

**Course: Project Work**

**Course code: BUS 498**

**Spring-2010**

**Project Work**

On

**An Appraisal of United Insurance Company Ltd**

**Prepared For**

Dr. Tanbir Ahmed Chowdhury

Professor

Department of Business Administration

East West University

**Prepared By**

Moshaddak Hossain

ID# 2006-2-10-022

**Date of Submission**

April 18, 2010



**EAST WEST UNIVERSITY**



18 April, 2010

Moshaddak Hossain

ID# 2006-2-10-022

Student of East West University

43, Mohakhali, Dhaka-1212

**Sub: Letter of authorization.**

Dear Student

Would you please make a project paper on **“An Appraisal of United Insurance Company”**. Since you are very industrious that’s why I want to give your team the responsibility to make this report.

You should be very conscious about any task. You will be able to make this report as a perfect one. Please make the report understanding and live for the reader and include the recent information of activities. I am assuring that the university authority will help you for any purpose if you need.

Please have the report to me by April 18, 2010 if at all possible. I hope our budget will cover the cost of any expenses incurred in the presentation of the report.

You are most welcome to contact with us if you need any further information.

Thanking Yours

-----

Dr. Tanbir Ahmed Chowdhury

Professor

Department of Business Administration

East West University

April 18, 2010

Dr. Tanbir Ahmed Chowdhury  
Professor  
Department of Business Administration  
East West University  
43 Mohakhali, C/A Dhaka – 1212.

Subject: **Submission of Project Work**

Dear Sir,

It is of great admiration and delight to me to present you my research paper prepared as a part of the BUS-498 (Project Work). The entire duration of preparing this report has been enormously helpful to me, giving me a golden opportunity to look outside the regular classroom and move to the real world. A lot of lessons were learnt and a vast amount experience was gained. Developing interpersonal skills, taking formal notes and of course handling each and every detail with a professional attitude were just to name a few. Truly this will help me in my future life, solving more complex situations and problems and also building a good observation trait for business planning.

I would once again like to express my sense of gratitude towards you for giving me this opportunity and sincerely hope that my report would give you immense satisfaction. I will always be available to respond to any queries that you may have in this regard.

Thank you.

Sincerely yours

*Moshaddak Hossain*.....

Moshaddak Hossain

(2006-2-10-022)

## Table of Content

Chapter	Title	Page No.:
Chapter: 1	Acknowledgement	1
	Executive Summary	2
	Introduction	3-12
	1. Concepts of Insurance	3
	1. 1 Background of insurance business in Bangladesh	
	1.1.1 Origin of insurance in Bangladesh	4
	1.1.2 Historical Background of insurance Industry in Bangladesh	5-7
	1.1.3 Present position of Insurance Business in Bangladesh	8
	1.2 Objective of the report:	9
	1.3 Scope:	9
	1.4 Methodology:	10
	1.5 Limitation of the Study	10
	1.6 Definitions & Acronyms	11-12
Chapter: 2	Appraisal of Principle Activities of United Insurance Company Ltd	13-26
	2.1. An Overview of United Insurance Company	13-14
	2.1.1. History of United Insurance Company Ltd.	15
	2.1.2. Structure of Board	15
	2.1.3. Zonal Office and Branches	16
	2.2. Principal Functions of United Insurance Company Ltd.	
	2.2.1 Marine Insurance Policy	16
	2.2.2 Fire Insurance Policy	17
	2.2.3 Machinery Breakdown Policy	18
	2.2.4 Boiler & Pressure Vessel Policy	18
	2.2.5 Motor Insurance Policy	19
	2.2.6 Consequential Loss	20
	2.2.7 Contractor's All Risk Policy	20
	2.2.8 Erection All Risk Policy	21
	2.2.9 Deterioration of Stock Policy	22
	2.2.10 Fidelity Guarantee Policy.	23
	2.2.11 Dread Disease Policy	23
2.2.12 Miscellaneous Insurance	23	
2.2.13 Health Plan Scheme	24	
2.3 Number of Employees	25	
2.4 Expenditure	26	



	<b>Analysis of the Financial Performance of the United Insurance Ltd.</b>	<b>27-45</b>
<b>Chapter: 3</b>	3.1 Capital Structure of United Insurance Company	27
	3.2 D/E Ratio of United Insurance Company Ltd	28-29
	3.3 Growth of Asset	30
	3.4 Net Income After Tax	31
	3.5 Premium Income	32
	3.6 Amount of Investment	33
	3.7 Income from Investment	34
	3.8 Comparison between Premium and Investment	35
	3.9 Amount of Net Claim Settlement	36
	3.10 Amount of Expenditure	37
	3.11 Return On Asset	38
	3.12 Net Asset Per Share	39
	3.13 Earnings Per Share	40
	3.14 P/E Ratio	41
	3.15 Market and Book value Per Share	42
	3.16 Dividend Per Share	43
	3.17 Bonus Share	44
	3.18 Findings from the analysis	45
<b>Chapter: 4</b>	<b>Problems of United Insurance Company Ltd.</b>	<b>46-47</b>
	Suggestions for United Insurance Company Ltd.	48
<b>Chapter: 5</b>	<b>Conclusion</b>	<b>49</b>
	References	50

## List of Tables and Charts:

### List of Tables

<b>Table No. and Table Name</b>	<b>Page no.:</b>
1. Number of Employees	25
2. Expenditure	26
3. Capital Structure of United Insurance Company	27
4. D/E Ratio of United Insurance Company Ltd	28
5. Growth of Asset	30
6. Net Income After Tax	31
7. Premium Income	32
8. Amount of Investment	33
9. Income from Investment	34
10. Amount of Net Claim Settlement:	36
11. Amount of Expenditure	37
12. Return On Asset	38
13. Net Asset Per Share	39
14. Earnings Per Share	40
15. P/E Ratio	41
16. Market and Book value Per Share	42
17. Dividend Per Share	43
18. Bonus Share	44

### List of Charts:

<b>Chart No. and Chart Name</b>	<b>Page No.:</b>
1. Authorized capital, paid-up capital and reserve fund of UICL.	27
2. D/E Ratio	29
3. Growth of Asset	30
4. Net Income After Tax	31
5. Premium Income	32
6. Amount of Investment	33
7. Income from Investment	34
8. Premium Income and Amount of Investment of UICL	35
9. Amount of Net Claim Settlement	36
10. Amount of Expenditure	37
11. Return on Asset of United	38
12. Net Asset per share	39
13. EPS of United Insurance Company Ltd.	40
14. P/E Ratio	41
15. Market and Book value per share	42

# Chapter: 1

## Introduction





## **Acknowledgements**

I am very much pleased to complete the research paper under the supervision of Dr. Tanbir Ahmed Chowdhury. In this particular research paper I tried to evaluate the performance of United Insurance Company Ltd. During the research work many respondents, professionals; employees of the company helped me in a gear deal. I am very much obliged to those persons who gave their valuable time in the opinion and advice to complete this report. My profound gratification goes to Dr. Tanbir Ahmed Chowdhury the honorable supervisor of my financial research for his supervision to complete the report successfully. Not only this, he has also contributed much in this project by giving me proper guideline and his own writings. Then, I would like to thank him for sharing the required information about different perspective to complete this Project paper. I am also acknowledging to all of those web sites, newspapers and magazines from which I have taken necessary helps. My gratitude also goes to some senior students for their guidance in various stages of completing the report and my dear friends and classmates for their ingenious advices and supports. Finally, I am pleased to complete the report on the given subject properly and authentically.

## **Executive Summary**

Insurance is a contract of indemnity under which insurance company agrees to pay a certain sum of money to compensate loss caused by the occurrence of uncertain event in consideration of certain periodical payment i.e. premium. Essentials of Insurable Interest there must be property, rights, interest, life or liability developing upon the insured capable of being covered, such property, rights, interest, life or liability must be the subject matter of the insurance, the insured must bear some relationship recognized by law, to the subject matter. Insurance is not new business in Bangladesh. Almost a century back, during British rule in India, some insurance companies started transacting business, both life and general, in Bangal. United Insurance Company Ltd. (UICL) is a Public Limited General Insurance Company (Non-Life) maintaining the traditional values of insurance business since commencement in 1985. The Company transacts a wide range of General Insurance business in Bangladesh including Health Plan Scheme and has gradually developed goodwill and expertise in the field with sound and stable financial position. Though United Insurance Company has very prospect in the insurance industry as well as in the economy but for some reasons it's failed to achieve its goal.

## **Introduction**

Insurance companies provide insurance policies to individuals and firms that reduce the financial burden associated with death, illness and damage to property. They charge premiums in exchange for the insurance that they provide. They invest the funds that they receive in the form of premiums until the firms are needed to cover insurance claims. Insurance companies commonly invest the funds in stocks or bonds issued by corporations or in bonds issued by the government. In this way, they finance the needs of deficit units and thus serve as important financial intermediaries. Their over all performance is linked to the performance of the stocks and bonds in which they invest.

The Insurance Market in Bangladesh now consists of two state-owned corporations, 43 and 17 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.

The insurance services can be described as a product in the form of a written legal contract (the insurance document) plus a bundle of services associated with it. Services are activities and/or benefits that one party offers to the other and that services are necessarily intangible and do not result in the ownership of anything. Insurance service is different from other services, as it is complex and future contingent service involves substantial legal characteristics. The insurance companies have to find ways to make their services more tangible.

## **Concepts of Insurance in brief**

Insurance is a contract of indemnity under which insurance company agrees to pay a certain sum of money to compensate loss caused by the occurrence of uncertain event in consideration of certain periodical payment i.e. premium. Here it is noted that

- ✦ Insurance is a process where uncertainties are made certain.
- ✦ Insurance is a source of distribution of loss of few persons into many persons.

Principles of insurance are based upon the following principles:

✦ **Insurable**

**Interest:**

Insurable Interest is thus necessary in every insurance contract. It is the legal right to insure, and thus means that the insured must be in a legally recognized relationship to what is insured whereby he will suffer in a pecuniary sense by the happening of the event.

