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# Project Report

On

“An Appraisal of Financial Performance of  
Pragati Insurance Limited”

**Submitted to**

Dr. Tanbir Ahmed Chowdhury

Professor

Department of Business Administration

*Scanned Done*

**Submitted by**

K. M. Nafizul Hoq

2006-2-10-030

**Submission date**

28<sup>th</sup> April, 2010.

# East West University

# **An Appraisal of Financial Performance of Pragati Insurance Limited**

**April 28, 2010**

**Prof. Md. Tanbir Ahmed Chowdhury**  
**Department of Business Administration**  
**East West University**

**Subject:** Submission of the Project Report.

**Dear Sir:**

**With** due respect and humble submission, I undertook my Project (BUS-498) under your **supervision** and guidance with the topics "An Appraisal of Pragati Insurance Limited & It's **financial** Analysis " which is a mandatory element of my graduation as a Finance Major.

**As** you will notice, the report will cover all relevant topics, representing a whole picture of **Pragati** Insurance Limited to analyze the work structure and identify the supporting **services** of Pragati Insurance Limited and their impact in providing quality services to the **ultimate** clients. Besides, several recommendations will be included for ensuring future success. **This** will make the report a complete and an extensive one. Therefore, I am confident of **the** validity of this study.

**If** you have any questions or suggestion about the process, I would be happy to oblige for any **further** clarification.

**Thank You.**

**K. M. Nafizul Hoq**

**ID# 2006-2-10-030**

**Department of Business Administration**  
**East West University**

# Acknowledgement

All praises are due to Almighty Allah who enabled me to complete this report. This report entitled the An Appraisal of Pragati Insurance Limited & It's financial Analysis.

I would like to express my sincere gratitude and appreciation to my supervisor, Prof. Md. Tanbir Ahmed Chowdhury. It would not have been possible for me to complete this report without his help, advice and overall supervision. His constant encouragement and supervision throughout the period of this study have been greatest inducement for me and directly contributed to the accomplishment of the task. No words of appreciation can sufficiently express the immense gratitude that I owe to Pragati Insurance Limited.

Equally I would also like to express my sincere gratitude and indebtedness to the authority of East West University for their kind co-operation. It gives me the opportunity to work on the selected insurance industry focusing on the various aspects & analysis. Accomplishing the report, I gathered a thorough idea and view on various Issues & market reflection regarding the insurance sector.

## Table of Content

<b>SL. No.</b>	<b>Particulars</b>	<b>Pages</b>
<b>1</b>	<b>Chapter-1 Introduction</b>	<b>1-6</b>
<b>2</b>	1.1 Executive Summary	<b>1</b>
<b>3</b>	1.2 Origin of the Report	<b>2</b>
<b>4</b>	1.3 Objective	<b>3</b>
<b>5</b>	1.4 Scope of the Report	<b>3</b>
<b>6</b>	1.5 Methodology	<b>4</b>
<b>7</b>	1.6 Limitations	<b>6</b>
<b>8</b>	<b>Chapter-2 An Overview of Pragati Insurance Limited</b>	<b>7-12</b>
<b>9</b>	2.1 Company's Mission & Vision	<b>7</b>
<b>10</b>	2.2 Nature of the Business	<b>7</b>
<b>11</b>	2.3 Company Profile	<b>8</b>
<b>12</b>	2.4 Capital Structure & Shareholding	<b>10</b>
<b>13</b>	2.5 Present position of Board directors	<b>11</b>
<b>14</b>	2.6 Other Activities	<b>12</b>
<b>15</b>	<b>Chapter-3 An Overview of Services Offered by Pragati Insurance Limited</b>	<b>13-23</b>
<b>16</b>	3.1 Types of Insurance Policy Offered	<b>13</b>
<b>17</b>	3.2 Fire Insurance	<b>13</b>
<b>18</b>	Standard Fire Policies	<b>14</b>
<b>19</b>	Perils Not Covered	<b>14</b>
<b>20</b>	3.2.1 Fire Insurance Premium	<b>15</b>
<b>21</b>	3.2.2 Fire Claim	<b>16</b>
<b>22</b>	3.3 marine insurance	<b>17</b>
<b>23</b>	Risks Covered	<b>17</b>
<b>24</b>	3.3.1 Marine Insurance premium	<b>19</b>
<b>25</b>	3.3.2 Marine Claim	<b>20</b>
<b>26</b>	3.4 Motor Insurance & Others	<b>21</b>
<b>27</b>	Act Liability Policy/Public Liability	<b>21</b>
<b>28</b>	Comprehensive Insurance Policy	<b>21</b>
<b>29</b>	Hospitalization Insurance	<b>21</b>

30	3.4.1 Motor & Others Insurance Premium	22
31	3.4.2 Motor & other Claim	23
32	<b>Chapter-4 Financial Performance of Pragati insurance Limited</b>	<b>24-42</b>
33	4.1 Financial Information	24-32
34	4.1.1 Financial Performance At A Glance	24
35	4.1.2 Credit Rating	25
36	4.1.3 Reserve	25
37	4.1.4 Value Added Statement	26
38	4.1.5 Investment in Fixed Assets	27
39	4.1.6 Ownership Status	28
40	4.1.7 Uses of Application	29
41	4.1.8 income Distribution	29
42	4.1.9 Premium Collection	30
43	4.1.10 Claim Paid	32
44	4.2 performance Evaluation	32-42
45	4.2.1 Return on Equity	33
46	4.2.2 Return on Assets	34
47	4.2.3 Net Operating Margin	35
48	4.2.4 Earning Per Share	36
49	4.2.5 Net profit Margin	37
50	4.2.6 Quick Ratio	38
51	4.2.7 provisions	39
52	4.2.8 Growth of Capital	40
53	4.2.9 Growth of Assets	40
54	4.2.10 Dividend Declared	41
55	4.2.11 Investment	42
56	<b>Chapter-5 Problems &amp; Recommendation</b>	<b>43-44</b>
57	7.1 Problems of Pragati Insurance	43
58	7.2 Recommendation	44
59	<b>Chapter-6 Conclusion</b>	<b>45-46</b>
60	8.1 Conclusion	45
61	8.2 Bibliography	46

# List of Tables

Sl No.	Tables	Pages
1	<b>Chapter-2 An Overview of Pragati Insurance Limited</b>	
2	2.1 Shareholding Statuses	10
3	2.2 List of Board of directors	11
4	<b>Chapter-3 An Overview of Services Offer By Pragati Insurance Limited</b>	<b>13-23</b>
5	3.1 Premium collections year by year (Fire)	15
6	3.2 Claims paid Year by Year (Fire)	16
7	3.3 Risks that Covered	18
8	3.4 Premium collections year by year (Marine)	19
9	3.5 Claims paid Year by Year (Marine)	20
10	3.6 Premium collections year by year (Motor & Others)	22
11	3.7 Claims paid Year by Year (Motor & Others)	23
12	<b>Chapter-4 Financial Performance of Pragati insurance Limited</b>	<b>24-42</b>
13	4.1 Financial Performances at a Glance (Last 5 Years)	24
14	4.2 Reserve year by year	25
15	4.3 Value Added Statements	26
16	4.4 Assets (BDT Million)	27
17	4.5 Ownership Statuses	28
18	4.6 Uses of Application (BDT Million)	29
19	4.7 Income Distributions (For 2008)	29
20	4.8 Premium collection	31
21	4.9 Claim Paid	32
22	4.10 Return on Equity	33
23	4.11 Return on Asset	34
24	4.12 Net Operating Margins	35
25	4.13 Earnings per Share	36
26	4.14 Net profit Margins	37
27	4.15 Quick Ratios	38
28	4.16 Provisions	39
29	4.17 Growth of Capital	40
30	4.18 Growth Assets	40
31	4.19 Dividends Declared	41
32	4.20 Investments (for 2008)	42

# List of Figures

<b>Sl. No.</b>	<b>Figures</b>	<b>Pages</b>
<b>1</b>	<b>Chapter-1 Introduction</b>	
<b>2</b>	1.1: Flow chart of methodology	<b>4</b>
<b>3</b>	<b>Chapter-3 An Overview of Services Offer By Pragati Insurance Limited</b>	<b>13-23</b>
<b>4</b>	3.1 Premium collections year by year (Fire)	<b>15</b>
<b>5</b>	3.2 Claims paid Year by Year (Fire)	<b>16</b>
<b>6</b>	3.3 Premium collections year by year (Marine)	<b>19</b>
<b>7</b>	3.4 Claims paid Year by Year (Marine)	<b>20</b>
<b>8</b>	3.5 Premium collections year by year (Motor & Others)	<b>23</b>
<b>9</b>	3..6 Claims paid Year by Year (Motor & Others)	<b>23</b>
<b>10</b>	<b>Chapter-4 Financial Performance of Pragati insurance Limited</b>	<b>24-42</b>
<b>11</b>	4.1 Reserve year by year	<b>26</b>
<b>12</b>	4.2 Value Added Statements	<b>27</b>
<b>13</b>	4.3 Income Distributions (For 2008)	<b>30</b>
<b>14</b>	4.4 Return on Equity	<b>33</b>
<b>15</b>	4.5 Return on Asset	<b>34</b>
<b>16</b>	4.6 Net Operating Margins	<b>35</b>
<b>17</b>	4.7 Earnings per Share	<b>36</b>
<b>18</b>	4.8 Net profit Margins	<b>37</b>
<b>19</b>	4.9 Quick Ratios	<b>38</b>
<b>20</b>	4.10 Provisions	<b>39</b>
<b>21</b>	4.11 Growth Assets	<b>41</b>



# Chapter 1

## Introduction

### 1.1 Executive Summary

Pragati Insurance Limited started operation from, 1986 with a commitment to play some social role in addition to normal non-life insurance business. Its slogan is “Symbol of Security” From the very beginning, the company has adopted the policy of diversifying its business. To achieve this objective, the bank started hospitalization insurance policy, personal accident policy, earthquake policy in general, secured business etc. Under the dynamic leadership of the Chief Executive Officer, this company is operating successfully as being on of the leading general insurance company in Bangladesh with good profitability and reserve. This company is running operation its business through 36 branches.

The insurance industry is one of the fastest growing profitable industries. In order to improve the economic condition of the country insurance companies are responsible for the mobilization of fund.

