

Corporate Social Responsibility in Bangladesh: The Case of Insurance Companies

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This paper aims to analyze the socially responsible business of Bangladesh insurance sector. After independence of Bangladesh insurance sector has emerge rapidly. Though there is a negative say that Bangladesh insurance sector is free for all situation. But some of the companies are doing better with the legal procedure and they are trying to do their business competitively. Henceforth, those companies also took initiatives for socially responsible business. This study shows the overall scenario of corporate social responsibility in the insurance sector of Bangladesh. Author suggested that customers' awareness should be increased by the companies so that they become interested to take insurance as a social responsibility.

Key words: Insurance, Corporate social responsibility, Customers' awareness

Introduction:

Corporate social responsibility (CSR) is playing vital role in the Twenty-first century to ensure social justice and ethical practices. Insurance is a service industry. Importance of the corporate social responsibility especially in the insurance sector has been raising due to contractual intermediaries is gaining importance. However, in Bangladesh corporate social responsibility in the insurance sector is an infant stage. According to the article entitled" Corporate Social Responsibility as Insurance "(February 26,2009) Insurance companies are responsible for the compliance and implementation of AML guidelines. Insurance companies are expected to impart ample training on the subject to all their employees/agents, both the front and back office staff, for effective implementation of their AML policy. Any violation of Act or non-compliance of guidelines indicates improper communication of the impact of ML at various levels of the organisation.

CSR in developing countries is still relatively underdeveloped and tends to be working as a temporarily basis with a heavy reliance on convenience-based case studies or descriptive accounts. "It can be seen as a form of strategic management, encouraging the organisation to scan the horizon and think laterally about how its relationships will contribute long-term to its bottom line in a constantly changing world" (Chartered Institute of Personnel and Development). (www.careers.ed.ac.uk)

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Developing countries like Bangladesh is not exception to provide its citizens all of their required services. For this reason, a huge number of unemployment and unhealthy scenario is still a major cause of inhumanity. Government is trying to mitigate all of these problems, but there are limitations. In this regard, a new idea has been developed in the world that business conglomerates can help the society by funding charitable or welfare activities.

Government should be protecting their citizens, but instead it stands by as local populations are forcibly evicted without due process. Here, and elsewhere, corporations are coming under increasing pressures to contribute to improvements in the communities where they work. Rees (2008) writes in an article for Ethical Corporation that companies need to establish effective mechanisms for grievance processes. According to Rees companies with complex structures, operations and supply chains can expect to face disputes over their impacts on communities and other stakeholders, however good their policies, monitoring and auditing systems. An effective ethics policy can boost socially responsible work, which also can help to create scope for selling products more.

Providing social and economic benefit is more weighed than the profit motive. The function of insurance is to protect a few against the economic loss they many suffer by spreading the losses amongst many who are exposed to homogeneous risks. Upon opening up of the insurance market, whoever can offer better service, ensure prompt settlement of claim and sell the same product at a lower premium will thrive and prosper.

The Insurance Market in Bangladesh now consists of two state-owned corporations, forty three and seventeen private sector general & life insurance companies respectively, a total of 62 insurance companies. Thus the insurance sector in Bangladesh has grown up substantially and deepened remarkably with number of companies in both life and general segments. With the expansion of size of the insurance market, the volume of assets of the industry has also increased substantially.

Privatization policy adopted in the 1980s paved the way for a number of insurers to emerge in the private sector. This resulted in a substantial growth of premium incomes, competition, improvement in services, and introduction of newer types of business in wider fields hitherto untapped. Prior to privatization policy, the yearly gross premium volume of the country was approximately Tk 900 million in general insurance businesses and approximately Tk 800 million in life insurance business. In the year 2000, premium incomes raised to Tk 4,000 million in general insurance business and Tk 5,000 million in life insurance business.

Notwithstanding registering around 100% growth in the last five years between 2000 and 2004, the insurance business in Bangladesh penetrates a very marginal part of the Gross Domestic Product (GDP), which, incidentally, is also the lowest in the South Asian

region. The gross premium income, the core indicator of the market penetration of the sector, was about 0.62% of the GDP in 2004 while the rate was 0.67% in Pakistan, 1.49% in Sri Lanka and 3.08% in India. On five-year average basis, the ratio was 0.51% in Bangladesh against 0.65% in Pakistan, 1.27% in Sri Lanka and 2.7% in India. The premium income of the country's insurance sector, combining both general and life insurances, stood at Tk 2,305.5 crore in 2004, up from Tk 1,108.6 crore in 2000, as shown in the data of the Bangladesh Insurance Association.