**Essentials of Insurable Interest**

- a. There must be property, rights, interest, life or liability developing upon the insured capable of being covered
- b. Such property, rights, interest, life or liability must be the subject matter of the insurance
- c. The insured must bear some relationship recognized by law, to the subject matter

## **1. 1 Background of insurance business in Bangladesh**

### **1.1.1 Origin of insurance in Bangladesh**

Resistance against colonial or autocratic regimes in the third world has often been led by educated intelligentsia inspired by western ideas of nationalism and democracy has played a dominant role. Most victorious nationalist movements have been in later years reneged from their earlier commitments and few developing countries to day are nationalist, socialist or democratic. But that is a different story.

When the Awami League came to power in Bangladesh and the peoples party in Pakistan in 1972. It was inevitable that nationalization a wide scale would take place, for both parties had flaunted socialism as part of their political rhetoric. In Pakistan the administrative mechanism for nationalization of banking, insurance and some industries was carefully worked out by the bureaucracy under political leadership, and the takeover in a feel swoop passed off smoothly.



Heads of insurance companies, for instance, were invited to tea at a Karachi Hotel. Where they told that while they were having teas the head offices of their companies were being sealed and Government appointed administrators were being put in charge. This was done to ensure that the assets of the companies remained intact and no tampering with accounts, records and documents was possible.

In Bangladesh an effective government machinery did not exist in the chaotic conditions obtaining at independence following a bitter and brutal war. Industries were taken over without any inventory, and erstwhile owners, who were being dispossessed, were allowed to administer their mills and factories till statutory corporations were established.

### **1.1.2 Historical Background of insurance Industry in Bangladesh**

Insurance is not a new business in Bangladesh. Almost a century back, during British rule in India, some insurance companies started transacting business, both life and general, in Bengal. 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 like British, Australian, Indian, West Pakistan and local. Ten insurance companies had their head offices in East Pakistan, 27 in West Pakistan, and rest elsewhere in the world. These were mostly limited liability companies. Some of these companies were specialized on dealing in a particular class of business, while others were composite companies that dealt in more than one class of business.

The Government of Bangladesh nationalized the insurance industry in 1972 by the Bangladesh Insurance (Nationalization) Order 1972. By virtue of this order, save and except postal life insurance and foreign life insurance companies, all 49 insurance companies and organizations transacting insurance business in the country were placed in the sector under five operations. These operations were: the Jatiya Bima Corporation, Tista Bima Corporation, Karnafuli Bima Corporation, Rupsa Jibon Bima Corporation and Surma Jibon Bima Corporation. The Jatiya

Bima Corporation was an apex corporation only to supervise and control the activities of the other insurance corporations which were responsible for underwriting. Tista and Karnafuli Bima Corporation were for general insurance and Rupsa and Surma for life insurance. The specialist life insurance companies or for a life portion of a composite company joined the Rupsa and Surma corporations while specialist general insurance companies or the general portion of a composite company joined The Tista and Karnafuli corporations.

The basic idea behind the formation of four underwriting corporations, two in each main branch of life and general, was to encourage competition even under a nationalized system. But the burden of administrative expenses incurred in maintaining two corporations in each front of life and general and an apex institution at the top outweighed the advantages of limited competition. consequently, on 14 May 1973, a restructuring was made under the Insurance Corporations Act 1973. Following the Act, in place of five corporations the government formed two: the Sadharan Bima Corporation for general business, and Jibon Bima Corporation for life business.

The postal life insurance business and the life insurance business by foreign companies were still allowed to continue as before. In reality, however, only the American Life Insurance Company continued to operate in the life sector for both new business and servicing, while three other foreign life insurance continued to operate only for servicing their old policies issued during Pakistan days. Postal life maintained its business as before.

After 1973, general insurance business became the sole responsibility of the Sadharan Bima Corporation. Life insurance business was carried out by the Jibon Bima Corporation, the American Life insurance Company, and the Postal Life Insurance Department until 1994, when a change was made in the structure arrangement to keep place with the new economic trend of liberalization.

The insurance corporations Act 1973 were amended in 1984 to allow insurance companies in the private sector to operate side by side with Sadharan Bima Corporation and Jiban Bima Corporation. The Insurance Corporations Amendment Act 1984 allowed floating of insurance

companies, both life and general, in the private sector subject to certain restrictions regarding business operations and reinsurance. Under the new act, all general insurance business emanating from the public sector were reserved for the state owned Sadharan Bima Corporation, which could also underwrite insurance business emanating from the private sector. The Act of 1984 made it a requirement for the private sector insurance companies to obtain 100% reinsurance protection from the Sadharan Bima Corporation. This virtually turned Sadharan Bima Corporation into a reinsurance organization, in addition to its usual activities as direct insurer. Sadharan Bima Corporation itself had the right to reinsure its surplus elsewhere outside the country after exhausting the retention capacity of the domestic market. Such restrictions aimed at preventing outflow of foreign exchange in the shape of reinsurance premium and developing an insurance market within Bangladesh. The restriction regarding business placement affected the interests of the private insurance companies in many ways. The restrictions were considered not congenial to the development of private sector business in insurance. Two strong arguments were put forward to articulate feelings:

Since the public sector accounted for about 80% of the total premium volume of the country, there was little premium left for the insurance companies in the private sector to survive. In this context, Sadharan Bima Corporation should not have been allowed to compete with the private sector insurance companies for the meager premium (20%) emanating from the private sector;

Being a competitor in the insurance market, Sadharan Bima Corporation was hardly acceptable as an agency to protect the interest of the private sector insurance companies and should not have retained the exclusive right to reinsure policies of these companies. The arrangement was in fact, against the principle of *laissez faire*.

Private sector insurance companies demanded withdrawal of the above restrictions so that they could:

Underwrite both public and private sector insurance business in competition with the Sadharan Bima Corporation, and

The government modified the system through promulgation of the Insurance Corporation (Amendment) Act 1990. The changes allowed private sector insurance companies to underwrite 50% of the insurance business emanating from the public sector and to place up to 50% of their reinsurance with any reinsurer of their choice, at home or abroad, keeping the remaining for placement with the Sadharan Bima Corporation.

### **1.1.3 Present position of Insurance Business in Bangladesh**

In Bangladesh, the Insurance business, after an early stage of dislocation, adventure and experimentation through half a century has now been established as a nascent industry distributed between the public and private sectors. Insurance business evolved in the Indian subcontinent late in nineteenth century when several business companies started their business and a few Christian missionaries began to operate mutual funds to serve their own community members. From Bangladesh perspective insurance business was not a promising sector in its early age but it is getting its pace day by day with the growth of overall economic condition of the country.

The 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.

Up to 2000, the government has given permission to 19 general insurance companies and 10 life insurance companies in the private sector. Insurers of the country now conduct almost all types of general and life insurance, except crop insurance and export credit guarantee insurance, which are available only with the Shadharan Bima Corporation. Numerous institutions, associations and professional groups work to promote the development of insurance business in Bangladesh. Prominent among them is the Bangladesh Insurance



Association (formed on 25 May 1988) having 30 members. It aims at promoting, supporting and protecting the interests and welfare of the member companies. Another example is Bangladesh insurance academy.

Surveyors and insurance agents occupy a prominent position in the insurance market of Bangladesh. The system of professional brokers has not yet developed in Bangladesh. A total of 60 insurance companies are operating in Bangladesh till date. Of these companies, 57 are private, two state-owned and one is foreign.

Insurance Directorate, under the Ministry of Commerce, is the regulatory-body of the country's insurance sector. At present there are 44 general insurance companies running in Bangladesh. Many other private companies are about to commence business.

## **1.2 Objective of the report:**

1. To present an Overview of the United Insurance Company Ltd .
2. To apprise the activities of the United Insurance Company Ltd.
3. To apprise the financial performance of the United Insurance Company Ltd.
4. To identify the problems of the United Insurance Company Ltd
5. To suggest suggestion for the development of the United Insurance Company Ltd.

## **1.3 Scope :**

The scope of this study is limited within the information gained from the Annual reports of United Insurance Company Ltd in 2004-2008. I have met with few employees of the company to collect information. The report could have been more comprehensive if I had met the employees of the company or the owner directly or in telephone to know the things more clearly.

## **1.4 Methodology:**

I was used to collect the primary and secondary data through Annual Report of United Insurance Company Ltd in 2004-2008. Besides this web site and brochures of United Insurance Company Ltd, have been used as a secondary source of information. All the information incorporated in this report has been collected both from the primary sources and as well as from the secondary sources. Secondary sources of data will be used for data requirements of the report. Secondary sources of data: Use Internet and different articles published in the journals & magazines have been used.

Secondary Sources are:

- Textbooks on insurance
- Insurance Journals.
- Reference books on insurance.
- Annual report of United Insurance Company Ltd.

## **1.5 Limitation of the Study**

Time constrain is there so I have to collect data from one insurance company. It is true that most of the time when we try to do some study on a subject or plan to research on a subject, every material of study would not be available all the time .We might face some problems or there must be some limitations. The main limitation for me was the fact that I was not working in United Insurance Company. So I had to rely on the employees who are working in the company.

At the beginning stage of study I have had some problems like I did not get all relevant information. Sometimes I got information but later it turned into uncompleted or old information. Another significant limitation of the study was time restriction. Even though I have given my full effort to make this report a good one, but it is too tough to perform well such an analysis within a shorter period of time. Though I have faced some other problems such as-unavailability of some information, technical problems which includes computer

problem, virus problems, software problems, I also had problems regarding some brochures, file, information paper. But I did not give it up. And I was able to get over the problems and limitation.

## 1.6 Definitions & Acronyms

### Acronyms

<b>AGM</b>	Annual General Meeting
<b>BOD</b>	Board of Directors
<b>CSE</b>	Chittagong Stock Exchange
<b>CSR</b>	Corporate Social Responsibility
<b>CEO</b>	Chief Executive Officer
<b>DSE</b>	Dhaka Stock Exchange
<b>DPS</b>	Dividend Per Share
<b>EBT</b>	Earnings Before Tax
<b>EPS</b>	Earnings Per Share
<b>FY</b>	Fiscal Year
<b>GDP</b>	Gross Domestic Product
<b>GM</b>	General Manager
<b>GoB</b>	Government of Bangladesh
<b>ICC</b>	Institute Cargo Clause
<b>NI</b>	Net Income
<b>ROA</b>	Return On Asset
<b>R &amp; D</b>	Research and Development
<b>UICL</b>	United Insurance Company Limited
<b>UNCTAD</b>	United Nations Conference on Trade and Development

## **Definitions**

**Peril:** Peril is defined as the causes of loss.

**Hazards:** Hazards are conditions increase either the frequency or the severity of losses.

**Loss:** Insurable loss is an undesired, unplanned reduction of economic value arising from chance.

**Insurer:** Insurance Company

**Insured:** Subject Matter/ Policy Holder

**Policy Holder:** Who taking the insurance policy

**Sum insured:** Amount of compensation that will be given if event occurred.



# Chapter: 2

## **Appraisal of Principle Activities of United Insurance Company Ltd**



## Appraisal of Principle Activities of United Insurance Company Ltd

### 2.1. An Overview of United Insurance Company

**United Insurance Company Ltd. (UICL)** is a Public Limited General Insurance Company (Non-Life) maintaining the traditional values of insurance business since commencement in 1985. The Company transact a wide range of General Insurance business in Bangladesh including Health Plan Scheme and has gradually developed goodwill and expertise in the field with sound and stable financial position.

