

**In- house Actuarial Support to Fareast Islami
Life Insurance Company Limited**

BRAC UNIVERSITY



In- house Actuarial Support to Fareast Islami Life Insurance Company Limited

Submitted to:

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Date of Submission: 23 April 2017



AN INTERNSHIP REPORT

ON

***IN-HOUSE ACTUARIAL SUPPORT TO
FAREAST ISLAMIC LIFE INSURANCE
COMPANY LIMITED (FILICL)***

Letter of Transmittal

23 April 2017

BRAC Business School
BRAC University

Subject: **Submission of Internship Report**

Dear sir

It is a pleasure to be able to hand over the report of my internship program on “In-house Actuarial Support to Fareast Islami Life Insurance Company Limited”. I am working as a Junior Officer in Actuarial Department of this company. While preparing this report, I came to know about different aspects of “In- house Actuarial Support to Fareast Islami Life Insurance Company Limited”.

I, therefore, convey my thanks to my supervisor for his kind co-operation, supervision and advice in conducting and preparing this report. I have completed the whole program with great enthusiasm. I hope you will find this report worth reading although I was not able to accumulate all types of information due to time constraint and other limitations. If you need any clarification, I will be obliged to provide further clarification.

Sincerely yours

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Acknowledgement

In the name of almighty it is my pleasure to present this report titled “*In- house Actuarial Support to Fareast Islami Life Insurance Company Limited*”. This internship report is prepared as a requirement for MBA completion program under MBA Program of BRAC University. As it is a conventional rule for BRACU students who are already in a job to do their internship on their respective job area and I am working in Actuarial Department of this company , that is why I have been given opportunity to prepare my internship report on this company specifically on Actuarial Department.

First of all I would like to thank **Mr. Mahmudul Haq** my supervisor for his valuable advises in preparing the report which he himself primarily designed for me and supervised me to make it a analytical Actuarial Department related report and helped me to increase my understanding of the content of the report.

In Fareast Islami Life Insurance Company Limited my special thanks to **Mrs. Samira Yunus, SVP and In-Charge of Actuarial Department** for helping me to obtain important data on different aspects. My cordial thanks to all of my fellow colleagues for being so nice with me and helping me in all aspects in spite of their busy schedule. All the officers and staffs of Fareast Islami Life Insurance Company Limited were very considerate and helpful. They provided me all assistance to complete my internship successfully. I thank them for being so friendly and cordial to me.

ABBREVIATIONS

FILICL	Farest Islami Life Insurance Company Limited
DSE	Dhaka Stock Exchange
CSE	Chittagong Stock Exchange
IDRA	Insurance Development and Regulatory Authority
BIA	Bangladesh Insurance Academy
CSR	Corporate Social Responsibility
IT	Information Technology
SVP	Senior Vice President
FAVP	First Assistant Vice President
EO	Executive Officer
JO	Junior Officer
PO	Probationary Officer
AIA	Associate of Institute of Actuaries
CMO	Chief Medical Officer
OR	Ordinary Rate
GD	General Diary
PS	Police Station
FPR	First Premium Receipt
FMR	Full Medical Report
PUR	Pathological Urine Report
ESR	Erethro Sedimentation Rate
CBC	Complete Blood Count
WBC	White Blood Cell
RBC	Red Blood Cell
TC	Total Count
DC	Differential Count
FBS	Fasting Blood Sugar
GTT	Glucose Tolarence Test
ECG	Echo Cardiography
ECHO	Echo Cardiogram
ETT	Exercise Tolerance Test
HIV	Human Immune Deficiency Virus
AIDS	Acquired Immune Deficiency Syndrome

EXECUTIVE SUMMARY

“Fareast Islami Life Insurance Company Limited” is a leading third generation company in the insurance sector which started its journey on 29 May 2000 and obtained Certificate of Incorporation and Certificate of Commencement of Business on 29 May 2000 as a Public Limited Company under the Companies Act, 1994 and subsequently listed with the Dhaka and Chittagong Stock Exchange (DSE) Limited in 2005. Since inception, Fareast Islami Life Insurance Company Limited has been working efficiently and achieved strong and prominent position in the insurance sector. By the passing of time the company has consolidated its strength manifold through extending its business rapidly while ensuring sustainable growth.

My internship report on FILICL is titled **“In- house Actuarial Support to Fareast Islami Life Insurance Company Limited”**. To construct the report I have tried to collect as much as related information. First I gave an overview of the company. I included a brief discussion of overall activities to get a preliminary idea of the services of the company. Though the topic is not based on overall activities it has a origination in this sector. The functions of Underwriting, Maturity, Paid up Maturity, Surrender, Death Claim, Re- Insurance Department has important implication on the In- house Actuarial support to the company.

In order to get idea of the performance of the company I tried to show how the company differentiates its products. My concentration was to show the whole process of In-house Actuarial support. As a major part of the report overall In-house Actuarial support analysis is done. In-house Actuarial support analysis included product features, product pricing, maturity, paid up maturity, surrender, death claim settlement, re-insurance treaty etc.

