



الذياة على الة تأمين إسلامى الاق صى ال شرق محدودة شركة
Fareast Islami Life Insurance Company Ltd

“An Analysis of the Risk and Profitability of The Fareast Islami Life Insurance Company Limited”



SUBMITTED TO

Mohammed Masum Iqbal

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Associate Dean & Dean (In-charge)
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SUBMITTED BY

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Date of Submission: 11-04-2018



LETTER OF TRANSMITTAL

April 11, 2018

Mohammed Masum Iqbal,
Associate Dean & Dean (In-charge)
Faculty of Business & Economics
Daffodil International University

Subject: Submission of Internship Report.

Dear Sir,

With due respect and humble to inform you that it is my pleasure to submit this report on “An Analysis of the Risk and Profitability of Fareast Islami Life Insurance Company Limited” as a partial MBA course requirement.

As you will see, this report is based on Risk and Profitability of Fareast Islami Life Insurance Company and comparative analysis with its competitors and industry.

As your valuable suggestions and guidance, I have tried my best to prepare the report properly. There may be some shortcomings. I would be grateful if you consider those as excusable points and I like to thank you for your kind cooperation. Despite the limitations, I sincerely believe that you will find this report very significant and informative.

Therefore, I pray and hope that you would be kind enough to accept my report for evaluation and oblige thereby.

Sincerely yours,

Tohovina Khanam Shifa
Student ID: 152-14-1835
MBA (Major in Finance)
Faculty of Business & Economics
Daffodil International University



الحدياة على الة تأمين إسلامى الاق صى ال شرق محدودة شركة
Fareast Islami Life Insurance Company Ltd

DECLARATION

I am, Tohovina Khanam Shifa, hereby declare that the presented report of internship titled “An Analysis of the Risk and Profitability of Fareast Islami Life Insurance Company Limited” is prepared by myself after completion of three months work in FILICL.

.....

Tohovina Khanam Shifa

Student ID: 152-14-1835

MBA (Major in Finance)

Department of Business Administration

Faculty of Business & Economics

Daffodil International University



الحدياة على ال تأمين إسلامى الاق صى ال شرق محدودة شركة
Fareast Islami Life Insurance Company Ltd

Certificate of Approval



I am pleased to certify that the internship report on “An Analysis of the Risk and Profitability of the Fareast Islami Life Insurance Company Limited” prepared by Tohovina Khanam Shifa bearing ID: 152-14-1835, Master of Business Administration is recommended for submission & presentation. Tohovina Khanam Shifa has worked with Fareast Islami Life Insurance Company Limited as an intern.

I wish her best success.

.....

Mohammed Masum Iqbal
Associate Professor
Department of Business Administration
Faculty of Business & Economics
Daffodil International University



Acknowledgement

First of all, I would like to pay my gratitude to the Almighty Allah for helping me in preparing this Internship report successfully. In the preparation and finish this internship report, I acknowledge the encouragement and assistance given by a number of people and institution. I am most grateful to the Fareast Islami Life Insurance Company Limited management to give me the opportunity to complete my internship in their organization.

I would like to express my gratitude to my honorable supervisor Md. Masum Iqbal for providing me detailed feedback and advice on this report. He always gave me his suggestions in making this study as flawless as possible.

My great gratitude goes to Ms. Hazera Khatun (In-Charge, Dhaka South Mohila Zone) Fareast Islami Life Insurance Co.Ltd.



EXECUTIVE SUMMARY

This research paper is a part of the internship program at Fareast Islami Life Insurance Company Limited (FILICL) for fulfilling MBA degree requirement. The research topic for the internship is “An Analysis of the Risk and Profitability of Fareast Islami Life Insurance Company Limited”. This topic was assigned by Mohammed Masum Iqbal (Associate Dean & Dean (In-charge), Faculty of Business & Economics, Daffodil International University). Fareast Islami Life Insurance Company emerged as the 1st full-fledged Islami Life Insurance Company in Bangladesh in 2000. FILICL had taken a unique approach in doing business with focus on quality customer service and business growth with decentralization of operational activities through different service centers of the country. With that in view, the company have already opened 997 Offices including 10 Divisional Offices, 50 full- fledged Service Centers, 107 Zonal Offices and 10 Regional Offices in different places all over the country. It is committed to its Policyholders to settle the claims within the time frame. It has achieved rating A+ in the year 2011 by Credit Rating Information and Services Limited (CRISL), and Rating Agency Malaysia Barhad (RAM). The present study aims to examine the risk and profitability of Fareast Islami Life Insurance Company Limited (FILICL) by properly establishing relationships between the items of the balance sheet and profit and loss account. There are 18 life insurance companies in Bangladesh. But the study has covered ten life insurance companies listed on Dhaka Stock Exchange (DSE). The study has been undertaken for the period of five years from 2011 to 2015 and the necessary data have been obtained from sample companies annual reports. The study has analyzed and interpreted the collected data with the help of different financial ratios and various statistical measures i.e., arithmetic mean (AM), standard deviation (SD), coefficient of variation (CV). For analyzing the profitability and risk of FILICL, the study has used return on assets ratio (ROA), return on equity ratio (ROE), profit margin ratio (PM) as indicators for appreciating the profitability and liquidity ratio (LR), solvency ratio (SR), financial operating ratio (OR) as indicators for appreciating the risk. The study has comparatively analyzed FILICL’s ratios with its competitors (PILICL), and Industry Average as used as benchmark. Finally, the conclusions and recommendations are drawn based on the study findings that though FILICL is financially sound during the study period, they should consistently generate policyholders’ surplus to remain viable in the long run.



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الحياءة على الاء الأملن إسلامى الاق صى ال شرق مءوءة شركة
Fareast Islami Life Insurance Company Ltd

Chapter 1

Introduction



1.1 Origin of the Study

As part of the Internship Program of Masters of Business Administration (MBA) course requirement, I was assigned for doing my internship in Fareast Islami Life Insurance Company Limited (FILICL). I was placed as an intern in Finance and Accounts department of FILICL (Dhaka South Mohila Zone) under the supervision of Ms. Hazera khatun (In-Charge, Dhaka South Mohila Zone). The research topic for the internship is “An Analysis of the Risk and Profitability of Fareast Islami Life Insurance Company Limited”, which was approved proposal by the faculty supervisor Mohammed Masum Iqbal (Associate Dean & Dean(In-charge), Faculty of Bussiness & Economics of Daffodil International University) and accepted by the host organization as per necessity to fulfill the internship requirement.

1.2 Objectives of the Study

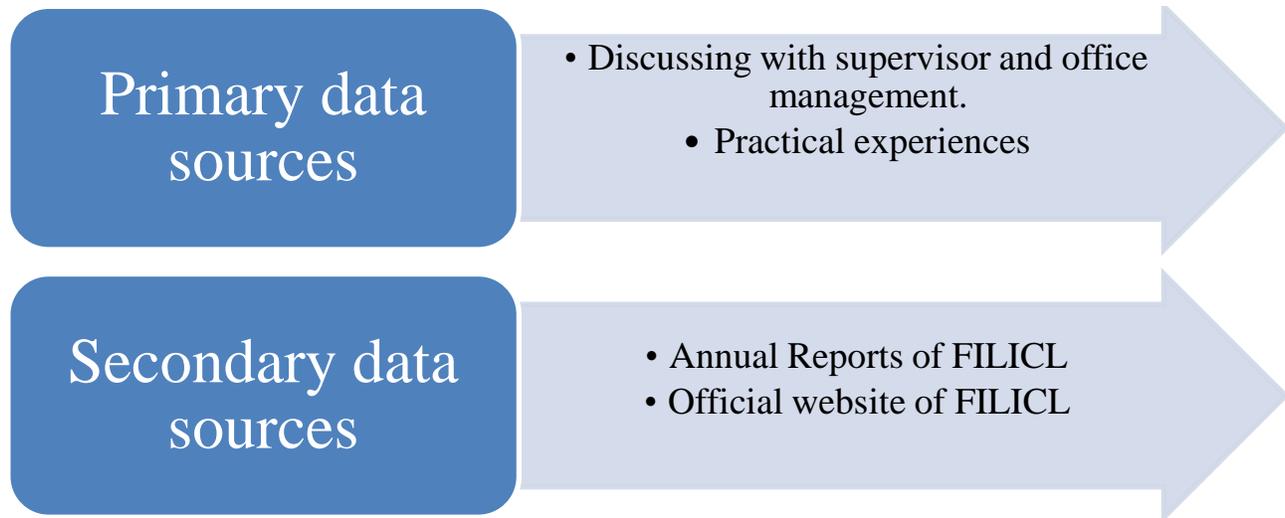
- i. To identify the liquidity risk of Fareast Islami Life Insurance Company;
- ii. To identify the solvency & operational risk of Fareast Islami Life Insurance Companies in Bangladesh;
- iii. To identify the profitability of Fareast Islami Life Insurance Companies in Bangladesh;
- iv. To identify the problems related to risk & profitability of Fareast Islami Life Insurance Company;
- v. To make some recommendations to solve the problems.



