



Reliance Insurance Limited: Prospectus

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The excessive claim during 1991 was due to claims arising from severe cyclonic losses of 1991.

5. Company's operating and financial performances during the last five years is summarised below:

A. Operating Performance:		(Taka in million)				
Sl. No.	Particulars	1990	1991	1992	1993	1994
1.	Interest, dividends, rents, underwriting profits and other income from operations	32.34	26.40	32.43	33.20	37.65
2.	Operating expenses advertising, depreciation, bonus, legal fees, audit fee, etc.	4.62	5.80	6.91	6.74	6.78
3.	Net Profit (B.T.)	27.72	20.60	25.52	26.46	30.87
4.	Provision for taxes	13.49	6.90	10.90	10.40	7.50
5.	Net Profit (A.T.)	14.23	13.70	14.62	16.06	23.37
6.	(a) Reserve for exceptional loss	6.94	7.80	8.86	10.26	11.68
	(b) Dividend	6.00	6.00	6.00	6.00	6.00
7.	Earning per Share (Taka)	47.43	45.66	48.73	53.53	77.90
8.	NAV per share (Tk.)	137.53	163.20	191.97	226.03	284.19
9.	Price Earning Ratio					
	(a) At Par Tk.100.00	2.11	2.19	2.05	1.87	1.28
	(b) At NAV	2.90	3.57	3.94	4.22	3.66

B. Financial Position as at 31 December:		(Taka in million)				
Sl. No.	Particulars	1990	1991	1992	1993	1994
(a) Property & Assets:						
(1)	Fixed Assets	8.23	8.35	6.72	6.95	5.70
(2)	Investment	6.50	6.50	7.00	31.33	51.35
(3)	Stationery/Stamp	0.64	1.02	0.96	0.83	1.41
(4)	Accounts Receivables	41.78	63.57	79.86	80.06	59.52
(5)	Sundry Debtors	26.11	34.27	48.24	65.07	81.95
(6)	Cash/Bank	74.23	74.48	91.95	107.90	115.48
	TOTAL	157.49	188.19	234.73	292.14	315.41
(b) Capital/Liabilities:						
(1)	Paid up Capital	30.00	30.00	30.00	30.00	30.00
(2)	Retained Earnings/Reserves	1.29	1.19	0.97	0.93	6.70
(3)	Reserves for Exceptional Losses	9.97	17.77	26.62	36.88	48.56
(4)	Balance of Accounts	28.14	31.94	36.49	42.38	48.45
(5)	Dividend Payables	6.00	6.00	6.00	6.00	6.00
(6)	Premium Deposit and Liabilities/Provisions	82.09	101.29	134.65	175.95	175.70
	TOTAL	157.49	188.19	234.73	292.14	315.41
(c) Net Asset Value Per Share (Tk.)						
		137.53	163.20	191.97	226.03	284.19

The above data have been summarised from the Audited Annual Accounts of the company.

06. The Company had declared dividends @ Tk.20.00 on each ordinary share of Tk.100.00 for each of the years 1990, 1991, 1992, 1993 and have proposed the same rate of dividend for 1994. Net profit of the Company has risen steadily over the years since commencement of business. The Directors hope that the company will be able to maintain the profitability level so far achieved in the years ahead barring unforeseen and catastrophic circumstances. The Directors hope to follow a satisfactory dividend policy for the shareholders and encourage investment by general public. The company distributes its profits as recommended by the Directors after making necessary provision for depreciation, reserves, statutory reserves, taxes and such like matters in order to broaden its base and strengthen its financial capability.

07. INDUSTRY PERFORMANCE:

General insurance industry has performed steady growth in Bangladesh during the last five years (1989-1993). The volume of business indicated by gross premium income by public vis-a-vis private sectors operators are given below:

		(Taka in million)				
Sl. No.	Particulars	1993	1992	1991	1990	1989
1.	Total gross premium	2275.80	2275.47	1996.03	1907.20	1785.60
2.	Public sector (SBC)	518.50	514.10	541.10	799.30	794.10
3.	Private sector (all)	1757.30	1761.37	1454.93	1107.90	991.50
4.	Share of private sector	77.2%	77.4%	72.9%	58.1%	55.5%
5.	RIL gross premium	183.37	143.69	130.15	113.62	86.05
6.	RIL share in total	8.1%	6.3%	6.5%	6.0%	4.8%
7.	RIL share of private	10.4%	8.2%	9.0%	10.3%	8.7%

The above statistics reveal that RIL has been able to capture a sizable share of the entire market (3rd position) from its first full year of operation (1989) and attained sustained growth since then leading to the first position amongst private sector companies in 1993.

