



Report on "Performance Evaluation of ALICO in Bangladesh"

PREPARED FOR:

S. S. Nusrat A. Chaudhury

Associate Professor

Department of Business Administration

Head, Career Counseling Center

PREPARED BY:

Humaira Bachchu

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Department of Business Administration

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EAST WEST UNIVERSITY

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S.I. Nusrat A. Chaudhury
Department of Business Administration
East West University
Mohakhali; Dhaka – 1212

Subject: Submission of Project Report on “Performance Evaluation of ALICO-Bangladesh”

Dear Sir:

With due respect and honor, I have furnished this Project report on the topic “**Performance Evaluation of ALICO - Bangladesh**” as a partial fulfillment for the requirement of the graduation Degree of Business Administration.

The report evaluated the performance of ALICO through practical viewpoint. Both primary and secondary data are collected from direct investigation in the working area as well as through theoretical studies. Some practical observations are also collected from the concerned area and submitted with this report. Through this report, I was able to get the view of real time approach to evaluate the performance of ALICO Bangladesh.

Therefore, I do hope that by submitting this report as the partial fulfillment of the Graduation Degree of Business Administration, your helpful and appreciative consideration will approve this report.

Thank you.

Sincerely yours,



Humaira Bachchu

I.D # 2003-2-10-204

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I have completed this Project by taking helps from some related books, brushier and Annual Report supplied by some officers of ALICO as well as the internet for some information.

Last, but not least, I thank my parents for giving me life in the first place, for educating me with aspects from both commerce and sciences, for unconditional support and encouragement to pursue my interests, even when the interests went beyond boundaries of language, field and geography.

In true sense, it was not possible for me to complete this report without the help of those mentioned persons.



Humaira Bachchu Hema

I.D # 2003 – 2 – 10 – 204

Department of Business Administration



Executive Summary

Insurance is not a new business in Bangladesh. Almost a century back, during British rule in India, some insurance companies started transacting business, both life and general, in Bengal. Insurance business gained momentum in East Pakistan during 1947-1971, when 49 insurance companies transacted both life and general insurance schemes.

ALICO Bangladesh is the oldest operation in the company's Middle East, Africa and South Asia (MEASA) Division, tracing its origin back to 1952, when it entered Pakistan with business activities also extending to erstwhile East Pakistan. The company started its full service branch operation in Bangladesh in 1974 and has since been marketing individual and group life insurance products with remarkable success.

ALICO started its operation in Bangladesh in 1952. It is the oldest operation in the company's Middle East, Africa and South Asia division. ALICO has been the market leader since 1997 amongst 18 companies in this local insurance market. Its head office is in Dhaka and two sales offices in Chittagong & Comilla. ALICO has 89 agency offices all over the country. The sales mechanism of ALICO is activated through these agency offices. The main products of ALICO are as Three Payments Plan (3PP), Income Growth Plan (IGP), Education Protection Plan (EPP), Life Line Plan (IGP) and WP, AI, AX, ADB, HC, CC, Good Health, etc.

Total sales of Ordinary Life Policy has increased by Tk 94.90 million from year 2002 to 2003 and renewal premium collection of Ordinary Life Policy in year 2003 had increased from that of year 2002 by Tk. 333.09 million. In year 2003, sale of PA policy had increased by 12.75% from that of year 2002. In year 2003, ALICO had been able to increase its sales of Group Insurance Policy to TK. 17.16 million, which was TK. 4.38 million higher than that of year 2002. Sales growth of every four years have resulted to 211.2%, 213.94%, 246.53%, 253.54% and 69.56% in year 1984, 1989, 1994, 1999 and 2004 respectively. The total number of agencies has increased from 16 to 81 in year 2004 from that of year 1880. Sales forces have increased from 500 to 4600 in year 2004 from that of year 1880.

As because of ALICO's good performances, it's investment reserve had increased to Tk. 6.77 millions in year 2003, Life Insurance Fund had increased to Tk. 10814.50 millions in year 2003, total assets of ALICO has increased to 12,398.67 millions in year 2003. ALICO has been utilizing all it's funds by investing in different Govt. securities & bonds and also in other available sources like ICB Unit certificates, purchasing shares as common stock of different companies listed with SEC, investing in different commercial banks as FDR.

Competition sharply increased since the entry of 11 new life companies into the market in 2000. The market now has a total of 16 companies, American Life Insurance Company (ALICO) being the only foreign company. ALICO still is the market leader in Life Insurance Industry in Bangladesh. The four major market players those control over 80% of the market – (1) ALICO (31.5% market share), (2) Jiban Bima Corporation (18.9% market share), (3) National Life (15.2% market share) and (4) Delta Life (14.8% market share). National Life is the fastest growing amongst the four.

ALICO has the highest market share (e.g. 31.5%) and has a moderate growth rate. Again, although Jiban Bima holding a substantial market share (18%) as because of it's operation of many years than the others, but having a very low growth rate. And because of it's low growth rate, Jiban Bima has been losing it's market share almost in every year. National Life has a very interesting position in the market. It has the market share of 15.2% which is lower than ALICO and even than Jiban Bima, but it has the highest growth rate in the Life Insurance Industry, i.e. 34.96% as of generating new business. Delta life has a mixed picture. Although it has low market share (14.8%) than ALICO & Jiban Bima, but it has the better growth rate than ALICO & Jiban Bima.

ALICO has been applying a very aggressive market penetration strategy (i.e. Offensive Strategy) as it has been enjoying the market leader position with almost no threat from its competitors. It needs to change it's current strategy. ALICO needs to decentralized its decision making process. ALICO needs to restructure its pay structure to reduce the rate of losing employees. ALICO should put more effort to development of new products. ALICO should recruit & train a separate sales force for its group insurance policy.

As a partial fulfillment of the Degree of masters in Business Administration, all effort and concentration is given to evaluate ALICO's management and business performance and evaluate its competitive position in life insurance market of Bangladesh.





1.1 INTRODUCTION

Successful companies treat their strategic as well as performance status not as important assets but as critical partners. Performance is more important in today's business arena for many reasons. We have just entered in to a new millennium where need of the efficient and effective performance become a strategic business partner for the organization is imperative. Organizations facing a challenging economic environment, changing demographics, regulatory oversight, the shifting of employee values, and technology all impact the ability of organizations to perform and succeed in a global environment.

Performance evaluation can make or break a business. If any business has problems in ensuring its business positions, performance evaluation can help it to get through them. Analyzing strategically in detail can help a business in deciding where and how to pay attention and allow the business to test out ideas and gauge their impact on its most pressing needs. Business can spend an intense couple of hours every few weeks to get on top of the problem and chart a course of action. Businesses don't have to worry about it every hour of every day.

If things seem to be going well, but a business is little nervous, performing strategy can be like using night vision goggles - a clear picture of true strategic position emerges from the murkiness of business uncertainty. Just because we have money in the bank doesn't mean that we are well off. It could be that we got lucky and were unexpectedly paid early by a key customer, and with major strategic needs on the horizon.

In Bangladesh, **ALICO** has been one of the most successful organizations in her past and is still continuing its successful run. ALICO's extensive attention on strategic move is one of key factor for its success. For these reasons it carries a high degree of importance in choosing *ALICO* to practice theoretical knowledge and to get familiar with the existing approach to business thought through performance evaluation.

1.2 OBJECTIVES

This study on ALICO aiming to evaluate it's overall performance, have some particular objectives. I have identified these objectives as broad objective and specific objectives.

1.2.1 BROAD OBJECTIVE

- ❑ To evaluate the overall performance of American Life Insurance Company (ALICO)

1.2.2 SPECIFIC OBJECTIVES

- ❑ To analyze the functions of different departments, and to understand the role of these departments in ALICO's performance
- ❑ To understand the significance of different products as life insurance scheme of ALICO
- ❑ To determine the internal strengths and weaknesses of ALICO and external opportunity existing in environment and threats exposed to ALICO
- ❑ To determine overall life insurance industry status
- ❑ To determine ALICO's strategic position in life insurance industry of Bangladesh in order to assess its overall performance

1.3 SCOPE OF THE STUDY

The study covered activities of the organization that is ALICO as a whole. In doing this, I had covered the activities of mainly sales performance, in order to make an evaluation of its performance. It also covered some other competitors' activities of the same industry in order to make competitive study by which it will be possible to identify or assess ALICO's performance and its position in the industry.

1.4 LIMITATIONS OF THE STUDY

While preparing this report I had faced the following limitations:

- ❑ ALICO has been maintaining a complex approach in documenting its performance data and way of retrieving those.
- ❑ I have faced limitation on the volume of the report due to which many relevant and important things has remained unexplored in detail.
- ❑ Time constant may compel us to narrow down the scope of the study.
- ❑ It may not be always possible to contact with busy personnel or managers to collect data or have a detailed discussion with them.

Methodology

Methods to collect information:

- a. Observation of activities.
- b. Interview with concerned people.

To prepare this report, the methodologies that have been followed are given below:

- Intensive visit to the different departments, in order to observe the routine strategic activities and all the relevant functions.
- Interviewing the concerned people to get information about the organization present performance status.
- Studying and analyzing the previous available data.

2.1 SAMPLING

2.1.1 POPULATION

All the departments of ALICO



2.1.2 SAMPLING UNITS

Departmental Managers of ALICO, considered as sampling unit.

Other personnel of ALICO, who are involved in maintaining required tasks and data, are considered as sampling unit.

2.1.3 SAMPLE DESIGN

Throughout the study, each and every single sample has been picked from every category by applying random sampling process.

2.1.4 SAMPLE SIZE

The population size for the study was not a large one and also due to time constraints and different organizational rules and at the same time due to restriction to some extent. As a result of that, Sample size was kept to **25**.

2.1.5 SAMPLING SCHEME

Having fixed up the sample size, and sample units, I had spent 45 days to complete the task of collecting information. All possible personnel of ALICO of the sample extent were taken into the plan to survey. Due to the time and resource constraints totally 25 personnel, I had met.

2.2 SOURCES OF INFORMATION

Both primary and secondary data are used to reach a convincing result.

2.2.1 PRIMARY SOURCE OF DATA

- Personal interview.
- Discussion.

2.2.2 SECONDARY SOURCE OF DATA

- Study the performance of ALICO on department basis.
- Review the planning to maintain the record of the required documents of ALICO.
- Study of various reports and records of ALICO.
- Review of other related literature.

2.3 DATA COLLECTION PROCEDURE

2.3.1 PRIMARY DATA COLLECTION PROCEDURE

I had followed interview and discussion method to collect primary data from the Managers and relevant personnel of ALICO.

2.3.2 SECONDARY DATA COLLECTION PROCEDURE

In this way, I mainly had to rely in studying different reports regarding performance evaluation and report writing. I had also consulted different journals, articles, web portals, etc.

American Life Insurance Company (ALICO) is an international insurance company which is a member of American International Group Inc.(AIG). It was formed 85 years ago and now it has become one of the largest insurance companies with approximately US\$217 billion of life insurance in force. ALICO is the leading insurer in over 50 countries in the world. its operation is segmented under four regions: Middle East-Africa-South Asia (MEASA), Europe, South America and Japan.

It is a forward looking modern insurance company with a long record of sound performance. The company markets a broad range of life and other insurance products. It is enriched with wealth of experience in designing insurance plans suitable for local markets. ALICO has full fledged resources in actuarial, IT and marketing fields for introducing and administering any local plans. The effort that ALICO makes in order to portray itself as a brand image is very strong and successful.

ALICO started its operation in Bangladesh in 1952. It is the oldest operation in the company's Middle East, Africa and South Asia division. ALICO has been the market leader since 1997 amongst 18 companies in this local insurance market. Its head office is in Dhaka and three sales offices in Chittagong, Comilla and Khulna. While it is planning to open another sales office in Sylhet in January 2007. ALICO has 98 agency offices all over the country. The sales mechanism of ALICO is activated through these agency offices.

3.1 MANAGEMENT TEAM OF ALICO

The operations ALICO Bangladesh is supervised and monitored by the regional head quarter of the Middle East Asia and South Africa (MEASA) of ALICO situated in Dubai.

The local management team is as follows:

Department & Position	Name
<p style="text-align: center;">RVP & GM OFFICE Regional Vice President & General Manager - Bangladesh (Reg. Executive)</p>	Mr. M. Nurul Islam
<p style="text-align: center;">SALES & DISTRIBUTION Senior Regional Agency Director - Bangladesh, Nepal & Pakistan Regional Agency Director</p> <p style="text-align: center;">Agency Director (Executive) Deputy Agency Director (Executive) Sales Managers</p>	<p>Mr. Rezaul H. Khan</p> <p>Mr. M. Jalalul Azim Mr. Nafis Akhter Ahmed Mr. Luffor rahman Mr. Md. Riazul haque Mr. K. M. Mahfuz</p>
<p style="text-align: center;">Chief Operating Officer - Bangladesh (Executive)</p>	Mr. Akhlaqur Rahman
<p style="text-align: center;">Business Development Deputy Marketing Director (Executive)</p>	Mr. Rumi Ahmad
<p style="text-align: center;">Chief Financial Controller - ALICO Bangladesh & Nepal (Executive)</p>	Mr. M. Ala Uddin Ahmad
<p style="text-align: center;">Training Manager Agency Services Manager Personal Accident Manager Group Manager Underwriting Manager Claims Manager Human Resources Manager Real Estate & General Services Manager Customer Services & Conservation Data Transfer & Processing</p>	<p>Mr. Jaynal Abedin Bhuiyan Mr. M. Mubarak Hossain Mr. Md. Kamruzzaman Mr. Md. Alamgir Dr. Md. Nazrul Islam Mr. Emran Ahmed Chowdhury Khaled Bin Habib Major (Retd.) Habib R. U. Ahmed Mr. Kazi Masud Karim Mr. M. Manum</p>

3.2 OVERVIEW OF MANAGEMENT STRUCTURE

ALICO Bangladesh under the MEASA region which is directly controlled by AIG. The over all operation of ALICO Bangladesh is executed under four main working divisions. These divisions and their respective departments are stated as follows:

❖ Marketing Division

- Sales & Distribution Department
- Training Department
- Personal Accident Department (PA)
- Agency Services Department
- Group Insurance Department



❖ Operational Division

- Underwriting Department
- Claims Department
- Customer Services and Conservation Department (CSC)
- Data Transfer & Processing Department

❖ Finance Division

- Accounts Department

❖ Administration

- Real estate and General service Department
- Human resource Department
- Actuary Department

The next sections provide a brief discussion on the activities of the stated departments.

3.2.1 MARKETING DIVISION

This division is responsible for Sales Management, guiding and motivating the field force and supervision of the overall agency system. This department focuses on- the career path under agency system, recruitment and training process of new agents, minimum qualification to get license as an agent, requirement to get promotion as a unit manager and agency manager. It also includes the rate of commission on sale of different insurance products, different incentives and bonuses to encourage agents, method of persistency calculation, conditions to be included in the Leaders Club, and different contest and awards that are organized every year to motivate field force.

SALES AND DISTRIBUTION DEPARTMENT

To implement the planed marketing goals and targets, ALICO has a unique approach. It has established the Sales and Distribution Department under the supervision of Agency Director. Under the supervision of the Agency Director, ALICO divided all of its agencies into a number of groups and each group has been working under a marketing & sales manager. Marketing & Sales Manager of a particular group is solely responsible for:

- (a) Developing sales target, ways to meet the sales target,
- (b) Assessing the potentiality of the sales force working under him/her,
- (c) Determining whether sales force needs any training and when & how to organize that training with relating the training department.
- (d) Assessing the sales forces potentiality to promote to higher ranks (e.g. pre-contract agents to agents, agents to unit manager, unit manager to agency manager)
- (e) Keeping a close eye on sale performance and provide support if necessary.

TRAINING DEPARTMENT

Training department organises different types of training program for the Field Forces as well as for the employees of the Head Office. The Basic training program which is frequently organised by this department for new agents provides a basic idea on the nature and activities of ALICO. The main objective of this department is to develop an agent as a competent representative of ALICO. Training Department also organises different training programs for the employees of the head office to develop their professional knowledge and skills. This department also plays an important role in the different market expansion program of ALICO.

PERSONAL ACCIDENT DEPARTMENT

Besides the basic life insurance products of ALICO Bangladesh such as three payments plan, IGP or Education protection plan; ALICO also provides different riders and supplementary benefits that are product of Personal Accident (PA) department. There are two types of PA products-Regular and Add-on products. Regular products are available as supplementary benefits with basic policies, some regular products are Hospital Care, Executive Five and Pro-Tech Three. On the other hand Add-on products are launched with a limited time offer, "Critical Care", "Life Time Income", "Hospital Care" are some of the Add-on products of PA. These products are very popular in the local market because of their unique features, which are much suitable with the level of income and expectation of the common people.

AGENCY SERVICES DEPARTMENT

This department does the supervision of 91 agency offices. An up-to-date record of the entire agent is maintained here. Major features of this department are:

- Recruitment process of an agent,
- The important points of a contract with an agent, Unit Manger and Agency Manager
- The different rates of commission and bonuses are given by this department.

- The financial facilities available for agents such as pension, loan, and medical facility
- The different causes of terminating an agent
- Payments of expenses related to the agency offices.
- All kinds of application forms are distributed to the agencies by this department.
- This department is also responsible for the publication of different reports such as- Leaders Club, monthly production report, report on agency performances.

GROUP INSURANCE DEPARTMENT

All the activities related to group insurance are performed by this department. Group insurance is taken by different companies for their employees. In terms of group insurance, the company is the policy owner and all the employees are insured. There are 350 different companies who are under group insurance protection of ALICO Bangladesh. Some of the important features of group insurance are listed as follows:

- Group insurance cannot be taken for a group of less than 10 people.
- Group insurance contract is required to renew annually and the rates of premium change every year.
- The rate of premium under group coverage can be equal for all or it may vary on the basis of designation and salary.
- Medical Benefits under group insurance are provided for a group of minimum 30 persons.
- The different group products are Group Life (F.S.A), Coverage for accidental death and permanent total and partial disability, Comprehensive Major Medical insurance rider (In-Hospital).
- The process of executing a group insurance contract includes
 - ☉ Request for group proposal through an application form
 - ☉ Census information about the proposed group
 - ☉ Plan design on the basis of the information.

3.2.2 OPERATIONAL DIVISION

UNDERWRITING DEPARTMENT

Underwriting can be defined as the assessment of the level of risk on a proposed applicant's life. The basic idea behind a life insurance is to cover the financial risk of a family in case of the absence of the applicant. From underwriting perspective, policy should be given to such a person who has regular, steady and earned income, in brief, whose absence incurs a financial loss to a family. It is the duty of an underwriter to assess the necessity of insurance in the applicant's life. An underwriter plays a very important role in insurance because their ability of assessment determines the future of a new business.

There are four types of risk that are directly related to any person's life. The risks are Medical Risk, Social Risk, Financial Risk and Occupational risk. At the time of underwriting these four are carefully considered because they help an underwriter to find out the basic questions of underwriting-"why does the applicants need insurance?"

Agency offices submit the applications of new business along with their respective transmittal form to the underwriting department on daily basis. An underwriter carefully examines the application form. If the form is properly filled up and all the above mentioned risk related to that policy is in an acceptable range, the policy is then underwritten as standard. A policy may be underwritten as substandard if the associated risks are high. The rate of premium of a policy is also determined by this department.

The underwriting Department of ALICO Bangladesh has the authority to underwrite up to substandard 'D' and face amount of 40 lacs. If a policy exceeds any two of them, the application form is then underwritten by regional head office in Sharjah. This department is also required to submit daily and monthly report to regional head office.

CLAIMS DEPARTMENT

This department deals with two types of claim – Death Claim and Living Claim.

DEATH CLAIM

Upon receipt of a death declaration a reserve fund is created against the death claim if the policy is in a enforced position. Required papers for death claim are listed as follows-

- Certified claimant statement form
- Certified identification form
- Certified attending physician statement form.
- Certified age-proof
- Certified death certificate (source: Union Parishad or Municipality office)

In case of contestability, investigation is also required along with the above mentioned papers.

Accidental death claims are always contestable. Required papers in case of accidental death claims are-

- Certified police report
- Certified autopsy report
- Newspaper clipping.

LIVING CLAIMS

The living claims are related to different plans such as H.C, AI ,AX and products of PA department. At the time of settlement of a living claim, this department sends a letter to the policy owner informing about necessary papers which is called Letter of Intimation. The required papers for HC and AI claim are-

- Claim forms
- Original hospital certificates and bills
- All necessary diagnostic reports and prescriptions.

A private investigation company-Ornate on behalf of this department, performs all the necessary investigation in case of any suspicious claim.

CUSTOMER SERVICES AND CONSERVATION DEPARTMENT (CSC)

Customers of ALICO can be grouped as Internal and External. Internal customers are the field forces and external customers are the policy owners. The CSC has the responsibility to keep a policy enforced by providing all the necessary services to both groups of customers. The different services that this department offers to the customers are as follows:

- The various changes in a policy- A policy owner is allowed to make different kinds of changes in his policy. Some of the changes are – Beneficiary of the policy, Signature of the policy owner, change of address, mode of premium, Term of Policy, Plan of policy, agent code change under certain conditions. A policy owner may also increase or decrease the face amount of his policy.
- A policy owner has the right to add or cancel different available riders to his policy.
- In case of a new policy an applicant may cancel his policy and get the money back if he applies for cancellation within 45 days of the policy issue.
- Loan provision- Loan can be taken against a policy which has sufficient cash value. CSC department performs all the functions related to sanction of a loan.
- Processing of the payment claims at the time of maturity and partial maturity of a policy.
- A policy can be in a lapsed position if the policyowner fails to pay premium for a long time. This department also allows a policy owner to enforce his policy again by the process of reinstatement or re-dating.
- All the activities related to surrender or conversion of a policy to Extended term Insurance (ETI) and Reduced Paid-Up.. After growing cash value, if a policy owner does not want to continue his policy he may choose any of these options-all of them offer payment of no more premium.
- Correspondence with the policy owner- This department is also responsible for maintaining necessary correspondence with the policy owner and answering all kinds of enquiries of the policy owner.

- CSC department has two customer service counters, where customers can come any time within the office hour to get their necessary information.

Data Transfer & Processing Department

This department mainly responsible for the following activities:

- ⇒ Establishing & maintaining network support to the entire organization.
- ⇒ Developing new operational software.
- ⇒ Maintaining all the existing software, e.g. OLAS, TOGAS, and Accounting System.
- ⇒ Giving training to all the employees about how to use this software.
- ⇒ Maintaining the database of policies
- ⇒ Looking after the hardware equipments of DTP department.
- ⇒ Establishing & maintaining the intranet connectivity with regional head quarter & home office.

3.2.3 FINANCE DIVISION

ACCOUNTS DEPARTMENT

This department deals with all the financial matters involved and also some part of controlling activities. Major features of this department are:

- Deal with premium account (collection, agent's commission etc.),.
- Disbursement related service.
- Conduct bank correspondence - related to issuance of payment cheques and transfer of fund.
- Account Reconciliation
- Calculate Income Tax deductible at source and to deduct Value Added Tax from the parties when applicable and deposit them at DCT's office.
- Budget preparation.
- Dealing with salary payments.
- Guiding and supervision of the activities of cash counters.

- Arranging internal audit after specified intervals.
- Fund Investment.
- Issuance of Income Tax certificates.
- Procurement related services.
- Reporting to the regional head office about the business of ALICO Bangladesh from time to time.

3.2.4 ADMINISTRATIVE DIVISION

REAL ESTATE & GENERAL SERVICE DEPARTMENT

Real Estate & General Service Department is responsible for the following functions:

- ⇒ Looking after all the tangible & non-tangible assets of ALICO
- ⇒ Ensuring the securing aspects of ALICO
- ⇒ Maintaining the despatch section of the organization
- ⇒ Maintaining the canteen & tea room services of the organization.
- ⇒ Organizing different events in the organization, like annual picnic, annual staff dinner, award night, arranging different foreign tours.
- ⇒ Arranging office spaces for all the agencies.
- ⇒ Establishing & maintaining annual budgets for all the agencies.
- ⇒ Providing all the necessary logistic support to the head office, sales offices and all the agencies.

HUMAN RESOURCE DEPARTMENT

This department is responsible for the following activities-

- Formulate and maintain the company's recruitment process.
- Maintaining employee's information database.
- Conduct yearly performance evaluation of all employees.
- Arranging different employee development program in co-operation with training department.
- Develop and maintain the corporate pay structure.



ACTUARIAL DEPARTMENT

This department is responsible for the following activities-

- Actuarial Functions
- Formulation and conservation of the company policies
- Promotional activities related to launching of new insurance product.
- Public relation related activities.

3.3 PRODUCTS OF ALICO

3.3.1 EDUCATION PROTECTION PLAN (EPP)

Education Protection Plan is the foundation on which people can build their child's future and career.

One need to select the period of the Plan to suit the age of the child at which s/he want the policy proceeds to be paid. There is a wide choice: people can select any period from 10 years to 25 years.

