

Part A

Acknowledgement:

First of all we would like to thank the almighty for giving us the strength and the aptitude to complete this report within due time. We are deeply indebted to our course teacher Sonia Rezina for assigning us such an interesting topic named "Non-Life Insurance Business in Bangladesh". I also express the depth of my appreciation to my honorable course teacher for his suggestions and guidelines, which helped us in completing this Assignment. We are also grateful to Mahmud Hossain, DGM, (MD.S Secretariat, PRD, Estt. & Motor Pool Dept.); Mr. Sudhangshu Kumar Ghosh, AGM, (Accounts & Investment); Md. Shahinuzzaman, Manager,(Underwriting Department); Md. Amir Hossain Mia, Deputy Manager,(Underwriting Department) of Sadharan Bima Corporation.

Executive Summary:

Peoples life, livelihood and properties are always risky because any kind of uncertain event can happen anytime which can cause unexpected losses. The process of insurance has been evolved to safeguard the interest of people from uncertainty by providing certainty payment at a given contingency. It provides indemnification against losses arising from the happening of some uncertain events. Insurance plays an important role in modern business and commerce. It stimulates expansion of trade operation to a very great extent for some consideration named premium and provides opportunity to businessmen to develop sense of independence and security from anxiety. The insurance market in Bangladesh now consists of two state owned corporations: Sadharan Bima Corporation and Jibon Bima Corporation, Forty-three non-life private insurance companies, sixteen private life insurance companies and one foreign life insurance company; a total of 62 insurance companies. Thus the insurance sector in Bangladesh has grown substantially and depended remarkable with number of companies in both life and non-life segments with the expansion of size of the insurance market, the value of assets of the industry has also been increased substantially. The general insurance includes property insurance, liability insurance and other forms of insurance. Sadharan Bima Corporation stands as insurer of public sector assets on its own behalf and also on behalf of private sector general insurance companies and also playing a role of national reinsurance to the reinsurance industry. It also contributes to the GDP of our country but it is still in a primary stage. Though limited but contributes of insurance business in the economic development of the country are very important. The premiums collected by SBC play a major role in building up national capital. This sort of capital can increase overall production by investing in different sectors. Compare to other countries in the subcontinent the progress of general insurance business is very slow. Various problems, obstacles and people's lack of knowledge and concepts regarding insurance are making the progress of this business slow. Though having many problems on behalf of general insurance business in Bangladesh, Sadharan Bima Corporation has continued and also is continuing its business with increasing growth rate which helps the development of national economy.

Introduction

Since the emergence of Bangladesh as an independent nation, insurance industry was nationalized along with banking and other major industrial sector. At the initial stage of nationalization of insurance industry, five government owned insurance corporations including one controlling corporations were steps. Sadharan Bima Corporation was established as the sole insurer for the general insurance Business in Bangladesh. Under the challenging world economic condition during many times SBC remains in a strong financial position. Despite the world economic recession the SBC continued progress in different areas of the business.

Rationale of the study

The report is assigned by our course teacher Sonia Rezina a part of our “Financial Markets and Institutions” course. The topic of this reported is, “Non-Life Insurance Business in Bangladesh”. For preparing this report we had to visit their offices and by visiting there we have got chance to see the real picture of their business. By preparing this report we have known many more about Sadharan Bima Corporation such as their history, objective, organizational structure, business policy, risk management system, their revenue and expenditure, their profit, how they meet their Customer’s claims and so on. By preparing this report we have gained the practical knowledge which will be very helpful to our career. For this reason we are very grateful to our career.

Objectives of the report:

Primary objective:

The main objective of this report is to show the scenario of the Non-Life Insurance Business at a glance.

Secondary objective:

This report has also some other objectives, which are as follows.

- To earn proper and right knowledge about the insurance business in Bangladesh.
- To earn practical knowledge about when the risk management and distribution system.
- To know the conditions under when claims are considered and the process of meeting claim.
- To observe their development year by year.
- To earn knowledge about reinsurance business.
- To know how they respond to different parties.
- To know the importance and necessity of insurance in different sector.