Pragati insurance insures all traditional lines of non-life insurance businesses viz. – Fire & allied risks including flood, cyclone, earthquake, Typhoon, malicious damage, burglary, riot, strike, damage, house breaking, industrial all risks, DOS, machinery breakdown, loss of profit, business interruption, CAR/EAR, personal accident including workmen compensation, motor insurance of all descriptions & value, Travel medical & medical insurance including treatment abroad to name a few broad lines. Paid-up capital of the company is Tk.387.70 million and Reserves including capital reserves stood at Tk.784.92 million thus making an equity base of Tk.780.51 million as of December 2008.

## **1.2 Origin of the report**

Project report is a practical part of academic studies. This is a reflection of academic knowledge through practical work experience. Thus this Project report aims to reflect the professional view of real world working environment.

Business Administration Department of East West University offers Four year BBA program majoring in different related fields. This four year BBA academic program is the building up of the theoretical knowledge about business administration which is the base of practical knowledge. This BBA Project program is an attempt to provide business students an orientation to a real life business situation in which we can observe and evaluate the use and applicability of the theoretical concepts which were taught in the classrooms.

The report on **“An Appraisal of Pragati Insurance Limited & It’s financial Analysis”** is prepared by K. M. Nafizul Hoq individually under the supervision and guidance of Prof. Tanbir Ahmed Chowdhury, Business Administration Department, East West University to meet the requirement of the project program of BBA.

As per norm this report is the requirement of the fulfillment of the Under Graduation program. This report **“An Appraisal of Pragati Insurance Limited & its financial Analysis.”** is the outcome of over 4 years studying in East West University in Undergraduate Program. This report writing is mainly based on the analysis of Pragati Insurance Limited’s performance along with other insurance in this Bangladeshi financial market place.

## **1.3 Objective**

### **Broad Objectives**

To explore the various features of Pragati Insurance Limited and analyze the financial performance of Pragati Insurance Limited.

### **Specific Objectives**

- To appraise the financial performance of Pragati Insurance Limited.
- To find out the problems of Pragati Insurance Limited and provide recommendation.

## **1.4 Scope of the report**

The report is basically divided into two parts:

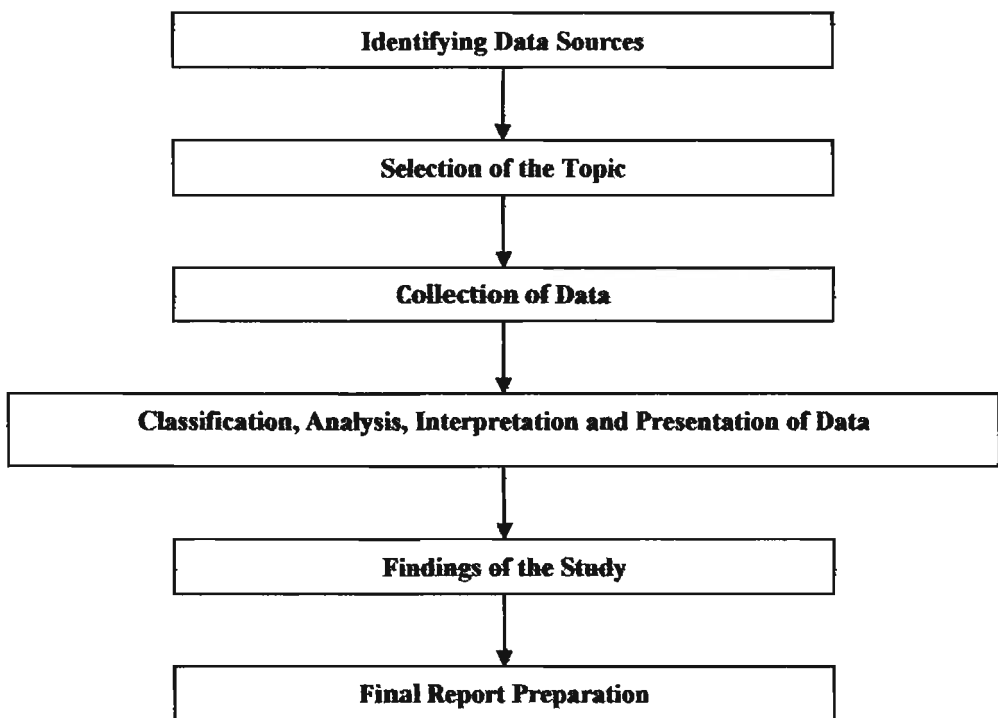
- The Organization Part
- The Project Part

The organization part of the report focuses upon the organizational structure and the Insurance policies offered by Pragati Insurance Limited. The study also concentrates upon the actual insurance activities of the company, its exposure to the various sectors and its performance.

The project part of the report basically evaluate the financial performance evaluation of Pragati Insurance Limited and measuring the activity ratios, liquidity analysis, debt and solvency analysis, profitability analysis, operating and financial leverage.

## 1.5 Methodology

The study requires a systematic procedure from selection of the topic to final report preparation. To perform the study data sources are to be identified and collected, they are to be classified, analyzed, interpreted and presented in a systematic manner and key points are to be found out. This overall process of methodology is given in the following page in the form of flowchart that has been followed in the study.



**Figure 1.1: Flow chart of methodology**

- i. **Identifying data sources:** Essential data sources both primary and secondary are identified which are needed to complete and workout the study. To meet up the need of data, primary data are used and the study also requires interviewing the officials and staffs where necessary.

- ii. Selection of the topic:** The topic selected for the study was assigned by Prof. Tanbir Ahmed Chowdhury. Before assigning the job it was discussed with me so that I can prepare a well-organized project report.
  
- iii. Collection of data:** Primary data are collected through physical inspection as there is no provision and scope for using sampling technique. Different year's annual report will give me the financial structure of Pragati Insurance Limited.
  
- iv. Classification, analysis, interpretation and presentation of data:** To classify, analyze, interpret and presentation of data I will use some arithmetic and graphical tools to understand them clearly. And as well as I also measure the activity ratios and liquidity analysis, debt and solvency analysis, profitability analysis, operating and financial leverage.
  
- v. Findings of the study:** After scrutinizing the data problems of the study are pointed out and they are shown to my instructor. Recommendations are suggested thereafter to overcome the problems.
  
- vi. Final report preparation:** On the basis of the suggestions of our honorable course teacher some deductions and additions have been made and final report is prepared thereafter.

## **1.6 Limitations**

**For the organizational part, the annual report was the main secondary source of information that was not enough to complete the report and provide the reader a clear idea about the company.**

- **The main limitation for me was the fact that I was not working in Pragati Insurance Limited. So I had to rely on my father who is working on Pragati Insurance Limited. And materials provided by him.**
- **Recent data and information on different activities of Pragati Insurance Limited was unavailable.**
- **Company policy did not permit to disclose various data and information related to Investment Portfolio.**

## **Chapter 2**

### **An Overview of Pragati Insurance Limited**

#### **2.1 Company's vision & Mission**

The mission of the company is to participate in the development of the country by taking risk & other development activities in the capital market and to be number one in the Insurance field of the country. The objectives for which the company is established are to carry on all kinds of insurance business, all kind of guarantee and indemnity business and in particular to carry on all kinds of fire, lighting, explosion, earthquake, hail, air, marine, transit accident, employers liability, workmen's compensation, diseases, sickness survivorship failure of issue, burglary, robbery, theft, fidelity, motor car, livestock, glass, third party risk and every kind of guarantee and indemnity business and counter-guarantee and counter indemnity business and generally every kind of insurance and re-insurance business whether now known or hereafter to devise.

#### **2.2 Nature of the Business**

The primary business of the company is to carry on all kind of insurance, guarantee and indemnity business. The company operates the following services:

##### **1) Insurance Business:**

- Fire Insurance
- Motor Insurance
- Marine Insurance
- Property insurance
- Flood Insurance
- Personal Accident Insurance including Group Personal Accident
- Business interruption & machinery Break-down insurance
- Takaful Insurance

- Tsunami& Earthquake insurance
- Health Insurance
- Engineering insurance
- Industrial all risks Insurance
- House hold all risk insurance
- Car insurance

## 2) Financial Services:

- Underwriting & Bridge Financing
- Trusteeship

## 3) Re-Insurance:

- Shadharon Bima Corporation
- General Insurance Corporation of India

## 2.3 Company Profile

PRAGATI INSURANCE LIMITED was established in 1986. A group of young entrepreneurs of Bangladesh who had earlier launched a commercial Bank in the private sector sponsored the company with 30 million Taka capitals. Sponsors included shipping magnets, Engineers, Road Builders, Top Garment Exporters and Importers. Market size of Bangladesh in the non-life sector was Tk. 1,050 million in 1986. It has grown to Tk. 5,967.119 million in 2006. With the arrival of private sector power companies like AES, gas giants like UNOCAL, SHELL and discovery of new off shore gas in the Bay of Bengal and other private sector infrastructure industry in the country, it is expected that there would be quantum jump in the non-life insurance premium portfolio in Bangladesh once the decision as to utilization or export of gas is taken by the Govt. Besides, It insure all traditional lines of non-life insurance businesses viz. – Fire & allied risks including flood, cyclone, earthquake, Typhoon, malicious damage, burglary, riot, strike, damage, house breaking, industrial all risks, DOS, machinery break-down, loss of profit, business



interruption, CAR/EAR, personal accident including workmen compensation, motor insurance of all descriptions & value, Travel medical & medical insurance including treatment abroad to name a few broad lines.

<b>Registered Office</b>	<b>: Pragati Bhaban Center 20-21, Kawran Bazar, Dhaka-1215</b>
<b>Date of Incorporation</b>	<b>: January 27, 1986</b>
<b>Type of Company</b>	<b>: Public Limited Company</b>
<b>Date of Commencement</b>	<b>: January 30, 1986</b>
<b>Nature of Business</b>	<b>: To carry on in Bangladesh any kind of Insurance business &amp; other related Activities other than life insurance</b>
<b>Listing With DSE</b>	<b>: April 04, 1996</b>
<b>Listing With CSE</b>	<b>: April 06, 1996</b>
<b>Authorized Capital</b>	<b>: 500 million Tk.</b>
<b>Paid up Capital</b>	<b>: 387.70 million Tk.</b>
<b>Number of Branches</b>	<b>: 40</b>
<b>Telephone No</b>	<b>: 9133680-2</b>
<b>Fax No</b>	<b>: 880-2-8122980</b>
<b>E-mail</b>	<b>: pilbima2bo-online.com</b>
<b>Web site</b>	<b>: www.pragatiinsurance.com</b>
<b>Auditor</b>	<b>: Hoda Vasi: Chowdhury &amp; Co.</b>

## 2.4 Capital Structure and Shareholding

**Authorized capital:** Authorized capital of the company is Tk. 500,000,000 divided into 5,000,000 ordinary share of Tk. 100 each.

