

Compliance of Management Expenses Allowance by Life Insurance Companies in Bangladesh

Sabuj Chandra Bhowmik ACMA¹
Dr. Prahallad Chandra Das FCMA²
Netai Kumar Saha³

Abstract:

The proper management of management expenses affects the operating efficiency of the insurance company as well as its claim settlement capacity. That is why the regulatory bodies enacted the laws to limit the maximum expense an insurance company can incur as its management expense including commission. Compliance with this management expense requirement of listed life insurance companies in Bangladesh is mandatory. This study observed the level of compliance with this legal requirement by five (5) listed insurance companies in Bangladesh. The data were collected for 13 years from 2006 to 2018 from the published annual reports of the companies are used to analyze the compliance level. Five independent variables, i.e. paid-up capital, Total assets, total liabilities, life fund, premium growth have been selected that may affect the overspending of the management expense. It is found that all of the selected companies have paid more (around 21.5% overspend expense) than allowed management expense prescribed by Insurance Act 2010. The study depicts that there is a positive relationship between the overpaid expense and paid-up capital, total assets, life fund, and premium growth but a negative relationship with the total liability. The relationship between the overpaid expense and paid-up capital, total liability life fund and premium growth is statistically significant but the relationship with the total assets is not statistically significant. The adjusted R Square value indicates that about 52% of overspend expense variability can be predicted by our independent variables. In ANOVA analysis, as the F calculated value (11.618) is larger than the critical value (2.58), we can reject the null hypothesis which indicates that the independent variables can significantly explain the dependent variables which are also proved as the p-value is .000 which is lower than 0.05 (level of significance). Proper initiatives should be taken by the company as well as the regulatory bodies to take care and increase interpretation and exposition to minimize this in compliance with management expense in near future by the life insurance companies.

Keywords: Management Expense, Life Insurance, Premium, Claim Settlement, Insurance Act-2010.

Date of Submission: 15-04-2021

Date of Acceptance: 29-04-2021

I. Introduction

Life insurance is usually purchased to protect someone's spouse and children in the event of an unexpected death. Insurers have paid benefits to the family after the death of the insured persons or after the maturity date. Insurers must pay claims presented quickly. So the insurance company must manage profitably and efficiently so that the insurer can easily pay the claims called by the insured family as the family is usually under a hurdle situation due to losing a very important member of it. But, Life insurance management expenses is being increased by the owners to show less profit. And this leads the company to fall at the risk of delaying the claims while such claim settlement is very much crucial for the insured family to sustain in the long run. To protect the benefits of the insured persons, the regulatory bodies enacted some acts and issued some pronouncements for limiting the expenses of management including commission and remuneration in the life insurance business. But, due to such excessive management expense without following the regulatory bodies' pronouncement result in reducing operating income, the company gets the opportunity to pay less tax to the government and it becomes major bad practices in Bangladesh nowadays. But it is harmful to the country, company as well insurance holder general people. That's why this study aims at evaluating the level of

¹ Assistant Professor, Department of Accounting and Information Systems, Jatiya Kabi Kazi Nazrul Islam University, Trishal, Mymensingh 2224, sabujaisdu14@gmail.com

² Associate Professor, Department of Accounting and Information Systems, Jatiya Kabi Kazi Nazrul Islam University, Trishal, Mymensingh-2224, prahalladdas@yahoo.com

³ Assistant Professor, Department of Accounting and Information Systems, Jatiya Kabi Kazi Nazrul Islam University, Trishal, Mymensingh-2224, netaish006@gmail.com

compliance with the regulatory bodies' compliance framework regarding management expenses by life insurance companies in Bangladesh.

This paper has been divided into several segments. In the several segments, some components have been included which includes the relevant literature which has been analyzed to find the compliance related to management expense of life insurance companies, the methodology of the study has been provided, and factors influencing the management expenses based on the earlier study, the findings, and analysis, the summary of finding, recommendation and conclusion have been highlighted.

1.2 OBJECTIVES OF THE STUDY

1.2.1 Main objective:

- I. To find out the compliance level with the management expense requirement of regulatory bodies by life insurance companies.

1.2.2 Specific objective:

- I. To find out the reason behind the compliance or non-compliance with management expense requirements by the life insurance companies.
- II. To suggest some possible recommendations to minimize the non-compliance.

1.3 SIGNIFICANCE OF THE STUDY

Initial premiums are collected by insurance companies in an investment portfolio that generates a return. The income generated from premiums and investments of funds is paid out on the policy. So, the premium collected from the insurance holder is used to generate the income of the company and then used the premium and income from the investment of premium used to pay the claims as well as incur the management expense and earn the income to make the insurance company profitable and sustainable. So the proper management of management expenses through using cost and management accounting techniques and examine those through proper cost audit is important to make the company capable of settling the claims and earning the profit and sustaining in the long run. That's why the regulatory body also enacted some acts to mandate the maximum limit of management expense. But, the insurance companies of Bangladesh for many years cannot settle the claim timely. The overspending of management expenses may be one of the reasons for such incapability. So, it is necessary to find out whether the insurance companies are complying with the maximum level of management expenses or not.

