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Insurance Laws of Bangladesh : How it plays a role in the development of economic growth.

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Introduction

A developing country like Bangladesh Who are struggling to develop economic growth, Insurance can play a key role in developing economic sector of this country. Insurance companies have some significant prospects in the growth of the economy but somehow in Bangladesh they failed to achieve that goal. In 2010 the parliament of Bangladesh passed a new law. **The Insurance Act 2010** and **IDRA 2010**. After passing the new Act the previous one had been inactive. The reason of the new enactment of the insurance law was to modernize the law and give a systematic way out for running the insurance sector. But after enacting the new law it was so sudden that most of the insurance companies did not able to match with it and suffer so much. In this research paper I am going to give a comparative study on The Insurance Act 1938 and 2010, different types of insurance, Effects of the insurance in the sector of Bangladesh economy, difficulties of insurance business in Bangladesh and etc. A quality research paper always need some pure information, in this research paper examines the difficulties and find out the challenges and recommendations with the experts of insurance .This research paper analyzes the past and present form of insurance Act and find out the main shortcomings in the system. This research paper also help to find out the problems of the companies they faces and also the problems created by them self .So, overall this research paper is properly based on the whole scenario of insurance in Bangladesh.

Acknowledgment

This is a collective study on Insurance law in Bangladesh and its impact on the economic growth in Bangladesh. The successful completion of this research has not been possible without many helping hands. However, the space inadequacy does not allow me to mention everybody individually.

I consider it a great privilege to me for getting the chance to thank my supervisor Mohammed Shahjalal Shakil for his invaluable guidance, supervision and encouragement without this study would never have come to fruition.

I would also like to express my sincere gratitude to all my course lectures for helping me in completing my studies. And we would also like to show our gratitude to our course mates and friends for their support and active participation in our study.

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Chapter 1 : Introduction

1.1 Rational of the Research paper

In this research paper I have done a comparative study on The Insurance Act 1938 and 2010 and also IDRA 2010. I also focus on the effects of the insurance in the sector of Bangladesh economy and find out the challenges and recommendations by the opinion of the experts. Over all this research paper is based on the insurance in Bangladesh.

1.2 Methodology

My study methodology required gathering relevant data and info from the various documents and compiling it as databases to know Insurance Law at a glance and understand the present situation on insurance in Bangladesh.

This research paper is not exploratory in nature, because the aim of the research paper is to just focus on Insurance system in Bangladesh and also focus on the effects of the insurance in economic growth of Bangladesh.

1.3 Sources of Data Collection

The study is based on secondary data. Secondary data has been collected from various books authored by foreign writers, National and International journals, previous studies, articles, newspapers, the Internet and various government documents.

1.4 Scope of study

In this research paper, there is a huge scope to explore in the sector of insurance. This research paper cover all over the problems and prospective in the insurance areas. I have get the chance to work on the financial sector used in modern economic world by doing the research paper so that it helps me to be able to know the importance of insurance business in the economy sector. In this research paper I have shown how the insurance institution face the problems and how they can overcome the problems in Bangladesh.

1.5 Objects of the Study

Here is the objectives of preparing the research are as follows:

- To know the Insurance Act 2010.
- To know the difference between existing law and previous law.
- To know about The IDRA.
- To know the present scenario of the insurance business.
- Explore the pros and cons of the Insurance.
- Analysing the effect of the insurance in the sector on the economy.
- Analysing on the sector of development.

1.6 Limitations of the study

On the time of working on this research paper there are some problems I had to face. One of the major issues was The Insurance Act 2010 along with rules & regulations including the previous

acts are written and published in Bangla. Translating the entire act and relevant information from Bangla to English was quite difficult. Confidential information that no organizations inclined to share due to their business interest was another limitation. Data from different sources were quite inconsistent which created some problems in making the report & compelled me to verify the data diligently.

One of the big problems was collect data from insurance companies because they do not want to disclose their data because of the security issues. And there is no organized database on the sector of insurance made by the government. Time limitations are another issue which creates some limitations.

Chapter 2: Introduction of the insurance

According to the Frank H Knight 'risk is uncertainty and uncertainty is one of the fundamental facts of life' ...And in this current world we live in is the most uncertain place .We have not any idea or knowledge about what is going to happen in our future .Therefore Insurance is one of the modern methods which try to make a balance between uncertainty and certainty. In economically insurance is one of the great ways to make the future secure .In our life we face many unwanted risks as example failing health, economical falls, accidents and many more¹.Insurance help us to get over those kinds of risks.

2.1 History of the insurance

The history of the insurance is thousand years old. For the very time in 3rd and 2nd millennia BC the methods of transferring the risk was practiced by *the Chinese and Babylonian traders* .After

¹ M.Alom,*Lecture on Banking law and Insurance*(first published 2016,National Law book house)446.

that it took such a long time to make it as law or rule. Almost thousand years later The General Average was created by *the inhabitants of Rhodesia*.² The principle was that, For the event of emergency, if a cargo is expenses incurred, the loss will be shared proportionately by all parties with a financial interest in the voyage and the collected premiums will be used to reimburse any merchant whose goods were destroyed in the uncertain event.

In the history of the insurance Marine insurance is the oldest one. Marine insurance was started from the northern Italy in between the 12th and 13th centuries .In the 13th century the practice of the insurance of the ships was started with the merchants of the cities of Lombardy in Italy .The lombardy was established themselves in London and other cities On that time Lombard street of England became the nerve of the marine insurance activities³ .

After that in 1575 *Chamber of Assurance* was established for the registration of the marine insurance policies and in 1601, the court of arbitration was established for settling disputes on marine policies⁴ .

In the 17th century when insurance became seems popular and established in Europe. The coffee houses of London became very popular place for the insurance business. In 18th century coffee house become the most famous Lloyds.In the time of 1871 *The Lloyd's Act* was formed to establish *The corporation of Lloyds* ,it became one of the prestigious and powerful insurance institutes all over the world⁵ .

In 19th century Marine Insurance Act was framed to codify the marine insurance law.

² Ibid,447

³ M.Alom,*Lecture on Banking law and Insurance*(first published 2016,National Law book house)479.

⁴Ibid,480.

⁵Ibid.

After marine insurance, Fire insurance come to the history of the development of the Insurance .Fire insurance developed after the incident of *The great fire of London* in 1666. After that in 1667 an economist named Nicholas Barbon was instrumental in forming the very first fire insurance company .but the improvement of the fire insurance happened in 1861 after the happening of the Tooley street fire⁶ .

In the history of the development of the insurance Life insurance comes at the third place. For the very first time in 1706 a company named *Amicable society for a perpetual assurance office* Offered life insurance⁷ .

2.2 Meaning and Definitions of the insurance

According to **The Insurance Act 2010** the definition of insurance is , ‘ an insurance is a contract whereby one party undertakes in return of consideration called premium to pay the other party a certain sum of money on the happening of a certain event or to indemnify the other party against a loss arising from the risk insured⁸’ .

The definitions of insurance can be divided into three kinds⁹ ,

- i.General or social insurance
- ii.Functional or Business or Economic insurance
- iii.Contractual or legal insurance

⁶ Ibid.

⁷ Ibid,481.

⁸ *The Insurance Act 2010*.

⁹ Alam(n1).