The Company is a close associate of Duncan Brothers (Bangladesh) Limited (largest tea group in Bangladesh) and National Brokers Limited. We are also a major shareholders of United Leasing Company Limited which was sponsored by Asian Development Bank, Commonwealth Development Corporation, Lawrie Group Plc of United Kingdom and others.

**United Insurance Company Ltd. (UICL)** is a leading insurance company (Non-Life) with a Credit Rating 'A' for its good corporate governance, sound management, prudent underwriting policy and its ability to settle claims properly. Established in 1985 and enlisted with Dhaka Stock Exchange in 1990, it transacts a wide range of general business including health insurance.

An associate of **Duncan Brothers (Bangladesh) Ltd.**, the largest British tea producers in Bangladesh, it is also a major shareholder of **United Leasing Company**, sponsored in 1989 by the Asian Development Bank, the Commonwealth Development Corporation and Lawrie Group PLC of Uk.

The company has a small Board of Directors which recently includes a member of the erstwhile Civil Service of Pakistan who was a Finance Secretary of Bangladesh and a Director of Asian Development Bank, a head of prestigious law firm, a former chief executive of a multi-national pharmaceutical company, and the head of a conglomerate of several UK

companies. Its Chairman is a former Chief Executive of Pakistan Insurance Corporation, Chairman of Bangladesh Public Service Commission and head of the Bangladesh Insurance Association for 10 years. The day-to-day administration of the company is run by a small team of executives who have a wide experience of insurance and re-insurance business.

The Company pursues a policy of progressive and selective underwriting keeping abreast of the changing demand and needs of the market by introducing new products. It prides itself on prompt settlement of claims and providing technical advice and guidance of the highest order to its clients. A policy with United Insurance therefore ensures complete safety and security.

In addition to the head office at Dhaka, the company has two zonal offices, one each at Dhaka and Chittagong, and a total of 13 branches at some selected divisional/district towns. As the company restructured its organizational pattern by closing up non-performing or losing branches, the number of branches of the company reduced from 23 in 1998 to 13 in 2000. The board of directors of the company has 12 members including the chairman. The managing director is the chief executive and he is assisted by a management team of 5 executive officers and some legal advisers and qualified auditors.

### **Motto of United Insurance Company Ltd.:**

- To operate in accordance with the law of the land and as per international norm and practice.
- To provide best and promote service ensuring security of our client.
- To serve the interests of the shareholders.
- To extend a friendly hand to our clients in time of need.

### **2.1.1. History of United Insurance Company Ltd.:**

Sponsors met for establishing the company in 25 February, 1985 and the company was incorporated in 07 May, 1985. Institutional sponsors are Duncan Brothers (Bangladesh) limited, Octavius steel & Co. of Bangladesh Limited, Macalms Bangladesh Trust, National Brokers Limited. The company obtained certificate of commencement of business in 12 October, 1985 and registered with the department of insurance at 15 October in the same year. The company started underwriting operation in 19 October, 1985 and opened first brunch at Chittagong in 20 October, 1985. the company's first dividend was declared in 30 June, 1988 on their third AGM. The company listed in the Dhaka Stock Exchange in 09 April, 1990 and started trading of shares on Dhaka Stock Exchange in 28 October, 1990. Their first public AGM was held at Sonargaon Hotel in 27 May 1991. They acquired 100% share of Shurmah Valley Tea Company Limited (a sterling tea company incorporated in U.K.) in 01 January, 1993. Their authorized capital is 100 million taka and issued, subscribed and paid-up capital is 60 million taka.

### **2.1.2. Structure of Board**

- CHAIRMAN
- DIRECTORS
- MANAGING DIRECTOR
- COMPANY SECRETARY
- EXECUTIVE COMMITTEE
- AUDIT COMMITTEE
- C.E.O. & MANAGING DIRECTOR
- LEGAL ADVISOR
- AUDITORS

### **2.1.3. Zonal Office and Branches**

#### **Zonal Office:**

Chittagong Zonal Office

Ispahani Building, Sk.Mujib Road

Agrabad Commercial Area, Chittagong.

#### **Branch Offices:**

The company has seven branches which are in Narayanganj, Chapai Nawabganj, Sylhet, Khatunganj, Bogra, Rangpur and Khulna.

### **2.2. Principal Functions of United Insurance Company Ltd.:**

The Company offer different types of policies. These are written below:

#### **2.2.1 Marine Insurance Policy**

##### **❖ Marine Hull:**

This refers to the insurance of the ship (hull and machinery) by the ship owner against maritime perils, which are, briefly, perils of the sea such as heavy weather, stranding or collision, fire and similar perils.

##### **❖ Marine Cargo:**

Bangladesh Marine Cargo Insurance policy is in line with the recommendations of the United Nations Conference on Trade and Development (UNCTAD) making the revised wording of the Institute Cargo Clause (ICC) mandatory from 31-3-1983. With the introduction of new policy form the century old policy form and perils have been withdrawn and replaced by ICC (A), ICC (B) & ICC(C) clauses respectively.

The new ICC apart from being worded in simple English, have more conceptual clarity in approach. The basic approach is to define the terms and conditions in such a manner that the scope for disputes is minimized, whereas new ICC (A) provides "All Risks" cover with



named exclusions, the new ICC(C) covers the named risks with exclusions. The new ICC (B) is an intermediate cover with extended named risks and named exclusions.

The nature of the risks covered under the three Institute Cargo Clauses are drawn as under.-

- a. Fire or explosion
- b. Vessel or Craft being stranded grounded. Sunk or capsized.
- c. Overturning or derailment of Land conveyance.
- d. Collision or contact of vessel, craft or Conveyance with any external object other than water.
- e. Discharge of Cargo at port of distress.
- f. Earthquake, volcanic Eruption or lightning
- g. Jettison
- h. Washing overboard

The following additional perils are automatically covered under the new Marine Policy:-

- (1) 60 days cover at sea port from the date of discharge from the ship under "A" "B" & "C"
- (2) Inland transit by Road, Rail &/or Berge.
- (3) WAR & SRCC covers are available on payment of additional premium.

### **2.2.2 Fire Insurance Policy**

The transaction of Fire insurance business in Bangladesh is governed in accordance with Part II B of the Insurance Act 1938. The subject matter of Fire insurance may be any property having intrinsic value; e.g. building, furniture, fixture & fittings, plant and machinery, goods and merchandise, flood, cyclone and earthquake coverage.

United insurance company offers two types of fire insurance policies. These are:

1. Public Liability Policy
2. Product Liability Policy

### **2.2.3 Machinery Breakdown Policy:**

The Policy covers any unforeseen and sudden physical loss or damage due to defects in casting, material faulty design, and fault at workshop or in erection, bad workmanship, and lack of skill, shortage of water in Boilers, physical explosion, short circuit or from any other cause not specifically excluded under the policy.

The Main exclusions are:

Fire, Lightning, Chemical explosion, theft, burglary, flood, inundation, earthquake, cyclone, wear & tear, cavitations, erosion, rust, loss or damage due to war invasion, rebellion, mutiny, riot, strike, lockout, civil commotion, nuclear radiation, or radioactive contamination.

Rates & Terms are quoted on the basis of prescribed questionnaire and other information submitted to the Company.

### **2.2.4 Boiler & Pressure Vessel Policy:**

The Policy covers the consequences of explosion or collapse of insured Boilers or other Pressure Vessels:-

- i) Damage to insured item itself.
- ii) Damage to other surrounding property of the insured
- iii) Legal liability for damage to Third party property and/or fatal or non-fatal personal injuries to Third Parties.

It is noted that Explosion or Collapse arising in the course of ordinary working of the insured item is covered in terms of the Boiler and Pressure Plant insurance policy.

The policy also automatically covers fluid Gas explosion of the Boiler. The risk of explosion due to smelt water reaction is also deemed to be an explosion.

The description of explosion and collapse are:-

**EXPLOSION** – shall mean the sudden and violent rendering or tearing a part of the permanent structure of a boiler or Pressure Plant or any part thereof by force of internal steam, gas or fluid pressure causing bodily displacement of the said structure and accompanied by the forcible ejection of its contents.

**COLLAPSE**- shall mean the sudden and dangerous distortion of any part of a boiler or pressure plant by bending or crushing caused by steam, gas, or fluid pressure whether attended by rupture or not. It shall not mean any slowly developing deformation due to any cause.

### **2.2.5 Motor Insurance Policy:**

According to Motor Vehicles Act 1939 the owners of vehicles must insure their vehicles against liability to third party for death or loss injury and damage to third party property.

#### **Two types of covers are granted:**

**a) Act Liability policy/public Liability:-**This policy provides indemnity to the insured against legal liability for claims by the third party in respect of accidental personal injury &/or damage to any property of third party property covered by the insured vehicles in public place as is necessary to meet the requirements of section 95 of the Motor Vehicles Act 1939.

Increased limit of liability is also provided in respect of public liability policy.

**b) Comprehensive Insurance Policy: -** This policy provides cover against loss or damage to the insured vehicle by accidental external means or malicious act, Fire, External Explosion, Lightning Self ignition, Burglary, Housebreaking and Theft. Also whilst in transit by Road, Rail inland waterway, lift, elevator or air. Subject to the limitations mentioned in the policy and liability to public risks including Act liability.

Rates & terms of motor policy are governed by motor tariff and it is binding on the insurers to follow such rates & terms. For rating purpose, the vehicles have been classified into three classes according to their use viz. Private Car, Motor Cycle and Commercial Vehicles. Premium is calculated on cubic capacity and seating capacity in respect of Private Car, Motor Cycle, while premium in respect of commercial vehicles is calculated on tonnage capacity of the vehicles.

