



PROSPECTS OF FINANCIAL
INCLUSION THROUGH LIFE
INSURANCE IN BANGLADESH



Internship Report
on

PROSPECTS OF FINANCIAL INCLUSION THROUGH LIFE INSURANCE IN BANGLADESH

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Submission date: 23rd April, 2017

Acknowledgement

I would like to acknowledge and extend my heartfelt gratitude to my internship supervisor Mr. Shamim Ehsanul Haque who was abundantly helpful and offered invaluable assistance, support and guidance.

I want to convey my sincere acknowledgement to Mr. Md. Nurul Islam (Regional Senior Vice President-Head of South Asia) for giving me the privilege to carry out the report.

I also express my sincere gratitude to my organization supervisor Mr. Mahmud Alam (Manager, Employee Benefits) for his vital encouragement and appreciation to make this report possible.

Special thanks to HR department of MetLife Alico Bangladesh for giving me continuous support.

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Dear Madam:

Subject: Submission of Internship Report

It is a matter of immense pleasure to submit my internship report on “PROSPECTS OF FINANCIAL INCLUSION THROUGH LIFE INSURANCE IN BANGLADESH”, which I have prepared as a partial requirement for the completion of MBA program of BRAC University. The internship period has been a wonderful learning experience for me that facilitated me to apply my academic knowledge into real life business activities.

The report focuses on Financial Inclusion in Bangladesh. I have tried my best to incorporate all the relevant stuff I could in the report. Extensive literature review has been done to get the ins and outs of this sector. I hope that you will find the report handy.

Any suggestion from you will be highly appreciated.

Please accept my gratitude for giving me such an excellent learning opportunity.

Yours sincerely,

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Executive Summary

Vulnerability to risk is common in the lives of poor people. From the beginning of human civilization low income persons have been particularly vulnerable to environmental risks, chronic illness, shocks of sudden or accidental death, physical disability, loss of property due to theft or fire, agricultural losses due to natural disaster, manmade and other disasters.

The objective of the study is to find out the prospects of financial inclusion through insurance in Bangladesh. To find out the awareness of microinsurance among the low income group, to know about the current situation of microinsurance in Bangladesh.

Also finding out the challenges of Financial Inclusion. Finally proposing some recommendations.

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable.

Microinsurance is the protection of low-income people (those living on between approximately \$1 and \$4 per day) against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved.

Current understanding of the specific insurance of low income households is limited. People are reluctant to give up a portion of their hard-earned income in exchange for a potential future benefit they hope they will not need. There is a negative perception of insurance among general people. They don't think it is useful for them.

Awareness development is very crucial. It is very unfortunate that people who need insurance need most don't realize the importance of insurance. NGO/ MFIs, Insurance companies and all the players in this industry including government should take steps to develop awareness among low income group.

For building good image of the industry regulators and government has lot to do. Banks and NBFIs have better reputation among people than insurance companies. These perception needs to be changed. Otherwise financial inclusion through insurance will not be fruitful if people are not receiving it right.

The NGOs/MFIs cover different types of risks related to life, health, accident and also property. In this regard, the insurance companies and NGOs/MFIs can work jointly. Moreover, the both parties can form a separate Mutual entity operated as Mutual Insurance Company to expand their Microinsurance product line.

1 Introduction

The purpose of this research is to see what options an insurance company has to enable access to financial services for low-income and disadvantaged segments of the society.

1.1 Background of the Study

Vulnerability to risk is common in the lives of poor people. From the beginning of human civilization low income persons have been particularly vulnerable to environmental risks, chronic illness, shocks of sudden or accidental death, physical disability, loss of property due to theft or fire, agricultural losses due to natural disaster, manmade and other disasters. Poverty and vulnerability move forward in parallel and severely impact the poorest. The outcome of these risks and often unpredictable shocks is substantial financial losses. Although poor households may have informal mechanisms at their disposal, such as utilization of savings, the sale of property and other income-generating activities, borrowing from relatives or informal sources to manage risks, these mechanisms are not sufficient to provide social security and adequate protection. To cope with shocks and vulnerabilities, poor people stand to benefit from financial as well as non-financial services. Their demand for diversified financial and non-financial products as well as social security products like insurance is increasing.

Least Developed Countries (LDCs) like Bangladesh do not have an established social security system that ensures a social safety net. The provision of social protection by public and private institutions is very limited. Microinsurance has been considered here as an extended social security product, along with government initiatives that ensure protection of low-income people against daily hazards. The risks are pooling in exchange for regular premium payments proportionate to the cost of risk involved and the demand of microinsurance clients. With the tremendous success of Microfinance program some NGOs/MFIs and mainstream insurance companies came forward in late eighties and early nineties to offer insurance products to the poor people. The target market of Microinsurance products are low income people. But most of the products offered by NGOs/MFIs were supply driven not demand driven. Although many MFIs/NGOs are offering Microinsurance products, product diversification and professional Microinsurance operations have not been developed.

Bangladesh has been considered a pioneer in Microcredit, but still diversification of different financial products and services for poor people is not up to the mark. Although many MFIs are offering Microinsurance products to poor people, a large number of poor people are uncovered by Microinsurance.

1.2 Origin of the Study

The report on “Prospects of Financial Inclusion Through Insurance in Bangladesh” has been prepared as a partial fulfillment of MBA Program in Institute of Business administration (IBA), university of Dhaka. Students are required to undertake an Internship Program after successful completion of 20 courses. During the Internship a student has to undertake an arena of investigation of any organization for in depth study. The purpose of the study is to get a practical experience about the real life implementation of the theoretical knowledge of the MBA curriculum. It is very helpful for any student to combine this theoretical and practical knowledge to gain advantages in the corporate world. By this internship I have gathered knowledge about the life insurance business and mainly focused on prospects of financial inclusion through insurance.

1.3 Objectives

1.3.1 Broad Objectives

To find out the prospects of financial inclusion through insurance in Bangladesh.

1.3.2 Specific Objectives

- To find out the awareness of microinsurance among the low income group
- To find out the current situation of microinsurance in Bangladesh
- To find out the challenges of microinsurance.
- To recommend aspects of insurance that would appeal the large population who currently don't have access to financial services.

1.4 Scope

The scope of the study is limited to Life Insurance. Prospects of General Insurance is out of the scope of the study.

1.5 Methodology

1.5.1 Identifying Sample

Low income group of people in Dhaka City. For consistency in data only the monthly paid employees of lower ranks are considered.

1.5.2 Sampling Technique

Sample was taken on judgmental basis. The advantage of sampling are that it is less costly, quicker and analysis will become easier.

1.5.3 Sample Size

Sample size is 50, as more than 30 is considered statistically significant.

1.5.4 Data Collection

Primary Data:

The primary data were collected through well-designed and structured questionnaires based on the objectives.

Interviewing experts in the insurance industry.

- Muhammad Asif Shams
Senior Sales Manager
Bacassurance & Direct Marketing
MetLife Alico
- Ishtiaq Mahmud
Assistant Manager
Bacassurance & Direct Marketing
MetLife Alico

Secondary Data:

The secondary data was collected through various books, newspapers, and Internet etc.

1.5.5 Analysis

Qualitative and Quantitative analysis is done. Based on the results we get an idea of the perception of Microinsurance among lower income people and we also understand their needs.

1.6 Limitations

The study is limited to Dhaka City. And not all types of lower income group are considered. Result of the study might not reflect the condition of rural areas.

2 Literature Review

2.1 Financial Inclusion

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. An estimated 2.5 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. For example in Sub-Saharan Africa only 24% of adults have a bank account even though Africa's formal financial sector has grown in recent years. It is argued that as banking services are in the nature of public good; the availability of banking and payment services to the entire population without discrimination is the prime objective of financial inclusion public policy. (Muzigiti, 2013)

The term "financial inclusion" has gained importance since the early 2000s. The United Nations defines the goals (United Nations Capital Development Fund, 2006) of financial inclusion as follows:

- access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance;
- sound and safe institutions governed by clear regulation and industry performance standards;
- financial and institutional sustainability, to ensure continuity and certainty of investment; and
- competition to ensure choice and affordability for clients.

Former United Nations Secretary-General Kofi Annan, on 29 December 2003, said: "The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives." More recently, Alliance for Financial Inclusion (AFI) Executive Director Alfred Hannig highlighted on 24 April 2013 progress in financial inclusion during the IMF-World Bank 2013 Spring Meetings: "Financial inclusion is no longer a fringe subject. It is now recognized as an important part of the mainstream thinking on economic development based on country leadership." (Hannig, 2013)

2.2 Microinsurance

Microinsurance is the protection of low-income people (those living on between approximately \$1 and \$4 per day) against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. This definition is exactly the same as one might use for regular insurance except for the clearly prescribed target market: low-income people. The target population typically consists of persons ignored by mainstream commercial and social insurance schemes, as well as persons who have not previously had access to appropriate insurance products. (Allen & LLP, 2012).