AT MATURITY

On the survival of child at Maturity: Face amount of the policy PLUS Bonuses are paid. The money can be used to pay for his higher Education expenses. Or, if he has already completed Education, he will find the money very helpful in starting his career. It can be used for expenses such as Marriage.

IN CASE OF POLICY OWNER'S DEATH

- a) All future premiums under the policy will be waived and the policy continues in force, plus,
- b) Income for education equal to 1% of the Face Amount is paid every month to the child till the Maturity of the policy. At Maturity, he receives the benefits stated above.

ON DEATH OF THE CHILD BEFORE MATURITY

Full Face Amount plus Accrued Bonuses are payable, subject to Juvenile Endorsement.

PAYABLE ON POLICY OWNER'S DISABILITY

With a small additional premium, one can add a very valuable benefit – Disability Protection Rider. In the event of policy owner's total and permanent disability due to sickness or accident, all future premiums will be waived and income equal to 1% of the Face Amount will be paid every month to the child till the Maturity of the policy.

BONUSES

The policy will participate in profits declared in the form of Reversionary Bonuses.

Other Attractive Features

- Cash Values, Paid up Values and Extended Term Insurance Values are guaranteed.
- Premium will never increase.
- Security and Flexibility of ALICO. One may transfer the policy to any one of the over 60 countries where ALICO is operating – subject to any legal restrictions.

3.3.2 THREE PAYMENT PLAN (3PP)

ALICO'S Three Payment Plan (3PP) provides very high insurance protection and attractive returns on your investment at a very low cost.

THREE PAYMENTS

The unique feature of the plan is that ALICO pays the face amount in 3 installments,

- 25% of the face amount is paid at the end of 1/3 rd of the term of the policy.
- Another 25% is paid at the end of 2/3 rd of the term of the policy.
- Policy owner can use the money to meet any of his/her needs or invest it wherever s/he wants to get maximum returns.
- At Maturity the remaining 50% of the face amount is with bonus.

BONUSES

Policy will participate in the profits declared in the form of Reversionary Bonuses and Capital Growth Dividends. These are based on ALICO's current scales, which may change in the future.

ATTRACTIVE FEATURES

- Premiums will never increase.
- Cash value, paid-up values, Extended Term Insurance values are guaranteed.
- Like all other policies, the premiums are income tax deductible.

3.3.3 INCOME GROWTH PLAN

Income Growth Plan (IGP) opens new horizons in life insurance in Bangladesh. It is designed to provide valuable Life Insurance protection at a low cost and a high rate of return on your savings. It is the most flexible and customer oriented life insurance plan available in the market today. It is a combination of conventional life insurance plan and the latest interest sensitive plans, which have recently become very popular in America. IGP has the best features of both types of plans and can be tailored to virtually any situation.

For the first 7 years, policy owner pays a fixed amount of premium based on the Face Amount and his/her age at entry. In case of death, the full Face Amount will be paid. Cash Value, paid-up Value and Extended Tem Insurance Values are guaranteed and are attached to the policy. Paid-up Values enable one to maintain his/her insurance with reduced plan benefits without further premiums payments.

DIVIDEND

The company may declare a dividend at the beginning of the 8th year, which will depend on the allocation of surplus earnings of the Company. The Dividend can be as high as 40% of the 7th year Cash Value.

INVESTMENT & PROTECTION PROGRAM

At the beginning of the 8th year, the declared dividend together with the 7th year Cash Value will be transferred to policy owner's Investment & Protection Account (IPA) as its opening balance.

POLICY LOANS

Policy owner may borrow money from Company any time after policy has a Cash Value at a rate of interest to be determined by the Company.

PENSION

In lieu of the Maturity Value of the Policy, Policyowner can select a pension starting from an age selected by him/her. The pension is payable for life and can be guaranteed for 20 years.

3.3.4 SUPPLEMENTARY DISABILITY AND ACCIDENT CONTRACTS

3.3.4.1 WAIVER OF PREMIUM (WP)

The Disability Waiver of Premium benefit may be attached to any regular life insurance policy or supplementary rider. If attached to the basic policy it must also be attached to riders providing additional life insurance. The WP benefit in general provides:

- (1) For waiving of premiums falling due between commencement of and recovery from total disability (as defined in the rider) which has continued for 6 (six) months or longer and which has commenced prior to maturity or expiry of the policy, or policy anniversary nearest age 60 whichever is the earlier date.
- (2) That written notice of disability and proof of claim must be submitted during the life and continued disability of the insured provided, however, that no premium due more than one year prior to the date of receipt of such notice shall be waived.
- (3) That without prejudice to any other form of disability, the complete loss of sight of both eyes, the loss of both hands or both feet or one hand and foot, will be considered as total and permanent disability.

- (4) That premiums so waived will not be deducted from the proceeds of the policy when it becomes a claim and the loan and cash values of the policy will increase from year to year the same as if premiums had been paid in cash.

WP may be offered to males and to females between the ages of 15 and 55, inclusive, who are gainfully employed. Females must be self supporting and have a regular and steady salaried income from employment outside the home. WP issued to females will be at 1.5 times the standard rate.

3.3.4.2 ACCIDENTAL DEATH BENEFIT (ADB)

The Accidental Death Benefit issued by the Company provides for payments of an additional sum in the event of death from accident. In general, before policy anniversary nearest age 65 or before the earlier maturity of the policy, sustains bodily injury effected solely by external, violent and accidental means, resulting in death within 90 days of such injurer. ADB up to three times Tk. 1,000,000 may be attached to all regular life plans.

In Endowment Annually policies where death benefit ultimately exceeds the original face amount, the initial sum payable by reason of accidental death does not increase but applies only to the original face amount of the policy.

Premiums for ADB are payable through the rider period except when issued with Limited Payable Life Insurance, the ADB benefit becomes paid up the same as the basic policy.

3.3.4.3 ACCIDENT INDEMNITY CERTIFICATE (AIC)

The Accident Indemnity provides additional benefits for death, dismemberment and loss of time due to accidental injury. It also contains a provision for waiver of premium on the basic policy for specified injuries and a quarantine indemnity.

AI provides weekly indemnity of 7.50 per 1000. The maximum weekly indemnity on any one life is either (1) Tk. 32750 or (2) an amount equal to not more than 75% of the individuals' earned weekly income, whichever is less.

AI is available to men and to self supporting women, aged 15 to 60 inclusive. The benefit will terminate at policy anniversary nearest age 65 unless terminated sooner through termination of premium payment for the basis policy, occurrence of major dismemberment loss, payment of premium on the basic policy on WP, or upon notice by the company that it does not wish to renew coverage.

3.3.4.4 LIMITED ACCIDENT INSURANCE CERTIFICATE (AX)

AX provides additional benefits in case of death, loss of sight or dismemberment resulting from accident. It is similar to AI except it does not include the Weekly Indemnity, Annuity, and Waiver of premium and Quarantine Indemnity provided by AI. It may be issued at ages 5 to 60 inclusive, for amounts of accidental death (with corresponding dismemberment benefit) up to three times the face amount of the basic policy but not to exceed 1000,000 Unless terminated sooner by payment of a major dismemberment loss or termination of premium payments on the basic policy or notice by the Company that it does not wish to renew the coverage, this benefit will terminate at policy anniversary nearest age 65.

3.3.4.5 HOSPITAL CARE

The hospital Care Accident and Sickness Hospital Income Supplementary Contract pays one the cash amount s/he selected when s/he or his/her insured family members are **hospitalized, regardless of expenses, even in a free hospital**. The cash income starts from the very first day of hospitalization and continues for **up to 52 Weeks** for each confinement. This can pay a policy owner up to Tk. 547,000 under plan 1.

Remember this cash income is paid directly to Policy owner's regardless of expenses, even if s/he or any insured member of the family is **hospitalized in a free hospital**.

SPECIAL FEATURE

- Choice of six coverage packages to supplement life insurance cover.
- Option to select the plan of one's choice for him/her and family.
- The Daily Cash Income continues for up to 52 weeks from the very first day of hospitalization.
- The Cash Income is paid directly to policy owner to use any way s/he wishes.
- The Cash Income is payable regardless of expense even if s/he is confined in a free hospital.
- No deductible amount or waiting period.
- Benefits are payable in addition to any other insurance plan that one may have.

3.3.5 THREE PAYMENT PLAN PLUS

BENEFITS

- Basic 3PP plan +
- Loss of Life Accident Indemnity +
- Accidental Dismemberment, Loss of Sight, Hearing, Speech Indemnity +
- Accidental Permanent Total Disability +
- Accidental Medical Expense Reimbursement

Example - Total Coverage

Old		New	
Endowment	Tk. 5,00,000	▪ Endowment Tk.5,00,000	
		PLUS	
		▪ AD&D Tk.5,00,000	
		PLUS	
		▪ AMR Tk.75,000	
		Total	Coverage
		Tk.10,75,000	

3.3.6 GOOD HEALTH

Good Health is a plan that can ensure solid protection for your family – day after day, year after year – when you are not there.

BENEFITS OF GOOD HEALTH

- Accidental Death & Dismemberment Monthly Benefit – up to Tk. 20,000
- Accident & Sickness Daily In-Hospital Income – up to Tk. 10,95,000 in a year
- Additional In-Hospital Income for 9 Dread Diseases - up to Tk. 63,000 in a year
- Accident & Sickness Surgical Expenses Reimbursement – up to Tk. 1,50,000
- Additional Surgical Expenses Reimbursement for 9 Dread Diseases – up to Tk. 2,25,000
- Accident & Sickness Emergency Transport Expenses – up to Tk. 5,000

PLANS & BENEFITS AMOUNT (IN TAKA)

COVERAGES	ALICO Exclusive	Platinum	Gold	Silver	Bronze
Accidental Death & Dismemberment Monthly Benefit for 10 Years	20,000	10,000	5,000	3,000	2,000
In-Hospital Accident & Sickness Daily Income	3,000	1,500	1,000	500	250
In Hospital - 50% extra for Dread Diseases (14 days)	4,500	2,250	1,500	750	375
In-Hospital Accident & Sickness Surgical Expense Reimbursement	1,50,000	75,000	50,000	25,000	10,000
In-Hospital surgical 50% extra for Dread disease	2,25,000	1,12,500	75,000	37,500	15,000
Accident & Sickness Emergency Transport	5,000	4,000	3,000	2,000	1,000

PLANS & ANNUAL PREMIUMS (IN TAKA)

Annual Premium	Alico Exclusive	Platinum	Gold	Silver	Bronze
Under age 40	21,500	10,850	6,700	3,500	1,750
Ages 40 – 49	27,500	13,850	8,650	4,500	2,150
Ages 50 – 59	35,000	17,500	11,200	5,750	2,650
Ages 60 - 65 (Renewal Only)	43,500	21,750	13,700	7,200	3,250

3.3.7 GROUP INSURANCE

Group Insurance is a way of providing Life or Medical insurance coverage for a group of people under one insurance contract called a Master Group Insurance Contract.

The most obvious difference is that rather than insuring one person individually, a group insurance plan insures a number of people under a single insurance contract and every individual member of the Group enjoys a comparatively lower rate of premium.

In order to be eligible for Group Insurance Coverage, the group must have been formed for a reason other than to obtain insurance. Hence almost 95% of Group Insurance coverage is taken by Employers or Employees. For companies, eligible employees are:

- ⇒ All full – time / permanent (Have received confirmation of service) salaried employees
- ⇒ Actively working at least 30 hours/week in Bangladesh
- ⇒ Aged between 18-60 years at entry and Primarily posted / located in Bangladesh



CONTRIBUTORY OR NON-CONTRIBUTORY GROUP INSURANCE

If insured group members are not required to contribute any part of the premium payment for the coverage, the group insurance plan is a noncontributory plan.

If the group members must contribute some or all of the premium payment in order to be covered under the group insurance policy, then the plan is a contributory plan. For Contributory Plans, participation must be 75% of total eligible members of the Group.

MAIN PRODUCTS:

GROUP LIFE – GL (BASIC COVERAGE)

Group Life Insurance coverage provides for settlement of Death (due to any reason; sickness or accident) Claim up to the Sum Assured against the Insured Employee or Group Member. As for the Sum Assured (or Insurance Amount, or Coverage Amount or Face Amount) of each member, it can be determined in any of the following three 3 ways:

(A) Flat rate coverage: Here all employees of an Organization would have same amount of Insurance Coverage (e.g.: amount of insurance for all employees is TK. 100000/-).

(B) Salary based coverage: Here the coverage given is a multiple of basic salary of an employee (i.e.12/24/36/48 months' basic salary) For Example, if an employee's basic salary is TK. 7000/Month, and the Employer decides that his coverage should be equal to 36 basic salaries, then his/her Insurance Coverage amount would be TK. 252000.

(C) Class based coverage: Here the Insurance Coverage amount is determined by each employee's position in the organization [e.g.; there are four categories of employees in a company, Category A - Top Level Management (coverage amount TK. 500000), Category B - Mid Level Management (coverage amount TK. 400000), Category C - Lower Level Management (coverage amount TK. 200000) & Category D - Office Staff (coverage amount TK. 100000).

Comprehensive Major Medical Insurance Rider (In-Hospital) - CMM

Under this benefit, ALICO will reimburse 100% of the necessary & reasonable medical expenses (The Benefit is payable - as per Bangladesh Standard – even if Treatment is availed in a hospital Outside Bangladesh or ABROAD-in a Foreign Country) incurred by an eligible insured while in hospital confinement for the kinds of care described in the rider up to the Maximum Hospitalization Benefit with respect to each individual.

EMPLOYEES

- ⇒ Full Time & Permanent
- ⇒ Actively working at least 30 hours per week in Bangladesh
- ⇒ Below 60 years of age

Benefits under the Medical Plan

- ⇒ In-Hospital Benefit
- ⇒ Benefits are on a per hospitalization basis, not a per year basis
- ⇒ No deductibles
- ⇒ No sub- limits for treatment costs e.g. consultation, medicines, surgery, etc.
- ⇒ Group Medical Officer available 24 hours for Consultation regarding treatment, admissions, etc.
- ⇒ Wide network of Hospitals in Dhaka, Chittagong, Khulna, Sylhet and Rajshahi.
- ⇒ All members of the Group Medical Policy will receive Medical Cards
- ⇒ Network Hospitals will not charge insured employees and/or their dependants for hospitalization expenses incurred (up to product's benefit limit) but will send the bills directly to ALICO. Thus insured will receive treatment without having to pay out of his pockets.
- ⇒ For treatment outside network hospitals, ALICO will reimburse hospitalization expenses up to product benefit limits.
- ⇒ Room & Board
- ⇒ ICU Expenses up to 14 days or up to Max.. Benefit Limit

THE SMALL GROUP PRODUCT – BENEFITS PLUS.

BENEFITS

There are three (3) different Benefit Options (and Benefit Limits) under Benefits Plus scheme for employers to choose from. These are as follows:

Benefits and Limits

Benefits	Limits		
	Option-1	Option-2	Option-3
Group Life (GL)	TK 100,000	TK 150,000	TK 250,000
Accidental Death (AD)	TK 100,000	TK 150,000	TK. 250,000
Permanent Total Disability (PTD)	TK 100,000	TK. 150,000	TK 250,000
Permanent Partial Disability (PPD)	TK. 100,000	TK 150,000	TK 250,000
Comprehensive Major Medical (in-Patient Only)	TK 50,000	TK 75,000	TK 100,000
Supplemental Life	TK 100,000	TK 150,000	TK 250,000

BENEFITS PLUS: THE JUST SCHEME TO FIT A SMALL GROUP EMPLOYEE BENEFITS PROGRAM

ALICO's strategy has been to provide innovative solutions to satisfy the insurance needs of employers/employees in Bangladesh. With its worldwide experience of over 80 years, ALICO has found that the best way to do so is to fit insurance scheme with the employer's vision for the benefits of its employees.

In fact, employee benefits programs have become an essential need for all employers as they help an employer to:

- ⇒ Recruit and retain the best employees.
- ⇒ Enhance loyalty among employees.

- ⇒ Minimize losses incurred when employees are absent from work due to illness by ensuring timely treatment.

With the above in mind, ALICO officers Benefits Plus; a 'packaged' employee benefit plan to provide your employees with the peace of mind they deserve. ALICO's Benefits Plus Plan will cover a variety of insurance needs including those of your employees' immediate dependents.

MAIN FEATURES OF BENEFITS PLUS PLAN

- ⇒ Minimum number of only five (5) employees is required.
- ⇒ Comprehensive Major Medical Coverage, including treatment of Chronic & Acute conditions, to eligible employees and their eligible dependents up to Tk. 100,000 per insured member per year.
- ⇒ Group Life Insurance Coverage (death due to any cause) for up to Tk. 250,000 per eligible employee.
- ⇒ Accidental Death or Permanent Disability Coverage for up to Tk. 250,000 per insured employee,
- ⇒ Supplemental Group Life Coverage above the core Amounts up to a maximum of Tk.250,000

Marketing & Sales Performance Evaluation

For any business, marketing and sales are the two so conjunctual aspects that with the help of other no one can come up with a good result. To increase the sales of any business, a sound marketing approach of that business is a must. On the other hand, to achieve the desired marketing approach, an energetic and productive sales force and its good performance is a must. ALICO also dealing with the same. It has maintained both of its marketing & sales aspects so closely and harmoniously that concentrated effort of its marketing thoughts and efficient and effective performance of its sales force, resulted in steady growth of ALICO. At ALICO both the marketing and the sales aspects are being planed and facilitated through Agency Management Department.

4.1 Major Features of Marketing & Sales Department

CLOSE SUPERVISION

To implement the planned marketing goals and targets, ALICO has a unique approach. It has established the Agency Management Department under the supervision of Agency Director. Under the supervision of the Agency Director, ALICO divided all of its agencies into a number of groups and each group has been working under a marketing & sales manager. Marketing & Sales Manager of a particular group is solely responsible for:

- (a) Developing sales target, ways to meet the sales target,
- (b) Assessing the potentiality of the sales force working under him/her,
- (c) Determining whether sales force needs any training and when & how to organize that training with relating the training department.
- (d) Assessing the sales forces potentiality to promote to higher ranks (e.g. pre-contract agents to agents, agents to unit manager, unit manager to agency manager)
- (e) Keeping a close eye on sale performance and provide support if necessary.

COUNTRYWIDE AGENCY DISTRIBUTION

In Bangladesh, only ALICO has operational coverage all over the country through its reach number of agencies. ALICO has 98 agencies distributed all over the country which explore the opportunity for ALICO to reach out for more people than its competitors, and which also generated a huge number of policy sales in every months compared to its other competitors.

EFFICIENT SALES FORCE

ALICO has a large number of sales force (e.g. about 6500) distributed around the country. These sales people are called "Agent". As they are well trained and supported with adequate information regarding ALICO's offerings, they are generating huge number of life insurance business than the sales force of other companies. They are also well educated, smart and very much professional in generating business.

REWARD SYSTEM

ALICO has a well-designed reward system to motivate its sales force. It offers financial and non-financial reward on sales. It also offers tour to overseas places as reward, sends agents to different international conventions and competitions and so on. It also has different contest featuring handsome prizes to boost up its sales forces performances to insurance policy sales.

4.2 ALICO's Sales Performance Evaluation

4.2.1 ORDINARY LIFE

4.2.1.1 TOTAL PREMIUM OF NEW BUSINESS

To evaluate the sales performance of any insurance business, premium of new business is a key indicator. It actually indicates whether the business has been able to attract new customers and to sell its insurance products to new customers as new business. It also indicates whether the business is being able to endeavor new customer group and able to increase its revenue collection. For this reason in order to conduct the sales performance evaluation of ALICO, evaluation of Total Premium New Business comes first. From the Figure 4.1, it has been shown that ALICO had been in the better position in terms of generating new business and had been able to increase its total number of policy owner both in year 2003, year 2004 and year 2005. From figure 4.1, it is found that total sales of Ordinary Life Policy has increased by Tk 175.1 million from year 2003 to 2004 and total sales of Ordinary Life Policy has increased by Tk 134.90 million from year 2004 to 2005.

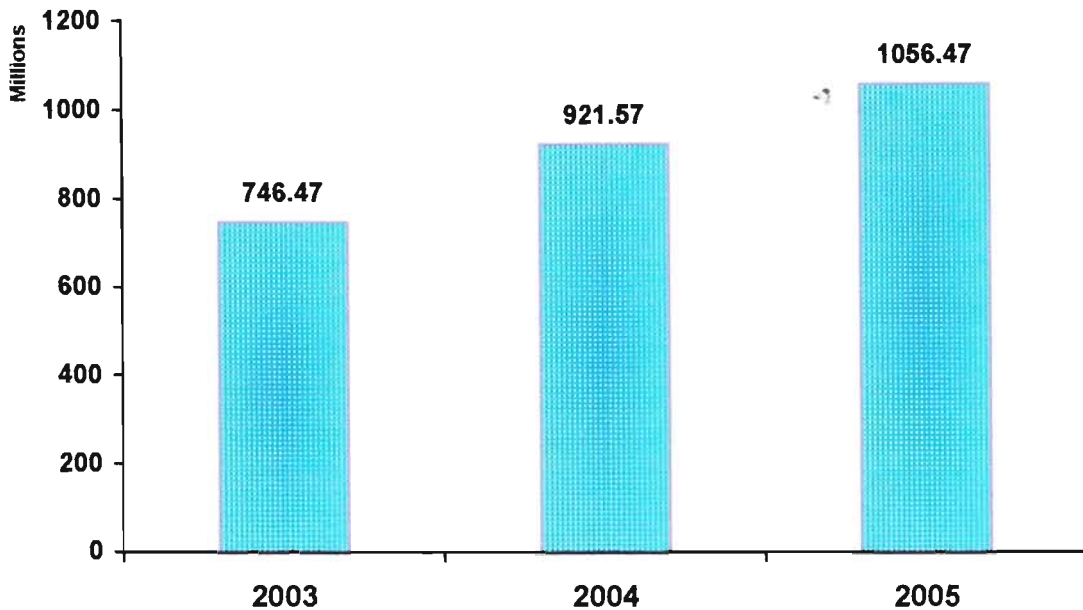


Figure 4.1 : Sales Performance in Year 2003, 2004 & 2005 of Ordinary Life Policy

4.2.1.2 TOTAL PREMIUM COLLECTION AS RENEWAL

In insurance business, renewal premium is another important factor to evaluate its sales & marketing performance. Because renewal premium represents how much sold policies has remained active during the years. Many insurance companies have been suffering the problem that many of their active policies become lapse after one or two years despite of their good sales in every year. A good renewal premium collection tells that it has also been able to keep their old policies active and in insurance business it is very important to completion of the existing policies. Because any policy owner will get the maximum benefits by completing the term. And it also allow the insurance company to make substantial profit by completing of that policy. A good amount of premium collection as renewal premium also requires a concentrated effort from both the Marketing people and also from the sales force. Marketing personnel must have the attractive schemes to encourage its sales force to concentrate and also to provide the necessary privileges after sales service, so that their previously sold policies remain active.

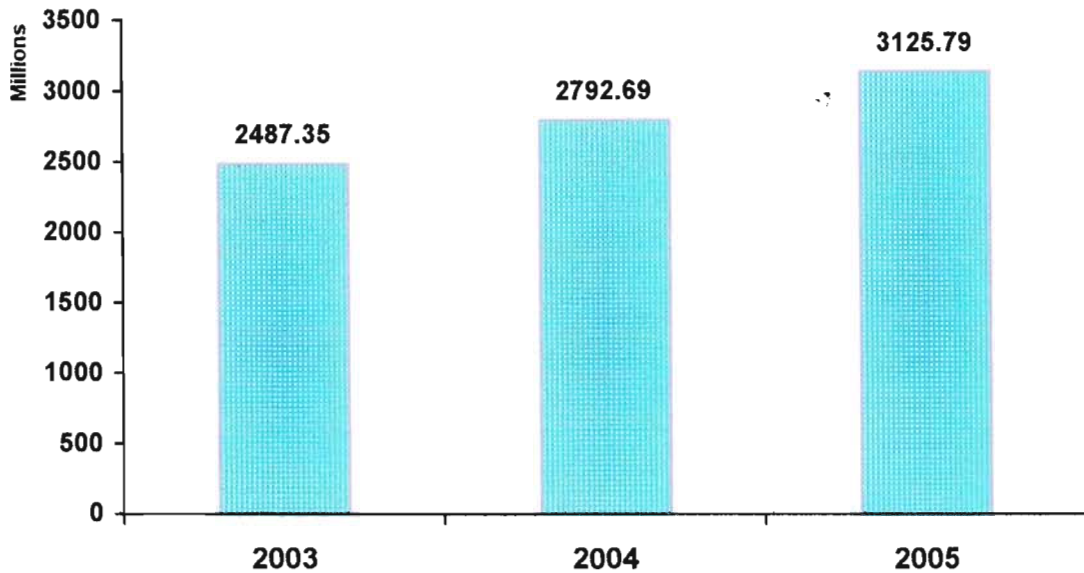


Figure 4.2 : Total Renewal Premium Collection of Ordinary Life Policy

From the figure 4.2 it has been found that ALICO had been experiencing a very good position on the basis of renewal premium collection. As because of the concentrated effort of it's marketing people and sales forces, it had increased it's renewal premium collection of Ordinary Life Policy in year 2004 from that of year 2003 by Tk. 305.34 million and in year 2005 from that of year 2003 by Tk. 333.10 million.

