

# Deficit Budget: What to do as insurance sector

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they concentrate on a few products like endowment scheme, flexible stage policy and pension policy. Group Insurance etc. Although micro-insurance has brought about a tremendous improvement in the selling of life insurance policies but it has also given rise to many anomalies, viz. undercut of rate, high lapse ratio, misappropriation of fund by the producer and lack of proper documentation in time of claim insured suffer a lot. So all documents should be collected from the insured before issuing policy and a copy should be preserved in Head Office mandal only.

In life business runs with the help of agent. No one can procure business except agent. They officially recognized and got proper training from own office and others institutions like Bangladesh Insurance Academy, Bangladesh Institute for Professional Development and Academy of Learning. Agents are earning by using license issued by IDRA after 72 hours extensive professional training certificate from the institution.

Though life insurance solely dependent on agent, the system of commission is appropriate for them. In first year commission range is excessive, which near to 100% of yearly premium income of a company. In second year 1st year policy is renewed upto 40% to 50%. It may be the reason agent open policy 1st year and taken all the policy benefit on that year and not continue for the next year due to less income return. By this time agent may move to another company and practicing the same procedure to earn more and insurance company suffering a lot

for this type of activities. To stop this practice IDRA can take step to reduce 1st year or new policy commission rate and management expenses ratio reduce for 1st year policy of all the life insurance companies.

On the other hand non-life insurance company collects through their occurrence rather than agent which contrary to the insurance act. Non-life insurance companies paying their executive salary and facilities also the agent commission as per market demand. This dual problem in non-life sector. Not only that the businessman and the banker who gets commission for renovating business, they do not deposit the money in any accounts but to deposit their own pocket and use the money as their money. Commission money is not comes into any accountability, the spread money make help money laundering. If the government can earn revenue from its which can contribute to overcome the budget deficit revenue earning.

Present system of commission in this sector creates the image problem in the industry. Everybody is trying to do business from the market they do not bother what they are doing. Everybody try to win and get business by given unhealthy commission to the businessman and Bankers in non-life insurance, who are extracting the business market. Company cannot bother what are the limitations of given commission range in the law. For this activity, company faces different financial crisis, even they cannot give claims, government & other agencies dues properly even some company cannot pay their

employees salary and wages properly.

This year Government declared local budget for Tk.464,573 crore. Revenue earn target Tk.3,09,280 crore and sum of Tk.1,25,293 from deficit. This should be collected from local revenue income and this is a challenge for the government to collect the revenue. If IDRA take the step in collaboration with the Ministry of Finance by amending the commission system, then the follow and government can earn more revenue from this sector. Not only this, it can act to prevent money laundering activities also.

It is noted that the main earning of insurance company is selling product to the customers as per their need/choice. After selling product all expenses like agent commission, executive and staff salary, office rent and other related expenditure, Govt. Levy, Tax, IDRA subscription, Re-insurance & claims payment, Company's Head Office expenses cut from the premium income of an individual insurance company. If everything is taken under consideration accurately no company can come into profit because all expenses ratio is increasing day by day but management expenses ratio is not increasing by Act or IDRA. We are following 1998 Act though the new insurance Act 2010 is being followed in all the way.

IDRA must take positive step to build up financial stability in the sector by providing effective rules and regulations to create economic activity. Without economic regulations, we cannot run effectively and cannot contribute to the sector. If the insurance company sell product and

collect money regularly without any hassle and expenses ratio is controlled in proper way they can contribute their income and activities to the economic growth of the economic fiscal year.

For financial stability of the company depend on premium income and it depends on expanding business by open new branches, but it is not easy to open the branches without the permission of IDRA. Before open branch insurance company select people, hire office, pay branch opening license fee Tk.50,000/- in case of non-life insurance, convert land phone, sign board, internet connection and computer, table, chair etc. After long time observation IDRA denied permission due to non-IPD of an insurance company, but this type of opinion does not support by the law. For the growth of insurance sector IDRA may consider and take positive step for open the branches by the insurance company because this income can contribute to minimize the deficit budget.

Recently it has been observed insurance market is not expanding and has of late come to a stagnant position. This view supported by the business statistics of the insurance industry. It is also mentioned that political instability also one of the reason for negative indication. So, IDRA can take positive and flexible treatment those who are interested to open branches without any hesitation and others who are not interested to motivate them to open more branches which can help more employment in the industry. Insurance is a risk bearing organization. By receiving premium it takes the risk of thousands/crores of industries, godowns, shops, financial

institutions, money insurance and various liabilities insurance, vehicle insurance and of life insurance in a various formulations. A competitive market to foster innovativeness, adaptability and flexibility to provide new coverage and protection for new developing industries, the financial resource and the financial stability provide the growth of an insurance company.

By the way Government can earn 5% tax against earning of agent commission income which is merely negligible to overcome the deficit budget. If Government and IDRA jointly take initiative to stop agent commission of non-life and reduce 1st year policy agent commission and management expenses ratio of life insurance then government can earn at least 42.50% profit sharing from each company which is very high than the 5% tax on agent commission income. If the idea is implemented as soon as possible government earning can be drastically increase which can help to minimize the deficit budget.

Our financial activities and growth depend on export of Camerons, Tea, Medicine, non-traditional item, man power etc. Due to world financial crisis every thing is not equally work smoothly and some times remittance reduce and it can hamper the growth of our economy. To overcome the problem if experience and trained insurance people are exported than country can earn remittance in a new arena. For this promote institution to build the experience person who can contribute in home and abroad. Government & IDRA can take initiative for mandal of insurance education for each and every person and who acquired insurance degree

they may highly graded in his/her company on the basis of certificate issued by the approved institution. Rather this, who are graded 'A' in training program they should be financially benefited without any recommendation. If it is implemented of the skill man power and professionalization grow in insurance sector without any fail.

The World Bank financing IDRA for up grading the sector. They also provide money to employment of educated and experienced personnel in the sector. To implement integrated software for all the companies is the main object also. Every management team of insurance company also wants this, but before software implementation need to overcome the difficulties which companies are facing day to day. If the market is stable, management expenses ratio is within control, over commission and credit business is closed, accountability is found, trained and experienced and if insurance educated CEO selected and appointed in all the companies they can help IDRA in contributing to overcome deficit budget in every year.

Thanks to Insurance Development and Regulatory Authority for arranging Project Launching Ceremony & Technical Workshop of Bangladesh Insurance Sector Development Project (BISDP) financed by the World Bank, discussion on 'Implementation of the BISDP' and development of insurance sector. Challenges from a supervisory and market perspective' on 31st October at Pan Pacific Seagram Hotel, Dhaka. (Mr. Nazim Uddin, Almost Managing Director & CEO, Almost Commercial Insurance Co. Ltd.)