Microinsurance is insurance with low premiums and low caps / coverage. In this definition, "micro" refers to the small financial transaction that each insurance policy generates. "General microinsurance product means health insurance contract, any contract covering the belongings, such as, hut, livestock or tools or instruments or any personal accident contract, either on individual or group basis, as per terms stated in Schedule-I appended to these regulations"; and "life microinsurance product" means any term insurance contract with or without return of premium, any endowment insurance contract or health insurance contract, with or without an accident benefit rider, either on individual or group basis, as per terms stated in Schedule-II appended to these regulations as those within defined (low) minimum and maximum caps. The IRDA's characterization of microinsurance by the product features is further complemented by their definition for microinsurance agents, those appointed by and acting for an insurer, for distribution of microinsurance products (and only those products).

2.2.1 Microinsurance delivery models

- **Partner agent model:** A partnership is formed between the micro insurance (partner as MFI) scheme and an agent (insurance companies), and in some cases a third-party healthcare provider. The microinsurance scheme is responsible for the delivery and marketing of products to the clients, while the agent retains all responsibility for design and development. In this model, microinsurance schemes benefit from limited risk, but are also disadvantaged in their limited control. Micro Insurance Centre is an example of an organization using this model.
- **Full service model:** The microinsurance scheme is in charge of everything; both the design and delivery of products to the clients, working with external healthcare providers to provide the services. This model has the advantage of offering microinsurance schemes full control, yet the disadvantage of higher risks.

- **Provider-driven model:** The healthcare provider is the microinsurance scheme, and similar to the full-service model, is responsible for all operations, delivery, design, and service. There is an advantage once more in the amount of control retained, yet disadvantage in the limitations on products and services.
- **Community-based/mutual model:** The policyholders or clients are in charge, managing and owning the operations, and working with external healthcare providers to offer services. This model is advantageous for its ability to design and market products more easily and effectively, yet is disadvantaged by its small size and scope of operations. (Churchill, 2006)

“Microinsurance” is not a new concept in Bangladesh’s commercial insurance market. As revealed by the questionnaire survey, the first microinsurance product offered by commercial life insurance companies was “micro life insurance” initiated by Delta Life in 1988. In collaboration with Grameen Bank, it started off by offering Grameen Bima in the rural areas and Gono Bima in the urban slums in the late 1980s and throughout the 1990s; but the collaboration ended shortly thereafter. Later in 1996 Sandhani Insurance Company started to offer micro life products in Bangladesh. However, its popularity grew recently in the 2000-2001 period when many other insurers started offering competing products.

2.3 Financial Inclusion in Bangladesh

The microfinance industry in Bangladesh has been able to demonstrate a remarkable growth during the last two decades and to provide access to credit to around 30 million poor households. There are around 1410 hundred microfinance institutions (MFIs) currently in Bangladesh. Up to June 2002, four big institutions including Grameen Bank dominate the microfinance market of Bangladesh. Grameen Bank, BRAC, ASA, and PROSHIKA account for 60% of the total amount of outstanding loans made by all MFIs, and it is widely believed that top 20% institutions account for 80% of the total market (Bangladesh Bank). Bangladesh is considered as pioneer in Microcredit. If the growth of Microfinance industry in Bangladesh is critically analysed, it will find that the growth of Microfinance took place during several distinct phases over the last three decades. The origin of the current Microcredit model evolved through action research and piloting in the late 1970s, carried out by academics as well as practitioners organizations that were involved with the relief and rehabilitation activities of post-independence Bangladesh. (Zaman, 2008)

The success of Grameen Project paved the way for the establishment of the Grameen Bank under a special ordinance in 1983. During the early 1980s, several NGOs experimented with different ways of delivering credit and provided loans for group projects compared to offer loans to individuals. But group credit approach couldn't become popular due to lack of strong monitoring, operational complexity and group project failure, which negatively impacted on recovery rate. So by the late 1980s, the NGOs shifted towards providing individual loans to a target group of poor households, with peer monitoring and strong MFI staff follow-up and this model became predominant. The Association for Social Advancement (ASA) is a classic example of this shift. This shift towards target-group approach encouraged NGOs to expand their Microcredit program, which has been considered a revolution for the development of the Microfinance in Bangladesh.

Institution/Program	Loan Outstanding (Million USD)	Percent of GDP	No. of Clients (Millions)
Financial Banks	54,960.68	47.54	9.67
Non-banking Financial Institutions	3,308.54	2.58	
Microfinance Institutions	2,598.68	2.25	23.82
Grameen Bank	1,038.99	0.89	8.40
Government Programs	222.00	0.19	0.80
Cooperatives	376.43	0.32	8.50
Mobile Banking	670.01	0.60	2.83
Total	63,175.33	54.64	54.02

Source: MRA-2012, Bangladesh Bank, Grameen Bank, Ministry of Finance

Table 1: Contribution to Financial Inclusion by Types of Institutions

2.3.1 Growth of MFIs/NGOs in Bangladesh

The Microfinance industry in Bangladesh has exposed a significant growth over the last two and half decades. Before 1990, there were only 37 MFIs/NGOs operated Microcredit programmes. The main dilemma of insignificant growth of MFIs/NGOs before 1990s were lack of capacity to operate Microcredit programme and another important issue was availability of revolving loan fund. After establishing PKSF in 1990 as an Apex funding organisation for funding Microcredit programme, there was a significant growth in the microfinance sector of Bangladesh. The significant growth in the microfinance sector of Bangladesh was observed from 1996 to 2000. Due to huge competition, the number of new MFIs/NGOs declined after 2000.

2.3.2 Microinsurance Products of MFIs/NGOs

Some of the products of NGO/MFIs operating in Bangladesh.

HEED Bangladesh

Credit Risk Only

It provides risk assurance almost uniquely to the institution, and not to the clients and fails to provide reasonable social security to the clients.

BURO Bangladesh

Credit plus Term Life

There is a social protection aspect of the insurance product where the aim is to reduce the vulnerability of households, due to sudden death in the family, and to improve the ability of individuals to take advantage of economic opportunities, even when faced with losses.

ASA

Credit with Endowment Life

In addition to covering the life of the borrower, the product also insures the outstanding loan balance in case of death of husband/guardian of borrower.

SAJIDA Foundation

Health, Term Life, and Accident Insurance

SAJIDA plays the double role of insurer as well as service provider, i.e. it provides health insurance through its own medical facility with support from a private medicine firm. The accident insurance product design is consistent with South Asia in general.

Grameen Bank

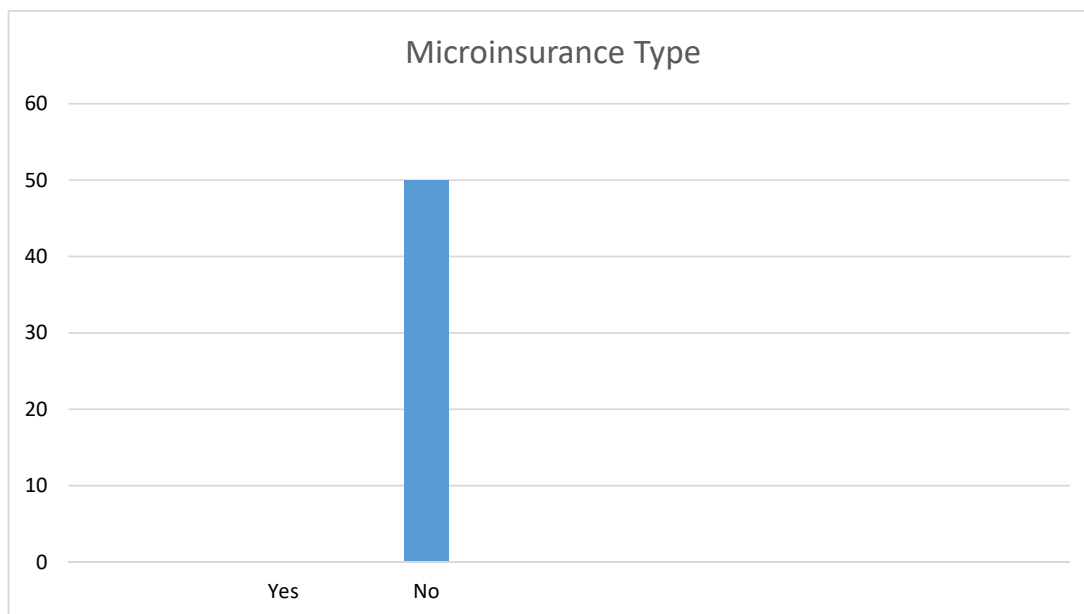
Credit plus Livestock Insurance

The livestock micro insurance benefits both parties as it assures the collection at least half of the unpaid loan for GB, while it is relieving the client from having to pay the full outstanding amount.