**Issued, Subscribed and Paid up Capital:** The paid up capital of the company is Tk. 387,700,000 divided into 3,877,000 ordinary share of Tk. 100 each fully subscribed. All the shares of the company are in the dematerialized form (DEMAT) with effect from May 16, 2004 under CDBL. The proportion of public & sponsor holding are given bellow:

Category of Share Holders	% of holding
Category-A (Sponsor)	50
Category-B (Public)	50
Total	100

**Table: 2.1 Shareholding Statuses**

## 25 Present Position of the Board of Directors

<b>Chairman</b>	
<b>Mr. Abdul Awal Mintoo</b>	Past President of FBCCI, (Apex Trade Body) Past Chairman of NBL, Transportation consultant; Sponsor Pragati Life Insurance Ltd.
<b>Vice Chairman</b>	
<b>Mr. Khan Mohd. Ameer</b>	Paper maker, Printer, Garments exporter, Sponsor director Pragati Life Insurance Ltd.
<b>Directors</b>	
<b>Sponsors Group</b>	
<b>Mr. Abdul Monem</b>	Road Builder & Coca Cola Bottler, Sponsor director Pragati Life Insurance Ltd.;
<b>Al-Haj Khalilur Rahman</b>	Chairman of KDS Group, Top Garments exporter of Bangladesh, Steel Mill & Textile Mill owner, Sponsor Director of NBL & Pragati Life Insurance Ltd.
<b>Mohammad A. Awwal</b>	Ship owner & operator
<b>Mr. Moazzam Hossain</b>	Chairman Hosaf Group of Industries, Sponsor director NBL & Pragati Life Insurance Ltd.
<b>Mr. Md. Syedur Rahman Mintoo</b>	Cap & Garment Exporter
<b>Capt. Imam Anwar Hossain</b>	Ship owner & operator, Bank Director, Sponsor director Pragati Life Insurance Ltd.
<b>Mr. Syed M. Altaf Hussain</b>	CARGILL representative in Bangladesh for Agro-products & fertilizer & Chairman Pragati Life Insurance Ltd.
<b>Md. A. Malek</b>	Ship owner & operator
<b>Mr. Md. Sarwar Kamal</b>	Tea Garden & Steel Mill owner
<b>Mrs. Nigar Jahan Chowdhury</b>	Garment Exporter, Sponsor director Pragati Life Insurance Ltd.
<b>A.S. M Mainuddin Monem</b>	Road Builder & Coca Cola Bottler, Sponsor director Pragati Life Insurance Ltd.;
<b>Mr. Zakaria Taher</b>	Industrialist & Businessman and Member of the Parliament
<b>Mr. Tabith Mohd. Awal</b>	Industrialist & Businessman
<b>Ms. Razia Sultana Shimul</b>	Tannery industry owner
<b>From Public Shareholding</b>	
<b>Mr. Md. Ahamedul Hoque</b>	Industrialist
<b>Indenpent Director</b>	
<b>A.K.M Samsuddin</b>	

## **2.6 Other Activities**

### **Financial Operation**

Pragati has been in financial sector operation like share underwriting, trusteeship to the debenture issues, trading of shares and other securities at both primary and secondary market since long.

### **Pragati-RPR Centre**

Pragati has built a 16 storied high rise building at Kawran Bazar, Dhaka -1215 under a joint venture program with Rhone Poulenc Rorer (RPR) Bangladesh Ltd which has completely changed the sky line of the area. Out of 16, 4 floors (2<sup>nd</sup> to 5<sup>th</sup>) belong to RPR and rest 12 floors belong to Pragati. The Head Office of the company is situated at the 12<sup>th</sup>, 13<sup>th</sup> & 14<sup>th</sup> floors.

### **Housing Bank**

Pragati is one of the sponsor shareholders and Directors of National Housing Finance Bank and Investment Limited. The company has started its operation in 1999 and has been a profit making organization since the very first year.

### **Industrial and Infrastructure Development Finance Company Limited**

Pragati has also sponsored of IIDFCL which has started operation from April, 2001. The Bank was established with the objective of financing industries and infrastructure facilities, participating in the privatization of banking and non-banking financial institutions, managing classified assets of financial institutions through launching of Asset Management Companies and performing other related function.

### **Land Development**

Pragati has a big chunk of land measuring 86 kathas in the prime location of Dhaka. The land is situated on the corner of Panthapath and Sonargaon Road crossing opposite Sonargaon Hotel. Various alternatives are being examined by the company for proper utilization of the land. Pragati has another piece of land measuring 2.3 acres in Joydevpur, which is at the periphery of Dhaka Mega City and the value of which is increasing very rapidly. It also has another piece of freehold land near the lake city of new Gulshan.

## **Chapter 3**

### **An Overview of Services Offered By Pragati Insurance Limited**

#### **3.1 Types of Insurance Policies Offered**

Being one of the leading general insurance companies in Bangladesh from the beginning of the operation, Pragati Insurance is offering a good number of different types of insurance policies to its clients. It has been almost offering maximum types of policies from the perspective of Bangladesh.

- **Fire insurance**
- **Marine insurance**
- **Motor Insurance**
- **Hospitalization Insurance**

#### **3.2 Fire Insurance**

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.

The scope of Fire insurance may be considered under the following headings:

- A. Standard Fire Policy
- B. Special Perils Fire Policy

### **The Standard Fire Policy.**

This is the basic policy issued and the form is prescribed by the Tariff. The Policy covers the following perils:-

- (a) Fire including fire resulting from explosion. The term "Fire" is understood to mean actual ignition under accidental circumstances. Mere scorching or heating or fermentation is not a loss by fire.
- (b) Lightning (whether fire ensues or not)
- (c) Explosion of Boiler used for domestic purpose only.
- (d) Explosion of Gas used for domestic purpose only or for lighting or heating in a building not forming part of gas work.

In addition, loss or damage caused by smoke, by water used for extinguishing the fire and by action taken by the Fire Brigade in putting out the fire is also covered.

### **Perils not Covered**

Loss or damage due to any of the following incident may be covered by taking extra cover along with Fire policy:-

- a) Earthquake Fire & Earthquake Shock
- b) Flood, Cyclone & Typhoon, Tornado;
- c) War, Civil war & other kindred perils:
- d) Riot & Strike damage;
- e) Explosion except as mentioned above:

f) Burning of forest, bush and Jungles and the clearing of lands by fire:

g) Damage due to falling from Aircraft;

h) Malicious damage;

### 3.2.1 Fire Insurance Premium

Pragati insurance is earning most of its premium from selling of fire insurance policies. It seems that most of its business is on fire insurance policies. The rate of increasing fire insurance premium is significant for its business operation.

Year	(BDT Million)	Growth Rate
2004	188	-
2005	244	29%
2006	258	6%
2007	417	62%
2008	481	15%

Table: 3.1 Premium collections year by year (Fire)

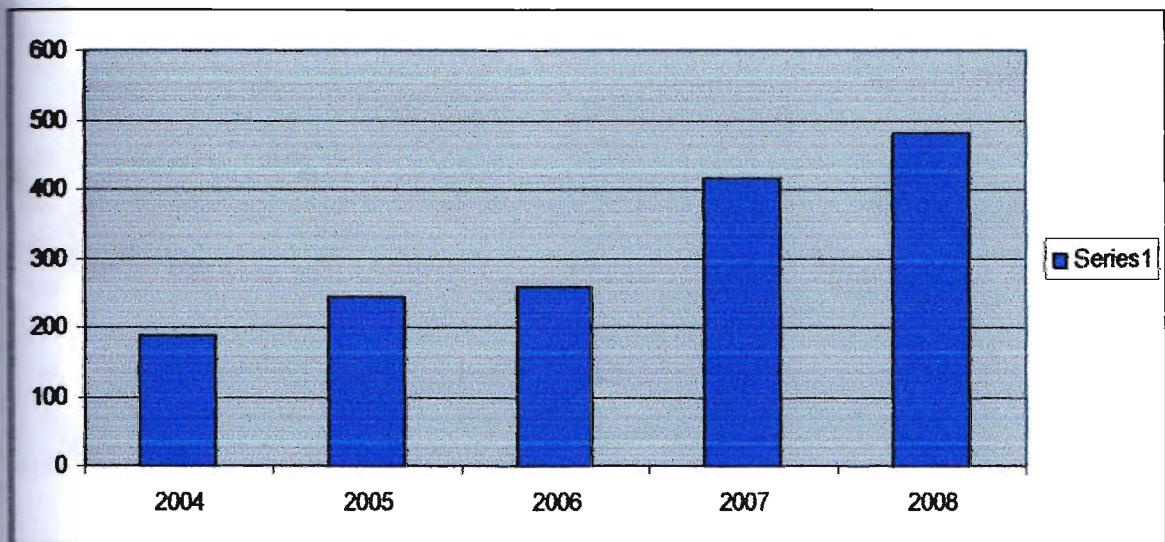


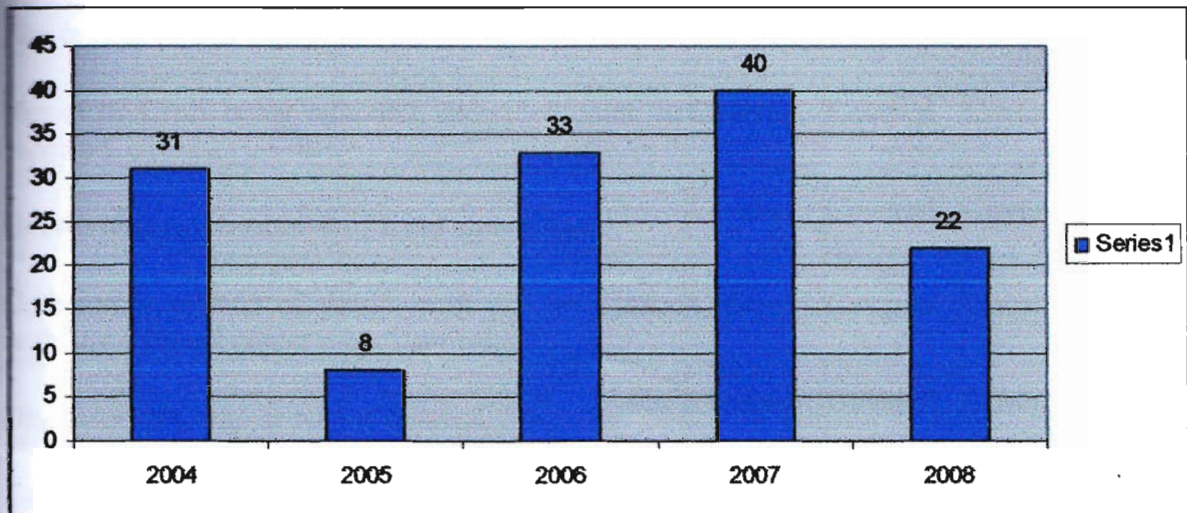
Figure: 3.1 Premium collections year by year (Fire)

## 3.2.2 Fire Claim

As if having a devastating fire that damages everything in a home or business isn't enough, the second catastrophe can be dealing with an insurance company or adjuster. Fire insurance claims are very complex due to the large amount of damage they cause. It's not long before the two sides are in a dispute about what should be repaired and what should be replaced. Pragati insurance has been paying a significant amount of fire claim over the years.

