

THE SCENARIO OF INSURANCE INDUSTRY IN BANGLADESH: GROWTH, THREATS AND OPPORTUNITIES

Abstract

This chapter will demonstrate the scenario of insurance industry in Bangladesh including to identify growth, threats and opportunities of this industry. This study is consisted with global insurance market share, nominal growth rate, growth rate with inflation adjusted, insurance penetration and density, market share of life and nonlife insurance market, AAGR of premium, investment, and assets. The study revealed that global insurance market share of Bangladesh was 0.02 percent, nominal growth rate was 7.6 percent, growth rate with inflation adjusted was 3.10 percent, premium volume was USD 1475 million in 2019. Market share between life and nonlife insurance was 70.03 percent and 29.97 percent in 2019. Global premium ranking position of Bangladesh was 68th in 2019. Insurance penetration rate was 0.49 percent and density was USD 9 in 2019. AAGR of premium, investment, and assets were 8.63 percent, 12.67 percent and 12.68 percent respectively.

AAGR of life insurance premium was 13.30 percent and nonlife was 7.21 percent. AAGR of life insurance investment was 13.58 percent and nonlife was 12.58 percent. AAGR of life insurance assets was 11.60 percent and nonlife was 12.99 percent. Complexity of claims settlement, no harmonious relationship between insured and insurers, no professional skill manpower, inadequate IT based quality services and traditional management are the main threats for this industry. But, due to the implementation of various mega projects, Bangladesh is expected a nonlife penetration growth rate of 7.04 percent and for life it was 6.45 percent in 2020. Banc assurance, health insurance and agriculture insurance options are also some opportunities for developing insurance industry in Bangladesh.

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I. INTRODUCTION

Insurance can be expressed as a cooperative tool to transfer the loss due to a fixed risk over a number of persons who are present to it and who consent to insure themselves against that risk. Risk is the nonguaranteed of pecuniary loss (Mirsha, 2009). Insurance is a financial tool which safeguard from the financial losses. A financial institution which delivers insurance service is called insurer, insurance company, or insurance carrier. A person or institution who receives insurance service is called insured or policy holder (Al-amin, 2016). Insurance is an element of monetary part that can be signified play an important role in order to the growth of economy as well as sharing and caring the burden of a community or country. (Mall, 2018). Basically insurance is a process of spreading of the risk from one shoulder to another one, nothing else. (Chaudhury, 2008)⁴. The assumption of insurance become popular as humans are naturally venerably to different types of risk ranging pecuniary and non-pecuniary areas (Alli,2011). There are two types of insurance business basically in the world. One is life insurance and another is non-life insurance. Life insurance deals with the protection against the probability of undue death, illness and retirement. Non-life insurance deals with the protection against the property loss, personal injury such as accidents, theft, marine and fire. Life insurance creates for a long term funds and nonlife creates for a short term fund for investment (Mall, 2018)⁶. A smooth, well planned, efficient and sustainable insurance industry is an important condition for the economic and financial infrastructural development in a country. Insurance is the most significant financial device which provides the security of life and property against death, accidents, damage of the properties. A partial national capital formulation comes from insurance sector, which is generated by insurance payment of policy holders. The economy of Bangladesh always pressurized by over population, frequency of natural disaster, low income level and lack of skilled and professional manpower. The insurance industry is playing a significant part on the economy of Bangladesh where low capital, low savings and low investment, high inflation rate and low social security for the people are almost fictional (Mandal, 1988).

The people of Bangladesh are not interested to buy insurance product due to their below income level. Besides, by comparing with emerging Asian countries including India, it is observed that all indicators relating to the insurance industry of Bangladesh are low such as insurance payment volume, annual growth rate, insurance penetration rate, insurance density and market portion etc. The principal barrier of the development of the insurance industry in Bangladesh are the shortage of awareness and financial disability. A rational growth of insurance sector is an indicator or a standard of sound economy, not only an summery of competent pecuniary area (Vayanos and Hammound,2006)⁸. Bangladesh fast growing rate throughout the decade has been absolute possibly the principal progress in local co-activity and again more global range economy (Mamun,2011)⁹ Current penetration rate is 0.55 percent (IDRA,2019). The market share of the insurance sector is sustained of 73.5 percent for life insurance and 26.5 percent for nonlife including Islamic and Micro insurance (Islam,2019)¹⁰. Bangladesh expected an amount of USD 2.2 billion premium by the 2020. But, premium volume in 2015 was USD 1.58 billion which indicates 7.04 percent increment (PWC Report, 2019)

II. ROLE OF INSURANCE INDUSTRY FOR SOCIAL AND ECONOMIC DEVELOPMENT

Insurance has significant donation for growing the economy of a country those advantages to generate a powerful capital base and obtain economic freedom (Ali 2020)¹¹. Insurance industry plays a vital role for social and economic development of a country. An insurer taking risk for lives and properties of the insured against some accidental risks instead of premium. This premium is working as capital formation of the country. This capital is working as long term investment and increasing productive flow which is creating employment opportunities. If we think as risk factor, life insurance provides dual services to the assured, firstly if policy holder be injured or die, he/she gets a financial support for the crucial moment and if policy is matured, they gets a well amount which is treated as savings. This saving comes in to investment from insured side, which after all increase our GDP and per-capita Income and standard of living to the society. If we think about nonlife insurance sector, the scope of nonlife insurance is wider than life assurance. There are main four types of product are consisted with nonlife insurance i.e. Marine, Fire, Motor and Miscellaneous. Marine insurance providing services to the insured against financial losses during the period of total adventure from warehouse to warehouse. As a result, International Trade (Import & Export) is functioning smoothly which is contributing to the balance of payment and balance trade of an economy in the Bangladesh. Bangladesh has qualified from least developed country to Developing country based on few indexes. Insurance industry played a significant role to improve these indexes in all respects. Fire insurance is also another important segment of nonlife insurance sector. Fire insurance provides insurance service to the insured against accidental loss of fire. A merchant want to mobilize his/her business by expansion of industrialization. But, this industrialization may be destroy due to the accidental fire and only fire insurance coverage can recover this financial losses. The Consequential loss or Business interruption fire policy is the great example for that situation. Motor Insurance provides an insurance services against any accidental damage or loss of the vehicle which is also a supporter of the economy development of the country. Miscellaneous Insurance is consisted with Erection All Risks Insurance (EAR), Contractor All Risk (CAR), and Professional Indemnity (PI) and others. These EAR, CAR and PI insurance services perform an important role for infrastructural development of Bangladesh. Life insurance provides a long term savings and investment which is an important factor for the economy. So insurance industry is a vital segment of for economic development of Bangladesh.

III. NEED OF THE STUDY

The risk limit of Bangladesh is too high, but insurance sector does not competent as compared with the limit of risk. Maximum people or organization does not purchase the insurance product as per requiring their willingness rather for legal bindings (Khan and Uddin, 2008)¹². By realizing the significant of insurance industry in Bangladesh and for smooth functioning and favorable growth of this industry, it is very important to identify the elements which are liable for less growth than expected of insurance industry in Bangladesh. It is the best time to ascertain the performance of this industry and how this industry will be more efficient and sound in Bangladesh and prepare this sector for high international

competition in the forthcoming period. All aspects of this should be studied comprehensively. As per review of literature analysis, it is seen that a small number of studies have been conducted but threats and opportunities for developing this industry are not studied as a whole. Thus, a research gap exists there and a study titled, “**The Scenario of Insurance Industry in Bangladesh: Threats and opportunities.**” is a venture to cover this hole.