Integrated Development Foundation

Credit plus term Life plus Microenterprise

Micro enterprise borrowers with credit size above Tk. 30,000 are covered by a separate insurance fund created from premium and IDF's contribution.



Source: Findings of Market Study on Microinsurance Products, 2009

Figure 1: Microinsurance Types

2.3.3 Microcredit Regulatory Authority

(MRA) is the central body to monitor and supervise microfinance operations of non-governmental organizations of the Republic of Bangladesh. It was created by the Government of Peoples' Republic of Bangladesh under the Microcredit Regulatory Authority Act (Act no. 32 of 2006). License from the Authority is mandatory to operate microfinance operation in Bangladesh as an NGO.

On September 28, 2012 at the Alliance for Financial Inclusion's Global Policy Forum 2012, the bank made a commitment under the Maya Declaration to promote agent and mobile banking, implement consumer protection initiatives, and establish a credit bureau for the MFI sector.

2.4 The Insurance Industry in Bangladesh

The insurance industry of Bangladesh has been considered as thirist sector. At present there are 77 general and life insurance companies are operating in the country. Among them only two companies are from the public sector and the rest of the 75 companies are from the private sector. It has been reported that 103 applications for registration to establish insurance companies are lying with the authorities. This evidence clearly depicts that insurance business has great prospects in Bangladesh.

Public sector Life Insurance companies 1
Private sector Life Insurance companies 30
Total Life Insurance Companies 31
Public sector General Insurance Company 1
Private sector General Insurance Company 45
Total General Insurance Companies 46
Total Insurance Companies 77
(Insurance Development & Regulatory Authority Bangladesh, n.d.)

2.4.1 Insurance Development & Regulatory Authority (IDRA)

Parliament on 03 March 2010 passed two insurance laws in a bid to further strengthen the regulatory framework and make the industry operationally vibrant. The new laws, came in to effect on 18 March 2010, are Insurance Act 2010 and IDRA 2010.

There are 77 insurance companies operating in the country and they need to be regulated under comprehensive laws and guidelines and supervised by a strong regulatory authority. The Insurance Act 2010 said the sector needs to be managed properly and he strengthened by reducing business risks, and local and international insurance laws need to be harmonized considering the socio-economic aspect of the country, and protect the interest of policy holders and other beneficiaries.

3 Organization Overview

MetLife Alico is an affiliate of MetLife, Inc., a leading global provider of insurance and employee benefit programs. Through its subsidiaries and affiliates, MetLife serves more than 90 million customers around the world.

Alico's story began in 1921 in Shanghai, China. The company grew steadily in the early decades, moving its headquarters to Wilmington, Delaware in the late 1960s. In 1972 Alico became the first foreign life insurance company licensed to sell in Japan, the first step towards becoming a household name. Alico was well placed to establish new operations in Central and Eastern Europe in the late 1980s when the political and economic environment in the region changed dramatically. Expansion in Latin America, the Middle East and a liberalized European Union followed, and that growth story continues today.

In March 2010 the latest chapter in MetLife Alico's history unfolded when it was announced that Alico would merge with MetLife. That merger completed November 2010 creating one global company, meeting the needs of some 90 million customers in over 60 countries.

MetLife Alico provides a full range of Life, Accident and Health insurance products for customers ranging from individuals to large local and multinational corporations. MetLife Alico's individual, group, and credit protection products help customers recover from financial loss due to death, disability, accident, sickness, and loss of employment. Also, MetLife Alico's individual savings and group pension products help customers save for education, retirement, or other financial goals. MetLife Alico's products are available through agents, brokers, financial institutions and direct to customer.

MetLife has become a premier global life insurance company overnight, but MetLife Alico's combined heritage spans over 200 years. In addition to being the largest life insurer in the U.S. and Mexico, MetLife is now a leading competitor in Japan, holds advantageous positions in Europe, and is in a top-five position in many high-growth markets of Central and Eastern Europe, the Middle East and Latin America.

3.1 MetLife Alico Bangladesh

MetLife Alico, has been helping people and businesses in Bangladesh with their insurance needs since 1952. Throughout MetLife Alico's history, it has continuously sought to nurture talent, respect local cultures and promote the diversity that characterizes the Bangladeshi society. MetLife Alico've grown by understanding the needs at the heart of the community and by tailoring MetLife Alico's extensive

product offering to the unique needs of individuals, families and businesses of all sizes.

Today, MetLife Alico is the market leader in the country's life insurance industry, with close to 1,000,000 insured members and over 14,000 agents.

Established in the erstwhile East Pakistan in 1952, MetLife Alico was the first and so far are the only international company to be granted a license to offer life and accident insurance in the country.

Today MetLife Alico have close to 1,000,000 insured in Bangladesh, and over the last sixty years MetLife Alico've become very used to listening to the local community and developing its offering according to people's needs.

The company is registered with the department of insurance, government of Bangladesh to do Life and Specified Miscellaneous Insurance Business (SMIB). The company operates from its Head Office at 18-20 Motijheel C/A, P.O. Box 9, Dhaka-1000 along with 185 agencies across the country. At present, about 14,000 agents and 325 employees are associated with the company.

3.2 Organization History

MetLife Alico Bangladesh formerly known as ALICO Bangladesh has been operating in Bangladesh since 1952, initially as a part of ALICO Pakistan and later after the independence of Bangladesh, as a branch of ALICO, USA. It was a wholly owned subsidiary of leading international life insurer American International Group (AIG) Inc. Alico Bangladesh is the oldest operation in the company's Middle East, Africa and South Asia (MEASA) division and it was the first and so far is the only international company to be granted a license to offer life and accident insurance in the country.

In March 2010 it was announced that ALICO would merge with MetLife. On November 02, 2010 Alico Bangladesh became a part of MetLife and achieved more robust expertise and network. With over 140 years of experience, the MetLife companies are a leading innovator and a recognized leader in protection planning and retirement and savings solutions around the world. At this point in time, MetLife Alico has established a strong presence by meeting the needs of some 90 million customers in over 60 countries.

3.3 HR Management

The HR department effectively and efficiently handles employment, promotion & transfer of employee, training & orientation, employee education, performance appraisal, compensation and other related issues. Currently total HR strength around 300. HR is concerned to recruit some adept and proactive personnel. In addition to compensation packages the company provides gratuity, group insurance, provident fund and car allowance for certain classes of employees. In order to ensure continuous HR development, the employees participate in different study courses organized by LOMA, an US based company which provides life insurance education.

3.4 IT Infrastructure

The company has sound and separate IT department. Different software handles different crucial functions. The existing IT infrastructure can generate different reports which include production report, agent's persistency report, commission statement, trial balance, general ledger report, status wise policy cont, detail premium collection, various notices to policyholders including SMS notifications and so on. The company continuously upgrades servers and storage devices and it has separated IT audit system. For disaster recovery, the company maintains servers and backups in different locations.

3.5 Marketing Network

The company possess largest and well developed marketing network consisting of around 200 agencies and unit offices along with 5 sales offices at Comilla, Chittagong, Sylhet, Khulna & Bogra and 4 customer touch points at Gulshan, Malibagh, Uttara & Mirpur. Apart from managing sales, these sales offices also provide customer services and are connected to the central server at Head Office. Expert Agency Executives, who are responsible for sales, maintain the portfolio of agencies under the guidance of Agency Director.

The company has separate marketing department that prepares advertising campaigns and promotional programs. The department also works with other departments in the company to develop new products and to revise current ones as customer needs, economic conditions and regulatory requirements change. The company recently launches an up-to-date contact center (call center) to minimize policy lapse and pursue customers for up- sell and cross-sell.

3.6 Underwriting

In terms of employee number, underwriting is the biggest department of MetLife Alico Bangladesh. The company has approved underwriting manual where all underwriting rules and regulations are clearly defined. The basic underwriting decision is based on age, occupation and health of the customer. The department closely works with medical personnel of the company to accurately evaluate the degree of mortality risk of the policy applicants. Medical requirements of the applicants vary depending upon the age and the sum assured. Policyholders up to 45 years of age enjoy taking policy up to Tk10, 000,000 sum assured without having any medical test if the selling agent has non-medical privilege. Apart from manual risk assessment by the underwriters, automatic underwriting known as Jet underwriting is also done by software.

