

# Performance Evaluation of Islamic Insurance Companies in Bangladesh

Thesis Submitted to Dhaka University for the Award of the Degree of Masters of Philosophy (M.Phil) in Management

Presented By  
Md. Ferdous Hassan  
M. Phil Researcher  
Registration No: 113  
Session: 2010-2011  
Department of Management  
University of Dhaka

Supervisor  
Dr. M. Ataur Rahman  
Professor  
Department of Management  
University of Dhaka



July, 2014

## Declaration

I declare that my thesis entitled **Performance Evaluation of Islamic Insurance Companies in Bangladesh** is my personal and single study and it has been undertaken in the close supervision of Dr. M. Ataur Rahman, Professor, Department of Management, University of Dhaka, Bangladesh.

I further affirm that the research work presented in this thesis is original and it has not been submitted earlier either partly or wholly to any other university or institution for any degree, diploma or any other purpose.

**Md. Ferdous Hassan**

M. Phil Researcher

Registration No: 113

Session: 2010-2011

Department of Management

University of Dhaka



## Certification

I have the pleasure to certify that the thesis entitled **Performance Evaluation of Islamic Insurance Companies in Bangladesh** in the fulfillment of requirements for the award of the degree, Masters of Philosophy (M. Phil) in Management, University of Dhaka is prepared by Md. Ferdous Hassan. It is an original work, and an addition to the existing field of knowledge. He has completed this thesis under my supervision.

I have gone through the draft and final version of the thesis that is found to be satisfactory.

I wish him all success in future. It may be sent for evaluation.

**Dr. M. Ataur Rahman**

Professor

Department of Management

University of Dhaka

Bangladesh

&

Supervisor

# Dedication

The present M. Phil research work has been dedicated to my father late Abdul Awal, former service holder, Department of Police, Brahman- Baria and also to my mother Momena Begum. I am also thankful to my wife and my two children.

Undoubtedly, their inspiration has become a perennial source of accomplishing this research work. They always wanted me achieving a highest degree of home and abroad.

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At length, I offer thanks to my father in law, my mother in law, especially my wife Farzana Koly and other well-wishers because of their co-operation, assistance, and inspiration to enhance the research work on the wayward for its completion.

**Date:** July, 2014

**Md. Ferdous Hassan**  
M. Phil Researcher

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# Letter of Transmittal

July, 2014

**Dr. M. Ataur Rahman**

Professor

Department of Management

Faculty of Business Studies

University of Dhaka

**Subject:** Submission of M. Phil Report

Dear Sir,

Here is the report that I have prepared as per your guidelines, for the fulfillment of my M Phil Program requirement. As you will see this report focuses on the *Performance Evaluation of Islamic Insurance Companies in Bangladesh*. Extensive effort was devoted to make the study as elaborate as possible, as you instructed. As you will find, the report contains some of the most confidential internal data of different listed and unlisted Insurance Companies of Bangladesh. This study has greatly helped me for understanding Performance and various aspects of Insurance Companies in Bangladesh more elaborately.

I hope you will appreciate the sincere effort.

Very sincerely yours,

**Md. Ferdous Hassan**

**M. Phil Researcher**

Department of Management

*Dhaka University Institutional Repository*

## Executive Summary

The main focus of the study is the performance evaluation of 5 Islamic Insurance Companies of Bangladesh. The performance evaluation of business has taken high profile in the climate of micro-economic reform in the recent past. The real wealth of Bangladesh can be increased by increasing the inputs available to the country. That is by discovering new resources and using the existing resources more efficiently. GDP growth slowed to 6.3% in FY2012 (ended June 2012) from 6.7% in the previous year (Figure 3.15.1). Agricultural growth halved to 2.5% from 5.1% in FY2011, as crop growth dropped to 0.9% from 5.7%.

Takaful Islami Insurance Limited was established in 2002. A group of Businessmen who had earlier launched a Islami Bank in the private sector sponsored the company with 60 million taka capital. Sponsors included shipping magnets, Doctors, Engineers, Bankers, Top Garment exporters and Importers. Market size of Bangladesh in the non-life sector was Tk. 1,050 million in 1986. It has grown to Tk. 7975.70 million in 2006. The growth of private sector non-life insurance business was primarily due to the drive given and initiative taken by the private insurers in exploring new avenues while to some extent it was due to increase in project value and commodity prices in the international market. The premium income of non-life private insurers would have been much more had the term “Public Property” been redefined to give its exact denotations through exclusion from its orbit those undertakings which had been setup with foreign loan in the private sector and insurance premium thereon was fully paid by the private entrepreneurs. This provision has been hindering the growth of the private insurance companies, as only the Govt. owned Sadharan Bima Corporation is allowed to insure such “Public Property” with its present denotation.

Islami Insurance Bangladesh Limited’s Gross premium decreased from 2008 to 2009. Then it increased for two years that means from 2009 to 2011. Finally, it begins to decrease in the last



year. Fund & Reserve of the company increased from 2008 to 2012. That means the company's fundamental position becomes stronger year by year. The amount of investment income of the company increased from 2008 to 2012. That means the company is making the best investment decision by choosing the appropriate projects, which helps to increase the company's income. The Company's Claim paid also shows the increasing trend from 2008 to 2012. This indicates the company's ability to pay the claims in the right time. From the overall analysis we can say that the company is best for fund & Reserve, Investment Income and Claim Paid.

Prime Islami Life Insurance Company's Gross Premium increased from 2008 to 2012. That means the company can earn more premiums than its competitors. The Company's Fund and Reserve increased from 2008 to 2012, which again shows the company's strong fundamental. Investment income has been showing the increasing trend from 2008 to 2012, that means the company is making the best investment decision by choosing the appropriate projects, which helps to increase the company's income. The company's Claim paid also shows the increasing trend from 2008 to 2012. This indicates the company's ability to pay the claims in the right time. From the overall company's Business performance and financial highlights, we can conclude that Prime Islami Life Insurance is doing better performance for Gross premium and Fund & Reserve.

We observe that the values of the HHI Index are between .15 or 1500 and .25 or 2500 from 2008 to 2012. Therefore, we can say that our Islami Insurance Industry indicates moderate concentration.

The efficiency change and technical change index. . On average, the insurance firms are found to be experiencing a technical progress. In contrast there was a slight decline in efficiency change, the subcomponent of this efficiency change, namely pure efficiency, did show a slight improvement. Efficiency change is again combined by pure efficiency and scale efficiency. It is found that, on geometric mean, the TFP of the Takaful life insurance industry is mainly due to both efficiency and technical changes where the main source of the efficiency change is pure efficiency rather than scale efficiency. So this works shows despite having potentiality due to inefficient operator's life insurances companies can't gain success in this country

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# **Chapter: 01      Introduction**

## **1.1 Background of the Study:**

The Bangladeshi Islamic Insurance Companies has been increasing tremendously during last couple of years. With the reforms of economy, reforms of industrial policy, reforms of public sector and reforms of financial sector, the economy has been opened up and many developments have been taking place in the Bangladeshi Islamic Insurance Company. So we have worked in consideration of Islamic Insurance Company in Bangladesh to observe their performance and contribution of our economy for a large scale.

Theoretical knowledge increases eagerness to know anything and practical knowledge opens the eyes of man. Knowledge and practical training go hand to hand. That is why it is very much important for the M. Phil students like us to acquire theoretical knowledge with the Islamic Management Practices in Islamic Insurance Companies in Bangladesh. It is crying need to us to acquire practical knowledge as well for the partial fulfillment of the requirement for the degree of M.Phil in Management.

Islami Insurance Bangladesh Limited (IIBL), the first General Insurance (Takaful) Company based on the Islami Shariah was registered and established under the Bangladesh Company Act, 1994 and the Bangladesh Insurance Act, 1938 on 29th December, 1999 to transact all sorts of general Takaful business. The Company started functioning from 1st January, 2000.

Takaful Islami Insurance Limited was established in 2002. A group of Businessmen who had earlier launched a Islami Bank in the private sector sponsored the company with 60 million taka capital. Sponsors included shipping magnets, Doctors, Engineers, Bankers, Top Garment exporters and Importers.

Prime Insurance Company Limited is a renowned General Insurance Company in Bangladesh and Specialized and significant expertise in underwriting Marine Hull, Marine Cargo, Motor, Fire, Engineering and Miscellaneous Accidental insurance.

As a second generation private sector Non-life Insurance Company, Prime Insurance Company limited was incorporated as a public Limited company on 21 march 1996 under the companies Act, 1994 and has obtained registration from the chief controller of insurance, Government of the people's Republic of Bangladesh on 31 March 1996. Subsequently the company has been listed with Dhaka Stock exchange and Chittagong Stock Exchange in the year 2001.

Padma Islami Life Insurance Ltd. emerged as the 1st full-fledged Islami Life Insurance Company in the country in the year 2000 and has, by the grace of almighty Allah, been able to earn confidence of the common people of the country. Market size of Bangladesh in the non-life sector was Tk. 1,050 million in 1986. It has grown to Tk. 7975.70 million in 2006. The growth of private sector non-life insurance business was primarily due to the drive given and initiative taken by the private insurers in exploring new avenues while to some extent it was due to increase in project value and commodity prices in the international market. The premium income of non-life private insurers would have been much more had the term "Public Property" been redefined to give its exact denotations through exclusion from its orbit those undertakings which had been setup with foreign loan in the private sector and insurance premium thereon was fully paid by the private entrepreneurs. This provision has been hindering the growth of the private insurance companies, as only the Govt. owned Sadharan Bima Corporation is allowed to insure such "Public Property" with its present denotation.

We insure all traditional lines of non-life insurance businesses viz. – Fire & allied risks including flood, cyclone, earthquake, Typhoon, malicious damage, burglary, riot,



strike, damage, house breaking, industrial all risks, DOS, machinery break-down, loss of profit, business interruption, car/ear, personal accident including workmen compensation, motor insurance of all descriptions & value, Travel medical & medical insurance including treatment abroad to name a few broad lines.

Paid-up capital of the company is Tk.60.00 million and Reserves including capital reserves stood at Tk.64.39 million as 31st December 2007. Total Asset as of 31st December, 2007 stood at over Tk. 2026.86 million.

## **1.2 Origin of the Study:**

The Report entitled “**Performance Evaluation of the Islami Insurance Companies in Bangladesh**” has been prepared as a fulfillment of M. Phil program authorized by Department of Management, University of Dhaka. Since this program is an integrated, practical and theoretical method of learning, this program is required to have practical exposure in any kind of business organization. This report has been prepared on practical orientation. I have done this study using five Islami Insurance Companies Ltd. in Bangladesh. These five Islamic insurance companies represent a snapshot of whole Islamic insurance company’s perspective. Basically we can conclude through this study that how the Islami insurance companies contribute our economy such as GDP, wealth maximization and overall social contribution of the society. We can also get knowledge about the Islami different methods of transactions which are performed through Islamic rules and regulation. There is a big opportunity lies ahead for the Islamic insurance companies as the population of our country are increasing day by day. Although most of people of our country live under extreme poverty level and want to avoid insurance policy number of potential policy holders in Bangladesh is growing with growth of the population. There are so many new businesses starting every day and manufacturing sector is booming with global demand. Every business is insured under an insurance company to protect its company from any kind of accident.

So this study can magnify the knowledge of individual and researcher. People are now much more conscious about their safety. So they are encouraged to take an insurance policy for making their life free from any unexpected occurrence. Increase in literacy rate is helping .predominantly to create awareness among the problem regarding taking insurance policy.

### **1.3 Objectives of the study :**

The main objective of the paper is to explore the extent to which Islamic Insurance Companies are ahead of the conventional Insurance Companies Operations and identify the problem areas of Insurance Companies as well as their opportunities. I divide objectives into two parts:

#### **A) Broad Objectives:**

The broad objective of the present study is to evaluate the performance of Islamic Insurance Companies in Bangladesh.

#### **B) Specific Objectives:**

The specific objectives of the study paper are as follows:

1. To measure the performance of cross section Analysis of Insurance Companies.
2. To identify the possible reasons for variations in the performance of various categories of Islamic Insurances Companies especially the five leading Islamic Companies in Bangladesh.
3. To suggest possible lines of actions to improve the performance.
4. To evaluate the selection and procurement techniques of clients.

5. To assess the investment mechanism of Islamic insurance companies.
6. To appraise the premium collection system of Islamic insurance companies.
7. To assess the recovery position of invested funds of Islamic insurance companies.
8. To identify the problems or weaknesses (if any) of Islamic insurance companies.

#### **1.4 Rationale of the study:**

The paper identifies the most widely used indicators of bank performance and applies the same to make a thorough examination of various performance dimensions of the Islamic Insurance Companies of Bangladesh. The sequential steps are discussed below:

- Relevant data were collected from various Islamic Insurance Companies publications, viz.,
  1. Economic Trends,
  2. Scheduled Insurance Statistics,
  3. Annual Reports of Selected Islamic Insurance Companies in Bangladesh
  4. Insurance Bulletin.
- Five major dimensions of performance viz. general business measures, profitability, management soundness and social profitability were analyzed by using appropriate indicators or ratios.
- Market share and growth rate of different categories of Insurance against certain variables were also provided.
- In addition, trend values were calculated to find the absolute changes of the variables and their direction of change.

- This study will also help in knowing the problems and solution of policy in Islamic insurance companies.
- This is a policy oriented research study. So the recommendation of this study might be applied in the improvement policy and investment as well as overall post primary policy system.
- I observe that insurance and gambling are basically different from each other and the principals of Islamic law permits the idea of covering calculable risks.
- I understand that the insurance as being practiced in the capitalistic economy have several shortcomings and not in conformity with the Islamic shariah.
- I convinced that in the modern age there are several essential social and economic values of insurance.
- I understand that the insurance a being practiced in the capitalistic economy have several shortcoming and not in conformity.
- A further study is the imperative need for the change of the professional outlook, character and moral development with view to enhancing the poverty alleviation of the people in Bangladesh.
- The study is essentially required for how to use modern technology and raise skillness.

### **1.5 Hypothesis:**

Today the company knows customers as most own investors and from own staff will apply all own efforts for their satisfy. Attention to customers is first feature of the new marketing. This issue has more important in the insurance markets are with a very high competitive tension. Such that insurance companies are provider service of better, quicker and reach further to own insured and realization desires, needs and expectations of their insured is in priority, allocation to itself larger share of this market. The research hypotheses include:

1. Hypothesis (H<sub>0</sub>): There is no significant difference between premium income of Padma Islami Life Insurance Ltd. and Fareast Islami Life Insurance Company Ltd. [H<sub>0</sub>]
2. Null Hypothesis (H<sub>0</sub>): There is no significant from this test, and cannot tell the insurance company whether or not they should be concerned about their current policies.
3. There is a relationship between inappropriate quality of services and leaving insured from insurance services.
4. There is a relationship between customer dissatisfaction and leaving insured from insurance services.
5. There is a relationship between unfair price and leaving insured from insurance services.
6. There is a relationship between competitors attractive and leaving insured from insurance services.
7. There is a relationship between relocation costs and leaving insured from insurance services.

## **1.6 Conceptual Framework of the Study:**

*Philosophies of Islamic Management:* The basic philosophy of Islam lies in man's relationship with Allah, His universe and his people. The main philosophies of Islamic Management are: (a) to satisfy Allah by the work, (b) to create a most reliable atmosphere in society, (c) to flourish and develop friendship and humanity in society, and (d) to create a better living place and develop a peaceful life for all in society.

*Management functions:* Management involves the five basic functions of planning, organizing, leading, motivation and controlling. Here we explore each of these activities in the light of Islamic management:

*Planning:* All activities of the Prophet (SAW) in his life were organized with proper planning. He implemented all the plans of his life according to the holy Qur'an. Islam teaches Muslims that they should formulate all their plans in light of Qur'an and Sunnah. Islamic planning follows some principles such as, setting lawful objectives, making plans in a participative and consultative process, setting plans in a composed mind, awareness of the facts of a situation and depending upon Allah.

*Organizing:* Islam identifies the boundary of authority, responsibility, delegation and accountability to attain the objectives of an organization. The process of decision-making and the mission of a Muslim limit authority in Islam. In Islam everybody is responsible for his own duty. Islam gives emphasis to delegated subordinates who will be accountable to their manager in ethical and lawful activities. There are two types of accountability mentioned in Islam. Firstly, an employee is accountable to his immediate superior. Secondly, the employee is responsible to obey the orders of Allah.

*Leading:* In Islamic management leadership means solving the all problems by group for seeking Allah's pleasure. Consultation with relevant people is necessary in this leadership. In this system, leaders must not seek leadership and democratic styles are followed most of the time. Followers have an active role and participation to properly operate leadership and both leader and the subordinates are accountable to Allah and their organization.

*Motivation:* Islam emphasizes the significance and role of motivation in human activities. It states that the human actions are governed by inner intentions, drive and

motives. The Prophet (SAW) tried to motivate his followers to follow the teaching of holy Qur'an by motivational tools to solve problems by participation, to motivate by beautiful and attractive saying, clarity of goals and objectives and motivating people for a long- term objective. The basic techniques of Islam are, Taqwah, reward and punishment for work, justice, power and other ethical approaches.

*Controlling:* The Islamic rules may be analyzed in the light of management control rules stated as follows 1. The message is pre-established by Allah, 2. The message is a set of dos and don'ts and describes how Allah wants the prophet to behave, 3. The messenger understands the message and its interpretation, 4. Allah gives people their own free will to follow or not follow the predetermined Islamic rule.

### **1.7 Limitations of the Study:**

Every study may have lot of limitation. The present is not expectation to this study as previously stated this study has been conducted with the data collected based on a specific time period may have been affected by the sample selection bias. There are some specific limitations in this study:

- Relevant information was not as available as required. In some cases updated information was not available.
- Due to time constraint limited analytical tools have been used to draw the conclusion of the study.

In the face of these limitations, the study has been conducted and the report has been prepared with the best efforts and integrity.

We know Islamic Insurance is a new area of study. A few years back it has started its business following the Islamic Shariah. So naturally there may be shortage of scope of getting relevant data.

### **Deficit of study related books:**

Having no essential helping books, journal and research work related to Islami Insurance companies Ltd in Bangladesh and this research, a number of problems have been created in conducting this study.

**Lack of awareness of Education:**

Most the clients under the Islami Insurance Companies Ltd in Bangladesh not aware of getting the knowledge related to Islami Insurance. It is much difficult to find out proper information from them. They avoid answer saying.: “ we don’t know, we don’t understand”.

**Reluctance to proper reply and interview:**

Many officers and clients feel troubles to give interview beyond their own business. They are reluctant to give interview and provide accurate information for keeping their institutional and individual secrecy.

**All data not- available from the same area:**

The data and information which are essential for the research are not available in the same area. As a result, more time, labour and money have been spent in data collection and analysis.

**Rapport Problem:**

It has been very complicated task for me to build up rapport with the informers staying in stipulated research areas for the shortage of time, insufficiency of money and lack of food and residence.

**Lack of proper and reliant information:**



In our society it is not possible to collect properly some information including age, Occupation, income and expenditure etc.

## **Chapter 2: Research Methodology**

## **2.1 Introduction**

A proper and transparent methodology is essential to complete well any kind of research work. The more the conception of the researcher in the field of researcher would be transparent, the more it would be possible to complete the researcher's work soon in nice and proper way. Therefore, the research methodology is the heart of the research scheme. The research methodology is considered to be the inseparable part of whole design of research.

In this study a massive discussion and a review have been done and the problems are identified clearly about performance evaluation of Islamic insurance companies in Bangladesh.

To furnish this research paper with necessary data based information for its perfection and completion, all the facts have been collected and processed from the published and unpublished records, books, journals, research works etc.

## **2.2 Sampling Plan:**

**2.2.1 Target Population:** The target population for this study is the different islami insurance companies in Bangladesh.

**2.2.2 Sample Frame:** There are 5 Islami Life Insurance Companies in Bangladesh. The lists of Islamic insurance companies in Bangladesh are as follows:

SL.	Name of the companies
	Fareast Islami Life Insurance Company Ltd. (FILICL)
	Takaful Islami Insurance Ltd. (TIIL)
	Islami Insurance Bangladesh Ltd.
	Prime Islami Life Insurance Ltd.
	Padma Islami Life Insurance Ltd.

**2.2.3 Sampling Method:** The non-probability-sampling has used primarily for available appropriate sampling frame.

**2.2.4 Sample Size:** There are 5 Islami insurance companies in Bangladesh. Among them 5 Islamic insurance companies are listed in the Dhaka Stock Exchanges (DSE). The following companies are listed in DSE:

Table: 2.1 Sample Size

SL.	Name of the companies
	Fareast Islami Life Insurance Company Ltd. (FILICL)

Takaful Islami Insurance Ltd. (TIIL)
Islami Insurance Bangladesh Ltd.
Prime Islami Life Insurance Ltd.
Padma Islami Life Insurance Ltd.

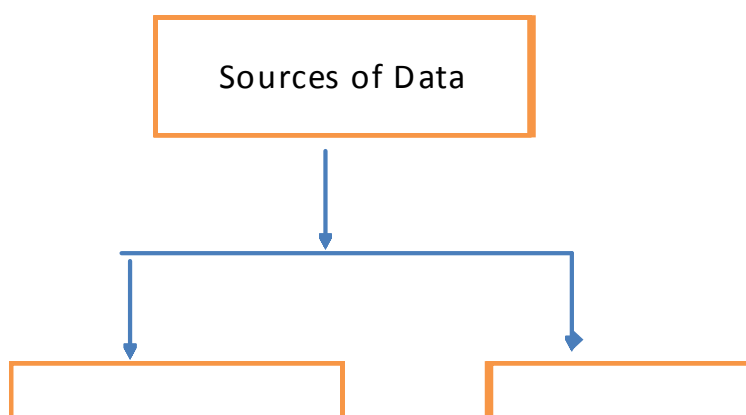
### **2.3 Sampling Design**

Ideally one wants to study is the entire population. However, usually it is impossible or unfeasible to do this and therefore one must settle for a sample. According to Black and Champion (1976), sample is a portion of elements taken from a population, which is considered to be representative of the population. In order to collect primary data the questionnaire survey technique will be used. For the purpose of this study random probability sampling is selected. As Rescoe (1975) cites in Sakaran (2000:296), “sample sizes larger than 30 and less than 500 are appropriate for most research”. Having in mind these limitations, the sample size that will be consisted of about 100 questionnaires, designed for the visitors at the prefecture of Lassithi.

Also interview survey technique will be used. The sample population for the interviews will include 50 respondents were employees of five Islamic Insurance Companies Ltd. in Bangladesh.

### **2.4 Data Collection**

In order to prepare the assigned study all the necessary data and information have been collected from Primary and Secondary sources.



**a) Primary Data:**

Primary data had been collected through interviews and discussions with the officials of various Departments, study of different files of different sections and the practical working experience gained from different departments. Normally, head of the departments or their approved officials gave the briefing about their respective departments. Further, in primary source, this study will use methods of analysis of

- I. Case study
- II. Focused interview
- III. Personal interview
- IV. Mail questionnaire
- V. Telephonic survey and
- VI. Field visit

**b) Secondary Data:**

The secondary data will be collected from the collected from the selected branches of Islamic insurance companies in Bangladesh which are located at Mogbazar and Motijheel area.

The secondary sources are as follows:

- I. Annual report by Islamic insurance companies.
- II. Periodicals published by Islamic Insurance Companies.
- III. Office files and documents
- IV. Study related books and journals
- V. Bulletins of Islamic Insurance Companies
- VI. Training materials available of Islamic Insurance Companies
- VII. Various books, articles, compilations
- VIII. Published data from its head office and other reading materials is expected to be utilized.
- IX. Policy paper guidelines
- X. Internet

## **2.5 Variables Covered:**

- Selection of the clients of different Islamic insurance company's ltd. in Bangladesh.
- Sanctioning of Investment
- Disbursement methods
- Recovery of Investment funds.

## **2.6 Data Tabulation Procedure**

For tabulation and analysis of data, I will follow several statistical tools that are appropriate and reliable. In the case of data tabulation, collected data would be

arranged in logical order. In data analysis tabular forms statistical analysis, rate of percentage, turnover, profitability etc.

## **2.7 Data Presentation**

After the data have been collected, the next steps are to present them in some suitable form. The need for proper presentation arises because of the fact that statistically data in their raw form almost defy comprehension. When data are presented in easy-to-read form, it can help the reader to acquire knowledge in much shorter period of time and also facilitate statistical analysis. Presentation data system are frequency distribution, stem & leaf, two frequency table, simple bar diagram, subdivided bar diagram, multiple bar diagram, percentage bar diagram, histogram, frequency polygon, frequency curve, pie chart & rectangular etc.

## **2.8 Computer Software used:**

Software is generally defined as instructions that direct a computer to process data. These instructions are also called programs. The distinction between hardware and software is generally whether or not the items are tangible. Hardware is tangible. You can touch it, see it and describe it in physical terms. Software is intangible. The programs are stored electronically so you cannot feel them the way you can touch and feel hardware.

System software (1) does great deal to make computer system user- friendly. It frees the user from constantly being concerned about computer operations. A computer manages many of its own operations and resources about when directed to do so by system software. The user or an application (2) Program gives instruction to the computer, but it is the system software that literally oversees the actual processing.

System software consist of program designed to run other programs. The three types of system software are as follows:

Basic Software:

- Microsoft word window 7
- Microsoft word Excel
- Internet Browsing
- Canon LBP -810 Software
- Google search
- Yahoo search

System Software:-

- Translator program
- Library program
- Utility program
- Loader program
- Diagnostic Program
- Operating system

Application system:

- Program Language
- Package program

Language software:

- High level Language
- Machine Language
- Assembly Language

Translator Software:

- Assembler
- Compiler



- Interpreter

## **Chapter 3: Literature Review**

### **3.1 Meaning and Importance of Literature Review**

A literature review is a “critical analysis of a segment of a published body knowledge summary, classification and comparison of prior research studies, review of literature and theoretical articles” (Wisconsin)

Literature review is essentially an important factor for a social research work and hence some instructive and persuasive ideas of guidelines are begotten from the reviews of this concerned research. It assists to enhance or perform the research work with view appropriateness to suit its aim. Not only may that one assume through literature review if a research work has already been done on the topic or not. according to it, he may conduct his research work to go on further phase of study. So, many scholars and researchers have attributed importance to the literature reviews.

On the long way of making literature reviews on the present context of study, the researcher has carefully noted that there is not such a remarkable research work or literature, directly concerned with the proposed study. Perhaps all the available research works and literature, indirectly related to the subject, have been reviewed and presented in this chapter.

With view to having known the facilities of accurate facts and information, literature has been presented with a brief, precise, and epigrammatic form of language. Moreover, opinions about research opinions of the researcher.

### **3.2 Literature review on related research**

Starting in the 1970s and increasingly in the 1990s, Islamic countries and other countries with a significant Muslim population have encouraged the provision of financial services, including insurance, under Islamic principles. As a result, a number of Islamic insurance companies, called takaful insurers, have been established to

provide Muslim individuals and businesses with insurance coverage both in the life and non-life sectors. These insurers are found not only in Islamic countries and other countries with a significant Muslim population. They are also found in North America, Australia and some European countries. This type of modified cooperative insurance mechanism is expected to further influence the supply and demand for insurance in the Muslim community. Nevertheless, no thorough studies have been conducted yet regarding the application of Islamic principles into insurance and how this type of insurance arrangement works.

Authors	Title
Hidayat, S. E., & Abdulla, A. M. (2015).	A comparative analysis on the financial performance between takaful and conventional insurance companies in Bahrain
Abdou, Ali and Lister (2014)	A comparative study of Takaful and conventional insurance: empirical evidence from the Malaysian market
Miniaoui and Chaibi (2014)	“Technical efficiency of takaful industry: A comparative study of Malaysia and GCC countries”
Atiq, Uzma (2014)	"Efficiency measures of insurance vs. Islamic insurance firms using DEA approach: A case of Pakistan"
Mohd et al.(2012)	“A study on takaful and conventional insurance preferences: The case of Brunei”
Swartz, N. P., & Coetzer, P. (2010).	Takaful: an Islamic insurance instrument
Kader, H.A., Adams, M.	“The cost efficiency of Takaful insurance companies”.

and Hardwick, P. (2010),	
Hafiza, Zeeshan (2014)	Comparative performance of islamic and conventional insurance companies Pakistan"

**Muhammad Hanif Akhtar (2017)**, "Performance analysis of Takaful and Conventional Insurance Companies in Saudi Arabia". This paper evaluates technical and super efficiencies of insurance companies along with productivity analysis in the Kingdom of Saudi Arabia (KSA) with an attempt to contrast it across conventional versus Takaful-based firms. The research is intended to be comprehensive as it does analyze the population of insurance firms in Saudi Arabia over a period of six year i.e. 2010-2015. This facilitates consistency check on performance and comparisons overtime. The study makes an important contribution to literature as it is the pioneer and comprehensive one to explore about the efficiency and productivity of insurance firms in Saudi Arabia for an extensive period.

**Matsawali et al (2012)** describes in their research paper that Takaful insurance system based on Islamic principles that are mutual assistance and voluntary contribution. The research objective was to know the public preference and understanding between the conventional and Islamic insurance in Brunei. For this purpose a survey was conducted in which questionnaire based on 3 sections, demographic section, respondents preferences between takaful and conventional insurance products section and the last one section about the respondents understanding about the takaful. Primary data were taken from the survey and secondary data were from journals, published articles, and takaful companies. Results concluded that people preferred to takaful because to Islamic insurance but they have limited awareness about the takaful. (**Matsawali et al, 2012**).

Muhammad Ayub describes in his literature about the takaful insurance and presents the takaful as a substitutive of the conventional insurance system. He defines the takaful as an insurance system in which people acts as a group of people who agrees

to jointly cover the loss that may inflict upon any of them, out of the fund they denote collectively. According to him Takaful companies undertake only Shariah compliant business and profits of takaful insurance companies are distributed according to pre agree ratio. Researcher has also defined the operating models of takaful that are Mudharbah model, Wakalah model and Wakalah Waqf model. **(Muhammad Ayub).**

**Asif Ahmed Qureshi(2011)** discussed the Shariah compliant issues that is currently faced by the takaful insurance. His study shows those elements that are currently found in an Islamic insurance system of the conventional insurance system whether by compulsion or by the doctrine of the necessity. One of them element is management. Takaful insurance offered the portfolio backed by the Shariah board but the management of this portfolio is an external investment manager, for the purpose of success managers move their responsibilities and not works according to Shariah board. So here is the element which shows that there is need to be check and balance on internal management system of Takaful insurance companies. **(Asif Ahmed Qureshi, 2011)**

Husain and Pasha (2011) said that Islamic insurance consisted on the concept of mutual help and association where as conventional insurance business based on uncertainty that forbidden in Islam. Differences has found of takaful and conventional insurance on the basis of models. Takaful model includes Mudaraba, Wakalah Model and Wakalah Waqf Model. This study mainly addressed the differences based on conceptual and operational framework. Conceptual framework includes Joint Guarantee/Ta'awun, Social Solidarity/ Shared Responsibility, Concept of Aqilah and Risk Distribution where as operational framework includes Gharar, Maisir, Riba, Investment of Funds, Nature of Contract and Profit Distribution. **(Husain and Pasha, 2011).**

**Afza and Asghar (2012)** analyzed the relationship between financial reforms and efficiency in the insurance companies of Pakistan for the period of 2003 to 2007. For this purpose Data Envelopment Analysis and Regression Analysis was used to

conclude the results. Study also divided in two samples that were life and non life insurers. Financial data was taken from the financial reports of 33 insurers in Pakistan. The analysis results showed that size, profitability, leverage, investments had the main drivers of efficiency. Non life insurers performed better than the life insurers in Pakistan. Claim variables were the positively related with the life and negatively related with the non life insurers. As a whole it showed that financial reforms showed better performance in the scenario of Pakistan. (**Afza and Asghar, 2012**).

**Mehdi Sadeghi (2010)** conducted a research that was based on literature survey of the evolution of Islamic insurance. He examined the literature from theoretical and practical perspective. Takaful insurance suffered the benefits of low transaction cost, high trust relationship between policy holders and operators whereas in conventional insurance the relationship between insurer and insured based on risk. (**Mehdi Sadeghi, 2010**).

**Khan et al (2011)** said in their research paper that conventional insurance system based on interest charged system where uncertainty chances are great. Islamic economic system based on interest free financial system. Khan et al conducted the comparative study on Islamic and conventional insurance according to the criteria of Islamic principles. He tried to find out whether Islamic insurance can overcome the conventional insurance system. Results concluded that Islamic insurance is more suitable and preferable in the world especially in Muslim countries. The chances of risk and uncertainty are very less in Islamic insurance system due to its interest free system. This Islamic system prevents the industry from the major global financial crises. (**Khan et al, 2011**).

Moghadam et al (2012) conducted research on comparing the performance of insurance companies in Iran from the month of March to December 2011. According to them measuring the performance is compulsory to gain competitive advantage in the market and to identify the top competitors for the sake of promotion in insurance companies. Descriptive statistics and ANOVA used to compare the compensation

ratio and the growth rate of manufacturing premium among the insurance companies. Data collection sources were library, computer networks and data base. On the base of Anova results concluded that insurance companies had significant difference in terms of performance. **(Moghadam et al, 2012).**

**Norma Md. Saad** tried to find out the efficiency of takaful and conventional insurance in Malaysia for the period of 2007 to 2009. Twenty eight insurance companies were taken in which six were takaful of the 28 companies. Data envelopment analysis was used to measure the efficiency in data envelopment analysis Malmquist index was used. Two inputs and outputs were considered to investigate the efficiency. Input includes commission and management expenses; output includes premium and net investment income. Results concluded that overall efficiency of takaful insurance companied below the conventional insurance companies. From the six takaful insurance companies only one company showing higher efficiency above the industrial average. **(Norma Md. Saad).**

**Ansari and Farooq (2012)** Islamic banks was the major contributor as a client in takaful business. The objective of the study was to provide the true picture to the takaful companies to recognize banks as their prospective clients. The data from 14 conventional and Islamic banks had been taken for the period of 2007 to 2009. Leverage, working capital, expected bankruptcy cost, bank size and tax consideration was taken to check the effect on takaful contribution by bank. For this purpose researcher applied the methodology of descriptive statistics, Pearson correlation and common effect model. Results showed that working capital and bank size shows significant result on the other hand leverage, expected bankruptcy cost and tax consideration showed statistically insignificant results. **(Ansari and Farooq, 2012).**

**Swartz and Coetzer (2010)** prioritized the takaful insurance company on the conventional insurance company. According to them conventional insurance company based on interest, gambling and uncertainty while takaful insurance runs their

operations on the principles of Supervisory Shariah board. They consider takaful insurance as an Islamic way of mutual assistance to deal with uncertainties of life. The objective of the research was to provide the awareness about takaful insurance that was very low, and to remove the misconception that the takaful insurance is just for Muslims. The structure of the takaful insurance was not based on profit models but it totally differs. Company is just managing the funds; there is separation between the participants and shareholders' funds. (Swartz and Coetzer, 2010).

**Zulkornain, Radam, Ismail and Rubayah Yakob (2011)** stated that Insurers have to preserve the solvency environment in ensuring their obligations to policyholder. The insurers also must have the proper framework to balance the risk return trade-off, as well as sound and prudent asset liability matching.

**Rubio-Misas (2001)** found that cost efficiencies for Spanish insurers are low compared to the U.S insurers. Besides studies on a country-level basis, there are studies on the international comparison on the efficiency of insurance companies such as in Europe. Rees and Kessner (2000) found that the average efficiency level of the German firms was about 48 percent and the average efficiency level of the British firms was markedly higher, with a mean of around 57 percent and median of 52 percent.

**Diacon et al. (2002)** found that, when a comparison was made between insurance companies in the U.K., Spain, Sweden and Denmark, U.K. insurers appear to have particularly low levels of scale and mix efficiencies. The measurement of insurance efficiency is mostly focused on the efficient frontier approach. This has been used widely to assess the efficiency levels as both approaches allow the use of multiple inputs and outputs from a sample of institutions to develop an efficiency frontier and evaluate the efficiency of a decision-making unit (DMU) relative to other DMUs in the sample.

**Saad et al. (2007)** found that on average, the total factor productivity growth of the insurance industry in Malaysia is mainly due to technical change while efficiency



change contributed a negative change. While Takaful presents a below average in total factor productivity but slightly above average for technical change as well as an equal to industry average in scale efficiency.

**Dutta and Sengupta (2010)** examined whether increasing investment on IT-infrastructure which is resulting a technological innovation in business operation of the private companies has positive impact on efficiency changes or not. They used a panel data set of 12 life insurance companies over the period 2006-2009 to evaluate their efficiency scores by applying Data Envelopment Analysis and calculating the scale efficiency. The study concluded that increasing investment on IT-infrastructure has a positive impact on scale and technical efficiency change under constant and variable returns to scale assumptions.

**Md. Jafar et al. (2007)** to analyze the sources of efficiency and technical changes of all the life insurance companies and compare the performance results with that of the Takaful operators in Malaysia. Using a sample of 13 Malaysian insurance companies over a period of 2002 to 2005, they used a non-parametric approach of DEA together with the Malmquist Index to isolate the contributions of technical change, efficiency change, the pure and scale changes to the total factor productivity growth of different life insurance companies and the Takaful operators. On the basis of the findings, the authors found that on average, the total factor productivity growth of the insurance industry in Malaysia is mainly due to technical change while efficiency change contributed a negative change.

**Eling and Luhn** (2010) examined the efficiency of 3,831 companies from 91 countries using DEA and SFA techniques. Their sample includes 28 firm-years of life insurance companies and 113 firm-years of non-life insurance companies from Malaysia.

**Kader et al. (2010)** examine the cost efficiency of non-life takaful insurance firms operating in 10 Islamic countries. Non-parametric data envelopment analysis is used

to compute cost efficiency scores and a second-stage logit transformation regression model is then estimated to test the influence of corporate characteristics on these efficiencies. The authors find that nonexecutive directors and separating the Chief Executive Officer and Chairman functions do not improve cost efficiency. However, board size, firm size and product specialization have positive effects on the cost efficiency of takaful insurers. In contrast, the regulatory environment is found not to be statistically significant in terms of improving cost efficiency. They finally conclude that their results could have important commercial and policy implications.

**Erlbeck et al. (2011)** examine microinsurance schemes based on the Islamic law (Shariah), which is called Microtakaful schemes. They conduct a field study of two Microtakaful insurance providers in Indonesia. One of the two companies studied is owned in majority by Muslim shareholders, whereas the other company is owned by a large international commercial insurance company. The authors document the forms and characteristics of their micro takaful credit life insurance products as well as the organizational structure of these two companies. They then discuss the microtakaful schemes in the light of best practices in microinsurance and sociocultural Islamic principles. The results suggest that both companies have a similar product design and business operations, and that best practice micro insurance services can be offered in a Shariah compliant way. Their findings also demonstrate that an international commercial insurer can successfully offer micro takaful schemes and, hence, participate in this untapped market segment.

**Z.A. Ansari (2011)** attempts to find out the impact of reforms on insurance industry of Saudi Arabia. The study finds out the impact of reforms vis-à-vis premium growth, regulation of insurance industry and entry of new companies in the industry. The study is based on secondary data collected mainly from the annual reports of the Saudi Arabian Monetary Agency (SAMA) from 2005 through 2009. The study made a comparative study of the performance of insurance industry in pre and post reforms era.

Further the author analyzes the impact of reforms on standardization of insurance industry through regulatory framework and participation of new companies from Saudi Arabia and other foreign multinational companies in the industry. Since reform in 2004 Saudi Insurance is growing fast registering remarkably high growth rate in premium. Besides premium large numbers of indigenous companies have entered the insurance market. The government has established sound regulatory system to develop the insurance industry of Saudi Arabia to international standard.