PART VI

RISKS, REDRESSAL AND LITIGATION

(a) RISKS:

(i) Risk Factors:

The company is operating in a field involving a great deal of external/internal risk factors. They are:

- Any major change by government in insurance policy relating to nationalisation of ownership may seriously affect the interest of the shareholders.
- Any structural change in the international insurance business adversely affecting reinsurance operations may have negative impact on the profitability of the company.
- The coverage of natural calamities like cyclone, flood by insurance may severely weaken the financial strength of the company by accruing heavy claims.
- Government policy change in respect of rates of premium, agents' commission, reinsurance commission, interest of deposits, etc. may affect income and profitability.
- Liberalisation or permission to set up more insurance companies by government may result in severe competition amongst insurers reducing profitability.
- Projects financed by the company may be affected adversely by unforeseen factors—economic, social and financial as well as government policies, resulting in financial losses.
- Any sudden separation of trained professionals may adversely affect business volume and thereby profitability.
- The earning forecast has been evaluated by the management, not by any outside agencies, like banks, DFIs or NGOs.

(b) Management Perception of Risk Factors:

The management of RIL perceives the risk factors as follows:

- The policy of earlier nationalisation had adversely affected the economic growth of the country. The subsequent governments realised the consequences and have later taken conscious efforts in reversing the policy leading to expanded role of the private sector and operation of market mechanism. It is most unlikely that the government would take any step that would negate the economic benefits to the nation, especially when all the major political parties have accepted the concept of market economy and privatisation as national economic objectives.
- The history of insurance/reinsurance business for over two hundred years proves that any major structural change affecting our reinsurance business is unimaginable. Any such event would create a global destabilisation which the major economies must not cause to happen.
- The estimated losses arising from natural calamities are covered by higher rates of premium and reinsurance since coverage for such losses have been included in insurance underwriting business in the country. Management have taken into consideration actuarial assessment of occurrence of natural calamities in setting its rates of premium and reinsurance risk.

(iv) The government, which is the owner of Sadharan Bima Corporation and Jiban Bima Corporation, is not expected to change policies relating to rates of premium, commission and law relating to insurance requirements, affecting the income of the insurance companies without proper consequential relief, for self interest.

(v) Though liberalisation of insurance policy by government may be encouraging new entrants and results in tough competition, RIL does not apprehend any loss of business due to its competent management team and expanding trend of insurance business in the country. RIL, despite late arrival, has already proved its leading role by its performance.

(vi) RIL management has been very selective in its investment decisions which have already produced positive results. RIL feels government will not create any situation leading to abrupt losses of investments, especially when industrial output is showing signs of growth.

(vii) RIL is continuously training its executives for meeting growing challenges of existence. Major staff separation is however unlikely in view of the fact that RIL management provides the best service conditions to its professional and other employees in respect of pay, allowance, retirement and other welfare facilities.

(viii) The earning forecast has been evaluated on the basis of past performance and experience. The business trend justifies that the forecast is unlikely to go wrong.

02. REDRESSAL OF INVESTORS GRIEVANCES:

Any investor grievance may be addressed to the Company Secretary at the Corporate Head Office at BSB Building (11th floor), 8 Rajuk Avenue, Dhaka, who will personally attend to the same. The company will endeavor to dispose of the grievance within a month.

03. OUTSTANDING LITIGATIONS, DEFAULTS AND MATERIAL DEVELOPMENT:

(a) There is no outstanding pertaining to:

(i) Matters likely to affect the operations and finance of the company.

(ii) Criminal prosecution against the Company and Directors.

(b) The Company has not defaulted in meeting any statutory dues, institutional dues, or dues to instrument holders. Also the contingent liabilities position as on 31 December 1993 in respect of the following are as given below:

(i) Income Tax disputed in appeal.

Nil

(ii) Disputed VAT liability.

Nil

(iii) Disputed claims liability

A few law suits in respect of claims against the company have arisen but any ultimate liability which would result from such litigations would not have a material adverse effect on the company's financial position because large portions of the claims in dispute have been adequately provided for.

(iv) Disputed reinsurance liability

Nil

(v) Disputed employee liability

Nil

(c) No material development has taken place since the date of last Balance Sheet which could affect the performance of the Company or the projects financed by the company.

PART VII

MANAGEMENT OF THE COMPANY

SPONSORS

The sponsors of the Company include a number of renowned limited companies operating successfully for many years. The representatives of the sponsor companies are in the Board of Directors. The sponsor companies are:

NAME	ADDRESS
General Produce International Limited	18, Park Road, Baridhara, Dhaka 1212.
Meenhar Agencies Limited	58, Agrabad C. A., Chittagong.
Prantik Engineering Company Ltd.	87/2, Shankar, Dhanmandi R. A., Dhaka.
Rangs Limited	Rangs Bhaban, 113-116, Old Airport Road, Dhaka.
FinAccord Trading Limited	Chamber Building, 122-124, Motijheel C. A., Dhaka 1000.
Trinco Consultants Limited	52, Motijheel C. A., Dhaka 1000.
Kumudini Welfare Trust of Bengal (Bangladesh) Ltd.	72, Sirajuddowla Road, Khanpur, Narayanganj.
Transfin Trading Limited	52, Motijheel C. A., Dhaka 1000.
Arlinks Limited	20, Outer Circular Road, Rajarbagh, Dhaka 1000.