Literature review:

According to the Green Paper presented by the European Commission in July 2001, corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business Operations and in their interaction with their stakeholders on a voluntary basis (Commission of the European Communities, 2001, p. 6).

Visser (2005) argued that CSR in developing countries to represent 'the formal and informal ways in which business makes a contribution to improving the governance, social, ethical, labour and environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts

Obalola(2008) found that for Nigerian Insurance industry a strong support for social responsibility and the translation of this support into action through involvement in some community based projects. Evidence from the study also suggests that social responsibility is still largely perceived as a philanthropic gesture.

Wise and Ali(2008) depicted that if corporate social responsibility disclosure is made obligatory there is a strong case for it to follow international benchmarks. This would include the triple-bottom-line reporting method, which is increasingly being accepted as a useful method of conveying information on a firm's social performance.

Venugopal (accessed in the Internet on 25th October, 2009) argued that insurance company has corporate social responsibility towards improving the environment, but at the same time, the company has to garner good premium as ultimately the insurer has to earn profits for its shareholders & stakeholders.

Objectives of the study:

The main objective of the study is to assess current status of social responsibility as practiced by the insurance companies in Bangladesh. At the same time, to identify the

factors responsible for non-practicing ethical business. Moreover, we shall try to evaluate following points:

- To identify the reason, for not undertaking socially responsible activities;
- To appraise the impact of the non-practicing social responsibility;

Methodology of the Study:

The study has been conducted based on information collected both from secondary sources. Secondary sources include literature on social responsibility and business ethics, different study on business ethics and social responsibility, financial statement of the Companies and corporate disclosures. Case study of some companies those who have taken CSR activities given below. Meghna life insurance, Sadharan Bima corporation and Reliance insurance companies activities of socially responsible business are discussed here. Exact sources will be given in the research work.

Case:1 MEGHNA Life Insurance Co. Ltd.

Meghna Life Insurance Co. Ltd. was accorded formal approval by the Govt. on 5th May, 1996. It was emerged as the 4th Private Sector indigenous Life Insurance after a prolonged complicated process of preparatory work under the guidance and leadership of Mr. Nizam Uddin Ahmed, the current and founder Chairman of the Company. It started carrying on the Life Insurance business since 1st June, 1996. Meghna Life has now consolidated its position on strong footing. A transparent and accountable management is here who are working relentlessly to boost up its position on a prestigious level.

The authorised capital of the company is Tk. 10 crore and paid up capital at present stands at Tk. 7.5 crore.

In 1996 Premium income, Life Fund & Investment was Tk. 3.30 crore, Tk. 0.04 crore & Tk. 2.59 crore respectively and in 2006 such Premium income, Life Fund & Investment increased to Tk. 148.45 crore, Tk. 201.33 crore & Tk. 130.80 crore respectively.

From 1996 to 2006 Meghna Life paid 30.20 crore taka as death claim, taka 13.40 crore as survival benefit. This success has been possible due to constant guidance supervision and ceaseless efforts of the Honb'le Chairman and Directors and the present competent management.

It soon made a mark in the Life Insurance arena by not only being the top listed among the Private sector indigenous companies, but by undertaking and successfully implementing innovative and welfare oriented Life Insurance schemes. It introduced an array of conventional Life and other Insurance products of Loko Bima, Islami Bima (Takaful) and Islami Khudra Bima (Takaful) many of which were the first in Bangladesh. For the first time Hospitalization benefit Insurance product was also introduced by

Meghna

Life.

Meghna Life has earned reputation in every corner of the insurance Industry. It can take pride of its prestigious achievements which are moulded with transparency, accountability, impeccable working capacity, sincerity, honesty and sagacity.

The company has diversified its products to match customer's needs and satisfaction. Currently it provides multifarious Life Insurance products to cater to the aspirations & needs as well as religious beliefs to the clients. There is no iota of doubt that Meghna life will go forward with its new missions and visions in the days to come.

Meghna Life Insurance Company Ltd. has introduced innovative and attractive policies with a view to attract different class of people of the country. At present Meghna Life Insurance Company is offering the following policies in other 5 (five) different categories:

| | | | | |
|---|------------------------------|-------|-------|-----------|
| ⊞ | Ordinary | Life | (Ekok | Bima) |
| ⊞ | | Group | | Insurance |
| ⊞ | | Loko | | Bima |
| ⊞ | Islami | | Bima | (Takaful) |
| ⊞ | Islami Khudra Bima (Takaful) | | | |

Ordinary Life (Ekok Bima) :

Meghna Life offers a wide variety of ordinary life product/plans ranging from the most common endowment type to more modern and sophisticated plans like endowment with open term, pension plan, child protection plan, etc. and the aim of increasing pension, increasing protection with provision for premium refund etc. The plans have been designed keeping in view the diverse and multifaceted needs of the insuring public belonging to different strata of the Society.