### **2.2.6 Consequential Loss:**

Fire insurance is designed to cover the ascertainable loss of material objects, such as building, machinery, fixture, plant, stock and commodities whilst profit insurance is concerned with loss of earning power consequent upon the capital loss. In Bangladesh standard form of policies and premium rates are available. UICL has issued many policies both to local and multinational companies. Details of policies and procedure can be obtained on request.

### **2.2.7 Contractor's All Risk Policy:**

The Policy covers the consequences of explosion or collapse of insured Boilers or other Pressure Vessels:-

- i) Damage to insured item itself.
- ii) Damage to other surrounding property of the insured
- iii) Legal liability for damage to Third party property and/or fatal or non-fatal personal injuries to Third Parties.

It is noted that Explosion or Collapse arising in the course of ordinary working of the insured item is covered in terms of the Boiler and Pressure Plant insurance policy.

The policy also automatically covers fluid Gas explosion of the Boiler. The risk of explosion due to smelt water reaction is also deemed to be an explosion.

The description of explosion and collapse are:-

EXPLOSION – shall mean the sudden and violent rendering or tearing a part of the permanent structure of a boiler or Pressure Plant or any part thereof by force of internal steam, gas or fluid pressure causing bodily displacement of the said structure and accompanied by the forcible ejection of its contents.

COLLAPSE- shall mean the sudden and dangerous distortion of any part of a boiler or pressure plant by bending or crushing caused by steam, gas, or fluid pressure whether attended by rupture or not. It shall not mean any slowly developing deformation due to any cause.

### **2.2.8 Erection All Risk Policy:**

The Erection All Risks Policy provides a very wide coverage and indemnifies the Insured against accidental and unforeseen loss occurring to the property on the Erection Site during the period of insurance. Normally the following risks are covered under the Erection Policy: -

- Fire including fire fighting operations, lightning, explosion, Aircraft damage.
- Flood and inundation, Cyclone, Earthquake, Subsidence, landslide/Rock slide,
- Theft, Burglary, Riot and Strike, Malicious damage,
- Negligence, lack of skill,
- Collision, impact, dropping and similar accident on site.

In addition, the following supplementary covers may be included:-

- Construction Machinery, Plant and Equipment required for Erection work.



- Cost incurred in clearance and removal of debris following a loss.
- Damage to property located at site belonging to the insured.
- Additional expenses incurred for overtime works on public holidays as well as for extra freight in connection with a loss indemnifiable under the policy.
- Legal liability for property damage or bodily injury suffered by 3rd party by accident at the Erection site or connected with the Erection Work being carried on.
- Cover during the maintenance period stipulated in the Contract Condition.

### **2.2.9 Deterioration of Stock Policy:**

The Policy covers deterioration of stock due to any unforeseen and sudden physical loss or damage to the Machineries specified in the list of Machinery of this policy and indemnifiable under the machinery Break-down policy in force.

The main exclusions under DOS Policy are:-

Shrinkage, inherent defects or diseases normal deterioration or natural putrefaction Loss or damage due to improper storage, insufficient circulation of air. Non-uniformity temperature, consequential loss or liability, loss due to nuclear, reaction, nuclear radiation or radioactive contamination. Fire &/or lightning, theft Earthquake, Cyclone, Flood, other natural catastrophes.

Loss or damage directly or indirectly due to war, invasion, hostilities riot, strike lockout & civil commotion etc.

### **2.2.10 Fidelity Guarantee Policy**

The object of this class of business is to provide insurance against loss by reason of the dishonesty of persons holding positions of trust.

### **2.2.11 Dread Disease Policy:**

United Is. Company Ltd. also issues policy for the following Dread Diseases. Various forms of Medical Expenses policies are available around the world, but we can honestly say that the Dread Diseases insurance that we are proposing is by far the most simple and attractive for the insured.

- Coronary Heart disease
- Kidney failure
- Stroke
- Cancer
- Organ Transplantation
- Multiple Sclerosis

### **2.2.12 Miscellaneous Insurance:**

United Insurance Company Ltd. has also provide some other policies. These are:

- Householders Comprehensive Insurance
- Industrial All Risk Policy
- Electronic Equipment Insurance
- Cash-in-Safe
- Cash-in-Transit
- Cash-on-Counter

- Cash-in-Premises
- Personal Accident Policy
- People's Personal Accident Policy
- Workmen's Compensation
- Overseas Medical Claim Coverage

### **2.2.13 Health Plan Scheme:**

We have designed the Health Plan on the concept of a group health insurance scheme for your employees. Under this scheme the expenses for treatment in a nominated hospital in Bangladesh for an illness or injury are insured. Domiciliary or outdoor treatment are not covered. If you have over 50 persons you may take out this group health insurance.

#### **The Choice**

There is a choice of four Plans each offering excellent value for the money and a wide range of benefits.

They are as follows:

- Basic Plan :

Tk. 25,000/- per person per year

- Standard Plan :

Tk. 50,000/- per person per year

- Executive Plan:

Tk. 75,000/- per person per year

- Premier Plan : Tk.100,000/- per person per year

**All Plans cover Maternity Benefits at no extra charge**

**The Cover**

The Plan covers expenses of medical treatment in a nominated hospital in Bangladesh for up to 15 days for each confinement which in broad terms include:

- Hospital Accommodation
- Consultation with Physician or Surgeon
- Medical Investigations
- Surgical Operation (major and intermediate)
- Use of Operation Theatre facilities, anesthesia, and other services.
- Medicines
- Ancillary services like labour room services, ICU/CCU room, post-operative room, blood transfusion, ambulance service etc.

Coverage for treatment in India, Thailand and Singapore is available under Premier Plan with additional premium.

**2.3 Number of Employees:**

**Table1:** Number of employees of United Insurance Company Ltd

<b>Year</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>No. of employees</b>	152	149	140	140	139

Source: Annual report of United Insurance Company Ltd

## **2.4 Expenditure:**

The major expenses of United Insurance Limited are discussed below-

- Expenses of management
- Directors fee
- Bonus
- Registration Renewal fee
- Donation
- Auditor fees
- Legal expenses

Expenses of management in different department (in million BDT):

**Table 2: Expenditures of United Insurance Limited**

<b>Year</b>	<b>Fire</b>	<b>Marine</b>	<b>Misc.</b>
<b>2004</b>	20.24	20.43	20.54
<b>2005</b>	22.39	27.86	20.91
<b>2006</b>	20.86	18.40	24.16
<b>2007</b>	22.60	21.28	18.88
<b>2008</b>	23.86	19.81	21.07

Source: Annual report of United Insurance Limited

Commission expenses are also significant compare to the expense of management.



# Chapter: 3

## **Analysis of the Financial Performance of the United Insurance Ltd**



## Analysis of the Financial Performance of United Insurance Company Ltd.

### 3.1 Capital Structure of United Insurance Company:

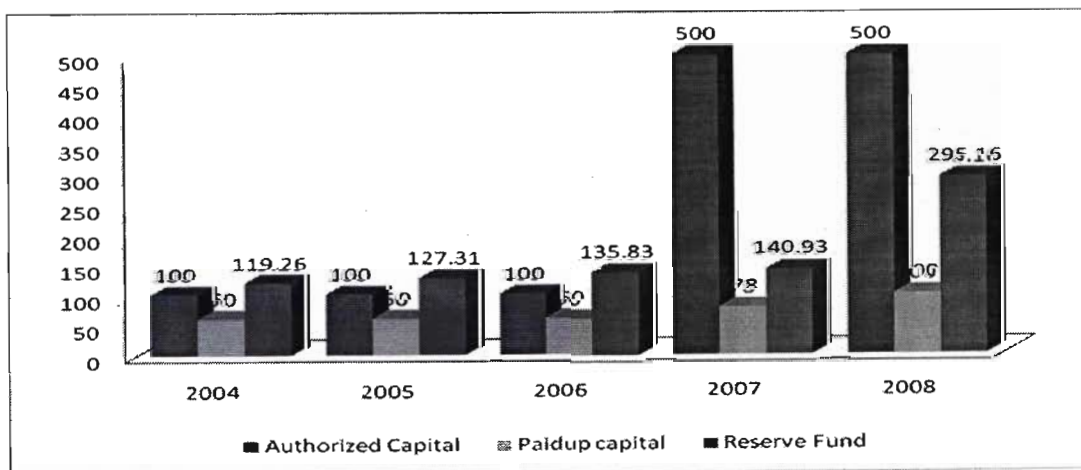
Capital structure is the combination of debt and equity used to finance a firm. Capital Structure is one of the most complex areas of financial decision making because of its interrelationship with other financial decision variables. In the United Insurance Limited capital structure I analysis the debt to asset and Equity to assets ratio.

**Table 3: Capital Structure of United Insurance Company Ltd.**

Years	2004	2005	2006	2007	2008
Authorized capital	100	100	100	500	500
Paid up capital	60	60	60	78	100
Reserve Fund	119.26	127.31	135.83	140.93	295.16
Shareholders Equity	194.37	206.56	214.11	241.21	555.22
Total Liability	124.54	129.94	134.54	173.02	215.19
Total Liability and Equity	318.91	336.5	348.65	414.23	770.41
Equity (%)	60.95	61.38	61.41	58.23	72.07
Debt (%)	39.05	38.62	38.59	41.77	27.93

Source: Annual report of United Insurance Limited

**Fig 1: Authorized capital, paid-up capital and reserve fund of UICL.**



Source: Annual report of United Insurance Limited

The company commenced business towards the end of 1985 with a paid-up capital of Tk. 30 million. In 2006 and 2007 the company increased the paid-up capital to Tk. 100 million.

From 2007 to 2008 UICL also increased their reserve fund which is good for the company.

Higher amount finance by equity capital reduces the risk but increases the cost of fund but higher use of debt capital increases the risk as well as it cost effective also tax deductible item.

