Insurance Journal

Volume: 64 *December : 2019* *ISSN: 1684-0437*

Bangladesh Insurance Academy

ISSN: 1684-0437

Insurance Journal of
Bangladesh Insurance Academy

Volume: 64

December : 2019

The Editor and the Editorial Board do not bear any responsibility for the views expressed in papers by the contributors

Bangladesh Insurance Academy

Published by:

Bangladesh Insurance Academy
53, Mohakhali C/A.
Dhaka-1212., Bangladesh
Phone 8820900, 9899008, 9899292-3
Fax : 880-02-9882071
E-mail: bangladeshinsuranceacademy@gmail.com
web site:www.bia.gov.bd

Subscription rates	**Abroad**	**Local**
One year	6 US $	Tk. 200
Two years	10 US $	Tk. 400
Three years	15 US $	Tk. 600

Printed by :

Contents

POTENTIAL IMPACT OF CLIMATE RISKS IN BANGLADESH AND PREPAREDNESS OF INSURANCE INDUSTRY

K. M Mortuza Ali, ACII

INTRODUCTION

With 162 million people, Bangladesh is one of the world's densest nations and also one of the most vulnerable ones largely impacted by climate change. People in Bangladesh live precariously close to the risks of cyclones, floods and droughts. More than 100 million people live in rural areas.Two-thirds of the country is less than 5 meters above sea level and in an average year, a quarter of the country is inundated. Bangladesh experiences severe floods every 4 to 5 years that cover more than 60 percent of the country, resulting in significant losses of lives and properties.

The poor and vulnerable in Bangladesh are constantly adjusting to climate change by raising their houses above the flood level or changing types of crops. The Government of Bangladesh has invested more than $10 billion in the past 40 years to make Bangladesh less vulnerable to natural disasters.

Despite these efforts, the direct annual cost of natural disasters over the last 10 years is estimated to be between 0.5% and 1% of Bangladesh's GDP (UNDP). The economic impacts of future climate change are expected to be larger and could even reverse the recent gains in the areas of economic growth and population control.

Bangladesh is one of the top 10 nations that are mostly vulnerable to climate change and by the end of the century, Bangladesh may be set

K.M Mortuza Ali, ACII
DG, Bangladesh Institute for Professional Development Ltd.

to disappear under the waves. Since the effects of climate change will affect poor most, an immense task layes before us of addressing the inadequacies of health systems to protect people at risk through appropriate insurance mechanism.

VALNERABLE BANGLADESH

Geographically, Bangladesh is located in the tropical regions. Natural disaster is a common phenomenon and till today Bangladesh has been facing several disasters, and climate change is the main reason behind it. Bangladesh lies on a deltaic plain with five major river systems: theJamuna-Brahmaputra, the Padma-Ganges, the Surma-Meghna, the Padma-Meghna, and the Karnaphuli. Although altitudes up to 105 m above sea level occur in the northern part of the plain, most elevations are less than 10 m above sea level; elevations decrease in the coastal south, where the terrain is generally at sea level. These geographical features make Bangladesh vulnerable to natural disasters, such as floods and cyclones, and the high levels of poverty increase the enormity of the challenges that the country is likely to face from climate change.

Bangladesh is one of the most densely populated nations on Earth. It has more people than geographically massive Russia. Bangladesh ranked fifth most vulnerable country to climate change and hunger in an Action Aid research report. In the World Risk Index 2011, jointly conducted by United Nations University (UNU), Germany and the Institute of Environment and Human Security said that Bangladesh ranked sixth asmongest the most vulnerable country to natural disasters, while second among the Asian countries. Bangladesh is a very low energy consuming country, and it is pursuing a low carbon growth path, while building its resilience to climate change and reducing the risk of climate change, which shows national development. Bangladesh is projected to be 0.5 to 0.2°C warmer than today by the year 2030. The 30 years mean summer temperature in Bangladeshis 27.5°C and the mean summer temperature is relatively higher during the monsoon than during summer. Winter is the driest season in Bangladesh. The 30 years mean winter rainfall amounts to about 64 mm with a variability of around 53%. By 2030, the best estimate projection is for monsoon rainfall to increase by 10 to 15% and winter rainfall by 5 to 10%.

Bangladesh is one of the top 10 most nations vulnerable to climate change, said German watch Global Climate Risk Index report. By the end of the century, Bangladesh is set to disappear under the waves as mentioned by US government's NASA space agency. The International Panel on Climate Change (IPCC) predicted that by 2050, Bangladesh is on course to lose 17% of its land and30% of its food production and as a result poverty will increase. The country has already begun to feel the effects of climate change as flood periods have become longer and the cyclones, droughts and earth quakes that hit the country cause greater devastation adversely affecting the country's agriculture and land, and challenging water resources, occupational dislocations, food, health, energy and urban planning.

The Healthy Center for Climate Prediction and Research (HCCPR) estimates that sea level of Bangladesh will rise about 40 cm (15 inches) by 2080 (Streatfield, 2008).Water level rises to be at least 5.6 mm a year at Hiron point, 1.4 mm at Cox's Bazar and 2.9 mm at Khepupara, as was cited from Bangladesh Water Development Board (ANN, 2010a). The climate models suggest that temperature will increase in Bangladesh during all seasons by approximately 1.0 to 15°C by 2030. The Prime Minister of Bangladesh referred to the more extreme estimations that a one-metre rise in the sea level would submerge a quarter of Bangladesh’s land mass.

It was mentioned that the mangrove forests of the Sundarbans, the Bengal tiger and hundreds of bird species may disappear. Bangladesh and India share important as well as sensitive ecological treasures, such as the mangrove forests of Sundarban and hill forests on Bangladesh's north and eastern border. These forests are rich in bio-diversity and they are also the areas, where members of many ethnic minorities live. It is the joint responsibility of India and Bangladesh to preserve and cherish these ecological treasures and to protect the rights of the ethnic minorities, who have been traditionally living there.

Decreasing flow of water through the rivers from upstream is destroying the ecosystem of Sundarban. Experts from home and abroad observed that alarming decrease in water flow down the rivers caused high salinity in both water and soil of Sundarban, causing a massive change in faunal composition of the forest. Sundarban, which lies across the outer deltas of the Ganges, Brahmaputra and Meghna rivers, is the largest mangrove forest in the world. The number of timber producing big trees such as Sundari is decreasing at the proportionate rate at the increase of salinity,‟ Abstract from a paper on„ Biodiversity and its Conservation in Sundarban Mangrove Ecosystem‟ by Indian scholars Brij Science journal also revealed the same result. The latest report of World Conservation Monitoring warned that a long-term ecological change is taking place in Sundarban due to the eastward migration of the Ganges, abandonment of some distributaries and past diversion of water and withdrawals for irrigation.

Climate change will lead to poorer nutrition, putting people with perilous immune systems at more risk of dying of HIV, as well as contracting and transmitting new and unusual infections as mentioned by Prominent Australian HIV scientist of National Centre in HIV Epidemiology and Clinical Research, NCHECR.

Dr. Paul Epstein, an epidemiologist of Harvard School of Public Health warns that climate change could have an impact on health in three major ways:

(1) Creating conditions conducive to outbreaks of infectious diseases,

(2) Increasing the potential for transmission for vector-borne diseases, and

(3) Hindering the future control of disease. There are instances that this disturbing change has already begun.

Bangladesh stands at the forefront of climate change, with its coastal region witnessing dramatic rise in the sea-level over the last three decades. The resultant sea-water intrusion is increasing salinity in coastal drinking water with severe health consequences to the surrounding populations.

About 50% of the coastal areas are affected by salinity. Millions of people in northern Bangladesh are threatened by riverbank erosion and severe droughts. Furthermore, climate change is expected to increase the risk of more recurrent and severe floods through higher river flows, resulting from heavier and more unpredictable rainfall in the Ganges-Brahmaputra-Meghna system during the monsoon and increased melting of the Himalayan glaciers. Its physiography and river morphology also contribute to recurring disasters. International Federation of the Red Cross and Red Crescent Societies also identified river erosion as the largest concern for Bangladesh.

The International Panel on Climate Change reported that groundwater, crop soils and many rivers are likely to become increasingly saline from higher tidal waves and storm surges as a result of the effect of climate change . Bangladesh's salinity intrusion threatens greater future incursion for numerous reasons contentiously debated by scientists. These include reduced freshwater flows into the Padma River, caused by the Farakka Barrage; climate change induced decreases of dry season rainfall, stronger and more frequent cyclones and the rise of sea-level; and shrimp farming in intensified saltwater .

The recently established“climate change unit” under environment and forest ministry need to be made proactive. The bilateral treaty between India and Bangladesh did not address the issue of water diversion by India in the upstream areas . Regional conferences are necessary as this can be a platform to reach a bigger audience. Referring to very little information available for the government, civil society members and experts of Bangladesh, sharing environmental/ecological data among the bordering countries is very necessary, as this is a question of life and death for the people of both the countries. Bangladesh Environmental Lawyers Association (BELA) and few other organizations and civil society bodies like Bangladesh Poribesh Andolan (BAPA) have now come forward to advocate for environmental/ecological issues. However, sustaining positive changes are still a challenge and involvement of local communities is fundamental to in this regard that could be brought through legal activism.

FUNDING

The government of Bangladesh has set up an annual climate change trust fund of $100 million with its own resources. Bangladesh is also expected to receive a large amount of money from development partners for the climate change resilience fund. Transparency International Bangladesh (TIB) is tracking the spending of the climate change fund to ensure its proper use. The UN-led talks in Cancun in December 2010 agreed on a full accord to fight global warming, including the creation of a Green Climate Fund to help developing countries.

There are many trans boundary rivers and ecological issues between Bangladesh and India that need to be resolved. There is no doubt that, India, being a neighboring country of Bangladesh, will also be affected if the ecology and economy of Bangladesh collapse under the weight of climate and environmental crises. It is, therefore , inportant in the interest of both India and Bangladesh to work together in directions that will enable Bangladesh to withstand the climate and economic challenges that it faces. Bangladesh and India should take into consideration their bilateral to reach ecology-friendly, win-win solutions. Common ecological issues, such as 1) Farakka Barrage on the Ganges 2) Indian barrages on the River Teesta 3) Tipaimukh Dam on the River Barak 4) Interventions into the River Brahmaputra e) Indian river linking project 5) Cross border flush floods 6) Cross border pollution 7) Approaches to the rivers.

Since the 1970s, the Government of Bangladesh with the support of development partners, has invested in:

- Flood management schemes to raise agricultural productivity in low lying areas
- Flood protection and drainage in urban areas
- Coastal embankment projects to prevent tidal flooding and incursions of saline water
- Cyclone shelters
- Disaster management projects.
- New cyclone shelters.
- Irrigation schemes to enable dry season crop.
- Agriculture research programs to develop saline, drought and flood adapted high yielding crop varieties.
- Coastal 'greenbelt' projects.

Recognizing the increased future vulnerability of its development objectives to climate change, the Government of Bangladesh prepared the National Adaptation Program of Action (NAPA) in 2005. This was followed by the adoption of the Bangladesh Climate Change

Strategy and Action Plan (BCCSAP) prepared by the Ministry of Forests and Environment in consultation with all relevant stakeholders, in 2008.

The government of Bangladesh has recently established a Climate Change Fund from its own resources with an initial capitalization of $45 million. To complement this initiative and to ensure donor harmonization, development partners in Bangladesh have agreed to establish a Multi Donor Trust Fund for Climate Change. The latter is being administered by the World Bank with a proposed initial contribution of about $100 million.

ECONOMIC CONSEQUENCES

Bangladesh, due to its geographic location, is one of the most disaster prone countries in the world. Hence, the country is highly vulnerable to the adverse effects of climate change – especially high temperature, sea-level rise, cyclones, storm surges, salinity intrusion, heavy rain falls, floods etc. According to the German watch Global Climate Risk Index 2017, Bangladesh is the sixth most affected countries in the world. The lives and livelihoods of millions of people in the country are hugely affected by the consequences of climate change. Thus the overall economic development is also facing the risk of serious disruption. According to the Asian Development Bank, Bangladesh may experience a 2% annual loss in GDP by 2050 because of climate change.

The pervasive effect of climate change can be observed in every aspect of the economy of Bangladesh starting from procuring raw materials to distributing the end products to the consumers. Loss of biodiversity, decrease in crop yields, decline in fish production, hindrance in transportation of goods via river routes or roads because of extreme weather conditions, infrastructural damage and damage of supplies due to bad weather, or even a fewer number of customers than usual in a shopping mall – are instances of climate change adding obstacles to the path of economic growth. Significant economic sectors like agriculture, fisheries, manufacturing etc. will exhibit momentous transformations due to climate change.

The manufacturing sector (e.g. textile, agro-processing, light-engineering etc.) can be affected by climate change due to decreasing availability of raw materials (agricultural inputs such as rice, cotton etc.), energy shortage, decreasing water supply and damaged manufacturing and storage facilities. Floods and other natural calamities can severely impact the manufacturing sectors due to the disruption of communication and transport systems, power supplies or damage to infrastructure. Most of the raw materials of ready-made garment sector are imported from overseas. The global production of raw materials (especially cotton) may be hampered due to the changes in the required temperature for production which will have a significantly negative effect on the RMG sector.

Tourism in Bangladesh is mainly based around tourist attractiions for example Cox's Bazar, Chittagong Hill Tracts, Sunderbans, and Sylhet etc. Climate change causing natural disasters and unfavorable weather, is essentially leading to high floods, mudslides, prolonged waterlogging rendering the destinations inaccessible. Rising sea levels with a beach backed by a sea wall, will lead to a lowering of the beach. As a result Recreational activities of the tourists will suffer in the wake of such and adverse climate. This can negatively affect current and future demands of tourists affecting directly the profitability of the field.

Other sectors for example service sectors and SMEs are also indirectly affected by climate changes, though the impacts may not be quite visible. One way or the other, their sustainability and business continuity are at risk due to climate variability and extreme weather events which will in turn cause the entire economy suffer, resulting in losses of jobs and a decline in economic growth.

ROLE OF GOVERNMENT

Bangladesh government is adopting a two-fold strategy to battle climate change: Mitigation and Adaptation. Mitigation refers to efforts to reduce or prevent emission of greenhouse gases (GHG), whereas adaptation means anticipating the adverse effects of climate change and taking appropriate actions to prevent or minimize the damage they can cause.

The primary goal for adaptation actions is to protect the population, enhance their adaptive capacity and livelihood options, and to protect the overall economic progress of the country. In 2010, World Bank estimated that the total adaptation cost will reach around $6.59 billion by 2030. The adaptation actions include the following steps:

The Government has allocated nearly $400 million to BCCTF in order to accelerate the present domestic initiatives to adapt to climate change and secure lives and livelihoods of people. As of June 2015, BCCTF has funded over 236 projects of which 41 have already been implemented. (Source: Ministry of Environment and Forests).

Most of the climate change impacts in Bangladesh are likely to come from the south — that is, the Bay of Bengal and the adjoining North Indian Ocean. These waters are the sources of tropical cyclones and storm surges, coastal erosion, monsoon wind, evaporation for monsoon rainfall, floods, and droughts.

The country has a very low and flat topography, except the northeast and southeast regions. About 10% of the country is hardly 1 m above the mean sea level (MSL), and one-third is under tidal excursions. The country has 3 distinct coastal regions—namely, western, central, and eastern coastal zones. The western part, also known as the Ganges tidal plain, comprises of the semi active delta and is crises-crossed by numerous channels and creeks. The topography is very low and flat. The southwestern part of the region is covered by the largest mangrove forest of the world, popularly known as the Sundarbans, named after the 'Sundori' trees. The mangrove forests act as deterrents to the furiousness of tropical cyclones and storm surges. The central region is the most active one, as processes of accretion and erosion are taking place regularly here. The very active Meghna River estuary lies in the region. The combined flow of 3 mighty rivers—the Ganges, the Brahmaputra, and the Meghna, discharges under the name of Meghna into the northeastern corner of the Bay of Bengal. This estuarial region has seen the most disastrous effects of tropical cyclones and storm surges in the world and is very vulnerable to such calamities. The eastern region, being covered by hilly areas, is more stable, and it has one of the longest beaches in the world

If global warming causes any increase in cyclone activity, the situation in Bangladesh and India is likely to worsen further . Erosion in the coastal area of Bangladesh is another big point of concern for Bangladesh. Heavy discharge currents through the GBM river system, wave action due to strong southwest monsoon winds, high astronomical tides, and storm surges in the Bay of Bengal are the main causes of erosion (and accretion) in the coastal area of Bangladesh.

INSURANCE APPROACH TO CLIMATE AND RISK MANAGEMENT

Risks that cannot be prevented or reduced in a cost efficient manner can either be retained by risk holders and/or transferred to third parties through insurance. Risk transfer tools are part of a portfolio of options to manage risks that should be combined in an integrated climate risk man¬agement approach. In the context of climate change, insurance solutions can be effective measures to manage the negative financial effects of unforesee¬able low frequency, high severity natural catastrophe events.

Well-designed insurance products help to reduce the economic impact of and facilitate quick recovery after natural catastro¬phes. In accordance with insurance theory, insurance works by replacing uncertain prospect of losses with a certainty of making small, regular payments. In turn, it can help protect livelihoods from catastrophic events and in combination with mitigation and risk prevention measures, risk transfer can help to strengthen resilience to climate change.

A variety of insurance products exists to deal with specific kinds of extreme climatic events. For individuals or households this could include crop insurance against drought, excessive rainfall or other adverse weather events. For communities or governments, insurance products could protect infrastructure of the agricultural sector. Insurance can be organized in many ways and at different levels ranging from individual direct insurance to state-organized insurance of a large group of people.

Promoting the use of insurance solutions can lead to increased risk management awareness at the stakeholders' level. This increased awareness has the potential to be translated into risk reduction activities by individuals, thereby strengthening national and community resilience. Insurance can provide necessary financial security ("peace of mind") to take on risky yet productive investments.

In addition to the opportunities and potential benefits, there are a number of challenges that need to be considered in the design and implementation of insurance solutions in the context of climate risk management.

However Insurance-related approaches can be relatively expensive for low-income countries, communities and individuals due to high start-up costs, transaction costs and infrastructure requirements for data collection. The lack of insurance literacy and the complex¬ity of insurance products on the one hand, and low willingness and ability to pay by the customers on the other, can make insur¬ance a "hard sell".

The establishment of cost-effective distribution channels for a pilot initiative to be scaled up nation-wide is a crucial challenge to be addressed. However, selling through existing networks, such as branch networks of insurance or banking companies, branch networks of input suppliers, member networks of large farmer organizations or through the public extension service, could keep transaction costs at a manageable level. Using innovative tech¬nologies such as mobile-phone based money systems could also help to keep costs low and reach large numbers.

Ownership of local stakeholders and proactive public coordination and support is crucial (e.g., including climate-risk insurance as part of the national agricultural policy or climate change adaptation strategies, funding, premium subsidies, coordination with complementary risk management initiatives).

Capacity building of the local supply side (designing, pricing, marketing and underwriting of products and claims management) acts as part of a sustainable approach rather than donor-driven solutions. Supporting in setting up local institutional and organizational structures;

Finding cost-effective distribution channels by partnering with risk aggregators (e.g., banks) or actors with a wide network to keep transaction costs low (e.g. branch network of insurance companies) and reach large numbers at the same time taking advantage of technology such as the use of mobile phone is instrumental.

Product design has to be based on the local context which can be assessed by market research ("one size does not fit all"). Clients are not interested in products which only cover catastrophic events and make payouts only every 10–12 years but rather in more comprehensive cover, i.e. insurance solutions which pay out more frequently. This poses a challenge for a sustainable scale-up since clients are usually not willing to pay the higher premium rates which go along with more comprehensive insurance covers;

Client education on climate risks and the different tools can be used to tackle these risks. This should also include awareness creationon basic insurance principles; running nation-wide awareness campaigns with support from the government, via different channels specifically designed for the local context, can also help in reaching scale;

The following potential lessons on achieving scale can be flloed

a) The product should be flexible and generic to fit the local context; The product should initially be designed to be introduced across the country.

b) For insurance to play an active role in risk management, an enabling risk management environment including access to an early warning system and access to mobile phone technology by final beneficiary should be in place.

CLIMATE CHANGE AND THE INSURANCE INDUSTRY

Many of us in the insurance industry do not regard climate change as a significant issue. However a certain amount of research and analysis has been performed by several progressive companies who now see it as a fundamental issue, which will affect not only the nature of insurance risk, but also public policy towards natural hazards.

In parallel, there is a broader move within the industry to understand and cope with the impact of insurance extreme events, because of the growing exposure to catastrophic losses and the increase in their actual impact in recent decades. Finally, there is a recognition that environmental issues will have to feature more prominently on the management agenda in future.

How insurance can form a part of a broader programme for natural disaster reeducation, incorporating climate research, land use planning, and information strategies. Problems and opportunities might then arise for insurance and how best to capitalize on the common elements in the where the insurance industry stands on climate change now, and second to identify what opportunities and problems will flow from it to affect the insurance sector.

It is now generally accepted that the Earth's temperature has risen about 0.6 C since 1860, with a corresponding rise in sea level. Man-made "greenhouse gases" like carbon dioxide, methane and which retain the sun's energy, the human influence on climate was now discernible. Greenhouse gases have a long lifetime in the atmosphere and are increasing in volume due to global economic activity, so the changes will not cease by 2100, but will in fact accelerate. IPCC recommended that governments should jointly agree to limit greenhouse gas emissions to mitigate the long-term changes. It is easier to devise a plan than to implement it.

The insurance world runs the full gamut of opinion on climate change, from disbelief to disinterest to acknowledgement and then active involvement. While there are always exceptions to any rule, attitudes tend to be based on location (for property insurers) or function (for other arms of the insurance industry).

Looking first at property insurers, one should not subscribe to the idea of global warming. This is typical of the business climate in that county, which sees climate change almost as an environmentalist plot designed to undermine its competitive international position, which is heavily based on cheap energy. A factor which is specific to insurance is that weather loss experience is dominated by hurricanes, and those in turn are influenced by a number of factors, particularly el nino, which are apparently cyclical. This means that any underlying natural trend is camouflaged, apart from the widely recognized fact that there is a strong growth in exposure along the Atlantic seaboard anyway.

Some other functions in the insurance market are more aware of and more involved in global warming, because they are more specialized. Either they stand to benefit from an increase in weather related transactions, or they are even more exposed than insurers. The former category includes brokers, reinsurance brokers and loss adjusters who are generally remunerated in proportion to the premium or claims flows. The second comprises reinsurance companies, who are often the true carriers of catastrophic losses even when the original losses are settled by a local insurer.The most active insurance body on the issue of climate change is the United Nations Environment Programme Insurance Industry Initiative (UNEP III) which was founded in 1995.

There are perhaps four significant reasons why the insurance industry is not currently more actively involved in climate change: the poor quality of information; the predominance of short-term thinking in business circles; peer group influence, and the nature of current institutions.

a) Poor quality information: The flow of information about climate change to insurers is deficient in several ways. In the first place, the state of knowledge about the future weather is embarrassingly poor, because the global weather system is so complicated that even three-day forecasts can be seriously inaccurate. General trends in temperature are not much help to insurers.

b) Short-team thinking in business: It is human nature to respond to recent or urgent stimuli, and insurers are no exception. In the early 1990s for example, reinsurance rates rocketed as a result of Hurricane Andrew, and that recent windstorms have been less costly in terms of insured damages, serious natural disasters do not impinge on the insurance world, because flood damage is often excluded, as is much of the agricultural sector. This means that insurers are considering only a partial picture as they look at weather loss trends, but not and not at consequences of climate change.

c) Peer group pressure: If powerful sectors like energy and motor vehicles take up determined positions on an issue like global warming, this is bound to influence others without a strong stake, or who are less well informed. In the case of one major reinsurer which reversed its proactive stance on climate change.

d) The institutional dimension: Climate change is a problem which needs to be addressed internationally, many industries have international associations which lobby effectively on trade and other global issues, including climate change. Unfortunately, the insurance industry is not one of these and until the creation of NEP III there was no channel at all for it to communicate with policymakers at the annual Conferences of parties which are attempting to initiate measures to deal with climate change.

At national level, insurance industry associations do exist, but they are traditionally concerned with local regulation, e.g. taxation, accounting, product design, and consumer affairs. To lobby on environmental issues is quite foreign to such bodies, particularly when there is such a large degree of uncertainty about the likely impacts on their member's interests. On the other side, governments and scientists are not generally used to seeking the assistance of the business community on environmental issues, and have been slow to recognize that there may be allies in the insurance sector (and others, e.g. tourism) to counterbalance the antipathy from energy-intensive sectors.

There has been a general rise in insured losses in recent decades, largely reflecting changes in exposure, rather than a fundamental trend in the natural hazards themselves. The most significant drivers are: property has become more susceptible to damage, through the use of flimsy structures like trailers and the water-sensitive nature of modern business and personal equipment; populations have grown, have become wealthier, and are increasingly located in maritime regions or megacities (or both); and business are more vulnerable to interruptions following extreme events. Scientific knowledge will continue to accumulate at an accelerating rate, which will lead to advances in materials technology and medical techniques. In turn these are likely to give rise to larger exposures for insures.