IV. OBJECTIVES OF THE STUDY

The main aims of this study have been given below.

1. To explain the scenario of insurance industry in Bangladesh.
2. To evaluate the growth and market share of insurance industry.
3. To identify the threats of insurance industry in Bangladesh.
4. To identify the opportunities of insurance industry in Bangladesh.
5. To recommend some precautions for progressing the insurance industry in Bangladesh.

V. METHODOLOGY OF THE STUDY

The secondary data is the main source of this study. The data has been collected from the annual reports, journals, books and other print media etc. Data has been collected for a period of 10 (ten) years (2009-2018). The data consists with some financial parameters like Penetration rate, density rate, market share, Growth rate, Gross Premium income, Total Investment, Total Assets and ranking information etc. AAGR, average, growth rate, percentage etc. have been used for data analysis. For the purpose of data analysis SPSS software has been used.

1. Scenario of insurance industry in Bangladesh: There are 47 nonlife and 32 life insurance institutions in Bangladesh including two state-owned Corporations; one is Sadharan Bima Corporation (SBC) and another is Jibon Bima Corporation (JBC). The combined insurance payment volume is USD 1475 million in 2019. The combined insurance payment volume in BDT 124566 million in 2019. The world insurance payment volume life assurance in USD 2916267 million and nonlife insurance payment volume in USD 3376333 in 2019. The total insurance payment volume of the world in USD 6292600 in 2019 (Sigma, 4/2020). The scenario of world insurance market including Bangladesh has shown in table 01.

It is evident from Table 1, Nominal growth rate of USA & Canada was 3.8 percent and growth rate with inflation adjusted was 2.1 percent and market share in the world insurance market was 41.21 percent in 2019. In case of Latin America, nominal growth and growth (Inflation adjusted) were 1.3 percent and 4.4 percent respectively and market share was 2.5 percent in 2019. Nominal growth and inflation adjusted growth of Advance Market were -1.2 percent and 2.4 percent and market share was 25.48 percent. The nominal growth rate of Emerging, Advance Asia and Emerging Asia were 0.0 (zero), 1.00 and 7.5 percent respectively and growth with inflation adjusted were 2.4, 1.3 and 8.10 percent respectively and market share were 3.04, 14.85 and 12.89 percent respectively. The growth of nominal and adjusted with inflation and market share of India were 9.2, 6.9 and 1.69 percent respectively and for Bangladesh were 7.6, 3.1 and .02 percent respectively. This scenario of

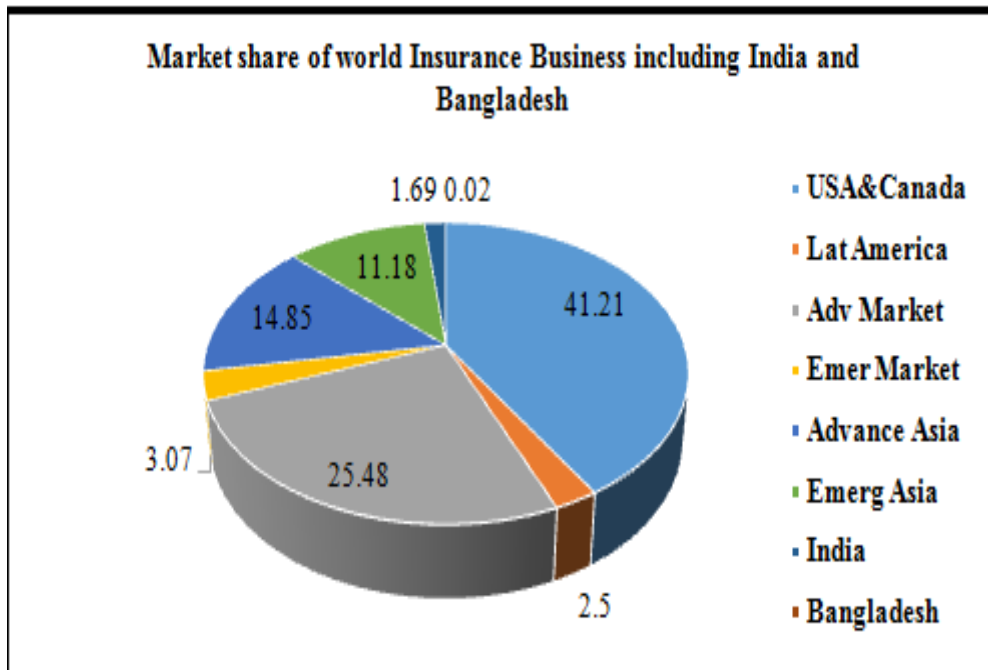
world insurance market share including India and Bangladesh has been shown in the following pie chart.

Table 1: The scenario of world insurance Market including Bangladesh

Region/Countries	Premium (USD Million) 2018	Premium(USD Million) 2019	Growth Nominal (%)	Growth Inflation Adjusted (%)	Market Share (%)
USA & Canada	2497670	2593280	3.8	2.1	41.21
Latin America	155197	157146	1.3	4.4	2.50
Advance Market	1622868	1603292	-1.2	2.4	25.48
Emerging Market	193482	193480	0.0	2.4	3.07
Advance Asia	925029	934353	1.00	1.3	14.85
Emerging Asia	754774	811050	7.5	8.1	12.89
World	6149020	6292600	2.3	2.9	100
India	97342	106307	9.2	6.9	1.69
Bangladesh	1371	1475	7.6	3.1	.02

Source: Swiss Re, Sigma No 4/2020

Chart 01: Market share of world insurance business including Bangladesh



1. Scenario of life and nonlife insurance in the world including Bangladesh : The insurance business is basically consisted with two segments. First one is life insurance and second one is non-life insurance. The world premium volume of life and nonlife insurance

are USD 2916267 and USD 3376333 million respectively in 2019. The life and nonlife insurance premium volume in BDT 87227 and BDT 37338 million respectively in 2019. The total insurance payment volume of life and nonlife were USD 1033 and USD 442 million in 2019. Life insurance constituted 70.03 percent and nonlife 29.97 percent market share in 2019. The scenario of life and nonlife insurance in the world including Bangladesh has been shown in Table 02.

Table 2: Region wise Gross Premium and Market share of life and nonlife insurance in 2019

Region/Country	USD million		
	Life Insurance	Nonlife Insurance	Life & Nonlife
Advanced Market	756038 (27.49)	1994388 (72.51)	2750426 (100.00)
Emerging Market	74338 (38.42)	119142 (61.57)	193480 (100.00)
Asia	1114187 (63.84)	631216 (36.16)	1745403 (100.00)
India	79671 (74.94)	26637 (25.06)	106308 (100.00)
Bangladesh	1033 (70.03)	442 (29.97)	1475 (100.00)
World	2916267 (46.34)	3376333 (53.66)	6292600 (100.00)

Source: Sigma 4/ 2020, Swiss Re Institution

Note: The figures given within bracket indicate percentage of market share.

