

14 November, 2022

Chief Executive Officer
Paramount Insurance Company Limited
House # 22 (Level 3 & 4) Road # 113/A, Gulshan-2,
Dhaka-1212.

Subject: Credit Rating of Paramount Insurance Company Limited.

Dear Sir,

We are pleased to inform you that Alpha Credit Rating Limited (AlphaRating) has assigned the following rating to **Paramount Insurance Company Limited**.

Date of Declaration	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
14 November, 2022	13 November, 2023	Surveillance	AA	ST-2	Stable


The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We, Alpha Credit Rating Limited, while assigning this rating to **Paramount Insurance Company Limited**, hereby solemnly declare that:

- (i) We, Alpha Credit Rating Limited as well as the analysts of the rating have examined, prepared, finalized and issued this report without compromising with the matters of our conflict of interest, if there be any; and
- (ii) We have complied with all the requirements, policy and procedures of these rules as prescribed by the Bangladesh Securities and Exchange Commission in respect of this rating.

We hope the rating will serve the intended purpose of your organization.

With Kind Regards,



Muhammed Asadullah
Managing Director & CEO

This letter forms an integral part of the credit rating report.

AlphaRating

PARAMOUNT INSURANCE COMPANY LIMITED

(Non-Life Insurance)

Date of Declaration	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
14 November, 2022	13 November, 2023	Surveillance	AA	ST-2	Stable

Date of Incorporation	: 10 th November, 1999
Date of Registration from the Chief Controller of Insurance	: 28 th December, 1999
DSE & CSE Listing Date	: December, 2007
Chairman	: Mr. Nawaz Ahmad
Managing Director & CEO	: Mr. Md. Sajjad Yahya
Total Assets	: BDT 1,570.97 Million (As on 31/12/2021)
Authorized Share Capital	: BDT 600.00 Million
Paid Up Share Capital	: BDT 406.65 Million
Contact Analysts	: Sharmin Akter sharmin@alpharating.com.bd Jahannoor Khan jahannur@alpharating.com.bd


Muhammed Asadullah
Managing Director & CEO
Alpha Credit Rating Limited

Alpha Credit Rating Limited

Paramount Insurance Company Limited

AA Long Term Rating

ST-2 Short Term Rating

Outlook **Stable** Date of Declaration **14 November, 2022** Valid Till **13 November, 2023** Rating Action **Surveillance**Business Risk
HighLiquidity
GoodProfitability
goodSolvency Score
GoodCapital Adequacy
AdequateSector
Non-life

Previous Rating

Long Term Rating: **AA**
Short Term Rating: **ST-2**
Outlook: **Stable**
Date of Declaration: **14 November, 2021**
Valid Till: **13 November, 2022**
Contact Analysts
Sharmin Akter
sharmin@alpharating.com.bd
Janhannoor Khan
jahannur@alpharating.com.bd

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Date of Incorporation:
10 November, 1999

Date of Registration from the
Chief Controller of Insurance: **28 December, 1999**

DSE & CSE Listing Date:
December, 2007

Board Chairman:
Mr. Nawaz Ahmad

Chief Executive Officer:
Mr. Md. Sajjad Yahya

Total Asset:
BDT 1,570.97 million (As on
31/12/2021)

Authorized Capital:
BDT 600.00 million

Paid up Capital:
BDT 406.65 million

Rationale

AlphaRating affirms long term rating “AA” (pronounced as ‘Double A’) and short term rating “ST-2” on claim paying ability (CPA) of Paramount Insurance Company Limited (Hereinafter referred to as ‘the company’) with a stable outlook. The rating is based on the audited financial statement of FY 2018 to 2021, for the year ended 31 December and unaudited financial statements till 30 September, 2022 and other qualitative information provided by the management.

The assigned rating is supported by claim settlement period within 90 days, good expense management which has led to positive gap between allowable and actual expenses, increased gross & net premium, less than 100% combined ratio, increased total underwriting profit, increased total asset base, adequate paid up capital amidst strong capital structure, improved cash flow from operation, wide branch network, adequate reserve for un-expired risk, and stronger balance sheet with no debt along with standard investment policy etc.

However, the strength of the rating is partly offset by overall socio economic condition of Bangladesh along with volatility of the share market, decreased net profit margin along with ROA & ROE, decreased investment along with yield on investment, decreased solvency, non-compliance of investment policy against Govt. Securities, land & building municipality area, other investment, decline motor revenue account etc. The rating also considers inherent business risks, unhealthy competition between the competitors and level of sophistication of the domestic insurance market.

	2021	2020	2019	2018
Net Profit Margin (%)	41.43	91.33	25.62	15.23
ROA (%)	11.17	18.91	4.95	2.75
ROE (%)	11.99	20.21	5.34	4.00
Combined Ratio (%)	54.83	72.29	87.72	116.53
Current Ratio (x)	2.02	2.46	2.44	2.56
Solvency ratio (x)	2.23	2.37	2.24	-
Gross Premium (BDT in million)	504.87	393.71	291.82	260.96
Net premium (BDT in million)	297.05	199.59	151.25	113.87
Underwriting Income (BDT in million)	134.31	93.10	26.99	6.03
Excess of Mgt. Exp. (BDT in million)	(25.31)	(28.21)	(17.69)	(21.07)
Operating Cash Flow (BDT in million)	170.60	92.99	16.94	53.51
Net Claim (BDT in million)	23.13	15.50	22.40	40.72
Investment (BDT in million)	613.95	678.42	433.05	411.80
FDR (BDT in million)	428.55	408.05	352.55	307.53
Yield on investment (%)	8.16	23.52	7.37	4.80

The rating also further offset by dearth of qualified professionals in insurance industry of Bangladesh as a whole, uncertain economic environment as well as the level of maturity of the domestic insurance market.

The Stable Outlook assessed by AlphaRating reflects that, upside and downside risks to the rating are currently well balanced.



Muhammed Asadullah
Managing Director & CEO
Alpha Credit Rating Limited

Alpha Credit Rating Limited

Company Profile

Bank Facility

Industry Overview

Management & Other Qualitative Factor

Business Risk

Financial Analysis

Company Information

Company Profile

Paramount Insurance Company Limited is a third generation private sector Non-life insurer in Bangladesh established on 10 November, 1999 under the Company Act 1994 and complies with Insurance Act 2010 and directives as received time to time from IDRA. The company is a public limited company by shares and operating successfully in both the stock exchanges of the country. The objective of the company is to prove integrity and credibility to the client by extending sincere and meritorious services to them

The company is active member of capital market having BDT 1,890.921 million market capitalization on 14 November, 2022. According to DSE, market share of the company is categorized as "A". The board of the company has provided dividend in different year which is presented below:

Cash Dividend	10% 2021, 2% 2019, 2% 2016
Bonus Issue (Stock Dividend)	20% 2020, 2% 2019, 5% 2018, 10% 2017, 8% 2016, 10% 2015, 10% 2014, 10% 2013, 5% 2012, 5% 2011, 10% 2010, 10% 2009, 10% 2008, 10% 2007, 5% 2006

SOWT Analysis

Strengths

- Fully automate operation of all branches ensure the transparency and higher level of efficiency to ensure the customer satisfaction
- Comparatively better reputation in settling claim
- Maintain comparatively better corporate governance
- Diversification into many segments of business-product wise as well as client wise

Weakness

- Insufficient Branch network compared to their competitor which may reduce revenue income.
- Minimum market share of 0.84% (Based on Insurance year book-2020)
- The company doesn't maintain workers participation profit funds according to Bangladesh Labor Act 2006
- High employee turnover rate compare to their competitor

Opportunities

- Foreign Direct Investment (FDI) in Bangladesh is increasing which will increase scope of business in near future.
- Stringent regulatory requirement for all business those who are availing finance from external sources
- Growing internal economy with strong market dynamics
- Increasing acceptance of online services.