The most proactive initiative in the insurance sector is the United Nations Environment Programme Insurance Industry Initiative, founded in 1995, and closely associated with the issue of climate change. It has always advocated early action, because of the uncertain nature of the impact on weather patterns, and the enormous potential for property damage. Scientific research has conclusively shown that at the time of the last delectation, the climate oscillated wildly even on a decadal timescale, which confirms that the Earth's climate system is sensitive to disruption. One of the most notable outputs from the initiative is their Global Warming Potential indicator, which estimates the emissions of carbon dioxide for which a company has been responsible. However, the initiative recognizes that a wide range of environmental issues are relevant to insurers, including responsible investment. Currently the membership is largely European and Japanese, but it is hoped that this membership will extend to other continents, and to develop closer co-operation with the banking industry, which has a separate UNEP initiative.

Another epochal change in the industry is the convergence of financial services, with banking and insurance increasingly blending, either through mergers, acquisitions and Greenfield subsidiaries, or through joint venture partnership arrangements. This will obviously reinforce the trend towards scale, but will also lead to more innovation in the provision of financial services. For example, while insurers and banks are not under common ownership, it has been easy for an insurer to avoid risks like flood or growing crops which may constitute a major financial problem for a bank's customers and therefore the bank. When the interests are united, it is more likely that a new service will evolve to protect them. Alternative Risk Transfer (ART), although only a fraction of the global reinsurance demand has been diverted to them. However, this innovation could prove decisive if a major increase in insurance for natural hazards were to be required. The mounting toll of human casualties and property losses motivated the United Nations to declare the 1990s the International Decade for Natural Disaster Relief (IDNDR). The two basic planks in a disaster policy are mitigation.

Traditionally insurers have had four strategies to manage their exposure to natural hazards; limit the risk; control the damage; transfer the risk; and adjust the product price. Limiting the risk by not writing it, or restricting the quantum through upper and lower limits of liability or narrowing the circumstances of loss which are covered, are common tactics, but they often give rise to disputes over coverage, and are not welcomed by regulatory bodies, intermediaries or the public. In some cases, they may be essential to safeguard insurers own interests, but it is helpful to link them with other strategies, e.g. prancing incentives. Insurers do often assist their business customers with advice on how to manage specific risks, but it is not generally possible to provide on-site advice for the personal market.

Controlling the damage after has happened has always been a valuable strategy, and as disasters have become more frequent, and insurance companies have growing in size, so it has become possible to apply a more professional approach. Thus 24 hour telephone helplines are common features of service, linked to the nomination of approved repairers/suppliers with a guarantee of quality delivery. This is immensely helpful in reducing the claim costs and improving customer satisfaction.

It used to be easy to transfer risk through reinsurance. Little attention reinsurers paid to catastrophic risk, and ultimately proved catastrophic for the reinsurers themselves. Now, reinsurers are the heaviest users of exposure management techniques, although this does not always flow through to their prancing. The other way in which risk might be transferred would be to demonstrate that human agency had materially caused or worsened a particular catastrophe, and so seek compensation.

The final instrument is price. Here the underwriter faces major problems, because of public and sometimes regulatory resistance. This is particularly so with extreme weather, since incidents are relatively localized and infrequent, yet a small shift in return periods can producea insurer huge increase in the risk premium. If competitors do not share the same view, the insurer stands to lose a significant proportion of his market share, but the underlying uncertainty and the ease of entry for new competitors makes it difficult to reach a consensus.

A shift to a more co-operative stance would be more effective, and it would be in the public interest to avoid a poor response to disasters when they do come. Insurers can contribute greatly to a societal approach, because they have acquired skill and knowledge of use in preparing for, coping with and recovering form, disasters through their normal activities. Before the event, they have to assess and possibly improve risks, and price them to reflect the degree of hazard, as well as marketing a “grudge” intangible service, which is notoriously difficult. During the incident, they provide emergency advice, and then afterwards they are accustomed to controlling the recovery process because they provide funds from their reserves. This involves appointing a whole range of specialists, suppliers and contractors, as well as looking after the financial and physical well-being of customers. Their ability to mobilize resource internationally, and their possession of an efficient administration release public resources for more vital tasks, and they are instrumental in resisting dishonesty which often abounds after disasters.

APPROPRIATE REGULATORY ENVIRONMENT AND OVERSIGHT

Many developing countries with low non-life insurance penetration lack well-functioning supervisory systems and effective regulatory frameworks according to international stand¬ards. This can hamper the development of sustainable insurance solutions which can function as climate risk transfer instruments. Therefore, an adequate regulatory and supervisory framework needs to be in place to ensure that insurance undertakings are financially viable and that products are designed and sold in a way that ensures value to the customer. The International Association of Insurance Supervisors (IAIS) established a set of essential principles, called Insurance Core Principles (ICPs), to be adhered to for an insurance supervisory system to be effective and which gives guidance on how these principles can be applied in low-income countries.

Pro-active management of climate risks requires long-term commitment from public champions, e.g., relevant ministries and public climate and disaster risk management initiatives. This includes a sustained public engagement with relevant stakehold¬ers like the private sector and civil society on building resilience and reducing exposure to climate-related risks. Public-private-partnership approaches, also with international support, are particularly important for low-income countries where pure market-based solutions are often not feasible due to high start-up costs, unavailability of data and limited access or low demand for standard insurance products from the low-income part of the society. Thus, a joint effort from the public and private sector with support from inter¬national development partners, or through international climate financing sources such as the Green Climate Fund, is needed to approach climate-risk management more effectively.

The ICPs established by the IAIS, comprise essential principles that need to be adhered to for an insurance supervisory system to be effective. In 2012, the IAIS published the Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets. Recognizing the intent that the ICPs are universally applicable, the paper provides practical guidance for regulators and supervisors on how to apply an approach proportionate to the nature, scale and complexity of the risk in the specific market context. It shows that some approaches to implementa¬tion may be more conducive to enhancing inclusive insurance markets, particularly for those that are underserved. The Paper provides background material and discusses solutions relevant for supervisors, for example how supervisors can deal with innovation and pilot projects. It covers topics such as formaliza¬tion of informal insurance and supervisory review and reporting that are high on the agenda of developing country supervisors, as well as the issue of how to define microinsurance and what the requirements are that have to be met at a minimum when following a proportionate approach.

While public-private partnerships involving insurance companies and governments are common in developed countries, they are more recent in developing countries. However, low-income countries are beginning to experiment with schemes that extend beyond the traditional form of public-private partnerships and include international development partners.

Governments can provide financial support to climate-related insurance in different forms, such as direct premium subsidies, financial support for reinsurance facilities or operational cost subsidies. Subsidies can benefit the customer and target the initial motivation of insurance companies to enter and serve the mar¬ket. They prove to be especially important for the catastrophic risk layer where private reinsurance market costs could be prohibitive. However, there is a controversial discussion on whether sustainable climate-related insurance solutions in developing countries can work without governments financing part of the costs to share catastrophe losses in order to keep insurance affordable and support a large market penetration.

A World Bank study of government support to agricultural insurance – an insurance type which is often offering protection from adverse weather events – showed that premium subsidies were the most common form of public intervention provided in almost two thirds of all the 65 surveyed countries. However, the introduction of subsidies to a market needs to be handled carefully: once a market is subsidized, it will be politically very difficult for the government to reduce its intervention. Furthermore, providing subsidies puts a fiscal burden on national budgets and thus, they should only be used very selectively for those target groups that are in real need of it. It also needs to be carefully considered that subsidies have a potential to distort the market and provide adverse incentives:

CONCLUDING REMARKS

Investment in risk management education and responsible management of clients is necessary to increase insurance literacy of both consumers and providers. This includes training on insur¬ance approaches and risk reduction, financial risk management, as well as on the use of early warning systems. Along with this, it is necessary to make clients understand the benefits and costs of the coverage they are about to purchase before potential clients sign up. Clear rules and regulations on responsible finance are needed to ensure that providers of risk transfer solutions have a sound understanding of the tools, the underlying technical issues and how to educate and protect consumers at the local level.

Achieving Sustainable Growth through Employee Branding Initiatives: A Conceptual Framework for the Life Insurance Business of Bangladesh

Kazi Nazmul Huda

Abstract

The main purpose of conducting this research is to enquire into the employee branding (EB) practice in the selected life insurance companies of Bangladesh. The qualitative research method has been selected to understand the genre of employee branding initiatives in this sector. Face to face and telephonic interview with the key informants were conducted for data collection, and relevant information is recorded for discussion and model development. The study discovered that the practice of EB is still at a nascent stage in the life insurance companies of Bangladesh. It demands a superior human resource management practice to develop a psychological contract between employer and employee which is a precondition to ensure EB practice. Finally, the study has proposed a conceptual framework of employee branding system that may be useful for the managers and practitioners to engage the employees in brand building initiatives of life insurance companies. Every life insurance company has the propensity to attain sustainable growth and in service sector, growth is achieved through people. A study like this may open the door of opportunity to flourish this promising sector through effective EB practice.

1. Introduction

Life insurance businesses of Bangladesh entail an endeavor for financial sustainability through ensuring effective service delivery to

Kazi Nazmul Huda
Associate Professor, Department of Business Administration,
Southern University Bangladesh.

the existing clients and attract potential clients by exploring the unrealized market potentials (Huda 2015). The life insurance business stands in the category of unsought service. Therefore, it is very exigent in terms of selling service and maintaining customer satisfaction. The management and the employees of life insurance companies are conscions do not attracting and retaining clients through new product development and superior service delivery. However, the harsh reality of Bangladeshi life insurance is that many companies have failed in business because of poor service delivery, trust deficit and broken commitment (Huda 2018). Business sustainability of this financial service sector is at a challenge and must attempt to regain the confidence of the clients (Khan 2014).

The life insurance business is presumed to be a key contributing nonbanking financial institution and could project a promising performance in the growing economy like Bangladesh. Presently, around 32 private and one public life insurance companies are doing business in Bangladesh, and premium earnings were approximately 80 billion in the year 2017, and the industry is escalating very fast (Haroon 2018). However, Mamun (2013), and Choudhury, Ahmed & Jahan, (2015) have argued that the growth potential of this industry is far behind compared to other financial sectors and the current market is very vulnerable in terms of customer loyalty and trust issues (Khan 2014).

A service brand is built on trust and acceptance by the clients and an organizational efficiency keeps the brand promise creating brand loyalty (Dukerich, Golden & Shortell 2002). Hence, the growth of life insurance business lies on trust part of branding (Maynard 1956) and the companies must develop a long term relationship with the insurance policyholders (Srivastava, Tripathi & Kumar 2012). Conversely, the employees are the pillar of the life insurance business. They play the triggering role to ensure business growth by developing a business relationship between the client and the company. Employees' role is very critical for the prospect and sustainability of this business (Varma, Vij & Gopal 2016).

Employee branding is relatively a new concept of engraining employees in brand building and loyalty development program. It is a program that shapes an employee with the character of the brand. The knowledge of EB believes that employees must be associated with the brand and should promote the brand voluntarily (Tavassoli 2008). However, this association between the brand and the employees could be built through training & development initiatives and employee loyalty programs (Isaksson & Isaksson 2013). This program has shown positive results in achieving competitive advantage and sustainable growth in the service business (Miles & Mangold 2007).

The life insurance business is very intensive to personal selling (Anbarasan 2010). The growth of this business demands an active engagement of employees in prospecting sales and providing post-sales service to the clients. In this regard, EB could make a potential initiative to ensure business growth through active employee engagement where the insurance employees will be groomed as a brand promoter. An extensive learning and motivational program for the insurance employees may create a stimulus among them to act upon the organizational vision and brand promise.

However, studies on EB are very limited in the existing literature, and no study has been made on the context of the life insurance business in Bangladesh. The above statement constitutes a research gap and to meet the current gap study will take an explorative research initiative to understand the practices of EB and propose a framework of employee branding system for the life insurance industries of Bangladesh.

2. Review of literature

Employee branding is an effective approach to ensure sustainable business practice and has become a strategic imperative for multinational companies (Minchington 2015). It is a tool of developing loyal and engaged employees (Ames 2017) for organizations. It is a corporate branding initiative that educates the employees about the brand and motivates them to promote the brand to the potential customers (Miles & Mangold 2005). EB trains an employee to act according to organizational vision, values, and brand appropriate behavior (Boyd & Sutherland 2006). It creates scopes for the employees to highlight the brand to the potential customers and deliver the service according to brand commitment (Tosti & Stotz 2001).

EB insures brand equity in the consumer market, (King & Grace 2009) and shapes an organization as a branded employer in the job market (Cervellon & Lirio 2016). EB initiatives result in gaining competitive advantage through employees and secure the profitability of a business (Ames 2017). Superior customer satisfaction can be achieved if the employees are actively involved in brand building activities (Punjaisri, Wilson & Evanschitzky 2008). It makes the brand visible to customers.

EB is functionalized through advanced human resource management practice (Cascio 2014). It begins with effective talent management; brand value based learning of the program surely creates a better quality of work life (Synergy 2015). It promotes a culture of best HR practice that promotes an employee as a brand ambassador of the organization (Cervellon & Lirio 2016). Effective reward management is essential to inspiring the brand promoters (Edwards 2005), and a psychological bond should be developed between the brand and the employees (Rousseau 1995; Harquail 2007). Employees with substantial psychological contracts with the organization are motivated to represent the brand deliberately and try to live with the brand identity (Alvesson & Willmott 2002; Miles & Mangold 2005). Such act of an employee is termed as employees "on- brand behavior" (Mitchell, 2002). Positive human qualities and attitudes must be developed among employees like manners, sensitivity to customer service, trustworthiness, and sympathy to clients (Miles & Mangold 2004). However, this behavior must be projected by the employees while interacting with the clients (Keller, Parameswaran & Jacob 2011).

Philosophy of EB works with the assumption that a superior HR culture will motivate the employees in marketing communication activity and will engage them in product sales and promotion (Bauer 2017). Employees will endeavor to position the brand in the mind of their clients through their behavior; they will try to maintain a favorable relationship and response quick in providing post-sales service (Miles & Mangold 2005). Cervellon & Lirio, (2016) suggested that employees should be trained in digital marketing and encouraged to promote the organization in social media platforms.

Employees are the key business drivers of the life insurance business, and their behavior (Ericson & Doyle 2006) with the clients has a significant impact on business growth comparing to other brand promotional endeavor like advertising, sales promotion, etc. (Gravengaard 1947). Face to face contracts between employees and clients are a mandatory factor in the life insurance business, and missionary sale attitude is desirable from the employees in educating the clients on an insurance policy and related services (Oakes 1990). From prospecting to closing a policy sale, life insurance employees undergo an extreme level of physical and mental pressure (Huda 2016). Hence, regardless of their significant contribution to the business, the attrition rate is very high in this sector and "Employee Value Proposition" which is an essential tool of EB (Synergy 2015) is recommended to reduce attrition rate of insurance employee (Varma et al. 2016). A culture to be promoted by the life insurance companies to create an insurance relationship with their clients and to eliminate deceptive sales by the employees (Ericson & Doyle 2006).

The literature review section of the paper has uncovered the necessity of EB practice in service firms. It is also evident that research on EB is done on a minimal scale and most of those were conducted in US and European context. A practical way of conducting the EB program is rarely present in the existing literature. However, no study has been found in the literature that signifies the necessity of EB practice in the life insurance companies and particularly in the context of Bangladesh. This study will make a qualitative research endeavor to minimize the research gap.

3. Objectives of the study

The prime objective of the paper is to explore the present state of employee branding in some selected life insurance companies of Bangladesh and to propose a conceptual framework of EB to ensure sustainable business growth of this promising industry.

4. The methodology of the study

This study is mainly a qualitative research expedition to explore the employee branding practice in the life insurance companies of Bangladesh. In the beginning, necessary data and information on employee branding and life insurance business are collected through literature review and later the data was systematically compiled. Non-probability sampling technique is used to decide on who the respondents will be. Face to face discussion and a telephonic interview were organiged with the directors, senior managers and unit managers of seven insurance companies. All the selceted life insurance companies are housed in Chittagong Metropolitan City, i.e., MetLife, Padma Life, Fareast Islami Life Insurance, Sun Life Insurance, Prime Islami Life Insurance, Sunflower Life Insurance and Trust Islami Life Insurance.

To get a better insight of EB practices at the functional level, a focus group discussion was conducted with the leaders of Insurance Development Association of Bangladesh (IDAB) an employee union which promotes the interest of the insurance company employees. Each session with the respondents lasted for half an hour to one hour. Their opinions were recorded in a notebook, systematically sorted, summarized and reported in the findings and discussion part of the study. Before every discussion, the respondents were educated on the idea of EB practice as the concept is very new in Bangladesh. Afterward, they were questioned on the prevailing HR and Marketing practices pertinent to EB, about the challenges faced by them in practicing EB and necessary measures to overcome the challenges.

5. Scope of the Study

The study covers the employee branding issues on salaried employees of selected life insurance companies of Chattogram, Bangladesh.

6. Findings

The study shows a clear picture of the necessity of EB practice for sustainable growth of the life insurance business. Few discoveries on EB practice and its current scenario in the life insurance companies of Bangladesh are listed below.

6.1 From the study, two leading dimensions of EB are discovered through the literature review.

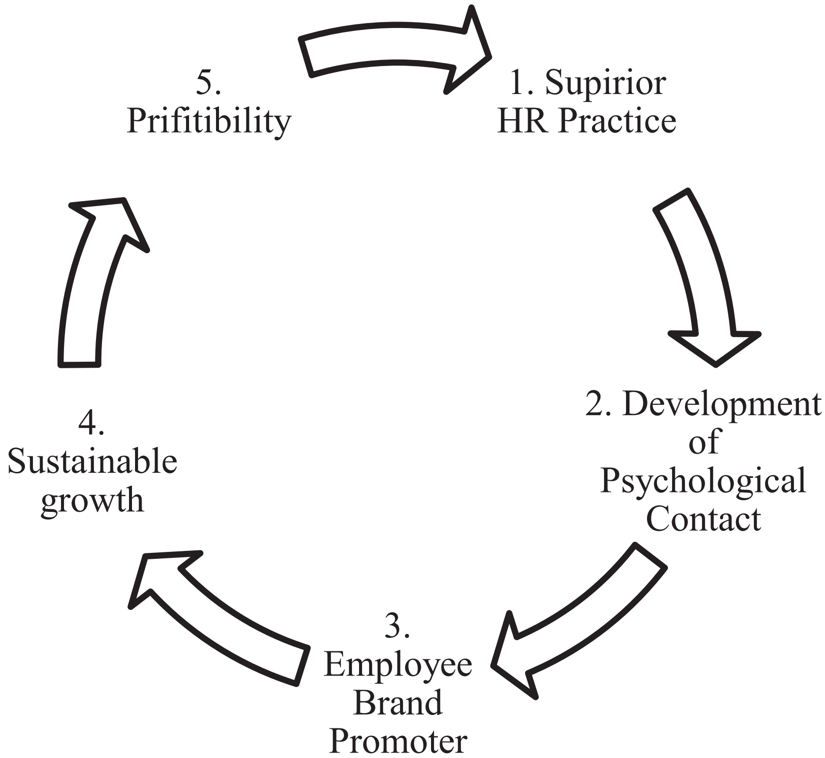
a. Superior HR practice with the philosophy of "Employee Value Proposition".

b. Valid brand promotion by the employees is the ultimate result of EB practice.

6.2. It is also evident from the study that, a cyclic relationship existed among the HR function of EB, the marketing initiatives of EB and the sustainable business outcome. All these functions are complementary to each other. This relationship is shown in Figure 1 for easy assimilation.

Figure 1: Employee Branding Cycle

The EB cycle (figure 1) depicts that, for initiating a successful EB program, an organization must begin with advanced HR practice which is stated as employee value proposition by (Synergy 2015). A successful HR initiative will develop psychological contracts between the employee (Alvesson & Willmott 2002; Miles & Mangold 2005) and the organization. This will allow an employee to promote the brands and live with the brand identity to project on brand behavior (Mitchell 2002). The effective brand promotion will facilitate sustainable growth and profitability (Ames 2017).



6.5. From the study, it is evident that an advanced HR practice will prepare and motivate the employees to act as a brand promoter.

6.6. Nearly all respondents have agreed that EB practice will bring a revolutionary change to the life insurance business of Bangladesh and could be used as a key intervention to secure sustainable growth.

6.7. Most of the respondents are found conservative in commenting on the existing HR practice in the life insurance sector. This sector still lives on traditional "hiring and firing" philosophy of HRM in dealing with the regular employees. This traditional way of managing people will never stimulate commitment and brand behavior among the employees.

6.8. This industry severely lacks offering a competitive reward scheme to the employees. Very unconventional compensation practice like "commission as pay" has made the industry unattractive in the job market. It is also mentionable that talents and highly educated university graduateds in business discipline do not show interest to develop a career in this sector. in this sector are educated at the level of higher secondary or degree (pass) course. Most of the employees work on a part-time basis and not interested in developing a fulltime career as there is no job security in this sector. Therefore, the opportunity for professional development in this sector is obscure.

Hence, the senior management is little conservative to keep the employees on the payroll. They also shared the legal obligations of keeping fulltime salaried financial associates or salesperson. They are gmte pessimistic on the employees' potentials. Most of the senior management staffe perceive that the employees may not give an enthusiastic drive for business development if they are paid on a monthly salary basis. According to them, the employees may lose their drive if not kept under the pressure of sales target and commission-based reward.

6.9 Employee training is regular in this industry, but no idea is revealed on how to train employees to be a brand champion. The respondents shared no information on EB issue. It is a new idea for most of them. Seventy-two hours training is mandatory for field level employees. However, most of the companies are reluctant in this regard. No formal training is provided to the salaried staffs on employee branding.

6.10 The industry is struggling to keef pace with the philosophy of building psychological contracts with the employees which is one of the core interventions of EB initiative. The majority of the employees have shared their grievances on organizational failure in developing financial contracts. Developing psychological contracts in this sector is far away from reality.

6.11 This sector also lacks social dignity. Most of the respondents said that the insurance profession is not socially dignified.

6.12 Some good HR practices like incentive bonus, one time pension scheme; foreign country visit, etc., is practiced in this sector. However, these scopes are very limited to financial associates and no salaried staff if life insurance companies enjoy such benefit.

7. Discussion & Managerial Implication

From the discussion, it is evident that there one two part of the EB process and it should work parallel to complete the Employee Branding System (EBS) effectively (Figure 2). On one side, EB is to orient, train and motivate the employees to develop on brand behavior. On the other side, it is to develop the employees as a valuable brand activist to attract and satisfy the customers with superior service delivery. It is also evident from the discussion that superior HRM practice like performance and reward management, training & development initiatives, QWL programs and the employee engagement initiatives will motivate the employees as a brand promoter. Highly qualified and competent employees should be promoted as an employee brand as a superior service marketing practice. It is mentionable that MetLife insurance company, Chartered life insurance Company, Progoti Life Insurance Limited, Guardian Life insurance, etc., congratulate their best performers as celebrity employee in the newspapers. This unique practice of branding the employees may increase the loyalty of the performers and could be a source of inspiration to all employees of the company. From the above discussion, a conceptual framework of EBS is proposed and suggested to be followed by Life Insurance Companies of Bangladesh.

Figure 2: Integrated framework of Employee Branding for the Life Insurance Companies

Source: Author

Source: Author

The proposed framework integrates the HRM and Marketing function into the process part adding a new output of EB; employee brand promotion or branding high profile employees. The outcome of the model is higher profitability and effective HR acquisition. It is a comprehensive model where the existing practice of EB is assimilated with the factors of branding employees.

Input Part of Employee Branding System

At the input part of EB, life insurance companies must obtain the endorsement of top management to initiate the EB program. It is a must for every change initiatives. Branding is always being an expensive initiative for every organization. A great deal of investment is obvious to initiate and uphold EB programs. Financial commitment by the top management is a precondition for the success of the EB program and to function its processes effectively.

The process part of EBS

The process part of the EBS model is a blend of HRM practice and Marketing initiatives. HRM practice is deliberately stated in current employee branding literature. The philosophy of the Employee Value Proposition could be recommended to ensure good HR practice. It will ensure better recruitment in this sector and position it as an employer brand in the job market. Specialized training on service branding could be organized to develop “on brand behavior” among the insurance employees. Insurance companies may insist Bangladesh Insurance Academy to include this training in their curriculum. A revised reward package could be designed to motivate the employees and to develop psychological contracts. Good quality of work life must be ensured to engage the employees in brand building activities. The kit allowance could be provided to the insurance employees to keep them well groomed. It will be wise to provide them with elegant and identical attire to uphold a distinct brand identity of the company and moreover it will energize the employees to lead their life with that identity. Finally, the proposal of IDAB, i.e. ensuring job security, formulating a formal salary structure, developing pension scheme, and ensuring regularity of training programs could be considered gradually to initiate the momentum of “employee value proposition” concept in the life insurance companies of Bangladesh.

Brand communication includes activating promotional events for exemple like advertising, direct marketing through social media, and publicity activities to attract potential customers or to gain the confidence of the customers in the service market. Brand communication initiatives by the life insurance companies may include communicating the “employee value proposition” in the talent market as an effective recruitment stimulus to attract new talents. Such initiative may help an organization to position it as a branded employer in the job market.

