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- **Risk Minimization in Sukuk? A Sukuk Takaful Scheme May be a Solution**
Mohd Ma'Sum Billah, PhD
- **How to Develop Quality Agents and Agency Management of Insurers**
K. M Mortuza Ali, ACII
- **Bancassurance: The new horizon of Bangladesh Insurance Industry**
Farzanah Chowdhury, Chartered Insurer
- **An analysis of claim settlement scenario of life insurance industry of Bangladesh**
S. M Ibrahim Hossain, ACII
- **Present scenario and Future prospects in insurance sector of Bangladesh**
Md. Shah Alam
- **Importance of Insurance Professional Qualifications**
Ehsanul Haque, FCII
- **Bancassurance: an Effective Distribution Channel to Increase Insurance Penetration for the Economic growth of Bangladesh**
Md. Hasanuzzaman
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Contents

	Page No.
Risk Minimization in Sukuk? A Sukuk Takaful Scheme May be a Solution Mohd Ma'Sum Billah, PhD	5-15
How to Develop Quality Agents and Agency Management of Insurers K. M Mortuza Ali, ACII	16-48
Bancassurance: The new horizon of Bangladesh Insurance Industry Farzanah Chowdhury, Chartered Insurer	49-57
An analysis of claim settlement scenario of life insurance industry of Bangladesh S. M Ibrahim Hossain, ACII	58-68
Present scenario and Future prospects in insurance sector of Bangladesh Md. Shah Alam	69-76
Importance of Insurance Professional Qualifications Ehsanul Haque, FCII	77-83
Bancassurance: an Effective Distribution Channel to Increase Insurance Penetration for the Economic growth of Bangladesh Md. Hasanuzzaman	84-103
Incorporating Ethical Marketing in Insurance to Achieve the Target Sales Dr. A.Y. M. Nesar Uddin	104-109

Risk Minimization in Sukuk? A Sukuk Takaful Scheme May be a Solution

Mohd Ma'Sum Billah, PhD

Abstract

For a sustainable growth of the sukuk industry, among the prime concerns is to ensure a confidence among investors by protecting them against any catastrophe and that is why sukuk is issued a safeguard for investors and beneficiaries. The common phenomena is that, in any sukuk structure, be one sovereign, corporate or social, investors, and or beneficiaries in the structure are protected by sukuk itself against any capital or beneficial risk or catastrophe. In reality, a legitimate question may be raised as to whether a sukuk itself is adequate safeguard for the investor or beneficiary against any defined risk. It is submitted that, a sukuk itself does not hold the capacity to offer adequate protection for the investor or beneficiary against risk, because the issuer may still have the legitimate right to escape the liability by a "limited liability clause" under the Company law or the public policy. It may thus be suggested that, the only way to ensure an adequate safeguard for the investor or the beneficiary in a sukuk structure is by a comprehensive insurance policy as an additional step to a sukuk certificate, may be termed as "sukuk takaful". In today's Hewan, it seeks to share the emergence of sukuk takaful besides analyzing its rationality and technical know-how.

Keywords: sukuk, takaful, risk, investors, all risks policy
JEL Classifications Code: D82, E 22, F21, G22, G32, Z12

Introduction

An investment in Sukuk, is ignoring in risk of the danger of financial investors, and the recovery of the capital market. Thus, risk analysis shall be among the prime concern. Therefore, one shall analyze some economic sectors of primary markets such as real estate or cars. Moreover, revitalize the capital markets through providing new investment and financing tools, diversify

1 The idea of this paper has been published earlier, but due to industrial demand this research has further been revised.

2 Senior Professor of Finance & Insurance, Islamic Economics Institute, King Abdulaziz University, Kingdom of Saudi Arabia.

information on the market. The players shall impress a variety of segments of the Tawreeq investors, which leads to the expansion of the size of capital markets and the recovery. Also facilitate foreign exchange to banks and financial institutions creditors in the case of cross-border Tawreeq, since the buyer of the asset in this case is the bank or a foreign financial institution who will pay the local bank the value of the deal by foreign currency, which lead to an increase in domestic bank assets in foreign currency.

Sukuk Industry at Glance

Under modern practices, a bond is a debt security, which vests the holder with a right of a financial claim on the issuer. This claim protects the holder in circumstances in which the issuer is unable to pay the amount due. Bond bears certain similarities to saving account. When an investor deposits money in a saving account, in effect, that the investor is lending the bank money. The bank pays the investor interest on the deposit. Similarly, the investor who subscribes bonds lends the issuer money in return for interest. When the bonds mature, the investor will receive the principle amount of the bonds back, as he would have if he had withdrawn the amount from the saving account. In this case the bond functions as a securitization. The major difference between saving account and bonds is that investors can dispose their bonds in the secondary market before they are matured to the end investors. Savings accounts on the contrary can neither be sold in secondary market nor be disposed to other investors. The formality for an enforceable bond with relevant documentations is required to specify the terms for both interest and principal payments. Interest can be paid monthly, bi-annually or yearly. This makes a difference to the compounding of the interest and will affect the trading of a bond. Most bonds are paid with bi-annually with agreed interest. in North America. "Eurobonds", which trade in Europe, are paid with interest annually. Mortgage-Backed Securities (MBS) and Asset-Backed Securities (ABS) are paid with monthly with agreed interest., reflecting the payment terms of the underlying mortgages and loans. The currency of payments is important. Some bonds have the coupon paid in one currency and the principal in another. Bonds which pay part of their principal before maturity are said to "amortize" their principal, this is the case with many mortgage bonds practiced in North America in particular . It is noted here that, the bond market is categorized into two namely: the primary market and the secondary market. The primary bond market is where the bonds are initially issued, while the secondary market where the bonds are resold to other

investors. Islamic bonds also share the similarities with the modern practices conceptually by adapting primary and secondary markets as well, but practically they are contracting each other as to principles, technicalities, issuance and trading. Sukuk is governed by the Shari'ah principles as an alternative to the bond practiced under modern economy. Sukuk is a financial instrument (document or certificate), which evidences the undivided pro-rata ownership of underlying assets. Sukuk is an Arabic term derived from 'Sak' (singular of Sukuk), which literally means 'freely tradable at par, 'premium or discount.³ The conceptual background of Sukuk typically involves the structuring of pools of Shari'ah compliant assets or without credit enhancement into securities. It is structured based on specific contract of exchange that can be made through sales and purchase of an asset based on deferred payments, leasing of specific asset or participation in joint venture businesses. The issuance of Islamic bonds requires an exchange of a Shari'ah compliant underlying assets for a financial consideration through the application of various Shari'ah instruments namely: ijarah (leasing), mudharabah (co-partnership), musharakah (partnership) and or others. The structure of Sukuk must be approved by the Shari'ah advisors to ensure that the structures are in compliance. In addition, the structuring process may also involve the provision of additional protection for investors against late payments, Pre-payments, potential write-off and others. Such protection is often provided in the form of credit and/or liquidity enhancement scheme. In the process of Sukuk issuance the doctrine of Tawarruq (special purpose vehicle) is used to securitize the instrument in the primary market, while in the secondary market, bay' al-Dain is used in order to legalize reselling of the bonds. Such process is mostly used in the Malaysian market, while most of the Middle Eastern countries do not accept it. The proposed alternative is Islamic bonds based on Muqaradah (profit sharing).

Considering the fact that Sukuk issuance and trading are important means of investment in the modern economic system, Muslim jurists and economists are trying to find the Islamic alternative. However, to meet the various demands of investors Islamic Sukuks and certificates should be diversified. We have so far the mudarabah or muqaradah Sukuks, the musharakah Sukuks, the Ijarah Sukuks, the istisna' Sukuks, the salam Sukuks and the murabahah Sukuks. However, it should be noted that although some of these instruments have been generally accepted as being in compliance with Islamic principles so that they can be traded in the

secondary market, the negotiability of certain others is still a point of debate and controversy due to their legal acceptability or compliance with shari'ah. Therefore, some of these Sukuks can be traded in the secondary market while the trade of others is limited to the primary market because they can be exchanged only at face value.

In Malaysia for instance, almost all of the domestic Islamic debt papers issued so far have been based on the principles of murabahah, bay' bi al-thaman al-ajil, bay' al-'inah and bay' al-dayn, despite the controversy surrounding the issuance of tradable Sukuks in the secondary market based on the above two contracts. At the same time, there is a perceptible increase in the willingness amongst Malaysian issuers of Sukuks to explore other Islamic principles of financing, namely the profit-oriented based musharakah as well as the asset-backed mode of ijarah. Hopefully, the future issuance of Islamic Sukuks will focus on the widely accepted Sukuks such as musharakah Sukuks, mudarabah Sukuks and ijarah Sukuks.

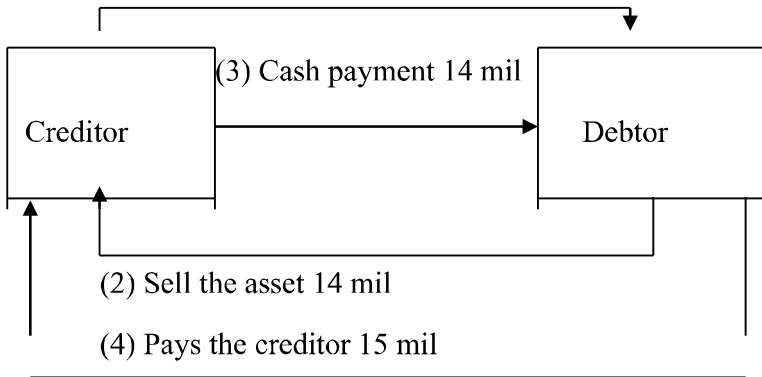
However, the problem with Malaysian Islamic Sukuks has been the application of bay' al-'inah and bay' al-dayn, which is not well accepted by the Middle-eastern investors. The contract of bay' al-'inah and bay' al-dayn is seen as something like riba based financing. This will certainly pose a great challenge to the Malaysian companies seeking Islamic funds in the Middle east via Sukuk issues.

Steps Involved in the Sukuk Issuance .

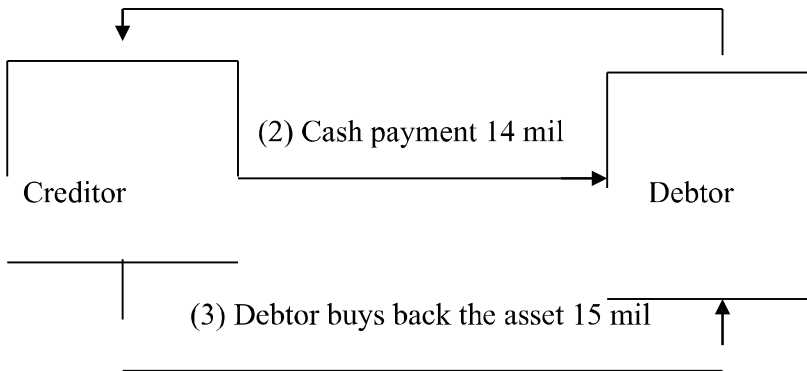
- *Securitization*
- *Sukuk Issuance*
- *Trading of debt certificates*

Asset securitization is the essence of Islamic Sukuk issues, as a Sukuk must assume the role of al-mal or property to qualify as an object of sale. An object of sale in the Islamic law of contract must be a property of value. When a Sukuk certificate is supported by an asset as evidenced via the securitization process, it is transformed into an object of value and therefore qualifies to become an object of trade whereby it can be purchased and sold in both the primary and secondary market. Investors then will have to the right to sell (haqq mali) these Sukuks. In the bay' al-'inah asset securitization, the financier purchases an asset from the issuer and sells it back to the same party at a credit price. This buy-back agreement will ensure that the issuer will receive the money in cash while financier will be paid a prefixed or contracted amount in a future date. Debt payments will be made by installment through Sukuk issues. The difference between cash and mark-up price will represent the profit due to the financier.

(1) Sell an asset for deferred price 15 mil



(1) Sell an asset in cash 14mil



The underlying asset is therefore crucial in determining the Islamicity of these Sukuks. In the Malaysian experience these assets include factories, equipment, stock and inventory and even intangible asset such as a list including building and properties.

Issuance of Islamic Debt Certificate (Shahdah al-Dayn)

This usually takes place in the primary market where in settling its debt, the issuing company will sell debt certificates or Sukuks to investors. As mention above, debt certificates issues are valid only when it is supported by an asset. In other words, the Sukuks must be securitized. Here the underlying security is the BBA or al-murabahah asset. The underlying asset need not be BBA or al-murabahah alone. If the 1st stage involves a contract

of Ijarah, then the debt certificate is called Sukuk al-Ijarah. If an Istisna' contract is used, called Sukuk al-istisna'. Islamic Sukuks new issues can be categorized into two, namely Sukuks issues with coupons and those with none. The former is known as the Islamic coupon Sukuk while the latter Islamic zero coupon Sukuk.

Sukuk investment activities under Shari'ah (Islamic law) principles had promisingly been attracting both Muslim and non-Muslim across the world ever since late 90s with a greater appreciation. Despite such an achievement status quo there are situations when the spirit of true Shari'ah (Islamic law) guidelines are not accurately observed in an Sukuk investment culture particularly in tackling the risk. This shortcoming might be due to lack of understanding, socio-political or eco-cultural influences or less priority to the spirit of natural risks. It is an essential factor for a true Sukuk investment to observe Shari'ah (Islamic law) standard and divine ethical principles accurately in all aspects of the investment activities including risk management with careful concern in creating a better confidence among the investors.

Degree of Risk Exposed by the Sukuk Industry

Risks faced by the Sukuk industry namely; market risk, credit and counterparty risk, Shari'ah compliance risk, operational risk, and institutional rigidity. Also, it will state the challenges facing the management of financial risks of Sukuk that are challenge of institutional reorganization. In addition, it will talk about the argument said that most of Sukuk implementation are not followed the Shari'ah rules. Undesirable risks affect the competitiveness of the pricing of assets. Therefore, the innovation of Sukuk essentially involves a higher exposure to certain market and financial risks. These risks are market risk, credit and counterparty risk, Shari'ah compliance risk, operational risk, and institutional rigidity. A further illustration is as follows: 6

AL-Maghlouth, A.K. (2009), Sukuk:An inside study of its background, structures, challenges & Cases, OUM, at Pp.38-47

6 Ibid

Market Risk

Market risks are of two classes namely: Systematic and Unsystematic. A Systematic risk can arise due to public and economic policies whereas unsystematic risk arises because of different firms' specific instruments are priced out by comparing with other firms'

instruments. Market risk is comprised of profit rate risks, foreign exchange risks, equity price risks and commodity risks. The profit rate risk is rate of return risk upon which Sukuk is based on fixed rates that are exposed to this risk in the same manner as fixed rate bonds are exposed to the profit rate risk. Moreover, an increase in market profit rates leads to a decrease in the fixed-income Sukuk values. However, all fixed return assets either from Ijarah, Istisna, Salam, Mudharabah, Qiradh or any other origin will face this risk. This also involves reinvestment risk and an opportunity cost of investing at the new rates, particularly if the asset is not liquid as in case of the zero-coupon non-tradable Sukuk. 7

Credit Risk

It is the probability that a bad-debt or an asset or loan becomes irrecoverable due to a default or delay in settlements while the counterparty risk is the probability that the counterparty retracts on the conditions of the contract if the relationship involves a contractual arrangement. The consequences can be severe with a decline in the value of a bank's assets. The credit and counterparty risks inbuilt in Islamic finance are unique owing to the nature of Islamic financial instruments that become the foundation of the Sukuk asset pools. Unlike conventional financial institutions, Islamic banks do not have access to derivative instruments and other credit risk management mechanisms due to Shari'ah considerations.

Risk as to Shari'ah Compliant

The risk as to Shari'ah compliant is the loss of asset value as a result of the issuers' breach of its fiduciary responsibilities with respect to compliance with Shari'ah. For example, if the Sukuk is based on a hybrid of Ijarah and Istisna' assets, Ijarah must always be more than Istisna' in the pool, otherwise the Sukuk deed will dissolve. Thus, broadly speaking, Shari'ah compliance risk must be defined as a rate of return foregone in comparison

to the market rates, as a result of complying with the Shari'ah. Moreover, fixed rate Sukuk faces serious market risks. So, to match the market requirements of Sukuk to be floating rate, and the Shari'ah requirements of rents to be fixed rate, the Ijarah Sukuk are based on a Master Ijarah Agreement with several subordinate Ijarah agreements. However, the investors could still face profit rate risk to a certain extent and since the originator can only guarantee the fixed return on the underlying asset pools, the issue of floating rate returns still remains contentious, particularly, in hybrid Sukuk. Therefore, the association of Shari'ah supervisors with Sukuk issues will ensure investor confidence.⁸

Management and Operational Risk

The management and operational risk, which inherent to the structure of the issuances rather than the underlying Shari'ah principles. The risks related specific to the operation are mirror to that existent in conventional bond markets are Default Risk, Coupon Payment Risk, Asset Redemption Risk, Investor Specific Risks, and Risks Related to the Asset. Default Risk is when each party has provisions for the termination of the certificate in the event of a default by the obligor. Coupon Payment Risk is when the obligor may fail to pay the required coupons on time. Asset Redemption Risk is when the originator has to buy back the underlying assets from the certificate holder. Investor Specific Risks is when the certificate holder is rendered to several risks relevant to Sukuk structures such as liquidity management⁹ issues in Islamic finance. Risks Related to the Asset is when the underlying assets of the Sukuk certificates are subject to numerous risks such that the risk of loss of the assets.¹⁰

Organizational Rigidity Risk

The banking and financial infrastructure is weak in most emerging economies' countries despite a significant move had been observed in some of these countries such as Bahrain, Saudi Arabia, Malaysia and Brunei, Indonesia are among others. However, Sukuk require unique Shari'ah

7 Ibid

8 Ibid

9 Ibid

10 Ibid

compliant structures which create a state that can be termed as one of institutional rigidity and that cannot be removed in the short run and always increasing the risks of Sukuk. Furthermore, the features of this state are lack of hedging and financial engineering processes, nonexistence of inter-bank money markets, lack of best practice uniform regulatory standards and regimes, weaknesses in litigation and legal framework support, particularly, in the treatment of default, non-uniform accounting, auditing and income and loss recognition systems, non-robust investment appraisal, promotion and monitoring infrastructure, ineffective external credit assessment systems, rudimentary state of financial markets, and weak inter-segmental support and linkages. 11

Managing Sukuk Takaful

Sukuk serves to replicate the functions of conventional bonds and tradable securities in resources mobilization from markets and injecting liquidity into the enterprise or government and in providing stable resource of income for investors. Moreover, investing in Sukuk issuances involves the funding of trade or production of tangible assets. So, this section will state the challenges facing the management of financial risks of Sukuk that are the challenge of institutional reorganization. 12

Organizational Challenges

Government Debt Management upon which the fixed income markets in developing countries is dominated by government bonds. Therefore, the single most important reorganization of the markets can come from the reorganization of the public debt management. The introduction of derivative markets has further consequences on market and financing dynamics. Furthermore, markets stabilizing role of futures and options markets depends on the speculator's information Futures and options markets can also serve to stabilize the value of underlying assets by acting in an insuring role and this can occur if these markets allow investors to pool risks more efficiently and share them. Therefore, in short, the evolutionary changes of financial innovation, deregulation, globalization of financial services and introduction of novel financing instruments warrants the adoption of supporting risk management mechanisms, viable secondary markets and relevant regulatory bodies. 13

11 Ibid, 12 Ibid, 13 Ibid

The emergence of the market for asset backed securities over the past two decades has permitted banks around the world to free their capital by re-packaging and reselling portfolios of loans, assets and other receivables. This adjusts the criteria for lending by forcing financial institutions to meet the market's standards for loan quality and sufficient pricing for risk. It helps decrease funding risk by diversifying funding sources. Financial institutions also employ securitization to purge profit rate mismatches. Also, it creates more complete markets by introducing formerly remote asset classes that better suit investor risk preferences and by increasing the potential for investors to achieve the benefits of diversification. Therefore, by meeting the needs of different market segments, securitization transactions can generate gains for both originators and investors. The same benefits can be attributed to Sukuk certificates. They allow the institution to manage balance sheet mismatches to securitize longer term assets. Moreover, investors are also given the option to invest in asset grades that are suitable for their investment needs. Also, financial markets are more complete as previously and untapped assets are now available for public sector resource mobilization.