3.7 Products

At MetLife Alico Bangladesh, one can find a range of Life Insurance, Accident & Health Insurance as well as Education and Retirement plans to suit his or her personal or family needs. The company usually develops products depending on:

- trend of the market
- changes in financial market and
- social demand

The Company currently offers the following products:

Products					
Individual Solutions			Corporate Solutions		
Life Insurance	Savings & Retirement	Accident & Health	Employee Benefits	Credit Life Insurance	Insurance for Non Employees
1) Education Protection Plan(EPP)	1) Income Growth Plan	1) Critical Care	1) Group Death and Disability	1) Credit Card Insurance	1) Insurance for Non-Employees
2) Three Payment Plan (3PP) plus	2) DPS Super	2) Hospital Care	2) Group Medical Plans	2) Home and Mortgage Loans Insurance	
	3) Lifeline Pension Plan	3) Lifetime Income Policy	3) Group Accident & Health	3) Personal Loans Insurance	
		4) Circles of Protection	4) Packaged & Tailored	4) Life Style & Tuition	
		5) My Child			

		Special	Solutions	Protector Insurance	
		6) Good Health Special			
		7) Executive Five Special			

Table 2: Life Insurance Products

3.7.1 Product features of Individual Solutions

Product	Product Highlights	Eligibility	Term	FA (BDT)
Education Protection Plan (EPP)	Secure insured child's future	Insured Child : 30 days to 15 years Policy Owner : 21 years to 55 years	10 to 25 years and child's age plus the term should not exceed 25 years	100,000 to 20,00,000
Three Payment Plan (3PP) plus	Offers both protection and an attractive scheme for insured saving	Insured: 30 days to 60 years	12,15,18,21 & 24 years	100,000 to 10,000,000
Income Growth Plan	Valuable life insurance at a low cost and high rate of return on savings	Insured: 90 days to 60 years	Up to 30 years	100,000 to 10,000,000
DPS Super	An ideal combination of protection and savings for insured and his family	Insured: 18 years to 54 years	5 to 20 years	45,000 to 10,000,000
Lifeline Pension Plan	A special plan for a more comfortable retirement	Insured: 90 days to 55 years	10 to 20 years	100,000 to 10,000,000
Critical Care	Immediate financial help to combat 25 critical illnesses	Insured: 18 years to 59 years	1 year (Yearly Renewable Term)	150,000 to 500,000
Hospital Care	Essential daily cash support if insured or his family has to stay in hospital	Insured: 18 years to 59 years	1 year (Yearly Renewable Term)	Variable
Lifetime Income Policy	Monthly payments to ensure a lifetime of financial independence	Insured: 18 years to 64 years	3 years	Variable
Circles of Protection	Create the ideal protection against accident and sickness for insured and his loved ones from a range of options	Insured: 18 years to 59 years	1 year (Yearly Renewable Term)	Variable

My Child Special	Provides timely support for insured child's health and education	Insured: 6 months to 18 years	3 or 5 years	Variable
Good Health Special	Relieves insured from the burden of large hospital bills	Insured: 18 years to 59 years	3 or 5 years	Variable
Executive Five Special	One single premium and peace of mind for 5 years	Insured: 18 years to 59 years	5 years	Variable

Table 3: Product Features of Individual Solutions

3.7.2 Product features of Corporate Solutions

Product	Product Highlights	Eligibility	Coverage
Group Death and Disability	A menu of features to help employer create the group death and disability solution that best suits the employees	All full-time permanent employees, who have not reached their 60 th birthday and is actively at work in the policyholder's offices	Basic Life Cover with Critical Illness or Major Diseases Benefit
Group Medical Plans	An affordable medical plan mostly delivered through a wide network of medical providers easily accessible to the employees	All eligible employees and their spouses and dependent children may be included under this coverage	In-patient benefits, In Patient Maternity, Out Patient General, Out Patient Dental, Out Patient Optical
Group Accident & Health	Anywhere, anytime protection	All full-time permanent employees, who have not reached their 60 th birthday and is actively at work in the policyholder's offices	Basic Accidental Death (AD) Cover
Packaged & Tailored Solutions	Pre-packaged and customized group death, disability and medical solutions	A minimum of 5 employees group while for availing Group IP-Gen Benefits, the group size must be minimum 8 employees	Basic Group Life (GL) Coverage, Optional Group Accidental Death (AD) & Disability coverage
Credit Card Insurance	A special plan for a more comfortable retirement	Any credit cardholder of the bank or financial institution, between the ages of 18 and 65	Death due to any cause and Permanent Total Disability due to accident or sickness
Home and Mortgage Loans Insurance	A highly flexible mortgage insurance solution that can be tailor made to suit employees needs	Any customer of the bank or financial institution, between the ages of 18 and 65	Death due to any cause and Permanent Total Disability due to accident or sickness
Personal Loans Insurance	A flexible yet affordable Personal Loans insurance product	Any customer of the bank or financial institution, between the ages of 18 and 65	Death due to any cause and Permanent Total Disability due to accident or sickness

Life Style & Tuition Protector Insurance	Product that helps protect customer's lifestyle	Any customer of the bank or financial institution, between the ages of 18 and 65	Death due to any cause and Permanent Total Disability due to accident or sickness
Insurance for Non-Employees	Basic group death & disability insurance protection for client or membership base of large organizations	Offered to Banks, Financial Institutions, and organizations having large customer bases	Offers Group Death, Disabilities and Medical Insurance coverage on a customized basis

Table 4: Product Features of Corporate Solutions

3.8 Customer Service

The company has full-fledged customer service that plays an important role to maintain company image by allowing any policy regarding queries for the customers and agents. Customer service department calculate and process policy loans, withdrawals, surrenders and also handle various requests from customers such as address changes and mode of premium payment changes. Customer can make phone call or directly come to the customer service center at Head Office during office hour.

3.9 Claim Settlement

The company follows standardized procedures of settling claim. After intimation of claim, the claimant is advised to submit necessary papers, documents and medical investigation reports (as necessary). After scrutinize the submitted papers and documents, respective claim handler sends the file to the claim adjudicator, who analyzes the claim files as a whole and makes decision on claim settlement. Claims with contestable and special cases are investigates by professional claim investigators engaged by the company. The claims mainly decline due to non-continuation of policies.

3.10 Investment Portfolio

The company examines the economic and financial marketplace and manages the company's investment according to the guidelines established by the company's management. According to the Insurance Act 30% of the total liability of a life insurance company has to be invested in government securities where remaining to be invested in other approved investment including capital market securities. The company has prudent investment philosophy.

3.11 Performance and Rating

MetLife Alico Bangladesh has recently been assigned the highest rated (AAA) Financial strength by Credit Rating Agency of Bangladesh (CRAB).

4 Findings

1. First question asked was whether they know about Microinsurance or not. From the survey we can see that 100 % of the respondents are totally unaware of the term 'Microinsurance'. Most of the respondents have heard about insurance but they are totally unaware of Microinsurance. They believe depositing their money in bank is more profitable than putting money in insurance, also ease of withdrawing money from bank makes their investment more liquid.

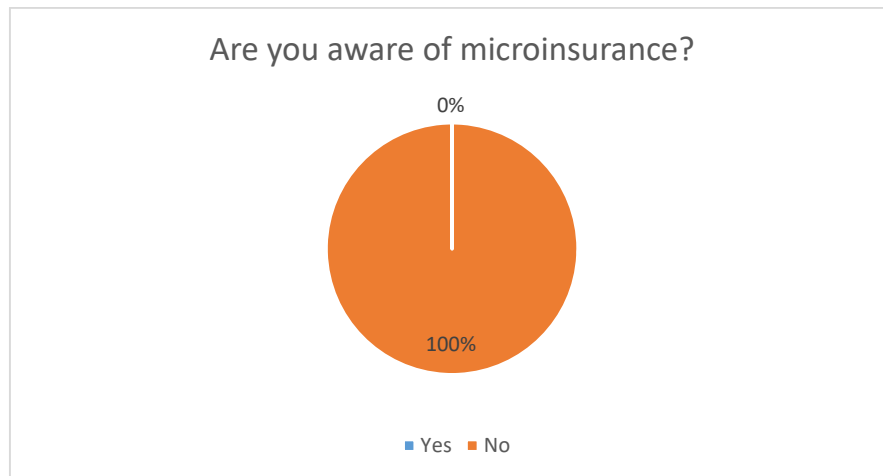


Figure 2: Microinsurance awareness

2. 22 respondents were approached by insurance agents.

