Investment of Insurance Fund in Bangladesh

Thesis
Submitted for awarding the Degree of
Doctor of Philosophy
In
Accounting

By
Mohammad Mosharraf Hossain

Under the Supervision of
Prof. Dr. Syed Masud Husain

Department of Accounting and Information Systems,
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2005

Prof. Dr. Syed Masud Husain
Professor and Chairman

Tel. Off: 9661900-59/4670
Res : 8619936

Department of Accounting and Information Systems, Faculty of Business Studies
University of Dhaka, Dhaka-1000, Bangladesh

Certificate

This is to certify that Mohammad Mosharraf Hossain has completed his thesis entitled "Investment of Insurance Fund in Bangladesh" under my supervision and is, in my opinion, suitable for submission for the award of the degree of Doctor of Philosophy in Accounting.

18.10.05

(Prof. Dr. Syed Masud Husain)

Supervisor

Declaration

I declare that the dissertation entitled "Investment of Insurance Fund in Bangladesh" submitted to the Department of Accounting and Information Systems, University of Dhaka, Bangladesh for the Degree of Doctor of Philosophy in Accounting is entirely an original and unique work completed by me under the supervision of Prof. Dr. Syed Masud Husain. I further affirm that no part or whole of the study in any form has been submitted to any other University or Institute for Degree or Diploma.

18/10/2005

(Mohammad Mosharraf Hossain)

Preface

The present study is the outcome of academic exercise on the part of the researcher appertaining to the problem of Investment of Insurance Fund in Bangladesh and its various aspects. The problem was chosen in view of the growth of Fund is not coinciding the growth of Investment, expressed by the planners and policy-makers regarding the ailing condition of the industrial units belonging to both the public and private sector. The tools used comprised accounting ratio analysis, desk research and field investigation with the help of a pre-designed questionnaire. The cost of the study was met by the researcher from his own personal saving.

The finding is that the poor investment growth is the result of both internal and external causes of unsoundness of the insurance companies' financial health. The style and quality of fund management played a crucial role. It was also found that calculation and analysis of accounting ratios on a regular basis could have predicted emerging poor growth of investment and thus enabled the management of the companies in adopting timely remedial measures.

I am deeply grateful to late Dr. Md. Habibullah, Professor of Accounting and Information Systems, University of Dhaka for the guidance and encouragement in all time of research in earlier two years of the work. This is my strong belief that this research project would not be completed without the guidance of Prof. Dr. Syed Masud Husain, the hon,ble Chairman of Accounting and Information Systems. I am also grateful to the concerned executives of Bangladesh Insurance Academy (BIA); Bangladesh Insurance Association (BIA); Chartered Institute of Insurance (UK); Malaysian Insurance Institute (MII); National Insurance Academy (NIA); Metropolitan

Chambers of Commerce and Industry; Ministry of Commerce and Department of Insurance of Government of Bangladesh (GOB) for their valuable help. My sincere thanks are also due to the president of the Institute of Chartered Accountants of Bangladesh (ICAB); the president of the Institute of Cost and Management Accountants of Bangladesh (ICMAB); Secretary of Dhaka Stock Exchange Ltd. and Management of the insurance companies for their generous help.

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Finally, I would like to put on record the positive attitude of my employer, Delta Life Insurance Company Ltd, who was gracious enough in giving study leave. I am also grateful to my beloved wife Mrs. Shahida Jahan Preity who spares me from the management of family affairs and thereby facilitated my concentration towards the study.

(Mohammad Mosharraf Hossain)

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Chapter - 1

Introduction and Purpose of the Study

Chapter-1

Introduction and Purpose of the Study

1.1 Investment of Insurance Fund

Investment is commitment of current resources in the hope of deriving greater resources in the future. An investment is the present commitment of money or other resources in the hope of reaping future benefits.

The function of investment of insurance fund is an important subset of the overall financial management of an insurance company and insurance fund investment management is a significant factor in attaining the goal of wealth maximization of an insurance company. The aggregate investment activities of any country's insurance industry are also a major source of capital formation for economic development. That is why evaluation of investment growth and growth of insurance fund has paramount importance in macro economic operation of a country.

1.2 Need for the Study

Investment is the most important operation of an insurance company besides of its business procurement and risk management. This study is regard to assess the investment return to inquire the maintenance of continues growth in the profitability of the insurance companies. This Study is important to ascertain the future prospects of insurance companies through judicious mixture of investible insurance funds.

These are the days when insurance companies have really to fight it out for their survival. In the race for survival, investment operation would be an important factor. In the absence of perfect investment market in a tight Government regulation, investment will affect the profitability of the insurance companies. Thus, time has come to do empirical study on this issue and to make radical changes of traditional regulation of investment operation.

1.3 Statement of the Problem

Corresponding to the objectives of the present study, the following problems have been identified and these will be examined in the study.

- Portfolios of the investment of insurance companies are not in line with the Insurance Act 1938.
- Investment of insurance fund in Bangladesh does not have comparability with that of in USA, UK, Japan, India, Germany, Italy, Korea, Taiwan, Singapore, Malaysia and India.
- Laws regarding investment of insurance fund are not commensurate with the current economy of the country as insurance companies are under the purview of Insurance Act 1938 and Insurance Rules 1958.
- Investments activities of insurance fund are not maintained in prudent manner.
- Avenues of investment are limited according to Insurance Act 1938 and Insurance Rules 1958.
- Both Jibon Bima Corporation (JBC) and Sadharan Bima Corporation (SBC) are governed by a single act (Insurance Corporations Act 1973) which can not be literally possible because operations of the two corporations (life and general) are completely different.
- Insurance Act 1938 does not provide any rules regarding investment of takaful (Islamic) insurance companies though there are six takaful operators exist in Bangladesh.

- Growth of investment is lower than the growth of insurance fund in Bangladesh.
- Growth of investment is lower than the growth of premium earning of life insurance companies in Bangladesh.

Besides the above problems, some other inquisitives and problems regarding investment of insurance fund would be addressed at the time of expert opinion survey.

1.4 Hypotheses of the Study

Researcher formulated various hypotheses after surveying existing literature on investment of insurance fund. These hypotheses were tested in the study. Hypotheses are as follows:

(1) Growth of insurance fund does not have any influence in the growth of investment.

(2) There is scope for increasing volume of insurance fund by extending insurance coverage through marketing new insurance products.

(3) Investment of insurance fund can be augmented through complying provisions of Insurance Act 1938 and Insurance Rules 1958 regarding management expenses

(4) Scope of investment of available fund is limited and restricted.

(5) Insurance fund can be increased by reducing commission to agents and employer of agents.

(6) Insurance companies have to comply with investment avenues prescribed by the Government.

(7) Lack of attractive investment climate is apparent from the practice of investing surplus fund in FDR.

(8) Growth of insurance fund is correlated with rate of mortality and rate of morbidity.

1.5 Objectives of the Study

The purpose of the present study is to have a deep insight into the problem attached to Bangladesh Insurance Industry with regard to investment return to meet claim and other management expenses. To be specific, the study has the following objectives:

(1) To find out the portfolios of the investment of insurance companies for the last few years.

(2) To analyse the compositions or portfolio of investment of insurance companies in USA, UK, Japan, India, Germany, Italy, Korea, Taiwan and Singapore in comparison with that of Bangladesh.

(3) To evaluate the limitations of prevailing laws of investment of insurance fund in Bangladesh.

(4) To assess how prudently Insurance Fund is invested in Bangladesh.

(5) To demonstrate the measures that our Government should do to create favorable environment for investment of insurance fund.

(6) To examine whether any relationship exists between the growth of insurance fund, the growth of premium earning and the growth of Investment.

1.6 Significance of the Study

The importance of the investment management process has increased significantly in recent years. The traditional methods of insurers' financial management that were prevalent until the 1970s proved to be inadequate as economic and investment conditions began to change rapidly. Increased competition in financial services in general and life insurance industry in particular squeezed pricing policies that were traditionally conservative, urged insurance companies to improve.

Superior investment performance is relatively more important now as a source of profits, and sales growth and profitability are more closely linked with investment performance.

The development of interest-sensitive, variables, and flexible-premium products has created significant interdependence between investment performance and product performance of insurance companies. Investment management has become considerable more complex since asset/liability management concerns demand the integration of investment management and product design and management into a coherent process.

Investment markets themselves have become increasingly complex because of the increased volatility of interest rates. The universe of available investment alternatives has expanded rapidly as capital markets continue to develop synthetic and derivative investment vehicles designed to address the portfolio manager's need to manage the impact of market volatility on the investment portfolio. As with all aspects of life insurer management, the investment management process has become more sensitive to the wide range of simultaneous influences that changing market interest rates can bring to investment values and product performance.

1.7 Population of the Study

As on 31 December 2003, Bangladesh insurance industry has 62 insurers (companies) in the market consisting 19 life insurers (including Postal life insurance), only foreign life insurance company (ALICO) and 43 general insurance companies. Our study covered almost all insurance companies' investment policies where concentration given to eight insurance companies named Delta Life Insurance Company Limited, National Life Insurance Company Limeted, Reliance Insurance

Company Limited, Pragoti Insurance Limited, Pioneer Insurance Company Limited, Prime Insurance Company Limited, Peoples Insurance Company Limited and Rupali Insurance Company Limited. Following Table shows the sector wise total insurance companies in Bangladesh.

Sector wise number of insurance companies

Types of Business	Public Sector	Private Sector	Total
* Life Insurance	1	17	**18**
General Insurance	1	42	**43**
Total	**2**	**59**	**61**

Source: Information and Statistics: Bangladesh Insurance Sector – Number of Insurers in Bangladesh as on July – 2001, Insurance Journal, Vol. 52 (July 2001) : P. 117.

* In addition to Jiban Bima Corporation Postal Life Insurance operates under Postal and Telecommunication Department.

1.8 Limitation of the Study

Taking into account the purposes of the study and its coverage both in terms of time span and the number of companies, the present study is prone to certain limitations. Some of the unavoidable limitations of the present study are as follows:

(1) Financial information collected for the study is entirely primary and secondary in nature in such a case; it carries all the limitation in hereunto with primary and secondary date and financial information.

(2) The study has been undertaken only through the analysis of quantitative financial data. The qualitative aspects have not been considered.

(3) For the purpose of analyzing the financial statement, ratio analysis technique has been used. Some investment models have been used in the

study. The researcher admits that some new model should have been developed using indigenous data but the same could not be undertaken due to the constraints of time and resources. It is hoped that future researchers would be able to accomplish the undone task. Considering these limitations, the findings of the study should be used judiciously and carefully.

1.9 Scheme of the Study

The study comprises of seven chapters. The first chapter gives an outline of the problem and the various aspects of the study including objective, population and limitation of the study. The second chapter examines the theoretical aspects of the study and review and triplication of research work carried out in this field and the methodology followed in carrying out the study. The third chapter evaluates the investment scenario of insurer globally and little comparison between countries depending on the availability of data. The fourth chapter assesses the adequacy of the laws of the land in the country and comparison with various countries laws concentrating the investment rules. The fifth chapter of the study evaluates the entrepreneurship development of insurance industry in Bangladesh giving focus on the role of the Corporate Governance in managing investment of insurance fund in Bangladesh and the contribution of insurance magnets in Bangladesh.

The sixth chapter presents the data analysis of all most all insurance companies except above mentioned eight companies (pilot survey) and the seventh chapter attempted to summaries the study and findings, on the basis of the summary researcher gave some recommendations for the future guidelines.

Chapter - 2

Review of Existing Literature and Methodology

Chapter - 2

Review of Existing Literature and Methodology

2.1 Theories of Investment and Portfolio

2.1.1 The Investment Process

The investment process describes how an investor should go about making decisions with regard to what marketable securities to invest in, how extensive the investment should be, and when the investment should be made. A five-step procedures[1] for making these decisions may form the basis of the investment process:

(a) Set investment policy

(b) Perform investment analysis

(c) Portfolio determination

(d) Revise the portfolio

(e) Evaluate the performance of the portfolio.

(a) Investment Policy

The initial step, setting investment policy, involves determining the investor's objectives and the amount of insurers' investable fund. Because there is a positive relationship between risk and return for sensible investment strategies, it is not appropriate for an investor to say that insurers' objective is to "make a lot of money". What is appropriate for an investor in this situation is to state that the objective is to attempt to make a lot of money with a little chance that large losses may be incurred. Investment objectives should be stated in terms of both risk and return.[2]

This step in the investment process concludes with the identification of the potential categories of financial assets i.e. field of investment for consideration in the profitable portfolio. This identification will be based on, among other things, the investment objectives, amount of investable fund, tax status of the investor, risk associated with the investment, and regulation of investment of insurance fund. For example, usually it does not make sense for individual investors to purchase preferred stock or for tax-exempt investors (such as pension funds) to invest in tax-exempt securities (such as mutual fund).

(b) Investment Analysis

The second step in the investment process, performing security/investment analysis, involves examining a number of individual securities (or groups of securities) within the broad categories of financial assets. One purpose for conducting such examinations is to identify those securities that currently appear to be mispriced. There are many approaches to security analysis in literature. However, most of these approaches fall into one of two classifications. The first classification is known as technical analysis; those who utilize this approach to security analysis are known as technicians or technical analysts. The second classification is known as fundamental analysis. In its simplest form, technical analysis involves the study of stock market prices in an attempt to predict future price movements for the common stock of a particular organization. Initially, past prices are examined in order to identify recurring trends or patterns in price movements. Then more recent stock prices are analyzed in order to identify emerging trends or patterns that are similar to past ones. Insurer should analyze the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) for the market prices of the potential shares. Prices and other variables must be complied with the regulations e.g. "In the case of ordinary shares of any such company, dividend of not less than 10% including bonus have been paid on such shares for the five years immediately preceding the date of investment or for at least five of the seven years immediately preceding the date of investment. In the case of preference shares of any such company, dividends of not less than 10%

including bonus on its ordinary share have been paid for the three years immediately preceding the date of investment or for at least three out of the five years immediately preceding the date of investment. In the case of guaranteed shares by another company dividends of not less than 10% including bonus on the guaranteeing company's ordinary shares have been paid for the five years immediately preceding the date of investment or for at least five out of the seven years immediately preceding the date of investment and the total amount guaranteed by such company does not exceed fifty per cent of its own paid up capital."[3]

Fundamental analysis may begin with the assertion of the "true" (or "intrinsic") value of any financial asset equals the present value of all cash flows that the insurer expects to receive. In case of subsidiary investment in real estate, education sector or health sector, project evaluation with pay back time and ROI should be the basic analysis.[4]

(c) Determining Portfolio

The third step in the investment process, portfolio construction, involves 'a collection of investment vehicles assembled to meet one or more investment goals'[5]. Here the issues of selectivity, timing, risk, return, and diversification need to be addressed by the insurance company. Selectivity refers to security analysis and thus focuses on forecasting price movements of individual securities. Timing involves the forecasting of price movements of common stocks in general relating to fixed-income securities, such as corporate bond, debenture, and preference share. Diversification involves constructing the insurer's portfolio in such a manner that risk is minimized, subject to certain restrictions and return is maximized.[6] One of the 'assumptions of the portfolio theory is that the returns of securities are normally distributed. This indicates that the mean (the expected value) and variance (or standard deviation) analysis is the foundation of the portfolio decisions'.[7]

(d) Portfolio Revision

The fourth step in the investment process, portfolio revision, concerns the periodic repetition of the previous three steps. That is, over a period the insurance company may change its investment objectives, which, in turn, means that the currently held portfolio may no longer be optimal ,[8] of course this must be within the frame of the regulation. Such a decision will depend upon, among other things, the size of the transaction costs incurred in making these changes as well as the magnitude of the perceived improvement in the investment outlook for the revised portfolio.[9]

(e) Portfolio Performance Evaluation

The last step in the investment process, portfolio performance evaluation, involves determining periodically how the investment portfolio performed, in terms of not only the return earned, but also the risk experienced by the insurance company. Thus appropriate measures of return and risk as well as relevant standards (or "benchmarks") are needed, which will be demonstrated by this research work. Besides, in literature survey, researcher found some formulae[10] for measurement of investment protfolio performance which are as follows:

Sharpe's measure = [total portfolio return – risk free rate]/portfolio standard deviation

Treynor's measure = [total portfolio return – risk free rate]/portfolio beta

Jensen's measure = [total portfolio return – risk free rate] – [portfolio beta*(market return - risk free rate)]

2.1.2 Theories and Models

(a) The Efficient Set Theorem

An infinite number of portfolios can be formed from a set of x (for example) securities. Consider the situation with, say, A, B and C companies where x is equal to 3. The investor could purchase just shares of A or just shares of B. Alternatively, the investor could purchase a combination of shares of A and B. For example, the investor could put 50% of his or her money in each company, or 25% in one company and 75% in the other, or 33% in one and 67% in the other, or any percent (between 0% and 100%) in one company with the rest going into the other company. Without even considering investing in C, there are already an infinite number of possible portfolios that may be purchased.

Does the insurance company need to evaluate all these portfolios? Fortunately, the answer is "no". The key to why the investor needs to look at only a subset of the available portfolios lies in the efficient set theorem. This states that:

An investor will choose its optimal portfolio from the set of portfolios that

1. Offer maximum expected return for varying levels of risk, and
2. Offer minimum risk for varying levels of expected return.

The set of portfolios meeting these two conditions is known as the efficient set or efficient frontier.[11]

(b) The Markowitz Model

Previously, it was noted that there are an infinite number of possible portfolios available to the insurer, but the insurer needs to be concerned with only those portfolios which are on the efficient set. However, Markowitz's efficient set is a curved line, which means that there are an infinite number of efficient portfolios. How can Markowitz's approach be used if an insurance company needs to identify the composition of each one of an infinite number of portfolios? Fortunately, there is no need to despair. Markowitz[12] shown this potential problem and, in a major contribution, presented a method for solving it; it involves the use of a quadratic programming algorithm known as the critical-line method.

(c) The Capital Asset Pricing Model (CAPM)

The major implication of the model is that the expected return of an asset will be related to a measure of risk for that asset known as ***beta***. The exact manner in which expected return and ***beta*** are related is specified by the Capital Asset Pricing Model (CAPM). This model provides the intellectual basis for a number of the current practices in the investment industry. Although many of these practices are based on various extensions and modifications of the CAPM, a sound understanding of the original version is necessary in order to understand them.[13]

Some of the assumptions behind the CAPM have to consider. The assumptions are as follows:

1. Investors evaluate portfolios by looking at the expected returns and standard deviations of the portfolios over a one-period horizon.

2. Investors are never satiated, so when given a choice between two alternative identical portfolios, they will choose the one with the higher expected return.

3. Investors are risk-averse, so when given a choice between two identical portfolios, they will choose the one with the lower standard deviation.

4. Individual Assets are infinitely divisible, meaning that an investor can buy a fraction of a share if he so desires.

5. There is a risk free rate at which an investor may either lend (that is, invest) money or borrow money.

6. Taxes and transaction costs are irrelevant.

To these assumptions the following ones are added:

7. All investors have the same one-period horizon.

8. The risk free rate is the same for all investors.

9. Information is freely and instantly available to all investors.

10. Investors have homogeneous expectations that they have the same perceptions in regard to the expected returns, standard deviations, and co-variances of securities.

(d)The Separation Theorem

This separation theorem is an independent feature of the CAPM and having made the ten (10) assumptions, the resulting implications can be examined. 'Firstly, investors would analyze securities and determine the composition of the tangency portfolio. In so doing, everyone would obtain in equilibrium the same tangency portfolio. However, this is not surprising because there is complete agreement among investors on the estimates of the securities expected returns variances, and co-variances, as well as on the size of the risk free rate. This also means that the linear efficient set is the same for all investors because it simply involves combinations of the agreed-upon tangency portfolio and either risk free borrowing or lending. As all investors face the same efficient set, the only reason they will choose different portfolios is that they have different indifference curves. Thus different investors will choose different portfolios from the same efficient set because they have different preferences toward risk and return. This feature of the CAPM is often referred to as separation theorem- the optimal combination of risky assets for an investor can be determined without any knowledge of the investor's preferences toward risk and return. [14]

(e) The Factor Models

Factor models or index models assume that the return on a security is sensitive to the movements of various factors or indices. The market model assumes that there is one factor-the return on a market index. However, in attempting to accurately estimate expected returns, variances, and covariance for securities, multiple- factor models are potentially more useful than the market model. It has this potential because it appears that actual security returns are sensitive to more than movements in a market index.

As a return-generating process, a factor model attempts to capture the major economic forces that systematically move the prices of all securities, Implicit in the construction of a factor model is the assumption that the returns on two securities will be correlated-that it will move together-only through common reactions to one or more of the factors specified in the model. Any aspect of a security's return unexplained by the factor model is a powerful tool for portfolio management. It can supply the information needed to calculate expected returns, variances and covariance for every security- a necessary condition for determining the curved Markowtz efficient set.[15]

(f) The Liquidity Preference Theory

The liquidity preference theory starts with the intention that investors are primarily interested in purchasing short-term securities. Even though some investors may have longer holding periods, there is a tendency for them to prefer short-term securities. This is because these investors realize that they may need their funds earlier than anticipated and recognize that they face less "price risk" (that is, "interest rate risk") if they invest in shorter-term securities.[16]

(g) The Market Segmentation Theory

Determination of the term structure depends on the assumption that there is market segmentation. Various investors and borrowers are thought to be restricted by law, preference, or custom to certain maturities. Perhaps there is a market for short-term securities, another for intermediate-term securities, and a third for long-term securities. According to the market segmentation theory, spot rates are determined by supply and demand conditions in each market.[17]

(h) The Arbitrage Pricing Theory (APT)

The Capital Asset Pricing Model (CAPM) is an equilibrium model that describes why different securities have different expected returns. In particular, this positive economic model of asset pricing asserts that securities have different expected returns because they have different betas. However, there exists an alternative model of asset pricing that was developed by Stephen Ross. It is known as Arbitrage Pricing Theory (APT), and in some ways it is less complicated than the CAPM.

The CAPM requires a large number of assumptions, including those initially made by Harry Markowitz when he developed the basic mean-variance model. For example, each investor is assumed to choose his or her optimal portfolio by the use of indifference curves based on portfolio expected returns and standard deviations. In contrast, APT makes fewer assumptions. One primary APT assumption is that each investor, when given the opportunity to increase the return of his or her portfolio without increasing its risk, will proceed to do so. The mechanism for doing so involves the use of arbitrage portfolios.

Arbitrage is the earning of risk less profit by taking advantage of differential pricing for the same physical asset or security. As a widely applied investment tactic, arbitrage typically entails the sale of a security at a relatively high price and the simultaneous purchase of the same security (or its functional equivalent) at a relatively low price.

Arbitrage activity is a critical element of modern, efficient security markets. Because arbitrage profits are by definition risk less, all investors have an incentive to take advantage of them whenever they are discovered. Granted, some investors have greater resources and inclination to engage in arbitrage than others. However, it takes relatively few of these active investors to exploit arbitrage situations and, by their buying and selling actions eliminate these profit opportunities. [18]

2.1.3 Risk Premiums: Capital Asset Pricing Model And Arbitrage Pricing Theory.

Greater systematic risk makes an asset less desirable can be used to understand the capital asset pricing model (CAPM). The CAPM is useful because it provides an explanation for the understanding of an asset's risk premium, which is the difference between the asset's expected return and the risk-free interest rate. The risk-free rate is the interest rate on a security that has virtually no possibility of default.

An investment contributes systematic risk to a well-diversified portfolio, and systematic risk is measured by beta. When an investment has a high beta, meaning that it has a large amount of systematic risk and is therefore less desirable, it is expected that investors would be willing to hold this investment only if it yielded a higher return. The CAPM shows exactly that in the equation.

$$\text{Risk premium} = RET^{e} - RET_{f}\ .B(RET^{e}_{m} - RET_{f})$$

Where: RET^{e} = expected portfolio return

RET_{f} = risk-free rate

B = beta of the investment

RET^{e}_{m} = expected return for the market portfolio [19]

The CAPM equation provides the commonsense result that when an asset's beta is zero, meaning that it has no systematic risk, its risk premium will be zero. If the asset's beta is +1.0, meaning that the investment has the same systematic risk as the entire market, then the investment will have the same risk premium as the market, RET^{c}_{m}-$RET_{f.}$ If the investment has an even higher beta, say, +2.0, its risk premium will be greater than that of the market. For example, if the expected return on the market is 8% and the risk-free rate is 2%, the risk premium for the market is 6%. The asset with the beta of +2.0 would then be expected to have a risk premium of 12% (=2 * 6%).

Although the capital asset pricing model has proved to be useful in real-world application, it assumes that there is only one source of systematic risk that found in the market portfolio. However, an alternative theory, the arbitrage pricing theory (APT), takes the view that, in the economy, there are several sources of risk that cannot be eliminated by diversification. These sources of risk can be thought of as related to economy-wide factors such as inflation and changes in aggregate output. Instead of calculating a single beta, like the CAPM, arbitrage pricing theory calculates many betas by estimating the sensitivity of an asset's return to changes in each economic factor.

Arbitrage pricing theory indicates that the risk premium for an asset is related to the risk premium of each factor and that as the asset's sensitivity to each factor increases, its risk premium will increase as well. It is not still clear which of these theories provides a better explanation of risk premiums. Both agree that an asset has a higher risk premium when it has higher systematic risk, and both are considered valuable tools for explaining risk premiums.

2.2.4 Principles of Risk Management

Risk management is usually defined as **'the identification, analysis and economic control of those risks that threaten the assets or earning**

capacity of an enterprise'. [20] This definition states the three steps involved in managing risk:

Risk Identification

↓

Risk Analysis

↓

Risk Control

Risk management is a process to which the large commercial and industrial organizations devote a lot of time, energy and money. They frequently have a risk manager whose role is controlling this function and hopefully eliminating or at least reducing every perceived threat to the organization.

Identification

Identification involves discovering what threats exist or may at some time exist. There are many methods available to identify risk.

Where brokers or insurers are involved they frequently carry out physical inspections or surveys. The surveyor will physically examine the property to be insured and prepare a report that details the physical and moral hazards. A minor 'version' of this is carried out when a proposer completes a proposal form or when the insurer's sales representative fills in a checklist.

Analysis

By examining past data, the risk identifier hopes to **evaluate (analyse)** the risk and discover the likely frequency and severity of the identified risk (s). How often will they happen and, if they do happen, what is the likely financial consequence?

Risk control

The final stage in the process is **Risk control** (researcher may be contacted for a detail risk control guideline for the insurance companies). It may be that the risk is perceived to be so small that no action is taken. However if a risk has any potential consequences some reaction should be apparent. There are two likely courses of action that will be taken concurrently; **physical control** measures will be put in place, and at the same time, **financial controls** will be instituted:

- **Financial controls** may be thought of as either **pre-loss** or **post-loss.** These are measures that attempt to eliminate or reduce the frequency and/or severity of the risk, since elimination is almost impossible. Pre-loss measures – such as putting good locks on doors or having an insurance of cash in transit – anticipate the risk occurring. Post-loss measures – such as the installation of sprinklers in fire risks – assume that the risk has happened and attempt to reduce the severity of it.
- At the same time that physical controls are being put into place, **financial controls** will be considered to eliminate or reduce the financial consequences of the risk. The two possibilities are risk retention and/or risk transfer:

- **Risk retention** relates to financing the consequences of risk from the organization itself. This means setting up a specific fund to cope with losses and happens only with the major companies;
- **Risk transfer** implies giving the financial consequences to another person or organization (Hoteliers transfer at least some of what would otherwise be their financial responsibility back to the guest simply by displaying the statutory notice at reception). The main form of risk transfer is in fact insurance and re-insurance; the risk is transferred to an insurer in return for the premium. There is a middle course combining risk retention with risk transfer and that is arranging an insurance with an excess or deductible.[21]

Insurance, therefore, is a **risk transfer mechanism.** Physical risk control measures are normally a compulsory part of insurance arrangements – it is unusual to have one without the other. Insurers insist on minimum standards of physical controls before being prepared to accept risks for insurance and frequently will not accept a risk unless physical controls are put into place.

2.2 Literature Review

Extensive research work has been carried out on investment of insurance fund in USA, UK, Japan, Hong Kong and India which can be broadly classified into descriptive and applied research. Under the Descriptive research, emphasis was placed on surveys and fact-finding enquiries of various aspects of investment of insurance fund. The applied research was developed aiming at finding a solution for problem facing by insurance companies or the insurance industry as a whole. Present researcher reviewed the existing literature mentioning the name of previous researcher alphabetically. Researcher avoided chronological review as the survey was conducted on the works done after 1980, literatures are as follows:

Ahsan, Amirul et al tested two hypotheses on share price behaviour after earnings announcement at Dhaka Stock Exchange (DSE). Null Hypothesis (H_0) was 'There is no significant difference in the share price increase and decrease before and after the announcement of earnings'. Alternative Hypothesis (H_1) was 'There is a significant difference in the share price increase and decrease before and after the announcement of earnings' and they found that the effect of earning announcement on share prices at DSE. Dividend and earning announcement usually are considered as the positive signal to the investors and its positive impact on the share prices are found in the study. Researchers divided the companies at DSE into three categories constant earnings, increasing earnings and decreasing earnings. Result showed through statistical analysis a mixed effect of earnings announcement on the share prices at DSE having significant and insignificant values over a five-year period of the study.[22]

Asia Insurance Review, Vol. 9 No. 1 (February 1999) published special report on the International Insurance Council's (IIC) roundtable on "Insurance Opportunities Exist In Asia For US Insurers Despite Economic Turmoil". During the International Insurance Council's (IIC) 9th Annual Round table on Insurance Conditions in Asia, panelists noted that unique opportunities would develop for US insurers and reinsurers willing to partner with Asian insurers. The then IIC President Gordon Cloney, who moderated the panel, explained that while opportunities do exits in Asia, "investors should also be aware of the significant risks involved with undercapitalized companies." Acquisitions and mergers would bring immediate control over the distribution network, experienced personnel, brand names with the benefit of local connection and investment return. Hence management conflict might raise and which would hinder the further improvement.[23]

Asia Insurance Review, Vol. 9 No. 1 (February 1999) published some relevant News. Researcher surveyed, inter alia, these news to formulate hypotheses on the present study. News brief are as follows:

(i) Indonesia: Insurance Firms To Meet 75% Of Risk-Based Capital (RBC) Requirement By 2000.

'The Indonesian Insurance Council has recommended to the government that insurance companies fail to meet the minimum standard of having 75% of the risk-based capital (RBC) by 2000 should be closed or merged with other companies. The Council also asked the government to require all insurance firms to meet 50% of the RBC standard by the end of 1999. If they fail, they should submit reports to the government about their financial position at that time. They should also make detailed plans to meet 75%, 100% and 125% of RBC requirements by 2000, 2001 and 2002 respectively'. The council also proposed to bring the insurer under direct supervision of finance ministry those who cannot meet the solvency requirement.[24]

(ii)Hong Kong: Accounting For Investment In Securities.

The Hong Kong Financial Institutions (HKFI) had opposed to the Hong Kong Society of Accountants (HKSA) exposure draft in relation to accounting for investments in securities as insurers will not be able to compete on a level playing field with other financial service providers. Because exemption is granted to providers of retirement schemes, authorized unit trusts and authorized mutual funds in HK, but not for insurance companies which may also be providers of retirement benefit schemes. Secondly, HKFI disagreed with the definition of "long-term investment". The HKFI was also disturbed that the insurance industry was never consulted prior to that exposure draft being published as the exposure draft could have significant impact on insurance companies giving limited choice of investment strategies.[25]

Asia Insurance Review, Vol. 9 No. 4 (April 1999)

(i) Thailand: Plans to Change Investment Laws

To expand the investment ratio for financial instruments, the move is designed to modernize investment services as well as to immediately tackle the problem of rapidly declining deposit rates offered by commercial banks. In the past, insurance companies enjoyed 11%-12% of high deposit rates from commercial banks. 'The existing investment ratio of insurance companies in financial instruments is: stocks and debentures of insurance firms: not more than 10% of a firm's total assets; stocks, debentures of other firms: not more than 30% of a firm's total assets; unit trusts: not more than 20% of total assets; banks: not more than 20% of the total asset per bank; state enterprises: not more than 10% of total assets per entity; general loans: not more than 30% of total assets; housing loans: not more than Baht 5 million per unit.' Analyzing these, the Insurance Department had announced for amending the outdated investment regulations. [26]

(ii) Malaysia: Certificate requirement for Agents

Investment-Linked products are taken as technical and the Certified Examination in Investment-linked Life Insurance (CEILI) is mandatory for selling the product, according to the rules set by the Life Insurance Association of Malaysia (LIAM). The CEILI will be conducted by the Malaysian Insurance Institute (MII).[27]

(iii) UK: Study on Stock market Investment (Mutual Insurers better and listed Insurers are less successful)

PricewaterhouseCoopers' Fourth Annual Intercompany Investment Performance Study (IIPS) for 1997 analyzed asset allocation, risk profiles, investment returns, strategies and other insurance industry performance measures, study also provided company-specific comparisons on how investment decision affected return performance relating to their peers. PricewaterhouseCoopers, in IIPS's study, found that mutual life insurers invested in higher-risk markets than did listed companies. They cite an example that as a means of increasing Return on Investment (ROI), mutual companies invested more in IPOs (Mutual companies 24% vs Listed companies 16%) and less in public bonds (Mutual companies 26% vs Listed companies 38%) than listed companies in 1997.[28]

The study also examined that stock companies focus more on annuity businesses which tend to have shorter liabilities, while mutual companies sell predominantly long-term products like traditional life insurance. Because mutual companies' assets are aligned more to liabilities with longer durations, mutual companies can invest more aggressively. In addition, unlike listed companies, mutual companies are not required to disseminate GAAP (Generally Accepted Accounting Principle) in financial statement. Slightly less stringent and less frequent disclosure requirements may allow insurers to explain the performance of their investments.[29]

Asia Insurance Review, Vol. 9 No. 10 (October 1999)

(i) Asian News - China: Insurance Companies Permitted To Make Securities Repurchases

The People's Bank of China has announced that insurance companies are permitted to make securities repurchases through inter-bank loan mechanisms. This deregulates a new investment channel for insurers whose assets were previously limited to bank services and government and financial bonds.[30]

(ii) Asian News - Indonesia: Ministry Studying Investment Rules

The Indonesian Insurance Council released that the finance ministry is studying a plan to allow insurance companies to increase their investments in banks from 5% to 20% but it may use only five banks. The restriction to put their money as deposits in only five banks is to reduce the possibility that insurance companies will put their money in banks not meeting the "BBB" rating in Indonesia. The present regulation allows insurers to put their funds as deposits in 20 banks but they can invest only 5%. "The change will be an advantage for insurance companies as it will make it easier for them to manage their investment to meet the risk-based capital (RBC) standard to be imposed in 2000."[31]

Azad, Md. Abul Kalam, "Nature and significance of General Insurance In Bangladesh: A Case Study of Bangladesh Co-Operative Insurance Ltd. – BCOIL", examined that Bangladesh Co-operative Insurance Ltd. is facing enormous problems due to intense competition in selling policy, long process of claim payment and existing laws. Yet BCOIL is playing an important role in safeguarding the property of the people. Insurance in the greatest extent can play a vital role in the economy by providing safeguard to properties, minimizing risk etc. which are vital to the growth and development of business and industry. Besides Co-operative insurance has a distinctive feature that weaker section of the society assembled together to safeguard their interest. In such a context BCOIL is playing an important role. Thus the researcher recommended to identify its problems and take measure for rectifying the same.[32]

Ali, Kazi Md. Mortuza, ACII, "Potentiality of Micro Insurance for Micro Credit Operations", reviewed micro-credit operations in Bangladesh, Micro-insurance practices of NGOs'. Potentiality of micro-insurance as financial product for the poor of Bangladesh has been examined in detail. He suggested that the further study would be required to have an insight of legal framework, modus operandi, regulatory aspects, reinsurance arrangement and investment operation of proposed micro insurance schemes for the micro-credit users of Bangladesh.[33]

Billah, AHM Mustain PhD and Ahmed, Jamaluddin FCA, PhD, concluded in their study on 'Reshaping Public Expenditure and Revenue Management in Bangladesh' that the prime mover of the GDP was the investment, which rose rather slowly. They also found that gross domestic investment as percentage of GDP increased from 17 percent in 1991-1992 to just over 23 percent by 1999-2000. Domestic saving as proportion of GDP rose from 12-13 percent in the early nineties to 18 percent by the turn of the century.[34]

Berketi, A and Macdonald, A S in their study on "The effect of the nature of the liabilities on the solvency and maturity payouts of a UK life office fund: a stochastic evaluation," investigated the effect of small changes to the parameters of the investment model used on the outcomes described in the foregoing topic. For this purpose they compared outcomes using two versions of the Wilkie model. They showed that small changes in the variances of the economic series model have a marked impact on solvency, while changes in maturity values are mostly the result of a small change in the dividend growth rate.[35]

Bhuiyan, Bashir Ahmed, "Innovations in Insurance Operations in Bangladesh Perspective: An Alternative Development Approach", analyzed the mobilization of savings, formation of capital, achievement of balanced growth. He found that insurance is an instrument in achieving this process where inconsistency of the legal framework, lack of product innovation, poor professionalism in insurance education and poor institutional exposures have been regarded as the important variables. He concluded recommending promulgation of revised insurance laws.[36]

Blake, D et al in their study on "PensionMetrics: Stochastic pension plan design and value-at-risk during the accumulation phase," evaluate the design of defined pension plans and assess the long-term risks inherent in such schemes. Concentration was given on deriving the whole distribution of the pension at retirement rather than just one or two key statistics. Using this approach they are able to begin to address the problem of appropriate contribution rates and suitable dynamic or static asset allocation strategies.[37]

Billah, Dr. Mohd. Ma'sum, "Life Insurance - A Shari'ah Framework", concluded his research work examining the comparability of traditional insurance system with Shari'ah (Islamic Principles) based insurance. He found that Shariah model of Life Insurance is not a policy to insure one's own life, but is a financial transaction relying on the principles of mutual cooperation to under take a responsibility towards safeguarding widow, orphans and other dependents of deceased (assured) from future financial risk which does not involve the elements of 'Riba'. A life insurance policy under the conventional system involves, inter alia, riba which is opposed to the principles of Islam.

The nominee (s) under the conventional system is an absolute beneficiary over the policy, whereas the nominee(s) under the Islamic model of a life insurance policy is nothing more than a trustee(s) who is responsible for receiving the benefits over the policy and distributing them among.[38]

Bajpai, Dr. O. P. had thoroughly examined life insurance finance in India focusing Investment policy of the LIC, portfolio management and investment organization and control. In Researcher's opinion that the current research topic is purely triplicate the Dr. O. P. Bajpai's research monograph. He concluded the book by mentioning new developments regarding investment of insurance fund in India. He demonstrated that portfolio management, surplus distribution and yield rate of investment are corelated.[39]

Bangladesh Insurance Academy's Research on "Islamic Insurance in Asia: Activities, Problems and Prospects", found that Takaful (Islamic Insurance) is based on solidarity, peace-of mind, and mutual protection in the event of a loss. Its key elements/benefits include mutual guarantee among members, risk sharing and mutual cooperation. This research examined that Takaful operation is not purely for profit maximization, Takaful is community-based not shareholder-based, insurers are also the insured, premiums are invested in halal investments such as leasing assets, mutual funds, and other acceptable projects. Therefore, the management of Takaful funds is to exercise judgment when making investment decisions. Investment of Takaful funds is not considering interest bearing means where potentially high return and high risk are involved. The holders of Islamic Insurance policies, at the same time must be certain that neither returns nor moneys paid out in claim settlements come from unacceptable means. Under general Islamic insurance laws, the premium collected are not to be invested in stocks of companies producing non halal goods or services, or anything else that is not in accordance with the principles of Islam. Various surveys have shown that the life insurance market has large potential to be exploited in mostly-Muslim countries such as Malaysia and Indonesia, since only 5 percent of the Muslim populations are found insured. Complying with the Islamic Shariah, Takaful offers an alternative to the conventional insurance and gives Muslims the comfort in buying insurance without violating any of their religious beliefs. Currently, there are some 50 Takaful enterprise world-wide, 30 of which operate in the Arab world. Present and future operators should, then strengthen their financial capabilities and ought to improve their technical skills to meet the demands of the increasingly challenging operations ahead. Takaful industry would need to plan strategies to increase the public awareness of the importance of insurance as well as its knowledge of the existence of the shariah-friendly Takaful.[40]

Cairns, A J G presented an article on "An analysis of the level of security provided by the minimum funding requirement" considering whether or not the pre-2000 version of the Minimum Funding Requirement (MFR) delivered a suitable level of security to pension scheme members. For active members, Monte Carlo simulation was used to compare how the proceeds arising from investment of the MFR liability in an equity-backed personal pension would compare with the deferred pension promised by the scheme. Researcher found that the personal pension has a better outcome and there are very substantial downside risks for younger members. Investment strategies based upon index-linked gilts are found suitable on average in lower personal pensions and they provide an extremely effective means of limiting the downside risks.[41]

Choudhury, A. H. M. Nurul Islam et al in their study on 'Status of Capital Market in Bangladesh: An Overview' showed that the activeness and depth of secondary market of Bangladesh is very low in comparison to other countries. They showed that turn-over ratio for Korea, Malaysia and India (Bombay SE) is 86%, 17.3% and 63% respectively as on 31-12-1989, while it is only 2.5% in Bangladesh as on 30-09-1992. Market capitalization-GDP ratio is 1.6% in Bangladesh as on 30-09-1992, while the same for Pakistan, India, Malaysia and Korea is 6.7%, 13.4%, 69.1% and 71.4% respectively as on 31-12-1988. The smooth functioning of a capital/security market requires investment banks, besides the brokers and organized exchanges. Investment Corporation of Bangladesh (ICB) is now only investment bank in Bangladesh. From the forgoing discussion, it is evident that three aspects of the Security Market viz., supply of securities, demand for securities and regulatory framework are note at desirable state, and hence, should be addressed in the proper tone for smooth and efficient functioning of the security market. They conclude that in the event of the above issues being properly attended, the security market of Bangladesh will create and appeal in the minds of the investors and issuers towards achieving the goal of rapid industrialization through private sector participation.[42]

Choudhury, Dr. Toufic Ahmad et al in their study on 'Impact of New Loan Regulations on Loan portfolio Management in Banks' evaluate the impact of new loan regulations on the loan portfolio as an investment of the banks which has similarity in disbursing policy loan in life insurance companies. The loan regulations have been formulated and adopted in the banking system of Bangladesh since 1989 are considered as "new loan regulation" in their study. They showed that the new loan regulation had been undertaken after failure of ownership reform measures during 1982-89 in bringing financial efficiency, competition and operational efficiency of the banks. The new loan regulations have been discussed in the study under four categories namely screening, monitoring, transparency and lenders recourse regulations. Researchers criticized the new regulations as it could not produce any good results. The inability of the new regulations to bring desired results has been due to inadequate and ineffective legal and supervisory framework and narrow application of the new loan regulation over the entire banking sector. They concluded with some concrete recommendations in order to improve the loan quality which may be applicable in life insurance industry in investing in policy loan.[43]

Cairns, A J G in his study on "A Multifactor, equilibrium model for the term structure and inflation," described the development of a stochastic model for the combined term structure of factors for deriving prices of zero-coupon bonds; rates of interest on fixed-interest bonds; rates on interest on index-linked bonds and consumer price inflation. They developed a specific equilibrium model within the Flesaker & Hughston (1996) (FH) framework which is driven by a multifactor Ornstein-Uhlenbeck (OU) process. They analyzed the normality of the distribution of these driving factors to derive prices for zero-coupon and interest rates.[44]

Chaudhuri, A. K. A. H., FCII, in his study on "Fraudulent insurance claims – how to Control them?" found positive corelation between investment of insurance fund and evil desired claim which jeopardize the reserve base and growth of investment and insurance fund.[45]

Constantinescu, Corina D. in his MS Thesis on 'Ruin Theory under Uncertain Investments', examined that an insurance company, having an initial capital, say, C, receives premium continuously and pays claims of random sizes time to time that as and when claim lodged. This thesis concluded a classical result that if the rate of premium, P, exceeds the average of the claims paid per unit time, $\lambda\mu$, then the ruin probability decays exponentially fast as $C \to \infty$. However, the thesis indicate that if the insurance company **invests** in a risky property whose price follows a geometric growth motion with drift a and volatility $\sigma>0$, it was explained that the probability of ruin decays at best algebraically, under a specific model for claim size distribution. In this thesis, the result was shown to be valid for claim size distributions.[46]

Choudhury, Dr. Toufic Ahmad et al in their study on 'Security Portion of Money and Capital Market: Growth, Constraints and Possible Linkage with Banking Sector' examined the structure, performance and problems of the capital market in Bangladesh. Though recent performance of the capital market is very encouraging, yet it is still lagging far behind the performances (of security markets) in other Asian Countries like Korea, India and Malaysia. Supply side problems may be overcome by breaking through real sector stagnation, privatizing government owned enterprises, insisting private companies to float securities etc. For removing demand side problem, that is to raise the confidence level of general investors, SEC has been urged to play multifarious confidence augmenting roles. Lastly, they pointed to possible methods of interlinkage between security and banking markets for the matter of resource generation and utilization.[47]

Forfar, D O observed in his study on "Standard tables of mortality based on the 1991-94 experiences," earlier work relating to permanent assurances (whole life and endowment assurances), immediate annuitants (by both lives and amounts), self-employed retirement annuitants (deferred, vested and combined), widows of life office pensioners and temporary assurances, all (except windows) being subdivided by males and females. He recommended some new methodologies for preparing graduated rates of mortality in premium calculation, surrender value calculation and various claim calculation.[48]

Fowlds, Mike, in his study on "Strategies For Winner In The 21st Century, To Win: Change Distribution Channels and Hold Costs Down", focused on life insurance expense ratios and distribution costs and did some comparisons with other providers of savings products. He also examined that direct investment (ie buying shares directly on the stock market) was the cheapest option. The charges would depend on the particular stock exchange and on the investment amount. The percentage charge would usually decrease as the size of the investment increases. In Asia countries the purchaser may pay a brokerage fee, a stock exchange transaction fee, government stamp duty and/or a services tax. He gave an example on Singapore that 'the brokerage fee was 1.0% of the first S$250.00 invested, 0.9% of the next S$250.00, continuing down to 0.3% in the case of very large transactions. In addition, there were transaction and stamp duty fees of 0.1% of the investment amount, plus 3% GST. Thus, for an individual with less than S$250000 to invest, the total fee is about 1.13% of the investment. If the investment is held for a period of 10 years, this would reduce the average annual return on the investment by roughly 0.114%'. In Hong Kong, the charges were little bit less and the total fees were modest compared with the volatility of returns of the investment itself. This study concluded highlighting disparity between the charges of life insurance investment products and those of competing institutions.[49]

Haq, A B M Nurul, "Concept and Operation of Islamic Insurance System", observed that in muslim community it has long been argued whether insurance is justified according to Islamic convention (shariah principles). He also found that this confusion has deprived a large portion of Muslim population having insurance protection. Islamic intellectuals are divided in their opinion-both for and against the present form of insurance practice. The Muslim scholars found an alternative to conventional insurance acceptable to Islam according to shariah principles. And thus Takaful (Islamic Insurance) has been established as an alternative to conventional insurance. Researcher found that there is tremendous possibility for the growth of Takaful business and hence researcher recommended for Takaful laws which would focus profit sharing concept instead of interest (riba) in operating investment and financing of insurers.[50]

Habibullah, Dr. M. found in analyzing 'Decade of Insurance in Pakistan' that potential for saving was quite high in the then Pakistan insurance industry. He also found that lack of education & saving-habit were major difficulties in making people saving-minded through insurance which were major bottle-neck of investment activities and employment opportunities in the then economy. He concluded giving suggestion to the insurance organizations to enhance their effectiveness as mobilizers of saving by offering satisfactory service; replacing casual and dummy agents by full timers; rationalizing premium structure; reducing expense ratio; and efficient management of insurance fund through judicial investments.[51]

Habibullah, Dr. Md., "On developing quality service in Insurance Industry", found that insurers will have to survive in the competing environment through quality service to the policy holders in performing fund mobilization, fund utilization and fund protection tasks. He also focused for sound management of insurance fund in developing insurance industry.[52]

Habibullah, Dr. M. with Ghosh, Santi N., in their research monograph "General Insurance Business in Bangladesh [An Appraisal of the Performance of Sadharan Bima Corporation]", found that extent of reinsurance was excessive, growth of premium income was substantial, extent of claim settlement was fairly good, investment policy was in line with government policy, horizontal expansion was encouraging, employee benefits were relatively fair and contribution to national exchequer was remarkable. They also analyzed the role of the Sadharan Bima Corporation (SBC) in developing general insurance business in Bangladesh examining 10 years performance starting from 1973. They concluded in their study that ROI had been improving gradually though the management was not free to select its own investment portfolio. SBC had to follow the government direction to keep their funds in liquid assets because government had been using SBC as a source of fund during the period of emergency. SBC was not allowed to invest in Defense Saving Certificates. SBC had to invest their fund in company shares and securities, real estate, FDR and STD bank account.[53]

Habibullah, Dr. M. with Ghosh, Santi N., in their another research monograph 'Risk Management' - a study of the risk handling procedures by the big corporations, examined the risk determination, risk analysis and risk controlling mechanism in corporate body. They showed that there are several methods like financial control of risk, physical control of risk, risk retention and risk transfer in controlling risk in large corporation.[54]

Habibullah, Dr. Md. and Ghosh, Santi N., "Detecting and managing risks in a business", studied various methods of evaluating risks associated with business enterprises. They recommended that risks need to be put in focus. Both the owners and the creditors who deploy money for investment in the business have the intention that capital will be kept secured along with generation of profit/surplus. They also recommended using binomial distribution, normal distribution and Poisson distribution in evaluating and estimating the probability that a business would face risks.[55]

Henebry, Kathleen L. and Diamond, Jeanette M. in their study on "Life Insurance Company Investment Portfolio Composition", analyzed data for 55 life insurance companies (stock, mutual, and fraternals) to answer the questions "has the investment portfolio composition of life insurance companies shifted over time?". The study concluded that for bonds and real estate, the investment percentage had not changed significantly over time. However, for stock, mortgages and other assets, the change had been significant. They showed that there had been a substantial increase in the use of the other asset account. In this study, they found that regulations focusing on permissible investment percentages do not seem to have imposed a binding constraint.[56]

Hameed, Omar, "Legal Issues In ART: What Is The Product And How Do You Report It?," examined some of the legal issues affecting the range of products which have come to be known as Alternative Risk Transfer (ART). The legal considerations associated with insurance derivatives principally concern the question of admissibility. The Third Insurance Directives in European insurance industry introduced a definitive list of permitted assets in which insurance companies may invest. The Directives themselves did not prevent insurance companies' investment in other types of assets. Permitted investments include debts, securities, bonds, loans, shares and immovable property rights. Researcher found Article 21 of each Directive provides specifically in relation to derivatives as "Derivative instruments such as options, futures and swaps in connection with assets covering technical provisions may be used in so far as they contribute to a reduction of investment risks or facilitate efficient portfolio management. They must be valued on a prudent basis and may be taken into account in the valuation of underlying assets."

He concluded that the insurer must meet conditions like 'The derivative contract must either be listed on a regulated exchange or made with an approved counter party. The derivative contract must be held in connection with an admissible as set or contract. The derivative contract may relate to an index, provided that the index is either one which relates to assets which are admissible or is otherwise specified in the Regulations. The derivative contract must be for the purposes of reducing investment risk or facilitating efficient portfolio management. The derivative contract must be readily capable of being cancelled out.'[57]

Holt, Richard W.P. in his PhD thesis on "Investment and Dividends Under Irreversibility and Financial Constraints," examined theoretical result concerns the separation of the investment and payout thresholds. The ordering of investment and distribution activities is indigenously determined and depends on the level of capacity and cash balances in a manner consistent with a life-cycle interpretation of firm behaviour. Researcher found that firms' investment and dividend policies are distorted by irreversibility and financial constraints and recommended for further empirical work on investment.[58]

Islam, A.K.M. Rafiqul FCA, in his study on "Rate of interest and its impact on insurance", found that lowering of interest rate will lower the company's revenue from investment. He compared while life insurance as a means of mobilising savings can invest in the long term means, general insurance has liquidity preference for prompt claim settlement and investment of funds of a general insurance company should be short term until the company has reached large reserve base. He analyzed various banks reduction in interest rate and impact of it. He found that the insurance industry would face with investment problem of its funds. Stock market normally attracts investment of the insurance fund elsewhere in the developed world but in Bangladesh such opportunity is limited with speculation risk and shortage of good stocks. Researcher also compares underwriting profit with investment income. He also analyze the impact of lower rates of interest would reduce the corporate tax payable to the Government, reduce return to the shareholders and above all reduce the reserve building capacity of an insurance company to withstand a calamity of a great magnitude though "the reasons why the Government may wish to raise or reduce rates of interest depend on the aims of its monetary policy".[59]

Insurance Journal, Vol. 42 (June 1992) released a news that existing insurance act 1938 and rules 1958 will be amended soon to enable the private sector insurance company's effective operation. The then Commerce Minister focused the need for reactivating the concerned agencies including the office of the Controller of Insurance for monitoring and identifying the problems faced by the industry regarding efficient functioning of the industry including investment opportunities and claims settlement.[60]

Karim, Dr. Mir Nazmul, (Evaluation of Life Insurance as a mode of Investment) had conducted a study in parentheses subject and found that insurance is a widely used method of securing protection against risks. As far as life insurance is concerned, the buyer of such a policy must strive hard to attain the desired benefit through sacrificing current income. He concluded that a periodic review should also be undertaken at regular interval and steps should be taken to match the same with changing financial position. Dr. Karim also showed that recent incidents of fire at various warehouse, factories, garments houses, shopping complex etc makes it very imperative that all types of property should be covered by insurance. At the same time, there is hardly any rational behind avoiding insurance on the plea that it is unnecessary and expensive. He suggested looking at insurance from a fresh perspective and turning the same into an investment means which would be useful for economic development.[61]

Khan, Mohamed Ishaque, "Risk Management: An Introduction", discussed some basic concept of risk management that may be applied generally to personal as well as business risks. He concluded that the term "risk management" is usually associated with business and it also related principally to insurable risks, it further extends to all risks of accidental loss, whether insurable or not. Risk of accidental loss means the possibility of an event, which unexpectedly results in personal injury, or damage to, or loss of property.[62]

Lai, Gene C. et al in their study on "Large Losses and Firm Value: Investor Response and Managerial Decisions," examined investor response to the occurrence of large non-operating losses. Compared to previous studies, significantly negative returns were detected around the occurrence of huge losses. This study extends the literature by examining issues not previously investigated. For a subset of losses covered by private insurance, negative equity returns were detected when the losses occurred. However, the negative returns were not significant and quickly reversed. With respect to whether loss estimates were available at the time the losses occurred, significant negative abnormal returns were present regardless of the availability of the loss estimate. The equity response to anticipated losses was also examined. Significant negative abnormal returns were observed even though these losses were expected. Further analysis revealed that smaller losses were associated with temporary negative returns, while larger losses produced permanent reductions of shareholder's wealth.[63]

Lin, Jan-Juy, "A study on the Theories of Insurance Regulation-What approaches can we take?", examined that the literature of government legislation, several theories have been developed to explain why regulation exists and what purposes it intends to achieve. He suggested evaluating the issues of insurance regulation regarding investment of insurance fund from different perspectives, and with different approaches. He concluded that 'understanding these theories and their application to insurance regulation not only can establish theoretical grounds for the literature of insurance regulation, but also can assist those engaged in the affairs of insurance regulation, no matter the regulators or the regulated, to realize the roles they play within the framework of insurance regulation'.[64]

M. Abu Misir, his research work on "Growth Pattern of Securities Markets in Bangladesh," was an empirical and theoretical study on the overall performance specially the growth performance of the listed companies including insurance companies of DSE. Albeit, there were three capital market institutions viz., Dhaka Stock Exchange, Chittagong Stock Exchange and Investment Corporation of Bangladesh are operating in the country. Different type of indicators i.e., number of listed companies, total turn-over market capitalization, percentage of changes in paid up capital, market capitalization, share index etc. where taken under consideration to analyze the different aspect of the study. They found that the investors were often ready to supply their fund through purchasing securities from the capital market. They also examined the role of Dhaka Stock Exchange (DSE) in the field of securities market development. The study noticed that number of securities as well as listed companies was very poor. Hence researcher recommended to have adequate opportunities to encourage the companies to be registered with stock market and the promoters of new companies should be allowed to hold a large number of share.[65]

Macdonald, A S in his research topic on "Modeling the impact of genetics on insurance," used Markov model to show that, under quite extreme assumptions, adverse selection in life insurance ought to be controllable. The statistical problems of estimating small differences in mortality were discussed. The influence of the insurance industry on policy-making, especially through its support of research, was discussed. Discussing above, he suggested that participating contracts are suitable in life insurance where simple genetic risks are exist.[66]

Marlett, David et al in their study on "The Market Impact of the Financial Services Modernization Act of 1999: Differences Between Life Insurers and Property-Liability Insurers," examined the effect of the passage of the Financial Services Modernization Act of 1999, more commonly known as the Gramm-Leach-Bliley (GLB) Act, on the market value of insurers, commercial banks, securities firms, thrifts, and finance companies. This study examined life insurers and property-liability (P & L) insurers as separate industries rather than treating them as a single industry deviating from previous research. This study also analyzed tracing volume in addition to share price reactions and featured two variables in a cross-sectional analysis of insurer stock returns. Using a generalized least squares portfolio approach and Corrado's rank statistics, they found significant share price reactions to certain legislative announcements surrounding the passage of the GLB. They concluded that life insurers and P & L insurers reacted differently to enactment of the GLB. Smaller life insurers with high liquidity and high leverage had the most positive (or least negative) share price reactions of all insurance companies.[67]

Marlett, David C. et al in their study on "Insurer Stock Price Responses to Disclosure of Revised Insured Loss Estimates after the 1994 Northridge Earthquake," examined the market effects of revisions to estimated insured losses from the Northridge earthquake over an 18-months period. Three competing theories-the pessimistic, threshold, and hardening theories—were offered to predict and explain insurer share price reaction to estimates of insured losses. Using both a generalized least squares portfolio approach and a nonparametric event study technique, they found significant share price reactions to certain prediction. These disclosures were associated with investors' beliefs that the Northridge earthquake led the Property & Liability insurance industry to shift toward the upside of the underwriting cycle. They reached the result providing more support for the hardening theory than for the threshold or pessimistic theories.[68]

Mandal, GM, in his study on "Insurance Industry in Bangladesh: an overview", examined the phase of nationalization of insurance industry in Bangladesh and he found that the industry witnessed rapid growth with de-nationalisation and privatisation in 1984 and had proved to be an effective means of capital formation besides creating new avenues for employment through efficient management of insurance fund. He recommended setting up of separate Re-insurance corporation to keep the investible fund within the country. He also suggested that the Department of Insurance is the authority under the Ministry of Commerce which directly supervises and regulates the activities of the insurers in the country as per the Insurance Act 1938 and the Insurance Rules 1958. With the expansion of insurers in private sector, it is necessary to strengthen this department with sufficient trained manpower and logistics.[69]

Murto, P., and Keppo, J. tested "A game model of irreversible investment under uncertainty", that most of the literature on real options considers the optimal decision of a firm in isolation from competitors. In reality, the actions of competing firms often affect each other's investment opportunities. They developed a game model where many firms compete for a single investment opportunity. When one of the firms triggers the investment the opportunity is completely lost for the other firms. The value of the project for the firms is assumed to follow a geometric Brownian motion. The model combines game theory and the theory of irreversible investment under uncertainty.[70]

Monacco, R M & Phelps, John H. in their research topic on "Consistency and Feedback in the Economic Assumptions Behind Federal Social Insurance

Fund Solvency Projections," examined that economic assumptions were an important input into the projections of the solvency of all social insurance funds in the USA. Policy analysts had been concerned with evaluating the assumptions, mostly as they investigated the sensitivity of the trust fund projections to economic assumptions; typically, these analyses had addressed the effects on trust fund solvency of including a stochastic component to the economic projections. They evaluated the assumptions using a simple, but consistent economic model that allows the trust fund outcomes to influence the economy. Using this model, they showed that the current economic assumptions imply paths for some variables that were well outside the range of historical experience. They concluded that using the assumptions as a basis for long-term policy discussion was questionable.[71]