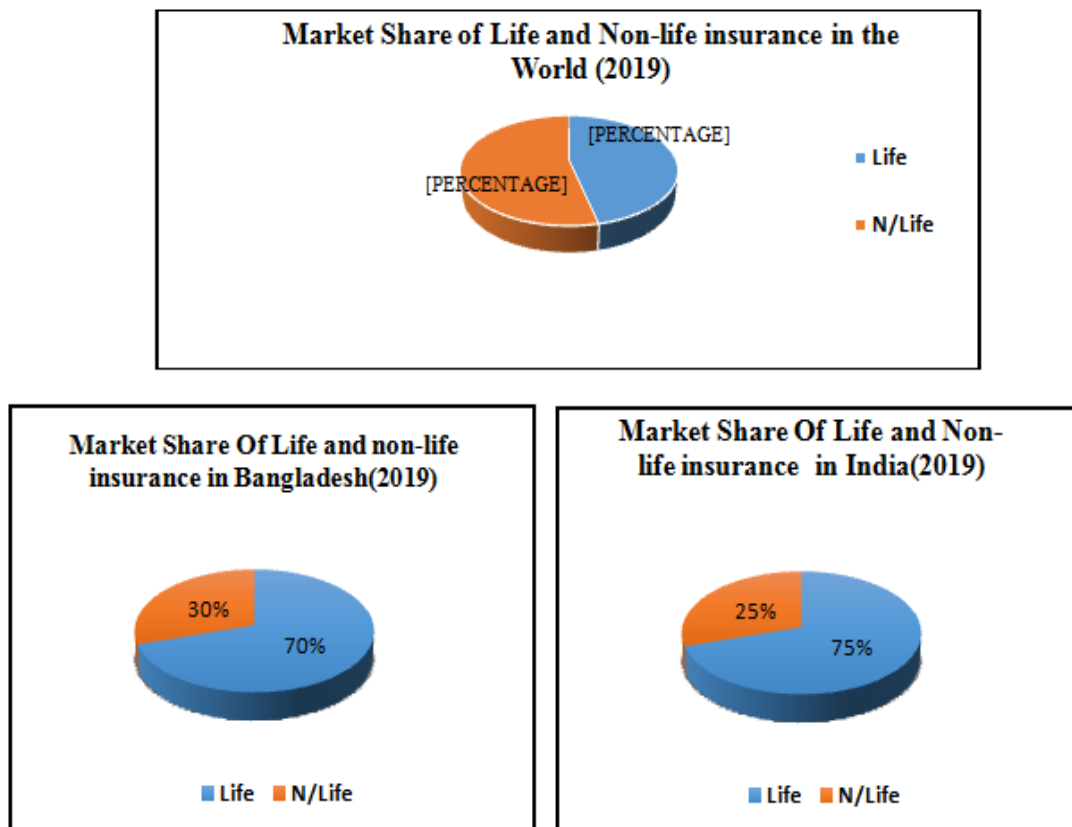
It is seen from table 2 that market share of life insurance of advanced market was 27.49 percent and **72.51** percent against nonlife insurance sector in 2019. In case of emerging market, market share of life insurance was 38.42 percent and stands for nonlife 61.57 percent. In case of Asian market, market share of life insurance was 63.84 percent and 36.16 percent against nonlife. It is evident from the above table, India occupied 74.94 percent market share against life insurance and 25.06 percent against nonlife insurance. Bangladesh captured 70.03 percent market share against life insurance and 29.97 percent against nonlife insurance in 2019. It is observed from above analysis, Advance market and emerging market have capture higher market share against nonlife insurance and lower market share against life insurance segment in 2019. But, it is exceptional for Asian region including India and Bangladesh. Asian region captured higher market share against life insurance and lower market share against nonlife insurance including India even then Bangladesh. Overall world insurance market, market share of nonlife insurance is higher than life insurance. Market share of life and nonlife is consisted to Bangladesh, India and world has been shown in the following pie diagram.

2. Insurance Penetration and Density in Selected Countries including Bangladesh:

There are number of reasons for low penetration and density in Bangladesh. There is no any

arrangement of various vital insurance products like; health insurance, banc assurance and agriculture insurance .Besides, only 17 million people are included to insurance coverage out of 160 million people. Moreover, unethical practice in commission payment, absence of product review and lack of innovative and digital products are liable to put Bangladesh behind the right track in the global insurance market. The insurance penetration and insurance density of selected country has been given in the Table 03.

Chart 2: Market Share of Life and Nonlife (Bangladesh, India and World)



Source: Swiss Re, Sigma 4/2020

Table 3: Insurance Penetration and Density in Selected Countries including Bangladesh in 2019

Country	Premium Rank	Premium USD Million	Market Share (%)	Penetration (%)	Density (USD)	Growth (%)
USA	1	2460123	39.10	11.43	7495	4.1
India	11	106307	1.69	3.76	78	9.7
Malaysia	33	17150	0.27	4.72	536	2.0
Philippine	46	6195	0.10	1.72	57	8.2
Bangladesh	68	1475	0.02	0.49	9	13.4
Sri-lanka	78	1090	0.02	1.25	51	7.7

Vietnam	44	7368	0.12	2.24	76	14.9
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Source: Sigma/4 2020, Swiss Re Institution

In the table 3, it is observed that premium ranking position of Bangladesh was 68th in the world insurance market in 2019. In the other emerging Asia, premium ranking position of India is in good position than Malaysia, Philippine, Sri-lanka and Vietnam. In case of market share, Bangladesh and Sri-lanka are the lowest position i.e. globally, both's market share was 0.02 percent. A lowest penetration rate was carried by Bangladesh in the world insurance market in 2019. India carried 3.76 percent, Malaysia carried 4.72 percent, Philippine carried 1.72 percent, Sri-lanka & Vietnam carried 1.25 and 2.24 percent respectively

The penetration rate of Bangladesh was .49 percent in 2019. The level of insurance density reached the maximum of USD 10.2 in the year 2016 from the level of USD 5.8 in 2010, but, during the year 2019, the level insurance density decreased, it was USD 9 in 2019. But, premium growth rate of Bangladesh was 13.4 percent which occupied in second position in 2019. India carried 9.7 percent which occupied third position and Vietnam carried 14.9 percent growth rate which occupied first position in the world insurance market in 2019.

3. Insurance penetration of both life and non-life insurance in Bangladesh: The insurance penetration means how much contribution of insurance sector is involved to national GDP in a country. Insurance penetration can be calculated by total insurance payment obtained of a country to total GDP. Insurance penetration rate in both life and nonlife insurance has shown in Table 4 from 2009 to 2018.

It is seen in the table 04, there is a downward trend of insurance penetration in both life and non-life sector. In 2009, insurance penetration rate of life sector was .70 percent and .20 percent against nonlife sector.