Existing employees could be engaged to give positive posting about the company in social media like Facebook and LinkedIn. Various programs, special events and social engagement of the company could be shared by them regularly. Apart from this, employees could be encouraged to share organizational best HR practices and insurance policy related video documentary on social media and YouTube. They may be encouraged to write articles about their organizations for newspaper and magazines. Senior executives of the life insurance company could be allowed to visit different seminar and symposium to promote their company. They may be allowed to join professional associations and also organize programs collaborating with different professional associations like ICMA, CA, Bangladesh Society for Human Resource Management, etc. Delta Life Insurance Company had organized a program collaborating with the largest association of HR practitioners the BSHRM. Such professional networking initiative had allowed the key managers to create an association with a broad interest group of the company as the HR practitioners are the main gateway to life insurance in the corporate sector.

Output Part of EBS

Promotion of Best HR practice will make the company an employer brand and a preferred sector to develop a career. An intense psychological contract between the company and the employees will be established. An employee with higher order psychological contract will act upon the brand promise and commitment to satisfy the clients. However, the companies will get enthusiastic brand promoters to boost their brand in the market. The top management of the life insurance companies may reap the growth of the business through promoting their employees as a "people brand." This action may stimulate passion among the employees to engage them in the inclusive growth of the company. The employees will become "customer-obsessed" in providing value-added service to the clients, and a customer value-driven business culture may be formed in the life insurance companies to embark on corporate brand status.

8. Limitations and Further Research

No research is foolproof and must accept the limitations. The most mentionable methodological limitation of the current study is the qualitative expression of reporting the data. Empirical research based on questionnaire survey was difficult due to the unawareness on the concept of employee branding concept by the respondents. Further, rigorous survey-based research is suggested to explore the contribution of employee branding initiatives in the life insurance business and statically correlate to its outcome with business growth.

9. Conclusion

Business growth of a life insurance company calls for multifaceted interventions, and employee branding could be an intelligent choice for the decision makers of this business. The study has attempted to cognize the sine qua non of employee branding initiative in the life insurance companies of Bangladesh. The fundamental discovery of this exploratant research is that the life insurance industry is still at the infancy to afford the practice of employee branding as an organized HR and marketing practice. The industry is yet to develop a culture of shaping a model of the psychological contract with the permanent employees. However, it will not be easy to generalize the outcome of the study as it is purely based on qualitative research data and does not represent the whole industry. Intensive empirical research may provide a particular idea of practice employee branding in this industry and the degree of its impact on business growth. Finally, the paper has proposed a conceptual framework of employee branding system (figure 2) to exercise the EB practice in the life insurance companies of Bangladesh. The managers have the option to apply the model on the ground to achieve the fruits of EB, and the research may take the opportunity to prove the broader applicability of the model through empirical investigation.

Reference

Anbarasan, V. (2010). Quality of working life among sales professionals in pharmaceuticals, insurance, banking & finance companies. Indian Journal of Industrial Relations, 138-149.

Alvesson, M. and Willmott, H. (2002) "Identity Regulation as Organizational Control: Producing the Appropriate Individual," Journal of Management Science," 39 (5): 619-644.

Ames, C. (2017). Secrets to a Great Employee Brand Story to Recruit Top Talent, Emotive Brand, October 10. https://www.emotivebrand.com/employee-brand-story/

Boyd, G. & Sutherland, M. (2006). Obtaining employee commitment to living the brand of the organization. South African Journal of Business Management 37(1): 9-20

Bauer, T. (2017). What the shit is employee branding? Nov 3, http://thecontextofthings.com/hire-freelance-writer-ted-bauer/

Cervellon, M. C., & Lirio, P. (2016). When employees don't' like' their employers on social media. MIT Sloan Management Review.

Choudhury, T. A., Ahmed, Q .N., & Jahan, M. S. (2015). Life Insurance Industry; a Comprehensive Outlook, Market Pulse, 101.

Cascio, W. F. (2014). Leveraging employer branding, performance management, and human resource development to enhance employee retention.

Ericson, R. V., & Doyle, A. (2006). The institutionalization of deceptive sales in life insurance: five sources of moral risk. British Journal of Criminology, 46(6), 993-1010.

Dukerich J. M., Golden, B. R., and Shortell, S.M. (2002) "Beauty Is in the Eye of the Beholder: The Impact of Organizational Identification, Identity, and Image on the Cooperative Behaviors of Physicians," Administrative Science Quarterly, 47 (3):507-533.

Ericson, R. V., & Doyle, A. (2006). The institutionalization of deceptive sales in life insurance: five sources of moral risk. British Journal of Criminology, 46(6), 993-1010.

Edwards, M. R. (2005) "Employee and Employer Branding: HR or PR?", In Bach, S. (ed) Managing Human Resources, Personnel in Transition. Oxford: Blackwell, pp. 266-286.

Gravengaard, H. P. (1947). Life Insurance Company Sales Training Programs. Journal of Risk and Insurance (pre-1986), 14(1), 25.

Harquail, C. V. (2007). Employee branding: Enterprising selves in the service of the brand. Journal of Management, 23(4), 925-942.

Haroon, J. U. (2018), Premium earnings of life insurers up 8.0 pc in 2017, The Financial Express, March 3.
http://today.thefinancialexpress.com.bd/first-page/premium-earnings-of-life-insurers-up-80pc-in-2017-1520013120

Huda, K., N. (2015).Service Marketing Practices in the Life Insurance Companies of Bangladesh, "Insurance Journal", 60/61, 28-41

Huda, K., N. (2016). Exploring Job Stress Symptoms and Sources of the Financial Associates of Life Insurance Companies: A Study on Bangladesh, "Insurance Journal", 62, 148-164.

Huda, K., N. (2018). Sustainable Life Insurance Business through Innovation and Creativity, "Insurance Journal," 63, 31-39.

Isaksson, D., & Isaksson, C. (2013). My Heart Belongs To Telenor.

King, C., & Grace, D. (2009). Employee based brand equity: A third perspective. Services Marketing Quarterly, 30(2), 122-147.

Keller, K. L., Parameswaran, M. G., & Jacob, I. (2011). Strategic brand management: Building, measuring, and managing brand equity. Pearson Education India.

Mamun, M. (2013). Problems and Prospects of Insurance Business in Bangladesh: The Companies' Perspective, paper presented at Fifteenth Annual Conference of Asia-

Pacific Risk and Insurance Association (APRIA), At St. John's University, New York, U. S. A.

Miles, S. J., and Mangold. W. G. (2007). "Growing the Employee Brand at ASI: A Case Study." Journal of Leadership and Organizational Studies, 14(1): 77-85. --------------- (2005). Positioning Southwest Airlines through employee branding. Business Horizons, 48(6), 535-545. --------------- (2004). A conceptualization of the employee branding process. Journal of Relationship Marketing, 3(2/3), 65– 87.

Mitchell, C. (2002). Selling the brand inside. Harvard business review, 80(1), 99-101.

Maynard, H. (1956). Marketing Man Looks At Life Insurance, Journal of the American

Association of University Teachers of Insurance, 23(2), 34-38.

Minchington, B. (2015). 15 Employer Branding Best Practices You Need to Know, ERE Recruiting Intelligence, February 17.

https://www.ere.net/15-employer-branding-best-practices-you-need-to-know/

Oakes, G. (1990). Personal sales and the instrumentalization of life. Social Research, 57(3), 755. ------------ (1990). The American life insurance salesman: A secular theodicy. International

Journal of Politics, Culture, and Society, 4(1), 95-112.

Khan, S. N. (2014). Examining the Operations of Life insurance companies of Bangladesh from Ethical Perspective, Journal of Business Studies, 35(3), 95-114

Punjaisri, K., Wilson, A., & Evanschitzky, H. (2008). Exploring the influences of internal branding on employees' brand promise delivery: implications for strengthening customer-brand relationships. Journal of Relationship Marketing, 7(4), 407-424.

Rousseau, D. (1995). Psychological contracts in organizations: Understanding written and unwritten agreements. Thousand Oaks, CA7 Sage Publications. Synergy, (2015). Employee branding in 7 steps, March 13.

http://www.synergycreative.co.uk/latest-articles/employee-branding-in-7-steps

Srivastava, A., Tripathi, S. & Kumar, A. (2012), Indian life insurance industry -The changing trends, Journal of Arts, Science & Commerce, 3 (2), 93-98.

Tosti, D. T., & Stotz, R. D. (2001). Brand: Building your brand from the inside out. Marketing Management, 10(2), 28.

Tavassoli, N. (2008). Branding from the inside out. Business Strategy Review, 19(2), 94-95. Press.

Varma, S., Vij, P., and Gopal, R. (2016). Study of Attrition of Sales Force in Life Insurance Sector, IOSR Journal of Business and Management, 18(6), 58-66.

A study on Job satisfaction of the employees of the private insurance companies of Bangladesh.

SM Ibrahim Hossain, ACII

Introduction

Job is a part of life and so is job satisfaction/ dissatisfaction. Job satisfaction can accelerate the performance of an organization while dissatisfaction can hamper the output & even can dramatically influence the overall productivity of an organization. Job dissatisfaction can create stress for the employees which may lead to different kinds of physiological, psychological & behavioral symptoms. Job satisfaction can have a huge impact on company staffing, productivity, corporate culture, and even the company's bottom line [1] . It can also take an individual toll on workers-as studies have found that work-related stress can impact health. Ultimately, all these issues can affect one's job performance[2]. It was found that suppression of unpleasant emotions decreases job satisfaction and the amplification of pleasant emotions increases job satisfaction.

Job satisfaction or employee satisfaction is a measure of workers' contentedness with their job, whether or not they like the job or individual aspects or facets of jobs, such as nature of work or supervision. [3] Job satisfaction can be measured against cognitive (evaluative), affective (or emotional), and behavioral components. Researchers have also noted that job satisfaction measures vary in the extent to which they measure feelings about the job (affective job satisfaction) or cognitions about the job (cognitive job satisfaction). [4]

SM Ibrahim Hossain, ACII
Chief Faculty Member
Bangladesh Insurance Academy

Job satisfaction was found to be the best predictor of how long one live… better than a doctor's rating of physical functing, use of tobacco or genetic inheritance. Therefore, it is important to workout a solution if job makes one unhappy.

Customer service is very important in any industry, as well as the satisfaction of employees working in that industry is also very important. Just as the image or reputation of the industry is created with customer service, the image or reputation of the industry is also created with the various facilities available to the employees of that industry, such as salary, working environment, scope for promotion, Job security, involvement in the decision making etc. If we can measure employee satisfaction in the insurance industry at any stage, then the image and status of this industry can be determined. Therefore, the study was undertaken to see the level of satisfaction among the employees of private insurance companies of Bangladesh and to find out the factors of job satisfaction which affects the employees most.

<u>Literature review :</u>

The assessment of job satisfaction through employee anonymous surveys became commonplace in the 1930s. [4] Although prior to that time there was the beginning of interest in employee attitudes, there were only a handful of studies published. [10] Latham and Budworth note that Uhrbrock in 1934 was one of the first psychologists to use the [4] newly developed attitude measurement techniques to assess factory worker attitudes. They also note that in 1935 Hoppock conducted a study that focused explicitly on job satisfaction that is affected by both the nature of the job and relationship with coworkers and supervisors.

Edwin A. Locke's Range of Affect Theory (1976) is arguably the most famous job satisfaction model [4] . The main premise of this theory is that satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. Further, the theory states that how much one values a given facet of work (e.g. the degree of autonomy in a position) moderates how satisfied/

dissatisfied one becomes when expectations aren't met. When a person values a particular facet of a job, his satisfaction is more greatly impacted both positively (when expectations are met) and negatively (when expectations are not met), compared to one who doesn't value that facet

One of the most widely used definitions in organizational research is that of Locks (1976), who defines job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences" (p.1304). [5] Others have defined it as simply how content an individual is with his or her job; whether he or she likes the job or not. It is assessed on both the global level (whether or not the individual is satisfied with the job overall), or on the facet level (whether or not the individual is satisfied with different aspects of the job).

The majority of the organizations view job satisfaction as dependent on two things-salary and 'recreational activities' [6] . While employees do make an impression based on these parameters, they cannot form the basis of employee engagement. Recently, a study published by Harvard observed that employee engagement programs only serve as a shot in the arm and satisfaction levels dip soon after. What matters is how HR understands the needs of its employees and what it does to bring a match between employee needs and company goals.

According to Michael Page's `Job Confidence Index Q1 2017' [7] , the three main reasons why people in India seek jobs are to acquire new skills (48% of respondent), better work-life balance (39%) and higher income (34%). Contrary to common perception, less income and stressful jobs are not why people look for better opportunities.

Some factors matter most to employees when it comes to satisfaction, like how it respects employees, whether people can trust senior management, how secure and clear their career paths are and of course, how fairly it pays them. Organizations that 'invest' in these factors become experiential organizations and witness long-term gains.

According to chopra 5 key factors to job satisfaction are i) Engagement ii) respect, praise and appreciation iii) Fair compensation iv) Motivation v) life satisfaction [8]

Spector (1997) lists 14 common facets: Appreciation, Communication, Coworkers, Fringe benefits, Job conditions, Nature of the work, Organization, Personal growth, Policies and procedures, Promotion opportunities, Security, and Supervision. [9]

Nazrul and Shahabuddin (2002) said" The overall satisfaction of Bangladesh insurance employees is associated with the factors of job satisfaction. Recognition, task significance, pride in work, bureaucracy and conflicts are the most important factors for improving the level of job satisfaction of insurance employees in Bangladesh."

Surveys since 2005 reveal that the majority of Americans are not satisfied with their work. This mirrors the level of engagement in the workplace with many simply not feeling particularly excited about what they are doing. This trend is fairly consistent across different generations from the millennial to the GenXers to the baby boomers. Engagement ranges from 29 percent to 33 percent while non engagement swings from 48 percent to 55 percent. Those who are actively disengaged comprise 16 percent of the respondents. The trend indicates that excitement wears off as time goes by.

Objective of the study :

- To find out the level of job satisfaction among the employees of private life insurance companies of Bangladesh.
- To find out the factors of job satisfaction which influence the employees of insurance companies most.
- To suggest job satisfaction guideline in order to have optimum output of the employees for the companies.

Sampling Approach

Introduction to Sampling: The primary goal of sampling was to get a representative sample or a small collection of units or cases from a much larger collection or population, such that the researcher can study the smaller group and produce accurate generalizations about the larger group. Researchers focused on the specific techniques that will yield highly representative samples (i.e., samples that are very much like the population). Quantitative researchers tend to use a type of sampling based on theories of probability from mathematics, called probability sampling.

Steps for the Selection of Sample Institutes:

The approach for Job satisfaction survey of the Insurance Company was to attempt to allocate companies (Life and Non-Life) approximately proportionally across the very diverse variety of Insurance Company types within Bangladesh. Diversifications will be covered in the sample schools, such as 1st, 2nd, 3rd and 4th generation company.

Sampling Design:

Drawing a sample of the target population can be done in several ways depending on the population characteristics and the survey research questions. All sample designs aim to avoid bias in the selection procedure and achieve the maximum precision in view of the available resources.

The design was 2 stages stratified sampling design. Types (Life and Non-life) serve as domain (State) Types are strata (2 strata). Companies are first stage sampling Units and Employee (respondents) are second stage units.

All Companies are stratified as follows:
Table 1: Total no. of Companies by Types (Life and Non-life) with in Bangladesh

Type	1st Generation	2nd Generation	3rd Generation	4th Generation	Total
Life Insurance Companies	6	1	3	1	11
Non- Life Insurance Companies	3	-	1	-	4

Though there are 46 nonlife & 32 life insurance companies, more life insurance companies have been selected in sampling because there are more employees in life insurance sector.

Sample Size Determination:
The formula for n (sample)

$$n = \frac{z^2 PQ(df)}{e^2} = 384$$

For $z = 1{\cdot}96, p = 0.5\ df = 1.5, e = .05$

Q= 1-P = 0.5

The sample allocation will be among the 2 types of Insurance Company (Life and Non-life) and 4 generation.

Selection of Sample companies and respondents:
Companies were selected using Probability of Proportionate Size (PPS) methods within Types and generation. Respondents were selected randomly within the sampled companies.

Summary findings : It is seen from the different data tables related to job satisfaction that at least 30% of the respondent employees were dissatisfied with working environment, salary, promotion, job security, employee welfare benefit, praise and reward for fulfilling target. On the contrary, it has been found that maximum employees are satisfied with the job satisfaction factors. So, it can be said that there are scope to work for employees satisfaction issues of the insurance companies. Particularly salary , promotion, employee benefit (gratuity, provident fund), working environment, involvement of employees in the decision making process, Physical infrastructure need to be considered in a positive way.

Findings of the study :

Following are the reasons for employees dissatisfaction in the insurance sector of Bangladesh.

1. Involvement in the decision making process (55.8 %)
2. Salary Benefits (54%)
3. Scope for Promotion (47.3 %)
4. Employee welfare benefit (39 %)
5. Company keep employee update about all issues (35.9%)
6. Employees are evaluated as individual (39 %)
7. Satisfaction with top management (34.9%)
8. Necessary authority while performing duties (33.6%)
9. Praise and reward (31%)
10. Job security (29 %)
11. Payment is satisfactory according to work (54%)
12. Employees opinion is given importance in the decision making process (29.6%)
13. Employees share experience with each other (27.3%)
14. Physical Infrastructure (30%)

Data table analysis :

Bangladesh insurance Academy recently conducted a survey among the private insurance companies of Bangladesh. The following questionnaire was provided among 301 respondents related to job satisfaction of the employees of different insurance companies for the study. Sample was selected on the basis of different strata (based on date registration of the companies i.e.1st generation, 2nd generation, 3rd generation companies etc). Among the respondents, 75% was male & 24.3% was female (General table-1) which covered the different functional department of insurance companies such as underwriting, reinsurance, Accounts, claim group insurance, servicing, HR, development administration etc. Also employees of all level i.e. staff, junior, mid, senior mid level, senior level were covered. Data tables were prepared using SPSS software.

Level of educational qualification of the respondent : (General table-2)

The level of the educational qualification of the respondents were SSC (.3%), HSC (.7%), bachelor (17.9%), Master's (62%), missing (18.9%) who did not want to disclose their educational qualification.

Working environment : ((General table-3)

In response to the query about the working environment of the insurance companies 37.2% respondent opine as participatory, 40.5% opine as independency, 20% opine as usual environment.

Counseling program : (General table-4)

In response to the query whether your organization arranges regular counseling programme for the employee, 54.4% respondents said that most insurance companies do not organize regular training counseling for officers/ employees. So, it is understood that the skills of the training in insurance companies are not given importance.

Source of inspiration : (General table-5)

In response to the query which one of your organization inspired you most, it has been found that 15% mentioned about salary, 25.2% mentioned about promotion, 32 % mentioned inspiration, 12.6 % mentioned about certificate.

Overall satisfaction level with job : (General table-6)

In response to the query about the overall satisfaction level with work, it has been found that among the respondents 22.6% are more satisfied, 70% are satisfied , 5.6% are dissatisfied.

Satisfaction with top management : (Opinion table -2)

In response to the query whether you are satisfied with the top management of the company, 12.3% opine strongly agreed, 50.8% opine as agreed and 23.9% dissatisfied.

Job Security : (General table -8)

In response to the query whether you feel job security in your company, 68% opine positively and 22% opine negatively 7% did not opine anything which indicate that 29% employees feel job insecurity.

Working hour : (Opinion table -3)

In response to the query whether your office working hour is satisfactory, it is found that among the respondents, 15% strongly agreed, 58% agreed, 19.6% disagreed . So it is found that most of the employees are satisfied with working hour.

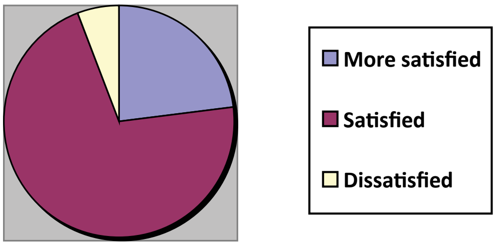
Authority of duty : (Opinion table -4)

In response to the query whether your organization give necessary authority while performing your duties, 9% respondent strongly agreed, 56% agreed,20.6% disagreed which indicate that 30% employees feel that they are not given authority while performing duties.

Sharing experience : **(Opinion table -5)**
In response to the query whether employees share their experiences with each other while performing duties, 14.6% strongly agreed, 56.1% agreed, 20.3 % disagreed.

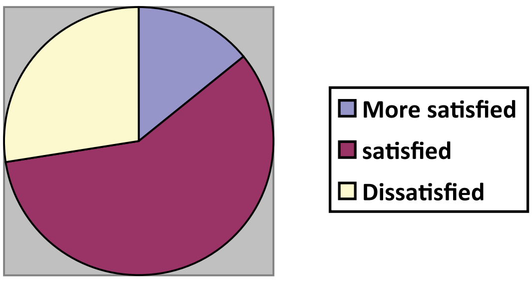
Overall satisfaction level with job : (General table-6)
In response to the query about the overall satisfaction level with work, it is found that among the respondents 22.6% are more satisfied, 70% are satisfied, 5.6% are dissatisfied.

More satisfied	Satisfied	Dissatisfied
22.6%	70%	5.6%



Satisfaction with top management : (Opinion table -2)
In response to the query whether you are satisfied with the top management of the company, 12.3% opine strongly agreed, 50.8% opine as agreed and 23.9% dissatisfied and 11% did not opine anything which indicate that 34.9% employee are not satisfied with top management.

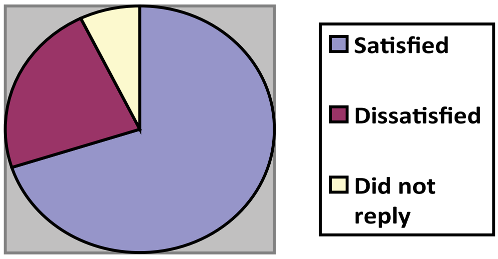
More satisfied	satisfied	Dissatisfied	Did not reply
12.3%	50.8%	23.9%	11%



Job Security : (General table -8)

In response to the query whether you feel job security in your company, 68% opine positively and 22% opine negatively 7% did not opine anything which indicate that 29% employees feel job insecurity.

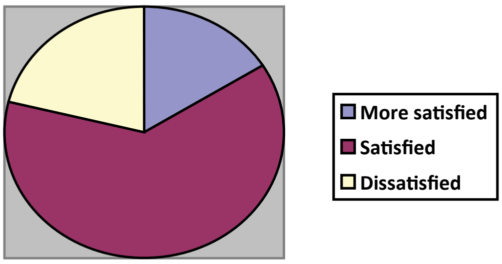
Satisfied	Dissatisfied	Did not reply
68%	22%	7%



Working hour : (Opinion table -3)

In response to the query whether your office working hour is satisfactory, it is found that among the respondents, 15% strongly agreed, 58% agreed, 19.6% disagreed. So it is found that most of the employees are satisfied with working hour.

More satisfied	Satisfied	Dissatisfied
15%	58%	19.6%



Authority of duty : (Opinion table -4)

In response to the query whether your organization give necessary authority while performing your duties, 9% respondent strongly agreed, 56% agreed,20.6% disagreed and 13% did not opine anything which indicate that 33.6% employees feel that they are not given authority while performing duties.

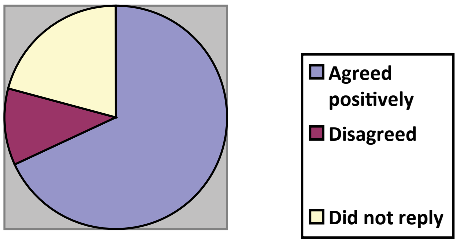
<u>Sharing experience : (Opinion table -5)</u>

In response to the query whether employees share their experiences with each other while performing duties, 14.6% strongly agreed, 56.1% agreed, 20.3 % disagreed.

<u>Employee get reward & praise : (Opinion table -6)</u>

In response to the query whether you got praise and reward if you fulfill your work target, 66% respondents agreed positively and 10.6% disagreed and 20.3% did not opine anything which indicate that 30.9% employee did not get reward & praise after fulfilling their work target.

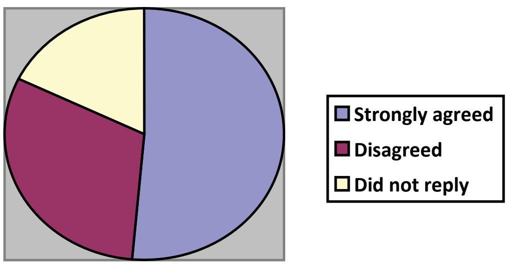
Agreed positively	Disagreed	Did not reply
66%	10.6%	20.3%



<u>Opportunities for promotion : (Opinion table -7)</u>

In response to the query whether there are good opportunities for promotion, 50.2% respondents strongly agreed and 30% disagreed and 17.3% did not opine anything which indicate that 47.3% employees feel that there are little scope for promotion in the job.

Agreed	Disagreed	Did not reply
50.2%	30%	17.3%



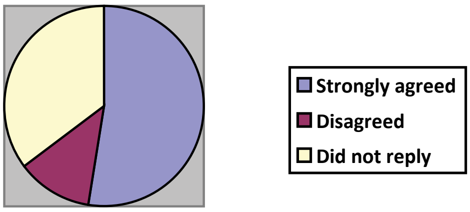
Physical infrastructure : (Opinion table -8)

In response to the query whether physical infrastructure of the company is helpful for your work, 66% respondents opined positively & 21.3% opined negatively and 8.6% did not opine anything. So, it is found that 30% of the employees are not satisfied with physical infrastructure of the insurance companies.

Involvement in the decision making process : (Opinion table -9)

In response to the query whether employee remain involve in the decision making process of the company, 39.8% opine positively and 34.5% opine negatively and 21.3% did not opine anything. So, it is found that 55.8% of the employees are not given the opportunity to get involved in the decision making process of the insurance companies.