1.3 Methodology of the study

The study is performed based on the information extracted from different source collected by using a specific methodology. The methods of completing the report have included some steps which are followed by one by one. First of all selected the topic of the report then collected information relating to the topic by primary and secondary sources and through personal interview. As an Internee of FILICL it was easy for me to collect data. After gathering the information determined the procedure of research and sampling plans and come up with an expected result of the report.

I have collected data from the two following unique sources:





1.4 Scope of the Study

This study is conducted on life insurance sector of Bangladesh. This report gives an overview of FILICL including its products, services, operating activities, and its business environment. The scope of this study is to analysis the risk and profitability of Fareast Islami Life Insurance Company, which also has compared with its competitors using data of last five years (2011 to 2015). The scope of the study is confined within the Dhaka Stock Exchange (DSE) listed life insurance companies.

1.5 Limitations of the Study

During internship period, one cannot have adequate working experience and cannot have time to carry out the subject study in detail. Having the scope of working only in the head office or branch office, one cannot have enough exposure to the various activities of a large organization like Fareast Islami Life Insurance Company. Moreover, the subject matter of the report covers the entire life insurance industry of Bangladesh. So it was difficult for me to collect primary data from the entire life insurance industry of Bangladesh during internship period. But I have tried my level best to find out the opportunity of work for overcoming the limitation. The research also had following limitations:

- Due to shortage of time and official compulsion it was not possible to collect secondary data from the entire life insurance industry of Bangladesh. As such help has been taken from sample companies' annual reports.
- Another limitation of this study is the company's policy of not disclosing some data and information for obvious reasons, which could be very much useful.



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Chapter 2

Organizational Overview



2.1 Historical Background of FILCIL

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 as a business began almost a century back. 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 were located outside Bangladesh. 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.

Fareast Islami Life Insurance Company Limited is a public limited company incorporated in Bangladesh on 29 May 2000 under the companies Act 1994 and subsequent listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. Company's registered office is situated at Fareast Tower, 35 Topkhana Road, Purana Paltan, Dhaka - 1000. FILCIL has earned a total premium income of Tk. 851.12 crore, the highest among Bangladeshi Life Insurance Companies in the year 2015. The assets increased to Taka 205.87 crore and total assets stood at Taka 4076.32 crore from Taka 3870.45 core which is 5.32%.

2.2 Vision of FILCIL

Fareast Islami Life Insurance Company Limited's vision is to have a poverty free Bangladesh in course of a generation in the new millennium, reflecting the national dream and to make a society where human dignity and rights get the highest consideration to remove the poverty.

To become the best and premier Islamic Life Insurance Company in the country in terms of efficiency. Capital adequacy, asset quantity, sound management and profitability having strong liquidity.

2.3 Mission of FILICL

- ✓ Continue delivering attractive returns to the clients
- ✓ Setting high standards of integrity
- ✓ Become a most caring organization and employer of choice
- ✓ Ensuring human resources development to meet the challenges of the time by providing continued training and professionalism.
- ✓ Bring innovation products and service.

2.4 Objectives of FILICL



2.5 Ethical Principals

- Employees must be sincere and loyal to the Company.
- Maintain strict secrecy of the Company.
- Refrain from disclosing the confidential and sensitive information of the Company.
- Perform the duties efficiently and faithfully.
- Build and consolidate corporate culture in the company.
- Ensure Corporate Social Responsibilities (CSR) through performing activities.



2.6 Board and Committees of FILICL

Executive Committee

#	Name	Position
1	Al-Haj Md. Helal Miah	Chairman
2	Md. Nazrul Islam	Member
3	Ayesha Husne Jahan	Member
4	Nazneen Hossain	Member
4	Shahriar Khaled	Member
6	Dr. Md. Manowar Hossain	Member

Board Audit Committee

	Name	Position
1	Kazi Farid Uddin Ahmed FCA	Chairman
2	Md. Nazrul Islam	Member
3	Dr. Md. Manowar Hossain	Member
4	Syed Abdul Aziz	Member Secretary

Policy & Claim Sub Committee

	Name	Position
1	Ayesha Husne Jahan	Chairperson
2	Md. Nazrul Islam	Member
3	Al-Haj Md. Helal Miah	Member
4	Nazneen Hossain	Member
5	Shahriar Khaled	Member
6	Prof. Dr. Iffat Jahan	Member
7	Rabeya Begum	Member
8	Md. Manowar Hossain	Member
9	Muslima Shireen	Member



	Name	Position
10	Taslina Islam	Member
11	Rubaiyat Khaled	Member
12	Md. Tanvirul Haque	Member
13	Kamrul Hasan	Member

Sariah Council

	Name	Position
1	Principal Saiyed Kamaluddin Zafree	Chairman
2	Muhtaram Shah Abdul Hannan	Member
3	Mufti Sayeed Ahmad Mozaddedi	Member
4	Mufti Shamsuddin Zia	Member
5	M. A Khaleque	Member
6	Justice M. A. Rouf	Member
7	Dr. Miah Mohammad Ayub	Member
8	Prof. Mohammad Muzahidul Islam	Member
9	Prof. A N M Rafiqur Rahman	Member
10	Prof. A. Q. M. Abdul Hakim	Member
11	Prof. H.M. Dr. Shahidul Islam Barakaty	Member
12	Shah Mohammad Wali Ullah	Member
13	Md. Hemayet Ullah	Ex-Offiico Member



2.7 Products and Services of FILICL

EKOK BIMA

- Endowment Insurance (with profit)
- Assurance - Cum - Pension Plan (without profit)
- Hajj Bima (with profit)
- Anticipated Endowment Insurance (Four Payment) - with profit
- Islamic Endowment Plan (Denmohar Bima)-with profit
- Three payment Insurance Plan (with profit)
- Single Premium Endowment Assurance Plan (without profit)
- Child Protection Plan (with profit)
- Fareast Deposit Pension Scheme (FDPS)-with profit
- Islami Money Back Plan (without profit)
- Endowment Insurance (with profit)
- Child Education & Marriage Insurance (with profit)
- Joint Life Endowment Insurance Plan (with profit)
- Two Stage Anticipated Endowment Insurance Plan (with Prifit)
- Fareast Deposit Scheme (DPS)
- Islami endowment Insurance (FDPS)
- Monthly Endowment Insurance (With Profit)

SARBOJONIN BIMA

- Monthly Savings Plan (MSP)
- Fareast Deposit Pension Scheme(FDPS)

GROUP BIMA

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



Chapter 3

Analysis of External & Internal Environment



3.1 Marketing Environment:

The Marketing Environment No one businesses are large or powerful enough to create major change in the external environment. These factors are generally uncontrollable, thus market managers are basically adapters rather than agents of change. So it is vital for FILIC to take these factors into consideration in every step of their decision –making process and day-to-day activities.