Threats

- Increasing Natural Catastrophes
- High number of insurance companies operating in market may give rise to unhealthy price competition in terms higher commission
- Increase fraudulent claims
- The technological advancements used by competitors
- Fluctuating interest rate makes unstable financial and economic environment.



Branch Network

The Company carries out its activities through its Head Office located at House # 22 (Level 3 & 4) Road # 113/A, Gulshan-2, Dhaka-1212. The company is running its operation successfully with 14 branches covering major financial centers of Dhaka, Chattogram, Khulna, Jashore, & Rangpur Division with the assistance of more than 170 employees.

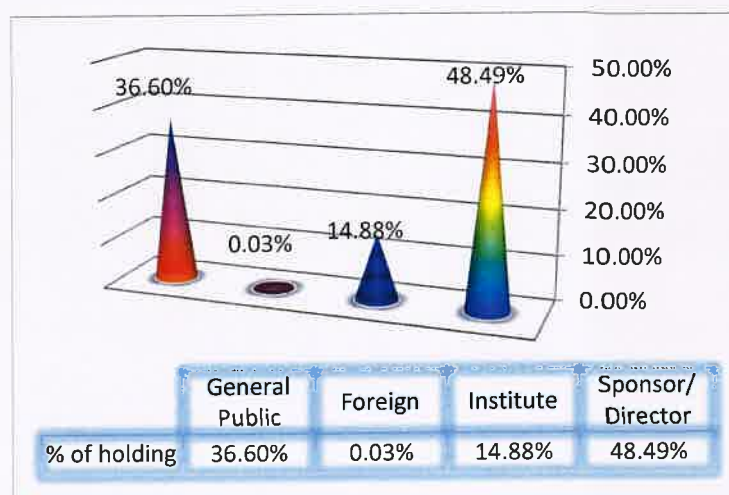
Group Profile:

Paramount Group of Companies which was established in 1986 has been always praised for their professionalism, code of conduct and quality products. Total asset of the group is approximate Taka 3000 crore which belong to the following sister companies.

SN	Name of Companies
01.	Paramount Textile Ltd.
02.	Paramount Btrac Energy Limited
03.	Paramount Spinning Ltd.
04.	Foodex International Limited
05.	Paramount Holdings Ltd.
06.	Paramount Engineering Ltd.
07.	Paramount Agro Ltd.
08.	Sunrise Chemical Industries Ltd.

Ownership Pattern

The shareholding pattern of the company on 31/10/2022 is presented below:



Company Profile

Management & Other Qualitative Factor

Industry Overview**Business Risk**

Company Information

Financial Analysis**Products****Motor Insurance**

- Motor insurance for commercial vehicles
- Motor insurance for private vehicles
- Motor insurance for motor cycle
- Motor trade road risks.

Fire Insurance

- Fire Insurance (including allied perils)
- Industrial all risks
- Silent risks
- Power Plant operational package

Marine Cargo Insurance

- Time Policy
- Voyage Policy
- Mixed Policy
- Floating Policy
- Valued Policy

Marine Hull Insurance (TLO & TC)

- Inland Marine Hull Policy
- Voyage Policy for Hull Insurance

Engineering Insurance

- Machinery insurance (Machinery breakdown)
- Deterioration of stock (DOS)
- Boiler and pressure vessel
- Electronic equipment (EEI)
- Erection all risks (EAR)
- Contractor's all risks (CAR)
- Machinery Breakdown (MBD)

Miscellaneous/Accident Insurance

- Burglary & house breaking insurance
- Business interruption
- Cash in-counter
- Cash in safe
- Cash in transit
- Cash on counter
- Fidelity guarantee
- Money in financial organization
- Overseas mediclaim
- Product Liability
- Property damage all risks
- personal accident
- People personal accident
- Workmen's compensation
- Safe deposit all risks
- Bangabandhu Surokha Bima



Alpha Credit Rating Limited

Company Profile

Industry Overview

Business Risk

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Management & Other Qualitative Factor

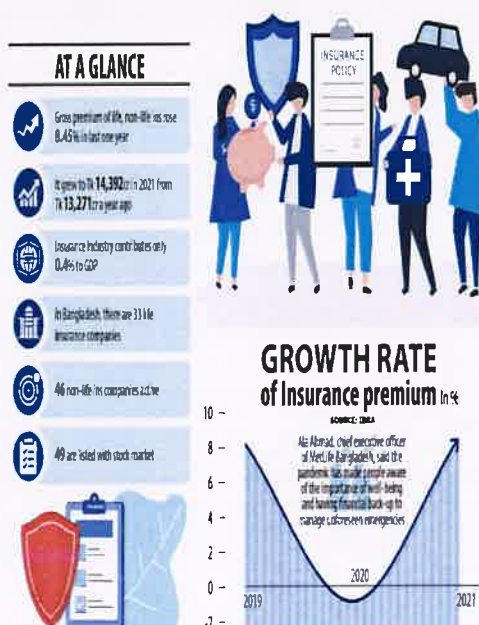
Company Information

Industry Overview

The role of insurance in managing risks in an economy cannot be overstated. At a micro level, insurance safeguards households and companies from a myriad of risks. From a macro perspective, it reduces the financial burden on a government and creates a stable environment in which businesses can thrive and succeed. While Bangladesh has taken gigantic strides on the path to economic prosperity, its insurance sector is a vital area that requires considerable attention and can benefit significantly from regulatory reforms.

Snapshot of Bangladesh's insurance industry

Currently, Bangladesh's insurance sector comprises 46 non-life insurance companies and 33 life insurance companies. In addition, there are two state-owned insurance corporations-one in the non-life segment and the other in the life segment.



As per the provisions enunciated in the Motor Vehicles Ordinance, 1983 (hereinafter referred to as the MVO, 1983) taking a motor vehicle insurance was mandatory for the owners of motor vehicles except for the ones owned by the government. The newly enacted Road Transport Act, 2018 has made Act Liability Insurance (Third Party Motor Insurance) optional to the owners to take such insurance and instructed Police authority to curb practice for verifying obligatory insurance certificate and as such no penal action.