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1.0 INTRODUCTION

1.1 Background

Since the institutionalization of flow of fund system financial institutions have been playing important roles in the development of an economy by directing flow of fund in an efficient manner. Though traditionally banks are considered as more important player in this sector in the modern context insurance companies are also in the limelight for their more customized services in the financing sector. Insurance companies play a significant role in meeting the diverse financial needs of various sectors of an economy and thus contribute to the economic development of the country as well as to the deepening of the country's financial system. According to Goldsmith (1969), development in a country starts with the development of banking institutions. As the development process proceeds, insurance companies become prominent alongside the banking sector. Today more and more people are converging to insurance companies. This is because of the fact that comparing to the banks, insurance companies give higher returns against their deposited premium. Insurance companies theoretically make money in two ways: By charging enough premiums to cover the expected payouts that they will have to cover over the life of the policy and by earning investment returns using the collected premiums. In actual practice, most insurance companies pay out almost all of their premiums in order to attract larger customer volumes and liabilities. Chief earnings focus is thus placed on investment returns.

In Bangladesh, The financial market is extremely competitive. At present, there are almost 77 insurance companies including 30 life insurance companies. Fareast Islami Life Insurance Company Limited has been rendering life insurance business and services through its 1213 Organizational Offices, 291 Zonal offices, 97 Service Center Offices and 23 divisional Offices throughout Bangladesh. The company is focused on providing quality and quick services to its clients. Over the years Fareast Islami Life has established a track as a sound and dependable services and consistently enabled to comply with all commitments to the clients and the society.

Human beings, his family and properties are always exposed to different kinds of risks. Risk involves the losses. Insurance is a tool which reduces the cost of loss or effect of loss caused by variety of risk. It accumulates funds to meet individual losses.

It is not a device to prevent unwanted event of happening or cause of loss but protects them against that loss by compensating which as lost.

1.2 Origin

It has become essential for every person to have some idea on the insurance companies and their products. As our educational system predominantly text based, inclusion of practical orientation program is an exception to the norm. As I have been working around two years in Actuarial Department of Fareast Islami Life Insurance Company Limited, my experience has helped me a lot preparing this report and also furnished my knowledge further. In such state of affairs the present study aiming at analyzing the experience of practical orientation related to an appraisal of Fareast Islami Life Insurance Company Limited and my report topic has been selected as “In-house Actuarial Support to Fareast Islami Life Insurance Company Limited.

1.3 Objectives

Primary objective:

The primary objective of this report is to prepare a report on “In- house Actuarial Support to Fareast Islami Life Insurance Company Limited” as the partial requirement of MBA program.

Secondary objectives:

The study was conducted to achieve the secondary objectives that includes to present an overview of FILICL, introduce the products of this company, introduce its Actuarial Department activities, analysis of Actuarial Department’s overall performance, suggest measures for the development of Actuarial Department of this company.

1.4 Methodology

In order to make the report more meaningful and presentable, from two sources data and information have been collected.

Data Collection:

Data has been collected from both primary and secondary sources for preparing this report.

Primary sources of data includes face to face conversation with the institution's officers and staffs, direct conversation with the valuable clients, study of different files of different section of the institution, practical deskwork.

Secondary sources of data includes annual report 2015 of FILICL, published data from the organization, different publications of FILICL, website, FILICL database.

1.5 Limitations

There are some limitations of the report and therefore it may lack some crucial data. In preparing the report I faced some problems which are as follows:

□ The main constrain of the study was insufficiency of information, which was required for the study. There are various information the company's employees can not provide due to security and other corporate obligations and as an employee of this company I am obliged to the company not to disclose any confidential information to others and in this report also.

□ Due to time limitation many of the aspects could not be discussed in the present report.

□ Lack of opportunity to have conversation with higher authority.

1.6 Importance of Insurance

The role and importance of insurance are discussed as follows:

Insurance provides security

Insurance provides safety and security against the loss on a particular event. Life insurance provides security against death and old age sufferings. Fire insurance protects against loss due to fire while Marine insurance provides protection and safety against loss of ship and cargo. For personal accident and sickness insurance financial protection is given when the individual is unable to earn. In other insurance too, this security is provided against the loss at a given contingency.

Insurance reduces business risk or losses

In business, commerce and industry, huge properties are employed. Because of slight negligence, the property may be turned in to ashes. A person may not be sure of his life, health and cannot continue the business up to the longer period to support his dependents. By the help of insurance, he can be sure of his earning, because the insurance company will pay a fixed amount at the time of death, damage by fire, theft, accident and other perils.

Insurance provides peace of mind

Insurance removes the tensions, fears, anxiety, frustrate or weaken of the human mind associated with the future uncertainty. By providing financial position and promise to compensate losses arise out from various risk, it provides peace of mind and stimulates more and better work performance of an individual.

Life insurance encourages saving

The insured has an obligation to pay premium regularly and cannot be withdrawn easily before the expiry of the term of policy. Life insurance encourages the habit of regular and systematic saving through premium and after a certain period, it would be a part of necessary saving of the insured person.

