

**Internship Report on  
National Life Insurance Company  
“Difference between Life Insurance and General Insurance, the challenges and scope of  
Insurance Industry in Bangladesh.”**

**By-**

**Maliha Mohib**

**17204095**

An internship report submitted to the Department of BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School

BRAC University

DATE OF SUBMISSION -22 May 2022

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Declaration

It is hereby declared that:

This following internship report submitted is my own original work for completing my undergrad degree at BRAC University.

This following internship report does not contain any previously published contents, except where this is appropriately cited through full and accurate referencing.

This report does not contain any information or relevant objective which has been submitted for any other degree or at any recognized college, university or any institution.

I have worked by myself to gather all the data which are to be included in the report and have also being guided by the supervisor.

**Name of the Student and Signature**

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**Maliha Mohib**

Student ID- 17204095

Date- 22/05/2022

**Supervisor's Full Name and Signature**

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**Mahmudul Haq**

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BRAC University

Letter of Transmittal

Mahmudul Haq

Associate Professor

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66 Mohakhali, Dhaka-1212

Subject-Submission of Internship Report

Dear Sir,

I would like to bring your attention to the fact that I have completed my internship report on “The condition of Insurance industry in Bangladesh and the difference between general insurance and life insurance.” The following report is entirely based on my observations and understanding of the site including theoretical and practical aspects.

I have tried to prepare this report as per your advices and recommendations, I really hope that it meets your expectations.

Sincerely Yours,

Maliha Mohib

17204095

BRAC Business School

BRAC University

Date- 22/05/2022

## Acknowledgement

To begin, I express my deepest gratitude to Almighty Allah for providing me this incredible opportunity to work in the country's financial industry. Furthermore, I am grateful to my parents, supervisor, co-supervisor and on site supervisor for their encouragement, instructions, suggestions and advice which enabled me to apply theoretical concepts which I learned throughout my undergraduate studies. I went through journals, books, different web pages and interviewed the officials of the company which permitted me to grasp the operation of the insurance company.

The main objective is to let the reader know the condition of Insurance Industry in Bangladesh the challenges they face and suggestions on how they can overcome through it and there are different types of insurances.

I wholeheartedly thank Dr. Sang Hoon Lee, Professor of Finance and Dean of BRAC Business School, BRAC University for his direction in completing the report. Without his direction and instruction, I would have been incapable to complete the report in due time. I have aligned myself with the instruction he have given. I am also grateful for my on-site supervisor SK. Maruful Hoque who is the VP of Finance and Accounts. I am also thankful to Rofiqul Islam Sir who is the head of Human Resource Department. Moreover, I am grateful to all the official staffs who helped for their endless and warm hearted support without their assistance and support it would have been really hard.

Lastly, I am thankful to BRAC Business school OCSAR officials for making my placement of Internship consistent and I really accept they wonderfully integrated the whole internship program.

## Executive Summary

This report is composed as a portion of completion of the BBA program. This paper aims to inspect and provide a detailed idea about Insurance company, the condition of it in Bangladesh and the challenges it faces. One of the objectives of this paper is to address the difference between general insurance life insurances and other type of insurances. National Life Insurance company was incorporated as public limited company on 12<sup>th</sup> February 1985 but started officially on 23<sup>rd</sup> April 1985. In this report three chapters are included the report.

The first chapter provides all the relevant facts about internship program. In this part I have written in details about the on site supervisor's information, duties, responsibilities, shared knowledge throughout the period. I have also given detailed information about how this program has benefitted me and my contribution to the company.

The second chapter focuses on the organization part. I have written in detail about the vision, overview of the company, organization, financial performance and organizational oreganogram and etc.

The third chapter focuses on the condition of insurance industry in Bangladesh and the differences between different types of insurances.

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## Chapter 1: Overview of internship

### 1.1 Student Information

I am Maliha Mohib and my BRAC University student ID is 17204095. I have been pursuing my BBA from BRAC Business School with major in Finance and minor at Accounting. Currently, I am doing my internship at National Life Insurance Company which is located in Karwan Bazaar Dhaka.

### 1.2 Internship Information

After completing all the courses of the BBA program of BRAC Business School I was assigned to a three months course -BUS400 which is an Internship program. It took some time for myself to get in to the finance industry as an intern so I started my Internship journey on 6<sup>th</sup> February 2022 in National Life Insurance Company, Karwan Bazaar Dhaka.

During the first week I was assigned in the Investment section of the Company's Finance department. There I got to learn about where the insurance company invests and the procedures of investing. Then, I worked mostly in the Bank reconciliation department and how to open the bank account in the banks for the company. Moreover, I went through all the departments of the company where I got to learn about how the Human Resource, Underwriting, Establishment and Actuaries, policy service department works.

I have really gathered a great deal of knowledge from the exposure of the insurance company and I have really enjoyed my time in there. This internship program has helped me in developing as an individual and gave me a proper understanding of the insurance company's culture and practices.

1.2.1    Period,                      Company                      Name,                      Department/Division,                      Address



6<sup>th</sup> February 2022-6<sup>th</sup> May 2020, National Life Insurance Company, Karwan Bazaar, Dhaka.

### 1.2.2 Internship Company Supervisor's Information: Name and Position

On site Supervisor Name- Sk. Maruful Hoque (Miron)

Designation-Vice President (Finance and Accounts)

### 1.2.3 Job Scope -Job Description/Duties/Responsibilities

Throughout the period of 3 months, I had been able to know more about the National life insurance company and how it operates. I went through all the departments how do they operate individually and how all the department operates together to achieve their objectives and goals.