Insurance Development and Regulatory Authority (IDRA) has also cancelled the product "Third Party Motor Insurance". Now the owners of motor vehicles are to take only "Comprehensive Motor Insurance Policy" for compensation of loss or damages of vehicle as well as passengers. Now Police Authority is not checking motor insurance certificate and the owners of vehicle are reluctant to take comprehensive motor insurance policy. This situation has badly affected the motor insurance premium income.

Benchmarking Bangladesh's insurance industry

Although Bangladesh's insurance sector has witnessed some growth, in comparison with other emerging nations, there is a lot of room for improvement. According to the Seventh Five Year Plan (2016–2020) of the Government of Bangladesh (GoB), a majority of the population across product segments (life and non-life) remains untapped by the insurance market.

Life insurance penetration (insurance premiums as a share of GDP) in Bangladesh was 0.30% in 2020, while the average for emerging countries was 2.30% as per Swiss Re, a leading global re-insurer. In case of non-life insurance, it was 0.10% in Bangladesh, whereas 1.70% for emerging nations. In the year, overall insurance penetration was 0.40%, which was 0.50% in 2019 and 0.57% the year before. Bangladesh's insurance penetration mostly been on a downward trend as well as falls behind that of several other developing countries. Bangladesh's insurance sector is currently unable to keep pace with emerging markets around the globe. To bring this to perspective, total inflation adjusted premium growth was -9.10% in Bangladesh in 2020. However, this was 3.30% in emerging countries.

Need for key insurance products in Bangladesh

Agricultural sector

The sector accounts for more than a third of all employment in Bangladesh and is an integral part of the country's economy. Bangladesh suffers from agricultural production 'shocks' every five years, leading to a drop of up to 50% in crop income for rural households. This is one of the leading causes of poverty among many small- and medium-scale farmers. Moreover, there are very few providers of agricultural insurance products. Dedicated efforts to increase the penetration of different insurance products by private and state-owned companies, facilitated by conducive regulations, can help farmers transfer some of these risks and reduce their extreme income volatility.

Health sector

Health insurance is another crucial area that needs development. Health insurance is virtually non-existent in Bangladesh’s public and private sectors. Bangladesh’s expenditure on health is only 2.64% of its GDP—the lowest in South Asia. Close to 9% of households make huge healthcare payments and 7% have to finance their healthcare costs by selling their assets. People in rural areas are especially vulnerable to falling into the poverty trap. Pension schemes are mostly seen in the Government sector and most of the elderly population relies on family support for sustenance. As Bangladesh develops and life expectancy rises, its elderly population will increase proportionately. The insurance sector can play a vital role in reducing the burden on the overall spending on healthcare and contribute positively towards increasing the livelihood of the general public of the nation.

Challenges and Opportunities

Key challenges

Various challenges underlie the limited growth of Bangladesh’s insurance sector. For one, the relationship between customers and insurance companies is marked by lack of trust. According to a study by PwC, a majority of Bangladeshi people do not trust insurance agents, and there is limited awareness regarding life insurance products. Claim settlement-related problems also undermine the customer-insurer relationship, and the process of settling claims can be arduous and long. Secondly, Bangladesh lacks potential employees with adequate skills and knowledge to provide insurance services of the highest standard. In particular, employees holding advanced degrees in relevant fields are needed. From a macroeconomic perspective, Bangladesh suffers due to uneven income distribution where a majority of the people are poor and do not have the disposable income to afford insurance. This hinders the growth of the country’s overall insurance penetration rate.

Moreover, the country’s technological capacities need major advancement. Globally, the insurance sector has been undergoing digitization and platforms are being created to optimize customer service and streamline processes. In contrast, in Bangladesh, there is limited utilization of modern technology and processes. Insurance companies do not have access to accurate and up-to-date demographic statistics for actuarial computations. Lastly, the regulatory environment in Bangladesh leaves much to be desired.

Figure 1: Insurance Industry Trend of Bangladesh

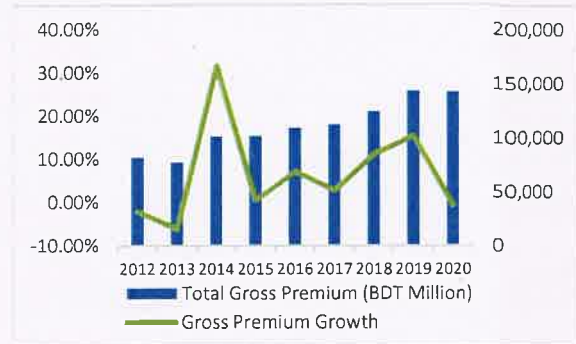
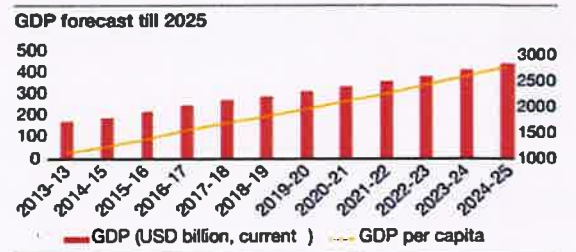
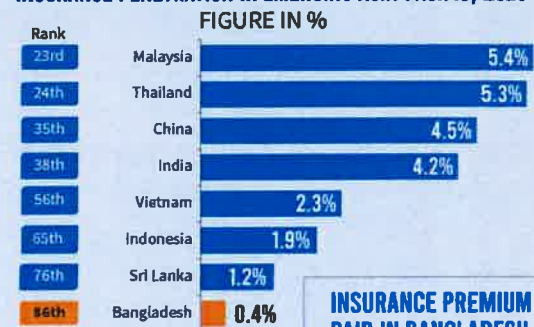


Figure 2: Bangladesh’s economy has seen steady growth



Source: PwC analysis

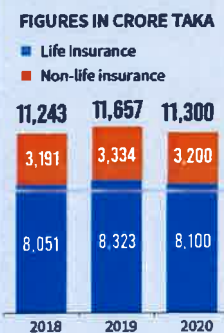
INSURANCE PENETRATION IN EMERGING ASIA-PACIFIC, 2020



INSURANCE PENETRATION IN BANGLADESH



INSURANCE PREMIUM PAID IN BANGLADESH



Source: Swiss Re Institute



*Company Profile**Industry Overview**Business Risk**Financial Analysis**Management & Other Qualitative Factor**Company Information*

Favorable indicators for insurance sector development

Bangladesh sustained an impressive annual GDP growth rate of 6.10% in 2021. Bangladesh's GDP growth rate has been increasing steadily for the last six years. Strong consumption and public investment, recovery of readymade garments (RMG) exports and high remittance growth were the main propellers of economic growth, bolstering the rise in income per capita and growth of the middle-class population.

Macroeconomic trends indicate potential growth in the country's insurance sector, especially given Asia's unprecedented growth. The region is set to represent a large share of overall life insurance premiums between 2016 and 2025, rising from 11.6% to 21.7% (see Figure 2).