3.1.1 Marketing Strategies:

“A well-organized, precise and appropriate plan is sometimes very successful in transforming a business into a very established and profitable one.” Planning is very crucial for an organization as it gives them direction of where they are headed for. It reduces uncertainty by forcing marketers to look ahead, by anticipating changes and by considering the impact of change and by developing appropriate responses. Furthermore, planning minimizes wastage, and can set standards in controlling.

FILICL is managed by developing the plans – Plans:

- ✓ To become one of the market leaders in the Insurance industry.
- ✓ To gain goodwill.
- ✓ To expand its business domestically and internationally.
- ✓ To ensure long-term existence by being profitable, successful and sustainable.
- ✓ To make a worthwhile contribution to progress of the nation.

3.2 About SWOT



3.2.1 Strength:

- ✓ Strong corporate Management
- ✓ Maintain strong network through the country.
- ✓ FILIC has strength to attract actual and potential Customer's to sustain in the challenging and competitive market.
- ✓ Enough financial strength or own financial capability of the company
- ✓ Members/customers identify as our strengths
- ✓ High qualified and experience employee that can bring the FILIC in the higher position.

3.2.2 Weakness:

- ✓ Centralized decision making.
- ✓ Conflict in about power of authority among directors.
- ✓ Poor co-ordination and communication among different departments.
- ✓ Marketing Officer are not educated enough about Insurance law.
- ✓ Inefficient and ineffective employee for some positions.

3.2.3 Opportunities:

- ✓ Home country constraints are becoming flexible as because of govt. are now very much aware to this sector advantages and disadvantages.
- ✓ Target market is increasing at a higher rate on competitor's products
- ✓ Rapid growth of business function and chancing the current market.
- ✓ Might attract a specific target market which they have initially targeted for – the rural market.
- ✓ FAREAST brand can attract a group of customers.



3.2.4 Threats:

- ✓ The market is very competitive.
- ✓ Commission offered by competitors is some cases low.
- ✓ Employee dissatisfactions for the current position in the company.
- ✓ Political environment of the country.
- ✓ Inflation and slow growth of the economy.
- ✓ Economic conditions affecting our financial viability.
- ✓ Foreign company is entering the market frequently at a faster rate which is a reason for increasing competition.

3.3 Business Analysis of FILICL

Dividend issued 2015, 40% stock ie 45% bonus shares against every 100 shares.

Life fund at the end of the year 2015 Taka **13,529.51** million.

Table: Five Years Business Summary of FILICL

Business Performance	(Taka in Millions)				
	2015	2014	2013	2012	2011
First Year Premium	2771.90	3409.73	1210.92	952.30	788.04
Renewal Premium	3741.83	2901.42	1988.64	1436.13	940.86
Group Insurance Premium	0.63	0.27	0.28	0.27	-
Gross Premium	6514.56	6311.42	3198.84	2388.99	1729.90
Investment Income	1131.33	662.63	430.44	300.26	151.80
Claims	6623.80	649.50	425.22	252.84	227.74
Management Expenses :					
a) Commission	1722.23	2214.71	827.31	597.62	521.70
b) Admin. Expenses	804.43	559.14	355.32	228.64	166.40
Assets	14612.80	10116.20	6451.23	4316.50	2729.80
Life Fund	13,529.51	9,282.16	5,899.32	3,974.85	2,374.75
Claims to Premium (%)	10.17	10.29	13.30	10.55	13.17
Mgt. Expense to Premium (%)	38.79	43.93	36.98	34.52	39.74
Dividend of face value of share					
a) Cash	-		5%-		30%
b) Stock	40%	45%	40%	40%	10%

Table-: Business Growth Rate of FILICL

	2015	2014	2013	2012	2011
Assets (%)	44.44	57	49	58	60
Life Fund (%)	45.76	57	48	67	64
Premium (%)	3.20	97	34	38	55

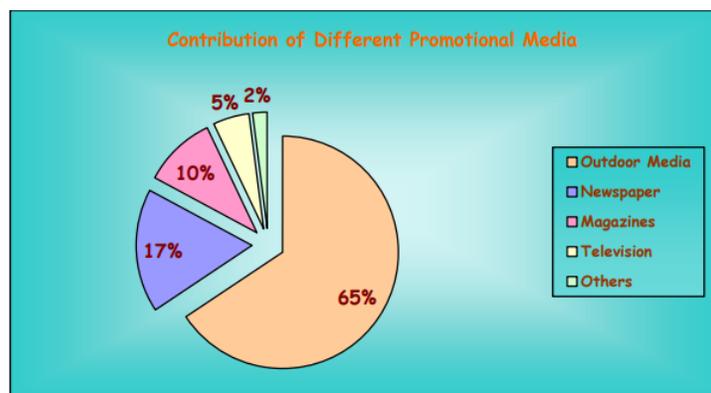
3.4. Different forms of Advertisements

A basic question that marketers must answer as they begin to develop an advertising campaign is “Whom are we trying to reach with our message.”

The advertising target often includes everyone in the firms target market and thus the ability to communicate to a large number of people at once is the major benefit of advertising.

FILIC mainly focuses on the outdoor media which includes banners, papered posters and billboards, as its creative channels to convey its message to attracting for the mass level.

Other forms of advertising media including radio and other sources have a contribution of the different promotional media are depicted below:



Contribution of Different Promotional Media



3.5. SMS Service

Now our valuable client can easily get their updated Policy information, Premium date, Premium notice, Total Premium by M-Insurance (SMS solution system)



3.6 HR Activities of FILICL

In Present it is needed to having expertise in any subject matter. Everyone must have sufficient knowledge on the works matter he has to do. It accelerates his prosperity if he deserves his ability through achieving proper education and training.

Fareast Life Insurance Co. Ltd has been created technically qualified persons having sound knowledge on Insurance profession by giving them proper training and professional education.

3.7 Activities of Fareast Islami Life Insurance Training and Research Academy (FILITRA)

Fareast, in its short span of time, has created revolution in the Insurance Industries and also a movement in Islamic Insurance in the country and is now ahead to meet the challenge of Globalization. It has become pioneer in Islamic Insurance. It has earned much fame and at the same time got lot of both from home and abroad for its tremendous progress in life Insurance. This has been possible for its skilled and dedicated manpower. The Insurance people say that Fareast has got Goldmine. This Goldmine is our skilled is our skilled manpower. Fareast, its endeavor sendeavor, has developed this people by providing them training in both morally and technically for which they have become bright example in the Insurance field. To achieve this goal, The Company has established a Training & Research Department in its very beginning time. i.e. in the year 2009 and this department has conducted following Training courses from 2009 – 2015:



Activities of FILITRA

SI No.	Course Name	Number of Course	Participated Manpower
1	Foundation Training Course	24	670
2	Basic Training Course	06	188
3	Advanced Training Course	02	63
4	Development Management Training Course	15	579
5	Refresher Training Course (Muraqib)	05	146
6	Workshop Course	02	195
7	Short Training Course	121	7503
	Total=	174	9344

To meet the challenges of Globalization the Company has developed its Training & Research Department of Training & Research Academy (FILITRA).

3.7.1 The aims and objectives of FILITRA are as follows:

1. To develop the manpower of all levels of the Company with special emphasis on Islamic Economics and Islamic Insurance as well as Islamic Life Insurance.
2. To develop Knowledge and skill of the manpower on the practical operations of both conventional and Islamic Insurance.
3. To develop the culture base, life style, aptitude and of the manpower in conformity with the spirit of Islam for creating impact over the entire insurance and Socio- Economic environment.
4. To conduct Research on Islamic Shariah and literature with a view to collate specialized knowledge of Islamic Insurance Economics and Commercial, Financial and Development activities.
5. To promote and undertake faculty Development programs to assure an adequate supply of competent trainers to institutions conducting training programs for the personnel of Insurance and Financial institutions.
6. To make the Islamic Insurance system more effective and adaptable to the gradually changing situation through concerted efforts of Research and studies.
7. To develop Training and Research capabilities among the manpower to enable them to provide technical assistance to local and overseas Business and Financial institutions.