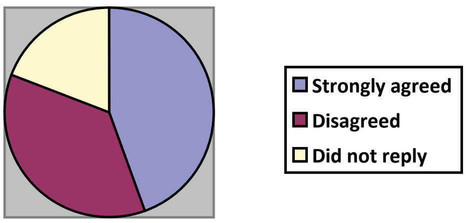
Agreed	Disagreed	Did not reply
57.8%	25.3%	13.6%



Satisfaction about salary : (Opinion table -12)

In response to the query whether your company provide satisfactory salary, 42.5% opine positively and 35% opine negatively and 18.3% did not opine anything which indicate 54% employees are not happy with their salary.

Agreed	Disagreed	Did not reply
42.5%	35%	18.3%



Feeling about work : (Opinion table -14)

In response to the query whether your work give you the feeling of achieving personal goal, it is found that 13.6 % strongly agreed, 51.5% agreed, 20.6 % disagreed and 12 % did not opine anything.

Update about office issues: (Opinion table -15)

In response to the query whether your company has given you the opportunity to work in a good environment and keep you updated all issues of office, it is seen that 24.6%% strongly agreed, 37.2% agreed, 22.3 % disagreed and 13.6% did not opine anything. So, it is found that 35.9% of the employees remain in the dark about update of office issues.

Importance of employee opinion : (Opinion table -16)

In response to the query whether your opinion is given importance when decision is taken on work related issue, 67.1% agreed and 21% disagreed and 8.6% did not opine anything.

Evaluation of employee as individual : (Opinion table -17)

In response to the query whether employees are evaluated as individual, it is found that 7.6% strongly agreed, 48.8% agreed, 21.6% disagreed and 17.3% did not opine anything which indicate that 39% employees are not evaluated as an individual.

Limitations of the study :

- As per the sampling approach, sample size was suppose to be 384 but due to time constraint sample size became 301.
- Some respondents opined that it was not possible to properly evaluate the employer while working in the workplace. Rather their opinion reflected the opposite picture of the actual job satisfaction scenario because top management forced them to opine in favor of job satisfaction.
- In some cases survey form has been filled up by the respondents under the guidance of the top management. So, proper scenario

about job satisfaction was not reflected in the survey. Among the respondents those who provide the real information regarding job satisfaction did not want to disclose their name & designation in the survey form.

- In some cases top management created obstacles to collect real information regarding job satisfaction.
- In some cases, some senior employee discouraged to conduct such research.

Guideline for employee satisfaction :

From the survey, following guideline can be made for employee satisfaction of insurance companies :

- The right benefits is a very important factor for job satisfaction. Therefore there should be performance evaluation & right salary. On the other hand, nepotism can destroy the employee morale.
- Everyones wants to be noticed when they have done a good job. So recognition of good job is a inspiration for employees. Employee recognition is not only about gift and points. It is about changing the corporate culture in order to meet goals and most importantly to connect employees to the company's goals & beliefs. Recognition increases employee retention.
- Employees want to feel respected in the workplace as well as appreciated for their work. That is way appreciation can have positive influence on employee satisfaction.
- Employee who work in an inspired and communicative environment usually enjoy better relationships with management and colleagues and feel more invested in overall objectives of the organization.
- Writing a gushing, complimentary employee evaluation is a great first step to get an employee a raise. Another morale-boosting device is initiating a title change or giving an employee added responsibility.

- Work is not always going to be fascinating and fulfilling but it is important to incorporate interesting components/issues into the day to day work to keep people engaged.
- Trusting employee to do their job without constant monitoring is one of the hallmarks of a good leader. So, we should keep trust about the sincerity & belongingness of the employee unless something is found very wrong.
- Superior- subordinate communication is an important influence on job satisfaction in the workplace. The way in which subordinate perceive a supervisor's behavior can positively or negatively influence job. Employees who dislike & think negatively about their superior are less willing to communicate or have motivation to work. So, superior- subordinate relationship matters a great deal for achieving company's goal.

Conclusion :

The importance of customer satisfaction as well as the satisfaction of the employees of the insurance companies will have to give priority to take insurance industry ahead because it is important that a satisfied employee will work with all his efforts to implement the company's mission. On the other hand, an unhappy employee will be reluctant to fulfill the company's goal in many ways. Hance, there is no scope for avoiding employee satisfaction issues at this time. For this, insurance companies will have to make employee welfare such as suitable salary, opportunities for promotion, job assurance, training to increase efficiency, employee wellbeing, good working environment and superior- subordinate good relation & trust etc. Then the insurance industry will be able to contribute to the national economic development.

A satisfied employee is not just a retained employee but an envoy for the company, internally and externally. He can help dispel the apprehensions of others and can avert the company in various forum. Happy employees are more trustworthy to the company and its objectives, they go few extra miles to achieve goals and take vanity in their jobs, their teams and their achievements.

A good employee satisfaction needs to be deal with both short and long-term visions. In the short term, it is directly linked to abrasion and employee-organization match. It is important that people feel the company in a positive light in their early days of employment, else it would not take long for them to look for a change. In the long term, it is more blasting when an employee is not satisfied but continues to work with an organization due to other reasons. The employee starts to look for reasons to dislike the company more.

References :

1. Dr. Nazrul Islam and ASM Shahabuddin (2002), Job satisfaction of insurance employees in Bangladesh.
2. wikipedia.org/wiki/ Job satisfaction
3. https:chopra.com?articles/5 key factors to finding job satisfaction.
4. www.enterpreneur.com/articles/310608
5. https:/gethppy.com/ Workplace-happiness/ 7 factors-determine-workplace- happiness levels
6. www.timeclockwizard.com/10 Important-factors that define job satisfaction

Page-1-
Frequencies

Data Table: Company Name

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BGIC	10	3.3	3.3	3.3
	Delta Life	26	8.6	8.6	12.0
	Eastern	15	5.0	5.0	16.9
	Global	11	3.7	3.7	20.6
	Golden Life	17	5.6	5.6	26.2
	Guardian Life	15	5.0	5.0	31.2
	Homeland Life	25	8.3	8.3	39.5
	Meghna Life	10	3.3	3.3	42.9
	MetLife	20	6.6	6.6	49.5
	Padma Life	63	20.9	20.9	70.4
	Prime Life	28	9.3	9.3	79.7
	Progoti Life	12	4.0	4.0	83.7
	Purobi	9	3.0	3.0	86.7
	Rupaly	20	6.6	6.6	93.4
	Sandhany Life	20	6.6	6.6	100.0
	Total	301	100.0	100.0	

Table-1: **Gender: (General question)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	226	75.1	75.6	75.6
	Female	73	24.3	24.4	100.0
	Total	299	99.3	100.0	
Missing	System	2	.7		
Total		301	100.0		

Page-2-
Frequencies

Table 2: **Educational Qualification: (General question)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SSC	1	.3	.4	.4
	HSC	2	.7	.8	1.2
	Bachalor	54	17.9	22.1	23.4
	Masters	187	62.1	76.6	100.0
	Total	244	81.1	100.0	
Missing	System	57	18.9		
Total		301	100.0		

Table-3: **Working Environment of insurance companies (General question)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Participarory	112	37.2	37.7	37.7
	Independency in the works	122	40.5	41.1	78.8
	As usual	60	19.9	20.2	99.0
	Khealy	3	1.0	1.0	100.0
	Total	297	98.7	100.0	
Missing	System	4	1.3		
Total		301	100.0		

Table-4: **Whether your company arrange regular Counseling programme for the employee ? (General question)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	137	45.5	47.1	47.1
	No	57	18.9	19.6	66.7
	Very few	97	32.2	33.3	100.0
	Total	291	96.7	100.0	
Missing	System	10	3.3		
Total		301	100.0		

Table-5: **Which one of the following of your company Inspire you most ? (General question)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Salary increase	45	15.0	15.3	15.3
	Promotion	76	25.2	25.9	41.2
	Leave	36	12.0	12.2	53.4
	Inspiration	99	32.9	33.7	87.1
	Certify	38	12.6	12.9	100.0
	Total	294	97.7	100.0	
Missing	System	7	2.3		
Total		301	100.0		

Table-6: **Your overall satisfaction level with work. (General question)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	More satisfied	68	22.6	23.0	23.0
	Satisfied	210	69.8	70.9	93.9
	Dissatisfied	17	5.6	5.7	99.7
	5	1	.3	.3	100.0
	Total	296	98.3	100.0	
Missing	System	5	1.7		
Total		301	100.0		

Table 8: **Whether you feel Job Security in your company? (General question)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	246	81.7	85.1	85.1
	No	27	9.0	9.3	94.5
	Other opinion	16	5.3	5.5	100.0
	Total	289	96.0	100.0	
Missing	System	12	4.0		
Total		301	100.0		

Frequency Table

Opinion 2: **Whether you are satisfied with the top management of your company ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	37	12.3	12.5	12.5
	Agreed	153	50.8	51.9	64.4
	Strongly disagreed	47	15.6	15.9	80.3
	Disagreed	25	8.3	8.5	88.8
	No opinion	33	11.0	11.2	100.0
	Total	295	98.0	100.0	
Missing	System	6	2.0		
Total		301	100.0		

Opinion 3: **Whether your office working hour is satisfactory?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	45	15.0	15.2	15.2
	Agreed	174	57.8	58.6	73.7
	Strongly disagreed	37	12.3	12.5	86.2
	Disagreed	22	7.3	7.4	93.6
	No opinion	19	6.3	6.4	100.0
	Total	297	98.7	100.0	
Missing	System	4	1.3		
Total		301	100.0		

Opinion 4: **Whether your organization give necessary authority while performing Your duties ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	27	9.0	9.1	9.1
	Agreed	169	56.1	56.9	66.0
	Strongly disagreed	38	12.6	12.8	78.8
	Disagreed	24	8.0	8.1	86.9
	No opinion	39	13.0	13.1	100.0
	Total	297	98.7	100.0	
Missing	System	4	1.3		
Total		301	100.0		

Opinion 5: **Whether employees share their experiences with each other while performing their duties?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	44	14.6	14.9	14.9
	Agreed	169	56.1	57.1	72.0
	Strongly disagreed	39	13.0	13.2	85.1
	Disagreed	22	7.3	7.4	92.6
	No opinion	22	7.3	7.4	100.0
	Total	296	98.3	100.0	
Missing	System	5	1.7		
Total		301	100.0		

Opinion 6: **Whether you get praise & reward if you fulfill your work target ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	52	17.3	17.9	17.9
	Agreed	147	48.8	50.5	68.4
	Strongly disagreed	24	8.0	8.2	76.6
	Disagreed	7	2.3	2.4	79.0
	No opinion	61	20.3	21.0	100.0
	Total	291	96.7	100.0	
Missing	System	10	3.3		
Total		301	100.0		

Opinion 7: **Whether there are good opportunities for promotion ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	21	7.0	7.2	7.2
	Agreed	130	43.2	44.5	51.7
	Strongly disagreed	65	21.6	22.3	74.0
	Disagreed	24	8.0	8.2	82.2
	No opinion	52	17.3	17.8	100.0
	Total	292	97.0	100.0	
Missing	System	9	3.0		
Total		301	100.0		

Opinion 8: **<u>Whether physical infrastructure of the company is helpful for your work</u> ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	27	9.0	9.3	9.3
	Agreed	172	57.1	59.5	68.9
	Strongly disagreed	43	14.3	14.9	83.7
	Disagreed	21	7.0	7.3	91.0
	No opinion	26	8.6	9.0	100.0
	Total	289	96.0	100.0	
Missing	System	12	4.0		
Total		301	100.0		

Opinion 9: **<u>Whether employee remain involve in the decision making process of the company?</u>**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	10	3.3	3.5	3.5
	Agreed	110	36.5	38.2	41.7
	Strongly disagreed	79	26.2	27.4	69.1
	Disagreed	25	8.3	8.7	77.8
	No opinion	64	21.3	22.2	100.0
	Total	288	95.7	100.0	
Missing	System	13	4.3		
Total		301	100.0		

Opinion 10: <u>**Whether your company provide employee welfare benefit satisfactorily ?**</u>

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	32	10.6	11.0	11.0
	Agreed	142	47.2	48.8	59.8
	Strongly disagreed	52	17.3	17.9	77.7
	Disagreed	24	8.0	8.2	85.9
	No opinion	41	13.6	14.1	100.0
	Total	291	96.7	100.0	
Missing	System	10	3.3		
Total		301	100.0		

Opinion11: <u>**Do your company recognize your work ?**</u>

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	25	8.3	8.6	8.6
	Agreed	156	51.8	53.6	62.2
	Strongly disagreed	43	14.3	14.8	77.0
	Disagreed	25	8.3	8.6	85.6
	No opinion	42	14.0	14.4	100.0
	Total	291	96.7	100.0	
Missing	System	10	3.3		
Total		301	100.0		

Opinion 12 : **Whether your company provide satisfactory salary ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	1	.3	.3	.3
	Agreed	127	42.2	43.6	44.0
	Strongly disagreed	76	25.2	26.1	70.1
	Disagreed	32	10.6	11.0	81.1
	No opinion	55	18.3	18.9	100.0
	Total	291	96.7	100.0	
Missing	System	10	3.3		
Total		301	100.0		

Opinion13 : **Do you always feel encouraged to do something new & good one ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	86	28.6	29.4	29.4
	Agreed	123	40.9	42.0	71.3
	Strongly disagreed	37	12.3	12.6	84.0
	Disagreed	21	7.0	7.2	91.1
	No opinion	26	8.6	8.9	100.0
	Total	293	97.3	100.0	
Missing	System	8	2.7		
Total		301	100.0		

Opinion 14: **Whether your work give you the feeling of achieving personal goal ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	41	13.6	13.9	13.9
	Agreed	155	51.5	52.7	66.7
	Strongly disagreed	40	13.3	13.6	80.3
	Disagreed	22	7.3	7.5	87.8
	No opinion	36	12.0	12.2	100.0
	Total	294	97.7	100.0	
Missing	System	7	2.3		
Total		301	100.0		

Opinion 15: **Whether your company keep you update about issues of your company ?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	74	24.6	25.2	25.2
	Agreed	112	37.2	38.1	63.3
	Strongly disagreed	42	14.0	14.3	77.6
	Disagreed	25	8.3	8.5	86.1
	No opinion	41	13.6	13.9	100.0
	Total	294	97.7	100.0	
Missing	System	7	2.3		
Total		301	100.0		

Opinion 16: **Whether your opinion is given importance when decision is taken on work related issues?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	31	10.3	10.7	10.7
	Agreed	171	56.8	58.8	69.4
	Strongly disagreed	39	13.0	13.4	82.8
	Disagreed	24	8.0	8.2	91.1
	No opinion	26	8.6	8.9	100.0
	Total	291	96.7	100.0	
Missing	System	10	3.3		
Total		301	100.0		

Opinion 17: Whether employees are evaluated as an individual ?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agreed	23	7.6	8.0	8.0
	Agreed	147	48.8	51.2	59.2
	Strongly disagreed	41	13.6	14.3	73.5
	Disagreed	24	8.0	8.4	81.9
	No opinion	52	17.3	18.1	100.0
	Total	287	95.3	100.0	
Missing	System	14	4.7		
Total		301	100.0		

Performance Analysis of selected Islamic Insurance Companies of Bangladesh : An Evaluation.

Sadia Noor Khan & Fahad Zeya

Abstract

In principle, Islamic insurance system is mainly based on assurance, responsibility, protection and mutual cooperation among participants. Providing safety and security to the people through insurance has become the top most priority in Bangladesh. Thus, Islamic insurance by its own provision spreads out the contribution to help those who are in need. This papeattempts to focus and explain the performance of Islamic insurance in Bangladesh. It is evident that there are 78 insurance companies in Bangladesh (both islamic and conventional). Among them, there are 11 full-fledged islamic insurance companies in operation. Out of thse, researchers point out the key indicators of five Islamic insurance companies, which prepare and publish full audited financial statements. Some indicators like profitability, liquidity, capital adequacy and risk solvency of those Islamic insurance companies have been investigated to evaluate the performance of Islamic insurance companies. Based on the analysis, the study reveals that islamic life insurance companies are doing well compared to non-life islamic insurance companies in terms of liquidity, profitability, risk and solvency and capital adequacy over the four studied years (2013-2017). Some factors favor the non-islamic insurance in terms of premium renewal; islamic life insurance falls in dilemma while renewing the premium whereas non-life islamic do not get trou-

1. Sadia Noor Khan
Assistant Professor, Department of Banking and Insurance, University of Dhaka.

2. Fahad Zeya
Lecturer, Department of Finance and Banking, Comilla University.

bled. The study concludes that there are scopes for improvement of the Islamic insurance companies in Bangladesh.

Keywords: Islamic insurance, shariah, profitability, liquidity, risk and solvency, capital adequacy.

1.0 Introduction

The history of Islamic insurance in Bangladesh is not very young. In the year 1999, Islamic insurance system was introduced in Bangladesh. Though it was introduced too early, the number of Islamic insurance companies in Bangladesh is very few.Total eleven Islamic insurance companies are operating their business in Bangladesh.The research points out the present scenario of Islamic insurance companies in Bangladesh. Out of eleven Islamic insurance companies, research focuses five Islamic insurance companies (life and non-life). Key indicators here are ratio analysis which gets concentration on profitability, liquidity, capital adequacy and risk solvency aspects. Though research shows Islamic life insurance companies are performing better than Islamic non-life insurance companies, huge opportunities are there for both life and non-life Islamic insurance companies.

1.1 Objectives of the Research

Broader Objective: The main objective of this research is to comprehend the performance of Islamic insurance in Bangladesh. Specific objectives of this research are:

a) to analyze the performance of Islamic life and non-life insurance companies in Bangladeshbased on the profitability, liquidity, risk and solvency and capital adequacy

b) to compare the performance between Islamic life and non-life insurance companies in Bangladesh

1.2 Literature Review

Literatures show very few studies conducted on Islamic insurance in Bangladesh. The study focuses on the performance as well as economic efficiency of the Islamic insurance companies in Bangladesh.

Islam, S. and Sultana, T. (2018) made some comments on Islamic insurance companies that they are having problems with because of the scarcity of centralized regulation and shariah expertise. In Bangladesh, insurance companies are operating their business under dual framework; both conventional and Islamic. Mixed mechanism sometimes leads to much pressure and discrepancy on the profit of Islamic insurance companies. Suggestion for the Islamic insurance companies are to separate the regulation system and shariah board authority to get the maximum benefit from the real Islamic concept.

Khan, I.et al (2016) stated that Takaful industry is a growing one in the economy of Bangladesh. Hence, it faces some major problems in its structure. As takaful companies should be based upon the Islamic shariah, there is no segregation of the conventional and Islamic insurance in real. As Islamic insurance avoids Riba (Interest) and focuses on the profit structure, the dual framework causes hamper on the real and distinctive productivity of the Islamic insurance companies in Bangladesh. They suggested that the govt. introduce separate regulation for both conventional and Islamic insurance companies in Bangladesh.

Khan, I.et al (2018) commented on the takaful operators in the industry of Bangladesh. The absence of regulatory support and the proper distinctive guidelines are creating problem in the operation of islamic insurance in Bangladesh. To overcome the hurdles, the suggestion of engaging Islamic scholars who can add values to the industry will be very productive for the takaful industry. The will contribute to develop the country economically, raise and cherish Islamic values and foster growth.

Sarwar, M. (2016), in his article, examined the experience, challenges and key drives for the growth of takaful industry in Bangladesh. Focal point of the research is about human capital development. Skills and education are needed to train up the work force for the implementation of islamic insurance operations in Bangladesh. There is a lack of Islamic knowledge among the financial and non-financial sectors in Bangladesh that still needs to be developed so that the profitability index of islamic insurance will get positive growth.

Rahman, Md. (2013) worked on both the Islamic and conventional insurance and experimented with pure efficiency and scale efficiency. In his study he found that the smaller the size of the insurance companies, the higher the probability for the companies to be more efficient in inputs utilizing to generate more outputs. Here, the efficiency is mostly needed and regarded for the development and growth of the islamic insurance in Bangladesh.

Khan, M. and Uddin, M. (2009) stated that Bangladesh is a disaster prone country where any calamity and hazard can hit any time. Level of Risk is very high here. Compared to the risk level in the country, numbers of insurance industry is very few. Besides, the number of islamic insurance is too low. Lack of trust, illiteracy, improper claim settlement, lack of product diversification, lack of information, poor risk management, absence of Research & Development (R&D) etc create an imbalanced situation in the insurance sector.

Hodori, A. and Masih, M.(2017) used a dynamic profitability estimator of islamic insurance companies named GMM estimator. In their study, they found many indicators to estimate the profitability of islamic insurance in Malaysia. Among them, the two major estimators are takaful operators' age and size of the business. These two elements used by GMM estimators play a major role in islamic insurance industry.

Janjua, P. and Akmal, M. (2015) in their study made an analysis between conventional insurance and islamic insurance based on Data

Envelopment Analysis (DEA) and Ratio analysis. Their focus was on the economic efficiency and comparison between conventional and islamic insurance. In their study, they found that the condition is better for conventional insurance compared to islamic insurance as being new entrants of islamic insurance companies do not perform well.

1.3 Research Methodology

The paper undertakes both quantitative and qualitative study based on the core concepts and practice an necessary to evaluate the performance of Islamic insurance companies in Bangladesh.In this regard, various types of ratio analysis have been calculated and interpreted to assess the performance of islamicinsurance companies in Bangladesh. Hence, the study concentrates mostly on data taken from reports of islamic life and non-life insurance companies in Bangladesh. Through ratio analysis, future trend of any business can easily be predicted.

1.3.1 Sample Design:

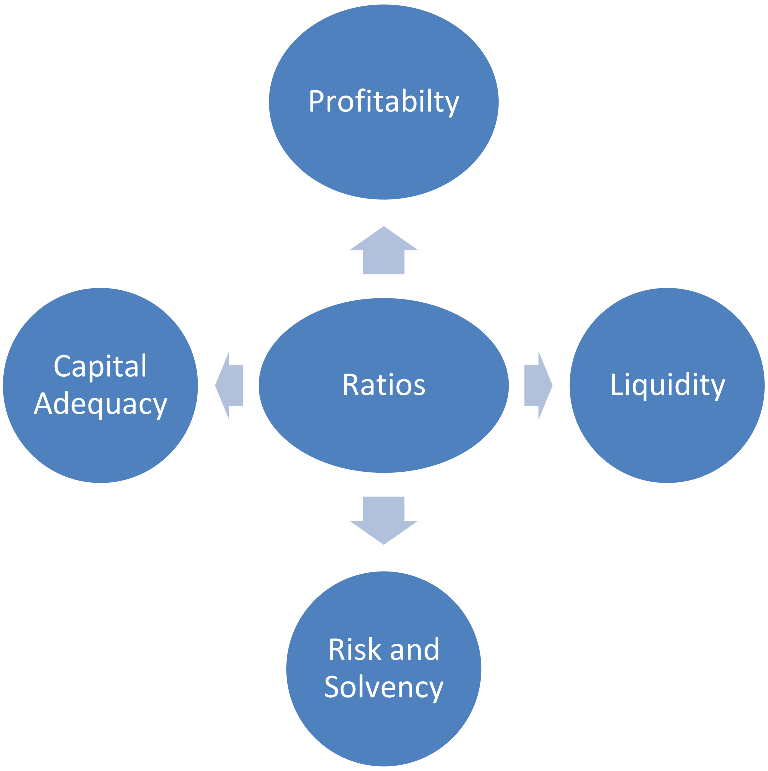
To find out the trend and performance of Islamic life and non-life insurance companies, the study takes into account selected Islamic life and non-life insurance companies of Bangladesh which are currently offering Islamic insurance services. For the purpose of the study, data has been collected from fiveislamic insurance companies.

1.3.2 Sources of Data Collection:

Secondary Data: The major sources of secondary data include annual reports of Islamic insurance companies, various articles of Islamic insurance, published journal articles, newspapers and other relevant periodicals. In addition to that regulatory body’s strictures, expert write-ups have also been followed as secondary data sources.