**Table 4: Gross Domestic Product (GDP), Premium & Penetration
In Bangladesh (2009-2018)**

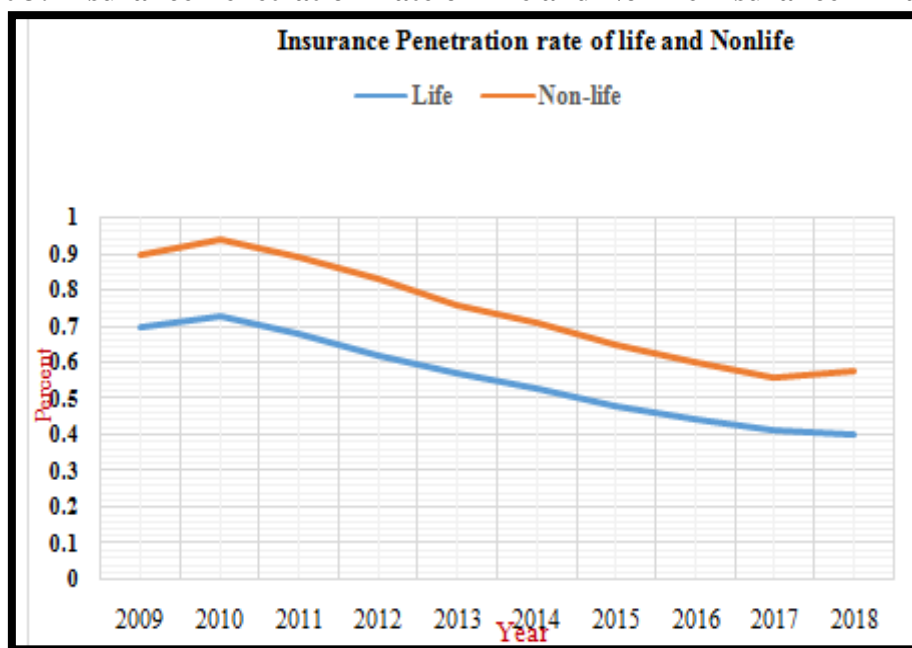
Year	GDP (Tk Crore)	Gross Premium Tk. In Crore		Penetration (%)		
		Life	Non-life	Life	Non-life	Life & Nonlife
2009	705072	4929	1390	0.699	0.197	0.896
2010	797539	5835	1658	0.732	0.207	0.939
2011	915829	6255	1967	0.682	0.214	0.896
2012	1055204	6587	2167	0.624	0.205	0.829
2013	1198923	6840	2293	0.571	0.192	0.764
2014	1343674	7077	1446	0.527	0.108	0.634
2015	1515802	7316	2643	0.483	0.174	0.657
2016	1732864	7589	2773	0.438	0.160	0.598
2017	1975815	8199	2982	0.414	0.150	0.565
2018	2250479	8985	4179	0.399	0.185	0.585

Source: Bangladesh Insurance Association

Penetration rate of life insurance was .62 percent and .21 percent was against nonlife sector in 2012.

A continuous downward trend of insurance penetration rate is observing from 2012 to 2018. Penetration rate of life insurance sector downward from .62 percent to .40 percent from 2012 to 2018. Penetration rate of non-life insurance sector downward from .21 percent to .18 percent from 2012 to 2018. The main reason of this downward trend is that growth rate of GDP is higher than growth rate of insurance industry. A reflection of the trend of insurance penetration in Bangladesh has been shown in chart 3.

Chart 3: Insurance Penetration Rate of Life and Nonlife insurance in Bangladesh



4. Insurance density of life and nonlife insurance in bangladesh: Insurance density means the per capita premium of the total population in a country. Insurance density can be calculated by total insurance payment obtained of a country to total population.

Table 5: Population and Density of Insurance

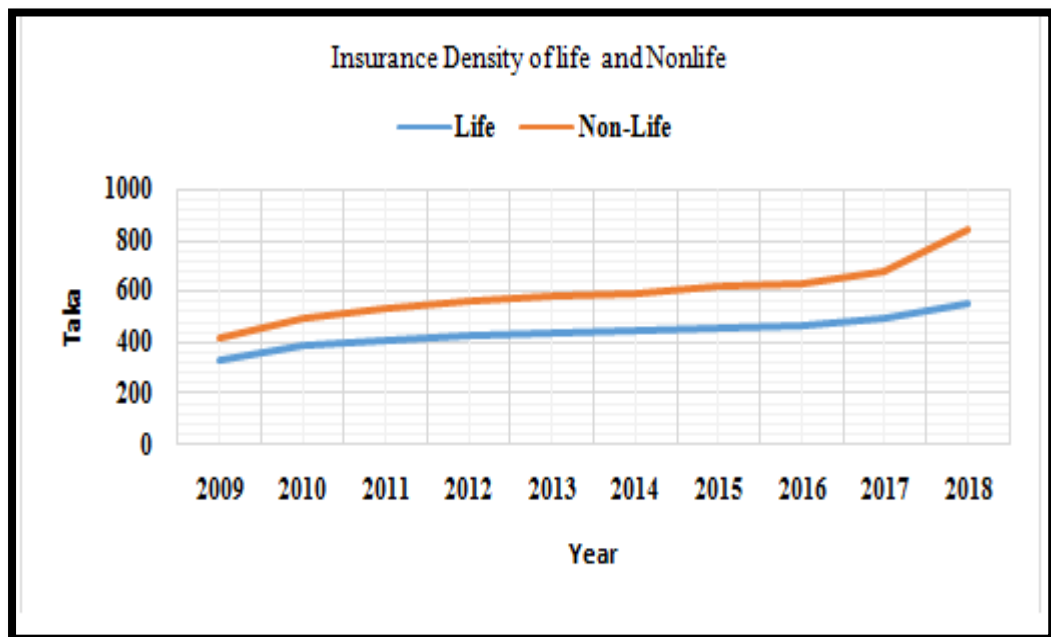
Year	Population(Crore)	Insurance Density(Tk.)			Density (USD)
		Life	Non-Life	Total	
2009	15.05	327.57	92.36	419.94	6.10
2010	15.21	383.51	108.94	492.45	7.12
2011	15.39	406.38	127.82	534.21	7.50
2012	15.57	422.99	139.17	562.16	7.10
2013	15.76	434.07	145.51	579.58	7.25
2014	15.94	443.92	153.43	597.35	7.69
2015	16.12	453.85	163.96	617.81	7.95
2016	16.30	465.69	170.17	635.85	8.12
2017	16.47	497.87	181.06	678.93	8.58
2018	16.14	556.69	285.93	842.62	9.79

Source: Bangladesh Insurance Association

Insurance density of Bangladesh in both life and nonlife has shown in Table 5 from 2009 to 2018. It is seen in the table 5, there is an upward trend of insurance density in both life and nonlife sector.

In 2009, insurance density of life sector was Tk. 327.57 and Tk.92.36 against nonlife sector. The combine insurance density was Tk.419.94 and USD 6.10. Insurance density of life insurance was Tk.422.99 and Tk.139.17 was against nonlife sector in 2012. The combine density was Tk. 562.16 and USD 7.10. A continuous upward trend of insurance density is observing from 2009 to 2018. Insurance density of life insurance sector upward from Tk. 422.99 to Tk.556.69 from 2012 to 2018. Insurance density of non-life insurance sector upward from Tk.139.17 to Tk 285.93 from 2012 to 2018. There is an upward trend of insurance industry of Bangladesh from Tk. 562.16 to Tk.842.62 and USD 7.10 to USD 9.79 from 2012 to 2018. Due to a better progress portion of premium is higher than population progress rate, insurance density is upward trend. A reflection of trend of insurance density has been shown in chart 4

Chart 4: Insurance Density of Life and Nonlife insurance in Bangladesh.