There are also different definitions from different scholars here are some definitions from different kinds,

General or social insurance : ‘The collective bearing of risk is insurance’¹⁰ **Sir William Beveridges**

Functional or Business or Economic insurance : ‘ Insurance as a social device providing financial compensation for the effect of misfortune ,the payments being made from the accumulated contributions of all parties in the scheme ‘¹¹ **D.S.Hansell**

Contractual or legal insurance : ‘Insurance is a contract whereby one person ,called the insurer,undertakes in return for the agreed consideration called premium ,to pay to another person called the insured ,a sum of money or its equivalent on specified event’¹². **Justice Channel .**

According to the definitions of insurance here is the fundamentals of the insurance,

i.Risk : Risk is kinds presumption.In insurance terms risk means a change to happen something uncertain¹³ .

ii.Insured or Policy holder : Insured or policyholder is the person who makes the insurance contract on a particular subject matter by paying premiums according to the policy . Insured can enjoy some rights¹⁴ .here is the following rights,

- Right to receive the payment money

¹⁰ Ibid,446.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid,445.

¹⁴ Ibid.

- Assignment
- Bar to Questions
- Surrender value
- Documents

As the enjoyment of the rights, Policy holder has to perform some duties,

- Disclosure
- Premium
- Protection
- No commission
- Mitigation loss

iii. Insurer or Policy maker :Insurer or policy maker is the person who makes the documents of the insurance and accept the payment according to the Insurance contract from Insured or Policy holder. According to the Insurance law insurer have some rights, here is the following rights Insurer can enjoy¹⁵,

- The payment of premium
- The right to contribution
- The principle of subrogation
- No return of premium paid
- Right to information

¹⁵ Ibid.

According to the terms of the contracts of the insurance, insurers have some obligation to. here is the following¹⁶,

- Fulfilment of the establishment
- Commencement of the right
- Causa proxima
- Return of premia

2.3 Parties of the Insurance

As insurance business they must have to maintain an insurance contract, there are mainly two parties in the contract one is **Insurer** : who is the person who undertakes the risk under the contract another party is **Insured**: who is the person to whom the undertaking is given

The Insurer can be many types as such¹⁷,

- An individual.
- Unincorporated body of individuals.
- Body corporate .
- An Association of partnership firm Registered.
- Any other agency permitted under any other Law in Bangladesh.

¹⁶ Ibid.

¹⁷ 'PARTIES TO THE CONTRACT OF INSURANCE'(Batas Natin,19 August,2019)<https://batasnatin.com/law-library/mercantile-law/insurance/1592-parties-to-the-contract-of-insurance.html>

2.4 Nature of the Insurance

The concept of the insurance came from the thoughts of avoiding the uncertain losses of a person. A bunch of people came together with similar risk and contribute on the same pool of funds. In case any person of them suffer any kinds of an avoiding or unwanted or uncertain loss ,he will be compensated out of the same pool of funds.¹⁸

- Insurance is a contract between the insured and insurer which created by the promise of insurer to pay the fixed rate of premium to the insurer .
- Insurance is a kind of device which share the burden of risk on happening of uncertain events.
- In every insurance plan made on the basis of higher degree of cooperation for mutual benefits and distribute the risk over the group of people who are exposed to it.
- Insurance contract start up by paying of premiums
- The amount of the premiums depends on the of the risk and the nature of the losses may occur.
- In the happening of an uncertain event insurance company is bound to make the payments
- Insurance is a kind of protection from suffering unwanted losses .
- Insurance secure a person's economical statues .
- Insurance also play the role of social welfare.

¹⁸ 'History of Insurance'(Money Matters,19 August 2019)<https://accountlearning.com/history-of-insurance-example-definition-nature-or-characteristics/>

2.5 Kinds of Insurance

There are different kinds of insurance . On the basis of the different subject matters and nature insurance can be divided into many kinds. But there are two major insurance such as¹⁹ ,

Life Insurance :

Life insurance is different from other insurance, in the sense that, This insurance is about someone's life .

Non life Insurance :

Non life insurance included everything except the life insurance. Non life insurance is also divided into two types.

- I. General Insurance
- II. Miscellaneous Insurance

Here is the list of General Insurance :

- Fire insurance
- Marine insurance
- Automobile insurance
- Mobile insurance
- Property insurance
- Building insurance
- Transport insurance
- Pecuniary insurance

¹⁹ Alam(n1)

- Motor insurance
- Liability insurance
- Health insurance
- Travel insurance

Here is the list of Miscellaneous Insurance:

- Crop Insurance
- Flood Insurance
- Cattle Insurance
- Cash in Transit Insurance
- Personal accidents insurance
- Legal liability Insurance

Difference between Life insurance and General insurance²⁰,

| Life Insurance | General Insurance |
|---|---|
| <ul style="list-style-type: none"> ● Subject matter is human life. ● The event insured, namely death, is bound to happen, sooner or later. ● Life insurance is a valued contract. Not a contract of indemnity. | <ul style="list-style-type: none"> ● Subject matter is goods or property. ● In case of non-life insurance, the event insured may or may not happen. ● Any other form is a contract of indemnity. |

²⁰ Alam(n1),476.

| | |
|---|---|
| <ul style="list-style-type: none"> ● Assured must have an insurable interest, at the time of effecting the policy-need not be afterwards. ● Life insurance is a long term contract. | <ul style="list-style-type: none"> ● Presence of insurable interest both at the beginning and at the time of loss. ● 1 Year contract (Renewable after 1 Year) |
|---|---|

Insurance contract nature also can be divided into different kinds .As such ,

- I. **Double Insurance** : Double insurance is when the same subject matter with the same risk is insured with more than one insurer. It simply means purchasing more than one separate insurance for the same subject matter and same risk .It is absolutely lawful to make double insurance .Double insurance policy overlapping each other but act independently²¹.

According to **Marsh** ‘double insurance occurs where the insured makes two insurance on the same risk and same subject interest’,²²

Example : *A* is the owner of a Ship. He makes a marine insurance in case of any uncertainty for 50 Lakh with *X Insurance Company* . At the same time on the same risk and subject matter he also make policy with *Y Insurance Company* for 40 lakh.

²¹Ibid,458.

²²Ibid,459.

Rules of Double Insurance

- Life no limit: There is no limitation for the Life Insurance . A person is allowed to entitle to place any value of his life and all the policies are payable whatever the amount is.
- Nonprofit: The insured is never allowed to make any profits from the fire or any other machinery.
- Trust: According to the Insurance law Insured have to keep trust on insurers²³ .

II. **Re- Insurance** : Reinsurance made by the insurance company when an insurance company insures the risk with any other company it is called Reinsurance.

It mainly happen between the insurance companies,in case of any uncertainty first company will get the compensation from the second company.But Insured have not been involved with the second company. Insured will get the compensation from the first company²⁴ .

Example : *A* is an owner of a ***Khan Spinning Mills***,makes a policy against fire for 5 crores with ***H Insurance Company***.Insurance company also make another policy with ***D Insurance Company*** for 3 crores .

²³ Ibid.

²⁴ Ibid.