Insurance accelerates the economic growth of the country

To develop the economic growth of the country, insurance provides strong hand and mind, with protection against loss of property and capital to produce more wealth. It provides protection against different kinds of loss caused by risk. It accumulates the capital from the insured and utilizes for the development of country. Thus, the insurance meets all the requirements for the economic growth of a country.

Insurance provides credit facilities

The insured person can get loan by pledging insurance policy and the interest will not exceed the cash value of policy charged by insurer. In case of death of insured person, the policy can be utilized for setting of the loan with interest. Business person can take loan on the basis of insurance documents from the bank also.

Insurance helps to reduce inflation

Inflation created from over supply of money and on less production entities. Insurance can help to reduce the inflationary pressure in two ways. Firstly, it collects money as an amount of premium which controls over supply of money and secondly, it provides sufficient funds for increase production entities. Thus, it reduces the impact of inflation.

Insurance makes security and welfare of employees

The security and welfare of employees is the responsibility of employer. These security and welfare are easily met by life insurance, accident and sickness benefit and pension which are generally provided by group insurance. The premium for group insurance is normally paid by the employer. Insurance is the simple method for employer to fulfill their responsibility. Due to these benefits, employee will devote their maximum capacities to complete their job.

Other Importances of Insurance:

- i. Insurance helps to promote foreign trade providing protection against trade risk.
- ii. Insurance increases business efficiency eliminating the loss of damage, destruction, or disappearance of property of goods.
- iii. Insurance protects the social wealth providing protection against social evil.
- iv. Development of insurance business helps to solve the evil of unemployment, generating employment opportunity in the country.
- v. The insured gets **tax benefit in life insurance**.

1.7 Bangladesh Insurance History

The Parliament of Bangladesh on 3 March 2010 has passed two insurance laws in a bid to further strengthen the regulatory framework for the insurance industry. The new laws, came into effect on 18 March 2010, are Insurance Act 2010 and IDRA Act 2010.

Currently 77 insurance companies have been operating in the country . The companies are to be regulated under comprehensive laws and guidelines, and to be supervised by IDRA. The IDRA Act 2010 has paved the way for better regulation of the sector by reducing business risks, and by harmonizing local and international insurance laws for the Economy of Bangladesh. IDRA attempts to protect the interest of insurance policy holders, beneficiaries and ensuring stability of the insurance sector. Two state-owned insurers –Sadharan Bima Corporation (SBC) and Jiban Bima Corporation (JBC) are also regulated by IDRA.

Bangladesh Insurance Academy (BIA), established in 1973, is the only public training institute imparting insurance training and education for the insurance professionals of the country. The management of the academy is vested in a board formed by the government. The academy also provides tailor-made insurance training for the insurance operators in Bangladesh. Additionally it organizes customized training sessions, seminars, symposiums and conferences on issues relating to the insurance sector of Bangladesh.

2.0 AN OVERVIEW OF FILICL

2.1 Company Profile

Name: Fareast Islami Life Insurance Company Limited

Commencement of Business: 29 May 2000 under the Companies Act 1994

Registered Office: Fareast Tower, 35 Topkhana Road, Purana Paltan, Dhaka- 1000.

Type of Business: A Public Limited Company

Authorized capital: TK. 1000.00 million

Paid up capital: TK. 622.86 million

Business Segment: Life insurance

Actuarial Consultant: Mr. Mohammad Sohrab Uddin PhD, AIA

2.2 Background

“Fareast Islami Life Insurance Company Limited” is a leading third generation company in the insurance sector started its journey on 29 May 2000 and obtained Certificate of Incorporation and Certificate of Commencement of Business on 29 May 2000 as a Public Limited Company under the Companies Act, 1994 and subsequently listed with the Dhaka and Chittagong Stock Exchange (CSE) Limited in 2005. Since inception, Fareast Islami Life Insurance Company Limited has been working efficiently and achieved strong and prominent position in the insurance sector. By the passing of time the company has consolidated its strength manifold through extending its business rapidly while ensuring sustainable growth. The company is focused on providing quality and quick services to its clients. Over the years Fareast Islami Life has established a track as a sound and dependable services and consistently enabled to comply with all commitments to the clients and the society.

As on 31 December 2015 total number of shareholders were 11,827 and round the year the company has held the position at CSE 30 index of the Chittagong Stock Exchange Limited.

Most of the Directors of the company are prominent figures in the society having ownership of many organisations. They are experienced with adequate knowledge about the relevant business fields and also bearing positive personality.

Financial performance of the company is very strong and positive. Total assets of the company as at 31 December 2015 stood at taka 40,763.21 million and life fund taka 31,297.26 million. The company always maintained strong corporate culture, corporate governance, code of conduct, ethical principles and corporate social responsibilities.