4.2.2 PERSONAL ACCIDENT (PA) POLICY

4.2.2.1 TOTAL PREMIUM OF NEW BUSINESS

Like Ordinary Life Policy, with Personal Accident Policy ALICO also enjoying the same growth in sales. From figure 4.3, it is found that in year 2004, sales of PA policies had increased by Tk. 1.54 million from that of year 2003 and in year 2005, sales of PA policies had increased by Tk. 16.15 million from that of year 2004. Again, in year 2004 sales had increased by 1.23% from that of year 2003 and in year 2005, sales had increased by 12.75% from that of year 2004, which was 11.52% higher than 2004. In year 2005, this sharp increase in sales happened due to introduction of some new policies, which was really attractive enough to promote sales.

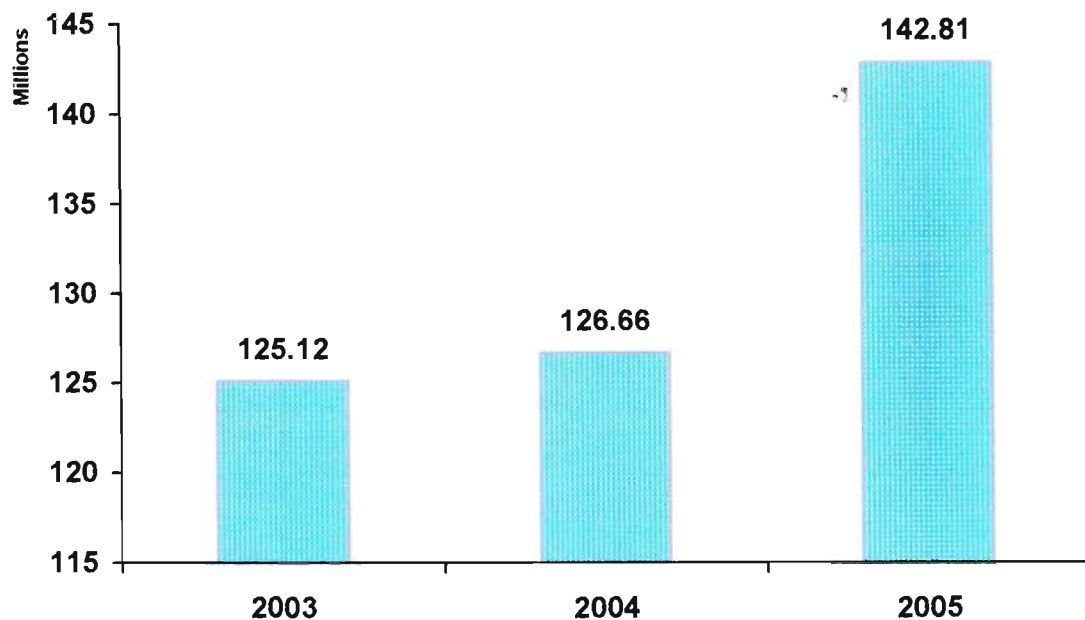


Figure 4.3: Sales performance of Personal Accident Product

4.2.2.2 TOTAL PREMIUM COLLECTION AS RENEWAL

Like Ordinary Life Policy, with Personal Accident Policy ALICO also applying the same approach in collecting renewal premiums. With the integrated effort of marketing and sales force, ALICO had also been in good shape with its PA renewal premium collection. From figure 4.4, it is found that in year 2004, renewal premium collection of PA policies had increased by Tk. 12.13 million from that of year 2003 and in year 2005, renewal premium collection of PA policies had increased by Tk. 11.62 million from that of year 2004. Again, in year 2004 renewal premium collection of PA policies had increased by 65.53% from that of year 2003 and in year 2005, renewal premium collection of PA policies had increased by from that of year 2004, which was 11.52% higher than 2004.



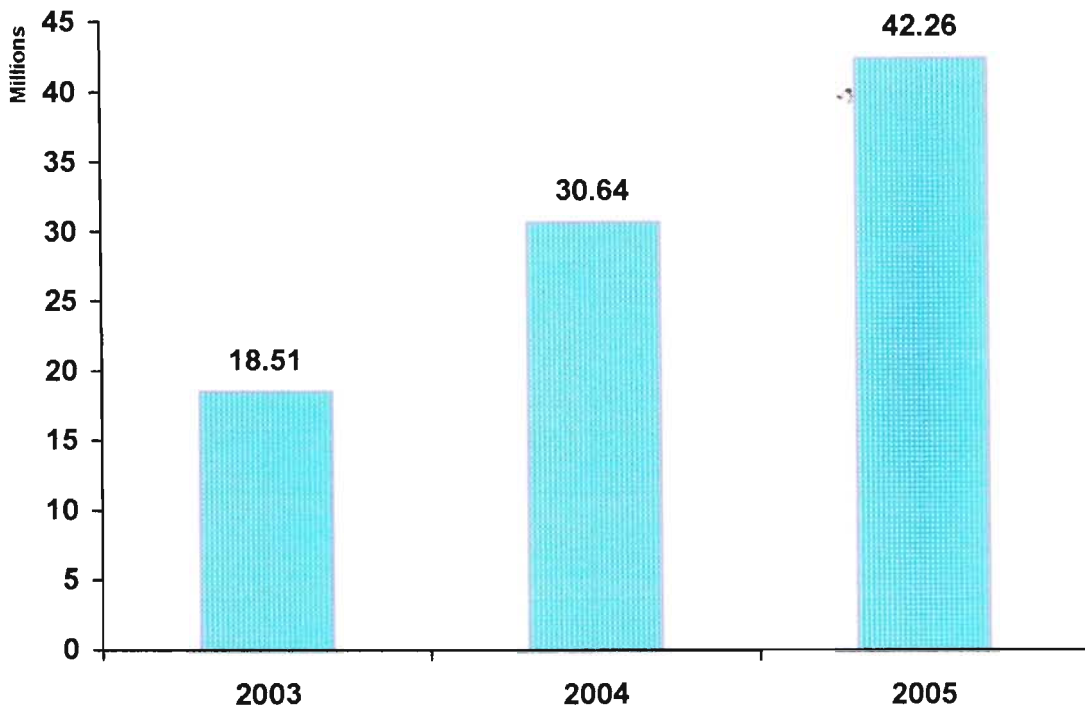


Figure 4.4 : Total Renewal Premium Collection of PA Policy

4.2.3 GROUP POLICY

4.2.3.1 TOTAL PREMIUM OF NEW BUSINESS

Group Insurance is a way of providing Life or Medical insurance coverage for a group of people under one insurance contract called a Group Insurance Contract. It's a very new concept in the insurance industry of Bangladesh. Over the last one and half decades and so ALICO has been standing as the leader in the life insurance business. But with the inclusion of Group insurance the scenario has changed into a new look. Sales of Group Insurance were not as high as it had been in selling Ordinary Life Policy and PA Policy. From figure 4.5, it is found that in year 2004, ALICO sold Group Insurance Policy of TK. 12.78 million, which was TK. 8.49 million lower than that of year 2003. But in year 2005, ALICO had been able to increase its sales of Group Insurance Policy to TK. 17.16 million, which was TK. 4.38 million higher than that of year 2004. Huge fall in sales of Group Insurance Policy in year 2004, actually happened due to terrorist attack in World Trade Center at 11th

September, 2001. Many had doubt in their mind whether ALICO did continue it's operation in Bangladesh or not. As a result of that, sales fall down. But in year 2005 sales increased when many organization found that ALICO is very keen to continue it's operation in Bangladesh.

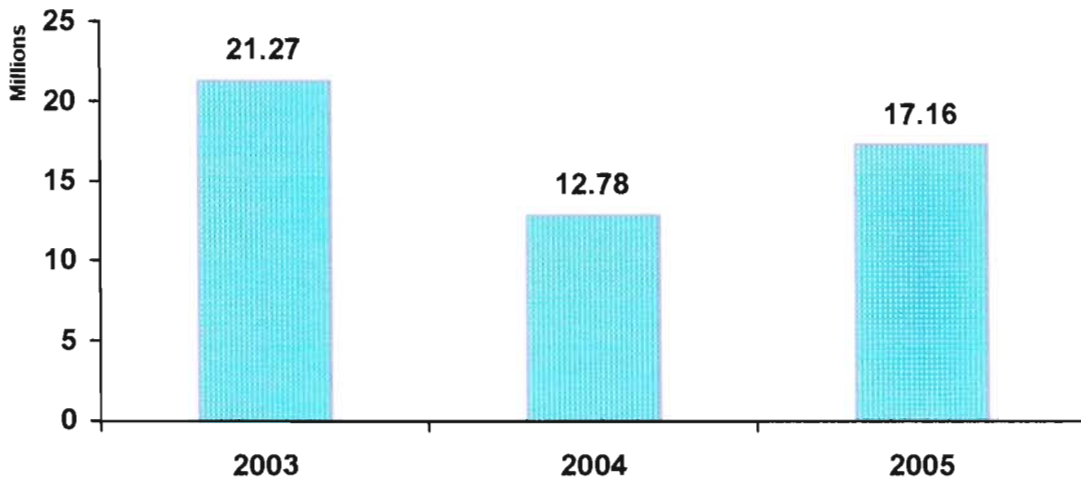


Figure 4.5: Sales Performance of Group Insurance Policy

4.2.3.2 TOTAL PREMIUM COLLECTION AS RENEWAL

Despite of fall and increase in sales of Group Insurance Policy compared to many organization; due to terrorist attack in World Trade Center at 11th September, 2001 & doubt about whether ALICO would continue it's operation in Bangladesh or not, ALICO had been able to continue it's sold policies with many organizations. From figure 4.6, it is found that in year 2004, ALICO had been able to increase it's renewal premium collection of Group Insurance Policy by TK. 21.48 million from that of year 2003 and in year 2005, ALICO had been able to increase it's renewal premium collection of Group Insurance Policy by TK. 6.31 million from that of year 2004.

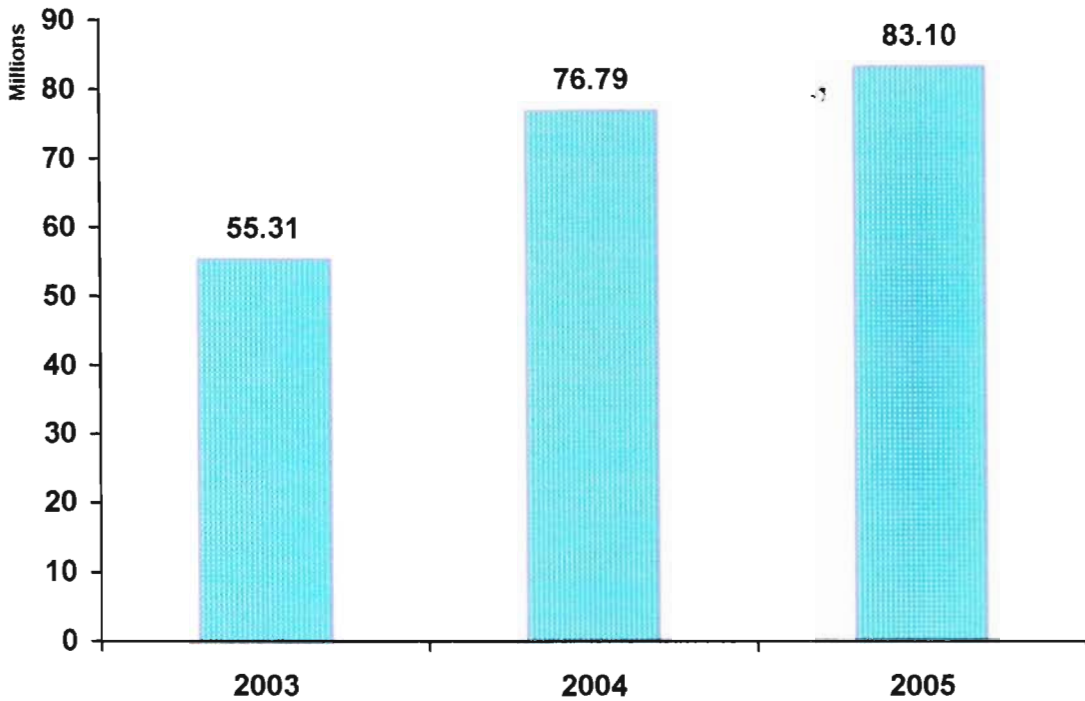


Figure 4.6 : Renewal Collection of Group Insurance Policy

4.3 Growth in Last 25 Years

4.3.1 SALES GROWTH

With the concentrated effort of Marketing and sales forces, ALICO has been able to achieve an excellent sales growth. In the last 25 years, from 1980 to 2004, the overall sales growth has achieved from TK. 53 lakh to TK. 10760 lakh. Growth of every four years have resulted to 211.2%, 213.94%, 246.53%, 253.54% and 45.20% in year 1984, 1989, 1994, 1999 and 2004 respectively.

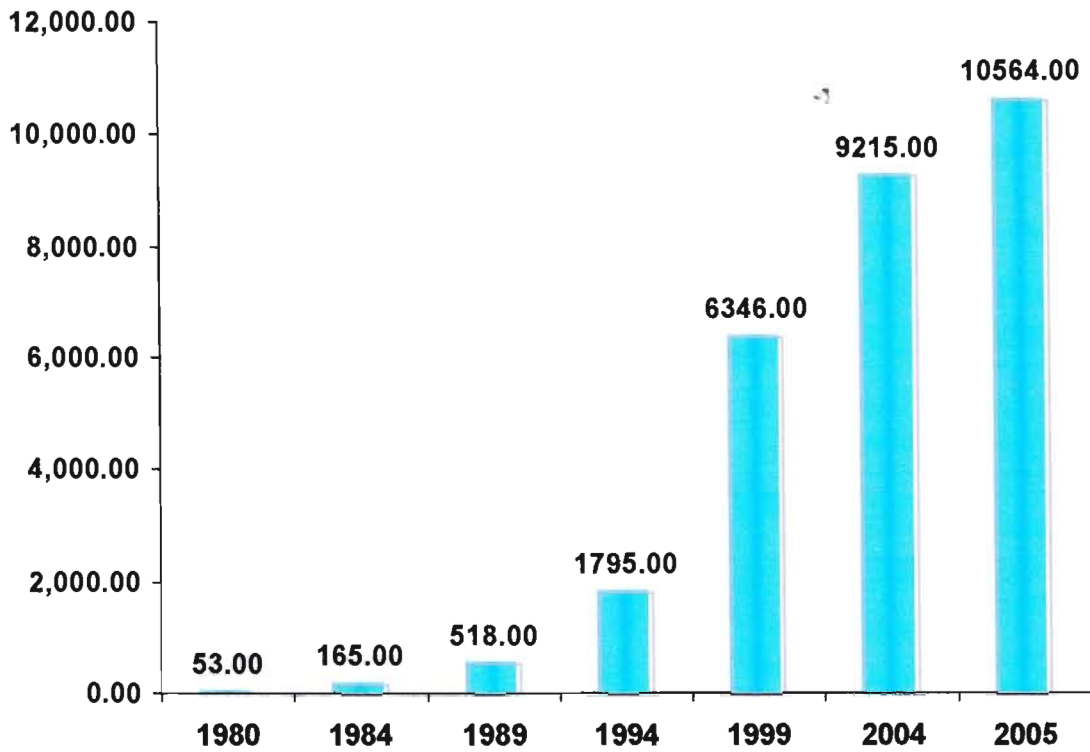


Figure 4.7 : Total Premium of New Policy (TK. In Lacs) in last 25 Years

4.3.2 AGENCY GROWTH

Along with the sales growth over the last 25 years, ALICO's total number agencies have also increased. From figure 4.8, it is found that total number of agencies has increased from 16 to 89 in year 2005 from that of year 1880.

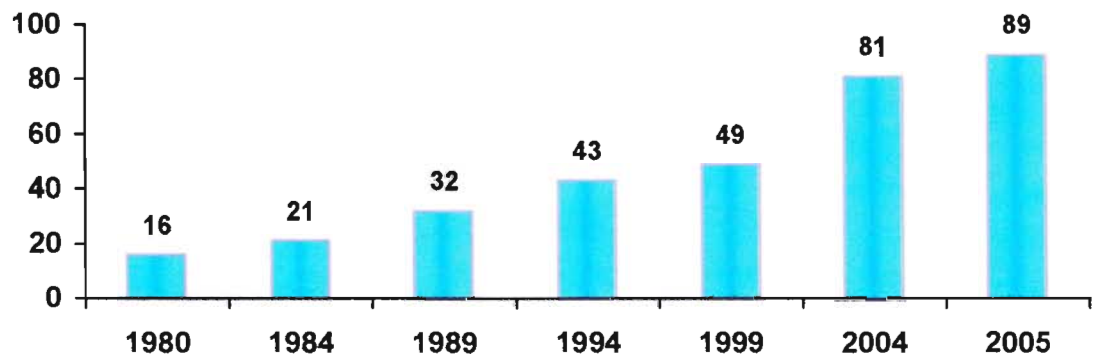


Figure 4.8: Agency Growth in Last 25 Years

4.3.3 GROWTH OF SALES FORCE

Along with the sales growth over the last 25 years, ALICO's total number sales forces have also increased. From figure 4.9, it is found that total number of sales forces have increased from 500 to 4600 in year 2004 from that of year 1880.

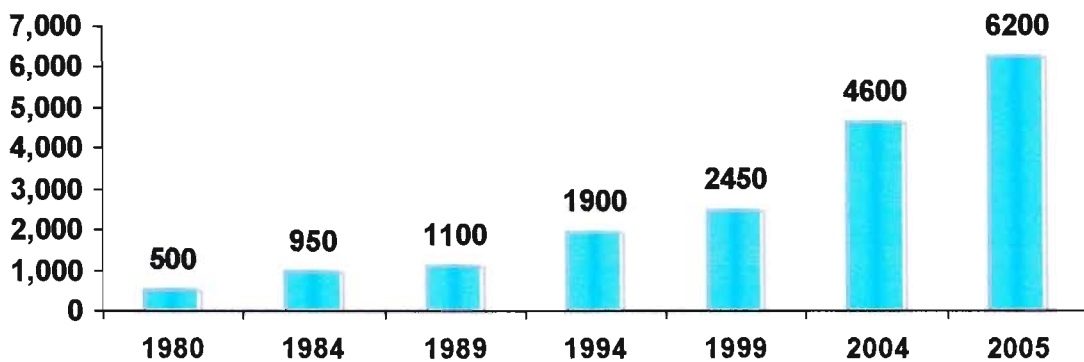


Figure 4.9 : Growth of Sales Forces in Last 25 years

Evaluation of Financial Status of ALICO

In determining the performance of any business organization, it is a must to determine its performance on the basis of its financial status.

Due to time limitations and lack of relevant information and organizational restriction in analyzing its financial data in depth (i.e. permission to perform ratio analysis of ALICO's financial data have not obtained), ALICO's financial status and business performance is shown here just through graphical display. Here this display has been done as a comparison of financial year as at December 31, 2001, 2002 as at December 31 and as at December 31 2003.

5.1 Funds & Liabilities

5.1.1 INVESTMENT RESERVES

ALICO has a strong investment reserves. By evaluating the obtained financial data, it has been evident that its good performance in the market resulted in a positive and sharp increase in its investment reserve funds. It had increased from Tk. 3.09 millions

to Tk. 3.50 millions in year 2002 and in year 2003 it had gained a quick increase in its reserve funds from Tk. 3.50 millions to Tk. 6.77 millions. All these increase has offered ALICO to maintain a strong standing in the life insurance market in Bangladesh to meet any immediate claim and at the same time the ability to respond quickly to the demand of business expansion or face any competition from it's competitors.

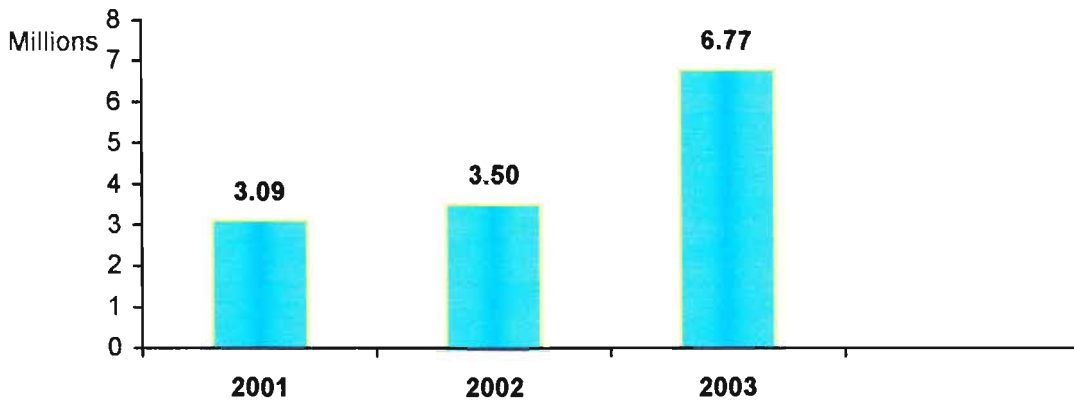


Figure 5.1 Investment Reserve of ALICO

5.1.2 LIFE INSURANCE FUNDS

Life Insurance Fund is actually a reserve to meet any immediate claims. It's a key indicator to evaluate any life insurance company's financial performance. More the Life Insurance Fund is more the company's strength to meet claim requirements of it's policy owners. ALICO has the right implementation of this strategy. ALICO has put a huge effort to maintain a good Life Insurance Fund. As a consequence of this, ALICO has never faced any difficulty to meet claim demand and has achieved the reputation of being an excellent life insurance provider in the Life Insurance Industry. From the figure 5.2, it is found that, in year 2001, ALICO had Life Insurance Fund of Tk. 7905.20 million to meet claim requirements of it's valued policy owner (as of maturity payment or of accidental or dismemberment or health & sickness claims) or their beneficiaries (as death claim). In year 2002, ALICO had Life Insurance Fund of Tk. 9313.23 million to meet claim requirements of it's valued policy owner (as of maturity payment or of accidental or dismemberment or health & sickness claims) or their beneficiaries (as death claim), which was Tk. 1408.03 million more than that of year 2001. In year 2003, ALICO had Life Insurance Fund of Tk. 10814.50 million to meet claim requirements of it's valued policy owner (as of maturity payment or of accidental

or dismemberment or health & sickness claims) or their beneficiaries (as death claim), which was Tk. 1501.27 million higher than that of year 2002.

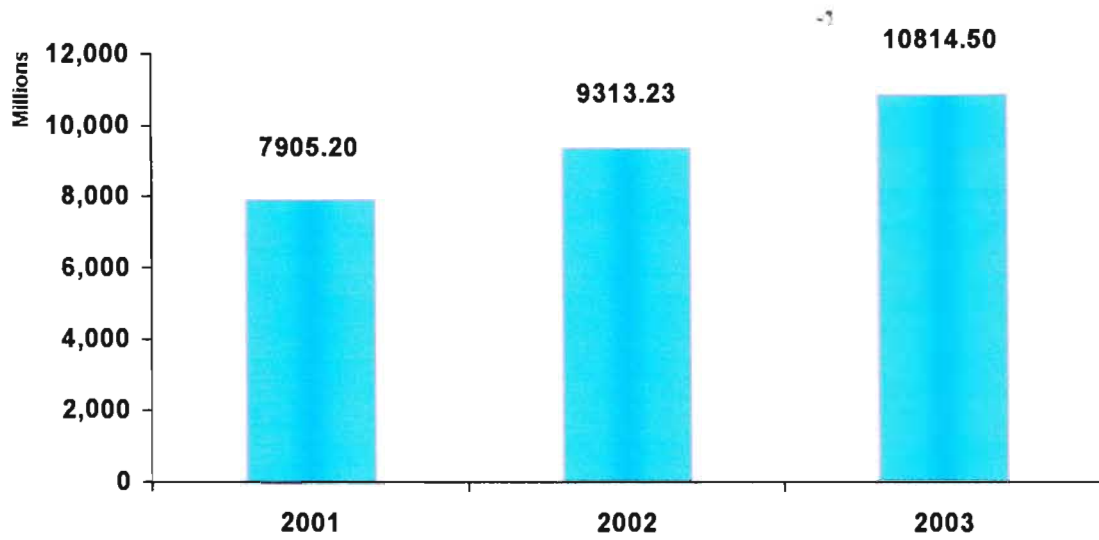


Figure 5.2: Life Insurance Fund maintained by ALICO

5.1.3 ESTIMATED LIABILITIES

Estimated liabilities are liabilities which occur in respect of outstanding claims whether due or intimated. In many cases, it has been noticed that after the death of a policy owner, no death claims has filled in ALICO by the beneficiary of the policy owner. Again also, in many cases, people failed to submit required papers to get claims. As a result of these, amount of estimated liabilities has been increasing every year. From figure 5.3, it is found that in year 2002, the amount of estimated liabilities had increased by TK. 85.62 million from that of year 2001 and in year 2003, the amount of estimated liabilities had increased by TK. 91.39 million from that of year 2002.