Methodology:

We have prepared this report by analyzing the information which we have attained from several visits to Sadharan Bima Corporation (SBC). We have taken interview of almost 10 high officials of SBC. We have also read the annual report of SBC of last 5 years. By combining the knowledge of our textbook and knowledge from our visits, we have prepared our report. We have tried to present our gathered knowledge in this assignment systemically. Here we show Statistical Presentation of Income and Expenditure of Sadharan Bima Corporation and Analysis of Income and Expenditure

Sources of data:

Here primary and secondary both types of information were used. The primary information we collected from different officers of SBC. The secondary sources are,

- Last 5 years annual report of SBC.
- Website.
- Interview of high officials of SBC.
- Text Books.

Limitations

While conducting the report on “General Insurance Business in Bangladesh”, some Limitations were yet present there:

- Because of time shortage many related area cannot be focused in depth.
- Recent data and information on different activities was unavailable.

Part B

Sadharan Bima Corporation

Insurance Background of Bangladesh:

A century started insurance business, particularly life, in this part of the world. Since 1947 until 1971 insurance business gained momentum in this part of what was then known as general insurance economy.

- After the emergence of the People's Republic of Bangladesh in 1971, the government, in order to make available the fruit of liberation to the general mass, nationalized the insurance industry along with the banks in 1972 by Presidential Order No. 95. By virtue of this order, save and accept postal life insurance and foreign life insurance companies (other than the Pakistani companies), all companies and organization transacting all types of insurance business in Bangladesh came under this nationalization order. At the same time, five insurance corporations were initially established by the Government, Jatiya Bima Corporation (National Insurance Corporation), Teesta Bima Corporation (Teesta Insurance Corporation), Karnaphuli Bima Corporation (Karnaphuli Insurance Corporation), Rupsa Jiban Bima Corporation (Rupsa Life Insurance Corporation), Surma Jiban Bima Corporation (Surma Life Insurance Corporation). On 14th May, 1973 the Insurance Corporation Act VI, 1973 was enacted under which the previous five corporations were abolished and the following two corporations emerged:

1. Sadharan Bima Corporation for General Insurance and,
2. Jiban Bima Corporation for Life Insurance in Bangladesh.

Profile of Sadharan Bima Corporation:

Sadharan Bima Corporation is only state-owned General Insurance Corporation operating under the direct control and supervision of the Ministry of Finance, Government of the People's Republic of Bangladesh. It emerged on 14th May, 1973 under the Insurance Corporation Act (Act No. VI) Of 1973 to deal with all classes of general insurance & re-insurance business emanating in Bangladesh. Thereafter, SBC was acting as the sole insurer of general Insurance till 1984. In the year 1984 Bangladesh Government allowed insurance Companies in the private sector and to that effect promulgated the insurance Corporations (Amendment) Ordinance 1984. Sadharan Bima Corporation has a very strong financial base. It has a market

share of over 20 % of the total premium income of the insurance market of Bangladesh. SBC, the largest insurance enterprise in the country, has a net worth of Tk.605 crore an authorized capital of Tk.20 crore, paid up capital of Tk. 10 crore and the anticipated revenue during the current financial year is approximately Tk. 417 crore. Following characteristics of SBC proves its financial soundness: - Government owned enterprise - Financial Soundness due to huge assets owned by SBC - Only re-insurer in Bangladesh - Wide net-work of offices - Public trust - Huge trained &skilled manpower - Large investable fund - Huge Real Estate Assets in Dhaka, Chittagong, Khulna, Rajshahi, Bogra & Sylhet. SBC TOWER the only multistoried car parking building in the heart of the capital city of Bangladesh SBC is the sponsor shareholder of Investment Corporation of Bangladesh, Industrial Development and Leasing Company, National Tea Company Limited, National Housing Finance and Investment Ltd, Aramit Ltd, Central Depository BD Ltd. etc. SBC has met all prudential norms in further its financial strength. Not only that, Sadharan Bima Corporation has emerged as one of the country's few largest taxpayers in the corporate sector.SBC is entitled to 50% of public sector business in Bangladesh. Insurance Corporation (Amendment) Act 1990 provides that fifty percent of all insurance business relating to any public property or to any risk or liability appertaining to any public property shall be placed with the SBC and the remaining fifty percent of such business may be placed with this Corporation or with any other insurers in Bangladesh. But for practical reason and in agreement with the Insurance Association of Bangladesh SBC underwrites all the public sector business and 50% of that business is distributed among the existing 43 private general insurance companies equally under National Co-insurance Scheme. In respect of reinsurance, the same act provides that fifty percent of a company's reinsurance business must be placed with the SBC and remaining fifty percent maybe reinsured either with this Corporation or with any insurer in Bangladesh or abroad. The main pillar of the SBC is insurance as well as reinsurance business. SBC is the largest non-life insurance underwriter in Bangladesh in terms of gross premium, network of offices & trained manpower. On the other hand, SBC reinsures the risks of private insurance companies operating in Bangladesh.