1.4 PROBLEM STATEMENT

Non-compliance with management expense requirements is a major issue for life insurance companies. There might have various reasons for which they don't follow the Insurance Act 2010 in case of management expense. As a result, the company paying a lot of money for management expenses. It increases management expenses decreasing operating performance for the company as they are spending extra money. Sometimes they might spend money from their life fund. These life insurance companies earn money from the life insurance premium. Investment of premium is the main source of generating revenue for a life insurance company. A company is allowed for a maximum limit of management expense for its operation. For various cases, a company may not follow all rules of the insurance act 2010 as a result management expenses may be overstated to show less profit. Less profit of a company generates less tax, as a result, they get more benefit from the company compared with their contribution. But it is harmful to the country, company as well as insurance holder and general people. That is why this research would have been conducted to check the compliance of management expense requirements of life insurance companies situated in Bangladesh. This research includes randomly selected five life insurance companies situated in Bangladesh with thirteen years of their operating activities of each company.

1.5 RATIONALE OF THE STUDY

Life insurance is one kind of business that mainly deals with the risk of people's death. So they need to take care of the insured peoples' fund as it is payable at a specific time for fulfillment of some specific condition. They could not spend peoples' funds unexpectedly. It would be dangerous for the company as well as the people. Companies' performance highly depends on premium paid and management expenses. If there is more management expense than interest revenue from premium investment then it causes operating loss. The capability of settlement of insurance policy also depends on operating profit. So if there is less profit then the company may face problems regarding the repayment of settlements. Some companies may not comply with management expense requirements as they many not running smoothly in Bangladesh in recent years because of excess of manament expense allowed by the insurance act. According to the different news portals, it may be true that they are spending a lot more than the allowed amount. Mainly new companies are not performing in the

prescribed manner. They argued that new life insurance companies need to spend a lot more than their life fund. In addition to the new companies, old companies are not performing better also. So this study is to find out the compliance of management expense requirements of life insurance companies.

1.6 LIMITATIONS OF THE STUDY

This study only checked the compliance of management expense requirements under the Insurance Act 2010. The study did not check other compliances or other acts other than Insurance Act 2010 such as Insurance Act 1938 or Insurance Act 1956. No decision can be taken which is related to terms other than the management expense of the life insurance companies in Bangladesh. The study is limited to only five insurance companies and 10 years study period.

II. Literature Review

In recent years, it is about 2011-16 and some earlier years, majority of the life insurance companies were not able to make a profit. They are even spending life insurance funds including a percent of their capital as management expense. But there is not much literature in the research arena in Bangladesh addressing this issue. According to **Chowdhury M.S.A. (2016)**, The excess management expense over the allowable limit declined to 8.2% from 16.70% over five years from 2011 to 2015. The management expense as a percentage of total premium income also declined to 33.76% in 2015 which was 43.62% in 2011. Though the trend is declining still the percentage of overspending is higher. There not much other literature available on this issue, that's why the research is conducted in an exploratory nature.

III. Methodology

There is only one life insurance Company under the public sector and more than twenty life insurance companies under the private sector. From all of these companies, only five have been selected on a basis of random selection. The main objective of this report is to check the compliance of the management expense of the life insurance companies operating in Bangladesh. Thirteen year's financial reports of each company have been checked for compliance with management expense requirements. Pronouncements as per Insurance Act 2010 and IDRA Act 2010 have been followed to check the compliance. The issues of this report which are looked for are only management expense compliance and factors influencing thereof.

3.1.1 SOURCE OF DATA

This report has been prepared by using secondary data. The secondary data was collected from the website and financial report of the selected life insurance companies operating in Bangladesh.

3.1.2 PERIOD OF STUDY

The data has been collected for ten years from 2006 to 2015. The reason behind choosing this period is the availability of the data.

3.1.3 ANALYSIS OF DATA

The analysis is conducted to the financial reports to find out the compliance of operating expenses of the life insurance companies following the linear regression analysis method.

3.1.4 TOOLS USED

One-way ANOVA, Descriptive analyses, and Post hoc tests (multiple comparisons) have been performed using IBM SPSS v16 to test the compliance of management expense along with some dependent variables.

3.2 VARIABLES

Research performs its activities based on some related variables for a specific research problem. The dependent and independent variables. Some variables are stated below.

3.2.1 Dependent Variable:

Overpaid expense is used as the dependent variable. Overpaid management expense is calculated based on the maximum limit of the management expense set by the regulatory body. The histogram indicates that the observed independent variable is normal which means it is not affected by any outlier.

