



Research Paper

## Who Is the Better Insurer: The Dilemma of Loyios School

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Received 15 October, 2014; Accepted 30 October, 2014 © The author(s) 2014. Published with open access at [www.questjournals.org](http://www.questjournals.org)

**ABSTRACT:** This case deals with two counter proposals offered to an organization by two competing insurance companies. The case will expose the students to health insurance packages and also allow them to use their financial analysis capacity. Further, the case will expose the students to negotiations that take place between insurers and the insured company, and how intelligent maneuvering by managers of the insured company can secure a better deal for the company. The case is situated in a Developing nation setting; so the practices by insurance companies, as far as group health insurance is concerned in such a setting, will also be exposed to the students. The case is aimed at intermediate level undergraduate students and beginner level MBA students.

**Keywords:** Health Insurance, Management Cases, Financial Analysis, HR Manager, Emerging Nations

It was a hot afternoon in Dhaka, Bangladesh. Prionti Haq, the HR Officer of Loyios School, was deeply absorbed in her thoughts regarding the latest of the many problems that she had to solve over the year. 2012 so far had been a hectic year, and the month of October was not proving any different. This time the problem was regarding employee insurance. As usual, the CEO wanted some analysis and a recommended course of action within the next week.

### I. LOYIOS SCHOOL

Loyios was a highly prestigious international and co-educational day school founded in 1999. The school could accommodate students from Playgroup to Grade 12 and provided a high-quality international education for both the local and the international community. This International Baccalaureate World School was offering a well-established, successful and an internationally recognized curriculum for children aged 2-19. By the middle of 2012 the number of students was 704 in total. Of them, 396 were male and 308 were female. The programs were divided into three categories - IB Primary Years Program (PYP), IB Middle Years Program (MYP) and IB Diploma Program (DP). The school had a total of 218 employees comprising of 153 local and 85 expatriate employees.

### II. ANTHONY GOMES

Anthony Gomes was the CEO of Loyios School. Gomes had a degree in Economics and Politics from Cambridge University and after completing his education in 1967 he joined the world of business. After working in North America for ten years, he spent seventeen years in Asia where, in addition to his business responsibilities, he actively participated in school governance, new school development and advisory bodies on education. He had been Board Chair at various international schools in South and South East Asia. He came to Bangladesh in August 2010 to take over the responsibility of CEO of Loyios School. Although Anthony was a friendly person, when it came to professional work he was very firm in his approach. He was instrumental in introducing a new salary scale for all local staff and an overall expansion of school activities involving the present students as well as the alumni. In general, his colleagues found him to be an excellent mentor and admired him for his visionary approach.

### III. PRIONTI HAQ

Prionti, a business graduate, had been working in Loyios from February, 2010 as the HR Officer. With her HR background she practiced the daily HR roles in the organization that covered a broad range of HR activities including working with the senior management to create HR policies and procedures. Updating

medical insurance and registration for both expatriate and local staff and liaising with the concerned companies regarding insurance matters was one of her key tasks. The current assignment came in her way due to this specific role. Prionti was an easy going person and had a good understanding with the CEO. She played a key role in successfully organizing the first extensive local staff training program, introducing transports for the local staff, and writing the ‘employees’ manual’ for Loyios.

#### IV. THE MEDICAL INSURANCE PLAN AT LOYIOS

Although Loyios started its operation back in 1999, they went for the insurance plans for its local staff in 2005 with Sunshine Life Insurance Company. During that period Loyios had only a few local employees. With the hospital costs in mind, the insurance company offered a deal to Loyios, which was in sync with the competitive market price. The plan included the maternity premium as well. The contract with Sunshine Life Insurance was signed on 15<sup>th</sup> December 2005. The coverage is detailed in Table 1 –

Plan	All executive & Non-executive
Maximum Benefit per member per disability	BDT <sup>1</sup> 200,000
Room Rent	BDT 2,000
ICU <sup>2</sup> Limit	14 days
Maternity Benefit for pregnancy:	Normal Delivery: BDT 15,000
	Caesarian: BDT 35,000
	Miscarriage/legal Abortion: BDT 7,500
Hospitalization Premium per Person per Year	Up to age 60: BDT 2,750 Age 60-65 : BDT 4,125

Table 1: Insurance coverage provided by Sunshine Life Insurance from 2005

This plan remained acceptable to Loyios till recently. However, with time, the cost of living increased, and there was an automatic reflection on the hospital costs. By 2012, the number of local employees of Loyios increased to a sizeable 153 of which almost 65% were married female. When an employee got hospitalized, s/he received a large bill, but when asked for the reimbursement from the insurance company, s/he would generally receive a very little amount. This made the employees very dissatisfied. In view of the changed circumstances Loyios decided to review the current insurance plan. They asked for a fresh offer from Sunshine Life Insurance. Prionti was asked by the CEO to prepare an initial proposal which would be used for negotiations with Sunshine.