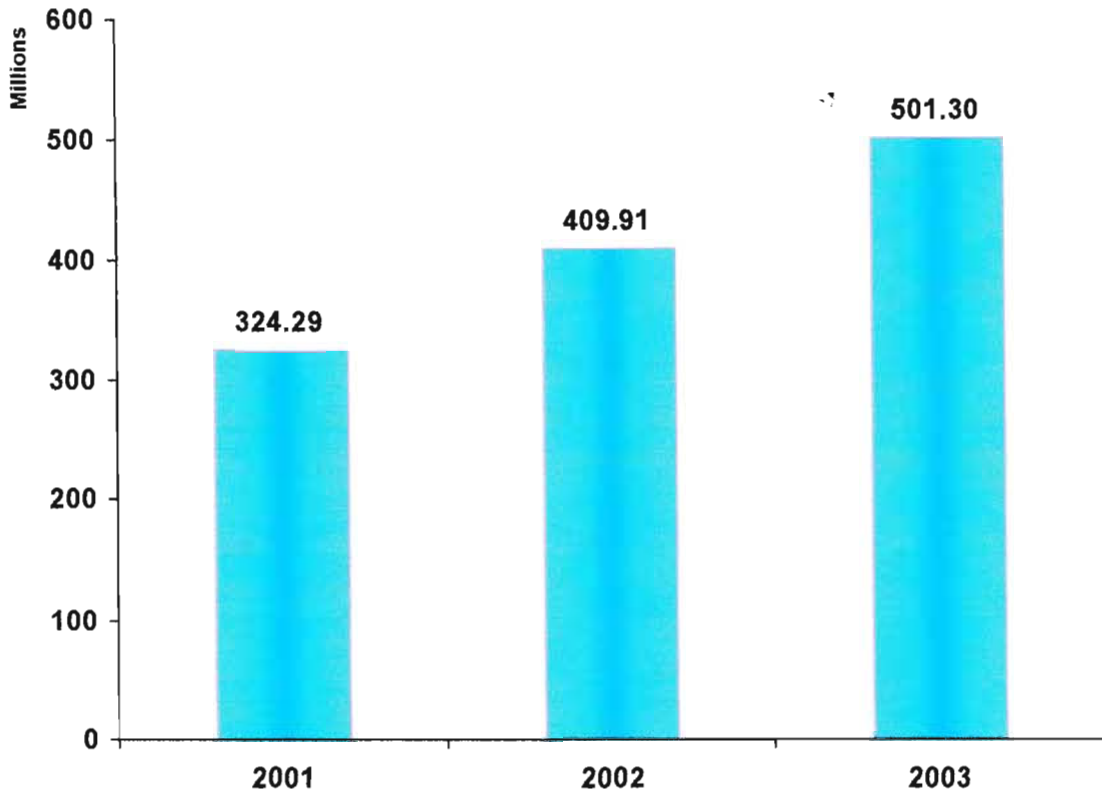


Figure 5.3: Estimated Liabilities in year 2001, 2002 & 2003

5.1.4 TOTAL FUND & LIABILITIES

ALICO has put a sincere effort in maintaining a good financial standing. From figure 5.4 it is found that in year 2002, ALICO's total fund & liabilities has increased by TK. 1891.46 million from that of year 2001 and in year 2003, ALICO's total fund & liabilities has increased by TK. 1667.21 million from that of year 2002. One may think that ALICO's total liabilities also increasing in a great extend with this steady and huge increase in Total Fund and Liability. But, by analyzing figure 5.1,5.2 & 5.4 it t is found that Total of Investment Reserve & Life Insurance Fund are 89.46%, 86.82% and 87.28% of Total Fund & Liabilities in year 2001, 2002 and 2003 respectively.

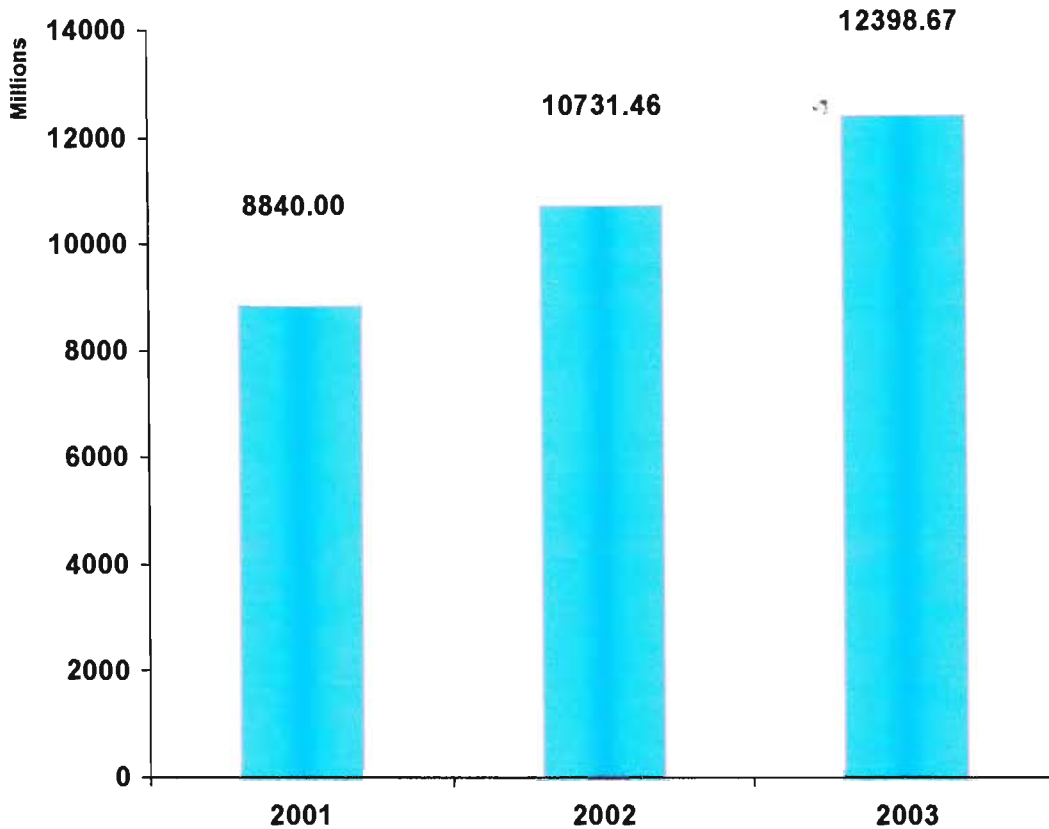


Figure 5.4 : Status of Total Fund & Liabilities of ALICO

5.2 Assets

5.2.1 LOANS

In life insurance business, loan is a benefit or facility provided to the policy owner against his/her life insurance policy. In every life insurance policy, cash value grows against that policy after 3 years of issuance of that policy. After 3 years of issuance of any policy, a policy owner can take a loan of 85% of grown cash value against his/her policy. Over the years, this loan facility has facilitated ALICO's increased number of sold policy. As a consequence of this, more people are purchasing life insurance policy and enjoying loan facility to meet their immediate funding requirements for their personal reasons. The following graphical illustration shows that over the years as the sales increased, loans taken by the policy owner has also increased. This loan amount had increased from TK. 596.39 millions in year 2001 to TK. 760.78 millions in

year 2002 and in year 2003 it had also increased from TK. 760.78 millions to TK. 964.89 millions.

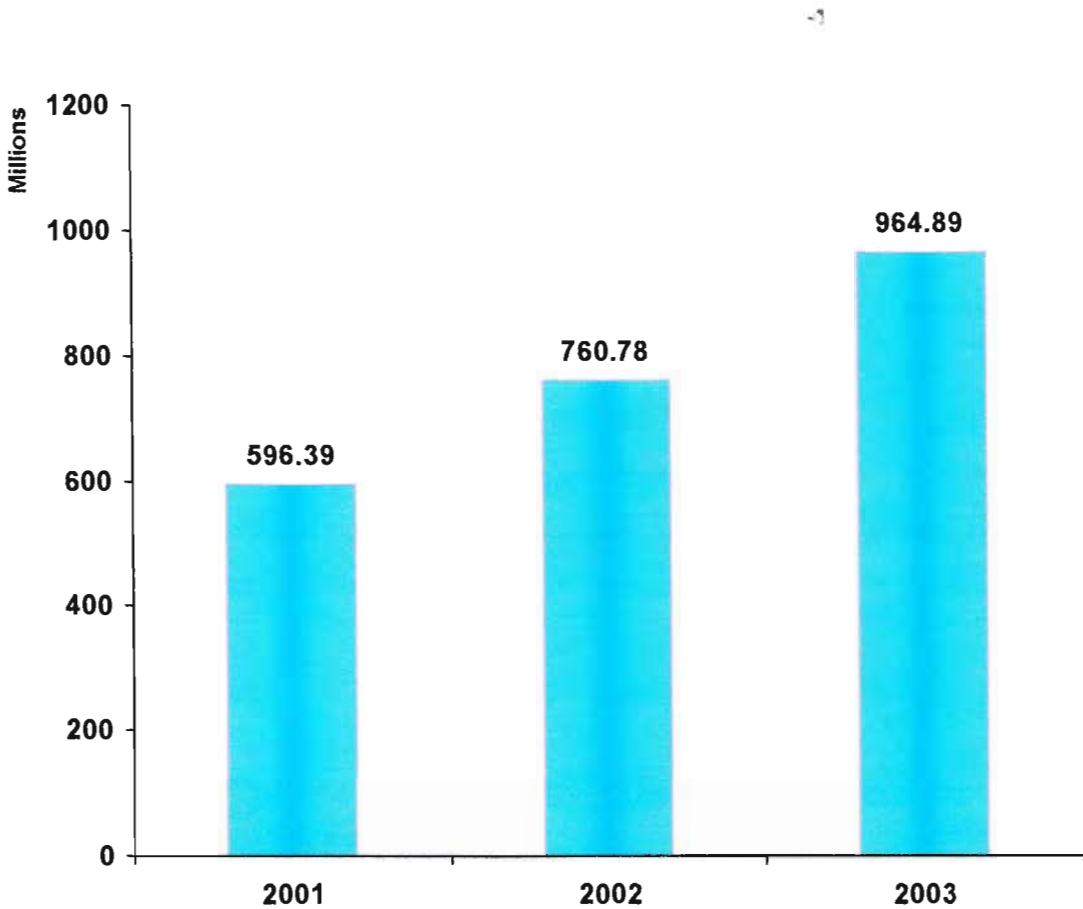


Figure 5.5 : Comparison of Loan given to Policy Owner

5.2.2 INVESTMENTS

ALICO also has been utilizing its all funds. ALICO has been doing so by investing them in different Govt. securities & bonds and also in other available sources like ICB Unit certificates, purchasing shares as common stock of different companies listed with SEC, investing in different commercial banks as FDR.

5.2.2.1 GOVERNMENT SECURITIES & BONDS

During the last four years ALICO has invested in different govt. securities and bonds.

(a) 8 Years Pratirakkha sanchayapatra : In year 2001 ALICO had purchased 8 Years Pratirakkha sanchayapatra of TK. 68,000,000.00

(b) Treasury Bills: In Year 2002, ALICO had purchased Treasury Bills of TK. 1,436,118,371

(c) 3Years National Investment Bonds:

Over the years, ALICO has been investing in Govt. 3 Years national Investment Bonds to utilize its money in a positive gesture. In year 2001, ALICO invested TK. 4208.50 millions in 3 Years National Investment Bonds, in year 2002, ALICO invested TK. 4584.50 millions in 3 Years National Investment Bonds and in year 2003, ALICO invested TK. 4101.50 millions in 3 Years National Investment Bonds to ensure better utilization of it's profit earnings.

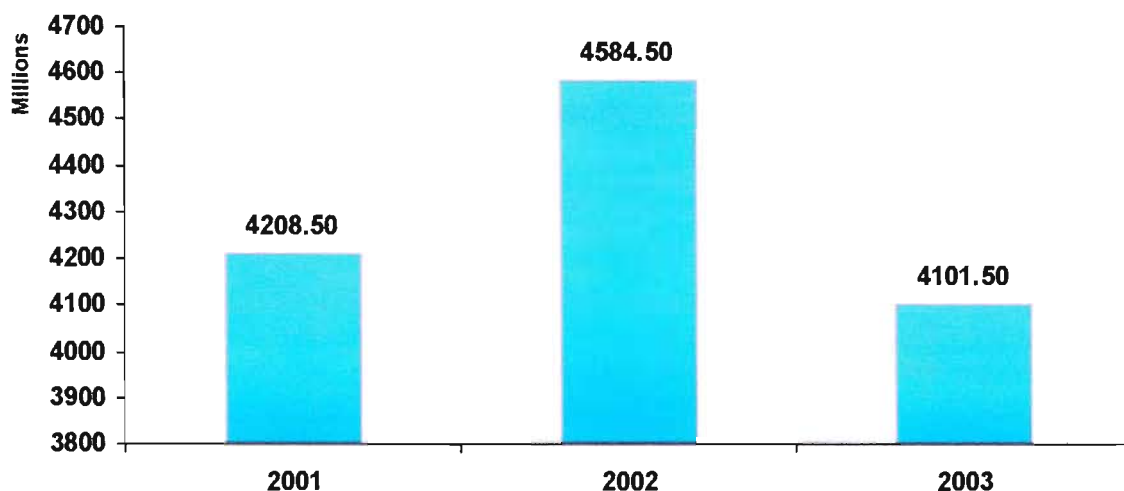


Figure 5.6 : Comparison of Investment in 3Years National Investment Bonds

5.2.2.2 ICB UNIT CERTIFICATE

Over the years, ALICO has been investing in ICB Unit Certificate to utilize its profit earnings in a positive gesture. In year 2001, ALICO invested TK. 9.02 millions in ICB Unit Certificate, in year 2002, ALICO invested TK. 8.94 millions in ICB Unit Certificate and in year 2003, ALICO had invest TK. 9.20 millions in ICB Unit Certificate to ensure better utilization of it's profit earnings.

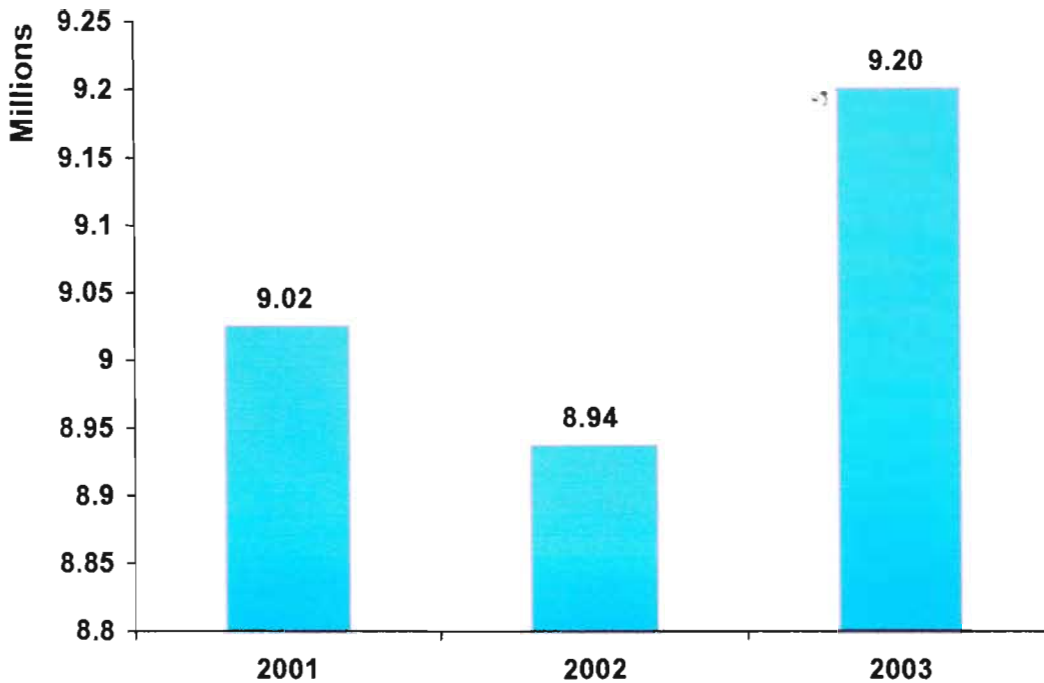


Figure 5.7 : Comparison of Investment in ICB Unit Certificate

5.2.2.3 SHARES – COMMON STOCK

Over the years, ALICO has been investing in different companies by purchasing shares as common stock to utilize its profit earnings in a positive gesture. In year 2001, ALICO invested TK. 5.19 millions by purchasing shares as common stock, in year 2002, ALICO invested TK. 5.69 millions by purchasing shares as common stock and in year 2003, ALICO invested TK. 8.70 millions by purchasing shares as common stock to ensure better utilization of its profit earnings.



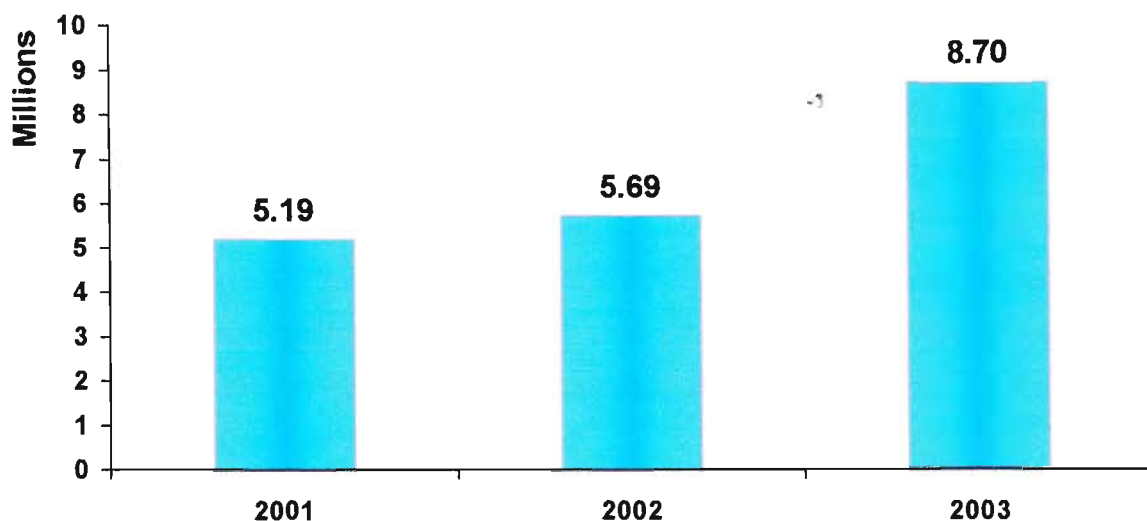


Figure 5.8 : Comparison of Investment in Shares – Common Stock

Shares (Common Stock)	Face Value in TK	Market Value in 2002 in TK	Market Value in 2003 in TK
Padma Oil Company Limited	221, 480	4,429,600	7,198,100
ACI Limited	225, 480	1,260,000	1,500,750
Total	446,480	5,689,600	8,698,850

(a) SHARES OF PADMA OIL COMPANY LIMITED

The amount represents in the market value of 22,148 Ordinary Shares of Padma Oil Company Limited (Ex – Burma Eastern Ltd.) which was valued at Tk. 325 per share (face value of Tk. 10 each) on the basis of quoted price of Dhaka Stock Exchange as prevailed on December 31. 2003.

(b) SHARES OF ACI LIMITED

The amount represents in the market value of 22,500 Ordinary Shares of ACI limited, valued at TK. 66.70 per share (Face Value of Tk. 10 each) on the basis of quoted price of Dhaka Stock Exchange as prevailed on December 31. 2003.

5.2.2.4 FIXED DEPOSITS WITH DIFFERENT BANKS

Over the years, ALICO has been investing as fixed deposits in different banks to utilize its profit earnings in a positive gesture. In year 2001, ALICO had invested TK. 2,510.5 millions as fixed deposits, in year 2002, ALICO had invested TK. 3,682.5 millions as fixed deposits and in year 2003, ALICO had invested TK. 4,279 millions as fixed deposits to ensure better utilization of its profit earnings. In this regards, ALICO has invested fixed deposits in Long Term and Short Term Manner. Major banks in which ALICO has been investing as fixed deposits are as follows:

- (a) Standard Chartered bank
- (b) Citibank N.A.
- (c) HSBC

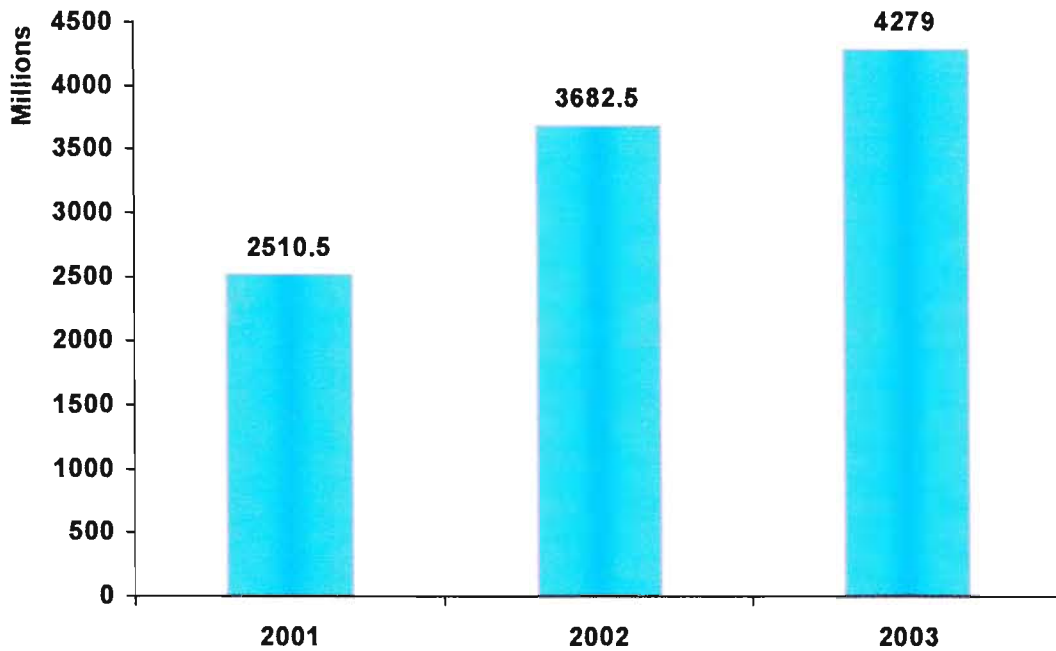


Figure 5.9 : Comparison of Investment as Fixed Deposits at Different Banks

5.2.3 REAL ESTATE – HOUSE PROPERTY & LAND IN BANGLADESH

ALICO Bangladesh has its own building at Motijheel which is used by ALICO Bangladesh itself and also two tenants are using two floors. Thus ALICO Bangladesh earns rental income from its tenants. The company also has a bare land at Kazi Nazrul Islam Avenue. Recently ALICO had appointed a technical consultancy firm to perform a feasibility study on different alternatives to utilize the land. As a result of efficient utilization of its real estate, ALICO has been maintaining a steady standing in its wealth of real estate – house property and land in Bangladesh.