3.2.2. Independent Variable:

The following variables are considered as the independent variable;

1. **Paid-up Capital:** Paid-up capital is checked to compare the companies among them whether there is an expense difference among the companies based on the equity capital. We consider that a strong capital base may affect the company's management expenses.

2. **Life fund:** A life fund depends on the operating efficiency of the company. As a result, this variable has been taken to check the difference between the companies on their management expense as life fund is different.

3. **Total Assets:** Total assets might affect the management expense of the companies. Long-term assets affect depreciation expense and short-term assets also relevant because it relates with the cost of working capital management. So, It is taken for comparison among the companies.

4. **Total Liabilities:** Total liability might affect the management expense of the companies as the liability may affect interest and relevant expenses.

5. **Premium Growth:** Premium growth depends on the collection of the premium and customer satisfaction. As the premium collection affects the operating activities and availability of the cash of the company, it is relevant to check its effects.

3.3 TECHNIQUES OF DATA ANALYSIS

For descriptive report especially for compliance checking and regression analysis has been rendered by the IBM SPSS v16. Graphs and other statistical tools are also used to explain the data where necessary.

3.4 CONCEPTUAL FRAMEWORK

The overpaid management expense is considered a dependent variable here. The overpaid management expenditure is calculated based on the maximum limit of allowable management expense by the insurance companies act. Here the overpaid expense is calculated as follows;

$$\text{Overpaid Management Expense (Y)} = R - (0.35 * P_1 + 0.10 * P_2 + 0.05 * P_3)$$

Here,

R= Actual Management Expense

P_1 = First Year Premium

P_2 = Second Year Renewal Premium

P_3 = Other Premiums

The management expense includes;

- i. Administrative expenses;
- ii. Commission payments of all kinds;
- iii. Any amount of expense capitalized;
- iv. Proper share of head office expense if the principal place of business is outside Bangladesh.

Five independent variables are used to explain the variability of the overpaid management expense between and within the companies of different years. The dependent and independent variables which do not follow the normal distribution are transferred into logarithmic value to make it normal. To test the normality, histogram graphs were used (see appendix-02). So, the linear regression model with logarithmic transformations would be;

$$Y = \alpha + \beta_1 \log X_{i1} + \beta_2 \log X_{i2} + \beta_3 \log X_{i3} + \beta_4 \log X_{i4} + \beta_5 X_{i5} + \varepsilon_i$$

Here,

α = The Constant

$\beta_i = \beta_1, \beta_2, \beta_3 \dots \dots \dots \beta_n$ = coefficient

X_{i1} = Paid-up Capital

X_{i2} = Total Assets

X_{i3} = Total Liabilities

X_{i4} = Life Fund

X_{i5} = Premium Growth

ε_i = The error term

3.5 HYPOTHESES OF THE STUDY

The hypotheses for this study are;

H_{01} : Life insurance companies do not comply with management expense requirements under the act Insurance Act 2010.

H_{02} : There is no relationship between overpaid expense and paid-up capital

- H₀₃: There is no relationship between overpaid expense and total assets
 H₀₄: There is no relationship between overpaid expense and total liabilities
 H₀₅: There is no relationship between overpaid expense and life fund
 H₀₆: There is no relationship between overpaid expense and premium growth

IV. Data Presentation & Analysis

4.1 ALLOWABLE MANAGEMENT EXPENSES

The Insurance Development and Regulatory Authority (IDRA) has issued a pronouncement following the section 40B, 58, 62, and 148 of Insurance Act 2010 and IDRA Act 2010 limiting the insurance companies from overspending of management expense. As per the pronouncement, the insurance companies are obliged to follow the following limitations of spending a certain percentage of premiums as management expenses;

1. 35% for first year's premium income
2. 10% for the second year's premium income
3. 5% for the other premiums

4.2 DATA ANALYSIS

Based on the above limitation by the act, the data of the dependent variable calculation have been presented in Table 1 and Table 2 of Appendix –I. From the tables, it is observed that all companies paid extra management expenses each year. To compare the study calculated the allowed amount according to the Insurance Act 2010 and the result has been rendered. The allowed amount is being calculated by following the relevant acts. All these five companies have paid more than the allowed amount for each specific operating year. The companies on average spend around 38.5% of their premium as management expense which is around 21.60% higher than the expense allowed i.e average of 17.00% to be spent by the insurance act. So the first null hypotheses H₀₁ cannot be rejected that means Bangladeshi life insurance companies do not comply with management expense requirement under the act of Insurance Act 2010. To perform the statistical test, independent variables have been taken such as paid-up capital, total assets, total liability, life fund, and premium growth of the companies of each year from 2006 to 2018. Information has been collected from the financial statement of the companies which are presented in Table 2 of Appendix – I.