The Liquidity and secondary markets portray varying risk preferences and a secondary market should be developed to reflect this. Sukuk certificates are unique in that the investor becomes an asset holder and is directly tied into the nature and functioning of the underlying asset pools so Sukuk certificate holders carry the burden of these unique risks. The primary concern of an Islamic secondary market is its marketability. All things being equal, a certificate holder would rather participate in a well-structured and well-regulated secondary market instead of trading in a poorly run market. However, the challenges remain to provide increased risk management mechanisms, increase market liquidity, create a truer bond yield benchmark as well as expanding the issuer and investor platform.

Conclusion

It has been observed that, the unfavorable risks faced by the Sukuk industry such as market risk, credit and counterparty risk, Shari'ah compliance risk, operational risk, and institutional rigidity that affect the competitiveness of the pricing of assets which lead to fact that is the innovation of Sukuk essentially involves a higher exposure to certain market and financial risks. However, I believe that we should take care most on unsystematic market risk and Shari'ah compliance risk in certain manner because they are related to each other in sense of that market risk will increase if the Shari'ah compliance risks increase. Furthermore, the current Sukuk margin or profit based on LIBOR as indicator only but still we depend on it which leads us to violate the Shari'ah compliance that will cause the market risk increase because most of Sukuk holder or investors are Muslims who search for Shari'ah compliant products to invest and avoid investing in non-compliant product or questionable products, and in our case it could be questionable product unless we try avoid this risk.

This can be through set fixed percentages not related to anything even if as indicators. It is true that the Sukuk issuers in some periods will face problems on their projects due to crises of economy or complexities on their project but they should do and sacrifice in order to avoid violating in Shari'ah compliances. Moreover, in order to develop the market of Sukuk and avoid the risks of Shari'ah compliance, capital authorities of all Muslims countries should establish and create Sukuk Authority Institution that report to organization of Islamic conference (OIC), and unified the rules and regulations of Sukuk issuing; price of Sukuk is among others.

14 Ibid

15 Ibid

16 Ibid

Rosly, S.A. & Sanusi, M. M. The Application of Bay' al-'ina' and Bay' al-dayn in Malaysian Islamic Bonds: An Islamic Analysis, *International Journal of Islamic Financial Services* Vol. 1 No.2.

How to Develop Quality Agents and Agency Management of Insurers

Kazi Md. Mortuza Ali, ACII

Abstract:

Intermediary activity of insurance agents/brokers benefits the overall economy at both the national and international levels. The role of insurance in the overall health of the economy is well-understood. Without the protection from risk that insurance provides, commercial activities would slow, perhaps grinding to a halt, thus stunting or eliminating economic growth and the financial benefits to businesses and individuals that such growth provides.

There are several factors that intermediaries bring to the insurance marketplace that help to increase the availability of insurance or takaful. Insurance intermediaries bring innovative marketing practices to the insurance marketplace. This deepens and broadens insurance markets by increasing consumers' awareness of the protections offered by insurance, their awareness of the multitude of insurance options, and their understanding as to how to purchase the insurance they need.

Intermediaries provide customers with the necessary information required to make educated purchases/ informed decisions. Intermediaries can explain what a consumer needs, and what the options are in terms of products and prices. Faced with a knowledgeable client base that has multiple choices, insurers will offer policies that fit their customers' needs at competitive prices.

Increased consumer knowledge ultimately helps to increase the demand for insurance and improve insurance take-up rates. Increased utilization of insurance allows producers of goods and services to make the most of their risk management budgets and take advantage of a more competitive financial climate, boosting economic growth.

Director General
Bangladesh Institute for Professional Development (BIPD)

Keywords: Insurance • Intermediary • Takaful • Duties • Responsibilities • Regulation • Quality • Role • Development • Supervision • Recruitment

Introduction:

Intermediaries help insurers in the difficult task of spreading the risks in their portfolio. Intermediaries work with a variety of clients, and, in many cases, in a broad geographical spread. They help carriers spread the risks in their portfolios according to industry, geography, volume, line of insurance and other factors. This helps insurers from becoming over-exposed in a particular region or a particular type of risk, thus freeing precious resources for use elsewhere.

By helping to reduce costs for insurers, intermediary services also reduce the insurance costs of all undertakings in a country or economy. Because insurance is an essential expense for all businesses, a reduction in prices can have a large impact on the general economy, improving the overall competitive position of the particular market.

Intermediaries reduce the search costs to insurance buyers looking for the right coverage and the right insurer for their risks, and they reduce sales and marketing costs to insurance companies in search of insurance buyers. Intermediaries know the insurance marketplace. They know their clients' risks; they know the insurers willing to cover those risks; and they know the best way to secure that coverage.

In today's complex insurance marketplace, however, intermediaries have become more than middlemen between insurance companies and insurance buyers. They bring experience and expertise to the insurance marketplace, using their knowledge of the insurance markets, their familiarity with their clients and clients' risk, and their access to insurers forged through long-term relationships, to sell and service insurance coverage for costly, and in many cases unique, risks.

One of the functions of some insurance intermediaries is to help clients manage their risks, improving their risk profiles and reducing the likelihood that an insured event will occur. Risk management is the process of analyzing possible exposure to loss, reducing loss potential, and protecting

financial assets. Businesses often look to their intermediary to act as consultants on risk management and advise them on the best ways to mitigate risk.

Legal Aspects of Agency Contract:

An agency is the relationship which arises when one person, the agent, is engaged by another person, the principal, and is given authority to effect the principal's relationship with third parties. The most common function of the agent is to bring into force a contractual relationship between his principal and another person who is known as the third party. Insured may also act through agents in his dealings with the insurers. The agent may be his employee, a solicitor, a bank manager or any other person who may be authorized by him to act on his behalf.

In connection with agency, three sets of relationship are to be considered:

- i. The relationship between the principal and the agent.
- ii. The relationship between the principal and third parties
- iii. The relationship between the agent and third parties.

In insurance business, insurers usually appoint agent in writing by means of a letter of appointment incorporating the duties of the agent, the extent of his/her authority and the scale of remuneration to which he/she will be entitled.

An agency may arise or be created in the following ways:

- a) By consent
- b) By operation of law
- c) By the application of the doctrine of apparent authority.

An agency is created for the purpose of establishing a relationship between the principal and a third party. If the agent makes a contract with a third party, on behalf of his principal, that contract is regarded by law as having been made by the principal himself. Hence, he can sue and be sued on it. The agent can bring about this relationship between the principal and the third party on the authority given to him by the principal.

The agent can be sued by his principal for acting in excess of his actual authority but that does not relieve the principal of his liability towards the

third party arising out of the agent's act. Moreover, the principal himself can enforce the contract even if made in excess of the agent's authority provided that he ratifies the agent's action.

Ratification takes place when an agent does an act which is in excess of his actual authority, but which later binds the principal because the principal agrees to adopt the act as having been done on his behalf. The person doing the unauthorized act must purport to do it as agent and not on his own behalf. Thus, if a person effects an insurance in his own name, there being nothing to show the insurers that any other person is interested in the insurance, the insurance is personal to the person actually effecting it's such a person cannot afterwards allege that he intended to insure on behalf of a principal and the alleged principal cannot ratify the insurance.

An agent is entitled to receive remuneration from his principal for the act he would perform on his principal's behalf. In deciding whether the remuneration has been earned by the agent, two main questions are required to be considered by the court in the event of any dispute as follows:

- A. Has the event on which the payment of the remuneration depended Occured?
- B. Has the agent been the effective cause of the happening of the event?

If an agent expends any sum of money as per authority on behalf of th principal, he is entitled to the reimbursement of that sum by his principal. If the agent is wrongfully prevented by the principal from earning commission, he may recover damages.

The Chief duties which an agent owes to the principal are the following:

- ✓ To carry out the transaction for which he is appointed;
- ✓ To obey the instructions of his principal and to act strictly in accordance with the terms of his authority;
- ✓ To exercise reasonable care and skill;
- ✓ To account to the principal for money received;
- ✓ To act in good faith toward his principal;
- ✓ With few exceptions, to perform his duties personally.

The agent must carry out the transaction for which he is employed and in

case, it is difficult or impossible to do so the agent must inform the principal promptly so that the principal does not suffer any loss through relying upon the successful completion of the transaction by the agent. Thus, an agent employed to effect or renew insurance must affect it or renew it effectively, or if he is unable to do so, must notify his principal of his inability as soon as possible so as to enable the principal to take steps to resolve the relevant issue or issues.

The agent must obey the instructions of his principal and must act strictly in accordance with the terms of his authority or regarding matters on which they are silent, usual course of business. If the instructions are clear and unambiguous, he has no liberty to exercise discretion unless expressly authorized to do so and if he departs from them, he does so at his own peril. The agent must exercise reasonable and proper care, skill and diligence in discharging the authority entrusted to him.

If the agent is a professional one, such as a broker/corporate agent the standard by which the duty is to be measured is that of persons of experience and skill in his profession and in the place where he was employed to perform it. If he is not a professional agent, he is to be judged by what an ordinary person might reasonably have been expected to do in the circumstance. Whether the agent has acted with due skill will depend in each case on the circumstances.

If people occupying a professional position take it upon themselves to give advice upon a matter directly connected with their own profession, they are responsible for seeing that they are equipped with a reasonable degree of skill and a reasonable stock of information so as to render it reasonably safe for them to give that particular piece of advice.

In their relations with the insurers, the agent must make full disclosure of any facts known to them which may be material to the risk to be insured i.e. the agent must disclose to the insurer not only such material information as they receive from the proposer but also any such further material information as they themselves possess.

A breach of duty by an agent towards his principal will cause the following consequences.

- i. He will forfeit all his rights against the principal;
- ii. He will be liable to the principal for all loss resulting from the breach of duty;
- iii. He can be dismissed instantly;
- iv. He can be punished criminally.

The agent will not be entitled to any right against his principal with regard to the business in respect of which he commits any breach of duty. Hence, an agent taking a secret commission from the insurers cannot claim any commission from the assured. Not only that, if he has already received such a commission, he must repay it.

The agent is liable for all loss sustained by the principal due to his breach of duty. Thus, an assured may on the happening of a loss, find himself unable to recover any amount from the insurers on the ground that the agent deliberately omitted to effect the insurance or failed to effect it and neglected to notify the assured of his such failure promptly or failed to effect proper insurance or was guilty of misconduct entitling the insurers to avoid the policy or to repudiate the claim.

Where an agent commits a breach of duty by disclosing confidential information to a third party, he is liable to be dismissed by his principal instantly. In the cases where the agent is employed under contract for a period, the principal has the authority to dismiss him summarily where he is guilty of a breach of duty. If the breach of duty consists in taking a secret commission or in acting in collusion with a third party to defraud his principal, the agent may be punished. As a general rule, the principal is liable to the third party for any act done by his agent within the authority given to him.

Duties of Principal

In certain circumstances, the principal may also be liable to third parties for any act of the agent not falling within his authority when the act was done but subsequently it was ratified by the principal. The authority of an agent may fall within any of the following categories:

- a) The principal is bound by all acts of the agent done within his express authority. The principal is also equally bound by any act of the

agent necessarily involved in the process of doing any act within his express authority. Thus, an agent employed to effect an insurance on behalf of the proposed assured has the authority to disclose all material facts to the insurers and to describe adequately the risk proposed to be insured;

b) If the agent fails to disclose any material fact or inadequately and wrongly describes the risk proposed for insurance, the assured will be held responsible for non-disclosure of the material fact or misdescription of the risk. When an agent is employed by the insurers to negotiate the terms of a proposal and to induce the proposed assured to make a proposal which the insurers are willing to accept the agent has the authority to explain the meaning of the questions in the proposal form, to settle the terms of the proposal.

c) The principal will be bound by the acts of a person whom he held out as his agent either by words or by conduct and will be liable to the third parties for all acts which fall within the agent's apparent authority. In such a case it is immaterial whether the agent exceeds his express authority or whether he was never, in fact, an agent and had no authority to represent his principal at any time.

d) An agent or broker employed by the assured generally owes no duty of care or skill to the insurers to whom he offers an insurance since these duties arise out of contract and are owed only to the principal by whom he is employed, Hence, no action lies against him at the suit of the insurers for failing to disclose a material fact or for making an erroneous statement if it is proved that the fact was not material or that it was true, as the case may be.

Where, however, the agent of the assured willfully and deliberately, misrepresents a material fact, he is guilty of fraud and accordingly, although not liable to the insurers, for breach of contract, he can be sued by them in tort. Similarly if an agent of the insurers willfully misrepresents the position of his principal and the proposed assured is thereby induced to effect an insurances with them, he is guilty of fraud and liable accordingly.

Need for Regulation

World Federation of Insurance Intermediaries (WFII), is of the opinion that every country should have specific regulation on insurance intermediation.

Good and fair regulation/legislation is critical to public confidence in the insurance industry. It will improve the relationship between the insurers, intermediary and consumer/customer and strengthen consumer confidence and protection. Regulation and legislation should also encourage fair competition and protect the integrity of the

market. Further, it will provide a facility for those adversely affected by market abuse to seek appropriate redress.

The regulation and legislation on insurance intermediation should be based upon the following basic principles:

1. Regulation/Legislation on insurance intermediation should be activity based. The rules should be applicable to all those who are undertaking the activity of insurance intermediation. In this respect, the regulation and legislation should create a competitive level playing field between all forms of insurance distribution.
2. Regulations should focus on ensuring that all those who are undertaking the activity of insurance intermediation meet reasonable professional requirements as the primary means of protecting consumers and clients.
3. Standards, requirements and codes of conduct need to be promulgated with consultation, full documentation and accessibility by all market participants.
4. Regulation and legislation should be transparent and fair.

It is necessary to develop a code of conduct. Such a code can be considered as a complement to regulation and legislation and is critical to public confidence in the industry. It will also improve or clarify the relationship between the insurer, intermediary and consumer/customer and strengthen consumer confidence and protection. A code of conduct can also improve fair competition and protect the integrity of the market. (A specimen code of conduct is enclosed at Annexure 'A')

Functions and Role of Agents

Distribution of insurance/Takaful products is handled in a number of ways. The most common is through the use of intermediaries. Insurance or takaful intermediaries serve as the critical link between the company and clients.

Apart from agents there are other distribution channels. Insurance Marketing Firm (IMF) is a new distribution channel to solicit or procure premium, This form of intermediary has been recently introduced by the IRDAI (Regulator). Entities that are licensed as insurance marketing firms will be able to distribute insurance products along with mutual funds, pension products and certain other financial products, provided that permission are in place to distribute those financial products from the respective regulator. MFIs are permitted to distribute the insurance products of only two life insurers, two general insurers and two health insurers at any point of time.

Many kinds of intermediaries have come to the fore in the insurance/takaful sector. In India, the recognized distribution channels currently include:

1. Individual agents
2. Corporate agents
3. Bancassurance (banks as corporate agents)
4. Insurance brokers
5. Direct channel
6. Micro insurance agents
7. Distance marketing channels
8. Web aggregators
9. Insurance marketing firms.

Insurers are supposed to generate maximum amount of revenue in each business year. Therefore, activities that generate more business are more important. Our activities are grouped by establishing maximum number of viable sales offices, supervisory offices, service centers and different sections and departments at head office. We need appropriate people to operate these offices with high skills who can lead the company to a greater height. The most important activities of Insurer can be summarized as follows:

- a) Processing business of from prospective participants/policyholders by way of seeking proposals for granting suitable schemes.
- b) On getting proposal forms of the likely participants, they need to scrutinize the information intelligently for taking decision as to whether the proposers are leading standard life criteria as per standard guidelines of underwriting.

- c) When the proposals are accepted by the concerned underwriting officer, we issue policy document, as evidence of terms and conditions of the takaful contract for respective schemes.
- d) Considering that it is a long-term contract, the takaful operator needs to ensure that the participants pay the installments on a regular basis to keep the contract alive.
- e) Furthermore, we need to attend the various requirements of the participants like nomination and or assignment, alteration of terms, surrender of policy, payment of temporary advance (loan) etc.

All these activities are done through agents and employer of agents. Thousands of agents are appointed every year. Many of the agents also leave the profession every year. Most of our agents are not active; some of the agents are unscrupulous and deceive the prospects or policyholders. They act fraudulently and do not deposit premiums to company's account and so on.

Agency management has been a difficult task and very often we hear from the desk executives that they become "jimmy" in the hands of agents and employer of agents. However, this is not true in every company. There are many companies where most of the agents are educated, well-trained, experienced and highly professional.

The major function of the agent is to solicit and procure business on behalf of insurance company. Agents are appointed for selling takaful concept to the prospective buyers of takaful. Agents are supposed to know about takaful system and explain to the prospects about its usefulness and benefits of the insured's.

Agents/brokers are supposed to provide personalized guidance to clients. That is why an agent is known as financial advisor or planner in the western world. They are also supposed to be a risk manager. An agent is committing a sin of omission if he/she fails to educate his/her neighborhood about the need of insured's. An agent is basically a social entrepreneur; agents do social good and earn money, name & fame also. There is no person in the world that has no risk. As long as there is risk, there has to be some mechanism to handle and mitigate those risks. Agents thus become a part of risk mitigation process.

It is an acknowledged fact that the premature death of the borrower will be a liability both to banks and the dependents of the borrower. If an agent develops a system to cover all the borrowers of loans, he is doing a social service to the society. It is a social calling and a social responsibility. Thus identifying the individual needs of the customers and providing solutions is the major role of an intermediary.

An agent is a primary underwriter. He is the person who has seen the customer and none else, especially for non-medical policies. When non-medical business is on a growth trajectory, it is the responsibility of an agent to highlight all material information necessary to assess the risk in the moral hazard report. The interest of the organization is more important over achieving individual business targets.

Selling and servicing are two sides of the same coin and anyone ignoring this aspect is doing this at his own peril. Takaful or is not a insurance product or commodity; it tangible is an idea or a dream. It is a promise that is payable at a future date. Again, especially family takaful, it is a long term contract. The agent has to identify the needs of the customer and sell what is needed by the customer.

It is the onerous responsibility of an agent to explain the Human Life Value and try to sell neither less nor more than what is necessitated and be with the customer until the final payment is done by the company at death or maturity. He has to assist the customer in revival, investment, alteration, modification and other related activities and display the image of friend, philosopher and guide of the customer.

An agent is the brand ambassador for the company for which he works and his duty is to leverage his goodwill in recycling maturity claims in to new business. After all, this is a social objective and the intention is to cover all family members of the participants. Therefore, the agent is not to sale only one policy per family, but several policies.

Life insurance or the takaful companies and the regulators need to play their part in spreading the insurance services in each and every nook and corner. Their efforts get strengthened if there is a proactive force of intermediaries ready to take up the challenges. The role of the intermediary is to form, inform and reform the public opinion and be a brand ambassador for the

organization. The other obligations of the intermediaries include is to maintain right rapport with the customers and maintain public contacts and networking.

An insurance agent is an entrepreneur in the sense that he introduces innovation in the servicing and sales technique and always search for new markets for greater business advantage. Like an entrepreneur, his duty is to develop passion for his area of activity and look upon society as his field laboratory.

An agent needs to bring change in society. To qualify this test, the intermediary has to get updates in his field and understand nuances of different financial products. He/she should know the products not only of his/her company but of other competitive companies. He/she should be transparent in communications and never indulge in deceptive practices. Agent should be a change agent in a society. He is an active participant to bring about a social change without losing sight of his ambition of earning money with mission of doing social good.

Challenges of Insurers and Action Plan for Improvements

Presently, insurance industry is confronted with the following challenges and call effective participation of various intermediaries to solve these challenges.

- a) Lack of awareness is the most important factor which inhibits its enrolment. There also exists a lack of understanding of product features and exclusions.
- b) Contribution of participants/policyholders are considered high and do not differentiate between people living in urban and rural areas where the cost of living are different. Thus, insurance policies may be less attractive to the poor.
- c) Lack of accurate data about Bangladesh population and mortality experience hinders the growth of insurance. Without reliable database, premium charged lack valid foundation and likely to be set too high or too low premium. A major challenge for the takaful industry is right pricing of the products.

- d) The rising premium from adverse selection could be a vicious cycle as those with less risk will begin to leave and those with certainty of claims will stay with the operator and thus making the takaful company in a vulnerable position.
- e) Miss-selling is a common practice in insurance sector which involves selling of insurance products either by hiding facts or giving false information to the buyers.
- f) Excessive claims often compounded by fraudulent practices of agents are threatening the sustainability of several companies.
- g) The traditional channel of distribution is mostly associated with the agents as the chief distribution channel and we need to find new methods of delivering the takaful products and services to customer alongside agency system.