1.3.3 Data Processing and Analysis:

Data collected from secondary sources have been processed on the basis of different tools like trend analysis, growth analysis and ratio analysis and presented on relevant graphs. To study the practice and performance of islamic life and non-life insurance companies, ratio analysis for the period from 2013 to 2017 have been analyzed. Ratios are given below:



Research Model

Research Model

a) Profitability Ratio

b) Liquidity Ratio

c) Risk and Solvency Ratio

d) Capital Adequacy Ratio

RatiosSpecificationCalculation

ROA	Return on Asset (ROA)	Net Profit After Tax/Total Asset
ROE	Return on Equity (ROE)	Net Profit After Tax/Total Equity
CR	Current Ratio	Cash and Account with Banks/Total Deposits
CAR	Current Asset Ratio	Current Asset/Total Asset
LDR	Loan Deposit Ratio	Loans/Deposit
LTAR	Loan to Total Asset Ratio	Net Loans/Total Asset
DER	Debt Equity Ratio	Total Debt/Shareholders' Equity
DTAR	Debt to Total Asset Ratio	Total Debt/Total Asset
ELR	Equity Liability Ratio	Total Equity/Total Liability

Table: Operation of Variables

Profitability Ratios:

A company's capacity to generate earnings in accordance with sales, assets and equity can be obtained by profitability ratio. It shows how effectively these elements are managed to gain profit and it is one of the main elements for the financial performance of insurance companies. Here, two main indicators have been used under profitability ratio:

- Return on Asset (ROA)
- Return on Equity (ROE)

Liquidity Ratios:

Short term debt obligations of insurance companies can be detected through liquidity ratio analysis. The higher the ratio of a company is, the better the financial health of that company is. Liquidity analysis can be predicted through these indicators:

- Current Ratio (CR)
- Current Asset Ratio (CAR)
- Loan Deposit Ratio (LDR)
- Loan to Total Asset Ratio (LTAR)

Risk and Solvency Ratios:

Risk and Solvency Ratios help to evaluate the connection among asset, equity and liability of an insurance company. This analysis deals with the financial risk that a business faces and/or the ability of a company to meet the long term financial obligations. Below are some indicators for analyzing risk and solvency:

- Debt Equity Ratio
- Debt to Total Asset Ratio

Capital Adequacy Ratios:

Meeting time liabilities and risks i.e. market risk, credit risk and operational risk of an insurance company can be measured through Capital Adequacy Indicators. Here equity against liability is an appropriate measure of analyzing capital adequacy. One ratio can predict this, which is:

- Equity Liability Ratio

There are 11 Islamic Insurance operating in Bangladesh and 5 of them are doing fully opretional business preparing their reports audited in every year. Among them, two are non-life Islamic insurance companies and three are Islamic life insurance companies. Based on the prepared annual reports and journals, we have analyzed practice and performance of Islamic insurance companies in Bangladesh. These are-

Islamic Life Insurance Companies

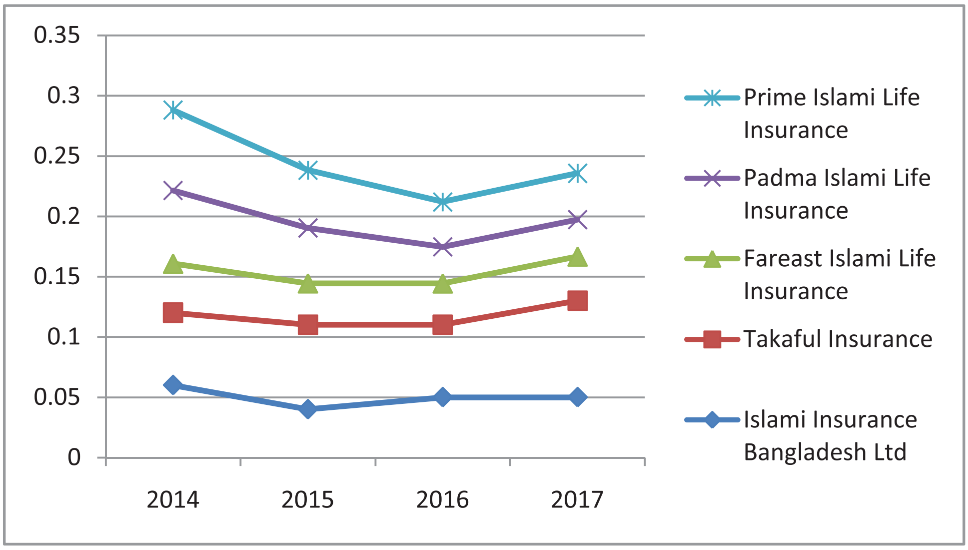
- Fareast Islamic Life Insurance Co. Ltd.
- Padma Islamic Life Insurance Company Ltd.
- Prime Islamic Life Insurance Company Ltd.

Islamic Non-life Insurance Companies

- Islamic Insurance Bangladesh Ltd.
- Takaful Islamic Insurance Ltd.

2.0 Data Analysis and Discussions

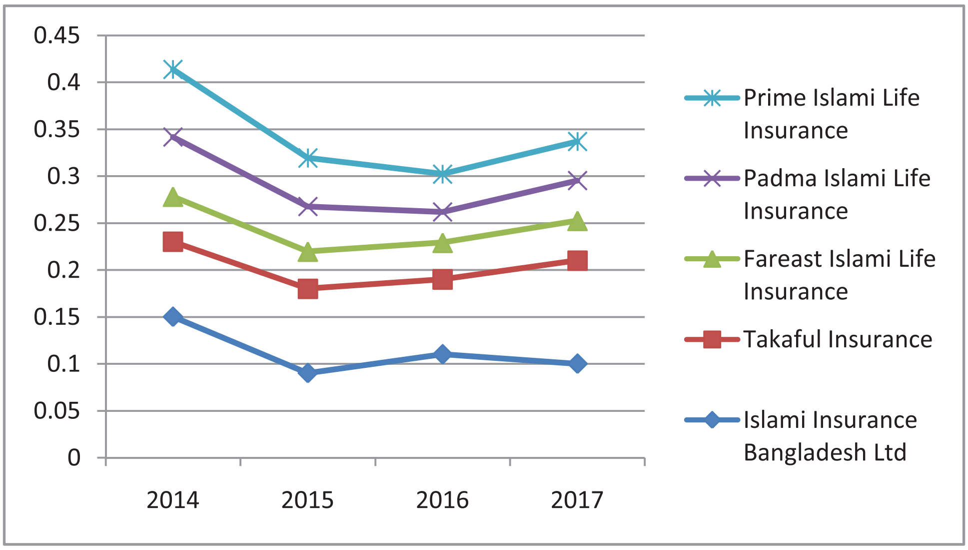
2.1 Return on Assets (ROA)



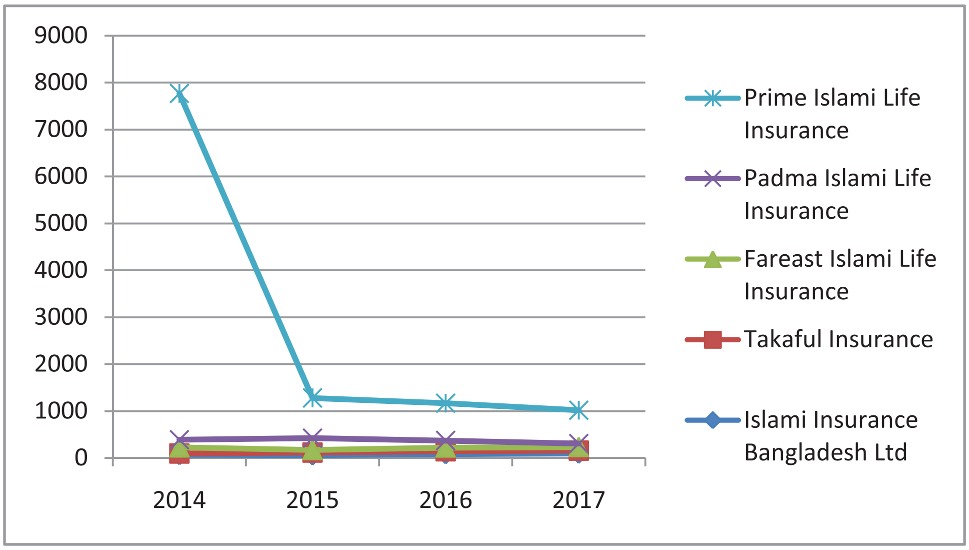
Return on Assets shows the outcome based on assets. ROA of non-life Islamic insurance companies (Islami Insurance Bangladesh Ltd. and Takaful Islami Insurance Ltd.) are comparatively lower than those of islamic life insurance companies (FarestIslami Life Insurance Co. Ltd., Padma Islami Life Insurance Company Ltd., Prime Islami Life Insurance Company Ltd.) though the trends (2013-2017) of every companies are upward. Prime Islami Life Insurance is on the top of all. The observation is that Fareast Islami Life Insurance Co. is in the better position in terms of Net profit after tax (as well as its asset base).

2.2 Return on Equity (ROE)

Return generation against equity capital has become a greater challenge for Islamic insurance companies in Bangladesh. The ROE of both life and non-life Islamic insurance companies is on the decreasing or stagnant trend except Takaful Insurance Ltd. Reason behind this is the lack of variant islamic products in the market. Takaful Insurance Ltd has made some variation in their product line and is generating some return against their equity.

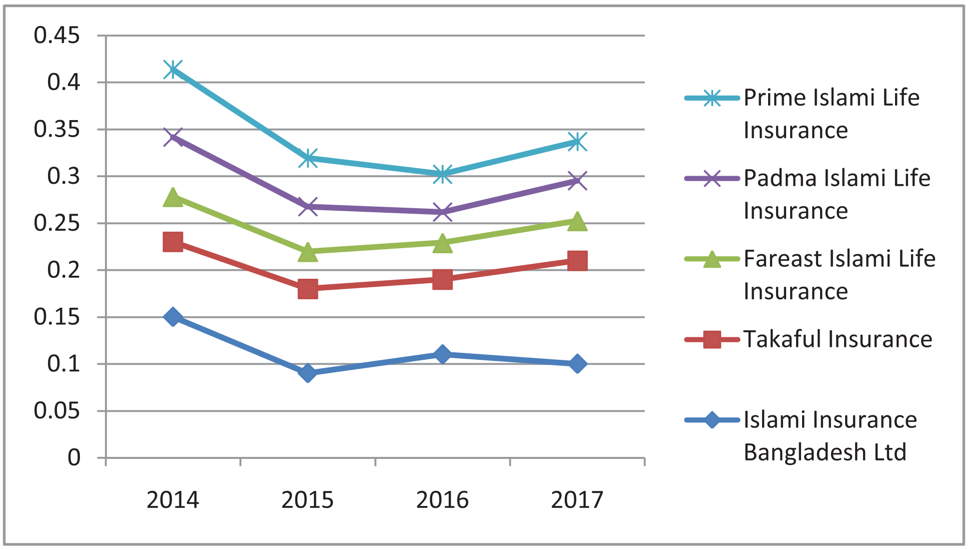


2.3 Current Ratio (CR)



Current Ratio is calculated in terms of cash and accounts with banks against their deposit. Current Ratio of both life and non-life Islamic insurance companies are in the same row except Prime Islami Life Insurance (2014) as their lump sum renewal premium could not be recovered and it fell down to 0.57 where they tried to keep the ration between 5 to 7 in the next years.

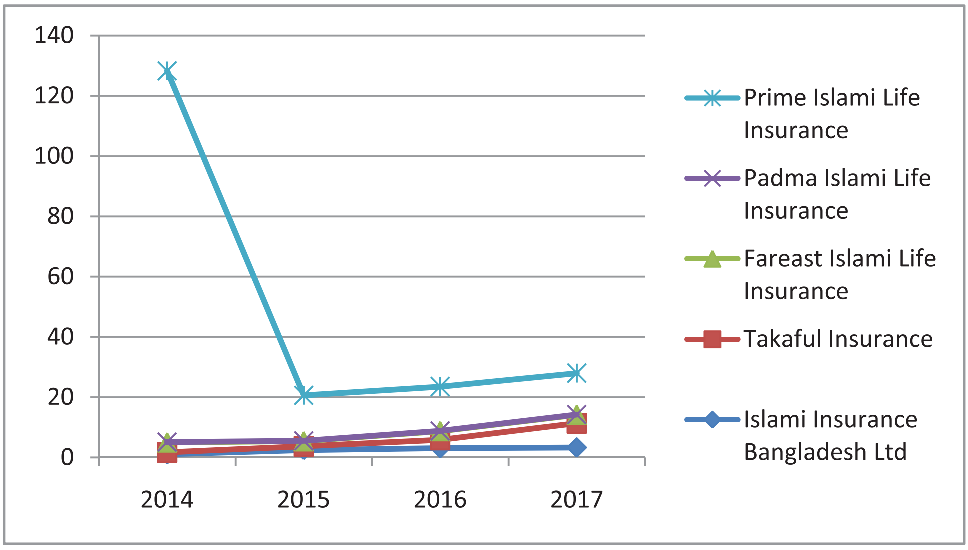
2.4 Current Asset Ratio (CAR)



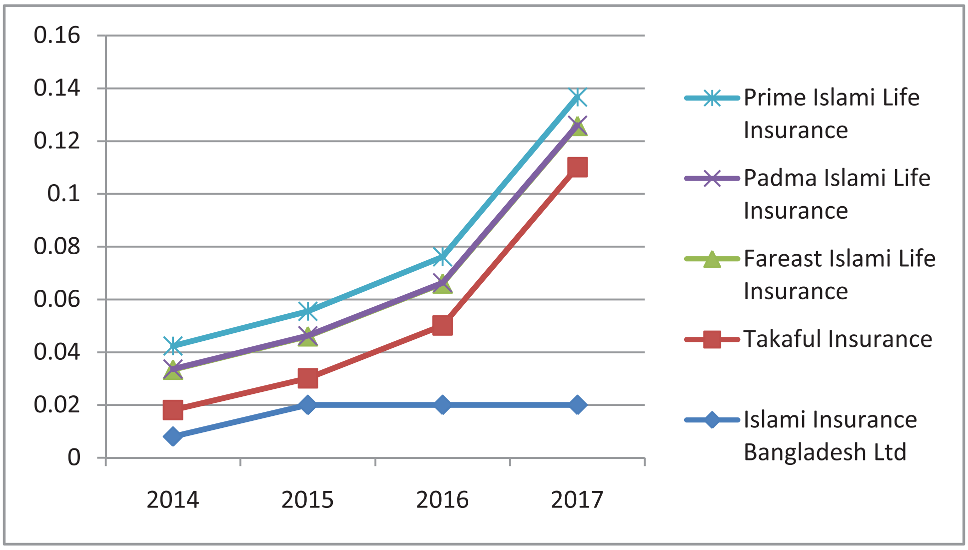
Current Assets against Total Assets are very low in both of the life and non-lifeislamic insurance companies in Bangladesh. Here, Life Islamic Insurance companies are doing comparatively better than non-life ones. Specifically, Prime Islami Life Insurance and Fareast IslamiLife Insurance companies have larger current asset base and on the increasing trend from 2014 to 2017.

2.5 Loan to Deposit Ratio (LDR)

LDR of Prime Islami Life Insurance Company fell into 0.57 as they failed to recover renewal insurance premium for 2014. Loan to other real estates, banks, financial, non financial institutions are on the moderate level in terms of insurance sector in Bangladesh. Takaful Insurance Company here took a great risk by giving huge loans compared to their previous years. Default of loan is a common trend here. Proper CRG (Credit Risk Grading) should be followed here.

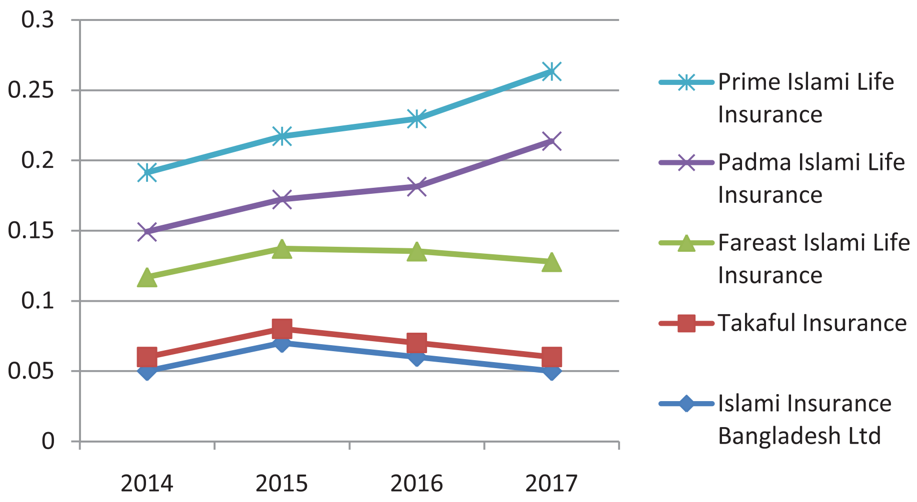


2.6 Loan to Total Asset Ratio (LTAR)



Loan against Total Asset is more or less similar in the Islamic insurance market as the scope for Islamic insurance is limited compared to general insurance companies in Bangladesh. Findings here are for Islami Insurance Bangladesh Ltd; they provided less loan (5.8 million) in 2014 as maintaining conservative policy so as to earn less for that period. Besides, their loan giving policy is something different from others. Having less scope for Islamic investments, their different approaches did not play sufficient in the market.

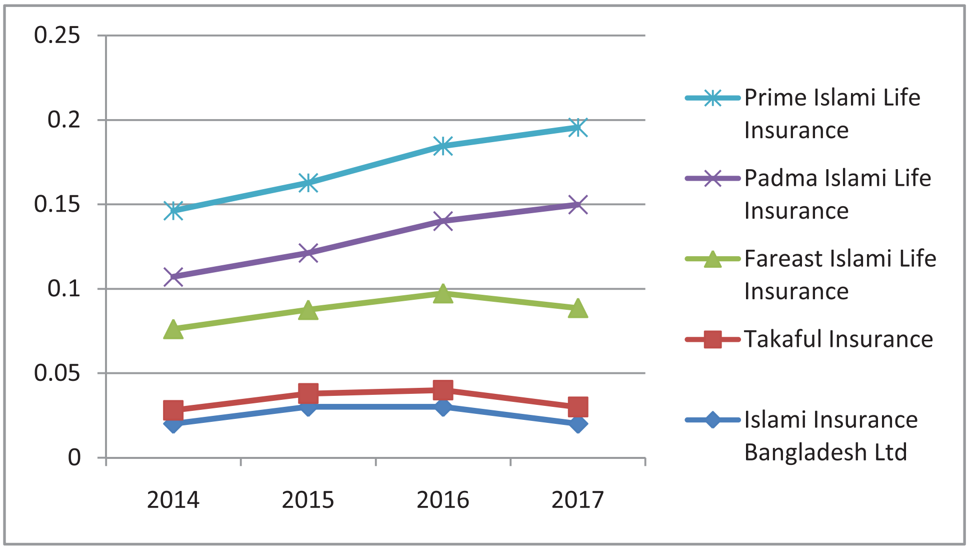
2.7 Debt Equity Ratio (DER)



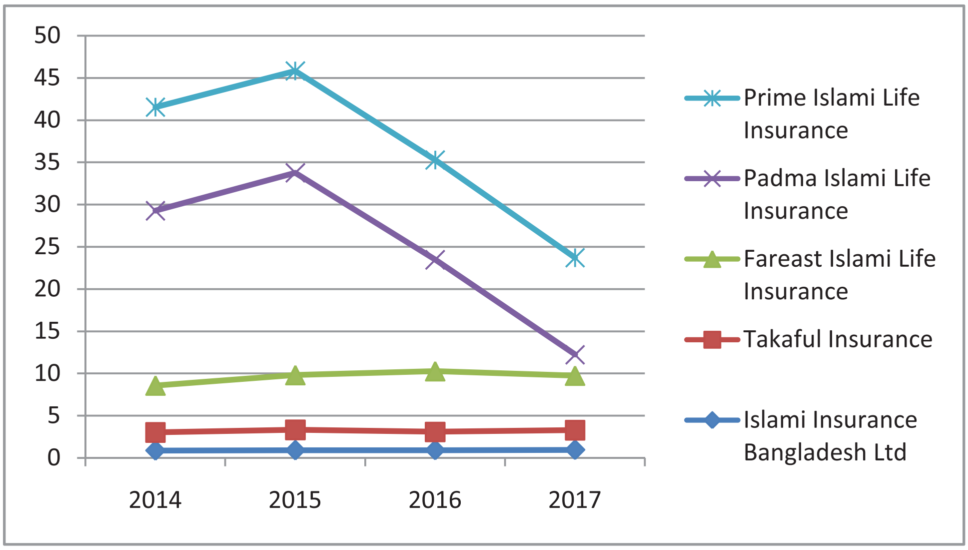
Debt Equity balance is very important for any company. Islami Insurance Bangladesh has been maintaining the same trend as they have not that much scope of applying approaches. Takaful Insurance is in the down trend. Prime Islami Insurance recently (2017) has got some more debt and it shows more ratios in terms of equity. Padma Islami Life Insurance is also acquiring some debt against their equity.

2.8 Debt to Total Asset Ratio (DTAR)

Fareast Life Insurance was taking more debt against their total asset every year that should be carefully treated. Padma Islami Life Insurance is increasing their debt against their asset base and giving priority in maintaining their debt and asset mixture and so is Takaful Insurance. Prime Life Insurance is also increasing their debt level in terms of their asset base but proper scrutiny should be given as they have other subsidiaries and sometimes they mix up their debt and assets in this manner.



2.9 Equity Liability Ratio (ELR)



Equities of Padma Life Insurance, Fareast Islami Life Insurance and Prime Islami Life Insurance are on the decrease in a bigger way compared to other islamic insurance in Bangladesh. Islami Insurance Bangladesh is maintaining the same level in their equity and liability base. Equity of non-lifeislamic insurance companies is far lesser than that of islamic life insurance companies.

2.10 Findings

Some major findings regarding this paper on Islamic insurance are presented below:

- In terms of profitability, Prime Islami Life Insurance is at the top based on its asset base compared to other life and non-life Islamic insurance. The equity base of both Islamic life and non-life insurance is in the decreasing trend as they failed to make variations that Takaful Insurance did better than others.

- In terms of liquidity, Prime Islami Life and Fareast Islami Life Insurance have larger current asset base though the trend shows the downward move of both Islamic life and non-life insurance. Proportion of loan dissemination is also poor for both of the companies. In 2014, Prime Islami Life fouced problems as they failed to renew the premium. Here, Islami Life Insurance plays conservative role in providing loan.

- In terms of risk and solvency, Prime Islami Life and Padma Islami Life are having more debt compared to their asset and equity base. Here, Takaful Islami Insurance is doing the same with their debt.

- In terms of capital adequacy, equity of non-life islamic insurance companies is far lesser than that of islamic life insurance companies. Hence, the equity liability combination does not go well for both.

3.0 Conclusion

Bangladesh as a developing country falls into the category of world's most promising sectors in economy. Such as in banking and other financial sectors, Bangladesh is uprising in the insurance sector though the growth is slower. In this economy, both Islamic and conventional insurance companies are running their operations comparatively smoothly. Among them, there are very few Islamic insurance companies operating in Bangladesh even though the insurance market is open in the economy. This paper indicates that islamic life insurance companies are doing well compared to non-life islamic insurance companies in terms of liquidity, profitability, risk and solvency and capital adequacy. Besides, some factors are dominated by non-life insurance companies, such as; life insurance companies usually fall in danger while recovering the renewal premium whereas non-life insurance companies do not need to face such situation. Capital base of islamic life insurance companies are better than that of non-life islamic insurance companies. Islamic insurance has got wide acceptance and popularity in our neighboring countries, still Bangladesh has room for improvement.

References

1. Islam, S. and Sultana, T. 2018. Islamic Insurance in Bangladesh: Performance, Problems and Prospects. International Journal of Islamic Business & Management; Vol. 2, No. 2. pp. 39-53.
2. Khan, I. et al. 2016. History, problems, and prospects of Islamic insurance (Takaful) in Bangladesh. Springer Plus (2016) 5: 785.
3. Khan, I. et al. 2016. A narrative on Islamic insurance in Bangladesh: problems and prospects. International Journal of Ethics and Systems; Vol. 34 Issue: 2, pp.186-199.
4. Sarwar, M. 2016. Future Challenge in Islamic Insurance (Takaful) In Bangladesh. Australian Journal of Sustainable Business and Society, Vol. 2, No. 1, pp. 69-80.
5. Rahman, Md. 2013. Comparative Study on the Efficiency of Bangladeshi Conventional and Islamic Life Insurance Industry: A Non Parametric Approach. Asian Business Review, Volume 2, Number 3/2013. pp. 88-99.
6. Khan, M. and Uddin, M. 2009. Insurance Industry in Bangladesh: Opportunities and Challenges. Islamic Economics Research Bureau Vol. 23, No. 04. pp. 55-78.
7. Hodori, A. and Masih, M. 2017. Determinants of profitability of takaful operators: new evidence from Malaysia based on dynamic GMM approach. Journal of Banking and Finance; 34(7), 1497–1509.

8. Janjua, P. and Akmal, M. 2015. A Comparative Analysis of Economic Efficiency of Conventional and Islamic Insurance Industry in Pakistan. Pakistan Business Review April 2015; pp. 21-44.
9. Annual Reports of Prime Islami Life Insurance 2014-2017.
10. Annual Reports of Padma Islami Life Insurance 2014-2017.
11. Annual Reports of Fareast Islami Life Insurance 2014-2017.
12. Annual Reports of Takaful Insurance 2014-2017.
13. Annual Reports of Islami Insurance Bangladesh 2014-2017.