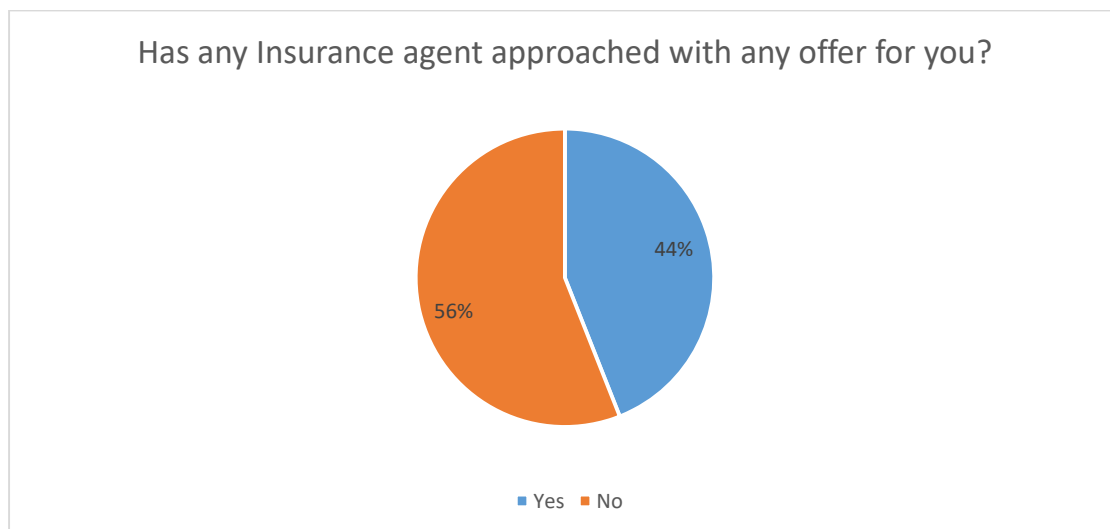


Figure 3: Insurance offered

$H_0 = 50\%$ of the population were approached by insurance agents
 $H_A = 50\%$ of the population were not approached by insurance agents
 $\alpha = .05$

Insurance offered			
	Observed N	Expected N	Residual
No	28	25.0	3.0
Yes	22	25.0	-3.0
Total	50		

Insurance offered	
Chi-Square	.720 ^a
df	1
Asymp. Sig.	.396

Table 5: Insurance Offered

From chi-square test we find p value is $.396 > .05$
 So the Null hypothesis is not rejected. We can say that significant amount of the people were approached by the insurance agents.

3. Only 14% of the respondents have invested in insurance policies.

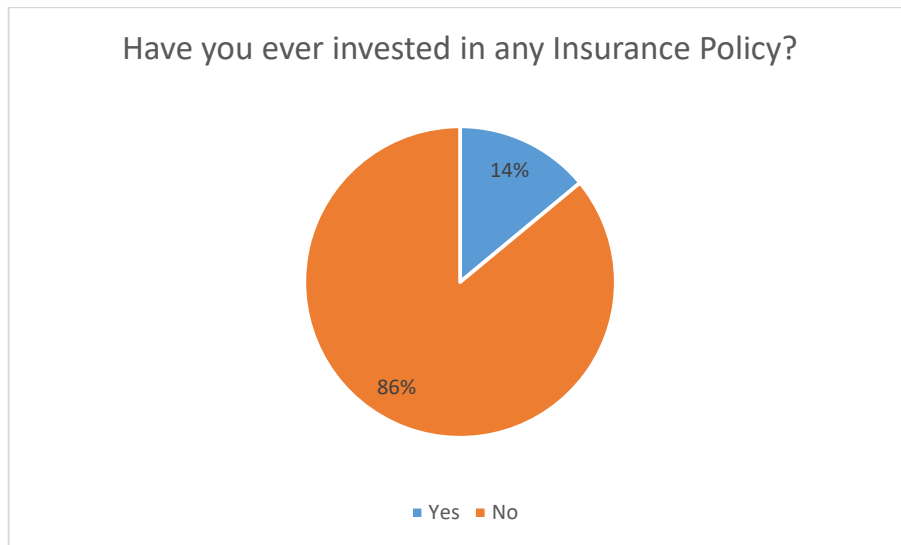


Figure 4: Investment in Insurance Policy

$H_0 = 50\%$ of the population have invested in insurance policies.
 $H_A = 50\%$ of the population have not invested in insurance policies.
 $\alpha = .05$

Investment in Insurance Policy			
	Observed N	Expected N	Residual
No	43	25.0	18.0
Yes	7	25.0	-18.0
Total	50		

Investment in Insurance Policy	
Chi-Square	25.920 ^a
df	1
Asymp. Sig.	.000

Table 6: Investment in Insurance Policy

From chi-square test we find p value is $.000 < .05$

So the Null hypothesis is rejected. 50% of the population have not invested in insurance policies. The observed result for No is significantly higher than Yes. We can say that most of the target population have not invested in insurance.

4. After explaining about need and benefits of insurance 54% of respondents want to invest in insurance policy but lack of knowledge and awareness about insurance stop them for investing. Many of them told that they don't need insurance as there is very low chance of miss happening to them. In spite of they are more vulnerable to risks; negligence and ignorance of risk for their health or life also prevent them for investing in insurance.

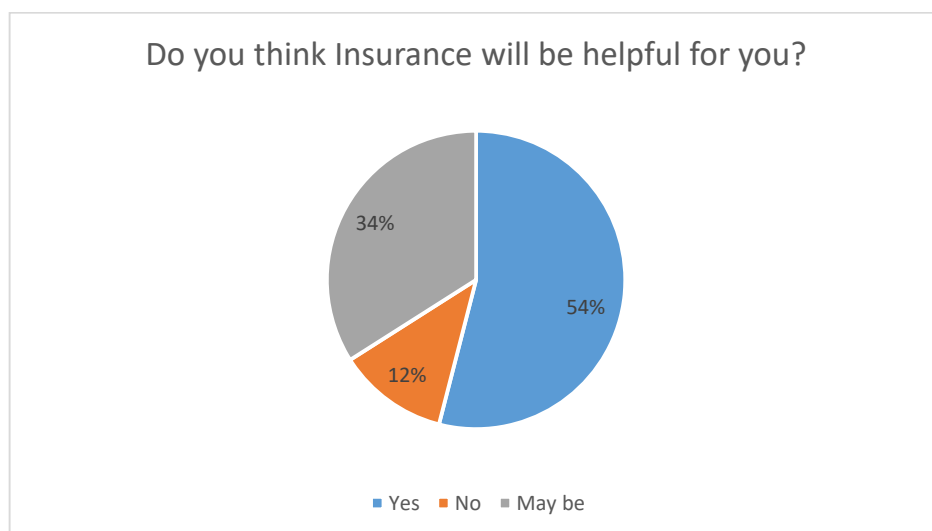


Figure 5: Insurance perception

H_0 = People are indifferent to usefulness of insurance
 H_A = People are not indifferent to usefulness of insurance
 $\alpha = .05$

Insurance perception			
	Observed N	Expected N	Residual
No	6	16.7	-10.7
May be	17	16.7	.3
Yes	27	16.7	10.3
Total	50		

Insurance perception	
Chi-Square	13.240 ^b
df	2
Asymp. Sig.	.001

Table 7: Insurance Perception

From chi-square test we find p value is $.001 < .05$
 So the Null hypothesis is rejected. We can see the significant amount of people think that insurance will be helpful for them.

- As from figure below we can see that 62% of respondents are interested in investing in Microinsurance but 26% were not interested in Microinsurance.

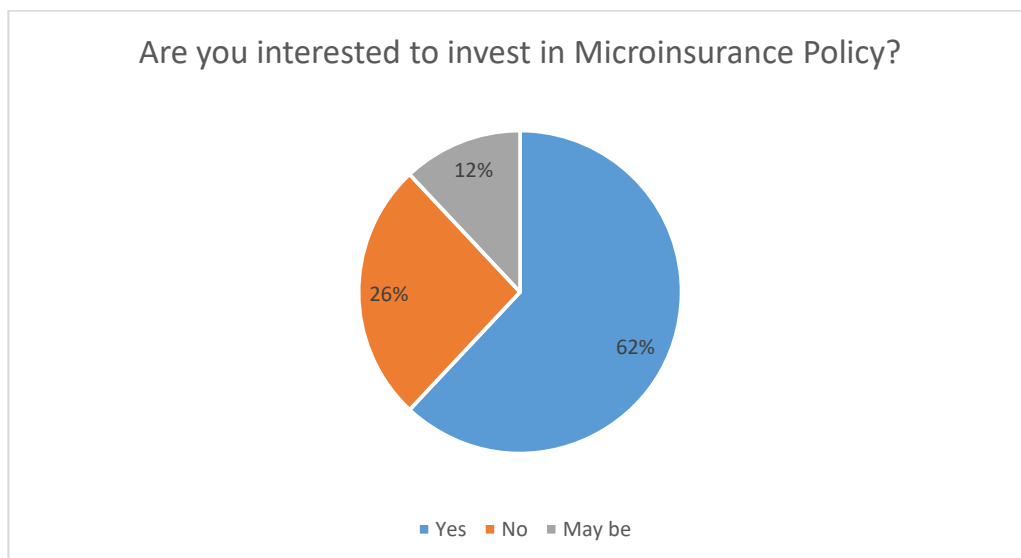


Figure 6: Investment in Microinsurance

H_0 = People are indifferent to invest in microinsurance
 H_A = People are not indifferent to invest in microinsurance
 $\alpha = .05$

Investment in Microinsurance			
	Observed N	Expected N	Residual
No	13	16.7	-3.7
May be	6	16.7	-10.7
Yes	31	16.7	14.3
Total	50		

Investment in Microinsurance	
Chi-Square	19.960 ^b
df	2
Asymp. Sig.	.000

Table 8: Investment in Microinsurance

From chi-square test we find p value is $.000 < .05$

So the Null hypothesis is rejected. So people are not indifferent to invest in microinsurance. From the observed result we can say that response for Yes is significantly higher than No.