In order to meet those challenges insurers need to assess the risks involved in every proposal for which the necessary information would include details of the participants i.e. his/her life style, habit, family history etc. The agent, who gets to meet the proposer closely, is in a position to provide most accurate information.

Insurance intermediaries such as agent serve the critical link between insurer and the policyholders. The importance of agent has been realized and agents have been entrusted with various responsibilities. Our agents need to carry innovative marketing strategies to market products among the masses and to widen the outreach of products. Need to ensure that intermediaries maintain broad range of information pertaining to different aspects of insurers business.

Agents are supposed to increase the consumer awareness and understanding towards various products and services. An agent identifies the consumer needs and also helps the consumer to find right policies and prices. An agent should help to prevent adverse selection by ensuring that each participants pays appropriate premium. They are supposed to protect insurer's ability to cover losses while protecting the customers against overpayments. In fact, agents responsibility as intermediary not only benefit the company and the participants but the overall economy by making products widely available, thereby increasing the positive effects of provision of basic societal needs and economic growth.

The culture of bad practices of life insurance sector must be systemically cleaned up. The three alleged curses of the insurance sector, namely denial of cover, denial of claim and delay in service must be addressed through necessary changes in the structures, processes and cultural practices of the industry. We need to nurture and follow a robust culture of treating customers fairly and making rectifications of faults in services.

Areas of Development:

Today's world is moving to the digital age and we need to become digital insurers. We need to have strong presence in all communication channels including social media. A customer must be able to get information from desk people, supervisor, websites, blogs and similar media. Interested customers should be able to get personalized advice online. Software can be used to illustrate risk scenarios and insurance options to inform and advice customers. Customers will have online options to compare, fill and upload proposal forms, pay online and receive all documents online.

Making information and advice available to insured's round the clock through phone, chat, email; social media ties the customers and prospects to the company. Claims should be cashless, hassle less and electronically transacted to the extent possible. There is a need to make intermediaries visible and tangible and agents be held accountable for proper services for which we pay commissions.

An agent needs to have a checklist of values which should be provided to customers:

- a) Give the best products which need fit to the customers. Customers may not enjoy buying insurance. We need to give the consumer the motivational push to buy. Agent should understand customer's need and fit the product as "best buy" for the customer.
- b) Hand-hold the customer across the product cycle.
- c) Help customer to cross all procedural hassles when taking policy and facilitate all services across the value chain.
- d) Handhold the customer to speed assessment and settlement of survival benefits, death & maturity claims.
- e) Provide transparency and explain benefits of the products purchased.

- f) Help the customer to evolve with the changes regarding better products and prices.

An agent should provide the following services to the company:

- a) Give an ideal insurable (good) customer to the company.
- b) Be the first line prudent underwriter.
- c) Make the customer desirable to insurer.
- d) Reduce the “total” risk cost for the company by selecting standard lives.
- e) Help to price risk more accurately in the true spirit of risk based cover.
- f) Reduce the frictional costs and provide comfort to insured and insurer.
- g) Disclose the behavioral aspects of the insured’s risk.
- h) Match the needs of both parties (insurer and consumers) optimally.
- i) Help insurer to speed settlement, adhering to laws and rules.
- j) Help to carry out feedback & research inputs for the company.
- k) Help the competitiveness of the company by creating life-time tie with the customer.
- l) Ensure life time revenue and profits from the relationship with customers.

By providing all these services to the customer and the company, the agents need to create a win-win position of all the stakeholders including themselves. They can help to reduce cost for the company as well for the participants. By ensuring best buy for the customer the agents also help the company to determine the right price of the risk. Agents by providing additional services to customers, as and when they arise, they can create a lifetime relationship and thus help to make the policy “alive”, add relational value to customers.

Members of the insurance industry are generally focusing on providing superior customer service and ensuring profits in the current competitive environment. While regulators across the world are bent on de-risking the systemic risks in the insurance sector, they are also inclined to protect the interests of the customers and regulating the intermediaries. Policies are

now sold through specialized interactive computer terminals that can perform a range of other service functions. Insurance companies are partnering with well-known brands to offer their products. They are also partnering with retailers to market policies in their outlets. Insurers utilizing the channels from other verticals like bankers for policy sales.

The growth of technology, especially social, mobile, big data, analytics and cloud computing are not only driving insurance innovation, but also changing the definition of how services are to be rendered. Technology is not only impacting the dynamics of servicing, but also helping in defining some new types of products. Many operators sale policies through mobile network operators where premium payment is with the subscriber's airtime balance. Though this model started with the premise of financial inclusion to the under-privileged, it is slowly catching up with other segments in different forms.

Insurers are starting to use social media as a distribution channel. New simplified products are offered that have limited questions and fewer clicks. Aggregators known as price comparison websites have come up to enable the self-directed customers to perform product research function online. Many insurers and takaful operators are testing on the use of robo-advisors for providing non-intrusive advice during self-driven policy purchase and service. Robo-advisors educate the customers, advice and execute the transactions, and manage the portfolio of the customer.

However, agents, due to their proximity to the end-customers continue to be the touch-point in insurer-customer relationship. In insurance sales, a promise adequately buttressed by trust. Under the circumstances, agents need to reorganize and renovate technology which provides customers with plenty of information in a single-click and hence they will not be interested to seek advice or pay for a service. Agents need to professionally equip themselves continuously. Over the years, they need to offer additional services such as risk evaluation, protection and claims management.

Many insurers and takaful operators across the globe are now facilitating the intermediaries with smart mobile and tablet based sales and service apps that can aid them in lead management, scheduling, appointments, need

analysis, digital illustration, electronic proposal submission and premium collection.

Bharti-AXA Life (India) introduced an interactive sales tools “SWITCH” that allows a digital advisor to perform a complete need-based sale. It is almost certain that the future of an individual agent is not

going to be easy. However the changes and challenges can intimidate only the un-prepared agent. If the agents are well-motivated, professionally qualified and rightly equipped, they will be able to take advantage of the situation and succeed.

On Developing Qualities of Agents

The World Federation of Insurance Intermediaries (WFII), which is representing the interests of over 400000 professional insurance agents and brokers across the globe (in over 80 countries), have very aptly outlined the role of insurance intermediaries in the following terms.

- Innovative marketing
- Dissemination of information to consumers
- Dissemination of information to market place
- Sound competition
- Spread insurers’ risk
- Reducing search costs

The primary functional responsibilities of the intermediaries are to deepen and broaden the understanding of their role played.

Insurance intermediary is the bridge between consumers and insurers. They are valued by operators and by the insured participants as an essential element of the insurance market place. Fundamentally, their service makes the insurance products available to the market place that enables commercial activities to grow. With the combined services, the agents should help minimize cost of insurance business and remove uncertainty and help create a balance between cost of risk and funding of risk by facilitating a suitable risk transfer mechanism. In Bangladesh, the distribution cost is increasing gradually because of increasing numbers of business development tiers.

People all over the world are choosing distribution channels according to

their economic and psychographic profiles. In fact insurers have developed channels that can be more suitable to particular types of customers. Direct marketing channel is very attractive to most of the West European customers. Bancassurance is a popular distribution channel in most countries of Europe, Asia and Americas. According to Fin Accord Report: (2014), Turkey gets 80% of life business through Bancassurance mode, Spain gets about 65%, France 60% and Russia about 55%. Even Brazil procures about 80% of business through Bancassurance. South Korea procures 60%. Surely, banks have been able to give a lot of financial services in those countries and they have become obvious choices for buying any financial products including insurance. Despite our earnest desire to introduce Bancassurance in Bangladesh the regulators i.e. IDRA and Bangladesh Bank have failed to come to an agreement in this respect

Agents sell policies primarily on the basis of long-standing relationship. Banks are marketing insurance products by way of superior value propositions. It is difficult for alternate channels like banks and Insurance Marketing Firms to become family friends of the policyholders. The tied agents are immensely successful when they are able to maintain a congenial relationship with their clientele.

It is not too easy these days to succeed quickly as an insurance intermediary. The tied agents of Bangladesh, generally have very weak educational and socio-economic backgrounds. Anybody who is SSC pass and half-way intelligent can become an agent. But the real test starts after getting recruited. Prospective customers of urban and semi-urban areas are not quite knowledgeable about insurance/takaful products available in the market. Naturally, they look for reasonably knowledgeable takaful agents who can candidly explain why takaful should be preferred to other types of products. Therefore, it is necessary that an agent/employer of agent has to upgrade his knowledge continuously.

If insurers want to recruit quality agents, it has to recruit with much care. This is no longer an occupation to be taken up by someone who has failed in other areas. Knowledge of a few insurance products of his/her own company will not be enough in closing a sale. The agent must know the returns now available in various instruments with the degree of their

volatilities. He/she should be tech-savvy to show proof of his/her statements by vesting respective sites in the internet or by using some software packages available in the market for the use of insurance intermediaries.

The agents in abroad are really well educated individuals with high level of confidence, intellect and enthusiasm. Most of our agents who are not too high in intellect or educational qualification can be trained to sell some simple products only. Then there will not be any complaints of miss-selling. A new distribution channel called common service center (CSC) can also be used to sell simple micro-insurance products in rural areas. Even NGOs can be used in selling some easy to understand insurance products. But, the greater success of insurers will surely depend on how they can get more capable people in the profession of selling and how those people can be properly trained and re-trained on a regular basis.

Insurance companies should try to make the agency career attractive by taking special care of new agents. These agents should preferably be graduates (in urban areas) and should have some minimum urge to make a mark in the profession by providing “on and off the classroom” training program. They have to become professionals in a few years’ time by developing certain habits and principles. Unfortunately, majority of the new agents are dummy agents and they practically do not sale products. They do not become professional sales men in the short or mid-terms.

Insurance products are to be sold by professional people. It is difficult to make thousands dummy agents as professionals overnight. We shall have to use other distribution channels. But each channel has to take the customers through a well-structured sales process, so that there can be no misgivings in the minds of the customers afterwards. All intermediaries should be able to explain why insurance products should be purchased and in sufficient amounts.

In some insurance companies, employees and managers are selling group insurance products directly. We should remember that educated and experienced employees are better placed in marketing group insurance to valuable group customers. We require capable salespersons to make customers understand how valuable it is in their lives. As people need to put

sizeable portion of their income for saving, the intermediaries have to act responsibly, so that people can trust them.

There is no reason why insurers should lag behind. No amount of regulation can really be enough to make the insurance/takaful intermediaries true professionals. We shall have to recruit right persons, train them thoroughly and then launch the salespersons as full baked professionals. Each and every agent must be capable of selling at least one/two policies per month, if not per week.

Life insurance agency is the only profession where for a sale made a few years ago, the agent continues to get the renewal commission and this is the reward the company pays to its agents for being in continuous touch with the customers-they are supposed to be in contact with their clients. The agents should have a list of their customers' policies maturing month-wise every year, collect the requirement from the concerned office and get them completed including the present details of their bank accounts and submit them for making prompt claim payment.

Life insurance is a long term contract of at least 8 to 10 years. So majority of the matured policies would be "orphaned" policies with their original agents not in force/discontinued their agencies/transferred/ a few of them may die also. Here the concerned department gives such a list of matured policies to the existing agents, who should provide the service of collecting the Bank details of the customers and assist in the prompt settlement of claims.

Agents to be once again in good contact with the customers by insisting on this rule of crediting the policy proceeds only to the Bank Accounts of the policyholders and not dispatching the claim cheques by post to the claimants. Most of the agents think that once the sale is completed and the policy issued, it is the end of the transaction. In fact, the issue of the policy is only the beginning of a lifelong relationship with the customer. Most of the agents do not examine the original policy details sitting with the policyholder and preferably his/her family, checking the particulars like the name, address, nominee's name, the date of maturity etc. since there are possibilities of mistakes creeping in.

Many of our agents do not visit the customers at the regular intervals so that they can also participate in the different events in the lives of the clients like marriage, birth of a child, joining of the son/daughter in a higher educational institution and the like. Most of the agents do not discuss with their clients new products brought out by the company. Policy holders will feel immensely pleased to discuss socioeconomic issues with the agents and with the Senior Officers.

The purpose of customer meets at the Branch/Divisional office level itself is only to have meaningful dialogue with our policyholders to get a proper feedback. Most of our agents do not conduct regular customer meets for which senior filed officers of the insurance company and dignitaries of the city are invited so that these forums become platforms for exchange of thoughts and ideas. These are some of the initiatives to be taken by agents in order to sustain and further cement the relationship with their customers.

Responsibilities of Senior Executives/Employer of Agents

We cannot shift the entire responsibility of serving the policyholders & maintaining the friendship and relationship with the customers to only agents. The employer of agents too has to contribute a lot and lend a supporting shoulder to the work being done by the agents in the field. In fact, a major part of the retention of existing policies is in the hands of the supervisory agents. The supervisory agents and the office staffs should come to the rescue of the field personnel by attending immediately to all the required service aspects of the policyholders brought in by the agents. Then only the agents can boldly, promise the customers prompt service and carry out those assurances.

Many desk people in the office do not attend telephone calls at the second or third ring with a pleasant salutation. Instead of asking “who are you?” the desk or sales people need to say, “I am from the so and so company and what service i can do for you?” It is better not to say, “what do you want?” Meetings have become a part of our daily life now-a-days. Hence naturally the officer concerned may not be available in the seat most of the time. Therefore, the person who picks up the telephone need to take the name and phone number of the caller as well as the message and keep a suitable note on the table of the concerned officer. One should not simply hang the phone

down shouting “Mr. so and so is not in the seat” Many such calls are not also returned promptly even when suitable notes are kept on the table of the concerned executives, Furthermore, the emails received at the office are not replied immediately. Unless the emails/ letters are promptly attended expeditiously, we can’t build sustaining relationship with our clients and prospects.

Concerned offices need to prepare a list of Orphan policyholders by collating with their agency numbers and send communication to those persons enquiring as to whether they require the services of any of our existing agents and then allot an agent to the policyholder, if so desired. This process will slowly eliminate the number of orphan customers and thereby improve our services to all of our customers.

There ought to be separate Customer Cell or a person responsible in each sales office to whose number any orphan policyholder can contact for any assistance. In case he/she does not want the services of an exclusive agent or we do not engage another agent. Policy servicing department or the help desk should provide necessary services.

There should be a Help Desk in every service office at the reception itself. It should have a board “In what way, i can serve you?” and or “May I help you?” There should be some ways of recognizing our

customers at the end of every year either by way of a small letter, short message, and gift with the emblem of the insurance company. Whatever small it is, does not matter. What really matters is that agents do remember his/her clients.

Many agents forget that repeat sales are the secret of their success. Unless we are in constant touch with our customers, this is not possible. If one goes to a grocery shop to buy some item, it only denotes a transaction and not relationship. If the person goes to the same shop again and again, it is the beginning of the relationship. This may be due to the warm reception at the shop or the smiling service of the salesman.

Our agents hardly feel that retention of the existing policyholders is equally or more, important than obtaining new customers. A lot of studies have been done to prove that it is less costly to retain an existing client than going

for a new one. It needs to be membered that no client who has come to our office can go back dissatisfied as far as possible. This should be our motto. Social networking has become the order of the modern days Face Book, Twitter, Linked in, You Tube etc. are also a part of our contact with our policyholders. Many of the CEOs of the companies take part in twittering and share their views with their customers. Our customer is no more an outsider. He/she is a part of our organization. He /she needs to be contacted and consulted. Because our friendship with our client is a lasting one, our relationship with our customer ought to be lifelong one.

This is possible only when all of us putting our shoulders together. Agents, Development officers, Desk Officers & staff, right from the lowest position of a Driver/messenger to the highest position of a managing director in an insurance company need to play their role to recognize our customers and for that matter the agents, supervisory agents and those who really meet customers on a regular basis. One of the primary roles of insurer is to prevent adverse selection. By ensuring that each customer pays regular premiums, the agent protects the company's ability to cover losses while protecting the customer's interest lapse ratios can be reduced to a great extent by proper selection and underwriting.

How to succeed in developing quality agency management?

The successful development of agency management starts with successful recruitment and selection. Without an adequate regular input of new agents, the sales organizations cannot grow. From our experience, we have observed that the most successful sales offices are those who have been able to recruit more agents. In order to maintain the sales volume at its existing level and increase it gradually; constant recruitment of agents is a must.

We fix target of premiums to be earned in a particular period. Seldom have we fixed target of agent recruitment and we never ask any one as to why they failed to achieve to recruit. Insurer's future as a successful business leader in the market depends on the salesmanship ability of agents. Insurers need to recruit quality agents (not dummy agents) who are fit and proper for the job, for which they have been recruited. Agents are required to sale savings schemes to the public. Therefore, it is the responsibility of employer of agents (supervisory) to recruit only suitable candidates. It is

regional/zonal managers to seek out, recruit, train and motivate agents to sell products in the market.

In most cases our employer of agents recruits new agents from the nearest and dearest relations and friends. By doing this, they do not help to earn more by bringing new business. What they are interested is to earn more commission by having more shares in the existing business, which he or any of his real agents has produced. In order to overcome this situation, the objective of insurance company's agent recruitment plan ought to create a regular flow of qualified prospective agents in order that a selection of top quality agents may be made.

The recruiting process should pass through four stages in prospecting, approaching, vivid interview and appointment. Practically, the first stage i.e. prospecting is totally absent in our recruitment process. Approaching and appointment are the two stages recruitment process now in vogue. If we follow four stages of recruiting process each stage will provide an opportunity for selection quality agents.

The prospecting step of the recruiting sources represents the most important part, which we ignore most. Therefore, the employer of agents should prepare a description of the type of agents we require. In fact, the quality of an agent ought to be very high. We may find that most of the prospective standard or quality agents are already in some kind of job. We need to motivate those people to build their own success by being quality salesmen of insurance business. We need to assure and convince that by building career as salesman, he/she will be rewarded in this world and the world hereafter.

We need to discover people who want to lead their livelihood by honest means and they have the potentials which can be developed to create first class agents. While recruiting agents, we need to tell them convincingly, what exactly is the job, what opportunities does the career offer, vision, mission, objectives and goal of a salesman and how system works. We need to tell them how the career is noble in purpose and how it serves individual and social needs. The prospective and the selected agents be apprised that the career offers the opportunity to maximize earnings and also the true satisfaction of a worthwhile job.

As regional or zonal manager, senior employer of agent's main task is to seek out, recruit, train and motivate agents to sell the insurance schemes in the area in which they operate. In order to maintain the growth of agency network, the managers must continue to add more agents over and above those replacing leavers. They must know the process of scientific selection. Selection can only be effective, if the managers have sufficient candidates available. In order to overcome this difficulty recruitment must be a constant process in which the manager's recruitment plan is implemented. Many failures of our agents arise due to lack of knowledge and understanding of what the job is all about. It is important to emphasize both the bad and good points of the job to ensure that the agent has no illusions which will be shattered once he has been recruited, trained and put in the field. Therefore, it is necessary that we publish booklet or prepare a video which will contain and reflect the characteristics of insurance services and the career path of an agent. This guide line will provide the following:

- a) What are the desirable features every person wants to have in their career?
- b) Details of the remunerations and incentives that an agent will be entitled for different services against new and renewal premiums.
- c) Details of the selling jobs by giving examples and stories related to sales experience of seniors.
- d) Details of on the job and formal/informal training.

Newly recruited agents must be told that their career path is to build a financial future for himself/herself while helping others to build their financial futures. This is a business wherein the agents can choose the type of people they want to business with. There are unlimited opportunities for personal development. This is an ever increasing market. This is a career where the agents get maximum job satisfaction. There are no limits of income, because it is directly related to agent's effort, sincerity and ability.

By maintaining ethical practices, an agent becomes a respected financial adviser and risk manager. An agent by performing his duties responsibly, he encourages thrift, stimulate individual responsibility and contribute to the state and national economy. For an agent, there is no saturation point. Opportunities to business are unlimited. This is an ever increasing market where every day the market grows to create new sales. People in the society

get married, babies are born, promotions occur, income increases, responsibilities of family head grow, new home are bought, and existing policyholders needs increase. As the market grows, agents need to search new prospects, approach the prospects.

In order to develop quality agents, the field managers (supervisory agents) need to stimulate and motivate them. Stimulus is what the field manager does, says or demonstrates to cause the agents to act. Agents learn and act best when the directions and guide lines comes from within themselves. Self-esteem is heightened when the individual commits himself or herself to a goal. Agents will fail to achieve career objectives by him alone. Help and guide are needed to move through each step towards the higher career goal. Effective motivation is achieved, when the seniors help the agent to identify areas of improvements to be built in them.