Moller, T. in his PhD thesis on 'Quadratic Hedging Approaches and Indifference Pricing in Insurance' reached conclusion giving emphasize on the analysis of insurance contracts which combine traditional actuarial risk and financial risk, and this thesis is concerned with quadratic hedging approaches, indifference pricing principles and their applications in calculating premium rate of insurers. These techniques are of general interest in incomplete financial markets where contingent claims cannot be priced uniquely using no-arbitrage arguments alone. Thus the situation differs from the complete case, where all prices are already determined from the simple and economically reasonable assumption of absence of arbitrage, i.e absence of any possibilities to make risk less investment return by trading on the financial markets. He analyzed the financial transformations of two classical actuarial premium calculation principles, the variance and standard deviation principles. Under the financial variance (or standard deviation) principle, the fair premium equals the expected value of the claim under the variance plus a safety-loading which is proportional to the variance (or standard deviation) of the non-hedge able part of the claim. He showed that the actuarial risk in insurance contract comes in from the uncertainty of not knowing whether or not the policy-holder will survive until the term of the contract, and the financial risk is related to the performance of the underlying investment operation of the insurer.[72]

Ostaszewski, Krzysztof in his research topic "Is Life Insurance a Human Capital Derivatives Business," examined life and disability insurance, as well as annuities as products providing protection against losses. He proposed that these products can be viewed as derivative instruments created to address the uncertainties and inadequacies of an individual's 'human capital', if 'human capital' is viewed as a financial instrument. He concluded that life insurance (including disability insurance and annuities) is the business of human capital securitization.[73]

Quader, Md Tariqul and Hai, Md Abdul, in their study on Lending Risk Minimization of the Microfinance Programmes, found that risk is highly involved with credit operation failing to recover both interest and principal of the credit. The objectives of the study were to assess the procedures of lending risk minimization of the microfinance programs of Grameen Bank and BRAC during 1995 to 2001. The study was based mainly on secondary date analysis through mean values, standard deviation and coefficient of variation. Savings to total credit outstanding of the organizations, branch level credit outstanding, savings etc. are shown for concluding the study. They also found that lending risk was minimized through group savings, monitoring and supervision. They recommended making borrowers awareness for productive utilization of funds and minimizing the risk and management must look at the interest of the borrowers exceeding the risk of investment through linking an insurance coverage of loanee's life.[74]

Rahman, M. Lutfar, "Dealing with export risks in Bangladesh", examined Export Credit Guarantee Scheme as a tool for expanding Bangladesh's export and export credit. He found there are lapses and inherent weaknesses in the scheme which reduce its effectiveness as an export booster and he recommended that the availability of cheap and easy export finance needed with a view to protecting exporters against credit risks.[75]

Rahman, Md. Masudur in his study on "Insurance Industry of Bangladesh and Its Future Prospects," outlined that insurance companies could usually make more profit through investment operations than business activities. He also discussed the future prospects of the industry as a whole on the basis of an analysis of the opportunities and the threats prevailing in the insurance sector in Bangladesh. Researcher recommended that the office of the Controller of Insurance should be strengthened with professional people for efficient handling the affairs of the insurance companies to ensure discipline in operations. He recommended to change the insurance laws in Bangladesh to accommodate that the private sector insurance companies can procure business from the public sector. The existing provisions allow only two public sector insurance corporations to post all government insurance business in their book. According to the prevailing insurance rules only these two public sector insurance corporations also do reinsurance business. This restriction needs to be withdrawn so that the private companies can do reinsurance business. This would help to save foreign exchange reserves.[76]

Richards, Willium, in his study on **"Risk Management In A Marine Environment",** discussed risk management in the context of marine insurance and examined its cost-benefit analyses. He concludes that Marine risk management can be a profitable if one undertakes the correct planning and evaluation (risk underwriting).[77]

Salat, Amirus et al, evaluate performance of companies after IPO and intended purposes of utilization of fund collected from public. Through analysis, researchers found that performance of the companies after IPO was not satisfactory which revealed through their assessment of sample companies' turnover, liquidity, dividend payment, penalty imposed by the SEC, timely holding of AGM and investment operation.[78]

Solaiman, Dr. Mohammed and Haque, Md. Asadul in their study on "Development of Insurance Industry in Bangladesh: An innovative approach", examined insurance business as a social institution. They concluded that insurance is safe guarding the lives and property of the people on one hand and is creating job opportunities for the entrepreneurs, employees and the professionals, on the other by investing peoples' savings. They also recommended that integrated assistance should be provided by the promotional and government agencies to the insurance industry for developing innovative entrepreneurship process in Bangladesh.[79]

Swiss Reinsurance Company (Swiss Re), Sigma (Economic studies). Vol. 6/1991, made research on 'Relation between the underwriting result, investment income and the overall result in % of premiums' and they found that there is a positive correlation between underwriting profit, investment and the premium'. In this study, they differentiate between current interest and dividends from capital investment on one side and capital gains and losses on the other. They also found that the growth of investment income is clearly determined by income from interest and dividends in all countries except Italy. In all countries investigation, real income on interest and dividends has doubled or even trebled within the past 10 to 15 years. The volume of investment income depends on the selected investment structure, on interest rates in the financial markets as well as on the relative investment volume which is determined by underwriting reserves and equity .[77] The study recommended that large capital gains are essential when insufficient underwriting profits are anticipated.[80]

Swiss Reinsurance Company (Swiss Re), Sigma (Economic studies). Vol. 6/1991, conducted a study on 'relation between risk and average return on sales' and found that increasing competitive operations of the insurers will cause underwriting and investment business into a positively correlated situation between risk and average return that is – high risk high return and low risk low return. Investment income has become an important function in the profit generation of insurance companies. The risky competitive environment brought about in the wake of liberalization in the insurance industry will also put tremendous pressure on return. At the same time the level of risk will also be higher. This study concluded that the correlation between return and risk is likely to improve in a substantial stake after the deregulation process is completed.[81]

Swiss Reinsurance Company (Swiss Re), Sigma (Economic studies), Vol. 3/1990, concluded that life insurance business, as a saving tool, has recently demonstrated growth of premium volume for several consecutive years by 10%, 20% or even 30%. 'This study describes the historical development since 1960 in eight countries and investigates the causes of the upswing in the eighties.' Life insurance fulfils two objectives: Firstly, it offers protection against risks such as premature death or disability, Secondly; its investment possibilities represent a way of safeguard for old age.[82]

Swiss Reinsurance Company (Swiss Re), Sigma, Vol. 7/1996, made a study on 'the future of the European insurance industry' testing tan hypotheses in 1996 to forecast the future positioning of European insurance industry. All hypotheses had been proved that emerging globalization will cause the severe competition which tantamount the jeopardizing the operational result including investment return. Hypotheses were as follows:

Hypothesis 1 - Since Size (alone) is no guarantee of success, a greater concentration among suppliers will not necessarily take place. **Hypothesis 2** - Foreign branches will become more important. **Hypothesis 3** - The transparency of the market will decline temporarily. **Hypothesis 4** - The parameters of competition will change fundamentally. **Hypothesis 5** - Competition will become perceptibly more intensive. **Hypothesis 6** - Deregulation will promote the spread of the concept of shareholder value. **Hypothesis 7** - Prices will come under pressure. **Hypothesis 8** - Margins will shrink while volatility of results increases. **Hypothesis 9** - It will become more difficult to obtain affordable insurance cover for "bad" risks. **Hypothesis 10** - The consumer will benefit from an improved cost-benefit ratio.[83]

Uddin, Md. Kamrul PhD and Rahman, Md. Mizanur PhD in their study on "International Technology Spillover through Foreign Direct Investment: Determinants and Policy Implications", examined the production technology spillover effects of Foreign Direct Investment (FDI) on the stock of knowledge of the recipient economy and technology spillover mechanisms were identified through Spillover Model. To test how far this model explains the real economy, they examined hypothesis through developing growth accounting equation. The findings of the study explicitly showed that a country's stock of knowledge and productive efficiency could be increased through international technology spillover.[84]

Uddin, Md. Salim ACMA, ACA and Kabir, Md. Anwarul MBA, "Asset structure of private General Insurance Companies in Bangladesh", have examined Return on Assets (ROA), Return on Equity (ROE), Profit performance and portfolio management through Compound Growth Rate (CGR) analysis of 5 (five) general insurance companies in Bangladesh. They concluded that private general insurance companies have to be cautious while taking decisions on investment management pertinent to earning rate, security and liquidity.[85]

Wilkie, A D studied Insurance and Pensions supervisors of the European Union, and described aspects of the Markowitz portfolio selection model as an introduction to asset-liability modeling for pension schemes. He showed the effect of certain types of restriction commonly applied to pension scheme investment in certain Member States of the EU.[86]

Worsly, Hamis and Morris, Rebecca, concluded giving us think tank for the new years to get ahead as successful insurer through their study on **Strategies For The New Winner In The 21st Century.** They showed that the value of the customer base which was a consistent theme of this study. What did they mean by "Customer Value Management" or CVM? Put simply, CVM is the application of a shift in paradigm from valuing policies to valuing customers bringing together best practice in selling (in terms of customer segmentation, data mining, analyzing customer profiles and perceptions, identifying customers needs and wants) with best practice in financial modeling (building customer models, estimating product and customer profitability, forecasting future customer cash flows from operation and investment activities). They also correlated with the outcome of a committed CVM approach as a powerful management tool with profit maximization. They recommended to target out selling strategy so as to yield the best investment return for the insurer.[87]

Waters, H R (with Dickson, D C M) observed in their study on "Multi-period aggregate loss distributions for a life portfolio," algorithms for the calculation of the distribution of aggregate claims from a life insurance portfolio been derived by Kornya (1983), Hipp (1986) and De Pril (1989). All these authors considered impact of life solvency in the distribution of the aggregate claims from a life portfolio over several periods.[88]

Zeissink, Andrew, Practical Shareholder Value Management For Life Companies, focused on shareholder value strategies in the insurance industry. Shareholders are expecting return on their investment commensurate with the risk they are taking. To satisfy the shareholders' expectation, insurer must generate a stream of future distributable cash flows which give the desired ROCE (Return on Capital Employed). This rate of return can be equated to the "cost" of shareholder capital. The shareholder value of a company can then be defined as the present value of future cash flows, discounted at an applicable rate of return and this can be equated through efficient investment management that he concluded.[89]

2.3 Methodology

The methodology followed for collecting the necessary data and other information regarding the problem of investment of insurance fund in Bangladesh comprised of the following:

(a) Literature Survey

(b) Pilot Survey – eight insurance companies

(c) Primary investigation in Bangladesh Insurance Association (BIA), office of the Chief Controller of Insurance (CCI), Bangladesh Insurance Academy, Securities and Exchange Commission (SEC) and Stock Exchanges (DSE and CSE) specially for the listed companies.

(d) Primary investigation in all most all insurance companies both listed and unlisted which constitute the population of the study.

Each of these steps is discussed as follows:

(a) **The Literature Survey:** Literature review was carried out to be acquainted with text books, journals, papers, research work, government publications, magazines, internet (for latest information) and other published materials on the subject of Investment of Insurance Fund. For this purpose, the researcher visited the libraries at University of Dhaka, Institute of Business Administration (IBA), Institute of Cost and Management Accountants of Bangladesh (ICMAB), Institute of Chartered Accountants of Bangladesh (ICAB), BSB, Bangladesh Institute of Bank Management (BIBM), World Bank, Bangladesh Bank, United Nations Information Center Library, Public Library and browse huge number of WEB SITES pertinent with the topic.

(b) **Pilot Survey:** In order to detect the underlying causes behind the poor growth of investment comparing with the premium earnings of the insurance companies in Bangladesh, a pilot survey was conducted in the eight insurance companies analyzing their investment policies, returns, risks and portfolios of investment. This survey was conducted on two life insurance companies and six general insurance companies. Each of these companies was asked to fill in a questionnaire regarding problems and constraints in managing investment of insurance fund (Researcher may be contacted for the questionnaire).

The results of the pilot survey are that the life insurers' investment growth is slower than the growth of insurance fund and general insurers are substantially dependent on investment income. As claim ratio is high in the general insurance companies hence underwriting profit is low, some times negative, for this reason general insurers are to meet their management expenses from the investment income although the investment growth is lower.

(c) **Investigation** in the office of Bangladesh Insurance Association, Chief Controller of Insurance involved perusal of official document relating to Investment of Insurance Fund, related regulations and their views regarding the future amendments of the Insurance Act 1938 and Insurance Rules 1958. For the listed companies' performance, researcher visited the SEC, DSE and CSE offices.

(d) **Investigation** in all other insurance companies involved collection of the Annual Report (Life Revenue Accounts, Marine Insurance, Fire Insurance, Motor Insurance and Miscellaneous Insurance Revenue Accounts, Balance Sheet), Auditor's Report, and Director's Report. Interview with the Managing Directors (MD's) and Chief Finance Officers (CFO's) are also conducted by the researcher. Needless to say that this data collection and MD/CFOs interview were a job of next to impossible as all those executives are highly tight scheduled and hence 8 to 10 times interview had to take for each company, besides many of them were reluctant in giving information/data.

2.4 Time Period Covered by the Study

The financial data were collected for a maximum of ten years and minimum of three years. Three years, because around 30 companies out of 61 were launched before three years ie in the year 2000 and 2001. The research work was officially launched on 17 January 2004 but the work was started from the middle of 2002 under supervision of Late Dr. M. Habibullah, the living legend in the field of commerce education in Bangladesh.

2.5 Chapter Summary

An insurance company may be deemed as sick or company with unsound investment which has incurred lower growth of investment than the growth of premium for any three years in its life cycle and it has become dependent on premium income for mitigating management expenses rather investment return. Besides the above, an insurance company may also be deemed unhealthy which has high management expenses ratio (Management Expenses/Total Premium) and low yield rate.

In Bangladesh, sickness regarding investment of insurance fund has become a matter of grave concern in view of absence of modern legal framework, disappointing capital market performance and non-existence of professionalism of field force (agent).

An insurance company may become unhealthy due to internal and external factor or a complex interplay of both of them. At the early stage of commencement of insurer, some specific symptoms of investment sickness become apparent this must be diagnosed properly. Slower insurance fund generation, excessive management expenses, high claim ratio, poor return on investment (ROI) are the symptom of investment sickness.

The various financial and accounting data can become a very useful tool for diagnosing investment sickness. Empirical research has shown that accounting ratios and trend analysis can serve as a useful tool of diagnosing and predicting investment sickness. Timely and precise identification of investment sickness in insurance industry is of crucial importance in this respect.

In this particular study, a modest attempt was made to examine the utility of the accounting ratios (Univariate and Multi-variate Approach) and trend or growth rate analysis for evaluating the causes of problem of investment of insurance fund in Bangladesh. This was again supplemented with non-financial information and expert opinion survey.

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Chapter - 3

Investment Opportunities Availed by Insurance Companies in Selected Countries

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Investment Opportunities Availed by Insurance Companies in Selected Countries

3.1 Introduction

The investment of insurance fund is an important element for the survival and development of insurance business. If insurance investment is well managed in a country, the insurance will help in developing the country and accordingly the solvency of insurance companies and the stability of insurance operation will be better. Otherwise, the insurance industry will stagnate. Once the fund of insurance companies were simply deposited in banks. Later the insurance funds are invested in many fields, such as in real estate, securities, trust, and loans. Therefore a large amount of bad debts came into being. Now it is a phase of gradual development promulgating some investment policies by the Chief Controller of Insurance (CCI). However, because the restriction of insurance investment is too tight, and interest rate has been reduced for several times up to Single Digit (i.e., 9% for one year FDR rather than 10%), the insurance industry is facing trouble in managing insurance fund.

Therefore, perfection of the insurance fund investment is significant to the survival and development of insurance industry in Bangladesh. People hold two opposite opinions in Bangladesh. Some has belief that strict supervision should be advocated. Because insurance companies are enterprises that deal with risks, they should pay more attention to prudent operation than any other enterprise. As a result, insurance funds should not be invested in those high-risk industries and high-risk investment means. The investment means should be limited to bank deposits, financial bonds and government bonds. The others belief that the supervision of insurance investment should be liberalized (this impression found through questionnaire of insurance executive). The pattern of insurance investment should be flexible also. Insurance funds should be invested in stock market, real estate, corporate bonds and mortgage loans according to prescribed investment proportion. Besides, insurance fund can also be invested in health sector (e.g, Hospital, Pharmaceuticals, Medical Equipment Manufacturing), in education sector (e.g, University, College, Training Institution). For example, New York Life Insurance Company has a University named 'New York Life Insurance Company University'.[1] In fact, there are some difficulties in carrying out both the opinions. If we support the former opinion, without liberalizing insurance investment means, the insurance company can only maintain its survival by the means of raising the premium rates. If we want to further develop this insurance industry, we should insure profit from premium directly. This measure will violate the basic function of insurance. In reality, many insurance companies have to minimize the premium rate to expand business because of competition. Obviously in the condition that the means of insurance investment are strictly limited, it will have negative impact on the compensation ability of insurance companies. Therefore, the insurance is confronted with a dilemma: if insurance companies don't underwrite the insurance business, it will be difficult for them to survive; if they expand their business, it is also difficult to survive because of the limited ability of compensation.

According to the latter opinion, it is a main trend of modern insurance investment. However, the investment risk is still very high in Bangladesh because transaction rules and investment environment are both imperfect in Bangladesh. The insurance funds are difficult to be withdrawn once invested, and this is against the aim of increasing the ability of compensation. Obviously, the more funds are invested, the more risk can be taken. Even if the government relaxes the control of insurance investment, insurance companies may not invest in those industries with high risks. It seems that the insurance investment is still in a dilemma: if insurance companies do not invest, it is difficult to survive and develop; if they invest, it is also difficult to survive and develop because of huge credit risk.

Obviously, insurance investment is the key for the development of insurance industry in Bangladesh. Which course to follow for the insurance investment in Bangladesh? On the basis of the review and comparison of insurance operation and evolution process of various countries, this chapter brings forward the concept of consummation the supervision of insurance investment in Bangladesh.

Researcher defines and analyzes all investment means or component of investment thoroughly in the following sections which will have portfolio and regulatory framework of investment of insurance fund of some countries.

3.2 Investment of Insurance Fund in UK

Researcher did thorough analysis of the principles, patterns and regulations of investment of insurance fund in UK keeping in mind to find the differences between Bangladesh scenario and UK scenario. In this regard researcher used books and publications of Chartered Insurance Institute (CII) of UK.

3.2.1 General Principles

Insurance companies accumulate vast sum of money on behalf of their policyholder and, in addition, the proprietary companies hold considerable amount on shareholders' account in the form of capital and reserves in UK. Naturally, the companies must employ this money profitably and, taking into account the possible need to draw on the money to pay out claims, they invest the money in various ways. Substantial investment returns are essential to a long-term fund (life insurers) and are important to a general fund (general insurers) especially where underwriting losses and inflation otherwise jeopardize reserves of insurer.

Separation of Investments. Although the Insurance Companies Act 1958 required separation of the industrial assurance funds and the ordinary long-term business funds from the others, separate investments were not stipulated. However, the Insurance Companies Regulations 1973 provide that from 1 January 1974 insurers must segregate the assets and liabilities relating to long-term business from the general business assets and liabilities. Many insurers have voluntarily separated assets for their long-term business from general assets for many years, thus following a dual investment policy, although others have invested both long-term and general assets together. While the industrial assurance funds must be kept separate from the ordinary long-term business funds, there is no legal requirement to keep the investments of each separate from one another, this is a convention of UK.

3.2.2 Past Investment Principles in UK (Bailey's canons)

It is usual to quote five principles laid down by A. A. Bailey, which were followed before the Institute of Actuaries came in
62, as the starting point for investment theory. It must be remembered that these principles were originally applied to the investment of Life funds and that the economic and investment background of over 100 years ago was very different from that of today.

The five principles are:

(i) The first consideration should invariably be security of capital.
(ii) The highest practicable rate of interest should be obtained, but this principle should be subordinate to the previous one.
(iii) A small portion of the total funds should be held in readily convertible securities for the payment of current claims and for any desirable loan transactions.
(iv) The remaining and much larger portion may be safely invested in securities which are not readily convertible.
(v) As far as practicable, the fund should be invested to aid the life assurance business.

Bailey went on to suggest that the English funds (i.e., British government securities) were altogether un-suitable for life assurance investments because, while the interest was secure, the capital was subject to inconvenient fluctuations. The investment background to Bailey's canons was of a market consisting mainly of mortgages, reversions and undated UK government securities. Additional investments were available in freehold and leasehold ground rents and property.

Principles (i) and (ii) appear to be incompatible since absolute security of capital is to be obtained. However, it is in considering the investment of life funds in mortgages that these principles apply and 80% of life investments were in mortgages in 1862. In looking at a mortgage proposition the first consideration still is the security of capital and after that the highest attention is also paid to the ability to pay the interest on the loan. Principles (iii) and (iv) arose because in Bailey's time most of the investments were not readily realizable.

3.2.3 Present-Day Principles (Pegler's Principles)

Investment conditions have changed so much since Bailey's time that his five principles are no longer really suitable as the basis of a sound investment policy for insurance companies. The major part of the investment portfolio is now placed in stock exchange securities, which were not then available. Equity shares, preference shares, debentures, dated UK government securities-none of these can be properly fitted into the background of Bailey's canons. However, to see the trend of investment policy, researcher analyze the canons since they provide the background to past investment policy.

There have been a number of discussions of investment principles at the Institute of Actuaries in 1950s commencing with a paper presented by J.B.H. pegler in 1948. This suggested a new set of principles which provides a more realistic theoretical framework for the investment of the funds of an insurance company.[2]

(i) It should be the aim of insurer investment policy to invest its funds to earn the maximum expected yield thereon.

(ii) Investment should be spread over the widest possible range in order to secure the advantages of favorable, and minimize the disadvantages of unfavorable, political and economic trends.

(iii) Within the limits of the second principle, offices should vary their investment portfolios and select new investments in accordance with their view of probable future trends.

(iv) Offices should endeavor to orientate their investment policy to socially and economically desirable ends.

The first principle was intended to replace Bailey's first two principles. In calculating the yield on an investment, Pegler suggested that it was appropriate to take into account not only the purchase price and current dividend, but also the likelihood of a change in dividend on equities and the ability to continue paying return on securities. In addition, his 'yield' would take into account the risk to the capital, i.e., would the capital value be likely to remain at least at the purchase price or even rise (including the ability to repay under redeemable securities)? Thus, his yield would take into account both the income and the capital on the security, unlike Bailey, who treated security of capital as being more important. The calculation of expected yield is essentially subjective since there is no method of determining the future progress of a security but the usefulness of the concept is undoubted. It explains why many equity shares provide a lower yield than government securities although the security of both income and capital of the latter is easily greater than for equities. For equities, the 'expected yield' can be greater due to the growth potential of the company concerned, and of its profits. Also, since 1948 inflation and government restriction on dividend have become additional factors to bring into the yield assessment.

Pegler's second principle requires a spread of investments and this is followed by all-insurance companies. The spread is by type of investments (basically fixed interest against equities), by industry geographically within the country of operation and by term for redeemable securities. However, within this, investments would normally be chosen in such way that they match the general nature and term of the office's liabilities. The third principle permits the taking of 'views' as to the likely future trends, which is the art of investment. If insurance investment was not producing socially and economically desirable ends, it is quite likely that there would be Government intervention and so Pegler's fourth principle have been taken into account by the UK Government.

3.2.4 General and Life Insurance Investment in UK – a Comparison

General insurance funds have different type of problems from that of the life funds regarding investment principles. Pegler's four principles can still be applied but it is necessary to take into account both the short-term nature of the contracts and the catastrophe risk.

Because of the short-term nature of non-life business (general insurance) large funds do not build up in the same way as in life business, although there are still substantial amounts to invest. On general insurance account it is quite possible for outgo exceeding income in any one year - for many companies it has occurs in recent years. Therefore, it is necessary in framing investment policy to arrange sufficient readily realizable securities to be available to cover such contingencies.

Most general insurance funds are taxed on profits including any capital profits on investment - most of them are treated as dealers in securities which means that capital profits net of losses on investments are treated as trading profit. But life insurers are taxed on the basis of surplus determined by an independent actuary.

Generally life liabilities are long term with some pension liabilities being extremely long term - a young man joining a scheme at 18 could be a member for over 60 years including the period during which he receives pension. As a result, life funds usually invest in long-term securities. Very little money is invested in short-term securities. The income (premium) of a life office generally exceeds the outgo so that all claims, expenses, etc., can be paid out of premiums and investment income without the need for realizing any investments.

A considerable number of theory has been evolved by actuaries as to the appropriate term (period) for life fund investments and generally it has been concluded that matching the maturity dates, where fixed, of the investment portfolio to be in line with the maturity dates for liabilities under life policies minimizes the risk of investment losses falling inequitably on different policyholders. Unfortunately, translating this into practice is very difficult but the theory also shows that it is better to err on the long-term side than on the short. Most of the life insurers in UK invest their fund in medium to long-term whilst pension funds invest in long-term one.

Investment principles are affected by taxation in every country in the world. Life fund taxation is very complicated but varies from 35% to 40% on investment income less management expenses' for the life fund and a particular rate of tax on profit for the pension annuity fund.

3.2.5 Various Fields of Investments in UK

3.2.6.1 Government and Municipal Securities

A major part of Stock Exchange activity concerns UK government securities and UK government guaranteed securities, including those issued by nationalized industries. A large part of the investment portfolio of an UK insurance company usually consists of these types of securities. The investment is completely secure and is easily saleable on the Stock Exchange, which can deal quite easily in large amounts of stock without depressing the price; unless the circumstances are exceptional a deal of several million pounds will not affect the market.

UK government securities include all the issues made in the name of the government, such as War Loan, Exchequer and Treasury Stocks, etc. British government guaranteed securities are those issued by nationalized undertakings, e.g., electricity, gas, transport.

This class of security is divided into two distinct sections:

(i) Funded Debt - issues, which are repayable, at the government's option.

(ii) Unfunded Debt - definitely repayable. (Generally two dates are given, between which the government has an option to redeem. Redemption cannot take place before the first date and must take place on or before the final date.) Unfunded debt may be :

(a) short-dated - redeemable within five years;

(b) long-dated - not redeemable until after the lapse of five years; (if they are redeemable within, say, five to ten years, they are often referred to as 'medium dated');

(c) floating debt - ways and means advances, short term borrowings on treasury bills. [3]

Apart from the maximum security and ease in dealing offered by British government securities two other factors help the market in these securities. First, as with most fixed interest securities, there is no stamp duty payable on transfer. Secondly, and more important, the commission (brokerage) charged by the stock trader is much smaller, so costs become smaller.

Municipal Securities of UK

Insurance offices have a liking for this class of investment as the service (being the payment of interest and the repayment of capital) for these securities is usually secured on the rates, revenues and properties of the authority. Various points should be taken into account in considering municipal stocks, including the character and reputation of the local authority, the aggregate rateable value and prior charges and the purpose for which the loan is required. Issues are much smaller than for British government securities and the smaller market is the main reason for the yield obtainable on these securities. Public Boards are publicly controlled and not organized for profit. They exercise some metropolitan water utility. Important examples are Metropolitan Water Board and Port of London Authority in UK.

Commonwealth Government Stocks

Most of these securities are issued in the country in question and may be purchased by insurance companies, often in support of their business in that country. Some of the Commonwealth countries insist on some investments being made in local government securities. The securities of the old-established dominions such as Australia, Canada and New Zealand are of the highest quality. For the newer members of the Commonwealth there is often a political risk involved and, as a precautionary measure, investment in the securities of those countries is often kept to a minimum.

Foreign Government Securities

This has a very wide classification. The Council of Foreign Bondholders exists for the purpose of watching and safeguarding the interests of holders of foreign bonds. Most offices only hold foreign government and similar securities because of insurance operations in the particular countries. The local laws often insist that a certain amount of such investment is included in the portfolio if the office is to transact business in that country (for example ALICO in Bangladesh). In the more speculative regions (as far as currency is concerned), offices are naturally concerned to limit this investment to the minimum but in regions such as the United States consideration of investment policy similar to those in the UK applies.

3.2.6.2 Debentures and Loan Stocks

Debenture Stocks

Debenture stocks are a form of raising finance frequently used by joint-stock companies. Debentures are usually protected by a charge over specific assets or by a floating charge over all the assets of the company. Sometimes both forms of charge are given.[4] Trustees are usually appointed to represent the debenture holders, and assets, such as freeholds or leaseholds, are conveyed to the trustees by way of a mortgage or they are given an equitable charge over floating or circulatory assets such as stock in trade.[5]

In considering the purchase of a debenture, security of capital and sufficient earnings are the important factors. The history and future prospects of the company are investigated to ascertain the ability of the company to be able to carry out the terms of the debenture. Debentures are usually issued for a fixed term of years and the ability of the company to redeem and the means by which the redemption is to be carried out are also important factors to be considered.

Convertible Debenture Stocks

In recent years a new form of debenture has become popular in UK. Under the terms of issue, the debenture holder is given the option to convert his debenture at a fixed time in the future (say, five years from the issue of the debenture) into ordinary shares in the company at a price fixed at the time of issue.

3.2.6.3 Preference Shares [6]

Preference shares form part of the capital of the issuing company. They receive prior rights over ordinary shareholders as to dividends and (if provided by the articles of association) capital in the event of the company being wound up. As shareholders in the company, dividend is paid out of profits. Preference shareholders receive a fixed dividend on the capital subscribed and they are paid this dividend before any dividend can be paid to the ordinary shareholders. Preference shareholders rarely have voting rights unless their dividends are in arrear. There are various types of preference shares of which the following are the most attractive to the insurer as a profitable investment: Cumulative preference shares, Participating preference shares and Redeemable preference shares. [7]

Under corporation tax in UK, preference shares appear to have a distinct advantage for the corporate investor. In the normal market position preference shares produce a higher gross yield than debentures since they have a less rigorous entitlement to receive the dividends payable on the shares than debenture-holders for their interest. However, the dividend on preference shares is paid out of the taxed income of the company (interest on debentures is paid out of the untaxed income).

3.2.6.4 Ordinary Shares [8]

Ordinary shares are part of the capital of the company. The holders of the shares have proprietary rights in the company and residual profits (and capital on winding-up) of the company 'belong' to them after all prior charges and dividends to preference shareholders have been met. Investors in ordinary shares of a company suffer most in the event of a decline in the fortunes of the company but they also stand to profit most by improving fortunes of the company.[9]

UK insurance companies are looking into the following points before investing in Ordinary Shares:

- (i) Nature of the company's activities, the state of competition and scope for expansion.
- (ii) Quality of the board and management.
- (iii) Capital structure – amounts of ordinary, preference and debenture stocks and the rights and powers of each.
- (iv) Amount of surplus earning over the amount required to service the contemplated investment.
- (v) At least a five-year comparison of the trading results and balance sheet items and of the financial record (including debenture, interest and dividend records) of the company.

(vi) Growth prospects.
(vii) Current rate of dividend and the market price of the shares.
(viii) Marketability of the shares.

3.2.6.5 Options

An investor can buy a right to purchase a security at a future time is called option. These options can be exercised or sold in the Stock Exchange. An investor buying a call option with the hope that the share price will rise. The seller of the option will want the reverse to happen so that the option will not be exercised and he will make profit by the amount of the premium. An investor purchasing a put option will hope the share price will fall and sell them at an immediate profit. The seller of the option will be hoping for the reverse. [10]

3.2.6.6 Investment Trust and Unit Trusts

Investment trusts are limited companies, which invest their resources in a balanced mix of securities. Usually there is a proportion in many of the different classes of investment available on the stock market and in some cases a small proportion is placed in non-marketable securities such as shares in small private companies. Alternatively, the trust may specialize in overseas shares or in the shares of companies in a particular industry. Investment trusts often borrow a considerable amount of money by issuing of debentures as well as issuing share capital. The purchase and sale of ordinary shares in an investment trust is being done through the stock market in the ordinary way. [11]

Insurers in UK do not invest in unit trusts except in support of equity-linked life business. Unit trusts are slightly different from investment trusts. Unit trusts are not limited company but are trust under the care of managers. Their resources are invested in stock exchange securities in a similar manner of investment trusts. It is usually possible to buy additional units in the trust from the managers at any time at a price, which depends upon the market value of the portfolio of investments in which the trust places its money. The money invested by the trust consists solely of the money subscribed by unit trust holders plus any interest or dividends retained for further investment, instead of being distributed to the unit holders. There are a variety of types of unit trusts which make their investments in accordance with different aims, e.g., some trusts aim for a high income and some aim for large capital gains. [12]

3.2.6.7 Property

It would normally be assumed that this included the property situated upon the land (building) as well as the land itself. Usually insurance companies own the head office and branch office buildings. Most of the property investments held by general insurance funds consist of buildings of this type and some of the life fund property investments will also be for own use by the company.

In recent years, a number of life insurers have expanded into the field of property ownership as an investment. This is an equity-type investment since the rental received is expected to increase over the years in a similar manner to dividends from shares of a company. To carry on investment in property successfully it is necessary to have a substantial portfolio, which will be sufficient to bear the running expenses of a property department geared to the maintenance of the property and the collection of rents. Most of the investment is in shop and office buildings, though some investments are in flats. [13]

Property may be owned freehold or leasehold. In the first case, the land and building are of the owner. In the latter case, only the buildings are owned and the land is owned by some other person who is entitled to get ground rent and is usually also entitled to get the buildings on the land at the expiry of the lease. Purposes of leases of land for building often include restrictive covenants regarding the use of the land. Leases are usually made initially for terms of 99 or 999 years. The reversion of the building is only important for 99 years leases and in this case it is normal for the lease to include a requirement for the property to be in a good state of repair at the end of the lease – this may entail the leaseholder expending substantial sums of money at the end of the lease to put the property in order before handing over to the freeholder.

3.2.6.8 National Savings [14]

National Savings products are UK government products which can be bought easily through post offices. They are all guaranteed by the government. There are various different types of product, as follows. All these products are investments under the FSA (Financial Services Authority) of UK.

<u>National Savings Certificates (NSC)</u>

These are savings contracts virtually continuous offer from the UK Government. There are over 40 issues of these certificates, each of these have different rate of return. The certificate is bought with a lump sum and no interest is paid, but after a set period it can be redeemed at a higher value. If it is not redeemed, the general extension rate is paid. These certificates can be bought and redeemed at post offices.

<u>National Savings Index-Linked Certificates (NSIC)</u>

These are National Savings Certificates having return that is not predetermined. These NSIC are linked to the inflation rate. If certificate cashed in the first year, only the cost price is repaid. However, if it is held for over a year the repayment is index linked so that the return will match inflation, as measured by the Retail Prices Index (RPI). In the unlikely event of the RPI falling, the value will not fall below the original cost price.

National Savings Income Bonds (NSIB)

These are bonds which pay interest monthly at a variable rate. Rates are changed from time to time and usually announced in the newspapers. Bonds can be cashed in at any time giving cost price, subject to three months' notice. These can also be bought from post offices.

National Savings Capital Bonds (NSCB)

These are bonds that have compounding the interest in the bond to increase its capital value. The bond has guaranteed returns at a fixed rate for a particular period. At the end of the term the capital and interest is repaid.

3.2.6.9 Mortgages and Loans

Industrial and Commercial Mortgages

When the owner of property, leasehold or freehold, wishes to borrow money on the security of his land and buildings, he usually does so by way of mortgage. Care is required in investigating the security offered for the loan and it is usual to have an independent valuation by an expert. It is not usual to grant a mortgage for an amount of more than, say, 70% of the value of the property as a saleable proposition, but this ratio would be modified in accordance with the circumstances of the individual case. A property would be unsuitable as security for a mortgage if its value was dependent upon special conditions.

In addition to looking at the value of the security offered so as to ensure that the amount lent will be well secured, attention is paid to the ability of the borrower to pay the interest on the loan. For a public company, published accounts are readily available but many requests for loans are received by insurance companies from private companies, partnerships and even private individuals. In such instances, it is the practice to ask for five years' trading accounts, profit and loss accounts and balance sheets and a study of these is made to show the soundness of the business and the ability to service the loan. Arrangements must also be made to ensure repayment of the loan when it falls due.[15]

House Purchase Mortgages

Some insurers lend a large amount of money in this way. This business is in direct competition with the building societies in UK. Repayment of the mortgage is done by means of an endowment policy taken out with the insurer making the loan. The terms of the mortgage usually provide that the property insurance shall be placed with the lending insurer of some other insurers nominated by it.[16]

Loans on Company's Polices Within Their Surrender Value

So far as the insurer is concerned, no more secure investment is possible than a loan on the security of its own life policy. It is usual to require the deposit of the policy deed. Most life offices, however, consider this to be one of the services offered to life policyholders. Loans are usually restricted to 90% of the surrender value of the policy. If interest is not paid when due it is common practice to capitalize it, that is, to convert the unpaid interest into an addition to the loan on which interest will be charged in future. In an effort to reduce the expenses involved with such loans, some offices now capitalize all interest automatically when due unless the policyholder makes a specific request to be allowed to pay the interest and to be advised of the amount when it is due.

3.2.6.10 Gilt-edged Securities

'Gilts' are UK government stocks and are often called fixed interest stocks because the interest rate is fixed and guaranteed by the government.

Gilts can be bought directly from the government or from the Stock Exchange because these are listed securities. Once a stock has been issued its price will be quoted on the Stock Exchange and can thus vary in every day, although prices are government guaranteed they are much less volatile than company shares. Gilts need not to be issued at par value that is a Tk100 stock may be issued at a discount such as Tk. 95 but profit is based on Tk.100.

3.2.7 Investment Portfolio of UK Insurers [17]

Researcher analyzed trend of 72 years (researcher may be contacted for portfolio distribution) investment portfolio distribution of UK insurance companies as extracted from the research paper available in Bangladesh Insurance Academy (BIA) library. The following table shows the portfolio of investment of the members of the British Insurance Association (BIA) from 1995 to 1999 only but earlier portfolio of investment of UK insurers are being kept with researcher.

The Pattern of insurance investment in UK is diversified. People always pay more attention to securities, but mortgage loans and real estate are always neglected. In 1978, securities investment was up to 66.8% of the total, and a mortgage loan was up to 8.1%. In 1984, securities investment of life insurance companies was up to 79.3% of the total while real estate was 8.5% and loan was 3.1%. In 1988, securities investment was up to 66.12% of the total, mortgage loans about 8%. Since long, the insurance investment in UK has been up to more than 10% of the total investment in UK, and long-term securities transaction up to more than 30%. In 1978, among the assets of non-bank institutions, the insurance investment was up to 36.12% in UK.

Investment Portfolio (%) of UK Insurance Companies

Type of investment	*1995*	*1996*	*1997*	*1998*	*1999*
1. Domestic : Securities including					
government bonds	13.0	13.2	13.5	14.4	11.7
ordinary stocks	46.9	46.6	48.1	45.8	48.2
corporate bonds and preferred stocks	4.4	4.2	4.5	5.5	5.8
2. Foreign : domestic securities					
Including : government bonds	20.2	19.9	18.3	19.2	20.4
ordinary stocks	2.5	2.4	2.0	2.7	2.7
corporate bonds and	17.0	16.7	15.4	15.3	16.5
preferred stocks	0.7	0.9	0.9	1.2	1.3
3. Loans and mortgage	0.7	0.6	0.6	0.7	0.6
4. Other assets	4.3	4.5	4.2	3.9	4.9
5. Land, property and land rent	5.3	4.9	4.7	4.5	4.1
6. Short-term assets	5.2	60.	6.0	5.9	4.4
Total assets	***100%***	***100%***	***100%***	***100%***	***100%***

Source: The Third volume, Investment of Insurance Companies in UK.

3.3 Investment of Insurance Fund in USA

To monitor insurance companies in USA, every state has separate department, division or board. These state insurance departments, divisions or boards operate under the direction of a commissioner, director or superintendent of insurance, who may be elected or appointed. Functions and operations of each state departments of insurance inter alia the following:

1. Promulgating rules and regulations.
2. Licensing and supervising insurance companies formed within the state.
3. Licensing and supervising insurance agents and brokers.
4. Controlling the kinds of insurance contracts and policies that may be sold in the state.
5. Determining the amount of reserves an insurer must maintain.
6. Regulating the investment activities of insurers.
7. monitoring insurer's selling practices and investigating policyholders' complaints.[18]

In line with the above functioning of state insurance department, insurers may invest (besides usual investment means like US Government Securities, Corporate Securities, Mortgage, Real estate, Policy loans etc) the insurance fund in:

(a) 'Obligations of the United States Government and its agencies;
(b) Warrants issued on the State Treasurer;
(c) State bonds;
(d) Bonds or other evidences of indebtedness of any domestic corporation that is an agent of the state or of any city, country, or school district of the state, secured by a mortgage on real estate in respective state that has been conveyed to the corporation by any city, county, school district, or state educational institution, and which the corporation has leased and given the option to lease to the city, county, school district, or state educational institution, with option in the lessee to purchase the property, or an interest therein, on the payment of the aggregate sum of the bond issue, plus the expenses incident to the issuance of the bonds and the formation and dissolution of the corporation, subject to credit of the amounts paid as rental for such property; and
(e) School bonds issued by cities.

The Finance and Administration Cabinet shall not approve investments on which there has ever been a default in payment of principal or interest preceding the date of acceptance by the State Treasurer. All income from investments shall be credited to the state insurance fund.'[19]

American insurance companies are operating under strict legal constraints regarding investment of their fund. These were imposed by the Finance and Administration Cabinet to save policyholders from unsound management of insurance fund. Pressure of investible funds, demand for capital financing from industry, changes in the policy of corporation finance and variations in interest rates have resulted in the gradual flexibility of legal bars imposed by each State in USA.[20]

For better understanding the prevailing investment behavior of insurance companies in USA, it is necessary to look to their past history and examine their course of investment management especially during a rapid sequence of economic depressions and unstable periods of prosperity[21]. Companies have shown considerable investment preference for corporate bonds and mortgages to the neglect of other investment areas especially government securities and stocks. Economic and financial pressures have changed the ratio of these investments[22] which can be seen in the following table:

Investment Portfolio (%) of Life Insurance Companies in USA

Year	Govt Securities	Corporate Securities		Mortgage	Real estate	Policy loans	Misc. assets	Total (%)
		Bonds	Stock					
1917	9.46	33.24	1.40	34.02	3.01	13.63	5.23	100
1920	18.43	26.63	1.02	33.36	2.35	11.73	6.48	100
1925	11.36	26.19	0.70	41.67	2.31	12.53	5.23	100
1930	8.0	26.11	2.75	40.24	2.90	14.87	5.17	100
1935	20.36	22.89	2.51	23.07	8.57	15.25	7.34	100
1940	27.42	28.07	1.96	19.39	6.70	10.03	6.42	100
1945	50.33	22.46	2.23	14.81	1.91	4.38	3.88	100
1950	25.18	36.31	3.28	25.15	2.26	3.77	4.05	100
1955	13.08	39.71	4.02	32.56	2.85	3.64	4.14	100
1960	9.88	39.09	4.17	34.93	3.15	4.37	4.41	100
1965	7.49	36.66	5.74	37.77	2.95	4.83	4.55	100
1970	5.34	35.27	7.44	35.89	3.05	7.75	5.26	100
1975	5.25	36.58	9.70	30.82	3.33	8.46	5.87	100
1976	6.30	37.53	10.66	28.47	3.26	8.03	5.75	100
1977	6.70	39.20	9.60	27.54	3.14	7.83	5.99	100
1878	6.81	40.02	9.11	27.23	3.02	7.73	6.09	100
1979	6.87	39.09	9.20	27.39	3.01	8.06	6.38	100
1980	6.89	37.48	9.88	27.35	3.14	8.64	6.62	100
1981	7.51	36.86	9.07	26.20	3.48	9.26	7.63	100
1982	9.44	36.18	9.48	24.14	3.51	9.00	8.26	100
1983	11.70	35.44	9.90	23.06	3.39	8.25	8.25	100
1984	13.80	35.84	8.76	21.67	3.56	7.54	8.82	100
1985	15.09	35.94	9.38	20.80	3.49	6.58	8.71	100
1986	15.42	36.47	9.69	20.68	3.37	5.77	8.60	100
1987	14.50	38.84	9.24	20.44	3.27	5.13	8.58	100
1988	13.69	41.16	8.94	19.96	3.20	4.65	8.39	100
1989	13.71	41.40	9.66	19.56	3.07	4.42	8.18	100
1990	15.00	41.37	9.12	19.18	3.08	4.45	7.83	100
1991	17.37	40.20	10.61	17.10	3.01	4.28	7.44	100
1992	19.23	40.26	11.56	14.82	3.04	4.33	6.76	100
1993	20.89	39.68	13.70	12.45	2.95	4.23	6.11	100
1994	20.37	40.70	14.51	11.09	2.77	4.40	6.16	100
1995	19.09	40.55	17.35	9.88	2.45	4.48	6.21	100
1996	17.64	41.32	19.50	9.10	2.17	4.37	5.90	100
1997	15.17	41.10	23.20	8.14	1.79	4.05	6.55	100
1998	13.42	40.32	26.82	7.56	1.46	3.70	6.63	100

Although UK is similar to USA, the significance of their respective investment items is different. In USA, the most funds are invested in bonds, then in mortgage loans, stock and real estate; and in UK, the sequence is bonds, stock, real estate and mortgage loans. The situation and revolution of insurance investment in UK and USA have been analyzed as follows:

Comparison of portfolio of USA and UK insurance investment (1989)

	USA %		UK %	
	Life Insurance	Non-Life Insurance	Life Insurance	Non-Life Insurance
Securities	86.3	97.4	72.3	79.3
Real Estate	1.8	-	17.4	8.5
Loans	9.2	1.6	5.5	3.1
Bank Deposits, Trust Deposits and Others	2.7	1.0	4.8	9.1
Total (%)	***100***	***100***	***100***	***100***

Source: Sigma, Economic Studies (Swiss Rc), p.25

From the above, we can say that securities investment accounts for the highest proportion of the insurance investment of two countries, the proportion of insurance securitization in USA is higher than that in UK. The proportion of securities investment in non-life insurance companies is higher than that in life insurance companies. Because life insurance companies have long span of operation, they have more real estate investment. In UK, the ratio of real estate investment is 17.4% that of loan ranks the second place. In US, the proportion of loan in life insurance companies reaches 9.2% and that of policy loan in non-life insurance companies 1.6%. The investment in deposit is the fourth choice. The ratio of bank deposit of non-life insurance companies in UK is higher than that of life insurance companies, which is related to the liquidity demanded by the short-term character of non-life insurance business. However, from portfolio point of view, there are some differences between two countries. It is obvious that the degree of securitization is high in these early industrial countries. Securities investment amounts to more than 70% which benefits the profitability and liquidity of assets.

3.4 Investment of Insurance Fund in India

3.4.1 Investment Portfolio Analysis

Investment of insurance funds in India is under the purview of section 27(A) and 27(B) of the Insurance Act 1938. Before nationalization of insurance industry, a large number of insurance companies were controlled by industrial groups and there was considerable public criticism regarding the abuse of insurance fund. The object of section 27(A) and 27(B) was to ensure that these funds which were in the nature of trust funds were so invested as to achieve minimum security and protection for the policy holders' interest, to check speculation and to utilize the money in the promotion of state policy of economic advancement.

Section 27(A) Provides that 25% of the life funds should be investment in Government Securities, further 25% is required to be invested in approved securities, and of the remaining 50% of the investible funds a minimum 35% should be invested in 'approved investments'. Investment of the balance 15% fund is left to the discretion of the life insurers provided that the investment to be made after obtaining the recommendation of the Investment Committee, or if no such recommendation can be obtained, on a resolution passed by a majority of at least three-fourths of the board members present at the meeting.[25]

'Report of a committee to review the working of LIC (Life Insurance Corporation of India)' had an opinion that the provision regarding investment of certain percentage in Government Securities was brought in only with a view to ensuring security and protection of the policy holders and not with a view to generate funds by the Government for its own plans and purpose which is similarly applicable to the insurance industry in Bangladesh.[26]

The 'Approved Investments' encompass the following investment means:

- 'Debentures issued by a Municipality with the permission of the State Government.
- Debentures secured by a first charge on immovable property, plant or equipment of any company which pays interest on such securities for a certain number of years in the past or fulfils some other conditions.
- Cumulative Preference Shares of a company fulfilling certain conditions.
- Shares of any company which have been guaranteed by another company which fulfils certain conditions.

- Shares of any company on which dividends of at least 4% have been paid for a number of years.
- Immovable Property.
- First mortgage of immovable property fulfilling certain conditions.
- Loans to any authority or cooperative society where payment of principal and interest are guaranteed by Government.
- Loans on life interests or within surrender values.
- Deposits in scheduled banks.
- Deposits with cooperatives for financing other cooperatives, debentures or shares of cooperatives'.[27]

The Insurance Act 1938 has now permitted investment in the securities of private limited companies provided the prior approval of the Central Government. These investments were prohibited for the erstwhile insurance company that is before nationalization. Another important change is that the maximum limits of holdings of the Corporation in an insurer have been raised from 10% to 30% of the subscribed ordinary share capital with a further scope for exceeding this limit with the prior permission of the Government.[28]

On the basis of forgoing analysis regarding percentage distribution of investment of insurance fund, researcher examines portfolio distribution of the Life Insurance Corporation (LIC) of India which is as follows:

Portfolio of Investment of the LIC 1957 to 1967-68

Year	Government Securities	Corporate Securities	Loans	Mortgages	Real Estate	Others	*Total (%)*
1957	57.5	15.0	8.5	3.0	4.7	11.3	*100*
1958	60.9	14.5	7.9	2.6	4.7	9.4	*100*
1959	59.9	14.0	9.6	1.9	4.2	10.4	*100*
1960	60.8	14.5	10.4	1.5	4.3	8.5	*100*
1961	59.9	14.5	10.6	1.2	4.0	9.8	*100*
1962-63	59.5	15.7	13.3	1.1	3.8	6.6	*100*
1963-64	58.1	16.0	14.7	1.0	3.5	6.7	*100*
1964-65	55.5	16.0	15.3	1.7	3.2	8.3	*100*
1965-66	53.8	16.4	17.1	3.4	3.0	6.3	*100*
1966-67	51.5	15.3	18.1	5.5	2.8	6.8	*100*
1967-68	49.8	14.4	18.5	7.8	2.6	6.9	*100*

Source: Dr. O. P. Bajpai, Life Insurance Finance in India, Vishwavidyalaya Prakashan, p. 146.

3.4.2 Changes of Investment Rules in India

The Insurance Regulatory and Development Authority (IRDA) has decided to permit insurers to invest in put options, forward options and derivatives. The notification of this amendment to the investment regulations has been gazetted recently (January 1, 2004). Investment in Collateralized Borrowing and Lending Obligations (CBLO) created by the Clearing Corporation of India (CCI) and recognized by the Reserve Bank of India (RBI) as a money market instrument/investment has been allowed according to same notification. Such investments will be in the class of other than 'Approved Investment'.

Insurers are allowed to invest in derivatives for the purpose of hedging the funds/assets on their balance sheets. The margin or unamortised premium on such investments will be treated as Approved or other than Approved Investments as per the class to which the underlying asset belongs according to Insurance Act 1938.

The IRDA has also made changes in the formats in which investments are to be reported to it by the insurers and these forms part of the amendment notified on the same date. The changes have been made to ensure transparency and consistency in the reporting of investments[29] (researcher may be contacted for detail).

It's now over five years since the gates for venturing into the Indian insurance market were opened to private sector insurance players. With the emergence of private sector insurers, the country has witnessed eventful changes in the life insurance scenario with transformation of the layman's traditional approach towards life insurance as a concept into a multi-dimensional one and has added more meaningful features to the insurance coverage.

The existing legislations on insurance framed in the year 1938 and with the liberalization of the insurance sector, there is an urgent need for changing the insurance regulations to ensure that the insurance business promotes economic growth. This is also necessary to safeguard the interest of policyholders and shareholders and to ensure accountability of the insurers.

The liberalized industry in India has now led to the availability of more innovative products, competitive pricing, improved services and greater levels of specialized penetration into the insurance business. In this changing scenario the existing regulations would require review and revision. At the time of liberalization, when the IRDA Act was being prepared, the task of comprehensive revision of the Insurance Act, 1938 was felt necessary but was not undertaken.

The Law Commission of India implemented the process for amending the prevailing insurance laws to cater the developing trends in the insurance sector. The insurance players were invited to express their views on various issues pertaining to existing insurance regulations that may call for incorporating necessary amendments/deletions therein suitable to the present insurance environment, to explain their business concerns as well as perceptions of the market and its various complexities.

The Law Commission of India has prepared an approach paper after discussions with officials of the IRDA and other key personnel in the industry. As a result of these discussions, the following revisions to the insurance laws have been proposed:

a) Merger of the provision of the IRDA Act with the Insurance Act as there is no justification for continuing to have a separate legislation concerning the constitution and functions of the Authority.

b) Changes in definition, deletions and other amendments of Insurance Act.

c) Powers of the IRDA.

d) Obligations of the insurers under the Act.

e) Interest of the policy holders.

f) Tariff Advisory Committee – composition and powers.

g) Redressal of grievance/ claims.

h) Penal provisions.

i) Miscellaneous provisions.

Among the amendments that the Law Commission has proposed, following are the key amendments that have been encouraged by the insurance experts:

i) Insertion of a proviso in the Act to allow an amount not exceeding the aggregate amount, which was transferred from the shareholders' funds in the previous years, to be transferred back to the shareholders' funds in case of surplus, prior to the declaration of bonus to the policyholders.

ii) Amendments to Section 29 to allow the insurers to grant loans and advances to employees under a scheme of the insurer approved by its board.

iii) Deletion of a large chunk of provisions in the Insurance Act, 1938 that are no longer relevant. These include provisions under section 52H to 52N on acquisition of undertaking of insurers, Section 62 to 64 relating to external companies, Part III pertaining to provident societies and Part IV pertaining to mutual insurance companies.

iv) Deletion of Section 48 pertaining to the provisions on election of directors of insurers by policyholders.

v) Allowing insurers to maintain certain records and registers in paper less data base system.

vi) Amendment to the provisions of the Act pertaining to fines and penalties be reviewed, as the amount of fine and penalty provided is not adequate.

The industry appreciates the positive spirit initiated by the Law Commission to look at the business concerns faced by the insurers in light of some outdated provisions of the insurance laws and places the following suggestions for consideration:

The Law Commission report recommended that the provisions regarding investments under section 27A to be provided in the regulations. It is suggested that the basic provisions regarding investments should find place in the Act and the time, manner and other conditions of investment may find place in the regulations, as is the existing provision, which may continue.

The Law Commission further proposed that the inclusion of investments in mutual fund, floating rate debt instruments and financial derivatives for hedging financial risk in the list of approved investments for general insurance business (Section 27B). It is suggested that the above amendment be made to Section 27A as well as for life insurance companies. Insurance Rules, 1939 may also be amended in consonance with the amended provisions of the insurance Act, 1938.

3.4.3 Comparison of Investment Portfolio in USA, UK and India

Over ten years time period, following table shows the change of portfolio combination between various investment means in USA, UK and India:

Life Insurance Investment Pattern in USA, UK and India* (Percentage of Assets)				
		1956	1965	1967
A.	Government Securities			
	USA	12.5	6.6	5.8
	UK	29.9	20.5	19.0
	India	57.5	53.8	49.8
B.	Government Securities			
	USA	43.9	42.7	42.8
	UK	37.4	43.5	44.0
	India	15.0	16.4	14.4
C.	Government Securities			
	USA	36.2	42.6	43.8
	UK	14.2	18.0	19.0
	India	11.5	20.5	26.3
D.	Government Securities			
	USA	2.9	3.0	2.9
	UK	7.9	9.6	10.3
	India	4.7	3.0	2.6

Source: USA -Life Insurance Fact Books
UK -Life Assurance in the UK
-The Insurance Industry in Britain
India -LIC Annual Reports

* for 1956-57, 1965-66 and 1967-68

3.5 The Insurance Fund Investment in Germany

German insurance regulations encompass detail provision regarding investment of insurance fund. The Law of Insurance Industry prescribes the following: The investment of insurance enterprises' assets should be properly combined. After considering the insurance products sold and structure of insurance enterprises, they should try to realize the utmost safety of investment and highest profit and consider the solvency of insurance enterprises.[30]

The insurance companies should report to the insurance authority about related investment means. They can invest their recognized assets in the following means: mortgage loans, bonds, stocks and other securities, special assets managed by domestic investment companies, loans to certain organizations authorized by insurance supervisory agency, investment in German banks or other proper domestic financial institutions and investment in the existing buildings and related lands. The proportion of investment in the existing building and related lands can not exceed the 5% of the total recognized assets.

The value of the total or most of lands for the purpose of business operation can not exceed 10% of total recognized assets.[31] The proportion of investment in bearer bonds, registered bonds and the bonds issued in Germany can not exceed 5% of recognized assets. The proportion of investment in stocks of foreign companies can not exceed 20% of guaranteed assets and other recognized assets. The investment in loans and stocks can not exceed 20% of guaranteed assets and 25% of other recognized assets. The investment in real estate can not exceed 25% of guaranteed assets and other recognized assets.[32]

The Insurance Investment Portfolio of Germany (%)

	1990	*1993*	*1994*	*1995*	*1996*
1. Land and immovable property rights	***6.3***	***5.8***	***5.5***	***4.9***	***4.4***
2. Investment in affiliated undertakings and participating interests	***5.3***	***5.9***	***6.0***	*7.2*	*7.2*
- Shares in affiliates	5.3	5.9	6.0	4.8	5.0
- Loans to affiliates	---	---	---	0.4	0.3
- Participating interests	---	---	---	1.7	1.6
- Loans to undertakings linked by virtue of a participating interest	---	---	---	0.3	0.3
3. Other investment	***88.5***	***88.4***	***88.6***	***87.9***	***88.4***
- Shares	2.7	2.7	2.9	2.9	3.0
- Shares in pooled investment	8.9	11.0	11.2	11.7	13.0
- Other non-interest-bearing securities	0.3	0.7	0.7	0.5	0.6
- Bearer bonds and other fixed-income securities	15.2	17.4	16.1	15.5	14.4
- Loans guaranteed by mortgages and other loans	11.9	11.4	11.3	10.7	10.1
- Registered bonds	29.9	26.5	28.0	28.3	28.7
- Debentures and loans	17.1	16.4	16.4	16.2	16.4
- Policy loans	1.4	1.2	1.0	0.9	0.8
- Other loans	---	---	---	0.1	0.2
- Deposits with credit institutions	1.1	1.1	1.0	1.0	1.0
- Other investments	---	---	---	0.1	0.2
Total	***100%***	***100%***	***100%***	***100%***	***100%***

Source: Statistical Yearbook of German Insurance 1921.597 p.13

From the above table, we can conclude that in Germany, securities investment accounts for the highest proportion and then is the loan. The proportion of land and immovable property rights decreases gradually.

3.6 The Insurance Fund Investment in Italy

The regulations on insurance investment are comparatively easier in Italy. But the supervision on life insurance companies is stricter than on non-life insurance companies. Especially in the supervision of investment of pension funds, the authority not only stipulates insurance investment means, but also sets the investment proportion.[33] According to statistics, the following shows the insurance investment situation of Italian life insurance companies.

The Portfolio Combination of Insurance Investment in Italy (%)

Year	Bonds	Stocks	Real estate	Mortgage and policy loan	*Total*
1974	17.8	23.3	41.6	17.3	
1975	17.4	20.9	44.6	17.2	
1976	19.6	18.7	43.1	18.6	
1977	20.6	18.8	41.0	19.6	
1978	24.0	11.6	41.5	22.9	
1979	29.2	11.0	38.3	21.5	
1980	32.6	12.4	35.7	19.3	
1981	37.9	13.1	31.7	17.3	
1982	37.1	12.0	35.5	15.3	
1983	41.3	11.7	33.4	13.6	
1984	45.3	11.9	30.1	12.8	
1985	53.4	13.3	23.7	9.6	*100%*
1986	56.4	14.4	19.9	9.3	
1987	56.4	14.4	19.9	9.3	
1988	58.7	15.8	17.7	7.9	
1989	58.9	16.4	15.5	9.2	
1990	60.4	16.8	14.4	8.4	
1991	59.8	15.0	17.6	7.6	
1992	62.8	14.6	15.7	7.0	
1993	64.9	14.4	15.3	5.4	
1994	66.0	15.3	13.6	5.1	
1995	68.1	15.3	12.0	4.6	
1996	70.7	15.3	10.0	3.9	

Source: The Journal of European and Italian Insurance Marker, 19.3, p.20

As the cited figures are shown, the proportion of insurance investment in securities in Italy increases gradually of which is 86%. The investment in bonds accounts for 70.7%. The investment means include bonds, stocks, loans and real estate. The trend of insurance investment is that the proportion of bonds and stocks investment increases and that of real estate and loans investment decreases, showing the trend of investment in securitization.