- About 64% of respondents choose government owned insurance companies rather than private insurance companies. Most of respondents choose government companies rather than private insurance firms as they think they are cheaper, reliable.

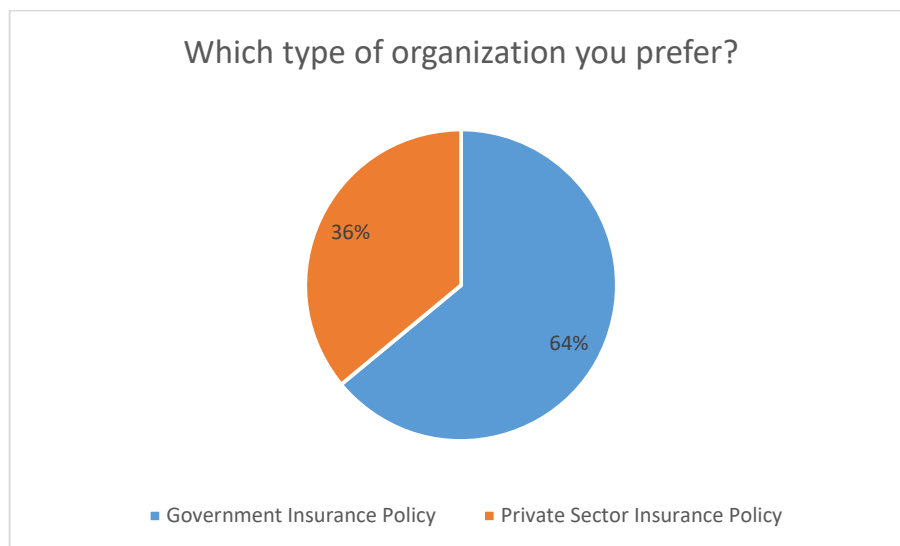


Figure 7: Organization preference

H_0 = People are indifferent to organization type
 H_A = People are not indifferent to organization type
 $\alpha = .05$

Organization preference			
	Observed N	Expected N	Residual
Private	18	25.0	-7.0
Government	32	25.0	7.0
Total	50		

	Organization preference
Chi-Square	3.920 ^a
df	1
Asymp. Sig.	.048

From chi-square test we find p value is $.048 < .05$
 So the Null hypothesis is rejected. From the observed result we see people prefer government insurance over private sector insurance.

7. 38% of the respondents preferred Health insurance over other types.

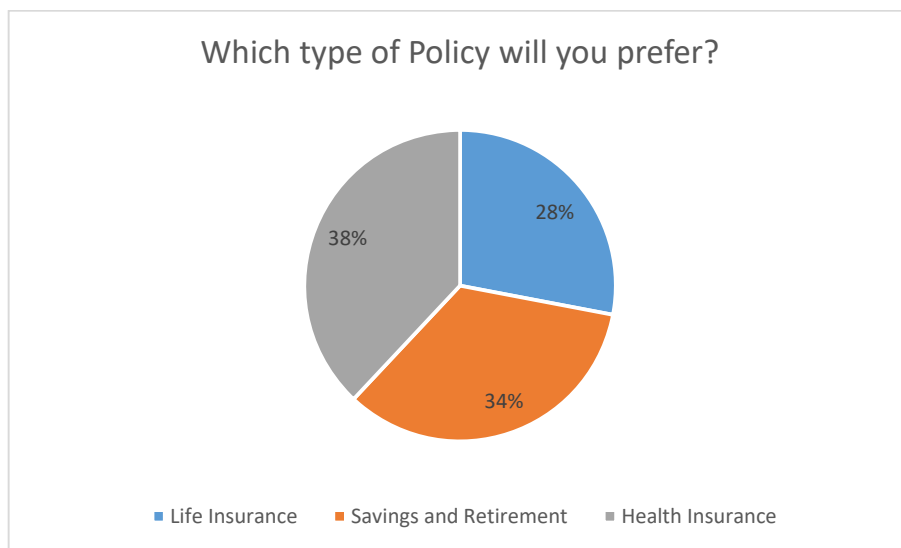


Figure 8: Policy Preference

H_0 = People are indifferent to policy types
 H_A = People are not indifferent to policy type
 $\alpha = .05$

Policy Preference			
	Observed N	Expected N	Residual
Life	16	16.7	-.7
Health	17	16.7	.3
Savings	17	16.7	.3
Total	50		

	Policy Preference
Chi-Square	.040 ^b
df	2
Asymp. Sig.	.980

Table 9: Policy Preference

From chi-square test we find p value is $.980 > .05$
 So the Null hypothesis is not rejected. We can say that people are indifferent to the policy types. Health insurance is also a demand along with life and saving insurance.

8. As we can see 34% of respondents are ready to invest Tk 5000 to Tk 10,000 annually in insurance, 48 % of respondents wants to pay Tk 1000 to Tk 5000 for premium, premium amount more than 10,000 is chosen by only 4 respondents.

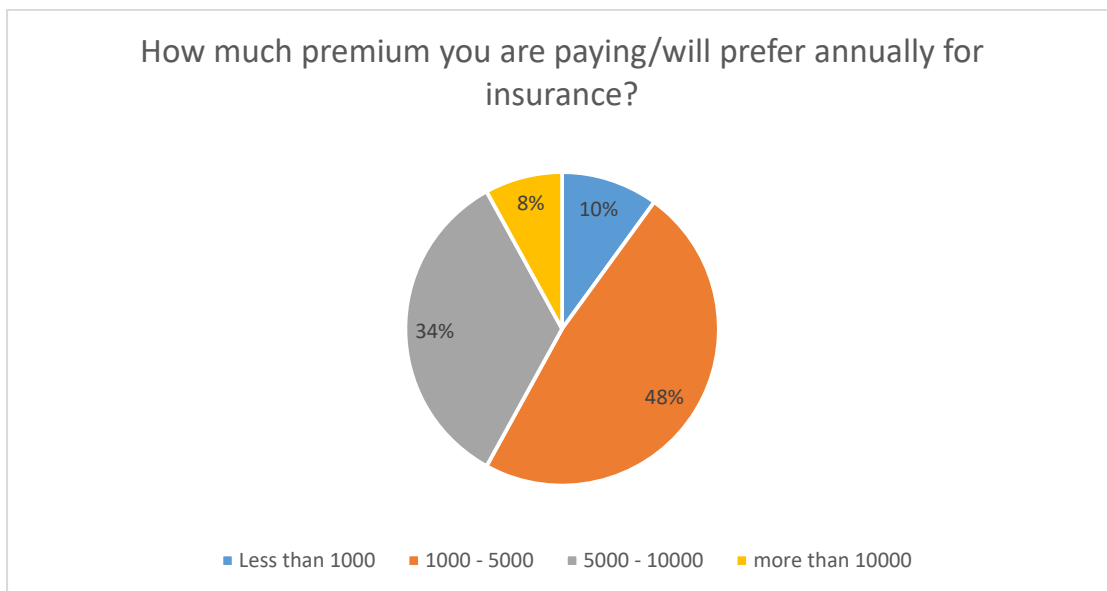


Figure 9: Size of Premium

9. As from above graph we can see that 44% of respondents want to pay monthly and 30% wants to pay quarterly premium, 18 % of respondents choose to pay quarterly premium for the insurance as majority of these respondents are monthly earners.

