University of Barishal

Project Report on

"Insurance Company Information Analysis"

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Report Title

Insurance Company Information Analysis

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Chapter 01: Introduction

1. Introduction

This report presents a comprehensive analysis of the financial trends and growth strategies of National Life Insurance Company Ltd. Over an eight-year period, from 2015 to 2022. As a leading player in the life insurance sector, understanding the financial dynamics and strategic positioning of such companies is crucial for stakeholders, including investors, policymakers, and industry analysts. National Life Insurance Company Ltd.

This internship provided an opportunity to apply academic learnings in a real-world context, allowing for a deeper understanding of financial analysis, strategic decision-making, and industry-specific challenges. The findings and insights from this report are intended to contribute to strategic discussions and future planning for National Life Insurance Company Ltd.

1.1 Rationale of the Study

As the financial environment becomes increasingly volatile and competitive, it is essential to continuously evaluate the financial health and strategic direction of leading companies within the industry. This study is driven by several key rationales:

- **Evaluating Growth Strategies:** The analysis includes an evaluation of the strategic initiatives taken by the company to drive growth and expand its market presence. This involves looking into new product developments, market expansion strategies, mergers and acquisitions, and partnerships.

- **Future Outlook:** This study also seeks to forecast the future trajectory of the company based on current and historical data. This will aid in identifying potential opportunities and challenges the company might face and propose strategic recommendations.

1.2 Objectives of the Study:

- **To Evaluate Competitive Positioning:** Identify the company's market share and analyze its position relative to competitors in the insurance industry. Conduct a SWOT analysis to identify strengths, weaknesses, opportunities, and threats facing the company. Compare the company's performance against industry benchmarks to gauge its competitive advantage.

- **To Forecast Future Trends and Opportunities:** Predict future trends in the insurance industry and how they might impact National Life Insurance Company Ltd. Propose strategic recommendations based on the analysis that could help the company in sustaining growth and improving competitive advantage.

1.3 Limitations of the Study:

The scope and accuracy of this study are subject to several limitations that stem from practical constraints and the nature of the data available. These limitations are important to acknowledge as they impact the conclusions and the overall comprehensiveness of the analysis:

- **Time Limitation:** The duration of the internship was only three months, which significantly limited the depth of analysis that could be conducted. This time constraint impacted the ability to perform longitudinal studies or deeper, more comprehensive analyses that might require extended periods of observation and data collection.

- **Rapidly Changing Market Conditions:** The insurance market is influenced by rapidly changing regulatory, and technological factors. Since the data collection is limited to the past and the analysis period spans only three months, some recent developments may not be fully captured, which could affect the relevance and accuracy of the analysis.

- **Technological Limitations**: The tools and technologies available for data analysis and interpretation during the internship might not encompass advanced analytical capabilities, potentially limiting the depth of insights that can be derived from the data.

Chapter 02: Methodology of the Study

2. Overview

The growth calculations are based on the year-over-year change, using the prior year as a base to determine growth rates and trends in financial health and efficiency. Data sources include the company's annual reports, official website, discussions with senior employees, and industry comparisons to establish a market position.

2.1 Data Collection

Primary Data: During my internship, I had the opportunity to gather firsthand data through discussions with senior employees of NLI. These discussions provided insights into the company's financial strategies, operational challenges, and market position.

Secondary Data: The company's website served as a primary source for the corporate profile and historical background, while competitor information was collected from other life insurance companies' websites to establish a market comparison.

2.2 Report Design

Capital Structure: Reviews paid-up capital and its proportion to total assets to evaluate financial structure solidity.

Shareholder Analysis: Details the composition of shareholders to understand equity structure dynamics.

Profitability Metrics: Investigates ROA and ROE from 2018 to 2022 to gauge the company's profitability.

Market Valuation: Studies market value per share and EPS/dividend trends to discern market perceptions and shareholder returns.

Horizontal and Vertical Analyses: These are used to evaluate changes in financial statement items over time and to assess each item's relative proportions from 2018 to 2022.