8. To assist Life Insurance system and Financial institutions in matters such as designing measurement tests for employee selection, appraisal, programs, conducting moral and productivity studies, streamlining organizational structure and to review from time to time the impact of educational, training and research activities and offer suggestions for filling the gaps in the Islamic Insurance and Financial systems.

9. To provide consultancy services to Insurance Companies or any other institutions or matters having bearing on productivity in Islamic Insurance services, optimum use of financial resources or any other matter conducive to socio-economic welfare.

10. To award diploma, distinctions and certificates and to prescribe standards of proficiency for the same.

11. To establish and maintain a fund with the contributions of FILIC Insurance system and Financial institutions of both home and abroad and or any other organization/Institutions for awarding scholarship for research fellows who intend to obtain Ph. D or equivalent degrees from different Universities of the World.

The main objective of FILITRA is not only to award diploma in Islamic Insurance but also develop in Insurance people with the spirit to create over the entire Insurance and socio-economic development.

3.7.2 Rewards & Benefits

They believe the greatest reward they have to offer is the unique opportunity to be instrumental in the creation of a world-class Insurance operation. As such, the people we choose to join us will experience one of the most exciting challenges in the industry today.

They offer the opportunity to work with and learn from the very best people in the industry in a dynamic, client-orientated, global culture. We will have access to a strong support network of colleagues and most business areas offer formal mentoring schemes to help us gain valuable career development advice during the graduate programmer and beyond.

As well as extensive training and development, they offer a very attractive industry- competitive benefits package with rapid rewards for the right people. Benefits include:

Performance-related bonus scheme

- ✓ Yearly Incentive Provident fund & Gratuity
- ✓ Festival bonus Life assurance benefit
- ✓ Motorcycle loan Preferential rates on a range of FILIC's products
- ✓ Sports and social scheme Employee assistance programme
- ✓ Corporate discounts
- ✓ 35 days' holiday



3.8. Controlling method of Fareast life

Regardless of the negative connotation of the word "control", it must exist or there is no organization at all. In its most basic form, an organization is two or more people working together to reach a goal. Whether an organization is highly bureaucratic or changing and self-organizing, the organization must exist for some reason, some purpose, some mission (implicit or explicit) -- or it isn't an organization at all. The organization must have some goal. Identifying this goal requires some form of planning, informal or formal. Reaching the goal means identifying some strategies, formal or informal. These strategies are agreed upon by members of the organization through some form of communication, formal or informal. Then members set about to act in accordance with what they agreed to do. They may change their minds, fine. But they need to recognize and acknowledge that they're changing their minds.

This form of ongoing communication to reach a goal, tracking activities toward the goal and then subsequent decisions about what to do is the essence of management coordination. It needs to exist in some manner - formal or informal.

The following are rather typical methods of coordination in organizations. They are used as means to communicate direction and guide behaviors in that direction. The function of the following methods is not to "control", but rather to guide. If, from ongoing communications among management and employees, the direction changes, then fine. The following methods are changed accordingly.

Note that many of the following methods are so common that we often don't think of them as having anything to do with coordination at all. No matter what one calls the following methods - - coordination or control -- they're important to the success of any organization.

3.9 Economic Contribution of Fareast Life Insurance

Fareast life insurance by the nature of their business are constantly receiving sums of money in the form of premiums and much of this money will be required to be paid out in the shape of claims. All such money they receive is not in fact required at a time and, therefore, in one position of custodians of vast sums they are able to invest it for earning interest in the capital market. The investment is usually made on government securities, mortgages, industrial loans



and shares, debentures etc. Like this way, Fareast life insurance contributes much in the overall economic development of a country. On another side, Risk minimizes the work ability of human. So, to get relax from this risk people take insurance against life risk, that is called life insurance. When a man feels more confident he/she then can work freely that is viable for economic. On the other hand, people take life insurance to form a capital for business venture, to provide some financial benefits for his dependents in case of his premature death, to secure a capital sum at a particular time to start a business venture, to secure a loan or mortgage, to provide for his children education or marriage expenses etc, that are very important for our economy. By providing that financial support Fareast Life insurance contributes in our economy with a great excellence. Every year it pays huge amount of money to the government as income tax and vat on due course.

3.10. Social Responsibilities performed by FILICL

To preserve Islamic values, the company arranged Ifter Mahfil during the holy Ramadan with due solemnity in the Head Office, Divisional, Zonal Offices. To extend our co- operation to the helpless and have-nots, the company has established Fareast Islami Life Foundation by contributing from the Valuation Surplus and fund generated from the Sadaqa, donation etc. I expect and hope that our valued shareholders will have magnimity and fellow feeling and would do their best in helping the foundation through collective efforts. This appeal should be propagated to all the generous and well-up classes of the society for extending their benevolent hands to create a sound financial position of the foundation.



الحياءة اعلى الاءم بن إسلامى الاق صى ال شرق مءوءة شركة
Fareast Islami Life Insurance Company Ltd

Chapter 4

Financial Analysis of FILICL



4.1 Financial Analysis of FILICL

Financial analysis is the process of understanding the risk and profitability of a company through analysis of reported financial information, particularly annual and quarterly reports. Investors need this information to estimate both future cash flows from the firm and the riskiness of those cash flows. Financial managers need an in-depth risk and profitability analysis if a comprehensive evaluation of company's performance is required. Financial analysis also concentrates how a particular firm compares with other firms in its industry (benchmarking). The following are some devices to analyze the risk and profitability of FILICL:

4.2 Ratio Analysis

Financial ratios are mathematical equations derived from information presenting on a company's financial statements. Every ratio measures a unique association that may have an impact on other ratios. All financial ratios are used as indicators to reveal the financial health of the company. Financial ratios are represented in percentage or decimal format, which allow comparing a company's ratios to its competitors. Company owners, stockholders, or potential investors should understand how to calculate key financial ratios and their importance in analyzing the financial pulse of a firm. In this paper, I have used some ratios for analyzing the risk and profitability of FILICL.

4.3 Analysis of Risk

Analysis of risk typically aims at detecting the underlying liquidity risk, solvency risk, and financial operating risk of FILICL.s

4.3.1. Liquidity Analysis:

Liquidity risk can best be described as the risk of short-term funding crisis. Unexpected events, such as a large claim or a loss of confidence, or a legal crisis, can cause such funding crisis. Liquidity is a pre-requisite for the survival of an enterprise. But liquidity is not as big a concern with many life insurance companies as it is in other financial institutions for one good reason: most of their policies are less liquid than their assets. Life insurance companies are required to



maintain their investment portfolio as per insurance law. The significant portion of the investment portfolio is usually kept with different banks as fixed deposit rate (FDR) under different maturity bucket which serves the purpose of liquidity. In addition, the companies keep a considerable amount in saving term deposit (STD) and current account.

For unique characteristics of life insurance, the liquidity ratio of other financial institutions is generally not applicable. Hence, I have used the following formula for analyzing the liquidity risk of life insurer, which has suggested by Credit Rating Agency of Bangladesh (CRAB).

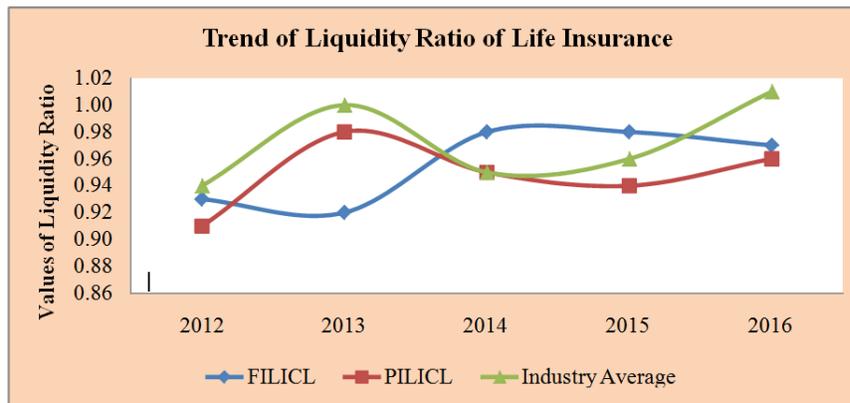
$$\text{Liquidity Ratio} = \frac{\text{Liquid Assests}}{\text{Total Liabilities}}$$

According to CRAB, the minimum requirement for the ratio of liquid assets to total liabilities for life insurers is 60%. Usually a high liquid ratio indicates the lower the liquidity risk and the lower the opportunity for profit. The liquidity ratio of life insurers has obtained from the life insurers' annual reports (see Appendix).