5. Total asset, premium & investment of insurance industry in Bangladesh: Premium income, investment and assets are correlated to each other's. If premium increases, investment will increase, also assets. The economy of Bangladesh is growing up day by day due to the infrastructural development. As the consequence of this development, premium income, investment and assets of insurance industry increasing day by day. The growth of insurance industry is an upward trend during the study period. This scenario has given in Table 06 from 2009 to 2018

1. AAGR = Annual Average Growth Rate
2. $AAGR = \frac{(\text{Ending Value} / \text{Beginning Value} - 1) + 2^{\text{nd}} \text{ year} + 3^{\text{rd}} \text{ year} + \dots + \text{Last year}}{\text{Total Number of Years}}$

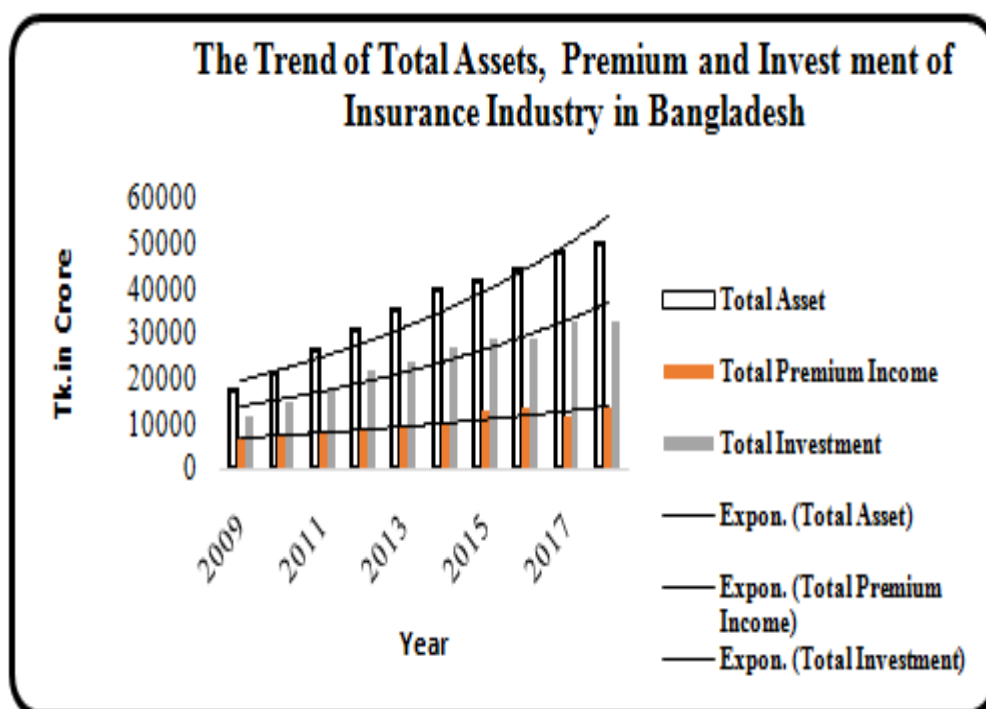
Table 6: Total Premium, Asset and Investment of Insurance Industry in Bangladesh

(TK.in Crore)

Year	Total Asset	Total Premium Income	Total Investment
2009	17369.57	6320.24	11496.25
2010	21205.29	7473.24	14702.85
2011	25973.77	8206.28	18167.91
2012	30371.36	8751.69	21685.46
2013	34984.50	8902.74	23686.45
2014	39615.57	9520.14	26703.43
2015	41774.20	12597.20	28474.37
2016	44328.04	13124.07	28575.84
2017	47612.00	11794.19	32272.78
2018	49793.09	13164.23	32675.79
Mean	35302.73	9985.40	23844.11
AAGR	12.68%	8.63%	12.67%

Source: Bangladesh Insurance Association

Chart 5: Trend of Insurance Assets, Premium and investment of insurance industry in Bangladesh.



In table 06, it noticed that premium income of all types of insurance companies in 2009 was Tk. 6320.24 crore and went up to Tk. 13164.23 crore in 2018. The average premium income of whole insurance industry was Tk. 9885.402 and Annual Average Growth Rate (AAGR) was 8.63%. The total assets of whole insurance industry was Tk. 17369.57 crores in 2009 and went up to Tk. 49793.09 crores in 2018. The average total assets of insurance industry was Tk 35302.73 and AAGR was 12.68% during the study period. The total investment of the insurance industry was amounting to Tk. 11496.25 crores in 2009 and went up to Tk. 32675.79 crores in 2018. The average total investment was Tk. 23844.11 and AAGR was 12.67% during the concern time. A trend of premium, investment and assets of insurance industry of Bangladesh has been shown in Chart 5.

6. Scenario of total premium (public & private) of insurance industry in bangladesh:

The main blood of insurance industry is premium. This premium earns from the direct underwriting and reinsurance business. There are 46 nonlife insurance private insurance companies and one state own Corporation are functioning nonlife insurance business and 32 life insurance private companies and one state own corporation are functioning life insurance business in Bangladesh. The scenario of Premium of insurance industry has been shown in Table 7.

Table 5: Premium Scenario of Insurance Industry in Bangladesh (TK. in Crore)

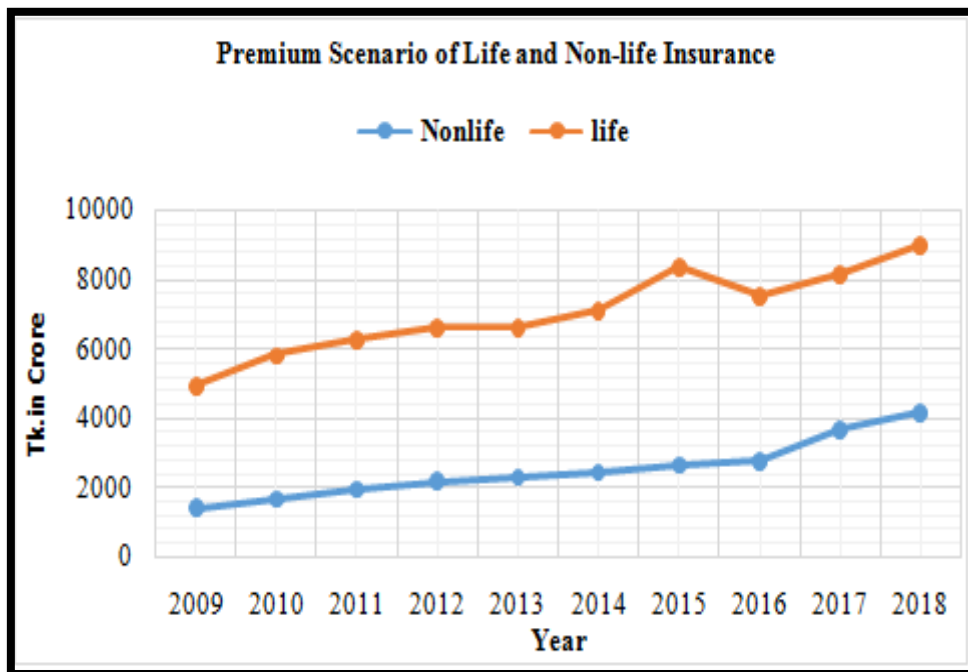
Year	Nonlife Private	Nonlife Public	Nonlife Total	Life Private	Life Public	Life Total	Industry
2009	12,28.42	1,61.35	1389.77	45,95.79	3,34.68	4930.47	6320.24
2010	14,88.39	1,65.99	1657.38	54,69.91	3,45.95	5815.86	7473.24
2011	172741	19747	1924.88	5973.52	307.88	6281.40	8206.28
2012	19,45.67	2,18.92	2164.59	62,43.89	3,43.20	6587.10	8751.69
2013	21,03.75	1,90.96	2294.71	62,42.92	3,65.11	6608.03	8902.74
2014	22,67.92	1,76.11	2444.03	66,86.19	3,89.92	7076.11	9520.14
2015	24,30.79	2,07.31	2638.10	79,25.96	4,02.85	8328.81	12597.20
2016	25,39.25	2,23.49	2762.74	70,95.38	4,10.95	7506.33	13124.07
2017	27,37.32	9,31.53	3668.85	76,54.00	4,71.34	8125.34	11794.19
2018	30,34.69	11,44.53	4179.22	84,75.77	5,09.24	8985.01	13164.23
Mean			2512.42			7024.44	9985.40
AAGR			13.30%			7.21%	8.63%