2.6 Difference between Insurance and Reinsurance

Here is the difference between Insurance and Reinsurance²⁵ :

| Insurance | Reinsurance |
|--|--|
| 1. Insurance is a protection for Individual . | 1. Reinsurance is protection for large insurance firm to ensure that they can be able to bear the big amount of losses . |
| 2. The premium is paid by an individual will be received by the company which provides the Insurance | 2. The premium paid for reinsurance will be divided among all the companies in the pool of funds |
| 3. Contract between insurer and insured . | 3. Contract between different insurance companies. |

2.7 Functions of the Insurance

The functions of the Insurance can be divided into Two parts. Here are the followings,

- I. Primary Functions :** According to the Insurance law, The main function of insurance is to give protection on the happening of the uncertainty. Insurance is all about the sharing of the risk against the unwanted losses. After that evolution of the risk is also a primary function of the insurance ...The risk is evaluated on the basis of the rate of the

²⁵ Ibid

premiums. The insurance company will provide the certainty on the happening of the uncertainty which is the term of provide certainty against the loss²⁶.

II. Secondary Functions: Insurance provides the capital to the society. The collected funds are invested in different production channels. From the businessman to a common person, all are investing here. This also helps the economic progress. It helps people from any uncertain happening²⁷.

2.8 Principles of the Insurance

Insurance follows different Principles. Here we are going to discuss some major Principles of the Insurance²⁸. In the down below,

- Principle of cooperation : Insurance is a voluntary way to involve with the risk on uncertainties of others. In insurance a common fund is created by the contributions of large amounts of people, which is called pool of funds. In any of them suffer unnecessary or uncertain loss he will be compensated from that fund.
- Principle of probability : Probability throws the light on the uncertain events which help to determine the premiums. It is a mathematical calculation of probabilities to uncertainties.
- Principles of Good faith : Good Faith refers that the parties are legally bound to reveal to each other all the information.

²⁶ Ibid..

²⁷ Ibid

²⁸ 'Principle of insurance', (FindLaw 20 August, 2019) <https://consumer.findlaw.com/insurance/principles-of-insurance.html>

- Principle of Indemnity :Indemnity means ‘make good the loss’. That means in the case of loss against the policy which has been made had been indemnified subject to the value of the policy.
- Principle of Insurable interest : The assurer must have an actual interest in the subject matter of insurance either in full or part.
- Principle of Proximate cause :Proximate means the time between the cause and the result may be longer or shorter but it does not affect the cause and the effects.
- Principle of Doctrine of Subrogation :The **doctrine of subrogation** provides that if any of the insurer pays a loss to its insured for the wrongful act of someone else, the insurer is **subrogated** to the rights of the insured and may prosecute a suit against the wrongdoer for recovery of its outlay.
- Principle of Mitigation of loss : If any person who has suffered an injury or loss or damages should take reasonable action and where it is possible, to avoid additional injury or loss. To take protective steps after suffering an injury or loss can reduce the amount of the loss by recovering

Chapter 3 : Insurance in Bangladesh

3.1 A Brief History of Insurance of Bangladesh

In the history of Bangladesh Insurance business is not new .Insurance was began its practice by maintaining a framework from the British rule.In the subcontinent of India, many of the insurance companies started insurance business transaction, both life and

Non-life After that the duration of 1947 in the East Pakistan also gained this business.On that time East Pakistan has 49 insurance companies .On that time The insurance sector was regulated by the Insurance Act, 1938. After the Independence in 1971of Bangladesh, the industry was governed by the Insurance Act 1972²⁹.

In that time there were 49 insurance organizations in Bangladesh .They all were placed in the public sector under 5 corporations³⁰

Five corporations are :

- I. The Jatiya Bima Corporation
- II. Teesta Bima Corporation
- III. Karnaphuli Bima Corporation
- IV. Rupsha Jiban Bima
- V. Shurma Jiban Bima

²⁹Mir Nazim Uddin Ahmed, 'Insurance in Bangladesh - its Growth, Problems & Solution' The New Nation(Dhaka,19 November,2017).

³⁰ Ibid.

After that the enactment of the The insurance corporation Act 1973 this five corporations became abolished and newly two corporation introduced³¹.

I. Shadharan Bima corporation

II. Jibon Bima Corporation

In 2010 a new insurance passed by the Parliament. Which replace the old Act and made this new enacted Act very modernized ,Specific and more appropriate from the old one.

List of the Bangladesh Insurance Industries

| | |
|--------------------------------------|----|
| Private Life Insurance Companies | 45 |
| Private Non-Life Insurance Companies | 30 |
| Public Insurance Companies | 02 |

3.2 Present position of Insurance business in Bangladesh

Insurance business in Bangladesh did not get an easy runway .there were too many dislocation, adventure and experimentation through half a century has now being established as a nascent industry. Insurance business evolved in Bangladesh after the independence of Bangladesh ,before that Insurance business was not as wide as today. In Bangladesh perspective insurance business was not as a promising sector in its early age but it is getting its pace day by day with the growth of overall economic condition of the country. This resulted in a substantial growth of premium incomes, competition, improvement in services, and the introduction of newer types of business in wider fields hitherto untapped³². Up to 2000, the government has given permission to

³¹ Ibid.

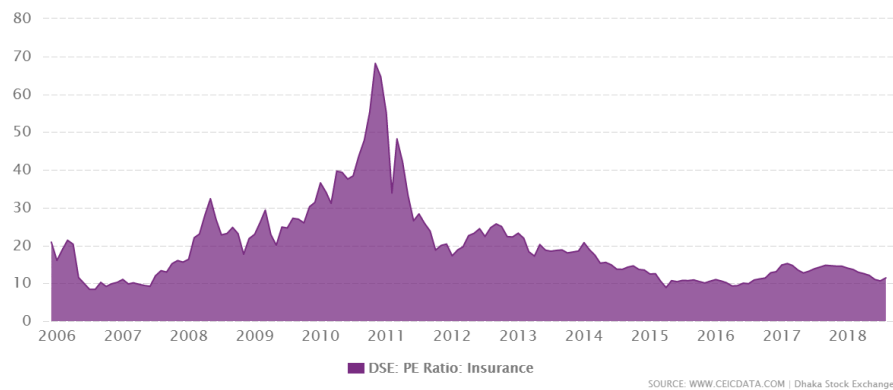
³² M Ali Noor, 'Insurance Market in Bangladesh' The Independent(Dhaka,13nJuly 2018)5.

19 general insurance 10 life insurance in the private sector. With an interview with The weekend Independent, M. Ali Noor the managing director of Jiban Bima Corporation (JBC) said that, “The market of life insurance in Bangladesh is still fragmented. Bangladesh is a country that is exposed to a variety of risks. Yet, insurance coverage is very low in this country. Penetration ratio, measured as the ratio of gross written premium to GDP, was only 0.9 percent in 2014 (0.7 percent for life insurance and 0.2 percent for non-life). The low insurance penetration in Bangladesh, with about 17.1 million policy-holders in 2014, according to IMF data, compares unfavourably with other South Asian countries.” As to the problems encountered in expanding the insurance sector, the JBC managing director said: “There is limited campaign on the part of the authorities highlighting the importance and benefits of life insurance. Also, there is no effective regulatory framework to promote insurance awareness among the people.” Regarding the organisational structures of insurance companies in Bangladesh, Noor described them as “weak and inconsistent, with lack of corporate governance”³³.

“There is lack of accountability and transparency in the insurance sector. Modern standard accounting systems are absent and there is reluctance to use modern technology. There is an immense shortage of actuary consultants. Also, there is a high rate of management expenses in insurance companies,” Noor said³⁴.