Liquidity Ratio of Life Insurance Companies			
Year	FILICL	PILICL	Industry Average (IA)
2011	0.93	0.91	0.94
2012	0.92	0.98	1.00
2013	0.98	0.95	0.95
2014	0.98	0.94	0.96
2015	0.97	0.96	1.01
Mean	0.96	0.95	0.97
Standard Deviation (SD)	0.0257	0.0256	0.0261
Coefficient of Variation (CV)	2.69%	2.70%	2.69%

Liquidity ratios of FILICL, PILICL and Industry Average have tabulated in table. As a result of the calculation, overall all of the insurers have healthy liquidity ratios. The average of the liquidity ratios of FILICL is very close to Industry Average and PILICL during the study period. Standard deviation of liquid ratio of FILICL is higher than that of PILICL but lower than that of industry average. The coefficient variation in liquid ratio of FILICL was 2.69%, which indicates that there is only 2.69% dispersion in the liquid ratio of FILICL during the study period. The coefficient variation in liquid ratio of FILICL is equal to Industry Average and very close to

PILICL. These results indicate that FILICL has undertaken low risks in managing the liquid assets as like its competitors.



The figure shows that the liquidity ratios of FILICL, PILICL, and Industry Average are fluctuated during the study period. The liquidity ratio of FILICL was increased from 2012 to 2016, and then decreased from 2015 to 2016. Though average liquidity ratios of FILICL, PILICL and Industry Average are almost same, the trend of liquidity ratio of FILICL is demonstrated opposite of PILICL and Industry Average during the study period.

4.3.2. Solvency Analysis:

'Solvency' is defined differently by different users. It is the ability of an insurer to meet all its liabilities whenever they fall due. So, the solvency ratio is a measure of the risk an insurer faces of claims that it cannot absorb. The primary function of an insurer is to manage all its risks in such a way as to be able at all times to meet its commitments to the policyholders⁴. The solvency ratio of an insurance company is the size of its capital relative to premium written. In Bangladesh, there is no statutory requirement for solvency margin nor has any formula for calculation of solvency margin, which is used to test the solvency of the life insurer. Hence, I have used the following formula for analyzing the solvency risk of life insurer, which has suggested by Credit Rating Agency of Bangladesh (CRAB).

$$\text{Solvency Ratio (SR)} = \frac{\text{Policyholders' Surplus}}{\text{Net Premium Written}}$$



According to CRAB, the minimum standard for the solvency ratio of life insurers is 8%. Generally a high solvency ratio indicates that the life insurer has the ability to meet its commitments to the policyholders. The solvency ratio of life insurers has obtained from the life insurers' annual reports (see Appendix).

Solvency Ratio of Life Insurance Companies			
Year	FILICL	PILICL	Industry Average
2011	0.05	0.09	0.07
2012	0.04	0.06	0.06
2013	0.04	0.07	0.06
2014	0.03	0.08	0.06
2015	0.04	0.08	0.05
Mean	0.042	0.077	0.059
SD	0.0067	0.0091	0.0046
CV	16%	12%	8%

Data Source: Author's calculation from Annual Report of sample life insurance companies

Solvency ratios of FILICL, PILICL and Industry Average have tabulated in table. As a result of the calculation, overall all of the insurers have a bad level of solvency ratio. The average solvency ratio of FILICL is lower than that of Industry Average and PILICL during the study period. Standard deviation of solvency ratio of FILICL is higher than that of Industry Average and lower than that of PILICL. The coefficient variation in solvency ratio of FILICL is 16%, which indicates that there is 16% dispersion in the solvency ratio of FILICL during the study period. The coefficient variation in solvency ratio of FILICL is higher than that of Industry Average and PILICL. These results indicate that FILICL is more vulnerable in managing the policyholders' surplus than its competitors.

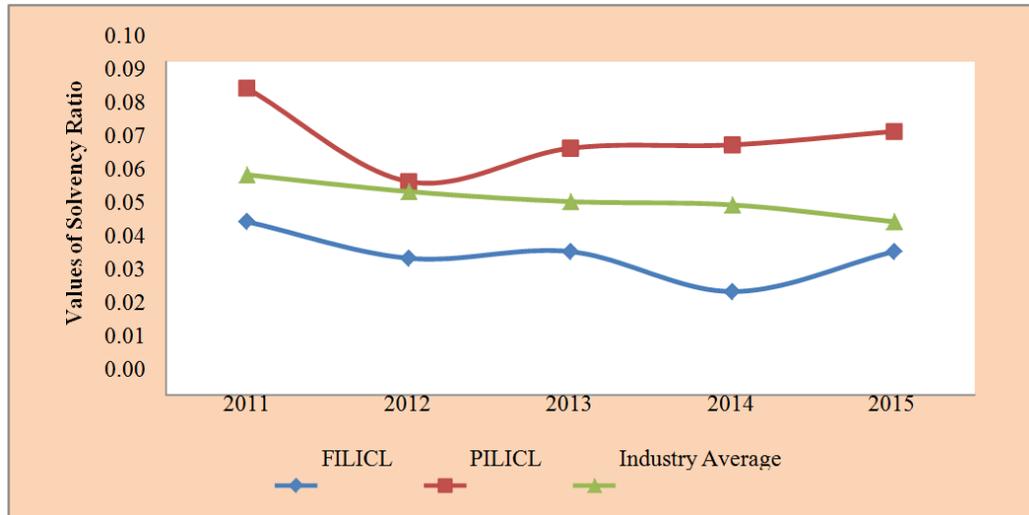


Figure : Trend of Solvency Ratio of Insurance Companies

The figure-10 shows that the trend of solvency ratio of FILICL is constantly under the trend lines of PILICL and Industry Average during the study period. The solvency ratio of FILICL has the lowest in 2011. The solvency ratio of PILICL has constantly during the trend lines of FILICL and Industry Average during the study period. The trend of solvency ratio of Industry Average is continuously decreased from 2011 to 2015.

To obtain an accurate picture of an insurer's risk and profitability, it is important to analyze the overall gain or loss from operations. So, I have used operating ratio to evaluate the FILICL's overall operating financial efficiency, which depends to a great extent on the control of underwriting expenses and investment. The operating ratio of FILICL comprises underwriting ratio (also called combined ratio) minus investment income ratio, because underwriting ratio does not include any reflection of the Investment. Moreover, investment income generally helps to offset any underwriting losses. The formula for operating ratio is expressed as:

$$\text{Operating Ratio (OR)} = \text{Combined Ratio (CR)} - \text{Investment Income Ratio (IR)}$$



4.4.1 Combined Ratio (CR)

Combined ratio is also used a measure of the profitability of an insurance company, because it is an indication of an insurance company's health. The combined ratio equals expenses and losses divided by revenue from premiums. The result is expressed as a percentage, and a value more than 100 percent, the insurer has an underwriting loss. So, a combined ratio above 100% indicates that a carrier is paying out more in claims and expenses than it is taking in premiums.