2.3 Direction and Management

A 17 member board of directors, including two independent directors, the chairman and the Chief Executive Officer of the company. The functions of different operational divisions are carried out under direction and surveillance of Head of the Division. In 2017, FILICL has 1213 Organizational Offices, 291 Zonal offices, 97 Service Center Offices and 23 divisional Offices throughout Bangladesh.

2.4 Capital Structure

FILICL has a strong capital base. The company invested its fund in Shariah based banks and financial companies, wherefrom good income is generated and as a result attractive returns are available to give benefits to Shareholders as well as policyholders as dividend and bonus. Its authorized capital is TK. 1000.00 million while its paid up capital is Tk.622.86 million. The total market value of the company's shares is taka 3892.85 million as on 31 December 2015. So far FILICL has been able to meet its capital adequacy requirement successfully.

2.5 Strategic Analysis

Mission

- ❖ Continue delivering attractive returns to our valued shareholders by sustainable growth in business.
- ❖ Setting high standards of integrity.
- ❖ Become a most caring organization and employer of choice.
- ❖ Ensuring human resources development to meet the challenges of the time by providing continued training and professionalism.
- ❖ Bring innovation in products and services.

Vision

Our Vision is to have a poverty free Bangladesh in course of a generation in the new millennium, reflecting the national dream and to make a society where human dignity and rights get the highest consideration to remove of poverty.

To become the best and premier islami life insurance company in the country in terms of efficiency, capital adequacy, asset quantity, sound management and profitability having strong liquidity.

Code of Conduct and Ethical Principle

FILICL believes that business ethics practices provide a basis for the stability and sustainable growth of the company. The company has established sophisticated processes and structures exhaustive in employees conduct and ethical principles for a responsible and values driven management and control. The Code of Conduct is designed to guideline the employees of the company to observe, comply with the prudential standards of conduct, manner and behavior. It is in alignment with the Company's Vision, Mission, Objectives, corporate culture and aims at enhancing the ethical and transparent process in managing the affairs of the Company. The employees of the company should strictly adhere to the following code of conduct and ethical principles:

- ❖ Employees must be sincere and loyal to the Company.
- ❖ Maintain strict secrecy of the Company.
- ❖ Refrain from disclosing the confidential and sensitive information of the Company.
- ❖ Behaviour must be in such a manner that will enrich the image, dignity and reputation of the Company.
- ❖ Perform the duties efficiently and faithfully.
- ❖ Ensure policyholders, other stakeholders' needs and satisfaction in the best possible manner within the guidelines of corporate ethics, honesty, sincerity, dignity and utmost care.
- ❖ Build and consolidate corporate culture in the company.
- ❖ Ensure Corporate Social Responsibilities (CSR) through performing activities.
- ❖ Pay more importance in human resources as well as financial capital.

Corporate Philosophy

For policy holders

- ❖ To provide the most courteous and efficient services in every aspect of its business.
- ❖ To be innovative in the development of new insurance products and services.

For employees

- ❖ By promoting their well-being through attractive remuneration and fringe benefits.

- ❖ By promoting good staff morale through proper staff training and development and provision of opportunities for career development.

For shareholders

- ❖ By forging ahead and consolidating its position as a stable and progressive financial institution.
- ❖ By generating profits and fair return on their investment.

For Community

- ❖ By assuming our role as a socially responsible corporate entity in a tangible manner.
- ❖ By adhering closely to national policies and objectives thereby contributing towards the progress of the nation.
- ❖ By upholding ethical values and best practices.

Core Values

Five key core values that dictate the manner through which FILICL provide insurance services to the nation.

Integrity

FILICL is committed to upholding integrity as one of the core values of Islam in all of its activities.

Solidarity

Solidarity of the nation is a must for peace, progress, prosperity and happiness. So, Islam strongly inspires us for solidarity. Solidarity of people is its dream and wishes to see the dream turning into truth.

Lawful

Fareast Islami Life comes to establish everything lawful and destroys lawlessness. This value taught it to be lawful in their all sphere of operations.

A'dal and Ehsan

Allah SubhanahuTa'ala dictates us to establish A'dal and Ehsan in all Muaamelat and Muasharat. FILICL is here to establish A'dal and Ehsan by ensuring riba free islamic economic system.

Mutual benefits

Fareast Islami Life always concerned about mutual benefits. Their activities are nothing but to make sure mutual benefits of all stakeholders.

2.6 Corporate Social Responsibility

FILICL is one of the largest best corporate cultured companies in Bangladesh. It has been discharging responsibilities to the society since its inception. The area corporate social responsibility includes clients, employees, shareholders, business associates and the society as a whole. Corporate social responsibility plan of FILICL is mainly about the awareness of actions in support of environmentally sustainable social development. The company donates and helps in cyclone affected area, natural disasters area and relief fund of the government. The company has spent Taka 7.99 million in the year 2015 for the purpose of CSR for distribution of Blankets among the poor people in cold hit area of the country, medical treatment for poor people, educational welfare and other sectors.