**Ismail et al. (2011)** provide an empirical study on the relationship between efficiency and organizational structure for takaful operators in Malaysian dual financial system. A sample of 19 firms is chosen over the period 2004-2009. The selection of inputs and outputs are based on flow approach consistent with Leverty and Grace (2009). The study employed Data Envelopment Analysis (DEA) with input orientation measurement to estimate the technical efficiency for both industries. This study applied constant return to scale (CRS) and variable return to scale (VRS) to separate the scale efficiency from the technical efficiency. A Mann Whitney test is employed to examine any significant difference in efficiency between takaful and insurance industry. The findings indicate that there is a significant difference in technical efficiency between takaful industry and conventional insurance industry. It is found that the conventional insurers have still higher scale efficiency than takaful industry. The study also shows that the organizational form has an influence on the efficiency.

**Khan and Noreen (2014)** compare the Pakistan's takaful and conventional insurance firms in terms of efficiency and productivity for the period 2006- 2010. They utilize Data Envelopment Analysis to assess technical, allocative and cost efficiencies. The results show that the insurance industry is cost inefficient because of high allocative inefficiency. Yet, technical efficiency parts show improving trends. Moreover, results show that takaful firms are more efficient comparing to conventional insurance firms. Malmquist productivity index indicates a significant improvement in scale efficiency. Yet, they do not find any significant influence of technology to increase overall

productivity. The study recommends introducing innovative and diversified products in insurance industry of Pakistan, mostly for Takaful companies.

**Tahira and Arshad (2014)** conduct a comparative performance study of Islamic and conventional insurance companies in Pakistan. They find that takaful insurance company profitability results are not significant. The results show that the Islamic insurance company's liquidity is higher than conventional insurers and Islamic insurance companies are less risky. They also find that Islamic insurance companies are well capitalized than the conventional insurance companies.

**Yakob et al. (2012)** offer a base for policyholders to get an idea of the solvency of the insurers/takaful operators. They categorize issues that affect the solvency of the insurers/takaful operators in Malaysia. Utilizing random effects regression on panel data for 2003-2007, they found that investment income, total benefit paid to capital and surplus ratio, financial leverage, and liquidity are significantly related to solvency, in which the investment income has a positive relationship, while the other three have a negative relationship. To some extent, this information can help policyholders/consumers to make smarter choices in choosing the insurers/takaful operators.

**Singh and Zahran (2013)** compare the cost efficiency of Islamic and conventional insurers operating in eight countries. They analyze data collected from 32 insurers using stochastic frontier analysis, data envelope analysis and a partial frontier approach with order-alpha free disposal hull. They compare the efficiency of Islamic and conventional insurers and conclude that Islamic insurers are no more or less efficient than conventional insurers in carrying out insurance activities. Any differences arise in the investment side of the business, where Shariah restrictions render Islamic insurers less efficient than their conventional counterparts.

**Yusop et al. (2011)** examine the efficiency of risk management of life insurers and takaful operators in a competitive environment of the insurance industry in Malaysia. There are very few studies concentrated on the risk management efficiency of life

insurers and combining such study on both life insurers and takaful operators. The study utilizes the data envelopment analysis (DEA) model to obtain the efficiency score of risk management activity for each company. The results indicate that the efficiency score of both types of companies is moderately high and the standard deviations show a declining trend. It is hard to confirm the interaction between the firm size and the risk management efficiency but, yet, it reasonably seems that there is an association between the organizational forms (stock vs mutual) and the risk management efficiency.

A more recent paper is **Al-Amri et al. (2014)**. The research examines the scope of economies, organizational form, and insolvency risk for a sample of takaful firms in 19 countries. Firm efficiency is assessed using DEA, and insolvency risk is measured utilizing distance to default. The authors test the strategic focus and conglomeration hypotheses for takaful operators. They also investigated the differences in performance between the two major takaful organizational forms – the mudharaba (profitsharing) and the wakala (fee-based) models for compensating managers. The profit-sharing design is hypothesized to be more effective in aligning the incentives of managers and policyholders. The findings suggest that strategic focus is superior to conglomeration for takafuls in terms of performance, efficiency, and insolvency risk. The results also show that the profit-sharing model performs better than the fee-based model.

### **3.3 Opinions of the Researcher**

The importance of **literature reviews** as a way of summering the state of the art of a field. We will examine ways of constructing literature reviews and we will see in the links provided examples of literature reviews. Critical summary and an assessment of the current state of knowledge or current state of the art in a particular field.

The ability to carry out a literature review is an important skill for any student. It will provide you with a context in which to place your assignments regardless of the module you are studying. Practically any assignment in any module you take will

involve reading what other people have written on the subject of your assignment, gathering information to refute or support specific arguments, and writing about your findings. For small scale projects, (like module assignments), you will not be expected to provide a definitive account of the state of research in your selected topic. You will be required to provide evidence that you have read a certain amount of relevant literature in the topic, that you have understood that literature, and that you can summarize the material you have read in a coherent way. The literature review is precisely that summary.

In order to do a literature review you will need to spend time reading the literature relevant to the topic you are researching. Understanding the literature in your research topic will prevent you from repeating previous errors, or redoing work which has already been done. It will also give you insights into aspects of your topic which might be worthy of exploration and future research.

There are several purposes to writing a literature review. To provide the reader with an up to date account and discussion of the research findings in a particular topic. This might sound pretty esoteric but you will find that in writing a literature review you will learn about the ways other people have constructed their own research projects. Seeing what others have done might help you understand your own assignment. You might be able to see the methods that other more experienced researchers have used and you might decide to follow on their footsteps and copy their methodological approach.

You might also be able to detect conflicting points of view expressed by different authors. These conflicting points of view might be the indicators of diverging theories within the same topic. You need to be aware of these conflicting theories as well as of the arguments supporting these theories in order for you to assess their value and make up your own mind on the topic. Being aware of the theories will help you later

in your life as a student when you will have to design a larger research project like your dissertation.

You might also be able to discuss relevant research carried out in the same topic. It is important to be able to discuss relevant research because very often it is very difficult (as students and as researchers) to keep abreast of everything that is published every year in a topic. The job of the writer of the literature review is to summarize and discuss the major documents published in that topic over a stated period of time. The discussion will take into account the methods and the results or findings of the most relevant research. The reviewer will assess whether the methodology is appropriate and whether the results seem valid. The reviewer therefore evaluates the quality of the research as opposed to merely listing documents.

The reviewer may also discuss material published in other fields which are related to the main topic. This process is very important since very often research in the social sciences is multidisciplinary, i.e. knowledge gets generated from many disciplines and needs to be integrated. For example in order to be able to research and write a literature review on a question like ‘Why do teenagers smoke?’ The reviewer might need to read material from journals in psychology, medicine, and sociology.

COMPARISON BETWEEN ISLAMIC LIFE INSURANCE AND CONVENTIONAL LIFE INSURANCE:		
ISSUES	ISLAMIC LIFE INSURANCE	CONVENTIONAL LIFE INSURANCE
Accounts	In Islamic life insurance there are two accounts i) PA account that is treated according to the principal of Al-Mudaraba and the other ii) PSA account which is managed on the basis/on the concept of Tabarru (donations)	In the conventional Life insurance the collected premiums are deposited in the account known as Life Insurance account/Funds.
Accounting	In Life insurance cash accounting is given emphasis.	In conventional Life insurance different methods are in operations like cash, Accrual, Deferred etc.
Benefits	In Islamic life insurance system benefits are paid from the funds owned by the participants.	In Conventional Life the pool of funds are the sole ownership of the company and from these funds benefits are given..
Bonus	In Islamic life insurance system profits from the takaful investments are distributed between the operator and participants. The ratio of profits to be shared should be according to the Al-Mudaraba Principal.	In Conventional Life Insurance the company may decide to give profit for a given year and may not give for a particular year depending on the return from investment.
Claims	In Islamic life insurance system if the policyholder dies, the	In Conventional Life Insurance if the policyholder dies, the

## *Performance Evaluation of Islamic Insurance Companies in Bangladesh*

	beneficiaries can claim the value from the PSA account apart from the amount in PA account. In case the policy holder survives the maturity of policy he is to be benefited from the value and benefits of the policy in the PA account.	right of beneficiaries is on the entire amount mentioned in the policy. In case the policy holder survives till the maturity of the policy then he can claim the amount of the policy mentioned plus the interest if any.
Contracts	In Islamic life insurance system the participants own the takaful funds and the operators are the one who manage them.	In Conventional Life Insurance policies are sold and the purchasers are the policyholders there fore we can say that traditional life insurance is a buy-sale contract.
Company	The company is known by the operator because he acts as a trustee, manages the company as well as is the entrepreneur too.	In Conventional Life the company has a direct relationship with its client.
Commission	The agent shall be not confused with the operator and shall be paid for the services by the operator from the shareholders fund if his services are needed. If the contributors agree then commission can be paid from the collected premium.	In Conventional Life Insurance the agents are to be paid by the collected premiums.
Capacity	As per Ulama's view and guideline the least age to acquire a Takaful contract is 15 years.	In Conventional Life Insurance the minimum age to obtain a policy is 16 years but infants between 10 to 12 can also obtain only if they have underwriting provided by a respected guardian.
Disclosure	In Islamic life insurance system it is not essential to disclose moral or physical hazards related to the subject matter of the policy.	In Conventional Life insurance if information has to be disclosed then it has to include moral and physical hazards related to the subject matter of the policy.
Damages	In Islamic Life Insurance, there is no evidence to charge unreasonable damages to the insurer but if the damages are in accordance to the principal of Diyat, Daman, and Taawun and shared responsibilities then the damages can be charged.	In some cases the Court of Justice can charge damages to the insurer.
Elements	Islamic Insurance practices do not involve the unIslamic elements like riba, gharar and maisir.	Conventional Insurances involve the elements which are not in accordance with Shariah.
Extra Risk Premium	In Islamic Life Insurance, Rate of premium are fixed and are determined by the actuarial evaluation therefore it is not obligatory to pay extra premium. But in cases if a policy-holder is considered to go on through a strain on the mutual fund due to his poor health then under such circumstances, the policyholder may have to increase the premium to PSA.	In Conventional Life insurance extra premium is charged to the policyholder if extra risk is for seen. People who have riskier jobs and are involved with alcoholic addiction, under such cases risk is forecasted in advance.
Ex-Gratia	In Islamic Life Insurance Ex gratia payments are not justified.	In conventional Life insurance the payment of Ex gratia are practiced on regular and mandatory basis.
Foetus	In Islamic Life Insurance the foetus could be provided the insurance under the name of his /her mother for the purpose of health protection.	In Conventional Insurance no policy is provided to the foetus.
Funds	In Islamic Life Insurance, the funds are managed by the operators but belong to the participants on collective basis.	In Conventional Life Insurance funds belong to company.
Forfeiture	In Islamic Life Insurance the paid premiums cannot be forfeited of the participants neither for any offense committed nor even for utter most good faith.	In conventional Life Insurance the paid premium of the participants can in some cases be forfeited for the reason of utter most good faith.
Guarantees	In Islamic Insurance the operator does not provide any guarantee on contract. Takaful scheme is undertaken on mutual basis between the two parties.	In Conventional life Insurance the company gives guarantees especially for death benefits.
Investments	In Islamic Insurance the funds shall be invested in interest free schemes	In Conventional Life insurance the investments are made in interest evolved schemes.



## *Performance Evaluation of Islamic Insurance Companies in Bangladesh*

	They must follow the procedure laid by the Shariah They must not include in any un lawful and unislamic activities.	Any schemes that do not comply with Shariah can be under taken if the returns are high.
Insurable Interest	Insured interest can be implacable on any individual or property but the benefit via the policy shall be distributed on the grounds of Al waqf, Al hibah, Al Amanah, Al Qard, Al Faraid.	In conventional life insurance the insurable interest right is only designed for special individuals.
Mechanism	In Islamic Life insurance the procedure for operations is followed as the one defined by the Shariah.	In Conventional Life insurance the mechanism followed is man made and customs.
Nature	The nature of Islamic Insurance is to stronger brotherhood, solidarity and mutual cooperation	Conventional insurance aims to maximize profits and operates as a business.
Nomination	In Islamic Life Insurance the nominee is not considered as an absolute beneficiary infact he is liable for the distribution of benefits amongst the heirs of the policyholder.	In Conventional Life insurance the nominee acts as an absolute trustee and no one else can claim the benefits.
Profits	In Islamic Life Insurance the share of profit is in operation as long as the policy is active as secondly the amount of profit is determined by the return on performance made by the investment.	In Conventional Life Insurance the distribution of profits does not lie with the policy, which means that the policy cannot allow the policyholder to get profit at any time and at any amount preferred by the policyholder.
Premiums	In Islamic Life insurance Fixed minimum premiums are applicable to all participants with no limitation on age. The reason is that takaful is regarded as a mean for saving for future hazards rather than compensating for death of participants. Secondly the operators cannot charge for high morality rate to make greater profits.	In Conventional Life insurance there are various types of premium depending on the type of policy opted. In Conventional Life insurance the greater the age the more the amount of premium charged.
Regulations	Islamic Insurance is based on the foundation of Shariah. Primary Sources being the Holy Quran and Traditions of the Holy Prophet (P.B.U.H)	Conventional Insurance follows law based and made by man and culture.
Regulatory Frame work	In Islamic life insurance system Shariah justified statutory provisions; Juristic opinions (Fatwa) and decisions of the Shariah supervisory bodies are considered.	In conventional Insurance legal literature, law and judicial precedents are considered.
Suicide	In Islamic Life Insurance it is believed that life and death occur because Allah (S.A.T) wants and its the that Supreme power Who only knows about it so in cases of suicide the benefit are entertained to the beneficiary of the deceased.	In Conventional Life Insurance if it is proved that the insured committed suicide with in the duration of policy with an intention to leave the benefits to the nominee then in such cases the benefits shall be provided.

Source: <https://www.ukessays.com/dissertation/examples/accounting/study-on-islamic-life-insurance.php>



## **Chapter 04: Profile of Islamic Insurance Companies in Bangladesh**

## 4.1 Profile of Islamic Insurance Companies in Bangladesh

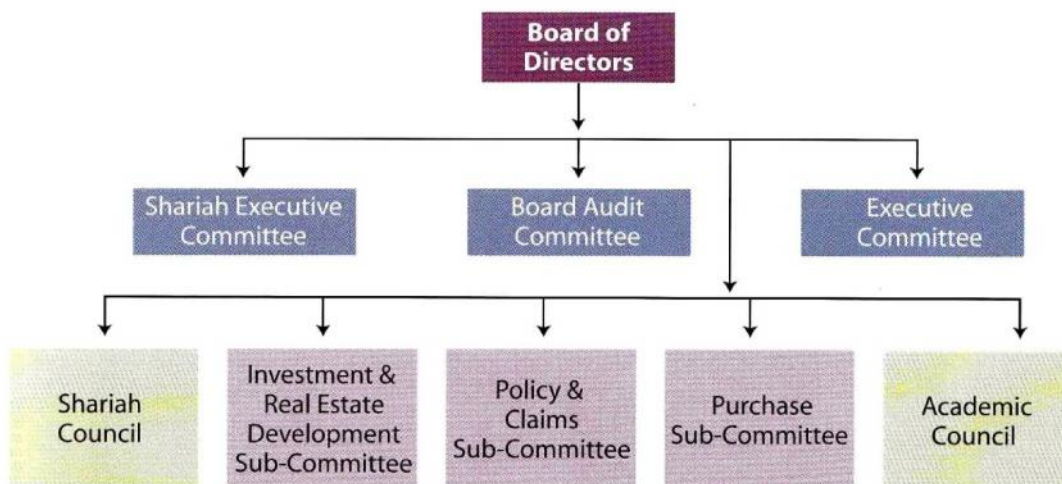
### Islami Insurance Bangladesh Limited

Islamic banking or banking activity that is consistent with the principles of sharia and its practical application through the development of Islamic economics. As such, a more correct term for 'Islamic banking' is 'Sharia compliant finance'. Sharia prohibits the fixed or floating payment or acceptance of specific interest or fees (known as *riba*, or usury) for loans of money. Investing in businesses that provide goods or services considered contrary to Islamic principles is also *haraam* ("sinful and prohibited"). Although these principles have been applied in varying degrees by historical Islamic economies due to lack of Islamic practice, only in the late 20th century were a number of Islamic banks formed to apply these principles to private or semi-private commercial institutions within the Muslim community.

### Organ gram of the Fareast Islami Life Insurance Company:

#### ORGANOGRAM OF BOARD AND ITS COMMITTEES

The Corporate Management of Fareast Islami Life Insurance Co. Ltd. encompassing consisted of three committees, two Councils and three sub Committees as are shown below :



## Graph 4.1

### **Fareast Islami Life Insurance Company Limited**

Fareast Islami Life Insurance Co. Ltd. emerged as the 1st full-fledged Islami Life Insurance Company in the country in 2000 and have, by the grace of Almighty Allah, been able to bring confidence among the common people of the country.

As a result, in 2010 the Company has earned a total premium of Tk. 651.36 crore showing an increase of 3.2% over the previous year which is no doubt a remarkable achievement.

Last year we had taken a holistic approach in doing business with focus on quality customer service and business growth with decentralization of operational activities. With that in view, we have already opened 1012 Offices including 10 Divisional offices, 38 full-fledged Service Centers and 112 Zonal Offices in different places all over the country.

With this, we have been pursuing this strategy consistently, reinforcing our approach with emphasis on growth within a frame work of trust, integrity, good governance and compliance with the legal and regulatory frame work of the country.

### **Takaful Insurance Company Limited**

Takaful Islami Insurance Limited was established in 2002. A group of Businessmen who had earlier launched a Islami Bank in the private sector sponsored the company with 60 million taka capital. Sponsors included shipping magnets, Doctors, Engineers, Bankers, Top Garment exporters and Importers.

Market size of Bangladesh in the non-life sector was Tk. 1,050 million in 1986. It has grown to Tk. 7975.70 million in 2006. The growth of private sector non-life insurance business was primarily due to the drive given and initiative taken by the private insurers in exploring new avenues while to some extent it was due to increase in project value and commodity prices in the international market. The premium income of non-life private insurers would have been much more had the term “Public Property” been redefined to give its exact detonations through exclusion from its orbit those undertakings which had been setup with foreign loan in the private sector and insurance premium thereon was fully paid by the private entrepreneurs.

This provision has been hindering the growth of the private insurance companies, as only the Govt. owned SadharanBima Corporation is allowed to insure such “Public Property” with its present denotation.

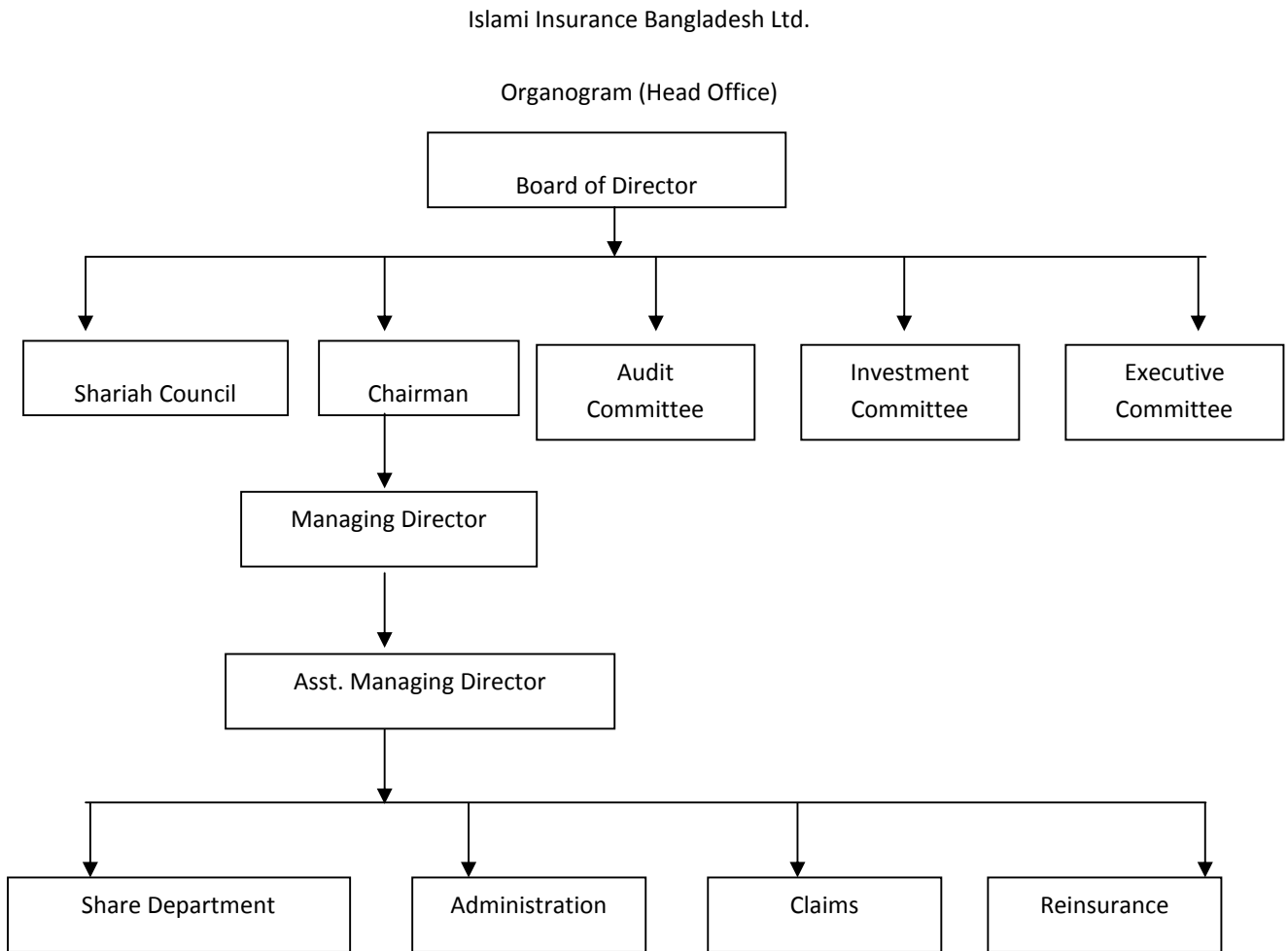
### **Prime Islami Life Insurance Limited**

Mr. M. A. Khaleque, one of the noble entrepreneurs and Organizer of Bank, Insurance Company and Financial Institutions of the Country, initiated and in association with some prominent sponsors, bankers, retired Government Secretary founded Prime Islami Life Insurance Limited.

Prime Islami Life Insurance Ltd. was initially incorporated in the name of Prime Life Insurance Company Ltd. in July-2000 which was converted into an Islamic Company in the name of Prime Islami Life Insurance Ltd. in April-2002. In a relatively short span of time, Prime Islami Life Insurance Ltd. (PILIL) has achieved a commendable progress in business, product developments and quality management.

### **Padma Islami Life Insurance Limited**

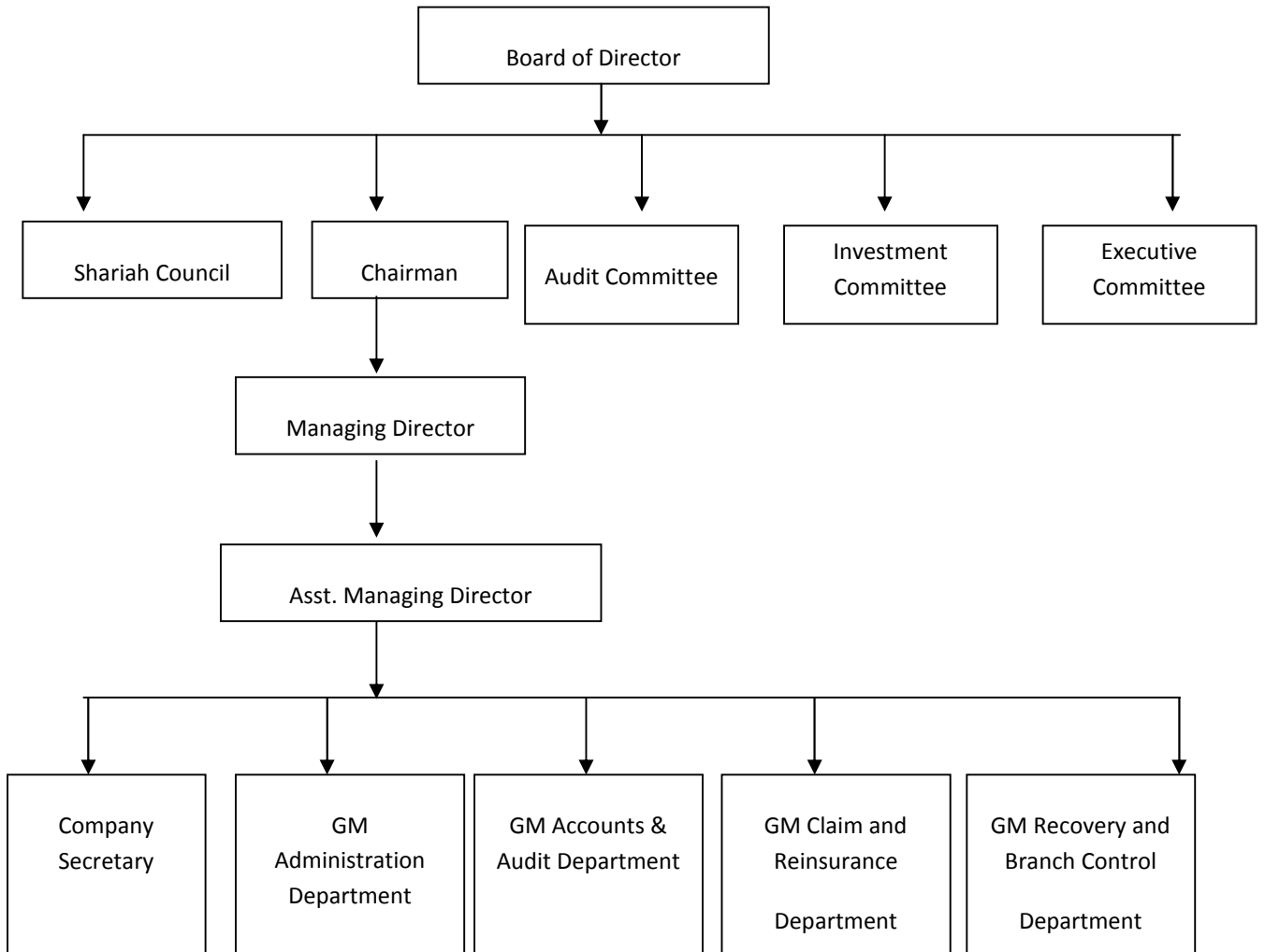
Padma Islami Life Insurance Limited operates as an Islami life insurance company in Bangladesh. It offers Ekok Bima, micro, and group insurance products. The company was formerly known as Padma Life Insurance Co. Ltd. and changed its name to Padma Islami Life Insurance Limited in September 2010. Padma Islami Life Insurance Limited was founded in 2000 and is based in Dhaka, Bangladesh.



Graph No: 4.2

Prime Islami Life Insurance Ltd.

Organogram (Head Office)



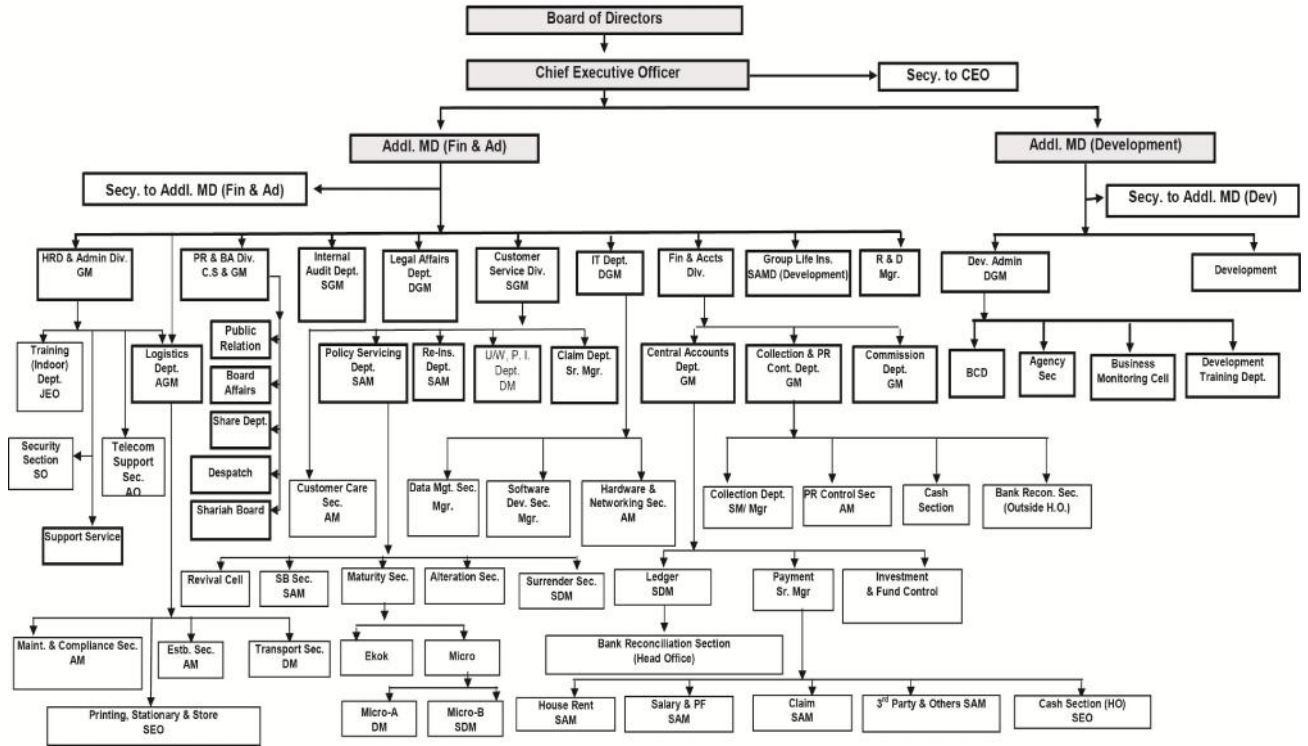
Graph No: 4.3



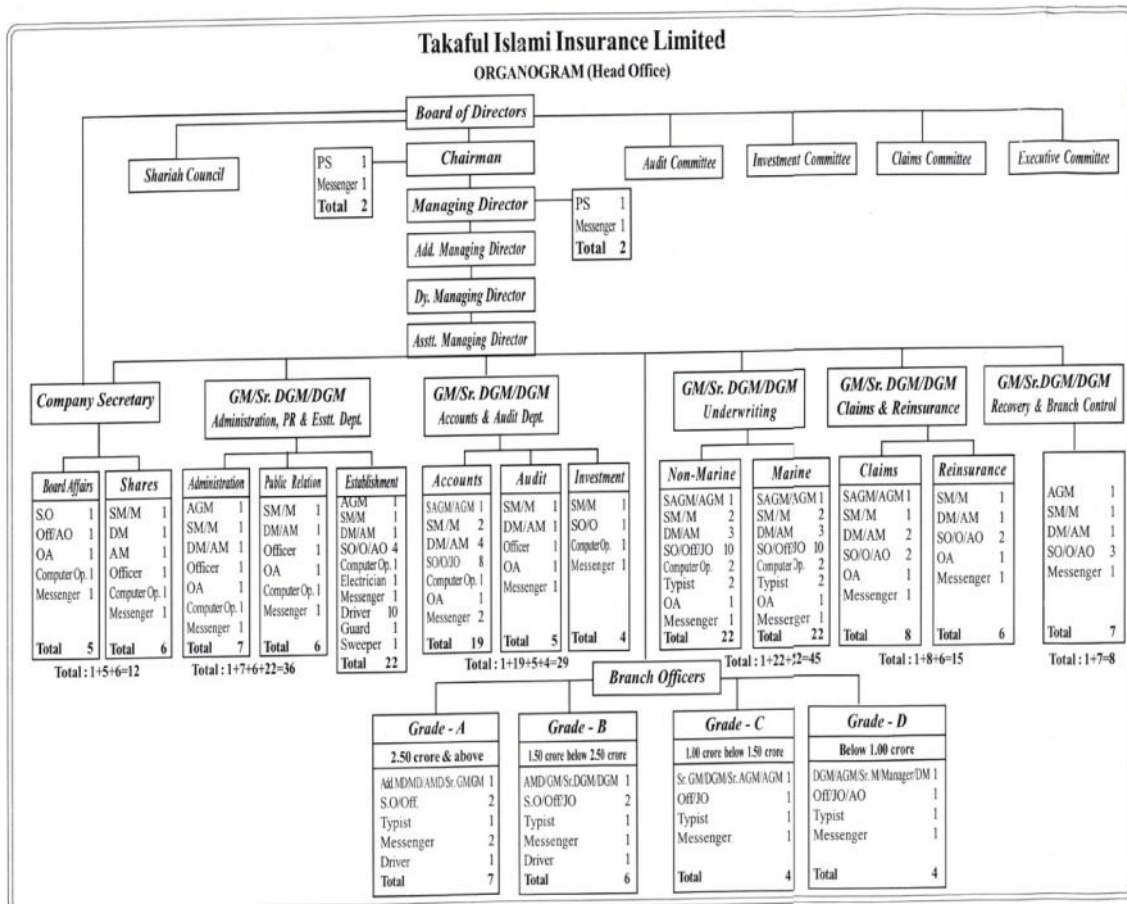
Padma Islami Life Insurance Ltd.

Organogram

Corporate Organogram



Graph No: 4.4



Graph No: 4.5

## **Fareast Islami Life Insurance Company**

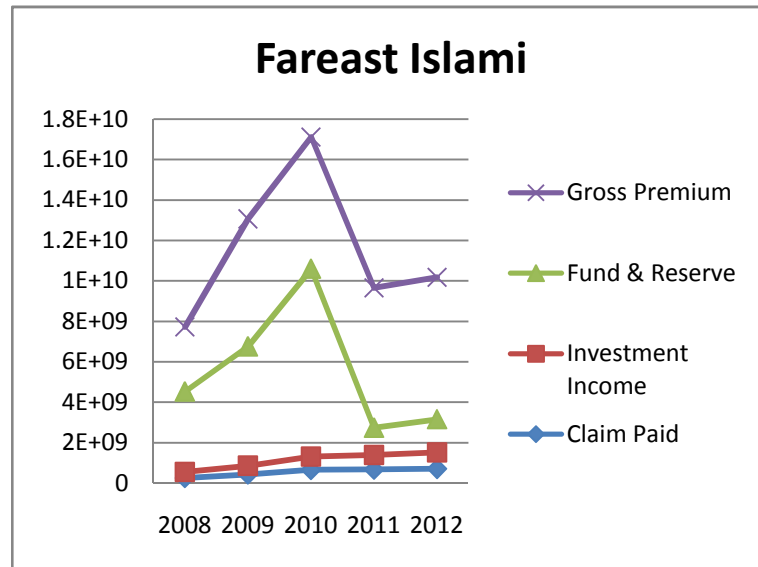
### **Vision**

- Will be the premier Islami Life Insurance Company in Bangladesh.
- Will serve our Participants (Policyholders) with utmost care and provide the best solution for their needs.
- Will be a Company with due solemnity and corporate social responsibility to the society upheld by taking financial risks.
- Will provide dynamic and prompt services for our Participants to make them loyal to the Company.
- Will impart Islamic Shariah in islamizing the Life Insurance Industry playing a vital role in the economy of the country.

### • **Mission**

- Provide financial security to our participants with Life Takaful policies that are most befitting to their needs.
- Make Life Takaful a forced and easy saving instrument and a profitable one with attractive bonus.
- Collect small savings from the people and invest the accumulated fund for economic stabilization of the country.
- Islamization of the economic activities in the country for the solidarity of the Muslim
- Ummah.

Graph 4.6



### Strategic Objectives

- To serve our participants with divide ideology.
- To maintain Stakeholders' interest with fair and transparent operations.
- To create awareness about Islami Life Insurance.

### Core Values-ISLAM

- Integrity
- Solidarity
- Lawful
- Adle and Ehsan
- Mutual benefit

## **Financial Performance:**

Fareast Islami Life Insurance's Gross Premium increased from 2008 to 2010. After that, it decreased for one year. Finally, it begins to increase in 2012. The Company's Fund and Reserve increased from 2008 to 2010. After that, it decreased for one year. In last year it has begun to increase in 2012. Investment income has been showing the increasing trend, that means the company is making the best investment decision by choosing the appropriate projects, which helps to increase the company's income. The company's Claim paid also shows the increasing trend from 2008 to 2012. This indicates the company's ability to pay the claims in the right time. From the overall company's Business performance and financial highlights, we can conclude that Fareast Islami Life Insurance is doing better performance in the last two years.

## **BOARD OF DIRECTORS**

The 14-Member Board of Directors of the Company comprises well-known industrialists and reputed personalities drawn from different walks of professions and vocations. The members are dedicated to the cause of Islam and are committed to build up an Islamic Insurance Institution worth of its name.

## **MANAGEMENT**

The Company is staffed by very experienced and technically qualified personnel poised to offer the best of protection and services to its valued clients. The Company is also fully equipped to provide prompt and efficient service by rendering expert advice to its clients in planning their insurance programmes on most economic and competitive terms consistent with safety and security.

The Managing Director of the Company is an expert in the Insurance Sector having 45 years' working experience in the line.

## **SHARIAH COUNCIL**

In an Islamic Insurance Company, there must be a Shariah Council/Committee generally composed of renowned Ulemas, Shariah experts and insurance experts.

IIBL has an eight-member Shariah Council (Shariah

## **COLLABORATION WITH TAKAFUL BANGLADESH**

The Company has adopted the model of Syarikat Takaful Bangladesh and is planning to establish business, technical and investment collaboration with this biggest Islamic Insurance Company in the world.

## **CAPITAL**

Capital formation of the Company is as follows:

Authorised Capital : Tk. 250 million

Paid-up Capital : Tk. 150 million

(40 per cent i.e. Tk. 60 million subscribed by the Sponsor Directors and the rest 60 per cent i.e. Tk. 90 million collected from the public share).

## **BUSINESS PERFORMANCE**

Business performance of the Company is quite satisfactory having increasing trend.

## **SETTLEMENT OF CLAIMS**

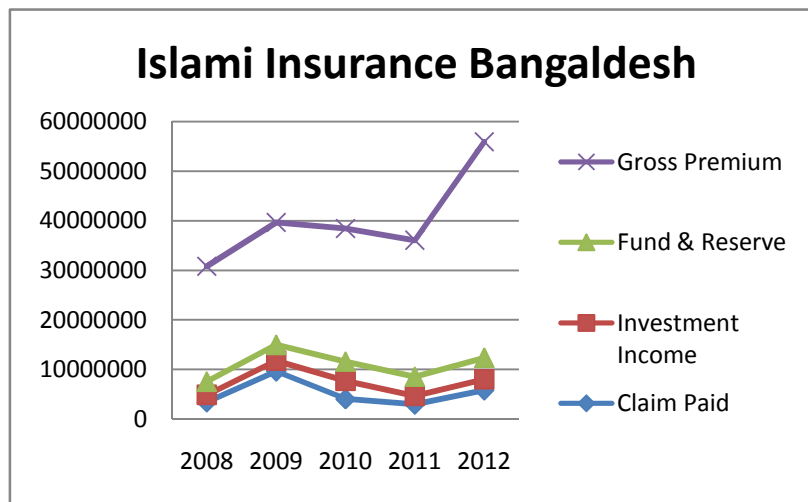
The motto of the Company is to settle the claims as promptly as possible. During the past years upto 2008 the Company settled claims of the clients amounting over Tk. 182 million.

## **CREDIT RATING**

Advisory Board) constituted with eminent Islamic scholars, Shariah experts and Legal experts for supervising the affairs/functions of the company in the light of Shariah.

The Credit Rating Information and Services Ltd. (CRISL) has graded our Company rating claim paying ability to BBB+ (Triple 'B' Plus) which is highest Rating among the Third Generation Insurance Companies with high claim paying ability.

## Islami Insurance Bangladesh Limited



Graph No: 4.7

### Financial Performance:

From the graph we see that the company's Gross premium increased from 2008 to 2009. Then it decreased for two years that means from 2009 to 2011. Finally, it begins to increase in the last year.

