prophet (PUH) and also doing well last decades but while going for Banking & Insurance still they are feeling lack of Shariah compliance transactions for the same. So, there is a huge untapped market for Islamic Banking & Insurance in Bangladesh no doubt.

- ▶ Since the educational structure in Bangladesh is not supportive for the development of Islamic finance, the **Bangladesh Insurance Academy(BIA)** can undertake the various programs related to Islamic finance for education. So the people can have the knowledge and qualified in the Takaful issues.
- ▶ **The Bangladesh Insurance Association (BIA)** – the apex body of owners of Bangladesh Insurance companies, who is backing up to develop the Insurance Industry of Bangladesh, can take a vital role for improving the Takaful market in Bangladesh.

- ▶ At last, not the least, I want to propose in this auspicious Forum to take the regulations which must make this Forum fruitful gathering for the Takaful Industry of the World as well as Bangladesh Islamic Insurance Market:

1. Make a strong body of World **International Association** of all **Takaful Companies**.
2. Actively Pursue to the Government of Muslim majority countries to **pass the law of Islamic Insurance for Takaful Operator**.
3. To be work to establish a strong professional international **Re-Takaful Company**
4. Establish an International Standard **Academy for Takaful & Re-Takaful** professional.
5. Make uniform **rules of business** for the worldwide Takaful Operators & Certification of Islamic Shariah Compliance like ISO, AmBest, S&P etc.

- ▶ **My dear Brother of Islam,**
- ▶ It has been a tough experience in recent time in which we are fighting in every single moment. We have started to fight against this disaster to save ourselves and to save our economy. Though it is hard but we are extremely hopeful. InShaAllah, the better days will come & we will come out from the Covid crisis & war crisis as well by the grace of Almighty.
- ▶ Thank you all for your kind patience and special thanks to Al-Huda to invite us in this promising Takaful Forum-2022.
- ▶ May Allah Subhanata'ala Protect us.