The followings are the Plans of Ordinary Life: (Ekok Bima)

| Sl. | Schemes |
|-----|--|
| 1. | Endowment Insurance Plan - with Profits |
| 2. | 3 (three) Payment Insurance Plan - with Profits |
| 3. | Biennial Endowment Insurance - with Profits |
| 4. | Child Protection Endowment Insurance - with Profits |
| 5. | Insurance Cum Pension Plan - without Profits |
| 6. | Single Premium Guaranteed Benefit Plan - without Profits |
| 7. | Education Expense Insurance Plan - with Profits |
| 8. | Premium Back Term Insurance - without Profits |
| 9. | Islami Endowment Plan - with Profits |
| 10. | Islami Biennial Payment Assurance Plan - with Profits |

| | |
|-----|--|
| 11. | Islami 5 (five) Instalment Insurance Plan - with Profits |
| 12. | Meghna Life DPS - with Profits |

(Source:Annual Report of the MEGHNA Life Insurance Co. Ltd.,2007)

Group Insurance :

This scheme has been designed to make the officials and employees of Meghna Life Insurance Co. Ltd. free from tension and financial hardship. With a very small premium, very large amount of Sum-assured may be taken with regard to the risk of accident and premature death. The arrangement of Group Insurance may be made if at least 10 members are there. In case of group term Insurance there may be 5 members. Premium normally be paid on annual basis. The premium of this insurance may be paid fully or partially by the employees and the employers.

Loko Bima :

Loko Bima Project was emerged on 13th June 1998. The aim and object of Loko Bima Project is to arouse 90% of the people of the country towards savings and to make them conscious and self-reliant through Insurance. This project plays a very important role in solving social problems of a large number of people by reduction of unemployment, population control, development of cottage Industry, rural development so to say social backwardness etc. The following are the plans of Loko Bima-

| Sl. | Schemes |
|-----|--|
| 1. | Endowment Insurance plan - with Profits. |
| 2. | Child protection Endowment Insurance - with Profits. |
| 3. | Meghna deposit Premium scheme - with Profits. |
| 4. | Single Premium Insurance - with Profits. |

(Source:Annual Report of the MEGHNA Life Insurance Co. Ltd.,2007)

Islami Bima (Takaful) :

The aim and object of Islami Bima (Takaful) is to provide more financial security of the mass people of this country through this project. This project was introduced to turn Life Insurance into a profitable savings arrangement through payment by instalments on the basis of Islami Shariah and transparent and impeccable servicing.

The followings are the Plans of Islami Bima: (Takaful)

| Sl. | Schemes |
|-----|--|
| 1. | Islamic Endowment Insurance Plan (Takaful) - with Profit |
| 2. | Islami Takaful 3 (three) Payment Insurance Plan - with Profits |

| | |
|-----|--|
| 3. | Islami Bima (Takaful) Biennial Endowment Insurance Plan - with Profits |
| 4. | Islami Bima (Takaful) Child Protection Endowment Insurance Plan - with Profits |
| 5. | Islami Bima (Takaful) Insurance-Cum Pension Plan - without Profits |
| 6. | Islami Bima (Takaful) Single Premium Guaranteed Benefit Plan - without Profit |
| 7. | Islami Bima (Takaful) Education Expense Insurance Plan - with Profits |
| 8. | Islami Bima (Takaful) Premium Back Term Insurance - without Profits |
| 9. | Islamic Endowment Plan (Takaful) - with Profits |
| 10. | Islamic Biennial Payment Assurance (Takaful) Plan - with Profits |
| 11. | Islami 5 (five) Instalment Insurance Plan - with Profits |
| 12. | Takaful Islami DPS - with Profits |

(Source:Annual Report of the MEGHNA Life Insurance Co. Ltd.,2007)

The project is conformed with a Shariah Council comprising 15 (Fifteen) members.