Selection phase may be excellent, supervision may be very good but training of agents should be of the highest order. The training philosophy of an insurer has a direct bearing on the level of moral and willingness to perform. Training is needed to improve certain qualities to enable agents to work effectively in the practical field situation. Though certain people may have basic salesmanship qualities, it must be remember that good sales persons are made and not born. Expert life insurance trainers have identified three main areas of training such as:

- a) Basic training designed to provide the new agent with the basic products and sales techniques.
- b) Field training to maintain an effective level of skill in the field by means of coaching and on the job training.
- c) Continuation training to provide the basics for advancement through the career path.

Fundamentals of the basic course of training for a new agent should cover product knowledge, company knowledge and sales techniques from prospecting to close of deal or business. They should be trained also on policy servicing and customer relationship. It is obvious that before providing product knowledge, basic knowledge of life insurance need to be provided. Technical aspects of insurance operation should be further

discussed as the agents move through the more advanced areas of the career path.

There is no room for short cutting sales training. This is the area in which the aspiring agent is learning what to do in detail and should be supported by practical exercise in prospecting and qualifying prospects. This will ensure that the agent goes to the field with an adequate number of prospects. Basic training contains a substantial amount to words of mouth instructions through formal lectures and discussions. As a general rule, lecturing is the least effective form of skill development training. Field training ought to be the responsibility of branch or agency managers and first line supervisors. The objectives of field training are to affect a smooth transfer of knowledge and skill required during basic training to the field situation, to build sound working habits and to maintain a continuing high standard of sales activities.

Field trainers must remember the principles of coaching. These are:

- a) Every agent has potentials to develop his skills. It is the responsibility of the field supervisor to unlock the door by proper motivation.
- b) Performance of an agent be monitored and measured against some set standards. Further it should be remembered that agent's performance can be improved, only when they feel good.
- c) The supervisor/trainer in the field should stimulate the feelings of the agent
- d) It is necessary to give and receive feedback to and from the agent.

The field manager should guide in every step and the agent should act accordingly. Guidance is given to set clear goals and standards for each activity required to reach his/her overall objective or target. To do this, the long term target must be broken down into short term achievable goals and standards for each activity required to reach his/her overall objective or target.

Role of Supervisors

An agent needs to set goals for every day, every week and every month. The daily activities are set accordingly, regarding number of prospects to be contacted, number of prospects be followed up, number of approaches,

interviews to be made and so on. Unfortunately our agents and supervisory agents do not set goals and activities on a daily basis. It is most important to set the time for each activity on a daily basis. Our field supervisors fail to prepare daily routine for agents and do not monitor the daily, weekly or monthly activities. Without setting a clear goal, there cannot be firm basis for assessment. No assessment of performance can be made without an adequate reference against which measurement can be carried out.

The supervisors should encourage and tell agents which was good and what went wrong. The agent must identify the areas requiring action by him. The supervisor/trainer needs to listen to the ideas of agents and help him/her to turn the ideas to real things by giving him feedback, comment and advice. Here, comes the need for remedial actions and arrange training or retraining. The trainer needs factual feedback to decide what should be next line of action.

Feedback is the raw material for evaluation and evaluation is dependent upon the clear definition of goals and standards for every activity. Maintaining close contact and regular dialogue with agents are very important. It must be remembered that the agent himself is primarily responsible for the regular monitoring and evaluation of his activity. Therefore, the agents need to maintain record of his activities in order to help him to rectify and self-evaluation. The agent should give continuing feedback to his supervisor or manager or both. The agent should set goals for himself and jointly with his manager. The agent must be made aware of the monitoring needs of himself.

In any area of business activity, success depends on the skillful management and use of the human resource and a high degree of skill is required. No two agents are alike. Each has personal characteristics, different motivations, values, aspirations and therefore, requires personal attention to improve and develop. The field manager is the means through which knowledge and skills required in basic trainings are transferred to agents. The agent's progress along the career path is dependent to a great extent upon the ability of the field manager to train and coach. In most cases, we find that the field managers are not much experienced, they are not trained or well trained, their track records are not good and they lack the skill of providing appro

priate training. In many cases, the supervisors need training, guidance and instructions from senior officials.

Further, the difficulty in supervising a team of agents efficiently is compounded by the variety of problems. As the agent has individual characteristics so do his difficulties and problems. The supervisory field manager must be able to identify problems before it arises. Agents need continuous feedback so that they are able to maintain a continuous control of their own performance. The field managers (supervisor) need to give feedbacks by a continuous communication with the sales team on both an individual and team basis. The setting of goals for each area of sales activity is a part of the supervisory field managers' job. The manager's role is to help the agent to identify the problem and show the agent how to solve it. The end result of any supervisory activity should be action by the agent. Action comes when the agents feel the ownership of the problem.

All aspects of selling activity from prospecting to servicing should be carried out on a joint basis as far as possible. What is needed actually, the agent doing the work and the supervisory manager giving guidance, direction and motivation to act. Agents need to go to the field each day with a plan of works and give maximum effort to perform the jobs as per plan given by the supervisors.

The supervisory agents' role is to help and identify problems and show the agent how to solve it. The end result of any supervisory activity should be action by the agent. Field supervisors must have sufficient knowledge of insurance and enough experience of sales activities so that they can set clear standards against which an evaluation of each individual agent and his particular strong points and

weaknesses. Managing and supervising a sales unit calls for considerable interaction between the manager and each member of the team.

As close relation grow between supervisory agent and the team through regular communication, likes and dislikes develop. There is no room for guesswork or jumping to conclusions about any agent's performance but rather carefully balanced judgments which grows from detailed consideration of all the information available. Supervisory agents need to realize that

each and every agent requires supervision in one degree or another. All agents need feedback and motivation as well as polishing on regular basis all the skills which become rusty with time. This calls for continued supervision. For this the supervisory agents must make themselves readily available to help the agents to overcome the difficulties.

Helping the agents does not mean doing his job, but showing how to solve his/her own problems, Field supervisors, principal task is to assist the individual agents and the team to develop. The primary objectives of field supervision are to transfer knowledge about products and sales skills to agents and develop sound working habits. This means, the supervisory agent must improve, maintain and develop the individual agent as a skilled sales person and thus to develop the sales team.

In order to achieve this objective, the field supervisors need information on how the agents are performing in the field i.e. what they are doing, how they are doing it and where they are doing their job. Based on this information an analysis of strengths and weaknesses can be made and plans set up to remedy, correct, motivate and improve performance. Therefore, personal contact and regular discussion is at the heart of effective supervision. It cements the relationship between supervisor and agents and develops the information base of the supervisor. However, all discussion with an agent should have a definite purpose.

An ideal supervisory agent must have a list of topics of discussion such as:

- a) How to make a sales plan and sales activities?
- b) Analysis of prospecting methods and effectiveness.
- c) How to approach and start sales talks?
- d) How to apply sales techniques when interviewing?
- e) Analysis of results and solving the problems.

Dialogue with agents need not be conducted in a formal atmosphere and in fact the informal discussion of a particular point relating to performance is often more effective.

One to one talk held in the office and joint field works forms an important guideline of supervision. Each type of field visit has a totally different propose and there should be no confusion in the mind of either the agent or

supervisor as to what role is to be played before the visit commences. The purpose of joint field visits ought to be to correct or to develop. Whatever the reason for field visits, it must be followed immediately by discussion and role play. This cements the lesson in the agent's mind. Joint field visits are often carried out to observe agents activity. Observation is an opportunity to spot the things which are well done and to identify areas of skill or knowledge with which the agent is having difficulty. The good points are used as basis for praise or positive reinforcement before stating the points of error.

As a general rule, supervisors and managers should avoid making sales for agents. The primary roles of the supervisor or manager are to help agents to make hundreds of sales themselves and not just to close sales for them. The following are the ideal characteristics of effective field supervision.

- a) Supervision is required to base on knowledge of the agent and the details of the job to be done.
- b) Supervisor should help the agent to identify problems and show him how to overcome his own problems.
- c) Supervisor must make him/her available when assistance is needed.
- d) Coaching should be given in specific terms with clear goals in mind.
- e) Supervisor's primary objectives should be to develop sound working habits of agents to make him an effective sales man as well as to reduce lapses of existing policies.

Supervisory agents must be made responsible for maintaining a low lapse ratio and for improving the quality of business of each individual agent. To do this effectively, necessary measures be taken by agent and supervisory manager. Reduction of lapses can be achieved by a team whose members sincerely believe that it can be reduced. Improvements depend largely on each individual supervisory agent who is responsible for maintaining a low lapse ratio and for improving the quality of business of each individual agent.

To do this effectively, he must have clear procedures which are implemented on a regular and continuous basis (A checklist has been enclosed). In the final analysis, success in reducing lapses depends greatly on attitude. The agents' attitude is a reflection of his managers or

supervisors. It is very important that the supervisors and the managers adopt a positive approach to reduction of lapse and conservation of business.

Every agent and his/her supervisor should meet the customer immediately after the premium is unpaid. The lapse saving interview is very important. Laps saving interviews can only be effective where the policy was originally sold on a need basis and the policyholder (participant) has an understanding of how the benefits relate to his needs. The participants who have not paid the contributions in time be explained the needs for which the policy was bought. Then his attention should be drawn the benefits in retention to the policyholders existing circumstances. His attention should also be drawn to the losses which would be incurred if the policy is not maintained.

Agent should express his concern that the valuable risk coverage provided under the scheme is in danger if cancellation is made. The agents should never give up hope of renewal. The agents must leave the lapsed policyholder in such a way that his goodwill is maintained and the door is open to return again. It should be remembered that the lapsed policyholder still retain the need for coverage and the chances are that they will reinstate the policy in near future and or take a new scheme in the future.

Therefore, a series of follow-up calls should be maintained. This is necessary to revive the lapsed business and to get new business in future. He can be a permanent source of the agents. Agents should not get annoyed and loose a potential source. Grievances if any must be met immediately. Policy revival cell” need to take immediate steps and motivate agents, supervisory agents to follow up continuously.

Concluding Remarks

Building a career as insurance agents calls for thirst to build a successful career. The agents must have an ability to relate and communicate with people, apart from the courage to take failure and rejections in stride. Above all, it calls for a rigorous adherence to certain game rules and a process required for making selling into a profession.

The most challenging and difficult part of an agent’s job is that it gets completed in each case only when the prospect has said “YES” to his or her

request to buy. In most cases the answer may be “NO”, even after putting in weeks of work and effort.

The other major factor is the ability to relate with and communicate with people. To be a top producer one would need to be at home with the persons who are ones prospective customers. The ability to relate and connect with people is a great quality. It calls for an ability to feel what other people feel and put oneself in the others shoes.

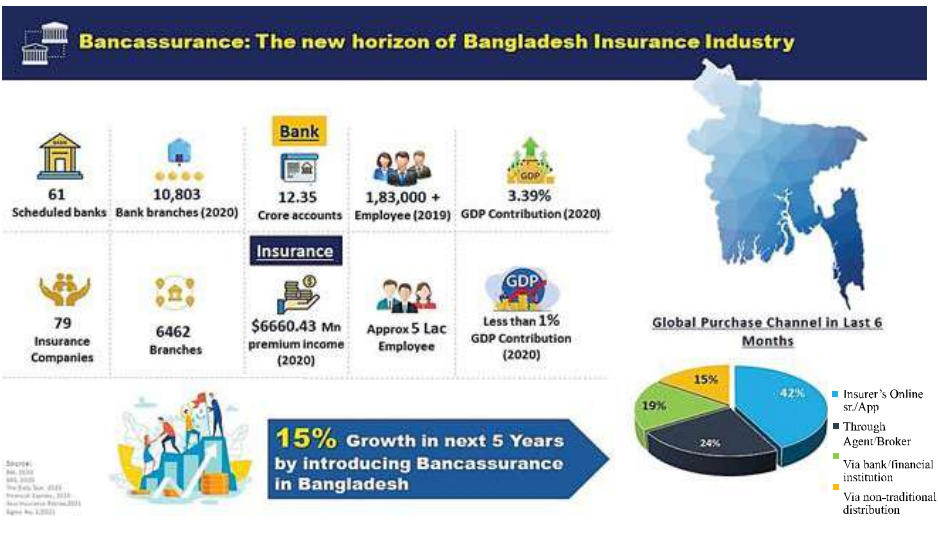
The ability to feel as the other person does in order to be able to sell him a product or service is found to be needed in large measure by any agent. But an agent simply cannot sell well without the invaluable and irreplaceable ability to get a powerful feedback from the client and the supervisor. He must realize what is going on in the customer’s mind and being able to change pace or change ones tracks or modify ones approach in whatever way it is necessary to close the sale.

Bancassurance: The new horizon of Bangladesh Insurance Industry

Farzanah Chowdhury

Prelude

The business of the financial sector is changing around the world. Companies are constantly putting more focus on better service and resilient communication with their customers. Insurance industries have also been adapting to the changing patterns of business trends in terms of corporate governance, responding to environmental factors and impacts, digitalization while establishing Insurtech, enhancing partnerships with different external partners and renovations that can ascertain sustainability in the long run. The business of the financial sector is changing around the world. The integration of the global financial market, new technology, demand variation, diversification of non-banking activities and so on are the underlying reasons that are bringing new dimensions to the financial sector and developing new business concepts. One of these concepts is Bancassurance-providing banking and insurance together- a relatively new idea in the financial sector.



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1. History of Bancassurance

The concept of Bancassurance appeared in Europe in the 1970s, specifically in France. The key idea of this paradigm is to create a mutually beneficial relationship between banks and insurance companies to develop outcomes. Bancassurance can be implied as a strategy adopted by banks and insurance companies aiming to operate the market of financial services in a varied manner of

integration (Swiss Re, 1992). The concept was to promote collaboration between these two industries to pursue opportunities for both parties through offering a variety of products which will ultimately facilitate both companies through attractive financial propositions (Magdić, 2020). After emerging in the 70s, the idea became popular in France in the 80s. In Europe, Bancassurance has been activated enormously throughout the years, since mainly it inculcates the vision of “One Stop Service” (Agrawal and Hajela, 2011). Later the practice entered into the USA in 1999, followed by an initiative taken by the government of India in 2000 through notification under the Banking Regulation Act for banks to include insurance products in their offerings. The first joint venture to expand the Bancassurance market in India was undertaken in 2001 through the collaboration between BNP Paribas Assurance Life Insurance and the State Bank of India, officially known as SBI life insurance at present (Rahman, 2020).

Bancassurance has proved to be a win-win relationship between the banks and the insurers. Alongside with this, this innovative practice has been benefitting the customers as well, since they get services from both banks and insurance companies simultaneously. They can avail multiple financial services and products from one single purchase.

2. Global Scenario of Bancassurance

In recent years, the global Bancassurance market has grown exponentially. Despite the pandemic caused by the outbreak of the Covid19 virus, the world's population will almost double from 12% to 22% by 2050. Many services, including financial services, do a great job of making life easier and actually opening up to the public services, which increases operating costs proportionally. Swiss Re conducted surveys in key Asia-Pacific markets in 2020 and 2021 to better understand how the pandemic

experience changed consumer behavior. The latest survey in 2021 found that although most have health and life insurance, many respondents feel they are not. About 30%-40% of respondents will buy additional life and health insurance during the crisis, and 25% -50% will still buy new insurance. (Swiss Re,2021). According to the IMARC Group's latest report, the global Bancassurance market was **US\$ 1268.7 Billion** in 2021. The value of the CAGR is 5.9% from 2022 to 2027 and from \$ 1.8023 trillion in 2027. An increasing elderly population and increasing demand for health and life insurance and compensation programs are one of the driving forces in the global Bancassurance market. The COVID19 pandemic has led to an increase in personal health problems, thereby increasing the demand for life insurance services. Based on product type, the global Bancassurance market is divided into life Bancassurance and non-life Bancassurance. Based on the type of model, the global Bancassurance market can be categorized as pure distributors, sole proprietors, fund holders, and joint ventures. Most of the total market share comes from pure distributors. By region, the markets are divided into North America, Asia Pacific, Europe, Latin America, Middle East and Africa. Now the Asia Pacific region dominates the global market. Major players active in the global Bancassurance market include ABN AMRO Bank N.V.,Australia and New Zealand Banking Group Limited, Banco Bradesco SA, The American Express Company, Banco Santander, S.A., BNP Paribas S.A., ING Group, Wells Fargo & Company, Barclays plc, Intesa Sanpaolo S.p.A., Lloyds Banking Group plc, Citigroup Inc., Crédit Agricole Group, HSBC Holdings plc, Nong Hyup Financial Group, Société Générale S.A. , Nordea Group, etc.(imarc,2022)

3. Bancassurance in Asia Market

In the global bancassurance market, Europe occupies the leading position, the Asia-Pacific region occupies the second position, followed by North America, Latin America, the Middle East and Africa in the second half of the competitive environment. Life insurance and bancassurance products are the most popular among users in all these markets. The Bancassurance model has long been a catalyst for emerging markets in Asia. Widely popular from the early days, it is rapidly growing as one of the most

efficient distribution channels in Asia. Almost 50% of the industry's revenue comes from the bancassurance model of middle-income countries such as Thailand and Malaysia, which contributes about 3% to GDP. According to a report released by McKinsey, growth in the bancassurance sector in emerging markets in Asia increased by approximately 40% between 2017 and 2020 (Shams, 2021). Despite the large productivity gap of 2 to 10 times, countries such as Vietnam, India, Indonesia and Singapore are moving forward to strengthen the foundation of new businesses through the bancassurance market. (OliverWyman, 2020)

4. Bancassurance in Bangladesh

Bancassurance provides new way of gaining revenue for banks and insurance companies by working together with similar aim. There is a huge untapped market as currently less than 1% of the total of 163 million population have insurance. Banks have enough information about their customers to facilitate cross-selling and increase sales of appropriate insurance products. There are 61 scheduled banks licensed and operating in Bangladesh. These banks have a total of 10,803 branches as of December 2020. Meanwhile, there are 79 insurance companies operating in Bangladesh. These insurers have a total of 4,38,872 agents as of December 2019 (The Business Standard, 2022). Also, if permitted in Bangladesh, Bancassurance will help more people access insurance by leveraging the nationwide reach of bank branches to access insurance products. Bancassurance would help many more people to have access to insurance by taking advantage of the nationwide reach of bank branch networks to avail insurance products.

4.1 Existing legal framework for Bancassurance

The Banking Companies Act, 1991 applies to the financial sector of the country and does not allow banks to engage in the insurance business. However, under Article 7 (3) of the amended Banking Act, banks may need to be registered as stock brokers, securities dealers, commercial bank portfolio managers, or approved directly by the Securities and Exchange Commission (The Business Standard, 2022). However, the Banking Companies Act allows Bangladesh Bank to develop and distribute bancassurance regulations using Section 120 (2) / (3) of Ch8 under the Act.

On contrary, the Insurance Act 2010 allows companies to act as "insurance agents" after registering with the regulator. "Insurance agent" as defined in Section 2 (29) means the continuation, renewal or reinstatement of an insurance policy. "Person" is defined as any person in Section 2 (32), establishment, company, partnership business, firm, or any other organization (The Business Standard, 2022).

4.2 Upcoming Bancassurance guidelines

In Bangladesh, banking and insurance regulators have created two sets of guidelines for implementing alternative marketing strategies for insurance products by banks with the goal of increasing sales for both. As insurers are expected to attract more customers to their products as they become more widespread, they will increase their bottom line which is similar for banks. On the central bank side, a technical committee consisting of representatives of the Bank of Bangladesh, the Insurance Development Regulatory Authority (IDRA), commercial banks, insurance companies and the consulting firm PricewaterhouseCoopers (PwC) has been formed to work on a decision of Bancassurance policy.

Once implemented, people will be able to purchase insurance products from approximately 11,000 branches of banks operating throughout Bangladesh. Banks will set up special counters for affiliated insurance companies to allow insurance customers to deposit premiums and obtain relevant information directly from the bank. According to the directive, banks must enter into a contract with an insurance company to sell insurance products. A bank may be authorized as a Bancassurance agent for one or more life and non-life insurance companies (The Business Standard, 2022).

Bancassurance sellers can't declare any fees , processing price, carrier price or some other price from the policyholder and insurer can pay a fee for the Bancassurance agent primarily based totally on the fee shape of IDRA. Banks, as Corporate Agent, beneathneath the Bancassurance settlement among coverage employer and bank, should propose, advertise, sell, distribute or marketplace coverage guidelines to its account holders/clients/preferred human beings thru its branches, telemarketing center, agent banking, virtual channels and website. Banks should get a No Objection Certificate (NOC) from Bangladesh Bank to work as agent of an

Insurance Company.