Year	BDT (Million)	Growth Rate
2004	31	
2005	8	-74%
2006	33	312%
2007	40	21%
2008	22	-45%

**Table: 3.2 Claims paid Year by Year (Fire)**



**Figure: 3.2 Claims paid Year by Year (Fire)**



### 3.3 Marine Insurance

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. -

#### Risk

Loss or damage reasonable attributed to :	ICC(A)	ICC(B)	ICC(C)
Fire or explosion	Covered	Covered	Covered
Vessel or Craft being stranded, grounded, sunk or capsized.	Covered	Covered	Covered
Overturning or derailment of Land conveyance.	Covered	Covered	Covered
Collision or contact of vessel, craft or Conveyance with any external object other than water.	Covered	Covered	Covered
Discharge of Cargo at port of distress.	Covered	Covered	Covered
Earthquake, volcanic Eruption or lightning	Covered	Covered	<u>Not-Covered</u>
<b>Loss or damage caused by:</b>			
General Average Sacrifice	Covered	Covered	Covered

	Covered	Covered	Covered
Washing overboard	Covered	Covered	<u>Not-Covered</u>
Entry of sea, Lake or river water into vessel, Craft hold Conveyance, Container, Lift Van or place of storage.	Covered	Covered	<u>Not-Covered</u>
Total loss of any package lost overboard or dropped whilst Loading to or unloading from vessel or craft.	Covered	Covered	<u>Not-Covered</u>
Other risk such as Breakage, Scratching, Splitting, hooks, Holing, tearing, bursting, loss of contents, damage to the containers, Fresh, rain water damage, Heating and extraneous substances, theft, pilferage & non-delivery & other risks not specially excluded in the ICC "A" clauses.	Covered	Covered	<u>Not-Covered</u>

**Table: 3.3 Risks that Covered**

The Company also grants wider cover like Theft, pilferage and non-delivery (TPND) with ICC(C) on payment of additional premium as per tariff.

Anyone or all the perils mentioned below may be obtained with ICC (B) on payment of additional premium.

Breakage, Scratching/Splitting, hooks, holing, bursting, tearing, leakage, Fresh, rain water damage, theft pilferage & non-delivery.

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

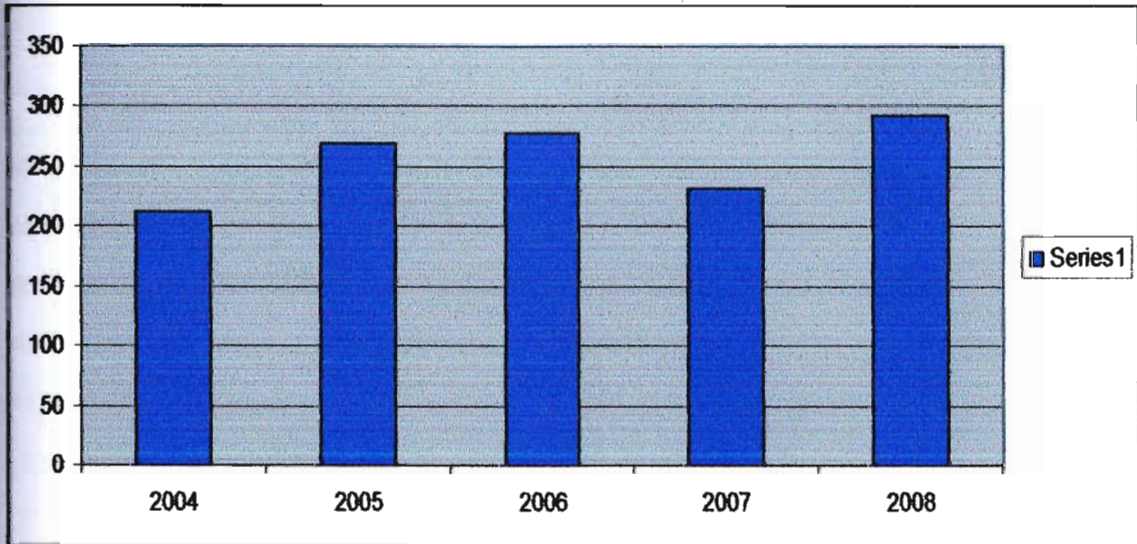
- (1) 60 days cover at sea port from the date of discharge from the ship under "A" "B" & "C"
- (2) Inland transit by Road, Rail &/or Berge.
- (3) WAR & SRCC covers are available on payment of additional premium.

### 3.3.1 Marine Insurance Premium

As mentioned earlier Pragati insurance is offering two types of marine insurance policies to its clients. In the part of premium collection from selling marine insurance policies Pragati insurance is earning most of its premium by selling marine cargo insurance rather than marine hull insurance. After the fire insurance policies the collection of premium from marine insurance is significant for Pragati insurance.

Year	(BDT Million)	Growth Rate
2004	212	
2005	269	27%
2006	277	3%
2007	232	-16%
2008	293	27%

**Table: 3.4 Premium collections year by year (Marine)**



**Figure: 3.3 Premium collections year by year (Marine)**

### 3.3.2 Marine Claim

Marine claims can arise at any given location at any time during the course of transit. In such a case it is difficult to contact the policy issuing office immediately & immediate survey is almost always needed. Thus in the case of a marine loss the insured can get a surveyor deputed from the nearest office immediately in case of a domestic transit loss. In case of transit loss in an overseas consignment the settling agent of the insurance company as mentioned on the face of the certificate should be contacted for assessing & settling the loss there & then. Pragati insurance is also very regular in terms of marine claims like the premium collection maximum part of marine claims from marine cargo insurance policies.

Year	BDT (Million)	Growth Rate
2004	28	
2005	2	-92%
2006	17	750%
2007	12	-29%
2008	20	67%

Table: 3.5 Claims paid Year by Year (Marine)

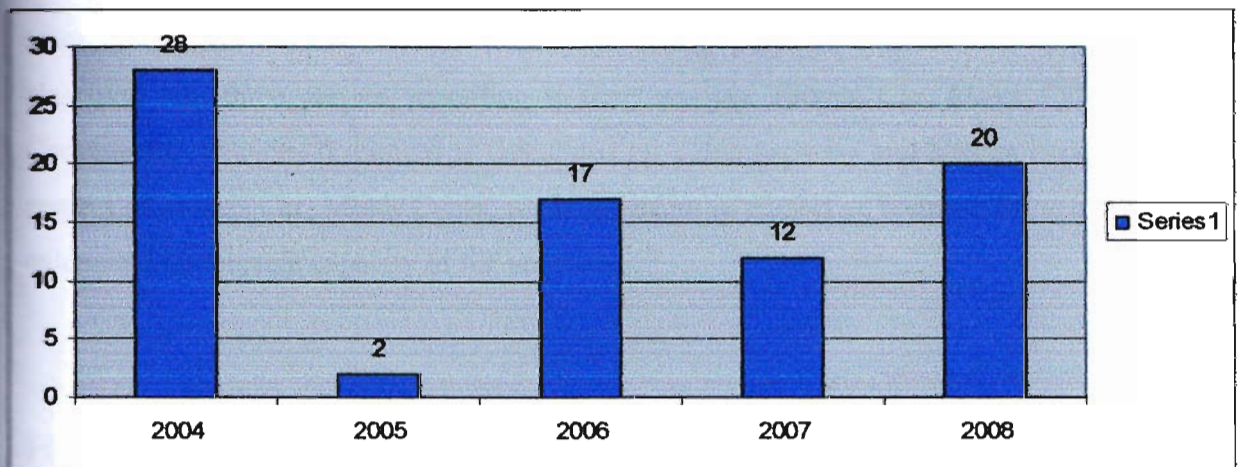


Figure: 3.4 Claims paid Year by Year (Marine)

### **3.4 Motor Insurance & Other**

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.

**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.

**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.

#### **Hospitalization Insurance**

With Pragati's Hospital Care Insurance Plan, a new hospitalization and surgical benefit policy from Pragati Insurance, we can now plan ahead and have full control in any medical eventuality. Whether we are an individual or a corporate, we are essentially

looking for the same thing: to take care of the people you value – either our family or our employees.

### **What does this Plan Cover?**

Depending upon the Plan opted by you, Pragati Hospital Care Plan covers:

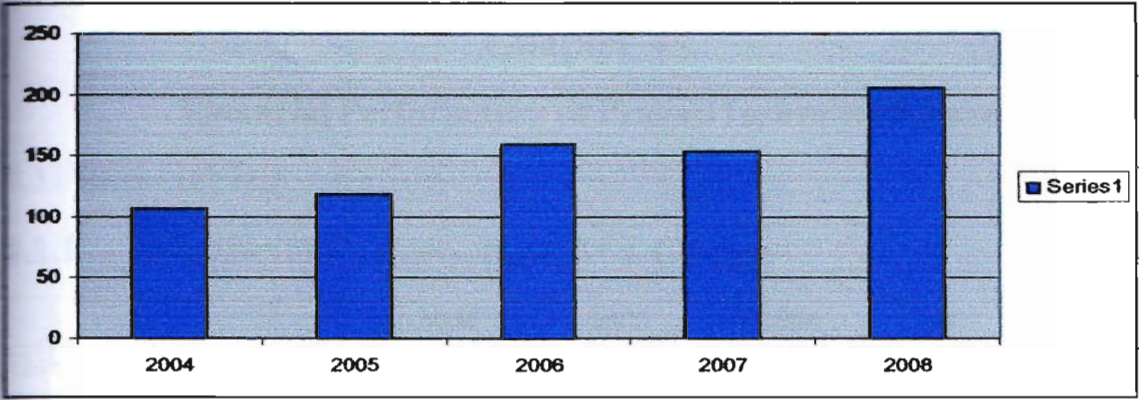
- Hospital Accommodation,
- Consultation Fee with Physicians and Surgeons
- Medicine & Accessories
- Medical Investigations, Diagnostic Tests
- Major and Minor Surgical Operation
- Ancillary Services like Post-Operative Care, Intensive Care Facility, Blood Transfusion, Ambulance Service, Oxygen Therapy etc.

