SURVEILLANCE CREDIT RATING REPORT
UNION INSURANCE CO. LIMITED
Ref. no.: FR/2022/30167

CPA Rating	Long Term	Short Term	Outlook	Date of Declaration	Date of Expiration
	AA2	ST–2	Stable	29 August 2022	30 September 2023

* CPA– Claim Paying Ability

Financial Based on– Audited financial statements up to 31 December 2021, 2020.
Methodology: General Insurance Credit Rating Methodology published on the WCRCL website at www.wasocreditrating.com

RATING RATIONALE

WASO Credit Rating Company (BD) Limited (WCRCL) has reaffirmed to **AA2 (Double A Two)** Claim Paying Ability (CPA) rating to Union Insurance Company Limited (hereinafter referred UIC) in the long term and **ST-2 (Short Term Two)** in the short term. WCRCL assigned the CPA rating based on audited financial statements up-to 31st December 2021 and other relevant management provided quantitative and qualitative data up-to the date of rating declaration. The above rating has been assigned in long term in consideration of its persistent business, sound liquidity position, improved solvency position, and establishing good governance in management along with experienced management team. The above factors are, however, constrained to some extent by volatile underwriting performance, excess management expenses, low rate of Return on assets, conservative investment stance, improved solvency position, retention ratio and loss ratio has found low position.

The gross premium of the company stood at BDT 701.69 million in 2021, whereas BDT 640.92 million of the previous year. In 2021, UIC concentrated on in Marine-Cargo (48.63% of Total Gross Premium) but in the prior year it was 50.11% of Total Gross Premium. A steady growth in business also evident from aggregate sum insured amount. In 2021, Gross premium as well as Net Premium registered growth of 10.47% and 143.56% respectively. Moderate business operating performance last year enhanced internally generated fund by 47.45% (BDT 744.79 million). An improvement in current growth and relentless business performance need to focus– concentration in low risky business, settling a huge amount of claim, give attention on excess provisioning of claim outstanding in line with claim settlement etc.

Total earnings from underwriting and other investment were dominated by underwriting profit of the company because 83.53% and 91.70% of total earnings generated from this source in 2021 and 2020 respectively. In 2021, underwriting profit was decreased by (32.94%) and management expenses decreased by (18.09%). Management expenses gradually improved during last couple of years. Claims lodged during the year at BDT 299.63 million.

Current assets relative to Net claim stood at 3.57x in 2021 vs. 6.31x in 2020; Cash to total assets stood at 30.42 percentage point in 2021, conferred the depressed liquidity position last year. Available solvency to Required Solvency stood 1.42 times in 2021. The more risk tolerance investment stance may opted the investment yield as well as improve solvency in the long run.

WCRCL also viewed the company with "Stable" outlook and CPA rating in this category is adjudged to offer very high claims paying ability with good financial security characteristics. But changes in underwriting and/or economic conditions are likely to have impact on the capacity to meet policyholder obligations than insurers in higher rated categories.

Report Contents:

Key Snapshot:

BDT in million

Particulars	2021	2020
Total Gross premium	701.69	640.92
Total Net Premium	605.71	548.29
Underwriting Profit	84.07	125.37
Profit Before Tax	51.76	86.89
Paid–Up Capital	484.02	290.41
Total shareholders' equity	744.79	505.13
Loss ratio (%)	49.47	22.44
Expense ratio (%)	36.42	36.53
Combined ratio (%)	85.89	58.96
ROAE (%)	8.28	17.61
ROAA (%)	4.09	9.04
Current Ratio (Times)	2.94	2.87
AS/RS (Times)	2.79	1.04

Revenue Sources & Profitability Trend
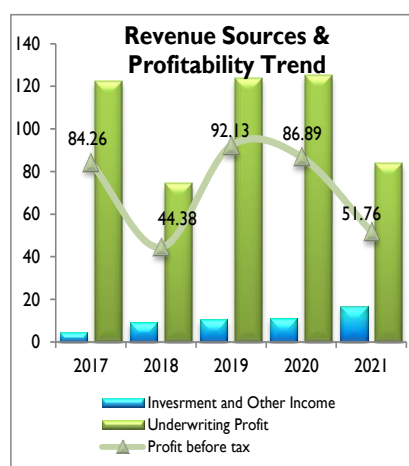
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