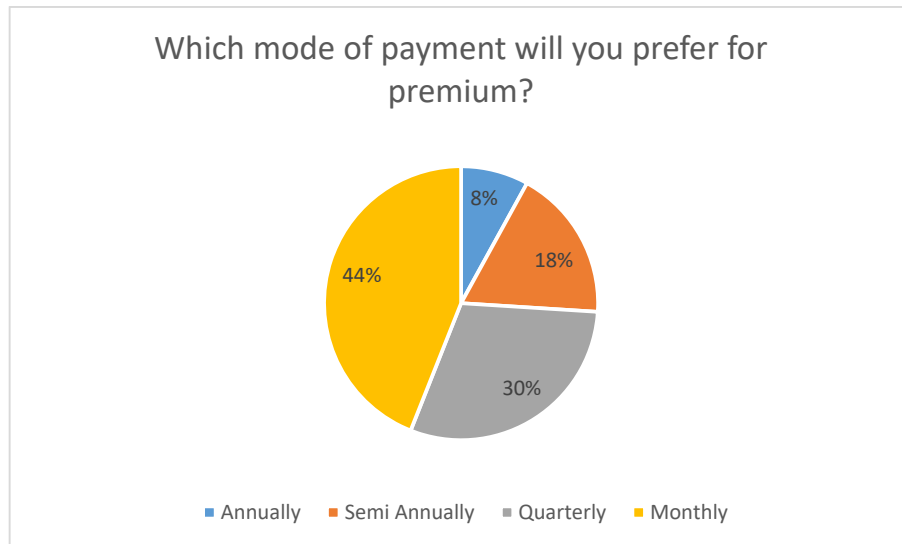


Figure 10: Mode of Premium

H_0 = People are indifferent to mode of payment
 H_A = People are not indifferent to mode of payment
 $\alpha = .05$

Mode of Premium			
	Observed N	Expected N	Residual
Annually	4	12.5	-8.5
Semi-annually	9	12.5	-3.5
Quarterly	15	12.5	2.5
Monthly	22	12.5	9.5
Total	50		

	Mode of Premium
Chi-Square	14.480 ^c
df	3
Asymp. Sig.	.002

Table 10: Mode of Premium

From chi-square test we find p value is $.002 < .05$
 So the Null hypothesis is rejected. So we can say that the result statistically significant. People prefer monthly premium mode.

10.82% of respondents prefer to give premium at their home or at their shop, only 5 respondents prefer bank.

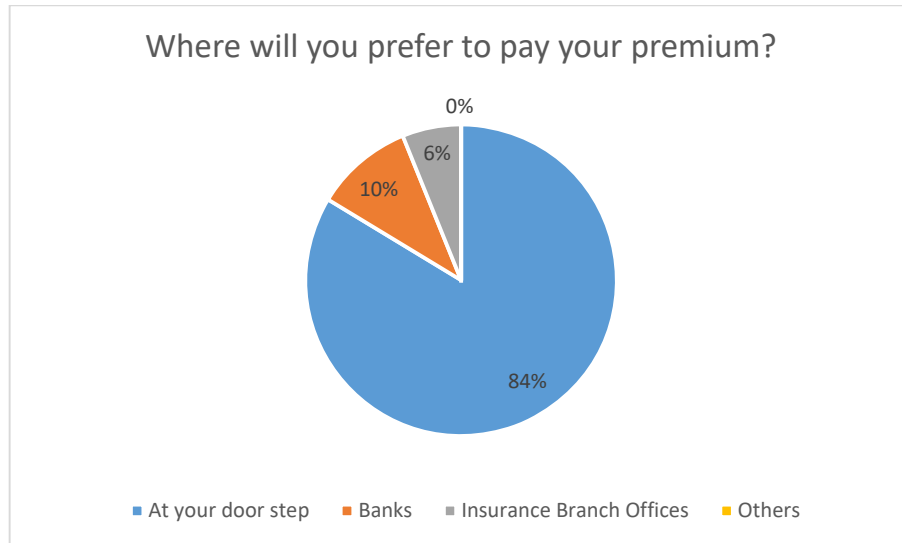


Figure 11: Premium payment method

Premium payment method			
	Observed N	Expected N	Residual
At your door step	42	16.7	25.3
Banks	5	16.7	-11.7
Insurance Branch	3	16.7	-13.7
Total	50		

Premium payment method	
Chi-Square	57.880 ^b
df	2
Asymp. Sig.	.000

Table 11: Premium payment method

From chi-square test we find p value is $.000 < .05$
 So the Null hypothesis is rejected. So we can say that the result statistically significant. Most of the people prefer to pay their premium at their door step.

4.1 Summary of findings from survey

Awareness:

People are aware of insurance but the term microinsurance is totally new to them.

Current Situation:

Insurance agents approached with insurance offer to low income group but very few of them are buying insurance.

After knowing the importance and benefits of insurance they showed interest in insurance and they want to invest in microinsurance policies.

They prefer government insurance company over private insurance companies.

Demand:

Health insurance will also become popular along with life and savings insurance.

Most of the people wants to pay their payment on monthly basis. They prefer to pay their premium at their door step.

4.2 Common Challenges

Many of the regulatory standards established for commercial insurers serving higher income markets can unintentionally restricts providers' ability to provide insurance to low income customers. New policies and regulatory frameworks are needed to reduce constraints on providing insurance in small amounts to low-income households without losing the institutional and client protections inherent in existing regulation.

Current understanding of the specific insurance of low income households is limited.

People are reluctant to give up a portion of their hard-earned income in exchange for a potential future benefit they hope they will not need.

The major problem the MFIs are facing currently as they are finding it difficult to comprehend insurance terms used by insurance companies.

5 Recommendations

Currently there is no strong legal system for microinsurance. NGO and MFIs are providing insurance but they are not monitored by IDRA. If legal system is strong then insurance companies can also compete in Microinsurance sector.

Awareness development is very crucial. It is very unfortunate that people who need insurance need most don't realize the importance of insurance. NGO/ MFIs, Insurance companies and all the players in this industry including government should take steps to develop awareness among low income group.

For building good image of the industry regulators and government has lot to do. Banks and NBFIs have better reputation among people than insurance companies. These perception needs to be changed. Otherwise financial inclusion through insurance will not be fruitful if people are not receiving it right.

The insurance product design and packaging for poor people is very critical tasks. The

Insurance companies design product by the Actuaries through scientific calculation, but the NGOs/MFIs follow the unstructured assumption method. Moreover, usually the product is designed and packaged in such a way that in most of the cases the actual need and demand of the poor people is ignored. So the Microinsurance providers should consider the need and demand of the target clients and the product is designed and packaged by considering demand side. The product should be designed and packaged in such a way, so that the self-exclusion of some clients, who have irregular flow of income or seasonal income, can be avoided.

At present premium rate is determined either scientific calculation or assumption, but not considering the affordability of the target clients. So during setting premium rate the affordability of the poor people should be considered. Another important aspect is premium collection procedures. Although it seems that the premium collection procedure of insurance companies is more flexible than the NGOs/MFIs, but still there is room for to be more flexible regarding premium collection. The Microinsurance providers should think about the irregular or bulk premium collection method after a certain period rather following structured premium collection method.

The duration of insurance policy should consider the need and demand of clients. The

NGOs/MFIs usually offer insurance product for short term and the insurance companies offer product for long term. In both of the cases, it seems that client needs and demands are not addressed. So the NGOs/MFIs and Insurance

companies should design some insurance products, which duration matches with client's needs and demands.

There is a tradeoff between reaching more people with simpler products and reaching fewer people with complex products. There needs to be some meeting ground.

The NGOs/MFIs cover different types of risks related to life, health, accident and also property. But due to regulatory framework the life insurance companies can't move beyond life, health and accident, which cause physical damage. So it is very difficult for the insurance companies to expand the existing product line. In this regard, the insurance companies and NGOs/MFIs can work jointly. Moreover, the both parties can form a separate Mutual entity operated as Mutual Insurance Company to expand their Microinsurance product line.

5.1 Partnership with NGO/ MFIs

The NGOs/MFIs cover different types of risks related to life, health, accident and also property. But due to regulatory framework the life insurance companies can't move beyond life, health and accident, which cause physical damage. So it is very difficult for the insurance companies to expand the existing product line. In this regard, the insurance companies and NGOs/MFIs can work jointly. Moreover, the both parties can form a separate Mutual entity operated as Mutual Insurance Company to expand their Microinsurance product line.

5.2 Bancassurance

Bancassurance - a term coined by combining the two words bank and insurance (in French) connotes distribution of insurance products through banking channels. Bancassurance encompasses terms such as "Allfinanz" (in German), "Integrated Financial Services" and "Assurebanking". In the consolidating world of financial services, with mergers across the sector combining with a broadening of the product array, the concept of bancassurance has assumed a central role in the strategy of a growing number of financial institutions. Bancassurance is the simplest way of distribution of insurance products through a bank distribution channel. It is basically selling insurance products and services by leveraging the vast customer base of a bank and fulfill the banking and insurance needs of the customers at the same time.

