

CHAPTER 18

SECTION-I

INSURANCE BUSINESS

1. General : Foreign exchange regulations governing insurance business entered into and completed in Bangladesh are set out in this chapter. Branches and agencies in Bangladesh of insurance companies whose head offices are situated abroad are, from foreign exchange regulations viewpoint, regarded as resident in Bangladesh and are subject to the-same instructions as insurance companies registered in Bangladesh.

Life Insurance

2. Types of policies which may be issued : (i) Insurance policies on the lives of residents of Bangladesh may be issued only in Taka. (ii) Existing Taka life policies may not be converted into foreign currency policies except with the prior approval of the Bangladesh Bank. Similarly, the records of an existing Taka policy may not be transferred to an office outside Bangladesh.

3. Collection of premia : (i) Premia on Taka policies on the lives of non-residents may be accepted in Taka if made by cheques drawn on a non-resident Taka account with an AD or if made out of funds remitted from abroad by the policy-holder through an AD.

(ii) Premia collected on Taka policies must be credited to the insurance company's resident account. The remittance of such collections by the branches of non-resident companies to their overseas head office or branches is not permitted.

4. Assignments : Policies may not be assigned by a resident in Bangladesh to a non-resident or by one non-resident to another non-resident in a different country without the prior approval of the Bangladesh Bank. There is, however, no objection to technical assignments of life policies to the head offices of overseas insurance companies as security for Taka loans granted by the branch in Bangladesh.

5. Payments of claims

(i) The maturity proceeds or surrender value of Taka policies will be paid in Taka only.

(ii) The proceeds at maturity of Taka endowment policies or annuities held by foreign nationals who are temporarily resident in Bangladesh or who having been temporarily resident in Bangladesh have left Bangladesh, may not be transferred for payment outside Bangladesh without the prior approval of the Bangladesh Bank.

6. The foreign currency policy abroad

Bangladesh nationals may buy life insurance policies in foreign exchange while residing abroad. On their permanent return to Bangladesh they may continue to pay the premia from foreign

currency accounts maintained in Bangladesh. Remittance facility may also be allowed for premium payments provided:

- (a) The foreign currency policy abroad was taken while the policy- holder was resident abroad;
- (b) Nominee or assignee of the policy is a resident;
- (c) The holder furnishes undertaking that the proceeds of the policy will be received in Bangladesh through normal banking channel;
- (d) Declaration is furnished by the applicant as per proforma at Appendix 5/100;
- (e) The AD shall keep note of maturity date of the policy and inform Bangladesh Bank about non-repatriation of proceeds of the policy at maturity immediately in any such case.

7. Export of policies

Life and endowment policies which fall within the definition of securities cannot be taken or sent out of Bangladesh without the prior approval of the Bangladesh Bank. Applications for export of life policies should be made to the Bangladesh Bank giving full description of the policy and reasons for its export.

Non-Life Business

8. Marine policies-exports

Exporters in Bangladesh may obtain insurance cover for shipments on CIF basis, the policies may be expressed in Taka or in foreign currency. For FOB/CFR export shipments, the insurance covers are arranged by the overseas buyers.

9. (i) Marine policies-imports : (i) Exports from and imports into Bangladesh under the public sector are required compulsorily to be insured with the Sadharan Bima Corporation (SBC). Private sector exporters and importers may take out policies from SBC or from any approved private sector insurance company in Bangladesh.

(ii) The insurance policies on account of imports into Bangladesh should be expressed in Taka except that in case of imports for projects/industries which are financed by foreign loans/grants, policies may be expressed in foreign currency if the terms of the loans/grants so require.

(iii) Marine policies-coastal shipments

Coastal shipments between places in Bangladesh may be insured only in Taka.

10. (a) Insurance cover on non-marine risks (excluding life) inside Bangladesh may be issued only in Taka. Nothing in this paragraph shall affect the operation of the warehouse to warehouse clause in marine insurance policies.

(b) Insurance cover on assets outside Bangladesh owned by residents of Bangladesh may be issued in Taka or in the currency of the country in which the assets are situated.

(c) Insurance of baggage and valuables in transit

Insurance of baggage and valuables in transit is subject to the same regulations as applicable to marine insurance policies.

11. (i) Currency in which policies may be issued for non-marine risks (excluding life) :

Claims on foreign currency policies may be paid to non- resident beneficiaries in the currency in which the policy is issued. Where a remittance from Bangladesh is required for this purpose, an application must be made to the Bangladesh Bank on Form TM accompanied by a declaration as per Appendix 5/73.

(ii) Currency in which policies may be issued-other risks : Claims on foreign currency policies whose beneficiaries are residents of Bangladesh may ordinarily be paid in Taka. Where the beneficiary requires payment in the currency of the policy, permission from Bangladesh Bank should be applied for on Form TM accompanied by declaration as per Appendix 5/73. The beneficiary must explain in the declaration why payment in foreign currency is required.

(iii) All risks insurance : All risks insurance policies on the assets of residents may be issued only in Taka.

(iv) Householders policies : Householders policies can be issued only in Taka.

(v) Personal accident insurance policies : The issue of personal accident policies is subject to the same conditions as life policies.

(vi) Policies under the Workmen's Compensation Act and Merchant Shipping Act : Policies under the Workmen's Compensation Act and Merchant Shipping Act can be issued only in Taka.

12. (i) Method of collection of premia on (non-life business) Taka policies : Premia on Taka policies of non-residents may be accepted in Taka if made by cheque drawn by the non-resident policy holder on his non-resident Taka account with an AD or if the payment is remitted from abroad by the policy holder through an AD. Insurer should not accept payment in Taka from resident accounts in such cases.

(ii) Premia collection : Foreign currency policies : Premia on foreign currency policies issued by the Insurance Companies in respect of foreign nationals resident in Bangladesh can be collected out of remittable Taka funds of the policy holder or through a remittance received from abroad. In respect of foreigner residing abroad the premia can be collected only through remittance from abroad.

13. Method of settlement of claim (non-life business): Claims against Taka policies can be paid in Taka only, regardless of whether the beneficiary is a resident or otherwise.