Source: Bangladesh Insurance Association (BIA)

1. AAGR = Annual Average Growth Rate
2. $AAGR = \frac{(\text{Ending Value} / \text{Beginning Value} - 1) + 2^{\text{nd}} \text{ year} + 3^{\text{rd}} \text{ year} + \dots + \text{Last year}}{\text{Total Number of Years}}$

It is observed from table 7 that 45 nonlife private insurance companies and one state own corporation earned premium around Tk. 1389.77 crores in 2009, an increase of 13.91percent from Tk.3668.85 crores in 2017.The average premium earns Tk. 2512.42 and AAGR was 13.30 percent. The 32 private life insurers and one state own life insurance corporation earned premium amounting to Tk. 4930.47 crores in 2009, an increasing of 10.58 percent from Tk. 8125.34 crores in 2017.The average premium earns Tk.7024.44 AAGR was 7.21 percent during the study period. Table 7 also shows that during the last decade the average gross premium of insurance industry in Bangladesh was about Tk. 9985.40 crores and AAGR was 8.6 percent. A reflection of premium scenario of life and non-life insurance sector in Bangladesh has been shown in chart 6.

Chart 6: Premium scenario of Life and Nonlife Insurance in Bangladesh



7.The scenario of total asset of insurance industry in bangladesh: Assets are the pillar of all organization. Insurance industry is not exceptional from this concept. There are two types of assets in an organization. One is movable asset and another is immovable. High volume assets indicates strong financial based and low volume assets indicates weak financial based in an organization. The scenario of assets of insurance industry has been shown in Table 8.

It is noticed from table 8 that 46 nonlife private insurance companies and one state owned corporation shown total assets amounting to Tk. 4262.28 crores in 2009, an increase of 3.45% from Tk. 10929.19 Crores in 2017. The average assets value of nonlife insurance sector was Tk. 7669.03 and AAGR was 11.60%.The 32 private life insurers and one state owned life corporation shown assets value amounting to Tk. 13107.29 crores in 2009, an increase of 4.92% from Tk. 36682.81crores in 2017. The average assets value of life insurance sector was Tk. 27633.71 and AAGR was 12.99% during the study period

1. AAGR = Annual Average Growth Rate
2. $AAGR = \frac{(\text{Ending Value} / \text{Beginning Value} - 1) + 2^{\text{nd}} \text{ year} + 3^{\text{rd}} \text{ year} + \dots + \text{Last year}}{\text{Total Number of Years}}$

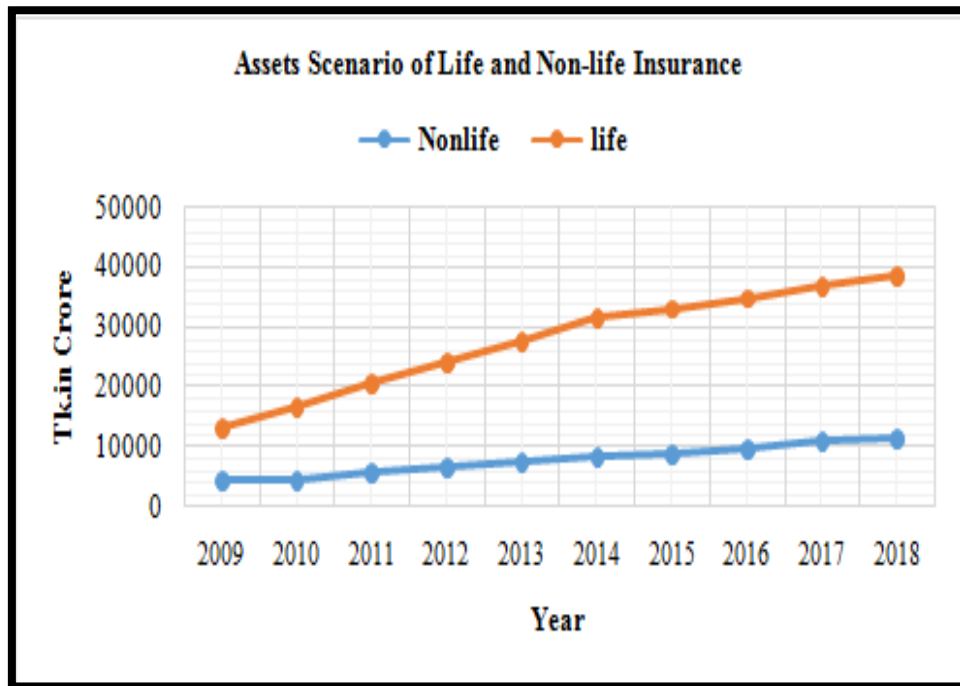
Table 8 also shows that during the last decade the average total assets value of Bangladesh insurance industry was about Tk. 35302.74 and AAGR was 12.68%. A reflection of asset's scenario of life and non-life insurance sector in Bangladesh has been shown in chart 7.

Table 8: Assets Scenario of Insurance Industry in Bangladesh (TK. in Crore)

Year	Nonlife Private	Nonlife Public	Nonlife Total	Life Private	Life Public	Life Total	Industry
2009	32,67.66	9,94.62	4262.28	118,02.15	13,05.14	13107.29	17369.57
2010	33,36.86	11,21.11	4457.97	152,92.62	14,54.70	16747.32	21205.29
2011	42,05.97	13,38.37	5544.34	189,89.60	14,39.83	20429.43	25973.77
2012	48,34.72	15,73.27	6407.99	224,08.98	15,54.39	23963.37	30371.36
2013	54,87.49	18,47.10	7334.59	259,82.72	16,67.19	27649.91	34984.50
2014	59,36.56	21,35.81	8072.37	297,81.90	17,61.30	31543.20	39615.57
2015	63,03.59	24,72.50	8776.09	311,12.58	18,85.53	32998.11	41774.20
2016	67,84.66	28,14.72	9599.38	327,67.57	19,61.09	34728.66	44328.04
2017	75,30.75	33,98.44	10929.19	346,52.13	20,30.68	36682.81	47612.00
2018	79,77.36	33,28.70	11306.06	363,94.22	20,92.81	38487.03	49793.09
Mean			7669.03			27633.71	35302.74
AAGR			11.60%			12.99%	12.68%

Source: Bangladesh Insurance Association (BIA)

Chart 7: Assets scenario of Life and Nonlife insurance in Bangladesh



8. Scenario of total investment of insurance industry in bangladesh: Investment is another pillar of all organization including insurance industry. A high profitability of an organization depends on a high volume of proper investment. Return on investment is an important factor, which influence on profitability. The investment scenario of insurance industry in Bangladesh has been given in Table 9.