To begin Bancassurance, the banks have to abide by the following criteria

- Permission or approval from the BB and a separate license from IDRA is required
- Charge or fee worth Tk 50,000 for the banks to be paid to IDRA
- Establishing a separate wing to deal with the Bancassurance business
- Net non-performing assets should not be more than 7.0 per cent.
- The bank should have made a net profit for the last three years in a row.
- The CRAR of the affected bank should not be less than 10%.
- Banks must meet the minimum credit rating set by BB.
- There will be one Chief Bancassurance Officer to lead the Bancassurance on behalf of bank.
- The Chief Bancassurance Officer must have a master's degree and at least 12 years' experience in both and in banking or insurance. His/her position can't be 5 grades under the CEO of the banks. Under the wing, there will be other officers and managers within the bank to look after the mentioned task accordingly.

4.3 Critical Analysis

The market share proportion of Bancassurance in India accelerated to 56% from 27% between 2011 and 2019. Agency income at some stage in this era declined from 42% to 24% (Asia Insurance Review, 2021). We can see that; in 8 years Indian market has seen 29% growth. Since Bangladesh Financial Market is similar to Indian market, on this backdrop we can project that, in next 5 years Bangladesh Insurance Market will earn USD 7656.26 Mn gross premium with a growth of 15% by using Bancassurance channel which will increase additional 0.06% insurance contribution to GDP.

Conclusion

The ratio of the premiums collected by Bangladeshi insurance companies to GDP is only 0.4%, while it is more than 4 per cent in India just because of implementing Bancassurance, according to data from Switzerland-based research organization Swiss Re Institute. Currently corporates are working

with stakeholders and have adopted social and environmental goals aligned with global standards, such as the UN Sustainable Development Goals (SDGs) and considering ESG Bancassurance could be the new horizon of sustainable investment. Though Bancassurance has not yet been implemented but we are almost very closer to the inauguration. Bancassurance needs technical assessment and adjustment with sufficient IT supports, insurance product designing and aligning with banking products, providing necessary guidance and training to bank staffs. Green Delta thinks that we are the best to be fitted with your esteemed organization to partner with and our Bancassurance products and services would be helpful for your client

Source:

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An analysis of claimsettlement scenario of life insurance industry of Bangladesh

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Introduction:

Any client feels the need for insurance when they encounter a financial crisis due to an unforeseen accident and realize the benefit of insurance when receives the money after claim is filed. When the clients pay the insurance premium, they do not fully comprehend its benefits and often consider it as an additional financial burden. Insurance is worthless if the claim is not metor compensated.

On the other side, the importance of life insurance is undeniable. Life insurance helps a person or a family to cope with financial loss. When a person gets financial help in case of untimely death or accident, they or their family realize the welfare of insurance. In addition, at the end of the term, the insurance customer (insured) receives insurance money, including bonuses, which provides financial support for their personal and family needs.

Claim settlement is like a mirror to insurance companies where the public see the real face of their business. When an insurance company fails to settle the claim, the satisfaction of the clients would definitely hamper the business and discourage them from buying an insurance policy. If there is sufficient amount of money in the insurance claims fund (Life fund) of the insurance companies, there should not be any problem in settling the claim.

So claim settlement ininsurance is very important. There are various types of life insurance claims such as death claim, survival benefit, accidental claim, disability benefits etc.The main purpose of the present research is to determine the situation of claim settlement in the life insurance industry of Bangladesh i.e. whether the situation of claim settlement is satisfactory or not, if not, why and what should be done for clients' satisfaction, which is directly related to claim settlement.

Director (Addl. Charge)
Bangladesh Insurance Academy

Research Gap:

According to a claim settlement report submitted by the Insurance Development and Regulatory Authority (IDRA) to the Financial Institutions Department on the claim settlement rate of life & nonlife insurers from July- September 2021, it is seen that claim settlement rate of life insurers was 62% and the claim settlement rate of non-life insurers at the same time was 28%. The average claim settlement rate was 75% during 2009-2017. So, claim settlement rate of the insurance sector is not satisfactory during the reporting period. Depending on the ratio of claim settlement, the present research is the demand of the time to analyze the claim settlement scenario of the insurance industry of Bangladesh.

Objectives of the Research:

- What is the claim settlement rate of life Insurance Companies/Corporation of Bangladesh ?
- Is the rate of claim related indicators i.e. life fund, actuarial, surplus, management expenses, investment return, income & expenses etc satisfactory ? If unsatisfactory, what are the factors responsible?
- Whether the claim settlement is done within the stipulated time (within 90 days) as per the Insurance Act ? If not, to find out the causes & remedies of the issue of insurance sector of Bangladesh.

Literature Review:

According to a claim settlement report submitted by the Insurance Development and Regulatory Authority (IDRA) to the Financial Institutions Department on the claims settlement rate of life & nonlife insurers from July- September 2021, it is seen that claim settlement rate of life insurers was 62%.

The Annual Report 2018 of Insurance Development and Regulatory Authority (IDRA) shows that the claim settlement rate was 71.9% in 2009, 75.4% in 2010, 76% in 2011, 76% in 2012, 78% in 2013, 80.4% in 2014, 85% in 2015, 86% in 2016 and 82% in 2017 respectively . The average claim settlement rate was 75%. The annual report of the Insurance Development and Regulatory Authority also shows that in the life insurance industry, the death claim payment rate is 63.9%, the maturity claim

payment rate is 73.7% and the surrender claim rate is 92%(1).

The source of income of a life insurance company is premium income and income from investment capital gains, unpaid insurance claims, savings from expenses and unclaimed claims etc. On the other hand, the expenditure components are salary allowance, commission, office rent, management expenses, development expenses etc. Thus, by analyzing the factors that affect income and expenditure, one can get an idea about the surplus funds of income and expenditure. In addition, the factors on which the claim depends are the management costs in the life insurance industry, the policy lapse rate, the growth of the life fund, the return on investment, the net policy customer's liability and the actuarial surplus etc. If there is sufficient amount of money in the insurance claims fund (Life fund) of the insurance companies, there should not be any problem in settling the claim.

In Bangladesh, the insurance sector has failed to conquer mass people's attention to make it a popular industry in spite of having full potential. Experts and relevant literatures show that the life insurance sectors in Bangladesh are suffering from ethical dilemma. 'The insurance sector has developed without regulation in the country. That is why the insurance sector lacks ethics to a large extent. In some cases, people get nothing in return for taking insurance policy' (2).

Claim settlement is one of the most important services that an insurance company can provide to its customers. Insurance companies have an obligation to settle claims promptly. There is a saying 'Insurance companies solely depend on the customers but the customers do not depend on them'. Therefore maximum customer satisfaction needs to be ensured and claim settlement needs to be done as soon as possible. This is a must for business progress. 'Claim settlement is the key elements of customer satisfaction which has long been ignored by insurer. Due to strong initiative of IDRA culture of claim settlement has been improving'(3). According to the insurance act, the claim has to be paid within a maximum of 90 days. In many cases the claim is not paid within 90 days. So the reasons for this need to be analyzed and resolved.

Policy lapse is a concerning issue in insurance sector as life insurance is

mostly a long term contract. If client does not continue with the policy at one state both the company and client get deprived of the long term benefits. Therefore the higher the rate of insurance lapse goes, the more it causes the loss. Policy lapse rate is about 78%(4). Moreover life funds have not increased proportionally, rather been decreasing. Contribution of insurance in GDP fails because of this reason. Without eradicating the problem, positive image of insurance cannot be created.

The source of income of a life insurance company is premium income and income from investment capital gains, unpaid insurance claims, savings from expenses and unclaimed claims etc. On the other hand, the expenditure components are salary allowance, commission, office rent, management expenses, development expenses etc. Thus, by analyzing the factors that affect income and expenditure, one can get an idea about the surplus funds of income and expenditure. In addition, the factors on which the claim depends are the management costs in the life insurance industry, the policy lapse rate, the growth of the life fund, the return on investment, the net policy customer's liability and the actuarial surplus etc. So this research has focused on analyzing the claim settlement and unsettled insurance claims in the life insurance industry of Bangladesh.

Research methodology:

Mixed Research method has been followed. The study has been performed based on the information extracted from different sources collected by using following methods.

Primary sources of data:

- Data collection with structured questionnaire from the insurance corporation/companies of Bangladesh.
- Face to face conversation with structured questionnaire.
- Focus group discussion.
- Interviewing relevant offices of different insurance companies.

Secondary Sources:

- Annual report of IDRA
- Annual report of different insurance companies.
- Internet and various study report.

Claim processing:

Insured will need to fill a claim form and submit all relevant documents such as original death certificate, age proof etc. There are a few types of claim which are given below:

(i) Maturity Claim (ii) Death Claim (iii) Survival Benefit (iv) Surrender Claim

Maturity Claim- On the date of maturity, life insured is required to send maturity claim / discharge form and original policy well before maturity date to enable timely settlement of claim on or before due date. Most companies offer/issue postdated cheque and/ or make payment through Bank on the maturity date.

Death Claim (including rider claim) - In case of death claim or rider claim the following procedure should be followed.

Claim intimation&required documents for claim processing:

The claimant must submit the written intimation as soon as possible to enable the insurance company to initiate the claim processing. The claim intimation should consist of basic information such as policy number, name of the insured, date of death, cause of death, place of death, name of the claimant. For faster claim processing, it is required that the claimant submits complete documentation. A life insurer will not be able to take a decision until all the requirements are complete.

Research Findings:

a) Summary of ongoing and lapsed policies of life insurance companies :

- A structured questionnaire was sent to all life insurance companies to collect data of in force, new policy, surrender and lapse policies but we got data from twenty six companies out of 35 companies.

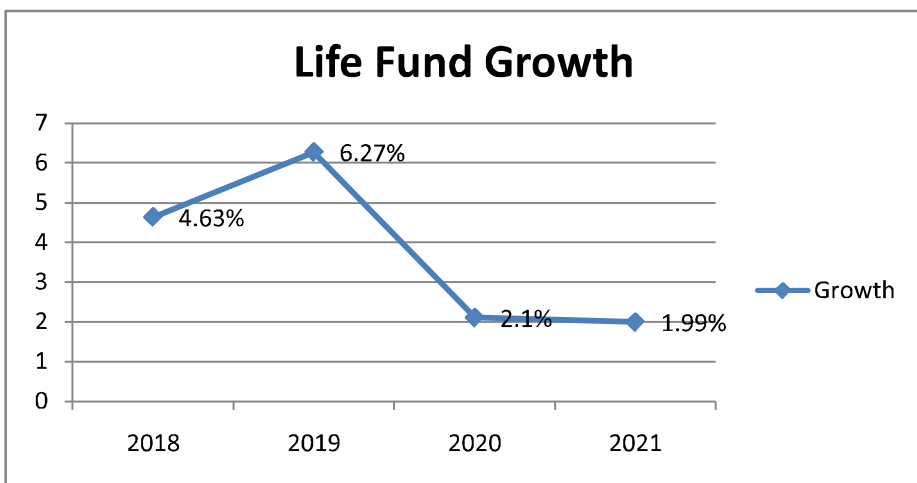
Table-1

Year	2017	2018	2019	2020	2021	Total	Average	Growth rate
Enforce Policy	8780064	8756221	8680656	8272735	7990547	42480223	8496045	-8.99
New Policy	1591987	1570935	1516045	1305898	1392117	7376982	1475396	-12.55
Lapsed Policy	760245	755424	918721	1050271	933150	4417811	883562.2	22.74
Surrendered Policy	137736	65579	69845	64665	76010	413835	82767	-44.81

It is seen from the table-1 that compared to 2017, there has been a continuous decreased of enforce policy of life insurance companies till 2021 and it has decreased by 9% compared to 2017. The volume of new policies has also decreased steadily by 12.5%. The volume of lapsed policy has continued to increase by 22.7% compare to 2017, which is a negative signal. A major portion (90%) of the first-year premium is spent for agent commission & business procurement cost. So, if the policy continues then life insurance companies get the scope to create life fund from the policy premium of second year and next consecutives policy period. Then company can meet up the death & maturity claim of the customers, otherwise it becomes really difficult for life insurance Company to survive & to make profit. So, when the life policy doesn't continue for the stipulated policy period then it becomes the burning issue for the insurance companies. The unfortunate reality is that major of the life insurance policies turns lapsed, surrendered or paid up which indicates the essence of life insurance becoming futile like nipping in the bud. It is also seen from table that enforce policy & new policy have gone down in 2020. This is because of Covid-19 & at that time business was almost suspended all most for 3 months.

b) Life Fund:

Table-2 :Life Fund Growth



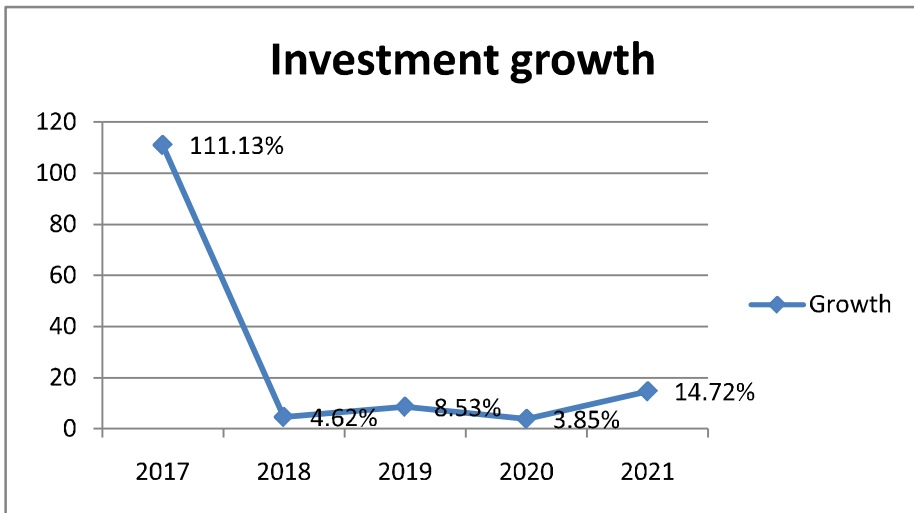
It is seen from the above table that life fund of life insurance companies has increased in 2019 (6.27%) with compare to 2018 but has increased at a declining rate in 2020 (2.1%) and in 2021 (1.99%). Life fund is the strength of the life insurance companies' ability to pay insured's liabilities and it is the amount generated from premium income after deducting all expenses and paying claims. So, the table shows that life fund yield has decreased gradually and it is alarming for the life insurance sector.

c) Table-3 : Policyholders liability and actuarial surplus:

SL.	Name of the Items	Year				
		2017	2018	2019	2020	2021
1	Policy holders liability	249,640,509,425	262,476,863,778	247,425,104,370	218,367,248,497	129,777,906,637
2	Opening Surplus	10,397,415,038	9,838,004,197	4,980,001,604	5,623,476,894	5,515,569,290
3	Current Surplus	13,928,015,087	14,175,206,227	11,302,419,464	10,901,198,958	1,616,787,627
4	Total Surplus	20,744,502,446	21,533,911,061	14,663,344,01	16,554,189,036	7,453,241,857
5	Growth		3.80%	-31.9%	12.9%	-55%

Above table shows that the growth of surplus followed positive trend in 2018 (3.80%), negative trend in 2019 (-31.9%), again positive trend in 2021 (12.9%) and negative trend in 2021 (-55%). So, some companies become unable to distribute surplus as bonus to policy holders and dividend to shareholders. As per the section 30 of Insurance Act 2010, actuarial valuation discloses the life insurance companies liabilities and surpluses or deficit. Policy holder's liabilities increase with sales of new policies but it may turn to surplus if insurance companies could add more assets with existing amount.

Table-4 :Investment growth



- It is seen from the above table that investment growth has decreased in 2018 (4.62%) with compare to 2017, increased in 2019 (8.5%), decreased in 2020 (3.85%) and again increased in 2021 (14.7%). If companies get more return from investment then it adds to companies fund otherwise companies may face fund crisis. It is known from focus group discussion that one of the reasons of fund crisis is false papers showing increased high values of assets whose resell values are less. Some financial institutions (leasing & bank) recently became unable to give capital back wherein Insurance companies have funds which they cannot get back, this is also creating fund crisis. Therefore, insurance companies need to make investment carefully.
- So, it is seen from table-1, 2, 3 & 4 that the policy lapse rate, life fund growth, policy holders liability & actuarial surplus and investment growth shows negative trend which means that some life companies are not in a position to meet up current and future liabilities of policy holders unless there is a positive business expansion.

Limitation of the study:

A structured questionnaire was sent to all life insurance companies but got data from 26 companies out of 35 companies.

Reasons for which the claim remains unsettled & reasons for taking more than 90 days in payment of claim :

A structured questionnaire was sent to all life insurance companies to know the reasons for which the claim remains unsettled, to know the reasons for taking more than 90 days in payment of claim and to know what steps can be taken for speedy payment of claims and following are the compilation of the opinion of 26 insurance companies out of 35 life insurance companies.

a) Reasons for which the claim remains unsettled:

SL	Reasons	Frequency
1	Delay in submission of documents by the insured.	18
2	Delay in obtaining death certificate from the insured.	16
3	If the policy is not renewed or the policy is lapsed.	14
4	Unintentional and intentional misrepresentation by the insured.	9
5	Receipt of unsigned claim form from the insured.	7
6	If the nominee is not mentioned in the insurance document in case of death claim.	7
7	If the nominee is a minor and his name is not mentioned in the proposal form.	6
8	Delay in receipt of expert report.	5
9	Confidentiality of information by the insured.	3
10	Non-existence of departmental supervisory committee of various insurers.	2
11	Non-cooperation by the agent to the nominee regarding claim settlement.	2

b) Reasons for taking more than 90 days in payment of claim:

According to the insurance act, the claim has to be paid within a maximum of 90 days. In many cases the claim is not paid within 90 days. So, the reasons for this need to be analyzed and resolved. As per the information provided by the insurance companies, following are the reasons for taking more than 90 days in payment of claim.

SL	Reasons	Frequency
1	Submission of incomplete information by the insured	15
2	Delay in submission of required documents by the insured	13
3	Misrepresentation of Nominee Information in Insurance Claim Form	13
4	Delay in receiving reports from various concerned parties	11
5	Providing partial information by the insured	9
6	Providing wrong information by the insured	8
7	If policyholder files a case in Court claim settlement takes time due to system.	6
8	Influence and non-cooperation in investigation by the insured	2
9	Lack of knowledge of the insured about the insurance.	2
10	Fraudulent activity by the insured.	

Recommendations for quick claim settlement:

According to the information provided by different life insurance companies and analysis of the information, the following recommendations have been made for quick claims settlement:

- The information & documents that can be taken at the time of insurance contact, needs to be taken for faster claim settlement. Besides, information that needs to be collected afterwards i.e. after claim intimated needs to be collected as soon as possible or possibly through online.
- Claim settlement time could be lessened from 90 days & IDRA could take steps on it. Besides, for quick claim settlement, companies could form separate special committee.
- If any company loses their life fund growth, then it's difficult to settle claim. Because of unplanned investment, company loses income and life fund cannot be created. As a result, companies cannot settle claim. Another reason of fund crisis is false papers showing increased high values of assets whose resell values are less. Some financial institutions (leasing & bank) recently became unable to give capital back wherein Insurance companies have funds which they cannot get back, this is also creating fund crisis. Therefore, insurance companies need to make investment carefully.
- Lack of skilled professionals in life insurance companies i.e. lack of skilled managers in actuarial department who have knowledge on technical matters like investment of insurance products, surrender value, terms and facilities of life insurance products and investment facilities and future value of maturity claims. Good knowledge of management costs and business profitability is also required. So, recruitment of skilled manpower in insurance companies is needed.
- Creation of developing attitude among the insured's in submission of necessary documents and other matters to the insurer.
- Making policyholders aware of their responsibilities and duties by the insurance companies.
- Proper collection and documentation of nominee information should be made by the insurance companies.
- Digitization of claim settlement process which can make the claim settlement speedy.

Concern department of Insurance Companies (claim department) should be sincere in submitting reports from various parties on time.

- Developing door to door insurance services for claim settlement.
- Taking steps to improve ethics of all concerned.
- Formation of efficient claim management committee.
- Prevention of fraud by the insured.
- Implementation and development of customer care service system.