3.7 Trend of Insurance Fund Investment in Emerging Industrial Countries

The common features of economic development in emerging industrial countries and areas are: low income level, poverty, economic instability. After Second World War, emerging industrial countries developed quickly. Aiming at accelerating the economic development, those countries paid more attention to the profitability, security and liquidity as well as sociality. The insurance investment plays an important role on promoting the economic development. For example, the insurance investment has promoted Japanese economic growth at a high speed and pushed Japan to stride into a strong economic country, the main means of insurance investment has changed from loans to securities investment. In Korea, the proportion of insurance investment in securities is higher than that of loans for the first time in 1999. In Taiwan, the proportion of loans in life insurance investment is high, and the proportion of real estate is also high because of the stable appreciation of real estate. At the same time, there is a trend that the proportion of securities is increasing in Taiwan.[34] It shows that the evolution of insurance investment structure, from other investment to securities investment, is closely related to the economic development in these emerging industrial countries.[35] To illustrate this point, the situation of the economic growth in those countries and areas will be enumerated first, and then the analysis of investment of insurance fund will be made one by one to provide some references.

Rate of Economic Growth of some Countries in Asia

Year	Japan	Korea	Taiwan	Singapore
1965-1980	6.6	9.9		10.0
1980-1989	4.0	9.7		6.1
1989	4.8	6.9	8.23	9.2
1990	4.8	9.6	5.39	9.1
1991	4.3	9.1	7.55	6.7
1992	1.3	5.0	6.76	6.0
1993	-0.2	5.8	6.32	10.1
1994	0.4	8.2	6.51	10.1

Source: (1) World Development Report.

(2) The Chinese Insurance Statistics Annuals, 1990, P-823.

3.8 Insurance Fund Investment in Japan

The governmental supervision of insurance fund investment of Japan is as like as USA. The means of insurance investment, prescribed in the new Insurance Law enforced on April 1, 1996 include: securities investment, real estate investment, bank deposits, short-term funds transaction and all kinds of mortgage loans. The following is the prescribed proportion of investment. The amount of investment in stock can not exceed 30% of total assets. The amount of investment in real estate can not exceed 20% of total assets. The bonds and stocks of a company purchased by one insurance company and mortgage loan can not exceed 10% of total assets. Lending money to one person or organization can not exceed 10% of total assets; mortgage loans on one investment can not exceed 5% of total assets.

The means of investment in Japan before 1980s were loans, securities, real estate and deposits, while since 1980s, the proportion of investment in securities and deposit tends to increasing, and the proportion of investment in loans and real estate tends to decrease. In 1986, the proportion of securities investment ranked the first position, and loans ranked the second. The deposits went up to the third, and the real estate went down to the fourth during the period from 1984 to 1986. Therefore, from 1975 to 1989, among the investment of life insurance, the proportion on loans decreased from 67.9% to 27.3%; that of securities increased from 21.7%. In this period, 1986 is a turning point. The proportion of securities exceeded that of loans for the first time. The insurance investment of Japan accompanies with the process of economic development. The features of this process are mainly as follows: firstly, attaching importance to the economic benefits of insurance investment. From 1960s to 1980s, Japan particularly emphasized on developing heavy industries. To take good advantage of this trend, insurance companies invested in machine manufacture and chemical industry. At the end of 1970s and the beginning of 1980s, Japan turned its attention to medium and small-sized enterprises in light industries, and during the corresponding period, the ratio of short-term loans of life insurance companies amounted to 61.7%. Subsequently, Japan switched to securities investment for high return. In 1975, the proportion of securities investment was only 21.7%, while it was 35.1% in 1984 and 41% in 1986 respectively, the ratio of loans to total assets decreased from 67.9% in 1975 to 39.2% in 1986 and 30% in 1988. Secondly, insurance companies care for the social benefits of investment, and pay attention to enlarging good social impact. They invest in new-type industries, public utility and social exploitation and broaden investment in living consumption and overseas investment.[36]

Structure of Insurance Investment in Japan (%)

Year	Deposit	Securities	Loan	Real Estate	Others	Total
1934-193	11.0	58.2	24.2	5.3	1.3	100%
1975	1.2	21.7	67.9	7.9	1.4	
1976	1.4	22.8	67.0	7.4	1.4	
1977	1.4	25.9	64.2	7.1	1.5	
1978	1.6	29.6	60.6	6.7	1.9	
1979	1.5	30.9	59.2	6.5	1.9	
1980	1.7	30.4	59.8	6.3	1.6	
1981	1.9	32.2	58.2	6.1	1.6	
1982	2.8	32.7	56.9	6.0	1.6	
1983	4.3	34.5	53.5	6.1	1.6	
1984	6.7	35.1	50.4	6.0	1.8	
1985	11.7	35.2	45.3	5.9	1.9	
1986	11.6	41.0	39.2	5.8	2.4	
1988	12.5	46.0	23.2	4.5	14.8	
1989	10.6	43.7	27.3	4.7	14.7	
1990	5.6	44.7	37.9	5.5	6.3	
1995	5.0	47.8	35.9	5.2	6.0	
1996	3.5	50.7	34.6	5.2	6.0	
1997	4.3	50.0	33.4	5.2	4.1	
1998	4.1	52.2	30.8	5.1	5.1	
1999	3.8	55.3	28.8	4.8	5.0	

Source: Life Insurance Association of Japan.

The table shows that the main means of insurance investment of Japan has been changed from loan to securities investment since 1986. Loans ranked backward to the second place.

3.9 Insurance Fund Investment in Korea

The patterns of insurance fund investment prescribed in the insurance Law of Korea include securities, real estate, loan or discount of draft, deposits in financial institutions, trust fund or securities of trust companies and methods authorized by the Ministry of Finance and Economy. The investment in stock can not exceed 40% of total assets. The investment in real estate can not exceed 15% of total assets. The bonds and stocks of a company purchased by one insurance company and loans guaranteed by those bonds and stocks can not exceed 5% of total assets. Loan guaranteed by one asset can not exceed 5% of total assets. Loans to one person can not exceed 3% of total assets. Loans to one enterprise group can not exceed 5% of total assets. The holding quantity of securities and stock issued by one enterprise group can not exceed 5% of total assets. The holding quantity of foreign currency, foreign real estate, foreign exchange securities can not exceed 5% of total assets. The holding quantity of stocks issued by medium and small-sized enterprises (except venture enterprises) can not exceed 1% of total assets. The share or loans of one company held by one insurance company can not exceed 10% of total stock or loans issued or borrowed by this company, with the exception of holding stocks of foreign corporations. The Financial Supervision Committee will reduce the proportion prescribed with a scope of 15% according to the category of insurance business and the asset scale of insurance companies.[37]

Since 1950, because of the changes of economic situation, the real estate investment had decreased from more than 50% to 8% in 1993. During this period, the investment pattern of life insurance funds has been converted to capital market and loans to cooperate with the governmental programs to develop the economy, to encourage exports and to develop heavy industries. Currently, the Insurance Law and the Management Rules of Insurance Funds Exertion prescribe that the ratios of each investment fund to total assets are as follows. Stock can not exceed 30%; real estate can not exceed 15% or lower; cash and deposits are 10% or lower. The government of Korea encourages insurance companies to provide more funds to loans for buying houses and the medium and small-sized enterprises.[38] The change of the structure of insurance investment in Korea is as follows.

Ratio of all investment means to total assets of Life Insurance Companies in Korea

Year	Deposit and cash	Security	Loan	Real estate	Total % (approx)
1981	6.2	18.5	62.8	12.6	100
1982	6.24.5	17.0	64.3	14.3	100
1983	4.4	14.0	67.5	14.1	100
1984	5.1	14.7	67.8	12.4	100
1985	8.2	19.5	61.4	10.9	100
1986	7.6	24.6	58.8	9.1	100
1987	7.5	25.1	59.3	8.1	100
1988	9.6	26.4	57.0	7.0	100
1989	10.2	27.1	54.8	7.9	100
1990	10.0	26.6	55.1	8.3	100
1991	11.9	28.2	52.1	7.9	100
1992	14.3	27.6	50.4	7.8	100
1993	10.6	29.0	52.3	8.1	100
1994	9.6	29.6	52.8	8.1	100
1995	14.6	29.3	48.2	7.8	100
1996	16.7	27.2	48.6	7.6	100
1997	15.8	27.2	48.5	8.5	100
1998	7.1	35.0	38.4	9.4	100

1999	4.7	40.8	32.0	8.7	**100**
2000	5.7	37.9	31.4	7.9	**100**

Source: Korea Life Insurance Data; Source of year 1998 and 1999: Standard FY; Source of year 2000: Standard 2000. The data is provided by Beijing representative office of Korean Samsumg Life Insurance Company.

Note: Proportion of special assets in 1999 and 2000 are 4.3% and 6.6%

The above table shows that the order of each investment means's proportion changes from loans, securities, real estate, cash and deposits in 1981 to securities, loans, real estate and cash and deposits in 2000. The proportion of securities has increased from 18.5% to 37.9%, and the proportion of loans has decreased from 62.8% to 31.4%. It seems that securities investment becomes the major investment means.

3.10 Investment of Insurance fund in Taiwan

The Insurance Law of Taiwan strictly restricts both the means and proportion of investment. According to prescriptions of the Insurance Law of Taiwan revised on October 10, 1997, except deposits with additional prescriptions, the means of insurance investment include: securities investment, real estate investment, loans, overseas investment, special and public investment sanctioned by the authority. Among these means, the sum of deposits in one financial institution can not exceed 10% of the total investment of one insurance company. The bonds and stocks of a company purchased by insurance company can not exceed 10% of the total insurance investment and the total amount of the bonds and stocks can not exceed 35%. The amount of real estate investment can not exceed 19%; the sum of loans can not exceed 35%; loans to every company can not exceed 5%.[39] The evolution process of insurance investment structure in Taiwan is as follows according to property insurance and life insurance respectively.

Ratio of all kinds of investment to total assets of the Property Insurance in Taiwan

	1992	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Bank deposit	58.43	59.72	61.52	59.06	51.96	54.04	54.04	46.41	33.11
Security	20.94	21.26	23.38	23.99	31.19	31.74	31.74	38.51	13.81
Treasury bond and									
bill Corporate	14.68	12.20	11.21	12.36	13.86	9.45	9.45	14.25	18.30
bond Stock	0.50	1.42	1.72	1.64	3.43	2.84	3.00	3.41	9.13
Real estate	5.75	7.65	10.45	9.98	13.89	19.45	19.45	19.86	3.03
Mortgage loan	18.48	14.19	11.51	11.96	13.16	11.22	11.22	11.63	12.56
Other investment	2.15	4.83	3.59	5.00	3.69	3.00	2.0	3.45	3.02
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: (1) Insurance Annuals, Insurance Business Development Funds Management Committee, Taiwan (1996), p. 127.

(2) The data of year 1998-2000 from Compilation of Insurance Business and Finance Statistics by Insurance Development Center of Financial Group and corporation, the third volume of year 2000. p. 30-31

The table shows that the sequence of property insurance investment in Taiwan is bank deposits, securities, real estate, mortgage loans. From 1991 to 1999, among the investments of property insurance, the proportion of bank deposits decreased for 57.58% to 46.41% that of securities increased from 17.36% to 38.51% that of real estate decreased from 21.11% to 11.63 % that of mortgage loans decreased from 3.96% to 3.45% and that of stock increased from 7% to 19.86%. This shows that bank deposit is still the main investment means of property insurance companies, and its proportion is about 50%. Because the property insurance mostly underwrites short-term business, it calls for better liquidity as well as profitability. In spite of its better profitability, real estate investment lacks liquidity. Therefore the proportion of real estate tends to decline. The proportion of securities investment increases from the third place to the second, and tends to rise, among which the proportion of investment in stock increases fastest. The proportion of stock investment exceeds that of real estate investment.

Ratio of all kinds of investment to total assets of the Personal Insurance in Taiwan [40]

Year	**1987**	**1988**	**1989**	**1990**	**1991**	**1992**	**1993**
1. Bank deposit	17.38	23.48	19.44	20.56	28.84	24.77	25.34
2.Security	28.21	25.03	28.42	19.01	18.72	22.85	21.47
Treasury bond & bill	6.00	8.15	7.77	5.49	5.35	7.44	7.41
Stock	10.58	9.16	9.68	10.42	9.23	8.93	6.38
Corporate bond	1.78	0.93	0.78	-0.61	0.70	0.65	0.65
Beneficiary certificate	-	0.04	0.10	0.10	0.29	0.48	0.76
Short-term investment	9.85	6.75	10.08	2.41	3.14	5.35	6.27
3. Real estate	27.48	26.15	23.47	23.56	19.33	15.68	13.35
4. Life insurance loan	11.44	10.70	10.91	11.02	10.95	9.52	9.30
5. Backed loan	15.49	14.63	17.60	24.55	20.14	24.86	28.54
6. Foreign investment	-	-	0.02	1.30	2.89	2.33	209
7.Public investment	-	-	-	-	-	-	-
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Continued table

Year	1994	1995	1996	1997	1998	1999	2000
1. Bank deposit	28.49	30.68	30.43	23.91	22.92	20.19	15.35
2.Security	19.69	18.67	22.72	28.03	27.12	30.04	35.32
Treasury bond & bill	7.26	6.35	6.37		6.46	11.02	14.05
Stock	7.06	6.54	6.29		5.62	6.32	8.16
Corporate bond	0.81	0.96	1.22		2.43	2.53	2.08
Beneficiary certificate	0.76	0.70	1.35		1.51	1.71	1.76
Short-term investment	3.30	4.12	7.49		11.10	8.46	9.26
3. Real estate	11.59	9.93	9.08	10.61	7.95	7.96	8.15
4. Life insurance loan	9.40	10.39	11.30	35.05	12.63	13.26	13.62
5. Backed loan	26.71	26.51	21.57		23.18	21.16	19.81
6. Foreign investment	2.17	1.83	2.22		3.72	4.17	4.16
7.Public investment	1.95	1.98	2.67		2.49	3.22	3.58
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: The data of year 1997-2000 is calculated according to the Trends of the insurance development and Innovation in China Taiwan by Zheng Jishi in Insurance Monograph. No. 53 edited by the Insurance Development Center of Financial Group and Corporation, Page 13. The data of year 2000 is the first three quarters' figures.

From the above, we can conclude that, the investment sequence of Taiwan's personal insurance in turn is: loans, securities, deposits, real estate, overseas investment, special case exertion and public investment. From 1986 to 1999 the respective changes of the investment proportion are: the proportion of loans increased from 31.29% to 34.42% that of securities increased from 17.36% to 30.04% that of real estate decreased from 27.19% to 7.96% and that of bank deposits decreased form 23.77% to 20.19%. The position of bank deposits dropped form the second place to the third and the position to securities moved upward from the third place to the second. It shows that, among life insurance companies' investments the proportion of securities increases and bank deposits is still the main investment means, which is decided by due to higher return requirements and the long-term character of personal insurance business.[41]

3.11 Investment of Insurance Fund in Singapore

In Singapore, there are some strong punitive provisions imposed in the Singapore Insurance Act 2002 (researcher my be contacted for detail provision of the Act) for violation of investment of insurance fund such as "(3) Any such document which is, for the time being, held by on behalf of the insurer shall, on the Authority giving not less than 14 days notice in writing to the insurer or to the person having the custody of the document, be produced for inspection to the Authority or a person nominated by it by the person to whom the notice is given.

(4) Any person who fails to comply with this section shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $ 12,500 and, in the case of a continuing offence, to a further fine not exceeding $ 1,250 for every day during which the offence continues after conviction. Section 20."[42]

According to this Law of Singapore, the permitted assets of insurance companies include: land and building, securities, listed and non-listed shares issued by the government or public institutions, listed and non-listed corporate bonds, bills of exchange, backed loans, cash and deposits, negotiable Certificates of Deposit (CDs) and investment-related products. Of all investment means, owner of equity shares, preferred shares, the right of purchasing stock and investment-permitted right backed by stock can not exceed 45% of insurance funds. The stock, transacted in Singapore Stock Exchange through automatic quotation system, can not exceed 5% of insurance funds. The investment in any single trust company can not exceed 10% of insurance funds. Loans to any company or group of company can not exceed 10% of insurance funds. Loans without guarantee to any company or group of company can not exceed 5% of insurance funds. The risk can not exceed 5% of the funds invested in any financial institution or group. The risk can not exceed 10% of the funds for those companies listed in Stock Exchange; the risk can not exceed 5% of the funds for any unrecognized Commercial Bank or Financial Corporation.[43]

3.12 Insurance Fund Investment in Malaysia

Malaysian insurance industry is strictly governed by the Insurance Act 1996 (researcher may be contacted) where investment of insurance fund is completely Bank based. Besides, a licensed insurance company can invest its assets in such manner, and maintain assets in such place, as may be prescribed by the Government subject to compliance of bank direction in writing-

(a) 'not to make investment of a specified class or description; or
(b) to realise, before the expiry of a specified period or such extended period as the Bank may approve, the whole or a specified proportion of its investment.

> ***Penalty:*** Imprisonment for three years or three million ringgit or both, Default penalty.'[44]

3.13 Chapter Summary

Researcher had detail studies on investment opportunities availed by the insurance companies in UK. Other countries analyses encompass only the investment portfolio survey. From the above survey, researcher found that investments in securities are increasing gradually. In comparing this with Bangladesh, researcher found that maximum insurers are making investment of their substantial insurance fund in FDR of banks. Insurance industry in Bangladesh is also leaking behind in investing fund in mortgage loan and real state sector.

The above comparison also shows that, the insurance investment is closely related to economic development of the emerging industrial countries and areas. In the initial stage of economic development, the proportion of loans is high among insurance investments. These loans provide funds for the development of national economy on one hand. On the other hand, the corresponding high yields lead to the high profits of insurance fund investment. When the economy develops to a certain phase, the main proportion of insurance investment changes from loans or real estate to securities. The current situation of Taiwan is similar to the developmental process of Japan and Korea, and Taiwan's economy is still in a take-off phase. The proportion of insurance investment in loans is high in Taiwan, because the loan investment will bring high profits in this phase. But with the development of economy and perfection of financial market, there will be a transition toward securitized investment.[45]

In analyzing financials of world insurance industry as a whole, researcher found that global insurance premium stood at US$2,941 billion in 2003, out of which US$1,673 billion is attributable to Life Insurance and US$1,268 billion to non-life insurance. USA, Japan, UK, Germany and France are the five largest insurance markets in the world considering premium income, while China and India are the largest markets among the emerging economies. Real premium growth in industrialized countries was 5.7% for non-life and (1.7%) for life insurance. However, emerging markets grew at an impressive rate of 8.5% for non-life and 6.6% for life insurance. The Chinese market registered the highest growth being 27.2% for life and 21.6% for non-life. The Indian life insurance market grew at a rate of 8.4% and non-life at a rate of 8.2%.[46]

With a combined Life and Non-Life insurance market premium of approximately Taka 1,800 crore (US$300 million) in 2003, Bangladesh ranks 78th in the world and has a world market share of 0.01%. Per capita spending on insurance is only US$2.1. Insurance penetration (premium as a % of GDP) is 0.57% (0.37% for life insurance and 0.20% for non-life), which is rather low even by the standard of developing countries, e.g. China 3.33%, India 2.88% and Malaysia 5.35%.[47] However, we need not belittle ourselves with the current size of our insurance market in Bangladesh.

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Chapter - 4

Legal Framework of Investment of Insurance Fund

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Legal Framework of Investment of Insurance Fund

4.1 Insurance Regulations in Bangladesh

We all know cricket would not be enjoyable for spectators or participants if there were no rules. Cricket and all other sports, with the possible exception of rugby, have comprehensive rules for the benefit of all. Similarly, it requires necessary rules to govern the insurance business. Thus the day to day insurance transactions between policyholders and insurers are being accomplished in a comprehensively regulated marketplace. In fact, this insurers are not in a position to enter in any contract they choose, charge any price (premium) they like, make investment in any areas they desire. In Bangladesh, insurance industry is regulated by the following regulations:

- Insurance Act 1938
- Insurance Rules 1958
- Insurance Corporation Act 1973
- The Famine Insurance Fund Act 1973.

4.2 Insurance Act 1938

4.2.1 Provisions of the Act - Introduction

There is a 30:70 (30% of fund to be invested in government securities and 70% of fund to be invested in any other investment including capital market) rule in the Insurance Act 1938 for investment of the life fund in case of Life Insurance Companies. Every insurer transacting general insurance business shall have investment exceeding its liabilities by at least a sum of five lac taka or 10% of the net premium income whichever is greater. We do not have specific guidelines or detail schedule from the government where the general insurance fund could be invested. Under the present system, a life insurance company is legally required to invest 30% of its fund in the government securities and the rest 70% in other government approved securities, treasury bonds, treasury bills, debentures, shares etc. being dealt in capital market and fixed deposit receipts and shanchaya patra available in scheduled bank only.

At the time of expert opinion survey, many insurance companies could neither provide details about their investment portfolio nor could they clarify the likelihood of their understanding whether the government rules are fully complied with. In response to the questionnaire, the interviewees stated that the companies furnish the return regarding their investment in quarterly basis wherein sufficient data are not depicted necessary for its full transparency.

Respondent of life insurance sector admitted that under the prevailing rules, the companies are required to invest 30 percent of the insurance fund available for investment in the government securities though the return from these securities is shrinking fast. As a result, none is interested to invest their fund in the government securities or adhere to the 30:70 rules, which is mandatory to follow as per Insurance Act 1938. Hence, as a matter of fact, the insurance companies are seeking for better avenues for investment of their fund, which is hindered by prevailing legal restrictions, possible risk associated therewith and the trend of decreasing rate of investment on deposit (FDR etc.) with private banks. These days even the private banks are not interested to offer more than 10% return to the Fixed Deposit Receipt (FDR).

The attractive source of easy income has also encouraged some insurance companies to invest in securities being traded in the stock exchanges. But so far it appears that, except a few big companies like Delta Life Insurance Company Ltd and National Life Insurance Company Ltd, the small insurers are shying away from the secondary market. Insurance companies are eager to invest their funds in IPO (Initial Public Offering) but unable to do so due to the limiting factor i.e., nobody can apply for more than a lot consisting of 50 shares through a single BO (Beneficiary Owners) account maintained with CDBL. As a result, there remain no other means of investment but FDR.

The choice has further narrowed down for the Islamic Insurance (Takaful) companies, which are operating under sharia rules, as they are required conventionally to invest their fund in those banks operating under Islamic Banking system.

Many questions may be raised on the above mentioned provisions of the Insurance Act like – What are the components of liability in case of fund calculation of general insurance companies? How investible fund could be calculated in case of life insurance companies? What should be the policy towards devising such procedures? Does the Security Deposit according to section 7 of the Insurance Act include under 30% or 70% of the portfolio of investment of insurance companies? Is there any comprehensive schedule for investment in case of general insurers? How Takaful companies (islamic insurance companies both life and general) could invest their fund in Bangladesh? Are there any form(s) in Insurance Act through which insurance company would furnish their investment return to Chief Controller of Insurance? Are the insurance rules compatible enough with the current economy? However, we don't have any suitable answers to the above questions.

4.2.2 Regulations for investment of general insurance companies

If we go through the Insurance Act 1938 and Insurance Rules 1958, it will reveal that in case of general insurance company the liabilities encompass the

"For the purpose of section 27A (1), the following shall be deemed to be the liability of the insurer, namely:

(a) the net claims outstanding in respect of general insurance business in Bangladesh;
(b) forty percent of the net premium in respect of Fire, Marine and Miscellaneous insurance business within in Bangladesh;
(c) one hundred percent of the net premium in respect of Marine and Aviation Hull insurance business written in Bangladesh;
(d) amount of provision for dividends and unpaid dividends;
(e) amount due to Insurance Companies carrying on insurance business;
(f) amount provided for taxation;
(g) amount due to other creditors but excluding share capital, general reserves, investment reserve, reserve for bad and doubtful debts, depreciation funds except on such items as are taken credits for as "assets".

Explanation.- Marine and Aviation Hull insurance business shall include any policies issued to an owner of a vessel or aircraft relating to any interest of such an owner in respect of a vessel or aircraft." [1]

Assets to be invested in Bangladesh excludes "For the purpose of computing assets referred to in section 27A(1), the following shall be excluded to the extent specified, namely:-

(a) in respect of premium outstanding as at 31st January, 1958, which still remains to be collected so much as still remains to be collected till the signing of the returns under section 15 by the auditors;
(b) in respect of the premium outstanding as at the end of 31st December, 1958 and subsequent years, so much as has not been collected by the 31st March next following;
(c) Sundry debts outstanding as have not been recovered till the signing of the returns under section 15 by the auditors;
(d) furniture and fixtures, stationery, dead-stock;
(e) deferred and prepaid expenses to the extent determined by the Chief Controller of Insurance." [2]

The provision of the Insurance Act mentioned here-in-above does not commensurate with the present needs. Today's operations of insurance business have various types of assets, which don't qualify as investment at all from the standpoint of investment as mentioned in section 27A of the Insurance Act 1938. Researcher would like to recommend to amend these provisions in order to meet the present requirement of the insurance industry.

Every insurer carrying on general insurance business in Bangladesh shall submit to the Chief Controller of Insurance a return showing the assets invested in Bangladesh as at 31 day of December of preceding year signed by managing director and certified by an auditor as to compliance of the requirement per section 27A of the Insurance Act 1938.

4.2.3 Regulations for Investment of Life Insurance Companies

Life insurers are required to invest assets equivalent to not less than the sum of

Liabilities to policyholders for matured claims
Plus *liabilities to policyholders maturing for payment*
Minus *premiums due to such policies and days of grace not expired*
Plus *amount of loan due*
Plus/minus *amount of re-insurance adjustments.*

Life insurers are required to follow 30:70 rules- "section 27(2) - The investment required under section 27(1) shall be made in the following manner, namely:

(i) thirty per cent of the sum referred to in the said sub-section shall be invested in government securities; and
(ii) the balance shall be invested in any other investment including capital market in such manner as may be prescribed.

Explanation — For the purpose of this sub-section the amount of any deposits made under section 7 or section 98 by the insurer in respect of his life insurance business shall be deemed to be invested or kept invested in Government Securities." [3]

Government may direct insurer to realize the investment within such time as may be specified if they found that the investment is not suitable according to law and direct to re-invest the amount so realized in accordance with the provision of the Insurance Act. The assets required by the section 27 of the Insurance Act to be kept invested in Bangladesh for safe custody in the prescribed manner with a scheduled bank approved by the government and the assets so deposited shall not be realised.

4.2.4 Restriction of Investment

Many restrictions have been imposed upon the investment of insurance fund of both the Life and General Insurance Companies in the Insurance Act 1938. No insurer shall invest in any company, firm or other business in which any of its directors has any interest as director or partner; in this case approval of two-thirds of the total number of directors is needed. Though IPO investment is most important source of Capital Gain, no investment shall be permissible in the IPO (Initial Public Offering) of a company or firm in which any of the directors of the insurer has any interest. This second restriction should be omitted from the Act. Investments in the shares of any one company shall not always exceed 10% of the paid-up capital of the company. Thus, creation of subsidiary and associate company is restricted by the insurers in Bangladesh.

4.2.5 Return of Investment

Insurers have to file return within 31 days from the beginning of the following year for the preceding year's investment. This return shows the details of the assets invested as at 31 day of December every year. Every insurer shall also furnish, within fifteen days from the last day of March, June and September, a return signed by the Managing Director describing as at the end of each of the said month the investment held in accordance with the law.

4.2.6 Certificate of Investment

Insurer needs to provide certificate to the Chief Controller of Insurance (CCI) whether insurer has complied the rules regarding the investment of insurance fund. Researcher has gone through the Insurance Act 1938 and found in the first schedule that the auditor; actuary; chairman (if any), two directors and principal officer of the company will sign the investment certificate (Researcher may be contacted for detail contents of the certificate of investment as prescribed by the law).

4.3 Insurance Rules 1958

Before 13 October 2004, there were no specific guidelines prescribed in the Insurance Rules 1958 for investment of 70% of the life fund which are required to be invested in "other investment including capital market". After promulgating SRO No 289-law/2004 on 13, October 2004, life insurer can invest their balance of fund (70%) in some limited avenues. According to this Gazette Notification, rule 10 (information as regards deposit) of Insurance Rules 1958 amended inserting a new addition of rule 10A (Investment of Balance Assets). Rule 10A of Insurance Rules 1958 provided the following provision regarding the manner of investment of balance 70% of the life fund which are as under:

Types of Investment	Limit	Conditions[4]
(1) Mutual fund & unit fund	Not more than 5% of the fund	Approved or regulated by the Securities and Exchange Commission (SEC) and any other unit and mutual fund approved by the government.
(2) Shares, Debentures or other securities issued by Municipality or City	Unlimited	There is no condition to be followed.

Corporation		
(3) Shares and debentures of foreign company	Unlimited	Whose share capital to the extent of at least one-fourth is held by a scheduled bank, financial institution & insurance company listed on any stock exchange in Bangladesh or corporation established under law in Bangladesh.
(4)Debenture	Not more than 15% of the fund	(a)Dividends of not less then 5% have been paid on the ordinary shares of such company for the previous three years immediately preceding the date of investment; or (b) Interest has been paid in full on debentures for the past five years immediately preceding the date of investment; or (c) In the case of debentures on movable or immovable property, the debentures are secured by a first charge on the property and the book or market value, whichever is less, of such property is more then three times the value of such debentures; or (d) The debentures are guaranteed in full as regards principal and interest by a scheduled bank, financial institution and insurance company other than the insurance company itself and listed on any stock exchange in Bangladesh or corporation established under law. Provided always that the investment in the debentures of any one company shall not exceed 5% of the fund or 25% of the debentures issued, whichever is less.
(5) Preference or Ordinary shares in listed company incorporated in Bangladesh	Up to 30% of the fund	(a)In the case of ordinary shares of any such company, dividends of not less than 10% including bonus have been paid on such shares for the past three years immediately preceding the date of investment or for at least four out of the past seven years immediately preceding the date of investment; or (b)In the case of preference shares of any such company, dividends of not less than 10% including bonus on its ordinary share had been paid for the past three years immediately

		preceding the date of investment or for at least four out of the past seven years immediately preceding the date of investment; or (c)In the case of shares of any guaranteed by another company, dividends of not less than 10% including bonus on the guaranteeing company's ordinary shares have been paid for the past three years immediately preceding the date of investment or for at least five out of the seven years immediately preceding the date of investment or for at least four out of past seven years immediately preceding the date of investment, and the total amount guaranteed by such company does not exceed fifty per cent of its own paid up share capital. Provided always that investment in the shares of any one company shall not exceed (a) 10% of the paid-up capital of the company, or (b) 5% of the fund in respect of the first taka ten crore plus two and half percent of the said fund in excess of Taka ten crore whichever is less and (c) where an investment is in partly paid-up shares, the uncalled liability on such shares shall be added to the amount invested for the purpose of computing the percentage. (d) No investment can be made in the preference or ordinary shares of the company itself i.e. "shares in stock" or "buy back of shares" is prohibited. (e) Investment cannot be made in preference or ordinary shares of a private limited company.
(6) Preference or Ordinary Shares (Company listed in any Stock Exchange in Bangladesh including foreign company)	Investment in the share of any one company shall not exceed two and half percent of the fund or 10% of the paid-	(a) The paid-up capital of the company is not less than Taka one crore and has no negative net worth;. (b) The company is an industrial undertaking within the meaning of the Income Tax Ordinance 1984; and (c) Investment in the said shares is made when the capital is issued or subsequently thereafter. (d) No investment can be made in the preference or ordinary shares of the company itself i.e. "shares in stock" or "buy back of shares" is prohibited. (e) Investment cannot be made in preference or

	up capital of the company, whichever is less, and where an investment is in partly paid-up shares, the uncalled liability on such shares shall be added to the amount invested for the purpose of computing percentage	ordinary shares of a private limited company.
(7) Immovable property	Not more than 20% of the fund	Property must be situated in the area of City Corporation or Municipality of the district town.
(8) First mortgage on immovable property	Not more than 10% of the fund	Any one loan shall not exceed- (a) Taka 50 lac in case the property is used for residential purpose; and (b) Taka 5 crore in case the property which is let out for use as office or shop. Provided that the value of such property at the date of mortgage is double the mortgage money, and in the case of lease-hold property the un-expired term is not less than twenty years from the date of the mortgage. © Property must be in residential, office or shop use situated in the area of City Corporation or Municipality of the district town.
(9) Deposit in banks	Not more than 50%	All kinds of deposits other than current deposits in schedule banks.

	of the fund	
(10) Bridge Financing	Unlimited	Financing under a share under-writing agreement, subject to the following conditions: (a) The agreement is one in which an insurer acts as a joint underwriter or sub-underwriter with any scheduled bank, financial institution and insurer listed on any stock market in Bangladesh and corporation or its subsidiary established under law; (b)The shares when issued will be shares of the nature described in clause (f) and the insurer's under-writing commitment does not exceed the amount determined according to that clause. **Note:** Bridge financing means making a temporary loan to a company, carrying interest and secured by a fixed charge on the assets of the company, for the amount committed under an under-writing agreement, pending IPO of the shares of the company and subscription thereto by the public and the under-writer.
(11) Other investment	Not more than seven and half percent of the fund	Approval from the Chief Controller of Insurance is required for each case.

4.4 Insurance Corporations Act 1973

Insurance Corporation Act 1973 covers rules regarding the operation of Sadharan Bima Corporation (SBC) and Jibon Bima Corporation (JBC) in Bangladesh. Though both corporations have wide investment activities, the Act 1973 does not have such detail investment regulation. The provision for investment of the corporations is simply the following:
"Section 17. Investment: Subject to the provisions of the Insurance Act, 1938 (Act IV of 1938), each Corporation may invest its funds in such manner as its Board may think fit." Thus both the corporations are required to follow the Insurance Act 1938 in investing their fund.

4.5 Legal Aspects of Takaful

4.5.1 Definition of Takaful (Islamic Insurance)

The word 'Takaful ' originates from the arabic word 'Al-Takaful' meaning Joint Guarantee and 'Shared Responsibility'. The underlying concept of 'Takaful' is sharing the suffering of anyone of a group on voluntary basis. The group members agree that if any member of the group suffers any loss or disaster, the others will help him by paying him compensation in the form of money or otherwise. According to the islamic values system, the basic motive is to bring equity to all who are involved. The distinct character of Takaful is that the contract is based on the virtues of co-operation, mutual help, shared responsibility and benefit, while all aspects of the contract must be transparent to all involved.

The principles of Takaful have rightly been explained by Dr. Abdul Halim Bin Hazi Ismail, the Chairman of Syarikat Takaful Malaysia in the following words:

"The provision of insurance cover as a form of business in conformity with shariah is in essence based on the Islamic principles of Al-Takaful briefly means the act of a group of people reciprocally granting each commercial profit sharing contract between the provider or providers of fund for a business venture and the entrepreneur who actually conducts the business. The Islamic Insurance or Takaful business conducted by the company may thus be envisaged as the profit sharing business venture between the company and the individual members of a group of participants who desires to reciprocally guarantee entire loss or damage that may be infected upon any one of them".

4.5.2 Investment of Takaful Fund

Takaful Company is required to invest its fund in interest free avenues according to shariah principles. Investment of fund of an insurance company should be done having regard to security, liquidity and maximum return etc. moreover, unlike life insurance fund, can't be invested on long term basis because it is a short term business. Since it is very difficult for General Insurance Companies to make underwriting profit due to acute competition, the investment return will mainly form the basis of profit.

In Bangladesh most of the investment means are interest bearing. In the face of limited scope and unstable investment scenario in Bangladesh, it will require enough prudence, financial acumen and innovative ideas to make the investment portfolio of Takaful companies profitable. Besides, investment in Real Estate and Islamic Banks, Musharaka (sharing profit and loss on productive investment) and Mudaraba (Project finance for fixed time with profit and losses being shared) modes of investment may also be developed as additional sources of investment. Since the Government approved securities are interest bearing, the Bangladesh Bank may consider issuing Mudaraba Bond enabling the Takaful Companies to invest its fund in Government securities.

4.5.3 Insurance Act 1938 and Islamic Insurance

The Insurance business in Bangladesh is governed by the Insurance Act 1938. The relative provisions of the insurance Act provides guidelines in respect of management expenses, investment of fund, preparation of Balance Sheet, payment of premium, formation of the Board etc. If we examine the relative provisions of the Act vis-à-vis Islamic Insurance principles, researcher may give option as follows:

In respect of General Takaful (general insurance) company, there is no set principles for investment of General Takaful fund in the Insurance Act 1938, which means, this fund may be invested according to the shariah principles as the Islamic Companies may deem fit. But problem lies elsewhere, According to the provision of the Act, a General Takaful Company has to keep security deposit amounting to Tk. 9(Nine) million with Bangladesh Bank in the form of Bond or Govt securities which earn interest. In this case, we would approach the Government that Bangladesh Bank may float mudaraba bond or allow the islamic insurance companies to keep the security deposit with the Islamic Banks in TDR/FDR and deposit the receipts with the Bangladesh Bank to comply with the security deposit requirement of the Act.

In Malaysia, a separate Act called Takaful Act 1984 has been promulgated modeled in Malaysia's existing Insurance Act 1963 with modification and amendments that are necessary in conform its with Takaful business practices. Govt. of Bangladesh may also promulgate such Takaful Act to regulate the Takaful Business.

4.5.4 Bangladesh Scenario of Takaful

In Bangladesh, there are six insurance Companies incorporated under Sharia principle and they formed a new association for introducing "Takaful Bima". The association will work for carrying insurance business under Sharia principle alongside with the traditional insurance law. The Takaful association in Bangladesh comprised of three general insurance and three life insurance companies, these are: Islami Insurance Bangladesh Ltd., Islami Commercial Insurance Company, Takaful Islami Insurance, Fareast Islami Life, Prime Islami Life Insurance Company Ltd and Padma Islami Life Insurance Company Ltd. The management of these six insurance companies applied to the government of Bangladesh for operating islami insurance according to Sharia law. These six companies formally proposed to the Ministry of

Commerce through Controller of insurance for incorporating Takaful laws in the Insurance Act. The proposal is now under active consideration.

4.5.4 Product designing in Takaful business

Benefits

Family Takaful plan is a popular insurance product in Bangladesh market. This plan is a long-term saving and investment with fixed term of maturity program. Apart from enjoying investment profit, the plan also provides mutual financial assistance among its participants. The Family Takaful plan is a financial program that pools efforts to help the needy in times of need not only in the event of untimely death but also other mishaps resulting in personal injury or disablement.
Under the Family Takaful plan, the participants agrees that each takaful installment paid shall be credited into two separate accounts namely, the Participant's Account (PA) and the Participants' Special Account (PSA). A substantial proportion of the takaful installment is credited into the PA solely for the purpose of savings and investment while the balance of the takaful installment is credited into the PSA as tabarru (donation) for the purpose of mutual help.

Mutual financial assistance such as takaful death benefits are paid from the PSA. The proportion of the takaful installment to be relinquished as tabarru and in turn credited into the PSA is determined by the sound actuarial principles.[5]

In the event of dying a participant before the maturity of his takaful plan, the payment of takaful benefits to the participant's heir(s) are determined as follows:

From his PA – The total amount of the takaful installments paid by the deceased participant from the date of inception of his Takaful plan to the due date of payment of the installment prior to his death, and his share of profits from the investment of installments which have been credited into his PA.

From his PSA - The outstanding takaful installments which would have been paid by the deceased participant if he survive the period of the plan,

If a participant should live until the date of maturity of his Takaful plan, the takaful benefits shall be paid to him in the following manner:-

From his PA - The total amount of takaful installments paid by the participant during the tenure of his participation and his share of profits from the investment of takaful installments credited into his PA.

From his PSA - The net surplus allocated to the participants as shown from the last valuation of the PSA.

If a participant is compelled to surrender or cancel his participation before the maturity date of his Family Takaful Plan, he shall be entitled to receive the surrender benefits. The surrender benefits shall be the amount of balance shown in his PA. The proportion of his takaful installments which had been credited into the PSA as `tabarru' shall not be refunded to him. [6]

Takaful Product Design and Pricing

Family Takaful Fund serve to fulfil the long term nature of liabilities/obligations under the Family Takaful products. The Family Takaful Fund must be accumulated and invested prudently to ensure that it can meet the future claims. Thus, the takaful products must be designed and priced using sound actuarial principles.

Under the Family Takaful Plan, a small portion of the Takaful contribution is donated (tabarru') into the Participant Special Account (PSA) to provide for the death benefits. Among the factors to be taken into account by an actuary in determining the rate are:

(i) The expected claim ratio;
(ii) The incidence of claim;
(iii) The basic cover or benefit;
(iv) The serving basis;
(v) The profit sharing expectation;
(vi) Any expense loading.

There are established mortality tables in estimating future mortality which is required to device the takaful premium.

Relationship between participants (policy holders) and shareholders

- The shareholders are trustees of the participants who will be responsible to organise a takaful with obligations and benefits;
- Any profit derived from the investments of such funds will have to be shared between the shareholders and participants according to some pre-agreed ratio;

- The shareholders will keep the participants informed about the allocation of the fund into the investment portion and the portion for mutual benefits that will be used to pay out compensations. The later portion is known as tabarru'. The portion is dependent upon the extent of risk involved. The higher the risk, the bigger is the portion allocated for the purpose;

- The shareholders also pay the role of management for which they have to provide the capital to start the takaful activity. In contemporary setting, the shareholders will appoint professionals to manage the enterprise;

- Finally, the shareholders have to be responsible to the participants in ensuring that every activity of the enterprise is in insurance with Islamic principles. This is indeed necessary because the participants may not be able to assess all information pertaining to the operations of the enterprise.

The relationship between the participants and shareholders of a takaful company is definitely different from that which exists between the shareholders and policyholders of conventional insurance companies.[7]

4.6 Insurance Operation and International Accounting Standard (IAS / IFRS)

There is no specific accounting standard on insurance accounting and insurance fund investment. Through IAS on investment (IAS – 25) provides some general guideline on investment transaction and treatment and computation of return on investment, these are not sufficient in dealing the investment of insurance fund. We have another IAS (IAS – 30) which also dealt with the operation of financial institution (Bank and leasing) except insurance companies. Thus, The Institute of Chartered Accountant of Bangladesh (ICAB) should take initiative to promulgate a separate IAS on Insurance Operation.

4.7 The Insurance Regulator in Bangladesh

4.7.1 Chief Controller of Insurance

Office of the Chief Controller of Insurance (CCI) is the apex body for regulating the Insurance Industry in Bangladesh. The powers and functions of the various tires of insurance controller are provided in the Insurance laws in Bangladesh. Researcher analyze the functions and role of the controllers which are as follows:

Functions of the Chief Controller of Insurance

- To recruit Deputy Controllers and Assistant Controllers;
- To approve the recruitment of Technical Officers;
- To approve the distribution of insurance companies supervision among the Technical Officers:

- To specify the aspects of training required by Deputy Controllers, Assistant Controllers and Technical Officers;
- To train or appoint trainers to train Deputy Controllers, Assistant Controllers and Technical Officers;
- To provide interpretation and clarifications to the provisions set out in the Insurance Act, the Insurance Rules and other insurance legislations;
- To conduct regular meetings with the insurance companies, the Bangladesh Insurance Association and Bangladesh Insurance Academy to review the development of the insurance industry;
- To review the Insurance Act and related legislations, make or recommend amendments when necessary;
- To prosecute insurance companies;
- To produce reports to the concerned ministry on the development of the Insurance Industry and recommend changes when necessary; and
- To regulate the insurance industry in accordance to the Insurance Act and the related insurance legislations:
  - issuing renewing or revoking the certificate of registration of insurance business;
  - reviewing the audits of insurance companies;
  - reviewing actuarial reports;
  - approving insurance policies to be sold by insurance companies;
  - reviewing the approval of insurance brochures and other communication materials to prospects and policyholders by his staff;
  - reviewing the conduct of investigations of the insurance companies;
  - reviewing the approval of Memorandum and Articles of Association of insurance companies;
  - randomly reviewing the minutes of the Annual General Meeting of insurance companies;
  - regulating the limits on the payment of commission and other management expenses;
  - reviewing the approval of new branch/office of insurance companies;
  - settling disputes among insurance companies or between policyholders and insurance companies (e.g. claim amount); and
  - Seeing whether the investment are made by the insurance companies in accordance to the Insurance Act 1938.

4.7.2 Bangladesh Insurance Association (BIA)

Bangladesh Insurance Association was formed under the Companies Act 1913 and registered with the Registrar of Joint Stock Companies on 25th May 1988 with 13 insurance companies, including 3 in life, operating at that time in the private sector in the country as members. The total umber of members now stands at 61 (43 general and 18 life).

The objectives for which the Association has formed are to promote, support and protect the interests and welfare of the member companies, to help develop the healthy growth of insurance business in the country to act on behalf of its members both collectively and individually in any matter affecting their interest, to issue tariffs and regulate rating of risks, to approach the government from time to time to take such steps as may be deemed expedient in the interests of the insurance industry as a whole, to provide facilities to enable persons engaged in insurance to acquire higher skill and to cultivate internationally recognized legal and ethical practices in the conduct of insurance business.

The Association is run by an Executive Committee consisting of nine members including one Chairman and one Vice-Chairman, elected in the General Meeting of the Association. The Association has some sub-committees, these are Disciplinary Sub-Committee, Life Sub-Committee, Re-insurance Sub-Committee, Research Development and Training Sub-Committee, Technical Sub-Committee, Publicity Sub-Committee and regulatory Sub-Committee to assist the Executive Committee as and when necessary. The Secretary General is the Chief Executive of the Association and in performing his duties, he is assisted by other officers and staff.

The Bangladesh Insurance Association has been ceaselessly working for the promotion of the insurance industry and to protect the interests of the member companies since its inception. The problems from time to time are discussed in the meetings of the Executive Committee and various Sub-Committees and whenever necessary these are taken up with the Government and appropriate authorities like Bangladesh Bank, Controller of Insurance, National Board of Revenue, state-owned corporations and Commercial Banks.

Bangladesh Insurance Association is only association existed in Bangladesh. Subject to insurance laws in Bangladesh and functions of the Chief Controller of Insurance, BIA oversee the whole industry ensuring that the insurance laws are properly functioning and no unethical transactions happened in the industry. Chief Controller of Insurance has recently been issued a circular that membership in the BIA is one of the pre requisite for renewing the company's registration every year.

Researcher visited the BIA office and found some important measures that BIA is going to take for regulating the industry which are as follows:

Formation of vigilance team - Insurance association has decided to form vigilance team to restore rules & regulations in the insurance industry. Although the rate of commissions are fixed and approved by the insurance law, some member companies are making irregularities in the trade practicing unhealthy competition by giving up the commission. Hence the association has been compelled to take the decision of forming of a vigilance team.

The association has also made a code of conduct as proposed by the regulatory sub-committee. Soon this will be sent to member companies to create regulatory framework by the board of directors.

Formation of independent Insurance Development Board - World Bank (WB) has suggested as to how merger and acquisition could be initiated in the already crowded insurance sector and recommended to introduce internationally accepted corporate governance principles. The WB has been working with the government and the Bangladesh Insurance Association (BIA) for the last few years to bring changes in the pattern of insurance business in Bangladesh. WB has reviewed the Insurance Act 1938 and Insurance Rules 1958. The interactions are aimed at updating the laws in view of the changing scenario in global insurance sector. The WB is working only to examine existing insurance laws and make some relevant suggestions. The BIA recommended that an independent Insurance Development Board (IDB) comprising members of the government and the private sector be set up in place of the Department of Insurance to supervise, monitor and regulate the sector. Pakistan and India, which also inherit the same insurance laws, already reformed their laws in accordance with the core principles of the international insurance practices and India has opened up the market to acquire more foreign investment.

4.7.3 Bangladesh Insurance Academy

Established in 1973 by the Government of Bangladesh to impart training to insurance professionals and others taking up insurance as a career. It is an autonomous body attached to the ministry of commerce. The management of the academy is vested in a board of governors formed by the government. The academy conducts various training programmers for personnel in the insurance industry, arranges seminars, symposiums and conferences on issues relating to the insurance business.

The academy is affiliated with the Chartered Institute of Insurance in London and started conducting coaching classes for the institute's ACII programs at its campus in Dhaka. On behalf of the Chartered Institute of Insurance, the academy conducted examinations for Bangladesh candidates for ACII certificate.

With the establishment of an increasing number of general and life insurance companies in the private sector the number of participants in the academy's courses started to increase. It adopted new courses and expanded the areas of training to cater to the needs of training for insurance professionals. In 1980, it introduced a Diploma in Insurance programme under the name and style of Associate of Bangladesh Insurance Academy (ABIA).

The courses are on agency management, sales of insurance, field management, in-service training, surveyors courses, human resources development in insurance, trainer's training for insurance, risk management and loss prevention, planning, development and office management, public relations for insurance, manpower planning and development and crop insurance.
Three important research projects undertaken and completed by the academy are (a) Crop Insurance in Bangladesh – an evaluation of the existing prorate and a proposal, (b) Marketing of Life Insurance with special reference to rural areas, and (e) Health Insurance in Bangladesh.

Apart from conducting various pragmatic training courses, the academy also built and strengthened its organizational structure in terms of infrastructure, manpower and finance. It has been responding to changing trends in the insurance industry by constantly modernizing training facilities and upgrading standards.

4.8 Taxation Rules and Investment of Insurance Fund

Taxation of life insurance companies is distinct from taxation of general insurance companies and other commercial entitles. Life insurance business consists of issuance of life insurance policies and granting annuity on human life. The policies are issued for a long term period ranging from 5 to 30 years or even more and profit can be estimated on the basis of actuarial valuation. Therefore unlike other commercial organizations, the concept of "Profit" cannot be ascertained in life insurance companies with certainty for a particular year.

Issues like taxation of pension funds/gratuity funds, special businesses like capital redemption and annuity certain. Fourth Schedule of Income Tax Ordinance 1984 is the governing rule for computing the taxation of a life insurance company.

Methods of Taxation of Life Insurance Companies:

Internationally as well as in Bangladesh, the following two methods of taxation of life insurance companies are practiced -

- Investment Income or gross external income and Expenses method; and
- Valuation Surplus Method [8]

Investment Income less Expense Method:

Insurer collects premiums and incurs claims and expenses and balance of the amount (referred as "Fund") is invested. The "Income" of the insurer under this method of taxation is defined as the income generated through the investment of this fund.

Income generally includes interest income from debt securities, dividend income from equity and preference shares, rents from properties and realised gains through sale of investments. Some of the investment incomes (like Dividends) are exempt from tax at the hands of the recipients. Gains on sale of investments are treated as capital gains. Therefore, total investment income should be segregated into taxable income, non-taxable income and capital gains.

In case a combined life insurance fund being maintained by the insurer, the income in respect of each segment of business has to be separately worked out while determining taxable income.

With regards to "Allowable Expenses," normal rules are applied to deduct expenses from taxable income. Expenses should be allocated to various segments of the business and if a particular segment income is not taxable, the corresponding expenditure is also not allowed as deduction even from other segments.

During the initial years of insurance business, expenses generally would much more than income, resulting in taxable income being negative. In some countries, there is a limit on maximum allowable expenses which can be deducted from Taxable Income. Similarly claims and other operating expenses are allowed as expenditure and balance of income over expenditure is considered as Taxable Income.

Valuation Surplus Method:

Another method for levying tax on insurance companies is based on valuation surplus disclosed in the actuarial valuation in accordance with the provisions of Insurance Act 1938. This valuation surplus will be reduced by the carried over surplus of previous years as the same could have taxed in those concerned years.

Bonus allocated to policy holders will be debited to the fund before arriving at the surplus. Hence no special treatment would be necessary for the same. In some countries, some part of the surplus is exempt and balance will be considered for tax purposes. For example, surplus reserved for the policyholders could be deducted from the valuation surplus to arrive at the taxable surplus.

Comparison of the Two Methods:

If the former method (i.e. Investment Income Method) is adopted, a new life insurance company would not have to pay tax for quite a few years (for 10-15 years) till the fund size is increased and considerable investment income is generated which will absorb the expenses and resulting in taxable income. However in this method, a dispute may arise as to admissibility of expenses between the tax authorities and the insurer.

Under the surplus method, tax is levied on the valuation surplus arrived as per the provisions of the Insurance Act, which will be distributed between shareholders and policyholders as based on some percentages. (At present 90 per cent to policyholders and 10 per cent to shareholders). The surplus method of taxation is considered to be simpler than income less expenditure method.

4.9 Solvency Margin (SM) and Investment of Insurance Fund

The nature of contracts of life insurance companies is long-term. This means that the ultimate value of the product depends upon the insurer still being in existence at the date of the claim, which could be many years into the future. It is unlikely for the policy holders to assess the current financial soundness of an insurer, and therefore there would be no safeguard to protect policy holders from a company which becomes insolvent before the contractual claim event occurs. It is therefore necessary to make solvency assessment to ensure that claims will be paid as and when such claims occur.

Policy holders expect that their insurer take all necessary steps to ensure solvency and hence honouring of its obligations to its policy holders and to pursue strategies that will improve the returns earned by the insurer on the premiums paid by the policy holders. In many countries statutory regulation require insurer to maintain minimum margin of solvency. The formula for the EU minimum margin of solvency is:

$$SM = f1 \, XV + f2 \, (SA - V)$$

Where:

SM = required minimum solvency margin;

V = total statutory value of liabilities net of reinsurance;

SA = total sums assured payable on death, net of reinsurance;

f1,f2 = factors multiplied to the value of the liabilities and to the sums at risk respectively, the value of the factors f1 and f2 vary by class of business, in accordance with the perceived contribution to the overall insolvency risk by that class.

In Bangladesh, although statutory regulations do not require insurers to maintain specified margin of solvency, life insurers must take sufficient steps to ensure that they would continue to maintain a minimum level of solvency at all times.

Export of insurance industry recommended that a new section in the Insurance Act under the head "Minimum Solvency Margin" for life assurance business should be inserted. The amendment would encompass the provision says that every insurer transacting life insurance business shall have assets invested, in Bangladesh, at a value of which exceeds the value of liabilities by at least the Minimum Solvency Margin. Minimum Solvency Margin should be maintained at 4% of the liabilities at all time during the year.

Distribution of the full amount of surplus disclosed at actuarial valuation among the shareholders and policyholders does not leave any margin of safety for the future. It may be worthwhile to mention that a part of small surplus is not distributed by most of the life insurers in Bangladesh and remains unallocated for the future benefit of the policyholders. In some countries a major portion of the surplus is distributed among the shareholders and policyholders as per the relevant statutory regulation; the rest is kept as reserves. The unallocated/ undistributed surplus remains a part of life fund. The practice varies from country to country depending on the statutory obligations that the life insurers are required to comply with.

A life insurer, while managing its business, has to bear in mind several risk elements. The relative importance of these risks depends, to a great extent, on business environment, statutory regulation and other relevant legislations of the countries. One of such risks is the distribution risk. Distribution risk is the risk of distributing too much surplus to the shareholders and/ or policyholders and becoming insolvent as a result. Even if too much distribution of surplus does not result in insolvency, an adverse change in business environments may result in the lower rates of bonuses compared to the previous years and the decline in bonus rates is likely to affect adversely the business of the company lowering the rates of bonuses further. Such conditions will, in all likelihood, jeopardize the growth of the business of the company. The life insurers are therefore required to exercise utmost prudence in the distribution of surplus. [9]

4.10 Chapter Summary

In this chapter researcher has analyzed the legal provisions regarding investment of insurance fund in Bangladesh. He has reviewed the Insurance Act 1938, Insurance Rules 1958 and Insurance Corporation Act 1973. According to these laws, a life insurance company is legally required to invest 30% of its fund in the government securities and the rest 70% of the fund in other government approved securities, treasury bonds, treasury bills, debentures, shares etc. being dealt in capital market and fixed deposit receipts and shanchaya patra available in scheduled bank only. As per section 27A of the Insurance Act 1938, every insurer transacting general insurance business shall have investment exceeding its liabilities by at least a sum of five lac taka or 10% of the net premium income whichever is greater.

Researcher found that 14 life insurance companies have been violated these rules out of 17 companies and 21 general insurance companies out of 42 are in default in complying the aforementioned rules. He has also found that before 13 October 2004, there were no specific guidelines prescribed in the Insurance Rules 1958 for investment of 70% of the life fund which are required to be invested in "other investment including capital market". After promulgating SRO No 289-law/2004 on 13, October 2004, life insurer can invest their balance of fund (70%) in some limited avenues. According to this Gazette Notification, rule 10 (Information as Regards Deposit) of Insurance Rules 1958 amended inserting a new addition of rule 10A (Investment of Balance Assets).

Researchers and academicians suggested to promulgate revised insurance legislations updating old acts by the following specific laws:

- *Insurance Act 2006*
- *Insurance Rules 2006*
- *Jibon Bima Corporation Act 2006*
- *Sadharan Bima Corporation Act 2006*
- Postal Life Insurance Act 2006
- *Takaful (Islamic Insurance) Act 2006*
- Re-insurance Act 2006
- Foreign Life Insurance Act 2006
- Investment of Insurance Fund Act 2006
- *Insurance Companies SM (Solvency Margin) Act 2006*

Out of the above ten proposed acts, *italicized and green* colored six acts are in active consideration in the concerned authority of the government. Insurance experts are optimistic to get the above six new laws on insurance by the next year (2006).

References

1 Section 27A sub-section 2 of the Insurance Act 1938.

2 Sub-section 3 of Section 27A of the Insurance Act 1938.

3 Sub-section 2 of Section 27 of the Insurance Act 1938.

4 Gazette notification dated 13 October, 2004 published by the Ministry of Commerce, Govt. of Bangladesh.

5 Papers submitted by the participants to the Seminar on Takaful organised by Bangladesh Bank in 1999.

6 ibid

7 ibid

8 Income Tax Ordinance'1984 (fourth schedule)

9 Uddin, Dr. Mohammad Shorab, Recommending paper presented to the Delta Life Insurance Co Ltd for compliance.

Chapter - 5

Entrepreneurship Development, Corporate Governance and Pilot Survey of Eight Sample Companies

Chapter-5

Entrepreneurship Development, Corporate Governance and Pilot Survey on Eight Sample Companies

5.1 Entrepreneurship Development in Insurance

'French economist Cantilena was the first to introduce the term "Entrepreneur" meaning "to undertake" and applied it to individuals who obtained factors of production and combined them into products for the market place. Adam Smith identified entrepreneurship as a function rather than a specific individual. The firm is personified in the entrepreneur.'[1]

'R. I. Robinson has described "Entrepreneur" as an individual who possesses the ambition, energy and motivation to give the business the strong thrust it needs to become successful. Glues have thought of the entrepreneur as an individual who creates a new firm and continues to manage it until it is successful. Dewing described "Entrepreneur" as a promoter who develops profitable business from ideas and one who possesses certain qualities such as initiative, good judgment and imagination.'[2]

Economic development and successful entrepreneurship is correlated. In insurance industry, this is easy to understand that insurers generate fund through premium and invest the same in bank deposit, capital market and industry which mobilize the economy of Bangladesh.

Entrepreneur is seen as the person [3] who direct his own business using his own capital. An entrepreneur is also the person who has the drive, ambition, energy and motivation to give a business the strong thrust it must have to succeed.[4] The threat of success is risk though initiatives and risks go with entrepreneur and one can not think of entrepreneurship without initiatives and risks.

Entrepreneurs of capital exploiters are specialists in marshalling front money and commencing business like banks and insurance companies which require large amount of capital. Haider Chowdhury who played a dynamic role in incorporating National Bank, National Life Insurance Company and Eastern Insurance Company in the private sector is an example of bulk capital aggregating entrepreneurs.[5] Another example we may refer that Syed Moazzem Hossain is a promoter of Delta Life Insurance Co. Ltd., a company with life fund of Tk. 800 crore and apex leader in insurance industry. This 800 crore taka of Delta Life Insurance Company Ltd. has been invested in the economy.

Economic journalists in Bangladesh believe that development of a good breed of entrepreneurs is possible if adequate incentives are provided. It may be noted that some countries promoted development of entrepreneurs by direct patronage such as disinvestments of successful state-owned enterprises at nominal prices. Japan is one of such example. Pakistan is precedence where PIDC established and profitably run units were sold out at liberalized terms to private hands. The Government of Bangladesh seems to have started this kind of policy through Board of Investment (BOI).[6]

5.2 Corporate Governance and Insurance Magnates

5.2.1 Role of Corporate Governance and Investment of Insurance Fund

Before discussing the Corporate Governance and Insurance Magnates of Bangladesh in detail, we need to ascertain that what is Corporate Governance, what are the functions of the corporate governance and whether corporate governance concept is existed in our insurance industry or not? And what is the role of Corporate Governance and Insurance Experts in managing investment of insurance fund which is the most important source of industrialization and capital formulation of the Economy in Bangladesh.