Table 9: Investment Scenario of Insurance Industry in Bangladesh (TK. in Crores)

Year	Nonlife Private	Nonlife Public	Nonlife Total	Life Private	Life Public	Life Total	Industry
2009	12,76.51	5,03.47	1779.98	87,05.35	10,10.92	9716.27	11496.25
2010	17,10.73	5,81.92	2292.65	113,14.05	10,96.15	12410.20	14702.85
2011	21,96.04	6,40.07	2836.11	142,17.30	11,14.50	15331.80	18167.91
2012	25,51.35	7,34.79	3286.14	171,85.91	12,13.41	18399.32	21685.46
2013	29,11.92	2,93.85	3205.77	193,52.30	11,28.38	20480.68	23686.45
2014	30,00.97	3,98.14	3399.11	221,06.06	11,98.26	23304.32	26703.43
2015	32,16.41	3,61.20	3577.61	233,81.67	15,15.09	24896.76	28474.37
2016	34,01.68	3,88.12	3789.80	240,31.06	7,54.98	24786.04	28575.84
2017	38,55.00	13,96.71	5251.71	256,44.52	13,76.55	27021.07	32272.78
2018	38,03.62	14,73.61	5277.23	259,84.68	14,13.88	27398.56	32675.79
Mean			3469.61			20374.50	23844.11
AAGR			13.58%			12.58%	12.67%

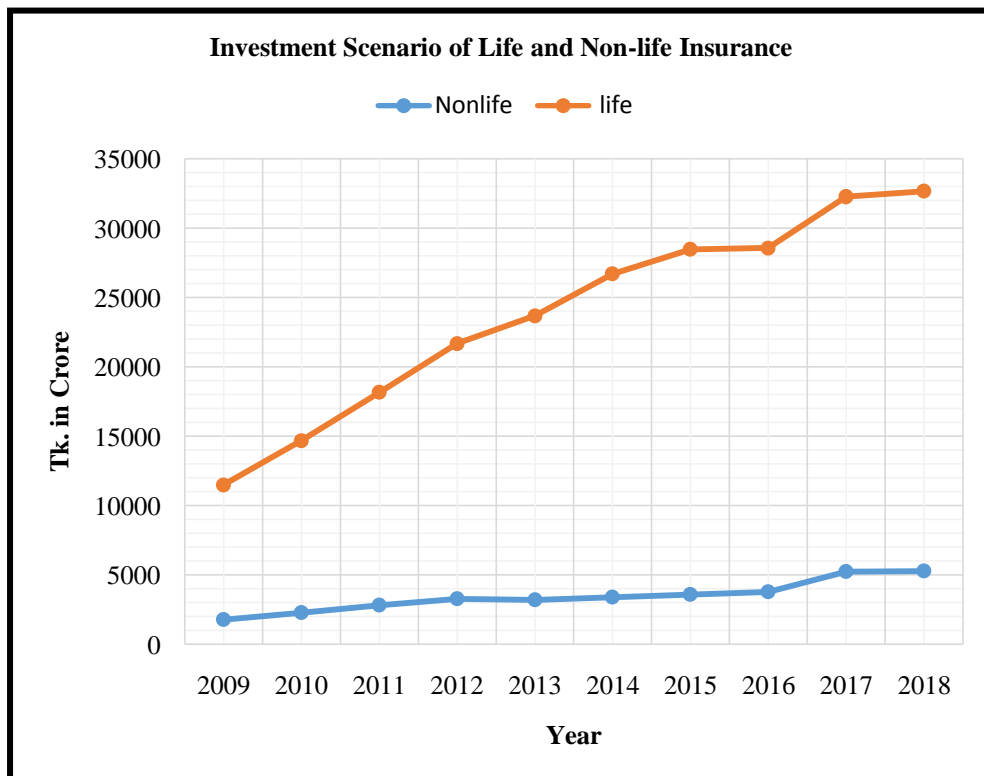
Source: Bangladesh Insurance Association (BIA)

1. AAGR = Annual Average Growth Rate

$$2. \text{AAGR} = \frac{(\text{Ending Value} / \text{Beginning Value} - 1) + 2^{\text{nd}} \text{ year} + 3^{\text{rd}} \text{ year} + \dots + \text{Last year}}{\text{Total Number of Years}}$$

It is evident from table 9, 46 nonlife private insurance companies and one state owned corporation shown total investment amounting to Tk. 1779.98 crores in 2009, an increase of .49% from Tk. 5251.71 Crores in 2017. The average investment amount of nonlife insurance sector was Tk. 3469.61 and AAGR was 13.58%. The 32 private life insurers and one state owned life corporation shown investment amounting to Tk. 9716.27 crores in 2009, an increase of 1.40 % from Tk. 27021.07 crores in 2017. The average investment value of life insurance sector was Tk. 20374.50 and AAGR was 12.58% during the study period. Table 9 also shows that during the last decade the average total investment value of Bangladesh insurance industry was about Tk. 23844.11 and AAGR was 12.67%. A reflection of investment scenario of life and non-life insurance sector in Bangladesh has been shown in chart 8.

Chart 8: Investment scenario of Life and Nonlife insurance in Bangladesh.



VI. FINDINGS OF THE STUDY

Nominal premium growth rate of Bangladesh was 7.6 percent and growth rate with inflation adjusted was 3.1 percent and global market share was 0.02 percent in 2019. In case

of India, nominal growth rate was 9.2 percent and inflation adjusted growth rate was 6.9 percent and world insurance market share was 1.69 percent. In comparison to other South Asian countries, the insurance global market share is not favorable (Sigma, 4/2020).

Proportionate market share between life and nonlife insurance sector contained 70.03 percent against life insurance and 29.97 percent against nonlife insurance sector in 2019. In case of India, market share of life insurance was 74.94 percent and 25.06 percent against nonlife insurance. (Sigma, 4/2020).

Insurance penetration rate of Bangladesh was 0.49 percent and insurance density was USD 9 and growth rate was 13.4 percent in 2019. In case of India, penetration was 3.76 percent and density was USD 78 and growth rate was 9.7 percent (Sigma, 4/2020).

As per information from Bangladesh Insurance Association, life insurance penetration was .40 percent and .18 percent against nonlife and combined rate was .58 percent in 2018. Life insurance density was Tk.556.69 and Tk. 285.93 against nonlife insurance and combined density was Taka 842.62 or USD 9.79.

The average total assets of insurance industry in Bangladesh was Tk. 35302.73 crores and annual average growth rate (AAGR) was 12.68 percent. The average gross premium was Tk. 9985.40 crore and AAGR was 8.63 percent. The average investment was Tk. 23844.11 crores and AAGR was 12.67 percent

The average premium of nonlife insurance sector was Tk. 2512.42 crores and AAGR was 13.30 percent. The average premium of life insurance sector was Tk. 7024.44 and AAGR was 7.21 percent. The average assets of nonlife insurance was Tk. 7669.03 crores and AAGR was 11.60 percent. The average assets of life insurance sector was Tk. 27633.71 crore and AAGR was 12.99 percent. The average investment of life insurance sector was Tk. 20374.50 crore and AAGR was 12.58 percent during the study period from 2009 to 2018.

1. Threats of insurance industry in Bangladesh: It is evident from above analysis based on different parameters such as penetration rate, density rate, assets, investment and premium those indicated a suitable growth of insurance in Bangladesh. But, the coverage of insurance is not at the level. Insurance industry of Bangladesh has been facing variety of threats to operate the insurance activities smoothly and to gain a competitive sustainable development.