### **3.4.1 Motor & Other Insurance Premium**

Besides fire and marine insurance policies Pragati insurance is also selling motor insurance policies and may others like hospitalization, earthquake, personal accident, robbery and theft etc. After the amount of premium collected by selling fire and marine insurance policies the amounts are due that's from selling the motor and other insurance policies. Though the amount of this type of premium is less than fire and marine but it's also quite significant for the company.

<b>Year</b>	<b>(BDT Million)</b>	<b>Growth Rate</b>
2004	107	
2005	119	12%
2006	160	34%
2007	154	-4%
2008	205	33%

**Table: 3.6 Premium collections year by year (Motor & Others)**



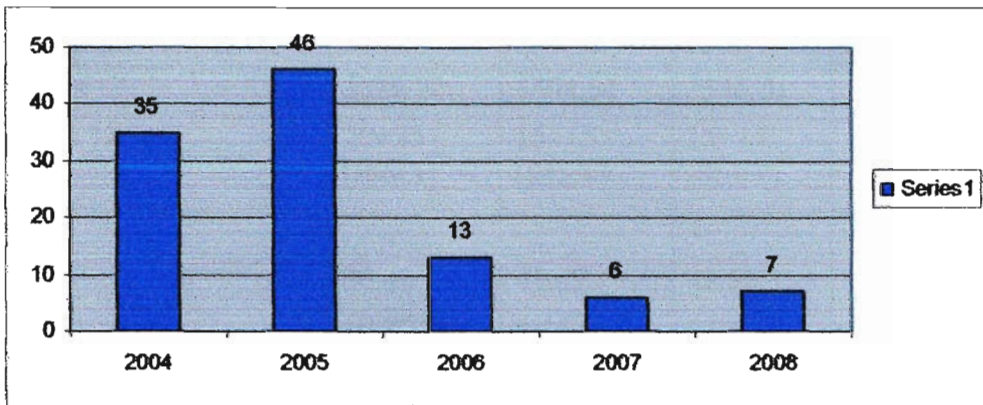
**Figure: 3.5 Premium collections year by year (Motor & Others)**

### 3.4.2 Motor & Others Claim

As the premium collection amount Pragati insurance also has been paying a significant amount of claims every year in motor and other miscellaneous insurance policies.

Year	BDT (Million)	Growth Rate
2004	35	
2005	46	31%
2006	13	-72%
2007	6	-54%
2008	7	17%

**Table: 3.7 Claims paid Year by Year (Motor & Others)**



**Figure: 3.6 Claims paid Year by Year (Motor & Others)**

## Chapter 4

### Financial Performance of Pragati Insurance Limited

#### 4.1 Financial Information

##### 4.1.1 Financial Performance At a Glance

	2004	2005	2006	2007	2008
<i>Financial Performance:</i>					
Gross Premium	507.70	632.09	695.43	802.76	979.08
Net Premium	234.15	274.98	303.68	341.97	412.81
Net Claim	94.90	56.34	63.06	58.42	48.65
Underwriting Profit	47.82	54.03	64.18	77.90	99.24
Investment Income	23.64	37.51	39.88	74.74	69.84
Non Insurance Income	24.64	27.22	37.09	46.72	49.46
Net Profit before Tax	75.71	98.35	121.97	176.84	198.82
Net Profit after Tax	54.96	78.35	94.47	142.66	118.07
<i>Share Capital and Reserve:</i>					
Paid up Capital	151.09	188.83	217.16	249.73	337.13
Shareholder's Equity	766.99	780.51	948.14	1865.56	2023.56
Total Reserves	779.29	784.92	882.91	1615.83	1686.37
<i>Assets:</i>					
Investment in Shares and Securities	169.35	163.35	220.22	242.58	361.64
Cash, FDR and Bank Balances	380.93	344.67	475.59	510.34	532.12
Land Building	594.18	531.92	531.92	1318.52	1322.16
Total Assets	1380.24	1404.54	1546.01	2449.50	2662.46
Dividend in %	20+25 (Stock)	15+15 (Stock)	15+15 (Stock)	35 (Stock)	20+15 (Stock)
<i>Ratios:</i>					
EPS	36.40	41.49	43.50	56.78	46.84
P/E (Times)	19.29	9.45	6.94	8.45	20.28
Solvency Surplus	830.88	863.64	1025.32	1899.89	2044.48

Table: 4.1 Financial Performances at a Glance (Last 5 Years)



## 4.1.2 Credit Rating

Credit Rating Agency of Bangladesh Limited (CRAB) rated Pragati Insurance Ltd. AA2 in the long term and conformed ST1 rating in the short term for the year 2008.

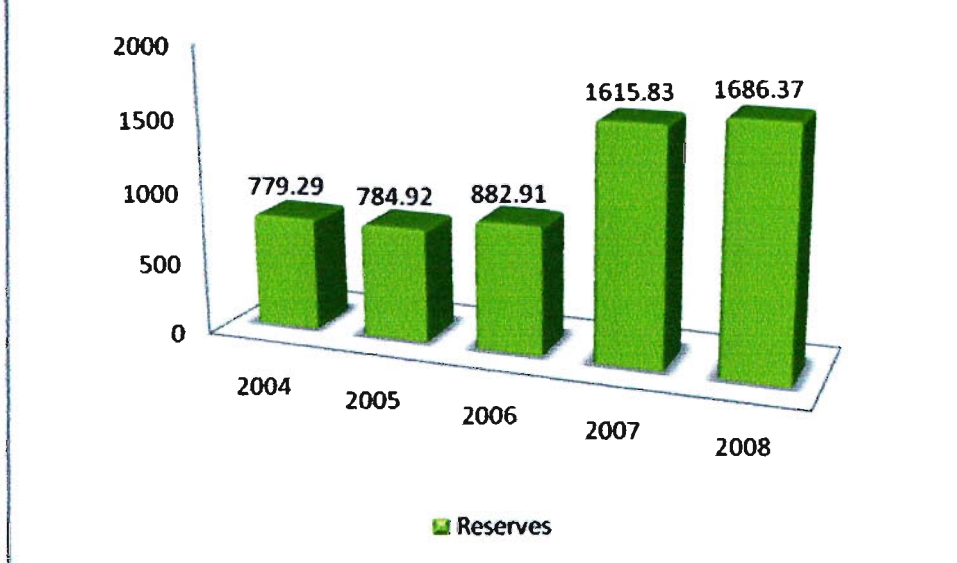
The rating agency certified that this company has the following rating strengths:

- Large market share
- Strong financial performance and profitability
- Adequate claim meeting capacity
- Strong franchise value
- Quality underwriting expertise
- Strong reserve base
- Introducing corporate governance issues and guidelines for compliance with regulations of CCI and SEC

## 4.1.3 Reserve

<b>Particulars</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Paid-up Capital</b>	151.09	188.83	217.16	249.73	337.13
<b>Share holders Equity</b>	766.99	780.51	948.14	1865.56	2023.56
<b>Total Reserves</b>	779.29	784.92	882.91	1787.36	1686.37

**Table: 4.2 Reserve year by year**



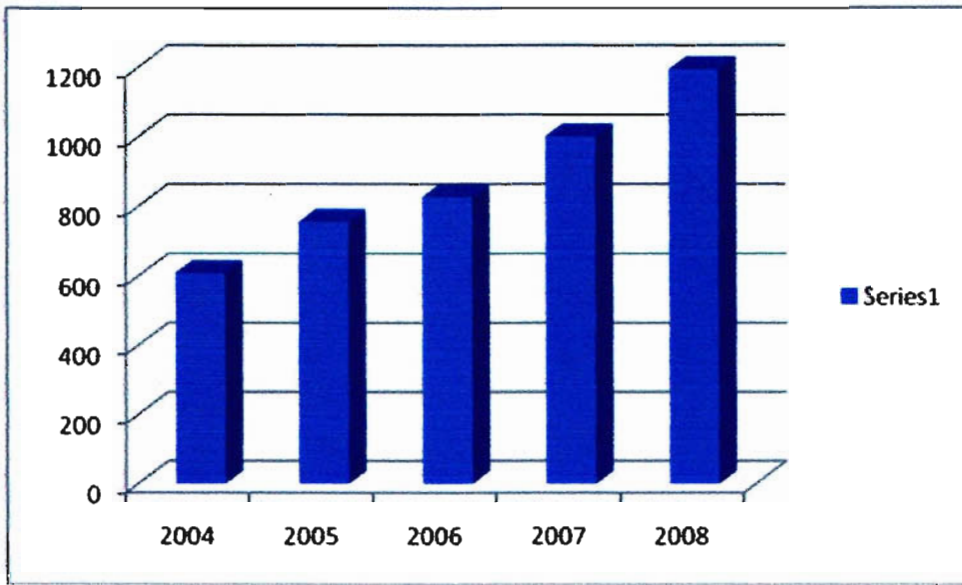
**Figure: 4.1 Reserve year by year**

Reserve is a type of account on a municipality's or company's balance sheet that is reserved for long-term capital investment projects or any other large and anticipated expense(s) that will be incurred in the future. This type of reserve fund is set aside to ensure that the company or municipality has adequate funding to at least partially finance the project. Pragati Insurance Ltd. has been building up reserves and shareholder's equity every year.