'Corporate Governance encompass the regulation of the way business govern themselves.'[7] It is the responsibility of the Board to determine specific provisions of Code that should be applied taking into account the size, nature and complexity of the business of the Insurers.[8] It is also essential that the Board to ensure that those involved in the day to day control and management of the company fully understand the nature of the business being undertaken by the company and the related risks, and are suitably qualified and competent to perform the necessary functions and overview of the operation.[9]

Adoption of Insurer's Corporate Governance Code

(a) The Board shall;

(i) define the Strategic Objectives of the company.[10]

(ii) adopt a policy that, private transactions, self dealing preferential treatment of favored internal and external entities, covering trading losses of a non-arms length nature, shall not be conducted by the company without the prior approval of the Board. Management shall be so advised and required to report to the Board immediately.[11]

(iii) establish procedures to facilitate an Annual Review of compliance with the code of Corporate Governance.[12]

(b) The Board shall, within a specific time from the date of the Board Meeting when recommended code adopted, forward copies of the extracts from the Meeting which demonstrates compliance with (a)[13].

Appointment, removal, retirement and remuneration of directors of insurers[14]

The Board should ensure that the Memorandum & Articles of Association adequately sets out procedures for the appointment, removal and retirement of directors. In particular, inter alia-

(a) All insurance companies shall appoint at least one person as Compliance Officer (CO)[15] of the Corporate Governance practice:

(i) who is not an associate (other than a director) of, or associated party (other than a director) in relation to, the company; and

(ii)who is not responsible for the management of the company's business; unless

(iii) the CO has, by written notice, waived this requirement.

(b) The review of director's fees should be a standing item on the AGM agenda of the insurer and should be considered by the shareholders(s), this practice is not firmly followed by our corporate entities.[16]

Director's duties

(a) Each Board should ensure that collectively they have sufficient expertise to understand the important issues in relation to the operation and control of the insurance company.

(b) Each Board should set out clearly who has authority to enter the insurer into contractual obligations.

(c) Each Board shall ensure that the management clearly understand that they are to take instructions form the Board of directors rather than individual directors unless the Board has already ratified that instruction and requested a director to implement it or appoints a sub-committee to act on a particular issue with the authority of the Board as a whole.

(d) Where the insurer employs its own management the Board must impose appropriate levels of authority and reporting to ensure management is sufficiently accountable to the Board and is not operating upon the authority of one individual.

Investments and Assets-role of Corporate Governance

The Board should-

(i) develop and implement an appropriate investment strategy, setting clear guidelines with regard to the exposure to given levels of investment grade and individual investments.

(ii) minute the investment strategy.

(iii) establish signing authorities and bank mandates with regard to the assets of the insurer. These should be reviewed regularly and compliance with them checked at the Board's direction.

(iv) establish internal controls in relation to the safekeeping of assets. These will include, but not be limited to, the regular preparation and check of reconciliation's.

(v) establish procedures to monitor and control the application of the investment strategy determined.

(vi) have regard to the issues of mis-match between the assets and liabilities of the insurer and adopt guidelines with regard to the acceptability and extent of any mis-match. These guidelines should then be reviewed periodically and reports made to the Board by the insurer's management or appointed investment managers as to compliance with those guidelines.

(vii) Where the Board wishes to invest in derivatives, they should ensure that controls over derivatives and other complex investment instruments have been implemented and are adequate to ensure that risks are properly assessed, regularly reviewed in the light of changing market conditions and experience and consistent with the insurer's overall investment strategy.[17]

5.2.2 Insurance Magnates and Contributors of Export Opinion Survey

Expert opinion survey and pertinent data collection to the research project have been possible due to following insurance magnates' benevolent contribution. They gave the clues of loopholes and bottlenecks of the investment management of insurance fund. They also proposed some recommendations with their expert views for overcoming the present sickness of insurance industry. Researcher expresses his gratitude and acknowledges their contribution by saying glimpse about them.

Ali, Dr. Muhammad Raushan is the Vice Chairman of Delta Life Insurance Co. Ltd. He did his PhD in Psychology and he is Professor of the Dhaka University in the department of Psychology. Mr. Raushan Ali is a Fellow of the Chartered Management Institute (UK). His expertise is in Organizational Behavior and Human Resources Management.

Ali, Alhaj Mohammad was MD of Jiban Bima Corporation. Formerly he was the General Manager, Chittagong region of the same corporation. Alhaj Mohammad Ali started his career as an Accountant in the then Eastern Insuance Co. Ltd.

Absar, AQM Nurul is the Chairman of Green Delta Insurance Co. Ltd. He is an engineer qualified from BUET and Post Graduated from Netherlands. Mr. absar is a successful entrepreneur in Bangladesh.

Ali, G.F.M Shawkat is MD of Bangladesh Co-operative Insurance Ltd. He has vast experience in insurance field for the last 19 years, Mr. Ali started his career in the field of insurance in 1985 in Eastern and he became the MD of Republic Insurance Co. Ltd. and the Loyeds Insurance Co. Ltd. He served as General Manager, Dy. MD and Additional MD in Rupali Insurance Co. Ltd. Mr. Shawkat Ali obtained his Bachelor Degree with Hon's in Accounting in 1975 and post Graduate in 1976 from the University of Dhaka. He has completed three year course (1977-1981) as an Articled Student of the Institute of Chartered Accountants of Bangladesh under locally reputed firm Rahman Rahman Huq & Co., Chartered Accountants.

Ali, Joarder Nowsher FCA has colourful service life serving in the Senior Executive position of various Industries & Corporate Head Quarters under erstwhile EPIDC, Sena Kalyan Sangstha, BCIC, Ministry of Industry/Textiles. Presently he is holding the position of the Chairman of Provati Insurance Co. Ltd. He is a fellow member of the Institute of Chartered Accountants of Bangladesh (FCA).

Alam, Khorshed is a retired Senior Civil Servant. He served as Secretary to the Govt. of the People's Republic of Bangladesh in the Ministries of Local Govt., Rural Development and Corporations, Commerce, Industry and Finance. After Retirement from Govt. service, he was appointed Governor of Bangladesh Bank and he held that position for 4 years. Now he is engaged in BGIC as its Principal Adviser.

Ali, K.M. Mortuza ACII, was born in November 1, 1948. Currently he is serving Prime Islami Life Insurance Company Limited as MD since October 2002. He obtained B Com (Hons), M Com and LLB Degree. He is a Fellow of Norwegian Shipping Academy, Oslo; Islamic Economics Research Bureau, Dhaka and Associate of Chartered Insurance Institute (ACII), London. He is also affiliated with Asia Pacific and Insurance Association, Singapore; Asia Pacific Network of Insurance Institute, Kualalumpur. As recognition of professional excellence he has been enrolled as a "Free Lance Consultant" in M/S Traverse Morgan International. He conducted research on "Prospect and Constraints of Insurance Services in Micro Credit Industries of Bangladesh." So far he has authored forty-five published articles. He wrote a book titled as "Insurance in Islam" published by Islamic Economic Research Bureau, Dhaka and another book titled as "An Introduction to Islamic Insurance" is under process of publication. He served as Chief Executive of Bangladesh Insurance Academy (BIA) during the period from July 5, 1995 to October 30, 2002. He acted as General Manager in an International Organization during the period from December 1, 1991 to July 2, 1995 and Deputy General Manager of Bangladesh Shipping Corporation from April 1984 to December 1991 and Assistant General Manager (Insurance and Claims) from November 1979 to April 1984. As an academician and professional he has contributed a lot in the development of insurance industry in Bangladesh.

Ahmed, Khabir Uddin is Senior Executive Vice President of Central Insurance Company Ltd. He has a successful career of more than 15 years in insurance.

Aziz, M A is MD of Popular Life Insurance Co. Ltd. He started career in insurance industry in 1985 in Alico. He had a remarkable business record in National Life Insurance Co. Ltd. in 1992. Mr. Aziz is successful seller in insurance field.

Ali, Hashmat, FCII, MD of Prime General Insurance Company a renowned insurance specialist in Bangladesh. Mr. Ali started his insurance career in 1970, when he joined Pakistan Insurance Corporation (PIC) after graduation from Dhaka University. After Liberation he, worked in Bangladesh Insurance Corporation, Tista Bima Corporation and Sadharan Bima Corporation in different capacities. He worked as an insurance specialist in Saudia International Insurance Company Limited, Saudi Arabia from 1982 to 1986. Thereafter he joined Green Delta Insurance Company Limited in 1986. Mr. Hashmat Ali obtained FCII, the highest degree on General Insurance in 1983 from the Chartered Insurance Institute, London. Later on, he obtained the honorary Diploma FFII from the Federation of Insurance Institute, India. Mr. Hashmat Ali obtained higher training on Marine Insurance Law and Claim organized by Richards Hogg International Ltd., London in 1987. He also obtained training on insurance and Re-insurance with. Tyser & Co., London and Re-insurance underwriting with Mercantile & General Re-insurance Company, London.

Alam, M. Shamsul was the MD and Chief Executive Officer of Reliance Insurance Ltd. Mr. Alam joined the Pakistan Insurance Corporation in 1960 after obtaining a first class in Masters in Commerce with Honors from the University of Dhaka in 1959. He is also an Associate Member of the Chartered Insurance Institute (ACII), London. He received on the job training in several insurance companies in London, at Lloyds, and at Swiss Reinsurance Co., Zurich, under the British Government Scholarship in 1963-64. After nationalization of insurance in Bangladesh, Mr. Alam was the first Acting MD of Sadharan Bima Corporation and from 1973, he worked as General Manager of all technical departments. He was appointed MD in 1976 and worked as MD of Sadharan Bima Corporation till 1986. Mr. Alam was also the MD of Jiban Bima Corporation from October 1986 to November 1987 and after that he voluntarily retired in order to become one of the promoters and first MD of Reliance Insurance Limited. Now he is the Chairman of Bangladesh Insurance Association.

Akand, Md. Sharif Uddin is General Manager of Sunlife Insurance Co. Ltd. in its takaful insurance department. Earlier he served in Sandhani Life and Sunflower Life Insurance Co. Ltd. He is also a politician. He was also the Vice-Chairman of Asian Reinsurance Corporation at Bangkok, a Multinational Regional Reinsurance Organization from 1981-85 and Chairman from 1985-87. Mr. Alam has vast experience in insurance and reinsurance business.

Ahmed, Mosleh Uddin is serving in Lloyds Insurance Co. Ltd. as its MD. Earlier he served in Bangladesh General Insurance Co. Ltd. as Additional MD. Mr. Ahmed has profound experience of service for more than 4 decades in the insurance industry for both the life and general insurance. He started his insurance career in July 1961 by joining Eastern Federal Insurance Co. Ltd. Later in 1985, he joined newly established Lloyds Insurance Company as company secretary from the post of secretary of Jibon Bima Corporation. Mr. Ahmed, an MA from the University of Dhaka has received several training courses. In 1980 he participated in the seminar & training course in Bombay, India organized by UNCTD/UNDP and in the year 2000 he also participated in the 12th Insurance Congress of developing countries, Katmandu, Nepal. He is a member of International Lions Club, Dhaka Club and Savar Golf Club.

Ahmed, Mosleh Uddin is Bangladesh General Insurance Company (BGIC)'s Additional MD. Mr. Ahmed has a long experience in insurance profession for 4 decades. An MA from the University of Dhaka, he received extensive training in various field of insurance. He has contributed my research project giving his expert opinion.

Alam, Mahbub Ul is working as General Manager in Jiban Bima Corporation (JBC). Formerly he was deputy secretary in the Establishment Ministry. Mr. Mahbub joined the Public Works Department (PWD) in 1980. In the mean time, he was promoted as the deputy secretary (DS) of the BCS- Public Works Cadre. He achieved graduation from the Rajshahi Engineering University and did a post graduate course in the Lund University, Sweden.

Ahmed, Nizam Uddin, a renowned insurance personality, industrialist, social worker and journalist. He is the Chairman of Karnaphuli Insurance and Meghna Life Insurance Company Ltd. He was born in 1947. He completed his graduation from BM College, Barisal. He started his career as a local correspondent of Daily Ittefaq while studying in BM College. Later He completed his MA in Journalism in 1972 from the University of Dhaka. He is also an LLB.

Ali, Ragib is associated with a number of socio-economic and educational institutions. He is at present the Chairman of the University of Asia Pacific (UAP), Vice-president of North South University, Vice Chairman of the Southeast Bank Ltd. and a Director of the Continental Hospitals. Mr. Ali is the founder of Jalalabad Ragib Rebeya Medical College with a 300 bed Hospital in Sylhet. He is renowned entrepreneur in insurance industry in Bangladesh and Vice-chairman of BGIC.

Ahmed, Shamsuddin was born in 1942. He passed the matriculation in the year of 1958 from Bhadur High School. He got his I Com & B Com from Chowmuhani College in 1961 & 1963 respectively. He left for Karachi in April 1965 to join in the department of insurance of erstwhile Govt. of Pakistan. He worked for more than 32 years in insurance including 14 years as Controller of Insurance, Government of the Peoples Republic of Bangladesh. During his tenure of service as Controller of Insurance all the private sector insurance company got permission. He received training on general insurance and supervision of insurance in Manila, Philippines in 1989. He Joined Asia Pacific General Insurance Company on 1 September 1999 as founding MD. He left the company on 28th November 2001 and joins Nitol Insurance and has been serving there till to date as MD.

Ahmed, Shefaque, MAAA, FSA was born in 1955. He secured first class all through in his educational career. Completing Masters in Mathematics from the Dhaka University in 1980, Mr. Ahmed went to the USA in the year 1981 for prosecuting higher studies in the field of Actuarial Science. Mr. Ahmed completed MS in Actuarial Science with a CGPA 3.54 from the University of Connecticut in the year 1984. Mr. Ahmed started his career in the field of Actuarial Science as an Actuarial Student in Aetna Life & Casualty, Hartford, USA in the year 1985 where he worked up to 1987. Then he joined Massachusetts Mutual Life Insurance Company as an Actuarial Assistant in February 1987 and worked up to October 1988. Mr. Ahmed changed his employer in October 1988 and joined National Life Insurance Company, Montpelier, USA where he worked as an Actuarial Assistant up to May 1990. In June 1990 Mr. Ahmed again changed his employer and has been working for Commercial Union Life Insurance Company, Quincy, Massachusetts, USA as a Manager Product Development/Actuarial Division. Mr. Ahmed became a fellow of the Society of Actuaries, USA in November 1992 and Member of the American Academy of Actuaries in February 1993. Presently he is MD of Pragati Life Insurance Ltd. He was Project Director and Deputy Actuary in Delta Life Insurance Co. Ltd.

Ahsan, Syed Shahriyar, MBA started his insurance career in 1986 in Green Delta Insurance Co. Ltd. and left Green Delta in 2000 when he was in charge of Head of Re-insurance and Underwriting Department. He joined in Continental Insurance Limited in April 2000 as Executive Director. Considering has dedicated services to the company, Board of Directors promote him as MD in May 2001. He is an MBA and he did MCom (Finance) in 1982 from the University of Dhaka. Mr. Ahsan is a member of MAAT, Fire Rating committee of Central Rating Committee, Technical and Re-Insurance Sub-Committee of Bangladesh Insurance Association. He has a vast training exposure including overseas training in Switzerland and London.

Anwar, Zahid is Deputy MD of Central Insurance Company Ltd. He has long experience in insurance industry. Mr. Anwar has excellent marketing skills.

Awal, Md. Abdul is Jt. Asstt. MD of Rupali Life Insurance Co. Ltd. He has long experience in insurance rendering services to National Life Insurance Co. Ltd., Prime and Fareast Islami Life Insurance Co. Ltd.

Bhuiya, A. R., a prominent insurance personality of the country and the MD of Crystal Insurance Company Limited, was born in 1941. He started insurance career in 1967 as a Class-1 Officer of erstwhile Pakistan Insurance Corporation (reinsurer of private insurers). Later he was absorbed in Sadharan Bima Corporation and become Deputy General Manager in 1978. He joined Green Delta Insurance Co. Ltd. as Executive Vice President in 1986 and served there as Senior Additional MD till April, 2000. Prior to joining crystal Insurance Co. Ltd. Mr. Bhuiya was the founding MD of Global Insurance Ltd. Mr. Bhuiya is on MA in Economics from Dhaka University and obtained ACII from Chartered Insurance Institute, Lindon in 1972. He made his mark as an insurance expert when he initiated the work of restructuring the insurance Tariffs in Bangladesh after liberation and developed new schemes like Crop Insurance, Cattle Insurance and Personal Accident Insurance. He is a member of the Central Rating Committee and Chairman of fire rating Sub-committee assigned with the job of pricing general insurance in the country. He is a sponsor Director of Padma Life Insurance Co. Mr. Bhuiya is the author of "Legal and Economic Aspects of Insurance" and this is the second book of the author. Besides, he is a prolific writer on insurance subjects. He is also a Guest Speaker in Uttara Bank Training Institute, Janata Bank Training Institute and other institutions.

Bakht, Jahurul Syed, CMA is serving in Green Delta Insurance Company Ltd. as Executive Director and Company Secretary. He obtained degree on Business Management from Mohack College, Canada. He also obtained degree on Certified Management Accountant (CMA) from the Society of Management Accountants, Ontario, Canada. Prior to joining Green Delta Insurance Company Ltd. he served a Chartered Accountants firm named Bazili & Company, Ontario, Canada as management accountant.

Bhuiyan, M A Ali is MD of Central Insurance Co. Ltd. He has 42 years insurance experience. Mr. Bhuiyan retired from SBC in 1985 as General Manager after then he was MD of City General Insurance Co. Ltd. and Eastern Insurance Co. Ltd.

Bhuiyan, Md. Sahariat Hossain, is Sr. EVP of Islamic Insurance Bangladesh Ltd. (IIBL). Earlier Mr. Bhuiyan was involved with Bangladesh Co-operative and Prime Insurance Co Ltd. He has excellent selling skills.

Bharasha, Md. Sirajul Islam is Vice Chairman of Global Insurance Ltd. Mr. Bharasha is a renowned business personality and successful entrepreneur in Bangladesh.

Bhuiyan, Nur Mohammed joined in American Life Insurance Company in 1987 and he performed there very well having 100% persistency. In 1990 he moved to the Sandhani Life Insurance Company Ltd. as a Regional Manager.

Chowdhury, Anisuz Zaman had his CA degree from London in 1964 and admitted as FCA, a Fellow of the Institute of Chartered Accountants in England & Wales in 1975. He served a number of internationally reputed Chartered Accounting Firms and is widely experienced in investments and in share market. He is adding value to the BGIC as Financial Consultant with his professional expertise.

Chowdhuri, Farid A. is the Additional MD next to the position of MD of Green Delta Insurance Company Limited. He was born in 1945. He was graduated from the University of Dhaka in 1965. He started his career in insurance in 1963 while continuing his studies of graduation level. After liberation he worked in the Sadharan Bima Corporation. He also worked with the AL AHLIA Insurance & Reinsurance Company in their Head office in Saudi Arabia. He has been working in Green Delta Since 1986. He is also Director of Delta Brac Housing Finance Corporation. He is an active Rotarian, past President, Chairman and Member of various Committees of Bangladesh Rotary District.

Chowdhury,Abdul Gaffar is Chairman of Janata Insurance Company Limited. He is a renowned industrialist of the country. Mr. Gaffar Chowdhury is a former sponsor- director of the United Commercial Bank Ltd and Chairman of the Sagar Foods Ltd.

Chowdhury, Nimmi is serving in Prime Insurance Company Ltd. as its MD (cc). She started her insurance career through Green Delta Insurance Company Ltd. in 1986. In 2000 she joined Prime Insurance Company Ltd. as Senior Vice President. Later in 2001 and in 2003 she was promoted to Executive Vice President and Assistant MD. Mrs Chowdhury is a regular Rabindra Sangit artist in Bangladesh Television. She is also a Rotarian. She is the pioneer female MD in insurance sector in Bangladesh.

Choudhury, Nasiruddin Ahmed was born in 1934. Mr. Choudhury is a dynamic insurance personality in Bangladesh. On the other hand he is known as a re-insurance personality. He was the Chairman of Bangladesh Insurance Association. Mr. Ahmed joined PIC's HO at Karachi as probationary officer. On completion of probationary period he was sent to England for higher training in insurance and Re-insurance in London by the Government of Pakistan and also in Munich Reinsurance Company in Germany for about one and half year. After liberation of Bangladesh he was responsible for arranging Reinsurance of the then Bangladesh Insurance Corporation as General Manager of Sadharan Bima Corporation. Now he is Sponsor Director and MD of Green Delta Insurance Co. Ltd.

Chowdhury, Pirjada Saifullah is DMD of Phoenix Insurance Co. Ltd. He started insurance career in 1987 after completing masters from the University of Chittagong in 1985. He has good selling skills.

Das, R N joined insurance industry in 1958 as an officer. He served in different insurance companies holding different positions till 1973 when his services were absorbed in Sadharan Bima Corporation (SBC). Prior to his joining the Private Insurance Company he was the General Manager (Finance, Real Estate & Establishment) in SBC. He served as MD, Peoples Insurance Company Ltd. from May 1992 to September 1997, joined Pioneer Insurance Company Limited as MD on 1st April, 1998. He was awarded by 'The Industry' (a fortnightly magazine) and Micro-E-Commerce Ltd. (MECom) as the best insurance man for the year 2002 for his outstanding contribution to the Insurance Industry in Bangladesh. He has about 46 years long experience in insurance industry.

Haq, ABM Nurul is MD of Global Insurance Limited formerly he was the MD of Islami Insurance Bangladesh Limited. He started his career with the largest insurance company of erstwhile Pakistan, the EFU Insurance Company Limited. Mr. Haq served as General Manager of the Jiban Bima Corporation till 1995. After retirement, he joined as MD of Northern General Insurance Co. Ltd. in 1996. Mr. Haq has received higher training on insurance in Karachi, Switzerland, Germany, Japan and Malaysia and presented key note papers on insurance in many international conferences at home and abroad. He is chairman of the Bangladesh Takaful Consultative Forum, former president of the Rotary Club of Motijheel, Dhaka.

Hossain, A. K.M. Ilius started his career as an insurance representative and becomes a Deputy General Manager at computer division in head office of Jiban Bima Corporation. Mr. Hossain is a graduate from Rajshahi University and took part in many insurance educations from home and abroad. He also joined in many insurance training courses, as well as international seminars. He deputed as Director of the Bangladesh Insurance Academy.

Hossain, Md. Ali is MD of Fareast Islami Life Insurance Co. Ltd. He joined here after retiring from the Jiban Bima Corporation as General Manager. In 1973, he was absorbed in the Corporation as Dy Manager in National Grade-V. During pre-liberation, he served in the United Insurance Company of Pak Ltd. where he joined as Life Officer in May, 1968. Mr Hossain started his career in life insurance with the largest British Company, the Prudential Assurance Company Ltd. from December, 1963. He has higher training on "Life Assurance & Management Development" from Officers' Training College, Life Insurance Corporation of India with financial assistance of Common-Wealth fund for technical Co-operation, Education & Training Program and also on "Study of Life Insurance Institutions" from Postal Life

Insurance Bureau, with financial assistance of the Govt. of Japan. Mr. Hossain has worked as "Counterpart" from Jiban Bima Corporation with M/s. Watson Wyatt Singapore Pte Ltd. In association with M/s. Janet Tay Consultant Pte Ltd., Consultants of the project "Asian Development Bank-TA: 2033 BAN-Study of the Insurance Industry and Pension and Provident Fund Operation in Bangladesh" of Ministry of Commerce financed by Asian Development Bank (ADB).

Hossain, Md. Anowar is the Chairman of Islami Commercial Insurance Company Ltd. Mr. Hossain is also MD of A Hossain Group having a successful entrepreneur record in this country.

Haque, Md. Anwarul is the Chairman of Global Insurance Limited. He is a renowned industrialist. Mr. Haque is also the Chairman of Technocon Ltd and Director of Mercantile Bank Ltd.

Hoque, M. Azmal ACII is the MD of Eastland Insurance Co. Ltd. who is a well known figure in the field of insurance. Mr. M. Azmal Hoque was born in 1938 and completed his MA from Dhaka University in 1961. He is an associate member of the Chartered Insurance Institute, London. Mr. Hoque is reputed to be an insurance expert and has varied international experience. He has previously worked for Stewart Wrightson, Loyeds Brokers in London, Prudential Insurance Company and Insurance Company of North America in Dubai.

Husain, Md. Maqbul an eminent insurance personality of the country has associated himself with The Loyeds Insurance Company Limited as the MD. He brings with him an experience of over 40 years in the Insurance Industry. Mr. Husain started his career in insurance in the year 1959 with the then Muslim Insurance Company as an officer and was absorbed in the Sadharan Bima Corporation after liberation. By dint of his efficiency, he was Asst. General Manager of the Corporation. He joined Rupali Insurance Company Limited as General Manager in 1988 and was subsequently elevated to the rank of MD of Pionner Insurance Company Limited and Janata Insurance Company Ltd.

Hakim, Rezaul studied in St. Gregory's High School and later in the University of Dhaka on political science and international relationship. After completion of his studies he started his career from Eastern Federal Insurance Company as an Executive Officer. He received training in the Insurance College of India at Nagpur. Later he got training from Life Insurance Corporation of India at Bombay. He served in the Karachi head office of Eastern Federal Insurance Company for 7 years. After liberation he was absorbed in the Jiban Bima Corporation. He was promoted to Deputy General Manager in 1984. In 1970 he was the Secretary of Dhaka Insurance Institute.

He was one of the masterminds of ever first private insurance company of Bangladesh inaugurating National Life Insurance Company. At the beginning he was Executive Vice President of the company. He participated in the seminar on insurance held in Tokyo, Japan in 1998 as a delegate of Bangladesh insurance industry. In the year 2000 and 2004 he participated in another two conferences held at Katmandu, Nepal and at Delhi, India.

Hussain, Syed Moazzem is the Chairman of Delta Life Insurance Co. Ltd. Mr. Syed moazzem Hussain is the prominent businessman in Bangladesh. He is also the director of Pubali Bank Limited.

Haque, Abdul is the Chairman of Mercantile Insurance Co. Ltd. He is a successful entrepreneur in insurance industry. Mr. Haque is Sr. Vice President of DSE and the Chairman of Royal Green Securities Limited, Royal Green Products Limited, Artisan Constructions Limited. He is also MD of Evergreen Group of Companies.

Huq, Syed Zahrul had his schooling at Faridpur Zilla School and Rajendra College respectively before obtaining Bachelor Degree from Dhaka University. In 1964 he joined the erstwhile Muslim Insurance Company as an officer. He served as the Chief Manager of Muslim Insurance Company till Nationalization of Insurance Industry after Independence of Bangladesh. When Sadharan Bima Corporation was formed in 1973 as Lone insurer of the Country he was placed as the Deputy Chief of its Dhaka Zone. During this period he played a vital role in integrating erstwhile 49 private companies and helped functioning nationalized scheme. In 1986 he joined Green Delta Insurance Company as Sr. Vice President and left the company to take over the charge as the MD of Bangladesh National Insurance Company in 1997. He switched to the Peoples Insurance Company as MD in October 1998. He has shown uncommon vision in the filed of company's investment planning. In 1998 the company invested to build a commercial building. The project so far is the most profitable having modern commercial facilities. Presently he is a member of EC of Insurance Association of Bangladesh and as an active member of the Committee he is contributing towards restoration of sanity and discipline in the filed of insurance. Mr. Huq has many research papers on insurance subject.

Harun, Yussuf Abdullah is chairman of Asia Insurance Ltd. He is a renowned Chartered Accountant and very successful entrepreneur in financial sector. Mr. Harun is also the chairman of Southeast Bank Ltd. and Vice President of SAARC Chamber of Commerce and Industries. Formerly he was president of FBCCI.

Halim, Zafar is a dynamic insurance personality of Bangladesh. He passed MSc in Statistics from Dhaka University in 1966 and subsequently he becomes

Associate of the Institute of Actuaries (AIA), London in 1976. He has worked in the insurance industry for over 30 years out of which 18 years in management. Presently he is MD of Progressive Life Insurance Co Ltd. He served in United Insurance Co Ltd, Delta Life Insurance Co Ltd. and in some foreign insurers. He contributed giving premium rates of various insurers considering rate of return on investment and gross/net yield of insurance companies.

Islam, A K M Rafiqul is founder MD of Pragati Insurance Limited since 1986 and Sponsor Director of Pragati Life Insurance Limited. He retired from SBC as GM (Finance) on 1986 after serving 13 years there. Mr. Islam is an FCA and he is insurance expert as well as entrepreneur in insurance industry. He started insurance career in 1966 joining with Great Eastern Insurance Co. Ltd. as Chief Accountant. He is the member of Insurance Law Review Committee and WTO committee appointed by the Govt of Bangladesh. He is Chairman of the Board of Trustee of Independent University of Bangladesh (IUB) since 1998. Mr. Islam received Dhaka University Research Association (DURA) Award for outstanding contribution to the insurance industry in Bangladesh.

Islam, Md. Azizul is Deputy MD of City General Insurance Company. Mr. Islam was a meritorious student and obtained his Honours and Masters in Public Administration from the University of Dhaka and received his LLB from the same university. He also took Bangladesh Insurance Academy (BIA) Diploma with Tyzer of London Award. He is life member of Indian Insurance Institute and a licentiate of the Institute.

Islam, Mollah Md. Nurul is Secretary General of Bangladesh Insurance Association (BIA), only association in insurance industry in Bangladesh. He started his insurance career in 1962 after passing M. Com from Rajshahi University in 1959. During these four decades experience in insurance, he holds many important positions like GM in Sadharan Bima Corporation and MD in Purabi General Insurance Co. Ltd.

Islam, Md. Sirajul is MD of SBC. He is Addl Secretary in the Commerce Ministry. He obtained his BA (Hons) and MA degree in Economics from Chittagong University in 1976.

Islam, S M Fareed-ul is working in the Prime Insurance Company Ltd (PICL) as Additional MD. Islam served the insurance industry at home and abroad for over 35 years. He started his career in 1970 in the then Muslim Insurance Company Ltd. as a Junior Executive. Thereafter, he worked in various capacities with the Teesta Bima Corporation, the Janata Insurance Company Ltd. and the Bangladesh National Insurance Company Ltd. He is an MA in economics from the Dhaka University and holds a diploma in Business Management from Canada.

Jaigirdar, A. H. is a Deputy MD in sales wing of Bangladesh General Insurance Company. He is associated with BGIC since its inception and he is a graduate.

Khan, AK Momtaz is MD of Islami Commercial Insurance Company Limited (ICICL). Mr. Khan joined Karnaphuli Insurance Company Limited (KICL) as probationary officer in 1986 and worked there till 1988 in different departments. He joined Rupali Insurance Company Limited (RICL) as senior officer in 1988. In 1991, he took charge of claims department as manager. He was elevated to the rank of assistant general manager (AGM) in 1997. Afterwards, he joined the ICICL as general manager in August, 2000.

Khan, Aminur Rahman is working in Rupali Life Insurance Company Ltd. as additional MD. Formerly he was Senior Executive Vice President (SEVP) of Sandhani Life Insurance Company Ltd. He served for long 20 years in different positions of Sadharan and Jibon Bima Corporation. Mr. Khan is an expert and well-known trainer.

Karim, M A hails from Sylhet. He passed his Matriculation in 1960. After passing Intermediate, he admitted Chartered Accountancy course and passed CA Inter and Final Group-II. Mr. Karim started his career by joining insurance industry in 1970. He worked in Sadharan Bima from 1972 to 1983. He also worked in insurance industries both home and abroad in responsible position about 30 years. He worked Middleast Multinational Insurance Company form 1983 to 1987. As MD of Sandhani Life Insurance, he has living employed thousands of unemployed youths by motivating them to work even in their villages. He is also entrepreneur in insurance industry incorporating Progressive Life Insurance Co. Ltd.

Khalek, M A is a renowned industrialist, philanthropist and a man of letter. He comes of a noble family of Pirojpur. After completion of M Com from the University of Dhaka he established several business organization one by one in his life. Some of them are now at the top in the domain of trade & commerce of the country. Mr. Khalek was the founder director of Prime Bank Ltd. He is the advisor-director of Prime Islami Life Insurance Co. Ltd. He is also the chairman and founder director of Prime Finance & Investment and Prime Property Holdings Ltd. In his colorful and dynamic life, he contributed and is devoted to several benevolent organizations. He is working through Seba, an NGO for poverty alleviation, non-formal education, and family health care, creation habitat for the homeless and to serve the distressed. He established many educational institutions in the southern Bangle.

Khan, Md. Aliuzzaman was born in 1940. He passed his matriculation examination in 1956. He graduated from Notre Dame College in 1960. In April 1970 Mr. Zaman joined the then Muslim Insurance Co. Ltd. (General

Dept.) as a Development Officer in Dhaka and continued up to Nationalisation of Insurance Companies in August, 1972. In 1973 the Government of Bangladesh again merged 2 General Insurance Corporation (Teesta Bima Corporation and Karnaphuli Bima Corporation) into one i.e., Sadharan Bima Corporation. In December 1985 Mr. Khan resigned from the services of SBC and joined Co-operative Insurance as Deputy General Manager. He played a pivotal role in setting up and organising this private insurance company. In 1989 he resigned from Co-operative Insurance and joined Karnaphuli Insurance Co. Ltd. as the General Manager. After a year he becomes Deputy MD and in August 1993 Mr. Zaman was appointed as MD of the Company. Mr. Zaman is a member of the Executive Committee of Bangladesh Insurance Association. He is also a member of Consultative Committee on Insurance, a Sub-Committee of FBCCI.

Khan, Md. Nasir Uddin, a successful insurance organizer serving in Homeland Life Insurance Co. Ltd. of its Palli Paribarik Bima Project as Divisional Manager. In 1995 he started his career in life insurance through Jibon Bima Corporation. Later he joined Sandhani Life as Regional Manager and Homeland Life as Zonal Manager. He served in Homeland Life successfully and was promoted to Assistant Vice President. In 2000 he again switched to Sunlife Insurance Co. Ltd. as Deputy General Manager.

Khan, SA is MD of Islami Insurance Bagladesh Ltd. He was MD of Purabi General Insurance Ltd. Mr. Khan has a long experience in insurance and has special concentration on business development and long term fund management. He worked in Co-operative Insurance Society in London till 1970.

Khan, Saidur Rahman completed his masters from the University of Dhaka. He started his insurance carrier by joining in the Eastern Federal Insurance Co. Ltd., erstwhile Pakistan in 1964. Later he was absorbed in the JBC from its inception in 1973. He was promoted to AGM in 1992 and DGM in 1994. He retired in 1998 from JBC as a DGM. Now he is DMD of Northern General Insurance Co Ltd. He is a active member of Lions Club and attended the meeting at Osaka, Japan in 1978 and in Chicago in 1980 as Deputy Leader of Bangladesh delegation. He also attended international convention of Lions in Nepal and in USA in 1989. Mr. Khan gathered fabulous knowledge on different Art and Culture by intensive traveling.

Khan, Md Jahagir Alam is Vice Chairman of Janata Insurance Company Ltd. He is an illustrious industrialist and the Chairman and Managing Director of the JK Fabrics Ltd, JX Knit Composite Ltd, JK International Ltd, JK Spinning Mills Ltd and JK Real Estate Ltd. He is also Vice Chairman of United Commercial Bank Ltd and Chairman of Chattagram Samity.

Mahin, Abdullah Al-Mahmud is one of the leading young entrepreneurs of the country. He studied Business Administration in the USA. He is the chairman of Crystal Insurance Company Limited. Apart from Crystal Insurance Company Limited he is the MD of Mahin Apparels Ltd. and Hamid Fabrics Ltd. Unit-1 & 2. His conscientious character and vision brought the group to success.

Mondul, Biswajit Kumar is serving as GM (Accounts) and Company Secretary of Sunlife Insurance Co. Ltd. Formerly he was JVP of Delta Life Insurance Co. Ltd. with the charge of Finance of Gono-Gramcen Bima. He obtained Masters Degree in Accounting in 1990 from Dhaka University securing second class first position. He has completed the chartered Accountancy course and he is a partly qualified Chartered Accountants.

Masum, Mohammed, Sponsor-Director and Vice- Chairman of the Loyds Insurance Company is a dynamic businessman. One of the First Batch Graduates of Mymensing Agriculture University, he started his career as District Manager (Seed) in BADC in 1966 and stayed with BADC till 1974. He is well known in the international trading circle for his business integrity, commitment, honesty, sincerity and expertise.

Majid, Md. Abdul is serving in Meghna Life Insurance Co. Ltd. as its Consultant. He is a professional accountant and fellow member of the Institute of Chartered Accountants of Bangladesh (FCA) since 1981. He started his career in insurance in 1970 as a Deputy Manager (Accounts & Finance) and was promoted to the rank of Manager in 1972. From 1973 to 1996 he served in the Jiban Bima Corporation mostly in the accounts department in different positions. During the period from September 22, 1990 to December 30, 1996 he became the MD-Current Charge for six times in the different tenures.

Matin, Md. Abdul is Dy MD of Islami Insurance Bangladesh Ltd. Mr. Matin started his insurance career in 1990. He obtained Masters from the University of Dhaka. Before joining IIBL, he was associated with Central Insurance Company Ltd., Bangladesh Co-operative and Northern General Insurance Co. Ltd.

Masum, K. M. is experienced executive in the position of Dy MD in marketing wing of BGIC where he is associated since its inception. Mr. Masum is an M Sc.

Miah, Md. Abdul Khaleq is Dy MD of Sonar Bangla Insurance Co. Ltd. He holds many important position in this company. Mr. Khaleq has long experience in insurance specially on sales.

Prashad, Das Deba is MD of Delta Life Insurance Co. Ltd. Mr. Das has been associated with Delta Life since its inception. He completed Honours in Commerce and obtained masters degree in Accounting in 1968 from Dhaka University securing first class second position. He joined life insurance in 1970 as an executive officer in the then Eastern Federal Union Insurance Company Ltd. After independence, Mr. Das worked in different capacities in erstwhile Surma Jiban Bima Corporation and Jiban Bima Corporation until he joined Delta Life in February 1987. He has theoretical and practical experience in almost all departments of life Insurance. Mr. Das Deba Prashad is a Fellow of the Bangladesh Computer Society and also a Student-Member of the Chartered Institute of Management Accountants, UK. In 1997 he attended a comprehensive high level Life Insurance seminar organized by Munich Re in Germany and a special course on Life Underwriting in Munich Re, Germany. Around the same time he visited Swiss Re in Switzerland and Swiss Re Life and Health in the United Kingdom.

Rahman, Adeeba is a dynamic and prospective insurance personality in Bangladesh. She is providing her service in Delta Life Insurance Co. Ltd. as Director (HRD, Underwriting, and Marketing). Through HRD functioning, She has overall monitoring and controlling roll in almost all departmental operations specially in Marketing Wing (Development), Re-insurance, Underwriting, Group Insurance, Health Insurance, Actuarial Department, Investment Management and all areas of Gono-Grameen Bima Division of the Company. This is humanly very difficult to take an understanding of such a big Life Insurance Company's operation within the short span of time. Ms. Adeeba demonstrates such capacity in leading that Departmental Operation in a largest Life Insurance Company like Delta Life. She did her MBA concentrating international finance securing GPA 3.8 in Rochester University, New York and she did her BBA from Indiana University of Pennsylvania USA securing GPA 3.86. Ms. Adeeba had highest honors and highest CGPA in both Bachelors and Masers Degree qualifying for the Dean's List and President's List. She was the Comptroller of Financial Management Association at Rochester Institute of Technology. At the time of her study in USA, she started her career serving as undergraduate Assistant in Indiana University of Pennsylvania and Management Executive in Mashreq Bank plc, New York. She also did International Exchange Program in Indiana University of Pennsylvania, USA. Ms. Adeeba is the first lady Chartered Insurer in Bangladesh qualifying from the CII (UK).

Rasul, Ashequr, ABIA is an MA in economics and completed the 3 years Chartered Accountancy Course (Articleship) from a reputed chartered accountants firm. He started his insurance career in 1998 by joining in the General Insurance sector. At present he holds the position of Deputy MD of Meghna Insurance Company Ltd. He successfully completed ABIA diploma on General Insurance with Tyser award from the UK. He wrote a book named

"Marine Insurance (Theory and Practice) - 1ST PART. He regularly contributes by writing various research articles in "BEEMA" and "INSURANCE JOURNAL".

Rahman, Fazlur a renewed industrialist and a successful entrepreneur. He is the Chairman of the Loyeds Insurance Company Limited. Mr Rahman has been playing an important role in the development of edible oil industry of the country for the last few decades. Mr Rahman has contributed immensely to the economic development of the country. He is also actively involved with various business community and socio-cultural organizations.

Rahman, Kaiser is Dy MD of Bangladesh General Insurance Company. A BBA from Central Missouri State University in Warrensburg, Missouri, USA, he served as an Analyst for the Public Research Group in Saint Louis, and as a Financial Counselor at the prestigious investment bank of Dollar Dry Dock in New York City. In 1988, he passed his New York State Licensing examination in Insurance Series 6 and Series 63. Prior to joining BGIC, Mr. Rahman worked for eight years at Empire Blue Cross Blue Shield, which is the largest Health Insurance Company in USA, where he served as a Senior Claims Analyst and lastly as a Quality Assurance Manager.

Rahman, Kazi Ataur is GM of Meghna Life Insurance Co. Ltd. Formerly he was SVP of Delta Life Insurance Co. Ltd. He started insurance career in erstwhile Eastern Federal Union Insurance Co. Ltd. and retired as DGM from JBC. Mr. Rahman has 40 years of experience in insurance.

Rahman, K M Saidur is serving as Deputy MD (DMD) of the Northern General Insurance Co. Ltd. Previously, Mr. Rahman was the Executive Vice President (EVP) and company secretary of the company. During his long insurance career, he served a number of insurance companies in various responsible positions.

Rahman, Monzurur is renowned industrialist in Bangladesh. He was born on November 7, 1945 in a very prominent family of Comilla. Mr. Rahman obtained graduation from the Kolkata University in 1965. He is the Chairman of Delta Life Insurance Co. Ltd., Rema Tea Company Ltd., Sabazpur Tea Company Ltd. and Delta Information Technology Limited. Mr. Rahman is also Director of Pubali Bank Ltd. and Delta BRAC Housing Finance Corporation Ltd. He founded M. Rahman Securities Company Ltd. (A Stock Dealer & Broker House) and EC Member of Bangladesh Association of Publicly Listed Companies (BAPLC). In his colorful life, he is member of Dhaka Club Limited and Kurmitola Golf Club. Mr. Rahman played key role in setting Delta BRAC Housing Finance Corporation Ltd. He attended many workshops and seminars in home and abroad.

Rahman, Mahbubur is the Chairman of Eastland Insurance Co Ltd. He is a renowned and prominent person in the trade and industrial circle of Bangladesh. He was the President of the FBCCI and is currently holding offices in various national & International organizations. Mr. Rahman had his early education in Comilla Victoria College and graduated from the University of Dhaka. He commenced business in 1962 and over the years promoted several industrial, commercial and financial.

Rahmatullah, AKM is the Chairman of Pioneer Insurance Co. Ltd. Former member of parliament (MP), Mr. Rahmatullah is also the MD of Apex Tannery Ltd and the Dai-Ichi-Pex Textiles Milles Ltd. Chief adviser of the Bangladesh Finished Leather, Leather Goods and Footwear Exporters' Association.

Rashid, M. Harunur, Chief Executive of United Insurance Co. Ltd., completed 55 years of continued service in the insurance. He is among a few who have earned such a rare distinction. He was born on 2nd March 1924 in Chittagong. A graduate from Calcutta University in 1942, Mr. Rashid had is early education in Chittagong and Dhaka. He is among a very few Muslim graduates at that time. After joining the insurance industry in 1948 as an officer in Eastern Federal Insurance Company, he took keen interest in insurance studies. He passed the Chartered Insurance Diploma examination (ACII), London in the year 1959 and Mr. Rashid was the first Bengali to be an ACII and was awarded a Gold Medal – again a rare achievement. After liberation he acted as Chief of Bangladesh Insurance Corporation (the former PIC), Director, Karnaphuli Bima Corporation and General Manager, Jiban Bima Corporation. He also served as Director, Bangladesh Insurance Academy and Controller of Insurance, Government of Bangladesh. As Controller of Insurance, Mr. Rashid was actively involved as the main coordinator in framing various laws and regulations for privatization of the insurance industry. As the founder Chief Executive of United Insurance Company Limited, he is one of the members of the Board of Directors of the company and considered to be a very Senior Executive of the Duncan Group of Companies in Bangladesh.

Rahman, M. Lutfar had taken over the charge of Sadharan Bima Corporation (SBC) as MD on 28 November 1996. He was General Manager of the Corporation before assuming to the office of MD. Mr. Rahman did his Masters Degree in Economics in 1965 from Dhaka University. He has actively participated in a number of seminars and received training's on Insurance both at home and abroad. He started his insurance career in 1967 by joining in the erstwhile Pakistan Insurance Corporation (PIC).

Roy, Prithwish Kumar is the MD of Rupali Insurance Co. Ltd. He is an FCA and AICS. He started his insurance career joining Eastern Insurance Co. Ltd. as Chief Accountant of the company on 15. 02.1987 and served there till 06.01.1999 in different senior positions up to EVP. He joined Rupali Insurance Co. Ltd. as Deputy MD on 7th January 1999. For the last five years he has been delivering lectures on Cost Accounting in the Institute of Chartered Accountants of Bangladesh. He worked as a consultant in the Ministry of Food, Government of Bangladesh. Other than professional he is the member of Lions Club International, Governing Body of Ramkrishnapur College.

Rahman, Syed Ataur is MD of JBC from 15 February 2004. He did Masters in Economics from the University of Dhaka and he also did BCS in 1979.

Rahman, S M Mizanur did B Com (Hon's), MCom and CA (Inter). He joined Peoples Insurance Co. Ltd., the 1st private sector General Insurance Company, as Manager (Accounts) in 1985. Later he joined Pioneer Insurance Co. Ltd. as DGM (Accounts) in 1996. Now he is running with Pioneer Insurance Co. Ltd. as DMD & Company Secretary.

Rumi, Tasiruddin Ahmed is Deputy MD of Central Insurance Company Ltd. He has long career in insurance field.

Sharafi, Kalim is Vice-Chairman of Bangladesh General Insurance Company. Mr. Kalim Sharafi is a well-known cultural activist and a renowned Tagore song exponent in the world of Music. He has earned a number of laurels from both home and abroad. He is the principal of Sangeet Bhaban a reputed Musical Institution of Bangladesh. He was also associated with a world famous Insurance Company.

Shah, Md. Aftabuddin, ACII joined Insurance Industry in 1966 as underwriting clerk in Yorkshire Insurance Co., London. He served in different Insurance Companies both in abroad and in the country holding different position till 1973 when his services were absorbed in SBC. Again he went Kuwait in 1978 and came back in 1992 where he served different insurance companies. He was MD of Prime Insurance Company for two and half years and he was also MD of Global Insurance Company Limited. His total experience in insurance industry is 38 years. He did MA from Dhaka University and he is an ACII from CII (London).

Sahidullah, SM is Deputy MD of Central Insurance Company Ltd. Throughout his long insurance career he holds many important positions.

Sohrabuddin, Dr. Md., PhD, AIA received MSc in Statistics from the University of Rajshahi, MSc in Computer Science from the University of London, UK, MA and PhD in Economics form the Vanderbilt University, USA. He also qualified as an AIA (Associate of the Institute of Actuaries) from the Institute of Actuaries, London in 1976. Dr. Sohrab joined the Department of Statistics, University of Rajshahi in early 1965 and after working there for about one and a half years he joined the State Bank of Pakistan as an Officer Class I in 1966. On repatriation from Pakistan he joined Bangladesh Bank in 1973. Since then he has been working in Bangladesh Bank and has held many important positions up to Deputy Governor. He is now working as Actuary and Advisor in Delta Life Insurance Company Ltd. Prior to joining in this assignment he was Director General of Bangladesh Institute of Bank Management (BIBM). He also worked as the Director of Studies, Sixteenth SEANZA central banking course, and a Teaching Fellow, Vanderbilt University, USA on deputation from Bangladesh Bank. He also contributed a large number of technical articles on computer, economics, insurance and statistics to various professional journals published at home and abroad.

Solaiman, Md., PhD, Post Doctoral, Dr. Solaiman presently serving in University of Science and Technology Chittagong (USTC) as Dean of its Business Administration Faculty. He is the pioneer in developing module of MBA (Risk and Insurance Management) first time of its kind in Bangladesh. Dr. Solaiman did his PhD from Poona, India and did his Post Doctoral from Rhode Island, USA.

Talukder, Mahbubul Alam is a successful insurance entrepreneur and Vice-chairman of Asia Insurance Ltd. He is also Director of Chittagong Chamber of Commerce and Industries.

Uddin, Engr. M. Momtaz started his career in insurance in 1978 as Manager in Sadharan Bima Corporation (SBC) and retired as GM in 2002. Now he is serving in Sonar Bangla Insurance Ltd. as MD of the company. Mr. Momtaz completed his BSc Engg. (Civil) from the university of Chittagong securing first class.

Uddin, Md. Musleh is DMD of Karnaphuli Insurance Company Limited and in charge of Claims and Re-insurance. He retired from SBC as DGM on 28th January 2001. He started insurance career in 1964. During this long career he served almost all departments in insurance company and in SBC.

5.3 Pilot Survey on Eight Sample Companies

To analyze the investment policies of eight sample companies, pilot survey and thorough study have been made on the investment policies, investment yield, and fund management, trend of premium income and growth of investment. This survey will help the research work in devising the recommendations in the seventh chapter. Eight sample companies have been selected by taking two companies from the life sector and six companies from the general sector and sequenced considering the company's date of incorporation. All the eight companies are publicly traded in the bourses (DSE and CSE) of Bangladesh.

5.3.1 National Life Insurance Company Limited

First private sector life insurance company in Bangladesh incorporated on 12 February 1985 as a public limited company under the Companies Act 1913 to engage in life insurance business according to the provisions of the Insurance Act 1938 and Rules 1958 and other applicable laws and rules. The company commenced business on 23 April of 1985 with an authorised capital of Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each. Its paid up capital on 31 December 2004 was Tk. 45 million fully paid by four types of shareholders namely, sponsors, companies, financial institutions, and general public. The company is listed with the Dhaka and Chittagong Stock Exchanges.

Premium incomes of the company in 2004 were Tk. 2120 million comprising first year premiums, renewal premiums, and premiums of group insurance and Jana Bima, a special insurance scheme to provide the yield and the benefits of life insurance to very low income group people of the country. Life insurance claims paid by the company in 2004 were Tk. 410 million. The company maintains a huge amount of life fund to pay the un-expired risk in future. In 2004, company has accumulated life fund an amount of Tk 3985.40 million. Types of life insurance services provided by the company are death claim-ordinary life, death claim-group life, death claim-Jana Bima, survival benefit-ordinary life, accident and FIR benefit, ex-gratia claim-ordinary life, ex-gratia claim-Jana Bima, group insurance and takaful.

The company has income from its investments in Pratirakkha Sanchaya Patra (defense savings certificates), shares and debentures of companies, National Investment Bond (NIB), T&T Treasury Bond, and Agrani Bank Shilpa Unnayan Bond. These generated an income of Tk. 293.60 million in 2004. As a part of further diversification of its investment portfolio, the company participated in the equity of a multi-national company named Industrial and Infrastructure Development Finance Company Ltd. (IIDFC).

The assets of the company were valued at Tk.4868.46 million on 31 December 2004. The company paid dividends at varied rates depending upon the volume of its profits and on the basis of valuation by the actuary and audited accounts. Dividend paid by the company in 2004 was 35% on its paid-up capital. It is appeared from the following table that growth of investment is much lower than the growth of life fund in many years.

Taka in million

	2004	2003	2002	2001	2000	1999	1998
Total Premium	2127.01	1970.48	1548.58	1198.60	845.48	600.47	476.00
Growth %	7.94%	27.24%	29.20%	41.77%	40.80%	26.15%	32.20%
Life Fund	3985.40	2862.02	1906.09	1347.45	967.11	691.48	501.78
Growth %	39.25%	50.15%	41.46%	39.33%	39.86%	37.81%	36.94%
Investment	980.18	535.26	446.58	416.60	337.68	239.78	188.42
Growth %	81.13%	19.86%	7.20%	23.37%	40.83%	27.26%	11.10%
Investment Income	293.60	209.62	146.23	104.68	71.25	48.02	32.16
Growth %	40.06%	43.35%	39.69%	46.92%	48.38%	49.32%	48.20%
Other Income	31.38	2.42	1.99	2.56	1.21	1.31	0.55
Total Claim	414.93	342.76	300.50	206.44	146.89	105.93	85.02
Total Managnt. Exp.	856.97	833.03	792.03	645.57	430.70	313.67	264.77
Rate of Dividend	35%	40%	40%	35%	30%	25%	22%
Total Assets	4868.46	3623.40	2666.54	1964.64	1427.10	1036.58	762.79

Continue – National Life Insurance Co. Ltd.

	1997	1996	1995
Total Premium	360.05	229.87	175.71
Growth %	56.63%	30.82%	
Life Fund	366.41	265.95	187.23
Growth %	37.77%	42.04%	
Investment	169.59	115.99	52.59
Growth %	46.21%	120.56%	
Investment Income	21.70	30.58	12.49
Growth %	29.04%	144.84%	
Other Income			
Total Claim	72.25	56.17	26.56
Total Managnt. Exp.	191.54	121.73	100.14
Rate of Dividend	20%	12.50%	12.50%
Total Assets	533.49	392.79	279.43

Source: Primary and Secondary data.

5.3.2 Peoples Insurance Company Limited (PICL)

Incorporated on 31 July 1985 as a public limited company under the Companies Act 1913. After registering with the Department of Insurance, the company commenced business in August 1985 with an authorized capital of Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each. The paid-up capital of the company was initially Tk. 30 million, which was enhanced in several phases to Tk. 60 million till the year 2004. Sponsors paid fifty percent of the paid-up capital. The public and others subscribed the remaining fifty percent of the share capital.

The company carries out all types of general insurance business as per the Insurance Act 1938 and the Insurance Rules 1958. It underwrites risks involved in trade and properties and thus provides their security through insurance and reinsurance services. Major risk underwriting of the company covers fire insurance, marine insurance, motor insurance and miscellaneous insurance areas.

In 2004, the company earned gross premium income of Tk. 261.37 million increasing 1.93% over the previous year. The net premiums after adjustment of re-insurance ceded and accepted for the year 2004 stood at Tk. 145.93 million declining 3.11% from the previous year because of more reinsurance cession and consequent increase in reinsurance premium. During the year 2004, the gross and net claims were increased by 109.42% and 27.34% respectively. As a result, underwriting profit has decreased to Tk. 31.88 million in 2004 as against Tk. 33.07 million in 2003 which is a 3.60% decrease over the previous year. It maintains a reserve fund for exceptional losses in addition to its general reserve fund, which stood at Tk. 168.61 million at 31 December 2004.

The company has been paying dividend since the third year of its inception. Cash dividends paid by the company were 25% in 2004. The value of its total assets was Tk. 832.17 million at end of the year 2004. Some important statistics are furnished in the following table.

Taka In Million

	2004	*2003*	*2002*	*2001*	*2000*	*1999*
Total Premium	261.37	256.43	212.55	195.5	195.11	167.09
Growth %	1.93%	20.64%	8.72%	0.20%	16.77%	10.64%
Net Premium	145.93	150.61	139.6	135.81	128.82	112.4
Marine Premium (Net)	77.09	69.04	59.19	67.11	68.64	55.17
Underwriting Profit from Marine	29.93	10.08	19.44	20.96	14.24	9.08

Fire Premium (Net)	29.11	40.55	43.17	43.66	36.95	33.28
Underwriting Profit from Fire	4.05	16.62	8.69	4.11	4.61	2.75
Motor Premium (Net)	36.99	38.04	35.71	23.48	22.07	22.73
Underwriting Profit from Motor	-0.84	7.85	5.33	0.09	3.14	0.38
Misc. Premium (Net)	2.74	2.99	1.53	1.2	1.16	1.22
Underwriting Profit from Misc.	-1.26	-1.48	-0.52	-0.07	-0.36	0.08
Underwriting Profit Total	47.05	33.07	32.94	25.09	21.63	12.29
Balance of Fund	56.60	59.28	54.93	52	48.48	41.72
Growth %	-4.52%	7.92%	5.63%	7.26%	16.20%	8.82%
Investment Income	11.79	11.59	11.86	12.32	13.23	13.99
Growth %	1.73%	-2.28%	-3.73%	-6.88%	-5.43%	-23.34%
Other Income	1.93	0.89	0.49	1.23	0.57	0.65
Total Claim	104.29	49.80	23.62	24.45	61.28	44.66
Net Claim	37.49	29.44	22.11	19.84	12.66	20.1
Total Managnt. Exp.	116.48	108.70	91.51	83.17	79.29	71.99
Rate of Dividend	25%	25%	27%	26%	25%	22%
Total Assets	832.17	667.58	592.57	498.31	462.31	423.71

Continued - Peoples Insurance Co. Ltd.

	1998	1997	1996	1995
Total Premium	151.02	167.86	213.6	207.08
Growth %	-10.03%	-21.41%	3.15%	
Net Premium	95.24	104.84	128.53	123.04
Marine Premium (Net)	49.71	50.2	67.35	69.36
Underwriting Profit from Marine	11.47	13.03	21.48	23.56
Fire Premium (Net)	24.25	34.05	36.27	31.63
Underwriting Profit from Fire	3.61	-5.39	-4.45	-5.06
Motor Premium	19.97	19.69	22.99	20.4
Underwriting Profit from Motor	0.16	0.13	-3.55	0.23
Misc. Premium (Net)	1.31	0.9	1.91	2.54
Underwriting Profit from Misc.	-0.58	-0.57	-1.06	0.53
Underwriting Profit Total	14.66	7.2	12.42	19.26
Balance of Fund	38.34	42	51.41	49.57
Growth %	-8.71%	-18.30%	3.71%	

Investment Income	18.25	16.26	16.19	17.75
Growth %	12.24%	0.43%	-8.79%	
Other Income	0.57	1.59	2.58	0.06
Total Claim	54.17	63.38	100.74	123.03
Net Claim	17.06	16.03	30.29	27.22
Total Managnt. Exp.	70.1	83.2	74.52	66.75
Rate of Dividend	21%	21%	20.50%	20%
Total Assets	369.28	337.12	353.84	323.98

Source: Primary and Secondary data.

5.3.3 Delta Life Insurance Company Limited

Incorporated as a public limited company under the Companies Act 1913 on November 1986 to carry out life insurance business within the framework of Insurance Act 1938 and Rules 1958 as well as other associated laws and regulations. The company was established with an authorised capital of Tk. 50 million and paid-up capital of Tk. 30 million divided into 3,00,000 fully paid ordinary shares of Tk. 100 each. The company was enlisted in Dhaka and Chittagong Stock Exchange in 1995.

Delta Life is engaged mainly in ordinary life insurance, Gono Bima (people's insurance) and Grameen Bima (rural insurance) business. It also operates group insurance and health insurance business. The company signed its first policy on 17 December 1986. It launched Grameen Bima in February 1988. Gono Bima on 8 October 1993, and the Delta Care Hospitalization Plan on 7 February 1994. Gono Bima and Grameen Bima have been merged in 2002 for rendering better service to the valued policyholders.

If we analyze the performance of delta life before five years from today, we observed that except a marginal fall in the volume of new life insurance business from Tk. 351.50 million in 1999 to Tk. 349.10 million in 2000 the company maintained its growth in all other years. Its total revenue increased by over 10% to Tk. 1.366 million and its gross premium income increased by 7.40% to Tk. 1.202.50 million in 2000 over the previous year. Grameen Bima gross premiums were Tk. 188.60 million against 246,470 policies. Under its Gono Bima scheme total number of policies in year 2000 stood at 162,864 against 362 group basis policies and the Health care insurance gross premium income was Tk. 8.70 million. The Life Fund Account of the company stood at Tk. 2,670.30 million at the end of 2000. Actuarial valuation result shows that its life fund is well in excess of its policy liabilities as at 31 December 2000.

Delta's recent growth and performance analysis reveals that gross premium was Tk. 210.25 crore, an increase of 17.09% over insurance premium earned in 2003. The increase in Ordinary Life was 14.05%, Gono-Grameen 23.09%, Health Insurance 17.68% and Group Insurance 2.81%. The Life Fund increased to Tk. 680.83 crore in 2004 from Tk. 541.22 crore in 2003, an increase of 25.80%. Growth of business in satisfactory and the financial health of the company are very sound which was reflected in actuarial valuation report of 2004. After long 19 years of its operation, it has recommended a cash dividend of Tk. 30 per share of Tk. 100 each and a stock dividend at the rate of one bonus share for every five shares held by the shareholders of the company for the year 2004. While recommending the dividend, it has taken into consideration the results of the Actuarial Valuation of the company's liabilities under policies issued till 31st December 2004, the Life Fund as at that date and the fund requirement for future investment and expansion.