Benefits of Banks

- Banks can be represented as "one-stop shop" for financial services, where all customers' needs, whether financial or insurance-related, can be met and by

providing customers with both the services under one roof, they can improve overall customer satisfaction resulting in higher customer retention levels.

- Bancassurance enable to enjoy increased profitability. Currently competition among banks is immense which led to shrink the profit margin through administrative and marketing costs. So new products could significantly increase the profitability.
- Bancassurance increase the productivity of staff as they now have the chance to offer a wider range of services to clients. So banks could utilize its manpower and branch network more.
- Bancassurance can cover operating expenses and make operating expenses profitable by leveraging their distribution and processing capabilities. The bank can also increase Return on
- Assets (ROA) by increasing their income, by selling insurance products through their own channel.
- Banks can effectively utilize the existing customer database to sell insurance products without incurring any extra marketing cost. The analysis of available information on the customer's financial and social situation can also be of great help in discovering customer needs and promoting or manufacturing new products or services.
- Bancassurance could reduce the risk factor of a bank as it has more wide range of product portfolio now.
- Banks can increase the customer loyalty as customers can fulfill their various financial needs from one bank. As most of the insurance products are long term, so it also helps to maintain long term relationship with the customers.
- The Bankers have extensive experience in marketing that can be used to attract customers as well as non-customers.

Benefits of Insurers

- Through bancassurance, the insurers can significantly extend its customer base and enjoys access to customers who were previously difficult to reach. For example, an insurer who previously concentrated on high net worth individuals can now gain access to a wider range of customers beside that segment. Thus it could facilitate the insurers to disperse geographically and demographically.
- Bancassurance could assist to achieve economies of scale in the administration costs. This in turn allows the insurer to improve profitability and to price future products with narrower margins, which helps to make the insurer's products more competitive.
- Bancassurance can reduce the strong dependency of insurers on agency distribution channel and by using banking distribution channel insurers can increase their volume of business and gain better. This diversification will certainly reduce risks as well as agency distribution cost.
- The insurance companies can get access to ATM's and other technology being used by the banks.
- Since banks have already established relationship with customers, conversion ratio of leads to sales is likely to be high. Further service aspect can also be tackled easily.

Benefits of Customers

- Through bancassurance the consumers can enjoy optimum access to all financial services from a bank that offers both banking and insurance products. The synergy of banks and insurers will be a blessing for the customers as product innovation and distribution activities are directed towards the satisfaction of the needs of the customer.
- The consumers can get insurance products more cheaply while the product features will be same as product distribution channel cost will be lower than the traditional distribution channel like agency.
- Customers can enjoy comprehensive financial advisory services under one roof. i.e., insurance services along with other financial services such as banking, mutual funds and personal loans.
- Since premiums are collected directly from bank accounts, premium payment method will be simplified.
- The delivery at doorsteps can save valuable time of customers.

Products of Bancassurance

“Product” in bancassurance is a central theme, because it is crucial to success with customers but also to success with the sales network (Marjorie Chevalier, 2005). In deciding about the offered products, the bancassurer would need to consider whether these can be effectively sold by the employees and agents involved in the bancassurer’s sales operation. Products of bancassurance can be divided into 2 major classes:

i. Stand-alone Insurance Products: In this case, insurance is sold as one more item in the menu of products offered to the bank’s customer, however, the products of banks and insurance will have their respective brands too, e.g., Standard Chartered Bank selling of life insurance products of MetLife Alico or non-life insurance products of United Insurance Company Limited.

ii. Blend of Insurance with Bank Products: With the financial integration both within the country and globally, insurance is increasingly being viewed not just as a ‘standalone’ product but as an important item on a menu of financial products that helps consumers to blend and create a portfolio of financial assets, manage their financial risks and plan for their financial security and wellbeing. This strategy aims at blending of insurance products as a ‘value addition’ while promoting its own products. Thus, banks could sell the insurance products without any additional efforts. In most times, giving insurance cover at a nominal premium/ fee or sometimes without explicit premium does act as an added attraction to sell the bank’s own products, e.g., credit card, housing loans.

SWOT Analysis of Bancassurance in Bangladesh

Strengths

- A significant number of banks with wide network of branches in the urban, sub-urban and rural areas that can facilitate taking up the task on a large scale
- With the help of banks' trained staff, brand name and reliability of people on the banks, the selling of insurance products can be done in a more proper way
- Little R&D effort is required at the outset i.e. a large number of products is already lined up
- Recent positive outlook of the Government towards the insurance industry by enforcing new insurance laws and forming IDRA to strengthen the industry
- Most of the banks own customer credibility and well organized banking culture

Weaknesses

- Lack of skilled professional in the insurance industry
- Public banks that cover highest network, lack in professionalism
- Lack of understanding and expertise on insurance business of the bank personnel □
- Some cultural difference among banks and insurers that may arise for the nature of products, strategies and revenue recognition
- No institutional training facility about bancassurance is available

Opportunities

- Huge untapped market in a country of 160 million people only less than 1% of population having insurance
- Banks hold enough information about their customers that can leverage to cross-sell and upsell.
- The database can also be used to find homogenous group
- Through banking network, insurance products can reach previously unexploited spaces
- Corporate and salaried customers can be targeted for specific products
- Bancassurance can offer huge business potential for banks and insurers because of growing economy aligned with growing banking and insurance sector

Threats

- Lack of understanding and indifferent attitude about the insurance products among the customers. For example, insurance in Bangladesh is perceived more as a saving option than providing risk cover
- Lack of well-defined regulations and regulatory body's outlook towards the bancassurance

- Requires change in approach, thinking and work culture on the part of everybody concerned
- Due to inflationary pressures savings are shrinking specially of the middle class who constitutes the bulk of this market

6 Conclusion

It is worldwide recognized that Bangladesh has been considered as pioneer in Microcredit with diversified products. Many NGOs/MFIs in Bangladesh are striving to offer demand driven and diversified financial products and services to the poor people. But still a significant number of poor people are vulnerable to adverse situation in their life cycle and untapped with social security products like insurance that can be a social safety net for them. Although, there are different types of institutions providing Microinsurance, including private commercial companies but that is insignificant.

It is true that developing and offering a new product always has some risks. Sometimes

NGOs/MFIs and insurance companies ignore poor people because they consider the financial sustainability of this Microinsurance product. But many of the risks and vulnerabilities faced by the low-income clients served by MFIs are insurable. In these cases, well-designed Microinsurance products can have an important development impact. The challenge is to ensure that the product developed is appropriate for the needs and preferences of the households, is financially viable, and is provided through institutions that have the resources and expertise to manage the finances and the risk inherent in the product. If the Microinsurance products can be developed in such a way that addresses the needs of the poor, then this product can be financially viable and sustainable.

As a pioneer of Microcredit, NGOs/MFIs as well as insurance companies can address the needs of the poor to achieve the United Nations Millennium Development Goals and cover all poor people of the country with social security products like insurance and ensure social safety nets.

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Appendix

Questionnaire

Dear Respondents,

For the partial fulfillment of my MBA Degree and concerned for need and perception of insurance among underprivileged people, I am conducting a research on Microinsurance to gather necessary and beneficial responses of the people. For the sake of successful carrying out of the research, I am hoping your generous support.

Name:

Age:

Gender:

Annual Income:

1. Are you aware of microinsurance?
 - A) Yes
 - B) No

2. Has any insurance agent come to you for your insurance?
 - A) Yes
 - B) No

3. Have you ever invested in insurance policy?
 - A) Yes
 - B) No

4. After knowing the benefits of insurance do you think insurance is helpful to you?
 - A) Yes
 - B) No
 - C) May be

5. Are you interested in microinsurance policy?
 - A) Yes
 - B) No
 - C) May be

6. If you ever invest in insurance, which type of organization you will choose?
 - A) Public sector insurance company
 - B) Private sector insurance company

7. Which type of Policy will you prefer?
 - A) Life Insurance
 - B) Saving & Retirement

C) Health Insurance

8. How much premium you are willing to annually for your insurance policy?
- A) Less than 1,000
 - B) 1,000 – 5,000
 - C) 5,000 – 10,000
 - B) More than 10,000
9. Which mode of payment will you prefer for premium?
- A) Annual
 - B) Quarterly
 - C) Semiannually
 - D) Monthly
10. How do you want to pay your premium?
- A) At your door step
 - B) At bank
 - E) Insurance Branch Office
 - F) Others