Conclusion:

The existing claim settlement system of life insurance sector could be improved and quick claim settlement could be done by implementing suggested recommendations. Claim settlement should be given highest priority in order to create a positive image of the insurance industry and to ensure customer satisfaction. The sooner the claims are settled, the better the image of the insurance industry can be expected in future.

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Present scenario and Future prospects in Insurance sector of Bangladesh

Md. Shah Alam

In Bangladesh during the 1970s, Government owned JBC and SBC were the only provider life and general insurance coverage for individual and business properties. At that time industry did not take innovative efforts for product development. In the country the first private insurance company was set up in 1985. At present there are 79 insurance companies operating in Bangladesh which are 33 life and 46 non-life companies. In a developing country like Bangladesh insurance companies are playing a very important role in the economy. Though insurance industry has very prospect in the economy but for some reasons it's totally failed to achieve its goal. If we know the real reasons then we can take initiative measures to remove them hence we should look forward.

Slow implementation of Insurance Policy-2014:

Insurance policy 2014 is a milestone for the Insurance industry as it incorporated all the important aspects of insurance industry. It set time bound plan to achieve these targets. Some of the targets would be game changer for the industry for example: increasing penetration rate to 4% by 2022, introducing alternative distribution channel, introducing corporate governance guideline in insurance sector, and framing mortality and morbidity table etc. In the last 8 years from '2014 to 2022' only few targets have been achieved as a result insurance industry failing enhance its foothold in the market. Universal insurance coverage still remains as a dream for us. For a vibrant and policyholder centric industry implementation of Insurance Policy would play a pivotal role.

- **Current scenario:** There are 79 insurance companies operating in Bangladesh out of which 33 life and 46 non-life. The premium income in the year 2019 was BDT 14,000 core and 1, 27, 00,000 active life insurance policy. The average growth rate is 6% (approx.).

Director (Deputy Secretary)

Insurance Development & Regulatory Authority (IDRA)

- **Market size:** There are 170 million population (approx) in our country out of which 10 million people have life insurance policy. In non-life sector 79,754 small and medium enterprises are in operation out of which 93.6% small and 6.4% medium. According to the Bangladesh Road Transport Authority (BRTA) statistics of this moment there are 50, 00,000 vehicles are registered. Only few of them have first party insurance. More than 5,000 Garments industries doing business in our country those have group insurance. Thousands of launch moving every day in our country they need insurance for passengers. Bus and Railway passengers also need insurance. Without this all fixed assets like building and factory need insurance coverage.
- **Presentation:** Penetration rate is measured as the ratio of premium underwritten in a particular year to the GDP. $(\text{Gross premium income}/\text{GDP}) \times 100$. Insurance Penetration is very low, that is 0.59% in Bangladesh. This rate is the lowest in the south Asia. Low insurance Penetration and a high protection gap indicate significant deficiencies across the entire insurance ecosystem in Bangladesh.
- **Density:** Insurance density is used an indicator for the development of insurance within a country and is calculated the ratio of total insurance premium to whole population of given country. $\text{Density} = \text{Total premium income}/\text{Total population}$. Insurance Density in Bangladesh is only \$8.75 here as in India this rate in \$ 80+.
- **Problems in Insurance Sector of Bangladesh :**
- **Social Problems:**
- **Less public awareness:** A vast majority of people especially in rural areas are left outside the insurance coverage. This mainly results from the awareness among people. Even a large portion of people don't have the minimum idea of insurance. In other words the negative attitude from the people is lessening the importance of absorbing insurance policy in a large extent.
- 2. **Centralization:** Most of the insurance companies in our country are located in urban areas and there are few branches in rural areas. They don't think that the large number of our population reside in rural areas. So this centralization policy acts as an obstruction for the growth of

insurance business in our country.

3. Financial lack of literacy: Mass illiteracy adversely affects the

marketing of insurance. About 70% of the population is floating in the sea of ignorance. Illiteracy leads one to think that the insurance is deception, it has no value in life and they don't know what is insurance and what its importance as security for future.

4. Lack of skilled Agents: Agents are not skilled enough. These agents cannot perform their jobs properly to make people aware of life insurance.

■ **Economic problems:**

1. Poor economic conditions: Bangladesh is one of the poorest countries in the world and most of the people in this country live under extreme poverty level. All of these people fight hard to earn their livelihood and are marginal in relation to the expenditure with the income. It is quite impossible for them to save some money for future need. Therefore overall economic condition is creating obstacle to flourish the insurance business in Bangladesh.

2. Higher cost of Business: The insurance companies facing higher cost of business now days. They urge that Government tax, house rent, utility, commission fee, stationeries costs are growing day by day. But their business is not growing so fast with that rate.

3. Poor Financial position of the insurance Companies: Most of the insurance companies of our country are facing financial problems. Recently Government is trying to take initiative to close some of the insurance companies because they are not maintaining the minimum standard. For poor financial condition the insurance companies are also unable to expand their branch which is a barrier for the growth of insurance business in Bangladesh.

4. Low Savings: People of Bangladesh have a very small saving potentially and thus have less or no disposable income. Their little income may not deemed to sufficient for the payment of premium. So this factor discourages them to buy life insurance policy.

5. Lower per capital income: Poor economic condition is considered to be the main reason for poor life insurance penetration in Bangladesh. The country has a very low per capita income and the inability to save or negligible saving by a vast majority of population kept them away from the horizon of life insurance.

■ **Political Problems:**

- 1. Political Instability:** Political instability is a major problem in Bangladesh. For the instability in political many disruptive situations are often created which are bad for any business. Insurance business is not an exception of this. So political instability and inconsistency of political courses are a serious problem for the insurance business.
- 2. Planning and Administration:** After the change of the Government the whole planning and administrative measures changed which is the main constraint for long term plans. Without long term planning any permanent development or solution of existing problem are impossible.
- 3. Lack of supervision from the Government:** Lack of surveillance from government ministry encourages many insurance companies to follow the unethical practices like make harassment to policy holder and showing less in the financial statement. Sometimes Government impose some conflicting rules and regulations without discussing with insurance companies regulating body. It creates conflict among insurance companies with Government and this is one of the main hindrances of growing insurance business.

■ **Legal problems:**

- 1. Complexity of rules and regulations:** To take an insurance policy there are great number of rules and regulations which must be complied by the insured person. These rules and regulations have a vast number of complexities. So the people are discouraged to take insurance policy.
- 2. Licensing Difficulties:** Almost all the insurers and policy holders criticized the licensing system for insurance companies. They identified it as a major constraint behind the commencement of new insurance business. The Government does not evaluate their documents of application with due consideration and unnecessarily delays of approval.

■ **Other problems:**

- Lack of Qualified officials
- Traditional channel of distribution
- Poor training of the employees
- Lack of exposure
- Absences of business ethics
- Lack of information technology
- Lack of motivation towards public
- Insufficient service
- Lack of making policy
- Customer expectations and employees perception
- The discrepancy between employees perceptions and mgt. perceptions
- Low attractive offerings
- Lack of advertisement
- Lack of confidence
- Ignorance about claim settlement procedure
- Undue promotion
- Ignore the sector from the very beginning
- Lack of qualified MD/CEO
- Excessive investment in fixed assets
- Excess mgt. cost
- Image crisis
- Lack of unified organogram & salary structure
- Not maintain liquidity

■ **Prospects of insurance sector in Bangladesh:** Bangladesh is one of the fastest growing economies in south Asia with a higher GDP. However insurance penetration (0.59) has not grown in line with GDP growth and it is one of the lowest in global emerging economies. In line with the Government's vision of driving insurance penetration in the country, the insurance regulator IDRA (Insurance Development & Regulatory Authority) of Bangladesh aims to develop the insurance market in Bangladesh by addressing root level issues. As well as the problems mentioned above, there are many good signs for the insurance business in Bangladesh. The factors that can facilitate the insurance business in our country are discussed below. These facts can be measured as the

prospective fields for insurance business in Bangladesh.

- 1. Higher GDP:** The GDP of our country is increasing than the previous years which results in increase of per capita income. So this growing GDP and income holds bright prospects for insurance companies.
- 2. New business individual insurance:** There are so many new businesses starting every day and manufacturing sector is booming with global demand. Every business issued under an insurance company to protect its company from any kind of accident.
- 3. Increased population:** There is a big opportunity lies ahead for the insurance companies as the population of our country are increasing day by day. That is growth of population opens greater scope for every kind of insurance business that result is growing prospect for insurance companies.
- 4. Micro insurance:** Micro insurance can be a great prospective area for the insurance business in our country. Most of the people in our country are unable to have costly and long term insurance policies. Micro insurance can be provided to individual personnel or to small business owners against little insurance premiums and with easy terms and conditions.
- 5. Scope in non- traditional sector:** Nowadays along with traditional insurance services they can offer various non-traditional insurance services to their customer. Target market of insurance company may expand and they can offer different types of non- traditional insurance services such as health insurance, personal accident insurance, travel insurance, burglary insurance and pension scheme.
- 6. Developing mass awareness about insurance:** People are now much conscious about their safety. So they are encouraged to take an insurance policy for making their life free from any unexpected occurrence. Increase in literacy rate is helping predominantly to create awareness among the people regarding taking insurance policy.
- 7. Scope of Investment:** Insurance companies can usually make more profit from investment activities than from their regular insurance business. The private insurance companies are realizing this fact and

planning role in the financial market. They are making large investment in Government bonds, ICB project and in private sector business.

8. Service diversification: Insurance is not just a tool of risk coverage. It is also an attractive investment of savings. The mixture of risk coverage with savings gives the opportunity for innovative product designing which means service diversification. In a dynamic insurance market one can expect to see new products being promoted at regulator intervals.

9. Development of new policy: SBC has long been the sole reinsurer in Bangladesh and private insurance companies were statutory compelled to place 100% of their reinsurance business with SBC. In 1990 the Government amended the relevant provisions of the insurance Act allowing 50% of all reinsurance of general insurance business to be placed compulsory with SBC and the rest to private locally companies. About 70% of premium income from general insurance business in Bangladesh is retained reinsurance and the rest 30% goes in to reinsurers abroad. Permissions to private insurance companies to act as reinsurers will open up new opportunities to them.

10. The prospects of the insurance business in various sectors that affected our economy such as:

■ **Agriculture sector:** The economy of Bangladesh is predominantly an agrarian one, with most people engaged in farming and fishing. The uncertainty of agriculture due to crop failure caused by climate variation, drought, cyclone, flood and pests affects farmer income as well as Government revenue. Various agriculture insurance services are becoming common these days. Demand for insurance protection against crop loans, livestock loans, fisheries loans and equipment loans are also increasing day by day.

■ **Business Sector:** Now days in Bangladesh the SME plays an important role in the economic development. But they are deprived for taking loans from bank for large amount. If insurance business focuses this sector in Bangladesh they are able to contribute more in the economy. Thus insurance business has a bright prospect in business sector in a developing country like Bangladesh.

■ **Education sector:** Insurance companies can provide different types of scheme to expand education plan insurance.

■ **Action to be taken to boost insurance sector:**

- Public awareness about insurance should increase from the both end IDRA and companies
- Must recruit competent people in every company following the recruitment rules and necessary competitive exam to build skilled workforce.
- Valid death claim and maturity policy must be settled in time.
- Public harassment should be reduced to Zero.
- Agent is the diplomat of the company hence they must well equip with knowledge. In the case regular training is obvious.
- Management expenses must keep as minimum as you can.
- Retaining skilled manpower.
- Introducing new types of policies both for life and non- life.
- Effective publicity
- Formulation of effective principles
- Improving customer servicing

Insurance is one of the most important pillars in financial sector. Huge protection gap, increasing per capita income and significant number of uninsured people makes the market a lucrative place to grow more. To capitalize the opportunity insurer must act with professionally. Technology is another driver to enhance the outreach among masses where insurer must concentrate. Ensuring Insurers' sustainability is one of the objectives of the regulator which can be insured through proper compliance. In a bid to bring compliance within the industry, IDRA promulgated various rules and regulation and issuing various circulars. Insurer must obey these to make them financially strong which enable them to cope with the challenges coming in near future.

Importance of Insurance Professional Qualifications

Ehsanul Haque

Introduction

We live in a world today where specialization in one's field of work counts more than ever. It has become rather essential. There was a time when people used to consult a general physician for every health problem because of the shortage of specialist physicians.

But times have changed. These days we consult a cardiologist for heart problems, a neurologist for neurological problems, an urologist for kidney problems, a child specialist and so on and so forth. Unlike in the past when only academic qualification and work experience were considered for increment, promotion etc. but it is not the case today.

In the West, it is essential to have an insurance professional qualification namely ACII, AIRM etc. for career advancement. Unlike other classes of business, insurance is a highly technical subject. It requires technical knowledge, training and technical expertise to run this business successfully.

Individual commitment and determination

Professional qualification brings respect as well as recognition from the insurance sector. Doing a full time job and leading a family life, it is not at all an easy task to pursue professional qualification. It needs strong determination and commitment. One should be prepared and willing to make sacrifices and burn midnight oil in order to achieve one's goal in this regard.

There is no shortcut to coming up or advancing in one's career without a professional degree or qualification. It is worth the time and trouble to go for it. It should be remembered that a professionally qualified person has an edge over others. There is a saying "Nothing succeeds like success". Being professionally qualified gives a sense of personal satisfaction on top of everything.

Board Director, Sadharan Bima Corporation

Role of top management: Encouragement to acquire professional qualification

Top management of an insurance company should realize the fact that without long term investment in manpower in the form of financing staff members and encouraging them to acquire professional qualification, an insurance company may find it difficult to compete with its peer group having professionally qualified personnel working for them.

Top management should take initiative and be prepared and willing to commit funds and time in their endeavour to develop a professional team to run the business. It is a long term investment worth considering. An insurance company with a professional team will certainly be ahead of the game and enjoy a higher degree of reputation in the insurance market.

Training is a must

It is said that “Training makes a ready hand”. Training is an absolute requirement for an insurance company. There are no two ways about it. Top management should encourage their employees to participate in the company’s training program on a regular basis. They should arrange internal as well as external training and set aside sufficient funds for this purpose. They should be encouraged and funded to attend insurance seminars/workshops etc. to keep themselves abreast with the latest insurance developments in the market.

Some questions and answers on insurance professional qualifications

1. Difference between traditional and professional qualification

Traditional qualification is also known as general or conventional qualification. Examples of traditional qualification include BA, BSc, BCom, MA, MSc, MCom etc. Traditional qualification usually provides general knowledge on the subject. But professional qualification provides technically based sound and broader knowledge and understanding of the subject.

Examples of professional qualification include physicians (MBBS, FCPS, MRCP, FRCS), engineers (Bsc.Eng.) in Civil/Electrical/Mechanical Engineering, Chartered Accountants (CA), Solicitors (LLB/MLB) etc.

In essence the main difference between traditional qualification and professional qualification is that the former is general in nature and the latter is technical in nature some of which may be too technical or specialized in nature.

2. Training Vs. professional qualification

Professional qualification and training go hand-in-hand. Each compliments the other. Training apparently serves to sharpen and enhance technical knowledge. It assists to keep knowledge up to date by bringing out the latest developments/changes in the insurance industry.

Training particularly deals with work process/procedures etc. with regard to practical application of technical knowledge gained through professional qualification in a workplace. Training from time to time is essential for the development of technical knowledge.

3. Availability of insurance professional qualification in Bangladesh

Professional qualifications may be categorised into the following groups:

1. Professional qualification offered locally such as insurance diploma (ABIA) by Bangladesh Insurance Academy(A government organisation).
2. Professional qualifications such as insurance diploma (AIII, FIII) and AMII, ASII offered by Insurance Institute of India (III) and Malaysian Insurance Institute (MII) ,Singapore Insurance Institute (SII) respectively in the South East Asia region.
3. Professional qualifications offered such as insurance diploma (ACII, FCII) by Internationally reputed insurance institutions namely The Chartered Insurance Institute (CII), London.

In addition to offering insurance diplomas (ABIA), Bangladesh Insurance Academy (BIA) also has an arrangement with Malaysian Insurance Institute (MII), Insurance Institute of India (III) and The Chartered Insurance (CII), London to conduct examinations on their behalf in Bangladesh.

4. How to Study?

Having a full time job and family, it is not at all an easy task to pursue professional qualification. One should be able to balance or juggle between office work, family life by using time management properly and effectively. For example they should make it a habit to study for at least 2 (two) hours during the weekend.

Study should include reading textbooks, reference books etc. If necessary they should browse through the internet. They might want to utilize their annual holiday for study purposes or take study leave from the office, say one week prior to examination for preparation.

No doubt, it is hard work needing some sort of self discipline and sacrifice. But it is worth the time and trouble considering that professional qualification does bring respect as well recognition from the market on top of carrying mental satisfaction. It may look difficult but it is possible to achieve this goal with strong determination and commitment.

5. When to start professional qualification?

There is no hard and fast rule in this regard. There are cases when fresh graduates (financially solvent) go for professional qualification before joining work. But this may not be possible for the majority of people belonging to middle class families.

For them and taking into consideration that it involves a lot of money to complete professional qualification, it is advisable to start chasing professional qualification after acquiring some basic knowledge in insurance and say after having 3-5 years work experience when they are still young and their minds are fresh and agile.

6. Scholarship and costs involved

As far as scholarship is concerned, it may come from a host of sources namely;

- From the employer (insurance company)
- From Insurance Development & Regulatory Authority (IDRA)
- Insurance professional body
- Private organizations (as part of Corporation Social Responsibility)
- Charitable organizations/ NGOs etc.

It may be relevant to mention here that Tyser (Bangladesh) Ltd, had been offering stipend to few students for the last several years to those who have completed ABIA diploma course from Bangladesh Insurance Academy on merit basis.

Bangladesh Insurance Professionals Society (BIPS) has recently announced offering stipends to successful ABIA students in the future (up to 5 students) annually on merit basis.

As far as cost is concerned, in order to complete ABIA insurance diploma course (comprising 10 papers) from Bangladesh Insurance Academy, the estimated cost is around Tk 12,000 (taka twelve thousand).

On the other hand, an insurance diploma namely ACII (comprising 10 papers) from The Chartered Insurance Institute (CII), London is relatively expensive and may cost over Tk 5lacs.

7. Number of qualified insurance professionals in Bangladesh

Although there is no official statistics available in this regard, the numbers of various insurance diploma degree holders may be estimated as follows:

1. ABIA : 650 (approx.)
2. ACII : 25-30 (approx.)(Active in BD market is less than 18)
3. FCII : 3
4. Others such as AIII, FIII, AMII, ASII etc. : 10 (approx.)

8. Scope of career progression with professional qualification

In today's world, it is almost impossible to think of career progression or advancement without professional qualification. In the olden days, increments, promotions etc. were based on traditional educational background, work experience etc.

But today, career advancement or progression largely depends on professional qualification. In the West, certain high level insurance jobs such as managerial positions require a professional qualification which is a must for high ups jobs.

9. IDRA initiatives

Insurance Development & Regulatory Authority (IDRA) may play an important and valuable role in promoting professional qualification and insurance education.

They may follow the following routes:

- Offer scholarship to eligible candidates in the insurance sector
- Arrange training for insurance employees (including their own staff members) on a regular basis
- Arrange seminars/conference

Invite easy competition (on annual basis) on current insurance topics

- Publish insurance books/magazines
- Exert pressure on insurance companies to offer salary increment, promotion to those working in their organisation having insurance qualification by way of incentive.
- Introduce award for insurance personality of the year based on one's contribution to the insurance sector etc.

10. CPD requirement

CPD stands for “Continuous Professional Development”. This program is designed by The Chartered Insurance Institute(CII) in London. The purpose of this program is apparently to keep CII members, especially ACII's engaged in various insurance activities throughout the year.

Such activities shall include:

- Reading insurance books/journals/magazines regularly including CII Journal
- Practice writing on insurance matters in various insurance magazines/-journals
- Participating in insurance seminars/conferences
- Participating in a training program
- Participating in insurance discussion/debate on TV etc.

Conclusion

The importance of professional qualification cannot be understated. The Bangladesh insurance sector requires more and more insurance professionals and technically qualified people in order to uplift it from the current sorry state of affairs. A time will come and it is not too far when an insurance manager will be required to possess professional qualification for the job.

Government, Insurance Development & Regulatory Authority (IDRA) and all stakeholders should come forward and prove that they are really serious about bringing changes to the insurance sector. Unfortunately, so far there seems to be more talk and little action in the matter.