For the first few days, I witnessed and worked in the finance section such as how to open an account in the bank (short-term deposit account) and how do the company maintain it and if not needed, they close their account. Then, I have done Bank Reconciliation Statement for the company for three years which is they deposits cheques in different banks as well as withdraw it therefore I used to check the bank statement which is provided by the bank and the ledger which is maintained by the company then I used to prepare Bank reconciliation statement. I have also worked in the investment section of the company where I learned the process of investing the premiums which are paid by charging the customers.

Then I worked in the Human Resource department where I got to learn how the company manages their employees. Starting from selecting and recruiting the best employees till transferring and terminate them if they have done something they deal with them or the employee resigns. The process of recruiting is through advertisement in newspaper and internet they get to know about the job or the people who are already in the office they go through the whole process of interviews

then they make a shortlist and select the ones who are fitted for the job. They take administrative actions and complaints by issuing letters and give them warnings and check whether the employees are regular or not.

I have also worked in policy service department for a few days where I learned about the policy they serve to the customers. They usually give an original receipt when a customer pays the premium after purchasing they also receive survival benefit may be after every five years some amount returned after paying the principal amount and the installments properly and if they fail to pay the amount in installment which is recorded as lapses.

Moreover, I have worked in underwriting department which is the core of the insurance company. They are the ones who takes the risk and checks whether the customer is eligible to purchase different sort of insurance scheme. The company does a thorough check up of their personal description of life assured, medical report and agent report which includes their age, health condition, financial condition, family history, occupation, family background.

Finally, I have worked in the establishment department where I got to learn and see how the department maintains the daily sales and purchases of the company. To run the daily operations of the company they need different furniture, building, equipment, stationary etc. the employees of the department meet their needs and fulfil the requirement of the company . To purchase the materials they call tender from the registered company- which means they get the offer from different places they choose the ones with the lowest price but with the best quality.

### 1.3 Internship Outcomes

#### 1.3.1 Student's contribution to the company

- Evaluating and interpreting National Life Insurance company's performance over the following years.
- Providing a summary of the company

#### 1.3.2 Benefits to the student

This is my first time entering in the workplace as of previously I only learned from books, internet or from other sources but this in a real- world setting. Therefore, it has helped me increase my knowledge and experience. This internship has helped me to learn about the insurance company in general.

I was given access to variety of tasks such as preparing bank reconciliation statement, opening account, checking all amount of money or cheques were being deposited correctly or not and many departments of the company. Every week or after a few days I had to go from one department to another department there I get to know a lot of people who works here for a longer period of time, they were very friendly and was ready to share a lot of information.

Lastly, I am able to boost up my confidence by going every day to the work at the same time and give best effort and complete daily objectives.

#### 1.3.3 Problems/Difficulties

- Time Limitation is one of the most important problems.
- They gave information but there are other information which they did not shared because of the company's confidentiality and obligations.
- Unstructured Internship program.

- Not being directed by the supervisor accordingly during the rush hour.

#### 1.3.4 Recommendations for future interns

- They can prepare a well-organized internship program with allocated time to each department.

### Chapter 2: Organization part

#### 2.1 Introduction

National Life Insurance company, the first ever private life insurance company introduced in the people's Republic of Bangladesh, was incorporated as public limited company on 12<sup>th</sup> February 1985 under the Companies Act 1913. However, the company achieved certificate of commencement of Business from the Registrar of Joint Stock Companies and firms of Bangladesh on 23<sup>rd</sup> April 1985. The company is listed under Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

The company started under the supervision of the founder also known as the Chairman Mr. Alhaj M. Haider Chowdhury. In 2012 the company had 703 crore Premium Income and Life fund of 2419 crore. The company as a part of service industry is committed to personalized service to its' valued customers and will justify their confidence by well -judged and feasible economic management and providing complete safety and profitable return.

When National Life Insurance company had just commenced their operation they had 11 staffs with a head office covering few hundred sq. ft of area at Shegunbagicha, Dhaka. However, now there are more than 100,000 staffs and field forces covering about 1200 zonal, regional, branch and block offices all over the country and now the head office of the company is located in NLI Towe. At 54 Kazi Nazrul Islam Avenue, Karwan bazar, Dhaka 1215. The members of Board of

Directors are enthusiastic and capable and filled with spirit of social service for which the company stands and are leaders in marketing, finance and private enterprise. They are all provided with specialized knowledge to run the company skillfully and maintain an unparalleled position in the insurance area.

NLI have achieved success in business, is capable of management and the company is growing and expanding which can be judged by any standard. The company has always focused on policy holder's satisfaction for the quality, type and promptness of the service. The company has various products to match the customer's need and preferences. National Life insurance Securities LTD is a subsidiary of National life Insurance company.

## 2.2 Overview of the company

### 2.2.1 National Life Insurance's current situation

NLI has been growing and expanding a lot. The company has received a number of awards as the best insurance company, the Managing Director of NLI - KAZIM UDDIN have also received the best awards. The company's total premium have increased from the year 2019 to 2020. The company has been able to meet their claims have also increased. The life fund of the company in 2019 was 3699.26 Crore and it has increased to 4007.48 Crore. Their investment, investment income and Assets have also risen from 2019 to 2020. On the other hand, the company has tried to reduce their expenses as much possible for them.