#### **4.1.4 Value Added Statement**

<b>Value Added</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Gross premium	507.7	632.09	695.43	802.76	979.08
Commission on Re-insurance ceded	51.89	58.49	54.64	77.03	89.72
Interest, Dividends & other Income	48.28	64.73	76.97	121.46	125.58
<b>Total</b>	<b>607.87</b>	<b>755.31</b>	<b>827.04</b>	<b>1001.25</b>	<b>1194.38</b>

**Table: 4.3 Value Added Statements**



**Figure: 4.2 Value Added Statements**

#### 4.1.5 Investment Value in Fixed Assets

Assets	2004	2005	2006	2007	2008
<b>Investment in Shares and Securities</b>	169.55	163.35	220.22	242.58	361.64
<b>Cash, FDR and Bank Balances</b>	380.93	344.67	475.59	510.34	532.12
<b>Land</b>	418.89	420.57	356.63	849.70	1322.16
<b>Total Assets</b>	1,380.24	1,404.54	1,546.01	2,449.0	2662.46

**Table: 4.4 Assets (BDT Million)**

## 4.1.6 Ownership Status

Sl. No	Name of share holding Directors	No. of Shares	Spouse	Total	% of Holdings
1	Mr. Abdul Awal Mintoo	27637	59928	87565	2.597
2	Mr. Khan Mohd. Ameer	82903	-	82903	2.459
3	Mr. Abdul Monem	88775	-	88775	2.633
4	Al-Haj Khalilur Rahman	170081	-	170081	5.045
5	Mohammad A.Awwal	86402	30004	116406	3.453
6	Mr. Moazzam Hossain	52871	36844	89715	2.661
7	Mr. Md. Syedur Rahman Mintoo	62212	11804	74016	2.195
8	Capt. Imam Anwar Hossain	86572	-	86572	2.568
9	Mr. Syed M. Altaf Hussain	118515	12827	131342	3.896
10	Mr.Md. A. Malek	57462	25941	83403	2.474
11	Mr. Md. Sarwar Kamal	60794	29004	89789	2.664
12	Mrs. Nigar Jahan Chowdhury	82902	-	82902	2.661
13	A.S. M Mainuddin Monem	6839	-	6839	0.203
14	Mr. Zakaria Taher	12072	-	12702	0.358
15	Mr. Tabith Mohd. Awal	22215	-	22215	0.659
16	Ms. Razia Sultana Shimul	69535	-	69535	2.063
17	Mr. Md. Ahamedul Hoque	776	-	776	0.023
18	A.K.M Samsuddin	-	-	-	-
19	Mr. A.K.M. Rafiquul Islam (MD)	28009	2207	30216	0.896
20	Mr. ABM Mir Hossain (AMD)	5	773	778	0.023
21	Company Secretary	823	-	823	0.024

**Table: 4.5 Ownership Statuses**

## 4.1.7 Uses of Application

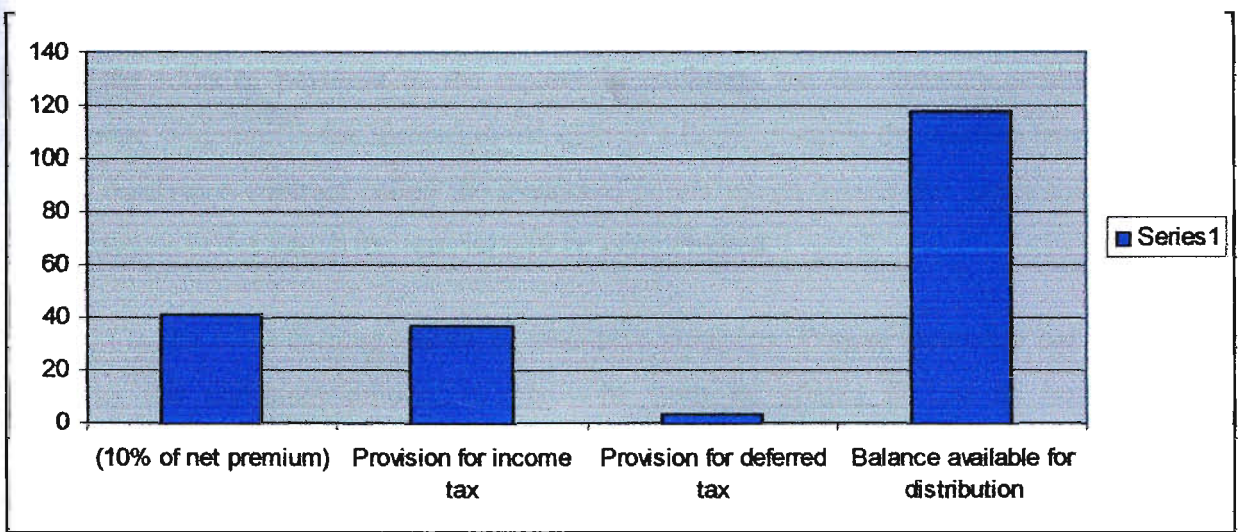
Applications	2004	2005	2006	2007	2008
Net claim	94.9	56.33	63.06	58.42	48.65
Re-insurance Premium	273.55	357.11	391.75	460.78	566.26
Management Expenses	137.75	145.9	116.39	126.15	167.9
Commissions	0.8	76.57	101.87	136.93	150.92
Un-expired Risk Adjustment	4.77	21.06	12.81	19.6	35.36
Provision for Income Tax	18.36	20	27.5	33	37.5
Profit Available fo Distribution	30.21	28.31	33.75	88.81	118.07
Resrve & Surplus	47.53	50.02	79.91	75.56	66.32

Table: 4.6 Uses of Application (BDT Million)

## 4.1.8 Income Distribution

Reserve for Exceptional Losses	BDT (Million)
(10% of net premium)	41.28
Provision for income tax	37.5
Provision for deferred tax	3.39
Balance available for distribution	118.07

Table: 4.7 Income Distributions (For 2008)



**Figure: 4.3 Income Distributions (For 2008)**

The Board of Directors of Pragati Insurance Ltd. always pays deep attention and respect to its shareholders and wishes to maximize their return on investment. Keeping continuity of past practice, the Board has recommended 35% dividend (20% cash and 15% stock) to the shareholders of the company for the year 2008.

### **4.1.9 Premium Collection**

Insurance, in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. An insurer is a company selling the insurance; an insured or policyholder is the person or entity buying the insurance policy. The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice.

The transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate (indemnify) the insured in the case of a large, possibly devastating loss. The insured receives a contract called the insurance policy which details the conditions and circumstances under which the insured will be compensated.

Premium is the main earning source of insurance company. Pragati insurance has been collecting the sufficient amount of premium from its clients to run its business successfully. With the growing rate of their business and insurance policies the rate of collecting premium is also increasing. It seems that this company is expanding its business by increasing its clients, policies as well as sell of insurance policies. So, ultimately the amount of premium collection is also increasing. The statistics is showing the progress and growth of premium collection during last five financial years for Pragati insurance:

Particulars	2004	2005	2006	2007	2008
Goss Premium	507	632	695	803	979
Net Claim	95	54	63	58	49
Underwriting profit	48	58	64	78	99
Net Profit	76	98	122	177	199

**Table: 4.8 Premium collections year by year**

## 5.1 Claim Paid

Claims and loss handling is the materialized utility of insurance; it is the actual "product" paid for, though one hopes it will never need to be used. Claims may be filed by insured directly with the insurer or through brokers or agents. The insurer may require that the claim be filed on its own proprietary forms, or may accept claims on a standard industry form. In managing the claims handling function, insurers seek to balance the elements of customer satisfaction, administrative handling expenses, and claims overpayment leakages. As part of this balancing act, fraudulent insurance practices are a major business risk that must be managed and overcome. Disputes between insurers and insured over the validity of claims or claims handling practices occasionally escalate into litigation.

Since inception Pragati acquired good name for expeditious settlement of claims. A good and efficient team is working to look after the claims department. A significant portion of claim settlement Pragati insurance recovers from re-insurance.

Year	BDT (Million)	Growth Rate
2004	94	
2005	56	-40%
2006	63	12.50%
2007	58	-8%
2008	49	-15.50%

**Table: 4.9 Claims paid Year by Year**



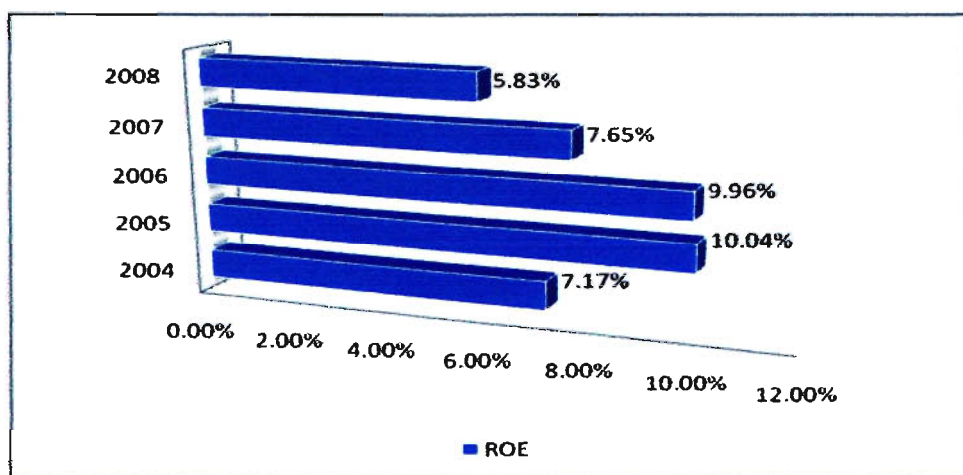
## 4.2 Performance Evaluation

### 4.2.1 Return on Equity

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

Year	ROE	Growth Rate
2004	7.17%	-
2005	10.04%	40%
2006	9.96%	-0.08%
2007	7.65%	-23%
2008	5.83%	-24%

**Table: 4.10 Return on Equity**



**Figure: 4.4 Return on Equity**

Return on equity (ROE) is a measure of the rate of return flowing to the company's shareholders. ROE also indicates how much return a company generates out of its equity total. Considering this ratio, Pragati has maintained a good rate of return between 2004 and 2008. In 2005, it achieved the best rate of return among these years.