4.2.1. Descriptive Statistics:

Table 2.1: Descriptive Statistics – Linear Regression Analysis

	Mean	Std. Deviation	N
Overpaid Expense	86.31440	34.863794	65
Paid-up Capital	26.82628	28.677875	65
Total Assets	1544.40240	1071.267874	65
Total Liability	62.61764	66.495732	65
Life Fund	1402.76720	929.928672	65
Premium Growth	.1242900	.13048039	65

(Source: Developed by author)

From the descriptive statistics, the study has found that mean of overpaid expense is about to 86 crore taka and the standard deviation is also high that is 34.86 of a total of 65 life insurance companies. Taking overpaid expense as dependent variable other independent variable i.e. company paid-up capital, total liability, total assets, life fund are showing huge deviation.

4.2.2. Regression Analysis:

The study estimates the linear regression coefficients that depict that there is a positive relationship between the overpaid expense and paid-up capital, total assets, life fund, and premium growth but a negative relationship with the total liability. The relationship between the overpaid expense and paid-up capital, total liability life fund and premium growth is statistically significant but the relationship with the total assets is not statistically significant.

Table 2.2 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-186.946	43.912		-4.257	.000
	Paid-up Capital	23.833	10.801	.289	2.207	.033

Total Assets	18.834	24.949	.200	.755	.454
Total Liability	-46.472	14.419	-.481	-3.223	.002
Life Fund	83.315	26.916	.834	3.095	.003
Premium Growth	79.972	36.212	.299	2.208	.032

a. Dependent Variable: Overpaid Expense

(Source: Developed by the author using SPSS v16)

Based on the above regression coefficient, we can develop our model as;

$$Y = -186.946 + 23.833 \log X_{i1} + 18.834 \log X_{i2} - 46.472 \log X_{i3} + 83.315 \log X_{i4} + 79.972 X_{i5} + \epsilon_i$$

The adjusted R Square of the linear regression analysis indicates that about 52% of overspend expense variability can be predicted by our independent variables (Table-2.3).

Table 2.3 Model Summary- Linear Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754 ^a	.569	.520	24.153591

a. Predictors: (Constant), Premium Growth, Total Liability, Paidup Capital, Total Assets, Life Fund

(Source: Developed by the author using SPSS v16)

In ANOVA analysis, as the F calculated value (11.618) is larger than the critical value (2.58), we can reject the null hypothesis which indicates that the independent variables can significantly explain the dependent variables which are also proved as the p-value is .000 which is lower than 0.05 (level of significance).

Table 2.4 ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	33889.300	5	6777.860	11.618	.000 ^a
	Residual	25669.422	59	583.396		
	Total	59558.723	64			

a. Predictors: (Constant), Premium Growth, Total Liability, Paid-up Capital, Total Assets, Life Fund

b. Dependent Variable: Overpaid Expense

(Source: Developed by the author using SPSS v16)

V. Findings, Recommendation & Conclusion

At the stage of globalization, the development of science and technology is growing fast with multinational entities, cross-border investments, and international business activities. In recent years impact of insurance is significant in all stages including business as well as mankind mainly the life of a person. So life insurance companies have a significant influence on society that is why the adoption of compliance requirements is required to keep a balance of all aspects. The Government, business community, regulatory agencies, and particularly the regional professional bodies, are expected to play a more proactive role in this respect.

5.1 FINDINGS OF THE STUDY

On the above calculation, the study has found that all companies paid extra management expenses (average around 86 crore or 21.5% overpaid per year) in all years. To compare, the study calculated the allowed amount according to the Insurance Act 2010 following the rules of the maximum limit of the management expense of 35% for the first year's premium income, 10% for the second year's premium income, and 5% for the next year's premium years. No company follows the compliance requirement of regulatory bodies as all companies have paid more than the allowed amount for each specific operating year compared to the allowed amount. The study depicts that there is a positive relationship between the overpaid expense and paid-up capital, total assets, life fund, and premium growth but a negative relationship with the total liability. The relationship between the overpaid expense and paid-up capital, total liability, life fund, and premium growth is statistically significant but the relationship with the total assets is not statistically significant. And these five independent variables can explain 52% variability of the overpaid expense and this relationship is also statistically significant.