The word "combined" is used because it includes two ratios:

- Loss Ratio
- Expense Ratio

The formula for combined ratio is expressed as:

$$\text{Combined Ratio} = \text{Loss Ratio} + \text{Expense Ratio} = \frac{\text{Net Claims} + \text{Underwriting Expenses}}{\text{Net Premium Earned}}$$

Loss Ratio (LOR): The loss ratio is determined by dividing the net claims by net premiums earned. The formula for loss ratio is expressed as:

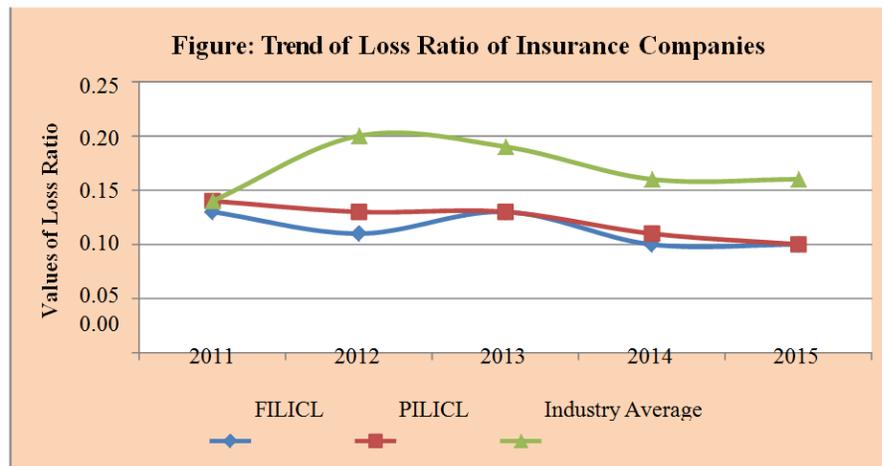
$$\text{Loss Ratio (LOR)} = \frac{\text{Net Claims}}{\text{Net Premium Earned}}$$

The result is expressed as a percentage and lower loss ratio shows higher operating profit and vice versa. Higher loss ratios may indicate that an insurance company may need better risk management policies to guard against future possible insurance payouts. The loss ratio of life insurers has obtained from the life insurers' annual reports (see Appendix).

Year	FILICL	PILICL	Industry Average
2011	0.13	0.14	0.14
2012	0.11	0.13	0.20
2013	0.13	0.13	0.19
2014	0.10	0.11	0.16
2015	0.10	0.10	0.16
Mean	0.11	0.12	0.17
SD	0.014	0.015	0.0210
CV	11.83%	12.09%	12.21%

Data Source: Author's calculation from Annual Report of sample life insurance companies

Loss ratios of FILICL, PILICL and Industry Average have tabulated in table. The average loss ratio of FILICL is lower than that of PILICL and Industry Average. Standard deviation of loss ratio of FILICL is also lower than that of industry average and PILICL. Coefficient of variation of loss ratio of FILICL is 11.83%, which indicates that there is 11.83% dispersion in the loss ratio of FILICL during the study period. Coefficient of variation of loss ratio of PILICL is 12.21% and Industry Average is 12.09%. These results indicate that FILICL is better in managing the policyholders' claims than PILICL and Industry Average.





Above the figure shows that the trend of loss ratios of FILICL was continuously below the trend of loss ratios of PILICL and Industry Average during the study period of 2011 to 2016. But the trend of Industry Average was on top among three lines.

Expense Ratio (ER): The amount of a company's net premiums that were allocated to underwriting costs, like commissions to agents and brokers, state and municipal taxes, salaries, benefits and other operational expenses. This ratio is determined by dividing the underwriting expenses total by net premiums earned. The formula for loss ratio is expressed as:

$$\text{Expense Ratio (ER)} = \frac{\text{Underwriting Expenses}}{\text{Net Premium Earned}}$$

The result is expressed as a percentage, and lower loss ratio shows higher operating profit and vice versa. So, it is the measure of an insurer's business efficiency to investors. The expense ratio of life insurers has obtained from the life insurers' annual reports (see Appendix).

Year	FILICL	PILICL	Industry Average
2011	0.43	0.49	0.37
2012	0.36	0.54	0.30
2013	0.39	0.46	0.26
2014	0.47	0.36	0.34
2015	0.39	0.37	0.31
Mean	0.41	0.44	0.32
SD	0.0382	0.0695	0.0372
CV	9.35%	15.64%	11.77%

Data Source: Author's calculation from Annual Report of sample life insurance companies

Expense ratios of FILICL, PILICL and Industry Average have tabulated in table. The average expense ratio of FILICL is lower than that of PILICL, but higher than that of Industry Average. Standard deviation of expense ratio of FILICL is lower than that of PILICL and higher than that of Industry Average. But Coefficient of variation of expense ratio of FILICL is lower than that of PILICL and Industry Average. Coefficient of variation of expense ratio of FILICL is 9.35%, which indicates that there is 9.35% dispersion in the expense ratios during the study period.

These results indicate that FILICL is safe sides in managing the underwriting expenses even its high mean value of expense ratios.

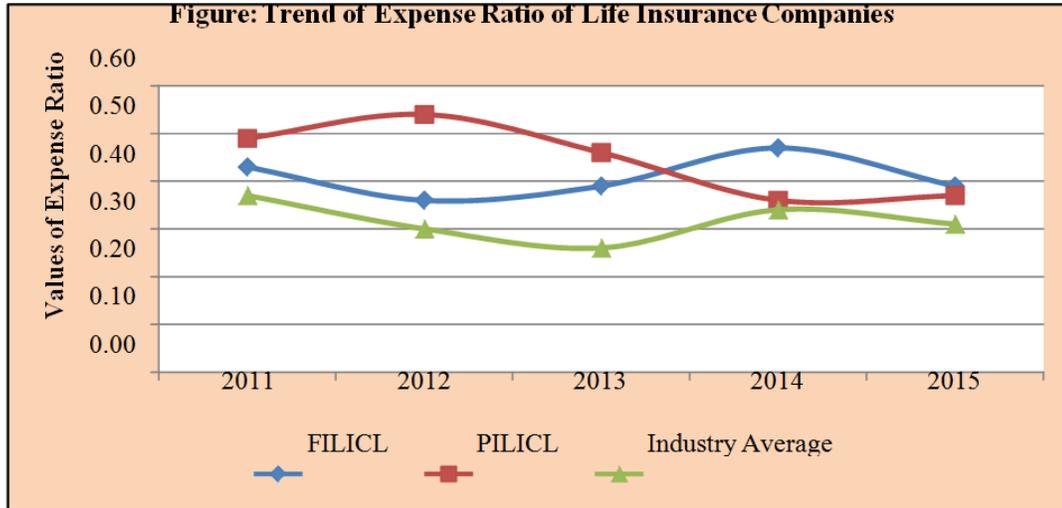


Table: Combined Ratio of Life Insurance Companies

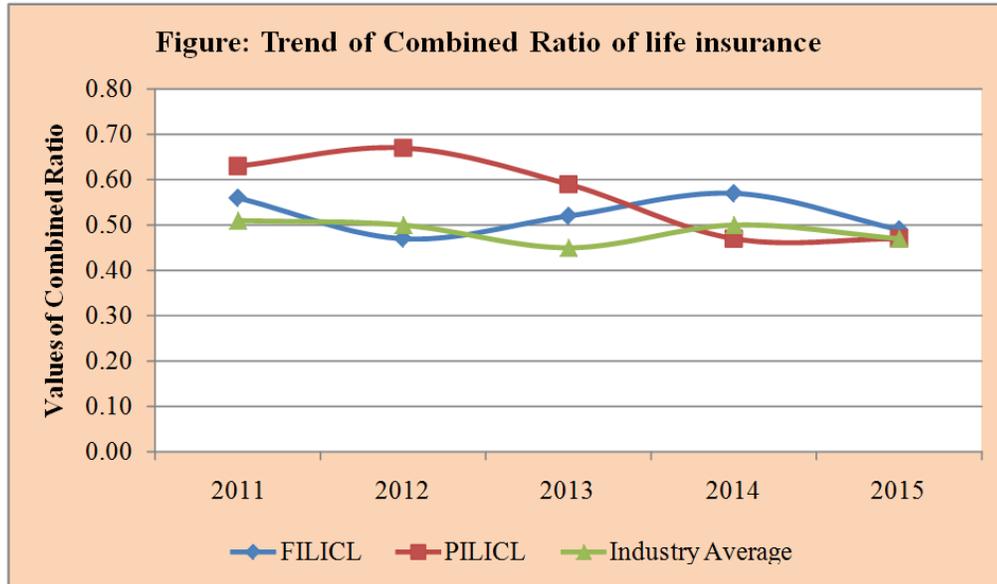
Year	FILICL			PILICL			Industry Average		
	LOR	ER	CR	LOR	ER	CR	LOR	ER	CR
2011	0.13	0.43	0.56	0.14	0.49	0.63	0.14	0.37	0.51
2012	0.11	0.36	0.47	0.13	0.54	0.67	0.20	0.30	0.50
2013	0.13	0.39	0.52	0.13	0.46	0.59	0.19	0.26	0.45
2014	0.10	0.47	0.57	0.11	0.36	0.47	0.16	0.34	0.50
2015	0.10	0.39	0.49	0.10	0.37	0.47	0.16	0.31	0.47
Mean	0.52			0.57			0.49		
SD	0.0387			0.0824			0.0224		
CV	7.41%			14.55%			4.62%		