### 2.2.2 The main activities of NLI

The main activity of National Life Insurance company is to provide financial benefit to dependents upon the death of an insured person. When the person who takes insurance service dies the company pays a specified amount to the nominee or the beneficiary which is being chosen by the

insurer. When the company sells the policy to the insurer they get premiums might be monthly, semi-annually or yearly. Then the company deposits in other banks and also invest it in FDR, BGTB, Subordinate bond etc. When they get a higher return from the investment and when the scheme of the insurer matures along with the principal amount and bonus they return back the amount to the insurer. The company is engaged in the Life Insurance Business and at present it's schemes are under:

A) Individual Life Insurance

- Ordinary Life
- Jana Bima
- Islami Takaful
- National Pension Deposit Insurance

B) Group Life Insurance

C) Personal Accidental Insurance

Another activity might include that the company NLI takes insurance from another insurance company for their own protection. Other than investing in other sources and getting return from those they might also take help from another insurance company when they only cannot fulfil the demands especially if it's above 8 lakhs. There might always be a risk when an insurance company might collapse and because of their inability to pay the debt to protect or to save themselves from the situation the insurance company might go to another insurance company for help. The company from which they take aid is located in Germany known as MUNICH RE. Therefore, NLI have to pay for the charges for this commitment.

### 2.2.3 Vision

- To encourage & induce saving of the high/mid income population and especially of the low income and marginal group.
- To create and provide employment opportunity for the illiterate/half literate/literate youth of the country.
- Capital formation at national level for investment to dynamism at macro-economy.

### 2.2.4 The insurance company's Motto

The motto is to ensure a guarantee for a planned future.

### 2.2.5 The insurance company's objectives

- To deliver best customer service.
- To play a significant role for the development of Insurance industry.
- To earn premium by making customer satisfaction.
- To hire educated, honest and reliable person in Development sector if the insurance company.

### 2.2.6 Insurance company's corporate culture

In any type of organization corporate culture is one of the most important component as the company is able to get together the members of all levels in the organization, identifying the problems, obstacles and barriers to achieve the goals and objectives though improving and developing a method to reduce sets of challenges. The culture and value of the company signifies a source of competitive advantage and is a key component to set a relationship between the

employer and the employees and between the clients and the representatives of NLI which encourages the clients to stay connected with NLI.

NLI always tries to promote a very nice relationship with in the company by able to improve the overall organizational performance through increasing individual performance based on their skills and talent to ensure the best use of resources and achieve overall organizational efficiency.

#### 2.2.7 National Life insurance company's product and services

##### A) Ordinary Life Insurance

###### ❖ Endowment Insurance (with profits)

This type of policy is generally issued for a specific time period or specific age of an insured when the claim is paid. The maturity period is normally 10-35 years. However, the age of a life-assured should never be above 70 years when the policy will be matured. If death is occurred of a life-assured during the maturity period, then sum- insured will be paid along with the bonus earned.

The main features of this policy are:

- The minimum amount of sum-insured is Tk.30000.
- In this policy premium will be given semi-annually or yearly but in case of semi- annually, 2% extra premium will be charged.

###### ❖ Anticipated Endowment Insurance (with profits)

This sort of policy is generally issued for the maturity period of 12, 15, 18 or 21 years. Under this policy some- insured is paid by installment basis during the maturity period. If the death is occurred during the maturity period, the whole amount of sum insured is paid with bonus to the nominee.



Life-assured can invest this payment amount in profitable sector because insurer give assurance of giving whole amount of sum- insured with profit even at the death of the assured.

In this policy premium will be given semi-annually or yearly but in case of semi- annually, 2% extra premium will be charged. The minimum amount of sum- insured is Tk 30000.

❖ Child Protection Policy (with profits)

This type of policy is issued for giving protection to children's life. Usually, father of the child is considered as life-assured. Mother can also be assured but in this case, but she must be educated & service holder. None can be life-assured except the parents of the child in this case.

Under this policy, the age of the child must be 18-30 at the maturity date. Whole amount of sum-insured is paid with bonus to the child even at the death of the life-assured. And at the death of the child sum insured is given to the insured at a specific terms and conditions.

❖ Five Payment Endowment Insurance (with profits)

Under this type of policy, sum-insured is given at a specific amount on the basis of five installment throughout the maturity period. Though assured withdraws some installment several times, but whole amount is given to the nominee with profit even at the death of the assured. This type of policy is generally issued for the maturity period of 10, 15, 20, 25, and 30 years. The main feature of this policy is:

After 1/5th maturity period, 10% of total sum-insured is given to the assured.

After 2/5th maturity period, 15% of total sum-insured is given to the assured.

After 3/5th maturity period, 20% of total sum-insured is given to the assured.

After 3/5th maturity period, 20% of total sum-insured is given to the assured.

Rest 30% is given at the end of maturity period of the policy

❖ Whole Life Insurance (with profits)

In this policy premium will be given until 85 years of the assured or until death of the life-assured if, death is occurred before the maturity period. That means total sum- insured is given with profit at the time of death. In this policy premium will be given semi-annually or yearly but in case of semi- annually, 2% extra premium will be charged. The minimum amount of sum- insured is Tk 30000.

❖ Double Security Insurance (with profits)

In this policy premium will be given until maturity of the policy or until death of the life- assured if he dies before the maturity period. Here total sum- assured is given with profit at the maturity period but if death is occurred during the policy period, then double amount of sum-assured will be given to the nominee.

In this policy premium will be given semi-annually or yearly but in case of semi- annually, 2% extra premium will be charged. The minimum amount of sum- assured is Tk 30000. DIAB or PDAB can also be taken along with this policy by giving ex-gratis premium.

❖ Children Education Security plan

This policy is taken to meet the educational expenditure of the children in future. The major advantages of these policies are:

- 1) At the death of the life-assured, premium will be exempted. Then @ 1% of total sum-insured will be given to the child on monthly basis until the maturity period of the policy as educational expenditure.

- 2) But at the maturity date @ 2% of total sum-insured will be given with profit
- 3) In case of death of the child this policy can be transferred to another child or to life- assured own life.