Vision, Missions, Goals and Objectives:

Vision:

- To be world class insurance & reinsurance organization.

Missions:

- To be the premier organization in Bangladesh for all insurance and reinsurancebusiness and to provide quality service at affordable cost.

- To be the Insurer of the first choice in Bangladesh by offering top class security, comprehensive, efficient services and professional conduct of business.
- Maintain SBC's leading position in the insurance market of Bangladesh.
- To become an insurance organization/Company of international standard by attaining the highest confidence and trust of all concerned from home & abroad through improved services, dedication, customer care and efficiency.
- To place innovation, technology and knowledge at the heart of the organization's growth.

Goals:

- Venture into other areas Bangladesh and abroad on the strength of SBC's core competency.
- Enter into and expand new insurance product and services to meet the changing needs of the clients.
- Fulfillment of SBC's social commitments towards the public as a state owned enterprise.

Objectives:

- To achieve business targets.
- To increase share of private sector business through marketing efforts.
- To build, maintain and improve the commercial image of the organization and gain recognition as a competent and professional insurer as well as re-insurer.
- To overhaul and simplify administration system & procedure.
- To attain full computerization and to utilize IT to its full potential.
- To enhance the skills and flexibility of the employees through continuous training.

- To ensure better return from SBC's investment.
- To improve maintenance of existing real estate and expansion of it.

Branch Network:

In order to give efficient service to the insuring community, the management setup 6 Zonal offices at Dhaka, Chittagong, Rajshahi, Khulna, Narayangonj, and Comilla, and 2 Regional offices at Sylhet and Mymensingh. Corporation also set-up offices in various places, especially in the Muffassol Area. Sadharan Bima Corporation has now 110 offices throughout the country. These offices are smoothly running with near about 1500 Officers and Employees.



G.1: Branch Network

Major Structure of SBC is given below-

1. Managing Director- Chief Executive
2. General Manger

3. Deputy General Manager
4. Assistant General Manager
5. Manager
6. Deputy Manager
7. Assistant. Manager
8. Junior Officer
9. Office Staff
10. Total strength.

Product and Services:

SBC accepts different policies that are noted below-

1. Fire Insurance Policy.
2. Marine Hull Insurance Policy.
3. Marine Cargo Insurance Policy.
4. Motor Insurance Policy.
5. House Holder's Comprehensive Insurance Policy
6. Product Liability Insurance Policy.
7. Burglary insurance Policy.
8. Contractors All Risk Policy.
9. Engineering Insurance Policy.
10. Public Liability Insurance Policy.
11. Aviation Insurance Policy.
12. Workmen's Compensation Policy.
13. Cash In Safe Insurance Policy.
14. Cash In Transit Insurance Policy.
15. Cash In Counter Insurance Policy.
16. Personal accident Insurance policy.
17. Peoples Personal Insurance Policy.
18. Dread Disease Insurance Policy.
19. Overseas Medi-Clam (Business and Holiday).
20. Overseas Medi-Clam (Employment and Student).
21. Export Credit Guarantee Insurance.
22. Livestock Insurance Policy.
23. All Risk Insurance Policies.
24. Fidelity Guarantee Policy.