VI. Conclusion And Recommendations

The observed company is not following the compliance requirements pronounced by the regulatory bodies that indicate the deliberate violation of the existing laws in operation. It's one of the many irregularities and poor corporate governance by the insurance companies. The Bangladesh government had issued a Gazette in June 2014 identifying the problems in this risk-minimizing sector of the company. Align with the guidelines provided in that Gazette; the following steps can be taken into consideration to ensure good governance and compliance with the laws. Based on the outcome above, the study hereby recommends thus;

1. The cost and management audit by professional Cost and Management Accountants should be mandated to minimize the management expense;
2. Proper training should be provided to the employee for improving their performance;
3. Electronic control mechanism and information sharing systems should be installed to provide restrictions on overspending;
4. Proper expenditure budgeting should be developed at the beginning of the period so that budgetary control can be ensured;
5. Insurance Development and Regulatory Authority should ensure more monitoring over the insurance and capital punishment should be ensured to those frequently violating the acts.
6. Public disclosures and proper accounting standards should be developed to ensure the international standards of the financial statements of the insurance companies.
7. Proper corporate governance should be ensured through monitoring by establishing a separate good governance cell under the supervision of IDRA.

References

- [1]. Chowdhury M.S.A.(2016), The Life Insurance Companies in Bangladesh is in Solvency Crisis, *Financial Express*, Dhaka.
- [2]. Insurance Act- 2010. (c.2). Dhaka: Legislative and Parliamentary Affairs Division, Ministry of Law, Government of the People's Republic of Bangladesh.
- [3]. Annual Report
- [4]. Delta Life Insurance company Ltd., Financial report, (Reporting Year 2006 to 2018).
- [5]. Meghna Life Insurance company Ltd., Financial report, (Reporting Year 2006 to 2018).
- [6]. National Life Insurance company Ltd., Financial report, (Reporting Year 2006 to 2018).
- [7]. Popular Life Insurance company Ltd., Financial report, (Reporting Year 2006 to 2018).
- [8]. Sandhani Life Insurance company Ltd, Financial report, (Reporting Year 2006 to 2018).

Appendix-I

Table 1: Calculation of allowed management expense

Delta Life Insurance

Reporting Year	First Year Premium	Allowed 35%	2nd Year Renewal	Allowed 10%	Other Premium	Allowed 5%	Total Allowed	%
2006	85.40	29.89	207.06	20.71	10.98	0.55	51.15	16.86
2007	82.30	28.81	245.00	24.50	13.89	0.69	54.00	15.83
2008	95.32	33.36	266.79	26.68	21.40	1.07	61.11	15.93
2009	107.37	37.58	300.84	30.08	30.64	1.53	69.20	15.77
2010	120.45	42.16	327.00	32.70	35.70	1.79	76.64	15.86
2011	128.32	44.91	339.21	33.92	33.64	1.68	80.52	16.07
2012	81.07	28.37	386.19	38.62	41.42	2.07	69.06	13.58
2013	83.58	29.25	403.38	40.34	47.73	2.39	71.98	13.46
2014	100.04	35.01	408.94	40.89	35.45	1.77	77.68	14.27
2015	106.58	37.30	413.10	41.31	38.56	1.93	80.54	14.43
2016	122.65	42.93	420.83	42.08	45.18	2.26	87.27	14.83
2017	131.67	46.08	442.89	44.29	50.54	2.53	92.90	14.86
2018	139.51	48.83	458.85	45.89	65.65	3.28	98.00	14.76

Meghna Life Insurance

Compliance of Management Expenses Allowance by Life Insurance Companies in Bangladesh

Reporting Year	First Year Premium	Allowed 35%	2nd Year Renewal	Allowed 10%	Other Premium	Allowed 5%	Total Allowed	%
2006	58.26	20.39	89.84	8.98	0.35	0.02	29.39	19.80
2007	64.87	22.70	118.81	11.88	0.59	0.03	34.62	18.79
2008	78.31	27.41	152.3	15.23	0.65	0.03	42.67	18.45
2009	89.96	31.49	177.03	17.70	0.88	0.04	49.23	18.38
2010	111.17	38.91	225.49	22.55	1.22	0.06	61.52	18.21
2011	125.93	44.08	265.51	26.55	1.34	0.07	70.69	18.00
2012	104.46	36.56	294.97	29.50	0.99	0.05	66.11	16.51
2013	128.4	44.94	295.58	29.56	1.33	0.07	74.56	17.53
2014	139.86	48.95	300.74	30.07	2.55	0.13	79.15	17.86
2015	118.8	41.58	313.71	31.37	2.64	0.13	73.08	16.79
2016	106.12	37.14	315.18	31.52	2.96	0.15	68.81	16.22%
2017	101.76	35.62	323.79	32.38	3.05	0.15	68.15	16.09%
2018	102.65	35.93	327.03	32.70	3.23	0.16	68.79	15.89%