Bangladesh is poised to capture some of this growth. The country's economic growth has been on an upward trend, which bodes well for the insurance sector (see Figure 3).

In the next decade, Bangladesh will continue to witness the rise of the middle and wealthy class in major cities. This could easily translate into a higher demand for insurance products as individuals and companies become increasingly risk aware.

As the country becomes increasingly industrialized, the demand for non-life insurance, such as fire, accident and property as well as workers' compensation insurance, is likely to experience substantial growth in demand.

Bancassurance opportunity

Bancassurance (a partnership between an insurance company and a bank where the bank sells insurance products) presents specific growth opportunities in Bangladesh's insurance sector and can result in mutual benefits for banks, insurers, customers and regulators. Banks usually have the preexisting technological and human resources to provide the best customer services.

Thus, it is likely to be more convenient for customers to, for instance, pay premiums and repay cash loans backed by life insurance policies from their banks' ATMs. Customers could also benefit from more customized product suites, including overdraft insurance, depositors' insurance and loan-bundled insurance. Further, decreased costs of insurance for insurers are likely to lower premium rates, making insurance more accessible to customers. Insurers may develop new financial products in collaboration with their bank partners. In Bangladesh, it has been found that customers tend to trust banks more than they trust insurance agents.

On the regulatory side, financial institutions that diversify their product range may reduce systematic risk. In addition, insurers can access the various distribution channels of banks and widen their market reach without having to create a network of agents from scratch. Partnerships with banks could also boost insurers' solvency levels. Selling a range of financial services to customers can be in the best interests of banks since diversification into insurance products would give them a stable source of income. Banks can also reduce their risk-based capital needs for the same level of revenue. Another added benefit is that bundled insurance can help minimize the impact of non-performing assets (NPAs). As such, bancassurance can prove to be one of the fastest ways to raise Bangladesh's insurance penetration rate.



COVID-19 Impact on Insurance Sector

Insurance which plays a vital role in managing risks both in micro and macro level has seen lowest penetrations in Bangladesh compared to its regional peers. Surprisingly, Insurance penetration has been declining for the past several years even though the country's Per-capita GDP has been showing a stable growth over a decade now. Insurance penetration in Bangladesh stood at 0.50% in 2021, down from 1.13% in 2010. COVID-19 has impacted the insurance industry in multiple ways—from employee and business continuity issues to client service considerations and outlook.

Due to COVID-19, fire and marine insurance are expected to take the biggest hit. These two components consist of around 75% of non-life insurance companies total premium income (see Figure 3).

Fire Insurance

The biggest source of premium for non-life insurance company is fire insurance, which accounts for 45% of total premium income for non-life insurance companies.

Factories for the RMG sector are the major driver of fire insurance premium. A total of 419 readymade garment (RMG) factories 348 registered with BGMEA and 71 with BKMEA did not reopen since April 26, 2020 even after a month-long closure in line with public holidays. According to Bangladesh Garment Manufacturers and Exporters Association (BGMEA), some 268 factories out of 348 were closed temporarily and the rest 80 permanently.

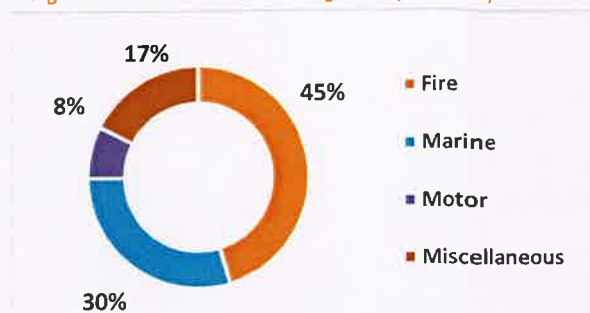
A recent study by Human Rights Watch shows that when orders were cancelled, 72.1% of buyers refused to pay for raw materials already purchased by the supplier, and 91.3% of buyers refused to pay for the "cut-make-trim" cost - or production cost - of the supplier. As a result, 58% of factories surveyed reported having to shut down most or all their operations. This shut down of factories may strangle the fire premium growth rate.

Marine Insurance

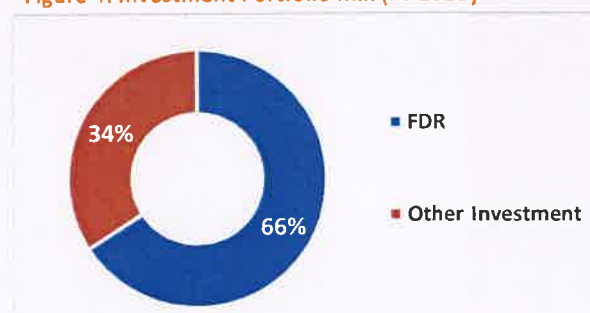
Marine insurance that depends on import cargo accounts for 30% of the non-life insurance's total premium a year. Insurance companies' premium income from marine insurance is expected to go down to a new low if this global pandemic countries and world trade continues to slow down.

Bangladesh import plummeted to deepen economic crisis amid COVID-19 pandemics. Businesses did not open LCs for products, including raw materials of Bangladesh's largest exporting sector readymade garments, capital machinery, and intermediate goods. Plummeting import means lower marine insurance premium for non-life insurance companies.

* Figure 3: Premium Income Segment (FY 2020)



* Figure 4: Investment Portfolio Mix (FY 2020)



Year book 2020's data is used here because of the non-availability of latest year book

Motor and Miscellaneous

Most of the motor vehicles are covered under third party insurance coverage. Since premium charged under third party insurance coverage is insignificant and has a higher rate of renewal, premium from this category will have a less impact. But it is projected that, new motor sales to decline and first party insurance premium to decline too.

Aviation insurance is major contributor of miscellaneous segment. In this COVID-19 situation, the aviation sector may take a few years to turn around. As a result, it can be assumed that the insurance sector will face indirect losses.

Life Insurance Premium

The COVID-19 has hampered the county's economic activity at an unprecedented scale, raising the specter of job losses and salary cuts. The outbreak of the deadly disease could have a widespread impact on the job market of Bangladesh. Most of the organizations would go for cost cutting and remuneration on aggregate to fall. This may include reduced health insurance benefit for employees. This could have negative impact for life insurance companies.

*Company Profile**Industry Overview**Business Risk**Financial Analysis**Management & Other Qualitative Factor**Company Information***Investment Income**

Most of the time insurance company's premium income is eaten away by claim and management expenses. History shows most of the insurance companies have a combined ratio (Direct Management expenses + Claims and Commission to net premium) above 80%. As a result, they rely on investment income for other expenses like provision, tax and indirect management expenses.

FDR consist 34% of total investment and other investment consist 66% of total investment (see Figure 4). Govt. has intended to keep lending interest rate as maximum as 9% therefore FDR interest rate will also decline which will ultimately reduce total investment income in the insurance sector.