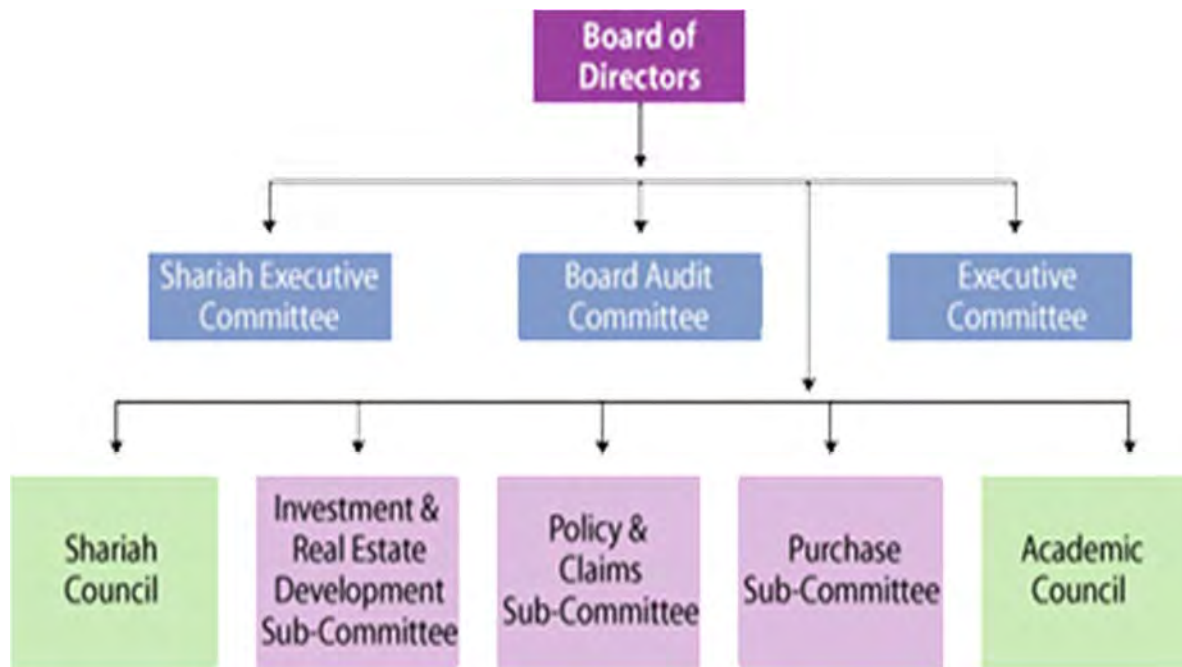
2.7 Corporate Culture

FILICL is one of the most disciplined insurance company with a distinctive corporate culture. In this company, it believes in shared meaning, shared understanding and shared sense making. The people of the company can see and understand events, activities, objects and situation in a distinctive way. They mould their manners and etiquette, character individually to suit the purpose of the company and the needs of the customers who are of paramount importance to them. The people in the FILICL see themselves as a tight knit team/family that believes in working together for growth. The corporate culture they belong has not been imposed; it has rather been achieved through their corporate culture.

2.8. Organizational Structure

ORGANOGRAM OF BOARD AND ITS COMMITTEES

The Corporate Management of Fareast Islami Life Insurance Company Limited consists of three committees, two Councils and three sub Committees:



3.0 OPERATIONS AND COMPANY ANALYSIS

3.1 Product and Services of FILICL

Individual Life (EkokBima)

- Endowment Insurance with profits
- Assurance-Cum-Pension Insurance-without profits
- Islamic Endowment Plan (Hajj Insurance) with profits
- Four payment anticipated insurance-with profits
- Islamic Endowment Plan (Denmohor Bima) with profits
- Islamic Three payments Endowment Assurance Plan- with profits
- Single premium Endowment Assurance Plan- without profits
- Child protection Plan-with profits
- Fareast Deposit Pension Scheme (FDPS)-with profits
- Islami Money Back Insurance-without profits
- Islami endowment Plan (FDPS)-with profit
- Child Education and Marriage Endowment Insurance Plan- with profit
- Five Stage anticipated insurance Plan-with profit
- Joint Life Insurance with profit
- Two payment anticipated insurance-with profits

Group Insurance

- Group Term Insurance
- Group Endowment Insurance
- Group Variable Endowment Insurance

Micro Insurance (SharbojaninBima)

- Small Saving (sarbajanin) Assurance Plan-with profits
- Single Premium Endowment Assurance Plan (SPP)-without profit
- Fareast Deposit Pension Scheme (FDPS)-with profit
- Islami Endowment Plan (FDPS)-with profits
- Islami Endowment Plan (Hajj Bima)-with profits
- Islamic endowment plan (Denmohar Bima)-with profits
- Child Education and Marriage Endowment Insurance Plan-With Profit
- Joint Life Endowment Assurance Plan-with Profit

3.2 Operational Activities of FILICL

- Strategic planning process
- Identification and management of risks
- Administrative
- Financial
- Organizational
- Investment and Real Estate Development
- Oversight of communications and public disclosure
- Shariah
- Internal Control
- Governance
- Reporting to the board of director
- Reporting to the authorities
- Reporting to the shareholders and general investors