## 4.2.2 Return on Assets

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Year	ROA	Growth Rate
2004	3.98%	-
2005	5.58%	40%
2006	6.11%	9%
2007	5.82%	5%
2008	4.43%	24%

Table: 4.11 Return on Asset

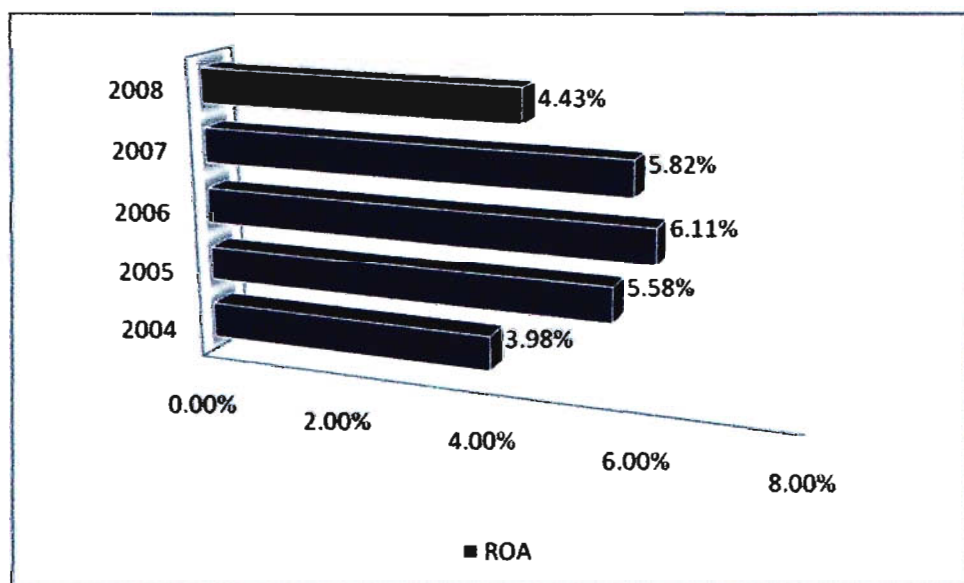


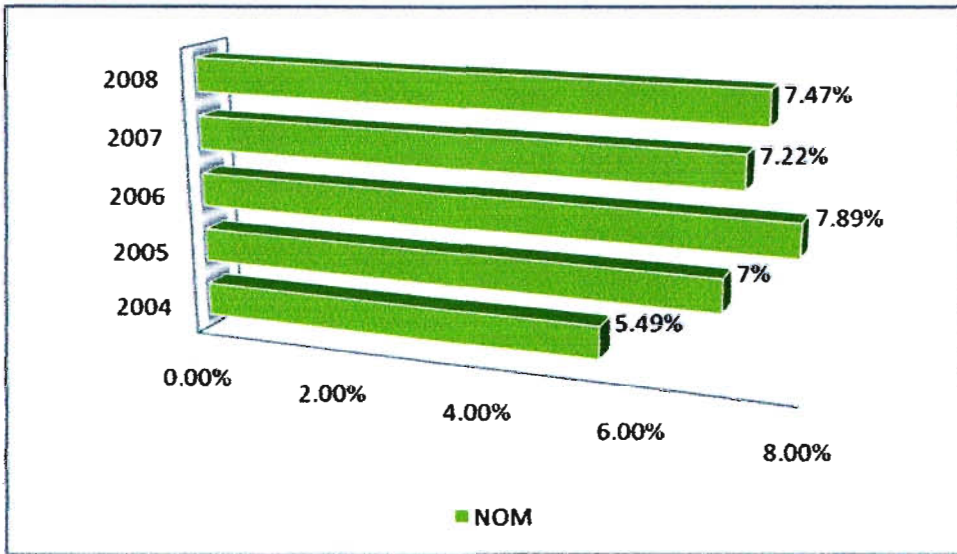
Figure: 4.5 Return on Asset

Return on assets (ROA) is primarily an indicator of managerial efficiency; it indicates how capably the management of the company has been converting the institution's assets into net income. Most of the year Pragati fairly managed to achieves a good portion of return from using its assets.

### 4.2.3 Net Operating Margin

Year	NOM	Growth Rate
2004	5.49%	-
2005	7%	28%
2006	7.89%	11%
2007	7.22%	-8%
2008	7.47%	3%

**Table: 4.12 Net Operating Margins**



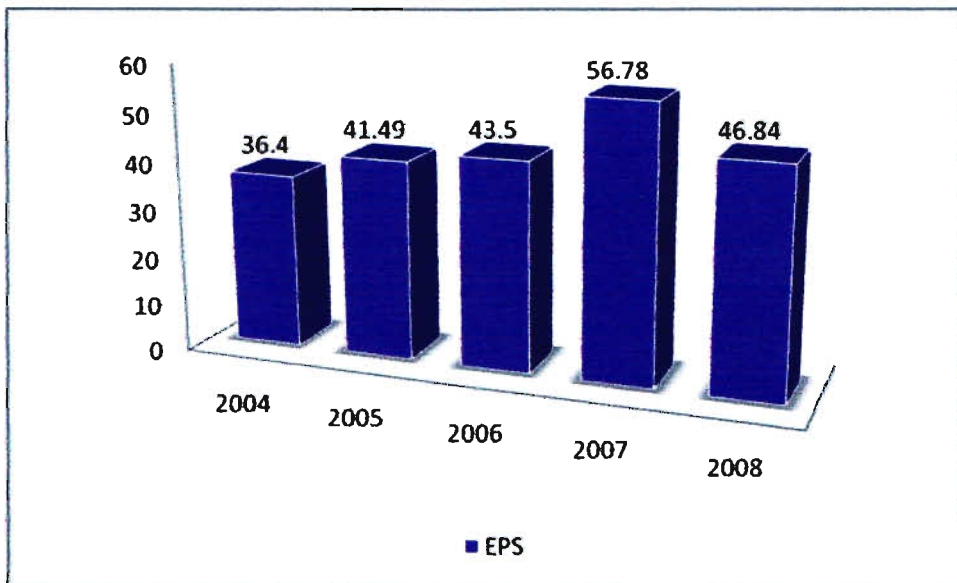
**Figure: 4.6 Net Operating Margins**

It measures of how well a company controls its costs. It is calculated by dividing a company's operating income by its revenues and expressing the result as a percentage. The higher the net operating margin is, the better the company is thought to control costs. Investors use the net operating margin to compare companies in the same industry as well as between industries to determine which are the most profitable. Net operating margin measures how much gain or loss a bank able to generate by using its total assets. According the result of this ratio, Pragati regularly maintained quite good margin throughout the 5 years.

## 4.2.4 Earnings Per Share

Year	EPS	Growth Rate
2004	36.4	-
2005	41.49	14%
2006	43.5	5%
2007	56.78	30%
2008	46.84	18%

**Table: 4.13 Earnings per Share**



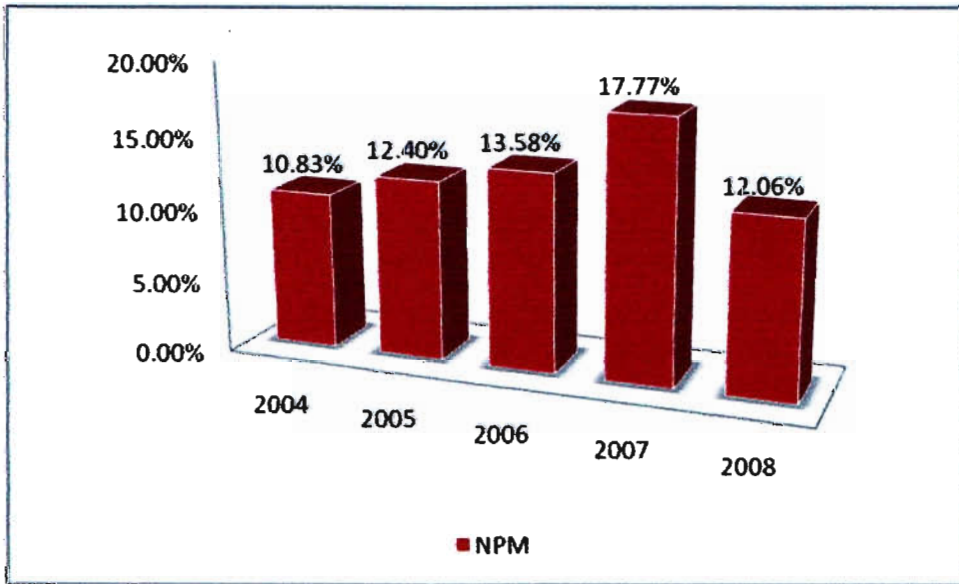
**Figure: 4.7 Earnings per Share**

Earnings per share (EPS) are the earnings returned on the initial investment amount. The EPS formula does not include preferred dividends for categories outside of continued operations and net income. Earnings per share for continuing operations and net income are more complicated in that any preferred dividends are removed from net income before calculating EPS. Pragati provided good amount of earnings per share to its shareholders in terms of EPS. It shows a positive increase throughout the years.

## 4.2.5 Net Profit Margin

Year	NPM	Growth Rate
2004	10.83%	-
2005	12.40%	15%
2006	13.58%	9%
2007	17.77%	31%
2008	12.06%	-32%

**Table: 4.14 Net profit Margins**



**Figure: 4.8 Net profit Margins**

The profit margin tells you how much profit a company makes for every \$1 it generates in revenue. Profit margin is an indicator of a company's pricing policies and its ability to control costs. A low profit margin indicates a low margin of safety. If we look into the result, we can see that Pragati gained much higher ratio which is very good for the company and its stakeholders.

## 4.2.6 Quick Ratio

Year	Quick Ratio	Growth Rate
2004	3.94%	-
2005	3.62%	-8%
2006	5.63%	55%
2007	10.77%	91%
2008	8.64%	20%