Islami Khudra Bima (Takaful) :

The object of Islami Khudra Bima (Takaful) is to create habit of savings for the low income group of people of Bangladesh, ensure profit and savings through modern Insurance facilities and to introduce interest free Islami Bima. These are the following plans-

| Sl. | Schemes |
|-----|--|
| 1. | Endowment Insurance - with Profits. |
| 2. | Child Protection Endowment Insurance - with Profits. |
| 3. | Single Premium Guaranteed Insurance - with Profits. |
| 4. | Islami Khudra DPS - with Profits. |

(Source:Annual Report of the MEGHNA Life Insurance Co. Ltd.,2007)

Supplementary Hospitalization Insurance Benefit

Those who are within the age of 18 to 55 years, they take this Insurance with the principal policy.

| Advantages | available | in | the | Hospital- |
|------------|-----------|-----------|--------------|-----------|
| ⊗ | Staying | in | the | room. |
| ⊗ | Doctor's | | Private | Fees. |
| ⊗ | | Diagnosis | Consultation | expenses. |
| ⊗ | Surgical | | Operation | expenses. |
| ⊗ | | | | Medicine. |
| ⊗ | Relevant | | Services | Expenses. |

The special characteristic of the scheme:

- ⊖ This advantage may be taken for wife and children of the policyholder.
- ⊖ Very less premium.
- ⊖ Any medical facility is available at home and abroad.
- ⊖ Facilities of any Govt. Hospital or any other Private Hospital with 50 beds may be available.
- ⊖ Medical treatment expenses in any extraneous hospitalization will be borne in Bangladeshi Currency.
- ⊖ Consultation of Doctors may be taken with one's own choice.
- ⊖ Rebate of Tax is available.

Rules of payment of medical bill of the Hospital-

- ⊖ The company will directly make payment of the Hospital bills subject to admission in the Hospital approved by the company.

⊖ Re-imburement: If the policyholder himself bears expenses on approved treatment from the Hospital which has no contract with the company, in that case the company will reimburse Hospital bills. But in these cases all the vouchers and papers shall be deposited within 30 days after release from Hospital and the company will arrange reimbursement of those after due scrutiny.

Supplementary Dread Disease Benefit (DDB 50%, 25%)

Disease and old age complicacy is indissolubly linked with human lives. Men can, at anytime be attacked with serious disease and they may not be capable to have proper treatment immediately. In this connection, Meghna Life can provide money for treatment of such fatal diseases by DDB.

Whatever Sum-assured may be, the supplementary Insurance cannot exceed 10 lac as facility.

If the policyholder is attacked with any of the following disease, 25% of the Sum-assured be paid immediately:

1. Heart attack
2. Stroke
3. Coronary Artinary Surgery
4. Kidney Failure
5. Multiple Sclerosis
6. Paralysis.

(Source:Annual Report of the MEGHNA Life Insurance Co. Ltd.,2007)

Supplementary Accidental Death Benefit (ADB)

This supplementary Insurance may be taken adjoining the Endowment Assurance, Whole

Life Assurance, Term Assurance, Group Insurance or pension scheme. ADB is normally given as supplementary cover with the Principal Insurance policy.

The advantages of taking ADB as supplementary cover with any Life Insurance policy is that if any policyholder dies due to accident the nominee of the insured will be provided with an amount equivalent to the Sum-assured within 90 days. The rate of premium is low in this Insurance as a result the Insured can take this policy as supplementary Insurance on nominal condition.

Supplementary Permanent Disability and Accident Benefit (PDAB)
PDAB policy can be taken for death or disability by physical hurt due to accident.

In case of death the nominee of the Insured will get an additional amount equivalent to principal Sum-assured. An amount equivalent to the Sum-assured is also paid to the nominee of the policyholder instantly if both hands or both legs or both the eyes or one hand and one leg are lost.

In case of fully and permanent disability, the policyholder will be given 10% of the principal Sum-assured for next 10 years since the happening of accident as yearly allowance.

In case of one leg or one hand and an eye are lost, the policyholder will be given 50% of the Sum-assured instantly. At the maturity, the full Sum-assured is paid.

In the ninetieth decade some enthusiastic Bangladeshi professionals along with some others of similar state of mind dreamed of establishing a Life Insurance Company in order to participate in the financial activities of the country such as reduction of unemployment, alleviation of poverty and to contribute to the nation for the upliftment of the lot of common people. Eventually due to ceaseless efforts and courageous initiative of the Chairman and some other entrepreneurs, Meghna Life Insurance Co. Ltd. was emerged in 1996.

The main object of Meghna Life was to provide maximum financial security to a person and families by giving modern Insurance facilities. It's other objectives are to turn it into a profitable savings institution through payment of bonus at an attractive rate and enriched servicing and invest the accumulated small savings in the nation building various welfare and profitable projects.