Fund & Reserve of the company increased in the first year. Then it decreased from 2009 to 2011. In 2012, the company's fund & reserve has begun to increase. The amount of investment income of the company increased from 2008 to 2009. Then it has decreased for two years which is from 2009 to 2011. Lastly, it increased in 2012.

## **Takaful Insurance Company Limited**

### **About the Company:**

Takaful Islami Insurance Limited was established in 2002. A group of Businessmen who had earlier launched a Islami Bank in the private sector sponsored the company with 60 million taka capital. Sponsors included shipping magnets, Doctors, Engineers, Bankers, Top Garment exporters and Importers.

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We insure all traditional lines of non-life insurance businesses viz. – Fire & allied risks including flood, cyclone, earthquake, Typhoon, malicious damage, burglary, riot, strike, damage, house breaking, industrial all risks, DOS, machinery break-down, loss of profit,



business interruption, CAR/EAR, personal accident including workmen compensation, motor insurance of all descriptions & value, Travel medical & medical insurance including treatment abroad to name a few broad lines.

Paid-up capital of the company is Tk.60.00 million and Reserves including capital reserves stood at Tk.64.39 million as 31st December 2007. Total Asset as of 31st December, 2007 stood at over Tk. 2026.86 million.

### **Fire Insurance:**

The transaction of Fire insurance business in Bangladesh is governed in accordance with Part II B of the Insurance Act 1938.

The subject matter of Fire insurance may be any property having intrinsic value; e.g. building, furniture, fixture & fittings, plant and machinery, goods and merchandise.

The scope of Fire insurance may be considered under the following headings:

- A. Standard Fire Policy
- B. Special Perils Fire Policy

### **The Standard Fire Policy:**

This is the basic policy issued and the form is prescribed by the Tariff .The Policy covers the following perils:-

(a) Fire including fire resulting from explosion. The term "Fire" is understood to mean actual ignition under accidental circumstances. Mere scorching or heating or fermentation is not a loss by fire.

(b) Lightning (whether fire ensues or not)

(c) Explosion of Boiler used for domestic purpose only.

(d) Explosion of Gas used for domestic purpose only or for lightning or heating in a building not forming part of gas work. In addition, loss or damage caused by smoke, by water used for extinguishing the Fire and by action taken by the Fire Brigade in putting out the fire is also covered.

**Peril not covered:**

Loss or damage due to any of the following incident may be covered by taking extra cover along with Fire policy:-

- a) Earthquake Fire & Earthquake Shock
- b) Flood, Cyclone & Typhoon, Tornado.
- c) War, Civil war & other kindred perils.
- d) Riot & Strike damage.
- e) Explosion except as mentioned above.
- f) Burning of forest, bush and Jungles and the clearing of lands by fire:
- g) Damage due to falling from Aircraft.
- h) Malicious damage.

**Losses not Covered:**

The under mentioned losses are excluded from the Standard Fire Policy:-

- (a) loss by theft during or after the occurrence of a fire;

(b) loss or damage to property occasioned by its own fermentation, natural heating or spontaneous combustion or by its undergoing any heating or drying process:

(c) loss or damage occasioned by or through or in consequence of the burning of property by order of any public authority or subterranean fire:

(d) loss due to nuclear risks:

(e) loss of or damage to a particular electrical machine, apparatus, fixture etc. Due to fire arising from short circuiting or other electrical risks unless extra cover for electrical damage is taken.

### **Property not Covered:**

The below mentioned property can not be covered ordinarily under the Standard Fire Policy on account of condition No.7, but they could be covered by making a specific reference:

- a) Bullion or unset precious stones.
- b) Any curisity or work of art for an amount exceeding Tk.2500/-
- c) Manuscripts, plans, moulds etc.
- d) Securities, stamp, coins or paper, money, cheques, account books, computer system, records etc.
- e) Explosives.

### **Special Perils Fire Policy:**

To meet demands of varying needs of the insured special types of policies can be designed with certain modifications of the basic indemnity provided under a Standard Fire Policy.

### **Industrial all Risk Policy:**

The company also issues "Industrial All Risks" Policy in respect of big industries whose value exceeds Tk. 50 Crore.

**Loss of Profit/Consequential Loss Policy:**

Fire insurance is designed to cover the ascertainable loss of material objects, such as building, machinery, fixture, plant, stock and commodities whilst profit insurance is concerned with loss of earning power consequent upon the capital loss. In Bangladesh standard form of policies and premium rates are available.

**Marine Insurance:**

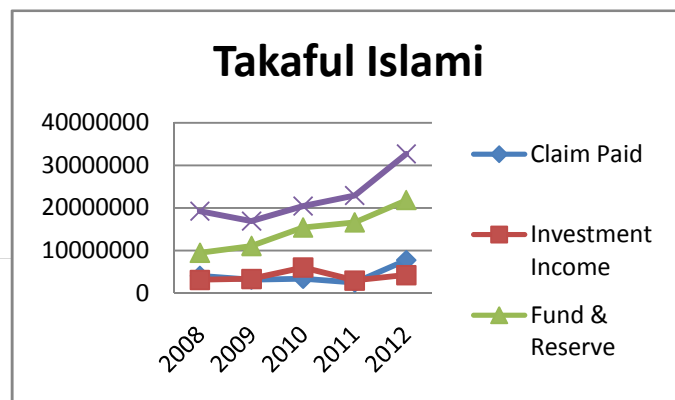
This is refers to goods or merchandise that are being carried from one place to another or are being imported or exported. Such goods or merchandise may be lost or damaged or transit and, therefore, the owner if such goods can always insure against the probable losses.

Bangladesh Marine Cargo Insurance policy is in line with the recommendations of the United Nations Conference on Trade And Development (UNCTAD) making the revised wording of the Institute Cargo Clause (ICC) mandatory from 31-3-1983. With the introduction of new policy form the century old policy form and perils have been withdrawn and replaced by ICC(A), ICC(B) & ICC(C) clauses respectively.

The new ICC apart from being worded in simple English, have more conceptual clarity in approach. The basic approach is to define the terms and conditions in such a manner that the scope for disputes is minimized, whereas new ICC (A) provides "All Risks" cover with named exclusions, the new ICC (C) covers the named risks with exclusions. The new ICC(B) is an intermediate cover with extended named risks and named exclusions.

**Takaful Islami Insurance:**

Graph No: 4.8

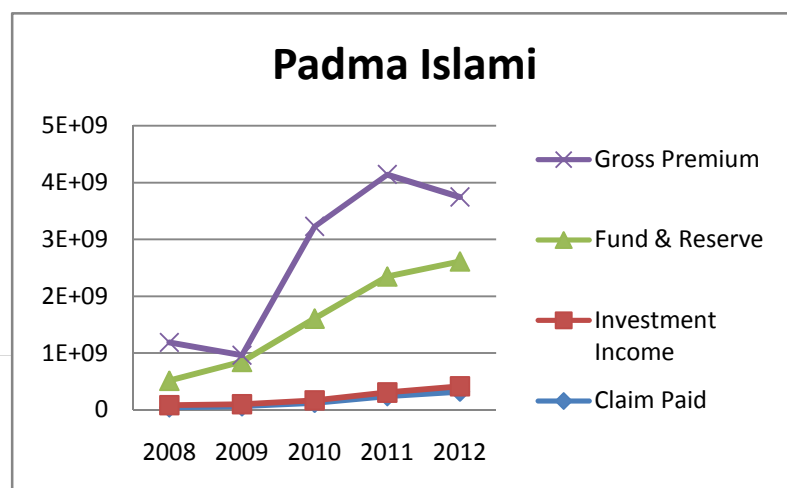


### Financial Performance:

Takaful Islami Insurance's Gross Premium decreased from 2008 to 2009. After that, it increased for two years. Finally, it begins to increase in 2012. The Company's Fund and Reserve increased from 2008 to 2012. Investment income has been showing the increasing trend from 2008 to 2010, that means the company is making the best investment decision by choosing the appropriate projects, which helps to increase the company's income. In the last two years that means 2010 to 2011, it decreased slightly. Finally, it increased in 2012. The company's Claim paid also shows the increasing trend from 2008 to 2012. This indicates the company's ability to pay the claims in the right time. From the overall company's Business performance and financial highlights, we can conclude that Takaful Islami Insurance is doing better performance for Gross premium and Fund & Reserve.

## Padma Islami Insurance Bangladesh Limited

Graph No: 4.10



From the graph we see that Islami Insurance Bangladesh Limited's Gross premium decreased from 2008 to 2009. Then it increased for two years that means from 2009 to 2011. Finally, it begins to decrease in the last year. Fund & Reserve of the company increased from 2008 to 2012. That means the company's fundamental position becomes stronger year by year. The amount of investment income of the company increased from 2008 to 2012. That means the company is making the best investment decision by choosing the appropriate projects, which helps to increase the company's income. The Company's Claim paid also shows the increasing trend from 2008 to 2012. This indicates the company's ability to pay the claims in the right time. From the overall analysis we can say that the company is best for fund & Reserve, Investment Income and Claim Paid.

## **About the Company:**

A good number of committed business magnets initiated and in association with some prominent sponsors, bankers, retired Government Secretary founded Prime Islami Life Insurance Limited.

Padma Islami Life Insurance Ltd. was initially incorporated in the name of Prime Life Insurance Company Ltd. in July-2000 which was converted into an Islamic Company in the name of Padma Islami Life Insurance Ltd. in April-2002. In a relatively short span of time, Prime Islami Life Insurance Ltd. (PILIL) has achieved a commendable progress in business, product developments and quality management.

### **MISSION:**

---

- To abide by Shariah Principles in day-to-day business affairs.

- To build dynamic, sound and professional management team.
- To develop innovative products, to add value to our customers.
- To ensure quality management system.
- To ensure best customer service.
- To ensure good governance.

**VISION:**

---

- To maintain utmost integrity responsibility and transparency.
- To become the best private life insurance company in Bangladesh and in South-East Asia as whole.
- To ensure good governance.

**GOAL:**

---

- To serve the humanity for its well being in the present and the world hereafter by providing financial and moral gains through utmost good faith, good conduct, mutual trust, sincerity, integrity and personalized services.

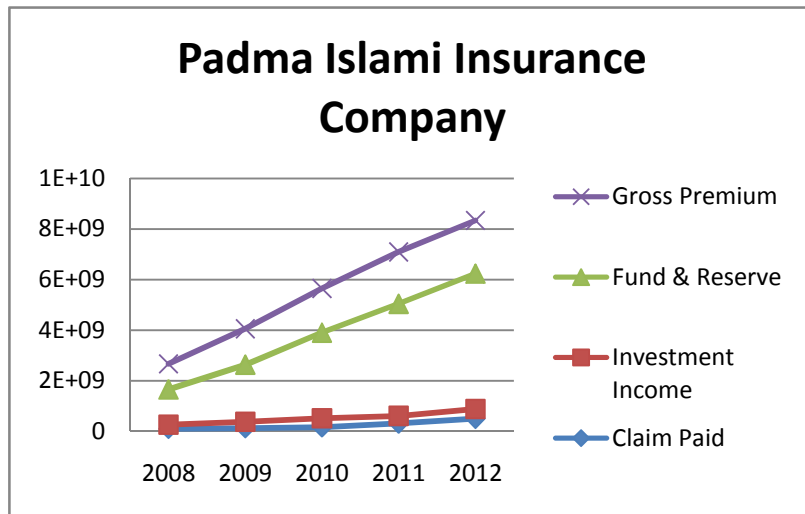
**QUALITY POLICY:**

---

They are committed to their customers to provide with ethical and highest standard services that uphold the values of Islam. We will continue Our business growth in all respects within The framework of Shariah Principles and ISO 9001 : 2008 Quality Management System.

## **Financial Performance:**

Graph No: 4.10



Prime Islami Life Insurance Company's Gross Premium increased from 2008 to 2012. That means the company can earn more premiums than its competitors. The Company's Fund and Reserve increased from 2008 to 2012, which again shows the company's strong fundamental. Investment income has been showing the increasing trend from 2008 to 2012, that means the company is making the best investment decision by choosing the appropriate projects, which helps to increase the company's income. The company's Claim paid also shows the increasing trend from 2008 to 2012. This indicates the company's ability to pay the claims in the right time. From the overall company's Business performance and financial highlights, we can conclude that Prime Islami Life Insurance is doing better performance for Gross premium and Fund & Reserve.



## Financial Highlights of Prime Islami Life Insurance Limited

Table No.4.1

Financial Highlights

**Business Performance** (Taka in Crore)

Sl. No.	Particulars	2010	2009	2008	2007	2006
1	Gross Premium	174.86	141.87	101.13	81.64	56.37
	a) First Year Premium	69.99	53.61	40.32	37.32	32.22
	b) Renewal Premium	104.50	88.08	60.62	44.09	24.05
	c) Group Premium	.37	0.18	0.19	0.23	0.10
2	Assets	373.94	250.40	156.83	97.58	*192.37
3	Life Fund	337.89	225.82	138.82	84.81	43.86
4	Investment	285.28	160.04	114.97	70.25	33.34
5	Investment Income	35.33	25.04	16.09	7.55	3.25
6	Claims (Including Survival)	17.21	13.02	10.99	6.64	2.93
7	Claims to Premium (%)	9.84	9.17	10.87	8.13	5.20
8	Management Exp.	69.84	59.10	46.81	38.84	32.50
	a) Commission	40.20	35.07	29.26	25.72	23.10
	b) Admin.	29.64	24.03	17.55	13.12	9.40
9	Management Exp. To Premium (%)	39.94	41.66	46.29	47.57	57.65
	Dividend on face value of share					
	Stock	10%	35%	30%	20%	-
	Cash	-	5%			-

\* Including IPO Money

**Business Growth Rate**

	2010	2009	2008	2007	2006
Premium (in %)	23.25	40.28	23.87	44.82	64.34
Assets (in %)	49.33	59.66	60.73	**92.69	*609.63
Life Fund (in %)	49.62	62.68	63.68	93.37	106.59

\* Including IPO Money \*\* Excluding IPO Money

Source: 5 Years Annual Report

## Islamic Insurance Bangladesh Limited

Table No.4.2

Executive Summary

- This Executive summary is an extract only of the 2010 Annual report of Prime Islami Life Insurance Limited
- This Executive Summary dose not provide full understanding of the financial and business performance of the prime Islami Life Insurance Limited.
- Further detailed information can be obtained from the Annual Report

The Annual report of Prime Islami Life Insurance Limited (PILIL) is a chronological depiction of the events/activities performed by the company during the year 2010. Financial highlight are as follows:

**KEY INDICATORS**

Tk. in crore

	<b>2010</b>	<b>2009</b>	<b>Increase</b>	<b>Growth</b>
	<b>Taka</b>	<b>Taka</b>	<b>Taka</b>	<b>Percentage</b>
Net Premium	174.67	141.80	32.87	23.18 %
Investment	285.28	160.04	125.24	78.26 %
Life fund	337.89	225.82	112.07	49.62 %

Source: 5 Years Annual Report

Table No.4.3

## Performance Ratio

(For the years from 2006 to 2010)

SL No.	Particulars	2010	2009	2008	2007	2006
1	Net Income Ratio*	64.21%	61.34%	54%	50.14%	40.41%
2	Incurred Expenses Ratio**	64.21%	57.00%	62%	59.37%	65.42%
3	Incurred Claims Ratio: (Including S/B & S/V)***	9.84%	9.18%	10.88%	8.15%	5.21%

### Explanatory notes

**\*Net income ratio:**

The net income ratio indicator is the net income for the year divided by earned premium in the same period.

**The formula is:**

**Net income ratio** = Net income/Earned premium.

This may be clarified as net income for the year applicable equals earned premium plus investment income plus other income minus incurred claims minus incurred expenses.

**\*\*Incurred expenses ratio:**

The expenses ratio is defined as the incurred expenses for the year divided by earned premium.

**The formula is:**

**Incurred Expenses Ratio:** Incurred expenses/Earned premium.

Incurred expenses should reflect all actual expenses incurred in the year including amortization of equipment, depreciation and commission. This may or may not equal to cash expenses.

**\*\*\*Incurred Claims Ratio:**

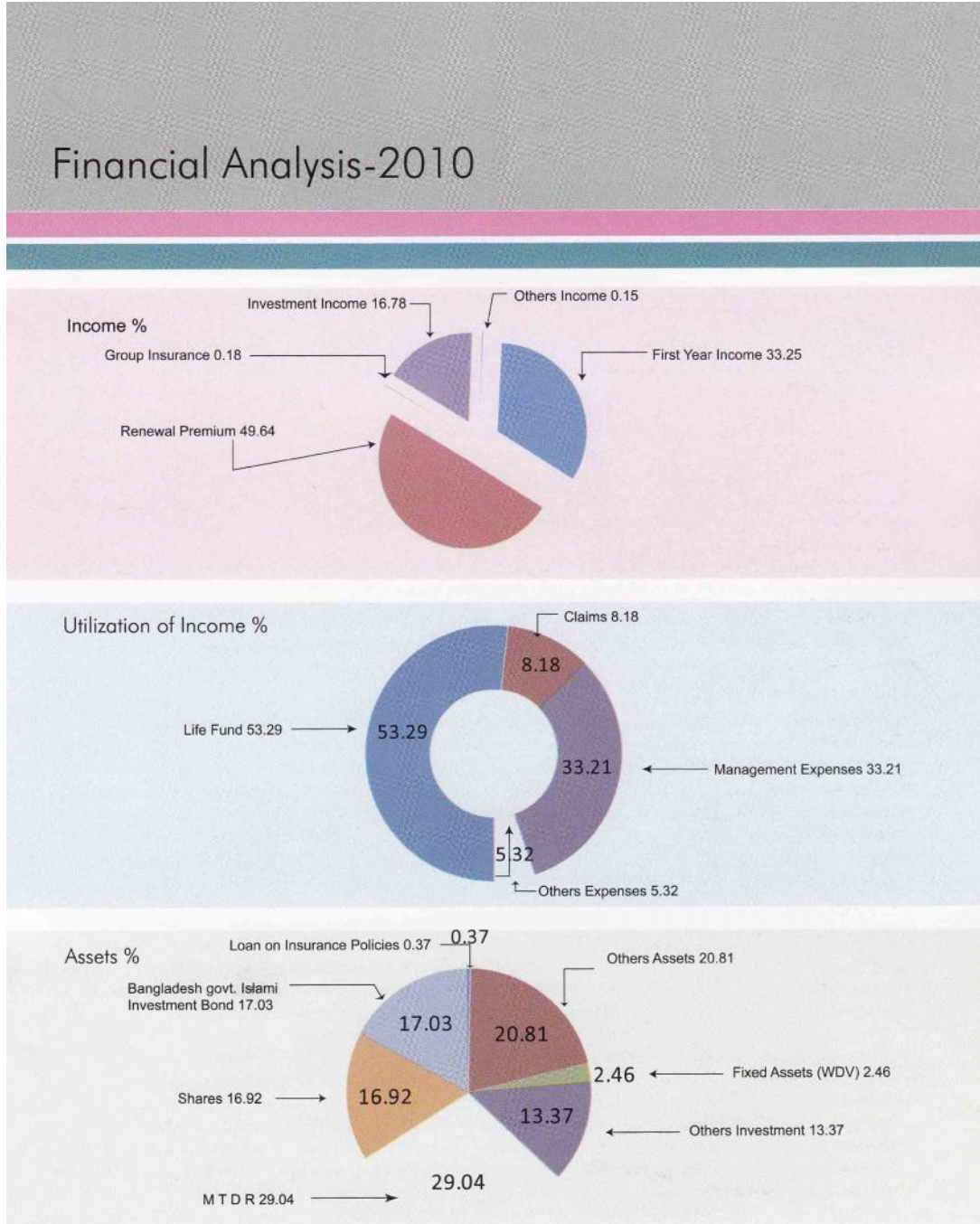
The incurred claims ratio indicator is defined as the incurred claims for the year divided by earned premium in the same period.

**The formula is:**

**Incurred Claims Ratio:** Incurred Claims/ Earned Premium.

The definition of incurred claims and earned premium was described for the net income ratio. As explained incurred claims is the sum of benefit paid for the year, an estimate of change during the year in benefit due but not yet paid.

Graph No: 4.11



## Islamic Insurance Bangladesh Limited

### IIBL Performance at a Glance (in figure)

Particulars	Taka in Million				
	2011	2010	2009	2008	2007
Gross Premium	275.17	268.56	246.83	232.63	212.75
Net Premium	182.79	178.30	118.27	136.88	146.74
Commission Earned	18.49	17.24	31.31	15.93	16.34
Gross Claims	113.11	40.41	96.38	34.07	45.95
Net Claims	49.10	19.55	4.99	8.10	15.94
Reserve for unexpired risk	73.21	72.01	47.81	55.26	58.92
Exceptional Loss reserve	37.70	34.70	24.65	23.00	22.00
General Reserve	0.80	4.00	7.50	3.50	-
Underwriting Profit & Loss	21.21	15.93	59.11	13.97	19.75
Net Profit / Loss	27.50	40.43	17.99	18.85	26.38
Investment Income	17.25	36.49	21.04	14.77	13.28
Cash & Bank Balance	252.17	263.57	287.11	170.66	151.40
Fixed Assets	129.12	27.20	26.92	25.47	23.25
Total Assets	505.11	418.80	371.70	237.83	234.06

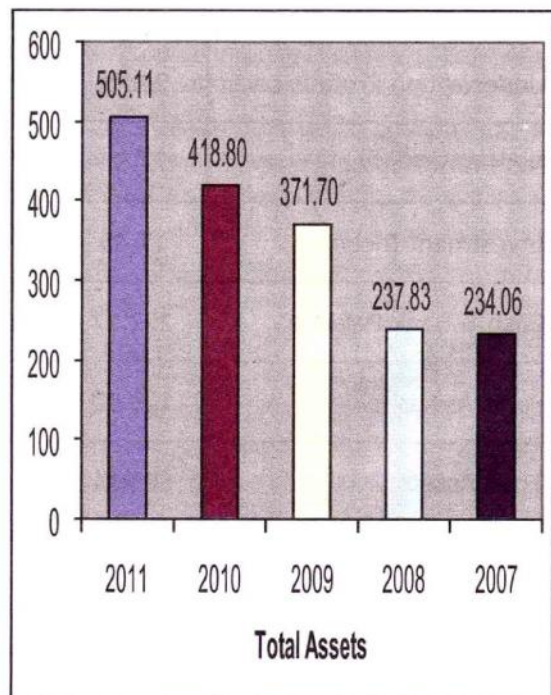
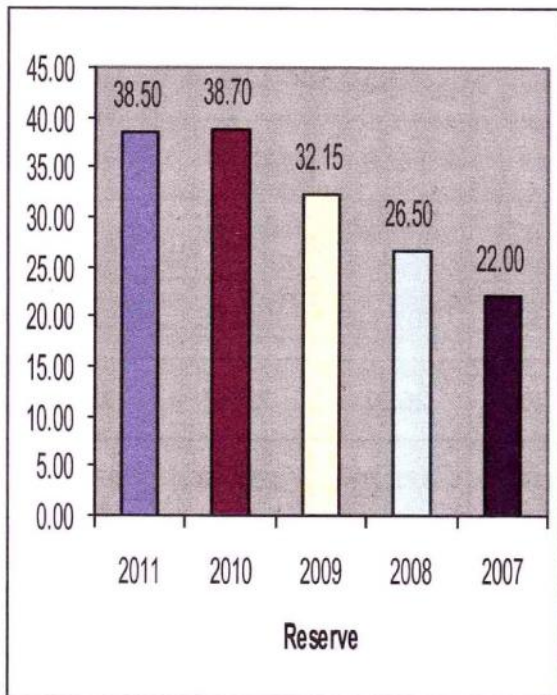
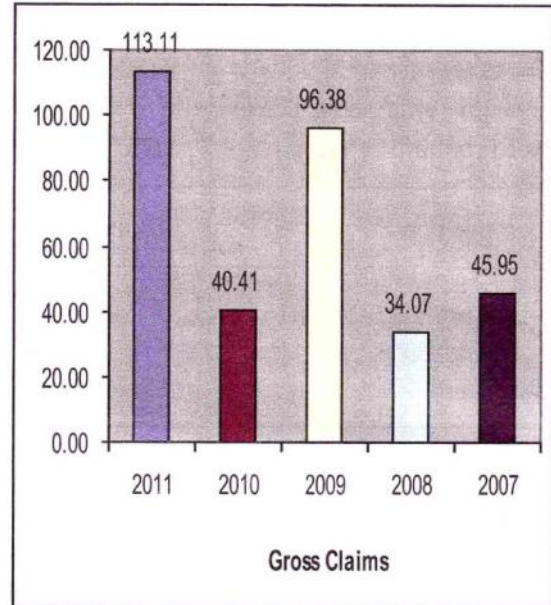
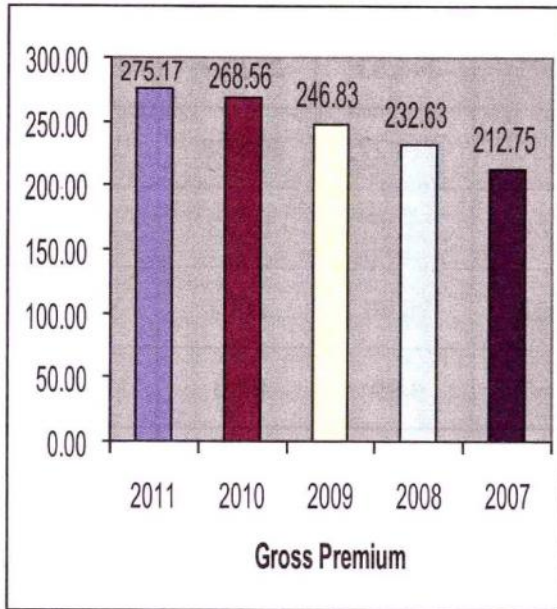
Source: 5 Years Annual Report

Table No.4.4

Graph No: 4.12

## PERFORMANCE AT A GLANCE (in graph)

Taka in Million



Source: 5 Years Annual Report

PADMA ISLAMI LIFE INSURANCE LIMITED  
ANNUAL REPORT - 2011

## Padma Islami Life Insurance Limited Business Performance & Business Growth for 5 Years

Statement for Business Performance & Business Growth  
Five Years Summary

### Business Performance

Taka in Lac

Particulars	2011	2010	2009	2008	2007
First year Premium	2,106.24	6,579.47	5,620.63	6,078.94	4,131.36
Renewal Premium	9,023.04	11,325.59	10,553.66	5,799.72	2,581.78
Group Insurance Premium	3.29	13.28	0.20	-	-
<b>Gross Premium</b>	<b>11,132.57</b>	<b>17,918.34</b>	<b>16,174.49</b>	<b>11,878.66</b>	<b>6,713.14</b>
<b>Investment Income</b>	<b>955.98</b>	<b>671.03</b>	<b>452.67</b>	<b>358.98</b>	<b>409.25</b>
Claims	3,228.70	2,434.12	1,269.34	676.31	473.52
Management Expenses					
a) Commission	3,257.46	6,539.71	5,384.53	5,558.39	3,633.41
b) Admin Expenses	3,667.65	3,561.56	2,845.68	2,672.90	2,092.03
Assets	28,415.38	23,836.27	16,470.86	8,681.39	5,529.99
Life Fund	21,935.11	20,370.82	14,363.79	7,434.39	4,287.71
Claims to Premium (%)	29%	14%	8%	6%	7%
Management Expenses to Premium (%)	62%	56%	51%	69%	85%
Dividend of face value of share					
a) Cash	-	18%	15%	-	-
b) Stock	-	-	-	-	-

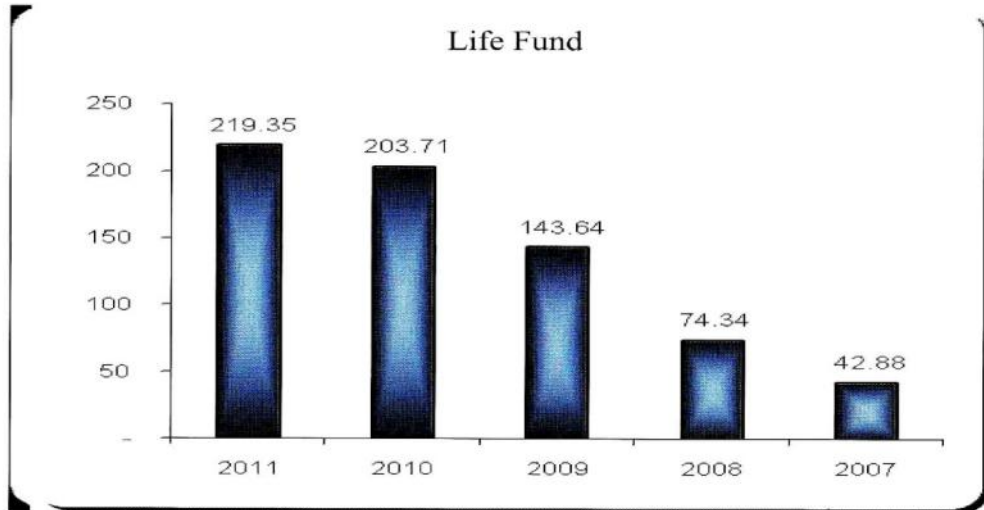
### Business Growth

Particulars	2011	2010	2009	2008	2007
Assets (%)	19.21	44.72	89.73	56.99	30.06
Life Fund (%)	7.68	41.82	93.21	73.39	24.05
Premium (%)	(37.87)	10.78	36.16	76.95	(21.10)

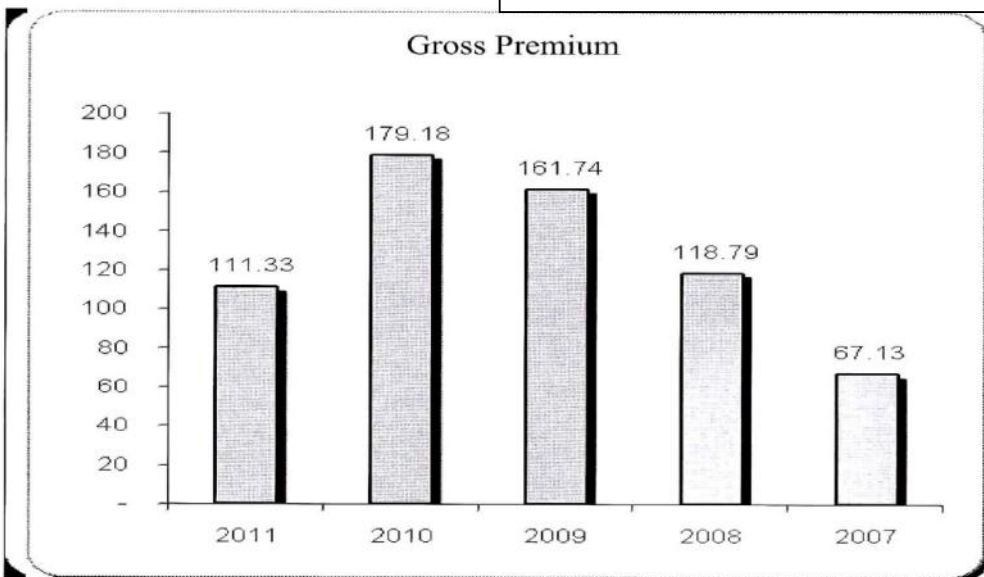
Table No.4.5



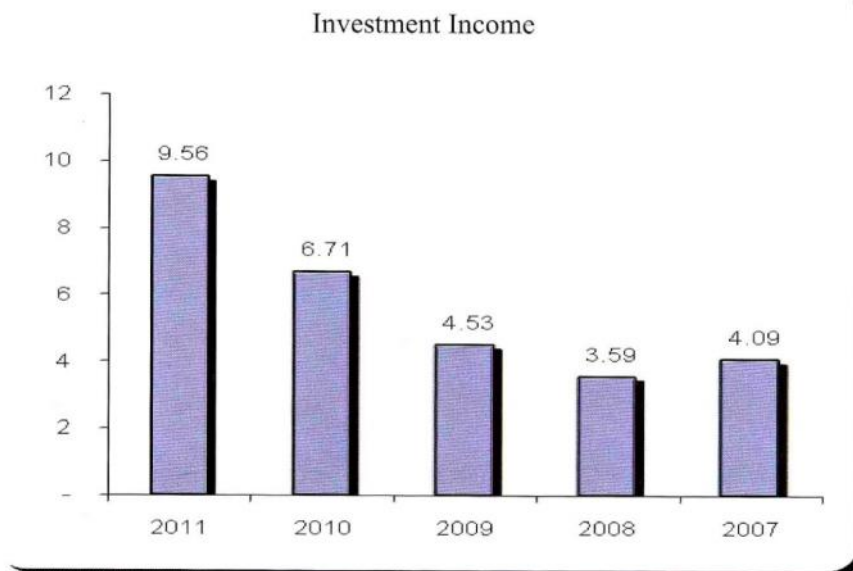
## Graphical Representation



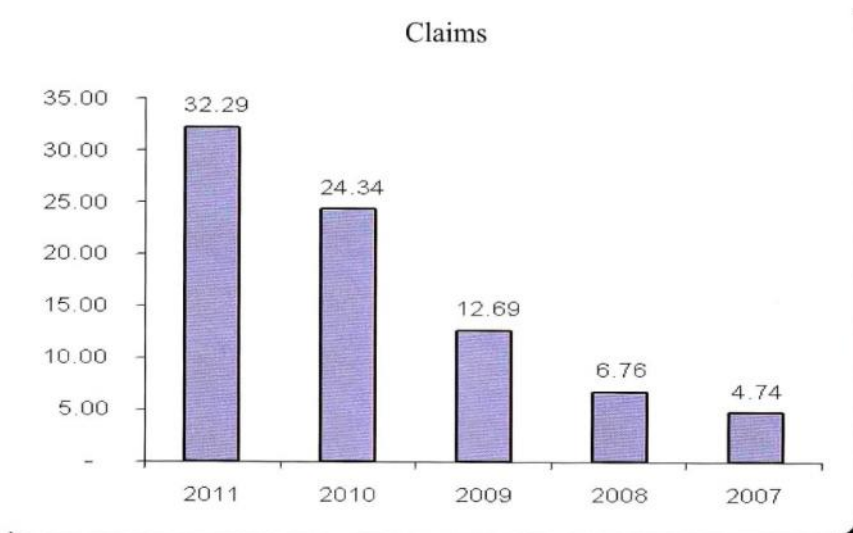
Graph No: 4.13



Graph No: 4.14



Graph No: 4.15



Graph No: 4.16

## Takaful Islami Insurance Company

### Financial Highlights Progress at a Glance

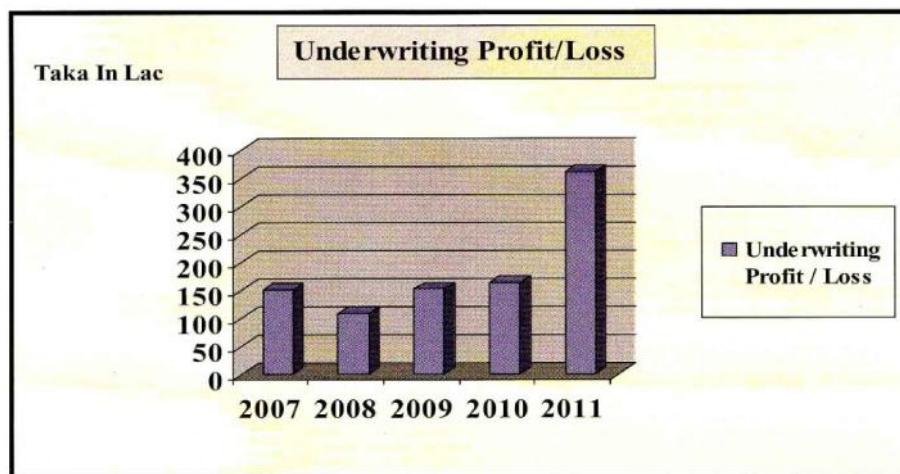
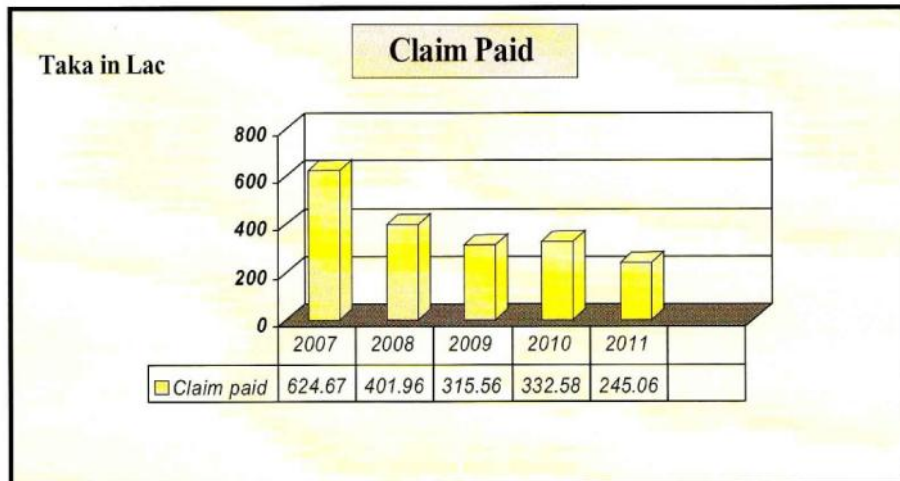
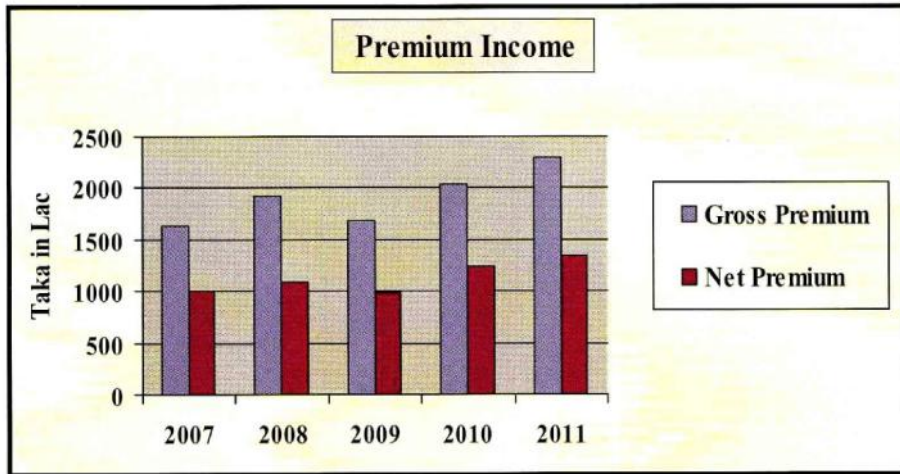
(Taka in Lac)

	2011	2010	2009	2008	2007
Gross Premium	2,289.11	2,044.69	1,688.15	1,921.26	1,626.78
Net Premium	1,345.84	1,236.35	978.54	1,084.79	1007.09
Claim Paid	245.06	332.58	315.56	401.96	624.67
Underwriting Profit/(Loss)	361.87	163.79	152.53	109.86	152.4
Investment Income(TDR/FDR & Bond)	233.87	205.47	162.34	286.65	98.18
Investment Income (Shares )	60.71	394.07	168.40	20.14	48.79
Net Profit/(Loss) before Tax	571.46	693.54	418.35	359.16	273.70
Net Profit/(Loss) after Tax	410.68	595.51	379.54	302.75	223.74
Proposed Dividend	337.24	258.75	225.00	-	60.00
Fund & Reserve	1,657.53	1,536.92	1,102.80	942.71	643.94
Investment in TDR/FDR, Shares & Bond	3,769.80	3,176.74	2,580.48	2,101.59	1119.1
Cash and Bank Balance	587.24	532.88	407.48	627.83	272.37
Total Assets	5,178.41	4,608.30	3,715.36	3,343.30	2,026.86
EPS (Consolidated)	2.07	3.45	2.53	3.62	3.73
NAV Per Share (Consolidated)	17.23	17.33	15.84	13.09	14.03
Dividend Percentage	17%(B)	15%(B)	15%(B)	0%	10%