National Life Insurance

Reporting Year	First Year Premium	Allowed 35%	2nd Year Renewal	Allowed 10%	Other Premium	Allowed 5%	Total Allowed	%
2006	784.2	274.47	2350.53	235.05	26.07	1.30	510.83	16.16
2007	81.906	28.67	268.534	26.85	3.344	0.17	55.69	15.74
2008	102.483	35.87	301.072	30.11	3.365	0.17	66.14	16.25
2009	127.638	44.67	340.148	34.01	40.5	2.03	80.71	15.88
2010	181.329	63.47	421.052	42.11	46.53	2.33	107.90	16.63
2011	171.995	60.20	454.845	45.48	0	0.00	105.68	14.43
2012	188.762	66.07	508.174	50.82	0	0.00	116.88	16.63
2013	196.131	68.65	535.5	53.55	0	0.00	122.20	16.79
2014	200.205	70.07	556.884	55.69	6.96	0.35	126.11	16.51
2015	200.015	70.01	575.034	57.50	6.54	0.33	127.84	16.36
2016	202.21	70.77	601.55	60.16	7.30	0.37	131.30	16.19
2017	217.47	76.11	645.04	64.50	8.61	0.43	141.04	16.19
2018	250.53	87.69	705.69	70.57	9.91	0.50	158.76	16.43

Popular Life Insurance

Reporting Year	First Year Premium	Allowed 35%	2nd Year Renewal	Allowed 10%	Other Premium	Allowed 5%	Total Allowed	%
2006	138.46	48.46	86.67	8.67	0	0.00	57.13	25.38
2007	134.89	47.21	167.05	16.71	0	0.00	63.92	21.17
2008	152.96	53.54	240.28	24.03	0	0.00	77.56	19.72
2009	155.76	54.52	307.27	30.73	0	0.00	85.24	18.41

Compliance of Management Expenses Allowance by Life Insurance Companies in Bangladesh

2010	151.04	52.86	389.15	38.92	0	0.00	91.78	16.99
2011	154.26	53.99	450.62	45.06	0	0.00	99.05	16.37
2012	154.82	54.19	506.77	50.68	0	0.00	104.86	15.85
2013	155.43	54.40	485.55	48.56	0	0.00	102.96	16.06
2014	161.33	56.47	500.85	50.09	0	0.00	106.55	16.09
2015	170.00	59.50	500.01	50.00	0.10	0.00	109.50	16.34
2016	250.06	87.52	350.36	35.04	0.16	0.00	122.56	20.41
2017	275.49	96.42	225.55	22.56	0.12	0.00	118.98	23.75
2018	559.06	195.67	244.81	24.48	0.11	0.00	220.15	27.39

Sandhani Life Insurance

Reporting Year	First Year Premium	Allowed 35%	2nd Year Renewal	Allowed 10%	Other Premium	Allowed 5%	Total Allowed	%
2006	66.1	23.14	68.77	6.88	0.32	0.02	30.03	22.21
2007	64.53	22.59	106.5	10.65	0.38	0.02	33.25	19.40
2008	64.8	22.68	125.22	12.52	0.37	0.02	35.22	18.50
2009	75.08	26.28	144.89	14.49	0.48	0.02	40.79	18.50
2010	83.28	29.15	166.76	16.68	0.9	0.05	45.87	18.28
2011	92.68	32.44	169.41	16.94	1.17	0.06	49.44	18.78
2012	50.19	17.57	193.03	19.30	1.7	0.09	36.95	16.43
2013	57.63	20.17	176.92	17.69	2.4	0.12	37.98	16.03
2014	65.21	22.82	155.2	15.52	2.21	0.11	38.45	17.27
2015	68.08	23.83	146.02	14.60	2.19	0.11	38.54	17.77
2016	60.13	21.05	119.42	11.94	1.50	0.08	33.07	18.26
2017	60.47	21.16	120.10	12.01	1.52	0.08	33.25	18.26
2018	44.13	15.45	111.08	11.11	1.58	0.08	26.64	16.99
Average Allowed Management Expense by Five Companies								17.00

Table 2: Summary of premium income and total management expense (Taka in Crore unless other is mentioned):

Year	Premium Income	Allowed Management Expense *	Actual Management Expense	Actual Expense * (%)	Overpaid Expense	Overpaid Expense * (%)	Remark
Delta Life Insurance							
2006	303.44	51.15	108.22	35.66%	57.07	18.81%	Overpaid
2007	341.19	54.00	112.54	32.98%	58.54	17.16%	Overpaid
2008	383.51	61.11	123.95	32.32%	62.84	16.39%	Overpaid
2009	438.85	69.20	143.78	32.76%	74.58	16.99%	Overpaid
2010	483.25	76.64	163.14	33.76%	86.50	17.90%	Overpaid
2011	501.17	80.52	171.89	34.30%	91.37	18.23%	Overpaid

Compliance of Management Expenses Allowance by Life Insurance Companies in Bangladesh