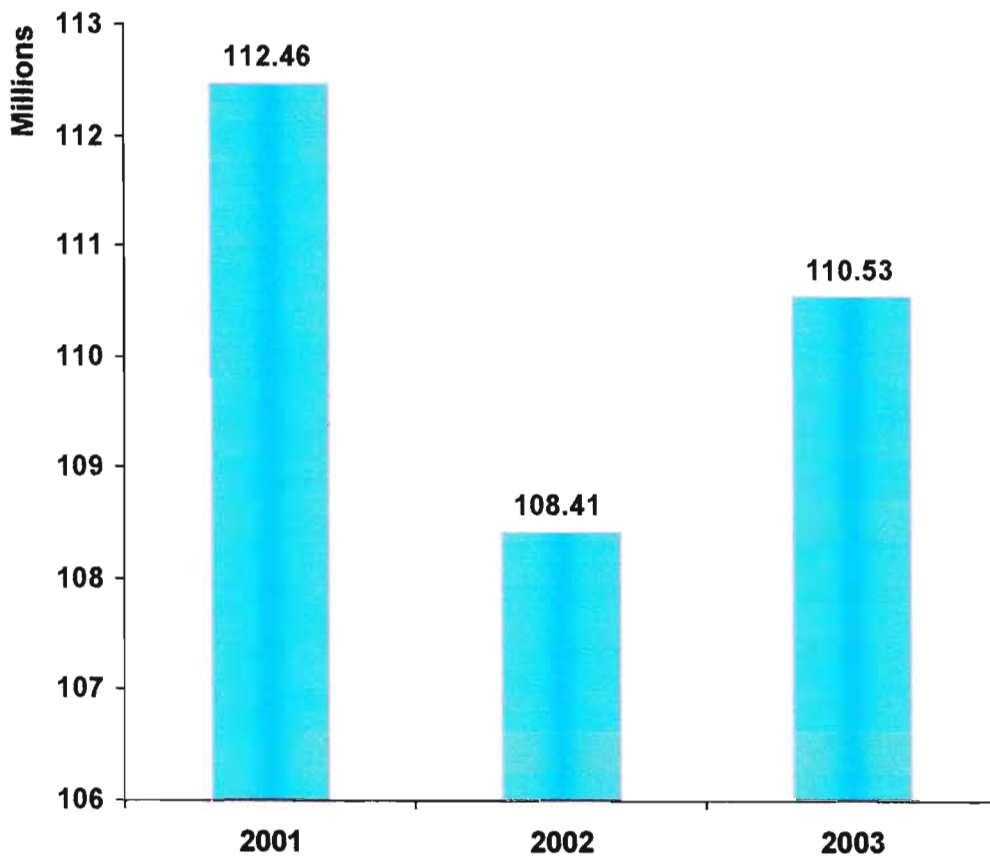


Figure 5.10 : Comparison of Real Estate Status of ALICO

5.2.4 OUTSTANDING NET PREMIUMS

From figure 5.11, it is found that in year 2002 Outstanding Net Premium had increased by TK. 38.19 million from that of year 2001 and in year 2003 Outstanding Net Premium had increased by TK. 40.62 million from that of year 2002.

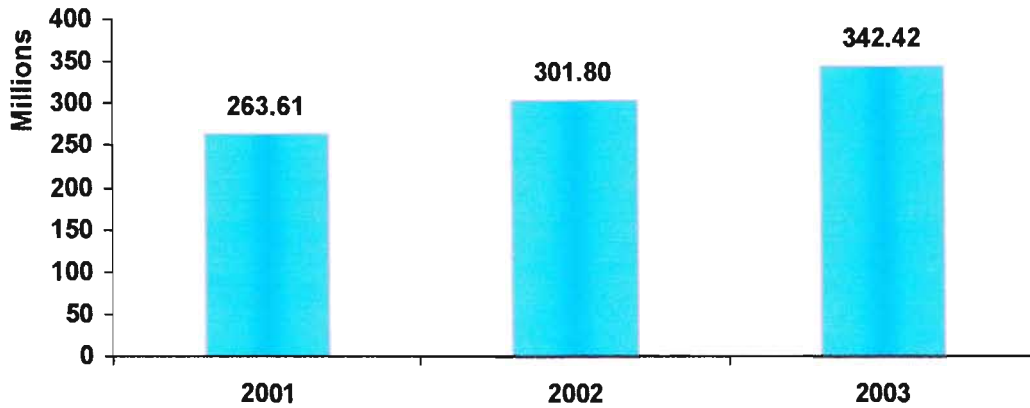


Figure 5.11 : Comparison of Outstanding Net Premium

5.2.5 CASH AND BANK BALANCES

To meet the immediate needs of business, ALICO always maintain sufficient amount of money in it's hand and also in Banks. The following graphical illustration shows that in year 2001, ALICO has TK. 178.28 million as cash and bank balances to meet immediate financial needs, in year 2002, ALICO has TK. 282.32 million as cash and bank balances to meet immediate financial needs and in year 2003, ALICO has TK. 218.61 million as cash and bank balances to meet immediate financial needs.

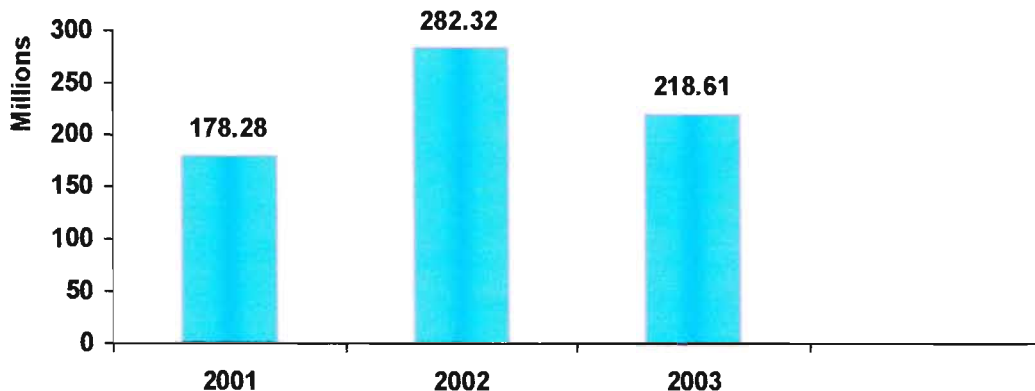


Figure 5.12 : Comparison of Cash & Bank Balances

5.2.6 TOTAL ASSETS

Standing with the good reputation of being the market leader in the life insurance industry in Bangladesh, ALICO has been utilizing its assets at its best. Due to optimum utilization of assets, total assets of ALICO has increased from TK. 8,840.00 millions in year to 2001 to 10,731.46 millions in year 2002 and total assets of ALICO has increased from TK. 10,731.46 millions in year to 2002 to 12,398.67 millions in year 2003.

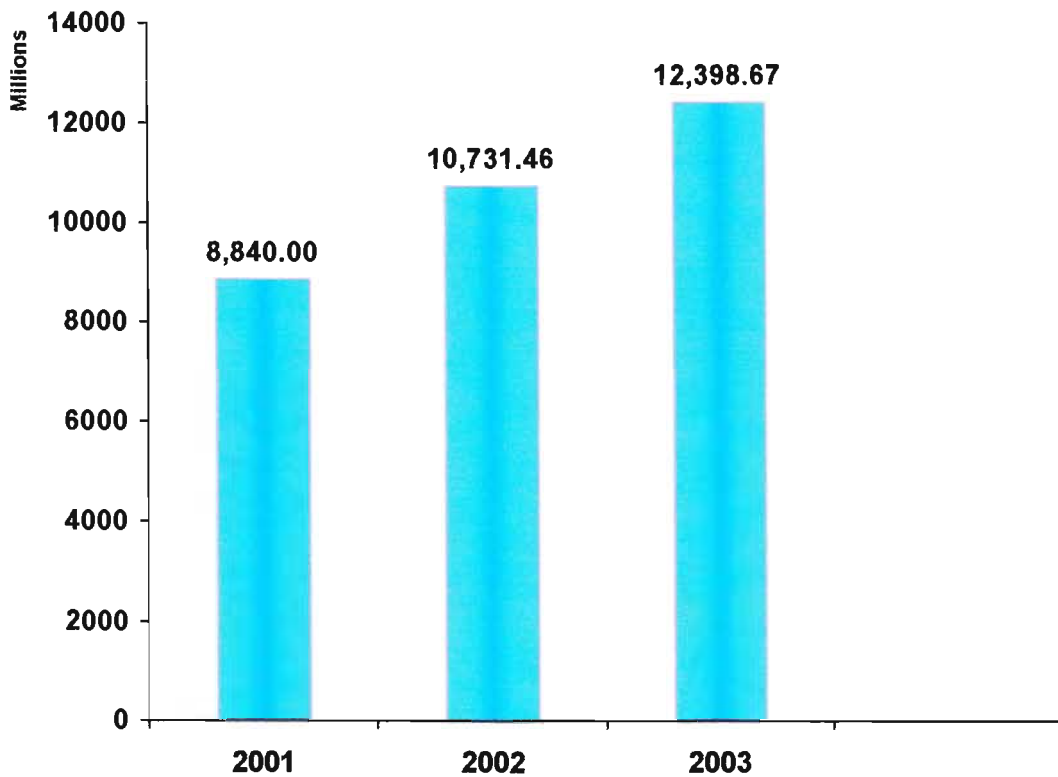


Figure 5.13: Comparison of Total Assets of ALICO

5.3 REVENUE COLLECTION

5.3.1 ORDINARY LIFE

5.3.1.1 TOTAL PREMIUM OF NEW BUSINESS

From the Figure 5.14, it has been shown that ALICO had been in the better position in term of generating new business and had been able to increase its total number to policy owner both in year 2001, year 2002 and year 2003. From figure 4.1, it is found that total sales of Ordinary Life Policy has increased by Tk 73.19 million from year 2001 to 2002 and total sales of Ordinary Life Policy has increased by Tk 94.90 million from year 2002 to 2003. Again also sales growth rate of Ordinary Life Policy had increased in year 2003 from 12.65% to 14.56%.

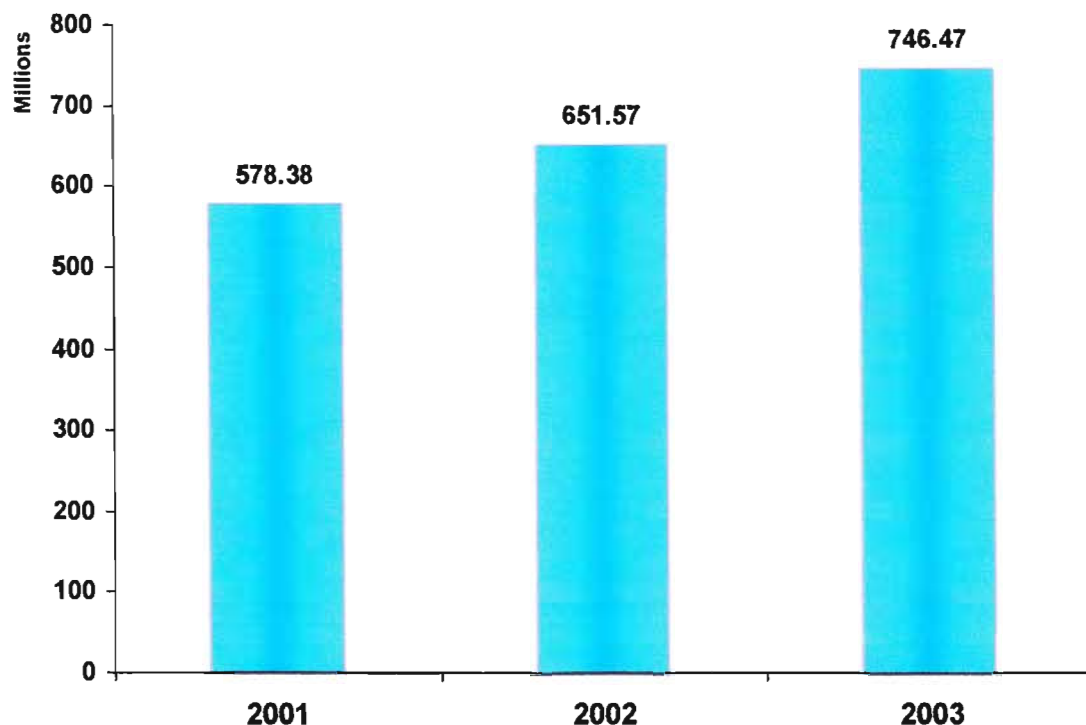


Figure 5.14: Premium Collection of Ordinary Life Policy as new business

5.3.1.2 TOTAL PREMIUM COLLECTION AS RENEWAL

From the figure 5.15 it has been found that ALICO had been experiencing a very good position on the basis of renewal premium collection. As because of the concentrated effort of its marketing people and sales forces, it had increased its renewal premium

collection of Ordinary Life Policy in year 2002 from that of year 2001 by Tk. 305.34 million, which is 4.17 times higher than ALICO had in it's new premium collection and in year 2003 from that of year 2002 by Tk. 333.09 million, which is 3.51 times higher than ALICO had in it's new premium collection.

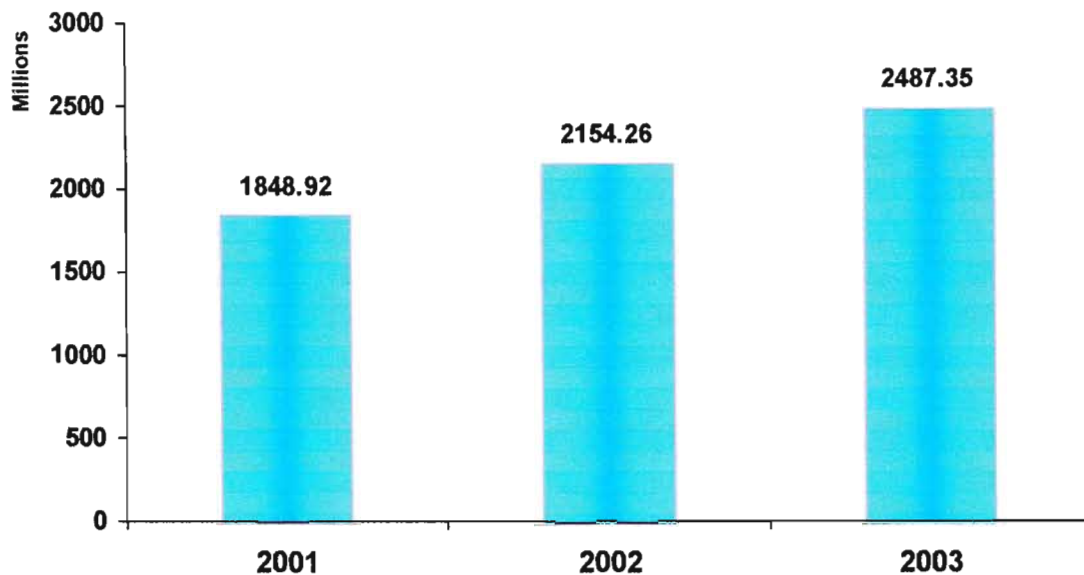


Figure5.15: Total Renewal Premium Collection of Ordinary Life Policy

5.3.2 PERSONAL ACCIDENT (PA) POLICY

5.3.2.1 TOTAL PREMIUM OF NEW BUSINESS

Like Ordinary Life Policy, with Personal Accident Policy ALICO also enjoys the same growth in sales. From figure 5.16, it is found that in year 2002, sales of PA policies had increased by Tk. 1.54 million from that of year 2001 and in year 2003, sales of PA policies had increased by Tk. 16.15 million from that of year 2002. Again, in year 2002 sales had increased by 1.23% from that of year 2001 and in year 2003, sales had increased by 12.75% from that of year 2002, which was 11.52% higher than 2002. In year 2003, this sharp increase in sales happened due to introduction of some new policies, which was really attractive enough to promote sales.

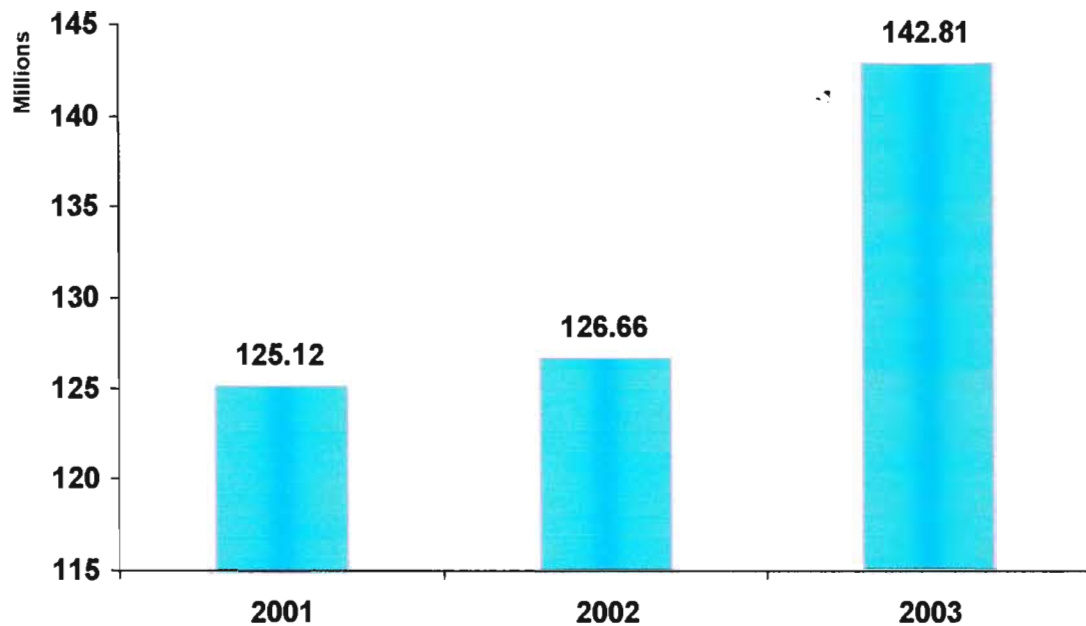


Figure 5.16: Premium Collection of Personal Accident Product as New Business

5.3.2.2 TOTAL PREMIUM COLLECTION AS RENEWAL

From figure 5.17, it is found that in year 2002, renewal premium collection of PA policies had increased by Tk. 12.13 million from that of year 2001 and in year 2003, renewal premium collection of PA policies had increased by Tk. 11.62 million from that of year 2002. Again, in year 2002 renewal premium collection of PA policies had increased by 65.53% from that of year 2001 and in year 2003, renewal premium collection of PA policies had increased by from that of year 2002, which was 11.52% higher than 2002.

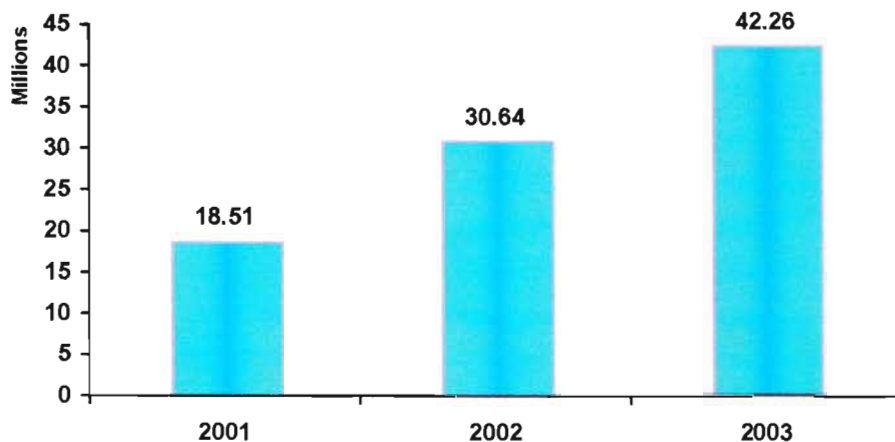


Figure 5.17: Total Renewal Premium Collection of PA Policy

5.3.3 GROUP POLICY

5.3.3.1 TOTAL PREMIUM OF NEW BUSINESS

From figure 5.18, it is found that in year 2002, ALICO had sales of Group Insurance Policy of TK. 12.78 million, which was TK. 8.49 million lower than that of year 2001. But in year 2003, ALICO had able to increase it's sales of Group Insurance Policy to TK. 17.16 million, which was TK. 4.38 million higher than that of year 2002.

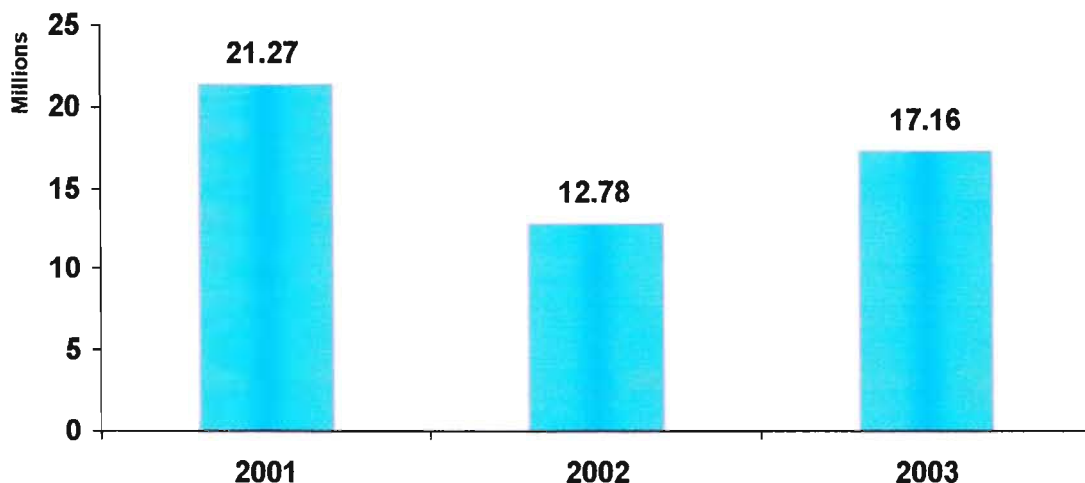


Figure 5.18: Premium Collection of Group Insurance Policy as New Business in year 2001, 2002 & 2003

5.3.3.2 TOTAL PREMIUM COLLECTION AS RENEWAL

From figure 5.19, it is found that in year 2002, ALICO had been able to increase it's renewal premium collection of Group Insurance Policy by TK. 21.48 million from that of year 2001 and in year 2003, ALICO had been able to increase it's renewal premium collection of Group Insurance Policy by TK. 6.31 million from that of year 2002.



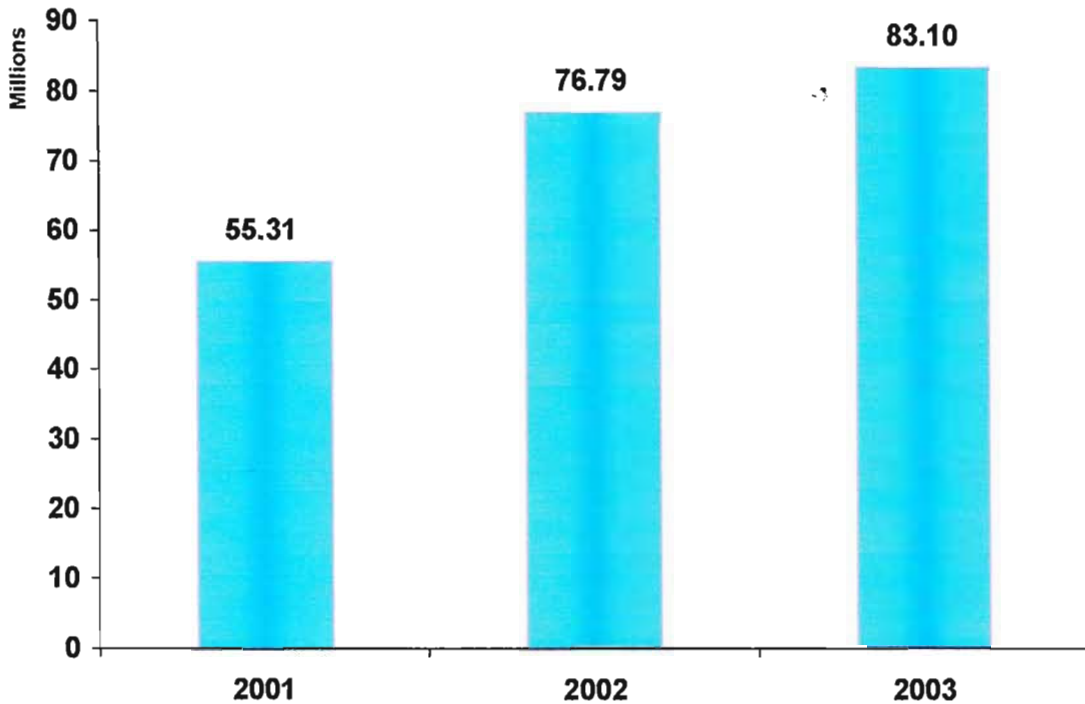


Figure5.19: Renewal Collection of Group Insurance Policy

LIFE INSURANCE MARKET OF BANGLADESH

Insurance a system of spreading the risk of one to the shoulders of many. It is a contract whereby the insurers, on receipt of a consideration known as premium, agree to indemnify the insured against losses arising out of certain specified unforeseen contingencies or perils insured against.

Insurance is not a new business in Bangladesh. Almost a century back, during British rule in India, some insurance companies started transacting business, both life and general, in Bengal. Insurance business gained momentum in East Pakistan during 1947-1971, when 49 insurance companies transacted both life and general insurance schemes. These companies were of various origins British, Australian, Indian, West Pakistani and local. Ten insurance companies had their head offices in East Pakistan, 27 in West Pakistan, and the rest elsewhere in the world. These were mostly limited liability companies. Some of these companies were specialized in dealing in a

particular class of business, while others were composite companies that dealt in more than one class of business.