**Source: 5 Years Annual Report**

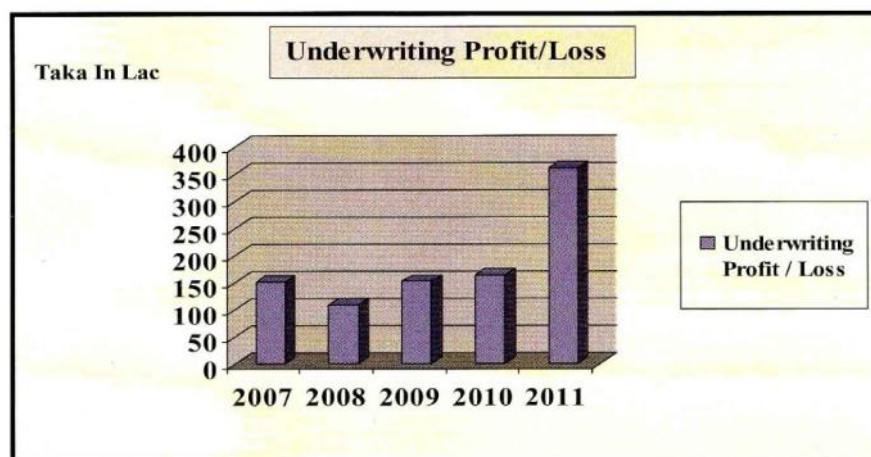
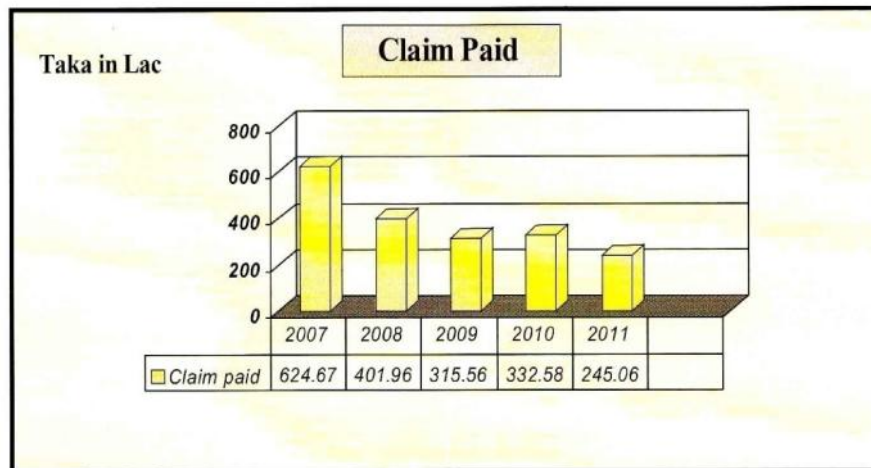
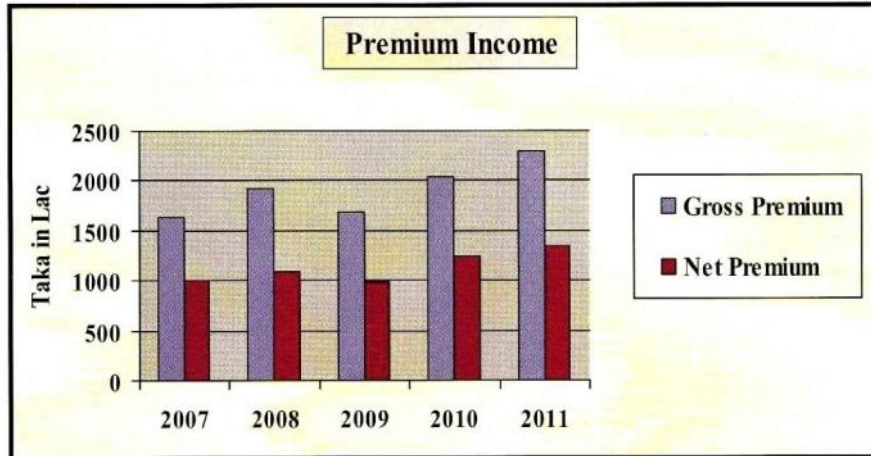
**Table No.4.6**

### Performance on Index



Graph No: 4.17

### Performance on Index



Graph No: 4.18

## Farest Islami Insurance Company

### FIVE YEARS SUMMARY

#### BUSINESS PERFORMANCE

(Taka in Lac)

	2011	2010	2009	2008	2007
<b>First Year Premium</b>	2,37,91.92	2,77,18.70	3,40,97.03	1,20,99.22	95,16.03
<b>Renewal Premium</b>	4,52,82.53	3,74,10.83	2,90,14.22	1,98,76.35	1,43,61.27
<b>Group Insurance Premium</b>	13.17	6.03	2.71	2.83	2.66
<b>Gross Premium</b>	6,90,87.62	6,51,35.56	6,31,13.96	3,19,78.40	2,38,79.96
<b>Investment Income</b>	80,97.22	1,13,13.33	66,16.37	43,04.43	30,02.35
<b>Claims</b>	1,39,78.15	66,22.68	64,91.49	42,52.22	25,18.41
<b>Management Expenses</b>					
<b>a) Commission</b>	1,76,07.45	1,72,22.30	2,21,37.06	82,73.01	59,66.15
<b>b) Admin. Expenses</b>	84,90.43	80,43.63	55,91.35	35,53.21	22,76.38
<b>Assets</b>	21,92,37.78	14,61,17.98	10,11,60.02	6,45,13.23	4,31,64.51
<b>Life Fund</b>	16,48,65.07	13,52,95.05	9,28,21.62	5,89,93.16	3,97,48.48
<b>Claims to Premium (%)</b>	20.23	10.17	10.29	13.30	10.55
<b>Management Expenses to Premium (%)</b>	37.78	38.79	43.93	36.98	34.52
<b>Dividend of face value of share</b>					
<b>a) Cash</b>	12.50%	-	-	5%	-
<b>b) Stock</b>	25%	40%	45%	40%	40%

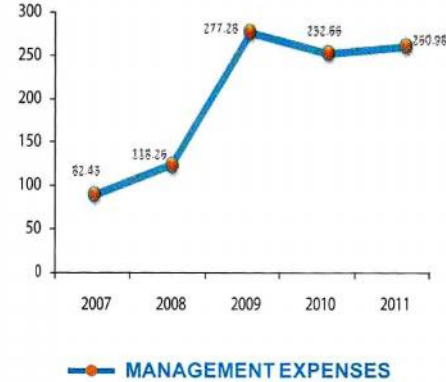
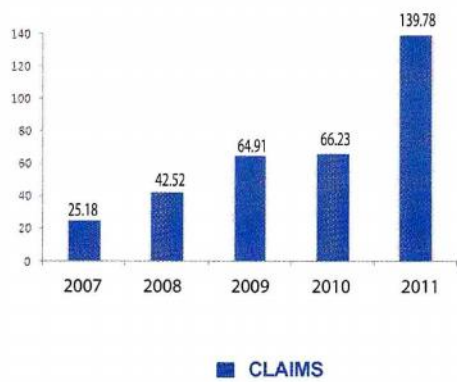
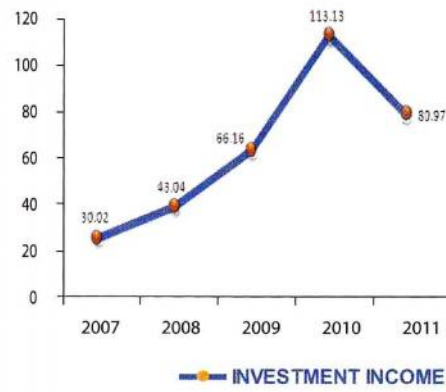
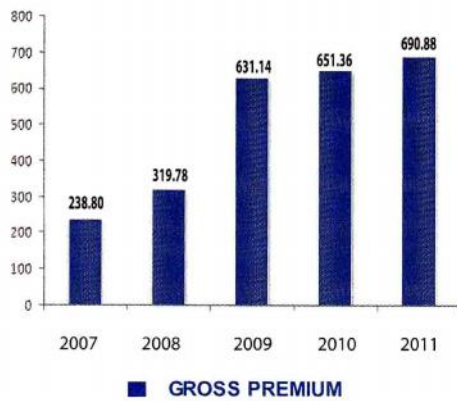
#### BUSINESS GROWTH

	2011	2010	2009	2008	2007
<b>Assets (%)</b>	50.04	44.44	57	49	58
<b>Life Fund (%)</b>	21.86	45.76	57	48	67
<b>Premium (%)</b>	6.07	3.20	97	34	38

Source: 5 Years Annual Report

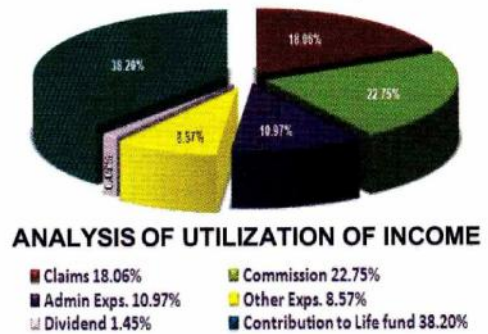
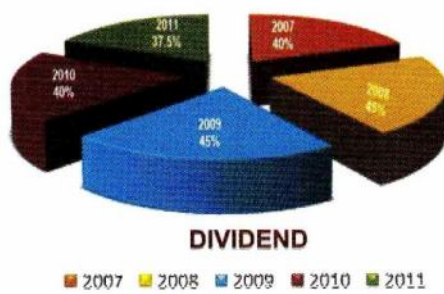
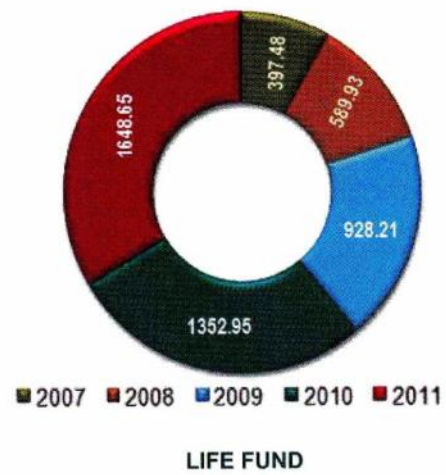
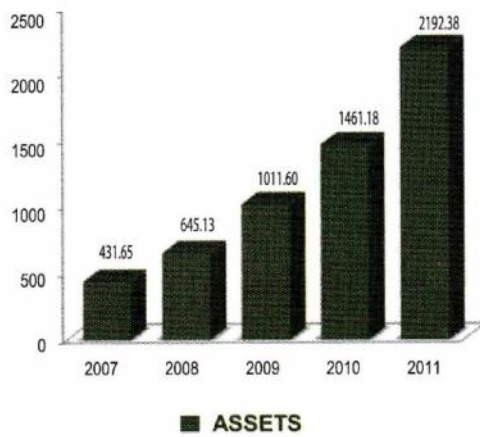
Table No.4.7

**GRAPHICAL REPRESENTATION**



Graph No: 4.19





Graph No: 4.20

## 4.2 SWOT Analysis of Islamic Insurance Companies in Bangladesh

Not surprisingly, in the competitive arena of marketing era SWOT analysis is a must based on Product, Price, Place and Promotion of a financial institute like private bank. From the SWOT analysis we can figure out ongoing scenario of the bank.

Graph No: 4.21

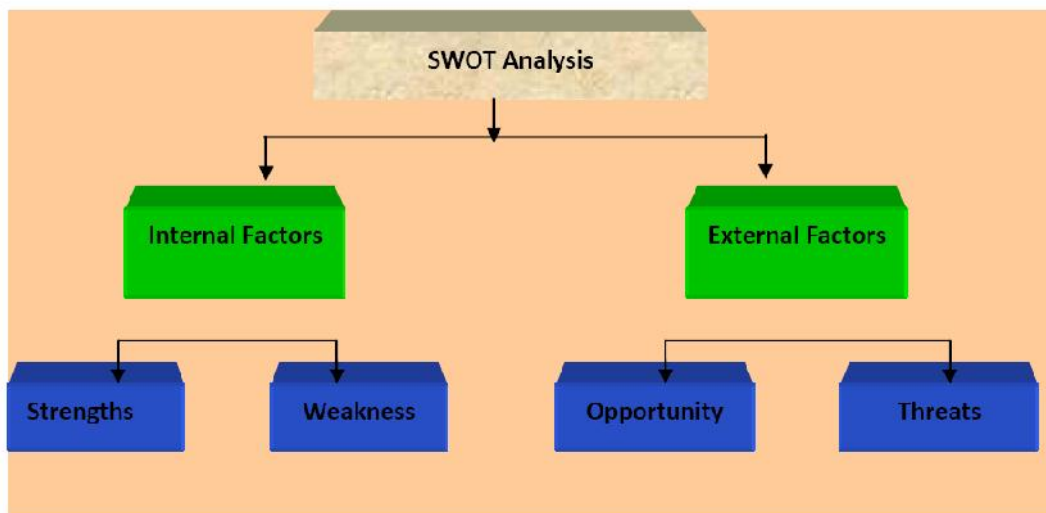


Figure: SWOT Analysis

In SWOT analysis two factors act as prime movers

. Internal factors which are prevailing inside the concern which include strengths and weakness

### **STRENGTHS**

Wide Image.

Enthusiastic employee.

High deposit.

Higher profit rate to client.

Excellent Management.

High commitment of customer.

Qualified & experienced human resource.

Satisfactory Environment.

Wide product line.

Low infection in loan exposure.

#### **WEAKNESS**

It has high cost fund.

It has highly exposed to volatile garment business.

It has highly exposed dependency on term of deposit.

Inadequate IT infrastructure.

Inadequate delegation of power.

Officers have limited experience and not enough trained.

Marketing policy is not well setup.

#### **OPPORTUNITIES**

Increasing demand of client finance.

Investment potential of Bangladesh.

Good prospect of more export import business at Uttara turning to commercial area

. Relationship management.

Complacency among rival firms.

It has credit card business.

It has scope of market penetration through diversified products and wide banking network.

It has regulatory environment favoring private sector development.

Develop relations and correspondence with foreign banks.

More concentrated Banking based on Islamic Banking.

## **THREATS**

Lacking of Islamic Insurance companies customers awareness regarding Islamic banking

Some other Islamic Insurance companies also follow the Islamic banking policy.

Certain Islamic Insurance companies rules and regulations.

It has increased competition for the market for public deposit.

Market share for lowering interest rate.

Deteriorated export, import and guarantee business due to indecent competition as well as economic slump.

Young, energetic, dynamic, talent and smart work force of competitors.

Govt. imposes high rate of taxes and vat.

## **Chapter 5 : Model Development**

## **5.1 Definition of Model**

Model is a realistic description of a theoretical framework of a thought.

1. “Model is Graphical, mathematical (symbolic, physical or verbal representation or simplified version of a concept, phenomenon, relationship, structure, system, or an aspect of the real world (www.businessdictionary.com)
2. “Model is an abstraction of reality, generally refereeing in investments to a mathematical formula designed to determine security values. Economists also use models to project trends in economic variables such as interstates, economic activity and inflation rates.” ( source : Financial Dictionary)
3. “A model is the description of observed or predicted behavior of some system, simplified by ignoring certain detail. Models allow complex system, both existent and merely specified to be understood and their behavior predicted. A model may give incorrect descriptions and predictions for situations outside the realm of its intended use. A model may be used as a basis for stimulation.” (Source : Computing Dictionary)
4. “Model is a systematic description of an object or phenomenon that shares important characteristics with the object or phenomenon. Scientific models can be materials, visual, mathematical or computational and are often used in the construction of scientific theories. ( sources : Science Dictionary)
5. Model is a representation of a system that allows for investigation of the properties of the system and in some cases, prediction of future outcome. Models are often used in quantitative analysis and technical analysis and sometimes also used in fundamental analysis. ( Source : Investment.com)

## **5.2 Importance of Model**

The business model is to collect more in premium and investment income than is paid out in losses, and to also offer a competitive price which consumers will accept. Profit can be reduced to a simple equation:

Profit = earned premium + investment income – incurred loss – underwriting expenses.

Insurers make money in two ways:

- Through underwriting, the process by which insurers select the risks to insure and decide how much in premiums to charge for accepting those risks
- By investing the premiums they collect from insured parties

The most complicated aspect of the insurance business is the actuarial science of ratemaking (price-setting) of policies, which uses statistics and probability to approximate the rate of future claims based on a given risk. After producing rates, the insurer will use discretion to reject or accept risks through the underwriting process.

At the most basic level, initial ratemaking involves looking at the frequency and severity of insured perils and the expected average payout resulting from these perils. Thereafter an insurance company will collect historical loss data, bring the loss data to present value, and compare these prior losses to the premium collected in order to assess rate adequacy.<sup>[24]</sup> Loss ratios and expense loads are also used. Rating for different risk characteristics involves at the most basic level comparing the losses with "loss relativities"—a policy with twice as many losses would therefore be charged twice as much. More complex multivariate analyses are sometimes used when multiple characteristics are involved and a univariate analysis could produce confounded results. Other statistical methods may be used in assessing the probability of future losses.

Upon termination of a given policy, the amount of premium collected minus the amount paid out in claims is the insurer's underwriting profit on that policy. Underwriting performance is measured by something called the "combined ratio", which is the ratio of expenses/losses to premiums.<sup>[25]</sup> A combined ratio of less than 100% indicates an underwriting profit, while anything over 100 indicates an underwriting loss. A company with a combined ratio over 100% may nevertheless remain profitable due to investment earnings.

Insurance companies earn investment profits on "float". Float, or available reserve, is the amount of money on hand at any given moment that an insurer has collected in insurance premiums but has not paid out in claims. Insurers start investing insurance premiums as soon as they are collected and continue to earn interest or other income on them until claims are paid out. The Association of British Insurers (gathering 400 insurance companies and 94% of UK insurance services) has almost 20% of the investments in the London Stock Exchange.

In the United States, the underwriting loss of property and casualty insurance companies was \$142.3 billion in the five years ending 2003. But overall profit for the same period was \$68.4 billion, as the result of float. Some insurance industry insiders, most notably Hank Greenberg, do not believe that it is forever possible to sustain a profit from float without an underwriting profit as well, but this opinion is not universally held.

Naturally, the float method is difficult to carry out in an economically depressed period. Bear markets do cause insurers to shift away from investments and to toughen up their underwriting standards, so a poor economy generally means high insurance premiums. This tendency to swing between profitable and unprofitable periods over time is commonly known as the underwriting, or insurance, cycle



### **5.3 Objectives of Model**

The model of a model include (1) to facilitate understanding by eliminating unnecessary components (2) to aid in decision making by stimulating “what if scenarios (3) to explain, control and predict events n the basis of past observations. Since most objects and phenomenon are very complicated (have numerous parts) and much too complex (parts have dense interconnections) to be comprehended in their entirety, a model contains only those features that are of primary importance to the model makers’ purpose. Models range from simple sketches to computer program with millions of lines of codes but all of them have one thing in common some elements of the actual thing are abstracted or mapped into the model ( source : [www.businessdictionary.com](http://www.businessdictionary.com) )

### **5.4 Functions of Model**

Insurance involves pooling funds from many insured entities (known as exposures) to pay for the losses that some may incur. The insured entities are therefore protected from risk for a fee, with the fee being dependent upon the frequency and severity of the event occurring. In order to be an insurable risk, the risk insured against must meet certain characteristics. Insurance as a financial intermediary is a commercial enterprise and a major part of the financial services industry, but individual entities can also insure through saving money for possible future losses.

Risk which can be insured by private companies typically shares seven common characteristics:<sup>[18]</sup>

1. **Large number of similar exposure units:** Since insurance operates through pooling resources, the majority of insurance policies are provided for individual members of large classes, allowing insurers to benefit from the law of large numbers in which predicted losses are similar to the actual losses.

Exceptions include Lloyd's of London, which is famous for insuring the life or health of actors, sports figures, and other famous individuals. However, all exposures will have particular differences, which may lead to different premium rates.

2. **Definite loss:** The loss takes place at a known time, in a known place, and from a known cause. The classic example is death of an insured person on a life insurance policy. Fire, automobile accidents, and worker injuries may all easily meet this criterion. Other types of losses may only be definite in theory. Occupational disease, for instance, may involve prolonged exposure to injurious conditions where no specific time, place, or cause is identifiable. Ideally, the time, place, and cause of a loss should be clear enough that a reasonable person, with sufficient information, could objectively verify all three elements.
3. **Accidental loss:** The event that constitutes the trigger of a claim should be fortuitous, or at least outside the control of the beneficiary of the insurance. The loss should be pure, in the sense that it results from an event for which there is only the opportunity for cost. Events that contain speculative elements, such as ordinary business risks or even purchasing a lottery ticket, are generally not considered insurable.
4. **Large loss:** The size of the loss must be meaningful from the perspective of the insured. Insurance premiums need to cover both the expected cost of losses, plus the cost of issuing and administering the policy, adjusting losses, and supplying the capital needed to reasonably assure that the insurer will be able to pay claims. For small losses, these latter costs may be several times the size of the expected cost of losses. There is hardly any point in paying such costs unless the protection offered has real value to a buyer.
5. **Affordable premium:** If the likelihood of an insured event is so high, or the cost of the event so large, that the resulting premium is large relative to the

amount of protection offered, then it is not likely that the insurance will be purchased, even if on offer. Furthermore, as the accounting profession formally recognizes in financial accounting standards, the premium cannot be so large that there is not a reasonable chance of a significant loss to the insurer. If there is no such chance of loss, then the transaction may have the form of insurance, but not the substance (see the U.S. Financial Accounting Standards Board pronouncement number 113: "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts").

6. **Calculable loss:** There are two elements that must be at least estimable, if not formally calculable: the probability of loss, and the attendant cost. Probability of loss is generally an empirical exercise, while cost has more to do with the ability of a reasonable person in possession of a copy of the insurance policy and a proof of loss associated with a claim presented under that policy to make a reasonably definite and objective evaluation of the amount of the loss recoverable as a result of the claim.
7. **Limited risk of catastrophically large losses:** Insurable losses are ideally independent and non-catastrophic, meaning that the losses do not happen all at once and individual losses are not severe enough to bankrupt the insurer; insurers may prefer to limit their exposure to a loss from a single event to some small portion of their capital base. Capital constrains insurers' ability to sell earthquake insurance as well as wind insurance in hurricane zones. In the United States, flood risk is insured by the federal government. In commercial fire insurance, it is possible to find single properties whose total exposed value is well in excess of any individual insurer's capital constraint. Such properties are generally shared among several insurers, or are insured by a single insurer who syndicates the risk into the reinsurance market.

When a company insures an individual entity, there are basic legal requirements. Several commonly cited legal principles of insurance include:<sup>[19]</sup>

1. Indemnity – the insurance company indemnifies, or compensates, the insured in the case of certain losses only up to the insured's interest.
2. Benefit insurance – as it is stated in the study books of The Chartered Insurance Institute, the insurance company doesn't have the right of recovery from the party who caused the injury and is to compensate the Insured regardless of the fact that Insured had already sued the negligent party for the damages (for example, personal accident insurance)
3. Insurable interest – the insured typically must directly suffer from the loss. Insurable interest must exist whether property insurance or insurance on a person is involved. The concept requires that the insured have a "stake" in the loss or damage to the life or property insured. What that "stake" is will be determined by the kind of insurance involved and the nature of the property ownership or relationship between the persons. The requirement of an insurable interest is what distinguishes insurance from gambling.
4. Utmost good faith – (*Uberrima fides*) the insured and the insurer are bound by a good faith bond of honesty and fairness. Material facts must be disclosed.
5. Contribution – insurers which have similar obligations to the insured contribute in the indemnification, according to some method.
6. Subrogation – the insurance company acquires legal rights to pursue recoveries on behalf of the insured; for example, the insurer may sue those liable for the insured's loss. The Insurers can waive their subrogation rights by using the special clauses.
7. Causaproximal, or proximate cause – the cause of loss (the peril) must be covered under the insuring agreement of the policy, and the dominant cause must not be excluded
8. Mitigation – In case of any loss or casualty, the asset owner must attempt to keep loss to a minimum, as if the asset was not insured.

## **5.5 Types of Model**

### **The Mudaraba Model**

The mudaraba is a kind of partnership in which one party that affords supplies funds while the other offers its expertise and management. It is based on classic profit sharing principles, i.e. a partnership in which two parties involved: one is fund provider which is called the *participant*, while the other person or party is called the *operator* who provides expertise and management of the fund. Both share the profits of the joint venture with a pre-defined ratio (see Akhtar, 2010; Bhatta, 2007; Hussain, 2010; Nadeem, 2010 and Wahab (2006a) for more details). Fig. 1 displays this model.

#### ***The Model Structure***

A separate fund is created with the name of *General Takaful Fund* for the purpose of investment. Similar to the conventional insurance, a contract details are made that how the surplus and investment profits are shared between operator and participants. This model is based on profit-loss sharing between the takaful operator and the policy holders. The operator runs all the activities and operation in return for a share of the surplus on underwriting and a share of profit from investment.

#### ***Initial investment***

Under mudaraba model, the initial investment is provided by the *rab-ul-mall* (participants/ policyholders) as *tabarru*(donation) to mutually help the participants who face an unfortunate situation. The takaful operator or *mudarib* does not provide any investment but manage the operation of takaful company.

#### ***Operational Cost of the Business***

The participants are responsible to meet all management related expenses from their share and any remaining amount would be the participants' profits. However, if there

is a deficiency in the takaful risk fund, then the Shariah advisory board and government regulatory body bound the takaful operator to provide interest-free loan.

### ***Profit Distribution***

The contract specifies how the surplus from the takaful operations is to be shared between the takaful operator and the participants. Under this type of contract, surplus is just like net income of the business which is generated by investing participant amount in *halal* business through creating a separate fund like *General Takaful Fund* or *Participant Investment Account (PIA)*. The surplus is shared between *rabul-mall* and *mudarib* on predefined basis. Moreover, *mudarib* gets income by taking service charges to the business or participants.

### ***What about Losses?***

The *mudarib* does not share losses. All losses are covered by participants' contribution and investment income which is used to pay for claims from the General Takaful Fund. If funds are not sufficient to meet the deficit *Qard Hasnah* is provided by the participants.

### ***Observations on the Mudaraba Model***

The Shariah scholars agree with the conceptual basis related to the Mudaraba Model, but they have expressed some concerns which are discussed as under:

1. The Shariah scholars have an observation that the "Profit Sharing" contract should not be applied in this model and donation cannot become Mudaraba Capital at the same time (Wahab, 2006a).

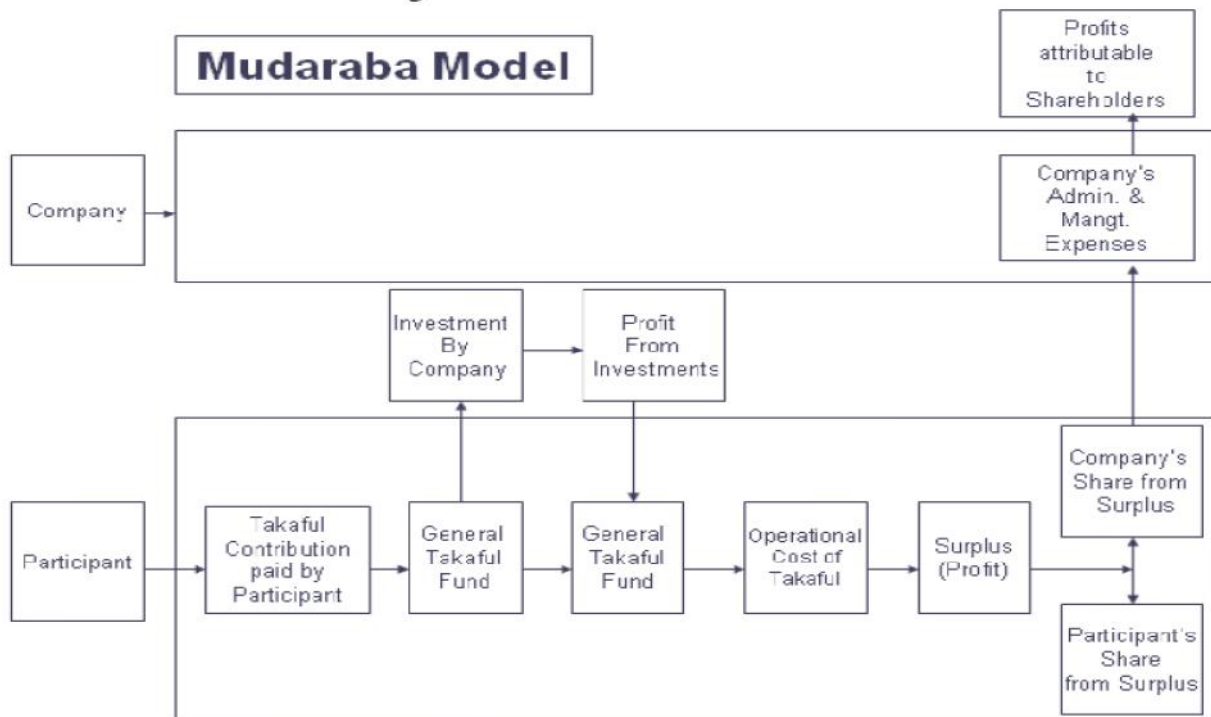
2. In a Mudaraba contract, the question of distribution of profit is under observation. In this model, the earned profit is to be distributed while the profit is not the same as Surplus and in the insurance context no profit can be generated by definition (Wahab, 2006a).

3. The sharing in underwriting surplus makes the contract essentially the same as conventional insurance contracts where the shareholders become “Risk Takers” and bear the risk and return from the underwriting results just as any ordinary business venture not on the basis of *mudaraba* (Mahmood, 1991).

4. The requirement to provide *Qard-e-Hasnah*(in case of a deficit) is against the concept of *Mudaraba* which is a profit sharing contract and a *Mudarib* cannot be a guarantor at the same time (Laldin, 2008).

5. It is understood that the application of the *Mudaraba* approach to risk sharing does not seem to be correct and most of the new operators are applying the *wakala* based model or hybrids of *wakala* and *mudaraba* (Hussels et al., 2007).

**Figure 1: The Mudaraba Model**



Source: Wahab(2006a)

Source: [www.islamicmodel.com](http://www.islamicmodel.com)

### **Graph 5.1**



### **The Wakala Model**

*Al wakalah* is a term built on the root word ‘*wakalah*’. The word ‘*wakalah*’ appears in the *Quran* in several times and bears several meanings, but in spite of that, they are all used to indicate “a representation of a person on behalf of another person in certain dispositions” (Napiah, 1995). Under this model, the operator charges a fee for fund management and performance. This fee is determined by the Shariah advisory board of the company.

The Wakala model is basically used to distinguish between the operating company (wakeel) and the takaful fund. Cooperative risk sharing occurs among participants where a takaful operator earns a fee for his/her services (as an agent) and does not participate or share in any underwriting results as these belong to participants as surplus or deficit (see Akhtar, 2010; Bhatti, 2007 and Wahab, 2006a for more details). Fig. 2 illustrates this model.

### ***The Model Structure***

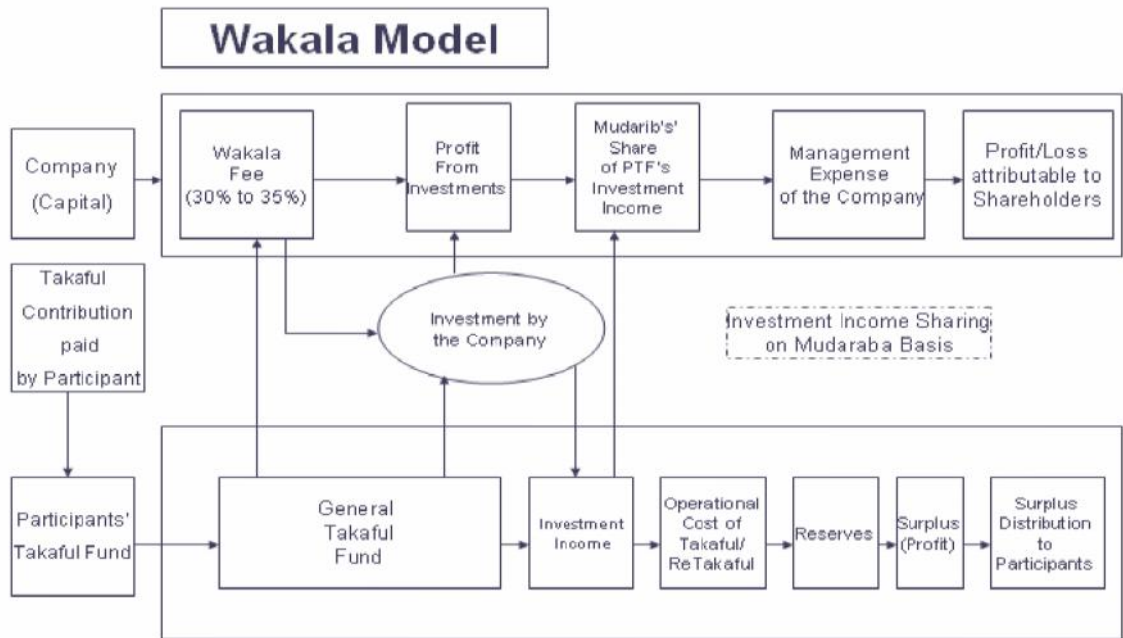
Under this model, the takaful operator provides services on remuneration basis which is pre-agreed and there is no share in profit of the business. The net contribution after deduction of the operator fee is put into Participants’ Risk Account (PRA) which is used to pay the claims, re-takaful and reserves adjustments purpose (Ayub, 2003).

### ***Initial investment***

Just like in the mudaraba model, in the wakala model, capital or initial investment is provided by the participants. During the contract period, if company faces a deficit due to adverse claims experience, the operator is usually obliged to make up for the deficit and provide so called QardHasnah or interest free loan which will be repaid , out of arising future surplus

Source: [www.islamicmodel.com](http://www.islamicmodel.com) Source: [www.islamicmodel.com](http://www.islamicmodel.com)

Figure 2: The Wakala Model



Source: Wahab(2006a)

Source: [www.islamicmodel.com](http://www.islamicmodel.com)

### Graph 5.2

#### The Wakala-Waqf Model

This model has been implemented by takaful companies working in Pakistan and some other countries. This model was developed by an *Ijmah* meeting of over 40 Shariah scholars organized by Darul Uloom, Karachi. The *Ijmah* gathering debated on the mudaraba and wakala models and pointed out some matter about these models. Finally, after these debates, a refinement of the wakala model evolved, based on the concept of a separate entity of Waqf fund (Wahab, 2006a,b). Waqf fund is a well recognized Shariah entity which has been in existence since the days of the Holy

Prophet (SAWW). The waqf rules do exist in most of the Muslim countries. Fig. 3 explains this model.

### ***The Model Structure***

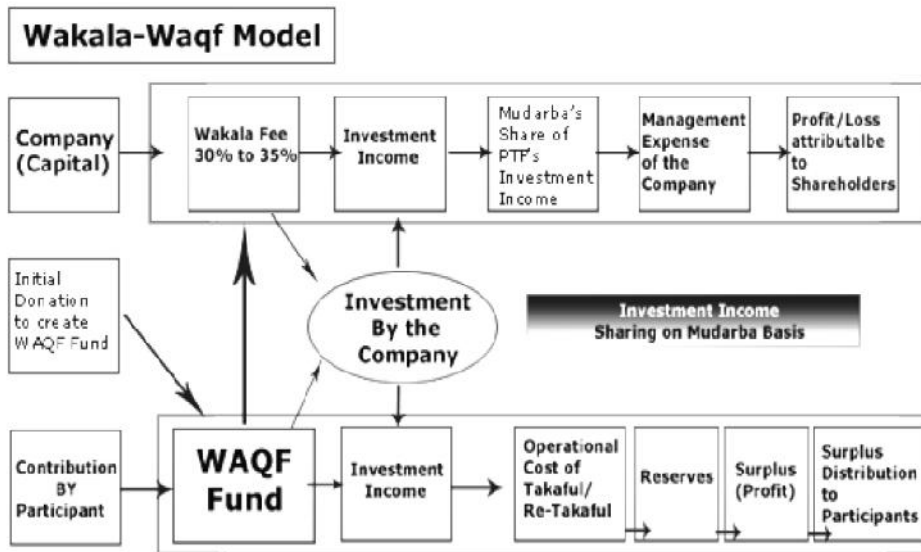
The purpose of waqf model is to set up a separate Shariah entity which has the ability to accept ownership. If there are no legal issues, the waqf entity is required to be registered. The purpose of the waqf fund is to provide relief to participants against losses (Wahab, 2006).

In a typical wakala contract, the *tabarruor hibais* not complete as it is conditional on being used to pay claims and there is an element of surplus which may come back to the participants. From a Shariah perspective proportionate ownership of the funds not utilized for claim settlement remains to the participants (Billah, 1997).

### ***Initial Investment/Donation***

The shareholders initially make a donation to establish the Waqf fund. The donation can be any reasonable amount which is specified by the shariah scholars. After creation of the Waqf fund, the shareholders lose their ownership rights on the Waqf fund. However, they have the right to administer and develop rules and regulations of the fund. The original donation of the Waqf fund is invested in a very safe shariah compliant investment and its return is used for the benefit of the participants. Moreover, different line of Takaful services, more than one Waqf fund can be formed with the shareholders money (Mughal 2008)

Figure 3: The Wakala-Waqf Model



Source: Wahab(2006a)

Source: [www.islamicmodel.com](http://www.islamicmodel.com)

Graph 5.3

**Operational Cost of the Business/Donation**

The operational cost of business is met through the fund which is collected from participant. The fund is used for claim settlement and as well as for investment purpose. The profit earned on investment is again deposited to the investment fund. The company utilizes the fund on the basis of Waqf fund. The amount of donations for creation of fund is determined on the basis of risk.

**Profit Distribution**

This model is a mixture of mudaraba and wakala model and the surplus is distributed among the participants and operators on some predefined basis. The operator gains dual benefit on one hand charges fixed fee on wakala base and on the other hand also gets the share of profit on mudaraba base. So the operator has more privilege and benefits as compared to the other Takaful model.

***What about Losses?***

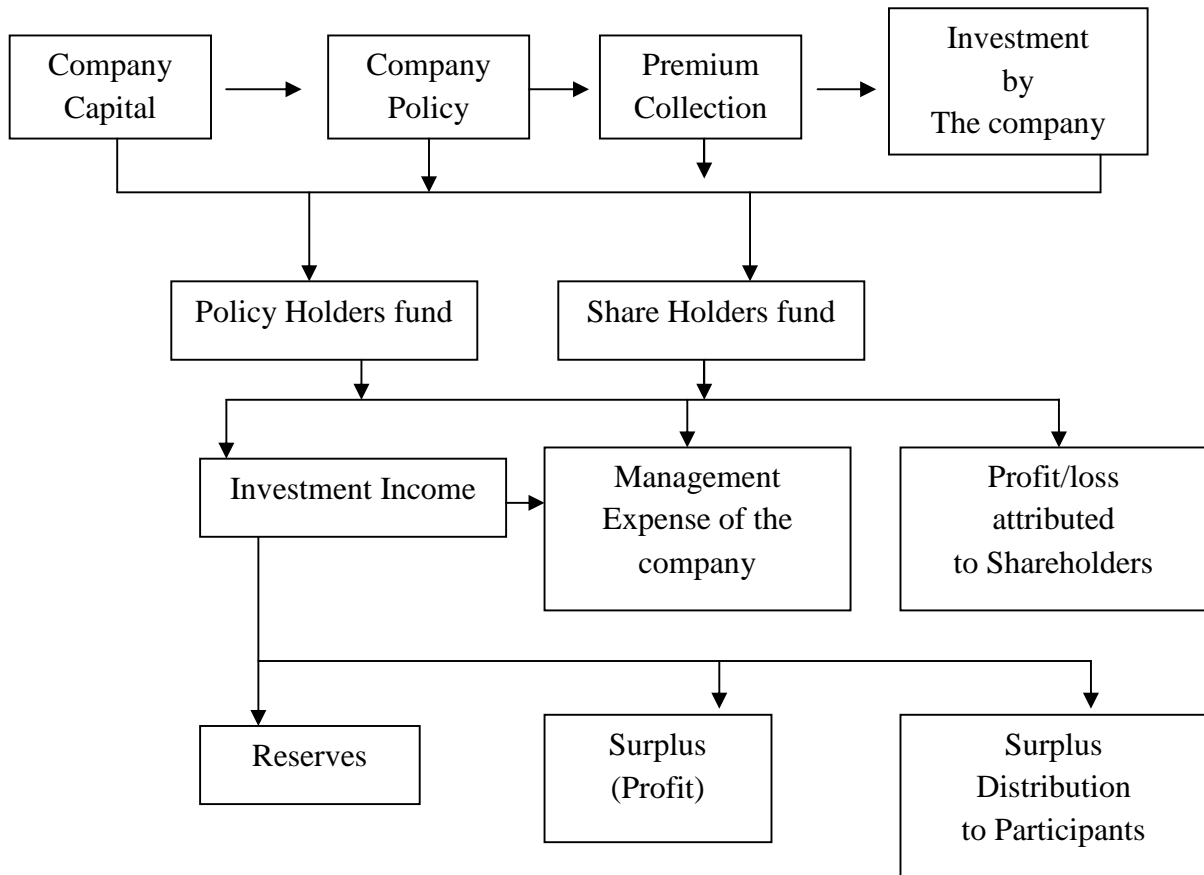
The waqf fund rules are defined for the compensation of losses and sharing of surplus to its members but there is no obligation to distribute surplus. Additionally, all the operational costs are also required to meet from the same fund.