Impact on Cost Centers

In 2019, non-life insurers in Bangladesh agreed not to give more than 15% commission to agents. Since these field agents are poorly paid, they now have less motivation to go out in the field and bring new business amid COVID-19 outbreak. So it's expected that agent commission expenses may go down. Some insurance companies may go for salary cut during this COVID-19 pandemic which could result in lower indirect management expenses. Overall, it is expected that benefits of cost savings will be counterbalanced to some extent by higher level of revenue de-growth.

Conclusion

Despite various challenges, Bangladesh's insurance sector has tremendous potential for growth, especially given the country's favorable macroeconomic picture. Regulatory reforms and the introduction of bancassurance, health, expatriate, agriculture, education, coastal, and public pension insurance products along with deep distribution channels can catalyze growth in the insurance sector.

Regulations that focus on reducing the risk of insolvency can help build trust in the market at a global level, which in turn will increase the flow of funds into the economy. With adequate capital requirements in place, insurance companies will serve as a safeguard for investments in infrastructure bonds, thereby boosting infrastructure development.

Strong regulations can also help strengthen the reinsurance market, which will ease the financial burden on the government arising from catastrophic events, thus directly contributing towards development opportunities for the country. Further, well-defined regulations can drive competition, enabling companies to provide the best solutions and offer more options to customers. Regulatory frameworks, ideally framed with reference to international standards and principles, will go a long way towards creating a resilient insurance sector.

A resilient insurance sector can, in turn, have far-reaching economic, commercial and social benefits for Bangladesh. Thriving against odds, it could also, in the long run, encourage entrepreneurship and innovation while facilitating risk transfer.

Source-[COVID-19 Impact on Bangladesh Economy by Lankabangla asset management, Potential for growth: Transforming Bangladesh's insurance sector by PWC, Chapter four-Bima published by ministry of finance, insurance year book-2020 The daily Star- Mar 4, 2022]



Business Risk Analysis

Business Risk

The company controls its business risks arising from different types of underwriting policies, underwriting professionals at branch level with the help of guideline of IDRA. The company has decentralized its underwriting functions and delegated powers to its zonal offices and branches for rendering prompt, efficient and effective services to the clients. Risks involved with policies are assessed by underwriting officers of the respective branch for underwriting policies up to a specific limit of sum insured, beyond which risk assessment of different policies are done by internal Risk Inspection Team. Skill level of employees engaged in underwriting process acts vitally behind innovation of new products and services that will help companies to attract newer clients and competitiveness in the market.

Insurance/Actuarial Risk

The risk under an insurance contract is that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. Principle risk the company faces under such contracts is that the actual claims and benefit payments exceed the premiums written or the carrying amount of insurance liabilities. This is influenced by the frequency of claims; actual benefits paid being greater than originally estimated subsequent development of long-term claims.

The company reduces this risk with the help of underwriting team, Government Licensed surveyors who undertakes pre-insurance surveys of large and complicated risk. The company manages these risks through its underwriting strategy, adequate reinsurance arrangements & proactive claims handling. All member of the underwriting team of the company are well experienced and trained from both within and outside the country. Risk management ensures proper understanding of the right level of risk acceptance, risk control and risk related expenditure. The company also takes reinsurance coverage from SBC companies that also help the company to pay off its claims.

Liquidity Risk

Liquidity risk is the risk that a company may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. The major liquidity risk confronting the company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and maturity of investment securities. Liquidity risk also occurs more generally in relation to the ability to buy and sell investments. This is a function of size of company's holding relative to the availability of counter parties willing to buy or sell these holding at any given time. However the company manages its liquidity by ensuring sufficient liquidity to meet its claims and other liabilities when due under both normal & stressed conditions without incurring unacceptable losses or risking damage to the company's reputation.

However, the company sets limit on the substantial portion of maturing funds available to meet such calls to cover claims at unexpected levels of demand. Moreover, company's STD & CD A/C with bank on the other hand observed to increase over the last consecutive years.

Internal Control Risk

Internal control risk arises from non-compliance of rules and regulation which ultimately possess negative impact on overall business performance.

The company has a separate internal audit and MIS department which assist in maintaining financial discipline and management of the company. The company's audit work includes scrutiny of underwriting business, premium collection, unused printing materials, insurance stamp register, unadjusted BPC/commission, petty cash and bank, vouching etc. Any type of purchase has to be done through Purchase Committee which includes members of Finance & Accounts, Audit, Admin and IT department. The company ensures formation of Management Committee that deals with operational decisions. It is observed that the Board forms Audit Committee to look after all irregularities of the company.

Regulatory Risk

The increasing intensity of regulatory requirements poses a significant threat to the industry. The new Insurance Development and Regulatory Authority Act-2010 and Insurance Act-2010 replaced the old insurance laws which are likely to bring significant changes in the regulation of the industry. In order to make overall claim settlement procedure smooth and timely, insurance companies are required to set up a special fund 'policyholders' Protection Fund'. For further enhancing the solvency position, paid up capital for non-life and life insurance companies have been raised to BDT 400.00 million and BDT 300.00 million respectively.

As per the circular issued by IDRA, agents will be paid commission at a maximum rate of 15%. Moreover, Credit Rating practice for the insurance companies is expected to create a positive vibration in the industry as the institutional insured expect for good credit rating to safeguard their interest. All these requirements will make the market more reliable and uniform. The same will pressurize the underperforming insurance companies to retain their market share.

To our best of knowledge, the company has complied with all the regulations introduced by IDRA. Therefore, regulatory risk appears to be low. However, to comply with more sophisticated regulations, the company may need to put more effort and cost which may hamper the overall profitability.

Human Resource

Human resource risk arises in many forms. Not having the right person in place and with required skills needed to compete is two of those risks. Companies with an ageing workforce are even at more risk. It is noted that, insurance industry of Bangladesh needs to transform. Lack of frequent training from developed nations' results into information gap and under development of the sector. Like most of the private sector non-life insurance company, the company holds a very insignificant portion of total market & is continuously striving to hold the position. Recruitment of energetic, qualified professionals is expected to gear up the business.

Interest Rate Risk

Interest risk arises out of investment decisions and acceptance of high exposures in any one type of investment instrument. Volatility of money market has also great influence over the interest rate structure of fund hold by the company. Interest Income of the company is a significant portion of total income. This income from fixed and other deposit may fall with the reduction of interest rate of commercial bank.

In order to mitigate interest rate exposure, companies can invest into mutual funds to secure its revenue and also to generate capital gains. However, this source has also its own drawback, if the overall capital market position fall, then the performance of mutual fund will also decline. Thus the company should more concentrate on tradition business in order to minimize any loss/reduction of income arises from the investment already made. Thus the company should more concentrate on traditional business in order to minimize any loss/reduction of income arising from the investment already made.



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Underwriting Process & Quality

Revenue from underwriting is the prime source of income of the Company. The Company has its dedicated underwriting department which is responsible for underwriting risk. Underwriting risk may arise from an inaccurate assessment of the risks associated with writing an insurance policy or from uncontrollable factors which may cost the insurer more than the earnings from premium. However, underwriting department of The Company is responsible for securing a safe and profitable distribution of risks & classifying clients into appropriate risk classes.