3.3 SWOT Analysis

Strength

- Experienced top tier management supported by strong mid and front-tier personnel.
- It has a good corporate governance practices. They maintain an attractive and stable operating environment promoting employee development.
- FILICL has a good capital strength and parental support with institutional shareholding, support from home and abroad.
- It is utilizing credit line facilities of a good number of reputed commercial banks and non-banking financial institutions as their source of fund.
- Risk management lies at the core of any financial institution. FILICL has commissioned a separate credit committee which mitigates risk as well as monitors asset-liability mismatches on a regular basis.
- FILICL has a exclusively diversified and innovative operations in different service areas. Product innovation is a major strength of this company and apart from it by providing better service FILICL constantly thrives to innovate and introduce new products.
- Fareast Securities Limited is one of the subsidiaries of the company.
- The subsidiary is making significant money each year.
- FILICL has a separate IT department which is maintaining sophisticated IT infrastructure.

Weaknesses

- Relatively higher administrative expenses compared to similar insurance companies.
- High turnover ratio of employees.
- Higher level of financial risk

Opportunity

- Diversified products for all classes of people provided by FILICL are very attractive as it gives very high bonuses to the clients. If proper marketing is carried out to make it more attractive to people, it will be very good source of their fund.

Threats

- FILICL's operations are governed by the charges in regulation that occur from time to time. Interest rate fluctuation may affect the company to a large extent.

4.0 IN-HOUSE ACTUARIAL SUPPORT TO FILICL

4.1 Actuarial Science

General people and in most of the cases educated people of Bangladesh are not familiar with what is Actuarial Science and what is its applications and where this field's knowledge is applicable. Well, Actuarial science is the discipline that applies mathematical and statistical methods to assess risk in insurance, finance and other industries and professions. Actuaries are professionals who are qualified in this field through intense education and experience. In many countries, actuaries must demonstrate their competence by passing a series of thorough professional examinations.

Actuarial science includes a number of interrelated subjects, including mathematics, probability theory, statistics, finance, economics, and computer science. Historically, actuarial science used deterministic models in the construction of tables and premiums. The science has gone through revolutionary changes during the last 30

years due to the proliferation of high speed computers and the union of stochastic actuarial models with modern financial theory. As a result, actuarial science developed along a different path, becoming more reliant on assumptions, as opposed to the arbitrage-free risk-neutral valuation concepts used in modern finance. The divergence is not related to the use of historical data and statistical projections of liability cash flows, but is instead caused by the manner in which traditional actuarial methods apply market data with those numbers. For example, one traditional actuarial method suggests that changing the asset allocation mix of investments can change the value of liabilities and assets. This concept is inconsistent with financial economics.

In traditional life insurance, actuarial science focuses on the analysis of mortality, the production of life tables, and the application of compound interest to produce life insurance, annuities and endowment policies. Contemporary life insurance programs have been extended to include credit and mortgage insurance, key man insurance for small businesses, long term care insurance and health savings accounts.

4.2 Actuarial Department of FILICL

In FILICL, Actuarial Department consists of seven employees. The SVP and In-Charge Mrs. Samira Yunus, two employees are ranked as FAVP, one is EO, one is Officer and one is ranked as JO. The Actuarial Consultant is Mr. Mohammad Sohrab Uddin PhD, AIA, a senior and renowned Actuary.

4.3 Duties of Actuarial Department of FILICL

Actuarial Department of FILICL does all kinds of reporting. It does technical audit and check maturity, surrender, death claim, survival benefit, lapsed files and do re-insurance treaty, group fixation. It does underwriting based on financial and medical reports and it gives in-house support to external Actuary and does product pricing, specialized reporting to Managing Director, check anomaly. The Actuarial Department also determines product parameter, interest rate.

Actuarial Department has the right to interfere in the activities of any department of FILICL. This department can obtain any information of FILICL that the department thinks necessary.

4.4 Process and Payment method

4.4.1 Underwriting

The underwriting process determines how much premium, or money an insurance company should charge for that policy.

The Underwriting Process

Underwriting is the process of insuring someone or something. Insurance underwriters are qualified persons who evaluate an insurance proposal to assess the kind and degree of risk involved.

There are three types of underwriting which are stated below:

- i. Medical underwriting
- ii. Non-medical underwriting
- iii. Financial underwriting

Medical underwriting:

In medical underwriting the following requirements are to be followed strictly which are to be completed and submitted by the proposer. After receiving the medical requirements i.e. different test reports by the central underwriting department of Head Office, these reports along with the proposal files are submitted to Chief Medical Officer (CMO) of the company. The CMO gives his

opinion of the different medical test reports. After getting opinion of the CMO the concerned underwriter gives his underwriting decision in accordance with the opinion of CMO. If the CMO gives any adverse opinion in that case proposal may be declined or advised for re-medical test from a reputed diagnostic centers.