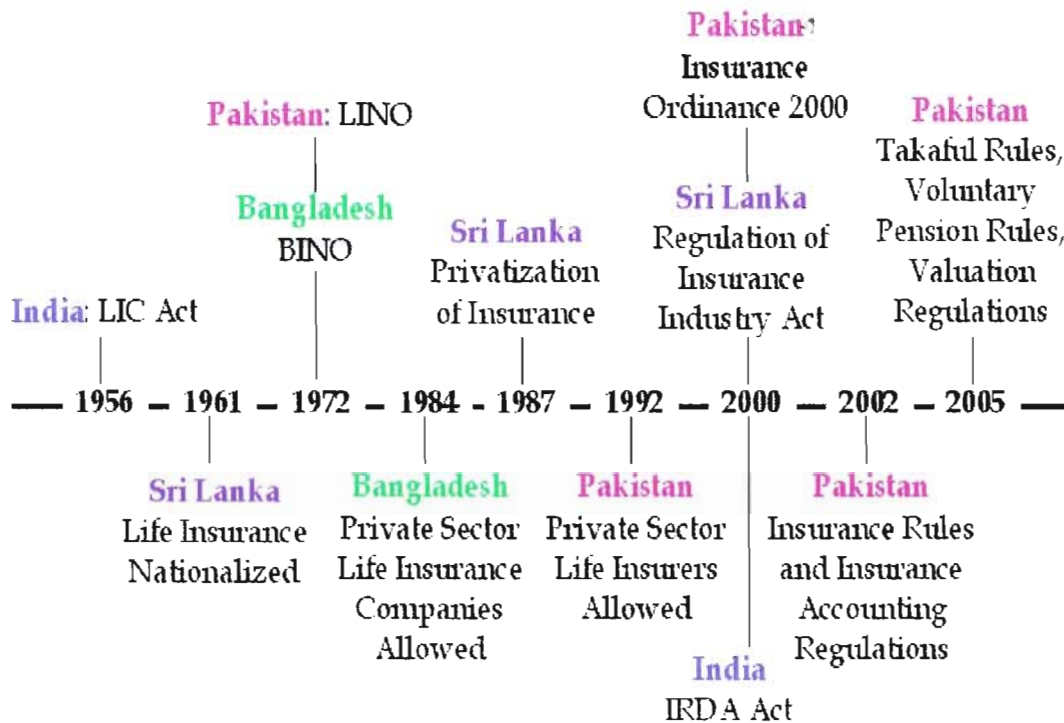


Figure 6.1: Life Insurance History in Indian Sub-Continent

The government of Bangladesh nationalized insurance industry in 1972 by the Bangladesh Insurance (Nationalization) Order 1972. By virtue of this order, save and except postal life insurance and foreign life insurance companies, all 49 insurance companies and organizations transacting insurance business in the country were placed in the public sector under five corporations. These corporations were:

- ⇒ Jatiya Bima Corporation
- ⇒ Tista Bima Corporation
- ⇒ Karnafuli Bima Corporation
- ⇒ Rupsa Jiban Bima Corporation, and
- ⇒ Surma Jiban Bima Corporation.

The Jatiya Bima Corporation was an apex corporation only to supervise and control the activities of the other insurance corporations, which were responsible for underwriting. Tista and Karnafuli Bima Corporations were for general insurance and Rupsa and Surma for life insurance. The specialist life companies or the life portion of

a composite company joined the Rupsa and Surma corporations while specialist general insurance companies or the general portion of a composite company joined the Tista and Karnafuli corporations.

The basic idea behind the formation of four underwriting corporations, two in each main branch of life and general, was to encourage competition even under a nationalized system. But the burden of administrative expenses incurred in maintaining two corporations in each front of life and general and an apex institution at the top outweighed the advantages of limited competition. Consequently, on 14 May 1973, a restructuring was made under the Insurance Corporations Act 1973. Following the Act, in place of five corporations the government formed two: the Sadharan Bima Corporation for general business, and Jiban Bima Corporation for life business.

The postal life insurance business and the life insurance business by foreign companies were still allowed to continue as before. In reality, however, only the American Life Insurance Company continued to operate in the life sector for both new business and servicing, while three other foreign life insurance continued to operate only for servicing their old policies issued during Pakistan days. Postal life maintained its business as before.

After 1973, general insurance business became the sole responsibility of the Sadharan Bima Corporation. Life insurance business was carried out by the Jiban Bima Corporation, the American Life insurance Company, and the Postal Life Insurance Department until 1994, when a change was made in the structural arrangement to keep pace with the new economic trend of liberalization.

The Insurance Corporations Act 1973 was amended in 1984 to allow insurance companies in the private sector to operate side by side with Sadharan Bima Corporation and Jiban Bima Corporation. The Insurance Corporations Amendment Act 1984 allowed floating of insurance companies, both life and general, in the private sector subject to certain restrictions regarding business operations and reinsurance. Under the new act, all general insurance businesses emanating from the public sector were reserved for the state owned Sadharan Bima Corporation, which could also underwrite insurance business emanating from the private sector. The Act of 1984

made it a requirement for the private sector insurance companies to obtain 100% reinsurance protection from the Sadharan Bima Corporation. This virtually turned Sadharan Bima Corporation into a reinsurance organization, in addition to its usual activities as direct insurer. Sadharan Bima Corporation itself had the right to reinsure its surplus elsewhere outside the country but only after exhausting the retention capacity of the domestic market. Such restrictions aimed at preventing outflow of foreign exchange in the shape of reinsurance premium and developing a reinsurance market within Bangladesh.

The restriction regarding business placement affected the interests of the private insurance companies in many ways. The restrictions were considered not congenial to the development of private sector business in insurance. Two strong arguments were put forward to articulate feelings: (a) Since the public sector accounted for about 80% of the total premium volume of the country, there was little premium left for the insurance companies in the private sector to survive. In this context, Sadharan Bima Corporation should not have been allowed to compete with the private sector insurance companies for the meager premium (20%) emanating from the private sector; (b) Being a competitor in the insurance market, Sadharan Bima Corporation was hardly acceptable as an agency to protect the interests of the private sector insurance companies and should not have retained the exclusive right to reinsure policies of these companies. The arrangement was in fact, against the principle of *laissez faire*.

Private sector insurance companies demanded withdrawal of the above restrictions so that they could (a) underwrite both public and private sector insurance business in competition with the Sadharan Bima Corporation, and (b) effect reinsurance to the choice of reinsurers.

The government modified the system through promulgation of the Insurance Corporations (Amendment) Act 1990. The changes allowed private sector insurance companies to underwrite 50% of the insurance business emanating from the public sector and to place up to 50% of their reinsurance with any reinsure of their choice, at home or abroad, keeping the remaining for placement with the Sadharan Bima Corporation.

According to the new rules the capital and deposit requirements for formation of an insurance company are as follows:

Capital requirements: for life insurance company - Tk 75 million, of which 40% shall be subscribed by the sponsors; for mutual life insurance company - Tk 10 million; for general insurance company - Tk 150 million, of which 40% shall be subscribed by the sponsors; and for cooperative insurance society - Tk 10 million for life and Tk 20 million for general.

Deposit requirements (in cash or in approved securities): For life insurance - Tk 4 million; for fire insurance - Tk 3 million; for marine insurance - Tk 3 million; for miscellaneous insurance - Tk 3 million; for mutual insurance company - Tk 1.4 million; and for cooperative insurance society, in case of life insurance - Tk 1.4 million, and in case of general insurance - Tk 1 million for each class.

The government guidelines for formation of an insurance company are:

- The intending sponsors must first submit an application in prescribed form to the Chief Controller of Insurance for prior permission.
- After necessary scrutiny the Chief Controller shall forward the application with his recommendation to the Ministry of Commerce.
- After further scrutiny, the Ministry of Commerce shall submit its views to the Cabinet Committee constituted for this purpose.

The control over insurance companies, including their functions relating to investments, taxation, and reporting, are regulated mainly by the Insurance Act 1938 and the Finance Acts.

The privatization policy adopted in the 1980s paved the way for a number of insurers to emerge in the private sector. This resulted in a substantial growth of premium incomes, competition, improvement in services, and introduction of newer types of business in wider fields hitherto untapped. Prior to privatization, the yearly gross premium volume of the country was approximately Tk 900 million in general insurance business and approximately Tk 800 million in life insurance business. In 2000,

premium incomes rose to Tk 4,000 million in general insurance business and Tk 5,000 million in life insurance business.

Up to 2000, the government has given permission to 19 general insurance companies and 10 life insurance companies in the private sector. Insurers of the country now conduct almost all types of general and life insurance, except crop insurance and export credit guarantee insurance, which are available only with the Sadharan Bima Corporation.

Numerous institutions, associations and professional groups work to promote the development of insurance business in Bangladesh. Prominent among them are the Bangladesh Insurance Association and Bangladesh Insurance Academy. Bangladesh Insurance Association was formed on 25 May 1988 under the Companies Act 1913. It is registered with the Registrar of Joint Stock Companies and has 30 members. It aims at promoting, supporting and protecting the interests and welfare of the member companies.

Surveyors and insurance agents occupy a prominent position in the insurance market of Bangladesh. The surveyors are mainly responsible for surveying and assessing general insurance losses and occasionally, for valuation of insurance properties, while the agents work to procure both life and general insurance business against commission. The system of professional brokers has not yet developed in Bangladesh. However, it is a common practice of the insurers to engage salaried development officers for promotion of their insurance business.

In spite of weak global environment, socio-economic progress in Bangladesh continues unabated providing opportunity for sustained growth and development to the country's life insurance industry. At present, less than 2% of country's 135 million people have life insurance coverage. Market conditions are showing signs of improvement as the country's human development index continues to move up. However, law and order situation remains a major concern. There are concerns also about the uncertainties with regard to the upcoming trade and service sector liberalization compulsions in 2005 under the WTO agreement.

Competition sharply increased since the entry of 11 new life companies into the market in 2000. The market now has a total of 16 companies, American Life Insurance Company (ALICO) being the only foreign company. The four major market players control over 80% of the market – (1) ALICO (31.5% market share), (2) Jiban Bima Corporation (18.9% market share), (3) National Life (15.2% market share) and (4) Delta Life (14.8% market share). National Life is the fastest growing amongst the four.

Over the recent years, most of the local companies have been focusing more on the upcountry markets and realizing significant growth in new business, though the quality of the business from rural markets is reportedly very poor. They are also focusing on middle-income markets emerging in small towns and rural areas all over the country. The other significant industry trend is the growth of Islamic insurance (*Tactful*). Almost all local companies have an Islamic Insurance division under it.

Life insurance pricing structure in Bangladesh is non-tariff and the rates determination is left to the companies to decide subject to certification by qualified actuaries that the rates are workable and sound. Distribution is primarily through Agencies (Brokerage, Direct business and Bank assurance are not specifically provided in the current law). Commissions are capped at 40% First Year and 5% Renewals as long as the policy is in force. Reinsurance of life insurance business is permissible both within and outside the country.

The government is actively considering enactment of new Insurance laws. Speculations are rife that the Pakistan Insurance Ordinance 2000 may be followed to a great extent to modernize our laws.

Income Tax rate for Insurance companies has been increased from 40% to 45% effective July 2003.

Major threats to the Industry include the risk of natural disasters (floods & cyclones), political intolerance (frequent general strikes and boycott of parliament by opposition) and unpredictable regulatory environment due to frequent changes in senior positions at the Insurance Department. Further increase of competition is also possible as new

companies may be licensed by the present government before its term expires in 2006.

-3

Government allowed private Companies to undertake both Life and General Insurance business in the country. 58 Companies (16 for Life and 42 for General) have obtained registration. The Chief Controller of Insurance regulates the business by supervision, auditing and registration of the Insurance Companies, as per the Insurance Act, 1938.

Out of these 16 Life Insurance Companies, only three (3) companies have been registered with Securities & Exchange Commission (SEC) and are participating in Dhaka Stock Exchange (DSE). They are as follows:

1. Delta Life Insurance Company Ltd.
2. National Life Insurance Company Ltd.
3. Shandhani Life Insurance Company Ltd.

Again out of these 3 companies, none of them are publishing their financial reports for their shareholders regularly. Financial report of Shandhani Life Insurance Company Ltd. is not available in the market at this moment. Financial report of Delta Life Insurance Company Ltd. and National Life Insurance Company Ltd. are available in the market, but those are not up to date. Their financial report for the year 2001 & 2002 are available and they have been utilized to compare their performance with ALICO.

Again also, in Bangladesh, at this moment there are two major public sector participants are:

1. Jiban Bima Corporation
2. Sadharan Bima Corporation



7.1.1 FIRST YEAR PREMIUM

To evaluate the business performance of any insurance business, first year premium is a key indicator. Its actually indicates whether the business has been able to attract new customers and able to sell it's insurance products to new customers as new business. Its also indicates that whether the business is being able to endeavor new customer group and able to increase it's revenue collection. By conducting the comparison of business performance, that's why comparison of First Year Premium collection comes first. From the Figure 7.1, it has been shown that ALICO was in better position in terms of generating new business in comparison to Delta Life and NLI and was being able to increase its total number to policy owner both in year 2001 and year 2002. But at the same time, in year 2002 NLI had experienced a sharp increase in generating it's new business, which is a great threat to ALICO in maintaining it's leadership position in the Life Insurance Market.

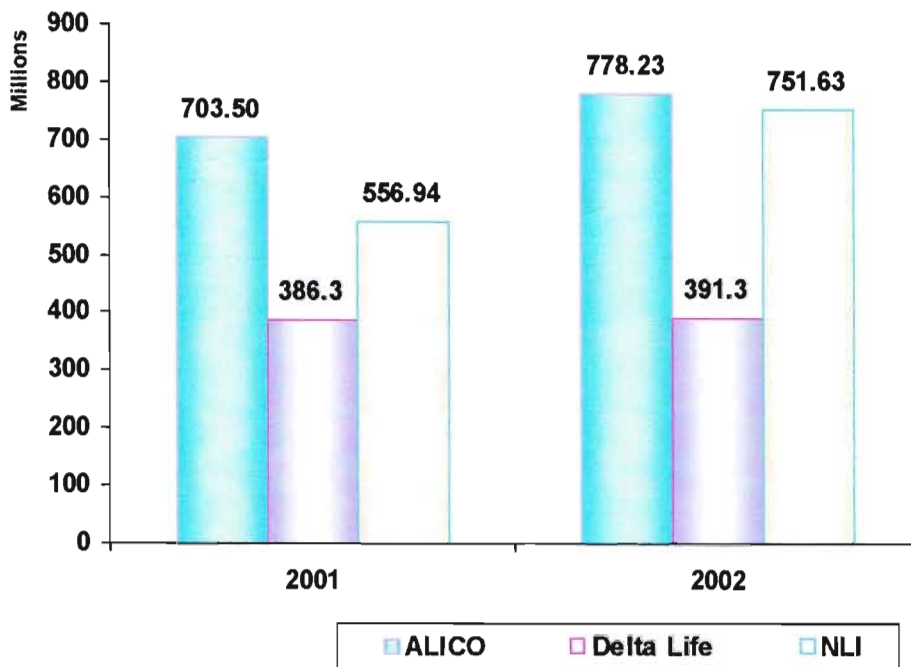


Figure 7.1: Comparison of First Year Premium Collection

7.1.2 RENEWAL PREMIUM

In insurance business, renewal premium is another important factor to evaluate its sales & marketing performance. Because renewal premium represents that how much sold policies has remain active during the years. Many insurance companies have been suffering the problem that many of their active policies become lapse after one or two years despite of their good sales in every year. A good renewal premium collection tells that it has also been able to keep their old policies active and in insurance business it is very important to completion of the existing policies. Because any policy owner will get the maximum benefits by completing the term. And it also allow the insurance company to make substantial profit by completing of that policy. ALICO had the higher revenue collection from its existing active policies and it also indicates that ALICO had the better growth rate that the others. In year 2002, ALICO had Tk. 2261.83 million which was far ahead than Delta Life (Tk. 1042.1 Million) and NLI (Tk. 881.26 Million).

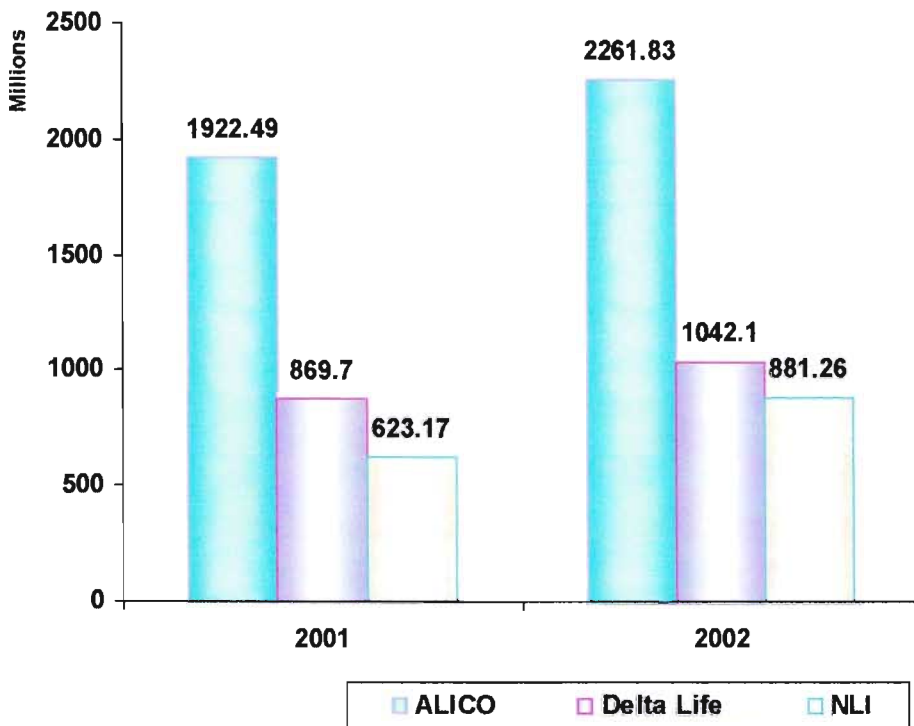


Figure 7.2: Total Renewal Premium Collection in Million Taka

7.1.3 GROUP INSURANCE PREMIUM

Group Insurance is a way of providing Life or Medical insurance coverage for a group of people under one insurance contract called a Master Group Insurance Contract. It's a very new concept in the insurance industry of Bangladesh. With the inclusion of Group Insurance, the competition among the companies has changed. Over the last one and half decades and so ALICO has been standing as the leader in the life insurance business. But with the inclusion of Group insurance the scenario has changed into a new look. Although ALICO still has been able to maintain its leadership position in selling life policies for individuals, but in selling Group insurance ALICO failed to be the market leader. In selling the Group Insurance, both Delta Life and NLI had better sales figures than ALICO, i.e. in year 2002, Delta Life had done business of Tk. 56 million and NLI had done business of Tk. 19.93 million which are more than ALICO's total Group Insurance business (Tk. 12.78 millions.) From the figure 7.3 it's clearly evident that all the three companies did less business in year 2002 than they did in year 2001; especially ALICO's sales decreased almost by 40%.

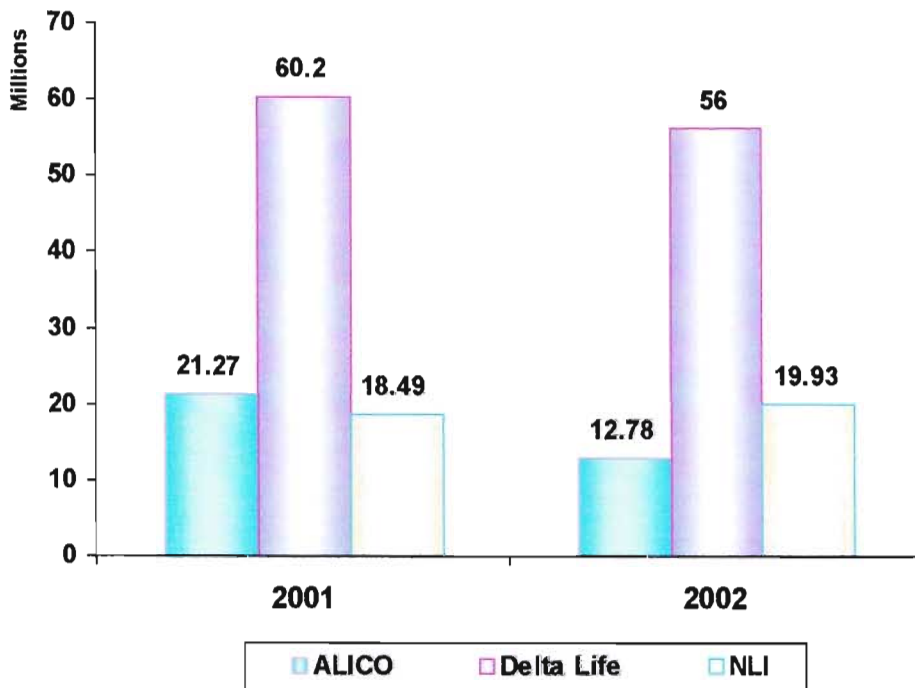


Figure 7.3: Sales Performance Comparison of Group Insurance Business

7.1.4 GROSS PREMIUM

Gross premium includes the premium of new life insurance business and premium collected as renewal. Many insurance companies have been suffering the problem that many of their active policies become lapse after one or two years despite of their good sales in every year. A good renewal premium collection tells that it has also been able to keep their sold policies active. Any insurance business both the first year premium and renewal premium is equally important. Because one (first year premium) indicates it's ability to produce new business and the other (renewal premium) indicates it's status in keeping it's existing policies active till their maturity. Among the three companies, ALICO had the better position in collecting of gross premium. In year 2001 ALICO had gross premium collection of Tk. 2647.26 million which was Tk. 1315.26 million more than Delta Life's gross premium collection and Tk. 1448.66 million more than NLI, and in year 2002 ALICO had gross premium collection of Tk. 3052.84 million which was Tk. 1544.34 million more than Delta Life's gross premium collection and Tk. 1400.02 million more than NLI. As a result of this it is clearly evident that ALICO has the better business performance than Delta life and National Life Insurance.

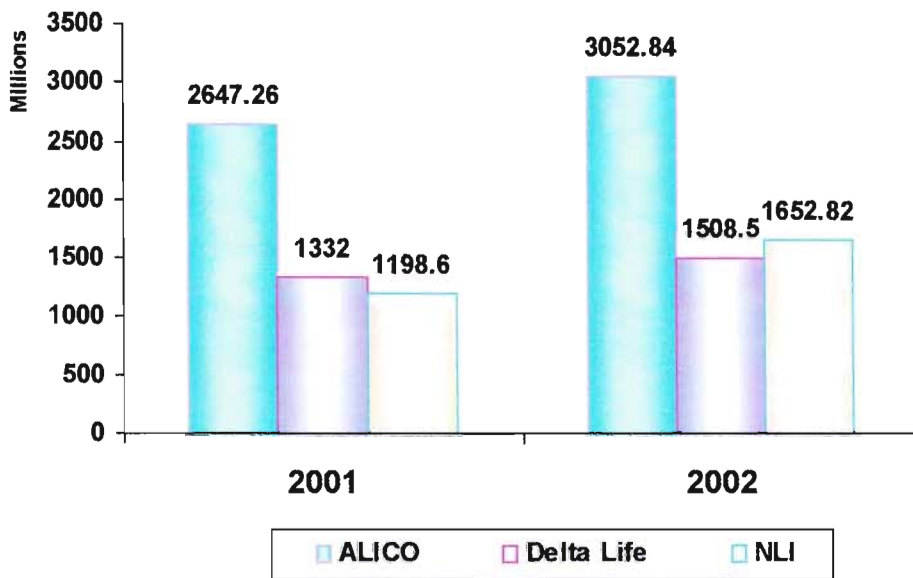


Figure 7.4: Comparison of Gross Premium Collection

7.1.5 CLAIMS

For any insurance business, claim status is one of the most important factor in evaluating its business performance. Claim can be death claim or maturity claim. But in general, claim status carries its importance in two directions. One is that the business's willingness to give claim to policy owner or their beneficiary. In our country, the insurance industry has been facing the bad reputation that insurance companies do not have the willingness to pay claims. Another is the business's ability to pay claims. Many insurance companies in Bangladesh have this problem of not being able to pay claims although they have the right attitudes to pay to claims. From figure 7.5, it is found that ALICO has the willingness to pay claims to its policy owners and at the same time has the ability to do so. As a consequence of that in year 2001, ALICO had paid Tk. 648.36 million as claim payment to its policy owners which are much higher that Dellta Life (Tk. 236.6 million) and NLI (Tk. 206.44). In year 2002, ALICO had paid Tk. 805.29 million as claim payment to it's policy owners which is much higher that Dellta Life (Tk. 291.8 million) and NLI (Tk. 261.59).