³³Ibid.

³⁴Ibid.



This is the chart of pre ratio of insurance in Bangladesh at the sector of the economy.³⁵

3.3 Effects of the insurance in the growth of the Bangladesh economy

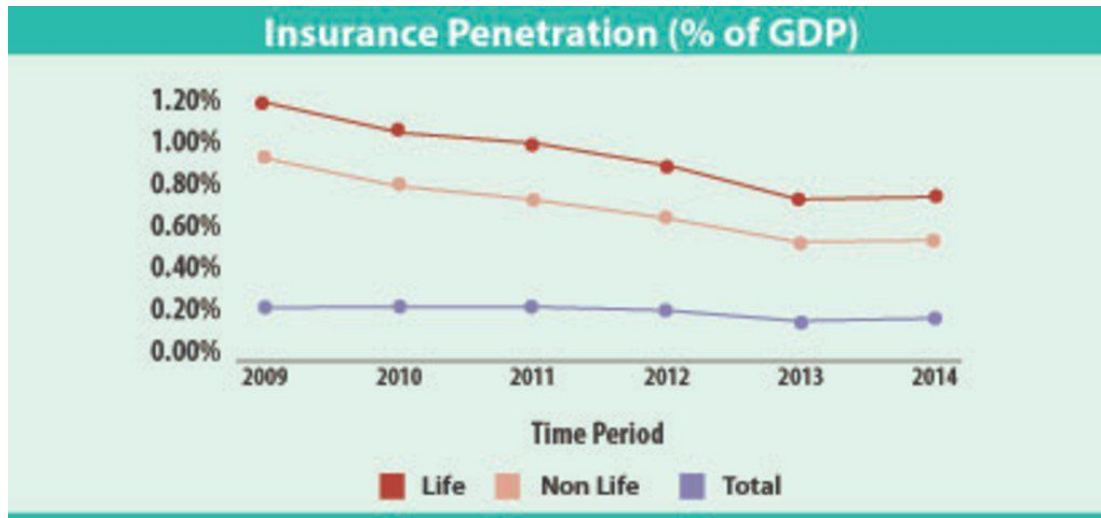
Insurance plays a key role in the progress of economy of any country. Country like Bangladesh who are developing their economical sector ironically, insurance can play a vital role for them. At present in Bangladesh there are 45 general insurance companies and 31 life insurance companies are working. In Bangladesh’s insurance sector, life insurance constitutes a 73.5% share of its insurance market and non-life insurance a 26.5% share. Micro-insurance and Islamic Insurance are also a part of Bangladesh’s insurance sector. In 2017, non-life insurers earned a gross premium income of Tk2,908.1 crores and life insurers Tk8,203.1 crores. The assets of all the insurance companies stood at Tk44,328 crores by the end of 2016. Investments in both life and non-life insurance companies have grown significantly during the period between 2006 and 2016

36

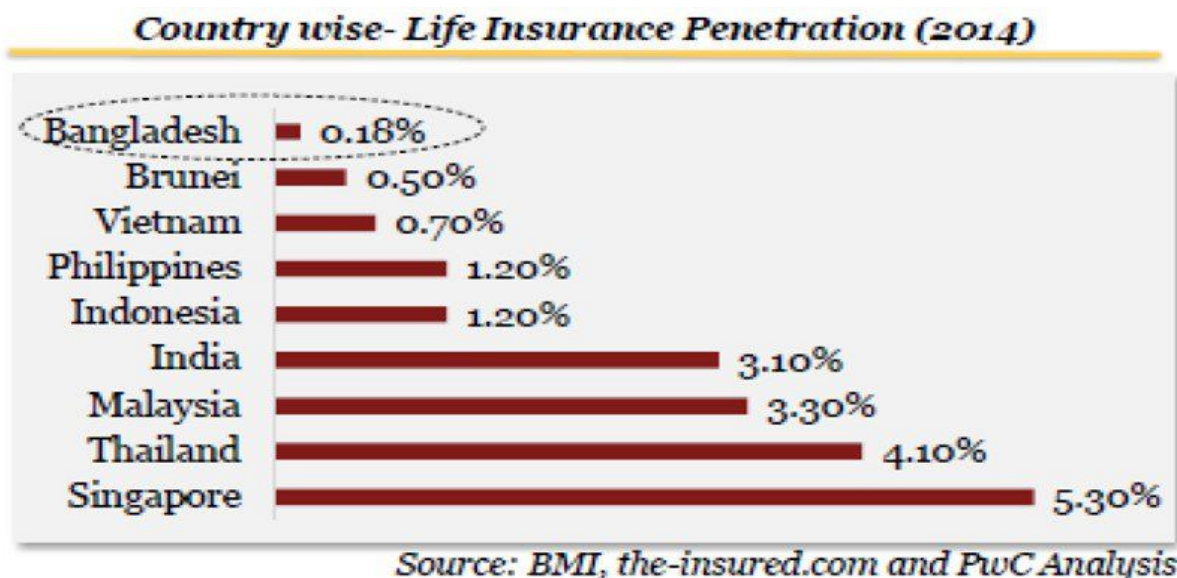
³⁵ ‘DSE: Pre ratio: Insurance’, (CEIC, August 2018)

<https://www.ceicdata.com/en/bangladesh/dhaka-stock-exchange-pe-ratio-and-dividend-yield/dse-pe-ratio-insurance>

³⁶ Mamun Rashid, ‘Transforming our Insurance sector’ Dhaka Tribune (Dhaka 28 April 2019)



According to the World Bank, from 1999 to 2004, the average gross premium income as a percentage of its GDP was 2.7% in India, 1.27% in Sri-Lanka, but only 0.51% in Bangladesh³⁷ is the lowest one.



³⁷ MamunRashid, 'Transforming our Insurance sector' Dhaka Tribune(Dhaka 28 April 2019)9

Though Bangladesh is an agricultural country. The agricultural sector is an important part of the country's economy and accounts for more than a third of all employment. Some NGOs and public insurance corporations, providers of agricultural insurance products. Bangladesh has been exposed to the risk of natural calamities and this has had significant adverse consequences for its economy. Insurance can help it significantly in managing this problem³⁸.

As an example, Cyclone Sidr accounted for 20% of the government's expenditure in 2007. Reinsurance can play an important role in reducing the financial impact of disasters on the government budget. In 2011, Thailand suffered due to floods and the country's losses were monetized at \$30 billion. But due to the reinsurance, \$12bn was the insured loss. Consequently, its economy recovered in a short time³⁹.

According to the Lloyd's of London, This is the Bangladesh non life insurance progress in the sector of economic development⁴⁰. In 2012 it was 0.2%. After 6 years it also in the same position there is no progress at all.

| NON-LIFE INSURANCE PENETRATION <i>In %</i> | | |
|---|-------------|-------------|
| COUNTRY | 2018 | 2012 |
| NETHERLANDS | 7.7 | 9.5 |
| SOUTH KOREA | 5 | 4.6 |
| UNITES STATES | 4.3 | 4.1 |
| INDIA | 0.9 | 0.7 |
| VIETNAM | 0.8 | 0.9 |
| PHILIPPINES | 0.6 | 0.4 |
| INDONESIA | 0.5 | 0.6 |
| BANGLADESH | 0.2 | 0.2 |

³⁸ MamunRashid, 'Transforming our Insurance sector' Dhaka Tribune(Dhaka 28 April 2019)9.

