

# Insurance Enabling Growth in Emerging Markets: Bangladesh

**Bangladesh provides significant opportunities for contractors and lenders with 7%+ GDP growth, modern tax reforms and USD 24bn infrastructure investments needed per year, and a 42% increase in foreign direct investment since 2018.**



## **Political risk: Medium – High**

In Bangladesh, a large portion of infrastructure financing has been supported by export credit agencies and multilateral organisations. In the coming years, the private credit and political risks insurance market will be crucial in supporting infrastructure investment.

Political risks insurance can be used to secure financing for equity and debt, covering:

- |                             |   |
|-----------------------------|---|
| <b>1</b> Expropriation      | <b>2</b> Currency inconvertibility                    |
| <b>3</b> Political violence | <b>4</b> Arbitration award default/breach of contract |

### **For Bangladesh risk, insurer capacity can support:**

- A range of sectors including power, infrastructure and capital goods.
- Multi-year project tenors.
- Premium rates based on a percentage of margin on the debt or priced based on the project risk (e.g. 1.5% p.a. and 2.25% p.a.)
- Comprehensive credit risk capacity may also be available.
- Stand-alone political violence / sabotage & terrorism risk.



Sponsor, Contractor, and Lender Advisory Services can ensure that there is adequate risk identification and insurance to mitigate underlying project risks.

**For Bangladesh projects, considerations include:**

- No licensed brokers in Bangladesh, therefore, insurance is purchased directly from insurers. **Aon can provide consulting services** to ensure the efficacy of this process.
- Any project funded from overseas is defined as public property and needs to be insured with the Sadharan Bima Corporation (SBC) by law. **Aon can advise of potential issues and solutions.**
- **Aon can help optimise premium spend.** For example, where projects can be exempt from VAT / Insurance Premium Tax.
- Much of Bangladesh is considered a high natural catastrophe zone for insurers and therefore capacity can be restricted (and consequently more expensive). **Aon has the experience and market knowledge to overcome such challenges.**

The Aon team has been recruited with diversity in mind. With our informed risk identification and risk allocation skills we can ensure that the inherent risks of your business/projects can be managed as cost-effectively as possible. This is especially important should you use Project Financing methods for funding.



**Please contact us** to discuss insurance/advisory for your upcoming projects.



For more insights on political and security risks, **please download** Aon's 2019 Risk Maps.