Appendix-1

Ratio Analysis:
Islami Insurance Bangladesh

Year	2014	2015	2016	2017
Return on Asset (ROA)	0.06	0.04	0.05	0.05
Return on Equity (ROE)	0.15	0.09	0.11	0.1
Current Ratio	62.7	55.37	81.64	94.31
Current Asset Ratio	0.59	0.6	0.61	0.61
Loan Deposit Ratio	0.99	2.44	3.01	3.25
Loan to Total Asset Ratio	0.008	0.02	0.02	0.02
Debt Equity Ratio	0.05	0.07	0.06	0.05
Debt to Total Asset Ratio	0.02	0.03	0.03	0.02
Equity Liability Ratio	0.87	0.9	0.92	0.95

Takaful Insurance

Year	2014	2015	2016	2017
Return on Asset (ROA)	0.06	0.07	0.06	0.08
Return on Equity (ROE)	0.08	0.09	0.08	0.11
Current Ratio	28.48	58.13	54.64	57.69
Current Asset Ratio	0.76	0.76	0.75	0.73
Loan Deposit Ratio	0.62	1.18	2.71	8.04
Loan to Total Asset Ratio	0.01	0.01	0.03	0.09
Debt Equity Ratio	0.01	0.01	0.01	0.01
Debt to Total Asset Ratio	0.008	0.008	0.01	0.01
Equity Liability Ratio	2.13	2.41	2.14	2.31

Fareast Islami Life Insurance

Year	2014	2015	2016	2017
Return on Asset (ROA)	0.04	0.03	0.03	0.04
Return on Equity (ROE)	0.05	0.04	0.04	0.04
Current Ratio	129.83	52.47	83.30	79.77
Current Asset Ratio	0.20	0.22	0.24	0.23
Loan Deposit Ratio	3.34	1.72	2.97	2.84
Loan to Total Asset Ratio	0.02	0.02	0.02	0.02
Debt Equity Ratio	0.06	0.06	0.07	0.07
Debt to Total Asset Ratio	0.05	0.05	0.06	0.06
Equity Liability Ratio	5.57	6.50	7.20	6.48

Padma Islami Life Insurance

Year	2014	2015	2016	2017
Return on Asset (ROA)	0.06	0.05	0.03	0.03
Return on Equity (ROE)	0.06	0.05	0.03	0.04
Current Ratio	162.57	252.41	147.67	73.02
Current Asset Ratio	0.25	0.30	0.35	0.29
Loan Deposit Ratio	0.08	0.09	0.10	0.08
Loan to Total Asset Ratio	0.000227	0.000159	0.00019	0.000197
Debt Equity Ratio	0.03	0.04	0.05	0.09
Debt to Total Asset Ratio	0.03	0.03	0.04	0.06
Equity Liability Ratio	20.67	23.92	13.19	2.48

Prime Islami Life Insurance

Year	2014	2015	2016	2017
Return on Asset (ROA)	0.07	0.05	0.04	0.04
Return on Equity (ROE)	0.07	0.05	0.04	0.04
Current Ratio	7382.91	856.18	792.97	708.02
Current Asset Ratio	0.67	0.25	0.28	0.31
Loan Deposit Ratio	123.21	15.11	14.63	13.70
Loan to Total Asset Ratio	0.01	0.01	0.01	0.01
Debt Equity Ratio	0.04	0.04	0.05	0.05
Debt to Total Asset Ratio	0.04	0.04	0.04	0.05
Equity Liability Ratio	12.28	12.09	11.81	11.46

Appendix-2

Financial Highlights:
Islami Insurance Bangladesh

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	48.73	44.6	32.19	51.94
Total Asset	961.95	875.07	793.11	764.2
Total Equity	468.76	420.03	375.43	355.99
Cash and Account with Banks	498.91	433.49	378.73	367.42
Total Deposit	5.29	5.31	6.84	5.86
Current Asset *	586.56	535.56	472.87	450.89
Loan	17.18	16	16.68	5.8
Total Debt	21.92	26.88	24.88	17.27
Total Liability	493.19	455.04	417.69	408.21

Takaful Insurance

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	72.11	49.21	53.29	43.09
Total Asset	951.07	889.35	795.55	748.10
Total Equity	666.29	605.94	562.17	508.88
Cash and Account with Banks	662.91	605.94	494.08	457.44
Total Deposit	11.49	11.09	8.5	16.06
Current Asset*	696.67	666.37	602.18	569.58
Loan	92.39	30	10	10
Total Debt	9.07	8.51	6.01	6.01
Total Liability	288.15	283.41	233.38	239.22

Fareast Islami Life Insurance

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	1558.39	1409.36	1396.53	1577.04
Total Asset	42423.61	41140.63	40697.27	38656
Total Equity	36752.49	36126.44	35268.60	32774.37
Cash and Account with Banks	18782.23	18443.19	19854.22	23000.4
Total Deposit	235.45	221.41	378.39	177.16
Current Asset*	9836.12	9697.95	8819.17	7653.78
Loan	667.72	658.01	649.45	592.1
Total Debt	2488.25	2357.95	2015.32	1862.67
Total Liability	5671.12	5014.186	5428.67	5881.63

Padma Islami Life Insurance

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	72.68	100.39	166.88	220.89
Total Asset	2389.4	3313.39	3637.25	3649.42
Total Equity	1702.91	3079.89	3491.3	3481.02
Cash and Account with Banks	427.18	955.41	1701.27	1793.1
Total Deposit	5.85	6.47	6.74	11.03
Current Asset*	703.92	1155.69	1078.84	928.16
Loan	0.47	0.63	0.58	0.83
Total Debt	146.13	141.57	122.33	112.45
Total Liability	686.49	233.5	145.95	168.4

Prime Islami Life Insurance

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	346.52	335.207	409.13	532.33
Total Asset	9012.02	8960.67	8525.47	7985.227
Total Equity	8288.91	8261.11	7874.02	7384.027
Cash and Account with Banks	4963.25	4813.34	4486.4	4208.26
Total Deposit	7.01	6.07	5.24	0.57
Current Asset*	2789.82	2536.93	2148.43	5349.09
Loan	96.07	88.83	79.17	70.23
Total Debt	411.59	398.84	353.96	312.21
Total Liability	723.11	699.56	651.45	601.2

Expansion of Non-life Insurance both Public and Private Sector in Bangladesh

Md. Ibrahim
PhD Student, India.

Abstract

This article will present the expansion of nonlife Insurance both public and private sectors in Bangladesh. The analysis is based on the 14 Year's (2004-2017) statistical information relating to gross direct premium of nonlife insurance sector. Spreading of this sector is consistent with four parameters like 'Growth Rate ''Market share' 'Penetration Rate' 'Density Rate'. The study reveals that the growth rate of public sector is lower than that of private sector. Market share of private sector is higher than that of public sector. The main reason is that, private sector is getting a portion of 50% of public sector business as per Insurance Corporation (Amendment –Act 1990) and private sector can provide commission to the insured but which is not possible for public sectors. Insurance penetration and density have witnessed an increasing trend during the study period. The penetration rate of Bangladesh was .17% in 2008 and it was .18% in 2014 and .15% in 2017. The density rate of Bangladesh was 1.40 (USD) in 2008 and it was 2.10 (USD) in 2017. If we compare these rates with our neighboring country India, it is seen that both rates i.e. penetration (.80%) and density (11.0 USD) of Indian are much more than that of Bangladesh. If we compare with other developed countries for example China, Russia, South Africa, it is seen an insignificant rate has been carried by Bangladesh.

Key wards: Non-life Insurance, Growth Rate, Market Share, Penetration Rate, Density Rate.

Md. Ibrahim

PhD Scholar, Management Science, Apeejay Stya University, Haryana, India and Manger of SBC.

1. Introduction

The non-life insurance also know as General insurance is typically defined as any insurance that is not life insurance. Nonlife insurance policies cover commercial risks of super markets, relatively small legal entities including shops, restaurants and hotels. The segment also consists of personal line products like automobiles, homeowners (household), and others. In other words, General insurance provides funds to repair or compensate for the real value and cost of damages, accident and various losses in all fields of material activities. An evolving insurance sector is of vital importance for economic growth. It provides a safety net to both enterprises and individuals. The insurance industry also provides crucial financial intermediation services, transferring funds from the insured to capital investment, which is critical for continued economic expansion and growth simultaneously generating long-term funds for infrastructure development.

Bangladesh rapid growth rate over the decade has been one of the most significant developments in regional co-operation and also global economy. The service sector has contributed significantly to Bangladesh's growth story in the recent years. GDP originating from the service sector recorded 49.33 percent in 2016 (Trading economics.com Bangladesh). The contours of insurance business have been changing across the global and rippling effect of the same can be observed in Bangladeshi market as well. Insurance industry is a growth-oriented industry. In Bangladesh too, the industry has started to reveal its potentials after liberalization and privatization of the sector.

Bangladesh is geographically small and has the world's 9th largest population but it also has one of the lowest penetration rates for non-life insurance in Asia in terms of premium as a percentage of GDP. Current insurance penetration rate is 0.5% (Mr. Townsend, April, 2017, Asian insurance overview). Combine premium income is stood 10,595 crores in 2016. (IDRA). This situation reflects the fact that Bangladesh insurance market is still to its infancy meaning good growth potential. Strong economic growth of Bangladesh in the last decade combined with a population of over 15 crore makes it one of the potentially largest insurance markets in the future. The increased economic activity coupled with reforms in non-life insurance market, would certainly help to expand the market in the years to come. The reforms and opening up of the insurance sector invited many private firms to start up their business. It has been estimated that insurance sector growth is more than three times the growth of economic of Bangladesh. It is the reason that 45 non-life private insurance firms are investing in insurance sector in Bangladesh.

Insurance sector reforms were started in Bangladesh by an amendment of Insurance Corporation Act, 1984. In order to meet with the demands of business community and trade bodies, the than government allowed to set up private insurance company in 1984. The process was started for establishing insurance company in the private sector with an objective of creating a more efficient and competitive financial system suitable for the Bangladesh economy. At that time the government felt that in order to improve the customer services and increase the spread of the insurance this sector should be opened up for completion. The reforms in insurance sector resulted in liberalization, privatization and globalization of insurance industry in Bangladesh.

In Bangladesh, the market shares of public sector have been challenged in recent years by a variety of forces from internet disintermediation to aggressive marketing by a new entrance, financial service, competition from other investment vehicles and of course customer empowerment. In case of non-life insurance sector, 25.88% market share was occupied by public sector, whereas 72.12% by private sectors in 2015 (IDRA). The changing insurance industry dynamics present many opportunities for insurances a well-defined and pro-action business response. The insurer must re-evaluate how they handle customer interactions, align their offering with customers, purchasing criteria, better understanding, andhow the act on the divers of customer satisfaction, loyalty and defection. At the same time, they can optimize distributor strategy by pro-actively seeking to retain and attract quality distributors.

The industry has a lot of competition among the 45 private companies. Many of these companies have been marked for in-efficiency and unethical practices, which has resulted in problems regarding consumer confidence on the industry (mamun-2011).

2. Development of Insurance in Bangladesh.

Insurance is not a new idea or proposition to the people of Bangladesh. About 75 years back, during the British rule in the then India, some insurance companies started transacting insurance business, particularly life, in this part-of the world. Between 1947 to 1971 insurance business gained momentum in this part of what was then known as East Pakistan. There were about 49 companies transacting both nonlife and life insurance business.

With the emergence of the people's Republic of Bangladesh, the government, in order to make available the fruit of liberation to general mass, nationalised the insurance industry in 1972 (Presidential order no- 95). By the virtue of this order, all companies and organizations transacting all type of insurance business in this country came under this nationalization except postal and foreign life insurance companies. Five Insurance Corporations were basically established, viz, Jatiya Bima Corporation, Teesta Bima Corporation, Karnaphuli Bima Corporation, Rupsa Jibon Bima Corporation, Surma Jiban Bima Corporation,The Jatiya Bima Corporation was not an underwriting Corporation rather it was a controlling body of other four Corporations. As per this order Teesta and Karnaphuli were made responsible for nonlife insurance business and Surma and Rupsa were made responsible for life insurance business. All the existing 49 companies were merged with this four Corporations. At last, a structural arrangement was changed under nationalization vide

(Act VI, 1973) on 14th May, 1973. The previous five Corporations were abolished and Two Corporation were established, viz, Sadharan Bima Corporation, for transacting nonlife insurance business only.

Jibon Bima Corporation, for transacting life insurance business

In order to meet with the demands of business community and trade bodies, then government allowed to setup insurance company in 1984 in the private sector with the necessary amendment of Insurance Corporation Act-1984.Since 1985, the private insurance firm started the insurance business.

3. Objectives of the Study:

The main objective is to know the expansion of nonlife insurance both in public and private sectors in Bangladesh. More especially, the study attempts to achieve the following objectives:

- To know an idea about growth rate of non-life insurance both public and private sector in Bangladesh.
- To know an idea about market share of non-life insurance both public and private sector in Bangladesh
- To know an idea about penetration rate of non-life insurance sector in global perspective.
- To know an idea about density rate of non-life insurance sector in global perspective.
- To recommend for raising expansion of nonlife insurance sector.

4. Methodology

The research made use of secondary data. The data ware collected for the years 2002-2015(14 years). The sources of these data include financial statement or annual reports of SBC & various private insurance firms, journal, Books, research papers etc. Sometimes data hass been collected directly from IDRA as well as from the website of IRDA, India. The financial data collected is analyzed using formulas relating to growth rate, market share, penetration rate, density rate etc.

Expansion of Non-life Insurance in Bangladesh and Global perspective.

The expansion of insurance is measured in terms of insurance penetration and measure of density. To see the growth and opportunities in the insurance sector in any country, insurance penetration, insurance density, Premium income and growth in premium should be measured. Bangladesh is geographically large and has the world's 9th largest population, i.e. 159.9 million in 2016 (World population Review. com-2017). Despite such a large and huge population, the insurance penetration and density as compared to the must of the world is quite insignificant. Table-1 and 2 explain the non-life insurance penetration and density respectively. Non-life Insurance Penetration is measured as a ratio of premium to gross Domestic Product (GDP).

Table-1
Non-life Insurance Penetration (%)

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bangladesh	.17	.17	.19	.19	.20	.15	.18	.17	.16	.15
India	.60	.60	.70	.70	.80	.80	.70	.80	.80	.85
China	1.00	1.1	1.3	1.2	1.3	1.4	1.5	1.4	1.3	1.4
Brazil	1.60	1.5	1.5	1.5	1.7	1.8	1.9	1.8	1.7	1.8
Russia	2.30	2.5	2.3	2.3	1.2	1.2	1.2	1.2	1.2	1.3
United States	4.60	4.5	4.5	4.5	4.5	4.3	4.3	4.5	4.6	4.6
United Kingdom	2.90	3.0	2.9	3.1	2.8	2.8	2.6	2.7	2.8	2.7
Japan	2.20	2.1	2.1	2.2	2.3	2.3	2.4	2.3	2.4	2.5
South Africa	2.90	2.9	2.8	2.7	2.7	2.7	2.7	2.8	2.7	2.8
Worlds	2.90	3.0	2.9	2.8	2.8	2.8	2.7	2.6	2.7	2.7

Source: Compiled from IRDA Annual reports from 2008-2009 to 2016-2017, India and IDRA. Bangladesh.

Note: 1. Insurance penetration is measured as ratio (in percent) of Premium (UDS) to total GDP (USD)

2. Data pertains to calendar years.

Table-1 reveals that there is an increasing trend in the non-life insurance penetration in Bangladesh and it was from .17 percent in 2008 to .20 in 2012 and .15 percent in 2017. In India, it is seen that non-life insurance penetration rate is stagnant fill 2009 then an increasing trend between2010 to 2017. On the global level, the non-life insurance penetration has witnessed from 5.01 to 4.60 during the period under study. The figures in the case of other countries also present a similar trend which fluctuated and stagnated of times. The world average also declined marginally from 2.90 to 2.70 during the corresponding period. The position of non-life insurance sector in Bangladesh is quite discouraging as compared to other developing nations.

An attempt has been made to examine the non-life Insurance density on a global as well on local context. The non-life insurance density is measured as a ratio of premium to total population. Table 2 highlights the non-life insurance density in US Dollar terms.

Table -2

Non-life Insurance Density (Per-capita premium) in USD

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bangladesh	1.4	1.5	1.69	1.81	2.20	1.87	2.46	1.90	1.95	2.1
India	6.2	6.7	8.7	10.0	10.50	11.0	11.0	11.0	11.1	11.2
China	25.5	40.0	52.9	64.0	76.0	91.0	109.0	110.0	109.0	110.0
Brazil	129.1	123.8	157.7	189.0	188.7	197.0	200.0	198.0	201.0	202.0
Russia	268.1	276.4	290.4	295.0	170.3	180.0	161.0	181.0	175.0	175.0
United States	2177.4	2107.3	2127.2	2130.0	2239.2	2296.0	2360.0	2370.0	2390.0	2392.0
United Kingdom	1275.7	1051.2	1060.2	1188.0	1094.4	1087.0	1185.0	1181.0	1183.0	1185.0
Japan	829.2	840.4	917.4	1031.0	1024.9	861.0	852.0	860.0	870.0	870.0
South Africa	163.6	163.9	200.1	215.0	198.6	181.0	176.0	178.0	181.0	180.0
World	264.2	253.9	263.0	283.0	283.1	285.0	294.0	295.0	296.0	297.0

Source: Compiled from IRDA Annual reports from 2008-2009 to 2016-2017, India and IDRA, Bangladesh.

Note: 1. Insurance density is measured as ratio (in percent) of premium (in USD) to total population.

2. Data pertains to calendar year.

Table - 2 clearly explains that the non-life insurance density in Bangladesh has increased from $1.4 in 2008 to $ 2.10 in 2017, while in the case of India, it increased from $6.2 to $11.20 and also in the case of United States, it increased from $ 2177.4 to $2392 during the same period. Even the developing countries like China, Brazil, and Russia should an impressive growth in the non-life insurance density. A world-wide increasing trend in the non-life insurance density from $264.2 to $294 can be observed from the table, during the period under study. It is clearly evident from the tables 1 & 2 that, the non-life insurance penetration and density in Bangladesh is too low, as compared to the world levels. It seems that even the reform process has failed to provide the desired results, despite the fact that Bangladesh insurance sector is still unexplored and untapped.

Trend in Gross Direct Premium

Gross Direct Premium is one of the important and main indicators of the performance of any insurance business. The Gross Direct Premium of the public & private sector non-life insurance firms for the period 2004 to 2017 has been presented in Table -03

Table-3
Gross Direct Premium of non-life Insurance
Sector in Bangladesh (Tk.in core)

Sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public	309.9	356.2	395.8	455.7	501.3	540.6	574.5	601.7	800.5	796.0	800.8	835.0	872.8	932.4
Private	600.4	709.5	797.6	941.7	1116.4	1228.4	1488.9	1727.	2394.1	1903.2	2229.5	2390.83	1900.0	2049.0
Total	9103	1065.7	1193.5	1397.44	1617.74	1769.02	2063.4	2329.15	3194.62	2699.23	3030.41	3225.83	2772.88	2981.4

Source: SBC Annual Report (2004-2017) and Insurance Development & Regulatory Authority of Bangladesh (IDRA).

Note: 1. Data has collected directly from official of IDRA.

2. Data relates to calendar year.

The table given above shows the trend in gross direct premium during the period of this study. There is an upword trends in gross direct premium income of both public & private sector non-life insurance firms. In order to evaluate the performance and impact of privatization process of insurance sector, it is needed to calculate the growth rate of gross direct premium of both sectors. Table 4 will show the growth rate of gross direct premium of our study period.

Table-4

Growth rate in Gross Direct Premium of non-life Insurance

Sector both public & private sectors.

Sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public	309.9	356.2	395.8	455.7	501.3	540.6	574.5	601.7	800.5	796.0	800.8	835.0	872.8	932.4
Private	600.4	709.5	797.6	941.7	1116.4	1228.4	1488.9	1727.	2394.1	1903.2	2229.5	2390.83	1900.0	2049.0
Total	9103	1065.7	1193.5	1397.44	1617.74	1769.02	2063.4	2329.15	3194.62	2699.23	3030.4 1	3225.83	2772.88	2981.4

Source: Insurance Development and Regulatory Authority (IDRA) and Annual Reports of SBC (2004 to 2017)

Note: 1. Growth rate+

Table - 4 shows that the growth rate of public sector is lower than that of private sector. It is the mainly impact of privatization and different patterns of business. After opening the private firms for insurance, industry, public sector principal doing only public related insurance business, as because public sector cannot provide any commission to the customer against private related insurance business. But private insurance firms can offer commission to the insurance against private business. It clearly shows that the privatization has negatively affected the growth rate of public sector non-life insurance firms. It is mainly due to the strong competition introdnced by the private sector, their aggressive marketing strategies and innovative products. The private sector firms have shaken the state-owned firm and forced it to act immediately to sustain higher growth rate in insurance sector.

Market share in Gross Direct Premium

The market share of public and private sectors in the gross direct premium during the period of study has been presented in Table -5. The performance of public & private non-life insurance sectors can be examined further by looking at the trend in their market share during the study period.

Table-5

Market share in Gross Direct Premium of Public & Private non-life Insurance Sector in Bangladesh

Sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public	34.04	33.42	33.17	32.61	30.99	30.56	27.84	25.83	25.06	29.48	26.42	26.48	31.48	31.27
Private	65.96	66.58	66.83	67.39	69.01	69.44	72.16	74.17	74.94	70.52	73.58	73.52	68.52	68.73
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Annual Reports of Public & private firms from 2002 to 2015 and IDRA

Table-5 shows a declining trend of market share of public sector non-life insurance firm and an increasing trend of market share of private sector. It is also the impact of privatization of non-life insurance sector. A small market share of public sector is main cause of regulated public act and govt. rules, different business pattern, aggressive marketing strategies adapted by private firms act.

Besides, public sector insurance business is mainly limited to public related insurance business. Public sector also has the right to procure private business. However, there are some provisions designed by insurance development regulatory Act -2010 (IDRA). One of the provisions is that, public sector could not offer any commission to the private customer for procuring private insurance business. That is why, public sector is satisfied with public property related business. On the other hand, private sector can offer a commission to the private customer and gets a portion i.e. 50% of public sector business as per Insurance Corporation Act-1990 (Amendment) and MOA. That is why, the market share of private sector of non-life insurance is higher than public sector. Yet, public sector should take necessary steps and improve service quality and better marketing strategies for sustaining higher market share.

Table -6
Gross Direct Premium of non-life Insurance Firms in Bangladesh (Tk.in core)

Year Firms	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
SBC	305.71	309.9	356.27	395.85	455.74	501.34	540.61	574.52	601.73	800.52	796.03	800.89
Public Sector	**305.71**	**309.9**	**356.27**	**395.85**	**455.74**	**501.34**	**540.61**	**574.52**	**601.73**	**800.52**	**796.03**	**800.89**
BGIC	21.91	23.14	27.52	28.53	31.73	35.36	36.12	42.33	50.33	59.15	61.51	63.56
East land	13.3	15.65	20.0	26.0	31.68	35.09	39.67	48.56	55.02	65.01	70.4	70.05
Green Delta	43.03	51.53	63.16	76.27	110.93	140.04	160.16	200.13	235.15	260.32	261.34	268.14
Progoti	46.87	50.77	63.2	69.54	80.27	97.9	103.58	106.22	113.72	115.12	126.91	138.78
Reliance	44.97	49.22	62.64	74.34	82.75	110.15	103.68	123.03	142.2	148.62	163.88	202.67
Rupali	18.84	21.12	24.08	29.95	39.09	45.52	50.21	61.79	75.63	74.62	68.25	74.53
Prime	16.32	13.94	11.44	10.81	12.74	14.45	15.42	20.01	30.55	44.02	54.49	55.08
Pioneer	14.07	17.83	24.54	30.11	38.52	66.55	89.54	125.23	158.96	170.12	187.49	213.54
Agrani	7.3	7.86	11.75	11.82	15.09	17.42	19.28	25.75	28.56	26.44	26.59	30.22
Private Sector	**227.24**	**251.09**	**308.33**	**357.37**	**442.8**	**562.48**	**617.66**	**753.05**	**890.12**	**963.42**	**1020.86**	**1116.84**
Total	**532.95**	**560.99**	**664.60**	**753.22**	**898.54**	**1063.82**	**1158.27**	**1327.57**	**1491.85**	**1763.94**	**1816.89**	**1917.43**

Source: Annual Reports of Public & private firms from 2003 to 2014 and IDRA

Table-6 exhibits that- in every year i.e. from 2003 to 2014. SBC is earning more premium than other firms in individual aspect. In 2003 SBC has earn 305.71 crore and in 2014 800.89 crore. There is an upword trend in Gross Direct premium for SBC. In view of individual or single context, premium volume of private firms is lower than that of SBC but premium earnings trend is up wards. In 2003, Green Delta earns taka 43.03 crore and in 2014-taka 268 crore. BGIC earns Taka 21.91 crore and in 2014-taka 63.56 crore. In 2003, Reliance earns Tk. 44.97 crore and in 2014-taka 202.76 crone. At the same way Pioneer earns taka 14.7 in 2004and and taka 213.54 in 2014. If we consider private firms individually, the scenario is stand that, Green Delta is in the 1st position in Gross direct premium. Pioneer is occupying 2nd position and Reliance is in the 3rd position.