³⁹ Ibid.

⁴⁰ Jebunnesa Alo, 'Bangladesh: most underinsured nation' The daily star(Dhaka, 16 december, 2018)

3.4 Effects of the insurance in the social life development

Insurance can play an important role in social development. Here it has been discussed,

- Insurance give protection of the property.
- Insurance protect mortgaged property .
- Insurance also encourage savings.
- Enhancement of credit.
- Contributes to the family business or can invest in other sector with a proper security .
- Reduce the worry and fear of losses.
- It is given the support loss prevention activities that reduce direct or any indirect loss.
- Secure the wealth on any person so that they could not face a sudden break down.
- In case of life insurance, after the death of that person his or her family can get the protection from the insurance.
- Insurance helps to increase the national economic growth.

3.5 Limitations of Insurance

Insurance has many benefits at the same time insurance has also some limitations these limitations are⁴¹:

⁴¹ Zahirul Islam, 'Poblems and prospects of insurance business in bangldesh'(Academia,19 August 2019)https://www.academia.edu/1767455/Poblems_and_prospects_of_insurance_business_in_bangldesh

- No selective risk are insurable only pure risk can be insurable. But also all the pure risks are not insured.
- All people cannot do insurance because of the higher premium rates.
- It is very difficult to control moral hazards in insurance because some people miss-utilize for their own interest.
- The private insurers are not permitted to insurance to insure some types of risks like unemployment.
- Which things cannot be valued in money such risk can not be insurable.

3.6 Regulatory framework in Bangladesh

Regulatory framework makes as industry discipline. Every industry needs to be regulated under some basic rules and maintained properly to ensure the conflict free operation in any country. In March 3 2010 the Parliament of Bangladesh, passed two insurance laws The new laws came into effect on 18 March 2010. They are ***The Insurance Act 2010*** and ***IDRA 2010***.

Here is some major Act of Insurance in Bangladesh,

- The Insurance Act, 1938
- Insurance Rules of 1958
- Bangladesh Insurance (Nationalization) Order 1972.
- The Insurance Corporations Act, 1973
- Insurance (Amendment) Ordinances of 1984

- The Insurance Act, 2010

After the enacting of new laws in 2010 all the previous Acts are became Inactive . All the Insurance companies of Bangladesh are now Work under ***IDRA 2010***.

3.7 Insurance companies in Bangladesh

According to Bangladesh Bank, there are 60 private & 2 public insurance companies in Bangladesh. Here is the list of them,

Public sector(Life insurance Companies)

- Bangladesh Jiban Bima Corporation
- Academy of Learning Ltd.

Public sector(NonLife insurance Companies)

- Bangladesh Sadharan Bima Corporation

Private Sector (Life Insurance Companies)

- MetLife Bangladesh (Foreign Company)
- Baira Life Insurance Company Ltd.
- Delta Life Insurance Company Ltd.
- Fareast Islami Life Insurance Co. Ltd.
- Golden Life Insurance Ltd.
- Homeland Life Insurance Company Ltd.
- Meghna Life Insurance Company Ltd.
- National Life Insurance Company Ltd.

- Padma Islami Life Insurance Company Ltd.
- Popular Life Insurance Company Ltd.
- Pragati Life Insurance Ltd.
- Prime Islami Life Insurance Company Ltd.
- Progressive Life Insurance Company Ltd.
- Rupali Life Insurance Company Ltd.
- Sandhani Life Insurance Company Ltd.
- Sunflower Life Insurance Company Ltd.
- Sunlife Insurance Company Ltd.
- Zenith Islami Life Insurance Ltd.
- Mercantile Islami Life Insurance Ltd.
- NRB Global Life Insurance Company Ltd.
- Guardian Life Insurance Ltd.
- Chartered Life Insurance Company Ltd.
- Best Life Insurance Company Ltd.
- Protective Islami Life Insurance Co. Ltd.
- Sonali Life Insurance Co. Ltd.
- Swadesh Life Insurance Co. Ltd.
- Diamond Life Insurance Co. Ltd.
- Alpha Islami Life Insurance Ltd.
- Trust Islami Life Insurance Co. Ltd.
- Jamuna Life Insurance Ltd.

Private Sector (NonLife Insurance Companies)

- Agrani Insurance Company Ltd.
- Asia Insurance Ltd.
- Meghna Insurance Company Ltd.
- Asia Pacific Gen Insurance Co. Ltd.
- Bangladesh Co-operatives Ins. Ltd.
- Bangladesh General Insurance Co. Ltd.
- Bangladesh National Insurance Co.Ltd.
- Central Insurance Company Ltd.
- City General Insurance Company Ltd.
- Continental Insurance Ltd.
- Crystal Insurance Company Ltd.
- Desh General Insurance Company Ltd.
- Eastern Insurance Company Ltd.
- Eastland Insurance Company Ltd.
- Express Insurance Ltd.
- Federal Insurance Company Ltd.
- Global Insurance Ltd.
- Green Delta Insurance Co. Ltd.
- Islami Commercial Insurance Co. Ltd.
- Islami Insurance Bangladesh Ltd.
- Janata Insurance Company Ltd.

- Karnaphuli Insurance Company Ltd.
- Mercantile Insurance Company Ltd.
- Nitol Insurance Company Ltd.
- Northern Gen. Insurance Company Ltd.
- Peoples Insurance Company Ltd.
- Phoenix Insurance Company Ltd.
- Pioneer Insurance Company Ltd.
- Pragati Insurance Ltd.
- Paramount Insurance Company Ltd.
- Prime Insurance Company Ltd.
- Provati Insurance Company Ltd.
- Purabi General Insurance Company Ltd.
- Reliance Insurance Limited.
- Republic Insurance Company Ltd.
- Rupali Insurance Company Ltd.
- Sonar Bangla Insurance Company Ltd.
- South Asia Insurance Company Ltd.
- Standard Insurance Ltd.
- Takaful Islami Insurance Ltd.
- Dhaka Insurance Ltd.
- Union Insurance Company Ltd.
- United Insurance Company Ltd.

- Sena Kalyan Insurance Company Ltd.
- Sikder Insurance Company Ltd.

Chapter 4 : Overview of the Insurance Acts of Bangladesh

4.1 Overview of Insurance Act 2010

Bangladesh insurance industry start a new journey by the enactment of two new laws. To make a great regulatory framework and effective Act. These two Acts are The Insurance Act 2010 and the Insurance Development and Regulatory Authority Act 2010.

The Insurance Act 2010 passed on 3rd march 2010. This Act enacted newly for the development of the rights of interest of the customers and also the companies.

The insurance Act 2010 at a glance:

The Insurance Act, 2010

Act Number :13 of 2010

Summary: This law is related to the matters of Insurance

Ministry Ministry of Finance

Passing Date : 3rd March 2010

Date of Enforcement : 18th March 2010, Thursday

Regulatory Authority : Insurance Development and Regulatory Authority (IDRA)

The Insurance Bill 2010 said the bill was moved because of the aiming of modernizing and updating the old Insurance Act and to cut down all the risks of investment in trade and commerce and particularly in the insurance industry. Insurance Development and Regulatory

Authority (IDRA) were passed in March, 2010. There are about 50 rules and regulations to be framed under the Insurance Act, 2010. The IDRA have been working on the initial drafts prepared under an Asian Development Bank (ADB) funded Technical Assistance (TA) project. The main focus of the IDRA is regulating framework appropriately .