2.3 Data Analysis Techniques Used
Quantitative Analysis Techniques:

Solvency Ratio: The solvency ratio was specifically calculated for the years 2021 and 2022 to assess the company's ability to meet its long-term debt obligations and other financial commitments.

Qualitative Insights: Integrates information gathered from discussions with company officials and secondary data from industry sources to provide context to the quantitative data and support the findings with industry benchmarks and narratives.

By applying these methodologies, the report aims to provide a detailed, systematic examination of National Life Insurance Company Ltd.'s financial operations, offering a robust foundation for understanding its financial trends, operational efficiency, and market position. This approach will enable informed conclusions and strategic recommendations based on empirical data and thorough analysis.

Chapter 03: Organizational Profile of NLI

3.   Brief History

In brief, **the first one** is to encourage & induce saving of the high/mid income population and especially of the low income & marginal group. The low-income people usually face economic hardship for household food security & health problems at certain period of their life. Saving through insurance might provide them relief at odds & calamities. **The second one** is to create & provide employment opportunity for the illiterate/half literate/literate youth of the country. **The third one** is capital formation at national level for investment to develop dynamism at macro-economy.

3.1 Introduction of NLI

National Life Insurance Company Ltd. is a leading life insurance provider in Bangladesh, established in 1985 with the goal of offering financial security and peace of mind to its customers. Operating under the stringent regulatory environment of the Insurance Act of 1938, as amended in 2010, the company has consistently upheld its mission to enhance the lives of individuals, families, and communities through a robust offering of insurance products. With a strong commitment to integrity, customer service, and community involvement, National Life Insurance Company Ltd. Remains a pillar in the Bangladeshi financial services sector.
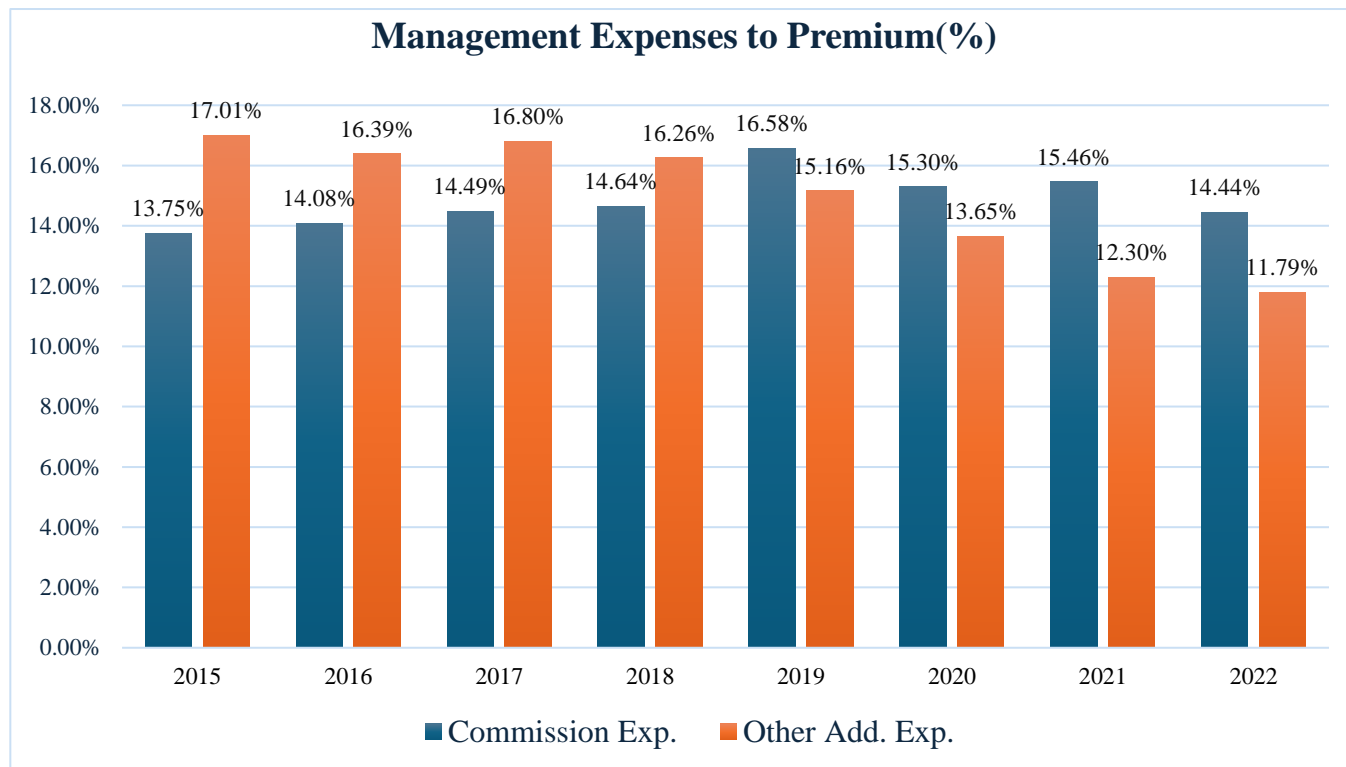
3.2 Corporate Information:

Title	Details
Entity Name	National Life Insurance Company Limited.
Business Address	NLI Tower, 54-55 Kazi Nazrul Islam Avenue, Karwan Bazar, Dhaka-1215.
Contact	Phone: 09666706050, 41010123-8, Call Centre-16749 Fax: 88-02-8144237
Current Website	www.nlibd.com
Email	info@nlibd.com
Registration Number	C-13734
Trade License	TRAD/DNCC/035795/2022
TIN	460810150961
Commencing Date	23rd April 1985
Number of Branches	658
Sponsor Director	Venture Investment Partners Bangladesh Ltd. National Housing and Investment Ltd. and Industrial and Infrastructure Development Finance Co. Ltd.
Subsidiary	NLI Securities Ltd.
Auditors	M/S Mahfel Huq & Co. Chartered Accountants

exceptionally well.

Chapter 04: Analysis, Interpretation and Result of the Study

**4. Expenditure to Premium (%): Management Expenses:**

Management Expenses to Premium(%)

Chart showing Commission Exp. and Other Add. Exp. values by year:

Year	Commission Exp.	Other Add. Exp.
2015	13.75%	17.01%
2016	14.08%	16.39%
2017	14.49%	16.80%
2018	14.64%	16.26%
2019	16.58%	15.16%
2020	15.30%	13.65%
2021	15.46%	12.30%
2022	14.44%	11.79%

■ Commission Exp.   ■ Other Add. Exp.

Administrative Expenses:

Consistent Decline: Administrative expenses show a consistent decline from 17.01% in 2015 to 11.79% by 2021. This trend is indicative of increasing operational efficiency and perhaps effective cost control measures that reduce overhead while maintaining service quality.

The reduction in administrative expenses suggests that the company may have invested in technology or optimized its processes to achieve more with less, thus enhancing overall profitability.

4.2 Economic Value-Added Statement: **BDT in Million**

Particulars	2018	2019	2020	2021	2022
Market value of total Equity	23,462.45	27,228.17	27,618.84	23,939.95	19,425.43
Less Book value of Equity	1085.22	1085.22	1085.22	1085.22	1085.22
Market Value Added	22,377.23	26,142.95	26,533.62	22,854.73	18,340.21
Total Number of Shares Outstanding	108,521,981	108,521,981	108,521,981	108,521,981	108,521,981
Market value per Share (in BDT) at year end	**216.20**	**250.90**	**254.50**	**222.60**	**179.00**
Book value per share	10.00	10.00	10.00	10.00	10.00

