

Time befitting law needed to bring discipline in insurance business

Islami Commercial Insurance MD tells NN

Gazi Anowarul Hoque

A top executive of a leading insurance company has commented that insurance market needs a coordinated effort and present context of law to maintain the stability where Insurance Regulatory Authority (IDRA) should play the role of father.

"After so many years of independence, our market is sub-standard. For transition from this state, IDRA should be more strict in reducing any unhealthy practice in the market and penalty/reward system should be there for the insurance companies. Yearly auditing of the private sector companies should be done by IDRA prescribed software in order to combat indiscipline, corruption and unethical competition," Managing Director & CEO of Islami Commercial Ins. Co. Ltd Mir Nazim Uddin Ahmed told The Daily New Nation in an interview recently.

He recommended public sector business should be opened for all. It should not be prescribed for state-owned Sadharan Bima Corporation (SBC) because it enjoys dual authority since it is the reinsurer of the non-life insurance companies and at the same time competitor for business in private sector. This dual role of SBC creates an uneven field towards a competitive environment. Moreover, this unique system does not prevail in any other country.

Mir Nazim also said that the insurance regulator should consult with the companies chairmen and sought co-operation from them. If IDRA is able to take commitment from them to the development of the market, the remaining tasks shall be finished by the CEOs.

Here is the full text of the interview.

The Daily New Nation (NN): Insurance sector is not stable and run like other financial sectors for long, why?

Mir Nazim Uddin Ahmed: Our general insurance market is remaining sub-standard for long compared to other countries. The present law can not mitigate the modern problems so we need updating insurance law to face the present situations and upgrade its functionalities.

For banking sector, Central Bank plays pivotal role to bring discipline and eradicate corruption from both govt and private banks and other financial institutions but for insurance sector we are yet to experience the similar standard.

There are hardly any institutional facilities for the youth of Bangladesh to obtain degree/associate/fellowship in insurance like India and Malaysia. In India, National Insurance Academy of Pune is a full-fledged institution for higher education and training on insurance.

Basically, this industry lacks glamour and

therefore it doesn't attract the youth. This sector didn't flourish like the banking sector. These days usually all the fresh graduates want to start their career from a well reputed local or multinational banks or telecoms. So, we need to amend the present law and step should be taken to set up full-fledged institution for future generation.

NN: Why you think of the faulty of insurance law for present context?



Mir Nazim Uddin Ahmed: Most of the provisions of the Act are not appropriate nowadays. For example, General Insurance business is based on executives; not agents. Despite this fact, we have to show our boys, girls and wives as agents. IDRA encourages us to maintain immoral law. We are to show such agents since there is a law on paper. IDRA issued a circular recently to send agents after taking 72 hours mandatory training. There are prohibitions to fine the company if they do not send agents. Now, should we send our wives to training? There is no possibility to maintain discipline in the market if the IDRA do not play the role of guardian.

NN: If the agent system withdrawn, what impact cast on the business?

Mir Nazim Uddin Ahmed: Of course not. Where there is agent, there will be commission. It is the unhealthy competition and creates indiscipline in the market as the insurer does not take expected profit. It also affects the clients' claim settlements. There was no agent system in 2012 for some days and the companies performance was better. So, I suggest to wipeout the agent system.

Moreover, commission system hampers government's revenue. Because government realizes 15 percent VAT on commission and 42.5 percent on company's profit. If the commission system does not exist, the government will real-

ize tax on total profit as per law so that revenue will be increased.

NN: Insurance company executive compete with commission, not with the service. What steps should be taken to prevent this corrupt system?

Mir Nazim Uddin Ahmed: The insurance regulatory body should consult with the companies' chairmen and sought cooperation from them. If IDRA Chairman is able to take commitment from them, corruption of commission must be stopped.

NN: IDRA imposing penalty for misdeeds. Do you think enough to establish order in this sector?

Mir Nazim Uddin Ahmed: Penalty is not enough to establish order in this sector they need be cautious about the company's future plan so that discipline may return to this sector. Remember, IDRA is not a competitor.

NN: There is Non-tariff ceiling, is it right?

Mir Nazim Uddin Ahmed: No, tariff system should remain but commission system must be withdrawn for healthy competition.

NN: There are more General insurance companies than market size. What you think?

Mir Nazim Uddin Ahmed: public sector business should be opened for all. It should not be prescribed for SBC only because it enjoys dual authority since it is the reinsurer of the non-life insurance companies and at the same time competitor for business in private sector. This dual role of SBC creates an uneven field towards a competitive environment. We prefer even field for all to do business and no need to share profit and loss of SBC.

NN: Most of the profit goes to foreign re-insurance companies. How we overcome the system?

Mir Nazim Uddin Ahmed: Domestic insured together should form a re-insurance company. As a result, our domestic money will not siphoned off.

NN: How do we ensure the realization of government's revenue?

Mir Nazim Uddin Ahmed: By using IDRA prescribed software can ensure cent percent government's revenue realization.

NN: What steps regulatory authority should be taken to maintain market discipline and expansion of this sector?

Mir Nazim Uddin Ahmed: Like Central Bank the authority should formulate proper guideline for controlling and supervising the activities of private sector insurance companies.

IDRA should strictly implement those guideline to reduce unhealthy practice in the market and penalty/reward system be introduced to follow the rules by the companies.

A national insurance institute should be established for educating youths so that they shall be interested about the business.