2012	508.68	69.06	140.78	27.68%	71.72	14.10%	Overpaid
2013	534.69	71.98	156.78	29.32%	84.80	15.86%	Overpaid
2014	544.43	77.68	153.54	28.20%	75.86	13.93%	Overpaid
2015	558.24	80.54	152.69	27.35%	72.15	12.92%	Overpaid
2016	588.66	87.27	169.86	28.86%	82.59	14.03%	Overpaid
2017	625.10	92.90	171.35	27.41%	78.45	12.55%	Overpaid
2018	664.01	98.00	181.27	27.30%	83.27	12.54%	Overpaid
Meghna Life Insurance							
2006	148.45	29.39	64.34	43.34%	34.95	23.54%	Overpaid
2007	184.27	34.62	76.23	41.37%	41.61	22.58%	Overpaid
2008	231.26	42.67	94.35	40.80%	51.68	22.35%	Overpaid
2009	267.87	49.23	114.91	42.90%	65.68	24.52%	Overpaid
2010	337.88	61.52	144.11	42.65%	82.59	24.44%	Overpaid
2011	392.78	70.69	164.06	41.77%	93.37	23.77%	Overpaid
2012	400.42	66.11	161.86	40.42%	95.75	23.91%	Overpaid
2013	425.31	74.56	174.11	40.94%	99.55	23.41%	Overpaid
2014	443.15	79.15	176.74	39.88%	97.59	22.02%	Overpaid
2015	435.15	73.08	158.38	36.40%	85.30	19.60%	Overpaid
2016	424.26	68.81	144.05	33.95%	75.24	17.73%	Overpaid
2017	428.61	68.15	133.74	31.20%	65.59	15.30%	Overpaid
2018	432.91	68.79	123.50	28.53%	54.71	12.64%	Overpaid
National Life Insurance							
2006	316.08	51.08	107.54	34.02%	51.08	16.16%	Overpaid
2007	353.78	55.69	115.12	32.54%	55.69	15.74%	Overpaid
2008	406.92	66.14	130.90	32.17%	66.14	16.25%	Overpaid
2009	508.29	80.71	153.45	30.19%	80.71	15.88%	Overpaid
2010	648.91	107.90	198.26	30.55%	107.90	16.63%	Overpaid
2011	732.18	105.68	200.09	27.33%	105.68	14.43%	Overpaid
2012	702.86	116.88	210.09	29.89%	116.88	16.63%	Overpaid
2013	727.86	122.20	223.88	30.76%	122.20	16.79%	Overpaid
2014	764.04	126.11	231.02	30.24%	104.91	13.73%	Overpaid
2015	781.58	127.84	240.39	30.76%	112.55	14.40%	Overpaid
2016	811.06	131.30	247.11	30.47%	115.81	14.28%	Overpaid
2017	871.11	141.04	272.60	31.29%	131.56	15.10%	Overpaid
2018	966.14	158.76	298.58	30.90%	139.82	14.47%	Overpaid
Popular Life Insurance							
2006	225.13	57.13	125.05	55.55%	67.92	30.17%	Overpaid
2007	301.94	63.92	141.66	46.92%	77.74	25.75%	Overpaid
2008	393.24	77.56	175.66	44.67%	98.10	24.95%	Overpaid
2009	463.03	85.24	200.67	43.34%	115.43	24.93%	Overpaid
2010	540.19	91.78	239.09	44.26%	147.31	27.27%	Overpaid
2011	604.95	99.05	270.76	44.76%	171.71	28.38%	Overpaid
2012	661.78	104.86	280.14	42.33%	175.28	26.49%	Overpaid
2013	641.03	102.96	258.25	40.29%	155.29	24.23%	Overpaid
2014	662.31	106.55	252.83	38.17%	146.28	22.09%	Overpaid
2015	670.11	109.50	244.37	36.47%	134.87	20.13%	Overpaid
2016	600.57	122.56	255.56	42.55%	133.00	22.15%	Overpaid
2017	501.04	118.98	247.45	49.39%	128.47	25.64%	Overpaid
2018	803.87	220.15	506.05	62.95%	285.90	35.57%	Overpaid
Sandhani Life Insurance							
2006	135.19	30.03	70.69	52.29%	40.66	30.08%	Overpaid
2007	171.41	33.25	75.29	43.92%	42.04	24.53%	Overpaid
2008	190.40	35.22	78.07	41.00%	42.85	22.51%	Overpaid
2009	220.45	40.79	95.84	43.47%	55.05	24.97%	Overpaid
2010	250.94	45.87	111.99	44.63%	66.12	26.35%	Overpaid
2011	263.26	49.44	141.11	53.60%	91.67	34.82%	Overpaid
2012	224.92	36.95	103.19	45.88%	66.24	29.45%	Overpaid
2013	236.95	37.98	100.99	42.62%	63.01	26.59%	Overpaid
2014	222.62	38.45	101.23	45.47%	62.78	28.20%	Overpaid
2015	216.92	38.54	90.86	41.89%	52.32	24.12%	Overpaid

Compliance of Management Expenses Allowance by Life Insurance Companies in Bangladesh