During FY 2021, gross premium of the company has increased to BDT 504.87 million and net premium has increased to BDT 297.05 million from BDT 393.70 million of gross premium and BDT 199.59 million of net premium. This shows that the company has higher premium collection than previous year. Along with increase in both gross and net premium, total underwriting profit has also increased to BDT 134.31 million in FY 2021 from BDT 93.09 million in FY 2020.

Underwriting performance is measured by combined ratio which is consisted of loss & expense ratio. In FY 2021, net premium has increased by 48.83% whereas net claim has increased by 49.13% and this has resulted loss ratio to increase. On the other side, Expense ratio of the company has decreased to some extent in FY 2021 and stood at 47.04%. The main reason behind this improvement is only 8.52% of increase in actual management expenses compared to 48.83% of increase in net premium.

Selected Indicators:

(Without considering commission on reinsurance ceded)

	Year Ended Dec. 31			
	2021	2020	2019	2018
Loss ratio (%)	7.79	7.77	14.81	35.76
Expense ratio (%)	47.04	64.52	72.91	80.76
Combined ratio (%)	54.83	72.29	87.72	116.53

In addition to having improved expense ratio, The Company's combined ratio stood well below 100%, which indicates good underwriting performance of the company. Though loss ratio has decreased but improved expense ratio has improved the overall underwriting performance.

According to management report of quarter ended September, 2022, the loss, expense & combined ratio stood at 26.92%, 43.11% & 70.03% respectively.

Selected Indicators:

(After considering commission on reinsurance ceded)

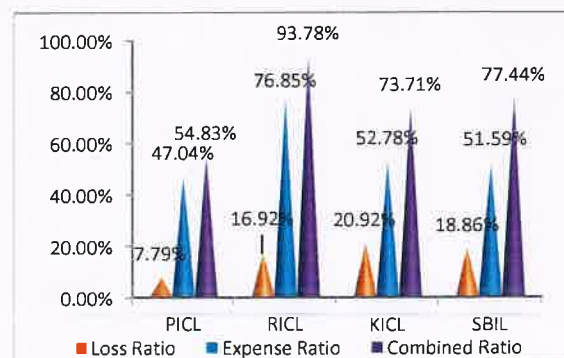
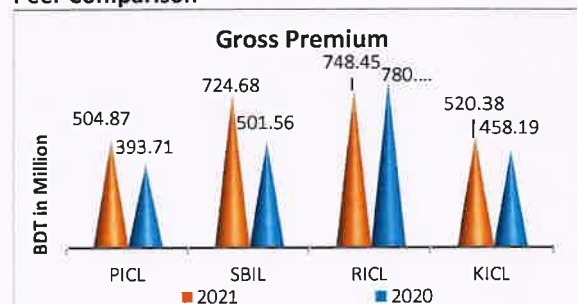
	Year Ended Dec. 31			
	2021	2020	2019	2018
Loss ratio (%)	6.96	6.49	12.72	28.76
Expense ratio (%)	42.05	53.93	62.29	64.63
Combined ratio (%)	49.02	60.42	75.02	93.39

If we consider commission on reinsurance ceded along with net premium, scenario of underwriting performance of the company has been showing better performance and the combined ratio of the company stays well below 100% in all four years.

Peer Comparison

Peer group analysis is a logical method to compare financial performance of a company with their competitors. AlphaRating has considered this while analyzing the gross premium of The Company with other peer companies. In FY 2021, the improvement rate of gross premium for the company was 28.23%.

Peer Comparison



PICL= Paramount Insurance Company Limited
 SBIL= Sonar Bangla Insurance Limited
 RICL= Republic Insurance Company Limited
 KICL= Karnaphuli Insurance Company Limited

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Management Expense

Every non-life insurance company including The Company are required to calculate the allowable management expenses as per Insurance Act 2010 and maintain its actual management expenses within the limit. As per the given guideline The Company's allowable management expense was BDT 165.06 million (including agency commission) which has increased by 5.15% whereas total actual management se was BDT 139.74 million, which has increased by 8.52% in FY 2021. However, in FY 2021 the company was able to keep actual management expense below the allowable management expense, which has resulted in spare allowable management expense of BDT 25.31 million. The Company has incurred almost 84.66% of its allowable management expense in FY 2021 whereas it was 82.02% in FY 2020.

According to IDRA, agency commission must be within 15% of its premium of all classes of insurance. The Company incurred BDT 9.16 million as agency commission in FY 2021 against the gross premium of BDT 504.87 million. So, the agency commission was 1.81% of gross premium which was within the prescribed limit set by the authority.

Selected Indicators

	Year Ended Dec. 31			
BDT in millions	2021	2020	2019	2018
Actual management expense	139.74	128.77	110.18	91.96
Allowable management expense	165.06	156.98	127.97	113.03
Excess management expense	(25.31)	(28.21)	(17.69)	(21.07)
Actual management expense as % of Allowable expense	84.66	82.02	86.09	81.35

According to management report of quarter ended September, 2022, The Company has reported BDT 123.80 million allowable management expense & BDT 90.64 million actual management expense, which has resulted in spare allowable management expense of BDT 33.16 million.

Claim Management

During FY 2021, the company paid off 44.60 million as Total claims which is 16.02 percentile point higher than previous year. It has been observed that, During FY 2021, the Company has settled 108 claims, whereas initiated claims was 150. This shows that the company has settled 72.00% of total initiation in FY 2021, which was 61.54% in FY 2020. Moreover, The Company has no repudiated claim in FY 2021. Performance of the company on the basis of settlement is presented below:

Selected Indicators

	Year Ended Dec. 31			
BDT in millions	2021	2020	2019	2018
Total Claims	44.60	38.44	38.22	45.33
Total claims / net premium (%)	15.01	19.26	25.26	39.81
Claims paid during the year	23.64	16.97	15.28	29.52
Claims paid as % of total claims	53.01	44.16	39.99	65.11

However, as per management information of The Company, average claim settlement period is within 90 days over the last four years after getting all the documents, which can bring positive campaign for the company.

Selected Indicators

BDT in millions	2021	2020	2019
Number of Claim Initiated	150	130	95
Number of Claims Settled	108	80	80
Number of Claims Repudiated	-	-	-



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Profitability

Profitability position of the company has decreased during FY 2021 compared to that of previous year. It is noticed that, income of The Company comprised of underwriting profit & investment income. The main sources of the income comes from underwriting profit which is 72.77% of total income in FY 2021. Underwriting profit of the company has increased by 41.22 million in FY 2021 compared to previous year. It has observed that, marine cargo contributes the highest revenue in generating such high underwriting profit in FY 2021. In spite of having less profit from motor & miscellaneous account, total underwriting profit has improved due to increase of profit from fire & marine accounts.