In analyzing the growth of investment compared to the growth of life fund of Delta Life, we found that seven years have the adverse result but only three years has favorable result. Though Delta has complied with the 30:70 rule of investment according to Insurance Act 1938.

A 36-member board of directors controls the overall affairs of the company. Its workforce is 3,826 of which 31 are executive officers led by the MD as the chief executive. In addition to its head office at Dhaka, the company has different types of office at different places throughout the country. It has 18 servicing cells and 258 agency offices for ordinary life, 855 offices for Gono-Grameen Bima division.

Taka In Crore

	2004	2003	2002	2001	2000	1999
Total Premium	210.25	179.56	150.84	133.20	120.25	111.97
Growth %	17.09%	19.04%	13.25%	10.77%	7.39%	-3.51%
Life Fund	680.82	541.21	434.38	342.75	267.02	206.27
Growth %	25.80%	24.59%	26.73%	28.36%	29.45%	38.18%
Investment	237.95	204.42	171.88	154.57	125.80	98.68
Growth %	16.40%	18.93%	11.19%	22.87%	27.48%	73.16%
Investment Income	56.22	40.03	31.87	23.58	17.26	13.02
Growth %	40.41%	25.62%	35.16%	36.55%	32.61%	58.25%
Other Income	0.19	0.19	0.16	0.54	0.44	0.37
Total Claim	37.80	32.96	29.17	23.66	19.16	13.57
Total Managnt. Exp.	82.97	76.39	58.49	54.52	52.74	53.16
Rate of Dividend	50%	48%	45%	42.50%	40%	36%
Total Assets	744.04	604.35	487.97	394.18	315.04	253.79

Continued– Delta Life Insurance Co. Ltd.

	1998	1997	1996	1995
Total Premium	116.04	93.40	74.06	42.10
Growth %	24.23%	26.11%	75.89%	
Life Fund	149.28	88.70	46.41	24.32
Growth %	68.29%	91.12%	90.83%	
Investment	56.99	44.59	29.91	13.18
Growth %	27.79%	49.08%	126.95%	
Investment Income	8.22	6.79	5.14	1.63
Growth %	21.10%	32.06%	214.79%	
Other Income	0.25	0.25	0.21	0.12
Total Claim	13.14	12.30	10.01	4.97
Total Managnt. Exp.	55.69	44.55	30.20	19.10
Rate of Dividend	36%	35%	26%	12%
Total Assets	197.31	141.73	88.36	44.48

Source: Primary and Secondary data.

5.3.4 Reliance Insurance Limited

Incorporated on 7 April 1988 as a public limited company under the Companies Act 1913. It commenced business in the same month with an authorised capital of Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each. At the beginning, its paid-up capital was Tk. 60 million. Shareholders of the company are divided as Group-A (sponsors holding 50%) and Group-B representing employees (0.25%), banks, ICB Mutual Fund, other insurance companies and the BSRS (3.85%), ICB Investors' Accounts (1.77%), Himalayan Fund NV, a foreign investor (4.06%) and members of the general public (40.07%).

The company carries out all types of general insurance business under the Insurance Act 1938. It underwrites risks involved in pecuniary and properties and thus provides their security through insurance and reinsurance services. Insurance or risk underwriting of the company covers fire, marine, motor insurance and miscellaneous insurance.

In 2000, the gross incomes earned by the company were Tk. 254.93 million and it settled claims of Tk. 72.78 million, of which Tk. 3.17 million was reimbursed by the Sadharan Bima Corporation under re-insurance contract. Profit before tax was Tk. 42.17 million. Net premium incomes of the company in 2000 registered an increase of 89.76% over that of the year 1991. Yearly underwriting profits of the company during the period from 1991 to 2000 varied between a minimum of Tk. 17.83 million and a maximum of Tk. 28.90 million. The company paid dividend @ 20% for each years from 1990 to 1995 and @ 30% from 1996 to 1999. Total assets of the company were valued at Tk. 553.57 million in 2000.

But during the year 2004, the company achieved Gross Premium Income of Taka 492.27 million as against Taka 449.69 million in 2003, representing a growth of 9.47% over the preceding year. Whilst the gross premium growth rate is a little lower as compared to earlier years, net premium income went up to an impressive amount of Taka 206.89 million as against Taka 171.32 million in 2003, representing a growth of 20.76%, the net growth rate being the highest in the last five years. Underwriting profit significantly increased to Taka 27.38 million as against Taka 13.40 million in 2003. The Company earned a pre-tax profit of Taka 42,647,980 in 2004 as against Taka 32,244,006 in the last year, representing an increase of 32.27%.

Major constituents of the company's total capital in 2004 were share capital and share premium account, reserve funds, balance of funds regarding fire, marine, motor and miscellaneous insurance business, premium deposits, due or intimated claims, and reserve funds. Following table shows ten years data along with growth analysis of the company:

Taka in Million

	2004	2003	2002	2001	2000	1999	1998
Total Premium	492.27	447.11	349.37	317.07	254.93	218.37	212.37
Growth %	10.10%	27.98%	10.19%	24.38%	16.74%	2.83%	6.07%
Marine Premium (Net)	94.11	85.20	71.32	69.32	71.26	66.43	59.37
Underwriting Profit from Marine	42.01	18.39	26.16	24.42	22.92	20.91	27.80
Fire Premium (Net)	29.63	22.52	28.79	29.57	25.69	21.48	21.26
Underwriting Profit from Fire	-25.10	-9.65	0.23	0.36	0.54	0.50	0.05
Misc. Premium (Net)	9.42	54.47	50.53	42.51	41.76	39.47	41.42
Underwriting Profit from Misc.	-3.50	11.05	12.43	9.59	8.05	8.27	6.38
Underwriting Profit Total	27.38	19.79	38.83	34.37	31.52	29.69	34.24
Balance of Fund	84.14	70.00	64.60	61.11	60.69	55.71	52.54
Growth %	20.19%	-89.16%	957.10%	0.69%	8.93%	6.04%	3.13%
Investment	165.37	159.15	158.43	162.43	184.10	186.26	178.03
Growth %	3.91%	0.45%	-2.46%	-11.77%	-1.16%	4.62%	7.49%
Investment Income	21.34	22.21	20.15	21.60	19.35	18.54	10.95
Growth %	-3.95%	10.23%	-6.73%	11.65%	4.39%	69.20%	-52.93%

Other Income	1.52	0.49	0.60	0.84	0.11	0.66	0.29
Total Claim settled during the Year	70.40	72.53	67.53	42.42	45.85	41.36	33.62
Total Managnt. Exp.	172.21	104.51	73.87	75.26	74.36	67.38	64.12
Rate of Dividend	43.33	C-10%, B-1 for 2	30	30	30	30	30
Total Assets	716.89	618.84	387.15	589.11	553.57	536.6	540.4
Miscellaneous premium	9.42	9.10	7.45	9.03	9.27	8.54	6.20
Miscellaneous profit	-3.50	-6.39	-9.50	-6.19	-2.62	-2.48	0.52

Continued - Reliance Insurance Co. Ltd.

	1997	*1996*	*1995*
Total Premium (Net)	200.21	230.8	221.97
Growth %	-13.25%	3.98%	
Marine Premium (Net)	58.91	64.34	64.96
Underwriting Profit from Marine	23.14	14.72	27.23
Fire Premium (Net)	18.14	19.53	16.22
Underwriting Profit from Fire	-2.50	-1.82	0.17
Misc. Premium (Net)	41.97	50.15	46.41
Underwriting Profit from Misc.	4.15	2.60	1.74
Underwriting Profit Total	24.78	15.50	29.16
Balance of Fund	50.94	57.80	55.40
Growth %	-11.85%	4.32%	
Investment	165.63	119.64	88.21
Growth %	38.44%	35.63%	
Investment Income	23.28	23.56	16.25
Growth %	-1.20%	44.98%	
Other Income	1.72	17.87	0.63
Total Claim settled during the Year	42.38	58.82	52.37
Total Managnt. Exp.	59.92	51.62	54.08
Rate of Dividend	30	30%	20%
Total Assets	532.16	479.14	443.78
Miscellaneous premium	---	6.52	6.74
Miscellaneous profit	---	0.47	-4.91

Source: Primary and Secondary data.

5.3.5 Prime Insurance Company Limited

Incorporated as a public limited company on 21 March 1996 under the Companies Act 1994. The company obtained registration from the Chief Controller of Insurance on 31 March 1996 and commenced business on the same day. It was established with an authorized capital of Tk. 250 million divided into 2.5 million ordinary shares of Tk. 100 each, and a paid-up capital of Tk. 60 million.

The company carries out general insurance business under the Insurance Act 1938. It underwrites risks involved in pecuniary including fire, marine, motor and miscellaneous insurance and re-insurance services. It re-issuers the risks undertaken with the Sadharan Bima Corporation under a Re-Insurance Treaty.

Analysis up to 1999:

The premium incomes earned by the company was Tk. 115.64 million in 1999, which comprised of fire insurance Tk. 44.03 million, marine insurance Tk. 47.10 million, motor and miscellaneous insurance Tk. 24.51 million. Net premium incomes after premium ceded to reinsurance were Tk. 87 million and the underwriting profit was Tk. 10.91 million. Net claims settled by the company were Tk. 6.50 million. Every year the company maintains reserves for unexpired risk and the amount of such reserve was Tk. 34.83 million in 1999. That year the investment incomes of the company were Tk. 5.34 million and after making all statutory provisions, the net profit of the company for the year stood at Tk. 10.14 million. Value of all assets of the company was Tk. 212.56 million.

Analysis up to 2004:

The Company, after inviting public subscriptions (IPO) to the issue of share capital in the year 2000, had been paying dividends each year ranging from 10% to 14% but the Board of Directors could not recommend any dividend for the 2004 as the company did not earn the expected premium income which was envisaged at the beginning of the year. The net premium income, after re-insurance ceded to Sadharan Bima Corporation, decreased from Tk. 116.58 million in 2003 to Tk. 93.69 million in 2004. From business operation, the Company incurred under-writing loss of Tk. 14.49 million in

2004. Inclusive of investment and other income and after charging all expenses, the company incurred net loss of Tk. 15.47 million in 2004.

The head office of the company is at Dhaka and it had 35 branches at the end of 2004. Its management team had 23 executives with the MD as the executive head, who is also the member secretary of its 20-member board of directors. Following table shows nine years data along with growth analysis of Prime Insurance Co. Ltd.:

Taka in million

	2004	2003	2002	2001	2000	1999
Total Premium (Gross)	154.55	178.57	214.28	206.74	180.28	115.64
Growth %	-13.45%	-16.67%	3.65%	14.68%	55.90%	41.58%
Marine Premium (Net)	36.35	55.2	85.21	79.62	75.67	47.1
Underwriting Profit from Marine	8.41	20.73	17.21	17.16	16.82	9.85
Fire Premium (Net)	62.32	75.38	78.33	73.24	69.41	44.03
Underwriting Profit from Fire	-7.66	9.51	11.73	8.51	8.89	2.15
Misc. Premium (Net)	23.72	32.4	28.17	34	21.82	12.14
Underwriting Profit from Misc.	-15.24	2.36	2.28	0.16	0.63	0.97
Underwriting Profit Total	-15.47	32.6	31.22	25.83	26.34	12.97
Balance of Fund	42.36	52.52	69.74	67.78	59.88	34.87
Growth %	-19.35%	-24.69%	2.89%	13.19%	71.72%	75.84%
Investment	11.50	10.20	9.00	9.00	9.00	9.00
Growth %	12.75%	13.33%	0.00%	0.00%	0.00%	0.00%
Investment Income	14.71	14.55	18.17	15.32	7.7	4.93
Growth %	1.10%	-19.92%	18.60%	98.96%	56.19%	32.17%
Other Income	0.40	3.76	0.87	1.54	0.13	0.41
Total Claim settled during the Year	29.51	34.8	36.01	28.48	39.18	12.86
Total Managnt. Exp.	103.20	118.56	126.1	105.6	78.18	52.07
Rate of Dividend		10%	12%	14%	12.50%	10%
Total Assets	389.52	381.96	408367	376.69	348.23	212.57

Continued- Prime Insurance Co. Ltd.

	1998	1997	1996
Total Premium (Net)	81.68	64.08	22.33
Growth %	27.47%	186.97%	
Marine Premium (Net)	35.63	21.16	7.82
Underwriting Profit from Marine	3.18	-2.38	-0.58
Fire Premium (Net)	29.59	24.91	7.79
Underwriting Profit from Fire	-4.78	-5.92	-1.46
Misc. Premium (Net)	9.03	7.87	1.97
Underwriting Profit from Misc.	1.14	-0.83	-4.04
Underwriting Profit Total	-0.46	-9.13	-6.08
Balance of Fund	19.83	12.32	2.84
Growth %	60.96%	333.80%	
Investment	9	9	9
Growth %	0.00%	0.00%	
Investment Income	3.73	3.15	1.44
Growth %	18.41%	118.75%	
Other Income	--	0.06	0.0026
Total Claim settled during the Year	70.17	4.03	0.12
Total Managnt. Exp.	39.73	40.32	13.15
Rate of Dividend	--	--	--
Total Assets	172.01	201.92	82.61

Source: Primary and Secondary data.

http://www.primeinsu.com

5.3.6 Pioneer Insurance Company Limited

Private sector general insurance company incorporated as a public limited company on 25 March 1996 under the Companies Act 1994. It obtained registration from the Chief Controller of Insurance on 11 May 1996 and started general insurance business in 13 May 1996. The company was established with an authorised and paid-up capital of Tk. 200 million and Tk. 60 million respectively which remained unchanged till December 2000. The capital is divided into ordinary shares of Tk. 100 each.

The company carries out all types of general insurance business as per the Insurance Act 1938. It underwrites risks involved in trade and properties and thus provides security through insurance and reinsurance products. Major risk-underwriting business of the company covers fire insurance, marine insurance, motor insurance and miscellaneous insurance like sprinkler leakage policy, cash in safe, cash in transit, fidelity guarantee policy etc.

In 1999, the company received net premiums of Tk. 70.29 million and underwriting profits derived from the insurance activity were Tk. 11.15 million. In addition, the company received investment incomes of Tk. 11.06 million and after making all necessary provisions, the company earned net profit of Tk. 7.66 million. In 1999, the company settled gross claims amounting to Tk.18.12 million, of which Tk. 15.40 million, Tk. 1.12 million, Tk. 1.17 million and Tk. 0.43 million were paid respectively to fire, marine, motor and miscellaneous insurance business. Total assets of the company were valued at Tk. 178.18 million in 1999. Other than its insurance business, the company has long-term investments in both bonds and shares and debentures. Total investments of the company during 1999 were Tk. 9 million as deposits with Bangladesh Bank in National Investment Bond. The company maintains a reserve fund to which it makes annual contributions mainly to cover exceptional losses on insurance business. Such losses were Tk. 13.37 million in 1999.

During the year 2004 the company earned a premium of Tk. 178.34 million compared to Tk. 147.09 million in 2003 registering a growth of 21.25%.

a) Fire Insurance

During 2004 gross premium under fire insurance business was Tk. 74.55 million as against Tk. 52.72 million in 2003.

b) Marine Insurance

In the year 2004 premium income from marine cargo & hull insurance business was Tk. 61.08 million as compared to Tk. 54.09 million in the previous year.

c) Motor Insurance

In the year 2003 motor insurance premium income was Tk. 21.54 million as against of which premium was Tk. 25.69 million in 2004.

d) Miscellaneous Insurance

From miscellaneous insurance business the company earned total (gross) premium Tk. 17.03 million. The figure was Tk. 18.74 million in the previous year.

Through operation of these four departments, the underwriting profit of the company stood at Tk. 14.58 million for the year 2004 marking 89.84% increase over the previous year. Company's net profit before tax was Tk. 37.29 million in 2004 as against Tk. 31.46 million in 2003 showing 18.53% increase. Company's net profit after tax stood at Tk. 27.65 million which calculates earning per share (EPS) Tk. 18.43 in 2004 as compared to Tk. 16.19 in the previous year. Thus the Board of Directors of the company after making necessary reserves and provisions proposes and recommends for declaration of 13% cash dividend for the year 2004 that will involve an amount of Tk. 19.50 million.

In order to keep consistency with the company's slogan ***"caring for you, forever...."*** an exceptional loss reserve & general reserve have been made for Tk. 6.26 million and Tk.0.20 million respectively out of the profit for 2004. Thus at the end of 2004 total reserves stood at Tk. 44.22 million as against Tk. 37.75 million at the end of 2003 showing a growth of Tk. 17.13%.

The company has a total investment of Tk. 293.13 million consisting of National Investment Bond, Fixed Deposit with Banks, Shares etc. Which are as follows:

	Taka in million
1. National Investment Bond	9.00
2. Fixed Deposit with Banks	215.52
3. Shares	68.61
	293.13

They are expanding their investment program with due care. Pioneer now hold 576,000 ordinary shares of Mutual Trust Bank Ltd (MTBL) of Tk.100 each including the approved bonus share for the year 2004. Accordingly the investment in the MTBL stood at Tk. 67.60 million including premium of Tk. 10.00 million paid at pre-IPO placement. The shares are currently quoted at about Tk. 355 per share showing about 184% capital gains. Pioneer also hold 1 (one) share at Tk. 1.00 million of Central Depository Bangladesh Ltd (CDBL) which has been formed under the Central Depository Act, 1999. Following table shows nine years data along with growth analysis of Pioneer Insurance Co. Ltd.:

Taka In Million

	2004	2003	2002	2001	2000	1999
Total Premium (Net)	178.34	147.09	136.28	144.58	141.48	132.00
Growth %	21.25%	7.93%	-5.74%	2.19%	7.19%	25.30%
Marine Premium (Net)	45.11	54.09	42.93	63.86	72.66	63.21
Underwriting Profit from Marine	9.17	16.68	9.76	13.07	18.48	8.65
Fire Premium (Net)	11.53	52.72	55.27	52.72	43.91	43.65
Underwriting Profit from Fire	-3.70	-11.76	0.62	-3.23	-7.11	-1.09
Motor Premium (Net)	22.14	21.55	20.27	18.25	15.12	16.54
Underwriting Profit from Misc.	9.12	6.20	7.07	2.18	3.60	4.08
Underwriting Profit Total	14.58	5.54	17.45	12.02	14.97	11.64
Balance of Fund	33.53	30.20	24.67	29.39	30.40	28.33
Growth %	10.99%	22.44%	-16.05%	-3.33%	7.30%	20.83%
Investment	293.12	269.01	271.51	264.40	137.11	126.35
Growth %	8.96%	-0.92%	2.69%	92.84%	8.51%	32.91%
Investment Income	29.76	28.93	30.57	23.89	13.31	11.06

Growth %	2.87%	-5.36%	27.92%	79.42%	20.40%	35.62%
Other Income	0.02	0.60	0.03	0.02	0.06	0.01
Total Claim		50.85	62.23	20.91	25.98	18.12
Total Managnt. Exp.	93.66	81.88	50.95	61.20	55.53	48.71
Rate of Dividend	13%	12%	15%	13%	10%	12%
Total Assets	438.15	399.70	384.60	371.71	211.57	178.18

Continued - Pioneer Insurance Company Limited (PICL)

	1998	1997	1996
Total Premium (Net)	105.34	85.47	23.14
Growth %	23.25%	269.31%	
Marine Premium (Net)	53.19	44.14	9.80
Underwriting Profit from Marine	9.08	2.67	0.35
Fire Premium (Net)	32.24	25.20	10.72
Underwriting Profit from Fire	-0.32	0.08	-0.04
Motor Premium (Net)	12.36	9.83	1.71
Underwriting Profit from Misc.	-0.76	-1.83	-0.08
Underwriting Profit Total	7.99	0.92	0.23
Balance of Fund	23.45	17.46	4.25
Growth %	34.26%	310.88%	
Investment	95.06	75.24	61.18
Growth %	26.34%	22.97%	
Investment Income	8.15	6.50	3.96
Growth %	25.42%	64.17%	
Other Income	0.05	-	-
Total Claim	16.03	4.94	0.65
Total Managnt. Exp.	38.96	27.99	8.19
Rate of Dividend	7%	---	---
Total Assets	147.69	104.32	79.67

Source: Primary and Secondary data.

5.3.7 Pragati Insurance Limited

Incorporated as a public limited company on 27 January 1986 under the Companies Act 1913. It commenced business on 30 January 1986 with an authorised capital of Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each. The paid-up capital of the company, after making several enhancements, stood at Tk. 73.20 million on 31 December 1999 and Tk. 15.11 million at the end of the year 2004. The categories of shareholders and their holdings are sponsor directors of group-A shares (50%), general public (24.20%), financial institutions including ICB (14.02%) and limited companies (11.78%) on 31 December 1999.

The company is listed with both Dhaka and Chittagong Stock Exchange. The company carries out all types of general insurance business as per the Insurance Act 1938. It underwrites risks involved in trade and properties and thus provides their security through insurance and reinsurance services. Major risk-underwriting business of the company cover fire insurance, marine insurance, motor insurance and miscellaneous areas.

In 2000, it received gross premiums of Tk. 301.37 million. Its net premium stood at Tk. 161.88 million. Underwriting profits derived from the insurance activity were Tk. 26.51 million. In addition, the company received investment incomes of Tk. 26.65 million and net after-tax profit of Tk. 42.17 million. The value of all assets of the company was Tk. 1,014.53 million in 2000. During this year, the company settled net claims of Tk. 39.22 million. Other than its business of risk undertaking, the company had long-term investments in Pratirakkha Sanchaya Patra (defense savings certificates) and shares and debentures, which amounted to Tk. 84.84 million in 2000. It paid dividend at the rate of 35% in 2000, when the aggregate amount of its reserve funds was Tk. 424.88 million.

Comparing with 2000, Pragati Insurance Ltd. earned gross premium of Tk. 507.70 million increasing Tk. 206.33 million from the year 2000. Net Premium after reinsurance outgo stood at Tk. 234.15 million in 2004 which was TK.161.88 million the year 2000. Underwriting profit for 2004 was TK. 47.82 million as against TK. 26.51 million earned in 2000. After Providing for Exceptional Loss Reserve, Provision for income Tax, General Reserve etc. an amount of TK 30.33 million is available for distribution in 2004. They paid a Cash Dividend @ 20% for the year 2004 from out of the fund available for distribution. Besides, the company has been following a policy of gradual increase of its paid-up capital commensurate with increased "Risk Retention". They also recommended stock dividend @ 25% through transfer from "Share Premium Account" to "Paid-up share capital Account". Thus raising the paid-up capital to TK. 18.89 million from TK. 15.11 million.

In accordance with the International Accounting Standard (IAS), the value of the investments in shares and debentures has been shown at the market value on 31.12.2004. Increase and /or diminution in the value have been shown in the "Revaluation Reserve" accounts separately. Land & Building have not been revalued this year. It has been shown as per the earlier revaluation carried out by independent valuer. Pragati was quite an active player in investing their fund in shares and debentures of secondary market. It earned capital gain through capital market operation amounting to TK. 20.79 million. Following table shows the year wise growth and business performance.

Taka in million

	2004	2003	2002	2001	2000	1999	1998	1997	1996
Gross Premium	507.70	468.74	350.39	337.45	301.37	272.08	258.29	255.25	227.67
Growth %	8.31%	33.78%	3.83%	11.97%	10.77%	5.34%	1.19%	12.11%	8.30%
Net Premium	234.15	225.95	176.47	169.35	161.88	123.48	117.43	126.94	117.07
Net Claim	94.90	51.48	67.5	65.58	39.22	36.08	38.25	38.19	35.06
Underwriting Profit	47.82	41.56	40.99	30.17	26.51	24.35	23.65	34.32	35.06
Investment Income	23.64	25.07	24.51	26.99	26.65	32.74	31.58	36.33	28.08
Growth %	-5.70%	2.28%	-9.19%	1.28%	18.60%	3.67%	-13.07%	29.38%	33.02%
Income from Financial Service & Capital Gain	24.64	7.27	5.06	9.77	10.28	2.89	7.31	11.26	9.26
Profit Before Tax	75.71	58.42	56.39	53.29	51.17	47.87	43.97	75.88	82.97
Profit after Tax	54.96	46.42	45.89	43.79	42.17	34.87	31.47		
Paid-up Capital	151.09	118.95	95.16	73.20	73.20	73.20	73.20		
Shareholders Equity	766.99	685.92	595.07	566.64	539.72	491.04	312.75		
Total Reserve	779.29	722.54	627.83	616.94	583.39	512.43	326.96	311.23	284.09
Investment in Shares & Securities	167.55	112.99	90.12	94.40	84.84	92.19	133.26	120.59	106.11
Cash, FDR & Bank Balance	380.93	301.37	260.98	291.82	274.69	247.50	304.03	374.73	377.65
Land	418.89	413.24	348.07	340.95	332.91	289.26	152.70	105.53	102.39
Fixed Assets	71.54	63.81	60.49	53.34	41.82	39.60	37.08		
Other Assets	339.54	361.83	333.51	270.46	280.27	197.24	141.83		
Total Assets	1380.25	1253.24	1093.17	1050.97	1014.53	865.92	768.90	710.25	680.24
Dividend in percent	20+25	30	35.00	30+30 (Stock)	20+25 (Stock)	20+27 (Stock)	35.00		
EPS	36.40	39.02	48.22	59.81	57.62	47.64	42.99		
P/E (Times)	19.29	16.54	10.96	6.72	7.49	8.08	10.00		

Continued - Pragati Insurance Ltd.

	1995	1994	1993	1992	1991	1990	1989	1988
Gross Premium	210.22	200.05	168.41	162.3	120.07	107.26	103.43	86.06
Net Premium	117.64	95.04	77.74	79.17	72.95	64.01	60.40	50.80
Net Claim	27.37	15.37	23.69	30.93	28.23	23.5	15.06	16.14
Underwriting Profit	29.99	23.54	17.99	17.15	16.18	14.77	14.16	10.35

Investment Income	21.11	23.82	24	21.03	19.6	17.73	16.1	10.25
Income from Financial Service & Capital Gain	6.2	2.92						
Profit Before Tax	44.53	40.07	32.33	30.39	26.51	24.14	22.75	15.87
Total Reserve	162.14	137.78	105.74	96.29	80.52	65.51	55.41	42.09
Investment in Shares & Securities	68.18	41.28	34.91	24.23	14.1	11.55	10.89	5.86
Cash, FDR & Bank Balance	261.96	260.2	247.98	234.42	196.99	191.37	154.13	148.39
Land	101.39	101.27						
Total Assets	495.22	457.68	344.98	337.64	275.19	260.35	215.86	187.63

Source: Primary and Secondary data.

5.3.8 Rupali Insurance Company Limited

The company was incorporated as a public limited company under the Companies Act 1913 on 2 June 1988. It commenced business in the same month and is carrying out general insurance business of all types under the Insurance Act 1938 and Rules 1958. The authorised capital of the company is Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each. Its paid-up capital is Tk. 30 million. A total 14-sponsor shareholders hold 50% of the company's share capital and the general public own the rest. The company is listed with both Dhaka and Chittagong Stock Exchanges.

The company underwrites risks involved in properties and thus provides their security through insurance and re-insurance services. As per Re-Insurance Treaty, it re-insure the risks undertaken with the Sadharan Bima Corporation (SBC). The business of the company covers fire insurance, marine cargo and hull insurance, motor insurance and miscellaneous insurance.

Analysis up to 1999:

The net premium incomes of the company were Tk. 127 million and of the gross premium of Tk. 196.61 million in 1999, Tk. 179 came from private sector and the rest accrued to business with Sadharan Bima Corporation. The company settled claims of Tk. 14.92 million. The underwriting profits amounted to Tk. 16 million. Other than the underwriting profits, the company earned an investment income of about Tk. 16 million as interest on deposits with banks, dividend from its joint-sponsored Non-Bank Financial Institution named International Leasing and Financial Services Limited and rental and other incomes. Total investment of the commercial banks stood at Tk. 72 million. The company's net profit before tax was Tk. 21 million in 1999. It regularly paid dividend since 1990 except the year 1991 and the rates of dividend varied between the minimum of 10% and maximum of 27%. The company maintains reserves for exceptional losses, the amount of which stood at Tk. 102 million in 1999 after setting aside Tk. 13 million out of net profit. Reserves other than those for exceptional losses stood at 51 million in that year. Total assets of the company were valued at Tk. 340 million in 1999 compared to Tk. 119.34 million in 1990.

Analysis up to 2004:

Premium - The company procured premium amounting to Tk. 211 million in 2004. Out of this Tk. 196 million came from Private Sector as against Tk. 173 million in 2003 and the balance of Tk. 15 million represents its share of public sector business received from Sadharan Bima Corporation. After ceding Tk. 76 million as Re-Insurance premium the net premium income for the year 2004 amounted to Tk. 135 million as against Tk. 126 million in 2003 representing as increase of Tk. 9 million. The Gross Premium Income of the company has been increased by Tk. 23 million in 2004 compared to the preceding year.

Claims - During the year 2004 the Rupali Insurance Company Limited settled more claims than the previous years. The net claims of Tk. 33 million was charged to the accounts after adjustment of recoveries made from local re-insurer (Sadharan Bima Corporation).

Prifit - Underwriting profit in the year 2004 amounted to Tk. 16.43 million compared to Tk. 16.18 million in 2003 and Tk. 15.92 million in 1999. Net profit before tax stood at Tk. 24 million as against Tk. 20 million in 2003 showing an increase of Tk. 4 million.

Assets - Total assets of the company stood at Tk. 407 million in 2004 compared to Tk. 399 million in 2003 and Tk. 340 million in 1999. This includes the book value of the 12 storied building of the Company at Tk. 88 million, the present market value of which is much higher.

Investment - Total investment of the company in 2004 stood at Tk. 18.10 million. Out of this Tk. 4.50 million was in Government securities and Tk. 13.60 million in Shares of Bangladesh Commerce Bank Limited. In addition Fixed Deposits with commercial Banks stood at Tk. 105 million.

Reserve - Reserve for Exceptional Loses in 2004 stood at Tk. 132 million including Tk. 6 million raised during the year out of net profit. Besides, Reserve for Unexpired Risks stood at Tk. 54 million. It may be mentioned here that the reserve is higher than the paid-up capital of Tk. 60 million of the company. As per fourth schedule of Income Tax Ordinance 1984 amended in 1995 the company is allowed to keep Tax free Reserve for Exceptional Losses up to the Premium Income of that year or the average Premium Income of the three years immediately preceding that year, whichever is the higher. The net premium income of Rupali Insurance Company Limited is Tk. 135 million. As the Reserve for Exceptional Losses stood at Tk. 126 million as on 31.12.2003 which is almost at par with the net premium income of the year 2004, the company keeps reserve under this head for Tk. 6 million during the year to meet the exceptional losses of the company.

Taka in Million

	2004	2003	2002	2001	2000	1999
Premium (Net)	135.22	126.26	121.16	121.43	124.40	126.37
Growth %	12.10%	4.21%	-0.22%	-2.39%	-1.56%	
Marine Premium (Net)	37.86	35.95	23.83	30.92	46.81	53.99
Underwriting Profit from Marine	4.31	0.06	(4.53)	14.20	17.44	16.26
Fire Premium (Net)	41.01	33.01	40.27	37.55	27.38	22.67
Underwriting Profit from Fire	1.69	8.33	12.75	1	4.03	(2.47)
Misc. Premium (Net)	56.35	57.30	57.06	52.95	50.21	49.71
Underwriting Profit from Misc.	10.42	7.79	3.46	(5.36)	2.12	2.13
Underwriting Profit Total	16.43	16.18	11.68	10.1	23.59	15.92
Balance of Fund (Unexpired risk)	54.33	50.83	48.71	49.21	49.98	50.87
Growth %	6.89%	4.35%	-1.02%	-1.54%	-1.75%	
Investment	122.85	109.45	99.99	96.26	93.64	76.70
Growth %	12.24%	9.46%	3.87%	2.80%	22.09%	
Investment Income	12.62	12.75	11.11	11.96	8.26	11.40
Growth %	-1.02	14.76%	-7.11%	44.79%	-27.54%	
Other Income	0.43	0.37	0.51	0.90	0.34	4.36
Total Claim settled during the Year	33.36	21.48	9.55	6.97	5.02	14.92
Total Managmt. Exp.	132.75	95.76	96.59	86.18	86.39	80.81
Rate of Dividend	15%	14%	13%	12.50%	12%	15%
Total Assets	406.56	399.08	375.72	370.84	361.87	339.55

Source: Primary and Secondary data.

5.4 Chapter Summary

The researcher and insurance experts are found that lack of government policies, ancient insurance laws (Insurance Act 1938), shortage of trained and efficient managerial personnel and absence of sufficient avenues or means of investment as the causes of declining growth of investment of insurance fund in Bangladesh.

Insurance experts and academicians also opined that the development of the insurance sector is directly related to the economic development of a country and as such with good economic progress and rise in GDP, the insurance market in Bangladesh will expand further in the future. They also opined that still Bangladesh has good insurance market for the local and foreign investors and entrepreneur as the low penetration rate of insurance in Bangladesh. Increase in insurance penetration rate from the present 0.57% to 1% of our GDP, which is achievable and is well within the average of developing countries' standard, will effectively almost double the size of our market. Enhancing the image of the insurance industry through improved customer services and public relations, introduction of new insurance products and employment of modern marketing methods are keys to tapping the hitherto untapped segments of the insurance market.

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Chapter - 6

Analysis and Interpretation of Collected Data

Chapter- 6

Analysis and Interpretation of Collected Data

6.1 Analysis of Insurance Fund, Investment & its Return

Researcher did empirical study on 48 insurance company's growth of insurance fund, adequacy of investment according to Insurance Act 1938 and investment income. Following are the alphabetical presentation of the company:

6.1.1 Agrani Insurance Company Ltd.

The company was incorporated on 14th March 2000 under the Companies Act 1994 and the registration of the Controller of Insurance was obtained on 3rd April 2000 and thereafter started functioning and underwriting the general insurance business. The gross premium income of the company rose to Tk. 78.62 million in 2004 against Tk. 73.02 million of the previous year, which represented 8% higher. The net premium after adjustment of re-insurance ceded and accepted for the year 2004 was Tk. 63.38 million against Tk. 59.74 million in the year 2003. Its underwriting profit was Tk. 4.54 million which was 4.34 million in 2003. Company has adequate reserve for unexpired risks. Company's Corporate Governance comprises Chairman Mr. Md. Mustafizur Rahman and Vice Chairman Mr. Zaker Ahmed with other 12 Directors. Mr. Abul Khair Khan a renowned insurance expert is the CEO of the company.

Taka in Million

	2004	*2003*
Premium Income (Gross)	78.62	73.02
Growth %	7.67%	-
Premium Income (Net)	63.38	59.74
Growth %	6.09%	-
Claim Paid (Net)	6.19	4.06
Underwriting Profit	4.54	4.34
Reserve for un expired risk	25.41	24.04
Management Exp.	51.30	47.79

Source: Primary and Secondary data.

6.1.2 American Life Insurance Company (Alico Bangladesh)

Started full service branch operations in Bangladesh on 15 January 1974 and has been marketing individual, group life and health insurance products under the Insurance Act 1938, Insurance Rules 1958, and other applicable laws. Alico, incorporated in 1921 in Wilmington, Delaware, USA, is the largest international life insurance company in the world. It is a member company of the American International Group (AIG) that operates life insurance businesses in more than 135 countries. Alico Bangladesh runs its business through its agency offices scattered mostly in big cities such as Dhaka (43), Chittagong (9) and Kulna (3). Over 2700 career agents are working for the company. The company has a trained and dedicated work force of 223 employees in Bangladesh.

Net premium income received in the company from direct business in 1999 was Tk. 1,896.75 million as against Tk 21.12 million in 1981. The figures include both first year premiums and renewal premiums derived from its various life insurance plans/schemes such as ordinary life policies, personal accident protection, group life, group medical, and ordinary term insurance. Re-insurance premium paid by the company to its re-insurer abroad was Tk. 0.32 million in 1999, when it paid a net amount of commission of Tk. 333.94 million to its agents. Net claims settled by the company during the year 1999 amounted to Tk. 75.11 million. Apart from net premium income derived from direct life insurance business, the company earned Tk. 514.81 million in 1999 from investment operation as interest, dividend, and rent income. Major investments of the company were in fixed deposits with banks, National Investment Bonds (NIB), Pratirakkha Sanchaya Patra (PSP), shares of various listed companies, ICB-mutual funds, policy loans to policyholders and permanent investment in real estate. Total assets of the company were valued at Tk. 5,900.27 million in 1999. The regional office of the company at Sharjah, Dubai, supervises the administrative and business affairs of Alico Bangladesh. It invests its fund in Bangladesh, mostly in government securities/banks and shares stock of companies.

6.1.3 Asia Pacific General Insurance Company Limited

The Company was incorporated on November 17, 1999 and obtained the Certificate of commencement of business from the Registrar of Joint Stock Companies on the same day. Thereafter it obtained the license for commencement of Insurance Business (General) from the Chief Controller of Insurance with effect from 4 May 2000. The Board of Directors of the Company consists of established and well reputed industrialists and business personalities of the country who are always lending their support and guidance to the company in running its business well. Among other, the corporate governance is directed by two leading Chartered Accountants Mr. A H M Mustafa Kamal, FCA (Ex. MP) and Mr. Aftab ul Islam, FCA (President AmCham). The company is headed by reputed professional having long years of experience in insurance industry who is supported by a team of young and energetic professionals. During the year 2002, company earned net premium of Tk. 31.22 million and there has been no major incidence of claims, which reflects the quality underwriting of the company. The company has made a net profit of Tk.3.29 million in the fourth year of its operations. During the year 2004, in order to strengthen the position at this initial operational stage of the company, the percentage of reserve for un-expired risks has been taken at 50% instead of 40% during previous year. The paid up capital of the company is Tk. 60 million. After meeting the administrative and management expenses, company has increased its investment to Tk. 8.2 million in 2004 as against Tk. 3.67 million during previous year. The company has required investment as per Insurance Act 1938.

Taka in Million

	2004	2003
Premium (Net)	31.22	14.13
Growth %	12.98%	
Underwriting Profit	11.32	9.09
Balance of Fund	12.82	5.73
Investment (Including FDR)	8.20	7.30
Growth %	12.19%	
Total Claim Paid	5.13	3.67
Total Management Expenses	2.27	1.84
Total Assets	15.54	13.26

Source: Primary and Secondary data.

6.1.4 Asia Insurance Limited

The Asia Insurance Limited was incorporated in Bangladesh as a public limited company on 30th April 2000 under the companies Act 1994 to carryout general insurance business as per Insurance Act 1938. It commenced business on the same date and got registration on 30th May 2000. The company is engaged with insurance business other than life. Main areas are Fire, Marine, Motor and Miscellaneous insurance. It earned gross premium Tk. 74.5 million in the year 2003 which is 18.07% more than the previous year. It's investment in the year 2003 was Tk. 96.4 million which is 14.22% more than the previous year. Investment income also increased as investment in aggregate is increased. The company has its head office in Dhaka. Besides head office it has 7 branches through out the Bangladesh. The management of the company is comprised by 7 member board of directors with the Managing Director as the chief executive, who is assisted by 8 executives.

Taka in lac

	2003	2002	2001	2000
Premium	745	631	516	313
Growth %	18.07%	22.29%	64.86%	
Reserve Fund	48	48	47	25
Growth %	0.00%	2.13%	88.00%	
Investment(FD,NIB & Share)	964	844	639	495
Growth %	14.22%	32.08%	29.09%	
Fixed Assets	1174	90	73	41
Tax Paid	49	43	28	20
Profit Before Tax	158	147	116	78

Source: Primary and Secondary data.

6.1.5 BAIRA Life Insurance Company Limited

BAIRA Life Insurance Company was incorporated 26 April 2000 under the Companies Act 1994 and Insurance Act 1938 to carryout all kinds of life insurance business whether individual or group including pension, superannuation, health insurance, accidental insurance etc. The company is formed with contribution of 253 promoters from Bangladesh Association of International Recruiting Agencies (BAIRA) with a view to render the insurance services to the people, especially the wage earners working abroad recruited by them. The Authorized Capital of the company is Taka 50, 00, 00,000 (Taka fifty crore) divided into 50,00,000 (Fifty lac) ordinary shares of Taka 100 each. The paid-up capital of the company is at least Taka 12,65,00,000 (Taka twelve crore sixty five lac) only divided into 12,65,000 (Twelve lac sixty five thousand) ordinary shares of Taka 100/= (Taka one hundred) only each of which 40% subscribed by the Sponsores and the remaining 60% remains open for public subscription.

On 1st September 2000, the company was commenced its operation of its business alongside with 1 public and 16 other private life insurance companies. At the commencement, the company was equipped with 9 insurance products, 3 supplementary plans and group insurance designed by Mr. Safat Ahmed Chowdhury, Actuary and a living legend in the field of insurance of Bangladesh. Later the company has also introduced Micro insurance in the name of "Sonali Bima" to extend its reach to the low-income households of the country.

To face the fierce competition and to have a slice of market share, the management took both the short term and long term market strategy. As a result of short-term strategy the management expense and premium income ratio lies very high but in the long run it will not continue. This scenario is improving gradually with increase of premium income. In the year of 2000, 2001 and 2002 the ratios are 121%, 112% and 98.87% respectively. In 2002, for the first time the company makes TK. 3,645,858 surplus in life insurance fund. From 2000 to 2001 the premium income rose Tk. 1,50,63,163 to Tk. 2,72,70,911 while the projected income was 30 million. From 2001 to 2002 premium income increased Tk. 27,270,911 to Tk. 31,124,986 while the projected income for the year was 75 million.

The investment is made through FDR and National Investment Bond (NIB), which amounted to Tk. 30,946,147 and provided interest income of Tk. 35,13,960 in 2002. The growth of investment from 2000 to 2002 is Tk. 29,000,000 to Tk. 30,946,147 which constitutes 6.71% growth. Besides it has invested in fixed assets which amounts Tk. 629,91,726. Following table shows the year wise data of the company.

Taka in Million

	2002	2001	2000
Total Premium	31.12	27.27	15.06
Growth %	14.13%	81.04%	
Life Fund	3.64	-0.69	-0.16
Growth %	-626.39%	330.23%	
Investment	30.94	29.60	29.60
Growth %	4.55%	0.00%	
Investment Income	3.51	3.52	2.97
Growth %	-0.28%	18.50%	
Other Income	0.05	0.02	0.08
Total Claim	1.03	0.11	-
Total Managnt. Exp.	28.28	30.54	18.27
Total Assets	**62.99**	**56.52**	**53.54**

Source: Primary data.

6.1.6 Bangladesh Co-operative Insurance Limited

Incorporated on December 1984 as a co-operative society with Registrar of Co-operative Societies under the Co-operative Societies Act 1940 (Co-operative Societies Ordinance 1984) to carry out general insurance business under the Insurance Act 1938 and Rules 1958. The company started business as a private sector general insured on 24 November 1985. It was established with an authorized capital of Tk. 50 million and a paid-up capital of Tk. 10 million divided into 10,000 ordinary shares of Tk. 1,000 each. On 30 June 2000, the issued and subscribed capital of the company stood at Tk. 6 million paid by 803 co-operative societies. It is the only co-operative institution in the field of insurance business in Bangladesh, established as the successor of the East Pakistan Co-operative Insurance Society Limited, which had been merged with Sadharan Bima Corporation after the liberation of the country.

Bangladesh Co-operative Insurance Limited is governed simultaneously by the Registrar of Co-operative Societies and the Controller of Insurance of the government of Bangladesh. Accordingly, the company furnishes two separate annual returns every business year. Its position of being accountable to two different institutions creates some administrative problems and increases operational expenses.

In line with its objective of carrying out general insurance business, the company is engaged in underwriting the perils or risks involved in properties and thus provide their security through insurance and re-insurance services. During the 12 years up to December 1999, the insurance business of the company covered fire insurance, marine cargo and hull insurance, motor insurance and miscellaneous insurance, including personal accidents, aviation, and risks involved in machinery breakdowns.

The total premium received by the company during 2003 from various types of businesses amounted to Tk. 118.20 million. The same was received by the company during 1999-2000 from various types of businesses amounted to Tk. 56.19 million and the net premium income of the company amounted to Tk. 36.71 million. In 1999-2000, the company earned an income of Tk. 46.59 million consisting of premium, returns on investment, and other income. Net claims settled by the company during the year were Tk. 5.31 million, and the commission paid totaled Tk. 1.43 million. After payment of insurance claims, commissions, VAT, Taxes and other management expenses, its net profit in the year 1999 stood at Tk. 0.46 million. Total assets of the company were valued at Tk. 145.11 million in 1999 where as Tk. 222 million in 2003. It had a total investment of Tk. 1.51 million in 1999 in Protirakkha Sanchaya Patra (Tk. 1.50 million) and share with Bangladesh Samabaya Bank (Tk. 0.01 million) but Tk. 2.20 million at the end of 2003. Every year the company transfers 10% of its net premium income to reserves for exceptional losses. The amount of such reserve fund at the end of financial year 1999 stood at Tk. 32.11 million but at the end of financial year 2003 it was stood at Tk. 5.90 million.

A 10 member board of directors governs the overall business and administrative affairs of the company. As executive head of the company, the managing director is accountable to the board. The company has 20 branches throughout the country and its head office is located at Dhaka.

Taka in Crore

	2003	*2002*	*1996*	*1995*	*1994*	*1993*
Total Premium (Gross)	11.82	10.46	5.8	-	7.19	3.69
Growth %	13%	80%			94.85%	
Total Premium Net	2.12	2.02	2.81	4.41	4	2.11
Underwriting Profit	0.07	-	(1.81)	0.36	0.55	0.57
Balance of Fund (Reserved for Unexpired)	0.59	0.81	0.88	1.49	3.05	2.09
Investment (Including FDR)	0.22	0.19	4.40	5.64	5.18	3.96
Growth %	16%	-96%	-22%	8.88%	30.81%	
Investment Income	0.09	0.17	0.08	0.23	0.26	0.19
Total Claim Sattled during the Year	0.91	1.10	1.91	-	1.24	1.02
Total Assets	22.20	20.71	12.08	10.80	9.26	7.30

Source: Primary data.

6.1.7 Bangladesh General Insurance Company Limited (BGIC)

BGIC is the first ever general insurance company in Bangladesh to come up in the private sector under the scheme offered by the government of Bangladesh. BGIC was incorporated as a public limited company under the Companies Act 1913 and started business on 29 July 1985 with an authorized capital of Tk. 100 million divided into 1,000,000 ordinary shares of Tk. 100 each. Its initial paid-up capital was Tk. 30 million, which rose to Tk. 72 million in 1999. In May 1989, the company offered Tk. 30 million for public subscription. It is listed with both Dhaka and Chittagong stock exchanges. In December 1999, the number of shareholders of the company was 4370, who held 720000 shares.

The company was established for carrying out all types of general insurance business. It underwrites risks involved in non-life properties. The major risk underwriting of the company covers fire insurance, marine insurance, motor insurance and miscellaneous insurance.

By virtue of its progressive business practices as well as financial performance, BGIC has become one of the first-grade insurance companies in the country. The gross and net premium income of the company has increased consistently each year. Its net premium went up from Tk. 3.21 million in 1985 to Tk. 92.22 million in 1999 and 132.56 million in 2004. The net claims settled by the company amounted to Tk. 2.620 million only in 1985 which stood at Tk. 21.42 million in December 1999 and Tk. 23.48 million in 2004. The company earned underwriting profits and pre-tax profits of Tk. 1.02 million and Tk. 0.84 million respectively in 1985 which were Tk. 70.8 million and Tk.12.28 million in 1999 and Tk. 13.61 million and Tk.26.15 million in 2004. A significant amount of the investment income of BGIC is derived from its investment portfolio consisting of Pratirakkha Sanchaya Patra (Defense Savings Certificate) and shares and debentures of various listed companies. Besides the above good performance, BGIC has a shortage in requisite investment by Tk. 120.80 million at the end of 2004. Total assets of the BGIC have enhanced from Tk. 38.62 million in 1985 to Tk. 443.91 million in 1999 and Tk. 488 million in 2004.

BGIC has its headquarters at Dhaka and has 22 Zonal and branch offices at different important district towns throughout the country. Its management team is headed by the managing director, who is also the member secretary of the 16 member board of directors. Following table shows yearly progress of BGIC.

Taka in lac

	2004	2003	2002	2001	2000	1999	1998	1997
Gross Premium Income	2314.14	2190.57	1887.57	1784.09	1841.30	1633.75	1473.69	1600.95
Growth %	5.64%	16.05%	5.80%	-3.11%	12.70%	10.86%	-7.95%	
Net Premium	1325.55	1157.76	932.92	932.60	1059.54	922.24	839.27	920.18
Growth %	14.49	24.10%	0.03%	-11.98%	14.89%	9.89%	-8.79%	
Net Claims	234.79	190.87	139.75	235.76	243.30	214.24	232.69	229.84
Pre-Tax Profit	261.48	261.40	228.40	157.00	124.41	122.85	204.61	364.90
Cash Dividend	144.00	144.00	144.00	129.60	115.20	108.00	144.00	180.00
Total Assets	4880.34	4658.08	4191.00	3770.45	4136.34	4439.15	4416.77	4036.06
Total Reserves	1591.78	1521.97	1426.35	1389.33	1436.25	1385.02	1350.22	1345.05
Dividend Equalization Reserve	12.00	12.00	12.00	12.00	12.00	10.00	19.00	72.00
Share Value Fluctuation Reserve	10.00	10.00	10.00	10.00	10.00	10.00	10.00	-
Investment		2402.08	2314.73	2270.14	2351.71	-	-	-
Growth %		3.77%	1.96%	-3.47%		-	-	-
Investment income		208.76	241.52	243.77	233.07	-	-	-
Growth %		-13.56%	-0.92%	4.59%		-	-	-
Underwriting Profit		136.13	61.02	5.97	(32.25)	-	-	-
Other Income		11.16	21.09	1.90	0.63	-	-	--

Source: Primary and Secondary data.

6.1.8 Bangladesh National Insurance Company Limited

The Company was incorporated on May 21, 1996 and obtained the certificate of commencement of business on June 1, 1996 from the Registrar of Joint Stock Companies and Firms and the certificate of commencement of insurance business from the Chief Controller of Insurance, Government of the People's Republic of Bangladesh, on June 18, 1996. The Authorized Capital of the company is Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each. Its paid-up capital is Tk. 60 million.

The company underwrites risks involved in pecuniary and thus provides their security through insurance and re-insurance services. As per Re-Insurance Treaty, it has re-insurance the risks undertaken with the Sadharan Bima Corporation up to a certain level. Main areas of business of the Company include fire insurance, marine cargo and hull insurance, motor insurance and miscellaneous insurance.

In 2002, the total premiums less re-insurance of the company amounted to Tk. 22.91 million. During the year the company paid claims amounted to Tk. 2.9 million. Its investment (at cost) was Tk. 9 million. Accrued interest was Tk. 4.1 million on which a significant amount accrued in the form of interest on National Investment Bond & fixed deposit.

But in 2004, the total premiums less re-insurance of the company amounted to Tk. 16.6 million. During the year the company had investment (at cost) Tk. 107.7 million with an excess of Tk. 44 million than the required investment as per Insurance Act 1938.

Tk. in Crore

	2004	2003	2002	2001	2000	1999	1998
Premium	1.66	1.31	2.05	1.36	1.35	1.48	1.28
Growth %	26.72%	-36.10%	50.74%	0.74%	-8.78%	15.63%	
Insurance Fund	3.69	1.19	2.68	2.16	1.91	1.25	0.84
Growth %	210.08%	-82.19%	24.07%	13.09%	52.80%	48.81%	
Investment	10.77	10.13	11.66	10.40	10.22	9.14	
Growth %	6.32%	-13.12%	12.12%	1.76%	11.82%		

Source: Primary data.

6.1.9 Central Insurance Company Limited

Company was incorporated as a public limited company on 12 November 1987 under the Companies Act 1913. It was registered with the Department of Insurance on 30 November 1987 and commenced business on 10 December 1987. The company was established to carry out general insurance business within the framework of the Insurance Act 1938. It underwrites risks involved in trade and properties. The authorized capital of the company is Tk. 100 million and its paid up capital in 2001 was Tk. 60 million, which is divided into 600,000 ordinary shares of Tk. 100 each. The company went public in 1994 and is listed in both Dhaka and Chittagong Stock Exchanges.

Business performance of the company has been consistently satisfactory despite stiff competition in the limited insurance market of the country. Total turnover of the company stood at Tk. 46.07 million as on 30 June 2000 compared to Tk. 45.45 million as on the same day of the previous year. The insurance or risk underwriting of the company covered the areas of fire, marine, motor and others, in addition to trade and properties. Gross premium received by the company from its policies was Tk. 141.30 million on 31 December 1997 but dropped to Tk. 135.94 million in 1998 and to Tk. 105.68 million in 1999. It paid gross claims of Tk. 20.73 million in 1999 compared to after five years Tk. 13.10 million in 2004. Despite a decline in the company's business performance in terms of net premium received and claims paid, the underwriting profit has increased each year and rose to Tk. 32.44 million on 31 December 1999 but after 1999 underwriting profit has been decreasing to Tk. 14.56 million in 2004. Like all other insurance companies, the company also has the underwriting profits as its main source of operating income.

Its net profit after tax increased up to 1997, declined in 1998, and then increased again in 1999, when it stood at Tk. 12.03 million.

Total assets and liabilities of the company were Tk. 588.99 million in 1994, Tk. 346.73 million in 1999 and Tk. 371.54 million in 2004. The company paid dividends at the rate of 12%, 18%, 20%, 15%, 15%, 7.5%, 10%, 12%, 20% and 10% in the business years from 1995 to 2004.

Company has its head office at Dhaka. It has a total of 41 branches throughout the country. Eleven of them are located at different parts of Dhaka city. Its management team includes ten executives of different levels and is headed by a managing director. Members of the board of directors of the company belong to two categories. Some of the directors retire each year but are eligible to be re-elected according to its memorandum of association.

Taka in lac

	2004	2003	2002	2001	2000	1999
Total Premium (Net)	815.82	482.27	720.03	878.6	623.87	717.39
Growth %	69.16%	-33%	-18%	40.83%	-13%	-22.15%
Marine Premium (Net)	448.18	218.76	403.69	368.14	174.48	250.89
Underwriting Profit from Marine	68.32	74.71	10.58	2.31	72.11	186.43
Fire Premium (Net)	239.68	182.38	158.37	334.98	316.69	329.10
Underwriting Profit from Fire	65.32	(60.94)	108.45	165.44	99.78	143.48
Misc. Premium (Net)	53.51	21.34	97.75	89.69	35.01	29.98
Underwriting Profit from Misc.	6.74	34.19	12.57	16.24	12.08	10.29
Underwriting Profit (Total)	145.63	47.96	131.60	183.99	183.97	340.20
Balance of Fund (Reserved for Unexpired)	326.33	192.90	288.01	351.46	259.54	293.02
Growth %	69.17%	-33.%	-18%	35.42%	-11%	-6.02%
Investment	50.00	50.00	50.00	50.00	75.00	75.00
Growth %	0.00%	0.00%	0.00%	-33%	0.00%	0.00%
Investment Income	5.51	5.00	5.00	5.00	7.00	7.50
Growth %	10.20%	0.00%	0.00%	-29%	-6.67%	0.00%

Other Income		177.8	137.5	102.34	118.78	15.57
Total Claim Settled during the Year	131.00	52.74	44.7	75.47	138.45	(246.53)
Total Managnt. Exp.	620.74	581.05	584.49	449.08	394.05	524.11
Rate of Dividend	10%	20%	12%	10%	7.50%	15%
Total Assets	3715.40	3668.87	3095.66	3385.92	3162.43	3467.37

Continued - Central Insurance Co. Ltd.

	1998	*1997*	*1996*
Premium (Net)	921.47	940.90	889.73
Growth %	-2.07%	5.75%	
Marine Premium (Net)	336.87	450.41	452.81
Underwriting Profit from Marine	210.27	106.09	4.65
Fire Premium (Net)	404.1	346.82	315.24
Underwriting Profit from Fire	83.42	90.77	97.49
Misc. Premium (Net)	60.95	27.00	41.74
Underwriting Profit from Misc.	14.15	7.73	1.91
Underwriting Profit Total	307.84	204.59	104.05
Balance of Fund (Reserved for Unexpired)	311.80	390.48	359.68
Growth %	-20.15%	8.56%	
Investment	75.00	75.00	75.00
Growth %	0.00%	0.00%	
Investment Income	7.50	7.50	7.50
Growth %	0.00%	0.00%	
Other Income	101.68	114.63	97.77
Total Claim Settled during the Year	53.13	111.84	105.07
Total Managnt. Exp.	525.07	534.48	469.72
Rate of Dividend	15%	20%	18%
Total Assets	3581.62	3224.25	3088.23

Source: Primary and Secondary data.

6.1.10 City General Insurance Company Limited

Incorporated as a public limited company under the Companies Act 1994 on March 1996, it commenced business in June 1996. The company was established with authorized and paid-up capital of Tk. 200 million and Tk. 60 million respectively, which remained unchanged till December 1999. The capital is divided into ordinary shares of Tk. 10 each. Till July 2001 the shares of the company were retained within its 19 sponsors. In 1999, it maintained a reserve fund of Tk. 15.68 million and in that year its exceptional losses amounted to Tk. 2.40 million.

The company was established for carrying out all types of general insurance business (other than life) as per the Insurance Act 1938. It underwrites risks involved in properties only. Major risks underwriting of the company covered fire insurance, marine insurance, motor insurance and miscellaneous areas.

The gross premium received by the company in 1999 was Tk. 53.40 million and commissions earned were Tk. 6.67 million. Underwriting profits derived from the insurance activity in that year was Tk. 0.75 million. In addition, company received enhanced amount of investment income, which amounted to Tk. 5.82 million in that year. In 1999, total assets of the company were valued at Tk. 110.76 million. Total investment of the company during the year was Tk. 13.47 million and its net profit was Tk. 3.27 million.

After four years following table shows, the net premium received by the company in 2003 was Tk. 33.40 million declining 37% from 1999. Underwriting profits derived from the insurance activity in 2003 was Tk. 10.03 million. In addition, company received good amount of investment income, which amounted to Tk. 6.15 million in 2003. In 2003, total investment of the company was Tk. 39.57 million which had a deficit of Tk. 1.43 million from requisite investment per the Insurance Act 1938.

Taka in Million

	2003	2002	2001	2000	1999
Marine Premium (Net)	21.78	21.84	17.06	16.71	15.46
Growth %	-0.31%	28.01%	2.14%	8.03%	48.87%
Underwriting Profit from Marine	7.83	2.73	5.46	1.93	1.59
Fire Premium (Net)	5.02	14.82	12.38	7.75	7.77
Growth %	-66.09%	19.67%	59.76%	-0.28%	39.88%
Underwriting Profit from Fire	-1.12	(0.49)	(0.59)	(0.96)	0.43
Misc. Premium (Net)	4.85	5.40	0.29	1.98	1.06
Growth %	-10.18%	1702.52%	-84.93%	86.48%	12.53%
Underwriting Profit from Misc.	1.58	(1.38)	(0.85)	(0.51)	(2.89)
Underwriting Profit Total	9.82	0.85	4.01	0.45	(0.86)
Balance of Fund	13.94	1.04	8.93	8.88	13.28
Investment	39.57	25.97	25.47	13.47	13.47
Growth %	52.35%	1.96%	89.06%	0.00%	0.00%
Investment Income	6.15	8.70	6.79	6.45	5.81
Growth %	-29.35%	28.07%	5.39%	10.88%	32.10%
Other Income	-	0.01	0.15	-	-
Total Claim Settled during the Year	49.80	41.51	13.07	12.14	8.52
Total Managnt. Exp.	4.12	2.70	3.95	3.59	3.31
Motor Premium (Net)	1.75	4.58	4.81	3.97	3.90
Underwriting Profit from Motor	1.74	0.26	(0.12)	0.51	1.62
Total Assets	14.53	15.10	15.40	14.88	16.57

Continued - City Gen. Insurance Co. Ltd.