Following are the medical requirements which are called for along with the proposal:

Medical requirements:

Initial Sum at Risk(BDT)	Entry Age			
	Up to age 35 years	36-40 years	41-45 years	Age above 45 years
Up to 50,000	Personal Statement	Personal Statement	Personal Statement	FMR+PUR
50,001-1,00,000	-Do-	-Do-	-Do-	FMR+PUR+ESR
1,00,001-2,00,000	-Do-	-Do-	FMR+PUR	FMR+PUR+ESR+ECG
2,00,001-3,00,000	-Do-	-Do-	FMR+PUR+CBC	FMR+PUR+CBC+ECG
3,00,001-4,00,000	FMR+PUR	FMR+PUR+ESR	FMR+PUR+CBC	FMR+PUR+CBC+ECG
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6,00,001-10,00,000	FMR+PUR+CBC+FBS	FMR+PUR+CBC+FBS+ECG	FMR+PUR+CBC+FBS+ECG+X-RAY	FMR+PUR+CBC+GTT+ECG+X-RAY
10,00,001-30,00,000	FMR+PUR+CBC+FBS+ECG+X-RAY	FMR+PUR+CBC+FBS+ECG+X-RAY	FMR+PUR+CBC+GTT+ECG+X-RAY	FMR+PUR+CBC+GTT+ECG+X-RAY
Above 30,00,000	FMR+PUR+CBC+GTT+ECG+X-RAY	FMR+PUR+CBC+GTT+ECG+X-RAY+HIV(AIDS)	FMR+PUR+CBC+GTT+ECG+X-RAY+HIV(AIDS)+Other Tests	FMR+PUR+CBC+GTT+ECG+X-RAY+HIV(AIDS)+Other Tests
Other Tests	SGOT + SGPT + Gamma GT + Bilirubin + Cholesterol + Triglycerides + Uric Acid.			

Non-medical underwriting:

In non-medical case a prescribed form is supplied to the proposer which is to be completed, duly signed and to be submitted along with the proposal paper. In this non-medical form there are lots of questions regarding proposer's past and present state of health, previous illness and duration of illness, trend of family history, height, weight, chest measurement etc. These questions are to be answered with utmost good faith by the proposer. On the basis of the answers of these questions the underwriter has to decide whether to accept the life at OR or with lien or to decline .It is the duty of the proposer to disclose all material fact related to risk. In case of any concealment of these material fact, the proposal or contract may be null and void.

The following are the existing requirements of non-medical scheme:

Non-medical limit:

Male life :

Category	Condition	Age at entry	Age at Maturity	Maximum Sum at Risk (BDT)
A	SSC or equivalent examination passed certificate as age proof.	45	65	10,00,000
B	1) Officers of the Army/Navy/Air Force under health category 'A' 2) Applicant producing health certificate.	45	65	10,00,000
C	1) Bangladeshis staying abroad and included in the Health Scheme of UK, USA, Canada, European Country, Middle East, Malaysia and a few other countries. 2) Applicant producing health certificate or health insurance card/Akama (work permit).	45	65	10,00,000
D	Other who can read and write and has satisfactory age proof (Passport, NID, Affidavit, KabinNama and Others) along with proposal.	45	65	3,00,000

Female life :

Category	Condition	Age at entry	Age at Maturity	Maximum Sum at Risk(BDT)
A	SSC or equivalent examination passed certificate as age proof and having independent income of their own.	40	65	5,00,000
B	1) No SSC or Equivalent Examination passed Certificate but has independent income of their own and satisfactory age proof. 2) Applicant producing income evidence.	40	60	4,00,000
C	No SSC or equivalent examination passed certificate and no independent income of their own but has satisfactory age proof (Passport, NID, Affidavit, KabinNama& others) along with proposal.	40	60	3,00,000
D	Other who can read and write and has satisfactory age proof along with proposal.	45	60	1,00,000

Financial underwriting:

It means the capacity of a proposer to purchase a life insurance policy. The proposer has to purchase a policy according to his financial capacity. The proposer has to declare his or her source of income. A beggar can not purchase a policy. Similarly an unemployed person can not purchase an insurance policy.

General terms of a policy:

FPR: It is the First Premium Receipt. It is called the basis of life insurance contract. It is issued by the FPR issuing authority after getting underwriting decision and full payment of first Premium. If any condition i.e. lien or any clauses applied such as minority, first pregnancy or full pregnancy clause or currency regulation clause or what so ever clause in underwriting decision that

clauses must be endorsed in FPR. The risk of an assured person is covered from the issue date of the FPR.

Policy Document: It is called the evidence of a contract in a policy document. All the terms and conditions and clauses of the contract are reflected in it. It is duly signed and sealed by the competent authority of the company.

Duplicate Policy Document: When an original policy document is lost by the assured a written information is given by the assured for a duplicate policy document.

The following requirements are called for by the authority:

- i. Copy of GD lodged in local PS regarding loss of policy document
- ii. Advertisement published in a daily newspaper
- iii. Stamp duty and rewriting charge
- iv. Indemnity bond on a non-judicial paper worth Tk 150

In case of a certified policy document following requirements are to be complied with by the assured person:

- i. A written application regarding loss of policy document
- ii. Tk 100 for rewriting charge
- iii. An indemnity bond on a non-judicial paper worth Tk 150 only.