Except underwriting profit, investment income is another source of income for The Company comprising 27.23% of total income in FY 2021. Investment income has comprised of interest income, profit on investment in share, dividend income. However, Interest income consists of interest received on FDR, STD & BGTB. It has observed that, investment income has declined significantly to BDT 50.25 million in FY 2021 from BDT 160.06 million in FY 2020, due to mainly fall of interest on FDR, BGTB dividend income and profit on investment in share. Moreover, profit on investment shares of The Company has decreased by 80.75% compared to previous year which fully impacted the overall investment income.

Selected Indicators

	Year Ended Dec. 31			
BDT in millions	2021	2020	2019	2018
Profit Before Tax	175.48	246.25	52.44	19.69
Profit After Tax	123.07	182.29	38.75	17.34
Net profit Margin (%)	41.43	91.33	25.62	15.23
Return on assets (%)	11.17	18.91	4.95	2.75
Return on equity (%)	11.99	20.21	5.34	4.00

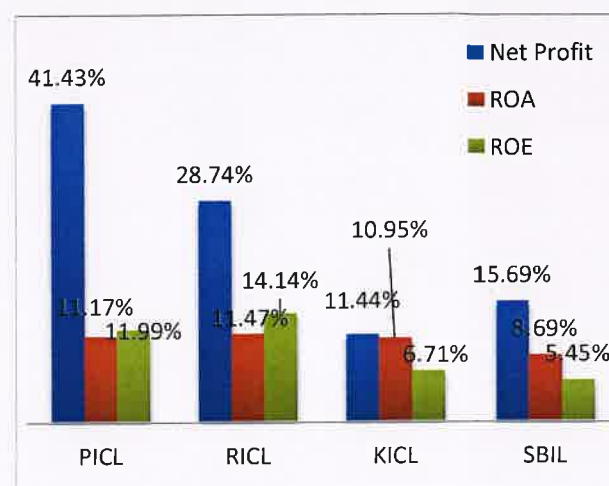
In FY 2021, Net Profit Margin of the company has decreased compared to that of last year. Moreover, Profit after tax of the company has decreased by BDT 59.22 million which is 32.49% lower compared to previous year. Alternatively, net premium of The Company has increased by 48.83% in FY 2021 from previous year. Significant decrease in net profit after tax has resulted net profit margin to decrease to 41.43% in FY 2021.

Return on assets (ROA) is an indicator of how profitable a company in relation to total assets and return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. During the year, both ROA and ROE have decreased due to mainly decreased profitability position of the company.

According to management report of quarter ended September, 2022 The Company has reported BDT 81.38 million as net profit after tax and BDT 210.26 million as net premium, which resulted net profit margin of 38.71%.

Peer Comparison

Overall profitability performance of The Company has declined in FY 2021. However, if the profitability of the company is compared with its peer group it has been observed that the company is in good position compared to its peer group.



PICL= Paramount Insurance Company Limited
RICL= Republic Insurance Company Limited
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Capital Adequacy

According to statutory capital requirement, every non-life insurance company is required to have BDT 400.00 million as paid up capital. The Company has fulfilled this requirement during the year. Paid-up capital of the company has increased in FY 2021 and stood at BDT 406.65 million at the end of FY 2021.

The board of the company has last issued 20% bonus share in FY 2020 (2%-2019, 5%-2018, 10%-2017, 8%-2016, 10%-2015, 10%-2014, 10%-2013, 5%-2012, 5%-2011, 10%-2010 & 10%-2009) along with 10% cash dividend in FY 2021, 2% for the FY 2019 & 2% for the FY 2016.

Asset Quality & Investment

AlphaRating observed that the company has diversified its investment in different sector including Govt. Treasury bond, investment in share & FDR etc. Though the company had maintained a conservative investment portfolio and most of the company 's investments comprise of FDR. Level of investment of the company has decreased in FY 2021. As per Insurance Act 2010, the company has maintained statutory requirement of investing BDT 25.00 million in Bangladesh Govt. Treasury Bond, which is being maintained duly. Investment in shares & securities is another significant area of investment for the company which has decreased and stood at BDT 104.71 million.

Selected Indicators

	Year Ended Dec. 31			
	2021	2020	2019	2018
BDT in millions				
Total Investment	613.95	678.42	433.05	411.80
Investment income as % of total income	27.15	63.02	54.07	76.02
Yield on investment (%)	8.16	23.52	7.37	4.80

Investment income as a % of total income has decreased in FY 2021 due to mainly decreased investment income (68.59%).. Furthermore, yield on investment has turned down to 8.16% in FY 2021 from 23.52% in FY 2020 as a result of decreased investment income during the period.

Items	Govt. Securities	BSEC approved Shares (Total)	Land & building in Municipality area	FDR (Total)	Fixed Asset	NBF	Other
Required Rate (In terms of total assets)	7.50% (min)	25% (max)	20% (max)	80% (max)	5% (max)	10% (max)	5% (max)
PICL's Rate-2021	1.64%	6.85%	39.18%	26.82%	3.56%	1.24%	20.69%

It is to be noted that, Other than Govt. securities & land & building in Municipality area, other investment, the company has complied with investment rules for non-life insurance companies issued on 14.11.2019 which is depicted in the above table.

Liquidity Analysis

Liquidity position refers to the company's ability to pay short term obligation as they fall due. While analyzing the liquidity position of the company, it is observed that current ratio of the company has slightly declined and stood at 2.02 times in FY 2021 as the company's current assets have increased by only 2.64%, whereas current liabilities have increased by 24.47%.

High net claim resulted into low current asset to net claim ratio. Current liability to total liability of the company has reported to 88.67% in FY 2021, as the company has deferred tax liability of BDT 48.16 million in FY 2021. During FY 2021 cash and cash equivalents has increased by 0.22% due to mainly increase in fixed deposit receipts (FDR), whereas total assets raised by 20.66%, which caused the cash & bank equivalents to total assets ratio to decrease in FY 2021.

Operating cash flow position of the company has increased by BDT 77.70 million in 2021. Operating cash flow has mainly increased due to significant premium collection & other income. However, operating cash flow to net claim ratio has increased in FY 2021 due to significant increased in Operating cash flow.

Selected Indicators

	Year Ended Dec. 31			
	2021	2020	2019	2018
Current ratio (times)	2.02	2.46	2.44	2.56
Current asset/net claim (times)	32.99	47.94	27.94	14.13
Current liabilities/total liabilities (%)	88.67	94.62	99.10	99.78
Cash & bank balance/total assets (%)	30.86	37.15	34.03	49.91
Operating cash flow/net claim paid out (%)	737.46	599.72	75.60	131.40
Operating Cash Flow	170.60	92.99	16.94	53.51

According to management report of quarter ended September, 2022 current ratio of the company stood at 1.90 times and CFO stood at BDT 123.54 million



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Reserve Adequacy

the company has maintained the reserve for un-expired risk as per Insurance Act, 2010; 100% of the net premium income for marine hull insurance and 40% for all other business classes. The company also maintained reserve for exceptional losses. In FY 2021 the reserve has been increased to BDT 169.50 million which has been increased by 21.24% from that of previous year. However, the reserve represents 57.06% of net premium

Reserve for exceptional losses represent 7.32 times of net claim in 2021 which was 9.02 times in 2020, suggesting the company's unexpected events absorbing capability decreased from last year.