	1998	1997	1996
Marine Premium (Net)	10.39	11.63	1.37
Growth %	-10.67%	743.03%	-
Underwriting Profit from Marine	2.61	-	(41.48)
Fire Premium (Net)	5.55	6.09	0.81
Growth %	-8.77%	651.06%	-
Underwriting Profit from Fire	(2.63)	-	(2.97)
Misc. Premium (Net)	0.94	4.58	0.09

Growth %	-79.35%	4996.90%	-
Underwriting Profit from Misc.	(1.37)	-	(0.13)
Underwriting Profit Total	(1.39)	-	(7.25)
Balance of Fund	12.85	14.00	18.85
Investment	13.47	13.47	13.40
Growth %	0.00%	0.49%	-
Investment Income	4.40	3.46	2.98
Growth %	27.24%	15.97%	-
Other Income	-	-	0.89
Total Claim Settled during the Year	5.81	3.73	2.29
Total Managnt. Exp.	2.93	2.29	2.01
Motor Premium (Net)	4.31	-	0.32
U.R. Profit from Motor	0.38	-	(0.27)
Total Assets	17.02	16.14	13.94

Source: Primary and Secondary data.

6.1.11 Continental Insurance Limited

Incorporated on December 12, 1999 and commenced business on the same date. The company was registered with the department of insurance on February 20, 2000. The authorized capital was Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each. Its paid-up capital was Tk. 60 million and the number of shareholders were 9 (nine). The company is engaged in insurance business other than life insurance. Main areas are Five Insurance, Marine cargo and hull, Motor and Miscellaneous Insurance. It re-insurers its risks over the retention limit as per Re-insurance treaty with Sadharan Bima Corporation.

The net premium of the company was Tk. 29.63 lac, 18.52 lac and 6.68 lac respectively for per year 2002, 2001 & 2000. Where as the underwriting loss was Tk. (1.03) lac, (2.46) lac and (1.19) lac respectively. Its total investment was Tk. 50 lac, 49 lac and 36.32 lac where as investment income was Tk. 4.26 lac, 4.73 lac, and 4.28 lac respectively. We can see from the above statistics that the company is operating through its investment income only as there is no underwriting profit for the years under study.

Taka in Lac

	2002	*2001*	*2000*
Total Premium (Net)	29.63	18.52	6.68
Growth %	59.99%	177.25%	
Marine Premium (Net)	15.92	3.39	1.94
Underwriting Profit from Marine	-1.00	-2.00	-0.24
Fire Premium (Net)	6.80	8.01	2.23
Underwriting Profit from Fire	0.70	2.00	0.90
Misc. Premium (Net)	6.91	7.12	2.51
Underwriting Profit from Misc.	-0.73	-2.46	-1.85
Investment	50.00	49.00	36.32
Growth %	2.04%	34.91%	

Investment Income	4.26	4.73	4.28
Growth %	-9.94%	10.51%	
Other Income	0.02	--	--
Total Managnt. Exp.	30.25	22.64	11.95
Total Assets	95.30	84.16	65.30

Source: Primary data.

6.1.12 Crystal Insurance Company Limited

Crystal Insurance Company Ltd. is a new generation general insurance company of the country. The company started its business with the mission of providing prompt, efficient and personalized services for maximum risk coverage to the insured with competitive premium rate. Crystal Insurance Company Ltd undertakes to offer general insurance coverage of all types in the following categories: Fire, Flood, Cyclone, Marine Cargo risks, Marine (Hull) risks, Engineering, such as, erection all risks, contractors all risks, machinery breakdown & deterioration of stock etc. vehicles of all types (Motor) risks, burglary & other miscellaneous risks.

The capital structure of the company: Authorized capital of the company is Tk. 200 (two hundred) million divided into 2 (two) million shares of Tk. 100 (one hundred) each. The paid-up capital of the company is Tk.150 (one hundred and fifty) million of which Tk. 60 million (sixty) million has been fully paid-up by the sponsors prior to commencement of business. The remaining Tk. 90 (ninety) million will be raised by public issue of shares in due course. Business performance is given in the following table.

The Managing Director of the company is A.R. Bhuiya, MA, ACII (London), an experienced insurance personality. The Board of Directors of the company comprises distinguished entrepreneurs of established industries and business concerns of repute.

Taka in Million

	2004	2003	2002	2001
Total Premium (Net)	51.41	66.69	54.82	30.04
Growth %	-22.90%	21.64%	82.46%	-
Marine Premium (Net)	28.06	33.16	26.39	10.01
Underwriting Profit from Marine	7.23	2.23	(3.71)	(4.00)
Fire Premium (Net)	12.73	2.22	14.98	12.11
Underwriting Profit from Fire	-	(2.36)	(2.66)	(5.82)
Misc. Premium (Net)	11.66	6.62	6.11	4.01
Underwriting Profit from Misc.	1.51	(0.11)	(0.13)	(1.61)
Balance of Fund	20.62	16.80	13.93	5.36
Growth %	22.69%	20.66%	159.76%	-
Investment	58.95	58.95	55.42	50.00
Growth %	0.00%	6.36%	10.85%	-
Investment Income	6.73	5.18	4.78	4.77
Growth %	29.91%	8.19%	0.23%	-
Total Claim	-	1.81	2.08	1.14

Total Managnt. Exp.	61.61	44.28	31.93	21.35
Total Assets	99.16	91.33	90.70	77.29

Source: Primary data.

6.1.13 Eastern Insurance Company Limited

Eastern Insurance incorporated on 7 June 1986 as a public limited company under the Companies Act 1913. It commenced business on 15 July 1986 with a view to running all types of general insurance business except life insurance, pursuant to the Insurance Act 1938 and other related laws and regulations. The authorized capital of the company is Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each. Its paid-up capital was Tk. 30 million at inception and rose to Tk. 60 million in December 2000. The sponsors (Group-A shareholders) subscribed 50% of the share capital and the remaining 50% is owned by the public (Group-B shareholders). The company went public on 31 October 1993 and was listed with both the Dhaka and Chittagong Stock Exchanges.

The major risk underwriting of the company covered fire insurance, marine cargo and hull insurance, motor insurance and miscellaneous insurance. The company participates in the co-insurance business. It re-insures the risk undertaken with the Sadharan Bima Corporation.

Company experienced considerable growth in its business performance. In 2000, the gross premium income of the company stood at Tk. 140 million and its net premium income at Tk. 92.70 million. Net claims settled by the company varied with the variations in the volume of business. Claims settled in 1989, 1995, 2000 and 2004 were Tk. 6.74 million, Tk. 13.10 million, Tk. 7.60 million and 2.20 million respectively. The company earned underwriting profits in almost every year of its operation and such profits were Tk. 1.40 million in 2000 and 6.4 million in 2004. The company has also earned an investment income each year from its investment in the National Investment Bond, shares and debentures and other investments including FDR and short-term deposit accounts. Every business year, the company maintains a special reserve fund for covering exceptional losses, which amounted to Tk. 30.13 million in 1999 and Tk. 31.23 million in 2000 and Tk. 84.2 million in 2004. The net profit before tax of the company stood at Tk. 12.50 million in 2000 and between the years 1994 and 2000, the dividend paid by the company fluctuated between 15% and 20% but it goes up to 25% in 2004. On 31 December 2004, the value of the company's assets was Tk. 334.10 million. Following table shows the growth and performance of the company.

Taka in Crore

	2004	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*
Gross Premium	12.08	12.23	13.17	14.00	14.00	14.13	16.42
Growth %	-1.09%	-9.19%	-5.93%	0.00%	-0.92%	-13.95%	-1.68%
Premium Income Less re-insurance	7.32	7.51	8.72	9.86	9.27	9.30	10.46
Net Claim	0.22	0.25	1.37	0.95	0.76	1.91	1.15

Underwriting Profit	0.64	1.15	0.91	0.27	0.14	0.57	1.22
Investment income	3.03	1.42	1.58	1.44	1.46	1.21	1.35
Growth %	113.38%	-10.13%	9.72%	-1.37%	20.66%	-10.37%	-14.56%
Net Profit before Tax	3.00	2.00	1.99	1.21	1.25	1.23	2.10
Total Reserve and Fund	8.42	7.82	7.66	7.41	7.06	6.98	7.58
Deposit Premium	2.90	3.09	4.06	3.73	4.56	4.25	4.52
Investment in FDR, Shares, Securities & Bond	20.27	20.00	20.00	18.99	19.02	19.17	18.93
Total Assets	33.41	32.34	32.21	31.64	30.49	29.74	31.79
Dividend in Percentage	25%	18%	18%	15%	15%	15%	20%
Earning per Share	36.01	28.81	29.75	16.90	16.93	17.14	26.63
Book value per Share	240.50	230.00	228.00	223.00	218.00	216.00	227.00
Shareholders Equity	14.43	13.82	13.66	13.33	13.06	12.97	13.58

Continued - Eastern Insurance Co. Ltd.

	1997	*1996*	*1995*	*1994*	*1993*	*1992*
Gross Premium	16.70	18.25	14.88	10.74	10.34	9.16
Growth %	-8.49%		38.55%	3.87%	12.88%	
Premium Income Less re-insurance	10.82	12.22	9.53	6.78	6.41	5.43
Net Claim	2.83	2.95	1.31	0.65	0.88	1.05
Underwriting Profit	1.14	0.37	1.14	1.00	0.76	1.00
Investment income	1.58	2.35	1.55	1.45	1.27	0.99
Growth %	-32.77%		6.90%	14.17%	28.28%	
Net Profit before Tax	2.24	2.22	2.21	2.06	1.61	1.60
Total Reserve and Fund	7.84	7.95	7.50	5.90	5.54	4.56
Deposit Premium	5.94	6.81	7.31	7.55	5.24	4.53
Investment in FDR, Shares, Securities & Bond	18.86	18.63	17.57	16.15	12.61	11.33
Total Assets	31.63	33.35	28.67	27.72	35.38	20.71
Dividend in Percentage	20%	20%	20%	15%	15%	15%
Earning per Share	28.93	28.71	28.52	19.26	34.43	
Book value per Share	231.00	233.00	225.00	199.00	285.00	
Shareholders Equity	13.84	13.95	13.50	11.89	8.54	

Source: Primary and Secondary data.

6.1.14 Eastland Insurance Company Limited

A public limited company incorporated on 5 November 1986 under the Companies Act 1913 to carry out general insurance business as per the Insurance Act 1938 and other applicable laws and rules. It commenced business on 22 November 1986. The authorized capital of the company is Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each. Its paid-up capital was Tk. 60 million on 31 December 1999. The sponsors paid 50% of its share capital and the rest was paid by the general public.

The company underwrites risks involved in trade and properties. The major risk or perils underwriting of the company covered fire insurance, marine cargo and hull insurance, motor insurance and miscellaneous insurance. The company participates in the co-insurance business in Bangladesh. It re-insures risks undertaken with the Sadharan Bima Corporation, the only state-owned general insurance company in Bangladesh.

Eastland Insurance Company maintained a steady growth in its business performance. It diversified its investment to augment the market share and profitability. During the year 1999, the company earned a net premium income of Tk. 97.60 million and settled net claims of Tk. 46.87 million. The company earned a net premium income of Tk. 95.61 million and settled gross claims of Tk. 76.87 million. The underwriting profit of the company was Tk. 4.89 million in 1999 and increased substantially in 2004. Besides the underwriting profits, the company had a substantial amount of investment income, which rose from Tk. 13.05 million in 1995 to Tk. 17.31 million in 1999 and 38.88 million in 2004. Net profit before tax was Tk. 29.70 million in 1995 but dropped to Tk. 19.41 million in 1999 and increased to Tk. 36.55 in 2004. Earning per share (EPS) of the company was Tk. 32.88 in 1995, Tk. 24.45 in 1999 and Tk. 56.24 in 2004.

The investment portfolio of the company in 2004 comprised National Investment Bonds, debentures and shares of companies/corporate bodies, FDR and ICB Mutual Funds. As a part of its investment diversification, the company invested Tk. 10 million in the equity of a Non-Bank Financial Institution, The National Housing Finance And Investment Limited. The company also has required fund as investment to mitigate the unexpired risks, details are as follows:

Taka in Million

	2004	*2003*	*2002*	*2001*	*2000*
Gross Premium Income	156.45	132.98	128.10	128.60	128.37
Net Premium Income	95.61	82.60	94.7	89.23	81.21
Gross Claim	76.87	35.87	98.37	27.79	65.27
Investment Income	38.88	19.58	20.92	18.28	19.55
Net Profit before Tax	36.55	22.06	21.86	15.10	18.38
Paid-up Capital	60.00	60.00	60.00	60.00	60.00
Shareholders Equity	172.32	150.74	143.57	135.88	131.98
Total Assets	411.56	410.09	408.07	407.09	405.08
Total Reserve	131.59	108.67	100.67	91.88	86.78
Dividend in Percentage	20%	17%	16%	15%	15%
Earning per Share (EPS)	56.24	26.20	28.80	17.51	23.21
Book value per Share	287.19	251.23	239.28	226.47	219.96

Continued - Eastland Insurance Co. Ltd.

	1999	*1998*	*1997*	*1996*
Gross Premium Income	142.21	134.90	134.20	113.10
Net Premium Income	97.60	67.99	84.65	65.05
Gross Claim	46.87	19.43	35.00	18.10
Investment Income	17.31	16.63	16.50	13.74
Net Profit before Tax	19.41	18.72	24.60	28.00

Paid-up Capital	60.00	60.00	60.00	60.00
Shareholders Equity	127.06	121.38	116.91	109.11
Total Assets	400.48	393.36	361.40	343.30
Total Reserve	80.40	69.86	62.00	55.00
Dividend in Percentage	15%	16%	18%	18%
Earning per Share (EPS)	24.45	23.45	31.01	38.11
Book value per Share	211.76	202.31	194.86	181.85

Source: Primary and Secondary data.

6.1.15 Express Insurance Limited

The company is involved with insurance business other than life insurance. Main areas of business are Fire insurance, Marine cargo & hull insurance, Motor insurance and Miscellaneous insurance. Sadharan Bima Corporation is the re-insurer of the company like other public sector insurance companies.

The total premium of the company was Tk. 21.74 million, 23.06 million, 16.46 million and 1.96 million respectively for the year 2003, 2002, 2001 & 2000. Where as the underwriting loss was Tk. (2.42) million, 0.36 million, (7.87) million and 3.28 million respectively for the year 2003, 2002, 2001 & 2000. It settled claim Tk. 4.37 million, 1.76 million, 0.42 million and 0.00 million respectively. Its investment is Tk. 58.5 million, 53.9 million, 53.6 million and 52 million respectively for the year 2003, 2002, 2001 and 2000. Investment income was Tk. 5.18 million, 4.61 million, 5.08 million and 3.16 million respectively. It is clearly revealed from the above statistics that the company survived depending on the investment income only as there is very poor underwriting profit earned by the company. So every company should give more emphasis to the profitable investment portfolio. Its paid up capital is Tk. 60.0 million divided into 6 Lac shares of Tk. 100 each and 14 members are the holder of those share. All of them are sponsor shareholders.

Taka in Million

	2004	*2003*	*2002*	*2001*	*2000*
Total Premium (Net)	21.42	21.74	23.06	16.45	1.96
Growth %	-1.47%	-5.73%	40.17%	738.95%	
Marine Premium (Net)	14.02	14.56	11.37	4.18	0.60
Underwriting Profit from Marine	3.57	2.04	-0.72	-2.58	-0.72
Fire Premium (Net)	2.54	1.67	4.95	7.45	0.69
Underwriting Profit from Fire	-3.19	-3.41	-0.21	-3.74	-2.13
Misc. Premium (Net)	2.01	0.76	2.21	0.67	0.06
Underwriting Profit from Misc	0.24	-1.04	1.29	-1.53	-0.42
Balance of Fund (Reserved for un-expired)	8.60	9.60	9.25	1.65	0.23
Investment (Including FDR)	58.16	58.50	53.89	53.60	52.00
Growth %	-0.57%	8.54%	0.55%	3.08%	-
Investment Income	2.44	5.17	4.61	5.07	3.16
Growth %	-52.70%	12.23%	-9.18%	60.69%	-
Total Claim settled during the year	4.60	4.37	1.75	0.42	-
Total Managnt. Exp.	59.35	27.39	24.96	20.40	4.91
Total Assets	-	112.53	100.20	88.38	67.31

Source: Primary data and company records.

6.1.16 Fareast Islami Life Insurance Company Limited

This company was incorporated as a public limited company in May, 2000 under the Companies Act 1994 to carry out life insurance business within the framework of Insurance Act 1938 and Rules 1958 and other associated laws and regulations. The company was established with an authorized capital of Tk. 100 million and paid-up capital of Tk. 30 million divided in 300,000 fully paid ordinary shares of Tk. 100 each. The company has gone to public issue in the middle of 2005.

The company is engaged mainly in Ordinary Life insurance business. It also operates Sharbojonin Bima (Micro Insurance).

The Company maintained a rapid growth from its inception. Its total premium income increased 62.31% to Tk. 189 million increased in 2003. Total premium of Sharbojonin Bima in 2003 was Tk. 72 million. Total number of 40494 Policies was in forced at the end of 2002 (Ordinary Life).

The life fund account of the company stood at Tk. 878.86 million at the end of 2004 increasing 88.31% over the previous year. Actuarial valuation results show that its life fund is well in excess of its policy liabilities. It is revealed from the following table that the growth of investment is lower than the growth of insurance fund.

Taka in Million

	2004	*2003*	*2002*	*2001*	*2000*
Gross Premium	759.67	493.36	303.85	211.50	44.91
Growth %	53.88%	64.78%	43.66%	370.95%	-
Life Fund	878.86	466.70	195.51	81.13	1.69
Growth %	88.31%	143.56%	140.96%	4689.77%	-
Investment	699.66	390.74	164.56	44.33	240.00
Growth %	79.06%	133.99%	271.17%	-81.53%	-

Source: Primary and Secondary data.

6.1.17 Federal Insurance Company Limited

It incorporated as a public limited company on 11 November 1987 under the Companies Act 1913 with the objective of carrying out all kinds of insurance business other than life insurance in and outside Bangladesh. After registering with the Department of Insurance and obtaining a certificate of commencement of business from the Controller of Insurance with effect from 17 November 1987, the company formally started its business on 20 November of the same year. Federal Insurance was established with an authorized capital of Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each. Its paid-up capital in 1999 was Tk. 60 million, of which 50% was paid-up by the sponsors and the remaining by public shareholders. The company was enlisted with the Dhaka Stock Exchange on 26 June 1995 and with the Chittagong Stock Exchange on 20 November 1995.

In accordance with its objective of conducting general insurance business, the company underwrites risks involved in trade and properties. The company participates in the co-insurance business in insurance industry in Bangladesh. In accordance to the Re-Insurance Treaty, it has re-insured risks undertaken with the Sadharan Bima Corporation. The company made considerable improvements in its business performance up to 2003. In 1999, the gross premium income was Tk. 170.87 million, net premium income Tk. 96.29 million and underwriting profit Tk. 25.69 million. Net claims settled by the company in the year were Tk. 15.29 million. Its reserve for exceptional losses was Tk. 19.05 million in 1999, that year the investment income of the company was Tk. 2.49 million and after making all statutory provisions but before tax, its profit stood at Tk. 5.15 million and it paid dividends @ Tk. 10 per share to the shareholders. The value of all assets of the company was Tk. 393.86 million in 1999.

After four years, the gross premium income was dropped to Tk. 166.59 million, net premium income increased to Tk. 119.05 million and underwriting profit also increased to Tk. 27.01 million. Net claims settled by the company in the year were Tk. 4.52 million. After making all statutory provisions but before tax, its profit stood at Tk. 13.48 million and it paid dividends @ Tk. 10 per share to the shareholders. The value of all assets of the company was Tk. 441.77 million in 2003 which reveals in the following.

Tk. in Million

	2003	2002	2001	2000	1999	1998	1997	1996	1995
Gross Premium Income	166.59	152.20	181.43	171.15	170.87	165.28	204.36	175.34	167.8
Net Premium Less-R.I.	119.05	107.92	128.97	114.88	96.29	104.00	130.44	117.43	99.95
Net Claims	4.52	7.05	9.64	21.09	-0.24	-5.25	15.29	15.88	10.45
Underwriting Profit	27.01	23.36	25.79	26.08	25.69	28.52	35.10	24.82	21.97
Investment Income	4.05	4.19	2.44	2.15	2.49	4.21	6.58	9.27	10.14
Profit Before Tax	13.48	13.21	10.88	6.39	5.15	5.53	15.49	18.29	17.32
Dividend	6.00	6.00	6.00	3.60	3.00	3.60	9.00	10.8	9
Rate of Dividend	10%	10%	10%	12%	10%	12%	15%	18%	15%
Shareholder's Equity	97.12	95.68	94.58	93.70	92.87	92.32	92.32		
Total Assets	441.77	441.85	452.03	444.20	396.86	352.82	354.82	297.96	288.95

Source: Primary and Secondary data.

6.1.18 Global Insurance Limited

At the backdrop of the free market economy Global Insurance Limited was launched to match with and contribute to the development activities of Bangladesh in the middle of 2000 by a successful group of entrepreneurs of the country. The directors launched the company with a vision of such a company of substance and quality is capable of playing a major role in the insurance industry of Bangladesh. The Company has an authorized capital of Tk. 300 million of which Tk. 60 million is fully issued and paid-up.

There are a total of 21 directors from a wide spectrum of callings and professions encompassing engineering, architecture, medicine, business, and industry. In addition to their respective professions and callings a good number of the directors of the company are directors of a number of scheduled banks of the country. The company is managed by a team of qualified and experienced executives. The Managing Director of the company is an MA from the University of Dhaka and an ACII (Associate of Chartered Insurance Institute) of London.

The Gross premium income of the company in 2003 was Tk. 68.09 million and net premium was Tk. 38.82 million. The gross claim in 2003 was Tk. 14.04 million and net claim was Tk. 8.20 million after recovering claims from re-insurer. The company has comprehensive re-insurance arrangements with Sadharan Bima Corporation and the company is capable of writing virtually any risks with any amount of sum insured or limit of liability with absolute security to the insured.
The total investment in 2003 was Tk. 65.75 million and the investment and other income was Tk. 6.73 million. The total asset was of Tk. 133.62 million and total reserve of the company stood Tk. 11.53 at end of 2003. Besides, company had a deficit of investment of Tk. 10.8 million than the required investment as per the Insurance Act 1938.

Taka in Million

	2003	2002	2001	2000
Gross Premium	68.09	45.17	28.08	10.89
Growth %	50.74%	60.86%	157.77%	-
Total Premium (Net)	38.81	24.58	13.06	8.74
Gross Claim	14.04	4.40	1.01	0.06
Net Claim	8.20	2.09	0.59	0.06
Investment & Other Income	6.73	6.18	5.37	3.68
Growth %	8.90%	15.10%	45.74%	-
Total Reserve	11.52	9.83	5.22	3.49
Investment	65.75	61.05	58.47	55.00
Total Assets	133.61	104.79	80.08	68.05

Source: Primary and Secondary data.

6.1.19 Golden Life Insurance Limited

Under the Insurance Act 1938, the Peoples Republic of Bangladesh licensed to Golden Life Insurance Limited to carry out the life insurance business in Bangladesh. The management force of the company is highly educated, well experienced in insurance field.

The company maintained a rapid growth from its inception. Its total premium income increased 63% to Tk. 45.95 million increased in 2003. The life fund account of the company stood at Tk. 17.88 million at the end of 2003 increasing 120% over the previous year. Actuarial valuation results show that its life fund is merginally in excess of its policy liabilities. It is revealed from the following table that the growth of investment is lower than the growth of insurance fund in the years 2003 and 2002.

Taka In Million

	2003	2002	2001	2000
Total Premium	118.89	72.94	31.23	1.32
Growth %	63.00%	133.49%	2263.88%	-
Life Fund	17.88	8.13	6.20	4.34
Growth %	120%	31%	42.71%	-
Investment	4.00	4.00	6.50	0.65
Growth %	0.00%	-38.46%	900.00%	-
Investment Income	0.39	1.81	1.76	2.11
Growth %	-77.99%	2.85%	-16.42%	-
Total Claim	2.23	0.88	0.28	-
Total Managnt. Exp.	99.35	67.62	34.57	19.67
Total Assets	105.84	86.88	54.82	44.19

Source: Primary data.

6.1.20 Green Delta Insurance Company Limited

Green Delta was incorporated on 14 December 1985 in Bangladesh as a public limited company under the Companies Act 1913. It went into operations on 1 January 1986 as a general insurance company with an authorized capital of Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each. On 31 December 2000, its paid-up capital was Tk. 60 million. The company is listed with both Dhaka and Chittagong Stock Exchanges. The company has built up a reserve and asset base to ensure long-term growth and sustainable income and it maintains an exceptional loss reserve, which amounted to Tk. 21.20 million in 2000 and Tk. 28.70 million in 2004.

The company operates successfully and maintained progressive growth throughout the whole period of its business except the year of commencing operations. It earned satisfactory premium income, the gross amount of which was Tk. 301.30 million in 2000. The net premium also increased each year and stood at Tk. 172.70 million in that year. The claim expenses of the company were comparatively lower and this helped it in accumulating higher profits. Investment incomes of the company were Tk. 39 million in 2000. It has also received the first dividend of 7.50% from its investment/venture capital financing in Delta Brac Housing Finance Corporation (DBH). Other constituents of the company's investment portfolio were Pratrikkha Sanchaya Patra and shares and debentures of various companies. Total assets of the company were valued at Tk. 601.30 million at the end of 2000. The company started to earn net profits since the second year of its business operations. It earned about Tk. 21.30 million as profits in 2000 and had paid a dividend @ 35% every year between 1996 and 2000.

2004 was another year of financial milestones for Green Delta. During the year, company established several new financial records, including an EPS of

Tk. 47.77 per share. Operating profit rose to Tk. 106.8 million in 2004 from Tk. 86.9 million of previous year. This has been happened due to the combination of improved underwriting conditions and a satisfactory investment management performance. Record levels of premium income are highlighting its underwriting prudence. In 2004, net premium income set to a record of Tk. 233.15 million which is increased by 20.94% compare to last year.

The strength of an insurance company is based on the strength of its reserve. Green Delta strives to maintain adequate reserves. This increase in reserves, which totaled Tk.449.50 million in 2004 was promoted by regularly scheduled reviews of the company's unexpired risks.

Taka in million

	2004	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*	*1997*	*1996*
Gross Premium Income	515.30	430.30	342.09	313.06	301.30	272.85	284.90	250.40	235.80
Net Premium Income	233.20	192.78	157.70	157.50	172.70	159.31	158.40	136.10	127.30
Net Claims	51.70	51.92	29.03	22.55	26.80	34.91	45.10	42.70	36.60
Underwriting Income	52.50	37.67	37.36	28.94	24.80	20.77	11.30	6.00	16.20
Investment Income	54.30	49.17	43.50	41.31	39.00	30.31	37.40	45.00	46.60
Net Profit before Tax	-	57.26	52.95	45.23	40.51	34.48	-	-	-
Profit After tax & Reserve for Exceptional Losses	28.70	24.93	23.68	22.18	21.20	21.02	21.10	21.30	27.80
Dividend	22.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Rate of Dividend	40%	35%	35%	35%	35%	35%	35%	35%	35%
Premium Deposit	84.40	116.78	108.49	99.75	97.90	84.05	83.60	77.20	62.90
Total Reserves	449.50	299.24	261.27	240.77	232.20	208.55	196.20	176.50	154.40
Total Assets	964.60	752.18	711.81	636.08	601.30	583.42	583.00	500.00	458.70

Source: Primary and Secondary data.

6.1.21 Homeland Life Insurance Company Limited

The company was incorporated as a public limited company under the Company Act 1994 to run life insurance business in Bangladesh under the Insurance Act 1938 and Rules 1958 and other applicable laws and rules. It commenced business on 15 June 1996 and was registered with the Controller of Insurance on 15 September 1996. It was established with an authorized capital of Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each. Its paid-up capital was Tk. 30 million, which was subscribed by its sponsors. Premium collected by the company increased from Tk. 47.9 million in 1997 to Tk. 219.60 million in 2002. The company introduced 5 different types of innovative insurance schemes: Unique Insurance Plan, Rural Insurance Plan, Family Insurance Plan, City Insurance Scheme, and Islamic Insurance Plan. The company maintains a Life Fund that amounted to Tk. 4.3 million in 1997 and Tk. 132.10 million in 2002. Volume if its investments in 1997 were Tk. 19.8 million and the income from the investment were Tk. 2.08 million. Volume if investments in 2002 were Tk. 58.8 million and the income from the investment were Tk. 4.5 million. With the expansion of the company's business activities and improvement in its financial performance, its assets also increased and were valued at Tk. 96.12 million in 1999 and Tk. 204.3 million in 2002. Following table shows the trend of investment and other activities of the company:

Taka In Crore

	2002	2001	2000	1999	1998	1997
Total Premium	21.96	16.88	14.31	11.45	7.88	4.79
Growth %	30.09%	17.96%	24.98%	45.30%	64.51%	-
Life Fund	13.21	8.52	5.77	3.49	1.95	0.43
Growth %	55.05%	47.66%	65.33%	78.97%	353.49%	-
Investment	5.88	4.71	3.09	2.42	2.31	1.98
Growth %	24.84%	52.43%	27.69%	4.76%	-	-
Investment Income	0.45	0.35	0.24	0.21	0.19	0.18
Growth %	28.57%	45.83%	14.29%	10.53%	5.56%	-
Other Income	0.01	0.04	0.04	0.04	0.03	-
Total Claim	4.01	2.19	0.49	0.11	0.05	0.02
Total Managnt. Exp.	13.06	12.33	11.82	10.05	6.53	4.24
Total Assets	20.43	15.22	11.68	9.61	7.85	5.43

Source: Primary data.

6.1.22 Islami Insurance Bangladesh Limited

Following table shows four years business performance of the company. Where we found that the company suffers losses for the earlier three years and it mitigated its substantial expenses from investment return.

Taka in Million

	2003	2002	2001	2000
Gross Premium	114.18	113.90	79.51	43.50
Growth %	0.25%	43.25%	82.78%	
Net Premium	84.21	81.85	51.89	26.76
Growth %	2.88%	57.74%	93.91%	
Gross Claims	18.98	25.41	4.52	0.60
Reserve for unexpired risk	33.89	32.90	21.00	10.84
Underwriting Profit / (Loss)	2.24	(7.60)	(19.60)	(24.60)
Net Profit / (Loss)	1.00	(7.23)	(19.58)	(24.22)
Investment Income	6.20	5.51	4.27	4.06
Cash & Bank Balance	66.63	65.51	55.08	44.20
Fixed Assets	19.68	19.51	15.64	9.45
Total Assets	95.30	94.02	79.02	62.66

Source: Primary data.

6.1.23 Janata Insurance Company Limited

Janata Insurance incorporated as a public limited company under the Companies Act 1913 on 23 September 1986. It commenced business on 6 November 1986 with a view to running all types of general insurance business except life insurance pursuant to the Insurance Act 1938 and other related laws and regulations. Authorised capital of the company is Tk. 100 million that remained unchanged, while the paid-up capital increased from the initial amount of Tk. 30 million to Tk. 60 million in December 2000. The capital is divided into ordinary shares Tk. 100 each. The company was enlisted with both Dhaka and Chittagong Stock Exchanges in 1994. Managed by a 13-member board of directors with the managing director as the chief executive, the company has its head office at Dhaka and 42 branches all over Bangladesh. It underwrites risks involved in properties. Major risk accepting activities of the company cover fire insurance, marine insurance, motor insurance and miscellaneous insurance. In accordance to the Re-Insurance Treaty, the company re-insures the risks undertaken with the Sadharan Bima Corporation (SBC). It sponsored a leasing and financing company jointly with the Commercial Bank and some private individuals.

In 2004, the net premium incomes of the company were Tk. 60.51 million and the net claims paid by it were Tk. 12.50 million. It earned underwriting profits almost each year of its operations except 1996. The company also earns income from its investment each year in National Investment Bond, shares and debentures and other investments including FDR and short-term deposit accounts. It maintains two special reserve funds namely, reserves for exceptional losses and reserves for un-expired risks. The pre-tax profits of the company were Tk. 4.11 million in 2004. In that year, the investments of the company were valued at Tk. 71.93 million with a huge shortage of requisite investment according to section 27A of the Insurance Act 1938. Following are the year wise performance of the company:

Taka in lac

	2004	*2003*	*2002*	*2001*	*2000*
Premium Income (Net)	605.10	638.46	837.93	558.67	766.11
Growth %	-5.23%	-23.81%	49.99%	-21.08%	-
Investment	719.30	644.29	703.60	694.93	649.63
Growth %	11.64%	-8.43%	1.25%	6.97%	-
Claim Paid (Net)	125.04	143.23	66.54	66.73	9.09
Underwriting Profit	112.56	160.35	120.09	20.74	53.38
Pre-tax Profit	41.13	121.72	112.91	19.91	26.51
Balance of Fund	996.88	979.99	1058.09	934.48	996.73

Source: Primary and Secondary data.

6.1.24 Jibon Bima Corporation (JBC)

JBC was established on 14 May 1973 under the Insurance Corporation Act 1973. Its authorized capital of Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each. The paid-up capital of the corporation is Tk. 50 million fully subscribed by the government. The corporation is engaged in life insurance business under the provisions of the Insurance Act 1938, Insurance Rules 1958, Insurance Corporation Rules 1977, and related other laws enforceable in Bangladesh.

According to record of JBC, the total number of insurer registered in Pakistan up to 1968 was 81, of which 40 were incorporated in Pakistan and the remaining 41 in other foreign countries. Of the 40 indigenous companies, 10 were registered in East Pakistan and 30 in West Pakistan. Of the foreign companies, 21 organized in the UK, 8 in India, 5 in USA, 3 in New Zealand and one each in Australia, Canada, France, and Hong Kong. Ten of the 40 Pakistani companies were engaged exclusively in life insurance business, 21 in life and other businesses, and 9 in other businesses only. Foreign companies concentrated more on non-life insurance. Two of them did life insurance business only and one did life as well as general insurance.

The number of insurance companies that had business in East Pakistan (presently Bangladesh) was 75, of which 10 were locally incorporated. Following the independence of Bangladesh in 1971, both life and general insurance business in the country was nationalized by the Bangladesh Insurance (Nationalization) Order 1972. Five corporations were established to absorb, own and control the businesses of the 75 existing insurance companies and these new corporations were Bangladesh Jatiya Bima Corporation, Karnaphuli Bima Corporation, Teesta Bima Corporation, Surma Jiban Bima Corporation, and Rupsa Jibon Bima Corporation. In 1973, the government decided to integrate life and general insurance companies into two corporations, and accordingly the Jiban Bima Corporation was formed to take over the undertakings of Surma Jibon Bima Corporation and Rupsa Jiban Bima Corporation. Karnaphuli Bima Corporation and Teesta Bima Corporation were integrated into Sadharan Bima Corporation. In that year, the government also decided to merge Bangladesh Jatiya Bima Corporation with the newly formed Sadharan Bima Corporation.

Until 1985, Jiban Bima Corporation was the only institution to handle life insurance business in Bangladesh. Through the Insurance (Amendment) Ordinance 1984, and Insurance Corporations (Amendment) Ordinance 1984, the government allowed operation of insurance companies. Up to December 2000, at least 17 private sector insurance companies came into being and made the life insurance business competitive, which however, had little impact on the business performance of the Jiban Bima Corporation.

The Corporation offers 15 different types of life insurance schemes (products). These are whole life assurance, endowment assurance, child protection policy, children endowment, anticipated endowment assurance, pension scheme policy, group term insurance policy, group endowment policy, group variable endowment policy, group pension policy, grameen bima policy, joint life endowment policy, and progressive premium policy.

In 1998, the corporation earned gross premiums of Tk. 1,402.8 million, which comprised of first-year premiums (Tk. 401.2 million), renewal premiums (Tk. 913.0 million), and group insurance premiums (Tk. 88.6 million). It paid Tk. 493.7 million to settle life insurance claims under various schemes. Business management expenses of the corporation stood at Tk. 629.2 million and it earned operating profits of Tk. 279.9 million. The net incomes from its investments and other sources were Tk. 189.2 million. Growth of investment is lower than the growth of life fund in the year 1999 and 1997 out of the five years selected for the study.

In 1998, the corporation sold 65,086 new individual policies and the sum assured was Tk. 5,723 million. The number of polices on female lives was 10,244 and the sum assured in these policies was Tk. 700.2 million. The number of policies written in the rural areas under its rural business scheme was 44,209 with a sum assured of Tk. 3191.4 million. The corporation issued 47,925 policies with the amount assured of Tk. 3,824.4 million under its non-medical business scheme in the year. The total number of organizations and persons covered, sum assured and premiums earned under the Group Insurance Scheme figured 340 organizations, 707,900 persons, Tk. 1,7575.6 million and Tk. 88.6 million respectively.

At the end of the year 1998, the corporation had 315,735 individual life policies in force with a sum assured of Tk. 23,742 million. Of these policies 310,555 with an amount assured of Tk. 23,727.4 million were underwritten by corporation itself and the remaining, with a sum assured of Tk. 14.6 million, were underwritten by the company's old units. Conversely, a total number of 43,641 individual policies with a sum assured of Tk. 3,047 million were lapsed during the year.

The Corporation has Re-insurance Treaty with Swiss Re-Insurance Company of Switzerland and Munich Re-Insurance Company of Germany. The retention limit in respect of underwritten risk of the corporation up to 1998 was Tk. 1 million. Jiban Bima Corporation is also working as a re-insurer of some private life insurance companies in Bangladesh.

The management of the corporation is vested in a 7-member board of directors appointed by the government. The managing director is the corporation's chief executive. He is assisted by some General Managers, Deputy General Managers and Assistant General Managers. In December 2004, the corporation had 1,772 employees. The corporation has 8 divisions in its head office at Dhaka and 19 Zonal/regional offices. On 31 December 2004, the corporation had 30,747 active agents. It has no full time actuary and it takes service of an actuary of Pakistan. Following are the five years performance of the corporation:

Taka in Crore

	1999	*1998*	*1997*	*1996*	*1995*
First Year Premium	49.46	40.12	34.00	29.69	25.20
Renewal Premium	105.87	91.30	84.91	71.58	58.93
Group Premium	8.91	8.86	8.66	7.65	7.11
Total Premium	164.24	140.28	127.57	108.92	91.24
Growth %	17.08%	9.96%	17.12%	19.38%	-

Total Income	199.84	164.56	151.79	129.41	109.29
Expenditure	139.12	117.65	103.64	93.30	81.32
Life Fund	416.60	356.86	309.95	262.07	225.96
Growth %	17%	15%	18%	16%	-
Investment	369.79	332.86	285.32	251.43	216.68
Growth %	11.09%	16.66%	13.48%	16.04%	-
Investment Income	34.66	23.75	21.73	19.67	17.67
Growth %	45.94%	9.30%	10.47%	11.32%	-
Total Claim	53.80	46.73	41.88	34.56	33.00

Source: Primary data.

6.1.25 Karnafuli Insurance Company Limited

A public limited company registered on 23 November 1986 under the Companies Act 1913. It was registered with the Department of Insurance on 25 November 1986 and commenced business in the same month of that year. The authorized capital of the company is Tk. 300 million divided into 3000000 ordinary shares of Tk. 100 each. On 31 December 2000, its paid-up capital was Tk. 60 million. The shareholding structure consists of sponsors 50%, financial institutions including ICB 23.88% and general public 26.12%. The company was enlisted with the Dhaka Stock Exchange on 20 March 1995.

The company carries out all types of general insurance business other than life as per the Insurance Act 1938. It underwrites risks involved properties and assets. It received net premium of Tk. 61.42 million in 2000 and 113.99 million in 2004. It settled net claims amounting to Tk. 9.43 million in 2000 and Tk. 15.08 million in 2004. Of the total amount settled, Tk. 63.85 million and Tk. 1.87 million were recovered from re-insurance and co-insurance claims respectively in 2000. The company earned satisfactory amount of underwriting profits since the second year if its operations. Its underwriting profit in 2000 were Tk. 34.38 million which was dropped to Tk. 26.07 million in 2004.

In 2000, the total assets of the company were valued at Tk. 357.91 million which increased to Tk. 393.54 million in 2004. Other than the insurance business, Karnafuli Insurance has long-term investments in bonds, shares and debentures though it has 271.2 million deficits in its required investment in 2004. Details are as follows:

Taka in Thousand

	2004	2003	2002	2001	2000	1999
Total Premium (Net)	113991	111968	107104	122596	61422	105669
Growth %	1.81%	4.54%	-12.64%	99.60%	-41.87%	0.73%
Marine Premium (Net)	38928	35049	21700	26349	21789	22585
Underwriting Profit from Marine	10051	5023	(5,035)	7075	3660	5735
Fire Premium (Net)	32580	37622	35054	43695	32957	41216
Underwriting Profit from Fire	-8404	6790	11338	(919)	8483	2923
Misc. Premium (Net)	42483	39297	50350	52552	36676	41868

Underwriting Profit from Misc.	4955	13796	10664	3333	4110	4195
Underwriting Profit Total	26067	55635	43702	28763	34382	29703
Balance of Fund	44467	45082	42013	48340	35505	40466
Growth %	-1.36%	7.30%	-13%	36.15%	-12.26%	3.48%
Investment	-	125940	126142	124136	131161	129287
Investment Income	6896	9448	9140	11070	9822	9338
Growth %	-27%	3.37%	-17%	12.71%	5.18%	-8.14%
Other Income	635	202	1175	2417	887	46
Total Claim Settled during the Year	15078	5194	7817	7114	9493	17504
Total Managnt. Exp.	115373	97055	91249	76902	64232	66483
Rate of Dividend	15%	16%	16%	15%	15%	15%
Total Assets	393543	366914	444889	391294	357913	542638

Continued - Karnaphuli Insurance Co. Ltd.

	1998	*1997*	*1996*	*1995*
Total Premium (Net)	104905	102419	94326	86755
Growth %	2.43%	8.58%	8.73%	-
Marine Premium (Net)	26328	22564	22589	18627
Underwriting Profit from Marine	4519	10416	6340	4736
Fire Premium (Net)	41174	56446	30273	35345
Underwriting Profit from Fire	3169	2625	2017	4342
Misc. Premium (Net)	37403	23409	41464	32783
Underwriting Profit from Misc.	3555	2614	3854	7287
Underwriting Profit Total	33052	27803	28460	30256
Balance of Fund	39106	38659	34531	35075
Growth %	1.16%	11.95%	-1.55%	-
Investment	120065	139629	130062	127107
Investment Income	10165	8961	7732	8728
Growth %	13.44%	15.89%	-11.41%	-
Other Income	460	2898	17434	1672
Total Claim Settled during the Year	14285	22699	20601	19911
Total Managnt. Exp.	69824	58090	53780	43639
Rate of Dividend	15%	18%	20%	16%
Total Assets	506846	460113	420261	378045

Source: Primary and Secondary data.

6.1.26 Loyeds Insurance Company Limited

The Loyeds Insurance Co. Ltd. has been incorporated in Bangladesh as a General Insurance Company on 4th January, 2000 and obtained certificate for commencement of business on the same day from the Registrar of Joint Stock Companies of Bangladesh. Certificate of Registration from the Chief Controller of Insurance was obtained on 2nd February, 2000 to carry out all kinds of General Insurance business such as Fire, Marine, Engineering, Personal Accident, Miscellaneous etc. Accordingly it has started insurance business in Bangladesh from the Head Office at 62-63, Motijheel, Amin Court (8th floor), Dhaka-1000. The company is financially well placed to cover risks.

The authorized share capital of the company is Tk. 20.00 crore out of which the Sponsor-Directors have already raised a paid-up capital of Tk. 6.00 crore. This paid-up capital will be raised up to Tk. 15.00 crore by issuing shares to the public within 3 years of its business commencement. The company has a re-insurance treaty with Sadharan Bima Corporation for covering all the major risks. It is revealed that the company has no such high growth in investment as the premium income increases.

Taka in million

	2004	*2003*	*2002*	*2001*	*2000*
Total Premium	59.69	47.50	36.21	16.26	11.19
Growth %	25.66%	31.18	122.69%	45.31%	
Investment	90.00	83.12	79.06	73.27	63.73
Growth %	8.28%	5.14%	7.90%	14.97%	
Total Assets	155.43	119.41	112.71	92.19	90.14
Growth %	30.16%	5.94%	22.26%	2.27%	

Source: Primary data.

6.1.27 Meghna Life Insurance Company Limited

Meghna Life was incorporated in Bangladesh on 5 May 1996 as a public limited company under the Companies Act 1994. It started operations on the same day. Registered with the Department of Insurance on 1 June 1996, the company started its business with an authorized capital of Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each and a paid-up capital of Tk. 30 million.

In 1999, the company had been sold 50,387 policies and the corresponding sum assured was Tk. 1031.20 million. The company launched a new insurance scheme named *Loko Bima Prakalpa* (People's insurance project) in June 1998 to expand and accelerate its business by bringing all classes of people including the very low income population of the rural areas under the coverage of life insurance. The sum assured under the prakalpa in 1998 stood at Tk. 265 million against 22,083 policies. These figures increased to Tk. 544.20 million against 38,914 policies in 1999.

Premium earnings of the company increased from Tk. 57.79 million in 1997 to Tk. 124.70 million in 1999 and to 768.95 million in 2004. On 31 December 1999, the total life fund of the company was Tk. 54.88 million which increased to Tk. 849.94 million in 2004. The company has investment in government securities, loans to the policyholders (within 90% of surrender value), shares and debentures of companies, and term deposits with banks. The investments totaled Tk. 7.61 million in 1999, when the receipt of interests and dividends on its investment portfolio amounted to Tk. 2.72 million. The investments totaled Tk. 222.59 million in 2004, when the receipt of interests and dividends on its investment portfolio amounted to Tk. 31.84 million. The total assets of the company were valued at Tk. 112.97 million in 1999 and Tk. 849.94 million in 2004.

Taka in Million

	2004	2003	2002	2001	2000	1999	1998
Total Premium (Less R.I.)	768.95	561.95	426.57	299.33	193.61	124.21	79.85
Growth %	36.84%	31.74%	42.51%	54.60%	55.87%	55.56%	-
Life Fund	849.94	536.51	342.79	211.86	120.82	54.88	17.72
Growth %	58.42%	56.51%	61.80%	75.35%	120.13%	209.62%	-
Investment	222.59	91.45	39.63	23.71	18.11	7.61	7.60
Growth %	143.41%	130.75%	67.14%	30.89%	137.86%	0.09%	-
Investment Income	31.84	20.43	12.91	9.12	5.50	2.72	1.79
Growth %	55.81	58.23%	41.47%	65.92%	102.19%	51.51%	-
Other Income	0.04	0.17	0.33	0.17	0.11	0.11	0.03
Total Claim	80.26	52.65	40.88	25.76	10.00	4.18	2.18
Total Managnt. Exp.	176.04	152.14	117.15	79.11	54.05	91.04	64.32
Total Assets	849.94	536.51	423.15	296.20	182.87	112.97	78.53

Source: Primary and Secondary data.

6.1.28 Mercentile Insurance Company Limited

Company was incorporated as a public limited company on 9 March 1996 under the Companies Act 1994. It commenced business on 5 May 1996 with an authorized capital of Tk. 300 million divided into 3 million ordinary shares of Tk. 100 each and paid-up capital of Tk. 60 million fully paid by the sponsors. The company carries out general insurance business under the Insurance Act 1938. It underwrites risk involved in properties and assets only. Major risk coverage of the company are fire insurance, marine, cargo, and hull insurance, motor insurance and miscellaneous insurance. The company follows the Re-Insurance Treaty with the Sadharan Bima Corporation.

Gross premium earnings received by the company were Tk. 66.83 million in 1999 and after payment of re-insurance premium, the company's net premium incomes stood at Tk. 37.88 millions these figures were Tk. 111.08 million and Tk. 61.20 million respectively in 2004. The shares of premium incomes of the company in different types of insurance were fire – 38.77%, marine – 46.56%, motor – 6.74%, and miscellaneous – 7.39% in 1999 but this composition of premium earning varied year to year. Net claims settled were Tk. 16.38 million in 2004. The company maintains a reserve for un-expired risk each year. Although the company suffered losses in the year 1996 and 1997, it had started to earn net profits science 1998 after offsetting the preliminary and pre-operative expenses and the profits in the year 1999 and 2004 amounted to Tk. 0.53 million and Tk. 15.09 million respectively. Company has sufficient fund as investment which is required by the Insurance Act 1938.

Taka in Million

	2004	2003	2002	2001	2000
Total Premium (Gross)	111.08	86.32	99.84	77.85	72.67
Growth %	28.67%	-13.54%	28.25%	7.12%	-
Total Premium (Net)	61.20	47.85	58.01	44.64	41.88
Growth %	28.63%	-17.98%	29.95%	6.59%	-
Net Claims	16.38	18.00	4.08	3.07	0.57

Investment	164.92	73.15	66.85	59.70	56.20
Growth %	125.45%	9.42%	11.98%	6.23%	-
Reserve	24.51	19.06	23.23	17.87	16.75
Underwriting Profit	164.65	81.45	76.09	64.03	56.87
Net Profit	15.09	11.11	9.41	6.60	3.02

Source: Primary data.

6.1.29 Nitol Insurance Limited

Nitol Insurance Ltd incorporated as a Public Limited Company under the Companies Act 1913 to carry out General Insurance Business Bangladesh. The management of the company is vested in a 7 member board of directors with the Chairman, Vice-Chairman and Managing Director. The Chairman, Mr. Motlub Ahmed is a well known person in transport sector. The Managing Director, Mr. Shamsuddin Chowdhury is a well known personality as he was controller of the insurance. In 2003, the total premium income of the company amounted to Tk. 60 million, consisting of Marine Premium Tk. 15.84 million, Fire premium Tk. 6.08 million, Motor premium Tk. 38.08 million. During the year 2003, the company's underwriting profit was Tk. 13 million which was dropped to Tk. 6 million in 2004. The Balance of fund of the company stood at Tk. 17.22 million at the end of year 2003 and Tk. 13.01 million at the end of the year 2004. The company's investment amount was Tk. 105.50 million in 2004 with excess of Tk. 24 million than the requirement per law. Rate of Dividend of this company was 10% for the last three years. In the middle of 2005, the company went to public issue.

Taka in Million

	2004	*2003*	*2002*	*2001*	*2000*
Total Premium (Net)	43.95	60.00	66.65	51.17	37.53
Growth %	-26.75%	-9.98%	30.25%	36.35%	-
Marine Premium (Net)	11.30	15.84	11.42	11.35	4.90
Underwriting Profit from Marine	5.09	3.90	5.56	1.12	0.80
Fire Premium (Net)	1.58	6.08	3.71	1.34	1.01
Underwriting Profit from Fire	0.50	-0.08	0.18	0.01	0.32
Misc. Premium (Net)	0.48	30.57	45.05	35.34	28.82
Underwriting Profit from Misc	-3.16	9.18	5.18	3.30	-1.65
Underwriting Profit Total	6.09	13.00	10.93	4.44	-0.52
Balance of Fund	13.01	17.22	19.36	22.55	12.52
Growth %	-24.43%	-11.08%	-14.13%	80.03%	-
Investment	105.50	103.70	109.34	81.96	71.50
Growth %	1.74%	-5.16%	33.39%	14.64%	-
Investment Income	9.84	11.90	10.45	9.85	4.85
Growth %	-17.34%	13.87%	6.06%	103.08%	-
Total Claim Settled during the Year	16.46	14.00	21.41	7.45	3.43
Total Managnt. Exp.	30.52	26.94	20.38	21.46	15.03
Rate of Dividend	10%	10%	10%	3%	-
Total Assets	157.22	143.97	134.24	109.80	90.62

Source: Primary and Secondary data.

6.1.30 Northern General Insurance Company Limited

Company was registered as a public limited company on 8 April 1996 under the COMPANIES ACT 1994 to carry out all types of GENERAL INSURANCE business other than life according to the Insurance Act 1938 and Rules 1958, as well as other applicable rules in force in Bangladesh. The company commenced business on the same day and got registered also with the Department of Insurance on 5 May of the same year. It was incorporated with an authorized capital of Tk. 250 million divided into 2.5 million ordinary shares of Tk. 100 each and a paid-up capital of Tk. 60 million. It is listed with both Dhaka and Chittagong Stock Exchanges.

As per Re-insurance Treaty, it re-insures risk with the Sadharan Bima Corporation. The business of the company covered fire insurance, marine cargo and hull insurance, motor insurance, etc. In 1999, the gross premium incomes earned by the company were Tk. 15.69 million and net premium incomes Tk. 56.85 million. After five years, the company earned gross premium income of Tk. 148.39 million and net premium income of Tk. 101.13 million. Its investment incomes were Tk. 4.82 million in 1999 which increased to Tk. 6.57 million in 2004. The total investment of the company was Tk. 62.82 million in 1999 and Tk. 80.35 million in 2004 though the company had Tk. 140.05 million shortages in investment account in 2004. The company suffered net losses during the initial two years of establishment as it had to offset preliminary, as well as pre-operative expenses. It started to earn net profits since 1998, when the amount of profits was Tk. 2.07 million, now in 2004 its profit becomes Tk. 15.21 million.

Taka in million

	2004	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*	*1997*	*1996*
Gross Premium	148.39	118.26	100.4	87.6	105.7	100.84	106.16	81.08	7.65
Net Premium	101.13	82.91	60.2	49.7	69.72	56.85	63.03	40.75	3.03
Claim Paid	38.68	35.54	49.5	57.3	47.88	34.04	29.56	6.68	2.15
Underwriting Profit	34.56	19.09	4.5	6.4	11.41	18.02	6.34	(5.78)	(8.39)
Investment Income	6.57	6.13	5.86	5.83	5.13	4.82	4.56	1.67	3.03
Net Profit	15.21	1.29	1.19	2.23	9.05	6.32	2.07	(10.31)	(6.71)
Investment	80.35	66.81	63.89	62.19	56.76	62.82	60.74	52.27	47.6
Fixed Assets	13.02	12.97	14.8	21.46	18.11	16.77	14.25	12.13	6.54
Total Assets	284.09	277.05	265.95	244.92	301.51	245.34	207.01	142.38	70.86

Source: Primary data.

6.1.31 Padma Life Insurance Company Limited

The company incorporated as a public limited company on 26 April 2000 to carry out life insurance business according to Insurance Act 1938 and Rules 1958 as well as other applicable laws & regulations. It commenced business on the same date. The authorized capital of the company is Tk. 100 million divided into 1 million shares of Tk. 100 each. Its paid-up capital is Tk. 30 million. The company is going to issue shares to the public soon. The company is engaged with the following business wings or projects:

a. Ekok Bima
b. Islami Khoddra Bima
c. Islami Sanchayee Bima
d. Islami Takaful Bima
e. Group Bima

The company has earned total Premium of Tk. 80.96 million, 31.99 million and 9.78 million respectively for the year 2003, 2002 and 2001. It maintains a very high rate of premium growth in each year. Its life fund amounted to Tk. 15.10 million, 2.08 million and (2.08) million respectively for the year 2003, 2002 and 2001. In the year 2001 it has suffered a negative life fund of Tk. 2.08 million whereas in the year 2003 it has achieved a positive life fund of Tk. 15.10 million. Company's growth of investment is not as good as the growth of life fund. The total assets of the company is Tk. 57.97 million, 36.31 million and 31.42 million respectively for the year 2003, 2002 and 2001 which is increasing day by day.

Taka in Million

	2003	*2002*	*2001*
Total Premium	80.96	31.99	9.78
Growth %	153.10%	227.03%	-
Life Fund	15.09	2.07	-2.08
Growth %	626.76%	199.81%	-
Investment	20.02	18.00	21.00
Growth %	11.23%	-14.29%	-
Investment Income	0.92	0.88	1.22
Growth %	4.99%	-27.70%	-
Other Income	0.09	0.07	0.23
Total Management Exp.	67.93	28.46	12.88
Total Assets	57.97	36.30	31.42

Source: Primary data.

6.1.32 Paramount Insurance Company Limited

The company was incorporated in Bangladesh as a public limited company on 10 November, 1999 vides Registration No. C-39003 (961)/99 under the Companies Act 1994 from the Register of Joint Stock Companies. Obtain the certificate of commencement of Insurance Business from the Chief Controller of Insurance on 28 December, 1999 vide certificate no. CR-3/99. The authorized capital is Tk. 300 million divided into 3 million ordinary shares of Tk. 100 each and paid-up capital is Tk. 6 million. Paramount Insurance involves the insurance business other than life insurance. Main areas of risk coverage are Fire, Marine, Motor and Misc. Insurance.

Paramount Insurance has started its business immediately after getting permission from the Government on 10 November 1999. During the year 2002 it has recorded a successful operational result and earned a gross premium of Tk. 7.35 crore as against Tk. 6.32 crore in the year 2001 showing a growth of Tk. 1.03 crore. There is no denying fact that the insurance companies, for obvious reasons, suffer losses during the initial years of operation, but Paramount has made record of exception by earning a profit of Tk. 34 lac during the year 2001 and Tk. 60 lac during the year 2002 before tax and after offsetting management & establishment costs, reserves & other provisions. Total Asset of the company has been increasing significantly. The company settled a gross claim amounting to Tk. 2.07 Crore including public sector business claims during the year 2002. Fixed Deposit with banks has increased by Tk. 65 lac and total assets increased to Tk. 12.57 crore during the year 2002.

Taka in lac

	2002	2001	2000
Premium	735	632	232
Growth %	16.30%	172.41%	
Fund	170	175	46
Growth %	-2.86%	280.43%	
Investment	577	512	497
Growth %	12.70%	3.02%	
Total Assets	1256	1033	871
P & L Balance	59	33	(152)

Source: Primary data.

6.1.33 Phoenix Insurance Company Limited

The company was incorporated as a public limited company on 27 November 1986 under the Companies Act 1913. It commenced business on 1 December 1986. It was registered with the Department of Insurance on 4 December 1986. The company carries out general insurance business under the Insurance Act 1938. The authorized capital of the company is Tk. 500 million divided into 5 million ordinary shares of Tk. 100 each. Its paid-up capital was Tk. 30 million in 1986 and Tk. 60 million on 31 December 1999. The company went public in 1994 and is listed in both Dhaka and Chittagong Stock Exchanges.

The premium incomes of the company in 1999 was Tk. 170.19 million and that year it settled claims amounting to Tk. 44.88 million, of which Tk. 25.06 million was recovered from Sadharan Bima Corporation under re-insurance schemes. Commission earned by it on re-insurance ceded and commission allowed on re-insurance accepted was Tk. 22.05 million and Tk. 27.23 million respectively in 1999. That year, the net profits of the company were Tk. 25.11 million. Major constituents of the company's total capital in 1999 were share capital and share premium account, balance of funds regarding fire, marine, motor and miscellaneous insurance business, premium deposits, dues or intimated claims and reserve funds. The principal components of the properties and assets were investments in national bonds, shares and debentures of corporate bodies/companies, outstanding premiums and fixed and current assets.

After five years, the company earned premium incomes of Tk. 235.20 million in 2004. That year, the net profits of the company were Tk. 29.94 million. In 2004, company had total assets of Tk. 385.76 million with a deficit of Tk. 161.6 million in the account of investment.

aka in Million

	2004	2003	2002	2001	2000	1999	1998
Gross Premium	235.20	218.37	196.93	197.93	196.17	170.19	178.73
Growth %	7.71%	10.89%	-0.51%	0.90%	15.27%	-4.78%	-
Pre-Tax Profit	29.94	27.49	29.06	23.45	19.70	25.11	20.75
Provision for Tax	8.00	9.00	6.50	5.74	3.00	4.28	6.30
Paid up Capital	66.15	63.00	60.00	60.00	60.00	60.00	60.00
Dividend	16.53	12.60	15.00	13.80	13.20	13.20	12.00
Total Assets	385.76	395.88	421.97	419.36	399.01	366.03	377.38
Reserve	89.55	83.55	75.55	69.55	64.55	61.55	56.05

Source: Primary and Secondary data.

6.1.34 Popular Life Insurance Company Limited

Popular Life Insurance Co. Ltd. is a venture of the directors of the Peoples Insurance Company Ltd., the first private general insurance company of the country. Popular Life Insurance Co. Ltd. was launched in the year of 2000 with the mission of giving protection to the individuals and the households of the society living under the fragile socio-economics situation. In 2003 the total premium of the company was Tk. 173.74 million, life fund was Tk. 106.66 million, investment was Tk.76.33 million, investment income was Tk 8.4 million, total claim was Tk. 5.11 million and total Assets was Tk. 23.28 million.

Along with the traditional insurance instruments Popular Life Insurance Company Ltd successfully introduced the micro insurance in its products line and earned substantial premium amount from it. The company went into IPO and received remarkable subscription from the public due to its rapid growth in business, but the company had lower growth in investment than the growth of life fund in 2004 and 2002.