**5.6 Model Development Process**

A Six steps model development process, followed by AERMIC, resulted in the promulgation of a regulatory replacement for the ISC model, AERMOD. The process followed is as follows:

- 1) Initial model formulations
- 2) Development evaluation
- 3) Internal peer review and data testing
- 4) Revised model formulation
- 5) Performance evaluation and sensitivity testing
- 6) External peer review.

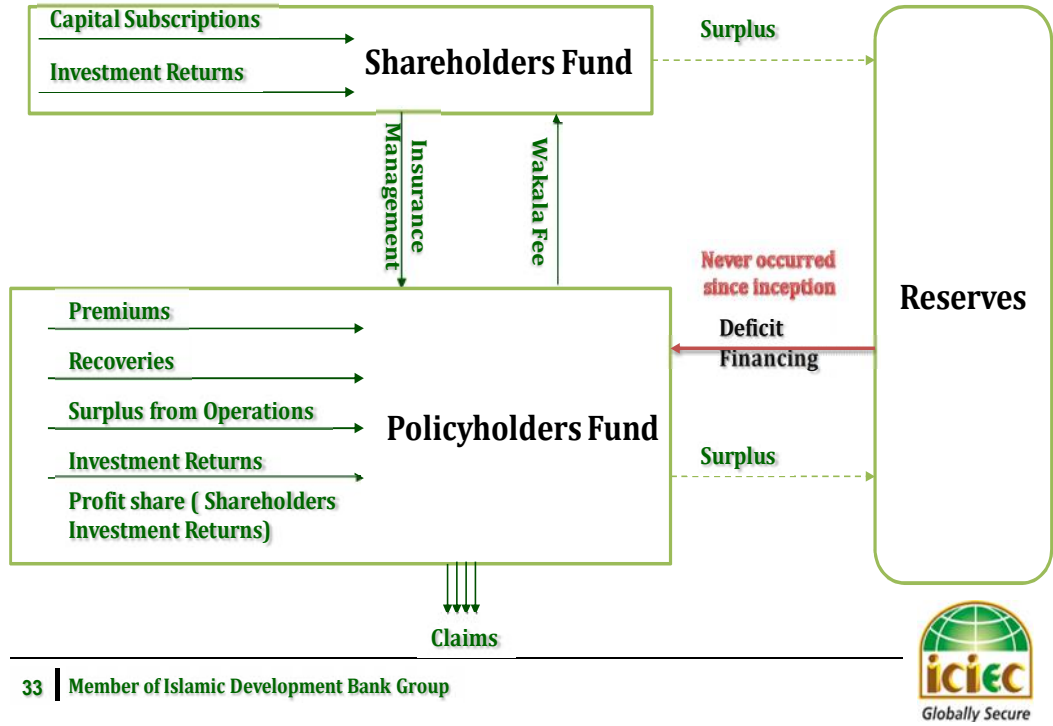
### 5.7: The Proposed Model of Islamic Insurance Companies in Bangladesh.



Graph 5.4



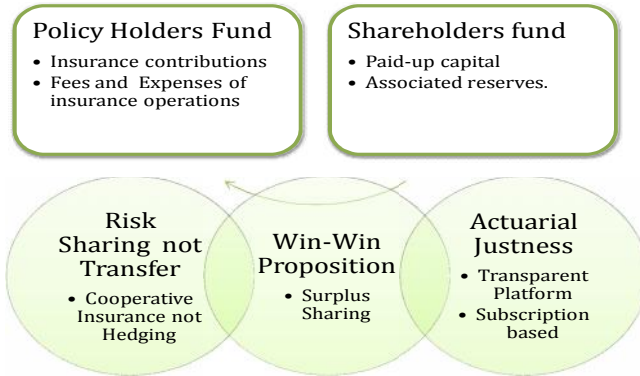
### 5.7.1 Proposed Model



Graph 5.5



### 5.7.2 Proposed Model



34 | Member of Islamic Development Bank Group



Graph 5.6



## **Chapter 06- Findings and Analysis**

## 6.1 Herfindahl Index for Measuring Competition

The Herfindahl index (also known as Herfindahl–Hirschman Index or HHI) is a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them. Named after economists Orris C. Herfindahl and Albert O. Hirschman, it is an economic concept widely applied in competition law, antitrust and also technology management. It is defined as the sum of the squares of the market shares of the 50 largest firms (or summed over all the firms if there are fewer than 50) within the industry, where the market shares are expressed as fractions. The result is proportional to the average market share, weighted by market share. As such, it can range from 0 to 1.0, moving from a huge number of very small firms to a single monopolistic producer. Increases in the Herfindahl index generally indicate a decrease in competition and an increase of market power, whereas decreases indicate the opposite. Alternatively, if whole percentages are used, the index ranges from 0 to 10,000.

### Formula

$$H = \sum_{i=1}^N s_i^2$$

Where  $s_i$  is the market share of firm  $i$  in the market and  $N$  is the number of firms. Thus, in a market with two firms that each have 50 percent market share, the Herfindahl index equals  $0.50^2 + 0.50^2 = 1/2$ .

The Herfindahl Index ( $H$ ) ranges from  $1/N$  to one, where  $N$  is the number of firms in the market. Equivalently, if percents are used as whole numbers, as in 75 instead of 0.75, the index can range up to  $100^2$ , or 10,000.

A HHI index below 0.01 (or 100) indicates a highly competitive index.

A HHI index below 0.15 (or 1,500) indicates an unconcentrated index.

A HHI index between 0.15 to 0.25 (or 1,500 to 2,500) indicates moderate concentration.

A HHI index above 0.25 (above 2,500) indicates high concentration.

## 6.2 Application of Herfindahl Index in Islami Insurance Companies:

**Table No.6.1**

Name of the companies	2008	2009	2010	2011	2012
<b>Fareast Islami</b>	3197840000	6311396800	6513556000	6908762000	7014563756
<b>Takaful Islami</b>	192126000	168815000	204469000	228911000	326991000
<b>Islami Insurance Bangladesh</b>	232630000	246830000	268560000	275170000	435780000
<b>Prime Islami life</b>	671314000	1187866000	1617449000	1791834000	1132570000
<b>Padma Islami Life</b>	1011300000	1418700000	1748600000	2055100000	2107800000
<b>Total Gross Premium</b>	5305210000	9333607800	10352634000	11259777000	11017704756

Market Share of the Companies					
Name of the companies	2008	2009	2010	2011	2012
<b>Fareast Islami</b>	60.3%	67.6%	62.9%	61.4%	63.7%
<b>Takaful Islami</b>	3.6%	1.8%	2.0%	2.0%	3.0%
<b>Islami Insurance Bangladesh</b>	4.4%	2.6%	2.6%	2.4%	4.0%
<b>Prime Islami life</b>	12.7%	12.7%	15.6%	15.9%	10.3%
<b>Padma Islami</b>	19.1%	15.2%	16.9%	18.3%	19.1%

Source: Annual Report 2008-12

**Table No.6.2**

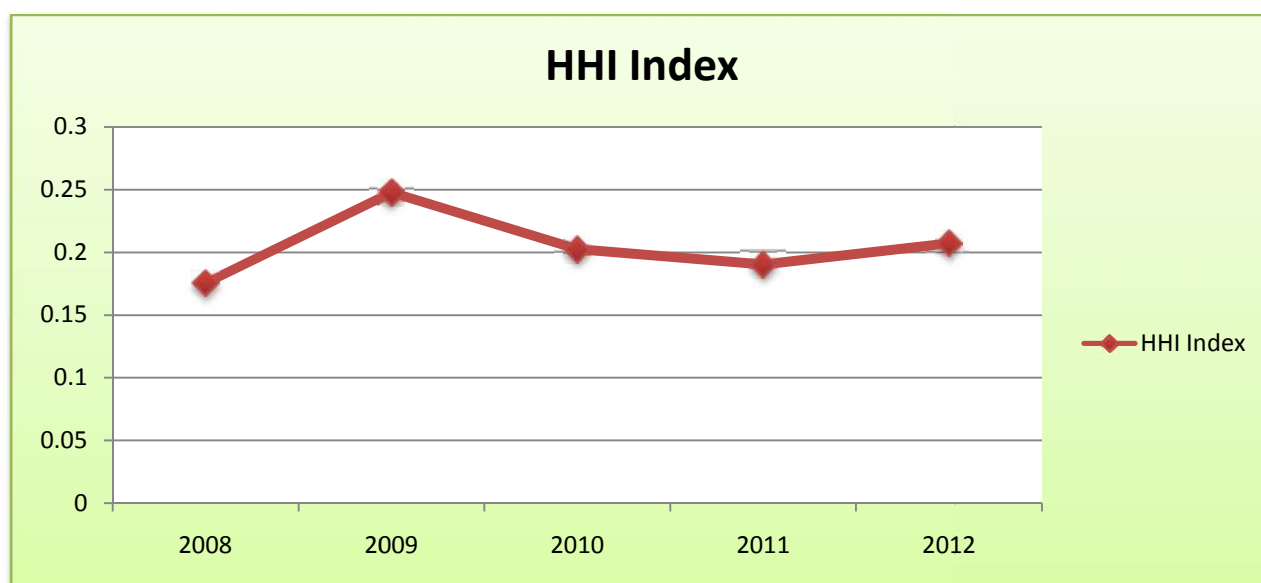
*Performance Evaluation of Islamic Insurance Companies in Bangladesh*

Square of the market share					
Name of the company	2008	2009	2010	2011	2012
<b>Fareast Islami</b>	0.36333589	0.457248064	0.395853584	0.376479112	0.405339636
<b>Takaful Islami</b>	0.00131115	0.000327132	0.00039008	0.000413308	0.000880824
<b>Islami Insurance Bangladesh</b>	0.00192277	0.000699354	0.000672947	0.000597231	0.001564416
<b>Prime Islami life</b>	0.01601202	0.016197046	0.024409533	0.025324214	0.010566906
<b>Padma Islami</b>	0.03633748	0.023103727	0.028528519	0.033312432	0.036599617

Source: Annual Report 2008-12

<b>Sum of the market share</b>	<b>0.4189196</b>	<b>0.497575322</b>	<b>0.449854663</b>	<b>0.436126296</b>	<b>0.454951</b>
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<b>HHI Index</b>	<b>0.1754936</b>	<b>0.247581201</b>	<b>0.202369218</b>	<b>0.19020614</b>	<b>0.206980776</b>
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Graph 6.1

## **Explanation**

A HHI index below 0.01 (or 100) indicates a highly competitive index.

A HHI index below 0.15 (or 1,500) indicates an unconcentrated index.

A HHI index between 0.15 to 0.25 (or 1,500 to 2,500) indicates moderate concentration.

A HHI index above 0.25 (above 2,500) indicates high concentration.

## **Decision about the Competition Measurement of Islami Insurance Companies**

We observe that the values of the HHI Index are between .15 or 1500 and .25 or 2500 from 2008 to 2012. Therefore, we can say that our Islami Insurance Industry indicates moderate concentration.

### **6.3 Cross Sectional Efficiency Analysis**

Financial ratios are useful indicators of a firm's performance and financial situation. Most ratios can be calculated from information provided by the financial statements. Financial ratios can be used to analyze trends and to compare the firm's financials to those of other firms. In some cases, ratio analysis can predict future firms operations.

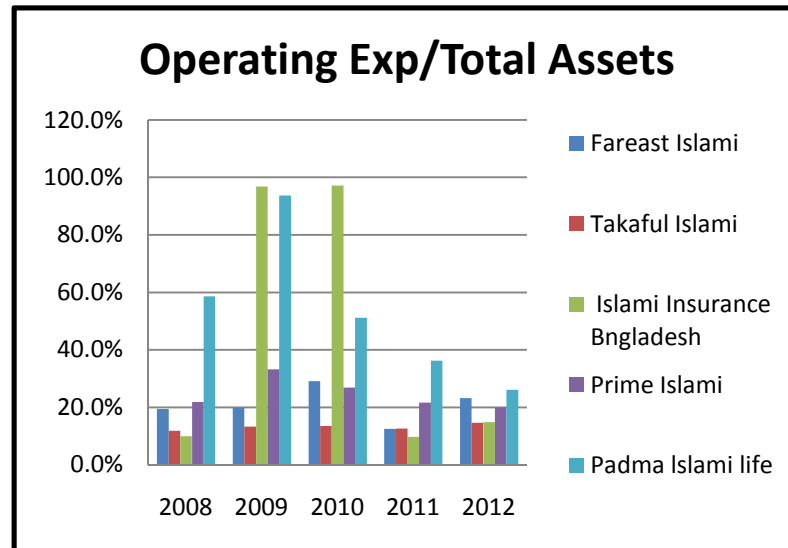
#### **Total Expense/Total Assets**

**Table No.6.3**

<b>Name of the companies</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Fareast Islami</b>	19.4%	19.8%	29.1%	12.5%	23.2%
<b>Takaful Islami</b>	11.8%	13.3%	13.5%	12.6%	14.6%
<b>Islami Insurance Bangladesh</b>	10.0%	96.9%	97.1%	19.7%	14.8%
<b>Prime Islami</b>	21.9%	33.2%	26.8%	21.7%	19.9%
<b>Padma Islami life</b>	58.6%	93.7%	51.1%	36.3%	26.1%

Source: Annual Report 2008-12

Graph 6.2



The highest operating expense as a percentage of total assets was made by Padma Life Insurance in 2008, which was a 58.6%. The lowest operating expense as a percentage of total assets was made by Islami Insurance Bangladesh which was 10.00%. In 2009, the highest operating expense as a percentage of total assets was made by Padma Insurance Bangladesh which was 93.7%. The lowest the highest operating expense as a percentage of total assets was made by Takaful Islami Insurance which was 13.33%. In 2010, the highest operating expense as a percentage of total assets was made by Islami Insurance Bangladesh Limited which was 97.1%. The lowest operating expense as a percentage of total assets was made by Takaful Islami Insurance which was 13.5%. In 2011, the highest operating expense as a percentage of total assets was made by Padma Islami Life Insurance which was 36.3%. The lowest operating expense as a percentage of total assets was made by Takaful Islami Life Insurance which was 14.6%. In 2012, the highest operating expense as a percentage of total assets was made by Padma Islami Life Insurance which was 26.1%. The lowest operating expense as a percentage of total assets was made by Takaful Islami Insurance which was 14.6%.

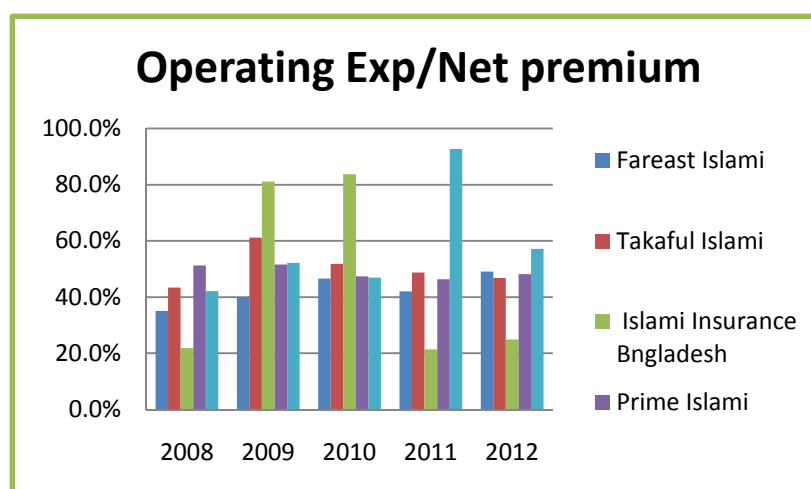
## Operating Expense/Net Premium:

Table No.6.4

Name of the companies	2008	2009	2010	2011	2012
Fareast Islami	35.1%	40.0%	46.6%	42.0%	49.1%
Takaful Islami	43.4%	61.1%	51.8%	48.8%	46.8%
Islami Insurance Bangladesh	21.8%	81.1%	83.7%	21.5%	24.9%
Prime Islami	51.2%	51.6%	47.4%	46.4%	48.2%
Padma Islami life	42.2%	52.2%	47.0%	92.7%	57.1%

Source: Annual Report 2008-12

Graph 6.3



The highest operating expense as a percentage of Net Premium was made by Prime Life Insurance in 2008, which was a 51.2%. The lowest operating expense as a percentage of Net Premium was made by Islami Insurance Bangladesh which was 21.8%. In 2009, the highest operating expense as a percentage of Net Premium was made by Islami Insurance Bangladesh which was 81.7%. The lowest the highest operating expense as a percentage of Net Premium was made by Fareast Islami Life which was 40%. In 2010, the highest operating expense as a percentage of Net Premium was made by Islami Life Insurance which was 83.7%. The lowest

### *Performance Evaluation of Islamic Insurance Companies in Bangladesh*

operating expense as a percentage of Net Premium was made by Fareast Insurance which was 46.6%. In 2011, the highest operating expense as a percentage of Net Premium was made by Padma Life Insurance which was 92.7%. The lowest operating expense as a percentage of Net Premium was made by Islami Life Insurance which was 24.9%.

Name of the companies	2008	2009	2010	2011	2012
<b>Fareast Islami</b>	37.1%	30.4%	34.1%	19.8%	40.6%
<b>Takaful Islami</b>	9.0%	9.3%	14.6%	11.0%	12.9%
<b>Islami Insurance Bangladesh</b>	3.6%	3.2%	6.6%	4.4%	4.8%

### **Return on Assets of 5 years Islamic Insurance companies in Bangladesh.**

**Table No.6.5**

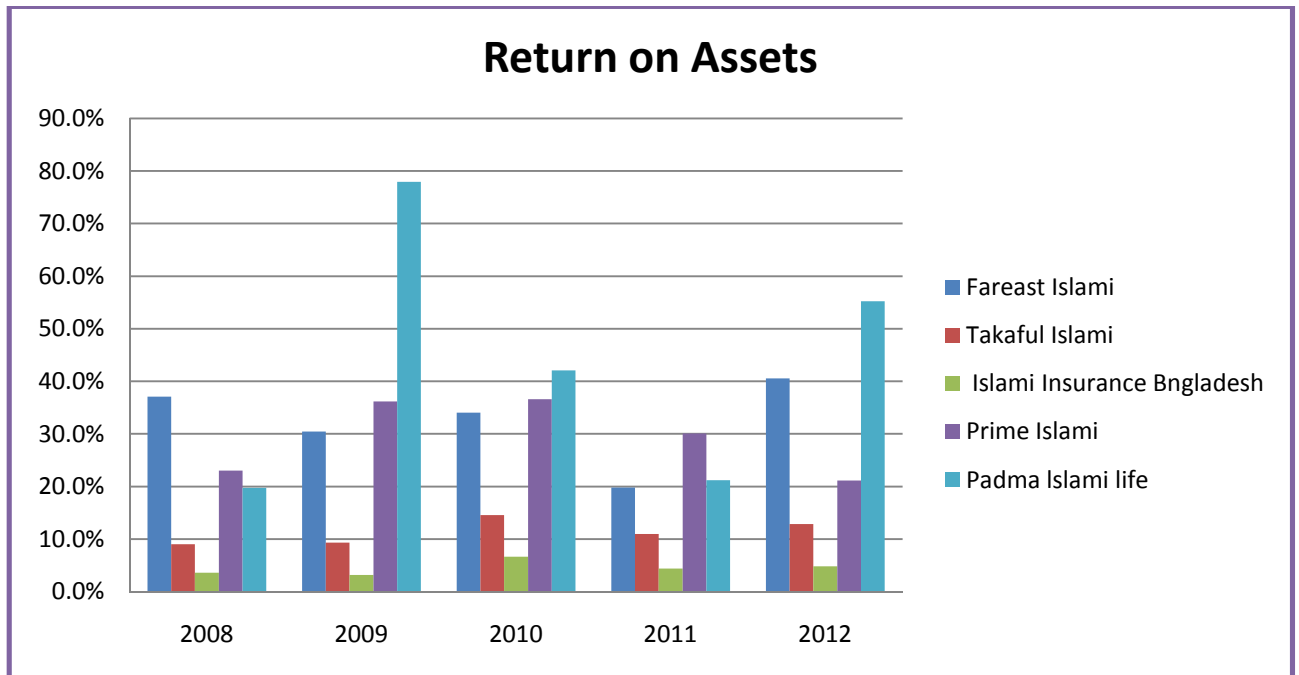
Percentage of Net Premium was made by Takaful which was 35.09%. In 2012, the highest operating expense as a percentage of Net Premium was made by Padma Life Insurance which was 55.27%.The lowest operating expense as a percentage of Net Premium was made by Islami Insurance which was 4.8% in 2012.



*Performance Evaluation of Islamic Insurance Companies in Bangladesh*

<b>Prime Islami</b>	23.0%	36.2%	36.6%	30.1%	21.1%
<b>Padma Islami life</b>	19.7%	78.0%	42.1%	21.2%	55.2%

### Return on Assets:



Source: Annual Report 2008-12

Graph 6.4

In 2008, the highest return on assets was made by Fareast Islami Insurance which was 37.1%.The lowest return on assets was made by Islami Insurance Bangladesh which was 3.6%.The second highest return on assets was made by the Prime Islami Life which was 23.0%. The third position for making return on assets was for Takaful Islami Insurance which was 9.0%. The fourth position for making return on assets was for Islami Insurance Bangladesh which was 3.6%.

In 2009, the highest return on assets was made by Padma Islami Life Insurance which was 78.0%.The lowest return on assets was made by Islami Insurance Bangladesh which was 3.2%.The second highest return on assets was made by the Prime Islami Life Insurance which was 30.6%. The third position for making return on assets was for Fareast Islami Life insurance company which was 30.4%.

In 2010, the highest return on assets was made by Padma Islami Life Insurance which was 42.01%. The lowest return on assets was made by Islami Insurance Bangladesh which was 6.6%. The second highest return on assets was made by the Prime Islami Life Insurance which was 36.6%. The third position for making return on assets was for Fareast Islami Life Insurance company which was 34.1%.

In 2011, the highest return on assets was made by Prime Islami Life Insurance which was 30.1%. The lowest return on assets was made by Islami Insurance Bangladesh which was 4.4%. The second highest return on assets was made by the Padma Islami Insurance which was 21.2%. The third position for making return on assets was for Fareast Islami Life Insurance company which was 19.8%.

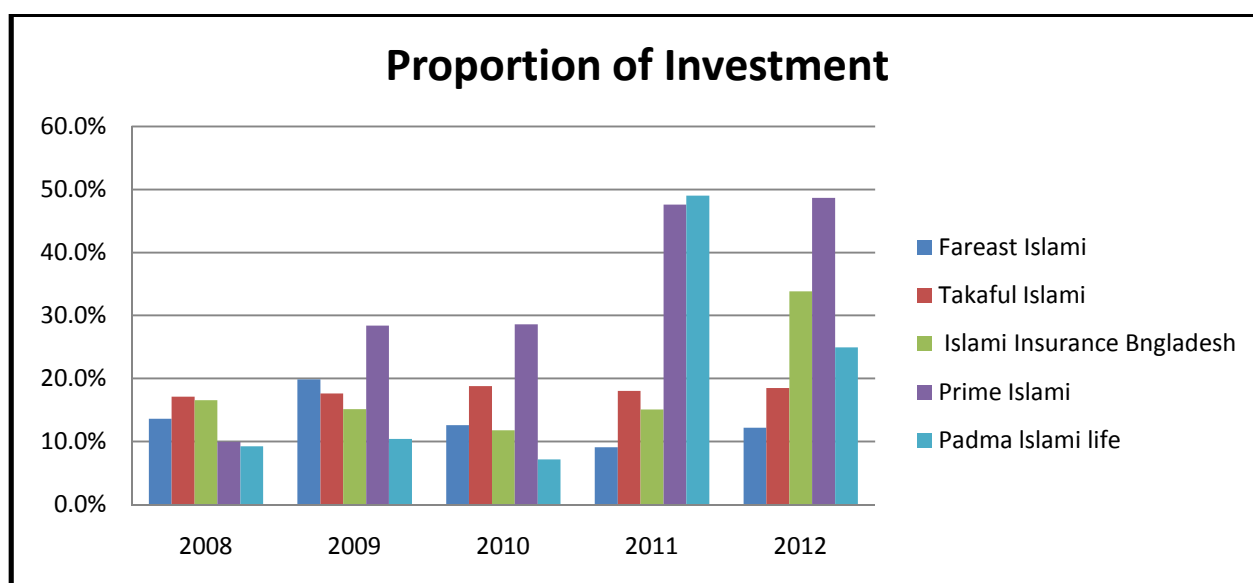
In 2012, the highest return on assets was made by Padma Islami Life Insurance which was 55.2%. The lowest return on assets was made by Islami Life Insurance which was 4.8%. The second highest return on assets was made by the Prime Life Insurance which was 21.1%. The third position for making return on assets was for Takaful Islami Insurance company which was 12.9%.

## Proportion of Investment

Table No.6.6

Name of the companies	2008	2009	2010	2011	2012
Fareast Islami	13.6%	19.9%	12.6%	9.1%	12.2%
Takaful Islami	17.1%	17.6%	18.8%	18.0%	18.5%
Islami Insurance Bangladesh	16.6%	15.1%	11.8%	15.1%	33.8%
Prime Islami	9.9%	28.4%	28.6%	47.6%	48.7%
Padma Islami life	9.2%	10.4%	7.1%	49.0%	24.9%

Source: Annual Report 2008-12



Source: Annual Report 2008-12

Graph 6.5

In 2008, most of the assets portion was used for investment purpose by Takaful Islami Life Insurance which 17.1%. The second highest portion of investment made by the Islami Insurance which was 13.6%. The third position for making proportion of investment was for Fareast Islami Insurance which was 13.6%.

In 2009, most of the assets portion was used for investment purpose by Prime Islami Life Insurance which 28.4%. The second highest portion of investment made by the Fareast Islami Insurance which was 19.9%. The third position for making proportion of investment was for Takaful Islami Insurance which was 13.6%.

In 2010, most of the assets portion was used for investment purpose Prime Islami Life Insurance which 28.6%. The second highest portion of investment made by the Takaful Insurance which was 17.6%. The third position for making proportion of investment was for Fareast Islami Life Insurance company which was 12.6%.

In 2011, most of the assets portion was used for investment purpose by Padma Islami Life Insurance which 49%.The second highest portion of investment made by the Prime Islami Life which was 47.6%. The third position for making proportion of investment was for Takaful Insurance company which was 18.0%.

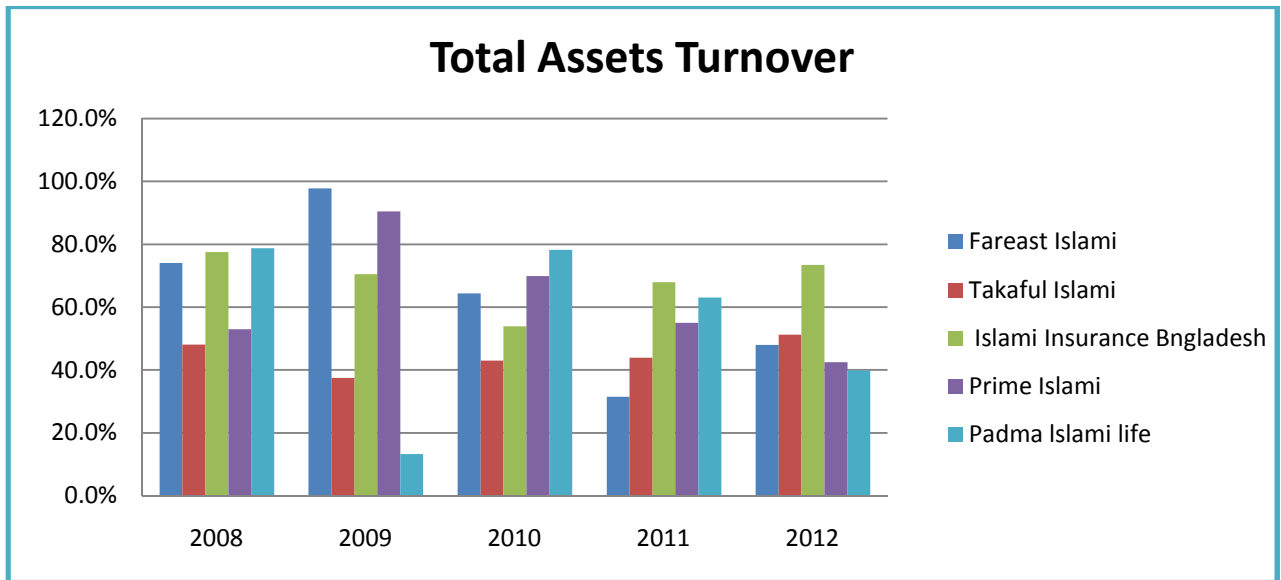
In 2012, most of the assets portion was used for investment purpose by Prime Islami Insurance which 48.7%.The second highest portion of investment made by the Islami Life Insurance which was 33.8%. The third position for making proportion of investment was for Padma Islami Life Insurance which was 24.9%.

## **Total Assets Turnover**

**Table No.6.7**

Name of the companies	2008	2009	2010	2011	2012
<b>Fareast Islami</b>	74.1%	97.8%	64.4%	31.5%	48.0%
<b>Takaful Islami</b>	48.0%	37.5%	43.0%	43.9%	51.3%
<b>Islami Insurance Bangladesh</b>	77.5%	70.5%	53.9%	67.9%	73.5%
<b>Prime Islami</b>	52.9%	90.5%	69.8%	55.0%	42.5%
<b>Padma Islami life</b>	78.7%	13.3%	78.2%	63.1%	39.9%

**Source: Annual Report 2008-12**



Source: Annual Report 2008-12

Graph 6.6

The highest total assets turnover was made by Padma Islami Life Insurance in 2008, which was a 78.7% .The lowest total asset turnover was made by Takaful Islamic Insurance Limited which was 48.0%. The second highest total assets turnover was made by the Prime Life Insurance which was 52.9%. The third position for making total assets turnover was for Prime Islami Insurance Limited which was 52.9%.

In 2009, the highest total assets turnover was made by Fareast Islami Life Insurance which was 97.8%.The lowest total assets turnover was made by Prime Islami which was 90.5%.The second highest total assets turnover was made by the Islami Insurance Bangladesh which was 70.5%.The third position for making total assets turnover was for Takaful Islami Life company which was 37.5%.

In 2010, the highest total assets turnover was made by Padma Islami Life Insurance which was 78.2%.The lowest return on assets was made by Takaful Islami Life Insurance which was 43.0%.The second highest return on assets was made by the Fareast Islami Life Insurance which was 64.4%. The third position for making total assets turnover was for Prime insurance company which was 69.8%.

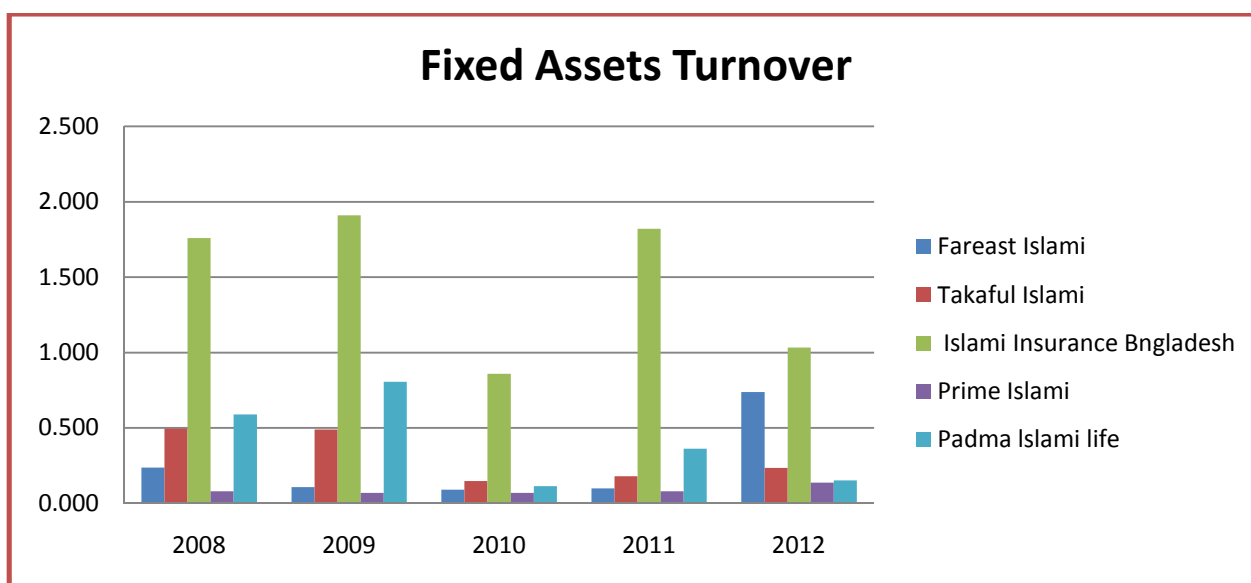
In 2011, the highest total assets turnover was made by Islami Insurance which was 67.9%. The lowest total assets turnover was made by Fareast Islami which was 31.5%. The second highest total assets turnover was made by the Padma Islami Life Insurance which was 63.1%. The third position for making total assets turnover was for Prime Life insurance company which was 55.0%.

In 2012, the highest total assets turnover was made by Islami Life Insurance which was 73.5%. The lowest total assets turnover was made by Prime Islamic Insurance which was 42.5%. The second highest total assets turnover was made by the Takaful Islami Insurance which was 51.3%. The third position for making total assets turnover was for Fareast Islami Life insurance company which was 480.0%.

**Fixed Assets Turnover Table No.6.8**

Name of the companies	2008	2009	2010	2011	2012
<b>Fareast Islami</b>	0.238	0.108	0.090	0.100	0.739
<b>Takaful Islami</b>	0.496	0.490	0.149	0.180	0.236
<b>Islami Insurance Bangladesh</b>	1.760	1.911	0.859	1.821	1.034
<b>Prime Islami</b>	0.081	0.071	0.069	0.082	0.138
<b>Padma Islami life</b>	0.589	0.807	0.114	0.362	0.152

Source: Annual Report 2008-12



Source: Annual Report 2008-12

Graph 6.7

In the year of 2009, 2010, the highest fixed assets turnover was for Prime life insurance company. The highest fixed turnover for the last three year was for the other Insurance companies. Through from the above graph we can see that Islami Insurance Company obtained highest fixed asset turnover so we may conclude that this company performs better than other peer of the Islamic Insurance Company.



## 6.4 Time Series Efficiency Analysis

### a) Fareast Islami Life Insurance Company Limited

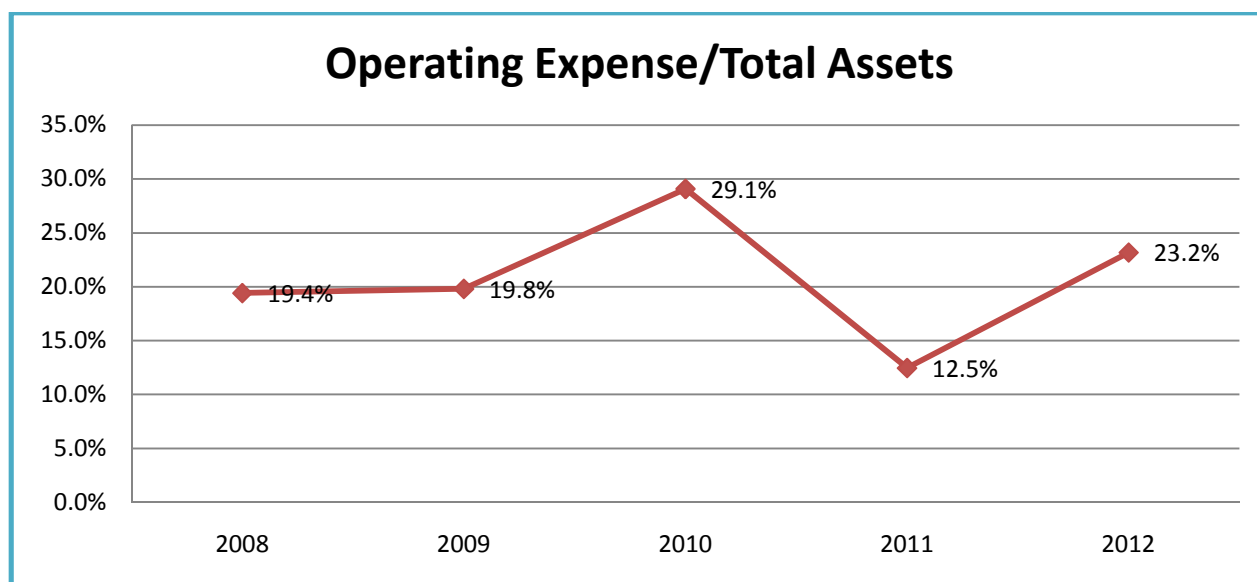
The operational efficiency of Fareast Islami Life Insurance Company Limited in terms of ratios from the year 2008 to 2012 is as follows-

**Table No.6.9**

Fareast Islami Life Insurance					
	2008	2009	2010	2011	2012
<b>Return on Asstests</b>	37.1%	30.4%	34.1%	19.8%	40.6%
<b>Operating expense/Total Assets</b>	19.4%	19.8%	29.1%	12.5%	23.2%
<b>Operating expense/ Net Premium</b>	35.1%	40.0%	46.6%	42.0%	49.1%
<b>Total Asstets Turnover</b>	74.1%	97.8%	64.4%	31.5%	48.0%
<b>Fixed Assets Turnover ratio</b>	23.8%	10.8%	9.0%	10.0%	20.9%
<b>Proportion of Investment</b>	13.6%	19.9%	12.6%	9.1%	12.2%

Source: Annual Report 2008-12

#### 1. Operating Expense/Total Assets

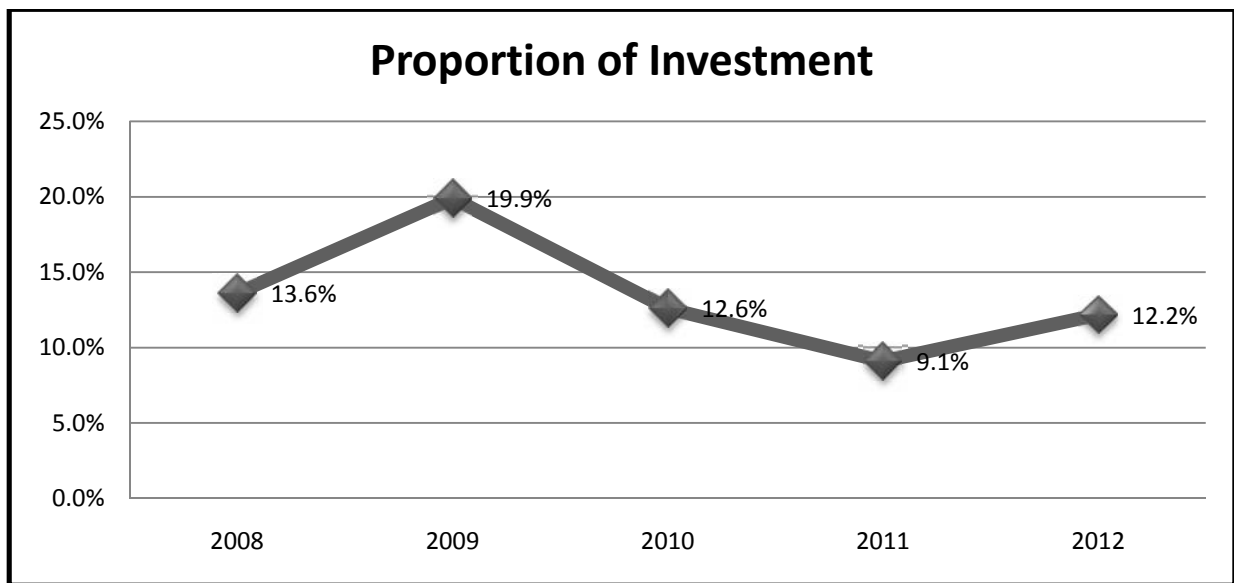


Source: Annual Report 2008-12

Graph 6.8

The total expense in terms of total assets is fluctuating every year. At last in 2011, it increased which shows an indication a lower Excellency of the management of the company.