Services Provided by Sadharan Bima Corporation:

Reinsurance Service:

After establishment of private Insurance Companies in the year 1985 in Bangladesh, Government authorized SBC to accept 100% reinsurance of private insurance companies. SBC in its role as a re-insurer has lent support to the private insurance companies in Bangladesh in a big way. In view of the huge net-worth and retention capacity, SBC has accepted both treaty and facultative businesses from the private insurance companies. In respect of reinsurance, the Insurance Corporation (Amendment) Act 1990 provides that fifty percent of a company's reinsurance business must be placed with the SBC and remaining fifty percent may be reinsured either with SBC or with any other insurer in Bangladesh or abroad. SBC is doing direct insurance as well as private insurance company's reinsurance. SBC is the largest General Insurance Corporation in Bangladesh doing direct Business to the tune of BDT 886 million in the year 2005. During the same period its reinsurance premium income was BDT 2627 million. SBC is a shareholder of Asian Reinsurance Corporation. SBC's major portfolio comprises of fire, marine cargo, aviation and engineering business. SBC also accepts reinsurance business from overseas market through its intermediaries and as well as directly. The sound financial backing and rich experience earned over the years in the field of insurance, reinsurance and financial services (which includes investment, risk improvement services etc), brings SBC in an ideal position of a professional reinsurer in Bangladesh. At the present growing economy in Bangladesh the premium income of SBC is also increasing day by day.

Risk Improvement Services:

As the only state owned General insurance and re-insurance enterprise in Bangladesh Sadharan Bima Corporation has extended its support to the insurance market in Bangladesh in a extended way. Sadharan Bima Corporation would always endeavor to deliver the best customer services for the fulfillment of insurance, reinsurance and risk management needs and problems to the insurance market in Bangladesh. On the order hand, Sadharan Bima Corporation provides risk improvement services to its valued clients through:

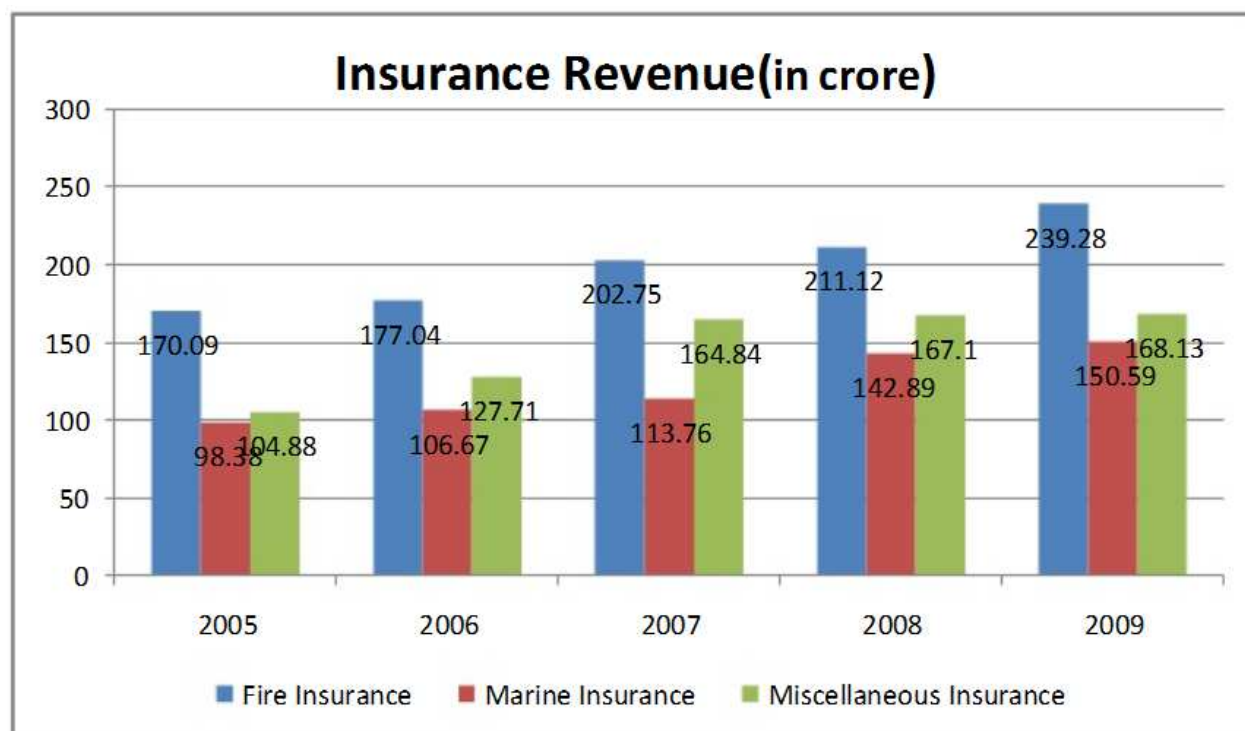
- a) Pre-underwriting inspection services.
- b) SBC has the opportunity to take the necessary help and advice from the foreign reinsurer regarding risk improvement techniques.
- c) SBC regularly enlists professional and expert surveyors to asses risk and loss before and after loss. It may be mentioned that license for the survey firms are issued by the office of the Chief Controller of Insurance, Government of the Peoples' Republic of Bangladesh.