Table-7

Growth rate in Gross Direct Premium of non-life Insurance Firms both public & private sectors

Year Firms	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
SBC	11.81	1.37	14.96	11.10	15.25	10.0	7.83	6.27	4.73	33.03	0.56	.61
Public Sector	11.81	1.37	14.96	11.10	15.25	10.0	7.83	6.27	4.73	33.03	0.56	.61
BGIC	-	5.61	18.92	3.67	11.22	11.44	2.15	17.19	18.90	17.52	3.99	3.33
East land	-	17.67	27.80	30.0	21.84	10.76	13.05	22.40	13.30	17.52	8.29	-0.49
Green Delta	-	19.75	22.57	20.75	45.44	26.24	14.36	24.96	17.50	10.70	0.39	2.60
Progoti	-	8.32	24.48	10.03	15.42	21.96	5.80	2.55	7.06	1.23	10.24	9.35
Reliance	-	9.45	27.26	18.67	11.31	33.11	-5.87	18.66	15.58	4.51	10.26	23.67
Rupali	-	12.10	14.01	24.37	30.51	16.44	10.30	23.06	22.39	-1.33	-8.53	9.20
Prime	-	14.58	17.93	-5.50	17.85	13.42	6.71	29.76	52.00	44.09	23.78	1.02
Pioneer	-	21.29	37.63	22.69	27.93	72.76	34.56	39.85	26.93	7.02	10.21	13.89
Agrani	-	7.67	49.49	.59	27.66	15.44	10.67	33.55	10.91	-7.42	.56	13.65
Private Sector	-	10.49	22.79	15.90	23.90	27.02	9.81	21.91	18.20	8.23	5.96	9.37
Total	-	11.86	37.75	27.00	39.15	37.02	17.64	28.18	22.93	41.26	5.4	9.98

Growth Rate: $\frac{Current\,Year - \Pr evious\ year}{\Pr evious\ Year} \times 100$

Growth Rate:

It will be clear in Table -7. This table exhibits that growth rate of public sectors firms i.e. SBC is lower than private firms. If we compare them individually we see that in growth rate of SBC is 1.37% in 2004, but, 5.61% for BGIC, 17.67% for East land, 19.75% for Green Delta, 21.29% for Pioneer. The highest growth rate of SBC is 12.25% in 2007, whereas, 21.84% for East land, 45.44% for Green Delta, 30.51% for Rupali. If we determine the individual position year to year, it is seen that in 2004, pioneer is at first position, Green Delta is second an position and East land is in third position. Their growth rates are 49.49, 37.63 and 27.80 respectively. But, in 2014, Reliance is in first position, rate is 23.67%, pioneer is in 2nd and rate is 13.89% and Agrani is in 3rd position, rate is 13.65%. If we see overall growth rate, there is a downward trend among all firms. If we consider to the view point of public and private firms, it is seen that Growth rate of private firms is higher than that of public firms, but trend of growth rate is down word for both sectors.

Table- 8

Market share of non-life Insurance firms in Bangladesh.

Year Firms	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
SBC	57.36	55.24	53.60	52.55	50.72	47.13	46.67	43.28	40.34	45.38	43.81
Public Sector	57.36	55.24	53.60	55.35	50.72	47.13	46.67	43.28	40.34	45.38	43.81
BGIC	4.11	4.13	4.14	3.79	3.53	3.32	3.12	3.19	3.38	3.36	3.39

Year Firms	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
East land	2.50	2.79	3.00	3.45	3.53	3.30	3.42	3.66	3.69	3.69	3.88
Green Delta	8.07	9.19	9.50	10.14	12.35	13.16	13.83	15.07	15.76	14.76	14.39
Progoti	8.79	9.05	9.51	9.23	8.93	9.21	8.94	8.00	7.63	6.53	6.99
Reliance	8.44	8.77	9.43	9.87	9.21	10.35	8.95	9.27	9.53	8.43	9.02
Rupali	3.54	3.76	3.62	3.98	4.35	4.28	4.34	4.66	5.07	4.23	3.76
Prime	3.07	2.48	1.72	1.44	1.42	1.36	1.33	1.51	2.05	2.50	3.00
Pioneer	2.75	3.18	3.69	3.98	4.29	6.26	7.74	9.43	10.65	9.65	10.32
Agrani	1.37	1.40	1.77	1.57	1.68	1.64	1.67	1.94	1.92	1.50	1.46
Private Sector	42.64	44.76	46.4	47.45	49.28	52.87	53.33	56.72	59.66	54.62	56.19
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Annual Report of all firms from 2003 to 2014.

It is evident from Table -8 that the market share of public sector non-life insurance i.e. SBC is continuously declining trend where as that of private sector firms is increasing trend during the whole period under study. Howver in the context of volume, SBC's market share is higher due to the higher growth rate shown by the private sector non-life insurance firms which has reflect in Table-1.10. In 2003, the market share of public sector was 57.36 percent and that of private sector was 42.64 percent. However, in 2014, the market share of public sector came down to 43.81 percent and that of private sector increased to 56.19 percent. It shows that 56.19 percent of the market share was captured by the private sector in terms of gross direct premium. The public sector non-life insurance operation has experienced a large brand expansion network since nationalization, but the quantitative expansion has not always been matched by a corresponding improvement in the performance. Even the large number of initiatives have failed to meet the competition thrown by the private sector. This has been due to the insurance corporation (Amendment) Act-1990 and the regulations. As per government rules and Insurance Act-2010, public sector non-life Insurance Corporation cannot provide any commission for procuring any private business, but private firms can take this opportunity and that is why, their growth rate and market share are higher than that of public sector, public sector is satisfied with public related business. Not only that, from public properly related insurance premium 50% is distributed by SBC to all private non-life insurance firms, Haves, private firms are getting benefitted from two sides benefit, That is way, due to our legal Aspects, the market share of public sector is lower than that of private sector.

Findings of the study

The study expresses that the insurance industry as a whole has registered a significant growth after its privatization. The growth rate of public sector non-life insurance has been lesser than that of private sector. The average growth rate of public sector is 9.13 percent whereas, private sector is 14.13 percent under the study period. Further none, the performance of the private sector non-life insurance firms in terms of growth rate is higher than that of public sector. The private sector non-life insurance firms have captured average 69.22 percent market share in terms of gross direct premium whereas, it is 30.78 percent in public sector under the study period.

The study presents that insurance penetration and density have witnessed an increasing trend during the study period. The penetration rate of Bangladesh was .17% in 2005 and it was .18% in 2014. The density rate of Bangladesh was .93 (USD) in 2005 and it was 2.46 (USD) in 2014 and .15% in 2017. If we compare these rates to our nighboring country India, it has been seen that both rates i.e. penetration (.60%) and density (11.0 USD) of India are much more than Bangladesh. If we compare Bangladesh with others developed countries for example China, Russia, South Africa, it is seen that asignificant rate has been carried by Bangladesh.

Appendix-2

Financial Highlights:
Islami Insurance Bangladesh

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	48.73	44.6	32.19	51.94
Total Asset	961.95	875.07	793.11	764.2
Total Equity	468.76	420.03	375.43	355.99
Cash and Account with Banks	498.91	433.49	378.73	367.42
Total Deposit	5.29	5.31	6.84	5.86
Current Asset *	586.56	535.56	472.87	450.89
Loan	17.18	16	16.68	5.8
Total Debt	21.92	26.88	24.88	17.27
Total Liability	493.19	455.04	417.69	408.21

Takaful Insurance

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	72.11	49.21	53.29	43.09
Total Asset	951.07	889.35	795.55	748.10
Total Equity	666.29	605.94	562.17	508.88
Cash and Account with Banks	662.91	605.94	494.08	457.44
Total Deposit	11.49	11.09	8.5	16.06
Current Asset*	696.67	666.37	602.18	569.58
Loan	92.39	30	10	10
Total Debt	9.07	8.51	6.01	6.01
Total Liability	288.15	283.41	233.38	239.22

Fareast Islami Life Insurance

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	1558.39	1409.36	1396.53	1577.04
Total Asset	42423.61	41140.63	40697.27	38656
Total Equity	36752.49	36126.44	35268.60	32774.37
Cash and Account with Banks	18782.23	18443.19	19854.22	23000.4
Total Deposit	235.45	221.41	378.39	177.16
Current Asset*	9836.12	9697.95	8819.17	7653.78
Loan	667.72	658.01	649.45	592.1
Total Debt	2488.25	2357.95	2015.32	1862.67
Total Liability	5671.12	5014.186	5428.67	5881.63

Padma Islami Life Insurance

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	72.68	100.39	166.88	220.89
Total Asset	2389.4	3313.39	3637.25	3649.42
Total Equity	1702.91	3079.89	3491.3	3481.02
Cash and Account with Banks	427.18	955.41	1701.27	1793.1
Total Deposit	5.85	6.47	6.74	11.03
Current Asset*	703.92	1155.69	1078.84	928.16
Loan	0.47	0.63	0.58	0.83
Total Debt	146.13	141.57	122.33	112.45
Total Liability	686.49	233.5	145.95	168.4

Prime Islami Life Insurance

(in Million Taka)

Year	2017	2016	2015	2014
Earning After Tax	346.52	335.207	409.13	532.33
Total Asset	9012.02	8960.67	8525.47	7985.227
Total Equity	8288.91	8261.11	7874.02	7384.027
Cash and Account with Banks	4963.25	4813.34	4486.4	4208.26
Total Deposit	7.01	6.07	5.24	0.57
Current Asset*	2789.82	2536.93	2148.43	5349.09
Loan	96.07	88.83	79.17	70.23
Total Debt	411.59	398.84	353.96	312.21
Total Liability	723.11	699.56	651.45	601.2

Conclusion & Recommendations

The insurance industry as a whole has started to reveal its potential after liberalization and privatization. The growth rate of public sector non-life Insurance Corporation is a declining. Further non, the performance of private sector non-life insurance firms in terms of growth rate of gross direct premium has been higher than that of the public sector. The private sector non-life insurance firms captured 56.19 percent market share in terms of gross direct premium during the year 2017. Hence, the private seetors have created ripples in the public sector non-life insurance corporation and have forced it to review their style of working and strategies. The public sector has to leverage upon its strengths to give a tough fight to the private sector. However the public sector could not complete with private sector, until or unless government does not change the provisions of Corporation Act-1973, relating to commission and 50% public related business. If government opens the commission for public sector and stop to distribute 50% public related business to private firms, the growth rate and market share of public sector will double. The preceding discussion leads to the fact that although insurance penetration and density has witnessed an increasing trend, yet it has a long way to cover to even come closer to the developed nations.

The whole situation can be attributed to the reason that public non-life and other private firms have mainly focused their attention on the development of urban market of Bangladesh and not the lower income group people residing in the rural areas. Therefore, to get the true benefit of globalization, it is necessary for all non-life insurance firms to cover the untapped and under developed areas of Bangladesh. But this may not be a cost-effective venture, as opening official and branches in small villages is a very costly initiative. Therefore, in order to tap the rural sector. Some innovative measures. Like bank assurance, collaboration of co-operative society in villages, collaboration with local government etc., need to be taken. For example, Green Delta insurance company has taken a scheme for health of rural people in Tangail zilla, SBC has taken a project name as WIBCI (weather Index Based Crops Insurance) in Rajshahi, Shirajgonjo and Noakhali zilla in Bangladesh. In India, with the help of co-operative societies in Punjab, Bhai Kankiya wealth insurance scheme for the co-operative society members of the village. Another area that could be covered is agriculture, which has remained largely uninsured despite being the chief occupation of the Bangladesh; rural population. With the entry of the insurance sector in this field, the trypical problem of the agriculture communities one; Suicide by farmer, destruction of crops due to natural calamities etc. It can be solved by providing them with crops insurance, cattle insurance which coves their risks. As a result, they will be free from loan anxiety, remove their scarcity, which will finally bring good luck and wellbeing for their community.

REFERENCES

Annual Reports of Sadharam Bima Corporation from -2003 to 2014

Annual Reports of BGIC from 2003 to 2014

Annual Reports of Eastland Insurance Co. Ltd. from 2003 to 2014.

Annual Reports of Green Delta Insurance Co Ltd. from 2003 to 2014.

Annual Reports of pragati Insurance Co. Ltd from 2003 to 2014

Annual Reports of Reliance Insurance Co. Ltd. from 2003 to 2014.

Annual Reports of Rupali Insurance Co. Ltd. from 2003 to 2014.

Annual Reports of Prime Insurance Co. Ltd. from 2003 to 2014.

Annual Reports of Pioneer Insurance Co, Ltd. from 2003 to 2014.

Annual Reports of Agrani Insurance Co. Ltd. from 2003 to 2014.

Annual Reports of IRDA, India from 2003 - 2014 to 2013-2014.

Chowdhury, A. H. (1981), Elements Insurance, BIA.29 Toyenbee circular road, Dhaka.

Haq Nurul, A. B. M. (2008): “Thoughts on Insurance – Bangladesh Perspective” Adorn Publication, 22 Segun Bagicha-Dhaka.

World Population Review. Com-2017.

w.w.w.idra.gov.bd.com

w.w.w.irdai.gov.in

CROP INSURANCE AS A RISK MANAGEMENT STRATEGY IN BANGLADESH

Mohammad Faruque Sarker

Abstract

The author of this article has attempted to investigate the practice of crop insurance in Bangladesh in comparison with other countries and evaluated the coverage and claim settlement of crop insurance in Bangladesh. Initiatives taken by Sadharon Bima Corporation (SBC) have been discussed in this study. The scopes and limitations of crop insurance also have been analyzed in this study in the context of Bangladesh. SWOT analysis has been used to assess the efficiency of crop insurance as a risk management strategy. Different types of risk and risk management tools are also referred in this article.

Key Words: Crop Insurance, Strategy, Risk Management, GDP

1. Introduction:

Agriculture plays unite a vital role in our economy. In the fiscal year 2017-18, its contribution to GDP was 14.10%. Agriculture is a risky profession or business. Above half of the workforce in Bangladesh is dependnt on agriculture. Therefore it is necessary to introduce some initiatives to mitigate loss resulting from natural calamities and other risk factors. Crop insurance (CI) can be introduced in this agriculture sector as a risk management strategy. Crop insurance is an insurance that is provided to agricultural producers, and subsidized by the federal government, for protection against either the loss of crops due to natural disasters or the loss of revenue due to declines in the prices

Mohammad Faruque Sarker
Asst. Professor, Department of Management,
Comilla Victoria Govt. College

of agricultural products. Government can give the subsidy through crop insurance and make it a popular strategy for risk management.

2. Literature Review:

In many developing countries including Bangladesh, crop insurance has been introduced about 3 decades ago. Many of these countries are continuing, but in some others, it has stopped functioning, because of incurring heavy losses. For example, since 1981, the Sadharan Bima Corporation (SBC) has initiated crop insurance several times, but incurred losses. As a stand-alone instrument, crop insurance is not financially viable directly anywhere in the world. Even in the industrial countries, it continues functioning as a public welfare program. The SBC has taken initiative in the form of a proposal again to introduce CI, this time in partnership with other stakeholders. But the private sector is yet to respond.

Bangladesh is a country full of natural resources. Proper utilization of these resources may boost the economy very easily. However there are many risks involved with it, some of them are controllable and some of them are not. Bangladesh has experienced some very dreadful natural calamities in the past decades. These natural calamities left the economy shaken causing loss of numerous lives and leaving countless people homeless. In these circumstances, CI can be used as a milestone to save the economy from disasters and provide security to farmers.

According to the World Bank, 46% of the world's population and 70% of the world's poor live in rural areas, with agriculture as their main source of income and employment. Farmers face a variety of substantial risks in the production and marketing process, yet agricultural insurance has rarely been available outside of subsidized government offerings, which typically reach only a small fraction of small-holder farmers.

Iturrioz Ramiro (2009) discussed about the necessity of various types of crop insurance products. He said that there is no single universal product that meets the need of all producers. Each and every crop insurance product should be designed considering the production system, main peril, loss adjustments, risk location, farmer size, data availability, distribution channels.

Kiran Shahi & Umesh K.B. (2012) stated that, crop insurance plays an important role in management of risks associated with agriculture and for this reason farmers should be encouraged to get into crop insurance scheme so that they will have some assured amount if any unexpected loss happens in production process.

Mehta D. R (2013), Crop insurance is important to farmers and it helps them at the times of risk and uncertainties. It provides protection to farmers and their family from sudden risks that may happen in future.

Watts & Association (2014), Development & Successful implementation of crop insurance program requires cooperation, coordination & same visions. Financial feasibility of an insurance programme depends on offering the right products to producers.

According to Kanak Pervez, Gao Qijie & Uddin Ektear (2016), only one management strategy is not suitable for all crops or areas. It is important to find out the catastrophic risks first and then situation based management strategies should be developed.

Gulati Ashok, Terwary Prerna & Hussan Siraj(2018), said that a large scheme like crop insurance needs a dedicated team of professionals which can collect & analyze the data collected from the state and insurance companies.

3. Conceptual Framework

To gestate the processes of crop insurance programme a conceptual framework is discussed as the first step. Crop insurance programmes vary from country to country. The framework for a crop insurance programme depends largely on a country's agricultural condition, socio-economic condition and availability of favorable infrastructure. But some elements is common in every country in spite of different climate and culture. For basic structure there are some critical elements and some key elements that determine the structure of the programme. In addition to these elements, there are also some elements that determine the practicability and functionality of the programme.

- *Determination of Basic Structure = Critical Elements = Perils to be covered, Public/Private Involvement, Individual or Area approach, Voluntary/compulsory participation.*

- *Super Structure of Programme = Key Elements = Coverage of farmers, Coverage of crops, Determination of Sum insured & Loss assessment, Determination of premium, Loss adjustment mechanism, Organization structure, Financing of the scheme, Communication with Farmers, Reinsurance Arrangements.*

- *Operational Sustainability of the programme = Other requirements = Availability of adequate data, Availability of trained personnel, Evaluation & Monitoring.*

Figure: Conceptual framework for crop insurance (Collected form Jain, 2004)

4. Methodology:

In this study, an effort was made to summarize the overall situation of agricultural insurance schemes and comparison between different countries. A large part of this study consists of secondary data which is obtained from different sources. WB reports on agricultural insurance, ADB's annual reports, different international journals on crop & agricultural insurance etc are the major sources of secondary data. To analyze the feasibility of a crop insurance scheme in Bangladesh, a SWOT analysis was carried out. This SWOT analysis tool is widely used to assess the strengths, weaknesses, opportunities and threats of a project, policy, new product line or organization, usually within a business environment. To analyze the workability of crop insurance as a risk management strategy in Bangladesh, an overview of different country's current insurance condition in agricultural sector is discussed.

5. Analysis and Interpretation:

5.1 SWOT Analysis:

To assess the efficiency of crop insurance as a risk management strategy, we can use SWOT analysis. SWOT analysis consists of four categories. Strengths include cheap labour, variety of natural resources, friendly weather, land size is increasing, Interest of wealthy people for investment, adoption to technology, innovative ideas, use of land for different types of crop etc. Weakness includes illiteracy & poverty of farmers, lack of proper knowledge, absence of proper policy, lack of communication skills & lack of systematic monitoring and evaluation. Opportunities covers hard working farmers, innovative technology, invention of climate friendly species of crops, multiple use of land for different crops, favorable natural resources, demand of agro-products in international market & research opportunities in agriculture sector. Threat includes uncertainty in climate condition, financial distress of farmers, high frequency of natural calamities, lack of technical knowledge and ill motive of middlemen.

5.2 Index Based Crop Insurance in Bangladesh:

IFC and Green Delta Insurance Company (GDIC) received a free-of-charge technical assistance from the IFC since 2015 to produce insurance products for individual farmers, agribusinesses, and lending institutions protect farmers from weather-related risks such as drought, excess rain, and cyclones. Green Delta also develops insurance products that minimize the impact of crop losses due to natural disasters and provides advisory support for distributing and administering these products, increasing lending and business to farmers and improving their risk profile with product pricing support

Organization	Associate partners	Risk	Crop	Location
ADB	SBC,Bangladesh Met	Excssice rain, Drought	Rice, Potato	Rajshahi, Sirajgonj, Noakhali
IFC	Green Delta	Yield (through BRRI), Temperature, rainfall	Rice, Maize, Cassava	Various
International Center for the improvement of Maize and Wheat (CIMMYT)	Grameen Jano Unnoyon Sangstha (GJUS)	Various	Maize	Bhola district
International Food Policy Research Institute (IFPRI)	Palli Karma Sahayak Foundation (PKSF)	Drought	Aman rice	Bogra

from IFC.

Source: SCBF final report

ADB and The Government of Bangladesh started a multi project in 2015 that included assessment of index insurance viability, development of product and demo, administrative advisory services, development and modification of insurance development model and etc. There are two institutions involved in implementation of this project. One is state-owned insurer that is SBC and the other reinsurer is BMD.

5.3 A comparative analysis of countries spending on insurance in 2017 worldwide:

*** Insurance per capita in 2017**

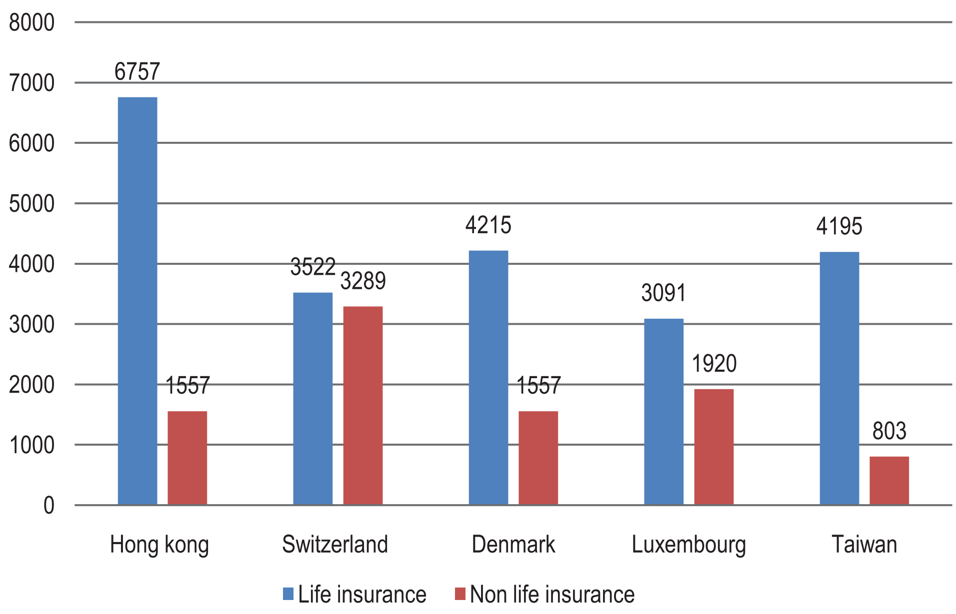


Figure: Insurance per capita (Source: Swiss Re institute)

The above graph represents insurance per capita in 2017 worldwide. As it can be seen that Hong kong has the highest insurance per capita in life insurance. On the contrary insurance per capita in non life insurance policies is much lower. In Switzerland, per capita insurance in life & non life insurance policy is quite close. On the other hand, the scenario in Denmark is quite the opposite. Insurance per capita in life insurance is much more higher than that of non life insurance policy. The condition of Luxembourg & Taiwan is similar. Per capita insurance policy taken in life insurance is much more higher than that of non life insurance policy.

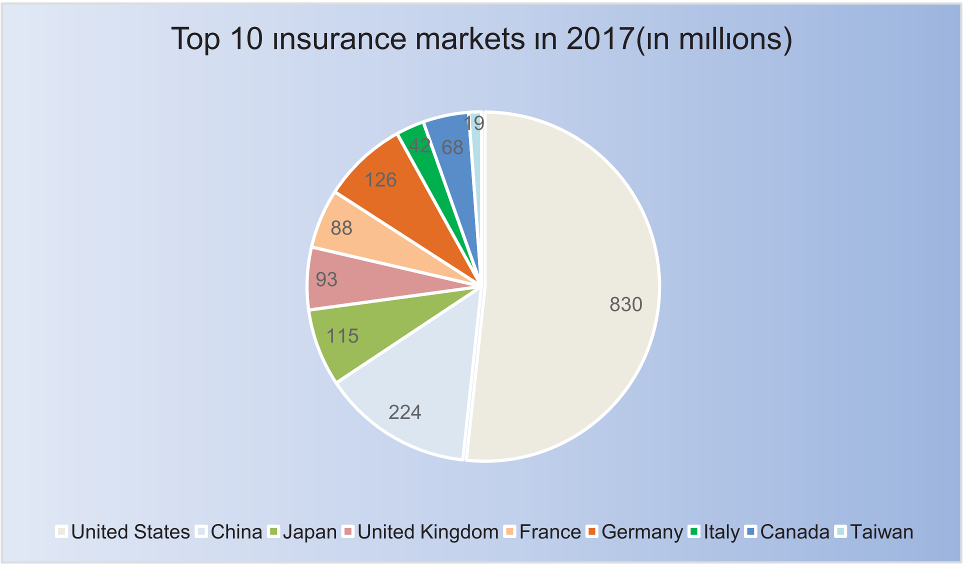


Figure: Top insurance markets (Source: Swiss Re institute)

As we can see in this graph, USA has the highest premiums paid in non life insurance which is approximately 830 million USD. After USA, China has the second highest with approximately 224 million USD. It can be seen from the above graph that, amount of premiums paid for non life insurance is different in each country. The lowest amount paid for premiums is Taiwan with only 19 million USD.

5.4 Global index insurance facility:

The Global Index Insurance Facility (GIIF) is a World's bank programme that help small farmers to get money and also to micro entrepreneurs and micro institutions. It is funded by the European Union, the government of Germany, Japan and the Netherlands. GIIF has helped more than 3 million contracts, with $392 million in sums assured, covering approximately 15 million people which is primarily in Sub-Saharan Africa, Asia and Latin America and the Caribbean.