Here are some notable provisions of these new enacted Acts,

- Policy holder : As per the new enactment of this provision all the insurance companies must have to make a policyholder procedure ⁴² .
- The new enacted law raised the paid-up capital of life and non-life insurance companies to make them more established as financially ⁴³ .
- As per the ***section 33 of The Insurance Act 2010*** ,brokerage houses should be created for insurance policies.and according to the ***section 58(1)***, none can give money of commission to anybody except the certain agents or brokerage houses in order to launch or expand any insurance business in Bangladesh ⁴⁴ .

The distribution of the commission must be followed this percentages ⁴⁵

| Years | Percentages |
|-------------|-------------|
| First year | 35% |
| Second year | 10% |
| Third year | 5% |

⁴² *The Insurance Act,2010.*

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Ibid.

- All the insurance companies in Bangladesh must have to be regulated by the IDRA.⁴⁶
- As per the new enacted law local and international law need to be harmonized for the better outcome.
- The number of the directors of an insurance companies cannot exceed 15.
- The section 5 (1) of the Insurance Act 2010 proposed that the insurance company to be categorized into two categories as Life and Nonlife instead of life and general .

4.2 A comparative study on Insurance Act 1938 and 2010

For the very first time in the Judgement of *Janata Insurance Co. Ltd. Appellant V Islam Steel Mills Limited and Another* The Court observed that “the English laws on insurance have not developed over the last 300 years⁴⁷. There have been modernization in various sectors of law but not in insurance law .But after enacting of new law there are lots of changes has come⁴⁸. As such,

- There were 120 sections in *The Insurance Act 1938* But in *The Insurance Act 2010* has 160 sections.
- *The Insurance Act 1938*, there were 29 definitions but in *The Insurance Act 2010* contains 40 definitions.
- *The Insurance Act 1938* referred several Acts but *The Insurance Act 2010* do not referred no other Acts.It is a completely new one .

⁴⁶ IDRA,2010.

⁴⁷ *Janata Insurance Co. Ltd. Appellant V Islam Steel Mills Limited and Another*

⁴⁸ ‘A Comparative Study On Insurance Act 1938 And Insurance Act 2010’,(Bangladesh Journal of Legal Studies,24, March 2017)<https://bdjls.org/a-comparative-study-on-insurance-act-1938-and-insurance-act-2010/5/>

- There was no definition of insurance in previous Act but the new enactment add a specific definition of insurance .
- According to *The Insurance Act, 2010*, all the insurance companies must maintain a register book in accordance with Insurance rules but no such provision were in *The Insurance Act 1938*.
- The provision of the Reinsurance is allowed by The New enActment but it was not possible by *The previous Act 1938*.
- *The Insurance Act 2010* make sure the punishment where the violation of any provisions of this Act will be compensated maximum 1 lakh and minimum 50 thousand tk and continuance of violation, 5 thousand for every day⁴⁹ .
- Islamic Insurance was there in Bangladesh but now it is bought under legal framework by the new enactment Act 2010. Under the *section 7 (1)* of *the Insurance Act 2010*, no insurance company is allowed to do both Islami Insurance business and non-life insurance business together. If any company has both of these businesses,they have to give up on one according to the *section 7 (2)* of the new Act⁵⁰ .
- *The insurance Act 2010* add the sector of micro insurance Micro insurance also added in the new edition of the insurance law It is a great prospect for the small and medium enterprises as well as the growing businesses especially in the rural areas. Most of the

⁴⁹ *The insurance Act,2010*.

⁵⁰ Ibid.

people in this country are not able to carry insurance for years and years for those people it is a great scope⁵¹.

4.3 Limitations of The insurance Act 2010

The new enactment carry lost of positive view but there is also some limitations they made. Here are some of them,

- This new enacted Act do not incorporate with the mobile insurance provisions.
- Health insurance also absent in this new enacted Act.
- The policy holders are not willing to pay an increased rate of premium with the growing cost it will be possible if the rate of premium became low.
- To make ensure the social security for all class of people, Government may direct compulsory insurance on some specific grounds
- New enacted law divides General Insurance.
- New enacted law provides directives to make difference between Life and Non-Life Insurance business.
- New law allows Foreign Investment in Insurance.

⁵¹ Ibid.

Above all this there is some major problems arise for The Peoples Insurance Company Limited **PICL**. The Peoples Insurance Company Limited is facing due to various reasons regarding the implementation of the new act due to lack of guidance⁵².

Peoples Insurance Company Limited is doing non-life insurance business in Bangladesh since 1958. It was operated under the Insurance Act 1938 until 2010. But now facing some problems because of the huge change⁵³.

- As the amount of the paid up capital has been increased now they have to face problems regarding fixing the amount of its paid-up capital.
- There were 18 directors of this company but as per the new enactment they have to make it 15.
- Increase the management expenses because of the changes made by the new enactment.

4.4 Types of insurance practice in Bangladesh

According to **section 5 of the Insurance Act 2010** insurance can be divided into two parts.

- Life insurance
- Non-Life insurance

Life insurance

Life insurance is insurance where the subject matter of the insurance is someone's life. Life insurance can be different types such as whole life, endowment, limited payment, joint life

⁵² Sadia S Silvie, 'Existing Insurance Laws of Bangladesh: Challenges & Ways out' (Academia, 19 August, 2019) https://www.academia.edu/14730623/ExistingInsurance_Laws_of_Bangladesh_Challenges_and_Ways_out.

⁵³ Peoples Insurance Company Limited, (Annual Reports 2008, 2009, & 2010)

insurance etc⁵⁴. In the case of *National Life Insurance Company Ltd vs Controller of Insurance* the court observed that Only a Magistrate of First Class to try any offence for breach of any provision of the Insurance Act⁵⁵.

NonLife Insurance

Merin Insurance:

Marine insurance is a kind of insurance where the insurer undertakes to indemnify the assured in the manner and to the extent thereby agreed, against marine losses, that is to marine adventure⁵⁶

Fire Insurance: Fire insurance means insurance against the loss which happens because of fire. Fire insurance may be of various types, namely valued, unvalued, specific etc⁵⁷.

Islamic Insurance: Islamic insurance means the insurance which is regulated by Islamic rules.

Section 2(7) of The Insurance Act 2010 defines Islamic Insurance⁵⁸.

Mobile Insurance : One of the new editions of insurance in Bangladesh is mobile insurance. There are three leading mobile operators, working in Bangladesh, have invoked mobile insurance systems for its subscribers who use more than 250 tk per month. Such type of Subscriber will get the facility of Life insurance⁵⁹.

⁵⁴ *Ashely v. Ashley*, [1829]

⁵⁵ Bangladesh journal of law studies, "A Comparative Study On Insurance Act 1938 And Insurance Act 2010" (2017) <https://bdjls.org/a-comparative-study-on-insurance-act-1938-and-insurance-act-2010/3/>

⁵⁶ Alam(n1), 518.

⁵⁷ Alam(n1), 556

⁵⁸ *The Insurance Act, 2010*.