## 2. Proportion of Investment

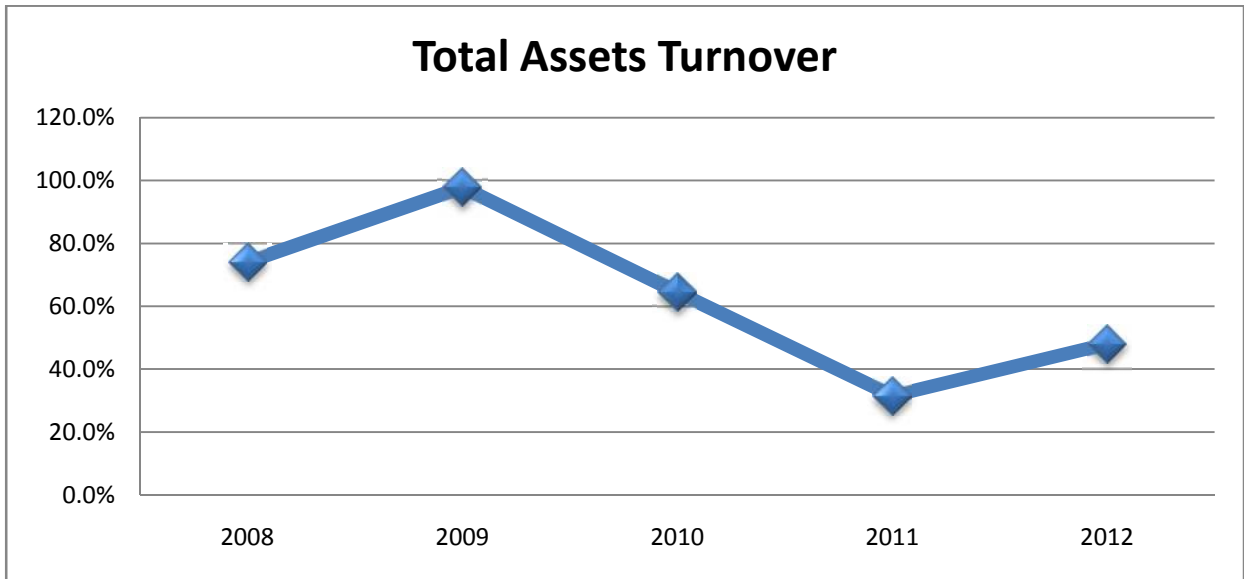


Source: Annual Report 2008-12

Graph 6.9

In the chart the total investment in terms of total assets is in 2007. Then it has been fluctuating in the following years. After 2010, the amount of investment has increased, which indicates excellence in investment decisions.

#### 4. Total Assets Turnover

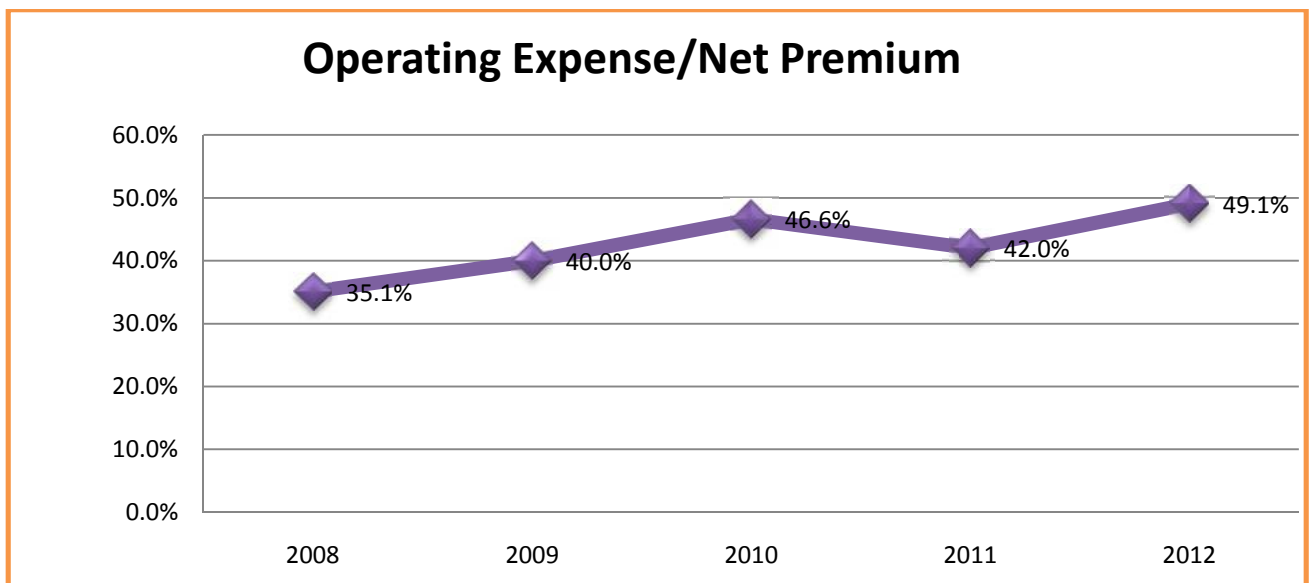


Source: Annual Report 2008-12

Graph 6.10

In the graph the gross premium in terms of total asset is fluctuating every year. Finally, it shows an increasing trend in the final year which means that the company is generating higher income by investing money than the previous year.

## 5. Operating Expense/Net Premium

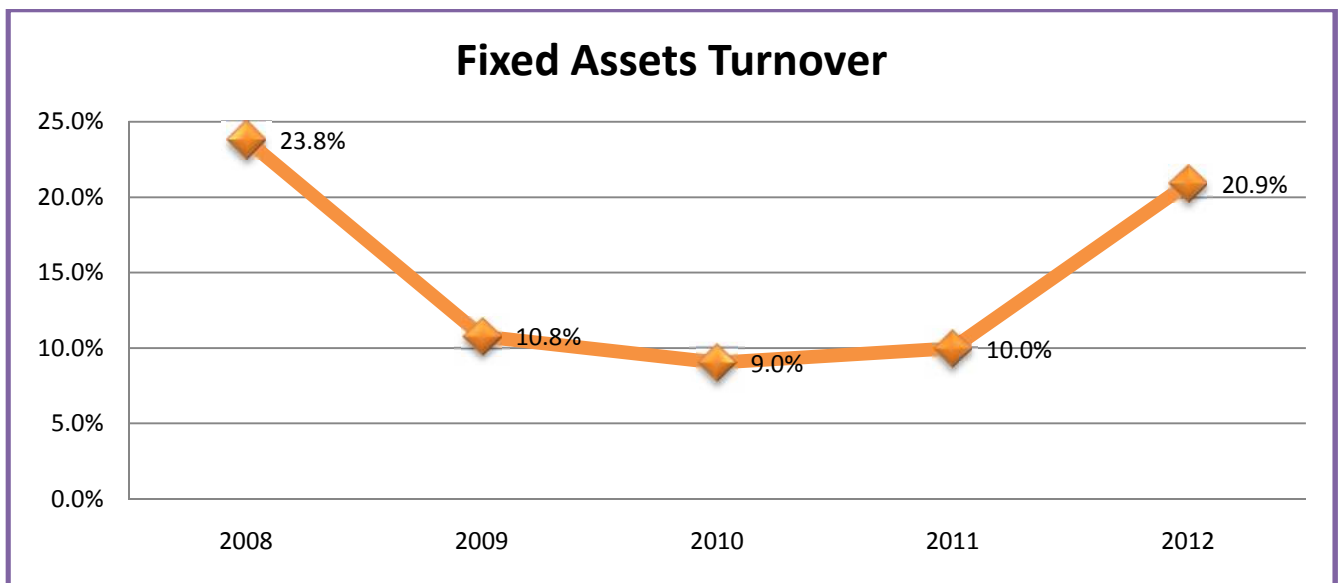


Source: Annual Report 2008-12

Graph 6.11

The total operating expense in terms of Net premium increased up to 2009 which had shown a lower efficiency of the company, than it decreased in 2010. Finally, in 2011, it again increased.

## 6. Fixed Assets Turnover

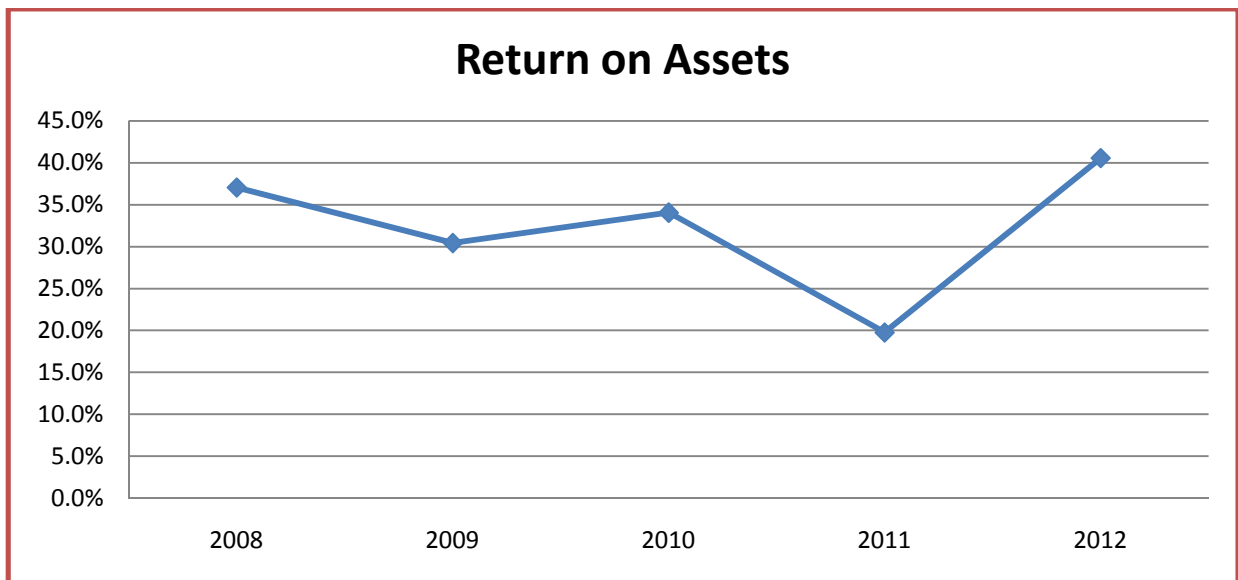


Source: Annual Report 2008-12

Graph 6.12

In the graph the gross premium in terms of fixed asset has increased up to 2009 but from 2010 to 2011, it has underperformed. That means the Company has enabled to generate less income by investing its assets.

## 7. Return on Assets



Source: Annual Report 2008-12

Graph 6.13

In the graph the increase in life fund and dividend in terms of total assets is underperforming in last five years, although the increased in life fund has been increasing every year but in proportion to increase in assets the increase becomes much lower.

## **b) Padma Islami Life Insurance Company Limited**

The operational efficiency of Padma Islami Life Insurance in terms of ratios from the year 2007 to 2011 is as follows-

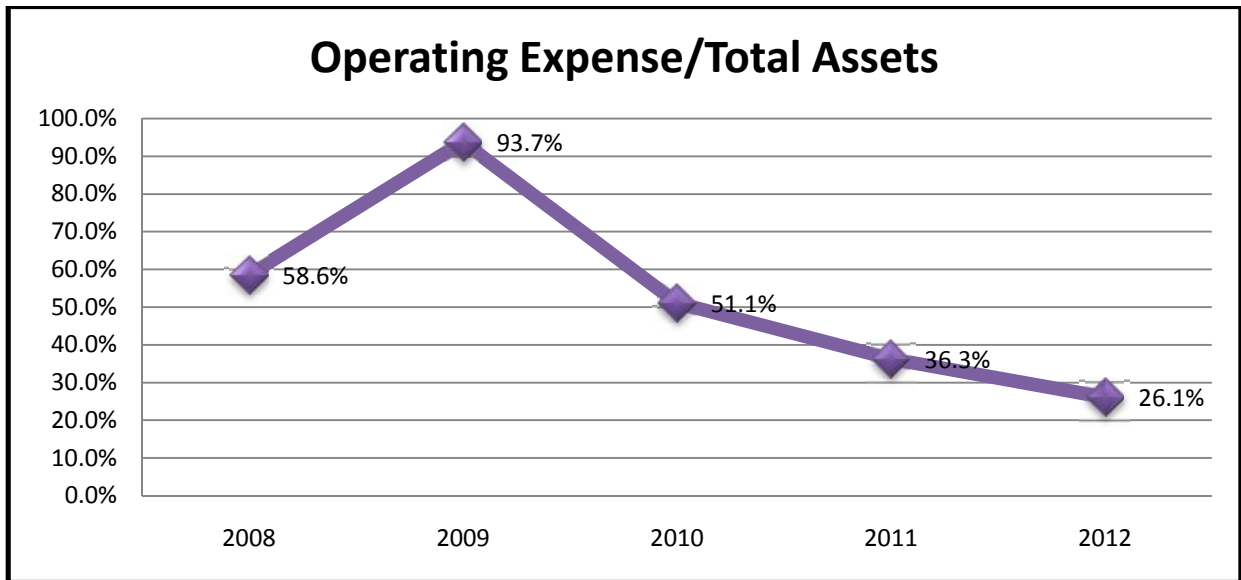
**Table No.6.10**

<b>Prime Islami life Insurance</b>					
	2008	2009	2010	2011	2012
<b>Return on Asstests</b>	19.7%	78.0%	42.1%	21.2%	55.2%
<b>Operating expense/Total Assets</b>	58.6%	93.7%	51.1%	36.3%	26.1%
<b>Operating expense/ Net Premium</b>	42.2%	52.2%	47.0%	92.7%	57.1%
<b>Total Asstets Turnover</b>	78.7%	13.3%	98.2%	63.1%	39.9%
<b>Fixed Assets Turnover ratio</b>	58.9%	80.7%	11.4%	36.2%	15.2%
<b>Proportion of Investment</b>	9.2%	10.4%	7.1%	49.0%	24.9%

Source: Annual Report 2008-12

## **Time Series Efficiency Analysis**

### **1. Operating Expense/Total Assets**



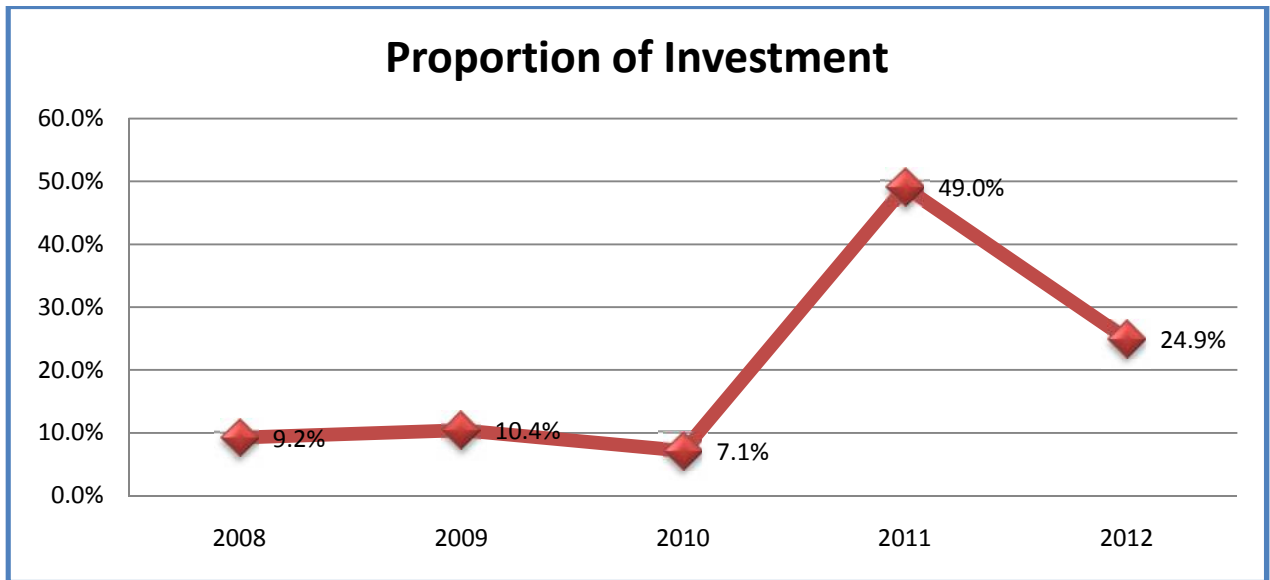
Source: Annual Report 2008-12

Graph 6.14

The expense ratio of operating expense in terms of total assets decreased every year which had shown a better efficiency of the management of the company except 2008. In 2009 the operating expense/total assets ratio highest of 93.7% compare to other year. So company had done well in terms of operating expense/total assets ratio in 2009.

## 2. Proportion of Investment



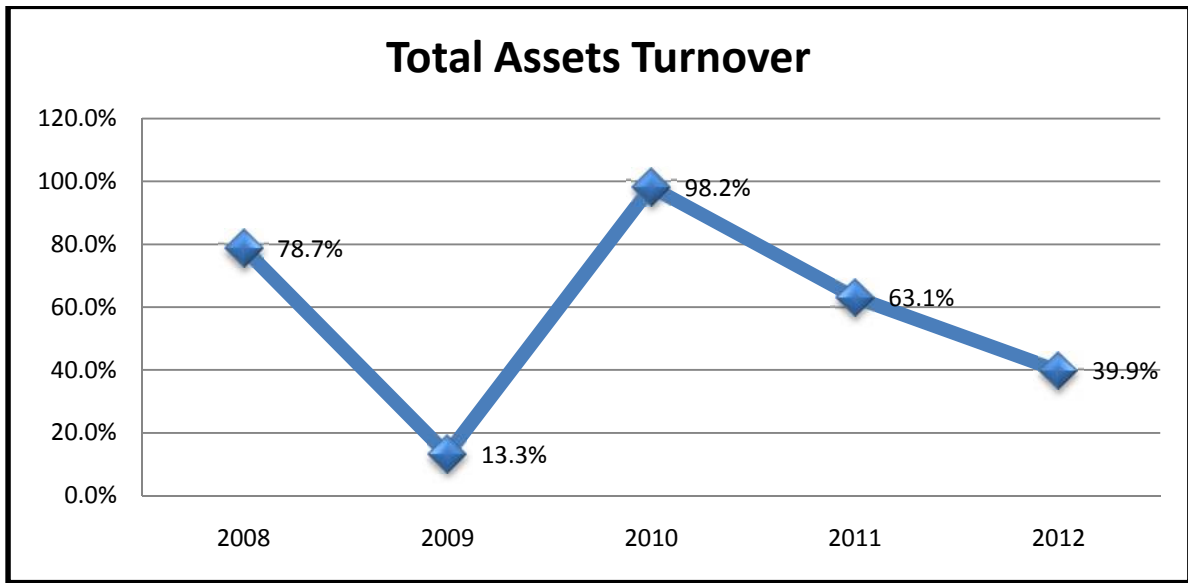


Source: Annual Report 2008-12

Graph 6.15

In the chart the total investment in terms of total assets decreased from 2007 to 2009. Then it increased in 2010 rapidly which indicates excellence in investment decisions. After 2010, the amount of investment has decreased, which indicates a slowdown in investment decisions.

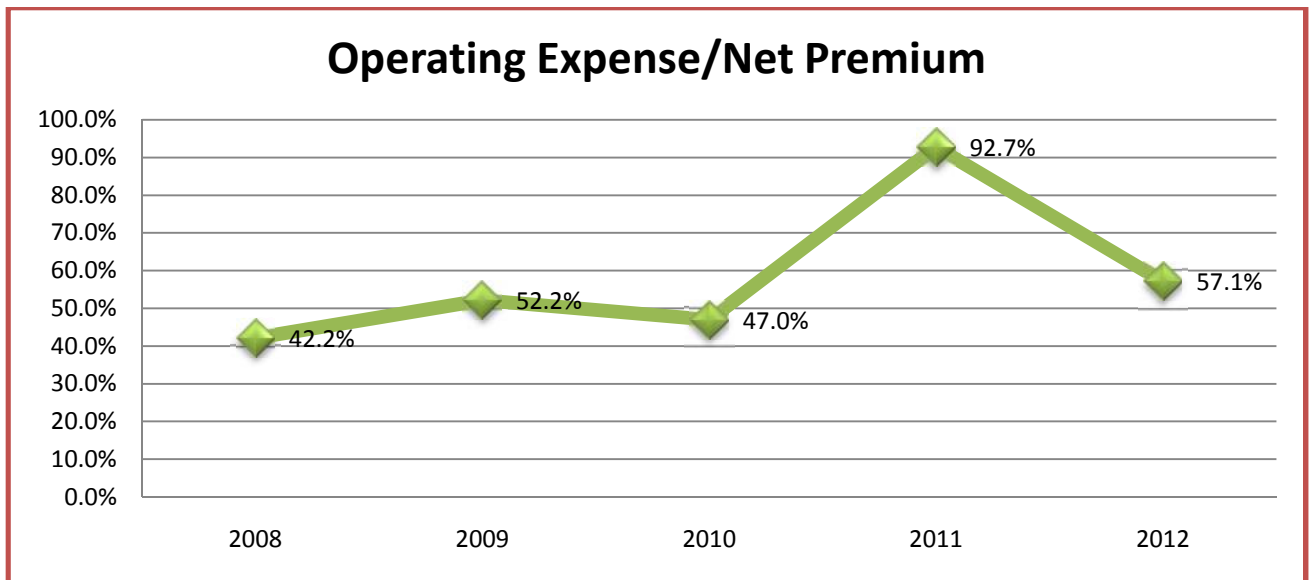
#### 4. Total Assets Turnover



Graph 6.16

The total assets turnover shows a decreasing trend every year except 2007. That means the efficiency of generating income by using its assets is decreasing every year.

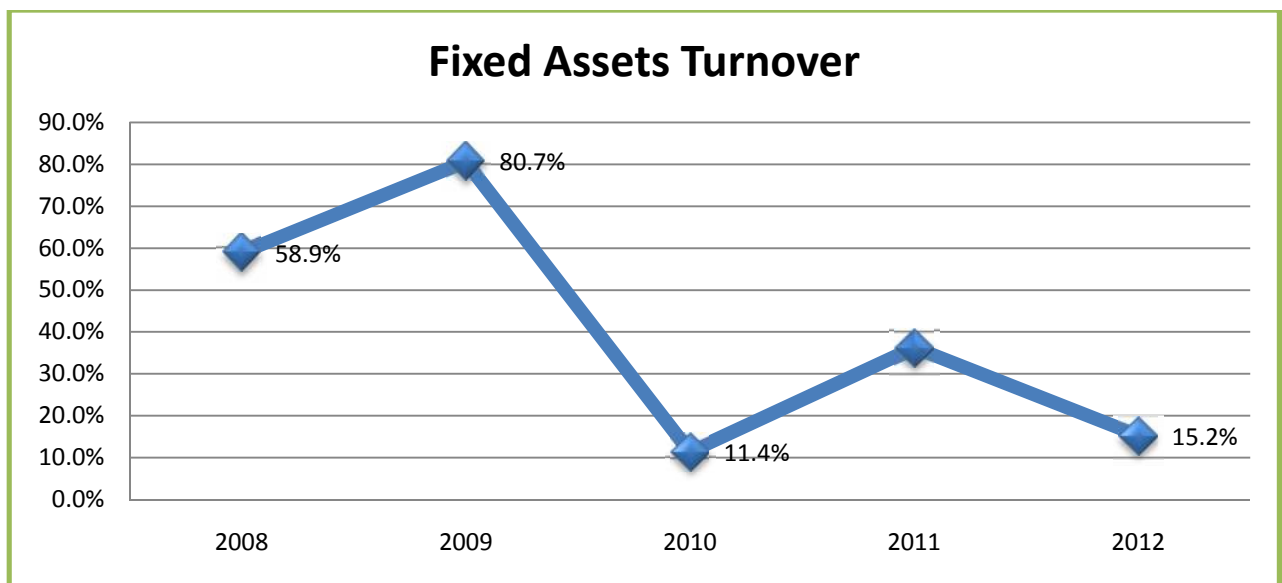
### 5. Operating Expense/Net Premium



Graph 6.17

The expense ratio of operating expense in terms of increased in life fund decreased from 2007 to 2009 which shown a better efficiency of the management of the company. But, from 2010 to 2011, it slightly increased which shown an indication of lower efficiency of the management.

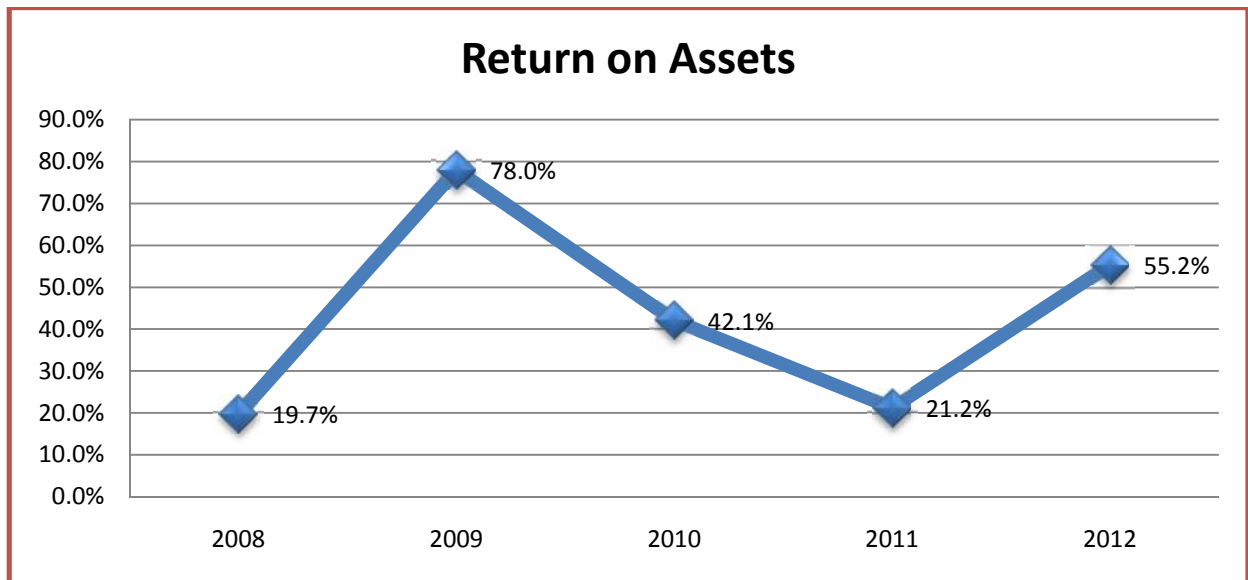
## 6. Fixed Assets Turnover



Graph 6.18

The fixed assets turnover ratio is fluctuating from 2007 to 2009. Finally, it increased 6.57 times in 2011 which indicates the company is generating more income than the previous year by using its assets.

## 7. Return on Assets



Graph 6.19

In the graph the increase in life fund and dividend in terms of total asset increased from 2007 to 2009 which means that the company's management is performing well to generate increased in life fund by using its money.

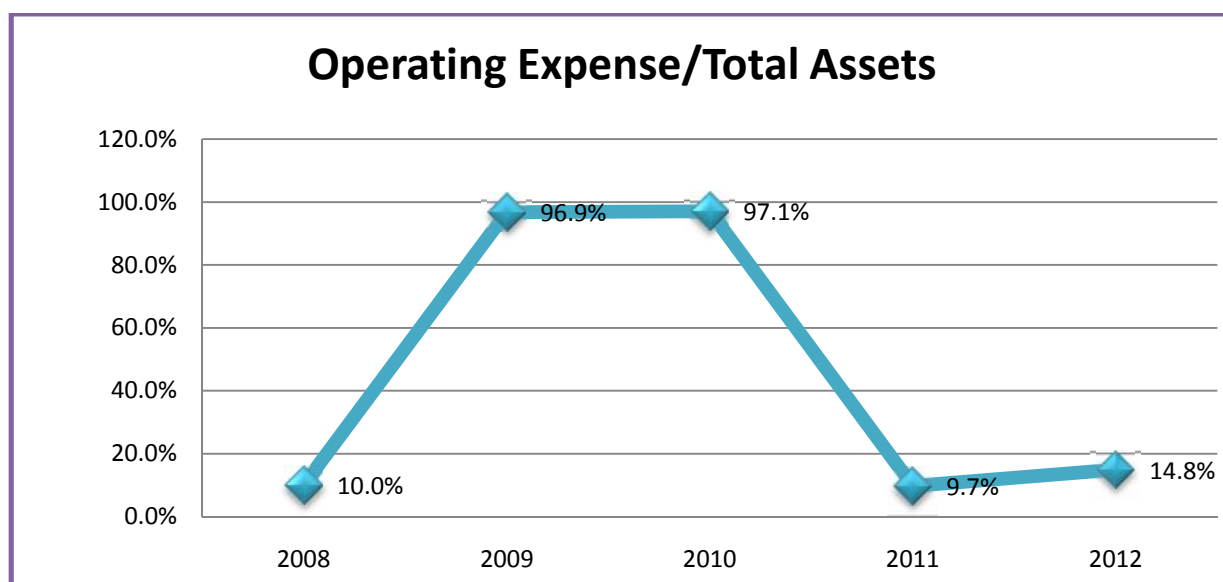
### c) Islami Insurance Bangladesh Limited

The operational efficiency of Islami Life Insurance in terms of ratios from the year 2008 to 2012 is as follows-

Table No.6.11

Islami Insurance Bngladesh					
	2008	2009	2010	2011	2012
<b>Return on Asstests</b>	3.6%	3.2%	6.6%	4.4%	4.8%
<b>Operating expense/Total Assets</b>	10.0%	96.9%	97.1%	9.7%	14.8%
<b>Operating expense/ Net Premium</b>	21.8%	81.1%	83.7%	21.5%	24.9%
<b>Total Asstets Turnover</b>	77.5%	70.5%	53.9%	67.9%	73.5%
<b>Fixed Assets Turnover ratio</b>	1.76	1.91	0.86	1.82	1.03
<b>Proportion of Investment</b>	16.6%	15.1%	11.8%	15.1%	33.8%

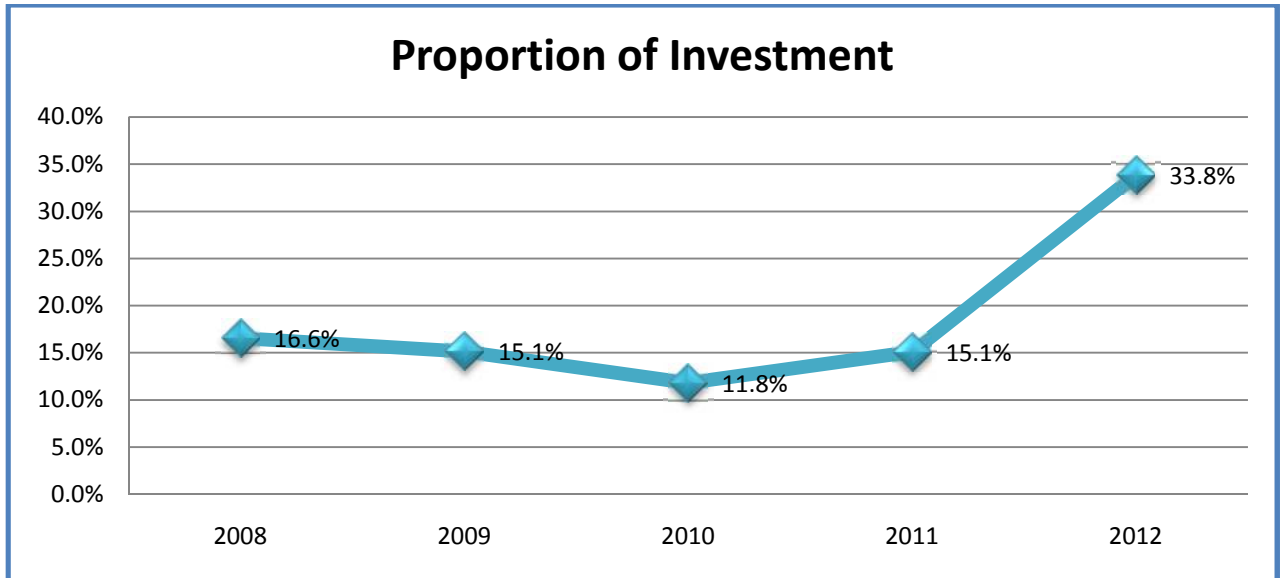
#### 1. Operating Expense/Total Assets



Graph 6.20

The expense ratio of operating expense in terms of total assets decreased every year which had shown a better efficiency of the management of the company except 2008.

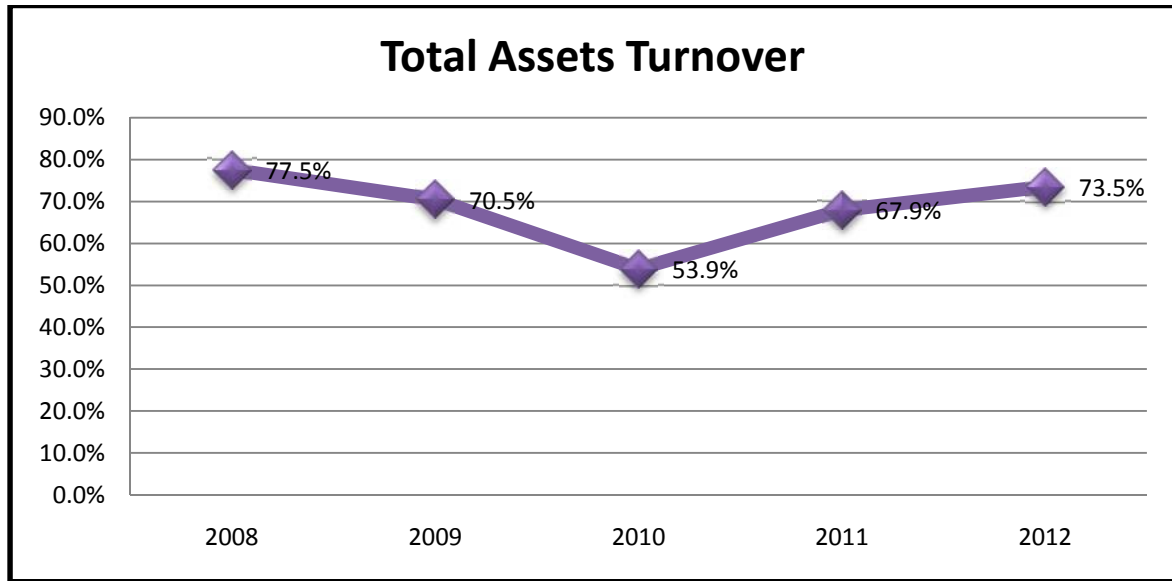
## 2. Proportion of Investment



Graph 6.21

In the chart the total investment in terms of total assets decreased from 2007 to 2009. Then it increased in 2010 rapidly which indicates excellence in investment decisions. After 2010, the amount of investment has decreased, which indicates a slowdown in investment decisions.

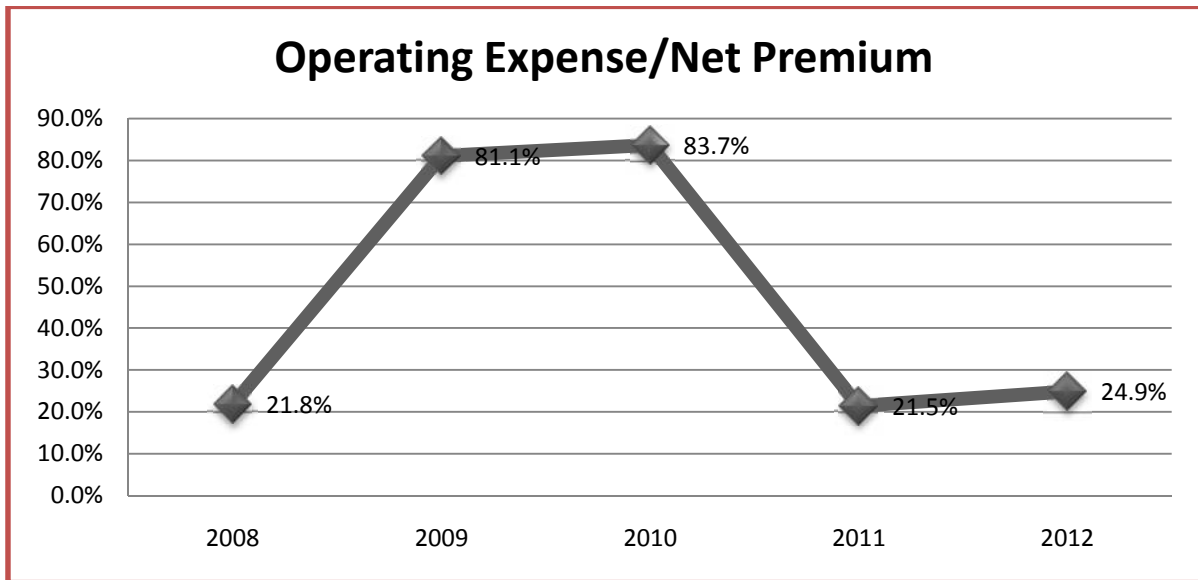
#### 4. Total Assets Turnover



Graph 6.22

The total assets turnover shows a decreasing trend every year except 2007. That means the efficiency of generating income by using its assets is decreasing every year.