2016	181.05	33.07	76.29	42.14%	43.22	23.87%	Overpaid
2017	182.09	33.25	74.89	41.13%	41.64	22.88%	Overpaid
2018	156.79	26.64	55.34	35.30%	28.70	18.30%	Overpaid
Mean		17.00%*		38.50%		21.50%	

Table 3: Independent variables

Year	Paid-up Capital	Total Assets	Total Liability	Life Fund	Premium Growth
Delta Life Insurance					
2006	4.50	1125.12	35.94	1032.88	17.84%
2007	4.50	131.25	36.99	1198.66	12.44%
2008	4.50	1469.60	39.78	1342.47	12.40%
2009	4.50	1750.29	47.55	1613.59	14.42%
2010	4.50	2158.87	51.29	2013.06	10.13%
2011	4.50	2465.18	53.25	2328.20	3.70%
2012	4.50	2771.73	32.93	2633.16	1.50%
2013	99.00	3088.88	83.59	2805.18	5.11%
2014	123.75	3768.23	110.39	3082.92	1.82%
2015	123.75	3845.96	111.93	3302.94	2.54%
2016	123.75	4065.31	142.25	3470.25	5.45%
2017	123.75	4375.65	187.12	3674.22	6.19%
2018	123.75	4392.57	224.22	3829.67	6.22%
Meghna Life Insurance					
2006	7.5	242.10	18.42	201.33	38.62%
2007	7.5	342.84	21.85	294.23	24.12%
2008	9.37	474.73	21.92	415.90	25.50%
2009	12.18	618.81	28.11	550.57	15.82%
2010	16.45	834.50	40.69	743.94	26.10%
2011	23.03	1005.41	38.25	900.16	16.24%
2012	23.03	1163.33	54.15	1047.14	1.94%
2013	23.03	1348.83	75.82	1208.46	6.21%
2014	25.33	1470.30	71.23	1340.67	4.19%
2015	30.41	1517.94	57.73	1377.30	(1.83%)
2016	31.93	1592.16	65.35	1468.99	(2.50%)
2017	33.52	1697.98	78.65	1563.46	1.02%
2018	33.52	1838.55	87.34	1686.73	1.00%
National Life Insurance					
2006	6.46	857.43	56.35	713.50	18.06%
2007	7.76	1076.20	63.93	908.20	11.93%
2008	9.31	1314.09	78.65	1140.44	15.02%
2009	13.97	1628.59	98.93	1403.92	15.95%
2010	21.65	2042.24	128.40	1763.05	28.65%
2011	34.65	2382.47	133.35	2068.72	4.14%
2012	38.11	2791.99	155.92	2418.68	11.18%
2013	49.55	3236.66	222.64	2768.39	4.98%
2014	68.38	3636.31	299.06	3030.23	3.55%
2015	68.38	3766.19	327.785	3135.20	2.30%
2016	82.06	3977.52	347.98	3235.64	3.77%
2017	94.37	4108.45	388.76	3290.77	7.40%
2018	108.52	4262.77	412.54	3461.56	10.91%
Popular Life Insurance					
2006	7.50	209.69	8.99	193.19	64.82%
2007	7.50	380.50	8.16	364.83	34.12%
2008	9.00	630.07	12.98	608.08	30.24%
2009	11.34	947.95	15.44	921.17	17.75%
2010	15.30	1321.69	42.92	1263.46	16.69%
2011	20.97	1672.28	25.92	1625.38	11.96%
2012	29.36	2123.59	22.96	2071.26	9.39%
2013	30.83	2540.33	30.09	2479.41	-3.14%
2014	43.16	2877.46	32.59	2801.74	3.32%
2015	60.43	2925.39	29.70	2820.62	1.18%
2016	60.05	2672.33	76.54	2505.30	-
2017	50.12	2533.29	109.71	2286.55	-
2018	80.40	1970.06	67.26	1787.66	-
Sandhani Life Insurance					
2006	4.76	197.65	12.47	165.72	20.58%
2007	5.71	296.47	15.61	256.13	26.79%
2008	7.14	412.77	16.44	367.12	11.08%
2009	9.64	621.03	24.87	504.26	15.78%
2010	13.98	794.73	35.05	655.65	13.83%

Compliance of Management Expenses Allowance by Life Insurance Companies in Bangladesh

2011	20.69	903.73	30.71	749.45	4.91%
2012	30.62	1016.75	48.35	816.51	-14.56%
2013	39.80	1108.21	54.20	883.11	5.35%
2014	49.59	1119.03	33.30	902.41	-6.05%
2015	49.95	794.73	33.31	905.77	-2.84%
2016	76.18	1082.37	35.60	860.73	-
2017	91.42	1113.96	36.27	851.76	-
2018	109.70	1096.80	41.08	837.27	-