Taka in Crore

	2004	2003	2002	2001	2000
Total Premium	50.01	17.38	15.46	9.96	2.50
Growth %	187.74%	12.42%	55.22%	298.40%	-
Life Fund	28.87	10.67	6.81	2.21	0.90
Growth %	170.57%	56.68%	208.14%	145.56%	-
Investment	18.35	7.63	4.51	2.42	2.42
Growth %	140.50%	69.18%	86.36%	0.00%	-
Investment Income	-	0.82	0.52	0.36	-
Growth %	-	57.69%	44.44%		-

Other Income	-	0.03	0.01	0.007	-
Total Claim	-	0.51	0.22	0.04	-
Total Managnt. Exp.	-	13.41	11.09	8.14	2.49
Total Assets	-	2.33	0.85	0.31	0.05

Source: Primary and Secondary data.

6.1.35 Progati Life Insurance Company Limited

Progati Life Insurance Co. Ltd. commenced its insurance business in Bangladesh in the year 2000. It is registered as a public limited company under the Registrar of Joint Stock Companies & Firms and licensed by the department of insurance, Ministry of Commerce. Since 1995 they have been involved in the general insurance business (Progati Insurance Limited) and their success in the business encouraged them to launch a life insurance company. Their prior experience in the insurance business contributed them much in managing the life insurance business in a very competitive and efficient manner. Though the growth of investment is lower than the growth of life fund for every year of its operation, the management of the company was able to accrue substantive amount of surplus life fund within this short span of time.

The Board of Directors of the company is constituted with highly successful and renowned businessmen of the country. The Managing Director of the company Mr. Shafaque Ahmed is an Associate Member of American Society of Actuary, USA and has long experience in the domain of insurance in home and abroad. He is the ever first Bangladeshi Associate Member of American Society of Actuary. The management team of the company is highly educated and well trained from home & abroad. They are always set to give better service to the clientele with utmost readiness and efficiency. Following is the performance record of the company.

Taka in Million

	2004	*2003*	*2002*	*2001*	*2000*
Total Premium	231.79	181.25	127.55	71.73	32.10
Growth %	27.88%	42.10%	77.82%	123.47%	-
Life Fund	176.50	101.81	47.89	17.13	2.56
Growth %	73.35%	112.58%	179.54%	568.10%	-
Investment	66.30	41.00	26.00	19.00	19.00
Growth %	61.72%	57.69%	37%	0.00%	-
Investment Income	7.53	4.36	3.14	2.57	1.52
Growth %	72.62%	38.96%	22.13%	68.57%	-
Other Income	0.69	0.18	0.05	0.03	-
Total Claim	45.41	31.99	22.59	7.89	0.74
Total Managnt. Exp.	119.92	99.89	74.84	50.45	28.18
Total Assets	256.51	178.92	107.92	68.52	49.39

Source: Primary and Secondary data.

6.1.36 Prime Islami Life Insurance Limited

The company incorporated as a limited company in 24 July 2000 to operate traditional life insurance business in Bangladesh. On 22 April 2002 the Management achieved the order to operate Islami Life Insurance Business, specialized life insurance business form the Government of Peoples Republic of Bangladesh to carry out life insurance business within the framework of Insurance Act 1938 and Rule 1958 as well as other associated laws and regulations under the binding of Islami Law ensuring by the body formed by the recognized Islam experts in the country named 'Shariah Council' consisting 16 members where Mr. Moulana Obaidul Haque religiously honorable Khatib of the National Mosque, Baitul Mukarram is the chairman. The company is going to be enlisted in Dhaka and Chittagong Stock Exchange within the year 2005. This is the path to be a Public Limited Company according to rules.

The company mainly introduced both individual life insurance named 'Prime Life' and micro life insurance named 'Mukta' and 'Ashan Bima' individually at a time in 2001. But in September 2003 it has merged the two micro insurance projects naming 'Mukta Bima Prokalpa'. It also operates group insurance, Islami Pension Scheme. It operates business in abroad mainly in the Middle East countries. The first policy of the micro insurance was signed in June 2001 and of individual insurance policy was signed on 28 May 2001.

The company has achieved total premium to the tune of Tk. 20.36, 59.11, 129.13 & 182.39 million respectively for the year 2001, 2002 & 2004 and has made a target to achieve 500 million in the year 2005. Mukta Bima's gross premium in 2003 was Tk. 30.52 million against around 60000 policies.

The life fund of the company had the negative figure of .805 million in 2001 but it has achieved a positive figure of 28.32 million in 2003. The amount of the assets of the company is 39.12, 52.14 & 74.11 million for year 2001, 2002 & 2003 respectively which is increasing day by day with the growth rate of 37.5% in average per year.

A 11 member board of directors oversee the overall affairs of the company.1) Mr. Manzurul Karim, Chairman, Board of Directors, Ex Secretary of Government 2) Mr. M.A. Wahhab, Chairman, Executive Committee, Ex MD, National Bank Ltd. 3) Mr. M.A. Khalek, Advisor and promoter of many reputed companies in Bangladesh 4) Mr. Kazi Murtuza Ali, Managing Director, Ex Director of Bangladesh Insurance Academy, all these four prominent personality are working with the company in the respective role. Company has a good work force of about 165 desk officers and more than 5000 development officers. The Company has 9 servicing cells, 18 Zone offices as well as many other Unit Offices through out the country. Following table shows the business figures:

Taka in Million

	2004	*2003*	*2002*	*2001*	*2000*
Total Premium	182.39	129.13	59.11	20.36	-
Growth %	41.24%	118.43%	190.25%	-	-
Life Fund	92.66	28.31	0.94	(0.80)	0.43
Growth %	227.23%	2912.12%	-216.69%	-287.13%	-
Investment	66.50	19.00	19.00	19.00	25.50
Growth %	250.00%	0.00%	0.00%	-25.49%	-
Investment Income	3.51	1.99	2.36	2.16	0.99
Growth %	76.04%	-15.66%	9.23%	117.28%	-
Other Income	0.10	0.46	0.11	0.39	-
Total Claim	2.84	1.09	0.02		-
Total Managnt. Exp.	113.79	99.61	57.51	23.32	0.53
Total Assets	136.85	74.11	52.14	39.12	30.50

Source: Primary data.

6.1.37 Progressive Life Insurance Company Limited

Progressive Life Insurance Company is an insurance company under private sector established within the ambit of Insurance Act 1938 and was incorporated as a Public Limited Company under the Companies Act 1994 on 6th January 2000. The company started commercial operation after obtaining license from Chief Controller of Insurance under the Insurance Act 1938 and Rules 1958 on 27th February 2000. The company is engaged in all kinds of Life Insurance Business whether individual or group including pension, superannuation, health, accident etc. It also operates in non traditional Micro insurance Business under the Sujan Bima and Prograssive Deposit Pension Scheme.

Company earned Tk. 18.34 million in its first year of commercial operation which may be deemed as sound start of the company. In the second year i.e. in 2001 company could accrue life fund to the tune of Tk. 14807. The following two years the company accrued life fund to the tune of Tk. 2,360,839 and Tk. 28,461,735. The trend of increase of life fund is highly positive. The management expense to the total premium income in the year of 2000, 2001, 2002 and 2003 is 128%, 97%, 96% and 79% respectively. First Two years no claim was raised. In 2002 and 2003 company paid claim to the tune of Tk. 1032270 and Tk. 4592743. Within 4 years of time company increased its premium income from Tk. 18.34 million to Tk. 141.04 million. The following statistics shows a very good performance of the company. Mr. Nasir Ali and Mr. Zafar Halim are Chairman and Managing Director of the Company.

Taka in Million

	2004	*2003*	*2002*	*2001*	*2000*
Total Premium	208.13	141.04	66.69	44.59	18.33
Growth %	47.57%	111.48%	49.55%	143.16%	-
Life Fund	73.47	28.46	2.36	0.01	(2.34)
Growth %	158.16%	1105.58%	15844.05%	-100.63%	-

Investment	19.36	4.55	5.18	4.71	4.43
Growth %	324.90%	-12.14%	9.93%	6.40%	-
Investment Income	2.23	0.98	0.88	1.25	2.74
Growth %	125.89%	11.24%	-29.43%	-54.06%	-
Other Income	0.39	0.71	0.20	0.06	-
Total Claim	13.47	4.59	1.03		-
Total Managnt. Exp.	144.46	108.81	64.27	43.29	23.40
Total Assets	144.13	90.19	59.82	57.07	39.91

Source: Primary data.

6.1.38 Provati Insurance Company Limited

Company was incorporated as a public limited company on 31 January 1996 under the Companies Act 1994 and commenced business on 31 March 1996. It was established with an authorized capital of Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each, and a paid-up capital of Tk. 60 million.

The company carries out general insurance business under the Insurance Act 1938 and other applicable rules. It underwrites risks involved in properties. In accordance with the Re-Insurance Treaty, it re-insures the risks with the Sadharan Bima Corporation. Business areas of the company cover fire insurance, marine cargo and hull insurance, motor insurance and miscellaneous insurance.

In 1999, the company earned gross premium incomes of Tk. 113.60 million and settled net claims of about Tk. 20 million. Its underwriting profits in the year amounted to Tk. 24.10 million and the investment incomes were Tk. 5.50 million. The company maintains a reserve fund for unexpected losses and the fund stood at Tk. 30.10 million in 1999, when the value of its all assets was Tk. 165.50 million and value of investment was Tk. 89.3 million. After four years of operation, the company earned gross premium incomes of Tk. 77.2 million in 2003. Company's reserve fund was Tk. 30.9 million in 2003. Following are the growth analysis of the company.

Taka in Crore

	2003	*2002*	*2001*	*2000*	*1999*	*1998*	*1997*
Premium	7.72	9.90	10.15	11.30	11.05	11.36	11.27
Growth %	-22.02%	-2.46%	-10.18%	2.26%	-2.73%	0.80%	-
Fund & Reserve	3.09	2.63	2.32	3.03	3.01	2.93	2.73
Growth %	17.49%	13.36%	-23.43%	0.66%	2.73%	7.33%	-
Investment	16.89	8.60	4.46	7.90	8.93	9.17	7.70
Growth %	96.40%	92.83%	-44%	-12%	-2.62%	19.09%	-
Total Assets	17.90	17.72	18.31	14.22	16.45	14.94	13.32

Source: Primary data.

6.1.39 Purabi General Insurance Company Limited

Purabi General was incorporated as a public limited company on 3 November 1988 under the Companies Act 1913 to carry out general insurance business as per insurance Act 1938. It commenced business in the same month with an authorized capital of Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each. Its paid-up capital was Tk. 60 million on 31 December 1999. It is listed with Dhaka Stock Exchange Ltd.

The company underwrites risks involved with assets and properties. As per Re-Insurance Treaty, it re-insures the risks undertaken with the Sadharan Bima Corporation. Insurance business of the company covers fire insurance, marine cargo and hull insurance, motor insurance and miscellaneous insurance.

In December 1999, the net premium incomes of the company after the payment of re-insurance premium stood at Tk. 30.18 million. It paid a total of Tk. 6.78 million in settlement of insurance claims up to 31 December 1999. Claims remained outstanding at that time amounted to Tk. 1.88 million. The company maintains a reserve fund for un-expired risks, which amounted to Tk. 11.34 million in 1999. That year the value of all assets of the company was Tk. 167.34 million. In 1999, the company earned net profits of Tk. 6.79 million and paid dividend @ 10%.

In December 2002, the net premium incomes of the company after the payment of re-insurance premium stood at Tk. 34.88 million increasing only four lac taka over the year 1999. The value of all assets of the company was Tk. 182.77 million in 2002. A substantial portion of its total assets was in the form of investment in shares of various companies, government securities and short-term and fixed deposits with the banks, which were valued at Tk. 14.63 million. In 2002, the company earned net profits of Tk. 5.78 million and paid dividend @ 10% which are as follows:

Taka in lac

	2002	*2001*	*2000*	*1999*
Total Assets	1827.68	1706.94	1784.46	1673.35
Investment (at cost)	146.03	140.03	120.00	112.04
Growth %	4.28%	16.69%	7.10%	-
Premium Less R.I.	348.81	379.43	322.17	301.81
Net Profit	57.84	53.71	56.19	67.94
Dividend	10%	12%	12%	10%

Source: Primary and Secondary data.

6.1.40 Republic Insurance Company Limited

The company was incorporated on 18 May, 2000 as a public limited company under the Companies Act 1994 with the object of carrying in and outside Bangladesh all kinds of insurance business other than life insurance and obtained the certificate of commencement of business from the Registrar of Joint Stock Companies, Bangladesh with effect from the same date. However, the certificate of registration from the Chief Controller of Insurance was obtained with effect from 31 May, 2000. The company is yet to issue public portion of share and hence not listed with the stock exchanges. The company was registered with paid-up capital of Tk. 6 crore subscribed by 11 subscribers. It's authorized capital was Tk. 50 crore divided into 50,00,000 ordinary shares of Tk. 100 each. It is found in analyzing the balance sheet of the company that company has adequate investment in 2004 to mitigate the risks. Following are the data extracted from the company's record.

Taka in Million

	2004	2003	2002	2001	2000
Total Premium (Net)	33.25	21.63	21.46	19.93	2.23
Growth %	53.71%	0.82%	7.66%	791.86%	-
Marine Premium (Net)	20.74	11.20	11.86	11.90	0.16
Profit from Marine	2.51	0.50	0.87	(4.00)	(0.50)
Fire Premium (Net)	6.31	4.23	3.80	3.17	0.99
Profit from Fire		2.13	0.61	0.16	(1.25)
Motor Premium (Net)	5.12	5.40	5.31	4.54	0.66
Profit from Motor	0.99	-	(1.13)	(2.47)	(1.14)
Balance of Fund	13.35	8.69	8.64	8.04	0.89
Investment	60.80	59.40	58.40	57.10	57.00
Growth %	2.36%	1.71%	2.28%	0.18%	-
Investment Income	5.25	5.47	4.30	2.57	2.07
Growth %	-4.06%	21.21%	67.07%	24.38%	-
Other Income		0.03	0.02		-
Total Claim Settled during the Year	5.22	1.19	2.80	0.53	-
Total Managnt. Exp.	25.13	23.13	19.36	17.71	4.60
Total Assets	94.17	86.22	76.27	75.68	66.95
Miscellaneous premium	1.06	0.78	0.47	0.31	0.40
Miscellaneous profit	0.71	0.20	(0.38)	0.30	0.54

Source: Primary and Secondary data.

6.1.41 Rupali Life Insurance Company Limited

The company was incorporated as a public limited company in 2000 under the Companies Act 1994 to carry out life insurance business under the Insurance Act 1938 and Insurance Rules 1958. It is registered with the controller of Insurance. It commenced business in the same year.

Till 2004 company did not go to the Initial Public Offering. The company is engaged mainly in the area of Ekok Bima. Besides this it is also involved with Islami Life Insurance and Shamajik Bima.

In 2004 the total premium of the company was Tk. 244.12 million where as in 2000 its total premium was Tk. 50.77 million. Within five years it is increased by Tk. 193.36 million. The company also maintained its growth in each year for life fund and for investment which is clearly depicted from the following statistics. The company settled claims in 2004 Tk. 19.72 million and its total Assets are Tk. 239.90 million but the company do not have the requisite investment in 2004 and all the previous years.

Taka in Million

	2004	2003	2002	2001	2000
Total Premium	244.12	197.61	134.42	106.89	50.76
Growth %	23.53%	35.97%	25.75%	110.56%	-
Life Fund	178.94	117.46	56.41	18.13	6.95
Growth %	52.34%	108.22%	211.16%	160.55%	-
Investment	89.50	50.00	30.10	19.70	16.70
Growth %	79.00%	66.09%	52.82%	17.96%	-
Investment Income	4.53	4.90	0.20	1.91	1.94
Growth %	-7.52%	2334.82%	-89.52%	-1.47%	-
Other Income	0.15	0.34	0.10	0.03	-
Total Claim	19.72	19.25	3.16	1.68	0.06
Total Managnt. Exp.	366.13	260.42	95.21	90.86	45.03
Total Assets	239.90	179.55	19.52	85.44	54.31

Source: Primary data.

6.1.42 Sadharan Bima Corporation (SBC)

SBC was established on 14 May 1973 under the Insurance Corporation Act 1973. Its authorized capital was Tk. 50 million. Later it was raised to Tk. 200 million by the Ordinance VIII of 1986. In 1999, the paid-up capital of the corporation was Tk. 100 million, which was fully, subscribed the government.

The total number of insurance companies registered in Pakistan (indigenous) was 40, 10 were registered in East Pakistan and 30 in West Pakistan. 21 of the foreign companies had their origin in UK, 8 in India, 5 in USA, 3 in New Zealand and the remaining four in Australia, Canada, France, and Hong Kong (one in each). Ten of the 40 Pakistani companies were engaged exclusively in life insurance business, 21 in life and non-life businesses, and 9 in non-life businesses only. Foreign companies concentrated more on non-life insurance. Two of them did life insurance business only and one did life as well as general insurance.

The number of insurance companies that had business in East Pakistan (presently Bangladesh) was 75, of which 10 were locally incorporated. Following the independence of Bangladesh in 1971, both life and general insurance business in the country was nationalized by the Bangladesh Insurance (Nationalization) Order 1972. Five corporations were established to absorb, own and control the businesses of the 75 existing insurance companies and these new corporations were Bangladesh Jatiya Bima Corporation, Karnaphuli Bima Corporation, Teesta Bima Corporation, Surma Jiban Bima Corporation, and Rupsa Jibon Bima Corporation. In 1973, the government decided to integrate life and general insurance companies into two corporations, and accordingly the Jiban Bima Corporation was formed to take over the undertakings of Surma Jibon Bima Corporation and Rupsa Jiban Bima Corporation. Karnaphuli Bima Corporation and Teesta Bima Corporation were integrated into Sadharan Bima Corporation. In that year, the government also decided to merge Bangladesh Jatiya Bima Corporation with the newly formed Sadharan Bima Corporation.

As the single state-owned institution to handle all types of general insurance business in Bangladesh, Sadharan Bima Corporation did 100% of the business until 1984. Through the Insurance (Amendment) Ordinance 1984, and Insurance Corporations (Amendment) Ordinance 1984, the government allowed operation of insurance companies in the private sector. In 1990, the government further allowed private sector insurance companies to underwrite 50% of public sector business and the remaining 50% were kept reserved for Sadharan Bima Corporation. Private insurance companies were also given option to insure 50% of their re-insurable business with any local or foreign re-insurance companies. But in practice, they do not exercise the option. Instead, they re-insure 100% of their re-insurable business with SBC, which offers better terms and conditions. SBC distributes 50% of all public sector insurance business to private general insurance companies on an equal basis. SBC also provides insurance coverage to some non-traditional (sometimes, non-profitable) businesses like livestock business, shrimp culture, air travel, sickness and dread disease insurance. In addition, the corporation manages the Export Credit Guarantee Scheme (ECGS).

In 1999, SBC earned gross premiums of Tk. 616.86 million, comprising fire insurance (Tk. 162.63 million), marine insurance (Tk. 221.74 million) and miscellaneous insurance (Tk. 232.49 million). Re-insurance income of the corporation was Tk. 1,362.06 million. Having wider capacity, the corporation retains maximum portion of risks that come from direct underwriting and re-insurance acceptance. Commission earned by the corporation from foreign re-insurer was Tk. 150 million in 1999, when re-insurance commission paid by SBC to other companies was Tk. 429.03 million. Net premium incomes of SBC were Tk. 1,146.41 million in that year after adjusting re-insurance accepted and ceded. Net claims settled by the company during the year amounted to Tk. 470.06 million, of which Tk. 140 million for fire, Tk. 276.76 million for marine, and Tk. 52.83 million for miscellaneous insurance. On 31 December 1999, the corporation's net underwriting profit stood at Tk. 163.86 million and of this amount, Tk. 83.93 million was derived from marine insurance. The corporation earned investment incomes of Tk. 307.15 million in 1999 and the investments were in FDR, shares and debentures, and leasehold and other properties. Net profit of the corporation in that year was Tk. 430.32 million consisting of net underwriting profit, interest, investment income, rents and others. At the end of the year 1999, the corporation contributed an amount of Tk. 295.31 million to the national exchequer as tax and profit. On 31 December 1999, total assets of SBC were valued at Tk. 5,353.19 million.

The management of the corporation is vested in a 7-member board of directors appointed by the government of Bangladesh. Chief executive of the corporation is the managing director, who is assisted by 5 general managers. There are six different departments in the SBC. These are: (a) Administration, Establishment and Real Estate, (b) Finance and Accounts, (c) Head Office Claims, (d) Re-insurance, (e) Underwriting, Planning and Development, and (f) Export Credit Guarantee Scheme. The corporation has 1,694 employees. Its head office is at Dhaka and it has six regional offices at Dhaka, Chittagong, Rajshahi, Khulna, Narayanganj, and Comilla, two regional offices at Sylhet and Mymensing, and 118 branch and unit offices throughout the country. Following table shows the investment portfolio and return on investment of six years in two phases:

Taka In million

	2002	*2001*	*2000*	*1996*	*1995*	*1994*
Investment:						
Loans	180.00	190.00	200.00	100.00	125.00	100.00
Govt. Securities	25.00	25.00	25.00	50.00	50.00	50.00
Shares, Debentures & Loans	400.00	400.00	400.00	200.00	250.00	300.00
Bank Deposits	2600.40	2800.30	2800.50	2450.00	2300.00	1500.00
Investment Income	250.0	300.0	302.0	200.00	275.00	350.00

6.1.43 Sandhani Life Insurance Company Limited

The company was incorporated as a public limited company (plc) on 23 January 1990 under the Companies Act 1913 to conduct life insurance business according to the Insurance Act 1938. On 28 March of the same year, the company obtained certificate for commencement of business. It was registered with the Controller of Insurance on 25 April 1990, following which it immediately commenced life insurance business. The authorized capital of the company was Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each. Its paid-up capital was Tk. 30 million. The sponsor shareholders subscribed 50% of its paid-up capital and the remaining 50% was paid by the public in January 1996 and was enlisted with the Dhaka and Chittagong Stock Exchanges.

Up to December 1999, the company sold 20,932 individual life insurance policies. The premium incomes of the company in 1999 were Tk. 160.50 million, which comprised Individual Life Insurance Tk. 159.44 million (first year premiums Tk. 76.99 and renewal premium Tk. 82.45 million), group insurance premium Tk. 0.12 million and vehicle loan premium Tk. 0.95 million. That year it paid re-insurance premium of Tk. 0.44 million to the Jibon Bima Corporation. The cost of life insurance claims settled by the company was Tk. 43.10 million in 1999 and Tk. 113.60 million in 2003. The company received significant amount of income in the form of interest on National Investment Bond, fixed deposits, short-term deposit accounts, interest on policy loans and motorcycle loans to staff, and dividend income. Though the company did not comply the section 27 of the Insurance Act 1938 regarding investment, the total investment income on portfolio was Tk. 8.50 million in 1999 and Tk. 28.14 million in 2003 increasing 23% over the four years. Researcher compiled the 14 years business records of the company.

Taka in Lac

	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total Premium	5116.28	3447.54	2622.26	2113.41	1600.85	1300.87	1072.82	816.16	446.54
Growth %	48.40%	31.47%	24.08%	32.02%	23.06%	21.26%	31.45%	82.77%	-
Life Fund	4643.84	3066.44	2296.12	1741.99	1263.37	992.07	759.36	452.94	249.22
Growth %	51.44%	33.55%	31.81%	37.88%	27.35%	30.65%	67.65%	81.74%	-
Investment	702.42	511.52	557.70	400.62	408.57	453.89	422.81	357.04	155.60
Growth %	37.32%	-8.28%	39.21%	-1.95%	-9.98%	7.35%	18.42%	129.46%	-
Investment Income	281.41	204.39	173.28	165.57	85.05	59.80	57.64	104.94	36.89
Growth %	37.68%	17.95%	4.66%	94.67%	42.22%	3.75%	-45.07%	184.47%	-
Other Income	136.70	19.51	7.66	2.49	2.38	3.13	4.48	1.64	1.03
Total Claim	1136.04	1011.56	735.12	542.84	430.61	292.11	124.75	90.20	57.13
Total Managnt. Exp.	2868.75	1880.56	1513.94	1260.02	971.37	838.99	703.78	567.32	360.87
Rate of Dividend	14%	12%	12%	12%	12%	10%	5%	-	-
Total Assets	6682.77	4759.83	3812.54	2982.54	2357.53	1891.58	1517.23	1119.55	586.94

Continued - Sandhani Life Insurance Co. Ltd.

	1994	1993	1992	1991	1990
Total Premium	442.40	213.10	110.14	52.25	14.79
Growth %	107.60%	93.48%	110.79%	253.28%	-
Life Fund	121.25	56.01	28.77	15.99	-
Growth %	116.48%	94.68%	79.92%	-	-
Investment	20.00	20.00	20.00	20.00	20.00
Growth %	0.00%	0.00%	0.00%	0.00%	-
Investment Income	14.26	15.60	18.65	18.78	12.39
Growth %	-8.59%	-16.35%	-0.69%	51.57%	-
Other Income	0.41	0.14	0.54	0.31	0.30
Total Claim	21.19	10.45	11.06	2.51	-
Total Managnt. Exp.	370.65	191.14	105.50	50.59	29.74
Total Assets	467.50	270.83	211.66	183.45	162.49

Source: Primary and Secondary data.

6.1.44 Sonar Bangla Insurance Limited

Sonar Bangla Insurance Limited was incorporated in Bangladesh on March 14, 2001 and went into operation on May 1, 2000 as a public limited company under the Companies Act 1994 with a view to run all types of general insurance business except life as per Insurance Act 1938 and Insurance Rules 1958. The authorized capital of the company was Tk. 200 million divided into 2 million ordinary shares of Tk. 100 each. Its paid-up capital was Tk. 60 million.

In 2004, the net premium income was Tk. 49.51 million and 1.88 million in 2000. It means the net premium of the year 2004 is almost fifty times higher than that of the year 2000. Its investment was Tk. 9 million and investment and interest income was Tk. 6.40 million on which the significant amount is from National Investment Bond and Fixed deposit. Its total asset was Tk. 104.76 million. The Head office of the company is in Dhaka. Besides head office in Dhaka it has some branches in Bangladesh and one overseas branch in London. Following are the business performance of the company:

Taka in Million

	2004	*2003*	*2002*	*2001*	*2000*
Total Premium (Less-R. Insurance)	49.51	29.61	18.05	12.22	1.88
Growth %	67.20%	64.04%	47.65%	547.85%	-
Marine Premium (Cargo, Hull)	31.89	12.92	6.08	7.15	1.12
Underwriting Profit from Marine	6.85	3.32	1.74	0.35	(0.86)
Fire Premium (Net)	23.19	10.78	8.05	2.27	0.11
Underwriting Profit from Fire	5.79	2.16	(2.15)	(0.65)	(0.88)
Motor Premium	6.71	4.96	3.24	1.85	0.53
Underwriting Profit from Motor	2.13	1.39	(0.28)	(0.02)	(0.44)
Misc. Premium (Net)	0.63	0.94	0.67	0.94	0.10
Underwriting Profit from Misc.	0.07	-	(0.32)	(0.79)	(0.08)
Underwriting Profit Total	14.63	6.86	(1.02)	(1.12)	(2.28)
Balance of Fund (Reserved for Unexpired)	18.34	11.87	9.02	4.92	0.75
Investment (statutory deposit)	9.00	9.00	9.02	9.00	9.00
Growth %	0.07%	-0.32%	0.32%	0.00%	-
Investment Income	6.40	4.39	3.49	2.67	1.36
Growth %	45.78%	25.74%	30.60%	96.09%	-
Fixed Deposit	54.90	51.10	48.20	43.53	42.58
Total Claim Sattled during the Year	-4.95	0.22	0.63	0.33	-
Total Managnt. Exp.	21.03	11.25	7.39	8.14	3.14
Total Assets	104.76	84.20	73.46	68.53	60.75

Source: Primary and Secondary data.

6.1.45 Standard Insurance Limited

The company was incorporated on 3rd November, 1999 and obtained the certificate of commencement of business from the Registrar of Joint Stock Companies, Bangladesh with effect from the same date. The company was formed to do general insurance business. The certificate of registration from the Controller of Insurance, Government of Bangladesh was obtained with effect 23rd December, 1999.

This company is running on the basis of investment income, because the company had underwriting loss of Tk. 86 lac in the year 2002 and Tk. 62 lac in the year 2001. In this regard we can opine that investment income is most important in operating the insurance company. Following table shows the growth of premium and others:

Taka in Million

	2004	2003	2002	2001	2000
Premium	36.38	29.21	43.40	31.28	15.19
Growth %	24.55%	-32.70%	38.76%	105.92%	-
Fund	14.55	11.68	9.07	3.81	2.49
Growth %	24.55%	28.78%	137.72%	52.84%	-
Investment & Other Income	4.37	7.24	65.05	57.50	54.00
Growth %	-39.68	-88.86%	13.14%	6.48%	-
Profit & Loss Account Balance	-2.16	-5.55	2.68	1.96	1.76
Total Assets	110.34	99.25	93.36	84.12	70.98

Source: Primary data.

6.1.46 Sun Life Insurance Company Limited

Incorporate and commenced business as a public limited company under the Company Act 1994 on 01 March 2000 to carry out life insurance business under the Insurance Act 1938 and Rules 1958.

The company is engaged mainly in ordinary life insurance. It also operates group insurance business. It has 11 insurance products which are as follows:

1. Child Protection Assurance with Bonus.
2. Single payment endowment Assurance with guaranteed profit.
3. Pinior Bima without Bonus.
4. Endowment Assurance with guaranteed profit.
5. Five payments endowment Assurance with Bonus.
6. Endowment Assurance with Bonus.
7. Three payments Assurance with Bonus.
8. Yearly renewable group term Assurance.
9. Group endowment Assurance without Bonus.
10. Mituli Bima (premium back term) Assurance without Bonus.
11. Deposit pension scheme.

In 2000 the company's total premium was Tk. 12.9 million in 2004 total premium come up to Tk. 25.74 million. It means within 5 years the total premium rose by Tk. 12.84 million. It maintains its growth in each year. The life fund of the company stood at Tk. 37.67 million at the end of 2004. In 2000 its life fund was Tk. 2.9 million negative. In 2004, the investment was Tk. 34.7 million and the investment income was Tk. 2.3 million.

Taka in Crore

	2004	2003	2002	2001	2000
Total Premium	25.74	18.71	12.31	6.84	1.29
Growth %	37.67	46.63%	79.97%	430.23%	-
Life Fund	11.00	4.26	0.46	(0.56)	(0.29)
Growth %	158.22%	588.62%	-182.98%	93.10%	-
Investment	3.47	1.92	1.57	1.48	2.00
Growth %	80.73%	22.29%	6.08%	-26.00%	-
Investment Income	0.23	0.13	0.15	0.12	0.97
Growth %	76.92%	-13.33%	25.00%	-87.63%	-

Other Income	0.16	0.005	0.024	-	-
Total Claim (Including SB-survival benefit)	-	0.68	0.15	0.0055	-
Total Managnt. Exp.	19.46	15.05	11.32	7.23	1.68
Total Assets	14.78	8.12	4.38	2.77	2.78

Source: Primary data.

6.1.47 Takaful Islami Insurance Limited

The company is a public limited company registered under the Companies Act 1994 and it is engaged in General Insurance Business as per Insurance Act 1938. It is noted that the name of Sears Insurance Co. Ltd. has been changed to Takaful Islami Insurance Limited and that the said Company has been duly incorporated on the 27th day of December, 2001 by the Registrar of Joint Stock Company, Dhaka as a Takaful Islami Insurance Limited under the provision of Section 11, Sub-Section (5) of Companies Act 1994. The authorized capital of the company is Tk. 200.00 million divided into 20,00,000 ordinary share of Tk. 100 each and paid-up capital is Tk. 60 million.

The company underwrites risk involved with properties. As per re-insurance treaty, it re-insures the risks undertaken with the Sadharan Bima Corporation. Main areas of business include fire insurance, marine cargo and hull insurance, motor insurance and miscellaneous insurance.

The total premium of the company was Tk. 41.21 million, Tk. 49.66 million, Tk. 35.34 million and Tk. 9.18 million respectively for the year 2004, 2003, 2002 and 2001. The Underwriting profit for the year 2003, 2002 and 2001 were Tk. (9.79) million, Tk. (2.79) million and Tk. (2.42) million respectively. At the same time the investment was Tk. 64.8 million, Tk. 68.08 million, Tk. 58.71 million and Tk. 29.00 million and investment income was Tk. 6.21 million, Tk. 5.79 million, Tk. 4.05 million and Tk. 0.80 million for the year 2004, 2003, 2002, 2001 respectively. Though the company does not have required investment, the company is surviving by its investment income.

Taka in Lac

	2004	**2003**	**2002**	**2001**
Total Premium	412.10	496.64	353.4	91.76
Growth %	-17.02%	40.53%	285.14%	-
Marine Premium	220.47	159.64	64.53	13.49
Profit from Marine	-	(6.23)	4.22	0.97
Fire Premium	125.26	188.79	139.09	42.49
Profit from Fire	58.66	(65.75)	(14.99)	(16.68)
Motor Premium	26.72	35.07	39.74	11.27
Profit from Motor	24.89	(19.02)	1.95	(2.35)
Misc. Premium	34.06	113.11	109.99	24.50
Profit from Misc.	0	(6.87)	(19.11)	(6.15)
Balance of Fund	168.20	74.30	40.41	16.02
Investment	648.00	680.79	587.09	290.00
Growth %	-4.82%	15.96%	102.44%	-
Investment Income	62.11	57.90	40.49	7.96

Growth %	7.27%	43.00%	408.67%	-
Total Claims	-	73.56	27.29	-
Total Management Expenses	305.83	271.12	152.17	68.11
Total Assets	1184.58	982.14	780.60	622.51

Source: Primary data.

6.1.48 United Insurance Company Limited

The company was incorporated on 7 May 1985 as a public limited company under the Companies Act 1913 to carry out all kinds of general insurance business other than life under the Insurance Act 1938 and Rules 1958. The company obtained certificate of commencement of business on 12 October 1985 and was registered with the Department of Insurance on 15 October 1985. It commenced business on 19 October of the same year. The authorized capital of the company at the time of its establishment was Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each. Its paid-up capital was Tk. 60 million. Institutional sponsors of the company are Duncan Brothers (Bangladesh) Limited, Octavious Steel and Co. of Bangladesh Ltd., Macalms Bangladesh Trust, Shaw Wallace Bangladesh Limited and National Brokers Limited. The company was enlisted with the Dhaka Stock Exchange on 9 April 1990.

The gross premium incomes of the company amounted to Tk. 131.21 million and net premium incomes were Tk. 78.03 million in 2000 but after four years its gross premium was Tk. 130.18 million and net premium was Tk. 63.48 million in 2004. It paid a net re-insurance premium of Tk. 53.18 million in 2000 and Tk. 66.70 million in 2004 to Sadharan Bima Corporation. Net claims paid amounted to Tk. 14.6 million in 2000 and Tk. 13.87 million in 2004. Underwriting profits were about Tk. 15.4 million in 2000 and Tk. 13.81 million in 2004. In addition, the company earned a good amount of investment and other incomes. The company maintains a special reserve fund for exceptional losses and accretion has continuously been made. Investments of the company were mainly in government savings instruments, shares of companies, fixed deposits with banks and shares of its wholly owned subsidiary company, Surma Valley Tea Co. Ltd. totaled Tk. 141.66 million in 2000. The value of assets of the company was Tk. 304.13 million in 2000 but the assets substantially increased in 2004. Following are the business growth of the company:

Taka in million

	2004	*2003*	*2002*	*2001*	*2000*	*1999*
Gross Premium	130.18	125.61	135.58	136.89	131.21	134.00
Growth %	3.64%	-7.35%	-0.96%	4.33%	-2.08%	-
Net Premium	63.48	64.44	79.18	76.85	78.03	80.31
Total Claims(Net)	13.87	13.48	15.25	14.77	14.61	9.99
Underwriting Profit	13.81	17.27	16.45	14.88	15.40	15.85
Profit before Tax	28.58	32.36	30.7	25.75	26.52	27.49
Balance of Fund	115.06	108.39	101.95	94.03	86.34	78.54

Source: Primary data.

6.2 Analysis of Investment Portfolio

Researcher analyzed portfolio composition of almost all life and general insurance companies in Bangladesh. There is a clear direction given in the Insurance Act 1938 that all life insurer must invest and at all times keep invested minimum 30% of investible fund in Government securities and rest 70% of fund in any other investment including capital market and all general insurers must have investment exceeding liabilities by at least a sum of 5 lac Taka or ten percent of the net premium income, which ever is higher. The survey revealed that most of the insurers are taking interest in investing their substantial fund in FDR, some are investing their fund in shares and debentures of other company and very few companies are investing their fund in real estate including land and building. Following are the investment portfolio analysis:

Taka in crore

General Insurance Sector

			1	2	3	4	5	6	7	8	9	10	11	12	13	14
Sl. No.	Name of the Company*		Investment Portfolio													Investment Income
			Statutory Deposit	Other Govt. Securities **	Total Govt. Securities (1+2)***	FD	STD	Share	Deb.	Loan	Capital Market (others) ****	Associate Company	Land-Building & Real Estate	Total Other Investment (4 to 11)	Total Investment (3+12)	
1	Agrani Insurance Ltd.(2001)	Tk.	0.90		0.90	4.26	0.14							4.40	5.30	0.49
		%	16.98		16.98	80.38	2.64							83.02	100.00	
2	Asia Insurance Ltd.(2002)	Tk.	0.90		0.90	7.30	1.98	0.24						9.52	10.42	0.64
		%	8.64		8.64	70.06	19.00	2.30						91.36	100.00	
3	Asia Pacific General Insurance Co. Ltd.(2003)	Tk.	0.90		0.90	6.41	0.17							6.58	7.48	0.67
		%	12.03		12.03	85.70	2.27							87.97	100.00	
4	Bangladesh Co-operative Ins. Ltd. (1996)	Tk.	0.15		0.15	2.67	1.58							4.25	4.40	0.08
		%	3.41		3.41	60.68	35.91							96.59	100.00	
5	Bangladesh National Insurance Co Ltd (2001)	Tk.	0.90		0.90	8.51	0.99							9.50	10.40	0.93
		%	8.65		8.65	81.83	9.52							91.35	100.00	
6	BGIC (2003)	Tk.	0.45		0.45	17.43	5.88	4.66	1.49					29.46	29.91	2.09
		%	1.50		1.50	58.27	19.66	15.58	4.98					98.50	100.00	

			1	2	3	4	5	6	7	8	9	10	11	12	13	14
Sl. No.	Name of the Company*		Investment Portfolio													Investment Income
			Statutory Deposit	Other Govt. Securities **	Total Govt. Securities (1+2)***	FD	STD	Share	Deb.	Loan	Capital Market (others) ****	Associate Company	Land-Building & Real Estate	Total Other Investment (4 to 11)	Total Investment (3+12)	
7	Central Insurance Co. Ltd.(2002)	Tk.	0.45	0.05	0.50	8.84	0.42						8.63	17.89	18.39	1.33
		%	2.45	0.27	2.72	48.07	2.28						46.93	97.28	100.00	
8	City General Insurance Co. Ltd.(2002)	Tk.	0.90		0.90	7.40	0.30	1.19	0.50					9.39	10.29	0.87
		%	8.75		8.75	71.91	2.92	11.56	4.86					91.25	100.00	
9	Continental Insurance Ltd.(2002)	Tk.	0.90		0.90	4.11	1.26							5.37	6.27	
		%	14.35		14.35	65.55	20.10							85.65	100.00	
10	Crystal Insurance Co. Ltd.(2003)	Tk.	0.90		0.90	5.00	0.38							5.38	6.28	0.52
		%	14.33		14.33	79.62	6.05							85.67	100.00	
11	Eastern Insurance Co. Ltd.(2002)	Tk.	0.45		0.45	12.70	5.19	4.19	0.15					22.23	22.68	1.96
		%	1.98		1.98	56.00	22.88	18.47	0.66					98.02	100.00	
12	Eastland Insurance Co.(2003)	Tk.	0.45		0.45	14.88	1.09	6.46	1.12					23.55	24.00	0.42
		%	1.88		1.88	62.00	4.54	26.92	4.67					98.13	100.00	
13	Express Insurance Co. Ltd.(2003)	Tk.	0.90		0.90	4.95	0.02							4.97	5.87	0.53
		%	15.33		15.33	84.33	0.34							84.67	100.00	
14	Federal Insurance Co Ltd (2002)	Tk.	0.45		0.45	4.25	0.88	0.28					0.16	5.57	6.02	4.92
		%	7.48		7.48	70.60	14.62	4.65					2.66	92.52	100.00	
15	Global Insurance Limited(2002)	Tk.	0.90		0.90	5.21	0.25							5.46	6.36	1.08
		%	14.15		14.15	81.92	3.93							85.85	100.00	
16	Green Delta Insurance Co (2003)	Tk.	0.45		0.45	35.05	3.18	7.06	5.89			4.00	2.10	57.28	57.73	2.89
		%	0.78		0.78	60.71	5.51	12.23	10.20			6.93	3.64	99.22	100.00	
17	Islami Commarcial Insurance Co. Ltd.(2003)	Tk.	0.90		0.90	5.34	0.63							5.97	6.87	0.55
		%	13.10		13.10	77.73	9.17							86.90	100.00	
18	Islami Insurance Co. Ltd.(2003)	Tk.	0.90		0.90	5.67	0.48							6.15	7.05	0.62
		%	12.77		12.77	80.43	6.81							87.23	100.00	

Sl. No.	Name of the Company*		1 Statutory Deposit	2 Other Govt. Securities **	3 Total Govt. Securities (1+2)***	4 FD	5 STD	6 Share	7 Deb.	8 Loan	9 Capital Market (others) ****	10 Associate Company	11 Land-Building & Real Estate	12 Total Other Investment (4 to 11)	13 Total Investment (3+12)	14 Investment Income
			Investment Portfolio													
19	Janata Insurance Co. Ltd.(2002)	Tk.	0.45		0.45	4.41	0.72	0.11						5.24	5.69	0.51
		%	7.91		7.91	77.50	12.65	1.93						92.09	100.00	
20	Karnaphuli Insurance Co. Ltd. (2003)	Tk.	0.45		0.45	7.92	1.79	3.02	1.2				2.98	16.91	17.36	0.94
		%	2.59		2.59	45.62	10.31	17.40	6.91				17.17	97.41	100.00	
21	Marcantile Insurance Co. Ltd.(2003)	Tk.	0.90		0.90	6.42	1.67							8.09	8.99	0.66
		%	10.01		10.01	71.41	18.58							89.99	100.00	
22	Nitol Insurance Company Ltd.(2002)	Tk.	0.90		0.90	7.19						2.50		9.69	10.59	0.46
		%	8.50		8.50	67.89						23.61		91.50	100.00	
23	Northern General Insurance Co. Ltd.(2002)	Tk.	0.90		0.90	5.49	0.35							5.84	6.74	0.62
		%	13.35		13.35	81.45	5.19							86.65	100.00	
24	Paramount Insurance Co. Ltd.(2002)	Tk.	0.90		0.90	4.87	0.43	0.10						5.40	6.30	0.73
		%	14.29		14.29	77.30	6.83	1.59						85.71	100.00	
25	Peoples Insurance Co. Ltd.(2003)	Tk.	0.45		0.45	14.03	0.85	1.36					34.35	50.59	51.04	0.72
		%	0.88		0.88	27.49	1.67	2.66					67.30	99.12	100.00	
26	Phoenix Insurance Company Ltd.(2003)	Tk.	0.45		0.45	11.17		1.05				2.61	0.22	15.05	15.50	1.05
		%	2.90		2.90	72.06		6.77				16.84	1.42	97.10	100.00	
27	Pioneer Insurance Co. Ltd.(2003)	Tk.	0.90		0.90	20.10		5.90					0.26	26.26	27.16	0.08
		%	3.31		3.31	74.01		21.72					0.96	96.69	100.00	
28	Pragoti Insurance Ltd.(2003)	Tk.	0.40		0.40	3.70	2.02	0.03		0.04				5.79	6.19	0.44
		%	6.46		6.46	59.77	32.63	0.48		0.65				93.54	100.00	
29	Prime Insurance Company Limited(2003)	Tk.	0.95		0.95	15.00	0.91	0.12						16.03	16.98	0.17
		%	5.59		5.59	88.34	5.36	0.71						94.41	100.00	
30	Provati Insurance Co. Ltd.(2002)	Tk.	0.90		0.90	5.77	1.92							7.69	8.59	0.62
		%	10.48		10.48	67.17	22.35							89.52	100.00	

			1	2	3	4	5	6	7	8	9	10	11	12	13	14
Sl. No.	Name of the Company*		Investment Portfolio													Investment Income
			Statutory Deposit	Other Govt. Securities **	Total Govt. Securities (1+2)***	FD	STD	Share	Deb.	Loan	Capital Market (others) ****	Associate Company	Land-Building & Real Estate	Total Other Investment (4 to 11)	Total Investment (3+12)	
31	Purabi General Insurance Co. Ltd.(2002)	Tk.	0.45		0.45	4.48	0.83	1.01						6.32	6.77	0.49
		%	6.65		6.65	66.17	12.26	14.92						93.35	100.00	
32	Reliance Insurance Ltd.(2003)	Tk.	0.45		0.45	22.50	3.31	14.92	0.55					41.28	41.73	0.49
		%	1.08		1.08	53.92	7.93	35.75	1.32					98.92	100.00	
33	Republic Insurance Company Ltd.(2002)	Tk.	0.90		0.90	4.94	0.37							5.31	6.21	2.72
		%	14.49		14.49	79.55	5.96							85.51	100.00	
34	Rupali Insurance Company Limited(2003)	Tk.	0.45		0.45	9.13	2.90	1.37						13.40	13.85	0.67
		%	3.25		3.25	65.92	20.94	9.89						96.75	100.00	
35	Sadharan Bima Corporation(2002)	Tk.	0.17		0.17	241.83	12.50	20.54	17.2	14.5			27.89	334.46	334.63	25.83
		%	0.05		0.05	72.27	3.74	6.14	5.13	4.35			8.33	99.95	100.00	
36	Sonar Bangla Insurance Ltd.(2002)	Tk.	0.90		0.90	4.82	0.16							4.98	5.88	0.62
		%	15.31		15.31	81.97	2.72							84.69	100.00	
37	South Asian Insurance Co. Ltd.(2002)	Tk.	0.90		0.90	5.60		0.45						6.05	6.95	0.59
		%	12.95		12.95	80.58		6.47						87.05	100.00	
38	Standard Insurance Co. Ltd.(2002)	Tk.	0.90		0.90	5.61	0.46							6.07	6.97	1.97
		%	12.91		12.91	80.49	6.60							87.09	100.00	
39	Takaful Islami Insurance Limited(2002)	Tk.	0.90		0.90	4.57	0.63	0.40						5.60	6.50	1.46
		%	13.85		13.85	70.31	9.69	6.15						86.15	100.00	
40	The Loyeds Insurance Co. Ltd.(2002)	Tk.	0.90		0.90	6.45	0.56							7.01	7.91	0.55
		%	11.38		11.38	81.54	7.08							88.62	100.00	
41	Union Insurance Co. Ltd.(2003)	Tk.	0.90		0.90	4.27	0.02							4.29	5.19	0.36
		%	17.34		17.34	82.27	0.39							82.66	100.00	
42	United Insurance Co. Ltd.(2003)	Tk.	0.45		0.45	6.68	1.09	14.36					0.36	22.49	22.94	0.15
		%	1.96		1.96	29.12	4.75	62.60					1.57	98.04	100.00	

Life Insurance Sector

Sl. No.	Name of the Company*		Investment Portfolio													Investment Income
			1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*
			Statutory Deposit	Other Govt. Securities**	Total Govt. Securities (1+2)***	FD	STD	Share	Deb.	Loan	Capital Market (others)****	Associate Company	Land-Building & Real Estate	Total Other Investment (4 to 11)	Total Investment (3+12)	
1	ALICO(2003)	Tk.	0.02	553.76	553.78	427.90	5.99	1.79		96.46			11.06	543.20	1096.98	85.52
		%	0.00	50.48	50.48	39.01	0.55	0.16		8.79			1.01	49.52	100.00	
2	BAIRA Life Insurance(2002)	Tk.	0.40		0.40	2.69								2.69	3.09	0.35
		%	12.94		12.94	87.06								87.06	100.00	
3	Delta Life Insurance Co Ltd(2003)	Tk.	0.20	131.46	131.66	165.94	43.43	42.50	6.17	30.08	0.64	5.00	11.21	304.97	436.63	40.04
		%	0.05	30.11	30.15	38.00	9.95	9.73	1.41	6.89	0.15	1.15	2.57	69.85	100.00	
4	Fareast Islami Life Insurance Co. Ltd. (2003)	Tk.	0.40		0.40	38.67	8.85	0.10					5.99	53.61	54.01	2.29
		%	0.74		0.74	71.60	16.39	0.19					11.09	99.26	100.00	
5	Golden Life Insurance Co. Ltd.(2003)Provisional	Tk.	0.40		0.40	1.40	0.24							1.64	2.04	0.09
		%	19.61		19.61	68.63	11.76							80.39	100.00	
6	Homeland Life Insurance Co. Ltd.(2001)	Tk.	0.40		0.40	3.71	1.01			0.04				4.76	5.16	2.45
		%	7.75		7.75	71.90	19.57			0.78				92.25	100.00	
7	Jibon Bima Corporation(1999)	Tk.		122.87	122.87	147.2		5.37	0.42	33.1			46.84	232.94	355.81	30.63
		%		34.53	34.53	41.38		1.51	0.12	9.30			13.16	65.47	100.00	
8	Meghna Life Insurance Co. Ltd.(2003)	Tk.	0.40	6.37	6.77	16.25	18.47	1.42		1.16			0.95	38.25	45.02	2.04
		%	0.89	14.15	15.04	36.10	41.03	3.15		2.58			2.11	84.96	100.00	
9	National Life Insurance Co. Ltd. (2003)	Tk.	0.20	37	37.20	159.81	46.53	14.07	2.26	4.93			9.44	237.04	274.24	20.96
		%	0.07	13.49	13.56	58.27	16.97	5.13	0.82	1.80			3.44	86.44	100.00	
10	Padma Life Insurance Co. Ltd.(2003)	Tk.	0.40		0.40	2.93	0.26			0.02				3.21	3.61	0.32
		%	11.08		11.08	81.16	7.20			0.55				88.92	100.00	
11	Popular Life Insurance Co. Ltd. (2002)	Tk.	0.40		0.40	3.96	0.50							4.46	4.86	1.28
		%	8.23		8.23	81.48	10.29							91.77	100.00	

Sl. No.	Name of the Company*		Investment Portfolio: Statutory Deposit	Other Govt. Securities **	Total Govt. Securities (1+2)***	FD	STD	Share	Deb.	Loan	Capital Market (others) ****	Associate Company	Land-Building & Real Estate	Total Other Investment (4 to 11)	Total Investment (3+12)	Investment Income
			1	2	3	4	5	6	7	8	9	10	11	12	13	14
12	Prime Islami Life Insurance Co. Ltd.(2003)	Tk.	0.40		0.40	1.50								1.50	1.90	0.2
		%	21.05		21.05	78.95								78.95	100.00	
13	Progressive Life Insurance Co. Ltd. (2003)	Tk.	0.40		0.40	1.20	2.50			0.03				3.73	4.13	0.1
		%	9.69		9.69	29.06	60.53			0.73				90.31	100.00	
14	Rupali Life Insurance Co. Ltd.(2003)	Tk.	0.40		0.40	4.60	1.96	0.04		0.29				6.89	7.29	0.63
		%	5.49		5.49	63.10	26.89	0.55		3.98				94.51	100.00	
15	Sandhani Life Insurance Co. Ltd.(2002)	Tk.	0.20		0.20	17.16	4.00	4.72	0.20	0.26				26.34	26.54	0.35
		%	0.75		0.75	64.66	15.07	17.78	0.75	0.98				99.25	100.00	
16	Sunflower Life Insurance Co. Ltd.(2002)	Tk.	0.40		0.40	1.30	0.09			0.02				1.41	1.81	0.43
		%	22.10		22.10	71.82	4.97			1.10				77.90	100.00	
17	Sunlife Insurancce Company Limited(2002)	Tk.	0.40		0.40	1.17	0.03							1.20	1.60	0.52
		%	25.00		25.00	73.13	1.88							75.00	100.00	

Source: Bangladesh Insurance Association, Secondary data, companies' record

* The year of financial statements analyzed are given in parentheses.

** Other Govt. Securities include Treasury Bill, Treasury Bond, National Investment Bond (NIB), Agrani Bank Industrial Development Bond (ABIDB), National Savings Certificate (NSC), Pratirakha Shanchay Patra (PSP) etc.

*** In this column, red marks indicate violator of Section 27 and 27A of Insurance Act 1938 and blue marks indicate complier of the same sections.

**** Other Capital Market Investment includes Convertible Bonds, Bonds issued by any Commercial Banks with permission of Bangladesh Bank, Merchant Banking activities regarding underwriting of public issue of shares.

6.3 Compliance Test of General Insurers

Researcher reviewed whether general insurance companies have required investment according to section 27A of the Insurance Act 1938 that all general insurers must have investment exceeding liabilities by at least a sum of 5 lac Taka or ten percent of the net premium income, which ever is higher. Following is the test results:

Taka in Crore

		1	2	3	4	5
Sl. No.	Name of the Company	Investment Tk.	Required Investment Tk.			Excess (Short) [1-4]
			Liability + Tk.5 Lac	Liability + (Net Prem. x 10%)	Higher one	
1	Agrani Insurance Ltd. (2004)	7.88	7.31	13.60	13.60	(5.72)
2	Asia Insurance Ltd. (2002)	8.44	15.11	15.41	15.41	(6.97)
3	Asia Pacific General Insurance Co. Ltd. (2004)	8.20	5.09	5.35	5.35	2.85
4	Bangladesh Co-operative Ins. Ltd. (2003)	1.66	18.68	18.84	18.84	(17.18)
5	Bangladesh National Insurance Co Ltd (2004)	10.39	5.12	5.99	5.99	4.40
6	BGIC (2004)	21.49	32.29	33.57	33.57	(12.08)
7	Central Insurance Co. Ltd. (2004)	11.61	25.13	25.89	25.89	(14.28)
8	City General Insurance Co. Ltd. (2003)	10.71	6.39	6.74	6.74	3.97
9	Continental Insurance Ltd. (2002)	5.01	3.43	3.68	3.68	1.33
10	Crystal Insurance Co. Ltd. (2004)	5.90	3.97	4.43	4.43	1.47
11	Eastern Insurance Co. Ltd. (2004)	13.44	21.82	22.50	22.50	(9.06)
12	Eastland Insurance Co. (2004)	28.11	23.25	24.16	24.16	3.95
13	Express Insurance Co. Ltd. (2004)	5.82	4.01	4.17	4.17	1.65
14	Federal Insurance Co Ltd (2003)	4.94	34.52	35.66	35.66	(30.72)
15	Global Insurance Limited (2003)	6.58	7.30	7.66	7.66	(1.08)
16	Green Delta Insurance Co. (2004)	64.12	57.66	59.94	59.94	4.18
17	Islami Commercial Insurance Co. Ltd. (2004)	6.81	2.75	3.43	3.43	3.38
18	Islami Insurance Co. Ltd. (2003)	6.57	6.70	7.49	7.49	(0.92)
19	Janata Insurance Co. Ltd. (2002)	1.18	18.87	24.87	24.87	(23.69)

	1	2	3	4	5	
Sl. No.	Name of the Company	Investment Tk.	Required Investment Tk.			Excess (Short) [1-4]
			Liability + Tk.5 Lac	Liability + (Net Prem. x 10%)	Higher one	
20	Karnaphuli Insurance Co. Ltd. (2004)	13.62	25.71	40.74	40.74	(27.12)
21	Marcantile Insurance Co. Ltd. (2004)	16.49	14.70	15.26	15.26	1.23
22	Nitol Insurance Company Ltd. (2004)	10.55	7.76	8.15	8.15	2.40
23	Northern General Insurance Co. Ltd. (2004)	8.03	21.12	22.08	22.08	(14.05)
24	Paramount Insurance Co. Ltd.(2002)	5.77	4.34	4.70	4.70	1.07
25	Peoples Insurance Co. Ltd. (2004)	14.48	58.91	60.31	60.31	(45.83)
26	Phoenix Insurance Company Ltd. (2004)	8.35	22.97	24.51	24.51	(16.16)
27	Pioneer Insurance Co. Ltd. (2004)	29.31	21.24	22.03	22.03	7.28
28	Pragoti Insurance Ltd. (2004)	44.79	61.17	63.46	63.46	(18.67)
29	Prime Insurance Company Limited (2004)	15.74	24.00	24.89	24.89	(9.15)
30	Provati Insurance Co. Ltd. (2003)	6.73	11.80	12.52	12.52	(5.79)
31	Purabi General Insurance Co. Ltd.(2002)	5.94	9.84	10.14	10.14	(4.20)
32	Reliance Insurance Ltd. (2004)	40.84	37.89	39.91	39.91	0.93
33	Republic Insurance Company Ltd. (2004)	6.08	3.18	3.46	3.46	2.62
34	Rupali Insurance Company Limited (2004)	12.29	21.19	22.49	22.49	(10.20)
35	Sadharan Bima Corporation (2002)	307.59	313.75	327.25	327.25	(19.66)
36	Sonar Bangla Insurance Ltd. (2004)	6.39	3.56	4.01	4.01	2.31
37	South Asian Insurance Co. Ltd. (2002)	6.50	1.65	1.74	1.74	4.76
38	Standard Insurance Co. Ltd. (2004)	8.00	5.08	5.39	5.39	2.61
39	Takaful Islami Insurance Limited (2004)	7.24	5.90	6.30	6.30	0.94
40	The Loyeds Insurance Co. Ltd. (2004)	11.36	9.39	9.94	9.94	1.42
41	Union Insurance Co. Ltd. (2004)	5.12	0.94	1.07	1.07	4.05
42	United Insurance Co. Ltd. (2004)	7.43	14.43	15.05	15.05	(7.62)

* In this column, blue marks indicate companies have complied Section 27A of Insurance Act 1938 and red marks indicate companies not complied the same section.

6.4 Capital Market Performance of Listed Insurance Companies

In Bangladesh, we have three Capital Market locations (bourses) like Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and Investment Corporation of Bangladesh (ICB). Among 59 insurance companies in private sector only 27 insurance companies are listed with stock market/bourses. Researcher analyzed the performance of all the 27 listed insurance companies as on June 2005.

6.4.1 IPO (Seniority basis), Face Value and Lot size

Researcher found that Bangladesh General Insurance Company (BGIC) and Green Delta Insurance Company are the oldest stock in the market as floated in 1989. On the other hand Nitol Insurance and Sonar Bangla Insurance are latest stock in the market as floated in 2005. All the 27 listed/quoted insurance companies have similar face value (FV) of Tk. 100 each share. Market lot varies company to company having 5, 10, 20 and 50 number of shares per lot to trade in stock exchange though there is some odd lot found in trading of shares of many listed insurance companies. Following table shows the FV and market lot of stocks:

Name	Year of Listing	Face Value	Market Lot	year End
		Tk.	No.	
Bangladesh General Insurance	1989	100	10	31-Dec
Green Delta Insurance	1989	100	10	31-Dec
United Insurance	1990	100	10	31-Dec
Peoples Insurance	1994	100	10	31-Dec
Eastern Insurance	1994	100	20	31-Dec
Janata Insurance	1994	100	20	31-Dec
Phoenix Insurance	1994	100	20	31-Dec
Eastland Insurance	1994	100	20	31-Dec
Central Insurance	1995	100	20	31-Dec
Karnaphuli Insurance	1995	100	20	31-Dec
Rupali Insurance	1995	100	20	31-Dec
National Life Insurance	1995	100	50	31-Dec
Federal Insurance	1995	100	50	31-Dec
Relience Insurance	1995	100	50	31-Dec
Purabi General Insurance	1995	100	50	31-Dec
Delta Life Insurance	1995	100	5	31-Dec
Pragati Insurance	1996	100	10	31-Dec
Sandhani Life Insurance	1996	100	50	31-Dec
Prime Insurance	2001	100	50	31-Dec
Pioneer Insurance	2001	100	50	31-Dec
Mercantile Insurance	2004	100	50	31-Dec

Agrani Insurance Co. Ltd.	2005	100	50	31-Dec
Global Insurance Co. Ltd.	2005	100	50	31-Dec
Fareast Islami Life Insurance Co. Ltd.	2005	100	50	31-Dec
Nitol Insurance Co. Ltd.	2005	100	50	31-Dec
Asia Pacific Insurance Co. Ltd	2005	100	50	31-Dec
Sonar Bangla Insurance Co. Ltd.	2005	100	50	31-Dec

Source: Monthly Review, Dhaka Stock Exchange, June 2005, Vol 20, No. 6, pp. 30ff

6.4.2 Listed Companies Capital Structure and Financial Strength (data for the year 2002)

Highest number of shares have been capitalized by Prime Insurance Company and Pioneer Insurance company (15 00 000 shares each). Lowest number of shares have been capitalize by Delta Life Insurance Co. Ltd. (300 000 shares). Maximum portion of shares of each insurance company have been in the hand of sponsors. Institutions have little portion of shares and rest of the portion of shares are in the hand of pubic where no shares are in the hand of Government and Foreign Investors. Among the quoted general insurance companies, Green Delta insurance Ltd has the highest amount of net profit after tax. Among the quoted life insurance companies, Delta Life Insurance Co. Ltd. has the highest amount of life Fund. Life insurance companies have no question of profit rather than Actuarial Surplus (After tax) which may be distributed to policyholder and shareholder in 90:10 ratios.