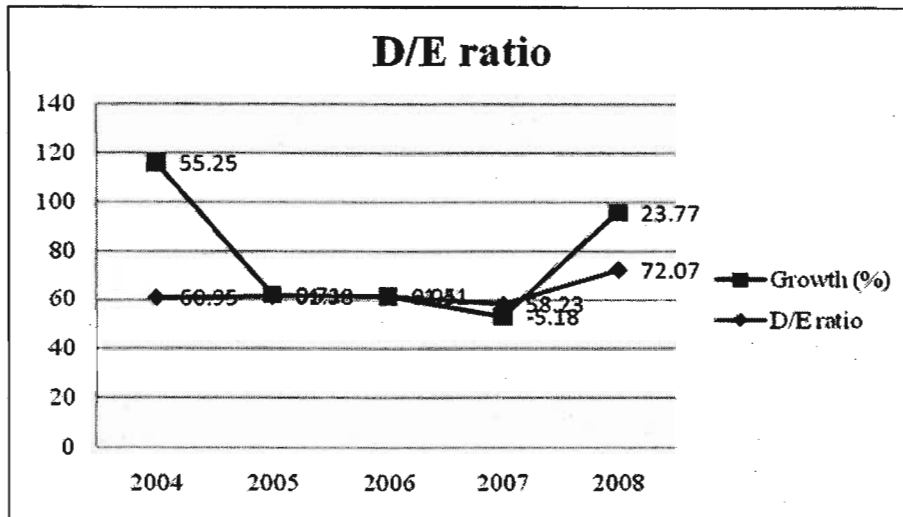
### **3.2 D/E Ratio of United Insurance Company Ltd:**

The **debt-to-equity ratio (D/E)** is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets.

**Table 4: D/E ratio of United Insurance Company Ltd.**

<b>Year</b>	<b>D/E ratio</b>	<b>Growth (%)</b>
<b>2004</b>	<b>60.95</b>	<b>55.25</b>
<b>2005</b>	<b>61.38</b>	<b>0.71</b>
<b>2006</b>	<b>61.41</b>	<b>0.05</b>
<b>2007</b>	<b>58.23</b>	<b>-5.18</b>
<b>2008</b>	<b>72.07</b>	<b>23.77</b>

**Fig 2:** D/E Ratio of United Insurance Company Ltd.



Source: Annual report of United Insurance Limited

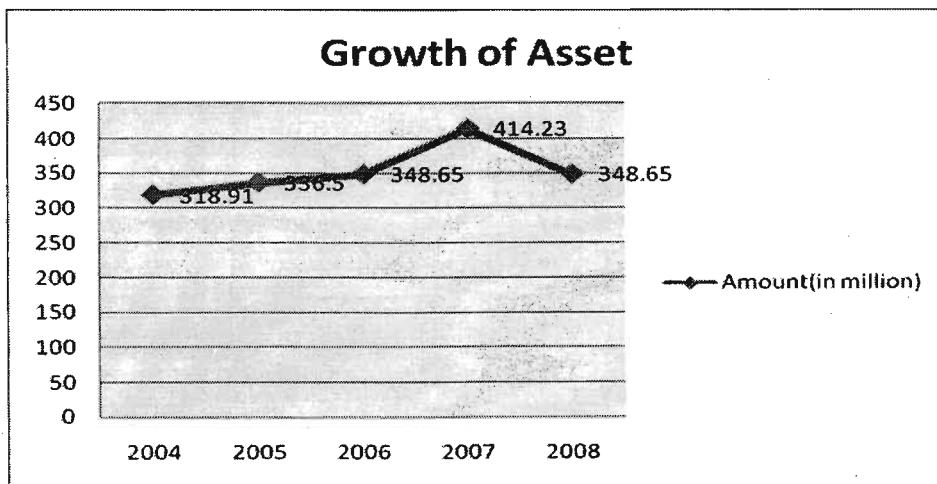
From the table and graph, I can say that the Debt to Equity ratio has been increased day by day from 2004 to 2008 except the year in 2007. It indicates United Insurance Company Ltd uses more debt compared to equity portion at the time of determining capital structure. Using more debt compared to equity increases the risk of the company. It indicates that the company is performing well over the last five years in managing capital management policy.

### 3.3 Growth of Asset:

**Table 5:** Growth of Asset of United Insurance Company Ltd.

Year	Amount(in million)	Growth (%)
2004	318.91	6.79
2005	336.5	5.52
2006	348.65	3.61
2007	414.23	18.81
2008	348.65	-15.83

**Fig 3:** Growth of Asset of United Insurance Company Ltd.



Source: Annual report of United Insurance Limited

The growth of Asset of United Insurance Company Ltd. is moderate. From the year 2004 to 2007 the amount of asset is increasing continuously. Then from the year 2008 it decreased. The highest amount of asset is Tk. 414.23 million which was in 2007 and the lowest amount of asset was Tk 318.91 million in 2004. The highest growth is 18.81% which was in 2007. The average growth of asset is Tk. 353.39 million.

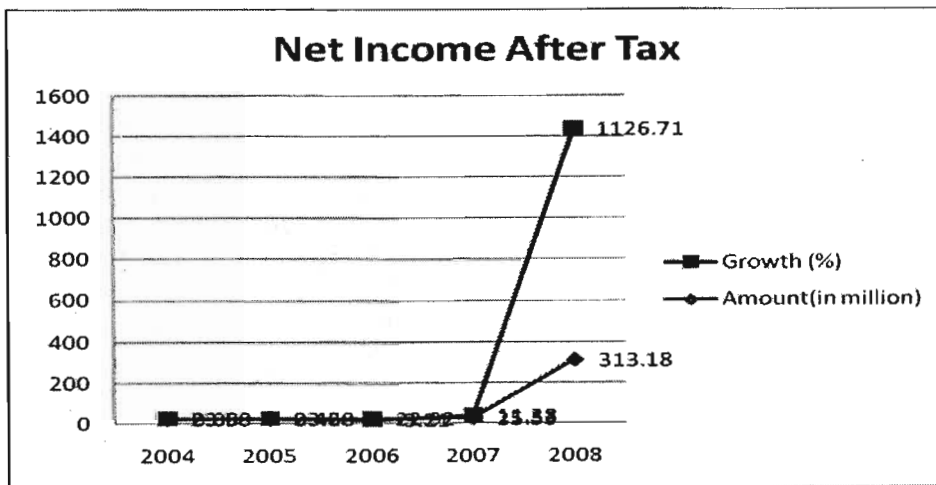


### 3.4 Net Income After Tax:

**Table 6:** Net Income After Tax of United Insurance Company Ltd.

Year	Amount(in million)	Growth (%)
2004	23.58	.08
2005	23.68	0.42
2006	22.92	-3.21
2007	25.53	11.38
2008	313.18	1126.71

**Fig 4:** Net Income After Tax of United Insurance Company Ltd.



Source: Annual report of United Insurance Company Ltd.

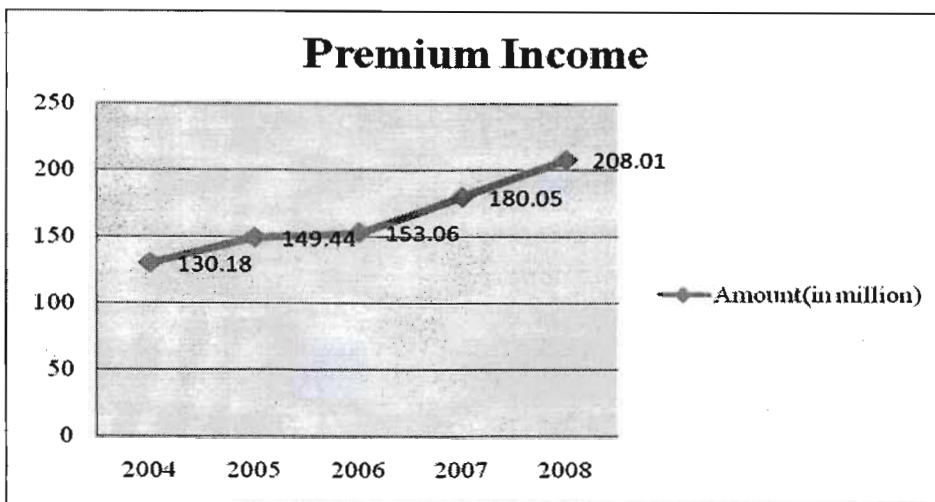
The growth of Net Income of United Insurance Company Ltd. is not stable. From the year 2004 to 2007, the trend was stable and in 2008 it increased to TK. 313.18 million. The highest amount earned as net income was TK. 313.18 million in the year of 2008 and the lowest amount was Tk. 22.92 million in the year of 2006. The highest growth was 1126.71% in the year between 2007 and 2008. The average amount of Net Income is Tk. 81.78 million.

### 3.5 Premium Income:

**Table 7:** Premium Income of United Insurance Company Ltd.

Year	Amount(in million)	Growth (%)
2004	130.18	3.64
2005	149.44	14.79
2006	153.06	2.42
2007	180.05	17.63
2008	208.01	15.53

**Fig 5:** Premium Income of United Insurance Company Ltd.



Source: Annual report of United Insurance Limited

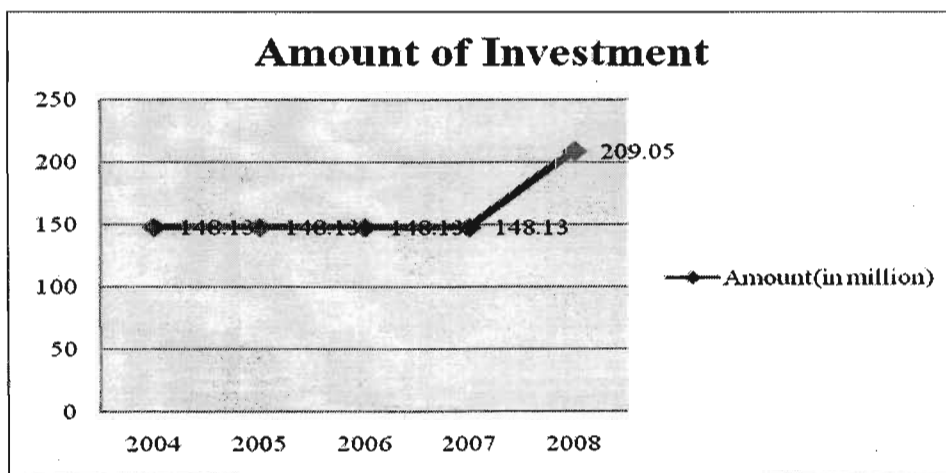
The growth of premium income of United Insurance Company Ltd. is stable enough. As we can see in the table that from 2004 to 2008 it increases continuously from 2004 to 2008. The highest premium income for United Insurance Company Ltd. was in 2008 which was Tk 208.01 million and the lowest premium income was in 2004 which was Tk. 130.18 million. The highest increase in the growth rate was 15.21 % (from 2.42% to 17.63%) from the year 2006 to 2007.