In this policy premium will be given semi-annually or yearly but in case of semi- annually, 2% extra premium will be charged. And the minimum amount of sum- insured is Tk 30000.

#### ❖ Pension Insurance (without profit)

Any professional person can take these types of policy but in case of female, life-assured must be service holder. This policy is generally taken to get pension after their retirement. The major advantages of these policies are:

1. In this policy, assured get advantages both the life assurance and whole life pension. That means, if life-assured dies before start the pension he/she gets the advantages of life assurance benefits. But he alive, he/she gets whole life pension benefit after their retirement.
2. If life-assured dies during 10 years of starting pension, then pension will be given to his/her nominees until ten years. If he/she alive after 10 years then he/ she gets pension until their death.
3. If life assured dies before starting pension, then his/her nominees, get five times more than the yearly pension amount at a time. By meeting this claim, the policy is exhausted.
4. This policyholder can get tax rebate from the amount of sum-assured

#### ❖ Family Income Rider-FIR

This is one kind of supportive and additional insurance. This policy is only taken along with endowment insurance. The maturity of this policy cannot be more than the maturity of the original policy. The following benefits are provided at the death of life-assured:

- 1) 25% of sum-insured will be given with bonus.
- 2) 10% of sum-insured will be given at semi-annually until the maturity of the supplementary insurance.
- 3) Remaining 65% of sum-insured will be given at the maturity of the supplementary insurance.

#### ❖ Multiplan Insurance

This policy is introduced to meet different fundamental of the life-assured with various benefits. This policy provides benefits to his/her family, to help in educational expenditure of children, to aid in marriage of daughter etc. At the death of life-assured this policy provides following benefits:

- 1) At the death of life-assured specific amount is given at monthly basis to his family for remaining policy period. (Not more than 1% of sum-insured)
- 2) At the time of death, specific amount is given to meet extra expenditure of death at a time. (Not more than 10% of total sum-insured).
- 3) Remaining 90% of sum-insured will be given after maturity of the policy.

If life-assured alive, total amount of sum-insured would be given with bonus earned after maturity of the policy.

#### ❖ Mortgage insurance

Businessman sometimes take loan from various financial institution to meet various expenditure of business e.g. to provide capital, to construct building, to purchase vehicles etc. financial institutions have gives these loan against mortgage of asset or another extra collateral. These loans have to repay within a specific maturity period. Mortgage insurance give assurance to repay the loan if life-assured dies before repayment of loan. The maturity of this policy will be equal to maturity of the loan. Premium will be made annually only. PDAB or DIAB cannot be taken along with this policy. The advantages of this policy are:

- 1) Insurance company will pay remaining balance of the loan to the bank if life-assured dies during the specific maturity period.

If life-assured alive, then he will get total sum-insured after the maturity period.

### ❖ Group Insurance

This type of assurance is commonly used by a group of employees of an organization. All the employees working in an organization get insured themselves less than one policy and a certificate of insurance is given to each member of the group individually.

The company provides following insurance to meet different needs of the customers:

- 1) **GROUP TERM INSURANCE:** this policy does not pay any amount to the employee-assured, if he survives the period.
- 2) **GROUP ENDOWMENT INSURANCE:** This policy will give sum-insured at the death of the employee.
- 3) **GROUP PENSION INSURANCE:** This policy provide pension to the employee until their death.

In this case, of insurance the minimum number of employees is 15. The age of employees must be less than 60 years. Premium amount is determined on the basis of their salary

### B) Jana Bima

#### ❖ Small Saving Insurance

The advantages of this policy are:

- 1) Any person can take this policy but their age must be in between 18-45 years. Policy amount is TK. 6000-50000.
- 2) Maturity period of the policy is 10 years. However, at the date of maturity the age of the assured cannot be more than 55 years.
- 3) The premium is made monthly basis.
- 4) The policy will be lapsed if assured fails to make premium during one year from starting the insurance.
- 5) Company provides surrender value if policy is continued two or more years.

### ❖ Children Education security plan

This policy is taken to meet the educational expenditure of the children in future. The maturity period of the policy is 10, 15, &20 years. The major advantages of these policies are:

- 1) At the death of the life-assured, premium will be spared. Then at 1% of total sum-assured will be given to the child on monthly basis until the maturity period of the policy as educational expenditure.
- 2) But at the maturity date, at 2% of total sum-insured will be given with profit for 5 years
- 3) In case of death of the child this policy can be transferred to another child or to life- assured own life.
- 4) If life-assured is alive, total sum-insured will be given with bonus at 2%, after maturity of the policy.

❖ Family Savings and Income Insurance plan

This policy is taken for a specific time period. This time period is usually 10 years but in this case the age of the assured cannot be more than 55 years. The following benefits are provided at the death of life-assured:

- 1) 25% of sum-insured will be given with bonus.
- 2) 10% of sum-insured will be given at semi-annually until the maturity of the supplementary insurance.
- 3) Remaining 75% of sum-insured will be given at the maturity of the insurance

If life-assured alive, total sum-insured will be given with bonus earned after maturity of the policy.

❖ Child Protection Policy (with Profits)

This type of policy is issued for giving protection to the children's life. Generally, father of the child is considered as life-assured. Mother can also be assured however, in this case, she must be educated & service holder. None can be life-assured except the parents of the child in this case.