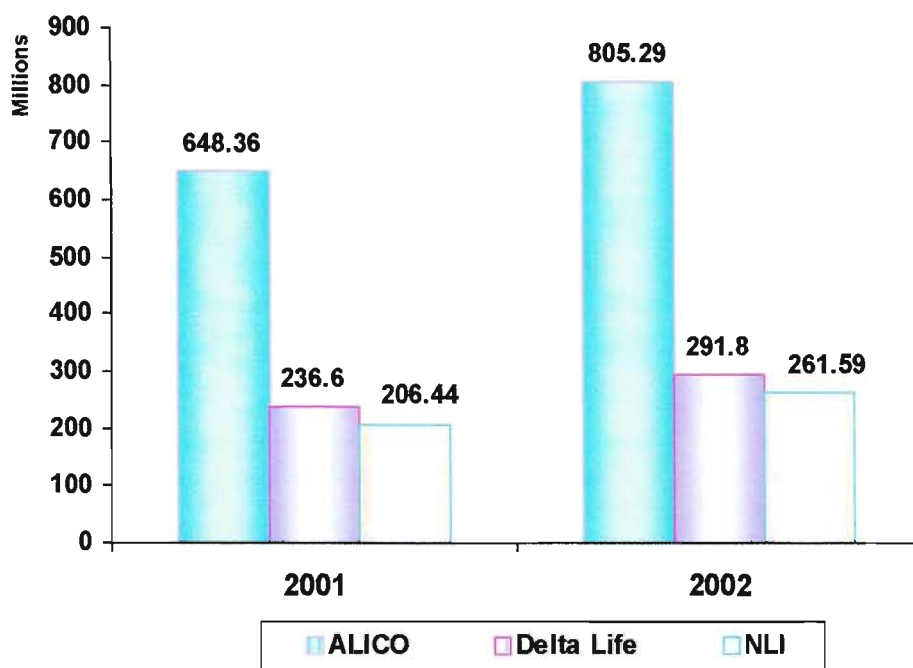


Figure 7.5: Comparison of Claims Payment status

7.1.6 ASSETS

Standing with the good reputation as being the market leader in the life insurance industry in Bangladesh, ALICO has been utilizing its assets at its best. Due to optimum utilization of assets, total assets of ALICO has increased from TK. 8,840.00 millions in year 2001 to 10,731.46 millions in year 2002. At same time, Delta Life had increased its total assets from TK. 3941.9 million in year 2001 to Tk. 4881.4 million in year 2002 and NLI had increased its total assets from Tk. 1964.64 million in year 2001 to Tk. 2691.43 million in year 2002. Although all these three companies had increased their total assets by proper utilization of their assets, but among the three, ALICO had the better position as having much higher assets than the other, which gives ALICO the flexibility to meet its any immediate requirements and ALICO can respond quickly to any expansion requirement.

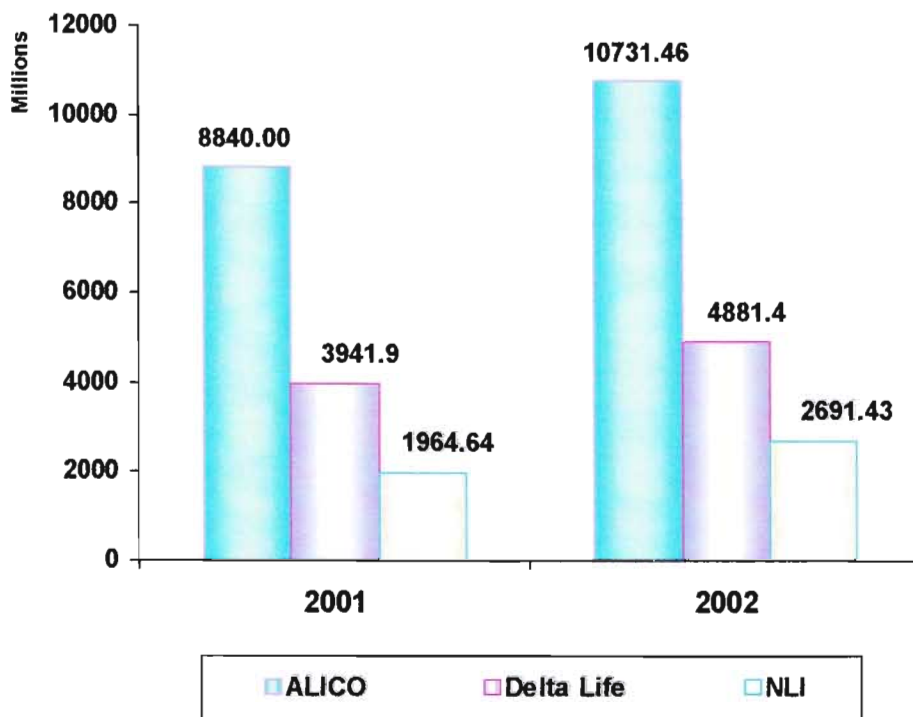


Figure 7.6: Total Assets Comparison

7.1.7 LIFE FUND

Life funds actually a reserve to meet any immediate claim. It's a key indicator to evaluate any life insurance company's business performance. The more the life fund is the more the company's strength to meet it's claim requirements of it's policy owners. ALICO has the right implementation of this strategy. Throughout ALICO's business operation in Bangladesh. ALICO put huge effort to maintain a good Life Fund. As a consequence of this, ALICO never faced difficulty to meet claim demand and has achieved the reputation of being a excellent life insurance provider. From the figure 7.7, it has found that, ALICO had paid much higher amount of claim than Delta Life & NLI both in year 2001 & 2002. In year 2001, ALICO had paid Tk. 7905.20 million as claim to it's valued policy owner (as of maturity payment or of accidental or dismemberment or health & sickness claims) or their beneficiaries (as death claim), which was Tk. 4477.70 million more than Delta Life's claim settlement amount and Tk. 6557.75 million more than NLI's claim settlement amount. In year 2002, ALICO had paid Tk. 9313.23 million as claim to it's valued policy owner (as of maturity payment or of accidental or dismemberment or health & sickness claims) or their beneficiaries (as death claim), which was Tk. 4969.43 million more than Delta Life's claim settlement amount and Tk. 7435.79 million more than NLI's claim settlement amount.

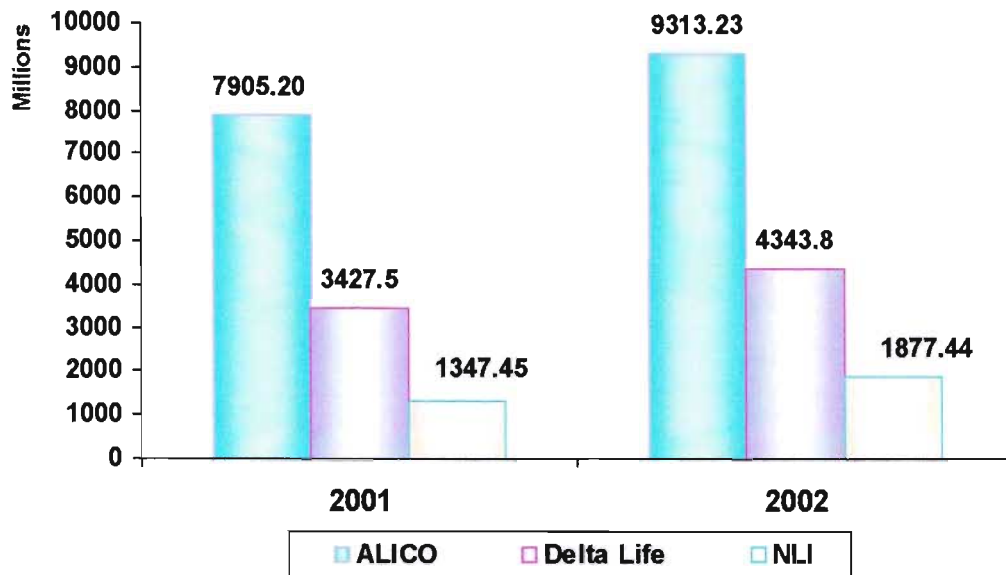


Figure 7.7: Comparison of Claim Payments

7.1.8 CLAIMS TO PREMIUM (%)

Percentage of claims to total collected premium is also an important factor in evaluating any insurance company's business performance. The more the percentage is the more smooth operation of that insurance company and more satisfied the policy owners and ensures better market reputation of that company. It's also reduce the company's liability being claims demand from it's customers. Among these three company, ALICO has the highest premium collection and also the better claim paying rate compared to other two. In year 2001, ALICO had paid 24.49% of it's collected premium as claim payment, which is 6.73% higher that Delta life and 7.27% higher that NLI and in year 2002, ALICO had paid 26.38% of it's collected premium as claim payment, which is 7.04% higher that Delta life and 10.55% higher that NLI. Again, by giving more claim payments that the other two, ALICO's total assets and Life Fund also increased in those two years more than those of Delta life and NLI.

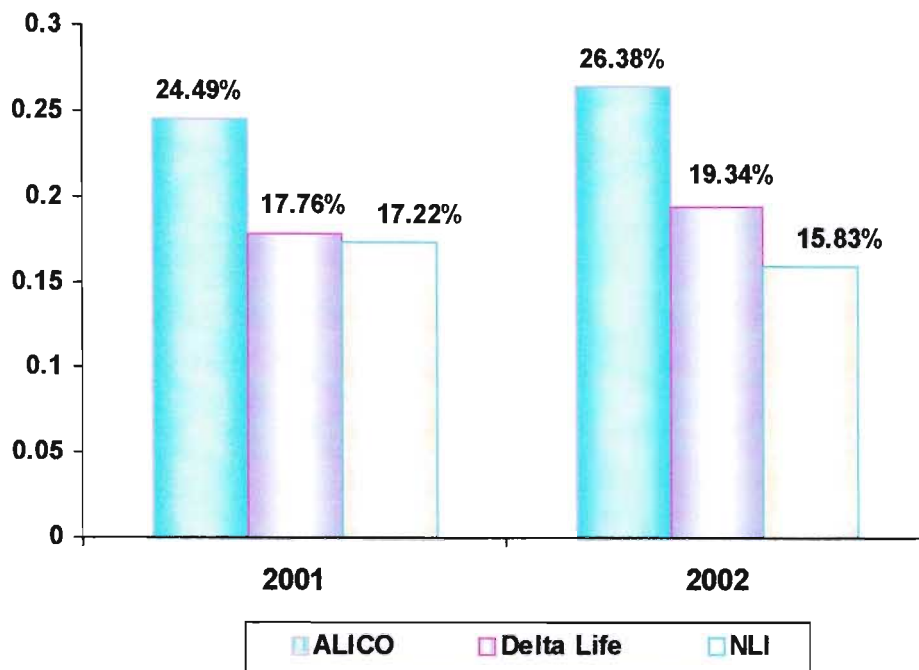


Figure 7.8 Comparison to Percentage of Claim to Total Collected Premium

7.2 PERFORMANCE COMPARISON IN BETWEEN ALICO AND SADHARAN BIMA CORPORATION

Sadharan Bima Corporation (SBC) was established on 14 May 1973 under the Insurance Corporation Act 1973. Its authorized capital was Tk 50 million, later raised to Tk 200 million by the Ordinance VIII of 1986. In 1999, the paid capital of the corporation was Tk 100 million, which was fully subscribed by the government.

ALICO started its operation in Bangladesh in 1952. It is the oldest operation in the company's Middle East, Africa and South Asia division. ALICO has been the market leader since 1997 amongst 18 companies in this local insurance market. Its head office is in Dhaka and one sales office in Chittagong, while it is planning to open another sales office in Nepal. ALICO has 82 agency offices all over the country.

COMPARISON OF BUSINESS STATUS OF ALICO & SBC FROM 1980 TO 2004

As being a general insurance provider, Sadharan Bima Corporation (SBC) has an operation in a large area. On the other hand, ALICO is life insurance provider, which has a relatively smaller market than SBC. Again, from 1984 life insurance business in Bangladesh actually flourished. From figure 7.9, it is found that although SBC has a better premium collection than ALICO, at the same time, having a one-dimensional business, ALICO also generated good premium collection over the last 25 years. From figure 7.9, it has also been found that at 1980 SBC's premium collection was 90.25 times higher than that of ALICO, but in 2004, SBC's premium collection was only 2.84 times higher than that of ALICO. As a consequence of this, it is evident that over this last 25 years, ALICO has made better business performance than SBC.

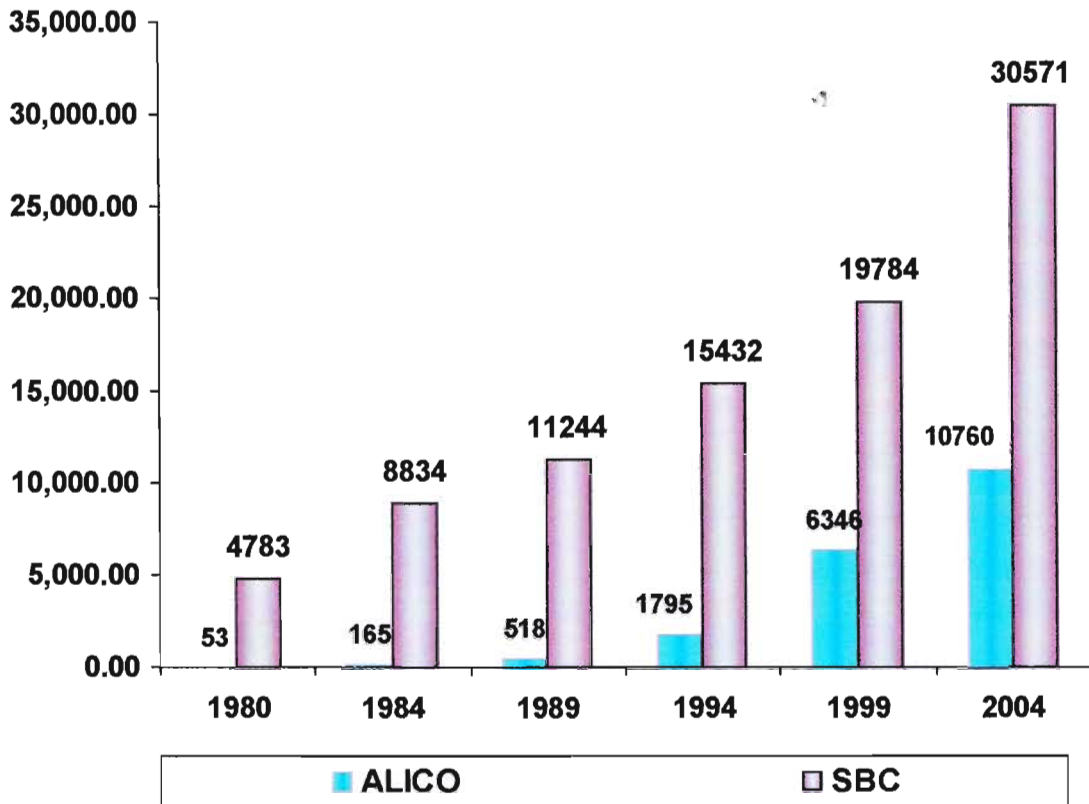


Figure 7.9: Comparison of Premium collection in between ALICO & SBC

STRATEGIC PERFORMANCE EVALUATION OF ALICO

8.1 ENVIRONMENTAL EVALUATION OF ALICO

Every organization is composed of some internal strengths and weaknesses and also has some external opportunities and threats in operating in its business environment. The following will briefly introduce the audience to the ALICO's internal strengths and weaknesses, and external opportunities and threats as have been explored in evaluating ALICO's business operation and business environment.



8.1.1 INTERNAL ANALYSIS

8.1.1.1 STRENGTHS

CONCENTRATED BUSINESS APPROACH

In Bangladesh, at this moment insurance industry has been operational with the operation of many insurance service providers. Most of them are offering insurance coverage on personal life, business assets and other land property and also on machinery and equipments. But ALICO has been the one of a very few, who has been offering insurance coverage on only personal life; only which in turn allows ALICO's to concentrate on its core business. As a result, ALICO doing its business with optimum attention, innovative approaches to meet customers demands, great care to each business clients and so on.

WORLDWIDE RECOGNIZED STANDING

ALICO is one of the world's largest life insurance company. At this moment in Bangladesh, ALICO is the only one company which has international coverage. As a part of AIG (American International Group), independently ALICO has its operation in 51 countries all over the world. As a result, it has the excellent experience of providing life insurance coverage on personal life.

COUNTRYWIDE AGENCY DISTRIBUTION

In Bangladesh, only ALICO has operational coverage all over the country through its rich number of agencies. ALICO has 89 agencies distributed all over the country which explore the opportunity for ALICO to reach out for more people than its competitors, and which also generated a huge number of policy sales in every month compared to its other competitors.

EFFICIENT SALES FORCE

ALICO has a large number of sales force (e.g. about 4500) distributed around the country. These sales people are called "Agent". As they are well trained and supported with adequate information regarding ALICO's offerings, they are generating

huge number of life insurance business than the sales force of other companies. They are also well educated, smart and very much professional in generation business.

COMMITMENT TO CONTINUOUS IMPROVEMENT

ALICO has been always confronted to continuous improvement in all its process. It's training and Human resource department is ensuring this confrontment. Both the department jointly organize periodic training session for it's large sales force to update their knowledge on different products of ALICO, their performance level, their communication skill, their business approaches and so on. Along with this training program, every departmental head has been undertaking periodic training for respective department to keep the personnel's effective and efficient in performing their jobs.

REWARD SYSTEM

ALICO has a well-designed reward system to motivate its sales force. It offers financial and non financial reward on sales. It also offers tour to overseas places as reward, sends agents to different international convections and competitions and so on. It also has different contest featuring handsome prizes to boost up its sales forces performances to insurance policy sales.

SUPERIOR QUALITY

ALICO provides its customers excellent and consistent quality in every service. It is of highest priority that customer is totally satisfied.

DYNAMIC

ALICO draws its strength from the adaptability and dynamism it possesses. It has quickly adapted to world class standard in life insurance business. ALICO has also adapted state of the art technology to connect with the world for better communication to integrate facilities.

FINANCIAL STRENGTH

ALICO is a financially sound company backed by the enormous resource base of the mother concern AIG (American International Group). As a result customers feel comfortable in dealing with the company. It has more than Tk. 1200 core in Bangladesh Government's different investment scheme. As a consequence of these, it has the financial soundness to operate its business and to pay claims against its sold life insurance policies.

EFFICIENT MANAGEMENT

All the levels of the management are solely directed to maintain a culture for the betterment of the quality of the service and development a corporate brand image in the market through organization wide team approach and open communication system.

STATE OF THE ART TECHNOLOGY

ALICO utilizes state-of-the-art technology to ensure consistent quality and operation. ALICO has established server based information system containing the best of world information technologies to provide faster communication in between different departments in head office and in between head office and Chittagong Sales office. ALICO has implemented different centralized database supportive software like OLAS, Swiss Re, etc. to ensure that its different functional operations are at its optimum.

EXPERTISE

One of the key-contributing factors behind the success of ALICO is its employees who are highly trained and most competent in their own field. ALICO provides its employees training both in-house and out side job.

EXCELLENT WORKING ENVIRONMENT

ALICO provides its workforce an excellent place to work in. Total complex has been centrally conditioned. The interior decoration was done exquisitely with the choice of

soothing colors and blend of artistic that is comparable to any multinational organization.

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8.1.1.2 WEAKNESSES

LACK OF CO-ORDINATION AMONG DEPARTMENTS

Lack of coordination among different departments poses as question mark in ALICO's standing. It has been clearly evident that sales & Marketing department does not have good and effective coordination with other departments. As a consequence of this, policy generation and delivery of policy documents takes more time that it actually requires. This lack of co-ordination also delays the entire task of insurance processing.

POLICY STATUS

Although ALICO's sales force generates high sales volume in every mouths, they still has failed to sell insurance policy to different professionals in good numbers. Most of the agents are concentrating on selling policy with an average of TK. 200,000.00, where as an applicant can take up 75,00,000.00 according to their annual income. As they are targeting small businessmen and also targeting mostly the general people in middle class and lower middle class of the society, they are failing to attract the corporate people and businessmen and generating revenue for ALICO by selling policy with a relatively bigger coverage (i.e. on an average of Tk. 10 lac of coverage on individual life)

LACK OF INTERCONNECTIVITY IN BETWEEN HEAD OFFICE AND AGENCIES

It has also been evident that ALICO head office has no interconnectivity with its country-spread agencies. Mostly ALICO relies on telephonic conversation, which is not quick enough to communicate in times. Online communication with agencies cans faster its business operation.

UNFAIR BUSINESS PRACTICE

ALICO's operation also suffered from unfair business practices of some of its agents. Some agents are involved in deceitful practices in collecting and submitting premium, which eventually hamper it's goodwill.

DISPROPORTIONATE GROWTH OF DIFFERENT POLICIES

Although ALICO enjoying the market leader position with almost no threat from it's competitors and rapid growth, it's group policy scheme still has not got the right growth in compared to ordinary life policies. It has been showing a relatively slow growth.

SALES FORCE ORIENTED REWARD SYSTEM

Although ALICO has a very lucrative reward system for it's sales force to motivate them, does not have such any such reward system for it's other departments. This is creating some sort of dissatisfaction among employees, which eventually leads to hamper in performance standard of ALICO.

8.1.2 External Analysis

8.1.2.1 Opportunities

Government support

Government of Bangladesh has rendered its full support to the insurance sector for a sound financial and socio-economic status of the country, as now it is becoming one of the vital sources of savings and investment in the country. Such government concern will facilitate and support the long-term vision for ALICO.

LARGE NUMBER OF POPULATION IS STILL UNTOUCHED

At present in Bangladesh, only 20 lacs people of total 14 crore people have insurance on their life. That's why there is still a huge number of population are available to sell insurance policy. This life insurance industry is in fact a very big market in

Bangladesh. As a market leader, ALICO has the opportunity to grip a very big portion of this market. And also the market is expanding and it's very much an attractive one.

INTEREST RESTRICTION IN BANKING SECTOR

Government is trying to restrict high interest in Banking sectors. In fact Govt. is trying to discourage saving in banks rather than invest in share market. But at the same time govt. is putting little restriction on interest of life insurance industry. This also creates another opportunity for life insurance industry to become more attractive and potential industry to invest. As market leader, ALICO can easily take the best out of this new opportunity.

PEOPLE ARE BECOMING CONSCIOUS

In this very tough reality of economic hardship, people are becoming more and more conscious about the need of life insurance. People are starting to realize that life insurance is the only means, which can give them an opportunity to save money for future and also ascertain the financial support in case of his/her death. Both government and people are also becoming concerned about the significance of life insurance in national economy.

PROFESSIONALS ARE BECOMING AVAILABLE

Professionals, having in-depth knowledge about life insurance business, are becoming available now a day. Previously ALICO had to recruit people and to train them for it's business. But of the presence of many other life insurance companies in the market and also the new edge of educational approach in the country are making it quit easier for ALICO to recruit people who have educational knowledge about insurance business in terms of risk management and some also have practical experience of doing the same kind of job. Which eventually paves an opportunistic passage for ALICO to enjoy the excellence of effective and efficient personnel to maintain optimum performance standard in every process of its business operation and being able to meet the customers' expectation or even exceeding their expectation.

STATE OF THE ECONOMY

State of the economy also paves an opportunistic passage for ALICO. Despite of few ups and downs in economical status of Bangladesh, it has been almost in a predictable nature. Government has also been emphasizing on savings by the means of insurance business rather than banking sector. Life insurance also has the impact to bring socio-economic stability in the country. Because a life insurance can provide financial means in case of death of the earned member of a family, which eventually weaken the negative impact on the consumption leveling the national economy. All these economic state eventually creating a favorable and harmonious environment for life insurance business.

TECHNOLOGICAL ADVANCEMENT

The silent feature of life insurance industry in Bangladesh is that it is now enjoying the benefits of technological advancement. Through Internet people are now getting required information regarding life insurance very quickly, which helps them to take the decision while taking life insurance coverage. In past, people had very little scope to know about the service provider and about their offerings & it's features, they solely had to depend on agents, which sometimes created confusion and led to the decision of not taking life insurance coverage.

Technological advancement also creates opportunities for insurance companies like ALICO. Through the adaptation of appropriate latest development, ALICO can easily establish a countrywide communication network for its agencies (i.e. distributed all over the country), existing and potential customers, and knowledge seekers and for many others. This sort of communication network will make ALICO's operation more smooth and dynamic with the confrontation to excellence of effective & efficient service to customers, will enhance the satisfaction level of customers, will enable ALICO to attract more customers, will facilitate premium collections and so on.

EVOLUTION OF E-BANKING

Emergence of e-banking will open more scope for ALICO to collect premium not only in quick time, but also more cheaply. It will also facilitate wide area network in between the many banks and the accounts unit of ALICO to smooth operation to meet the desired need with least deviation.

8.1.2.2 THREATS

EMERGENCE OF COMPETITORS

Due to existence of unserved demand in this industry, it is expected that more and more companies will be introduced in the industry very shortly. And we have already seen such cases in our country that lots of new companies are coming in the scenario with new services. ALICO may face stiff competition in the coming years.