Rashid (2019) refers a recent study by PwC, most of the people of Bangladesh do not believe to insurance service provider like agents and they are not aware about different segment of insurance products. Due to the problems of claims settlement also the deteriorated the relationship between the insured and insurer. There is a shortage of adequate skill professional to provide insurance services of the optimum level. Most of the people of Bangladesh are poor, due to the uneven income distribution and they have no disposable income for buying insurance product. This uneven income level hampers the growth of overall insurance penetration and density. Globally, automation has been adapted for providing optimize customer service and streamline process. But, in Bangladesh, there is no vast scope for utilizing IT support. As a result, insurance firms do not preserve the actual and

recent statistical information, which is very important factor to provide better quality services in the modern world.

Mamun (2016) defined four main aspects of threats on insurance sector of Bangladesh. Marketing problems in very strong position to the growth of insurance industry further more. Another three threats are consisted to the human resource management operations and ethical aspects. Lack of qualified insurance personnel is the most significant problem among human resource management threats. Major marketing problems are shortage of awareness about wording of policies and advantages which will come from policies. Lack of professional knowledge of the staff, inadequate IT supports are the marketing problems. Ethical problems are unhealthy competition and agent's malpractices.

Due to the uncomfortable nature of capital market, insurance firms are not interest to invest in stock market and shortage of qualified manpower and legal bindings are intertwined with this sector for making unpopular insurance in Bangladesh (Ali, 2018).

Khan and Uddin, (2009) identified that, low return on investment in stock, lack of transference, tendency to invest in fixed assets and government securities are the obstacles or threats of this sector. Imperfect marketing techniques, shortage of advertisement, improper market segmentation and bureaucratic procedure are significant existing threats of insurance industry in Bangladesh.

Ali (2020) found that core threats of this sector are shortages of advertisement, shortage of skill manpower, scarcity of marketing policy, nonappearance of business ethics, legal complexity, inefficient agent, poor IT support, inadequate return on investment, shortage of transparency, shortage of public awareness and traditional management.

2. Opportunities of insurance industry in Bangladesh: Bangladesh obtained an annual GDP growth rate of 8.2% in FY2019-20 whereas in India 4.2% and Pakistan 1.05% (BBS, 2020). The growth rate of GDP of Bangladesh has been increasing fixedly for the last ten years and has taken initiative for the infrastructural development. Some mega projects are implementing under this government i.e. Padma bridge, Dhaka metro rail, Ruppur Nuclear power plant, Bangabandhu Satellite-1 and Karnophuli Tunnel etc. For this reason many opportunities has been created for the insurance industry in Bangladesh. Besides, a huge consumption, government investment, export of readymade garments (RMG) high growth of remittance which supporting the increase in individual earnings and growth of midlevel people.

Rashid (2019), seems that there is a potential growth of insurance sector as per Asian's unprecedented growth which represents a high share of overall life insurance premium between 2016 and 2025 and this growth was rising from 11.6% to 21.7%¹⁸. Mamun (2016) suggest that since economic expansion is happening in Bangladesh, so there is a big scope of growing fire insurance, marine insurance and micro finance insurance in Bangladesh.

Most of the cities of Bangladesh will be decorated by the mid and rich classes people, which is the future target of the current government. For that reason, there is a scope to

increase the demand for the insurance policies. Bangladesh is suspecting a growth at 7.04 % of insurance penetration by the year 2020. Life insurance area estimated a growth by 6.45% in 2020 (Rashid, 2019).

Mamun (2016) suggested that taking some initiatives may improve the current condition of this sector in Bangladesh which includes attracting and retaining qualified professionals, organizing frequent training programs, focusing on IT development, adapting creative marketing strategies, eliminating unhealthy competition, increasing return on investment and going for merger and acquisition if required. Besides, developing and implementing creative marketing strategies, adoption of uniform policies, focusing on innovation, logical need based segmentation of clients, increasing awareness among mass people, more investment in research and development and implementation of dynamic management style can improve the performance of this sector and assist to acquire sustainable competitive position.

In Bangladesh, agro-based economy containing a portion of one third employment in all aspect of our national economy. The natural calamity is a common event which occur in every year. Agriculture productions are affected by natural calamity like flood, cyclone, over rain fall, short rain fall etc. In average, 50% crops are deducted from rural house due to the natural calamity. There are a few agriculture insurance product providers in Bangladesh. To provide crops insurance and cattle insurance products for the rural people is an opportunity of insurance industry in Bangladesh. If it can be covered to agriculture crops by the product of crops insurance, the penetration and density of insurance will be increased.

For instance, Weather Index Based Crops Insurance (WIBCI) project was implemented under the supervision of Saharan Bima Corporation (SBC) and Asian Development Bank (ADB)

If this experience is implemented whole over the country, the scenario of both agriculture sector and insurance industry will developed. Bangladesh is an over populace country and carrying 8th position in the world. The expenditure on health of Bangladesh is only 2.64% of its GDP which is the lowest in south Asia. So, there is an opportunity to introduce health insurance the people of Bangladesh. A huge volume of premium may earns by implementing health insurance for the people of Bangladesh. Bangladesh has projected that 60+ age of population will increase about 9.8 million which is the 6.5 % of total population in 2017.

Insurance penetration and density of Bangladesh insurance industry can be increased by introducing the concept of Banc assurance.

Banc assurance means a partnership between an insurance institution and a bank where the bank sells the insurance product .This concept will bring the growth of insurance sector and a mutual advantages for banks, insurers, customers and regulators. Banking system has vast technology & human skill knowledge for providing quality services for customer. Customer can get more customized product including overdraft insurance, depositor's insurance and loan bundle insurance. Insurance institutions can be launched new financial product in collaboration with their banks. Besides, it is a trend of customer that, they have more confidence on bank than insurance's agents in Bangladesh.

VII. CONCLUSION AND RECOMMENDATIONS

The insurance industry of Bangladesh started its adventure after the independent in 1972. Fifty years already has passed but this industry does not developed as much as others financial sector like banks, leasing finance, cooperative body etc. After independent, government in power at that time nationalized all insurance companies except postal and foreign company and established five insurance corporations. Two for transacting life insurance and two for transacting non-life insurance. One for controlling four corporation as a Jatya Bima corporation. Anyway, the main aim of this study to expose the current scenario of insurance industry in Bangladesh where included some indicators such as global insurance market share of Bangladesh , growth rate , premium ranking of Bangladesh in the world insurance market, insurance penetration, insurance density, total premium, total investment ,total assets, threats and opportunities of insurance industry in Bangladesh. This industry is playing a vital role for social and economic development in all respect. As emerging Asian country the growth rate of Bangladesh was 7.6% in 2019 but penetration rate was .49 % and density was USD 9. It is notice able that there is far gap between growth rate and penetration rate. The main cause for his gap is that insurance business of Bangladesh is an increasing trend but it could not matching with the ratio of increasing trend of GDP. Premium volume of insurance industry of Bangladesh is also showing an increasing trend during the study period and AAGR was 8.6%. AAGR of Investment and assets were 12.67% and 12.68% respectively. For developing insurance industry, professional manpower should be generated, emphasized on IT support, adaptable marketing strategies, delete the unhealthy competition, to increase return on investment, proper utilization of assets, identify the needs and want of insured, provide quality services, to increase the awareness of mass people about insurance, insurance product should be diversified as per need of the clients, timing of claim procedure should be reduced for increasing the trust on insurance. Agriculture sector should be covered by crops insurance, mass people should come under the coverage of health insurance, Banc assurance concept should be implemented for providing better quality services to the client. If above mentioned initiatives can be implemented, the insurance industry will be a giant industry like others financial sector. As a result, growth rate, penetration rate and insurance density will be reached at the optimum level and will bring the social and economic benefit to the country.

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