Under this policy, the age of the child must be 18-30 at the maturity date. The maturity period of this policy is usually 10-20 years. Age of child is at least 6 months and at most 10 years. Whole amount of sum- insured is paid with bonus to the child even at the death

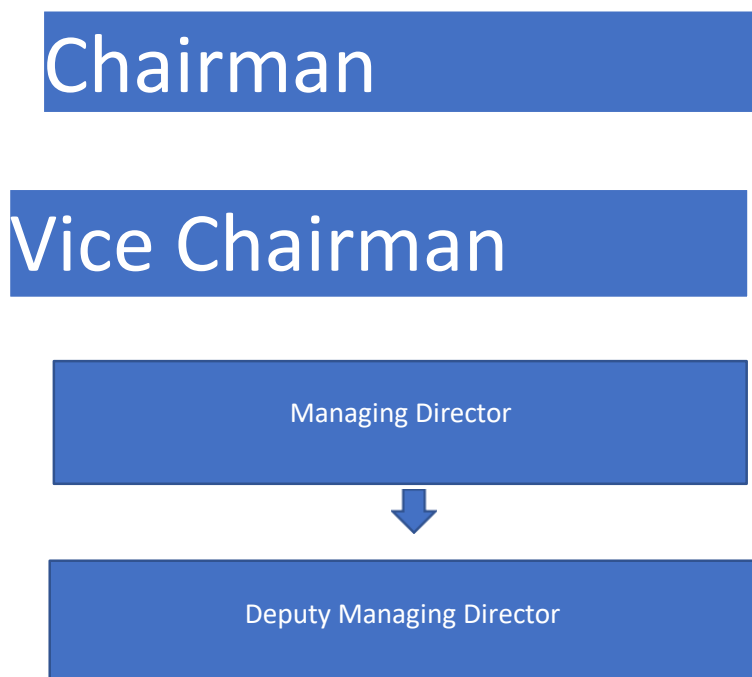
of the life-assured. And at the death of the child sum insured is given to the insured at a specific terms and conditions.

### C) National Pension Deposit Insurance

This policy is issued to motivate savings to the low-income group people. To collect deposit from all sphere of society the company provides this monthly basis insurance policy. This policy provide pension to the insured after their retirement. The major features of this policy are:

- If life-assured dies during the policy period the total sum-insured will be given to his beneficiaries with profit.
- Life-assured can withdraw the money after 2 years of the policy continued.
- The age of life-assured must be not more than 45 years when life-assured take this policy.
- The age of life-assured must be not above 55 years, when policy is matured.
- The minimum amount of monthly premium will be TK.100
- Maximum sum-insured is TK250,000.
- Minimum maturity period is 10 years and maximum 25 years
- If life-assured is alive until maturity of the policy then he gets total sum-insured along with bonus earned or can get pension at monthly basis. But this period is 5 years or 10 years.

### 2.2.8 NLI's Management Structure





Executive Vice President

Senior Vice President

Vice President

Deputy Vice President



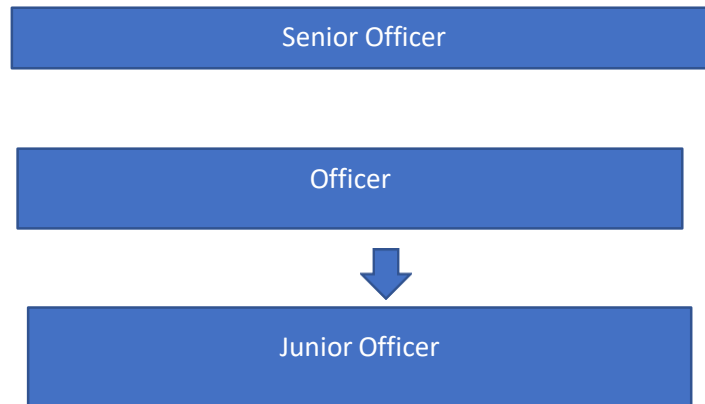
Assistant Vice President

Executive Officer

Senior Principal Officer

Principal Officer





### 2.2.9 Financial Performance Analysis

To evaluate the financial soundness and operating performance of National Life Insurance company we are calculating some of the ratios. Here, I am considering and comparing the ratios from 2018-2020.

$$1. \text{ CurrentRatio} = \frac{\text{Currentasset}}{\text{CurrentLiabilities}}$$

$$\text{urrentRatio}(2019) = \frac{28471340436}{48377144967} = 0.589$$

$$\text{Current Ratio (2020)} = \frac{28639614545}{45250489769} = 0.6329$$

Interpretations- The current ratio of the company have increased in the following two year from 2019 to 2020 0.589 and 0.6329 respectively. It signifies that the company is able to pay short term assets have increased.

$$2. \text{ CashRatio} = \frac{\text{cash+investments}}{\text{Currentliabilities}}$$

$$\text{Cash Ratio (2019)} = \frac{15288693318+19745447502}{48377144967} = 0.35684$$

$$\text{Cash Ratio (2020)} = \frac{19138973198+20082250238}{45250489769} = 0.86675$$

Interpretations-The cash ratio have increased in the following two years from 0.35684 to 0.86675 which indicates the amount of cash that the company has on it's hand to meet it's current liabilities. In this case it has increased so the company is able to meet it's liabilities by using cash.

$$3. \text{ RiskRetention} = \frac{\text{Netpremiumwritten}}{\text{Grosspremiumwritten}} \times 100$$

$$\text{Risk Retention Ratio (2019)} = \frac{10751.67}{10781.81} \times 100 = 99.721$$

$$\text{Risk Retention Ratio (2020)} = \frac{11969.88}{12010.09} \times 100 = 99.67$$

The risk retention ratio has been declined by 0.051%. This means the portion of premiums that is kept on the company's book rather than passed on to reinsurance companies.

