

6th SURVEILLANCE CREDIT RATING REPORT UNION INSURANCE CO. LIMITED



Ref. no.: FR/2023/033393

Report Contents:

Particulars	Page
Rating Rationale	1
Company Profile	2
Corporate Governance	2
Management Evaluation	2
Operational Overview	2
Financial Review	4

CPA Rating	Long Term	Short Term	Outlook	Date of Declaration	Date of Expiration
	AA+	ST 1	Stable	05 September 2023	30 September 2024

* CPA– Claim Paying Ability

Financial Based on– Audited financial statements up to 31 December 2022, 2021, and 2020.

Methodology: General Insurance Credit Rating Methodology published on the WCRCCL website at www.wasocreditrating.com

RATING RATIONALE

WASO Credit Rating Company (BD) Limited (WCRCCL) has assigned to **AA+ (Double A Plus)** Claim Paying Ability (CPA) rating to Union Insurance Co. Limited (hereinafter referred UIC) in the long term and **ST 1 (Short Term One)** in the short term. WCRCCL assigned the CPA rating based on audited financial statements up-to 31st December 2022 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 726.96 million in 2022, whereas BDT 701.69 million of the previous year. In 2021, UIC concentrated on in Marine-Cargo (360.10% of Total Gross Premium) but in the prior year it was 341.24% of Total Gross Premium. A steady growth in business also evident from aggregate sum insured amount. In 2022, Gross premium as well as Net Premium registered growth of – 3.73% and –32.49% respectively. 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.

In 2022, underwriting profit was increased by 48.59% and management expenses increased by 37.24%. Management expenses gradually improved during last couple of years. Total Claims during the year at BDT 109.81 million.

Current assets relative to Net claim stood at 5.53x in 2022 vs. 3.57x in 2021; Cash to total assets stood at 14.98 percentage point in 2022, conferred the depressed liquidity position last year. Available solvency to Required Solvency stood 2.43 times in 2022. The more risk tolerance investment stance may opted the investment yield as well as improve solvency in the long run.

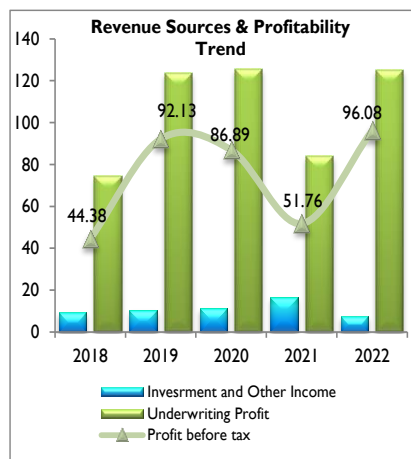
WCRCCL also viewed the company with “Stable” outlook and CPA rating in this category is adjudged to offer very high claims paying ability with good financial security characteristics. But changes in underwriting and/or economic conditions are likely to have impact on the capacity to meet policyholder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

This rating may be revised in case of any extraordinary changes in line with the sponsor’s equity investment, debt obligations and claim paying ability, management, business operations and/or changes in any macro and micro factors in the economy.

Key Snapshot:

BDT in million

Particulars	2021	2022
Total Gross premium	701.69	726.94
Total Net Premium	605.71	583.13
Underwriting Profit	84.07	124.92
Profit Before Tax	51.76	96.08
Paid-Up Capital	484.02	484.02
Total shareholders' equity	744.79	806.39
Loss ratio (%)	49.47	34.69
Expense ratio (%)	36.42	51.92
Combined ratio (%)	85.89	86.62
ROAE (%)	8.28	12.39
ROAA (%)	4.09	6.94
Current Ratio (Times)	2.94	2.73
AS/RS (Times)	2.79	2.43



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