4.4.2 Maturity:

In case of maturity file, the first task is to examine the total deposited premium which a policyholder is supposed to deposit during the total term. Maturity files are divided into two categories. These are Sharbojonin Bima (small business) and Ekok Bima. After that lapsed period is checked and based on this lapsed period, the bonus is determined. The policyholder's payment net of total premium deposited is subject to 5% tax deduction.

The policyholder can avail tax rebate facility against the policy. Death claim is tax free. The policyholder get maturity amount with accrued bonuses after the end of maturity period.

4.4.3 Paid up maturity:

The policyholder can avail the facility of paid up maturity after two years payment of premium from the date of the commencement of the policy. The paid up maturity amount is given to the policyholder after the end of maturity period. In this case the calculation is done by reducing sum assured.

4.4.4 Alteration:

The terms & conditions of a Policy can be changed by a written application by the assured along with alteration fee Tk. 10 only. The following may be changed by alterations:

Table or term, increase or decrease of sum assured, assignment, re-assignment, change of nomination and change of mode of payment etc. All these alterations must be endorsed in the policy document.

4.4.5 Survival benefit:

This benefit is given in certain policies in Ekok Bima. It is paid in Anticipated Endowment Policies. It is a part of payment of the sum assured of the Policy. This benefit is deducted from the maturity benefit of the Policy. But in case of death of the assured during the tenure of the policy and before the date of maturity, the survival benefit would not be deducted from the death claim benefit. The nominee of the Policy would be given full sum assured as death claim benefit.

4.4.6 Re-insurance:

Actuarial Department of FILICL is primarily responsible for checking re-insurance policy and any kind of anomaly in re-insurance treaty. The company has re-insurance contract with Trust Re (India).

4.4.7 Valuation:

Like other insurance companies FILICL has to maintain certain provision or reserve. Life fund is taken from audit and accounts department. Bonus and dividend is declared on surplus amount. From the ninety percent of surplus amount, policyholder's bonus is declared and shareholder's dividend is declared from the remaining surplus that is ten percent of surplus amount.

External Actuary carries up the valuation. Internal Actuary can not do valuation because of some ethical issues.

5.0 MAJOR FINDINGS

Sources of Fund

FILICL collects funds from a wide range of sources including financial instruments, loans from banks, financial institutions and international agencies as well as deposits from institutions and the public.

Capital Structure

Due to the bad level of solvency margin of FILICL, they should pay special attention in determining their optimal capital structure. More especially, they should consistently generate policyholders' surplus to remain viable in the long run.

Investment Policy

Due to strong positive relationship between risk and profitability of FILICL, they should more aggressive or effective in their investment policies.

Liquidity

FILICL should more concentrate on net premiums earned to bring down the claims ratio and increase their profits. Higher profits would mean better reserves which in turn would assist the insurer to operate in times of unexpected eventualities and also help them maintain liquidity at all times.

Operational Efficiency

Operational efficiency should be increased by reducing underwriting expense and improving operating and management performance.

6.0 POLICY IMPLICATIONS AND CONCLUSION

6.1 Policy Implication:

The finance and insurance companies across the world are using different sources for collecting funds. FILICL may also explore the possibilities of gaining access to new sources of funds. However, in releasing such new products, some regulatory changes have to be made.

- For further improvement of **Actuarial Department**, the company should arrange actual training program frequently instructed by Actuarial Professionals for better improvement of the said department's employees. This is an urgent need of this department because without proper technical knowledge of this field the employees can not extend the actual service what this company actually is needed and it would be very tough to remain competitive with other insurance companies. The reason behind this is Actuarial Department is mainly responsible for checking anomaly, product pricing, innovating new products, calculating surrender factors, bonus factors etc.
- In reducing cost of funds FILICL can seek actively and diversify across lowest cost sources of fund. An active finance team can be employed to monitor potential sources of lowest cost of fund.
- FILICL have to be careful in creating the investment portfolio. To gain higher return it should not trade off with risk. Policy regarding investment should be very careful and of detail analysis of risk and return trade off.
- Close monitoring of costs can reduce operational expenses. Increased efficiency of employees can reduce operating cost drastically.

6.2 Conclusion:

Insurance companies have gained considerable popularity both in developed and developing countries. In one hand these institutions help to facilitate long-term investment and financing, which is often a challenge to the banking sector and on the other hand, the growth of insurance companies widen the range of products available for individuals and institutions with resources to invest.

Actuarial department is of much important for FILICL. Proper valuation and product pricing are significant issues for the company. The products get good response from clients. However there are associated risk in extending facilities as there is always chance of default. However overall performance of the company is satisfactory. It is said to comply with a satisfactory level to its business objectives. Increased and diversified introduction of products can open new window of opportunity for the company. In all matters however proper management of the products are really necessary.

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