$$4. \text{ RenewalExpensesratio} =$$

$$\text{Renewal Expenses Ratio (2019)} = 11.44\%$$

$$\text{Renewal Expenses Ratio (2020)} = 9.69\%$$

Interpretation : The expense ratio have declined from 11.44% in 2019 to 9.69% in 2020. The lower the renewal expense ratio the better.

$$5. \text{ YieldonLifefund} = \frac{2I}{\{(A+B)-1\}} \times 100$$

$$\text{Yield on Life fund (2019)} = 9.31\%$$

$$\text{Yield on Life fund (2020)} = 9.16\%$$

$$6. \text{ Return on Asset} = \frac{\text{profit vsurplus after tax}}{\text{Average total Assets}} \times 100$$

$$\text{Return on Asset (2019)} = \frac{48593651931}{45367112673} = 1.071$$

$$\text{Return on Asset (2020)} = \frac{48593651931}{49097054477} = 1.066$$

Interpretation-Return on Asset for the company in the year 2019 1.071 have reduced to 1.066 which states that management of the company is not efficient enough or does not have enough profit which can be generate in to assets.

### 7. Earnings per share

$$EPS(2019) = \frac{316706217}{108521981} = 2.92 \text{ BDT per share}$$

$$EPS(2020) = \frac{408099485}{108521981} = 3.76 \text{ BDT per share}$$

Interpretation: The earnings per share have increased from 2.92 tk BD per share to 3.76 BDT per share. It indicates how much money a company makes for each share of stock.

$$8. \text{ Price Earning Ratio} = \frac{\text{Market price of share}}{\text{Earnings per share}}$$

$$\text{PER (2019)} = \frac{250.90}{2.92} = 85.925$$

$$\text{PER (2020)} = \frac{254.50}{3.76} = 67.686$$

Interpretation: The price earning ratio has declined from 85.925 to 67.686 which indicates the company's share price to it is earnings per share is undervalued which means the lower P/E ratio the better for the company.

9. Net Asset Value=Total Assets- (Total Liabilities from Balance Sheet + Policyholders Liabilities as per Acturial Valuation report)

$$NAV(2019) = 45,367,112,673 - 41,588,091,141 = 3,779,021,532$$

$$NAV(2020) = 49,097,054,477 - 44,165,887,046 = 4,931,167,431$$

$$10. NAV_{per\ share} = \frac{NAV}{Total\ number\ of\ shares}$$

$$?AV_{per\ Share}(2019) = \frac{3,779,021,532}{108,521,981} = 34.82$$

$$?AV_{per\ share}(2020) = \frac{4,931,167,431}{108,521,981} = 45.44$$

Interpretation- The NAV per share have increased over the following years from BDT 34.82 to BDT 45.44. It represents a real estate metric that signifies mutual fund's value. It is used by investors to compare the performance of the fund against other competitors.

$$11. Conservation\ Ratio = \frac{Renewal\ premium\ income\ of\ current\ year}{Total\ premium\ income\ of\ previous\ year} \times 100$$

$$Conservation\ Ratio\ (2019) = 81.57\%$$

$$Conservation\ Ratio\ (2020) = 80.98\%$$

Interpretation : The conservation ratio has decreased from 2019 to 2020 to 80.98% .This indicates the number of common shares received at the time of conversion for convertible security. The lower the ratio the lower number of common shares are exchanged per convertible security.

$$?econd\ policy\ year\ lapse\ ratio\ by\ number\ of\ policies = \frac{1^{<,t-1}}{Nt-1} \times 100$$

$$Second\ policy\ year\ lapse\ ratio\ by\ no\ of\ policies\ (2019) = 45.93\%$$

Second policy year lapse ratio by no of policies (2020) = 45.00%

$$12. \text{Second policy year lapse ratio by premium amount} = \frac{P_{t,t-1}}{p_{t-1}} \times 100$$

Second policy year lapse ratio by premium amount (2019) = 49.39%

Second policy year lapse ratio by premium amount (2020) = 41.12%

$$13. \text{Third policy year lapse ratio by number of policies} = \frac{N_{t-2}}{N_{t-2}} \times 100$$

Third policy year lapse ratio by num of policies (2019) = 49.75%

Third policy year lapse ratio by num of policies (2020) = 47.54%

$$14. \text{Third policy year lapse ratio by premium amount} = \frac{P_{t,t-2}}{p_{t-2}} \times 100$$

Third Policy Year lapse ratio by premium amount (2019) = 42.72%

Third Policy Year lapse ratio by premium amount (2020) = 48.56%

Interpretation-Third policy year lapse ratio by premium amount have increased from 42.72% to 48.56% which indicates that the premium amount are not renewed compared to the ones that were active before meaning premiums are not given properly.

## Chapter 3: Project Part

### 3.1 Introduction

Insurance companies evaluate the risk and charge premiums for different types of insurance coverage. If such an event occurs which causes losses or damages and the policy holder suffers, the insurance company pays you the amount they have agreed to pay at the time of making the agreement. There are many reasons, benefits, and advantages for taking insurance such as it can provide financial security to the insurer, insurer's family and assets if there happens to be an unforeseen event, transfer of risk -the company is liable the policy holder will pay the premium and some compensation but if an unforeseen event occurs the company will pay the full amount, helps with less stress or tension in difficult times as there is a chance of tragedies in the future people can become mentally, physically and financially tired so if they already had paid the premiums and compensations they can remain a bit stress free financially as it will be taken care of by insurance company. There are two types of insurance one is general life insurance and the other one is life insurance.