⁵⁹ Bangladesh journal of law studies, "A Comparative Study On Insurance Act 1938 And Insurance Act 2010" (2017) <https://bdjls.org/a-comparative-study-on-insurance-act-1938-and-insurance-act-2010/3/>

Chapter 5: Online Life Insurance in Bangladesh

In 24 September 2018 Guardian life insurance for the first time in Bangladesh introduced to the online Life insurance. They are claiming that ‘Guardian Life Insurance Limited (GLIL) is the fastest growing Life Insurance Company in Bangladesh. Being the leading group insurer, GLIL has been working towards financial inclusion; it’s partnership with BRAC has spread the reach of GLIL quite extensively with over 6.4 million lives coming under the umbrella of GLIL. GLIL has gone all out when it comes to keeping such a mammoth commitment’⁶⁰.

On this opening ceremony Finance Minister AMA Muhith said, “Insurance companies are working hard to develop the insurance sector. Our hope towards the insurance sector magnifies because of the innovative insurance companies like Guardian Life. EasyLife is a very attractive and modern insurance service for the current and future insurance subscriber⁶¹.”

Another guest of this ceremony State Minister for ICT Zunaid Ahmed Palak said, “Today, through the Guardian Life, insurance sector has got the touch of digital revolution started by the leadership of Sajeeb Wajed Joy, the proud son of honorable Prime Minister Sheikh Hasina. My heartiest congratulations to Guardian Life for bringing such an easy and effective insurance services for the customers using the modern technology⁶².” and also added,

“IDRA is always very concerned for the implementation of digital technology in the insurance sector and for the continuous development of the insurance services. This type of insurance is

⁶⁰ Guardian life insurance limited.

⁶¹ Forhad Ahmed, ‘Guardian Life brings online life insurance to Bangladesh’ The daily star (Dhaka, 26 September 2018)5.

⁶² Ibid.

first in the insurance industry of Bangladesh and we are proud for being with this project during the inception. I am inviting you all to buy and experience EasyLife for the success of this modern insurance service” said chairman of the Insurance Development and Regulatory Authority(IDRA) Md Shafiqur Rahman Patwary⁶³ .

It is a great opportunity for a country like Bangladesh digitized the insurance sector and made it easy for the people to know about the policies and all the claims an insurance company offer to the common people.It is a wonderful introduction for Bangladesh.

Undoubtedly this is a great step which can save our time and make us free to go through all the complex. Guardian Life Insurance Limited already has achieved Insurance Asia Award 2017 for innovative insurance products and services and consecutively for digital insurance service and for the success of insurance business Guardian Life achieved Insurance Asia Award 2018 in three categories⁶⁴ .

Chapter 6 : Identifying the challenges

6.1 Difficulties in the field of business

Insurance is not an easy field to do business there are lots of challenges in this field. But for a country like Bangladesh insurance can play a vital role to improve its economy sector. But there

⁶³ Ibid.

⁶⁴ Ibid.

are many reasons for that this business cannot achieve their goal. There are many challenges such as social, economic, political, legal and other challenges.

Social challenges: One of the major problems in this business is that there is a large portion of the total population of this country who are not aware of insurance. Most of them are in rural areas. They are not aware of the benefits they can get from the insurance policy. One of the main reasons of challenge is a great number of people who believe that insurance business is nothing but fraud and assume that insurance policy is quite unnecessary. There are lots of fake insurance companies carry their business fraudulently so that this perception arise in people's minds. Centralization is one of the issues because most of the insurance companies are in the urban areas. There are very less numbers of branches are located in rural areas. The system of centralization is one of the key points to fail to achieve the goal⁶⁵.

Economic Challenges: The development of the insurance sector also depends on the development in the different sectors of the economy. But in Bangladesh there are many lacking to the development of the economy .Export income in limited and 78%income comes from cloths and nightwear sector in this country. This type of economy is not suitable for the insurance business. Most of the people are living their lives very hard for them to make insurance is not possible⁶⁶.

Financial position of the Insurance Companies: As like most of the people of Bangladesh the insurance companies are also suffer financially. So many companies shut down by the

⁶⁵'Overall Insurance Companies Problems and Prospects in Bangladesh',(Assignment Point,19August,2019)<https://www.assignmentpoint.com/business/overall-insurance-companys-problems-and-prospects-in-bangladesh.html>.

⁶⁶ Ibid.

government because of the poor maintenance. Insurance companies invest their money on the business which may earn less profit and after some years they faces loss and forced to shut down their companies⁶⁷.

Weakness in Industrial Sector: Bangladesh is an agricultural country. But there is very less amount of insurance companies who give the opportunity to invest in this sector, most of the insurance companies are very weak to the sector on industrial which is also important but the industrial sector of this country is poor. In this country 9.71% are industrial labor from the total labor force. In 2004-2005 industrial productivity was only 28.88%of the total national productivity. This focuses the weakness of our industrial sector. So these types of weakness are one of the main barriers of insurance business⁶⁸.

Higher cost of business: Business cost in this country are getting higher day by day but the improvement of the insurance business are not run as fast as others. So that it makes them suffer to pay all the tex and other expenses⁶⁹.

Management problems : Once upon a time insurance business was maintained by the private companies but now insurance companies are maintained by the government. Which is a kind of tricky policy of the mass people.

Political instability: Political instability is one of the major problems in Bangladesh. For this many unexpected situations are often created which are bad for any business. The people who are related to the politics use their political power and for that who operate various businesses

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ Ibid.

in this country often experience many types of inconvenience in running their business. Insurance business is also a victim of this.

Administration : In the insurance sector the administration system is very poor. For improvement of the administration of the system in 2010 government Introduce to IDRA. But still the improvement is not noticeable.

Legal Issues: Insurance is not an easy task for the common people. It is bound by many legal matters, which is very complex for the mass people.

Lack of marketing one of the big issues in the sector of insurance business.

Others Problems : There are many other issues also like limitation of insurance knowledge, trained staff, lack of capital, crisis of business ethics, technological crisis, unorganized and many more.

6.2 Difficulties of maintaining regulatory body

There are many rules and regulations made by the government to maintain the insurance sector smoothly but even though there are many conflicts arise in this sector.

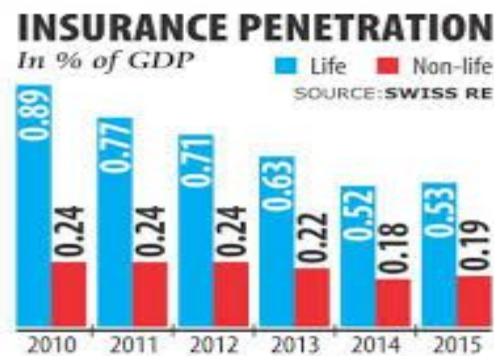
One of the major problems is that there was a restriction to run insurance business placement under the **Insurance Act 1938**, which affected the interests of the private insurance companies in many ways. The public sector accounted for about 80% of the total premium volume of the country, there was a small percentage of premiums left for the insurance companies in the private sector to survive. In that situation the withdrawal was mandatory so that the private insurance companies demand of withdrawal of this restrictions⁷⁰.

⁷⁰ Ibid,(n50).

That was the major conflict of the regulatory framework in the insurance sector. After that in the 2010 when government enact new law and framework they came up with a huge change in every sector . On a sudden such change also effect on the companies. Most companies suffer from these changes and take a long time to adjust with the changes⁷¹ .