EMERGENCE OF GLOBAL OPEN MARKET ECONOMY

Emergence of global open market economy also poses question mark on ALICO's market position. As Bangladesh agreed on WTO convention, from 1st January, 2005 Bangladesh will be a member of the world of global economy. As a consequence of this, many foreign companies will easily enter into this market as because life insurance market in Bangladesh is very attractive. And also these new entrants will have to compete eventually against ALICO, because only ALICO has the financial and strategic strength to challenge their effort to crack the market. As their entrance is very much certain, definitely ALICO will have to face stiff competition from them in maintaining its leadership position.

MERGERS AND ACQUISITIONS

The worldwide trend of mergers and acquisition in financial institutions is causing concentration towards the industry and competitors are increasing in power in their respective areas. In future many foreign may acquire some potential local company as means to enter into this attractive and potential market. This effort of many foreign company will also poses question mark on ALICO's market share and growth.

POOR TELECOMMUNICATION INFRASTRUCTURE

As previously mentioned, the world is advancing towards e-technology very fast. Though ALICO has taken effort to join the stream, it is not possible to complete the mission due to the poor technological infrastructure of our country.

GOVERNMENT APPROACH

Government of Bangladesh is creating pressure on Banking sector to reduce their interest rate on personal savings to encourage investment in share market by putting no such pressure for life insurance sector, which eventually making this sector as a very attractive sector to invest. But it's not certain that Govt. will not create pressure on this sector to reduce it's bonus rate paid to customer at the maturity of the policy. If Govt. creates such pressure like it has been in banking sector, life insurance industry may lose it's brightness compared to it's present status.

8.2 LIFE INSURANCE INDUSTRY HIGHLIGHTS

From the previous discussion following things have been found:

1. The government of Bangladesh nationalized insurance industry in 1972 by the Bangladesh Insurance (Nationalization) Order 1972 and formed Jatiya Bima Corporation, Tista Bima Corporation, Karnafuli Bima Corporation, Rupsa Jiban Bima Corporation, and Surma Jiban Bima Corporation.
2. On 14 May 1973, a restructuring was made under the Insurance Corporations Act 1973. Following the Act, in place of five corporations the government formed two: the Sadharan Bima Corporation for general business, and Jiban Bima Corporation for life business.
3. After 1973, general insurance business became the sole responsibility of the Sadharan Bima Corporation. Life insurance business was carried out by the Jiban Bima Corporation, the American Life insurance Company, and the Postal Life Insurance Department until 1994, when a change was made in the structural arrangement to keep pace with the new economic trend of liberalization.
4. The government modified the insurance system in Bangladesh through promulgation of the Insurance Corporations (Amendment) Act 1990.
5. Up to 2000, the government has given permission to 19 general insurance companies and 10 life insurance companies in the private sector. Insurers of the country now conduct almost all types of general and life insurance, except

crop insurance and export credit guarantee insurance, which are available only with the Sadharan Bima Corporation.

6. In spite of weak global environment, socio-economic progress in Bangladesh continues unabated providing opportunity for sustained growth and development to the country's life insurance industry.
7. At present, less than 2% of country's 135 million people have life insurance coverage. Market conditions are showing signs of improvement as the country's human development index continues to move up.
8. However, law and order situation remains a major concern.
9. Competition sharply increased since the entry of 11 new life companies into the market in 2000.
10. The market now has a total of 18 companies, American Life Insurance Company (ALICO) being the only foreign company.
11. The four major market players control over 80% of the market – (1) ALICO (31.5% market share), (2) Jiban Bima Corporation (18.9% market share), (3) National Life (15.2% market share) and (4) Delta Life (14.8% market share). National Life is the fastest growing amongst the four.
12. Life insurance pricing structure in Bangladesh is non-tariff and the rates determination is left for the companies to decide subject to certification by qualified actuaries that the rates are workable and sound. Distribution is primarily through Agencies (Brokerage, Direct business and Bank assurance are not specifically provided in the current law).
13. Commissions are capped at 40% First Year and 5% Renewals as long as the policy is in force. Reinsurance of life insurance business is permissible both within and outside the country.
14. The government is actively considering enactment of new Insurance laws. Speculations are rife that the Pakistan Insurance Ordinance 2000 may be followed to a great extent to modernize our laws.

15. Major threats to the Industry include the risk of natural disasters (floods & cyclones), political intolerance (frequent general strikes and boycott of parliament by opposition) and unpredictable regulatory environment due to frequent changes in senior positions at the Insurance Department.

8.3 MARKET COMPETITORS OF ALICO

Government allowed private Companies to undertake both Life and General Insurance business in the country. 58 Companies (16 for Life and 42 for General) have obtained registration. The Chief Controller of Insurance regulates the business by supervision, auditing and registration of the Insurance Companies, as per the Insurance Act, 1938.

Name	Date Of Registration
State-owned	
1. Jiban Bima Corporation	1973
Private	
1. National Life Ins. Company Ltd.	23-04-1985
2. Delta Life Ins. Company Ltd.	27-11-1987
3. Shandhani Life Ins. Company Ltd.	25-04-1990
4. Meghna Life Ins. Company Ltd.	01-06-1996
5. Homeland Life Ins. Company Ltd.	15-09-1996
6. Rupali Life Ins. Company Ltd.	29-12-1999
7. Golden Life Ins. Limited	11-01-2000
8. Progressive Life Ins. Company Limited	29-02-2000
9. Progati Life Ins. Ltd.	11-04-2000
10. Padma Life Ins. Company Ltd.	30-04-2000
11. Baria Life Ins. Company Ltd.	30-04-2000
12. Sunlife Ins. Company Ltd.	30-05-2000
13. Sunflower Life Ins. Company Ltd.	30-05-2000
14. Fareast Islami Life Ins. Company Ltd.	30-05-2000
15. Popular Life Ins. Company Ltd.	04-10-2000
Foreign Insurance	
1. American Life Insurance Company	1974

Source: Directorate of Insurance

8.4 EVALUATION OF EXISTING STRATEGY OF ALICO

ALICO has been applying a very aggressive market penetration strategy (i.e. Offensive Strategy).

BENEFITS OF CURRENT STRATEGY

- Generating large number of business over the years.
- Market in expanding very quickly.
- Placing great competitions and tough challenge to the competitors in generating new businesses.
- Strengthening the company's financial base.
- Allowing the company to maintain a very dominant position in the life insurance industry in Bangladesh.

LIMITATIONS OF EXISTING STRATEGY

- In pursuing this aggressive market penetration strategy, ALICO has been concentrated only on sales. But it has not been concentrated adequately on quality & sound life insurance policy.
- As ALICO has been concentrated only in sales figure, not concentrating on providing customer service, which eventually do not contribute its effort to build an business environment with loyal customers.
- Current Strategy makes ALICO so unwrap to its competitors to attack it. It in fact does not ensure ALICO's future standing as a market leader.
- Current Strategy has not been well equipped to face the stiff competition.
- Current Strategy makes it difficult to train all the sales forces (4,600) to be trained as because due to this current approach of ALICO, sales forces are always under great pressure to sale new business with very little time to update their level of professionalism, efficiency, understanding & knowledge and so on.
- Current strategy seems to be unmatched with other functional strategy of different departments, which leads to delayed in work and so on.
- It has also evident that current strategy has not properly matched with ALICO's business vision of providing the optimum services to customer by generation sufficient business to be a pioneer in the industry.

8.5. MARKET SHARE ANALYSIS

In this report, a market share analysis of ALICO in the insurance industry of Bangladesh had made. The theme of this analysis has been taken from B.C.G. Matrix. Although, B.C.G. mainly has been directed towards the profits analysis of an enterprise among it's different products or sub-units, but I had made an indirectly analysis where ALICO is an enterprise in Insurance Industry of Bangladesh.

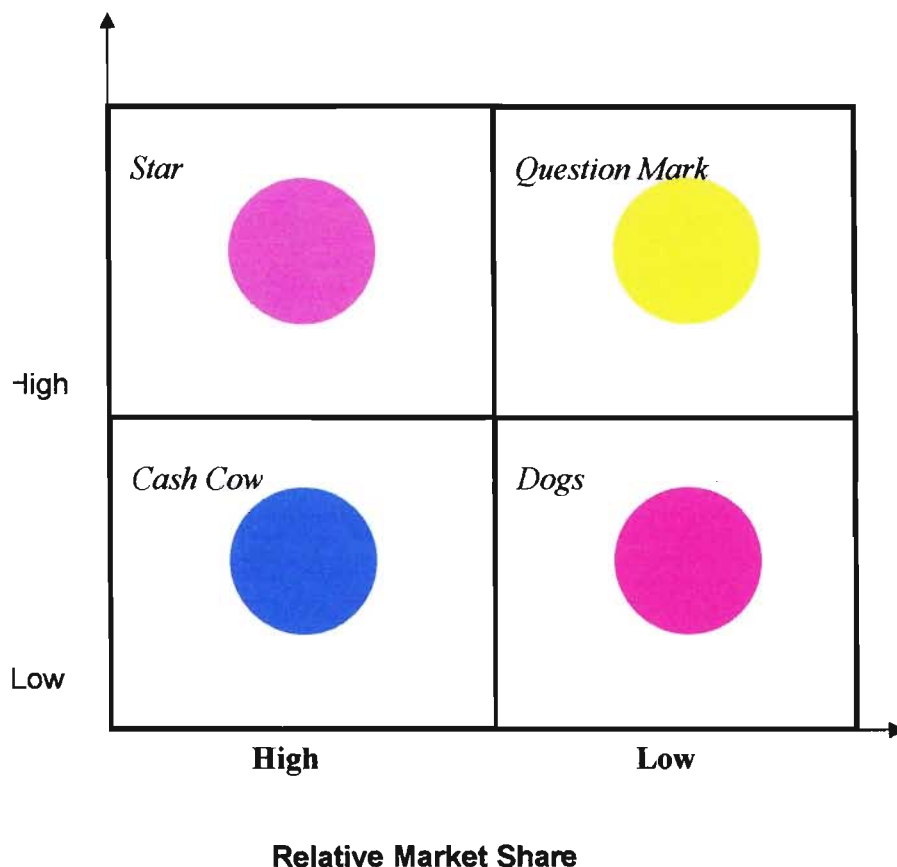


Figure 8.1: Market Share Analysis

Actually, at present, different life insurance companies are standing in such a way in the market that it's very tough to plot them into BCG matrix to determine their position on the basis of their Growth-Market Share position. From the analysis of Chapter Six & Seven, it has been found that ALICO has the highest market share (e.g. 31.5%) and has a moderate growth rate. Again, although Jiban Bima is holding a substantial market share (18%) as because of it's operation of many years than the others, it is having a very low growth rate. And because of it's low growth rate, Jiban Bima has

been losing its market share almost in every year. National Life has a very interesting position in the market. It has the market share of 15.2% which is lower than ALICO and even than Jiban Bima, but it has the highest growth rate in the Life Insurance Industry, i.e. 34.96% as of generation new business (ref: Figure 7.3, Chapter 7). Delta life has a mixed picture. Although it has low market share (14.8%) than ALICO & Jiban Bima, but it has the better growth rate than ALICO & Jiban Bima.

As because of this complex situation, that in figure 8.1, only ALICO is positioned accordingly to theoretical position; it has highest market share and has good growth rate. But the remaining three is positioned not as accordingly as the theoretical position. In figure 8.1, Jiban Bima is considered as “Dog”, which is the worst among all the four position. In reality, Jiban Bima also has the same position in the market. It is losing its market share in a very alarming rate and at the same time, it has a very low growth rate and has a huge loan.

Although Delta Life has lower market share than Jiban Bima, but has very good growth rate than Jiban Bima. Although Jiban Bima has 18% of the market share (& Delta Life has 14.8%), but it has been in decreasing rate consistently during the last 15 years, but Delta has been increasing its market share since it started its operation in the market. Again, Delta Life has some ups and downs in its growth rate. In Group insurance, it has the highest market share and market growth rate. But in Life policy, its growth rate fluctuates. As a result of this, Delta Life is considered as “Question Mark”.

National Life has considered as the “Star” in the Life Insurance Industry. Because, it has a good market share (15.2%), but has the highest growth rate (34.96%). Among the four company, National life is the fastest growing company. It has also good growth rate in renewal premium collection (41.42%), in gross premium collection (37.9%), in Group Policy (7.79%), in assets utilization (36.99%), in Life Funds (39.33%) and in claims (29.14%).



In figure 8.1, ALICO has been considered as "Cash Cow" because of followings:

- ⇒ High market share (31.5%), which is the highest individual standing in Life Insurance market in Bangladesh.
- ⇒ Moderate growth rate.
- ⇒ Steady increase in earnings as gross premium, e.g. TK. 2,647,263,180.00 in year 2001, TK. 3,052,844,480.00 in year 2002 and TK. 3,521,911,657 in year 2003.

Insurance is not a new business in Bangladesh. Almost a century back, during British rule in India, some insurance companies started transacting business, both life and general, in Bengal. Insurance business gained momentum in East Pakistan during 1947-1971, when 49 insurance companies transacted both life and general insurance schemes.

American Life Insurance Company (ALICO) is an international insurance company which is a member of American International Group Inc. (AIG). It was formed 78 years ago and now it is one of the largest insurance company with approximately US\$217 billion of life insurance in force. ALICO is the leading insurer in over 50 countries in the world. Its operation is segmented under four regions: Middle East-Africa-South Asia (MEASA), Europe, South America and Japan.

ALICO started its operation in Bangladesh in 1952. It is the oldest operation in the company's Middle East, Africa and South Asia division. ALICO has been the market leader since 1997 amongst 16 companies in this local insurance market. Its head office is in Dhaka and two sales offices in Chittagong and Comilla. The sales mechanism of ALICO is activated through these agency offices.

This report has been designed in such a way as to get some pictures of ALICO in some different way, e.g. management approach, marketing practices, financial status, its market position, industry status and finally its strategic position. As a consequence of this, ALICO's management approach, marketing practices, financial status, market

position, industry status and strategic position has been evaluated as deeply as possible. From those evaluation, some findings/outcome has been counted and has explained in the following few sections.

9.1 FINDINGS OF MANAGEMENT PRACTICE

After evaluating ALICO's management structure, it's management practice followings have been found:

- ⇒ Centralized management style has being maintaining in ALICO. As a result of this, decision-making process becomes slower and sometimes become inappropriate.
- ⇒ Lack of professionalism is also another feathers of ALICO's management.
- ⇒ ALICO has a poorly defined human resource department, which leads to unstructured recruitment process, poorly defined pay structure, discriminatory reward system, lack of career path and management development program.

9.2 FINDINGS OF MARKETING & SALES PERFORMANCES

After evaluating ALICO's marketing practices and sales performances, followings have been found:

- ⇒ ALICO has an effective and efficient sales forces.
- ⇒ Sales forces are recruit, developed and maintained under the close supervision of Marketing & Sales manager.
- ⇒ Very Attractive reward system has been maintained in ALICO to drive it's sales force to generate huge number of sales.
- ⇒ Strong emphasize has been given on developing strong base of customer service.
- ⇒ Sales force has been able to generate business in good numbers almost in every month.
- ⇒ Growth rate for Ordinary Life policy and Personal Accident Policy is increasing.
- ⇒ Growth rate of Group Policy is still fluctuating.

- ⇒ Less effort has given on promotional effort.
- ⇒ Total sales of Ordinary Life Policy has increased by Tk 73.19 million from year 2001 to 2002 and total sales of Ordinary Life Policy has increased by Tk 94.90 million from year 2002 to 2003. Again also sales growth rate of Ordinary Life Policy had increased in year 2003 from 12.65% to 14.56%.
- ⇒ Renewal premium collection of Ordinary Life Policy in year 2002 had increased from that of year 2001 by Tk. 305.34 million and in year 2003 it had increased from that of year 2002 by Tk. 333.09 million.
- ⇒ In year 2002 sales of PA policies had increased by 1.23% from that of year 2001 and in year 2003, it had increased by 12.75% from that of year 2002.
- ⇒ In year 2002, ALICO had sales of Group Insurance Policy of TK. 12.78 million, which was TK. 8.49 million lower than that of year 2001.
- ⇒ In year 2003, ALICO had able to increase it's sales of Group Insurance Policy to TK. 17.16 million, which was TK. 4.38 million higher than that of year 2002.
- ⇒ Sales growth of every four years have resulted to 211.2%, 213.94%, 246.53%, 253.54% and 69.56% in year 1984, 1989, 1994, 1999 and 2004 respectively.
- ⇒ Total number of agencies has increased from 16 to 81 in year 2004 from that of year 1880.
- ⇒ Sales forces have increased from 500 to 4600 in year 2004 from that of year 1880.

9.3 FINANCIAL FINDINGS

After evaluating ALICO's financial performances, followings have been found:

- ⇒ Investment Reserve had increased from Tk. 3.09 millions to Tk. 3.50 millions in year 2002 and in year 2003 ALICO had gained a quick increase in it's Investment Reserve from Tk. 3.50 millions to Tk. 6.77 millions.
- ⇒ Life Insurance Fund had increased from Tk. 7905.20 millions to Tk. 9313.23 millions in year 2002 and from Tk. 9313.23 millions to Tk. 10814.50 millions in year 2003.
- ⇒ Estimated Liability had increased from Tk. 324.29 millions to Tk. 409.91 millions in year 2002 and from Tk. 409.91 millions to Tk. 501.30 millions in year 2003.

- ⇒ Total Funds & Liabilities had increased from Tk. 8840.00 millions to Tk. 10731.46 millions in year 2002 and from Tk. 10731.46 millions to Tk. 12398.67 millions in year 2003.
- ⇒ Total of Investment Reserve & Life Insurance Fund are 89.46%, 86.82% and 87.28% of Total Fund & Liabilities in year 2001, 2002 and 2003 respectively.
- ⇒ Loan (given against active policy) amount had increased from TK. 596.39 millions in year 2001 to TK. 760.78 millions in year 2002 and in year 2003 it had also increased from TK. 760.78 millions to TK. 964.89 millions.
- ⇒ ALICO has been utilizing all it's funds by investing in different Govt. securities & bonds and also in other available sources like ICB Unit certificates, purchasing shares as common stock of different companies listed with SEC, investing in different commercial banks as FDR.
- ⇒ In year 2001 ALICO had purchased 8 Years Pratihakha sanchayapatra of TK. 68,000,000.00
- ⇒ In Year 2002, ALICO had purchased Treasury Bills of TK. 1,436,118,371
- ⇒ In year 2001, ALICO had invest TK. 4208.50 millions in 3 Years National Investment Bonds, in year 2002, ALICO had invest TK. 4584.50 millions in 3 Years National Investment Bonds and in year 2003, ALICO had invest TK. 4101.50 millions in 3 Years National Investment Bonds.
- ⇒ In year 2001, ALICO had invest TK. 9.02 millions in ICB Unit Certificate, in year 2002, ALICO had invest TK. 8.94 millions in ICB Unit Certificate and in year 2003, ALICO had invest TK. 9.20 millions in ICB Unit Certificate.
- ⇒ In year 2001, ALICO had invest TK. 5.19 millions by purchasing shares as common stock , in year 2002, ALICO had invest TK. 5.69 millions by purchasing shares as common stock and in year 2003, ALICO had invest TK. 8.70 millions by purchasing shares as common stock.
- ⇒ In year 2001, ALICO had invest TK. 2,510.5 millions as fixed deposits, in year 2002, ALICO had invest TK. 3,682.5 millions as fixed deposits and in year 2003, ALICO had invest TK. 4,279 millions as fixed deposits.
- ⇒ Total assets of ALICO has increased from TK. 8,840.00 millions in year to 2001 to 10,731.46 millions in year 2002 and total assets of ALICO has increased from TK. 10,731.46 millions in year to 2002 to 12,398.67 millions in year 2003.

RECOMMENDATION

ALICO Bangladesh is the oldest operation in the company's Middle East, Africa and South Asia (MEASA) Division tracing its origin back to 1952 when it entered Pakistan with business activities also extending to erstwhile East Pakistan. The company started full service branch operation in Bangladesh in 1974 and has since been marketing individual and group life insurance products with remarkable success. Still ALICO is the market leader (31.5%) in Life Insurance Industry in Bangladesh. But ALICO has been facing stiff competition from Delta Life & National Life.

Based on the evaluation and analysis done in this report, following things need to be considered as recommendations:

- ⇒ ALICO needs to decentralize its decision-making process.
- ⇒ ALICO needs to restructure its pay structure to reduce the rate of losing employees.
- ⇒ ALICO should put more effort into the development of new products.
- ⇒ ALICO should put more effort to develop the awareness regarding the significance and importance of life insurance in people's life.
- ⇒ ALICO should put more effort to increase its market share.
- ⇒ ALICO should recruit & train a separate sales force for its group insurance policy.

CONCLUSION

Insurance is a system of spreading the risk of one to the shoulders of many. It is a contract whereby the insurers, on receipt of a consideration known as premium, agree to indemnify the insured against losses arising out of certain specified unforeseen contingencies or perils insured against.

Insurance is not a new business in Bangladesh. Almost a century back, during British rule in India, some insurance companies started transacting business, both life and general, in Bengal. Insurance business gained momentum in East Pakistan during

1947-1971, when 49 insurance companies transacted both life and general insurance schemes.

ALICO Bangladesh is the oldest operation in the company's Middle East, Africa and South Asia (MEASA) Division tracing its origin back to 1952 when it entered Pakistan with business activities also extending to erstwhile East Pakistan. The company started full service branch operation in Bangladesh in 1974 and has since been marketing individual and group life insurance products with remarkable success.

Competition sharply increased since the entry of 11 new life companies into the market in 2000. The market now has a total of 18 companies, American Life Insurance Company (ALICO) being the only foreign company. The four major market players control over 80% of the market – (1) ALICO (31.5% market share), (2) Jiban Bima Corporation (18.9% market share), (3) National Life (15.2% market share) and (4) Delta Life (14.8% market share). National Life is the fastest growing amongst the four.

After evaluating ALICO's management structure, it's management practice followings have been found that centralized management style has being maintaining in ALICO. As a result of this, decision-making process becomes slower and sometimes become inappropriate. ALICO has a poorly defined human resource department, which leads to unstructured recruitment process, poorly defined pay structure, discriminatory reward system, lack of career path and management development program.

At the same time, ALICO has an effective and efficient sales forces and very attractive reward system has been maintained in ALICO to drive it's sales force to generate huge number of sales.

Growth rate for Ordinary Life policy and Personal Accident Policy is increasing but growth rate of Group Policy is still fluctuating. ALICO has been concentration less effort on promotional activities.

Financially ALICO has been becoming stronger day by day. Investment Reserve had increased from Tk. 3.50 millions to Tk. 6.77 millions. Life Insurance Fund had increased from Tk. 9313.23 millions to Tk. 10814.50 millions in year 2003. Total of Investment Reserve & Life Insurance Fund are 89.46%, 86.82% and 87.28% of Total

Fund & Liabilities in year 2001, 2002 and 2003 respectively. ALICO has been utilizing all its funds by investing in different Govt. securities & bonds and also in other available sources like ICB Unit certificates, purchasing shares as common stock of different companies listed with SEC, investing in different commercial banks as FDR. Total assets of ALICO has increased from TK. 10,731.46 millions in year to 2002 to TK. 12,398.67 millions in year 2003.

As per ALICO's strategic performance ALICO has internal strength of concentrated business approach, worldwide recognition, countrywide agency distribution, efficient sales force and continuous commitment to improvement, and has internal weakness of lack of coordination among departments, lack of professionalism, disproportionate growth of different policies. ALICO has external opportunities of very attractive market, large number of customers are still untouched, interest restriction in banking sector, state of the economy and technological advancement, and has facing external threats of introduction of new companies, mergers & acquisitions and so on. In life insurance industry, ALICO stands as a cash cow, having a high market share and a moderate growth rate; accompanied by National Life as Star, Delta Life as problem Child and Jiban Bima as Dog.

Based on the evaluation and analysis done in this report, ALICO needs to decentralized its decision making process and to restructure its pay structure to reduce the rate of losing employees.

ALICO should put more effort to development of new products and put more effort to penetrate the market as well as to increase its market share.

As a partial requirement of the Degree of Masters is Business Administration, all effort and concentration has given to evaluate ALICO's overall performance and to evaluate its competitive position in life insurance market of Bangladesh.

LIMITATIONS

The study had to be completed under certain constraint, which bored it to be more effective. Some of those constrains are listed bellow:

- ☑ As I have to work alone all the necessary data and information could not be collected properly;
- ☑ Due to time constraint it was not possible for me to research all the data and information;
- ☑ Though, I took help from the web (Internet) I found that soft - version of all data was not available in the websites.
- ☑ As ALICO is a private company, not a public one, all the information needed cannot be collected properly. They have the restrictions to provide internal information as they are one of the market leaders in insurance business.

For my limited practical knowledge and lack of experiences, this Project Report may not cover all areas and may have unintentional errors and omissions.

I hope to do much better accordingly.



Humaira Bachchu Hema

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Department of Business Administration



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