In Bangladesh there are 45 non-life Insurance companies, 30 life Insurance companies and 2 insurance companies of public sector. With careful planning and well organized effective and feasible insurance industry is a mandatory condition for economic and financial infrastructural development in the country. It is the most essential financial institution because it covers misfortunes of person policyholders for passing and accidents or harm of properties. It serves as a purpose of carrying the reserve fund of general or special group of people to invest. The population in Bangladesh is more than enough and there are always recurrences of natural calamities, income per capital is also low. There is a higher chance for an insurance industry to pay a significant role which would impact the overall economy of Bangladesh where capital is

relatively low, savings is low and investment opportunities are less and there is always inflation in the economy as a result per capita insurance is also low so the market of the insurance have not expand compared to other countries.

The people of Bangladesh do not choose to insure themselves as they do not have the purchasing power which do not allow them to do insurance. Even though there is an opportunity for insurance industry to grow but there are several other reasons why it cannot grow as it should have been. Therefore, in this report I am going to discuss about the fact why does not it expand, what are the problems and challenges and the prospect of the insurance industry.

### 3.1.1 Background/Literature Review

#### 3.1.1.1 History of Insurance Industry in Bangladesh

During the year 1970, Jiban Bima Corporation and Shadharon Bima Corporation were the only two companies run by the government for life insurance as well as general insurance coverage for individual and business properties. That time there were very few insurance products and had not made any efforts to develop their product. In the year 1985 the first private insurance company was introduced and since then non- government insurer have expanded in business and designed policies only then the competition has started. This two companies Jiban Bima Corporation and Shadharon Bima gets all the government insurance business and the monopoly as all the insurance is done through them on the other-hand privatized insurance company is not allowed to offer any insurance service to the government organizations. These two companies are allowed to support private businesses and that's why they don't feel the urge to practice marketing properly.

In the year 1984 legislation required private enterprises to seek 100% reinsurance from corporations and reserve the public sector business to be covered exclusively by the corporations.

Following that the government modified insurance business procedures by introducing the Insurance Amendment Act 1990 which allows private insurer to fully finance 50% of public sector business through a national cost sharing scheme and reinsure 50% of the re-insurable amount with the state-owned reinsurer. In the year 2020 Bangladesh Parliament passed 2 laws for building up strong regulatory framework for the industry- Insurance Development and Regulatory Authority Act (IDRA) 2010 and Insurance Act 2010.

Bangladesh is situated in South Asia, where the insurance business is developing due to low GDP and high population density in the SAARC region. It has grown substantially especially in Sri Lanka and India. If we compare Bangladesh with Sri Lanka whose premium is higher than Bangladesh even though the population in Sri Lanka is 1/3 of Bangladesh, Bangladesh has more opportunity to expand.

From a recent study, it has been found that in terms of overall insurance premium volume Bangladesh is now 66<sup>th</sup> largest economy in 2020. Due to Covid-19 the overall insurance premium has decreased in 2020 by 3.1% while inflation-adjusted change was 8.2% which was lower than previous year.

### 3.1.1.2 Difference between Life insurance and General insurance

The prime differences between Life Insurance and General Insurance is in Life Insurance is to cover the risk of a person. Any event might take place and the person dies suddenly he has his family who should be taken care of. Therefore, according to the scheme he/she chooses the policies and pays the premium of time and regularly. On the contrary general life insurance is to take risk but for things or materials rather than someone's life. General Life Insurance includes health insurance and valuables such as theft, stealing, accidents and natural disasters.



Life Insurance	General Insurance
Life insurance is not a contract of indemnity ,it is considered as an investment	It is a contract of Indemnity
A significant number of policies have saving component. They allow the insured to accumulate wealth.	There is no saving factor in general life insurance, this is an indemnity contract and the policyholder must pay the premium.
Life Insurance is treated as an investment because it offers maturity benefits after particular time.	General Insurance does not give any maturity benefits but just promises to pay out a particular amount when there is an unavoidable circumstances.
Premium payments are made annually a fixed amount for likely 10 to 20 years.	When buying the policy premiums are being paid only once.
The duration of the policy is long term.	The duration of the policy is short-term.
It can be an investment for financial goals,such as retirement and money for child’s education etc	It protects your valuables against any crisis.
The sum assured is paid may be at the end of maturity or when the person dies.	As per policy terms and conditions the loss is compensated at unfortunate events.

### 3.1.2 Objectives

The objective of the report is to know about the differences between Life Insurance company and General Insurance company. Furthermore, this report main objective is to identify the scope and challenges faced by Insurance companies in Bangladesh. The particular objectives are

- Differences between Life Insurance and General Insurance.
- Current status of Insurance Industry in Bangladesh.
- Scopes and Challenges of Insurance Industry in Bangladesh.
- To recommend some measures which insurance companies can take to improve their industry.

### 3.1.3 Significance

The significance of the report is to provide a clear picture of the current status of Insurance Industry in Bangladesh, identifying the challenges and where does it needs improvement and the scopes of the industry and provide some recommendations. Besides, this report also focuses on the differences between general insurance and life insurance.

### 3.2 Methodology

I prepared this report by relying on both primary sources of data as well as secondary. The primary data I collected was through daily observation of the activities of insurance companies and the annual report of the company.

For the secondary data, I went through many previous research papers which have helped me to grasp a better concept of the respective topic. Furthermore, I have also relied on various new portal which are applicable for the study.

### 3.3 Findings and Analysis

#### 3.3.1 Situation of the industry during Covid and the year after that

During the pandemic, covid-19, everything in the economy was closed off, people had to maintain social distance which limits the communication of people as a result their commercial activities have reduced. All the economic activities have come to a halt, the new insurance sales have reduced as travelling from one place to another was also restricted. There were many crisis in the economy the people wanted back their principle amount along with the bonuses before the maturity period, almost all the insurers were claiming money at the same time there was a reduction in premium collections. Liquidity is one of the most important factors and everyone was making claim on the cash reserve which is uncomfortable for an insurance industry. Due to stable GDP of Bangladesh has great future in the insurance sector but due to covid, it hampered as unemployment have increased leading to lower purchasing power which leads to negative growth in insurance penetration.