Table: 4.15 Quick Ratios

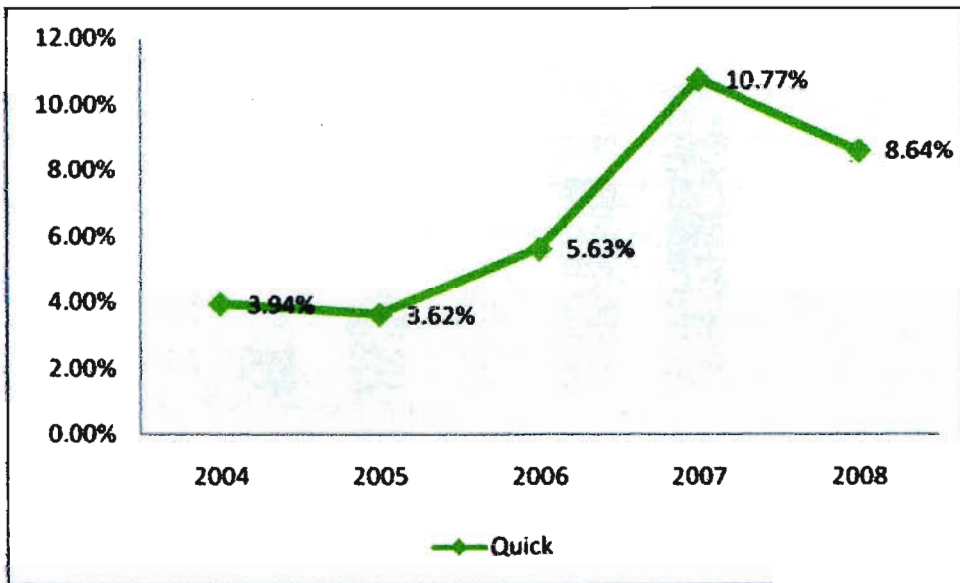


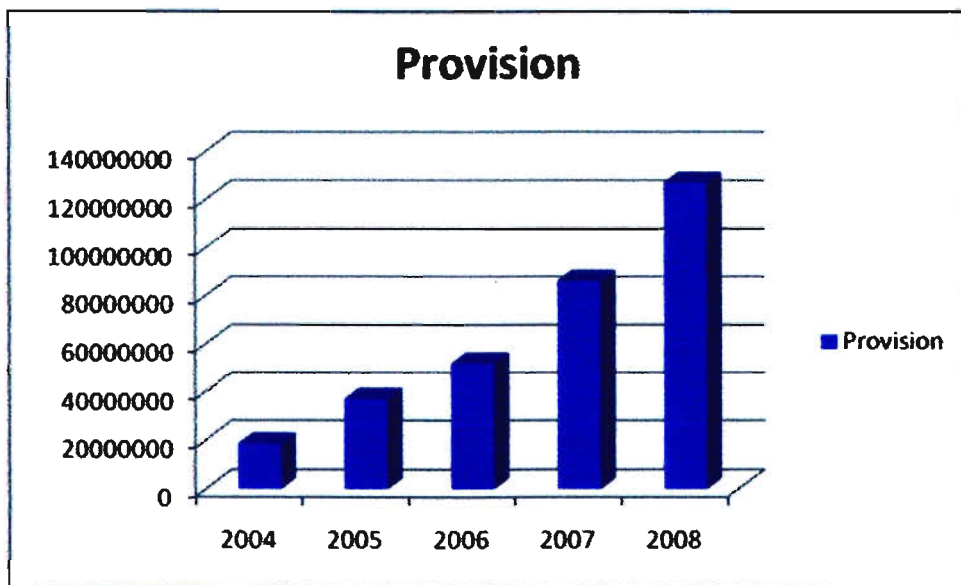
Figure: 4.9 Quick Ratios

The quick ratio, defined also as the acid test ratio, reveals a company's ability to meet short-term operating needs by using its liquid assets. Generally, the acid test ratio should be 1:1 or better, however this varies widely by industry. In general, the higher the ratio, the greater the company's liquidity. In context of Pragati, it successfully able to meet short-term needs by using its liquid assets. Pragati always keeps an eye about it.

## 4.2.7 Provisions

Year	BDT	Growth Rate
2004	18359333	-
2005	36848669	100%
2006	51737505	40%
2007	86104453	66%
2008	126994453	48%

Table: 4.16 Provisions



Figur: 4.10 Provisions

Provision is a temporary accounting title. It basically refers to expense. Pragati always keeps higher provision funds for income tax and deferred tax. In 2008, it is the highest among the 5 years.

## 4.2.8 Growth of Capital

Year	Stock Dividend	Amount BDT (Million)
2004	25% stock dividend	188.84
2005	15% stock dividend	217.16
2006	15% stock dividend	249.73
2007	35% stock dividend	337.13
2008	15% stock dividend	387.1

**Table: 4.17 Growth of Capital**

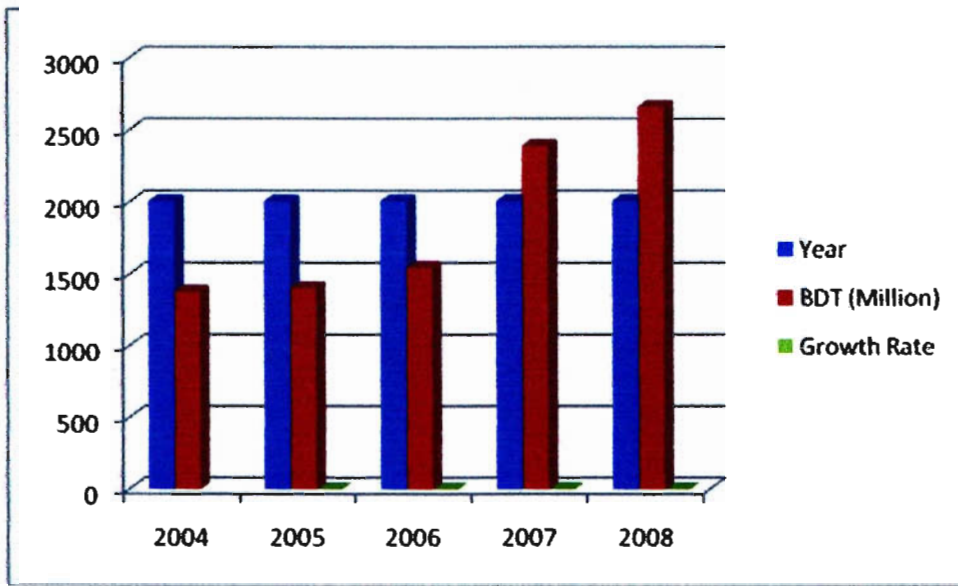
Pragati's growth of capital is very good with respect of other similar companies in industries.

## 4.2.9 Growth of Asset

Year	BDT (Million)	Growth Rate
2004	1380.25	-
2005	1404.54	2%
2006	1546.01	10%
2007	2391.57	54%
2008	2662.46	11%

**Table: 4.18 Growth Assets**





**Figure: 4.11 Growth Assets**

Like growth of capital, Pragati's growth of assets that means rate of increase in asset value is also very good. It also shows that company's management is very efficient about increasing the value of assets.

#### **4.2.10 Dividend Declared**

<b>Year</b>	<b>Dividends</b>
<b>2004</b>	20+25 (Stock)
<b>2005</b>	15+15 (Stock)
<b>2006</b>	15+15 (Stock)
<b>2007</b>	35 (Stock)
<b>2008</b>	20+15 (Stock)

**Table: 4.19 Dividends Declared**

Dividends are payments made by a corporation to its shareholder members. It is the portion of corporate profits paid out to stockholders.<sup>[1]</sup> When a corporation earns a profit or surplus, that money can be put to two uses: it can either be re-invested in the business (called retained earnings), or it can be paid to the shareholders as a dividend. Many corporations retain a portion of their earnings and pay the remainder as a dividend. Almost all years, Pragati declared both cash and stock dividend to its shareholders. Only in 2007, they declared only stock dividend.

#### 4.2.11 Investment

<b>Investments</b>	<b>Amount (Tk.)</b>
Govt. Bond	Tk.4,500,000
Shares & Debentures (Revalued as per IAS-25 )	Tk.215,725,829
Land (Freehold)	Tk. 356,626,207
Land & Building	Tk. 175,294,893
<b>Total</b>	<b>Tk. 752,146,929</b>

**Table: 4.20 Investments (for 2008)**

It is quite common with insurance companies specially the non-life ones that as the company grow old, its underwriting income would deplete and investment income would replace the diminishing income from insurance business. Keeping this in view Pragati insurance Ltd. Invested its fund in the profitable scrip's to maximize its income. In the year 2008 there was lack luster behavior in the stock market at the end of the year. Even though it has earned profit of Tk. 70 million from stock market operation, it fell short of its expectation. During the year under report the company earned an amount of Tk. 126 million in the previous year.

## Chapter 5

### Problems & Recommendation

#### 5.1 Problems of Pragati Insurance

Like any other organization Pragati Insurance Ltd. is also having some problems which are becoming barriers for their business expansion. Some problems are in the organization structure some are in the business process. Due to these problems Pragati insurance is having financial losses it is also losing its market share.

- **Decision Making is Centralized:** Due to the centralized organizational structure Pragati Insurance is having centralization problem. All the decisions are made by the management team or the board of directors. If the decisions or the plans are taken by the individual departments but it should be approved by management team or board of directors. It is very time consuming process also it does create financial losses due to late in approval from the top management.
- **Lack of Manpower:** Pragati insurance is operating successfully with a good management team, but in some departments it is having lack of manpower problem. In claims department it has sufficient manpower to meet the claims but some times for the big claims Pragati insurance has to depend on third party assessment to determine the actual validation of claims.
- **No Human Resource Department:** Pragati insurance doesn't have any separate human resource department. Recruitment, training, development of manpower all these things are undertaken by administrative department. So employees of Pragati insurance do not get the chance of developing themselves. Also the recruitment process is not fair in this company, maximum times references from the board of directors are considered for the recruitment. The employees are hardly having any training or development session in a year.

- **Structural Problem:** Pragati insurance also having some structural problem. Hierarchy is too long for this company. It creates the decision making and implementation of decision lengthy.
- **Lack of Technical Use:** Being a one of the leading general insurance company in Bangladesh Pragati Insurance is far behind in terms of using technology. Pragati insurance doesn't have any intra network connection between the corporate headquarter and branch offices. It is still using the traditional paper base office management. It is a barrier for the business development and expansion. Some times it's proved costly and time consuming for the organization.

## 5.2 Recommendation

1. Decision making process and implementation should be more decentralized. Every departments head should be liable for its department. Decentralization of decision making process would decrease the cost as well as save the times.
2. Sufficient manpower should be employed to respective departments.
3. There should be a Human Resource department separated from administration department. It should be workable with its on independents and free from any unfair references.
4. This organization should be re-structured. The level of hierarchy should be decrease.
5. Use of technology should be increases to fasten its working process.
6. Pragati insurance should go for segment reporting in financial report based on departments. Though they are using segment reporting based on insurance policies

## **Chapter 6**

### **Conclusion**

#### **Conclusion**

Insurance industry in Bangladesh is relatively new in comparison to other business sectors such as the agriculture and garments. Nonetheless, the unlimited potential of this sector has commended inquisitive interests from all concerned. The impact of global excitement of the insurance sector is clearly visible in Bangladesh as well. In the recent years, this sector has grown enviably.

Insurance industry in Bangladesh is now working on to be differentiated among users mind. They introduced a new culture to be followed by the business organization of our country. The importance and necessity of this service has vast spread into the majority of the population.

Pragati Insurance is one of the oldest and strongest non-life insurance companies. Since company's commencement in the year 1986, Pragati Insurance Limited has been regular making payment to the national exchequer in the form of tax and vat. During the year report the company has deposited Tk. 153 million to the govt. exchequer as corporate income tax, stamp and vat. This company is not only doing business it is also serving the country as well as its people.

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