### 3.6 Amount of Investment:

**Table 8:** Amount of Investment of United Insurance Company Ltd.

Year	Amount(in million)	Growth (%)
2004	148.13	0
2005	148.13	0
2006	148.13	0
2007	148.13	0
2008	209.05	41.13

**Fig 6:** Amount of Investment of United Insurance Company Ltd.



Source: Annual report of United Insurance Limited

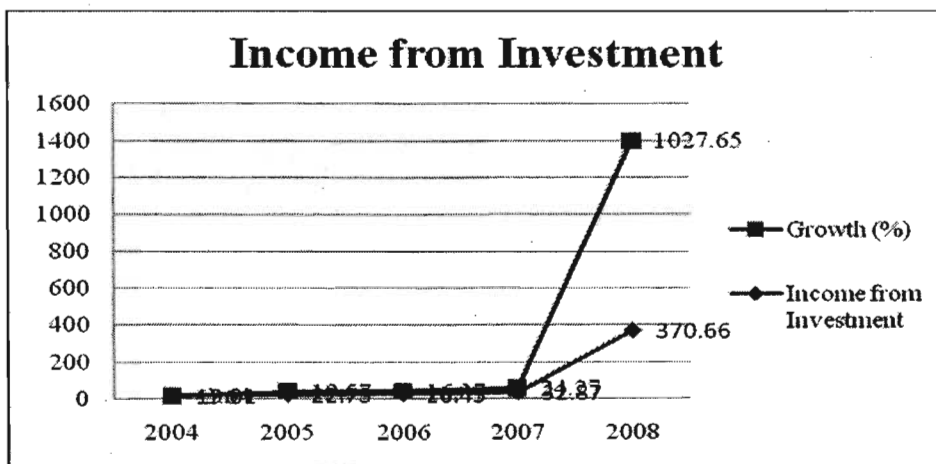
The Amount of Investment of United Insurance Company Ltd. is not very good enough. From the year 2004 to 2007 the company did not increase their investment so the growth of investment for these years is 0%. In 2008, their amount of investment increase from 148.13 to 209.05 (41.13% increase in the growth rate). From the year 2007 to 2008, the percentage growth in the Amount of Investment increases because the company makes investment. The average amount of amount of investment is Tk. 160.31 million.

### 3.7 Income from Investment:

**Table 9:** Income from Investment of United Insurance Company Ltd.

Year	Amount(in million)	Growth (%)
2004	19.01	-3.64
2005	22.73	19.57
2006	26.45	16.37
2007	32.87	24.27
2008	370.66	1027.65

**Fig 7:** Income from Investment of United Insurance Company Ltd.



Source: Annual report of United Insurance Limited

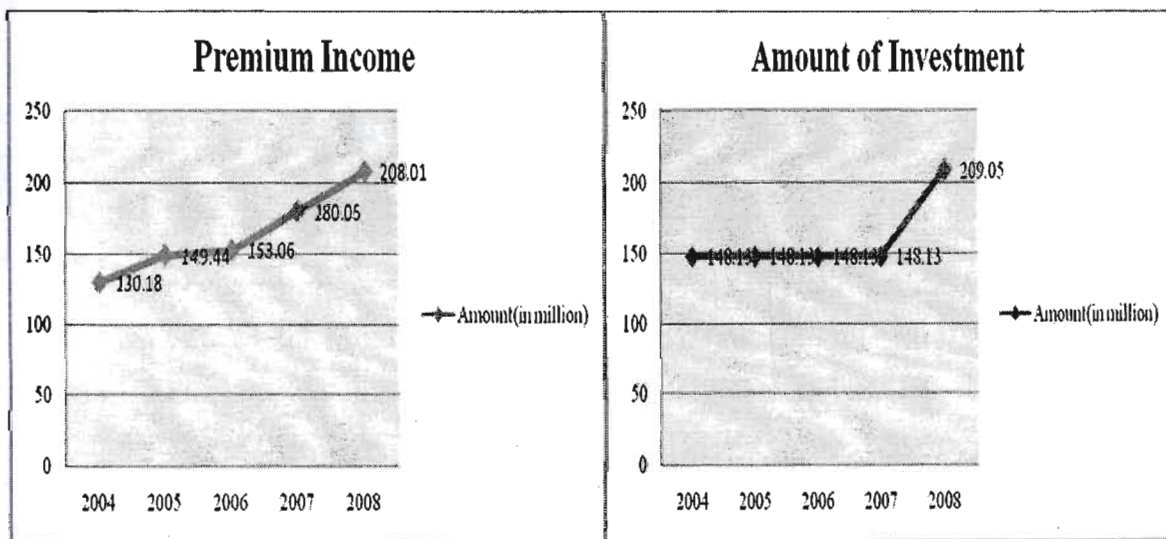
Income from investment of United Insurance Company Ltd. is also not good. Though there is no growth in the investment but the growth of income from investment is increasing. The highest amount of Income from Investment is Tk 370.66 million in the year of 2008 and the lowest amount of Income from Investment is Tk 19.01 million in 2004. The highest percentage of growth is in 2008 that is 1027.65%. The average amount Income from investment is Tk. 94.34 million.



### 3.8 Comparison between Premium and Investment:

An important measure of insurance company is its premium over investment value. A regular periodic payment for an insurance policy is also called insurance premium. Investment means the act of placing capital into a project or business with the intent of making a profit on the initial placing of capital.

**Fig 8: Premium Income and Amount of Investment of UICL**



Source: Annual report of United Insurance Limited

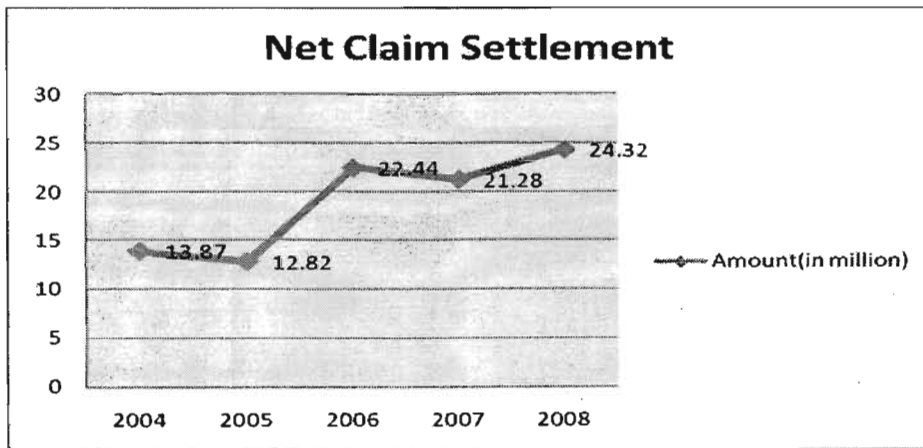
The main source of revenue of United Insurance Company is premium nad income from investment. But if we look at the trend premium income of UICL it grows continuously from 2004 to 2008; their premium income increase from TK. 130.18 million to 1208.01 million but in response to their invest it's growth is 0% from 2004 to 2007 and average invest of this period from 2004 to 2007 is TK. 148.13 million. Not only that the amount of income they are generating from investment is also not good from 2004 to 2007 except the year 2008 their income from investment increased to Tk. 370.66 million.

**3.9 Amount of Net Claim Settlement:**

Table 10 : Amount of Net Claim Settlement of United Insurance Company Ltd.

Year	Amount(in million)	Growth (%)
2004	13.87	2.89
2005	12.82	-7.5703
2006	22.44	75.039
2007	21.28	-5.16934
2008	24.32	14.28571

Fig 9: Amount of Net Claim Settlement of United Insurance Company Ltd.



Source: Annual report of United Insurance Limited

In the table of Net Claim Settlement of United Insurance Company, we can see that the growth of the claim settlement is increasing in recent years. The highest amount of claim settlement was Tk 24.32 million in the year 2008 and the lowest amount of claim settlement was in 2005 that was Tk. 12.82 million. The average claim settlement is Tk. 18.95 million.

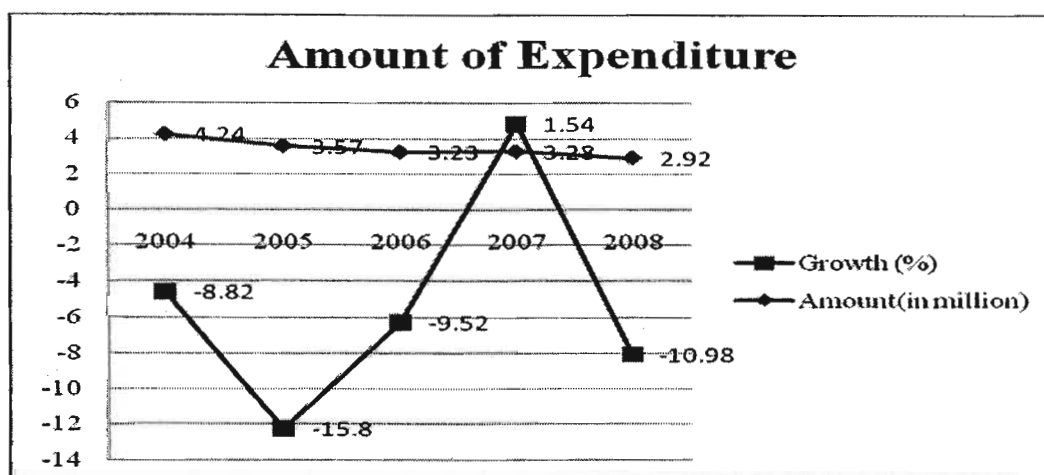


### 3.10 Amount of Expenditure:

**Table 11 : Amount of Expenditure of United Insurance Company Ltd.**

Year	Amount (in million)	Growth (%)
2004	4.24	-8.82
2005	3.57	-15.8
2006	3.23	-9.52
2007	3.28	1.54
2008	2.92	-10.98

**Fig 10: Amount of Expenditure of United Insurance Company Ltd.**



Source: Annual report of United Insurance Limited

Expenditure of United Insurance Company Ltd. is decreasing which is very good sign for the company. From the year 2004 to 2008, it is decreasing continuously except year 2007. The lowest amount of Expenditure was in 2008 which was Tk 2.92 million and highest amount of expenses incurred in 2004 which was Tk 4.24 million. The highest decrease in the growth rate is 15.8% which occurred in the year of 2005. The average amount of expenditure for the company is Tk 3.45 million.