Case:2 SHADARAN BIMA CORPORATION (SBC)

SBC since its inception has been working to conduct all its operations in a manner that is protective of the environment, health and safety of employees, customers and the community. In fulfillment of this commitment, SBC maintains a continuing effort to adhere to the following principles:

SBC expands its employees by encouraging empowerment and rewarding innovation. Promote an environment for learning and personal growth of its employees by providing training within the country & abroad.

Endeavor to attain a position of leadership in each category of its business. SBC is committed to insuring its business to conduct in accordance with high ethical, professional, legal standards and good corporate governance practices.

Aim to achieve business excellence by understanding, accepting, meeting and exceeding valued clients expectations. SBC will determine its clients needs and have a commitment to provide high quality services to meet them.

SBC is entitled to 50% of public sector business. Insurance Corporation (Amendment) Act 1990 provides that fifty percent of all insurance business relating to any public property or to any risk or liability appertaining to any public property shall be placed with the SBC and the remaining fifty percent of such business may be placed with this corporation or with any other insurers in Bangladesh. But for practical reason and in agreement with the Insurance Association of Bangladesh SBC underwrites all the public sector business and 50% of that business is distributed among the existing 43 private general insurance companies equally under National Co-insurance Scheme.

In respect of reinsurance, the same act provides that fifty percent of a company's reinsurance business must be placed with the Sadharan Bima Corporation and remaining fifty percent may be reinsured either with this Corporation or with any insurer in Bangladesh or abroad. At present, nearly all the companies place 100% of their reinsurance business with the SBC. **(Source: Annual Report of the Shadaran Bima Corporation ,2007)**

Case:3 Reliance Insurance Limited

At Reliance Insurance Limited, we recognize the importance of corporate social responsibility (CSR) and our role in society as an insurance service provider, investor, employer and consumer. We aim to be a responsible member of the community and our commitments are presented in a family of eight CSR policies:

- | | |
|-----------------------------|---|
| Community: | We aim to be a good corporate citizen and to work in partnership with the community. We have participated while the nation in a crises of natural disaster. |
| Customers: | We will determine our customer's needs and have a commitment to provide high quality services to meet them. |
| Environment: | The Company reports annually our direct and indirect contributions to improving the environment. |
| Health & Safety: | We are committed to providing a healthy and safe working environment for our staff and visitors. |
| Human Rights: | We respect the Universal Declaration of Human Rights |

and are guided by its principles. The company strictly follows non-discriminatory policies in all its procedures such as recruitment and promotions and has in place a performance management system that rewards employees based on merit and contribution.

Standards of Business Conduct: We are committed to ensuring our business is conducted in all respects according to high ethical, professional, and legal standards and follows good corporate governance practices.

Suppliers: The Company's suppliers are carefully assessed and approved against established criteria. Suppliers are managed as partners in our operations and we arrange seminars with surveyor companies to improve communication and provide technical skills training. In addition, to ensure compliance with our high service quality standards, satisfaction surveys are conducted regularly to measure service performance.

Workforce: The Company holds a biannual Employee Focus Survey, which focuses on the drivers of business performance, in particular employee engagement and customer focus. The company's aim is to be as an employer of choice by engaging its staff and providing them with the necessary skills and opportunities to contribute to the company's success and fulfill their potential.

(Source: Annual Report of the Reliance Insurance Limited

2007)

Concluding Remarks and Policy Implications:

Corporate social responsibility in the insurance sector should be well exercised. Transparency, accountability as well as ethical and legal practices in the insurance business should be done. Customers' right should be protected and value may be added to provide good customer services. From aforesaid three case studies it is observed that insurance companies are trying to mitigate social responsibility. But they are lacking of international benchmarking of their services. Moreover, from the demander side, customers are still not accepting insurance as an important factor.

Unfortunately insurance business in Bangladesh is still lagging behind to achieve international standard. As Wise and Ali (2008) suggested that international benchmark for the banking sector has to be achieved, in case of insurance sector it must be mandatory to achieve international benchmark. Even in attendance size of economy, the expansion of insurance industry is not fairly acceptable. Weak regulatory system, inadequate capital base, sky-high management expenses, large number of weak insurers competing with each other leading to unethical practices etc., have made the insurance

industry vulnerable. For these reason, there is a great potentiality to adopt socially responsible policy of insurance companies operating in Bangladesh.

The insurance companies should also take steps to protect environmental sector. There are immense potentialities for the insurance companies and through improving total quality management services, insurance companies can serve in a better way towards the society of the country for which there activities must be pro-society based. General and life insurance should be designed to mitigate social responsibility and to create awareness among the customers so that they can easily motivated to take insurances.

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