4.3 EPS and Dividend Rate
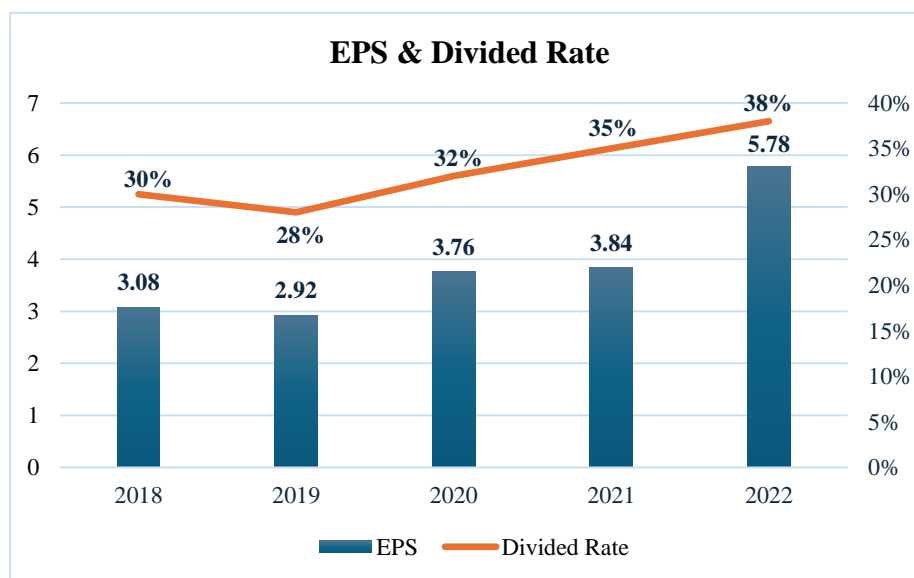
Analyzing the trends in Earnings Per Share (EPS) and dividend rate from 2018 to 2022 provides insight into National Life Insurance Company Ltd.'s profitability and its distribution policies towards shareholders.

4.4 Graphical Presentation of Solvency Ratio:
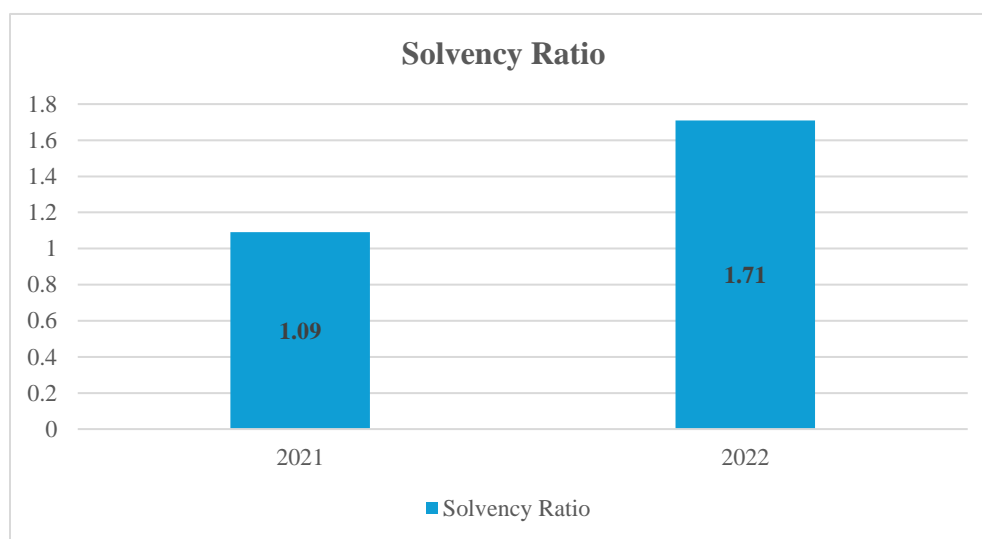
4.5 Life Revenue Account (Statement of Profit or Loss and other Comprehensive Income)