#### V. THE PROPOSAL AND THE COUNTER OFFERS

Prionti did her research and came up with a new plan which would be equally beneficial for the two levels of employees they had in their organization, the executive and the non-executive ones. She then asked Sunshine Life Insurance whether they could provide Loyios with the plan as shown in Table 2. She was also interested to know what would be the premium that would be charged for this plan.

Plan	Non-Executive	Executive
Maximum Benefit per member per disability	DT. 150,000/-	BDT. 300,000/-
Room Rent	BDT. 3,000/-	BDT. 7,500/-
ICU Limit	15 days	15 days
All inpatient treatment expenses	BDT. 90,000/-	BDT. 180,000/-
Maternity Benefit for pregnancy:		
Normal Delivery	BDT. 20,000/-	BDT. 30,000
Caesarian	BDT. 40,000/-	BDT. 60,000/-
Miscarriage/legal Abortion	BDT. 15,000/-	BDT. 20,000/-

Table 2: New proposal from Loyios School in 2012

A few days later Sunshine Life Insurance came out with a counter offer. The plan from Sunshine was as shown in Table 3.

<sup>1</sup> Bangladeshi Taka

<sup>2</sup> Intensive Care Unit

Plan	Non-Executive	Executive
Maximum Benefit per member per disability	BDT. 150,000	BDT. 200,000
Room Rent	BDT. 3,000	BDT. 8,000
ICU Limit	14 days	14 days
All inpatient treatment expenses	BDT. 100,000	BDT. 150,000
Maternity Benefit for pregnancy:		
Normal Delivery	BDT. 20,000	BDT. 20,000
Caesarian	BDT. 40,000	BDT. 40,000
Miscarriage/legal Abortion	upon discussion	upon discussion
Hospitalization Premium per Person per Year	BDT. 3,750	BDT. 9,825
	Age 60-65: Upon Discussion	Upon Discussion

**Table 3: Counter proposal from Sunshine Life Insurance in 2012**

Sunshine also informed that an additional charge on the premium will be added for the maternity benefit. This plan was not accepted by the Loyios authority. So Prionti decided to explore the competitive market. She found out another Insurance company, Bangla Life Insurance, who were trying to capture the market and would adjust with the client's requirements. So, she contacted Bangla Life and asked what would be their premium according to Loyios' needs.

Bangla Life Insurance informed they would provide the exact plan Prionti proposed. They would charge a premium per person per year for Non-Executive and Executive category at BDT 3,650 and BDT 5,910 respectively. For the age group 60-65; the premium would be BDT 5,110 and BDT 8,270 respectively. There would also be an additional premium for the maternity benefit which would be BDT 4,850 for non-executive employees and BDT 6,550 for executive employees. Prionti was happy with this offer. However, she decided that she would give Sunshine another chance (as they were working with Loyios for the last seven years) and shared with them the offer from Bangla Life Insurance. Sunshine realized they had to provide Loyios with a better offer, or else they would lose an important account as Loyios. As a result, Sunshine also accepted Loyios' initial proposal and offered that the rate of premium per person per year at BDT 4,250 for non-executive employees and BDT 9,500 for executive employees. To sweeten the deal, they also added that there will be no difference between the premium for employees aged 60 to 65 and that of the others. In addition, they will not charge any additional premium for availing the maternity benefits.

Prionti was quite happy with her negotiation skills as both the offers were much better than what was initially offered by Sunshine. However, she had to recommend one of the options to the Board later this week. She finished her preliminary assessment by the end of the afternoon and decided to do a final comprehensive analysis in the following morning. For now the priority was to start for home as it was already getting darker and if she made any further delay the notorious traffic jam of Dhaka city will take its full toll on her travel time.

### DISCUSSION QUESTIONS

- [1]. How prudent a decision it may have been for Sunshine to offer the same premium for employees of different age groups?
- [2]. Evaluate the stated scenario and come up with a recommendation on which of the policies Prionti should propose to the management.
- [3]. What are the major factors that should have been considered by Prionti to choose one policy over another?
- [4]. What role could the maternity benefit play in the decision making criteria?

**Auto-Biography:** Shawkat Kamal is currently working as an Associate Professor of Strategy at the Business Department at Green University of Bangladesh. He holds a BBA and an MBA degree in Finance from the Institute of Business Administration, University of Dhaka. He later obtained his M.Sc. in Business (Strategy & Policy) from the National University of Singapore.