Data Source: Author's calculation from Annual Report of sample life insurance companies

Combined ratios of FILICL, PILICL and Industry Average have tabulated here. The average combined ratio of FILICL is lower than that of PILICL, but higher than that of Industry Average. Standard deviation of combined ratio of FILICL is higher than that of industry average and lower than that of PILICL. Coefficient of variation of combined ratio of FILICL is 7.41%, indicates that there is 7.41% dispersion in the combined ratios during the study period.



Coefficient of variation of combined ratio of FILICL shows relatively less consistency during the study period because its coefficient of variation is higher than that of Industry Average.



The figure shows that the trend of combined ratios of FILICL was decreased from 2011 to 2012 and then continuously increased from 2012 to 2015. The trend of combined ratios of PILICL was increased from 2008 to 2009 and then continuously decreased from 2012 to 2015. The trend of combined ratios of Industry Average was decreased from 2011 to 2012 and then increased from 2012 to 2013. In 2015, the trend of combined ratios of FILICL and Industry Average was decreased from previous year.



4.4.2 Investment Income Ratio (IR):

Though investment income ratio is a part of profitability ratio, here I have used IR for finding the actual operating ratio. Because combined ratio does not include any reflection of the investment income. The investment income ratio equals investment income divided by revenue from premiums. The formula for IR ratio is expressed as:

$$\text{Investment Income Ratio} = \frac{\text{Investment Incomes}}{\text{Net Premium Earned}}$$

The result is expressed as a percentage, and higher IR ratio shows higher operating profit and vice versa. The investment income ratio of life insurers has obtained from the life insurers' annual reports (see Appendix).

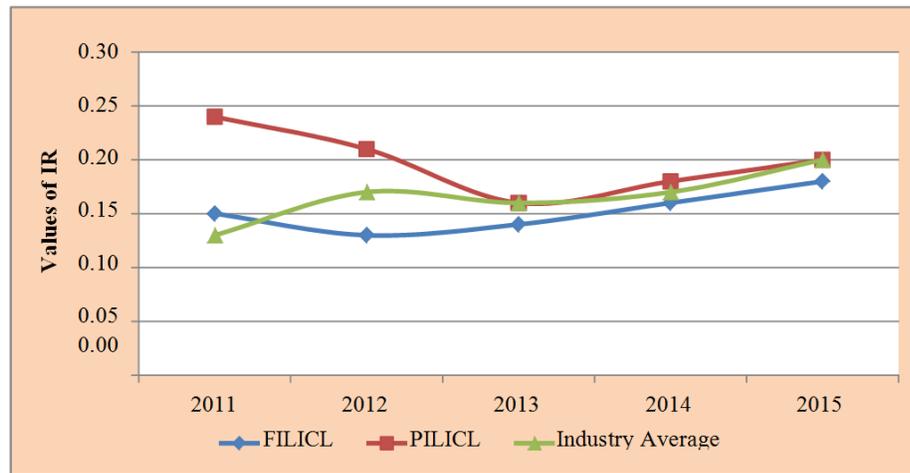
Table: Investment Income Ratio of Life Insurance Companies

Year	FILICL	PILICL	Industry Average
2011	0.15	0.24	0.13
2012	0.13	0.21	0.17
2013	0.14	0.16	0.16
2014	0.16	0.18	0.17
2015	0.18	0.20	0.20
Mean	0.15	0.20	0.17
SD	0.0172	0.0271	0.0224
CV	11.32%	13.70%	13.52%

Data Source: Author's calculation from Annual Report of sample life insurance companies

The investment income ratios of FILICL, PILICL and Industry Average have tabulated in table. The average investment income ratio of FILICL is lower than that of PILICL and Industry Average. Standard deviation of investment income ratio of FILICL is lower than that of industry average and PILICL. Coefficient of variation of investment income ratio of FILICL is 11.32%, indicates that there is 11.32% dispersion in the investment income ratios during the study period. Coefficient of variation of investment income ratio of Industry Average and PILICL are 13.52% and 13.70% respectively. These results indicate that FILICL is very conservative in their investment.

Figure: Trend of Investment Income Ratio of Life Insurance Companies



Year	FILICL			PILICL			Industry Average		
	CR	IR	OR	CR	IR	OR	CR	IR	OR
2011	0.56	0.15	0.41	0.63	0.24	0.39	0.51	0.13	0.38
2012	0.47	0.13	0.34	0.67	0.21	0.46	0.5	0.17	0.33
2013	0.52	0.14	0.38	0.59	0.16	0.43	0.45	0.16	0.29
2014	0.57	0.16	0.41	0.47	0.18	0.29	0.50	0.17	0.33
2015	0.49	0.18	0.31	0.47	0.20	0.27	0.47	0.20	0.27
Mean	0.37			0.37			0.32		
SD	0.0395			0.0755			0.0379		
CV	10.67%			20.51%			11.86%		

Data Source: Author's calculation from Annual Report of sample life insurance companies

The operating ratios of FILICL, PILICL and Industry Average have tabulated in table. As a result of the calculation, the average operating ratio of FILICL, PILICL and Industry Average was quite low. The average operating ratio of FILICL is equal to PILICL and higher than that of Industry Average. But standard deviation of operating ratio of FILICL is lower than that of PILICL and higher than that of Industry Average. Coefficient of variation of operating ratio of FILICL is 10.67%, indicates that there is 10.67% dispersion in the operating ratios during the study period. Coefficient of variation of operating ratio of FILICL shows relatively more consistency during the study period because its coefficient of variation is lower than



Industry Average of 11.86% and PILICL of 20.51%. These results indicate that FILICL is efficient in managing its underwriting expenses during the study period.

4.5. Analysis of Profitability

Profitability reflects the final result of business operation. It helps to establish future earning capability of the business. Profit is an absolute figure whereas profitability is defined as profits expressed as a proportion of total assets, total capital employed and total equity. For a life insurance company, premium/underwriting income and investment income are mainly two components of profits that I have considered for profitability. The profitability indicators are the rate of return on assets (ROA), rate of return on equity (ROE), rate of return on capital employed (ROCE), and profit margin (PM), which were obtained from the life insurers' annual reports.

4.5.1 Return on Assets Ratio (ROA):

The rate of return on assets is the most comprehensive accounting measure of a life insurer's overall performance. Since it is defined as net profit during total assets, it shows the profit earned per taka of assets. It is an indicator of life insurer's efficiency and a measure of the life insurer's ability to earn funds from its total operations. More important, it gauges how effectively a life insurance company uses its financial and real investments to generate profits.

The formula for

ROA ratio is expressed as:

$$\text{ROA Ratio} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Lesser variability in the return on assets ratio indicates proper or efficient management of Wealth.