#### 3 Operating Expense/Net Premium

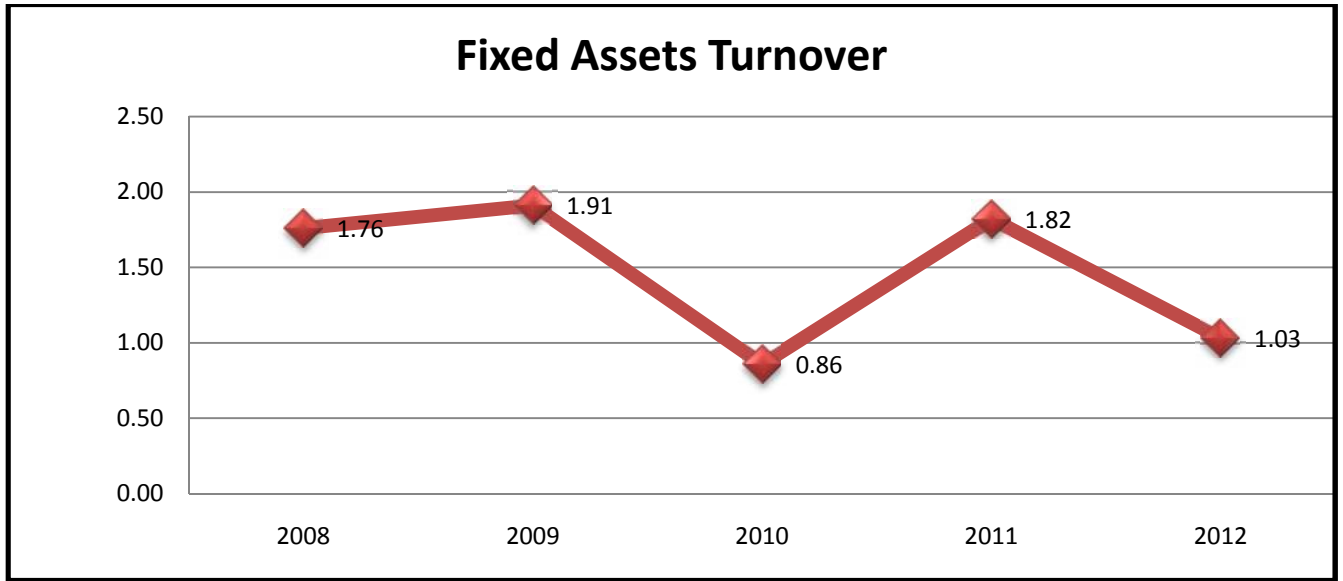


Graph 6.23

The expense ratio of operating expense in terms of increased in life fund decreased from 2007 to 2009 which shown a better efficiency of the management of the company. But, from 2010 to 2011, it slightly increased which shown an indication of lower efficiency of the management.

## 6. Fixed Assets Turnover

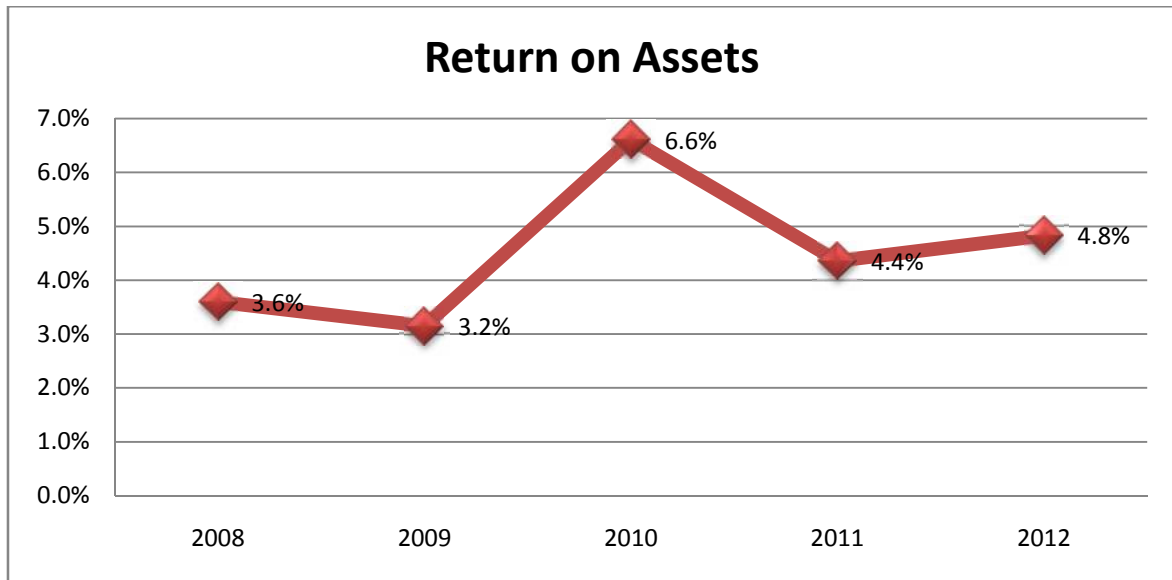




Graph 6.24

The fixed assets turnover ratio is fluctuating from 2008 to 2012. Finally, it increased 6.57 times in 2011 which indicates the company is generating more income than the previous year by using its assets.

## **7. Return on Assets**



Graph 6.25

In the graph the increase in life fund and dividend in terms of total asset increased from 2008 to 2012 which means that the company's management is performing well to generate increased in life fund by using its money.

## d) Takaful Islami Insurance Company Limited

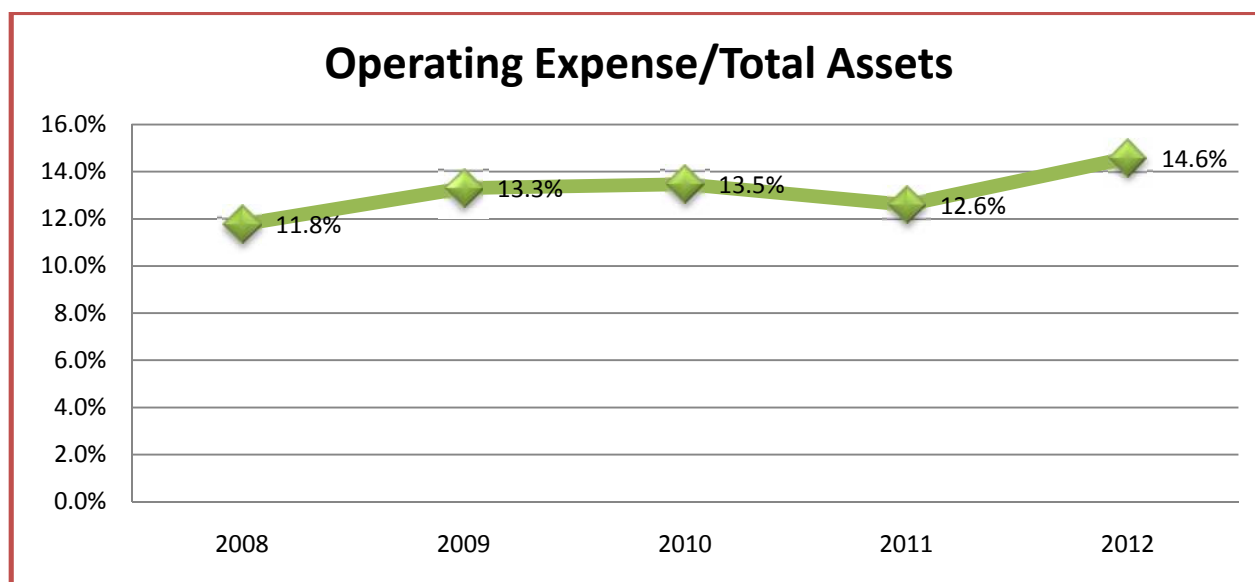
The operational efficiency of Takaful Islami Life Insurance in terms of ratios from the year 2007 to 2011 is as follows-

**Table No.6.12**

Takaful Islami					
	2008	2009	2010	2011	2012
<b>Return on Asstests</b>	9.0%	9.3%	14.6%	11.0%	12.9%
<b>Operating expense/Total Assets</b>	11.8%	13.3%	13.5%	12.6%	14.6%
<b>Operating expense/ Net Premium</b>	43.4%	61.1%	51.8%	48.8%	46.8%
<b>Total Asstets Turnover</b>	48.0%	37.5%	43.0%	43.9%	51.3%
<b>Fixed Assets Turnover ratio</b>	49.6%	49.0%	14.9%	18.0%	23.6%
<b>Proportion of Investment</b>	17.1%	17.6%	18.8%	18.0%	18.5%

Source: Annual Report 2008-2012

### . Operating Expense/Total Assets

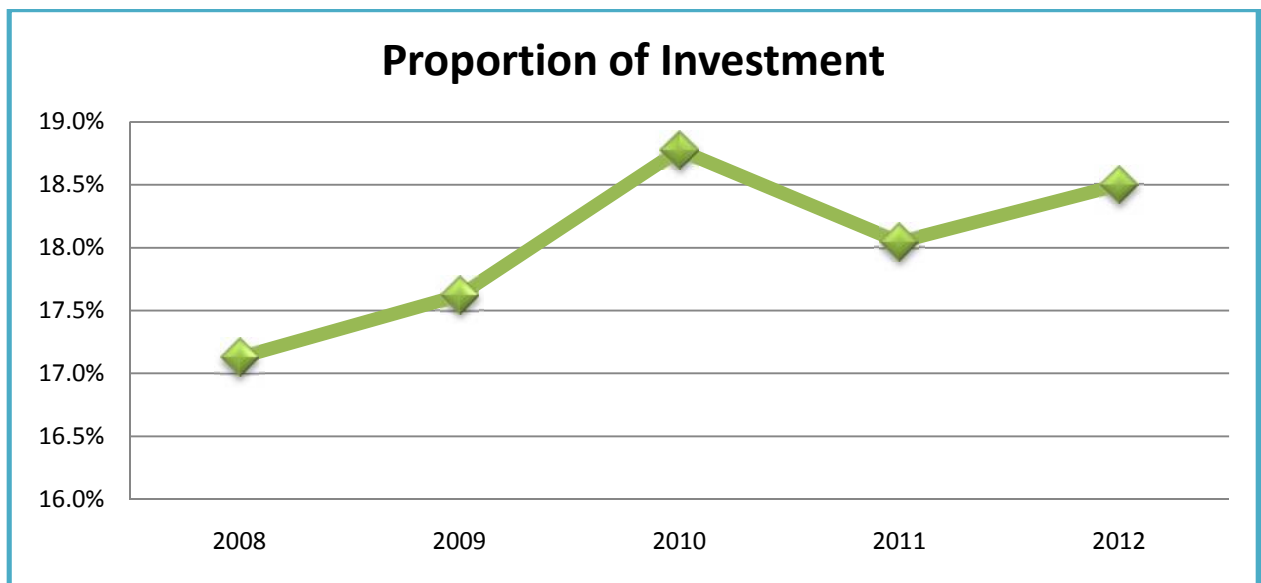


Source: Annual Report 2008-2012

Graph 6.26

The expense ratio of operating expense in terms of total assets decreased every year which had shown a better efficiency of the management of the company except 2008.

## 2. Proportion of Investment

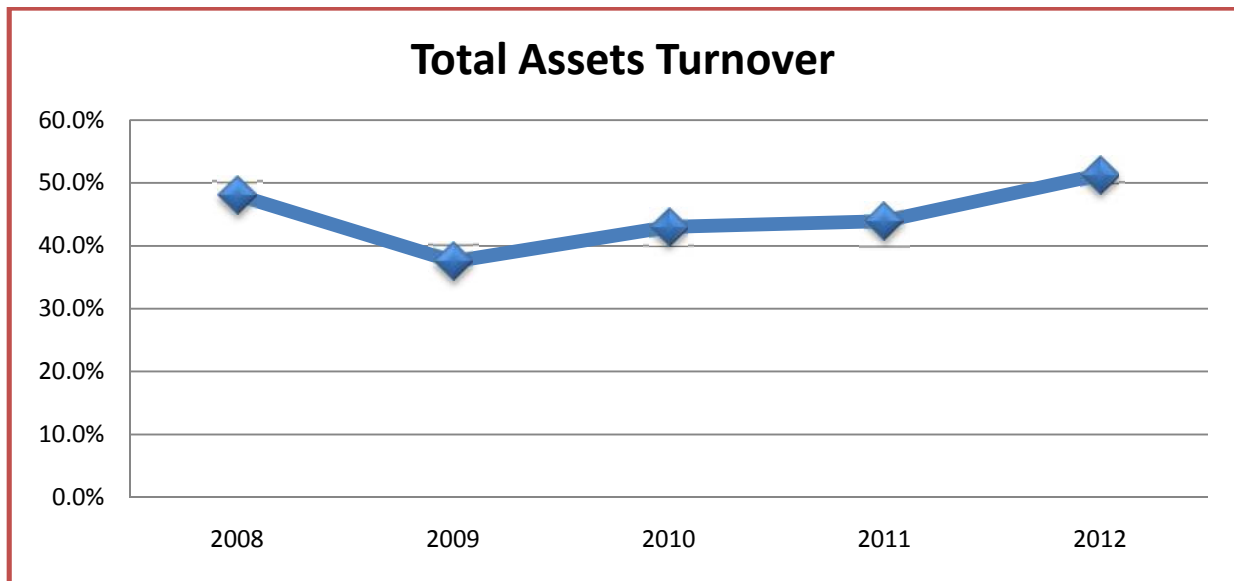


Source: Annual Report 2008-2012

Graph 6.27

In the chart the total investment in terms of total assets decreased from 2008 to 2009. Then it increased in 2010 rapidly which indicates excellence in investment decisions. After 2010, the amount of investment has decreased, which indicates a slowdown in investment decisions.

#### 4 Total Assets Turnover:

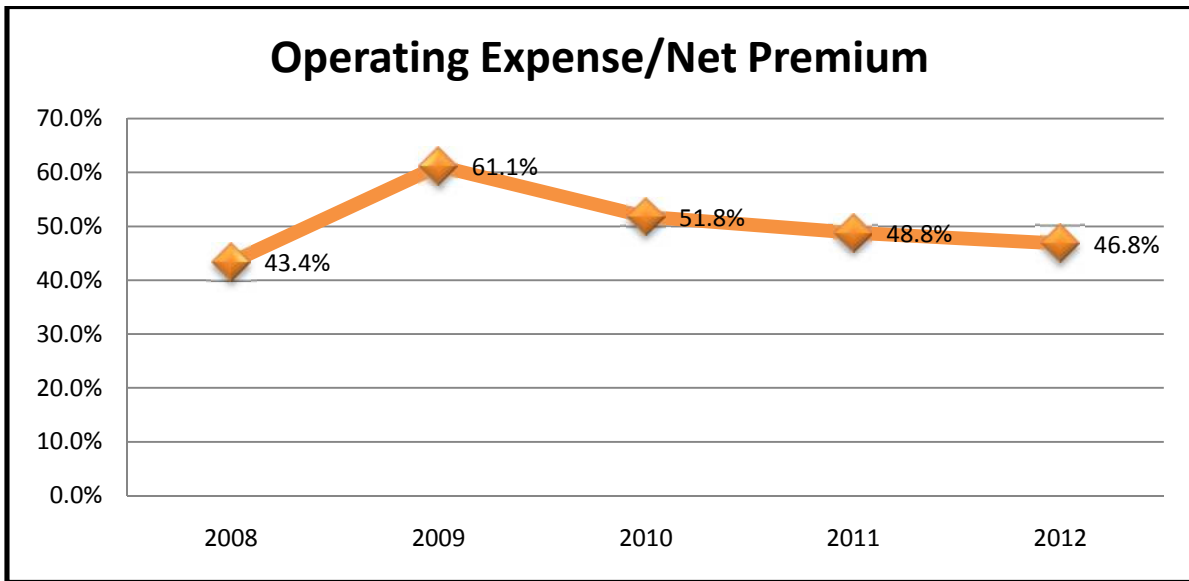


Source: Annual Report 2008-2012

Graph 6.28

The total assets turnover shows a decreasing trend every year except 2008. That means the efficiency of generating income by using its assets is decreasing every year.

### 5. Operating Expense/Net Premium:

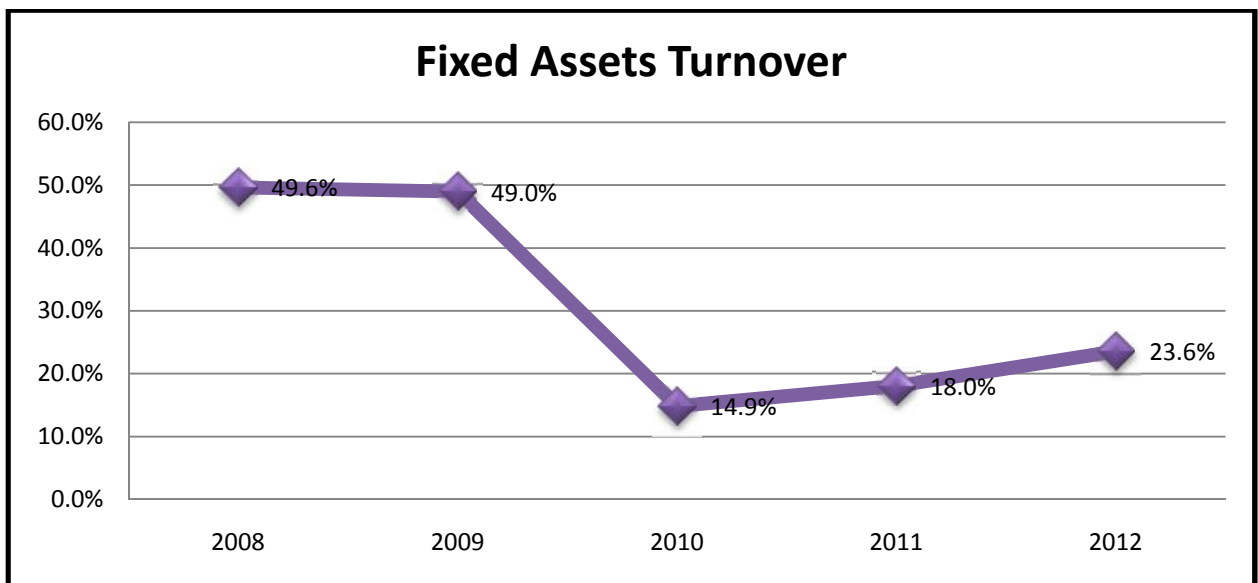


**Source: Annual Report 2008-2012**

Graph 6.29

The expense ratio of operating expense in terms of increased in life fund decreased from 2007 to 2009 which shown a better efficiency of the management of the company. But, from 2010 to 2011, it slightly increased which shown an indication of lower efficiency of the management.

## 6. Fixed Assets Turnover:

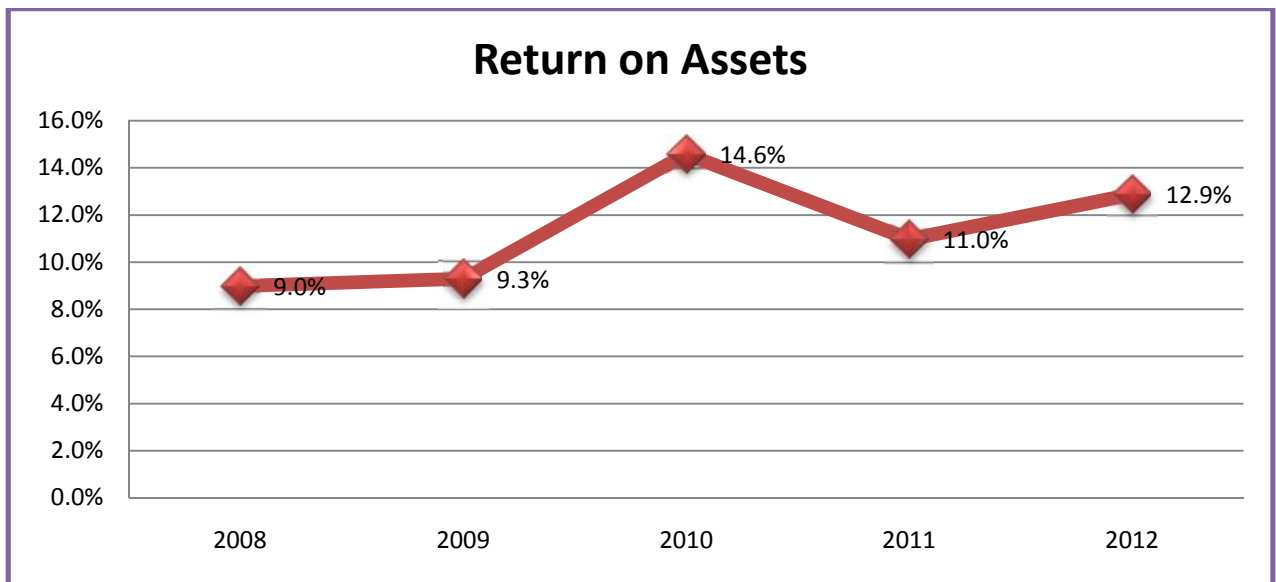


Source: Annual Report 2008-2012

Graph 6.30

The fixed assets turnover ratio is fluctuating from 2008 to 2012. Finally, it increased 6.57 times in 2011 which indicates the company is generating more income than the previous year by using its assets.

### 7. Return on Assets:



Source: Annual Report 2008-2012

Graph 6.31

In the graph the increase in life fund and dividend in terms of total asset increased from 2007 to 2009 which means that the company's management is performing well to generate increased in life fund by using its money.



## **e) Prime Islami Life Insurance Company Limited**

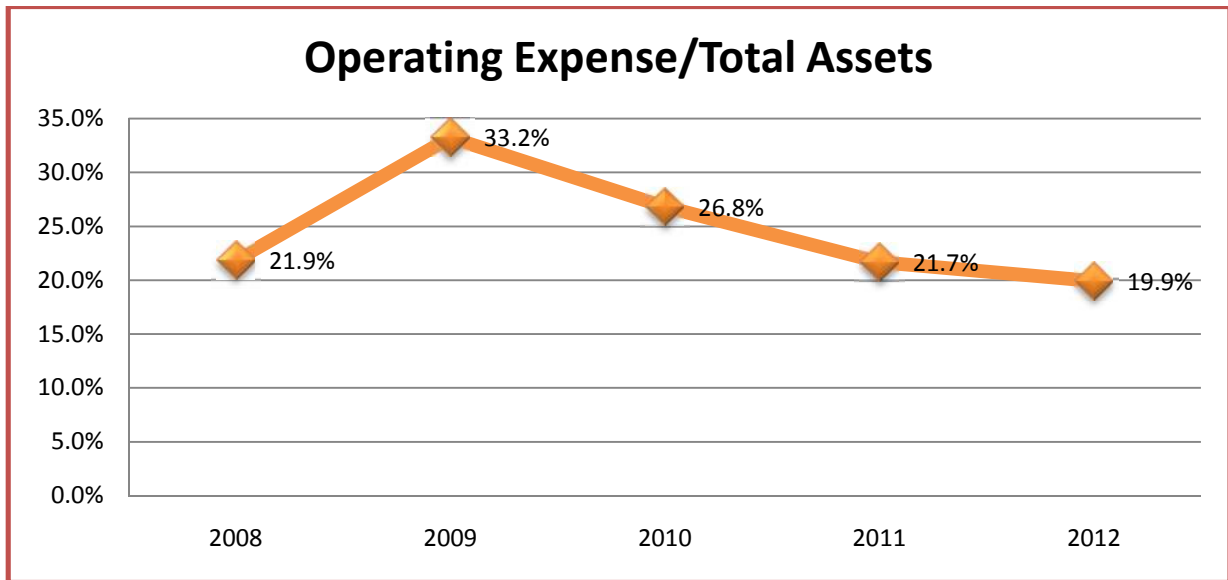
The operational efficiency of Prime Islami Life Insurance in terms of ratios from the year 2008 to 2012 is as follows-

Prime Islami Life Insurance					
	2008	2009	2010	2011	2012
<b>Return on Asstests</b>	23.0%	36.2%	36.6%	30.1%	21.1%
<b>Operating expense/Total Assets</b>	21.9%	33.2%	26.8%	21.7%	19.9%
<b>Operating expense/ Net Premium</b>	51.2%	51.6%	47.4%	46.4%	48.2%
<b>Total Asstets Turnover</b>	52.9%	90.5%	69.8%	55.0%	42.5%
<b>Fixed Assets Turnover ratio</b>	8.1%	7.1%	6.9%	8.2%	13.8%
<b>Proportion of Investment</b>	9.9%	28.4%	28.6%	47.6%	48.7%

**Source: Annual Report 2008-2012**

**Table No.6.13**

### **1. Operating Expense/Total Assets:**

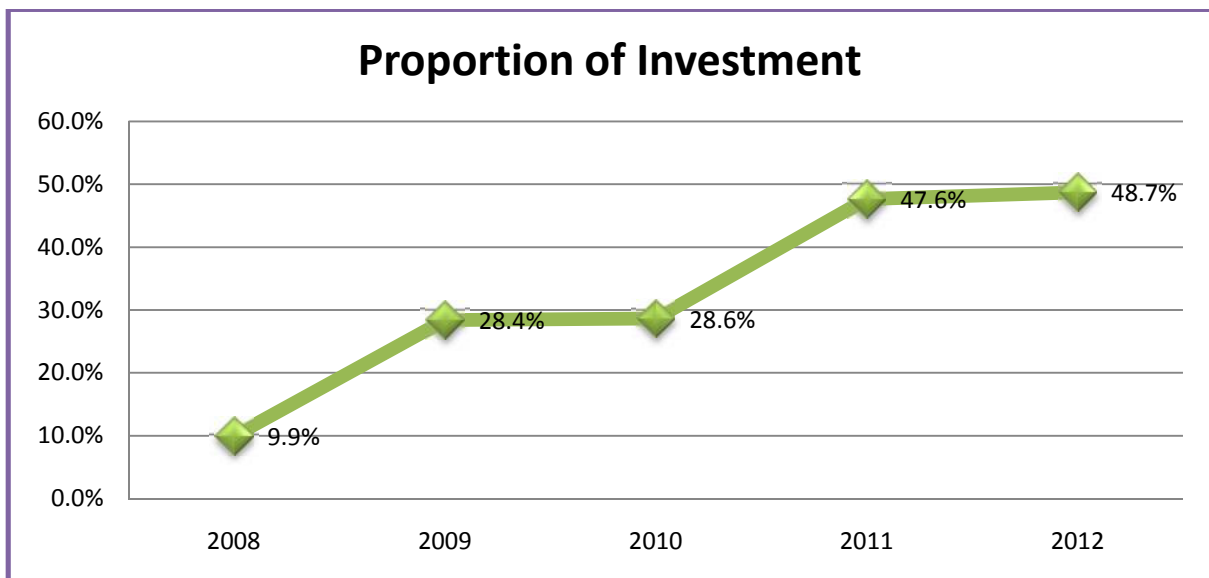


Source: Annual Report 2008-2012

Graph 6.32

The expense ratio of operating expense in terms of total assets decreased every year which had shown a better efficiency of the management of the company except 2008.

## 2. Proportion of Investment:

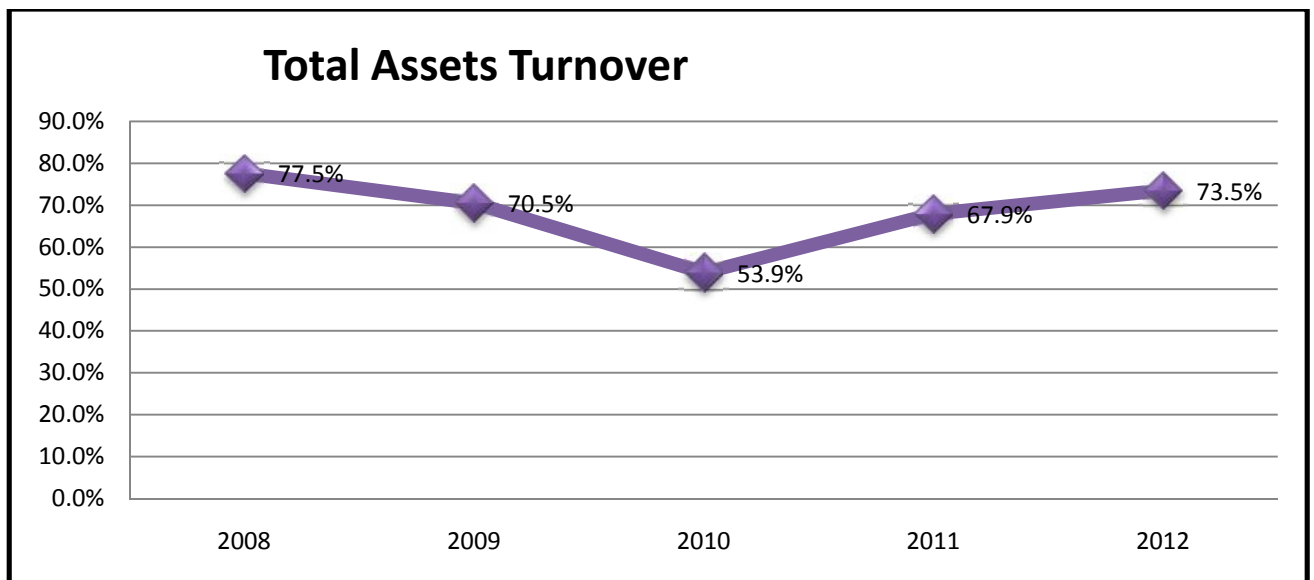


**Source: Annual Report 2008-2012**

Graph 6.33

In the chart the total investment in terms of total assets decreased from 2011 to 2012. Then it increased in 2010 rapidly which indicates excellence in investment decisions. After 2010, the amount of investment has decreased, which indicates a slowdown in investment decisions.

#### **4. Total Assets Turnover:**

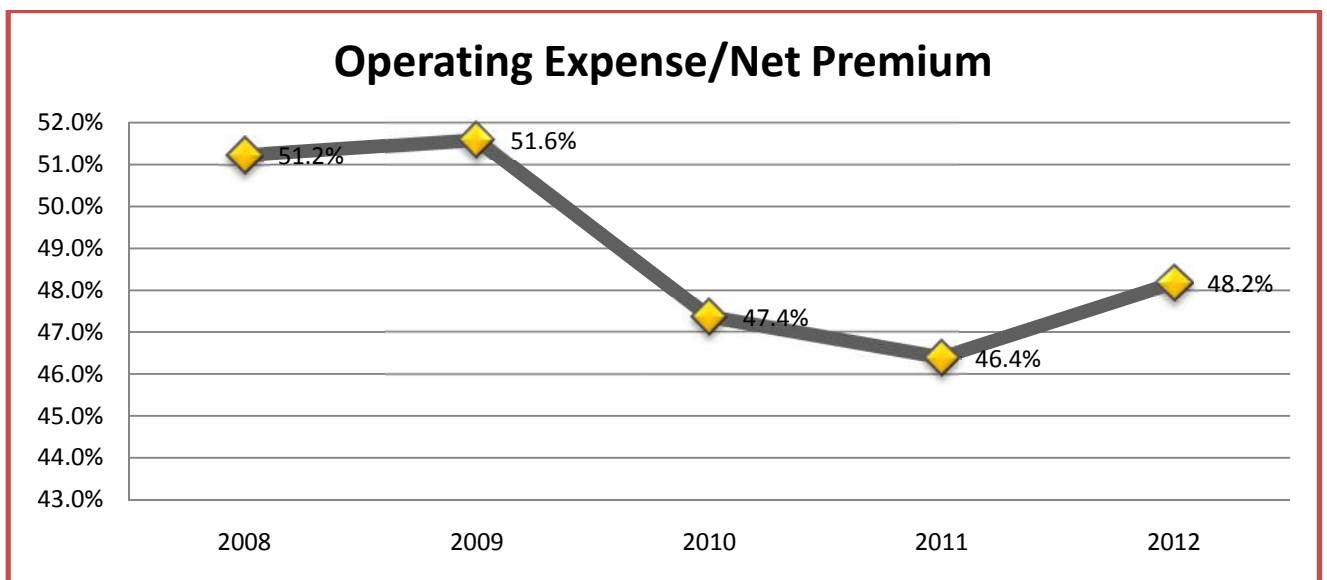


**Source: Annual Report 2008-2012**

Graph 6.34

The total assets turnover shows a decreasing trend every year except 2007. That means the efficiency of generating income by using its assets is decreasing every year.

### 5. Operating Expense/Net Premium:

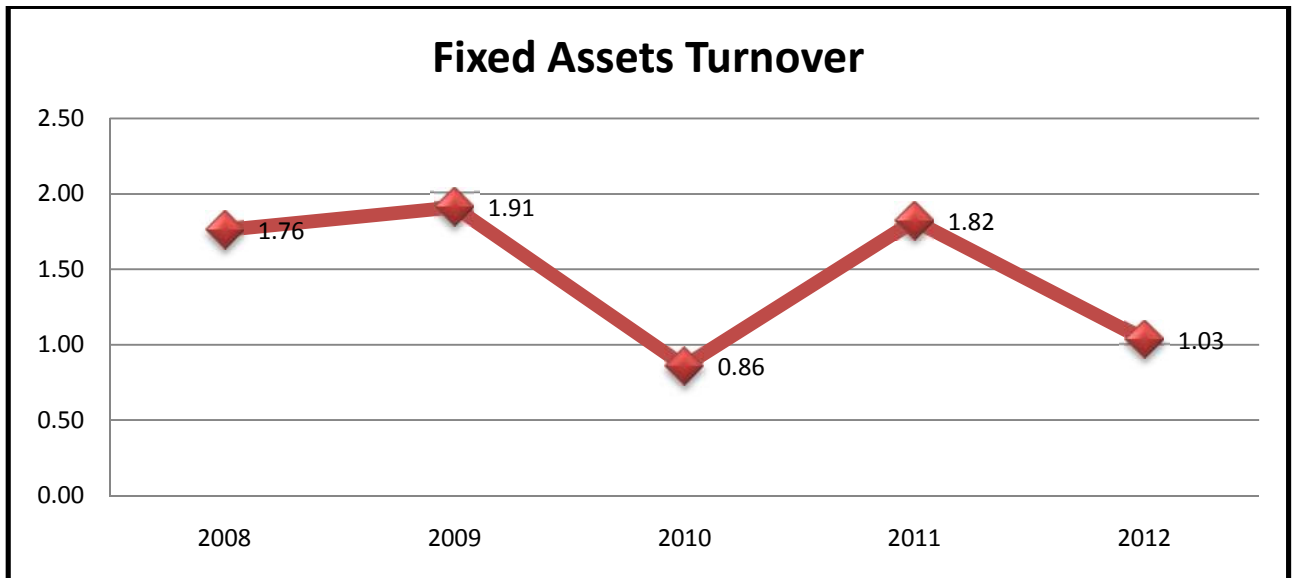


Source: Annual Report 2008-2012

Graph 6.35

The expense ratio of operating expense in terms of increased in life fund decreased from 2008 to 2009 which shown a better efficiency of the management of the company. But, from 2010 to 2011, it slightly increased which shown an indication of lower efficiency of the management.

## 6. Fixed Assets Turnover:

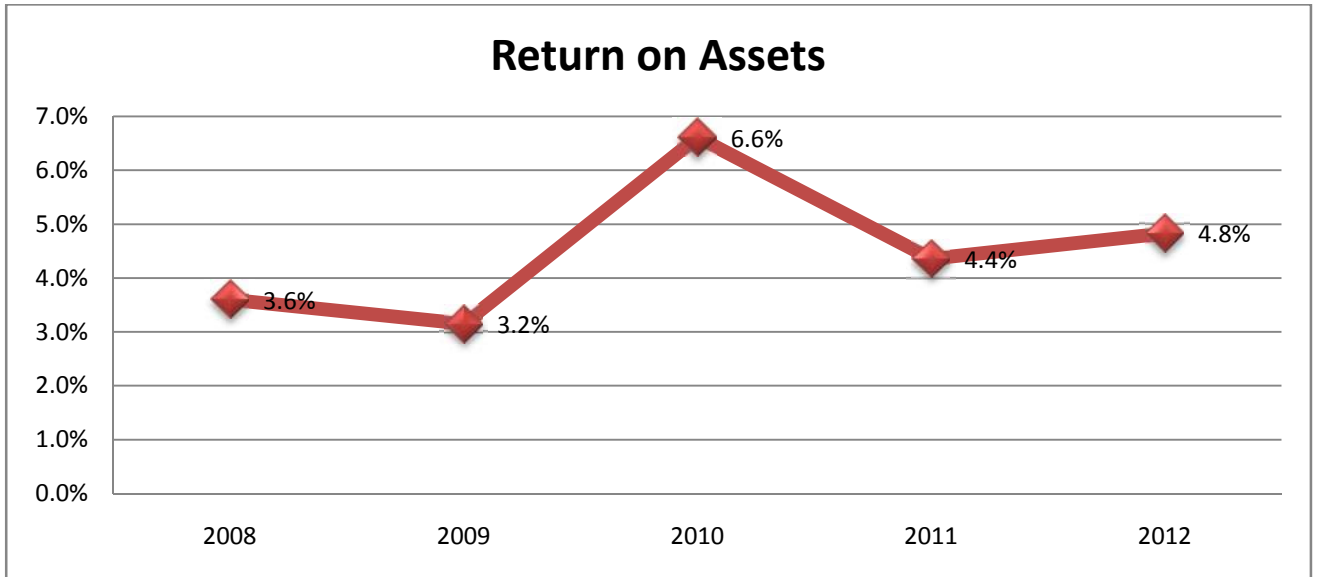


Source: Annual Report 2008-2012

Graph 6.36

The fixed assets turnover ratio is fluctuating from 2007 to 2009. Finally, it increased 1.57 times in 2011 which indicates the company is generating more income than the previous year by using its assets.

### 7. Return on Assets:



**Source: Annual Report 2008-2012**

Graph 6.37

In the graph the increase in life fund and dividend in terms of total asset increased from 2009 to 2010 which means that the company's management is performing well to generate increased in life fund by using its money.

## 6.5 Hypothesis Testing Example

**6.5.1 Hypothesis (H<sub>0</sub>):** There is no significant difference between premium income of Padma Islami Life Insurance Ltd. and Fareast Islami Life Insurance Company Ltd. [H<sub>0</sub>]

### Padma Islami Life Insurance Ltd.

Calculation of Mean and Standard Deviation of the following table:

Monthly Premium Income : (in million)	1000-2000	2000-3000	3000-4000	4000-5000	5000-6000
No. of Employee:	40	55	80	75	100

### **Solution:**

Calculation of Mean and Standard Deviation

Class Monthly Income	Mid Point (x)	$d = \frac{x-A}{c}$	No. of employees (f)	fd	fd <sup>2</sup>
1000-2000	1500	-2	40	-80	160
2000-3000	2500	-1	55	-55	55
3000-4000	3500(A)	0	80	0	0
4000-5000	4500	+1	75	75	75
5000-6000	5500	+2	100	250	400
			N = 350	Σfd =140	Σfd <sup>2</sup> =690

$$\begin{aligned}
 \text{Mean } (\bar{x}_2) &= A + \frac{\sum fd}{N} \times c \\
 &= 3500 + \frac{140}{350} \times 1000 \\
 &= 3500 + 400 \\
 &= 3900
 \end{aligned}$$



$$\begin{aligned} \text{Standard Deviation: } (\sigma_2) &= \sqrt{\frac{\sum fd^2}{N} - \left(\frac{\sum fd}{N}\right)^2} \times c \\ &= \sqrt{\frac{690}{350} - \left(\frac{140}{350}\right)^2} \times 1000 \\ &= \sqrt{1.9714 - 0.16} \times 1000 \\ &= \sqrt{1.8114} \times 1000 \\ &= 1.3459 \times 1000 \\ &= 1,346 \end{aligned}$$

### Fareast Islami Life Insurance Company Ltd.

Calculation of Mean and Standard Deviation of the following table:

Monthly Premium Income : (in million)	1000-2000	2000-3000	3000- 4000	4000-5000	5000-6000
No. of Employee:	50	60	80	75	85

Solution:

Calculation of Mean and Standard Deviation

Class Monthly Income	Mid Point (x)	$d = \frac{x-A}{c}$	No. of employees (f)	fd	fd <sup>2</sup>
1000-2000	1500	-2	50	-100	200
2000-3000	2500	-1	60	-60	60
3000-4000	3500(A)	0	80	0	0
4000-5000	4500	+1	75	75	75

5000-6000	5500	+2	85	170	340
			N = 350	Σfd =85	Σfd <sup>2</sup> =675

$$\begin{aligned} \text{Mean } (\bar{x}_2) &= A + \frac{\sum fd}{N} \times c \\ &= 3500 + \frac{85}{350} \times 1000 \\ &= 3500 + 242.86 \\ &= 3743 \end{aligned}$$

$$\begin{aligned} \text{Standard Deviation: } (\sigma_2) &= \sqrt{\frac{\sum fd^2}{N} - \left(\frac{\sum fd}{N}\right)^2} \times c \\ &= \sqrt{\frac{675}{350} - \left(\frac{85}{350}\right)^2} \times 1000 \\ &= \sqrt{1.9286 - 0.0590} \times 1000 \\ &= \sqrt{1.8696} \times 1000 \\ &= 1.3673 \times 1000 \\ &= 1,367 \end{aligned}$$

Hypothesis (H<sub>0</sub>): There is no significant difference between premium income of Padma Islami Life Insurance Ltd. and Fareast Islami Life Insurance Company Ltd.  
[H<sub>0</sub>]

We have found the following statistics from calculated data:

Particulars	Padma Islami Life Insurance Ltd.	Fareast Islami Life Insurance Company Ltd.
Mean (Particulars)	3900 $\bar{x}_1 = 3$	3743 $\bar{x}_2 = 3$

Standard Deviation: ( $\sigma$ )	$\sigma_1 = 1346$	$\sigma_2 = 1367$
No. of Employees (N)	$N_1 = 350$	$N_2 = 350$

We take: Hypothesis ( $H_0$ ): There is no significant difference between premium income of Padma Islami Life Insurance Ltd. and Fareast Islami Life Insurance Company Ltd. [ $\mu_1 = \mu_2$ ]

Alternative Hypothesis ( $H_1$ ): Premium Income of Fareast Islami Life Insurance Company Ltd. greater than Padma Islami Life Insurance Ltd. [ $\mu_1 > \mu_2$ ]

Our Statistics:  $Z = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{\sigma_1^2}{N_1} + \frac{\sigma_2^2}{N_2}}}$

$$= \frac{3900 - 3743}{\sqrt{\frac{(1346)^2}{350} + \frac{(1367)^2}{350}}}$$

$$= \frac{157}{\sqrt{\frac{18,11,716}{350} + \frac{18,68,689}{350}}}$$

$$= \frac{157}{\sqrt{5,176.33 + 5,339.11}}$$

$$= \frac{157}{\sqrt{10,515.44}}$$

$$= \frac{157}{102.54}$$

= 1.53 (Approx.)