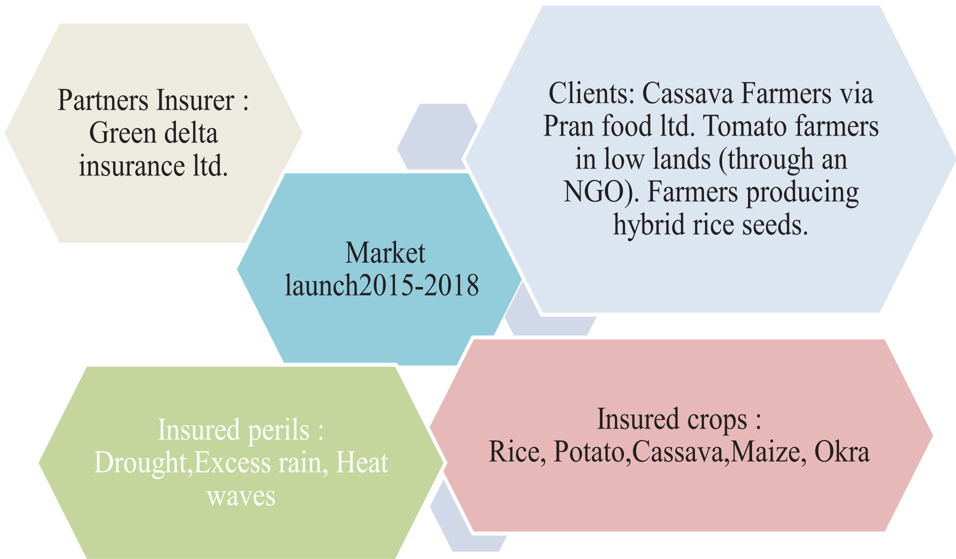


Figure: Global index insurance facility

5.5 Green Delta Insurance Company Insurance projects:

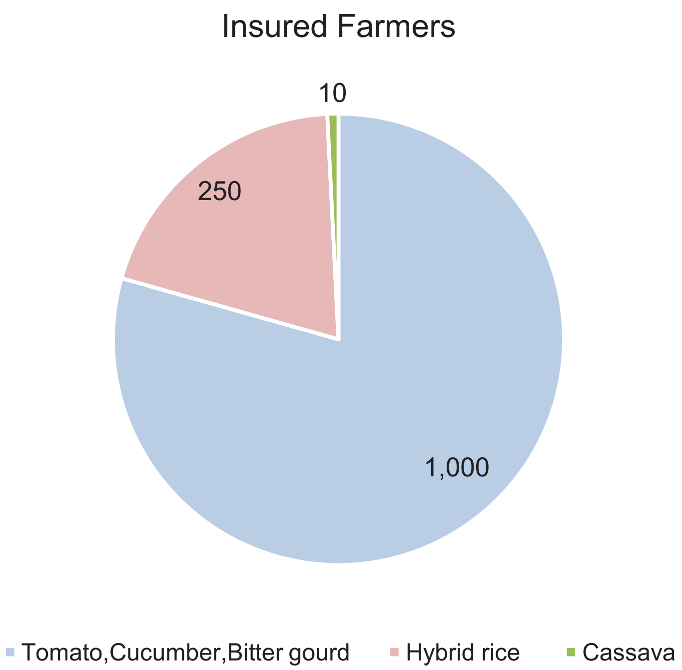


Figure: GDIC insurance projects

GDIC is currently working on multiple projects. From the above chart we can see that they provide insurance to tomato, cucumber, bitter gourd, hybrid rice, cassava farmers. In case of tomato, cucumber and bitter gourd they cover the risk of low temperature, Unseasonal rainfall in areas in Chitalmari, Bagerhat. For hybrid rice they cover the risk of low temperature and unseasonal rainfall in areas in Muktagasa, Mymensingh. For Cassava, They cover the risk of damage during the cold days, excessive rainfall in areas in Modhupur, Tangail. For tomato, cucumber and bitter gourd claims was settled for 1,000 tomato farmers. For other crops the claims has not yet been settled.

5.6 Insured number of farmers and claims according to WIBCI project:

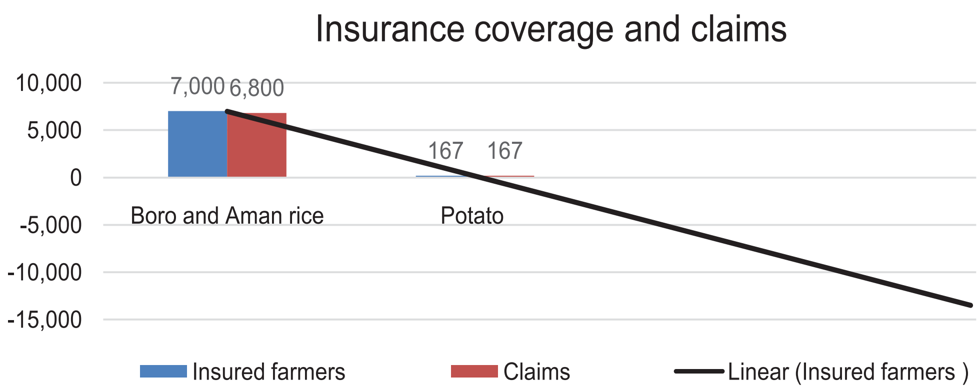


Figure: Insurance coverage & claims

As we can see in this chart that Weather Index Based Crop Insurance projects cover risk of Boro and Aman rice farmers for disasters like excess and low rainfall and covering area is Rajshahi, Sirajgonj and Noakhali. Currently it's copartner is National Development Program (NDP), Sagorica. Nearly 7,000 farmers were insured and claim was settled for 6,800 farmers approximately. In case of potato, the risks covered are excess rainfall and humidity and covering area is Rajshahi. Currently it's coworker is Enafi. 167 farmers were insured and 167 claims were settled

Source: SCBF Bangladesh Final Report.

6. SBC initiative for WIBCI in Bangladesh:

Sadharon Bima Corporation(SBC) is implementing pilot project on weather index based crop insurance for past few years in different districts. This certain project will end on June 30, 2019. In a seminar that was held on WIBCI at a city hotel the experts in this field shed light on the topic that it is necessary to consider farm credit and farm input in agricultural insurance. For this, it will serve as a financial support to the farmers at times of crop failure and it will stabilize farm income and reserve the eligibility of a farmer for taking farm loan in next season. The issue of using digital technology can enhance actuarial estimations and reduce the cost of delivering and monitoring insurance products. The SBC's WBCI office settled claims worth Tk. 5.35 million against 9,096 policies in 20 upazilas of three districts.

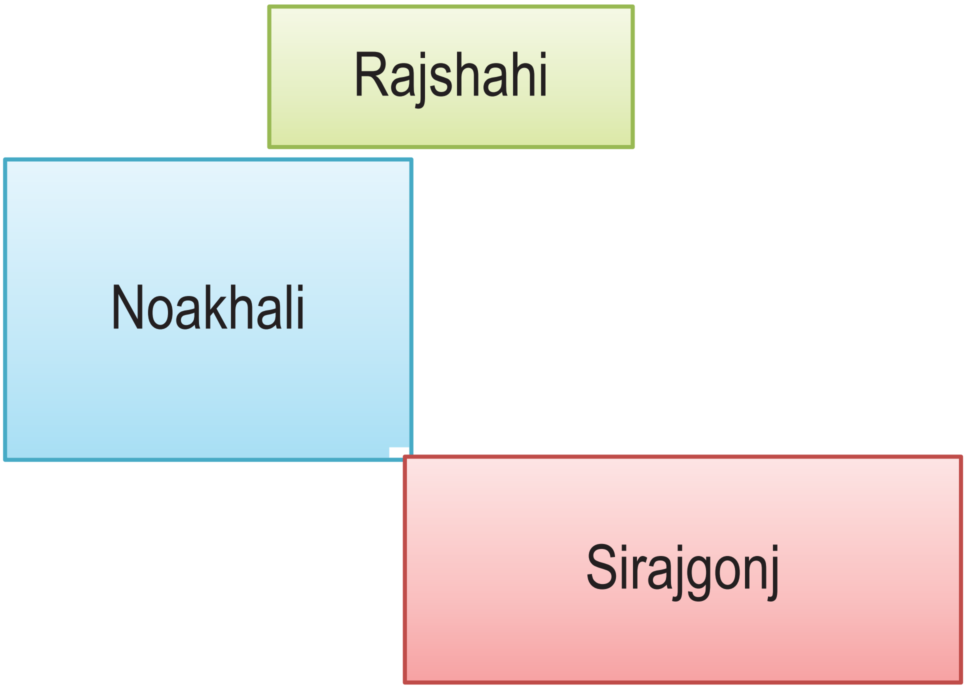


Figure: The three districts SBC is implementing WIBCI project

6.1 Processes & Procedures of crop insurance

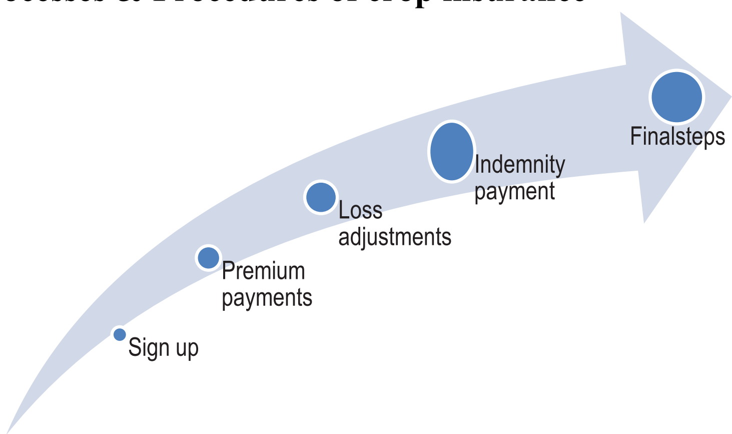


Figure: Process & procedures

6.2 Rating methods

Choosing a rating method depends on quality and quantity of historical data. Various methods are used to rate crop insurance products. They are: Empirical rating methods, Parametric rating methods and Combined approach.

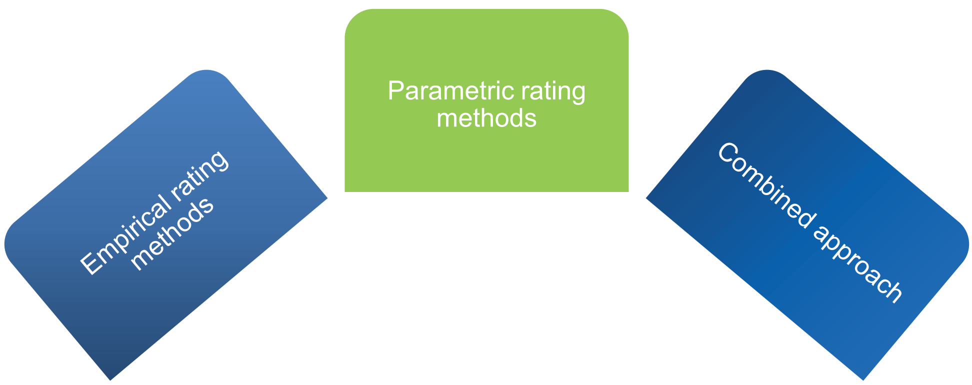


Figure: Rating methods

7. Agriculture business: Risk & Management

7. 1 Risks in agriculture:

Agriculture faces different sorts of risks. They are production risk, technical risk, price risk, financial risk, political risk, legal risk, personal risk etc.

7.2 Risk management tools:

As discussed earlier in this report, there are some risks present in agriculture business. Some of them cannot be controlled but there are certain risks that can be managed by taking some measures. Financial risks can be lessened by employing the following factors.

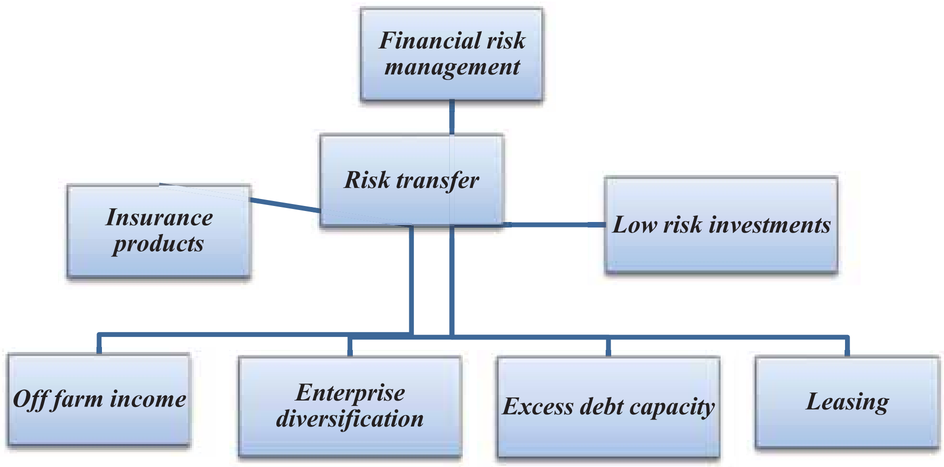


Figure: Risk management tools

7.3 Framework for risk management:

Developing a framework for management of risk is crucial. It is important from farmer's point of view as well as expert's point of view.

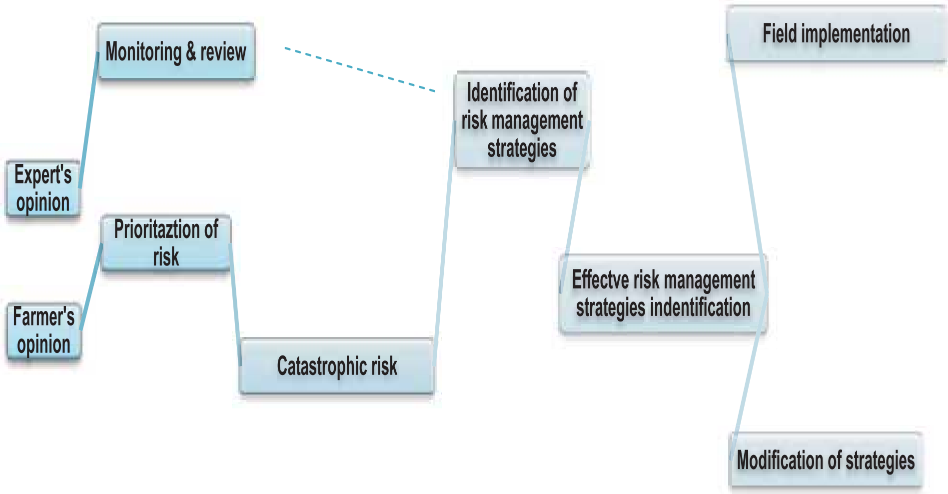


Figure: Framework for risk management

8. Crop Insurance: Bangladesh and Worldwide

8.1 Crop insurance as a risk management strategy

For various reasons organizational measures for risk management are often found less effective. For this reason, non-organizational measures such as crop insurance is suggested by experts as a risk management strategy. In Bangladesh crop insurance was introduced in 1977 in corporation with Sadharon Bima Corporation (SBC) as a pilot project. But due to absence of proper policy suport and partnership, expertise in the particular field and monitoring and methodological problem, this project did not bolster. But in March 2014, with the financing of Asian development bank it was reintroduced by Sadharon Bima Coporation (SBC) and a total of 6,772 marginan farmers signed up for the weather index based crop insurance against the target of 6,000.

8.2 Crop insurance need in Bangladesh and its existing problems

Bangladesh is currently an overpopulated country with 169 million people absorbing 57 thousand square miles, food adequacy is a challenging issue now. According to a report of World Bank 2009, the nation will be worst affected by climate change. According to experts there are some major challenges in implementing crop insurance in developing countries.

1. There is a lack of sufficient data for actual crop losses for a long period, so history cannot be studied to have an overview of loss.
2. Various techniques/processes of agricultural practices.
3. System of land administration and recording currently exist.
4. Lack of consciousness of farmers and financial instability of farmers.
5. Absence of qualified professionals.
6. Inadequacy of financial assets in the country.
7. Shortfall of help from professional reinsurers for reinsurance.

8.3 Crop Insurance in developing countries:

A new product that is getting popularity in developing countries is "Weather index based crop insurance". Earlier in this report current status of this product in Bangladesh is discussed. Now the current scenario of weather index crop insurance in developing countries is discussed and also its prospects and problems in Bangladesh and other developing countries is given light.

- **Weather index based crop insurance :**

  Weather index based crop insurance is a contract where claim is made on the happening of specific peril that is certainly correlated with farm yields and revenues. In this contract, indemnity is paid when a predetermined weather parameter level is crossed(e.g. in a certain area where rainfall crosses a certain limit and causes damage to crop yields). Index based crop insurance is mot suitable in areas where natural calamity causes widespread crop loss. For this reason, weather index based crop insurance is a very innovative idea for farmers in Bangladesh and it is getting popular as well.

- **Weather index based crop insurance in developing countries :**

Weather index based crop insurance was first introduced by a general insurance company called ICICI Lambard in India through a microfinance organization, BASIX at Andhra Pradesh. Since 2003, It is offering weather index based crop insurance to farmers to protect them from insufficient rainfall during sowing and kharif (at crop growth phase).

Country	*Risk*	*Structure*	*Index Insurance*	*Target user*
China	Weather related variables	Index Insurance	Different weather variables	Rice production farmers
Ethiopia	Drought	Index Insurance	Rainfall	Food program in the country
Kazakhstan	Drought	Index for multiple peril crop	Rainfall	Medium & Large farmers
Mexico	Drought, natural disaster for small farmers	Index Insurance	Rainfall, wind speed and temperature	State govt. for disaster and relief support
Peril	Flood	Index Insurance	Rainfall	Rural financial institutions
Senegal	Drought	Index insurance linked to yield	Rainfall & crop yield	Smallholder farmers
Thailand	Flood	Index insurance linked to lending	Rainfall	Smallholder farmers
Ukraine	Drought	Index Insurance	Rainfall	Large farms

Table: Status of WIBCI in developing countries

In Mexico, a company, called FONDEN/FAPRACC is started its operation in 1995 by government to offer safety to productive cycles. In 2002 the company introduced weather index based crop insurance based on estimated probability of droughts using local weather stations. Since then, WIBCI is used by many developing countries and it is gaining its popularity day by day as a safety net to farmers especially to those who suffer the most from natural calamities around the world.

8.4 WIBCI in Bangladesh

Bangladesh is an agriculture dependent country and like many Asian countries it is prone to natural disasters as well. The contribution of agriculture in GDP in fiscal year 2017-28 was 14.10%. In 2009 & 2007 Bangladesh was hit by hazardous cyclones named Cyclone Alia & Cyclone Sidr leaving countless people homeless and loss of lives.

As discussed earlier in this report, WIBCI has recently been introduced in Bangladesh and with the help of ADB & IFC is implementing index based crop insurance in three districts of Bangladesh (Rajshahi,Noakhali &Sirajgonj). Green delta is working with IFC in a project and providing insurance to potato, tomato and other crops farmers.

9. Findings

For the purpose of analyzing the findings there are some critical questions that need to be answered first.

➢ Which method of crop insurance is best suitable for Bangladesh?

The last time when SBC introduced CI, it was in a hurry and there was lack of professionals, well thought framework and understanding of the process. Because, there are a number of methodologies for CI applied in different parts of the world. As discussed earlier in this report, successful implantation of a crop insurance program depends on a number of factors and only one method could not be enough to solve all problems of agriculture risks associated with different parts of the country. Lands in Bangladesh are divided into small pieces and the assessment cost of each land would be very high for individual approach. So it might not be the best approach for CI in Bangladesh. Moreover there is a chance of moral hazards and adverse selection related to individual approach. Weather index based crop insurance that has already started in some districts in Bangladesh is the best approach for CI.

The administrative cost is low in WIBCI but it requires high quality data availability with hydro-climate data stations. Alongside, detail land classification and elevation map is also required. So, well trained professionals are needed for this case. The methodology adopted should be clear and simple so that its implementation does not create any sort of moral hazard.

➢ Is CI financially feasible in Bangladesh?

Government is paying a huge amount of money every year in the agricultural sector for disaster management purposes. So it should be taken into consideration when calculating losses of CI. Implementation of CI will reduce the amount of relief and disbursement of huge amount of bank loan that is granted to Agro-credit takers and also the amount of exemption of interest. It will reduce the subsidy amount to a great extent. As example, If CI is made compulsory for Agro-credit takers the outstanding loan can be collected from indemnities of CI directly. India is already practicing this methodology. It will reduce the uncertainty of loan repayment by the credit taker to a large extent.

➢Is the probability of loss due to climate disasters can be completely measured?

Another important issue related to CI is whether the loss occurring from climate disasters and especially future climate change can accurately be measured. Analysis of past climate change record can give an overview of risk level in a particular region. Now a days a large number of global scale studies are improving day by day to predict impact of future climate changes on natural calamities like flood, drought etc. So it should not be a problem at all to quantify future risks associated with climate changes.

- Is there enough professional reinsurers for reinsurance?

  Reinsurance is the task of transferring risk to another company. Unfortunately there is a lack of professional reinsurers in our country. Reinsurance reduces the task of extra burden on a particular insurance company and it is also helpful at the time of a natural disaster when claims are very high though this problem can be solved by ensuring effective reinsurance process among different insurance companies in private and public sector.

Conclusion:

In an agriculture based economy CI is a must. It reduces the government subsidy and also encourages farmers to grow their crops without fearing the changes in nature or the disasters that happen very frequently in Bangladesh. Though successful implementation of CI programme requires some technical expertise, well thought out product design & careful follow up are needed. Delivering the insurance news to poor farmers living in small villages is also a great challenge. With the help of government and other helping agencies successful implementation of CI is not a great challenge anymore.

References:

1. Jain, Shri, 2004. Challenges in implementing agriculture insurance and re-insurance in developing Countries.

2. French, Laura, 2007, Crop insurance to mitigate loss from flooding in Bangladesh, A viability assessment, MSc Environment and Resource Management, Vrije Universiteit, Amstredam.

3. Krian, A.S, AND Umesh, K.B, 2012, Crop Insurance-Strategy to

minimize risk in Agriculture, International Association of Agriculture Economists (IAAE) Triennial Conference, Foz do Iguacu, Brazil.

4. Hossain, Shahadat, 2013, Problems and Prospects of Weather Index Based Crop Insurance for Rural Farmers in Bangladesh, Warocque Research Centre, University of Mons, Belgium.

5. World Fish 2013, Scoping report: Current status of index-based insurance in Bangladesh.

6. World Bank Group 2014, Introduction to Agricultural Insurance & Risk Management.

7. Colovic, Vladimir, AND Petrovic, Natasa, 2014, Crop insurance-risks & models of insurance, Economics of Agriculture, UDC:368.5.

8. Detailed and full report of SWOT analysis-Bangladesh, 2014, USAID Feed the Future Sustainable Intensification Innovation Lab.

9. Mahul, Olivier, Clarke, Daniel, AND Lung, Felix, 2015, Agricultural data and insurance.

10. Cole, Shawn, AND Xiong, Wentao, 2017, Annual Review of Economics Agricultural Insurance and Economic Development.

11. SCBF FS-14, Syngenta Foundation for Sustainable Agriculture (SFSA), Feasibility Study With Dry Runs for Agricultural Insurance in Bangladesh.

OPPORTUNITY OF HIGHER EDUCATION ON INSURANCE

A) Associate of Bangladesh Insurance Academy (ABIA)

Educated Persons who are eager to take insurance as profession may build up their career in insurance by studying ABIA course. This is the highest degree on Insurance in Bangladesh introduced in 1980.

The Course is held in two sessions viz “May” and “October” every year.

Eligibility for admission

a) Minimum HSC(Higher Secondary Certificate) with 5 years experience in any insurance organization or in the Insurance department of any commercial or industrial organisation.

b) Candidates not engaged in Insurance profession must be a graduate of any recognized University.

B) Diploma & Advanced Diploma in Insurance of Chartered Insurance Institute (London)

The Diploma & Advanced Diploma of the CII are recognized all over the world as of highest professional standard. BIA works as overseas centre for CII Diploma/Advanced Diploma examinations. Necessary coaching facilities are offered by BIA for the Diploma/Advanced Diploma candidates. Upon completion of these qualifications one can apply to use desigation of Dip. CII/ACII.

The examinations are held in “April” and “October” every year.

Eligibility for admission:

Must pass GCSE or have proficiency in English or those who are at least graduates from any recognised University.

C) Associate of Institute of Actuaries of India(AIAI)

Actuarial Institute of India offers certificate and degrees in Actuarial Science and BIA acts as nodal point of communication with AII in Bangladesh. BIA also works as overseas examination centre for AII (India). This means that the students can sit at exam in Bangladesh and don’t need to travel to India for this purpose.

Among other things, BIA helps students to :

Process their admission as student member of AII, Register them as examinee, Prepare them for exams by offering counseling classes free of charge, Procure reading materials, Overcome financial constraints by offering stipend.

The examination is held in “May” and “November” every year.

Eligibility for admission :

Those who have passed 10+2 (H.S.C) or equivalent with at least 85% in Mathematics/Statistics (with recommendations from two Fellow members of the society) and the medium of instruction is English in +2 or equivalent level. Graduate or Post Graduate with subjects like Mathematics, Statistics, Econometrics, Computer Science, Engineering, MBA (Finance), and alike besides Actuarial Science would be eligible provided he/she has secured at least 55% marks in Mathematics and the medium of instruction at the Graduate/Post Graduate level was in English.

For further details please contact :

BANGLADESH INSURANCE ACADEMY
53 MOHAKHALI C/A, DHAKA-1212
PHONE: 9899136, 9899527, 8820900, 9899292-3
E-mail: bangladeshinsuranceacademy@gmail.com
FAX: 00880-2-9882071, Website : www.bia.gov.bd