However, from a recent study by The Daily Star article published in 2022 than in 2021 the insurance industry recovered strongly after the impact of the pandemic, after the declining of uncontrolled commission to the agents and scanning of the services. According to IDRA Insurance Development and Regulatory Authority, the total gross premium of both general insurance and life insurance have grown 8.45% in 2021 to 14,392 crore and the premium fell 0.89% to 13,271 crore in 2020 because of the pandemic. IDRA have taken several measures to develop this sector by controlling some important matters such as supervising carefully and cancelling the insurance companies when they are paying more that 15% commission to the agents in the development sector.

### 3.3.2 Reasons why insurance companies are not very popular in Bangladesh

There are quite a few numbers of reasons why Insurance Industry is not very popular in Bangladesh. Among them, the reasons might be the people cannot trust the insurance company, people are not fully aware of the insurance schemes or policies and delaying in the claim settlement.

The development sector of the insurance company usually goes to the rural areas of Bangladesh and ask them to take insurance sometimes by presenting false information to them. The people in the development sector of insurance companies are mostly not educated and the person to whom they go to and ask them to make a policy are also not that educated so they represent false information or facts which are not clear. Some people fall for this trap and without proper information they purchase the insurance policy but later on they might not want to continue as their lack of faith in that they might not get their principal amount along with the bonuses back after a few years so they try to withdraw the money from the insurance company and also stops giving the premiums.

Moreover, there is a lack of product diversification and their insurance products are made in such a way which is not attractive so they cannot sell it to the customers who are well educated or they design their insurance policy in such a way they are not interested in it.

### 3.3.3 Problems /Drawbacks/ Challenges of Insurance Industry in Bangladesh

There are many challenges which Insurance company faces which are mentioned below-

Lack of trust from public-The agents of insurance created a negative image to the general people. A negative public image is responsible for not expanding the sector and it reduces the opportunity of the insurance business. There is a lack of public awareness as many people don't even know the

benefits of having insurance as they think that there is no need of taking insurances and they are cheaters. Most of the people in Bangladesh are poor they live under severe poverty. They work really hard to earn their livelihood thus it is quite unfeasible for them to save money for future.

The insurance company have a lot management expenses then they should have which is a problem for the insurance industry and it can hamper sustainable growth in the future. There is a lack of supervision from the government. The companies might follow some unethical practices such as delaying the settlement of the claims, harassing the policy holders then presenting fake annual report, this does not only create a negative image but also adversely affect the mind of the people about the insurance company. There is a lengthy procedure to follow and the procedure is complex as well when a person wants to take insurance policy which might demotivate the person to take the policy. As it creates an unwanted pressure on their mind and it creates problems for regular activities.

The insurance companies lack efficient and qualified workforce. The insurance company hires marketing agent who does not actually know how to sell the policies to the actual future policyholders. They try to convince people to take the policy but due to lack of training they cannot do it properly. Insurance company does not provide enough information in their websites where the customers or clients can meet their queries and motivates them to buy policies.

There are some companies which tries to disobey the business standards and provisions of insurance acts as some people are harassed by the company or sometimes the company shows and gives them reasons of why they cannot pay the money on time. There are lots of insurance companies which still operates manually and that kills time and energy so if they put all of their information and facts on online and becomes computerized, it would be easier for them as well as the clients.

There are more problems such as poor risk management because of less efficient and not qualified enough employee majority of the insurance company cannot underwrite and manages their risk scientifically. They underwrite and hold risks carelessly without knowing the consequences. Moreover, they face problems such as constrained investment, lack of product diversification and tax constraint etc.

#### 3.3.4 Scopes/Prospects of Insurance Industry

Since Bangladesh has a large population so there is an opportunity to expand the insurance business as it opens greater scope of doing business. The GDP of Bangladesh is increasing which means their income per capita will also increase. There will be more people with higher income so they would be willing to take insurance policies to protect themselves.

Insurance services needs to design their policies in such a way that they meet the needs of different sort of people. Micro insurance for different types of poor people can be great for the future in insurance industry as it can be offered to individual person or small sole proprietor against low premiums and with easy terms and conditions. When people would be able to reduce their risks at a lower price then more people will try to grab the opportunity. Then, a huge amount of people in the area can be target market. In Bangladesh there is a high chance of investment as they are investing in government bond, fixed deposit receipt etc. but they are not earning that much they have realized the fact and now they are trying to manage the money by employing skilled and efficient workers.

New small business which are developing almost everyday they can also protect themselves from accidents by taking group insurances. Thus, if the factory grows it's going to flourish the business of insurance as well. If the insurance industry develops mass awareness among the people about

the product and services and the government takes appropriate action against any illegal activities and supervise accordingly , gives strict rules and regulations and also if the insurance industries should follow it then there is a chance of having better insurance industry.

### 3.4 Conclusions

To sum up there are lots of challenges for insurance industry however there are scopes as well. If the workers and people in the development sector are educated, trained up and let the people be aware about the insurance industry then there is a higher chance people will take insurance policies seriously and invest in it hence it will increase the market share which is good for the insurance industry and provide economic advantages.

### 3.5 Recommendations

They can innovate their product or develop their product in an attractive way. They can develop professional code of ethics so any illegal activities such as harassing anyone does not take place, settles the claims as early as possible etc. The government and the toplevel workers in the company should always keep on monitoring the work and arrange a good training program.