Name	Share Capital & Distribution							Financial	
	No. of Share	Share Capital	Share Holding Pattern					Reserve & Surplus	Net Profit & Loss After Tax
			Sponsors	Govt.	Institution	Foreign	Public		
		Tk. mn	%	%	%	%	%	Tk. mn	Tk. mn
Bangladesh General Insurance	864000	86	35		26		39	105.60	14.75
Green Delta Insurance	1080000	108	50		4		46	332.65	56.99
United Insurance	600000	60	21		56		22	119.37	23.58
Peoples Insurance	750000	75	50				50	168.61	32.44
Eastern Insurance	750000	75	50				50	56.36	21.61
Janata Insurance	600000	60	50		35		15	12.41	6.77
Phoenix Insurance	826875	83	46		18		36	90.45	21.94
Eastland Insurance	600000	60	47		12		41	100.32	32.45
Central Insurance	720000	72	50		14		36	45.45	7.64
Karnaphuli Insurance	779520	78	50		26		24	47.49	9.63
Rupali Insurance	600000	60	67		16		17	126.38	14.42
National Life Insurance	450000	45	50				50		
Federal Insurance	600000	60	50				50	23.35	8.04
Relience Insurance	900000	90	50		4		46	202.34	19.46
Purabi General Insurance	600000	60	50				50	10.29	3.25
Delta Life Insurance	300000	30	50				50		
Pragati Insurance	1888331	189	50				50	617.91	54.98
Sandhani Life Insurance	342000	34	50				50		

Prime Insurance	1500000	150	40				60	(11.13)	18.99
Pioneer Insurance	1500000	150	50				50	44.78	27.65
Mercantile Insurance	1500000	150	40				60	21.86	11.06
Agrani Insurance Co. Ltd.	1500000	150	40				60	1.02	3.41
Global Insurance Co. Ltd.	1500000	150	40				60		

Source: Monthly Review, Dhaka Stock Exchange, June 2005, Vol 20, No. 6, pp. 30ff

6.4.3 Listed Companies' NAV, EPS, DPS and Trading Performance

Researcher found that among listed general insurance companies, Green Delta Insurance Ltd. Also has the highest Net Asset Value (NAV) per share second and third highest are Pragoti Insurance and Peoples Insurance Co. Ltd. These companies have sound investment management and they earned substantial profit from investment activities rather than operational profit from business underwriting (underwriting profit). In ranking investment management of the quoted general insurance companies, researcher found that Green Delta Insurance is the best one and hence they have highest Earning per share (EPS) of Tk. 94.99. As there is no question of net profit raised in life insurance companies hence life insurance companies are not usually calculating their EPS. Researcher also found that, in both the life and general sector, Delta Life Insurance Co. Ltd. has given the highest dividend (Tk. 50 per share). Delta Life also has the highest Market Value of share among both the life and general insurance sector (average Tk. 3100 for each 100 Taka share). Researcher also analyzed yield rate of each listed insurance companies. It is found that Eastern Insurance Company has the highest yield rate (8.47%) as on June 2005. The above indicators of all the listed companies are shown below.

Name	Health & Profitability			Market Performace			
				2004-2005			
	NAV per Share	Earning PerShare	Dividend Per Share	Year High	Year Low	Closing Price	Market Cap. On June 2005
	Tk.	Tk.	Tk.	Tk.	Tk.	Tk.	Tk. mn
Bangladesh General Insurance	222.22	20.48		900.00	315.00	361.00	311.90
Green Delta Insurance	734.42	94.99	10.00	1905.00	760.00	767.50	828.90
United Insurance	298.95	39.30	25.00	889.00	504.00	599.00	359.40
Peoples Insurance	406.02	54.07		1850.00	799.75	1020.00	765.00
Eastern Insurance	218.94	36.01	25.00	486.00	247.00	295.25	221.44
Janata Insurance	120.68	11.29	10.00	299.75	118.00	160.00	96.00
Phoenix Insurance	275.59	33.17		610.00	260.00	318.50	263.38
Eastland Insurance	287.19	54.09	20.00	614.00	255.00	284.50	170.70
Central Insurance	163.12	12.73		405.25	211.50	264.75	190.62
Karnaphuli Insurance	164.86	16.05		340.00	165.00	192.25	149.86
Rupali Insurance	365.64	24.04	14.00	470.00	220.00	297.25	178.35
National Life Insurance			20.00	2235.00	1250.25	1638.25	737.21
Federal Insurance	161.87	13.40	10.00	270.00	133.25	149.75	89.85
Relience Insurance	383.82	32.44	10.00	940.00	517.00	525.00	472.50
Purabi General Insurance	117.15	5.41	10.00	234.50	120.00	138.00	82.80
Delta Life Insurance			48.00	4650.00	2180.00	3612.50	1083.75
Pragati Insurance	563.90	36.40	20.00	839.00	490.00	499.00	942.28
Sandhani Life Insurance				900.00	450.00	600.00	205.20
Prime Insurance	92.58	12.66	10.00	268.00	126.00	139.75	209.63
Pioneer Insurance	150.85	18.43	13.00	450.00	241.00	295.00	442.50
Mercantile Insurance	114.58	7.37	10.00	344.75	137.50	139.00	208.50
Agrani Insurance Co. Ltd.	100.68	2.27	5.00	175.00	94.00	100.50	150.75
Global Insurance Co. Ltd.				140.00	112.25	117.50	176.25

Source: Monthly Review, Dhaka Stock Exchange, June 2005, Vol 20, No. 6, pp. 30ff

6.5 Year-wise Trend Analysis of Whole Insurance Industry

6.5.1 General Insurance - Private Sector

In Bangladesh, there are 43 insurance operating in general insurance sector. In aggregate, general insurance companies had investment amounted to Tk. 747 million in 1995 which shoot up to Tk. 5100 million in 2003 increasing 583% over the period. Total premium of the general insurance industry was Tk. 2542 million in 1995 and Tk. 5105 million in 2003 which represented 101% growth. Following table shows the entire general insurance industry's performance:

TK. in Crore

Particulars	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*	*1997*	*1996*	*1995*
Gross Premium	510.53	450.69	410.20	364.55	323.91	316.40	322.57	279.59	254.19
Growth %	13.28	9.87	12.52	12.55	2.37	(1.91)	15.37	9.99	
Net Premium	283.93	270.05	249.50	222.03	199.29	190.90	199.49	171.10	156.23
Growth %	5.14	8.23	12.38	11.41	4.40	(4.31)	*16.59*	9.52	
Gross Claims	229.48	175.19	114.63	127.43	102.70	85.30	90.77	80.67	78.39
Growth %	30.99	52.84	(10.05)	24.07	20.40	(6.02)	12.52	2.91	
Net Claims	47.63	46.74	33.17	34.93	28.25	28.11	38.49	38.85	33.23
Growth %	1.90	40.90	(5.02)	23.65	0.48	(26.96)	(0.92)	16.91	
Underwriting Profit	39.47	29.77	17.27	17.05	29.11	24.63	23.12	25.37	31.46
Growth %	32.58	72.41	1.32	(41.45)	18.21	6.54	(8.88)	(19.34)	
Investment	510.01	448.83	365.52	319.48	223.92	256.17	231.38	137.73	74.75
Growth %	13.63	22.79	14.41	*42.68*	*(12.59)*	10.72	*68.00*	*84.26*	
Income from Investment	47.55	44.78	40.45	32.41	27.75	28.92	35.95	30.66	19.95
Growth %	6.19	10.71	*24.83*	16.76	(4.04)	(19.55)	17.25	*53.66*	
Dividend Paid	23.64	21.12	22.89	19.78	17.31	18.31	19.33	18.54	13.39
Growth %	11.93	(7.74)	15.73	14.29	(5.46)	(5.31)	4.27	38.47	
Paid to Govt. (Tax)	-	17.91	11.47	13.34	7.47	7.88	10.24	13.16	16.42
Growth %		56.17	(14.05)	78.58	(5.18)	(23.03)	(22.18)	(19.88)	
Exceptional Reserve	331.40	43.74	73.29	51.18	51.80	51.80	24.66	24.18	20.51
Growth %	657.66	(40.33)	43.20	(1.20)	0.00	110.10	1.98	17.87	
Total Assets	1114.57	1032.67	986.83	917.81	784.86	756.06	689.04	636.32	525.14
Growth %	7.93	4.65	7.52	16.94	3.81	9.73	8.29	21.17	

Source: Record of Bangladesh Insurance Association (BIA) and Office of Controller of Insurance

6.5.2 General Insurance - Public Sector (Sadharan Bima Corporation)

In Sadharan Bima Corporation (SBC), growth of premium income is not satisfactory that premium income reduced by 22.95% in the year 2001 as compared to 2000. Investment growth was also negative in the year 2002 by 9.16% over the previous year. The overall trend has been exhibited in the following table:

Tk. in Crore

Particulars	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*	*1997*	*1996*	*1995*
Premium from Public Sector	63.04	60.48	57.02	42.13	37.42	40.73	45.85	43.23	40.86
Growth %	4.23	6.07	35.34	12.57	(8.12)	(11.16)	(98.94)	5.80	

Premium from Private Sector	13.62	21.38	18.89	19.61	24.26	22.90	18.72	20.87	21.94
Growth %	-36.30	13.21	(3.67)	(19.17)	5.93	22.35	(99.10)	(4.87)	
Total Premium	76.66	81.86	75.91	61.74	61.69	63.64	64.57	64.10	62.79
Growth %	-6.35	7.84	22.95	0.09	(3.07)	(1.44)	(98.99)	2.09	
Investment	292.17	306.73	337.67	330.49	277.65	311.54	307.39		
Growth %	-4.75	(9.16)	2.17	19.03	(10.88)	1.35	23.74		
Total Assets	594.20	566.33	567.19	526.81	535.32	511.84	500.00		
Growth %	4.92	(0.15)	7.66	(1.59)	0.00	4.59	2.37		

Source: Records of Bangladesh Insurance Association and Office of Controller of Insurance

6.5.3 Life Insurance - Private Sector

Private sector life insurance suffers very poor investment growth as compared to growth of premium income. In 2002, investment growth was reduced by 23% from the previous year where as premium income growth was increased by 29% in the same year. In 2001, investment growth was decreased by 24% when premium income growth was increased by 31%. In the year 2000, investment was reduced by 28% from the previous year where as premium income was increased by 23%. Over all growth analyses have been shown in the following table:

Tk. in Crore

Particulars	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*	*1997*	*1996*	*1995*
1st Year Premium	410.49	316.53	248.13	168.56	138.84	152.72	128.77	78.91	49.64
Growth %	29.68	27.57	47.20	21.40	(9.09)	18.60	63.19	58.95	
Renewal Premium	623.03	487.57	377.84	299.74	242.49	183.76	136.15	96.89	69.18
Growth %	27.78	29.04	26.06	23.61	31.96	34.96	40.52	40.06	
Group Terms & Wage-eamer	25.43	23.33	17.59	23.80	20.39	19.11	1.05	26.19	13.39
Growth %	9.00	32.59	(26.07)	16.72	6.67	1726.58	(96.00)	95.56	
Total Premium	1058.96	827.43	643.57	492.09	401.72	355.59	265.96	201.99	132.21
Growth %	27.98	*28.57*	*30.78*	*22.50*	*12.97*	33.70	31.67	52.77	
Policies in Force (No.)	0.26	0.23	0.18	0.14	0.11	0.11	0.10	0.04	0.00
Growth %	13.04	30.84	30.39	25.79	0.35	10.23	146.55		
Total sum-assured (Tk.)	9909.24	10783.69	7961.52	8092.38	6988.10	6234.11	5264.63	5469.68	0.00
Growth %	-8.11	35.45	(1.62)	15.80	12.09	18.41	(3.75)		
Tax Paid to Govt.	-	-	0.62	0.01	0.25	0.11	0.13	5.67	0.00
Growth %	-	-	12377.3	(98.00)	119.55	(11.11)	(97.74)		
Life Fund	2129.02	1674.54	1330.86	1054.28	820.18	633.71	463.84	5475.39	0.00
Growth %	27.14	25.82	26.23	28.54	29.43	36.62	(91.53)		
Total Assets	2556.00	2031.89	1586.89	1262.93	993.54	784.51	589.51	442.32	0.00
Growth %	25.79	28.04	25.65	27.11	26.64	33.08	33.28		
Investment	1831.97	248.41	322.60	422.21	586.81	793.53	322.60	248.41	0.00
Growth %	637.48	*(23.00)*	*(23.59)*	*(28.05)*	*(26.05)*	145.98	29.86		

Source: Records of Bangladesh Insurance Association and Office of Controller of Insurance

6.5.4 Life Insurance - Public Sector (Jiban Bima Corporation)

In Jibon Bima Corporation (JBC), researcher found that investment growth is slightly lower than the premium growth and a gradual decreasing trend of life fund of the corporation observed in the table below:

Tk. in Crore

Particulars	2003	2002	2001	2000	1999	1998	1997	1996	1995
1st Year Premium	43.80	57.62	64.15	56.97	49.50	40.30	3.40	29.66	25.32
Growth %	-23.98	(10.17)	12.61	15.08	22.81	1085.42	(88.54)	17.17	
Renewal Premium	140.21	112.44	123.17	118.34	103.54	90.27	84.91	69.35	59.50
Growth %	24.70	(8.71)	4.08	14.29	14.69	6.32	22.43	16.57	
Group Premium	10.26	9.14	9.09	9.68	8.91	9.61	8.66	7.59	7.12
Growth %	12.25	0.50	(6.05)	8.61	(7.29)	11.00	14.17	6.51	
Total Premium	194.27	179.20	196.41	184.98	161.95	140.19	127.57	106.60	91.93
Growth %	8.41	(8.76)	6.18	14.22	15.52	9.89	19.67	15.95	
Policies in Force (No.)	0.03	-	0.04	0.03	0.03	0.03	0.03	0.03	0.03
Growth %	-	-	2.95	1.49	2.50	9.83	9.91	5.97	
Life Fund	642.26	569.42	535.99	474.14	413.56	357.72	309.95	262.70	225.96
Growth %	12.79	6.24	13.04	14.65	15.61	15.41	17.99	16.26	
Investment	554.95	501.72	457.45	399.34	354.97	313.57	285.32	240.99	207.47
Growth %	10.61	9.68	14.55	12.50	13.20	9.90	18.40	16.16	
Total Assets	741.17	669.06	618.73	561.51	492.19	420.52	378.59		
Growth %	10.78	8.13	10.19	14.08	17.04	11.08			

Source: Records of Bangladesh Insurance Association and Office of Controller of Insurance

6.6 Chapter Summary

This chapter forms the survey results of the study in which the analysis and interpretation of collected financial data and other information were undertaken. The analysis was carried out in several stages namely analysis of financial statements data, diagnosis of trend and growth of investment of insurance fund and analysis of non-financial information, analysis of investment portfolio, calculation and analysis of financial ratios, evaluation of capital market performance of listed insurance companies and analysis of insurance industries' performance as a whole. The learned opinion of the researchers and academicians were also examined to find out the underlying causes of weaker growth of investment of insurance fund in Bangladesh.

From the survey, researcher found that 3 life insurance companies (Delta Life Insurance Co. Ltd, ALICO and Jibon Bima Corporation) have complied with the rules regarding investment of insurance fund out of 17 life insurance companies and 21 general insurance companies have required fund invested according to section 27A of the Insurance Act 1938 out of 42 general insurance companies. Researcher also found that maximum life insurance companies have lower growth of investment than the growth of premium income due to excessive management expenses.

The univariate growth analysis further corroborated the finding that the insurance companies' investments were sick which was evidenced by low, declining or negative value of the ratios over a period of time. The result of multivariate analysis also showed that the growth of investment of insurance companies' were poorer than the growth of insurance fund and growth of premium income.

Chapter - 7

Findings, Summary and Recommendation

Chapter - 7

Findings, Summary and Recommendations

7.1 The Problem and Summary of the Study

Insurance companies can usually make more profit from investment activities than from their insurance operations with risks. Insurance companies are making huge investment in government bonds, ICB projects and in bank deposit. There are opportunities to maximize profit through effective and efficient investment management by employing capable and experienced personnel, extinguishing legal and other limitations and exploring investment in profitable ventures.

According to the Insurance Act 1938, a life insurance company is legally required to invest 30% of its fund in the government securities and the rest 70% of the fund in other government securities including capital market. As per section 27A of the Insurance Act 1938, every insurer transacting general insurance business shall have investment exceeding its liabilities by at least a sum of five lac taka or 10% of the net premium income whichever is greater.

Researcher found that 14 life insurance companies have been violated these rules out of 17 companies and 21 general insurance companies out of 42 are in default in complying the aforementioned rules. He has also found that before 13 October 2004, there were no specific guidelines prescribed in the Insurance Rules 1958 for investment of 70% of the life fund which are required to be invested in "other investment including capital market". After promulgating SRO No 289-law/2004 on 13, October 2004, life insurer can invest their balance of fund (70%) in some limited avenues. According to this Gazette Notification, rule 10 (Information as Regards Deposit) of Insurance Rules 1958 amended inserting a new addition of rule 10A (Investment of Balance Assets).

Insurance companies are reluctant in investing their fund in government securities, as its return is poor. Overall growth of investment is lower than the overall growth of insurance fund in Bangladesh, this problem has been defined in the study using research tool, and also identified the causes of problems. This is happened due to over the limit management expenses as prescribed by the section 40A, 40B and 40C of the Insurance Act 1938. Researcher would suggest some measures to remove these problems demonstrating scope of investment expansion persists in the areas of leasing, housing/real estate, health, mortgages, land property, venture capital fund, manufacturing unit, money market, education sector and health sector like other countries. Many developed countries are investing their insurance fund based on different insurance product. For example, fund generated from pension plan/product is invested in long term assets and fund generated from Five-stages product is invested in short term assets like bank deposit.

7.2 Analysis of Test Results of Hypotheses

In course of the study, some specific hypotheses were tested in the study, which depicted the various causes of lower investment growth of insurance fund than the growth of insurance fund in Bangladesh. The results of the tests are discussed as follows:

Hypothesis 1 - ***Growth of insurance fund does not have any influence in the growth of investment.*** This has been formulated as a null hypothesis of the study and tested through Chi – square (x^2) test as follows:

Observation (O):

Investment growth	Insurance fund	Expenses	Others	Total respondent (no. of insurance companies)
Influenced group	35	5	4	47
Non – influenced group	6	7	3	13
Total respondent (no. of insurance companies)	41	12	7	60

Expected frequencies (E):

Investment growth	Insurance fund	Expenses	Others	Total
Influenced group	39	3	5	47
Non – influenced group	2	9	2	13
Total	41	12	7	60

Degree of Freedom (DF):

(C – 1) (R – 1)
= (3-1) (2-1)
= 2*1
= 2

Calculation:

O	E	O - E	$(O – E)^2$	$(O – E)^2/E$
35	39	-4	16	0.41
6	2	4	16	8
5	3	2	4	1.333
7	9	-2	4	0.444
4	5	-1	1	0.2
3	2	1	1	0.5
			Total	10.887

Finding in Chi – square test:

Table value of DF 2 and probability .05 under null hypotheses is 5.991. Calculated value is 10.887 which is greater than the table value. Thus the hypotheses can not be accepted and hence it is proved that "*Growth of insurance fund have influence in the growth of investment.*"

Hypothesis 2 - ***There is scope for increasing volume of insurance fund by extending insurance coverage through marketing new insurance products.***

This hypothesis stipulated that induction of new insurance products can help in increasing insurance product through augmenting volume of sales. Presently, Life insurers are marketing mainly following traditional product:

- Pension policy
- Endowment policy
- Double endowment policy
- Whole life endowment policy

- Health and Group insurance policy
- Micro life insurance policy
- Child marriage policy
- Child education endowment policy etc.

And in case of general insurer, they provide their services with the following products:

- Fire insurance
- Marine insurance
- Motor insurance
- Accidental insurance
- Fidelity guarantee insurance
- Cash in safe insurance
- Cash in transit insurance
- Boiler insurance
- Sprinkler insurance
- Land slip insurance
- Household utensils insurance
- Theft insurance etc.

But we might have some new insurance products like unit-linked policies, DPS (Deposit Pension Scheme), private sector re-insurance, private sector re-takaful, widow policy, orphan policy, expatriate (overseas) insurance policy, savings policy, fixed deposit policy, mortgage policy etc. This hypothesis was also proved in the research study as we can say that all possible customer groups may be covered through providing their desired and useful insurance product. Because a person having all child educated does not require any child education policy rather he may desire a pension policy. In this way all prospective customer would be satisfied getting their needful insurance product. Thus, volume of sales would be increased with augmenting insurance fund.

Hypothesis 3 – ***Investment of insurance fund can be augmented through complying provisions of Insurance Act 1938 and Insurance Rules 1958 regarding management expenses***

Quote:

Rule-39. Limitation of expenses of management in Life insurance business.

No insurer shall, in respect of the life insurance business transacted by him in Bangladesh, spend as expenses of management in any calendar year an amount exceeding the aggregate sum of:

i) *5% of all premiums received during the year on policies granting an immediate annuity;*
ii) *10% of all first year's premiums and four per cent of all renewal premiums received during the year on policies granting deferred annuity;*
iii) *1% of all annuities paid during the year;*
iv) *an amount computed on the basis of the percentages for the time being appropriate to the duration of the insurer's life insurance business specified in the following table:*

Duration of insurer's life insurance business in Bangladesh	*Percentage of premiums (less reinsurance) received during the year other than premiums referred to in items (i) and (ii) above.*	
	of first year's premium	*of renewal premiums*
First three years	$97\frac{1}{2}$	$22\frac{1}{2}$
Fourth to sixth years	$96\frac{1}{2}$	*20*
Seventh to tenth years	*95*	*19*
After the tenth year, if the insurer business in force in Bangladesh is		
a) less than 2 crore of taka	*90*	*18*
b) less than 5 crore but not less than 2 crore of taka.	*90*	*17*
c) less than 10 crore of taka but not less than 5 crore of taka.	*90*	*16*
d) 10 crore of taka or more.	*90*	*15*

Rule-40. Limitation of expenses of management in general insurance business.
No insurer shall, in respect of general insurance business transacted by him in Bangladesh, spend in any calendar year as expenses of management an amount exceeding the sum of-

i) *the amount of commission or other remuneration actually paid to insurance agents and employers of agents in respect of that business transacted in the year; and*
ii) *an amount computed on the basis of the percentages appropriate to the various parts of total gross premium income written direct in Bangladesh during the year.*

Part of the total gross premium income of the insurer written direct in Bangladesh	*Percentage of premium in respect of Fire & Misc. Combined*	*Percentage of premium in respect of Marine*
First 1 crore taka	*30*	*18*
Next 1 crore taka	*25*	*15*
Next 1 crore taka	*24*	*15*
Next 1 crore taka	*24*	*13*
Next 1 crore taka	*23*	*13*
Next 1 crore taka	*22*	*13*
Next 1 crore taka	*18*	*11*
Balance	*16*	*10*

Unquote:

This hypothesis was proved since many of the insurance companies can not control their management expenses within the limit prescribed by the Insurance Act and Insurance Rules as mentioned above. This became very much apparent from the poor growth of investment and insurance fund in Bangladesh. Insurance fund could be quickly accumulated if management expenses would be minimized and maintained within the limit of management expenses per the insurance law. In course of investigation, it was found that many insurance companies incurred excessive expenses on the head of agent commission, staff salary, printing & stationery, conveyance, meeting expenses and entertainment etc. Of course, claims against insurance policies are not included in calculating management expenses of an insurance company.

Hypothesis 4 - Scope of investment of available insurance fund is limited and restricted.

Observation (O):

Range of insurance fund	Scope is limited	Scope is not limited	Total respondent (no. of insurance companies)
Below 50 crore	4	7	11
50 – 100 crore	2	2	4
Above 100 crore	4	0	4
Total	10	9	19

Expected frequencies (E):

Range of insurance fund	Scope is limited	Scope is not limited	Total respondent (no. of insurance Companies)
Below 50 crore	6	5	11
50 – 100 crore	3	1	4
Above 100 crore	4	0	4
Total	13	6	19

Degree of Freedom (DF):

(C – 1) (R – 1)
= (3-1) (3-1)
= 2*2
= 4

Calculation:

O	E	O - E	$(O – E)^2$	$(O – E)^2/E$
4	6	-2	4	0.67
2	3	-1	1	0.33
4	4	0	0	0.00
7	5	2	4	0.80
2	1	1	1	1.00
0	0	0	0	0.00
			Total	2.80

Finding in Chi – square test:

Table value of DF 4 with level of significance of .05 is 9.49. Calculated value is 2.80 which is smaller than the table value. Thus the hypothesis can be accepted and hence it is proved that "*Scope of investment of available insurance fund is limited and restricted.*"

Hypothesis 5 - Insurance fund can be increased by reducing commission to agents and employer of agents.

Quote:

"Rule-31. Requirements for payment of additional commission to insurance agents and employers of agents:
The additional commission shall be paid to an insurance agent or an employer of agents only if-

a) he, during a calendar year or a part thereof, procured general insurance business yielding a premium income of not less than thirty thousand taka;

b) he has the authority to issue and actually issues policies or at least cover notes on behalf of the insurer."

Unquote:

This hypothesis was also proved as insurance companies are expending excessive commission expenses to field forces. Insurance companies have to pay competitive commission to the agents and employer of agents for procuring business due to unhealthy competition persists in insurance industry in Bangladesh. These become very much apparent from ratio and growth analysis of investment and insurance fund of insurance companies. Researchers and academicians are also opined that excessive commission expenses are the root cause of investment sickness in insurance industry in Bangladesh. Insurance fund could be quickly augmented if commission expenses would be minimized and maintained within the limit per the insurance law.

Hypothesis 6 - Insurance companies have to comply with investment avenues prescribed by the Government which helps in increasing growth of investment.

Observation (O):

Group	No. of respondent companies
Compliance of rule HELPS the growth of investment	**7**
Compliance of rule NOT HELPS the growth of investment	**53**
Total	**60**

Expectation (E):

As it is obvious that ancient insurance act (1938) does not help in managing profitable investment of insurance fund. Hence each of the respondents should have been given their opinion that compliance of rule does NOT HELP the growth of investment.

Degree of Freedom (DF):

(C – 1) (R – 1)
= (2-1) (2-1)
= 1*1
= 1

Calculation:

O	E	O - E	$(O - E)^2$	$(O - E)^2/E$
7	0	7	49	49
53	60	-7	49	.82
			Total	49.82

Finding in Chi – square test:

Table value of DF 1 with level of significance of .05 is 3.841. Calculated value is 49.82 which is far greater than the table value. Thus the hypothesis is rejected and hence it is tested that compliance of prescribed rule does not help the growth of investment.

Hypothesis 7 - ***Lack of attractive investment climate is apparent from the practice of investing surplus fund in FDR.***

Respondents of life insurance sector admitted that under the prevailing rules, the companies have to invest 30 percent of fund in the government securities though the return from these securities is shrinking fast. As a result, none is interested to invest their money in the government securities or abide by the 30:70 rules, which is mandatory under the law. Successful companies are looking for new avenues/areas for investment of their fund. This goal is hindered by legal restriction as well as risk associated with the investment and uncertain low return due to lack of attractive investment climate in Bangladesh. These days even the private banks are not interested to offer more than 10% return to the Fixed Deposit Receipt (FDR).

The lucrative source of income has also encouraged some insurance companies to invest their fund in the shares and debentures of various companies quoted (listed) in the stock exchanges. But so far, except a few big companies like Delta Life Insurance Company Ltd and National Life Insurance Company Ltd, the small insurers are shying away from the secondary market. This is also due to lack of logical climate in the stock markets. Insurance companies are eager to invest their funds to IPO (Initial Public Offering) where corporate and big investors are discouraged. Only individual and small investors are encouraged through applying for only a lot of 50 shares in a single BO (Beneficiary Owners) account maintained with Central Depository Bangladesh Limited (CDBL) under Central Depository Act, 1999. As a result, FDR is still the last source of income for the insurers. Thus the hypothesis is proved that Lack of attractive investment climate is apparent from the practice of investing surplus fund in FDR.

***Hypothesis 8* - Growth of insurance fund is correlated with rate of mortality and rate of morbidity.**

Rate of mortality means probability of dying of a particular group of people at their age x and x+1. In actuarial science, this rate of mortality is expressed by q_x. If rate of mortality increases than death claim of a life insurer increases and insurance fund can not be grown up due to this excessive fund outgo for claim payment . Thus, growth of insurance fund has positive correlation with the rate of mortality. Similarly, If rate of morbidity increases than health insurance claim of an insurer increases. Thus, growth of insurance fund has positive correlation with the rate of mortality.

7.3 Recommendations

Since Bangladesh economy is now in the developing and transitional phase, security market of Bangladesh lacks enough investment instruments. The system and transaction standard needs to be improved. In addition, the effectiveness of supervision and guidance of investment markets also need to be stronger. Thus, we should understand the current investment standing of insurance industry in Bangladesh. Researcher recommended following measures to facilitate the economy through prudent investment management of insurance fund.

1. Consummating the Investment Climate. A perfect investment climate should include lucrative investment instruments and fair transaction rules. The climate should also include strong regulatory body which will ensure the system to be implemented efficiently having diversification of investment operation, and effective investment of insurance fund.

2. Perfection of Investment Instruments. Because the insurance investment substantially includes investment in Govt. securities and investment in financial market perfection (easily understood and available like perfect competition market) of financial instruments is very important. Financial instruments include bonds, stocks, loans, deposits and foreign currencies. Of all these bonds and stocks belong to medium and long-term financial instruments and bonds can be classified into governmental bonds, financial bonds and corporate bonds. Governmental bonds can be classified into treasury bonds, treasury bills, municipal bonds; stock can be bifurcated into ordinary stocks and preferred stocks. The investment instruments in financial market should be composed of short-term, long-term and irregular ones, as different investors make use of diversified investment instruments according to their own operational traits. This will improve their abilities of liquidity by choosing different investment portfolios. Generally, insurance companies should base their choice of investment instruments considering maturity time, risks associated with financial market and their own operational policies. For example, if the financial market is not developed yet, they should choose the investment instruments with better return and with least risks. Life insurance companies should choose those investments that are safer and more profitable. Our financial market should have adequate investment opportunities in future and options also.

3. Consummating Laws on the Investment of Insurance Fund. Existing laws (Insurance Act 1938) have not been soundly devised and no longer effective in this changing economy, hence consummation of investment laws is recommended aiming at fair and effective transactions in investment market. Some weak areas are detected by the researcher where laws and rules such as the insurance investment act, the stock exchange regulation on investment of insurance fund, the law of negotiable instruments concentrating investment of insurance fund, the contract law, and the guarantee law should be promulgated immediately.

4. Improving Investment Supervision. The real value of the law lies in its enforcement. The concerned organizations should be established to ensure effective implementation of the relevant investment rules and laws. These organizations are composed of investment administrative sectors, judicial institutions, industrial and commercial administration bureaus, arbitrating authorities. We should ensure rational division of the work and cooperation between those organizations and ensure them to handle investment affairs strictly according to laws and rules.

5. Mortgage Loans and Wide Real Estate Investment should be Permitted. Since our economy is in a take-off stage, the financial market has not developed completely, and construction of funds for green industries and infrastructures with high yield are insufficient, mortgage loans and real estate investment should be permitted. Governmental bonds investment with no restriction, financial bonds investment with some certain restriction, and stock and corporate bonds investment with strict restriction are our current practice; of course bank deposits are an indispensable investment in Bangladesh at present. When Bangladesh becomes a developing country with a well-developed financial market, the emphasis of insurance investment may switch to securities investment. There is still a long way for Bangladesh to go.

6. Expanding the Investment Scope and Controlling the Proportion of Each Investment Means Simultaneously. As to the Government supervision, the restrictions on insurance investment means should be relaxed, such as permitting investment in securities, real estate, mortgage loans and deposits. At the same time, each investment proportion should be prescribed simultaneously. The former will improve the profitability of insurance investment. Diversified investment means will provide insurance companies flexible investment instruments, and create conditions for increasing the rate of return on investments. Of course, this will provide insurance companies with prudent investment portfolio to reduce investment risks. Proportion of investment should be divided into high risk proportion (pattern proportion) and low risk proportion (principal body proportion). The high risk proportion prescribes the ratio to those investment means with higher risk to total investment. So the investment risk brought by the investment means with high risk would be able to gain risk premium. The low risk proportion would control and minimize the investment risks brought by one investment. The proportion of high-risk financial bodies and investment means thereof should be lowered. For example, investment in the share of a company should not exceed 5% of the total investment. Mortgage loans to each company should not exceed 3% of total investment. The real estate investment in each company should not exceed 3% of the total investment. The bond investment in each company should not exceed 5% of the total investment. However, certain risks, and the investment pattern with low profits goes with low-risks. Obviously, if insurance funds are invested totally in a high-risk pattern, insurance companies have to be facing all-sided high risks. Thus, the insured will probably have no granted insurance safeguard, and it will be a disadvantage for insurance companies to attract the potential customers. Thus the proportion of high-risks investment means should be prescribed to guarantee the profitability of insurance investment and to control high risks simultaneously. At the same time, in the market economy, any industrial and commercial or financial bodies, whether the investment means they choose will bring high risks or low, so the proportion of investment in each financial body must be prescribed to control the risks brought by each financial body.

7. The Life Insurance and Non-life Insurance Investment should be Treated Separately. Because of its long-term nature, most life insurance is regarded as saving tools. Since the investment safety is more important, life insurance companies should choose the investment means with security and high profitability, and low liquidity, such as investment in real estate and loans. However, as a short-term business, non-life insurance requires better liquidity, so most insurance funds should not be invested in real estate, but in shares and deposits.

8. Strengthening the Supervision of Insurance Companies' Solvency. Better solvency of insurance companies would help in investing more funds freely, and thus they can choose the investment means with better profitability and with higher risks. The indices of solvency generally include the ratio of net insurance premium to net assets; the ratio of outstanding loss reserve to net assets. The National Insurance Association of USA prescribes that if the former ratio is 3 to 1, it is the most satisfactory and safest proportion. The higher of this proportion is the larger scale of investment that insurance companies can do. If the latter ratio is lower than 1 to 5, insurance companies will probably bankrupt, and the bigger of this proportion is the smaller scale of investment that insurance company would do. Researcher found that there is no standard rate of solvency maintained in our insurance industry. Thus researcher recommends that we should set down the standard rate of solvency based on the current situation of Bangladesh economy.

9. Investment of General Insurance Funds. A new provision should be inserted in the Rules to implement Section 27 (A) of the Insurance Act 1938. Under this provision, the investment portfolio for general insurance should be as follows:

- Government Securities -45% minimum
- Quoted Equities -15% Maximum (with no more than 5% invested in one company)
- Property -30% maximum
- Loans -10% (with no more than 2% invested in one company).

10. Amendment of the Section 27 of the Insurance Act 1938. The first 30% of Investible Fund is required to be invested in Government Securities; a further 70% is required to be invested in any other investment including capital market in such manner as may be prescribed by the Government. Bearing in mind the fact that new types of life insurance product such as investment-linked policies and takaful (Islamic insurance) policies have their own investment requirements, it is recommended to set out product based investment regulations.

In the regulations researcher proposes a reduction in the proportion to be invested in Government Securities in between 20% to 25% (In Malaysia 25%, in Srilanka 30% is proposed) as our bank interest rates have been reduced to single digit eg 5% to 9%. The balance should have maximum limits for investment in stock market securities, properties and loans. In particular maximum stock market security investment may be 40%, maximum property investment may be 20% etc. Specifically we may follow the following portfolio composition considering our country's economy:

Sl.No	Investment means	Proportion
i)	Government Securities	20%
ii)	Approved Investments as may be specified by Gazette Notification time to time	Not less than 80%
a)	Infrastructure and Social Sector Explanation: For the purpose of this requirement, Infrastructure and Social Sector shall have the meaning as given in regulation 2(h) of Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000 and as defined in the Insurance Regulatory and Development Authority (Obligations of Insurers to Rural and Social Sector) Regulations, 2000 respectively.	Not less than 15%
b)	Other investment. [This 65% of investment should be governed by Exposure/Prudential Norms as recommended in Gazette Notification dated 13 October 2004 through SRO No 289-law/2004 vide Rule 10A of the Insurance Rules 1958]	Not exceeding 65%

11. Investment of Pensions and Annuity Fund. Every insurer should invest and at all times keep invested funds belonging to its Pension Business and General Annuity Business in the following manner: -

Sl.No. Investment means	Proportion
(i) Government Securities, being not less than	10%
(ii) Balance to be invested in Approved Investments, not exceeding	90%

[This 90% of investment should be governed by Exposure/Prudential Norms as recommended in Gazette Notification dated 13 October 2004 through SRO No 289-law/2004 vide Rule 10A of the Insurance Rules 1958]

12. Unit Linked Life Insurance Business. Every insurer should invest and at all times keep invested its segregated fund of unit linked life insurance business as per pattern of investment and returns offered to and accepted by the policyholders. Unit linked policies may only be offered where the units are linked to categories of assets which are both marketable and easily realizable. However the total investment in 'other investments' should at no time exceed 25% of the fund rose from unit linked product.

13. Minimum Solvency Margin (SM). The solvency margin requirements are not clearly or explicitly stated in the Insurance Act 1938 for both the general and life insurance company. Albeit, at the time of valuation of surplus or deficit of a life insurance company, actuaries are conventionally practicing in keeping solvency margin 3% to 5% of estimated liability. But in general insurance company, there is no such specific convention.

A minimum solvency margin should be in line with minimum share capital requirement. This would provide an element of policyholders' protection. In Malaysia the solvency margin in the Insurance Act is 4% of the liabilities i.e.

assets must exceed liabilities by 4% of the liabilities. For general insurance companies, the greater of 1 million Ringgit and 20% of the net premium income in the preceding financial year is required.[1]

Researcher recommends that the minimum solvency margin should be inserted in the Insurance Act 1938 as follows:

Long Term Insurance (life)	:	4% of liabilities
General Insurance (non-life)	:	the greater of 1 crore Taka and 20% of the net premium income in the preceding financial year.

14. Recommendation to Constitute Investment Committee. (a) Every insurer should constitute an Investment Committee which should consist of a minimum of two non-executive directors of the Insurer, the Principal Officer, Chiefs of Finance and Investment divisions, and wherever appointed actuary is employed, the Appointed Actuary. The decisions taken by the Investment Committee should be properly recorded and be open to inspection by the officers of the controlling authority.

(b) Every insurer should draw up annually an Investment Policy and place the same before its Board of Directors for its approval. In framing such a policy, the Board should be guided by -

i) issues relating to liquidity, prudential norms, exposure limits, stop loss limits in securities trading, management of all investment & market risks, management of assets liabilities mismatch, investment audits and investment statistics, etc. and the provisions of the Insurance Act 1938.

ii) ensuring an adequate return on Policyholders & Shareholders funds consistent with the protection, safety and liquidity of such funds.

iii) the funds of the insurer should be invested and continued to be invested in equity shares, preference shares and instruments which enjoy a rating made by a national/international rating agency; in the absence of a rating for an asset, the Board shall lay down clearly the norms that would be followed by the investment committee which would ensure that the safety and liquidity of the policyholders' funds are assured. [2]

iv) fund placement limit (popularly known as Cap Limit) of various banks and other financial institutions should be approved by the Board.

15. Recommendation for Product Wise Investment. Product wise fund should be maintained to evaluate the segmental strength in managing and ensuring efficient investment management. Product or segment of the insurance companies may be as follows-

(a) For long term business/ life insurers

- Individual policy division (popularly known in Bangladesh as Ekok Bima), in this division more segmentation may be made by each type of product like Endowment policy with profit, Endowment policy without profit, Child marriage endowment policy, Education policy etc.
- Micro insurance
- Group insurance
- Health insurance
- Reinsurance

- Pension fund
- Mutual fund
- Tabaru fund in case of Takaful (Islamic) insurance.

(b) For property and pecuniary business/general insurers

- Marin insurance fund
- Motor insurance fund
- Fire insurance fund
- Personal accident insurance fund
- Consequential loss insurance fund
- Burglary insurance fund
- Fidelity insurance fund
- Cash in transit and cash in safe insurance fund
- Miscellaneous insurance fund.[3]

16. Recommended list of other investments- may be followed for life insurance companies. 'Other Investments' for the purposes of section 27 of the Insurance Act 1938 should be as follows:

(a) All approved investments specified in section 27 of the said Act except first mortgages on immovable property situated in other country.

(b) All secured loans, secured debentures, secured bonds, other secured debt instruments, shares and preference shares and debt instruments issued by the listed companies.

(c) Subject to norms/ limits approved by the Corporate Governance (considering provisions given in Rule-10A of the Insurance Rules 1938) of the insurers, deposits with banks (e.g. in Current account, call deposits, notice deposits, certificate of deposits etc.) may be included and deposits with Primary Dealers duly recognized by Bangladesh Bank.

(d) Commercial papers issued by a company having a rating by a reputed and independent rating agency under the category of 'very strong' or more;

(e) Treasury Bills issued by Bangladesh Bank.

Explanation – Any investment in the short or medium or long-term loans or deposits with private limited companies shall not be treated as 'other investments'.

17. Recommendation for Separate Takaful (Islamic Insurance) Act. Insurance Act 1938 does not have any provision for operation of takaful companies though presently six companies among fifty eight insurers in Bangladesh are functioning on the basis of takaful concept and there are about 50 (fifty) takaful operators throughout the world. Takaful Companies are now most prospective in various countries in Europe, Africa, North America and Asia. Hence Govt. of Bangladesh should promulgate Takaful Act for regulating the investment of takaful fund and operation of takaful. In this regard, following sample, inter- alia, provision can be included in the Act for the effective takaful fund investment- 'The governing body may, in respect of assets of any takaful fund, require an operator- not to make investments of a specified class or description; to realise, before the expiration of a specified period or such extended period as the body may allow, the whole or a specified proportion of investments of a specified class or description held by the operator when the requirement is made.

For the purposes of this provision the assets from time to time representing any re-takaful operator's deposit held by the takaful operator to meet liabilities of a takaful fund shall be treated with the agreement of the re-takaful operator as assets of the fund.' [4]

18. Recommended Code of Corporate Governance Ethics Regarding Investment of Insurers. The Board (Corporate Governance) should consider the implications of the following policies on the investment strategy of an insurance company. Corporate Governance should ensure that:

- the investments are sufficient in amount and of appropriate nature, term, safety and yield, to ensure that the value of assets is at least equal to the amount of liabilities;

- the expected cash outflows from liabilities can be matched in amount, currency and timing by cash inflows from the investments; and

- this matching of investments and liabilities will continue to be satisfied after having made allowance for any possible fluctuations in investment values, interest rates, exchange rates and any other consequential change in the amount of liabilities.

19. Insurance Subject should be Included in Basic Education. To create general awareness to the future generation, technical aspects of insurance companies, operational aspects of insurance companies, role of insurance company to the national economy should be included in the basic education curriculum.

20. Rating System should be Implemented. Investment must be placed considering the rating of independent rating agency.[5] All insurers must have rating certification from a recognized rating agency registered by the Securities and Exchange Commission (SEC). This should be pre-requisite for floating shares to the public so that general public can understand the total proposition of the insurance company. Rating should be done considering insurer's management expenses ratio, investment management of insurance fund (degree of compliance of Section 27, 27A, 27B and 28 of Insurance Act 1938), customer satisfaction through one stop service, maintenance of solvency margin, and surplus according to Actuarial Valuation (in case of life insurers) etc.

21. Technical Person should be Appointed in Investment and Capital Market Operation Department. The Board of directors of insurance company should ensure that only an individual person who is suitably qualified and experienced is responsible for the investment operations of the insurers' fund.

22. Merchant Banking Operation. Insurance companies should have random access in Merchant Banking (Underwriting, Issue Management and Portfolio Management) activities where little fund is required but return is remarkable. [6]

23. Investment in Derivatives. Derivatives, options (future and put), swaps should be introduced in capital market and insurers should have permission to invest their fund in these profitable areas. Because its important phenomenon of recent years has been the tremendous growth in international markets. [7]

24. Investment in Hospitals and Public Utilities. As almost all life insurance companies have micro-insurance wing, which is the savings of the poor people creating huge fund and integrating the poor section with the national economy. The then Commerce Minister gave following directions for investing bulk fund in open market in a first ever nation wide conference on micro insurance hosted by Delta Life Insurance Company Limited:

- 'Entrepreneurs in Bangladesh have to depend on fund from banks and capital market whereas in developed countries they depend on insurance fund and provident fund for long term loan.
- We need investment opportunity in sectors where good corporate governance exists.
- Apart from investment in private placement and initial public offering, micro-insurers can invest in hospitals like Bumrungrad in Thailand.
- Micro-insurers to adopt effective fund management strategy to make best use of the fund'.[8]

25. Accounting Principles to be Harmonized. The CFO forum (Chief Financial Officers of the biggest European insurers) recommended setting unified guidelines aiming to make so called "embedded value reporting" and to provide investors with financial information transparent and consistent across the world. They also took initiative to harmonize the International Accounting Standard Board (IASB), International Financial Reporting Standards (IFRS) and insurer's existing principles of accounts and solvency measurement.[9]

26. All Insurance Coverage must be done in Bangladesh. Government should pay attention to Foreign Exchange Reserve (Forex Reserve) giving direction to do all general insurance business in respect of Bangladeshi property with insurers in Bangladesh. This will promote the strength of Bangladeshi insurers and also to stop departure of foreign currency by way of insurance abroad or to promote foreign currency earning by compelling imports to be insured here. The law is very clear in this regard that "No person shall insure outside Bangladesh any risk or any part thereof in respect of any property or interests in Bangladesh unless a certificate has been obtained from the Chief Controller to the effect that the risk in question cannot be insured in

Bangladesh".[10] The purpose of this section is to disallow insurance of any Bangladeshi property outside Bangladesh. Only when a risk cannot be so insured in Bangladesh the Chief Controller of Insurance may allow effecting of such insurance outside Bangladesh. 'But what have we been observing in the present scenario? Big projects under foreign finance are being insured, for their huge imports under marine policies, in foreign countries, particularly from where the finance is presumably originating, even though such insurances are most ordinary forms of insurance and can be easily insured by any insurer of Bangladesh. It is understood that this is possibly being done by taking waiver from the relevant wing of the government, which is certainly not the Chief Controller of Insurance, although the existing law of the land does not permit this. In this way Bangladesh is deprived of a huge amount of foreign currency earning by way of premium. Can we not stop this? Where is the difficulty? Can we not give a real thought to this and straighten out the issue? The government may kindly look into this and resolve this long outstanding issue, for which it has been approached on a number of discussion by the Bangladesh Insurance Association.'[11]

27. Investment in Government Bonds. 'The Government introduced two bonds for 5 and 10 years tenures. These are already being traded in the secondary bond market through 9 primary dealers.'[12] On the basis of the above news, a good portion of insurance fund (ie total insurance fund as on 31 December 2003 is Tk. 37 billion where 19 life insurance companies have a total of around Tk. 25 billion life fund and 43 general insurers have accumulated fund worth Tk. 12 billion)[13] should be invested in these Government Bonds as the interest rate has reduced in National Savings Certificates (NSC), Agrani Bank Industrial Development Bond (ABIDB), National Investment Bond (NIB), Treasury Bill and Treasury Bond.

28. Waiver of Bank Charges for Premium Collection. Bangladesh Bank (Central Bank) should pay attention for waiving collection charges and enlistment fees of commercial banks etc from the insurance companies for the sake of quick fund generation in insurance industry. They should also take adequate measure in controlling the ownership of banks and insurance companies by the same persons for reducing unfair competition in insurance industry.

29. Regulatory Body should be Reformed. World Bank's Thorban Report on insurance sector recommended abolishing the Insurance Department in Commerce Ministry and to form an autonomous body named as Insurance Supervisory Authority (ISA). He also recommended for putting this ISA under the supervision of Finance Ministry. This ISA would be the regulatory body of insurance industry in Bangladesh. He also recommended to have an independent board under the ISA consisting one Chairman (Chief Executive Officer) and four members appointed by the Government.

30. Rate of Premium to be Increased. Overall growth of investment is lower than the overall growth of insurance premium income in insurance industry in Bangladesh. This is happened due to high ratio of management expenses. To solve this sort of problem, all insurance companies should increase the premium rate (pricing of insurance products) so that they can have sufficient investible fund after mitigating all types of management expenses and claims.

31. Mortality Table to be Revised. Mortality Table is paramount important in calculating premium of insurance companies. This mortality table is too old hence Bangladesh Bureau of Statistics (BBS) and Actuaries engaged in insurance industry should take initiative to revise the Mortality Table.

32. Discloser of Minimum Fund to be Invested. (i) According to section 27(1) of Insurance Act 1938, all life insurance companies shall have to invest a minimum fund and keep invested in all times. Researcher recommends disclosing the minimum fund to be invested in Annual Report of every such insurance companies including an opinion that whether they complied this provision or not. (ii) According to section 27A(1) of Insurance Act 1938, all general insurance companies shall have to invest a minimum fund and keep invested in all times. Researcher also prescribed disclosing the minimum fund to be invested in Annual Report of every such insurance companies including an opinion that whether they complied this provision or not.

33. Tax Free Bond should be Issued by the Government. Special type of tax free investment bond should be included in financial market. Interest income on this bond should be exempted for paying income tax. This type of bond would be suitable for newly established life insurance companies as fund accumulation is slower in first 2/3 three years of operation of a new life insurers. Thus, life insurance companies would be helped in raising their life fund quickly.

34. Income Tax Rate of Life Insurance Companies should be Lower than the Non-life (General) Insurers. Life insurance companies must have to repay the money (premium) received from its policyholders at the time of policy holder's death or maturity of the policy. But general insurance companies may pay the claim only when loss is occurred. Thus general insurance company can be able to raise their fund more quickly than the life insurance company. Hence, rate of income tax applicable for life insurance companies should be lower than that of the general insurance companies.

35. Income Tax Treatment of Interest on NIB (National Investment Bond) should be Clearly Defined. Many insurance companies have their substantial fund invested in NIB, but interest on NIB has confusion regarding exemption of income tax. Sometimes tax department allows interest on NIB as an exempted income and sometimes they disallow the same. With the co-ordination of NBR (National Board of Revenue), Government should lucidly clarify the tax treatment of interest on NIB. It is recommended to exempt the interest on NIB from the list of taxable income which will reduce the management expenses resulting quick accumulation of fund.

36. Private Re-insurance Company in Bangladesh. Presently their is no re-insurance company exists in insurance industry in Bangladesh. Only Sadharan Bima Corporation (SBC) and Jibon Bima Corporation (JBC) accepted re-insurance cession up-to a certain level of risks. As a result, huge Bangladeshi currency goes out of the country. Government should permit the existing insurers to invest their fund in incorporating/establishing separate re-insurance company in Bangladesh. This would help in maintaining good Forex Reserve (Foreign Exchange Reserve) of the country.

37. Recommendation for Adoption of Capital Adequacy Ratio. In accordance with the Insurance Act 1938 and Insurance Rules 1958 prevailing in the country, initial capital requirements of an insurance company are as follows:

(a) Life Insurance:

At least Tk. 75 million of which 40% shall be paid by the sponsors and the remaining 60% shall be open for public subscription.

(b) General Insurance:

At least Tk. 150 million of which 40% shall be paid by the sponsors and the remaining 60% shall be open for public subscription.

(C) Specified Miscellaneous Insurance Business:

At least Tk. 15 million of which 40% shall be paid by the sponsors and the remaining 60% shall be open for public subscription.

There is another provision to float share to public within 3 years of operation or commencement of business. Still there is no capital adequacy regulation in insurance industry in Bangladesh. Thus, capital adequacy regulation should be incorporated in forth coming insurance act.

38. Gazette Notification of Operation of Postal Life Insurance (Daac Jibon Bima). Postal life insurance has very good market share mostly in rural areas but there is no rules prevailed in Bangladesh to regulate these life insurance activities. Government is the owner of the postal life insurance, which is supervised under the postal and communication department. Researcher recommended that a separate Gazette notification should be issued for postal life insurance for its operation.

39. Merging of Postal Life Insurance with Jibon Bima Corporation (JBC). The risk management issues are highly technical. Specially life insurance has most technical operations like underwriting, actuarial valuation, product development, re-insurance, policy servicing, policy revival and alteration etc. Thus, postal life insurance needs to be strengthened further. This may be possible through merging Postal Life Insurance with Jibon Bima Corporation (JBC). In these circumstances, only premium of postal life insurance may be collected through post offices in the country.

40. Separate Laws for Jibon Bima Corporation (JBC) and Sadharan Bima Corporation (SBC). Both of these nationalized corporations are governed under single act named Insurance Corporation Act 1973. There are basic differences between the operation of jibon bima (life insurance) and sadharan bima (general insurance) particularly perils/risks coverage, accounting process, investment requirements, actuarial valuation etc. Hence a single law should not regulate both the life and general insurance operation. Justifying this researcher recommends to promulgate separate laws for Jibon Bima Corporation and Sadharan Bima Coporation. This may be noted here that government has addressed the matter considering separate acts for these two nationalized corporations.

41. Investment in Subsidiary Companies. "Provided always that investment in the shares of any one company shall not exceed (a) 10% of the paid-up capital of the company, or (b) 5% of the fund in respect of the first taka ten crore plus two and half percent of the said fund in excess of Taka ten crore whichever is less and (c) where an investment is in partly paid-up shares, the uncalled liability on such shares shall be added to the amount invested for the purpose of computing the percentage." [14] This provision has been provided for life insurance company's investment. According to this rule, an insurance company cannot invest more than 10% of a company's paid-up capital. This means that insurance company cannot create any subsidiary company through its investment of insurance fund. Government should abolish this provision and permit to invest the insurance fund in subsidiary company.

42. International Financial Reporting Standard (IFRS) for Investment of Insurance Fund should be Pursued by the Accounting Body. There is no specific accounting standard or financial reporting standard on insurance accounting and insurance fund investment. Through International Accounting Standard (IAS) on investment (IAS – 25) provides some general guideline on investment transaction and treatment and computation of return on investment, these are not sufficient in dealing the investment of insurance fund. We have another IAS (IAS – 30), which also dealt with the operation of financial institutions (Bank and leasing) except insurance companies. Thus, The Institute of Chartered Accountant of Bangladesh (ICAB) should take initiative to make exposure draft /IAS/IFRS on Insurance Operation.

43. Government Should Issue Mudaraba Bond for Takaful (Islamic Insurance) Business. In respect of General Takaful (general insurance) company, there is no set principles for investment of General Takaful fund in the Insurance Act 1938, which means, this fund may be invested according to the shariah principles as the Islamic Insurance Companies may deem fit. But problem lies elsewhere, according to the provision of the Insurance Act 1938, a General Takaful company has to keep security deposit amounting to Tk. 9 (Nine) million with Bangladesh Bank in the form of Bond or Govt. securities which earn interest. In this case, insurance association should approach the government that Bangladesh Bank may float mudaraba bond or allow the islamic insurance companies to keep the security deposit with the Islamic Banks in TDR/FDR and deposit the receipts with the Bangladesh Bank to comply with the security deposit requirement of the Insurance Act 1938.

44. Researcher Recommended for Promulgating Separate Re-insurance Act in Bangladesh. Presently their is no re-insurance company operates in Bangladesh. Only Sadharan Bima Corporation (SBC) and Jibon Bima Corporation (JBC) accepted re-insurance cession up-to a certain level of risks or perils associated with lives and properties. As a result, huge Bangladeshi currency goes out of the country. Government should permit the existing insurers to invest their fund in incorporating separate re-insurance company in Bangladesh, which would help in maintaining good Forex Reserve (Foreign Exchange Reserve) of the country. Before permitting re-insurance companies in Bangladesh, government should take initiative to promulgate the Re-insurance Act for prospective re-insurer's sound operation.

45. Insurance Companies should be Controlled by the Finance Ministry.

Presently insurance industry is governed by the Commerce Ministry through Chief Controller of Insurance under the Department of Insurance in the said ministry. As insurance companies are treated as financial institution this industry should bring under the purview of Finance Ministry rather Commerce Ministry. Insurance Experts gave opinion that insurance companies will perform with improved discipline if insurance industry is supervised by the Finance Ministry.

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[Researcher may be contacted for detail of the appendices mentioned here in above]

To

University of Dhaka

18 February 2005

Reverend Sir,
Mr. M. Shamsul Alam ACII
Managing Director
Reliance Insurance Ltd
08 Rajuk Avenue, Dhaka-1000.

Sub. **Co-operation to our research project "INVESTMENT OF INSURANCE FUND".**

Dear Sir,

You are one of the top ranking insurance magnets in Bangladesh. You have earned solid reputation as an insurance professional in the country. You will be glad to know that I have undertaken a study on **"Investment of Insurance Fund"**. This is a part of my PhD work in the University of Dhaka. I have been in the insurance business for more than 12 years. I am a Chartered Accountant. Because of my sincere commitment to development of insurance industry in the country, I decided to expand the horizon of insurance education. My desire has been intensified because of my linkage with Bangladesh Insurance Academy as a part time lecturer.

I have registered myself as a PhD student in the Department of Accounting & Information Systems in the Faculty of Business Studies. My research guide is Dr. Syed Masud Husain, Chairman of the Department of Accounting and Information Systems of the University of Dhaka.

I believe that, with your co-operation, I will be able to prepare and present a research report, which will open out new dimensions in insurance industry. Professionals employed in insurance companies and policy makers of the Government will find the study useful in policy formulation.

I shall be highly obliged if you spare a few minutes of your busy time schedule in filling up the attached questionnaire and supply me with a copy of your Bio-Data. It is the moral practice of researcher to maintain confidentiality of the information given by the valued respondents. I will analyze the information only in aggregate. Thanking you.

Sincerely yours,

(M Mosharraf Hossain)
EVP, Delta Life Insurance Co Ltd
90 Motijheel C/A (9^{th} Floor)
Dhaka-1000.

Counter Signed:
Mr. M Mosharraf Hossain is a PhD student under my supervision. His research topic is "Investment of Insurance Fund in Bangladesh". He deserves sympathy and encouragement from the insurance experts of Bangladesh.

(Prof. Dr. Syed Masud Husain)
Chairman, Dept of Accounting and Information Systems
Dhaka University.

University of Dhaka

Department of Accounting and Information Systems

Questionnaire Form

Researcher:	***Supervisor:***
M Mosharraf Hossain Executive Vice President (Finance & Operations) Delta Life Insurance Co Ltd 90 Motijheel C/A (9th Floor) Dhaka-1000.	**Prof. Dr. Syed Masud Husain** Chairman Dept of Accounting and Information Systems Dhaka University.

1. Please put your name ____
2. Please indicate years of your experience in insurance business _______________
3. Please state your expectation about growth of insurance business in Bangladesh.

4. Please mention factors that, in your view, hinder the growth of insurance business in Bangladesh.
   (a)
   (b)
   ©
   (d)
5. Please indicate your valued opinion about expansion of insurance risk coverage.

6. Please suggest measures for increasing the coverage of general and life business.
   (a)
   (b)
   ©
   (d)
7. In your opinion, how prudently Insurance Fund is invested now.

8. At this moment Insurance Fund can be invested in-
   (a) Government Securities (30% of fund)
   (b) Any other investment including capital market (70% of fund)
   Would you please suggest additional avenues where Insurance Fund can be invested more profitably?

9. Please mention areas of business activities where Insurance Fund would be utilized more profitably.

10. Please suggest measures for increasing the volume of Life Fund/Balance of Profit.
    (a)
    (b)
    ©
    (d)

11. In your view, what our Government should do to create favorable environment for investment of Insurance Fund.

12. Please state if you have any ideas and suggestions for enhancing the coverage and profitability of insurance business in Bangladesh.