Other sponsors are individuals with vast experience in different field of financial management and administration as given below.

Mr. Shamsur Rahman	52 Motijheel C. A., Dhaka 1000.
Mrs. Forroque Rahman	52 Motijheel C. A., Dhaka 1000.

BOARD OF DIRECTORS

The control of the company and the management of its business is vested in the Board of Directors. The following persons are the present Directors of the Company.

NAME & ADDRESS	PARTICULARS RELATING TO OTHER DIRECTORSHIP/MEMBERSHIP	STATUS
CHAIRPERSON		
Mrs. Joya Pati 72, Sirajuddowla Road, Khanpur, Narayanganj.	Chairperson & Managing Director: Kumudini Welfare Trust of Bengal (Bangladesh) Ltd. Bengal River Services (BD) Ltd.	Private Limited Company Private Limited Company
	Chairperson: Kumudini Pharma Ltd.	Private Limited Company
	Director: Social Marketing Co. Ltd.	Private Limited Company
	Committee Member: Metropolitan Chamber of Commerce & Industry	
	Country Representative: Private Agencies Collaborating Together (PACT)	
VICE CHAIRMAN		
Mr. A. S. Mahmud House No. 5, Road No. 125, Gulshan Model Town, Dhaka	Chairman: Bangladesh Lamps Ltd.	Public Limited Company listed with D.S.E.
	Bangladesh Electrical Industries Limited	Private Limited Company
	Transcom Electronics Limited	Private Limited Company
	Transcom Distribution Co. Ltd.	Private Limited Company
	Managing Director: Media World Ltd.	Private Limited Company
	Director: Nestle Bangladesh Ltd. Eskayef Bangladesh Ltd.	Public Limited Company (not listed) Public Limited Company (not listed)
	Transcom Limited	Private Limited Company
DIRECTORS:		
Mr. M. Shamsul Alam 18, Park Road, Baridhara, Dhaka.	Director: General Produce International Ltd.	Private Limited Company
	Mills Furnishing Ltd.	Private Limited Company
Mr. Anwarul Huq House No. 125, Road No. 23, Block A, Banani Model Town, Dhaka.	Chairman & Managing Director: FinAccord Trading Ltd.	Private Limited Company
	Vice President: Bangladesh Squash Rackets Federation	

DIRECTORS:

Mr. Latifur Rahman
House No. 1077, Road No. 83, Gulshan Model Town, Dhaka.

Chairman: Nestle Bangladesh Ltd.
Managing Director: Transcom Limited
Bangladesh Lamps Ltd.

Public Limited Company (not listed)

Transcom Electronics Ltd.
Transcom Distribution Co. Ltd.
Eskayef Bangladesh Ltd.

Private Limited Company
Public Limited Company (listed)
Private Limited Company
Public Limited Company (not listed)
Public Limited Company (not listed)

W. Rahman Jute Mills Ltd.

Bangladesh Electrical Industries Limited

Private Limited Company
Private Limited Company

Tea Holdings Ltd.

Director: Media World Ltd.

Monipur Tea Co. Ltd.

Marina Tea Co. Ltd.

M. Rahman Tea Co. Ltd.

Immediate Past President: Metropolitan Chamber of Commerce & Industry

Chairman: R. R. Cold Storage Ltd.

Media World Limited

Aris Holdings Ltd.

Chairman & Managing Director: Arlinks Limited

Immediate Past Vice President: Metropolitan Chamber of Commerce & Industry

Chairman & Managing Director: Meenhar Seafoods Limited

Meenhar Agencies Limited

Meenhar & Company Limited

Meenhar Sports Shoes Limited

Vice President: Chittagong Stock Exchange

Bhatiari Golf Club

Chairman: W. Rahman Jute Mills Ltd.

Managing Director: Multicomm Limited

Director: Bangladesh Lamps Ltd.

Eskayef Bangladesh Ltd.

Transcom Electronics Ltd.

Media World Ltd.

Monipur Tea Company Ltd.

M. Rahman Tea Company Ltd.

Marina Tea Company Ltd.

Managing Director: Rangs Limited

Sea Resources Limited

Director: Media World Ltd.

Chairman: Jamuna Textile Mills Ltd.

Managing Director: Prantic Engineering Company Ltd.

Prantic Electrical Industries Ltd.

Private Limited Company

Private Limited Company

Public Limited Company (listed)

Public Limited Company (not listed)

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