Using normal test (Z test) at the 5% level of significance in one tail test, our calculated value  $Z_c = 1.53$ , but the table value  $Z_t = 1.64$ . So table value is greater than calculation value.

Hence, Null Hypothesis is acceptable.

**6.5.2** An Islamic Insurance Company Ltd. in Bangladesh is reviewing its current policy rates. When originally setting the rates they believed that the average claim amount was Tk. 1,800. They are concerned that the true mean is actually higher than this, because they could potentially lose a lot of money. They randomly select 40 claims, and calculate a sample mean of Tk. 1,950. Assuming that the standard deviation of claims is Tk. 500, and set  $\alpha = 0.05$ , test to see if the insurance company should be concerned.

*Solution*

Null Hypothesis ( $H_0$ ): There is no significant from this test, and cannot tell the insurance company whether or not they should be concerned about their current policies.

\* Step 1: Set the null and alternative hypotheses

$$H_0 : \mu \leq 1800$$

$$H_1 : \mu > 1800$$

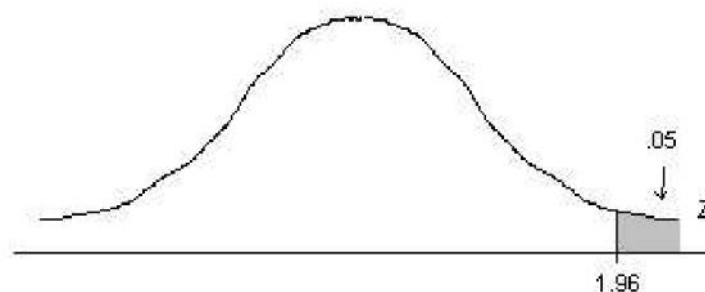
\* Step 2: Calculate the test statistic

$$Z = \frac{\bar{x} - \mu_0}{\sigma / \sqrt{n}} = \frac{1950 - 1800}{500 / \sqrt{40}} = 1.897$$

\* Step 3: Set Rejection Region

Looking at the picture below, we need to put all of  $\alpha$  in the right tail. Thus,

$$R : Z > 1.96$$



Step 4: Conclude

We can see that  $1.897 < 1.96$ , thus our test statistic is not in the rejection region. Therefore we fail to reject the null hypothesis. We cannot conclude anything statistically significant from this test, and cannot tell the insurance company whether or not they should be concerned about their current policies.

### **6.6 Questionnaire Survey Analysis**

For this study, the use of multiple methods to examine the same dimension of the research problem has been applied.

#### **Nature of planning in Islamic Insurance Companies in Bangladesh**

The nature of planning in Islamic Insurance Companies in Bangladesh is more or less practical oriented. That only for achieving the reasonable objectives, planning is made and executed. The respondents were asked about the nature of planning in Islamic Insurance Companies in Bangladesh. Their responses are shown in the following.

**Table No.6.14**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	66	66%
Agree	32	32%
Not Sure	0	0%
Disagree	0	0%
Strongly Disagree	2	2%
	100	100%

66% of the respondents strongly agreed that the planning of Islamic Insurance Companies in Bangladesh is deciding in advance. No respondents disagreed in this regard.



Islamic Insurance Companies in Bangladesh planning is effective and practical Oriented.

**Table No.6.15**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	50	50%
Agree	44	44%
Not Sure	4	4%
Disagree	2	2%
Strongly Disagree	2	2%
	100	100%

50% of the respondents strongly agree that the planning of Islamic Insurance Companies in Bangladesh is effective and practical oriented. Only 2% of the respondents Disagree in the regard.

Successful planning in Islamic Insurance Companies in Bangladesh

**Table No.6.16**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	26	26%
Agree	56	56%
Not Sure	8	8%
Disagree	10	10%
Strongly Disagree	0	0%
	100	100%

56% of the respondents agree that the successful of the planning in Islamic Insurance Companies in Bangladesh. No respondents strongly disagree in this regard.

Forecast of Planning in Islamic Insurance Companies in Bangladesh

**Table No.6.17**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	36	36%
Agree	62	62%
Not Sure	0	0%
Disagree	2	2%
Strongly Disagree	0	0%
	100	100%

62% of respondents agree that the forecast of planning in Islamic Insurance Companies in Bangladesh. No respondents strongly disagreed in this regard.

Planning of Islamic Insurance Companies in Bangladesh is costly and there is little time for it.

**Table No.6.18**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	14	14%
Agree	8	8%
Not Sure	3	3%
Disagree	47	47%
Strongly Disagree	28	18%
	100	100%



14% of the respondents strongly agree that the planning is costly. 47% of the respondents disagreed in this regard.

Perfect decision in planning of Islamic Insurance Companies in Bangladesh.

**Table No.6.19**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	6	6%
Agree	10	10%
Not Sure	7	7%
Disagree	37	37%
Strongly Disagree	40	40%
	100	100%

40% of the respondents strongly disagreed that is no perfect decision in Islamic Insurance Companies in Bangladesh planning. Only 6% of the respondents strongly agreed on this regard.

Consultative decision making in Islamic Insurance Companies in Bangladesh

**Table No.6.20**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	25	25%
Agree	53	53%
Not Sure	13	13%
Disagree	8	8%
Strongly Disagree	1	1%
	100	100%

53% of the respondents agree that the formulization of plan Islamic Insurance Companies in Bangladesh to follow the consultative decision making. Only 1% respondents strongly disagreed in this regard.

Proper planning minimize of cost and wastage of time

**Table No.6.21**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	62	62%
Agree	35	35%
Not Sure	1	1%
Disagree	1	1%
Strongly Disagree	1	1%
	100	100%

62% of the respondents strongly agree that the proper planning minimize of cost and wastage of time. Only 1% of the respondents disagreed in this regard.

Islamic Shariah principles in Islamic Insurance Companies in Bangladesh

**Table No.6.22**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	58	58%
Agree	37	37%
Not Sure	3	3%
Disagree	2	2%
Strongly Disagree	0	0%
	100	100%

58% of the respondents strongly agree to formulate of plan, Islamic Insurance Companies in Bangladesh follows the Islami Shariah principles. No respondents strongly disagreed in this regard.

Nature of organizing in Islamic Insurance Companies in Bangladesh

The Organizing of Islamic Insurance Companies in Bangladesh is effective and practical oriented

**Table No.6.23**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	37	37%
Agree	63	63%
Not Sure	0	0%
Disagree	0	0%
Strongly Disagree	0	0%
	100	100%

63% of the respondents agree that the organizing of Islamic Insurance Companies in Bangladesh is effective practical oriented. No respondents disagreed in this regard.

Delegation of authority means fixation of power on the extensive of the organization

**Table No.6.24**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	24	24%
Agree	62	62%
Not Sure	10	10%
Disagree	2	2%
Strongly Disagree	2	2%
	100	100%

62% of the respondents agree that the delegation of authority means fixation of power on the extensive of the organization. Only 2% of respondents disagreed and 10% of the respondents not sure on the regard.

Without delegation of authority, the president should be only the management member of the organization.

**Table No.6.25**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	20	20%
Agree	58	58%
Not Sure	13	13%
Disagree	8	8%
Strongly Disagree	1	1%
	100	100%

58% of the respondents agree that the without delegation of authority, the president should be only the management member of the organization. Only 1% of the respondents strongly disagreed in this regard.

Delegation of authority means division of power between the managerial levels.

**Table No.6.26**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	21	21%
Agree	61	61%
Not Sure	7	7%
Disagree	10	10%
Strongly Disagree	1	1%
	100	100%

61% of the respondents agree that the delegation of authority means division of power between the management level. Only 1% of the respondents strongly disagreed in this regard.

The delegation creates insubordination

**Table No.6.27**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	6	6%
Agree	26	26%
Not Sure	18	18%
Disagree	25	25%
Strongly Disagree	25	25%
	100	100%

26% of the respondents agree that the delegation creates insubordination. 18% of the respondents are not sure, 25% of the respondents disagreed and 25% of the respondents strongly disagreed in this regard.

Islamic Insurance Companies in Bangladesh Centralized authority and responsibility.

**Table No.6.28**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	9	9%
Agree	26	26%
Not Sure	9	9%
Disagree	42	42%
Strongly Disagree	14	14%

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100	100%
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42% of the respondents disagreed that the Islamic Insurance Companies in Bangladesh centralized and responsibility. Only 9% of the respondents strongly agreed on this regard.

Islamic Insurance Companies in Bangladesh decentralized authority.

**Table No.6.29**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	26	26%
Agree	51	51%
Not Sure	7	7%
Disagree	10	10%
Strongly Disagree	6	6%
	100	100%

---

51% of the respondents agree that the Islamic Insurance Companies in Bangladesh decentralized authority. Only 6% of the respondents strongly disagreed on this regard.

Islamic Insurance Companies in Bangladesh Organizing capability is very high.

**Table No.6.30**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	17	17%
Agree	70	70%
Not Sure	5	5%
Disagree	8	8%
Strongly Disagree	0	0%

---

100

100%

---

70% of respondents agree that the Islamic Insurance Companies in Bangladesh organizing capability is very high. No respondents strongly disagreed in this regard.



The Organizing of Islamic Insurance Companies in Bangladesh is based on Islamic Shariah

**Table No.6.31**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	54	54%
Agree	42	42%
Not Sure	4	4%
Disagree	0	0%
Strongly Disagree	0	0%
	100	100%

54% of the respondents strongly agree that the organizing of Islamic Insurance Companies in Bangladesh is based on Islami Sharia. No respondents strongly disagreed in this regard.

### **Staffing System in Islamic Insurance Companies in Bangladesh**

The Islamic Insurance Companies in Bangladesh follows the internal policy for recruitment and selection.

**Table No.6.32**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	26	26%
Agree	56	56%
Not Sure	0	0%
Disagree	5	5%
Strongly Disagree	13	13%
	100	100%

56% of the respondents agree that the Islamic Insurance Companies in Bangladesh follows the internal policy for recruitment and selection. Only 5% of the respondents disagree in this regard.

The selection committee performs their duties properly and honestly.

**Table No.6.33**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	34	34%
Agree	54	54%
Not Sure	8	8%
Disagree	2	2%
Strongly Disagree	2	2%
	100	100%

54% of the respondents agree that the selection committee of Islamic Insurance Companies in Bangladesh perform their duties properly and honestly. Only 2% of respondents disagreed in this regard.

Performance appraisal system of Islamic Insurance Companies in Bangladesh

**Table No.6.34**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	9	9%
Agree	54	54%
Not Sure	9	6%
Disagree	27	27%
Strongly Disagree	1	1%
	100	100%

54% of the respondents agree that the performance appraisal system of Islamic Insurance Companies in Bangladesh is very fair. Only 1% of the respondents strongly disagreed in this regard.

Performance appraisal report to consider for promotion in Islamic Insurance Companies in Bangladesh

**Table No.6.35**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	15	15%
Agree	45	45%
Not Sure	9	9%
Disagree	16	16%
Strongly Disagree	15	15%
	100	100%

45% of the respondents agree that the Performance appraisal report to consider for promotion in Islamic Insurance Companies in Bangladesh. Only 15% of the respondents strongly disagreed in this regard.

The promotion system in Islamic Insurance Companies in Bangladesh

**Table No.6.36**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	13	13%
Agree	38	38%
Not Sure	14	14%
Disagree	19	19%
Strongly Disagree	16	16%
	100	100%

38% of the respondents agree that the promotion system in your bank is very fair. Only 16% of the respondents strongly disagreed on this regard.

#### Controlling capability in Islamic Insurance Companies in Bangladesh

The controlling capability of Islamic Insurance Companies in Bangladesh is effective and practical oriented.

**Table No.6.37**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	17	17%
Agree	69	69%
Not Sure	5	5%
Disagree	7	7%
Strongly Disagree	2	2%
	100	100%

69% of the respondents agree that the controlling capability of Islamic Insurance Companies in Bangladesh is effective and practical oriented. Only 2% of the respondents strongly disagreed in this regard.

The control technique of Umor (R.A) is well known in the Muslim world.

**Table No.6.38**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	60	60%
Agree	38	38%
Not Sure	2	2%
Disagree	0	0%
Strongly Disagree	0	0%
	100	100%

60% of the respondents strongly agree that the control technique of Umor (R.A) is well known in the Muslim world. No respondents disagreed in this regard.

Fear of Allah is the best guide to self control.

**Table No.6.39**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	95	95%
Agree	5	5%
Not Sure	0	0%
Disagree	0	0%
Strongly Disagree	0	0%
	100	100%

95% of the respondents strongly agree that the fear of Allah is the best guide to self control. No respondents disagreed in this regard.

Controlling helps in effective plan and design for future days.

**Table No.6.40**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	51	51%
Agree	45	45%
Not Sure	2	2%
Disagree	2	2%
Strongly Disagree	0	0%
	100	100%

51% of the respondents strongly agree and 45% agree that the controlling helps in effective plan and design for future days. No respondents strongly disagreed in this regard.

Self control is the best control

**Table No.6.41**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	71	71%
Agree	26	26%
Not Sure	1	1%
Disagree	2	2%
Strongly Disagree	0	0%
	100	100%

71% of the respondents strongly agree and 26% agree that the self control is the best control. No respondents strongly disagreed in this regard.

Controlling system of Islamic Insurance Companies in Bangladesh is based on Islamic Shariah.

**Table No.6.42**

<b>Opinion</b>	<b>No. of Response</b>	<b>Percentages</b>
Strongly Agree	46	46%
Agree	45	45%
Not Sure	4	4%
Disagree	5	5%
Strongly Disagree	0	0%
	100	100%

46% of the respondents strongly agree and 45% agree that the controlling system of Islamic Insurance Companies in Bangladesh is based on Islamic Shariah. Only 4% of the respondents is not sure, 5% disagreed and no respondents strongly disagreed on this regard.





## Discussion

It stems from the analysis that on a yearly basis, the average efficiency scores of company have soared up overtime since 2008 till 2012 reflecting that most of the companies did well on the efficiency front. It is notable to mention here that the top slots for super efficiency are taken over by smaller firms, while the bigger firms are laggards here rather than the leaders. This reflects that the larger insurance firms need to augment their efficiency levels through more efficient utilization of inputs. The results of the study reveal that both Takaful and the larger conventional insurance firms in the country need to strengthen their operations more efficiently in order to take advantage of the economies of scale and scope. Market share and profitability are important determinants of efficiency.

### **Development of Islamic insurance (Takaful) in Bangladesh**

The basic concept of Islamic insurance (takaful) is derived from ancient Arab tribal custom (Zainuddin and Noh 2015) whereby if anybody was murdered by a member of a different tribe the closest relative of the killer would have to compensate with blood money. This type of financial help is a protection for the heir of the deceased against the unexpected death (Billah 1980). Similarly, the practice of insurance was in existence since Islam's earliest appearance (Swartz and Coetzer 2010). The essence of the Islamic insurance system has been reflected by the establishment of the treasury in order to help the needy Muslims and those who resided within the Islamic domain (Muhammad 2006, pp. 236–240). In the administration of the companions of Prophet Muhammad (PBUH) after his death, particularly in the time of the caliph Umar the concept of insurance clearly and obviously existed and was well organised (Hussain and Pasha 2011).

Islamic insurance during the fifth Caliph Umar ibn Abdul Aziz was also documented. He was always concerned about his subjects and used to help the poor and the needy in various ways (As-Sallabi 2011, p. 388,). In the nineteenth century, Ibn Abidin, a prominent Hanafi scholar, discussed the concept of Islamic insurance and its legality. His idea of insurance opened the mind of many Muslims who did not accept the validity of insurance practice (Sadeghi 2011). In the twentieth century, the famous Islamic jurist, Sheikh Muhammad Abduh permitted insurance practices by supporting that insurance transaction is akin to the al-Mudharabah (one kind of partnership business where one party provides the fund and other party provides labour) financing technique (Ali 2006, p. 102).

In the International Muslim Conference in Jeddah (Iqbal and Molyneux 2005, p. 190) King Faisal invoked all Muslim countries to reconstruct their banking system in the light of shariah. As a consequence of this conference, in Bangladesh, although the Islamic banking system was introduced in 1983 (Khan et al. 2008), Islamic insurance was introduced on December 12, 1999. Islami Insurance Bangladesh Ltd. is the first Islamic insurance company in Bangladesh (ARIIBL 2012, p. 5). Presently, National Life Insurance Company Ltd., Takaful Insurance Company, Shandhani Life insurance Co. Ltd., Homeland Life insurance Co. Ltd., Magna Life Insurance Company Ltd., Rupali Life insurance Co. Ltd., Pragati Life insurance Co. Ltd., Popular Life insurance Co. and other conventional insurance companies contribute to spread and extend Islamic insurance products through opening Islamic windows (Kalil 2011, pp. 216–217).

### **Establishment of Central *Shariah* Council for Islamic Insurance of Bangladesh**

There are eight full-fledged Islamic insurance companies and 13 Islamic insurance windows operating takaful in Bangladesh (TJCSCIIB 2012, p. 5). Each takaful company and its

windows have *shariah* boards to monitor takaful activities. All directors and *shariah* boards of each takaful company and its windows gathered in June 20, 2002, in order to regulate and standardise the system across all operators (ARCSCIIB 2010, p. 3). They met again in August 13, 2002 to establish the Central *Shariah* Council for Islamic insurance of Bangladesh. The Founder Chairman of this council is the Imam of the national mosque “Baitul Mukarram” Abdul Haque. The council was registered in January 19, 2008 (ARCSCIIB 2011, p. 3). The main objectives of the council are as mentioned below:

1. To regulate full *shariah* rules and regulations in each takaful company and its window.
2. To provide necessary suggestion and consultancy for takaful company and its member of *shariah* board, director-general, and board of the director.
3. To train employee and officers of each takaful company regarding *Shariah* compliant takaful practices and all systems related to *Shariah*.
4. Majority jurist decisions will be approved and finally this decision will be considered the decision of council.
5. The council will suggest for the each takaful company to produce each new product of takaful in the light of *Shariah*.
6. To suggest the Insurance Development & Regulatory Authority Bangladesh deal with all works related to Islamic insurance in the light of *Shariah*.
7. To collect wealth from the all takaful companies in order to spend for the needy, poor, and donate for welfare activities.
8. To arrange conferences and seminars related to takaful and suggest the government introduce separate regulations for takaful companies in Bangladesh (ARCSCIIB 2012, p. 3).

## **Problems of Islamic Insurance in Bangladesh**

Islamic insurance throughout the world has been facing a lot of problems (Bekkin 2007). Similarly, Islamic insurance in Bangladesh has been facing numerous problems (ARTIIL 2012, p. 14). The nature of the problems is as follows:

### **Lack of separate regulation, shariah-based deposit and Islamic capital market for Islamic insurance**

In 2000, Bangladesh Islamic insurance companies were licensed under the Insurance Act 1938 which was not equipped to deal with Islamic insurance (Khan 2010). This is because, Islamic insurance is based on *shariah* rules and regulations (Foster 2007), while conventional insurance is based on conventional regulations (Schwarcz and Schwarcz 2014). Although a committee was formed by the government of Bangladesh to draft separate insurance laws for Islamic and conventional insurance in 2007, the outcome of the effort has yet to materialise. In 2008, the caretaker government of Bangladesh promulgated the Insurance Ordinance 2008 and the Insurance Regulatory Ordinance 2008. These were ignored by the present government (Ali 2012). Furthermore, two insurance laws were passed in the parliament of Bangladesh on March 3, 2010 which came into effect as an Insurance Act on March 18, 2010. However, it only mentioned rules for investment assets of Islamic insurance (IDRAB: Insurance Development and Regulatory Authority Bangladesh 2013). The lack of a legal and regulatory framework has stifled the Islamic insurance industry.

Islamic insurance has to deposit a large amount of money with the Central Bank of Bangladesh as security to operate whereas the Bangladesh Bank operates based on interest (*Riba*). Bangladesh Bank provides interest against this deposit, but Islamic insurance cannot receive this kind of money as a profit (Kalil 2011, pp. 218–220). Another obstacle of Islamic insurance is lack of Islamic capital market (Azad et al. 2013). Islamic insurance companies do not have any alternative for investment as without Islamic banks all bonds and certificates are based on interest. Islamic insurance companies cannot participate in this kind of investment or capital market. As a result, Islamic insurance companies lag behind conventional insurance (Kalil 2011, pp. 218–220).

### **Unexpected competitions, lack of skilled people, qualified field workers and desk officers**

Conventional non-government insurance companies gain illegal business through discounting or returning the premium to the policy holder. Policy holders are encouraged to dealing with conventional non-government insurance companies expecting profit or bonus at the end of the year while Islamic insurance companies do not offer any discount or return the premium to the policy holder. This is why they are less interested in an Islamic insurance policy. This kind of competition is considered a big challenge not only for Islamic insurance but also for conventional government insurance companies. Some conventional non-government insurance companies accept cheques on credit to sell policies in debt (Kalil 2011, p. 218–220). Moreover, there is a lack for skilful and experienced people in conventional insurance in Bangladesh (Reza and Iqbal 2007). In Islamic insurance, this number is even more shocking. Although 90 % of the total Bangladesh population are Muslim, there is a lack of qualified human resource in Islamic insurance (Bhuiyan et al. 2012). Furthermore, field workers and most desk officers in Islamic insurance do not enough training and Islamic education required to serve Islamic banking and insurance. This inhibits their ability to work professionally and inform the public of the benefits of their products and services (Khalid 2007, pp. 27–28).

### **Lack of Islamic re-insurance and training institutions**

There is no Islamic re-insurance company in Bangladesh (TJCSCIIB 2012, p. 5). Islamic insurance companies are forced to re-insure their money through conventional re-insurance. From the premium derived from these re-insurance companies at the end of the year, the conventional insurance companies distribute one part of this profit to the policy holders of the different companies as an original profit, while Islamic insurance companies cannot accept interest-based profit (Kalil 2011, pp. 218–220).

Insurance companies in Bangladesh lack training institutions for their employees. There are seven fully fledged Islamic Banks in Bangladesh. Among them only Islami Bank Bangladesh

Ltd. has a training institute and opportunities to provide its employees training services. Employees are provided little training insurance (Ullah 2013). General Islamic insurance companies (general takaful companies) do not have any training institutions, although the Bangladesh Insurance Academy trains how to conduct Islamic insurance without interest but there is no opportunities for one-to-one teach training or to research the Islamic insurance system (Khalid 2007, pp. 27–28).

### **Lack of public interest in Islamic insurance and consensus among muslim scholars (*Ulamah*)**

Most of the people are not interested in Islamic insurance due to lack of Islamic knowledge and understanding: absence of people's awareness, propaganda, and misinterpretation about Islamic insurance among the general people in Bangladesh (Reza and Iqbal 2007). The lack of financial solvency further reduces subscriptions to Islamic insurance. Although Bangladesh is a Muslim country, the governor is unaware of Islamic studies, especially Islamic finance (Huqe 2002, pp. 164–165). In addition, many question Islamic insurance and its operating system (Rahman 2006, p. 273) particularly in Bangladesh. Some Muslim scholars say that Islamic insurance and its operations are like conventional insurance and should be prohibited. Others argue that it is legalised by shariah through some operations remain conventional. Others encourage avoiding it completely as it is unclear whether it is truly Islamic in spirit and content (Khan 2015, p. 219). Such debates confuse the public causing them to doubt Islamic insurance.

## **Chapter 07: Conclusions and Recommendations**

## **7.1 Conclusions:**

This report attempts to develop the work aspires is to test the competence for Takaful life and conventional life insurances industry of Bangladesh. Data Envelopment Analysis (DEA) is used to explore the contributions of technical and efficiency changes to the growth of productivity in the conventional life and Takaful life industries of Bangladesh by using descriptive statistics such as mean, median, standard deviation, minimum & maximum and efficiency (Constant Returns to Scale & Variable Returns to Scale) applying the generalized output-oriented Malmquist index for the years 2009- 2011. ).In this evaluation seen Takaful life insurance played efficiency except in technical efficiency change by 8.4 percent less compare to conventional life insurance as per Malmquist index. This report reveals there are some inefficient life insurance companies in the conventional one. For these poor performances conventional industries show less productivity then Takaful life insurances operators. As there are dual financial system are practicing Takaful show efficient performance. This result indicates that Takaful life insurance industries have a great potential to further increase their TFP through improvements in both efficiency and technical component such as enhancing the use of information and communication technology in order to provide good services to customers. However, this study also found that there were diminutive significant growths in technical components and no improvement in efficiency change which suggest that TFP in the Islamic Insurance industry is due to the less innovation in technical components coupled with a insignificant improvement on the aspect of efficiency.



The focal finding of this study indicates that in the life insurances industry of Bangladesh, the smaller the size of the companies in Takaful life insurances, the higher the probability for the companies to be more efficient in utilizing their inputs to generate more outputs.

Among them Prime Life Insurance Limited is making better performance in Takaful life insurances and Takaful insurance tried to keep their consistency where Pragati Life Insurance Limited is less inconsistent other competitors. Baira Life insurance Limited falls greatly from their performance in 2010-2011 in VRS. Overall, Pragati Life Insurance Limited has recorded the highest growth in TFP with 66.7 percent and efficiency change (just 1) and technical changes with 19.4 percent. Fareast Islami Life Insurance Company, on the other hand, recorded the lowest growth in TFP with (-12.9) percent, which is mainly due to technical regress (-12.9 percent). The findings of this study give significant benefits to the life insurances industry in assisting them to take strategies in terms of the operations and management in order to improve the efficiency of both industries in utilizing their inputs to generate more outputs, thus, improving their competitive edge and strengthening their positions in the industry further. In the DEA technique, efficiency is measured by the Malmquist index. The Malmquist efficiency measures have two components:

The efficiency change and technical change index. . On average, the insurance firms are found to be experiencing a technical progress. In contrast there was a slight decline in efficiency change, the subcomponent of this efficiency change, namely pure efficiency, did show a slight improvement. Efficiency change is again combined by pure efficiency and scale efficiency. It is found that, on geometric mean, the TFP of the Takaful life insurance industry is mainly due to both efficiency and technical changes where the main source of the efficiency change is pure efficiency rather than scale efficiency. So this works shows despite having potentiality due to inefficient operator's life insurances companies can't gain success in this country. In these sense, Takaful life insurances is doing well. This works expect this effort will be helpful for researchers and practitioners to better comprehend the Bangladeshi life insurances industry.

## **10 Points of Clarifications**

2. Takaful life industries of Bangladesh by using descriptive statistics such as mean, median, standard deviation, minimum & maximum and efficiency (Constant Returns to Scale & Variable Returns to Scale) applying the generalized output-oriented Malmquist index for the years 2009- 2011.
3. In this evaluation seen Takaful life insurance played efficiency except in technical efficiency change by 8.4 percent less compare to conventional life insurance as per Malmquist index.
4. . This report reveals there are some inefficient life insurance companies in the conventional one.
5. However, this study also found that there were diminutive significant growths in technical components and no improvement in efficiency change which suggest that TFP in the Islamic Insurance industry is due to the less innovation in technical components coupled with a insignificant improvement on the aspect of efficiency.
6. The focal finding of this study indicates that in the life insurances industry of Bangladesh, the smaller the size of the companies in Takaful life insurances, the higher the probability for the companies to be more efficient in utilizing their inputs to generate more outputs
7. Among them Prime Life Insurance Limited is making better performance in Takaful life insurances and Takaful insurance tried to keep their consistency where Pragoti Life Insurance Limited is lees inconsistent other competitors.
8. The efficiency change and technical change index. . On average, the insurance firms are found to be experiencing a technical progress
9. In contrast there was a slight decline in efficiency change, the subcomponent of this efficiency change, namely pure efficiency, did show a slight improvement
10. Efficiency change is again combined by pure efficiency and scale efficiency. It is found that, on geometric mean, the TFP of the Takaful life insurance industry is mainly due to both efficiency and technical changes where the main source of the efficiency change is pure efficiency rather than scale efficiency
11. This works expect this effort will be helpful for researchers and practitioners to better comprehend the Bangladeshi life insurances industry.

## **7.2 Recommendations:**

Despite the significant growth in the takaful industry in Bangladesh, there still many challenges faced by takaful company, as Bangladesh Takaful Association (MTA) chairman Syed Moheeb Syed Kamarulzaman explains to Islamic Finance news the takaful market's current and future outlooks, along with some of the challenges in the unique segment faces in Bangladesh. The family takaful business in Bangladesh is coming from the urban market and middle income group, but looking at the Muslim demography, the main market segment is the rural areas. Therefore, one challenge for MTA is to develop and enhance microtakaful to provide for the needs of the rural market.

Another challenge faced by the industry of takaful is the lack of knowledgeable and qualified people in the industry. Even though the educational structure in Bangladesh has supported the development of Islamic finance, the challenge now is to persuade those who has the capability to join the takaful industry. The re-takaful industry needs a number of takaful operators to operate effectively. In Bangladesh case, several operators do not include the re-

takaful members although there some major operators have joined to become member. Here is the challenges for the industry to be overcome; convincing these few Bangladeshi operators which are still using the conventional capacity.

At last, product features innovations are also seen to be the future challenges for the takaful industry. To attract more customers, especially non-Muslim customers, the takaful industry has to come up with innovative product features which based on shariah principle.

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### **10 Points of Recommendations with Justification**

1. Conducting more study is required to popularize Islamic Insurance Companies concepts to all cornered.
2. Cases method study is required of Islamic Insurance companies Practices.
3. More research centre should establish on this issue
4. More international Conferences should organize on this issue for more participation and popularization of this concept to the all concerned.
5. Adopting innovation and advance technology getting more education and experience are obligatory acts from the Islamic View point.
6. At last, product features innovations are also seen to be the future challenges for the takaful industry. To attract more customers, especially non-Muslim customers, the takaful

industry has to come up with innovative product features which based on shariah principle.

7. The re-takaful industry needs a number of takaful operators to operate effectively. In Bangladesh case, several operators do not include the re-takaful members although there some major operators have joined to become member
8. Development of Islamic finance, the challenge now is to persuade those who has the capability to join.
9. At last, product features innovations are also seen to be the future challenges
10. To attract more customers, especially non-Muslim customers, the takaful industry has to come up with innovative product features which based on shariah principle.

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## Appendix

### Questionnaire

The question was prepared on listed 5 Insurance Companies in Bangladesh.

**“Performance Evaluation of Islamic Insurance Companies in Bangladesh: A case study of Islamic Insurance Companies in Bangladesh”**

**Interview Schedule**

(Manager and Officers)

All information for M. Phil, Research

(Put tick mark on right place)

Age .....

1. Name of answer/ respondents

ID No. ....

Name of the related Insurance Company

Permanent Address:

2. Educational Qualification

Master Degree

Hons. / Degree

H.S.C

S.S.C

3. Experience

1-5 year

6-10 year

11-15 year

16-20 year

21-25 year

26-30 year

4. How for are the manager efficient in dealing with the Islamic Insurance Companies in Bangladesh... active ?

a) Fully skilled

b) Simply skilled

c) Moderately skilled

d) Less skilled

5. Do you think that there is an adequate training programme in Islamic Insurance Companies in Bangladesh to upgrade efficiency of the clients?

a) More sufficient

b) Sufficient

c) Somewhat sufficient

- d) Insufficient                      e)        very negligible
6. Do you obey the moral and religious predications as an manager of Islamic Insurance Companies in Bangladesh.
- a) Fully followed                      b) Try to follow fully  
c) Moderately followed              d) Less followed
7. How the decisions are usually adopted at Islamic Insurance Companies in Bangladesh.
- a) Democracy                              b)        Centrally  
c) Scope of going opinion centrally    d)        No scope of opinion
8. What problems or lacking can you see to administer of Islamic Insurance Companies in Bangladesh.
- a) Lack of awareness of education and sense of responsibility  
b) Lack of skilled and honest man power  
c) Insufficient investment  
d) Tendency of not maintaining government and institution rules
- Additional (open) opinions
- a)  
b)
9. Would you please give your suggestions about the effective implementation Islamic Insurance Companies in Bangladesh activities to solve its problems?
- a) To organize training Programme to create awareness about education to enhance skill and development of morality  
b) Proper use of information technology and expansion of knowledge  
c) Expansion of investment facilities and its appropriate uses are to be insured.  
d) Application of government policy and institutional rules and regulations and al so to raise the sense of responsibility.
- Additional (open) opinions
- a)  
b)
10. How many premium members in your company?
- a ) 1-10

- b) 11-20
- c) 21-30
- d) 31 -Above

11. What type of nature of mutual cooperation and understanding among the members of your Company?

- More Highly
- Highly
- Middle
- Less than

12. How your company does the investment decision?

- a) Autocratic
- b) Centralization
- c) Opinion may be provided in central discuss way
- d) No scope of any opinion of the employee.

14. If yes please mention:

- Courses
- Duration
- Venue
- Organization

15. Have you received any foreign training

- a) Yes
- b) No.

16. If yes, please mention

- Course
- Duration
- Venue
- Organization

17. Why do you like Islamic Insurance Companies in Bangladesh.

- a) Honest service
- b) Security



- c) No red tapism
  - d) Expected grow
  - e) All
18. Planning is deciding in advance what is to be done
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
19. The planning of Islamic Insurance Companies in Bangladesh if effective and practical oriented ?
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
20. Manager should be able to forecast and expect the future in order the devise successful plan
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
21. In order to achieve goals a manager should taking action without planning, because planning is costly and there
- a) Strongly Agree
  - b) Agree
  - c) Not Sure

- d) Disagree
  - e) Strongly disagree
22. A wise manager knows that money and time is invested in planning for achievement target.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
23. To formula of plan, Islamic Insurance Companies in Bangladesh follow the consultative decision making
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
24. To formulate of plan, Insurance Companies in Bangladesh follow the upward decision making
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
25. Proper planning minimize of cost and wastage of time.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree

26. To formulate of plans, Insurance Companies in Bangladesh follows the Islamic shariah principles.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
27. The organizing Insurance Companies in Bangladesh is effective and practical oriented?
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
28. I feel delegation of authority means fixation of power on the extensive of the organization.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
29. Without delegation of authority, the president would be the only management of the member of the organization
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
30. Delegation of authority means division of Power between the managerial levels
- a) Strongly Agree
  - b) Agree

- c) Not Sure
  - d) Disagree
  - e) Strongly disagree
31. The delegation creates in subordination ?
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
32. Insurance Companies in Bangladesh centralized authority and responsibility
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
33. Islamic, decentralized authority.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
34. Insurance Companies in Bangladesh organizing capability is very high.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
35. The organizing of Islamic is based n Islamic shariah.
- a) Strongly Agree
  - b) Agree

- c) Not Sure
  - d) Disagree
  - e) Strongly disagree
36. Insurance Companies in Bangladesh follows the internal policy for recruitment and selection
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
37. Insurance Companies in Bangladesh accept reference for recruitment and selection
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
38. Insurance Companies in Bangladesh follow the set rules in selection procedure.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
39. The selection committee performs their duties properly and honesty.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
40. The recruitment and selection Procedure in your Insurance Companies in Bangladesh is very fair

- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
41. The training and development policy is followed Insurance Companies in Bangladesh properly
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
42. The selection for training and development in fair and unbiased.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
43. The objectives set by an Insurance Companies in Bangladesh for training and development are achieve
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
44. Is there any evaluation system after completion of training or degree in your company
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree

- e) Strongly disagree
45. The compensation benefit of the office/ employee of your company is sufficient in comparison to other Insurance company.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
46. Is there any scheme of health and safety benefit in your company?
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
47. Is there any provision
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
48. Is there any set structure format or guidance for performance appraisal
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
49. Is the performance appraisal report consider for promotion/ transformation/ benefit of the officer / employer.
- a) Strongly Agree
  - b) Agree

- c) Not Sure
  - d) Disagree
  - e) Strongly disagree
50. The promotion system in your company is very fair.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
51. The staffing system of Islamic Insurance companies is based on Islamic Shariah
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
52. The controlling capability of Islamic Insurance companies is effective and practical oriented.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
53. Management of the performance is the only way to control.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
54. Without severe corrective measure Islamic organization could not service
- a) Strongly Agree



- b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
55. Fear of Allah is the best guide to self control.
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
56. Planning and controlling may be viewed as the blades of a pair scissors
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
57. Goal orientation can ensure control in activities
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
58. Controlling is a function for every manager from president to supervisor
- a) Strongly Agree
  - b) Agree
  - c) Not Sure
  - d) Disagree
  - e) Strongly disagree
59. Self control is the best control
- a) Strongly Agree



5. How old are you?
  - a) 5- 2 Years
  - b) 21-40 year
  - c) 41-60 Years
  - d) 60 above
6. What is your sex ?
  - a) Male
  - b) Female
7. What is your number of family member?
  - a) Male Person
  - b) Female Person
8. What is your member of earning members in the family?
  - a) 1 Person
  - b) 2 Persons
  - c) 3 Persons
  - d) 4 Persons
9. What is your number of children in the family?
  - a) No children
  - b) 1-3 person
  - c) above 3 persons
10. Why do you not face problem to pay installment?
  - a) I have own income
  - b) Good business
  - c) Proper usage of the credit
  - d) other
11. Please mention your family income at present
  - a) 0-5000 Taka
  - b) 5001-10000 Taka
  - c) 10001-15000 Taka
  - d) 15001- above
12. How much money do you save per months?
  - a) 100-500 Taka
  - b) 201 - 1000 Taka
  - c) 1000-above
13. How much premium paid monthly?

- a) Tk. 500- 1000                      b) Tk. 1001- 2000  
c) Tk. 2001- 3000                    d) Tk. 3001- above

14. How you feel to engage in Islamic Insurance Company?

- a) Good                      b) Average                      c) Bad

15. Do you feel that Islamic Insurance Company's services are satisfactory?

- a) Yes                                      b) No.

16. Do you have faced any difficulties to pay premium?

- a) Yes                                      b) No.

17. What is the system of Premium Payment of Insurance Company?

- a) Monthly                      b) Quarterly                      c) Half Yearly                      d) Yearly