The insurance regulatory authority should put continuous pressure on the insurance company to spend money for insurance education, training for their staff. They should also exert pressure on the insurance company to

recognize insurance qualified personnel working for their organisation by allowing/ offering them increment, promotion etc. It should be remembered that without incentive and encouragement, it is not possible to develop a skilled workforce, a crying need for the Bangladesh insurance sector at the moment.

Bancassurance: an effective distribution channel to increase insurance penetration for the economic growth of Bangladesh

Md. Hasanuzzaman

1. Introduction

Bangladesh insurance coverage is very low. The penetration ratio, which measures the ratio of gross written premium to GDP, was only 0.56 percent in 2017 (0.41 percent for life insurance and 0.15 percent for non-life). In 2019 only 20.0 million Bangladeshi's had insurance coverage, representing only 1.2% of the population. This means that insurance services have not yet reached the doorsteps of ordinary people. Expansion of insurance market in Bangladesh is essential for economic growth.

Bancassurance can be instrumental for spurring the insurance market development. In order to provide insurance services to the mass people, it is imperative to develop appropriate and reliable means of expanding insurance services. Bancassurance would be an effective distribution channel to increase the number of insurance policyholders and enhance the market share in the financial sector. In this regard, the financial sector of Bangladesh has been summarised and analysed to determine the impact of an insurance and bank partnership would have on insurance coverage.

1.1 Objective

The main objective of this report is to introduce the concept of Bancassurance and how it could be implemented in Bangladesh. Key sections of the report include the conceptual framework of Bancassurance, overview of the banking sector (case studies) and a detailed analysis of the key imperatives required to introduce Bancassurance in the Bangladesh market.

- The market sceneries of financial service sector
- What is Bancassurance

1 The Bangladesh financial market is comprised of Bank, Insurance, Non-Bank Financial Institutions (NBFIs), Agent Banking, Micro Finance Institutions (MFIs), and Mobile Financial Services.

BBA & MBA, ABIA, Deputy Manager,
Sadharan Bima Corporation

- How it could be implemented in Bangladesh
- Depict the Current Practice Bank and Insurance Partnership in Bangladesh:
- The potential impact of a successful Bancassurance framework in Bangladesh?

1.2 Method

To prepare this report, extensive secondary data has been used, combined with interviews of key stakeholders in Bangladesh including interviews with life insurers, non-life insurers, banks, non-bank financial organization, Micro Finance Institutions (MFIs) and victims. Primary data has also been collected for conducting this research. Utilizing the data collected and reviewed will demonstrate that developing a successful bancassurance distribution program will assist Bangladesh in reducing the protection gap, increase its insurance penetration rate and stimulate economic growth.

- Bangladesh Bureau of Statistics, the fiscal year 2014-15 to fiscal year 2017-18.
- Insurance Development and Regulatory Authority (IDRA), Annual Report-2010-11 to 2016-17 and 2017-18, 2019.
- Bangladesh bank Quarterly report and Annual Report.
- Retrieved data from The World Bank Group Web site.

2. Introducing of Bancassurance in Bangladesh

Currently there is no Bancassurance platform in Bangladesh. The IDRA began drafting Bancassurance Guidelines. The new directives are designed to strengthen the relationship between insurance companies and banks or other financial institutions. In May 2022, The IDRA yet to issue the final Bancassurance guidelines.

The draft Bancassurance guidelines will allow banks to be licensed as corporate insurance agents, which will work with no more than three insurance companies. Insurance companies and banks will have to be granted approval from the regulatory authorities before signing agreements.

3. Financial Services industry of Bangladesh

From the data review of Bangladesh Bureau of Statistics, the insurance sector has not had a significant influence on Bangladesh's Gross Domestic

Product at Current Prices, as reflected in fiscal year 2017-18 to fiscal year 2021-22.

Table 1: Brief Overview of Financial Services in Bangladesh

SERVICE	2017-18	2018-19	2019-20	2020-21	2021-22 (p) ¹
Monetary intermediation (Banks)	69,326	79,417	88,044	98,457	111,879
Insurance	7,439	8,202	8,851	9,643	10,549
Other financial auxiliaries	4,958	5,678	6,322	7,171	8,112
Total of financial intermediations	81,723	93,297	103,217	115,271	130,540

The Graph shows the insurance sector impact on Gross Domestic Product of Bangladesh at Current Prices BDT 9,643 crore in fiscal year 2020-21 and BDT 10,549 crore is projected in fiscal year 2021-22.

As of financial year 2020-21, the banking sector represented 85% share while the insurance sector represented 8% share of the total financial service sector. Hence this wide coverage of banking sector provides positive indication of upholding the agenda of promoting financial inclusion.

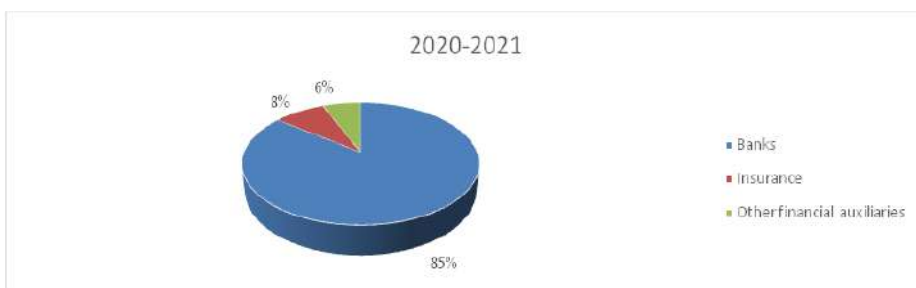


Diagram 1: Market share of financial intermediaries in GDP of Bangladesh.

3.1 Insurance Market

The Insurance Market is an unsought product market. Unsought product is a consumer product that the consumer either does not know about or knows about but does not normally think or buying (Philip T. Kotler, 2004). In Bangladesh, the Insurance Market emerged on 14th May, 1973 through the formulation of the government owned non-life and life Insurance organization: Sadharan Bima Corporation and Jiban Bima Corporation, respectively. In the country the first private insurance company was set up in 1985. Since then non-government insurers have shown rapid growth in

terms of institutional set-up, policy design and business expansion. At present, there are 46 general (non-life) insurance and 33 life insurance companies are operating in Bangladesh which are inadequate to

provide insurance services to about 164.7 million people (IDRA, Bangladesh Insurance industry information at a glance, 2020).

While the Bangladesh insurance industry seems to be an untapped gold mine it is relatively small compared to the overall economy with little increase in the number of insurance policyholders (Islam, 2005). A global report by Lloyd's projected that a 1% rise in penetration in Bangladesh could contribute to as much as \$4.4bn in savings (Lloyd's, October, 2012).

3.1.1 Insurance sector Premiums

Insurance premium income has been gradually increasing since the 2007 World Economic recession. In the previous fiscal year 2021 the Bangladesh insurance industry managed to earn BDT 14,392.00 Crore premium and BDT 13,271.00 Crore in previous year.

Table 2: Brief Overview of Premium Income in Bangladesh.

Year	Premium Income ¹	Premium Growth rate
2016	10,361.33	4.04
2017	11,179.89	7.90
2018	12,382.93	9.72
2019	13,290.91	6.83
2020	13,271.00	-1.37
2021	14,392.00	7.79

According to world Bank, in 2019 GDP growth rate is 8.15 which is consistently increasing from 7.86 in 2018 on the other hand Insurance premiums growth rate hasn't seen much of a lift, that had the sharp decrease 9.72 in the year of 2018 and 6.83 in the year of 2019. Compared to insurance growth rate, GDP growth rate has been steady. The result is expected as there insurance holds very low contribution towards GDP (worldbank, 2020). In 2020, due to covid-19 pandemic the premium income decreased with a subsequent recovery in 2021.

3 All amount is in Crore Taka, Bangladesh Economic Review 2022

4 Provisional

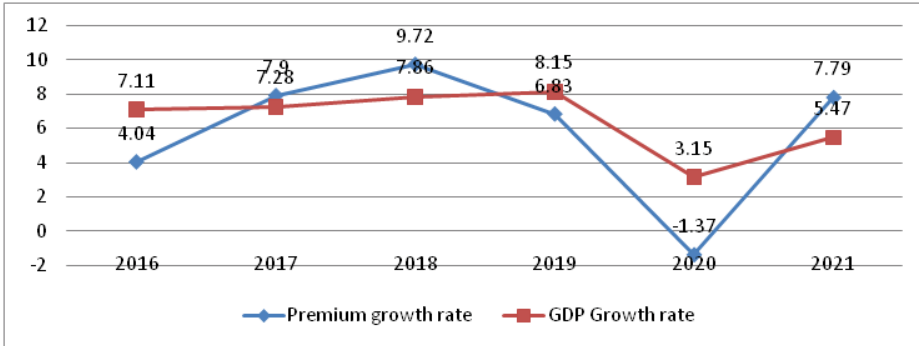


Diagram 2: Premium growth rate and GDP Growth rate.

Value is in Crore and BDT

3.2 Banking industry and other Financial Institutes overview in Bangladesh

3.2.1 Banking sector

According to, the banking sector of Bangladesh had a total of 10,937 branches all over the country as on 31st December 2021. The total deposits of the industry sum up to BDT 15,124 billion and the total advances of the sector is BDT 12,106 billion. Overview of banking network in Bangladesh is illustrated in the table below (A.K.M.Fazlul Haque Mia, 2021):

Table 3: Overview of different types of banks

Bank Types	Number of Banks	Number of branches		2021 Total
		Urban	Rural	
State-owned commercial banks	6	1,755	2,045	3,810
Specialized banks	3	293	1,219	1,512
Private commercial banks	43	3,500	2,050	5,550
Foreign Commercial banks	9	65		65
Total	61	5,623	5,314	10,937

The banking industry is adopting online platform to provide its services among its customers. It has also adopted new means of banking services for bettering customer service and reaching maximum number of people. The initiation of Mobile Banking and Agent Banking have been two of the most noteworthy advancement in banking. Through these systems, franchises of banks through mobile operators can provide banking service to even the remotest corner of the country.

The following provides further detail regarding Banking advancements:

- Agent Banking
- Mobile Financial Services

3.2.1.1 Agent Banking

Agent Banking means providing limited scale banking and financial services to the underserved population through engaged agents under a valid agency agreement, rather than a teller/cashier. It is the owner of an outlet who conducts banking transactions on behalf of a bank.

Agent banking has been initiated in Bangladesh in 2013. Up to September 2020, 24 banks in Bangladesh have undertaken agent banking operations through 10,163 number of agents and 14,016 number of outlets. The year to year comparison (September 2019 to September 2020) also provides notable progress (please see the Table 4).

Table 4: Brief Overview of Agent Banking Activities

Particulars	Sep-19	Sep-20
Banks with Agent Banking License	22	28
Banks in Operation	19	24
Number of Agents	6,531	10,163
Number of Outlets	9,391	14,016
Number of Accounts	3,964,346	8,221,893
Amount of Deposit (BDT in billions)	62	130

Agent banking network is an emerging segment in the rural banking landscape in Bangladesh which is currently not utilized for Bancassurance.

3.2.1.2 Mobile Financial Services

Other form of alternative distribution channel is mobile financial services. The industry has emerged as an onestop solution for all kinds of transactions, from sending and receiving money to making payments for utility, transportation, education, medical, and retail bills. This innovation has accelerated financial inclusion. Up to February 2021, 15 banks in Bangladesh have undertaken Mobile Financial Services through 1,054,781 number of agents (please see the Table 5).

Table 5: Brief Overview of Mobile Financial Services (MFS)

Particulars	Jan-21	Feb-21
No of Banks with MFS	15	15
Number of Agents	1,044,879	1,054,781
No. of registered clients in Lac	1,005	1,023
No. of total transaction	299,235,299	279,663,337

Major Mobile financial service providers in Bangladesh are bKash, Rocket, Nagad, SureCash, MyCash, mCash, uCash. Though there are 16 MFS providers in this country, bkash and Rocket mainly dominates the sector by holding the largest amount of market share.

3.2.2 Non-Bank Financial Institutions (NBFIs)

Non-Bank Financial Institutions (NBFIs) are those types of financial institutions which are regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. There are 34 NBFIs are operating in Bangladesh now, while the maiden one was established in 1981.

3.2.3 Micro Finance Institutions (MFIs)

According to Bangladesh bank, central bank of Bangladesh, through the financial services of microcredit, the poor people are engaging themselves in various income generating activities and around 30 million poor people are directly benefited from microcredit programs. Moreover, Insurance could be affordable to mass people with the help of Micro Finance Institutions.

A Case Study: Need for Bancassurance

Mrs.FahimaKhatun, 40 years old, a widow with one daughter who is reading at secondary school. Her Husband Late Mr. Alihossain was owner of Jahid Shoes (A wholesale shop of shoes), Amin bazaar, Dhaka Bangladesh. He got a loan of amount BDT 1.00 million from Brac Bank ltd forhis business purpose. He paid the loan installment regularly for two term-loan scheme amount of BDT 0.50 million and BDT 0.70 million from the same bank. According to banking norms in Bangladesh, taking an insurance coverage against loan is optional for a client. On the basis of previous transaction history and goodwill of client, the credit officer of Bank has given relaxation on getting insurance coverage as well as no

mortgage was taken for third term loan. Mr. AliHossain died due to heart attack after the fourth loan installment of third term loan had been paid.

Mrs.Fahimakhatun and her daughter faced adversity of the real critical world with huge loan liability on that time. The bank also faced a decisive situation on recovery of loan. They were compelling on Mrs. Fahima for paying the loan installment who is a Primary School teacher with only 50.00 dollar monthly remuneration. Every day sun rise for them with fear.

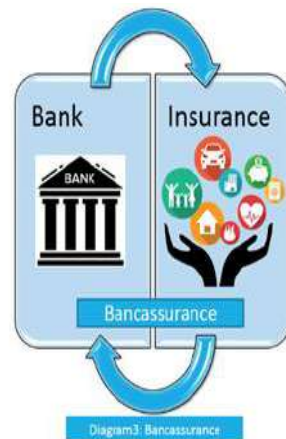
In this scenario bancassurance may have changed this outcome. Assessment of risk exposure by both the banker and customer would have addressed prospective personal risks that could impact loan repayment. Insurance protection becomes more tangible when linked directly to an owner's property and obligation. So the Bancassurance could change the bank personnel focus only on the bank's risk to factoring in the customer's risk perspectives as well.

4. Conceptual framework

4.1 Bancassurance

Under Bancassurance, banks and insurance companies come together to do business in partnership. It is useful for both the banks and insurance companies because here, the bank sells insurance products, including both life and nonlife products, to their clients. Banks earn additional revenue while insurance companies expand their distribution channels without increasing their sales force or paying agent and broker commissions.

In the consolidating world of financial services, with mergers across the sector combining with a broadening of the product array, the concept of Bancassurance has assumed a central role in the strategy of a growing number of financial institutions(Davis, 2007). The Bancassurance sector provides particularly rich insight. Indeed, with more than 30 years of experience around the world, partnership and alliance models in the Bancassurance sector are fairly well understood. Yet challenges still often emerge in this intricate relationship between banks and insurance companies(KPMG, 2016).



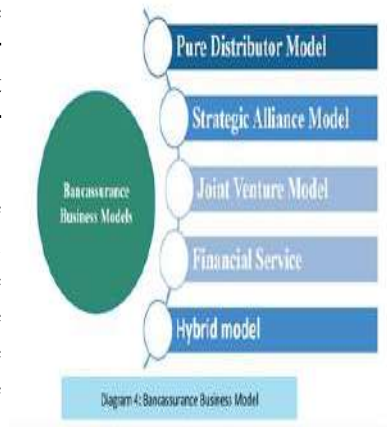
4.2 Bancassurance Business Models

Bancassurance can be generally defined as the joint effort of banks and insurers to provide insurance products and services to the bank's customer base. Under this broad definition, a number of diverse forms of Bancassurance models are being used across markets.

Factors such as the socio-economic, cultural and regulatory environment of the market, the market

infrastructure, product complexity, employee work culture, as well as customer preferences are few of the key factors that influence the selection of the particular Bancassurance model.

The general classification of Bancassurance models can be done based on the legal ownership structure. In this classification, the main Bancassurance models are the pure distributor model, the strategic alliance model, the joint venture model and the financial holding company model.



4.2.1 Pure distributor Model

In this model, the bank offers a product of insurance companies. They offer more than one company's product. The insurance company usually pays the bank distribution commissions, which are deducted from the upfront and management fees paid by policyholders.

For instance, the SadharanBima Corporation (SBC) in Bangladesh entered into a pure distributor with Brac Bangladesh in 2022. SadharanBima Corporation would get access to over 78 million MFI's customers for distributing crop insurance of SBC in Bangladesh, whereas Brac Bangladesh will get a minimum service charge for distributing crop insurance product.

4.2.2 Strategic Alliance Model

The strategic alliance Bancassurance concept, also known as the exclusive partnership model, involves a bank and an insurer selling just one insurance company's product. The bank benefits by being able to choose the best

insurance provider in terms of product quality and brand image, while the insurance business benefits by having access to the bank's client base. However, because both organizations continue to operate as independent entities, a possible disadvantage is the bank's and insurers' lack of integration.

An example of a strategic alliance can be seen between BRAC Bank Ltd and Guardian Life Insurance Company Ltd in Bangladesh. BRAC Bank Limited signed an agreement with Guardian Life Insurance Company Limited to provide life insurance coverage to Small Business unsecured loan customers on Aug 18, 2015 (BBF, 2015). BRAC Bank Limited is a leading commercial bank in Bangladesh with assets of US\$4.2 billion in 2018 (Wikipedia, 2018). Guardian Life Insurance Limited (GLIL) is the fastest growing Life Insurance Company in Bangladesh established in 2014. Being the leading group insurer, GLIL has been working towards financial inclusion; its Bancassurance partnership with BRAC has spread the reach of GLIL quite extensively with over 6.4 million lives coming under the umbrella of GLIL for a period of only 7 years (GuardianLifeInsurance, 2021).

4.2.3 Joint venture Model

The bank and the insurance firm establish a jointly held insurance company or distributor through common shareholdings in the Joint Venture Bancassurance business model. The joint venture entity's products are only distributed through the banking parent's network. In some cases, a strategic shareholding strengthens the relationship between the bank and the insurance firm. This approach has the advantage of equal partnerships, which leads to shared decision-making, and partners can take advantage of mutual strengths and synergies while focusing on their own lines of business.

An example of a joint venture Bancassurance partnership can be seen between Life Insurance Corporation (LIC), Strategic Equity Management Ltd (SEML) and Mutual Trust Bank in Bangladesh. In the joint venture, Life Insurance Corporation (LIC) a government-owned insurer based in India, has launched its Bangladesh operations as part of its overseas expansion thrust.

The insurer has entered into a joint venture with Strategic Equity Management Ltd (SEML) and Mutual Trust Bank as its local partners, according to the Indian High Commission in Dhaka. The corporation has a vision to expand its life Insurance business throughout the country. Mutual Trust bank holds a 3% stake in the new company, while SEML has 7%. LIC is the first foreign life insurer authorized to do business in Bangladesh, having received its license in December last year. The company operates in 15 countries, including Singapore, Sri Lanka, Nepal, Bahrain, and Kenya (Olano, 2016).

4.2.4 Financial Holding company Model

The financial holding firm business model is another intriguing Bancassurance Model. A holding company owns both an insurance company and a bank in the financial holding company business model.

This model's potential benefits include:

- Full integration of operations and systems
- Greater potential to exploit the bank's existing clients
- Possibility of one-stop shopping for financial services for customers
- Potential for building completely integrated products is more common.

East Coast Group (ECG) is an example of financial holding company in Bangladesh. ECG is one of the fastest growing business conglomerates in Bangladesh. Having more than 30 years of experience in diversified business interests including Trading, Power Generation, Downstream Petroleum, etc. Prime Insurance Company Limited and Prime Bank Limited are the two sister concern of ECG. Prime Insurance Company Limited has Bancassurance partnership with Prime Bank Limited, another entity within the ECG (East Coast Group, 2011).

4.2.5 Hybrid model

Based on ownership arrangements, the above classification of pure distributor model, strategic alliance/exclusive partnership, joint venture, and financial holding company was formed. In actuality, a variety of hybrid Bancassurance models exist to integrate and use the various elements of the other models in order to fulfill the specific needs of insurers and banks. A hybrid approach, for example, could combine the traditional commission income of a pure distributor business with profit sharing agreements.