Year	FILICL	PILICL	Industry Average
2011	0.33	0.42	0.30
2012	0.37	0.44	0.32
2013	0.30	0.38	0.29
2014	0.34	0.40	0.31
2015	0.32	0.37	0.35
Mean	0.33	0.40	0.32
S. D.	0.0215	0.0265	0.0201
C.V.	6.52%	6.62%	6.34%

Data Source: Author's calculation from Annual Report of sample life insurance companies

4.5.2 Return on Equity Ratio (ROE):

ROE captures profitability from the policyholders' perspective that reflects how effectively an insurance company is using policyholders' investment. For unique characteristics of life insurance, the return on equity ratio of other financial institutions is generally not applicable. That is why Jeff Madura has said in his Financial Markets and Institutions book that the profitability of insurance companies is often assessed using the return on net worth (or policyholders' surplus) as a ratio, as follows:

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Policyholders' Surplus}}$$

Lesser variability in the return on equity ratio indicates proper or efficient management of policyholders' surplus. Generally ROE ratio of an insurer is expressed in percentage. Here, I have showed the ROE ratio of life insurers in absolute term.

Year	FILICL	PILICL	Industry Average
2011	10.05	6.58	9.31
2012	16.06	8.43	11.14
2013	14.17	8.78	12.41
2014	17.24	9.35	11.74
2015	16.43	9.37	14.24
Mean	14.79	8.50	11.77
SD	2.575	1.025	1.610
CV	17.41%	12.05%	13.68%

Data Source: Author's calculation from Annual Report of sample life insurance companies



ROE ratios of FILICL, PILICL and Industry Average have tabulated in table. As a result of the calculation, the ROE ratios of FILICL, PILICL and Industry Average are very good level. The average ROE of FILICL is 1479%, which is higher than PILICL of 850%, and grand industry averages of 1177%. This means that FILICL generated Tk.14.79 of profit for every Tk.1 of policyholders' surplus, giving the stock an ROE of 1479%. Standard deviation of ROE ratio of FILICL is 2.575, which is higher than PILICL of 1.025 and Industry Averages of 1.610. The coefficient of variation of ROE ratio of FILICL is 17.41%, which shows less consistency during the study period because coefficient of variation of FILICL was very higher than Industry Average of 13.68% and PILICL of 12.05%. These results indicate that FILICL is very inefficient in managing its policyholders' surplus during the study period of 2011 to 2015.

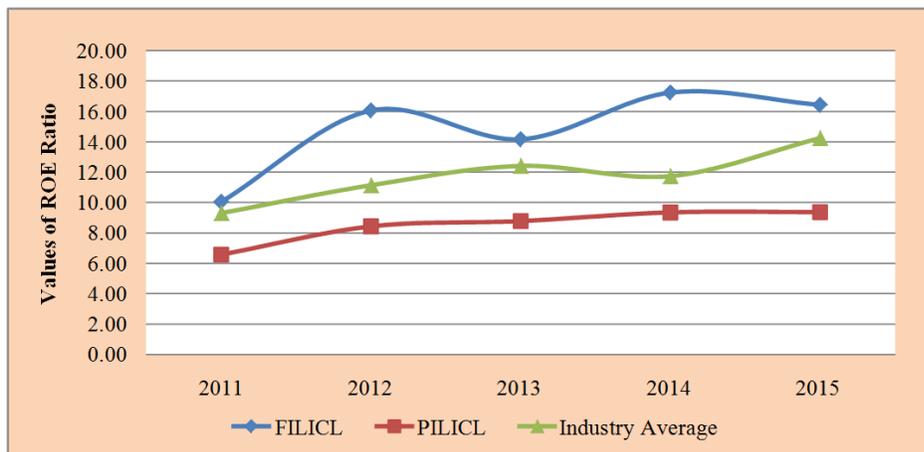


Figure: Trend of ROE of Life Insurance Companies

The figure shows that the trend of ROE ratios of FILICL is on top among the three lines from 2011 to 2015. The trend of ROE ratios of PILICL is under the trend line of FILICL and Industry Average during the study period of 2011 to 2015. The trend of ROE ratios of Industry Average is just the middle of FILICL and PILICL.



4.5.3 Profit Margin Ratio (PM):

This figure determines the profitability of an insurance company. It is the profits after all expenses and taxes are paid by the insurance company. A ratio of profit margin calculated as net income divided by revenues. The formula for PM ratio is expressed as:

$$PM = \frac{\text{Net Profit}}{\text{Total Revenues}}$$

A higher profit margin indicates a more profitable company that has better control during its costs compared to its competitors. A decrease in this ratio may indicate more intensive competition in the market, declining selling prices or an increased cost of underwriting.

Table- : Profit Margin Ratio of Life Insurance Companies			
Year	FILICL	PILICL	Industry Average
2011	0.48	0.49	0.54
2012	0.59	0.48	0.60
2013	0.54	0.52	0.48
2014	0.48	0.58	0.57
2015	0.59	0.60	0.62
Mean	0.54	0.53	0.56
S D	0.0481	0.0481	0.0483
CV.	8.99%	9.03%	8.62%

Data Source: Author's calculation from Annual Report of sample life insurance companies

The profit margin ratios of FILICL, PILICL and Industry Average have tabulated in table-18. Table-18 shows that average PM ratio of FILICL is higher than that PILICL and grand lower that of Industry Average of 56%. The average PM ratio of FILICL indicates that it generates Tk.0.54 of net profit for every Tk.1 of total revenues. Standard deviation of PM ratio of FILICL is equal to PILICL and very close to Industry Averages. The coefficient of variation of PM ratio of FILICL is 8.99%, which indicates that there is 8.99% dispersion in the PM ratio of FILICL during the study period. These results indicate that FILICL has almost same control during its costs compare to Industry Average and PILICL.



الحياءة على الاء الأمل إلال صى ال شرق مءوءة شركة
Fareast Islami Life Insurance Company Ltd

CHAPTER 5

Problems Identified & Recommendations



5.1 Problems Identified

Bangladesh is not an Islamic State; all activities are not operating according to the Shariah of Islam. But the FILICL is trying to operate their activities as much as possible. Yet some limitations and problems are arising and that's why to encapsulate the overall study we need to detect some findings which are present below:

1. Traditional insurance plans provide multiple benefits like risk cover, fixed income return, safety and tax benefit. Traditional Insurance plans are the oldest plans and cater to individuals with a low risk appetite.
2. FILICL is not using Data Base Networking in Information System & FILICL is not fully digitalized in all local branches.
3. There is not adequate, efficient & proper educated manpower to increase the number of policy holder.
4. Liquidity ratio of FILICL (2.69%) which was lower than PILICL.
5. Lack of training for the employees about the proper communication with customers.
6. Lack of customer awareness about insurance sector.
7. Every employee is unhappy about their salary.



5.2 Recommendations

On the basis of problems of this report following report are made:

1. FILICL has to focus on modern policy system such as policy for motorcycle, boat or collector car, plus residential insurance for rental property, vacation home, standard dwelling, health insurance policy etc.
2. To ensure the strong data base system with easy access for customers to earn customers belief.
3. Ensure proper labor and manpower in the branch to increase the number of policy holder to enlarge the profit.
4. FILICL should increase the liquid assets.
5. Ensure proper training for the employee to minimize the risk and maximize the profit.
6. Ensure digitalization to minimize the risk and maximize the profit through cutting the unexpected expenditure.
7. Company should increase customer awareness about insurance sector.



الحدية على التامين اسلامى الاقصى الشرق محدودة شركة
Fareast Islami Life Insurance Company Ltd

Chapter 6

Conclusions



6.1 Conclusions

Fareast Islami Life Insurance Company has started their journey as the 1st full-fledged Islami Life Insurance Company in Bangladesh in the year of 2000. FILICL has already developed an images and goodwill among its policyholders by offering it excellent services. This success has resulted from the dedication, commitment, and dynamic leadership of its management over the periods. During the short span of time of FILICL has successfully grabbed a position itself as a progressive and dynamic company in insurance sector with their Islamic values.

The study has analytically examined the implications of the FILICL's scale on profitability and risk measures on the basis of published data. The analytical results showed that there is significant positive relationship between risk and profitability of FILICL. FILICL is safer in managing its liquidity and financial operating risk during the period of study. The profitability performance of FILICL is quite impressive during the study period. Although the analysis revealed that Fareast Islami Life Insurance Company is financially sound during the study period, there are certain areas in which the company can improve for sustain in long-run in the competitive market.



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