6.3 Economical challenges

Bangladesh is not a rich country.It is a developing country in South Asia. Insurance business in this country is not as successful as other business. Role of the insurance in the progress of the economy in this country is not satisfactory.Insurance contribution to GDP is not significant . In the total GDP insurance contribute less than 0.4%. Which is very disappointing.In the staytics of the rate o insurance contribution shows that in 2014 0.9% of the total GDP was contributed through the insurance.⁷²The rating of the insurance up down many times but it never cross 1% of total GDP.



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⁷¹ Rshed,(n17).

⁷² Idib.

⁷³ Idib.

As we can see the chart it shows us clearly the % of the contribution to the economy going down day by day. Insurance industry of Bangladesh is not in a strong position. It is suffering a lot.

Chapter 7 : Find outs of the Challenges

While working on the research paper there were lots of bugs i found out that should definitely need to change to improve the sector of insurance. Here is the details of them,

Solving the error of the regulatory body

The new Insurance Act 2010 and Insurance Development and Regulatory Authority Act 2010 passed by the government for better regulate the insurance industry and protect customers interests and make a strong regulatory system for the insurance industry. But the insurance industry is supposed to be more organized and modernized under the new and strong regulatory system and authorities. Otherwise new enactment cannot be effected to develop this sector.

Lack of guidance

when the new **Insurance Act of 2010** was passed it automatic replaced the previous one. **The insurance Act 2010** only says about the insurance industries but does not specify about the way out. It doesn't set the information about how to do and in what amount or percentage. Even though these things are properly given in the different Rules & Regulations supporting the Insurance Act but At this point, many of the supporting rules and regulations have not yet been set and established. For that the whole insurance industry is suffering from lack of guidelines & different legal opinion. Which created such a mess in the insurance sector⁷⁴.

⁷⁴ Ibid.

Restrictions

There are some restrictions come with the new enactment of the law. According to the **section 74(1&2)**, no person who is the agent or appoints agent, brokerage house or directly involved in it, and surveyor or auditor can be the director of any life or non-life insurance company. If such happens to anyone then his or her license or certificate as an agent, broker, or auditor will be void as per section 74(3) and that person will be working only as the director of the certain company.⁷⁵

Premium rate

According to the country the premium rate of the insurance is very high. Most of the people in this country are not able to maintain this high rate for years. Though there is micro insurance system but it is very small scale for the mass people⁷⁶.

Public awareness

Most of the people of this country are not interested to make an insurance. Firstly they do not have proper knowledge about insurance and after that they do not trust insurance companies.

Check and balance

In insurance sector the framework is not as strong as it is supposed to be so that there are no checks and balances in this area, companies are doing inconvenience continually. People are suffering for that. Sometimes companies are suffering loss for that inconvenience.

⁷⁵ The Insurance Act 2010

⁷⁶ Ibid.

Chapter 8 : Experts opinions

In a personal Interview August 3,2019 S.M Pizuar Hossain, Law Lecturer at East West University give his opinion on insurance issues in this country. In his opinion higher premium rate is one of the remarkable reasons to the mass people lose their interest in insurance. Insurance is mostly dependent on capita per head when premium rate getting high it became costly for mass people. Insurance is kinds of investment but when the premium rate getting people cannot afford to invest in this sector so, automatically it gives a negative effects on the economy of this country. Another issue he focused on that is, Insurance companies fail to establish themselves as trustworthy platform. at present most of the higher class people are making insurance but middle class are very less amount and poor people has not even proper knowledge about insurance. He also added the absences of students insurance in this country.

As the solutions of these issues he said that, the government and companies should make more stronger policy to regulate the insurance sector in Bangladesh and they have work on public awareness of any kind of negativity in this sector.

Insurance should be separated in a wild way in this country where poor people also can make insurance for their or their families safety and also premium rate should be affordable for them.

Recommendations

After analyzing all the findings of my research I would like to place the following recommendations.

- The Insurance Act 2010 introduced many features that were essential but missing in the previous Insurance Act of 1938. But the implementation process of those processes are too slow, the independent Insurance Regulatory Body is not yet properly functional. According to my thoughts the Finance Ministry should focus on the problems regarding its structural process and should take appropriate steps to solve those problems as soon as possible, it is already too late.
- It is time to bring a real change in the sector of Insurance Business in Bangladesh, the proposed changes brought by the Insurance Act 2010 should be implemented as soon as possible. For this purpose, the concerned authorities need to be stronger than before and more active as well as accountable enough.
- All the Bangladeshi insurance companies in the insurance industry need to be equal responsive and very active at their work. To make it more active they should arrange regular seminars, meetings with the business authorities and proper auditing.
- The companies should raise awareness among all the employees and staff about the new law to make the implementation process much smoother. To make it work they can arrange a regular weekly or monthly meetings and seminars.
- Bangladesh Insurance Academy is providing training facilities and professional education to make their career on it but The syllabus, curriculum and training programs of the academy need to be modified to fulfil the modern needs of the insurance industry.
- All the insurance companies of Bangladesh must practice marketing more and more to reach the mass people through the use of promotional tools such as advertising, sales promotion, public relations and publicity.

- In order to grow insurance companies, the companies should expand their target market by taking the essential steps to make the recent insurance market more active and useful.
- The collected premium of the insurance companies should be invested in a beneficial sectors so that insurance companies can make a profit from it and be able to return their clients expected return in a time.
- The power of Regulatory authority should be limited.
- Government should minimize the restrictions on premium so that insurance companies can able to fix their premium according to their demand on the basis of people's needs .
- In Bangladesh there is no Court of Insurance. To established insurance in Bangladesh properly Bangladesh government should give a look on this issue.
- The Government should have to establish a regulatory body to keep balance on insurance companies so that they must perform their business maintains the ethical issues properly.

Conclusion

The research paper has been categorized into eight chapters. In chapter one, the introduction, scope, objectives, methodology, and limitations of the research paper have been described. In chapter two of the research paper give a discussion on insurance, history of insurance, Meaning and definitions, nature of insurance, different kinds of insurance, functions and Principles. In chapter three I discussed on the history of insurance business in Bangladesh, Present position of insurance in Bangladesh, its effects on social life, economic, life, limitations, regulatory framework, and list of insurance companies in Bangladesh. In chapter four I give a comparative

overview on The Insurance Act 1938 and The Insurance Act 2010. In Chapter five I discussed on online insurance in Bangladesh. In Chapter six I identified the challenges and difficulties in the sector of insurance business of Bangladesh. In chapter seven i find out the challenges of insurance in Bangladesh. In chapter eight I took experts opinion about the improvement of insurance sector. At the end of the research paper I give some recommendations, which I found out by working on it.

Insurance Industry can play a significant role in the economic improvement of Bangladesh. It can happen in many ways. The government has now reform the insurance Act to improve insurance sector in this country. As a first step the Insurance Act, 2010 in replacement of the previous Insurance Act, 1938, and the Insurance Development and Regulatory Authority Act, 2010 also has been passed for establishing a stronger regulatory framework in the insurance sector in Bangladesh. It is the era of globalization, in this era domestic market should be well organized with proper legal framework.

The new Insurance Act 2010 enacted with the hope to bring the positive changes and we are looking forward to the beginning of a Globally Competitive Modern Insurance Sector in Bangladesh.

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