In Bangladesh, the Uttara group owns three different entities: Uttara Finance Limited, Eastern Insurance Company Ltd, and Uttara Motors Ltd, according to the hybrid Bancassurance model. Uttara Finance Ltd offers a loan facility in exchange for a vehicle purchased from Uttara Motors Ltd. This credit facility must be maintained with Eastern Insurance Company Ltd's insurance coverage. Models are becoming more interconnected, and strategic alliances and joint ventures are becoming more widespread.

5. Current Bank and Insurance Partnership Practices in Bangladesh

5.1 Current Bank and Insurance Partnership practice in banking Sector

Bangladesh's banking sector has been a crucial player in the country's economic development and a purveyor of technological advancement in financial sector. Therefore, this could be a valuable distribution channel to reach urban and rural clients to promote insurance products in a cost-effective manner. Currently Banks cannot sell insurance and can only provide referrals to insurance companies or direct customers to obtain insurance coverage. There are various methods of Bank and Insurance Partnership and one example described below:

Example:

KrishiUtsho is an emerging social enterprise that is working to ensure secure farming for smallholder rural farmers. KrishiUtsho works with Bank Asia Ltd. and to support rural smallholder farmers with loan and insurance services of Green Delta Insurance Company Ltd for farming.



Diagram 5: Bancassurance Business Model use in banking sector

5.2 Agent banking:

Agent Banking of various Bankare offering some sort of insurance product in their services as public demand.

Example:

MetLife Bangladesh continues to expand accessibility for its customers with the signing of an agreement with Dutch-Bangla Bank (DBBL) through which MetLife customers can pay their premiums at over 5,000 DBBL agent banking outlets. Premium payment at agent banking outlets is completely free of charge, and customers will receive money receipt and SMS confirmation on their premium payment.

5.3 Mobile Financial Services

Mobile financial services are offering some sort of insurance product in their services as public demand.

Example:

BKash, a Brac Bank Mobile financial service, has designed its apps with some special features, insurance is one of this. BKash is using hybrid model. As hybrid Bancassurance models bKash is financial service provider combine with Guardian Life Insurance Ltd insurer and Carnival Assure Ltd is third party handler.

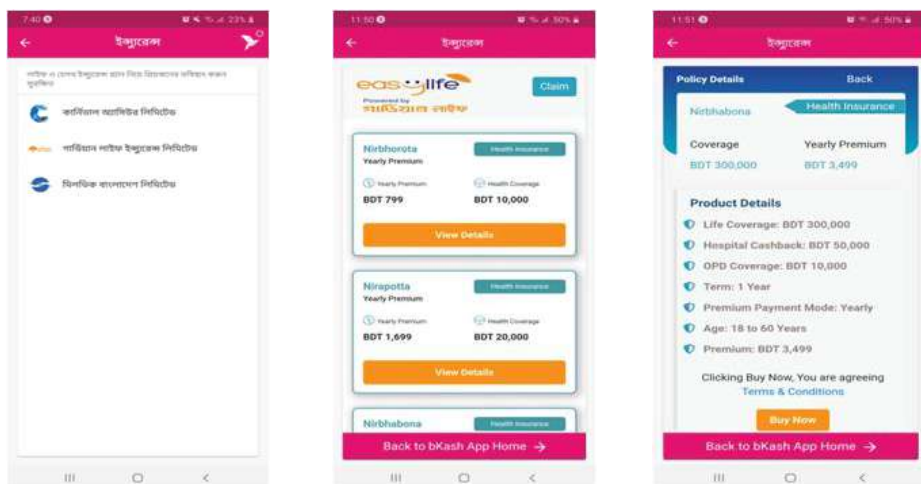


Diagram 6: Bancassurance Business Model use in Mobile Financial Services banking sector

5.4 Non-Bank Financial Institutions (NBFIs)

NBFIs are offering financial products associated with insurance for securing their assets such as loan disbursement and collections, deposit installment payment, and insurance.

Example:

Uttara Finance Ltd, a NBFI, provides credit facility against the motor vehicle sold by Uttara Motors Ltd. This credit facility must be maintained with motor Insurance coverage that is assured by Eastern Insurance Company Ltd. However, the models tend to be more integrated and strategic alliances and joint ventures are more common.

5.5 Micro Finance Institutions (MFIs)

The MFI sector is offering financial products such as loan disbursement and collections, deposit installment payment and insurance premium.

Example:

Ghashful and MilVick provide their borrowers with health services under the Health Insurance Program under micro-credit program. Gashful, a Cittagong based non-profit organization, has established some hospitals for their clients in client oriented zones. In the community level, Ghashful is providing the following Clinical health services. Ghashful is providing two types of clinical services to its clients. These are Fixed Clinic and Satellite Clinic.

SNV Netherlands also provides health services to garment workers through health insurance activities under Micro Insurance program. However, according to insurance experts, various NGOs provide insurance along with their micro-credit services are against the insurance law.

5.6 Financial inclusion

As of June 2020, 40% of adults have some form of access to finance, usage of financial services is low leading to a large unbanked and underbanked population. However, insurance companies can still get access to this 40% of adult population by forming partnerships with banks.

6. Digitalization of Insurance Sector

The world is adopting digitization faster than ever before. It is hard to identify an industry that has not yet adopted some sort of digitization to enhance its operational capacity or quality. But The Insurance sector of Bangladesh has been slow to take on the digital world with the main emphasis still remaining on-ground. However, with customers demanding faster and error-free processes, digital inroads into the sector has become inevitable(MAHMUD, 2018). Swiss Re's latest surveys on consumer show COVID-19 has been a catalyst for greater uptake of online insurance. The raise in online purchase is generating large volumes of data which insurers can process using latest machine intelligence techniques, to strengthen their underwriting capabilities(Sharan, 2021).

Fitch Rating says, the ability to harness "big data" and accelerate digitalisation and automation will be a key determinant of long-term winners and losers in the financial institutions sector. It is a positive sign not only for the industry itself, but also for the global economy and for the lives of the people.

Moreover, the increasing personalization in the nature of the services provided by insurance companies as a result of digitization is leading to a greater relationship of trust among the insurance service providers and customers.

The prediction is that the global insurance industry will grow by 3.4 per cent per annum on average during 2021(Irina Fan, 2020). The growth is expected to be pushed mainly by the emerging markets in Asia. Increasing need and resultant demand from emerging markets as well as a boost provided by digitization makes the future of the insurance sector look very bright indeed.

A report by Boston Consulting Group (BCG) in 2015 projected that "each year for the next decade, the annual income of around 2 million additional Bangladeshis will reach \$5,000 or more"(Zarif Munir, 2015). This enormous size of the current market that is growing every year makes it a

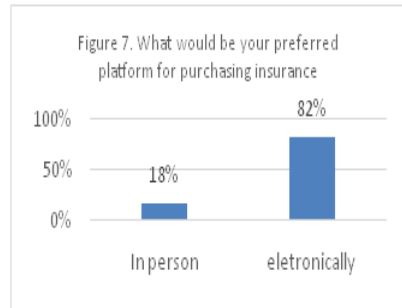
6 A claim insurance handling organization.

7 Port city of Bangladesh

very potent market for insurance service providers. Bangladesh has maintained a very upward trend in economic growth rate of between 6 and 7 per cent over the last few years but contribution of insurance is very low.

In support of the vision of 'Digital Bangladesh' we dream of a Bangladesh which will continue its progress on the road to sustainable development with the help of digitization in all spheres of life and society. World Bank has taken a project of US\$ 80.00 million for comprehensive digitization across industries under combined project information documents / integrated safeguards data sheet appraisal

stage named “Bangladesh insurance and private pension market development project” in 2017 (WorldBank, 2021). The insurance industry should be ready to take that leap towards digitization as well- the faster the better. Because a digital platform is necessary for integrating the Bancassurance mechanism between the bank and the insurance company.



According to the survey conducted as part of this report, 82% of service recipients want to get insurance services through online platform shown in Figure 7.

7. Way forward

Insurers should find a suitable model that will create a win-win situation for both the banking sector and insurance sector. By leveraging banking sector’s vast network, insurers will be able to reduce their distribution cost, access a large proportion of the population in a cost-effective manner and get access to current customer base of the banks. Banks will also be able to increase their non-funded income and limit their downside risk by increasing the adoption of insurance products. Hence, lending and insurance can be bundled as complementary products.

The insurance coverage or penetration rate is very low in Bangladesh. The insurance penetration rate indicates the level of development of a country’s insurance sector. It is measured as the ratio of premium underwritten in a particular year to the country’s gross domestic product. The insurance

penetration in Bangladesh as GDP percentage declined steadily from 0.45 per cent in 2019 to 0.42 per cent in 2020, as described below in Table 6.

Table 6: Premium Income & Gross Domestic Product (GDP), Penetration Rate in Bangladesh (2017-21)

Year	2017	2018	2019	2020	2021 ¹
a) Population	16.27	16.46	16.65	16.82	16.82
b) Insured Population (Life + Non-life)	1.70	1.82	2.00	1.59	1.55
c) Number of Policies (Life + Non-life)	1.31	1.36	1.21	0.96	0.94
d) Premium Underwritten (Life + Non-life) (BDT)	11,180	12,383	13,291	13,271	14,392
e) Premium Per Policy (d/c) (BDT)	8,534	9,105	10,984	13,824	15,311
f) Premium Per Capita (d/a) (BDT)	687	752	798	789	856
g) Gross domestic product (BDT)	1,975,815	2,250,479	2,951,429	3,170,469	3,530,185
h) Penetration Rate (d/g)	0.56%	0.55%	0.45%	0.42%	0.41%
i) Bank Account Holder (Deposit+Advance)	9.81	10.59	11.74	12.39	13.67

Source: (BBS, 2021)(Halder, 2022)(Bangladesh Bank, 2017,2018,2019,2020,2021)(IDRA, Bangladesh Insurance industry information at a glance, 2020)

It is possible to increase the scope of insurance services by providing suitable existing insurance product or developing customize product to the bank customers that is the use of Bancassurance apparatus. In this regards, an analysis is presented on the potential impact Bancassurance may have on insurance penetration by bringing bank service recipients under insurance services.

Financial market of Bangladesh comprises with 60 banks, 79 insurances, MFS with 88.7 million customers, 35 non-banking financial institutions and around 1500 NGO. In 2021, only Bank Account Holder was 13.67 crore regarding deposit accounts and advance accounts. If it is possible to add 5% bank account holders under the insurance cover, then 0.34 crore new policyholders will be added to the insurance sector and the total number of policyholders will be 1.28 crore. As a result, the Penetration rate will increase from 0.41% to 0.56%. Similarly, if it is possible to capture 20% bank account holders in insurance coverage, then 2.73 crore new policyholders will be added to the insurance sector and the total number of policyholders will be 3.67 crore. As a result, the Penetration rate could be increased from 0.41% to 1.59% that is almost four times than now (Please see in Table 7).

Table7: Projection of Potential Increase in Penetration Rate

	Base Year 2021	% of policy holders captured			
		2.50%	5%	10%	20%
Potential new Insurance customers per Bancassurance	13.67	0.34	0.68	1.37	2.73
Increase of insurance Policies (Life + Non-life)	0.94	1.28	1.62	2.31	3.67
Increase Premium Underwritten (Life + Non-life)	14,392	19,624	24,855	35,319	56,246
Increase in Penetration Rate (projected)	0.41%	0.56%	0.70%	1.00%	1.59%

8 All amounts in Crore except Premium per Policy; 1 Crore = 10 million.

9 Insurance related information is unaudited in 2021 (IDRA).

10 Bangladesh Bank, Scheduled bank statement, October to December, 2021

11 Table developed based on assumption that one new customer equal one new policy.

The diagram 5 summarizes the major points, including our high-level recommendations for institutionalizing Bancassurance in Bangladesh and how Bancassurance can be instrumental for spurring the insurance market development and economy, as well.



8. Conclusion

No doubt, Insurance sector plays an important role in contributing to the growth and development process of the business and property by protecting all variety of tangible and intangible assets from any types of hazards. However, almost 81 insurance companies are operating in Bangladesh that is over-institutionalized as comparing to the neighboring country India. For Competitive advantage, the insurance sector can contribute more to the development of the economy of the country by showing corporate governance toward every stack holder. The sector is also providing risk mitigation support for establishing government mega projects as well as the vision of 'Digital Bangladesh' will continue its progress on the road to sustainable development. Digitization is enhancing in all spheres of life and society, nonetheless. In spite of all constraints both at macro and micro environment, decent premium growth rate except 2020 in Covid-19 pandemic and tremendous growth potential reconfirm that the brightest prospects of the Bangladesh insurance market. The prospect would be e

asier if Bank and Insurance work together in a same platform. Insurance market and its performance could be developed at optimum level by using this Bancassurance tool. Bancassurance could contribute enormously in this prospective market and eliminate the problems with this market. It is expected that it will continue to walk forward at an accelerated speed and bring economic benefits to the economy.

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Incorporating Ethical Marketing in Insurance to Achieve the Target Sales

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Abstract

Concern about ethical practices in the marketing of insurance has increased in recent years, despite an apparent strengthening of the regulatory framework. In part, the ethical problems associated with the promotion and distribution of insurance services may be attributable to specific features of the market such as asymmetric information. From the consumers' perspective, there is a range of informal evidence concerning ethical problems in the marketing of insurance services, in general. Information concerning the industry perspective on these issues is limited. Presents evidence of the extent to which ethical problems in marketing are identified by those in the industry and the extent to which the views of marketing manpower has been focused in this paper. It is to mention that the ethical problems are seen in both the sectors of life and non-life insurance business. In Bangladesh context, this matter is true throughout the sales and marketing activities as a whole. Insurance, in a sense deals with the trust of the clients, but in practical, we do not behave to maintain that trust whereas from all concerned it is widely advised to practice ethically in selling the insurance products. Further more Bangladesh is a Muslim majority country and as such we should also be careful of the Islamic ideology regarding ethics. In this connection, we should remember that Great Prophet Hazrat Mohammad Salallahu Alaihee Wasaallam said "the truth relieves and the lie destroys" (Abu Daud).

Before entering into the depth, let us define some key words those have significance here.

- Ethics :**
1. The moral principles that govern a person's behavior or conduct.
 2. Ethics is concerned with what is good for individuals and the society.
 3. As per Holy Quran and Sunnah it is basic human identity which defines the evil and virtue.

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Ethics in Marketing : Ethical marketing refers to the process by which companies market their products and services by focusing not only on how their products benefit customers, but also how they benefit socially responsible or environmental causes. To put this way, ethical marketing isn't a strategy; it's a philosophy. It is part of business ethics as well as applied ethics. However, marketing is the most important organ of business. The world famous personalities have shown 7 ethics in total business area, such as 1. Politics with principles 2. Wealth by work 3. Commerce with Morality 4. Knowledge with Character 5. Pleasure with conscience 6. Science with humanities and 7. Worship with sacrifice.

We know that worldwide the Islamic Insurance (Life & Non-life) marketing spreading rapidly. So, In context of religious mode, the ethical marketing is very important to selling activities and thus to attain sustainability in the long run. Because the ethics discourage the activities of gambling and ambiguities. In the light of Islam as well as other religions these are not permitted in any area of business.

Business Ethics : In a broad sense ethics in business refers to the application of day to day moral and behavioral norms of business. Business ethics are the principles and standard that determine the acceptable conducts of an organization.

Ethical Marketing of insurance :

Golden rule of insurance ethics : insurance Company's Golden Rule: Treat Every Claim As If It Were Your Own. When an insurance company issues a policy, it is promising to adjust claims with the same care and diligence it would use if it were their own claim. As to why that is it mentioned in Hadith that “who deceives, is not at my side” (Hadith from Mishqat).

The paper addresses five themes in some detail..

1. Products and Services - putting the customer at the heart of a business, on three levels: product governance, product strategy and product design.
2. Information and Insight - ever increasing amounts of data are providing marketers with new insights into consumer attitudes. It is also raising some of the fundamental ethical questions that insurance firms face.

3. Pricing - an important component of every marketer's toolkit, but one which is under intense scrutiny at the moment. It presents some complex ethical challenges for insurance marketers.
4. Distribution - the proliferation of channels and players has its downsides. Roles become confused and intentions questioned. Conflicts of interest still abound, needing attention.
5. Partners and Suppliers - insurance marketers, in their role as champion of the customer, need to be aware of the ethical downsides to the many partnerships and suppliers arrangements in the market.

Marketing and Digital Ethics

The digital era that insurance is entering presents marketers with countless insights from the data and analytics that insurers are now exploiting. Yet there is a world of difference between 'can I do this' and 'should I do this'. This will present marketers with some challenging ethical decisions. Digitalization of insurance selling and marketing should also be designed based on ethics.

How to use ethical marketing to attract audience towards target sales :

Because there are discrepancies about what constitutes as ethical and what doesn't, here are a few general guidelines to follow for ethical marketing:

- Attract customers through transparency with accurate and honest information.
- Avoid deceptive marketing or advertising practices.
- Practice safe production and use of products.
- Ensure the privacy of customer data and information.
- Planning and introduction of new products meeting the demand and need of individual and the society.

Here's how Insurance Companies can incorporate ethical marketing so it attracts the right customers.

1. Choose environmentally safe options.

The earth is in crisis mode. The Environmental Protection Agency reports that, in the last 50 years, humans consumed more resources than in all previous history combined. That's an amount that's difficult to fathom, and for good reason: It's ridiculous

The environment is rapidly deteriorating due to our carelessness, the cause for concern is at an all-time high. Consumers want to support businesses that use environmentally safe practices when producing and distributing products so they can put their money toward good causes.

Opt for environmentally friendly options surrounding your business. People are willing to spend more if it means they're contributing to something positive. It's a fallacy that if you practice ethical marketing you'll lose customers and revenue. On the contrary, customers will respect your brand for its efforts.

2.Practice transparency.

The easiest way to lose customer loyalty is by lying to customers. Day in and day out, people receive marketing message after marketing message telling them what to buy and who to buy it from. With the introduction of online shopping, consumers are fully able to make buying decisions based on what they want rather than what they're told, so when they have the option to buy from a business that's honest with them, they're going to do it. Deceptive marketing practices will only get you so far. It's best to hold fast to a policy of transparency from the beginning to avoid having to answer why your business lied about things it can't prove and aren't true.

3.Real need based approach.

There are endless ways businesses can use their resources to help those who truly need it. For popular brands especially, when they use their power, status and money to donate to causes and help those who need it, it influences a cycle of positive behavior. On top of that, it attracts the right audience that is going to stay loyal to a brand that cares about the wellbeing of people and animals.

The shoe brand TOMS, for example, adopts a one-for-one policy, meaning that for every pair of shoes purchased, the company will help someone in need. Some of the ways they contribute include donating shoes, supplying medication for hookworm and providing water to people in seven different countries. The brand is now worth more than \$400 million dollars. Such a promotional tool can be used in selling of insurance products that can boost up sales and thus achieving the target.

4. Diversification of Products : Usually it is seen that in case of both life and non-life insurance the similar and typed products are marketed for long. With the changes in time there should be approaches with diversified products to satisfy the changed demand and preference of individual customers.

5. Other steps and initiatives

- Motivational trainings and workshops.
- Elimination of the attitude of unhealthy competition.
- The owners as well as the top to bottom employees must gather theoretical knowledge regarding insurance rules, regulations and norms.
- Better logistics and on boarding the skilled manpower.
- Educated manpower to be recruited at the marketing level.
- Reward and punishment should be in place for good and bad deeds.

Conclusion :

The world of insurance involves complex and thorny ethical decisions. Despite study of the specific problems of insurance ethics remains relatively undeveloped in the social sciences, just as insurance itself tends to fly beneath the academic radar. One could develop an understanding of insurance ethics starting out from various typical ends values, such as security or sustainable development, or means values such as solidarity, or fair distribution of rights and duties, or trust. The task could be to isolate and then to elaborate indispensable basic values or principles - as the foundation or key to successful insurance technologies and insurance relationships. It is the responsibility of all concern that by extending cooperation from each and all corner to develop and practice an ethics driven marketing strategy. Presently it is seen that insurance companies are formulating and implementing "Ethics programs". According to Global Business Ethics Survey, 2018, "Employees are more likely to apply reasoning when their companies clearly demonstrates why business ethics is important". In the holy Quran Allah (SWT) said that "You help each other in the deed of virtue and Taqwa and do not help in the deed creates sin and violations" (Al Quran, Surah Mayda-2). We should also keep in mind that Prophet (SM) has forbidden to conduct ambiguous business.

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