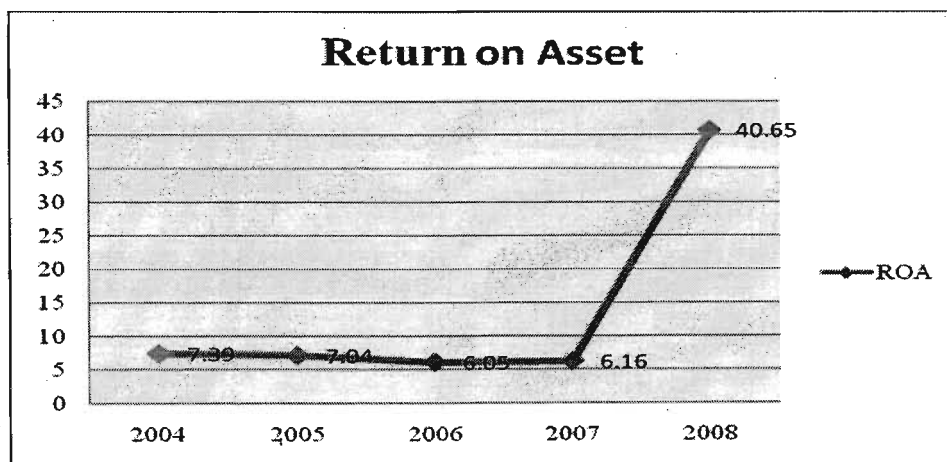
### 3.11 Return On Asset (ROA):

ROA measures the management’s ability and efficiency in using the firm’s asset to generate operating profit, it also return accruing to all provides of capital (Debt and Equity).

**Table 12:** Return on Asset of United Insurance Company Ltd.

Year	ROA	Growth (%)
2004	7.39	-6.34
2005	7.04	-4.74
2006	6.05	-14.06
2007	6.16	1.82
2008	40.65	559.9

**Fig 11:** Return on Asset of United Insurance Company Ltd.



Source: Annual report of United Insurance Limited

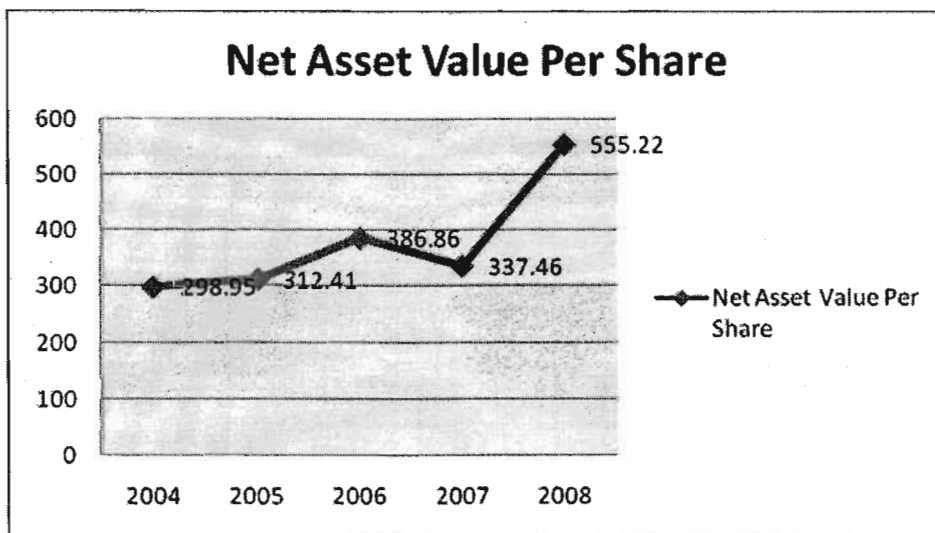
From the year 2004 to 2006, there is a decreasing trend in the Return on Asset (ROA) of United Insurance Company Ltd. After that the ROA was increasing. The highest percentage of ROA was 40.65% in the year of 2008 and the lowest percentage was 6.05% in 2006. The highest percentage of growth is 559.9% in the year 2008.

### 3.12 Net Asset per Share:

**Table 13:** Asset per share of United Insurance Company Ltd.

Year	Net Asset Value Per Share	Growth (%)
2004	298.95	4.11
2005	312.41	4.5
2006	386.86	23.83
2007	337.46	-12.77
2008	555.22	64.53

**Fig 12:** Net Asset per share of United Insurance Company Ltd.



Source: Annual report of United Insurance Company Ltd.

The amount of Asset per share of United Insurance Company Ltd. is more than the book value of the share. Asset is allocated for each share is quite higher than the book value of per share which is a very good sign for the company. The highest Asset per Share was in 2008 which was 555.22 taka and the lowest amount was 298.95 taka per share. The average Asset per Share for the company is 378.18 taka.

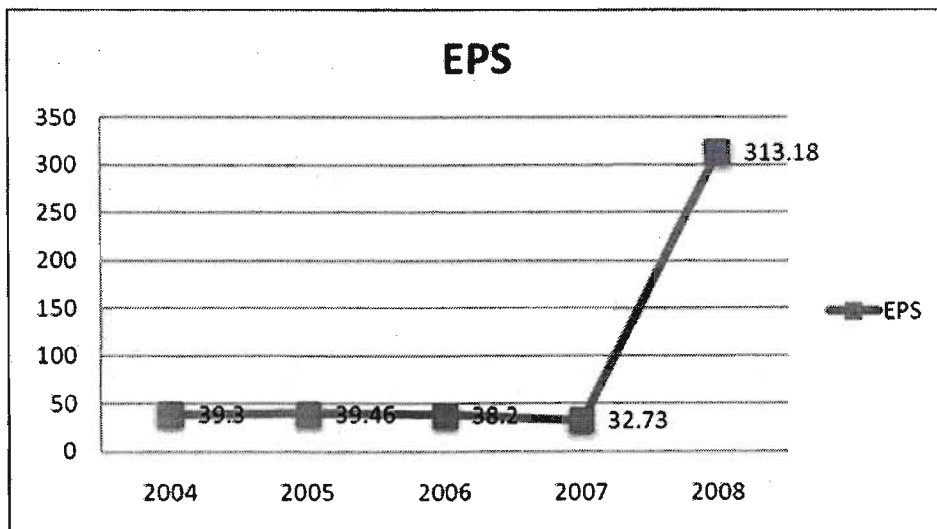
### **3.13 Earnings per Share (EPS):**

Earning per share (EPS) means the amount that a shareholder received per share from after tax net income of a company. It is the value that a shareholder received from holding each share for one year and investing money in the company.

**Table 14:.** EPS of United Insurance Company Ltd.

Year	2004	2005	2006	2008	2004
EPS	39.3	39.46	38.2	32.73	313.18
Growth (%)	0.1	0.41	-3.19	-14.32	856.86

**Fig 13:** EPS of United Insurance Company Ltd.



Source: Annual report of United Insurance Limited

Earning Per Share of United Insurance Company is quite stable which a very good sign is for the company. The highest EPS was 313.18 taka in the year of 2008 and the lowest EPS was 32.72 taka in the year of 2007. The highest growth rate was 856.86% which was in the year of 2007. This type of situation increases the firm value.

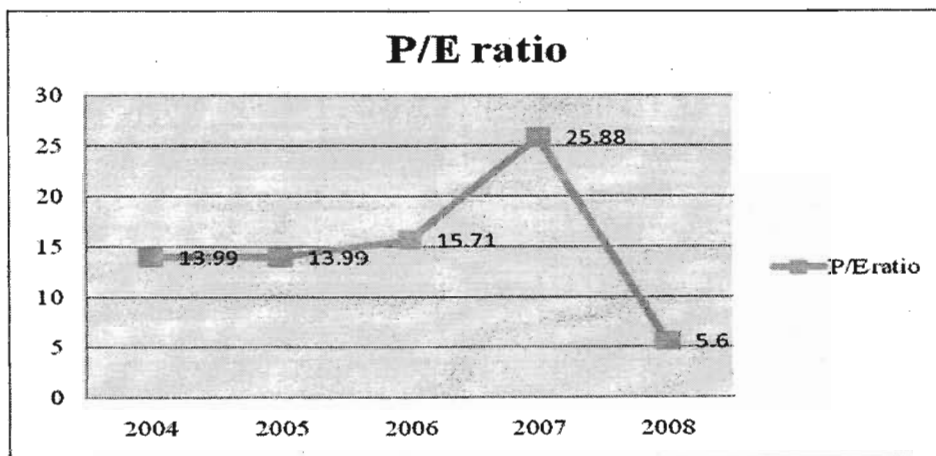
### 3.14 P/E Ratio:

P/E ratio measures the ratio of the market price per share to earning per share. It provides rate of return that an investor can get by investing in a particular share.

**Table 15: P/E Ratio of United Insurance Company Ltd.**

Year	2004	2005	2006	2008	2004
EPS	13.99	13.99	15.71	25.88	5.6

**Fig 14: P/E Ratio of United Insurance Company Ltd.**



Source: Annual report of United Insurance Limited

If P/E ratio increases then the investor are more interested towards the company. United Insurance Company Ltd had highest P/E ratio in 2007 of 25.88 and it had been seen that P/E ratio increases from 2004 to 2007. That indicates that the capital risk will decrease. The lowest P/E ratio was in 2008 which was Tk 2.92 million and highest P/E ratio incurred in 2004 which was Tk 4.24 million. The highest decrease in the growth rate is 15.8% which occurred in the year of 2005. Though here is some flution, United Insurance is performing well over last five years.