Particulars	2022	2021	2020	2019	2018
Balance of fund at the beginning of the year	9.44%	8.33%	6.87%	5.19%	1.70%
Premium less Re- insurance					
First year premium	15.77%	21.38%	7.67%	22.41%	15.20%
Renewal Premium	12.68%	17.44%	13.05%	7.82%	9.40%
Group Life Insurance Premium	15.05%	10.98%	-0.20%	7.09%	15.19%
Gross Premium	13.57%	18.46%	11.39%	11.60%	10.91%
Less. Re-Insurance Premium	-26.96%	83.35%	33.42%	17.64%	35.00%
Net Premium	13.78%	18.25%	11.33%	11.58%	10.86%
Interest, Dividend & Rent	1.55%	0.02%	5.98%	11.00%	3.79%
Other Income	10959.22%	184.53%	-97.74%	-4.47%	6.91%
Total Taka	10.57%	10.07%	7.71%	6.90%	3.65%

Claims and Expenses:					
Claims Under Policies	19.35%	10.34%	8.72%	2.99%	-5.40%
Annuity less Re-Insurance	103.64%	-31.27%	-40.11%	104.84%	26.86%
Expense of Management					
Commission	7.58%	19.70%	2.94%	26.18%	12.06%
Administrative Expenses	8.13%	13.59%	1.71%	14.53%	9.53%
Other Expenses	-18.79%	28.83%	-2.94%	30.20%	-0.18%
Dividend	9.38%	14.29%	-6.67%	-1.43%	15.00%
Balance of Fund at the end of the year as shown in the Balance Sheet	9.45%	9.44%	8.33%	6.87%	5.19%
Total Taka	10.57%	10.07%	7.71%	6.90%	3.65%

The horizontal analysis of Life Revenue Accounts for National Life Insurance Company Ltd. From 2015 to 2022 provides a detailed look into the company's financial performance in terms of premium collections, reinsurance, income generation, and claims management. Here's a focused analytical discussion based on the provided data:

Chapter-05: Findings and Conclusion

5. Findings

The findings from the financial analysis of National Life Insurance Company Ltd. From 2015 to 2022 highlight a trajectory of robust growth, improved liquidity and solvency, and increasing profitability despite facing significant external economic challenges. The company has successfully managed its assets, liabilities, and life fund, while also enhancing shareholder returns through prudent dividend policies. The strategic financial management practices observed are crucial for sustaining growth, enhancing investor confidence, and maintaining the company's competitive position in the insurance industry. Moving forward, continued focus on adapting to economic conditions and leveraging opportunities for innovation will be key to sustaining success.

1. **Asset Growth and Liability Management:** The company's total assets demonstrated substantial growth, increasing from BDT 37,661.96 million in 2015 to BDT 55,127.60 million in 2022. Liabilities also grew but were well-managed, reflecting strategic financial planning and robust risk management.

2. **Solvency and Liquidity Enhancements:** Solvency ratios improved from 1.09 in 2021 to 1.71 in 2022, indicating a stronger capacity to meet long-term liabilities. Liquidity ratios such as the current ratio and cash ratio saw an upward trend, culminating at 5.49 and 3.77 respectively in 2022, showcasing improved liquidity management.

3. **Market Value and Shareholder Perception:** The market value per share experienced a decline, especially pronounced from BDT 216.2 in 2018 to BDT 179.0 in 2022, influenced significantly by external economic conditions like the COVID-19 pandemic.

4. **Profitability Indicators:** Return on Assets (ROA) and Return on Equity (ROE) increased markedly, with ROA growing from 30.84% in 2018 to 57.82% in 2022 and ROE from 7.96% to 11.53%, indicating heightened profitability and efficient asset utilization.

5.2 Conclusion

In conclusion, National Life Insurance Company Ltd. stands as a resilient entity in the competitive insurance market of Bangladesh, with solid foundations and promising growth prospects. The insights derived from this internship will not only contribute to academic knowledge but also aid in strategic planning and decision-making within the company. As the insurance market continues to evolve, the company's ongoing adaptation to market conditions and regulatory environments will be crucial for its sustained success and long-term viability.

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