Revenue:

In according to the accounts record of Sadharan Bima Corporation (SBC), we have learnt SBC earns revenue from three types of insurance: - Fire Insurance, Marine Insurance and Miscellaneous insurance. In each type of insurance revenue is earned from Gross premium, Reinsurance premium and other income which is shown in above chart and graph.

Types of Insurance		2005 (in crore)	2006 (in crore)	2007 (in crore)	2008 (in crore)	2009 (in crore)
Fire Insurance	Gross Premium	12.33	14.54	17.72	14.98	22.16
	Reinsurance Premium	151.13	157.97	181.37	192.30	212.44
	Other Income	6.63	4.53	3.66	3.84	4.68
Marine Insurance	Gross Premium	34.42	36.02	40.99	54.47	66.08
	Reinsurance Premium	58.87	64.95	67.43	78.61	79.10
	Other Income	5.09	5.70	5.34	9.81	5.41
Miscellaneous Insurance	Gross Premium	41.86	53.89	67.87	72.45	73.11
	Reinsurance Premium	57.66	68.48	80.36	88.53	87.73
	Other Income	5.36	5.34	16.61	6.12	7.29

T.1 Investment Revenue



G.3 Insurance Revenue

From the records of SBC, in 2005, it earned revenue BDT 170.09 crore from Fire insurance, BDT 98.38 crore from Marine insurance and BDT 104.88 crore from Miscellaneous insurance. By increasing each year, in 2009 SBC has earned BDT 239.28 crore from Fire insurance, BDT 150.59 crore from Marine insurance and BDT 168.13 crore from Miscellaneous insurance.

Findings and Conclusion:

The intension of the study is to examine the role of Sadharan Bima Corporation general insurance business in Bangladesh. The major findings of the overall study are discussed below:

- Sadharan Bima Corporation is controlled by the Ministry of Finance and it is a government institution.
- Sadharan Bima Corporation collects premium from the people, in return, it assures to minimize their risk involved in business. It collects premium from people by maintaining the rules and principles.
- Sadharan Bima Corporation has 8 zones with 84 branches and the number of employees is 959 for giving more services to the policy holders.
- It has 110000 policy holders, certificate holders and endorsement holders. It involves fire policy, marine policy motor car policy, vehicle policy etc.
- From 2005 to 2009 its revenue and profit is increasing. Its net claim and investment income is also rising.

Impact on our economy:

Sadharan Bima Corporation contributes to develop economic condition of Bangladesh. As a result,

- Creating more savings
- Makes capital formation,
- Develops trade and commerce
- Creates more employment
- Social security

Suggestions

Sadharan Bima Corporation can provide to policy holders developed services by the following processes:

➤ It can appoint more employees because the authorized number of employees is 2623.

➤ For modern services it should use computerized systems in every department.

➤ This organization can create more policy holders by publicity and advertisement.

➤ It can make its laws and principles easier for the policy holders.

Finally we can say that, Sadharan Bima Corporation helps the insurances to minimize their different business risk. After all, in modern insurance system, Sadharan Bima Corporation, by increasing the number of policy holders, is not only reducing financial risk of policy holders, but also by reducing their risk, it is earning more profit. Insurance is a recent idea for Bangladesh and we have many problems in our economy like lack of capital, unfavorable commercial position, lack of savings etc. So Sadharan Bima Corporation should create more publicity among the insurances, give training facilities to the employees, and more efficient management system. If government also gives more attention to Sadharan Bima Corporation, then it will contribute to our economy.

Bibliography:

Books:

- Chowdhury Azizul Huq '*Elements of insurance*' Dhaka.
- Madura Jeff '*Financial Markets and institutions*' Edition 8th

Website:

- <http://www.sbc.gov.bd>

- <http://www.bankersbd.com/bangladesh-insurance-company.html>

Other:

'Annual Report'
(2004 to 2009),
Sadharan Bima Corporation.