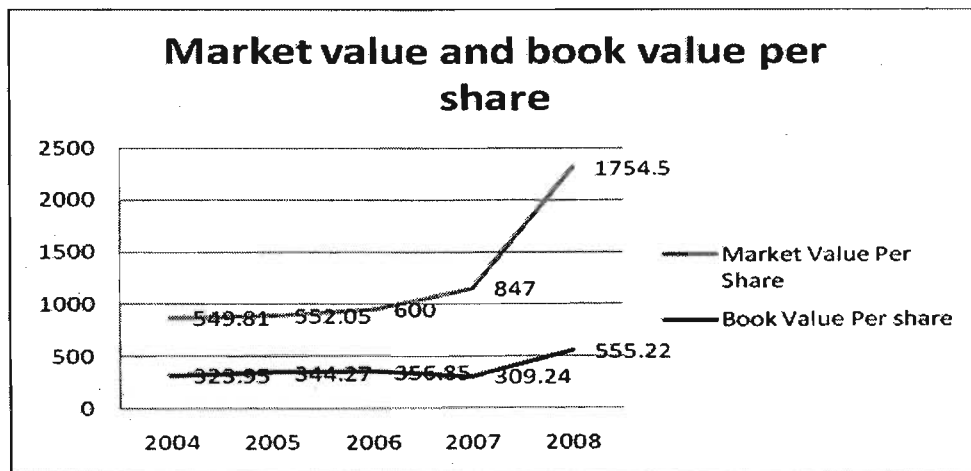
### 3.15 Market and Book value Per Share:

Market price per share means what price the shares of United Insurance Limited are sold in the secondary market to the potential buyer.

**Table 16:** Market and Book value per share of United Insurance Company Ltd.

Years	2004	2005	2006	2007	2008
<b>Book Value Per share</b>	323.95	344.27	356.85	309.24	555.22
<b>Market Value Per Share</b>	549.81	552.05	600	847	1754.5

**Fig 15:** Market and Book value per share of United Insurance Company Ltd.



Source: Annual report of United Insurance Limited

Analyzing the table and graph it can be said that the market price of United Insurance Limited had been increasing over time because there is some specific determinant that specifies the capital market prices. Dividend policy is one of the major determinants for the stock market price. In the year 2008 market price was highest among five years from 2004 to 2008, that is 1754.5.



### **3.16 Dividend per Share (DPS):**

Dividend per share means the portion of net income pays out to the shareholders at the year end. It may be cashed dividend or may be stock dividend. Here I consider both types of dividend to calculate performance of United Insurance Company Limited.

**Table 17: Dividend of United Insurance Company Ltd.**

<b>Year</b>	<b>% Dividend</b>
<b>2004</b>	<b>25%</b>
<b>2005</b>	<b>26%</b>
<b>2006</b>	<b>30%B</b>
<b>2007</b>	<b>28.21%B</b>
<b>2008</b>	<b>10%, 150%B</b>

Source: Annual report of United Insurance Limited

Dividend payment of United Insurance Company Ltd. is increasing for all the years which is very good sign for the shareholders but not for the company's wealth maximization. The highest dividend was paid in the year of 2006 which was 30% of the share and the lowest dividend was paid in 2008 which was 10% of the share. The highest growth of Dividend Payment was 8.70% which was in 2003. The average Dividend Payment was 25.90%.

#### **Dividend Policy:**

United Insurance Limited is following stock dividend policy as they provided certain amount of dividend in the form of bonus since 2006 to 2008. Last three years trend suggests that United Insurance Limited follows stock dividend policy. Before that United Insurance Limited provides cash dividend.

### **3.17 Bonus Share:**

A bonus share is a free share of stock given to current/existing shareholders in a company, based upon the number of shares that the shareholder already owns at the time of announcement of the bonus. UICL also issue Bonus share from 2006 to 2008.

**Table 18:** Bonus Share of United Insurance Company Ltd.

<b>Year</b>	<b>% of Bonus</b>
2004	0
2005	0
2006	30%B
2007	28.21%B
2008	150%B

Source: Annual report of United Insurance Limited

In 2006 due to urgent need to raise the Company's paid-up capital, UICL issued 30% stock dividend and 28.21% stock dividend in 2007 but the Company were not able to provide a cash dividend. But in 2008 company provide a cash dividend of 10% in addition to stock dividend of 150% and raising the paid-up capital to Tk. 250 million. United Insurance will thus be a leading insurance company as regards paid-up capital.

### **3.18 Findings from the Analysis:**

In 2007 the capital structure of United Insurance Limited seems strongest ever since birth. The capital structure of United Insurance Limited suggests that shareholders equity is increasing over the years. Last five years D/E ratio also proves the statement.

ROA also suggest that United Insurance Limited performance is well in 2008 over the last five years. That's why the market value of the share is increasing over time. As a result the market value increases over the years.

Over the last three-years United Insurance Limited performs well and earns enough to declare higher amount of dividend. The Net profit seems stronger only in 2008 that were 373.18 million which was highest over last five years. In 2008 the amount of dividend was 150% which was more than last year.

Over the last five years UICL has taken good measures to reduce its expenditure and in 2008 it becomes lowest among five years which was tk. 2.92 million.

Premium collection: Company's premium collection has increased over lat five years. I cab say that company achieved a constant growth in premium collection. Insurance in many occasions I can is a hazardous business. The gain in several years may be wiped off by losses in one year. But UICL is heavily protected by its reinsurance cover and steadily rising reserves.

Claim Settlements: the company wrote a total Fire Insurance business of Tk 50 million as against Tk 47 million in 2005. The company incurred two big claims one in Dhaka and the other in Bogra. As a result, the company sustained a loss of Tk. 8 million in fire insurance as against a profit of Tk. 1.5 million earned in 2005

# Chapter: 4

**Problems of United Insurance Company Ltd**



## **Problems of United Insurance Company Ltd**

In a developing country like Bangladesh, insurance companies are playing a very important role in the economy. Though United Insurance Company has very prospect in the insurance industry as well as in the economy but for some reasons it's failed to achieve its goal. If we want to know the reasons behind this then we should look forward the following:

### **4.1 Financial problems:**

- For any firm asset is very important element of its financial position. But for UICL its growth of asset is not satisfactory. One year its growth rate is good then the next year it is declining. So UICL has some problem in managing asset.
- Company's NI is from 2004 to 2008 is very low. It also means that UICL can't able to utilize its premium income in proper way.
- In fire insurance sector UICL has failed to achieve its profitability.
- From 2006 to 2008 UICL has to settle a large amount of claim as a result Company's NI become very low.
- From 2004 to 2008 growth was Investment was 0%. This is negative sign for the company.

### **4.2 Problems of Activities:**

- Most of the branches of United Insurance Company Ltd are in different main town of different districts and they have only one zonal office to provide insurance service across the country. This amount of zonal office and branches are very few in number compare to Bangladesh where we have six divisions and 64 districts. So people are not aware of the benefits from the insurance policy.
- The zonal office and the branches of United Insurance Company Ltd are located in urban areas and there are no branches in rural areas.

- The financial condition of different industries business firms etc are not satisfactory. As a result they are not interested to take insurance policy. Because of poor GDP it is quite impossible for Bangladeshi people to save some money for future, therefore premium receive for a firm also low. So the overall poor economic condition is creating obstacle to flourish the United Insurance Company Ltd.
- In Bangladesh cost of business like government tax, house rent, commission fee are growing so fast with that rate. So they are facing difficulties in running their business efficiently. So policy holders are not willing to pay much premium. This less premium paid tendency effects the performance of the company.
- It is very complex procedure to get insurance policy from United Insurance Company Ltd because of great number of rules and regulation by government. Therefore United Insurance Company Ltd number of policy sold is to the customer is low.
- United Insurance Company Ltd performs their activities by recruiting marketing agent and they try to convince the people to take policy. But they don't have enough experience to catch the potential people to make their policy holder.
- United Insurance Company Ltd does not provide adequate information in the company's websites which can fulfill the queries of their potential customers and satisfy themselves to buy an insurance policy.
- Another major problem of United Insurance Company Ltd is lack of marketing policy. Management is not taking initiatives to increase their marketing expansion.



# Chapter: 5

## **Suggestions for United Insurance Company Ltd**



## **Suggestions for United Insurance Company Ltd.**

- United Insurance Company should invest more in long term securities and bond than the short term securities. Long term investment will bring long term development of the country.
- Different types of policies should be offered in order to attract different group of people which will increase the income.
- In order to improve performance of insurance market perfect competition should exist and all information of their activities should be disclosed so that more people will be attracted toward this sector with their surplus fund.
- United Insurance Company should increase their zonal office and branches outside the city so that they can get more potential customer and collect more premium.
- United Insurance Company should invest their collected premium in large and beneficial sectors.
- To regain and maintain a positive public image the company should overcome the dissatisfaction in regards to services and claim settlements and should maintain a service standard.
- The company should practice marketing through the use of promotional tools such as advertising, sales promotion, public relation and publicity, personal selling and direct marketing.
- The company needs to modify their recruitment strategies with increased focus on the marketing and sales training.
- The company also has to upgrade and update their website so that customer can get more information about the company.
- United Insurance Company should establish R & D department
- Company should focus more on CSR activities.
- For better customer satisfaction company can establish customer service.

## **Conclusion:**

In present insurance is too much important to the business and individual sector. Most of the companies provide more or less same services. For this reason the competition is increasing day by day between the insurance companies. On the other hand some new insurance companies are going to start businesses in the competent market. So United Insurance Company Ltd. needs to develop their productive sectors as well as investment sectors. In present, a company cannot establish properly without developing information technology. People search their desires requirement through Internet so; the company needs to develop their Web address to increase both foreign and local investors. The progress of United Insurance Company Ltd. depends on the progress of the insurance industry as well as the economic condition of Bangladesh. Insurance industry also faces many problems. So the government should take proper steps for the development of this industry, the development of overall economic condition to overcome the problems, it will help a lot to flourish the United Insurance Company Ltd. in our country.

## References:

- Books:

Mihsra.M.N.Principles and Practice Thoroughly Revised Edition 2003&2004

Emmett J. Vaughan. Fundamentals of Risk And Insurance. Edition 9<sup>th</sup>.

C. Arthur Williams, Jr. Risk Management and Insurance. Edition 8<sup>th</sup>.

- Magazines and reports:

1. Annual reports of United Insurance Company Ltd. From Year 2004 to 2008.

2. Insurance Journal.

- Websites:

1. [www.dsebd.org](http://www.dsebd.org)

2. [www.unitedinsurance.com.bd](http://www.unitedinsurance.com.bd)

3. [www.scribd.com](http://www.scribd.com)