According to management report of quarter ended September, 2022, the company has reported BDT 190.53 million as reserve for exceptional losses.

Solvency Analysis

The solvency margin ratio is an important financial indicator & a key benchmark for industry regulators. It means the amount by which the assets of the insurance company are considered to exceed its liabilities and other comparable commitments. As per The Insurance Development & Regulatory Authority's (IDRA) regulations 2010, every non-life insurer needed to prepare statement of solvency margin. Moreover, required solvency represents the regulatory minimum amount of solvency to be held by the non-life insurance company. But, still Insurance Development and Regulatory Authority (IDRA) has not prescribed any formula or guidelines to calculate the minimum solvency margin. It is observed that solvency ratio of the company has slightly decreased to 2.23 times in FY 2021 from 2.37 times in FY 2020.

It has been observed that Total actual investment has been increased from prior year due to increase in investment in fixed deposit, land & land development, building under construction in FY 2021. On the other hand, optimal investment has increased due to increase in total liabilities. According to the audited Financial Statements, Solvency Margin position statement shows that Optimal Investment is the higher one between total liabilities and 10% of Net Premium as per section 27A of Insurance Act-1938. 10% net premium amount is BDT 29.71 million in FY 2021.

The table below represents the solvency in all concerned years.

	Year Ended Dec. 31		
BDT in millions	2021	2020	2019
Total Actual Investment	1210.84	947.69	749.58
Optimal Investment	544.12	399.87	334.84
Solvency Ratio (Times)	2.23	2.37	2.24

Reinsurance Utilization

Under the discretion of Insurance Act, the retention & treaty limit of non-life insurance companies is being revised from time to time depending on the financial strength, underwriting expertise etc. In accordance with the present rule of our country, 50% of the re-insurable general business shall be reinsured with Sadharan Bima Corporation (SBC) while rest is reinsured with other reinsurer whether in or outside Bangladesh. It has been found that the company is in line with the existing regulation, takes 50% reinsurance coverage from Sadharan Bima Corporation (SBC) while rest is reinsured with other reinsurer whether in or outside Bangladesh. Other overseas reinsurers are Rochester Reinsurance PLC, ION Insurance Group S.A, Southern Pacific Insurance Corporation, Global Re Limited, Sentinel Underwriting Specialty Market, Waica Reinsurance Corporation, Klaption Insurance Company Limited, Northern Light Insurance Co., Klaption Reinsurance Limited, CICA RE, SOPAC.

Reinsurance protections availed from SBC is presented below:

Selected Indicators

	Fire	Marine Cargo	Misc.	Motor
Treaty Limit	600.00	90.00	10.0	1.00
Retention	20.00	2.50	1.00	0.50

It has been observed that, the company has 100% surplus treaty for fire, marine cargo and miscellaneous insurance, whereas motor insurance has excess of loss treaty.

Individual class wise risk retention ratio of last 4 years are presented below:

Business Class \ Year	2021	2020	2019	2018
Fire (%)	51	38	49	31
Marine Cargo (%)	72	69	55	61
Motor (%)	96	95	97	98
Misc. (%)	13	16	14	20
Total (Average)	58.84	54.50	53.75	52.50

During FY 2021, total sum insured was BDT 130.71 billion whereas it was BDT 96.20 billion in FY 2020. Generally high retention level signifies adequate reinsurance protection while low retention level may hamper profitability. PICL's risk retention rate remained above 50% throughout the last four year.



Management & Other Qualitative Factors

Composition of the Board

The composition of the Board complies with the requirements as per rules of IDRA & notification of BSEC. The company's board comprises of 10 directors and 02 of whom are independent directors. All of them are professionally skilled and experienced in the management, law and business. Their experience, professional expertise & personal attitude enable them to execute their responsibility individually & collectively to perform efficiently & effectively. The board is chaired by Mr. Nawaz Ahmad. The company also complied with the Bangladesh Securities and Exchange Ordinance 1969's requirement of at least 1/5th of the total number of directors should be Independent Director. During FY 2021 the Board of Directors met 9 times.

Management

The management operates within the guidelines, limits, policies as well as the budgetary control adopted by the Board. The team is headed by the chief executive officer Mr. Md. Sajjad Yahya who is responsible for the implementation of the policy and procedures adopted by the board. The CEO implements the internal control system, follow-up the day to day affairs of the management and also confirms the company's safety and security of the company. The senior management ensures the CEO about the company's improvement with the compliance of statutory and the regulatory requirements too. The CEO must represent the company's financial & business position in each Board Meeting for the Directors understanding and guidance.

Board Committees

For smooth functioning of the company, the company formed various committees comprised of Senior Executives. Each committee is responsible and accountable for the effective operation of their assigned business area. The board establishes terms of reference and rules with respect to delegate authority and reporting. After fulfillment of the tenure of the committees, the members of committees will be changed within the Board Members. Every subcommittee has separate scope of work and the Board approves the terms of references. The Sub committees are independent and responsible to provide their expertise opinion to the board. The Board has the following standing committees which regularly report to the Board and submit proposals for resolutions:

- Executive Committee
- Nomination and Remuneration Committee
- Claims Settlement Committee
- Audit Committee

Executive Committee

Executive Committee is composed of 3 members. Sponsor Director Mr. Ashit Kumar Das is the chairman of the Committee. Other members of the committee are Mrs. Anita Das and Mr. A.H.M Habibur Rahman. Mr. Md. Sajjad Yahya, MD & CEO is the ex-officio member of the committee. During the year 2021, 02 meeting of the Executive Committee was convened.

Claims Committee

Claim is the most important factor for an insurance company. Efficient & smart settlement of claim speaks about the company goodwill in the insurance market. Claim committee consists of 03 members. The committee is chaired by Mrs. Anita Haque. The committee is responsible to review, assess and recommend claims for prompt settlement, review of surveyor's report, their method of assessment, recommendations of each claims etc. During FY 2021 the committee members met 08 times.



Audit Committee

The audit committee comprises of 03 members. The committee is chaired by Mr. Yahya A Z Khonker. The committee is acting in accordance with the guidelines provided in the notification dated 7th August, 2012 of BSEC. None of the independent director is serving more than 3 (three) listed companies and tenure of the independent director complies with the policy laid down by the Bangladesh Securities and Exchange Commission. The committee members met 08 times during FY 2021.

The committee operates according to the term and condition of the Board and BSEC notification no SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 and subsequently amended notification no SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July, 2013. The main responsibilities of the audit committee are to ensure the internal control procedures and recommend to the Board for final improvement. The committee also review the approved annual audit planning, review financial statements, review internal audit etc.

Nomination & Remuneration Committee (NRC)

Nomination & Remuneration committee (NRC) consists of 03 members. The committee is chaired by Mr. Hari Pada Deb. NRC is an important committee being an independent and responsible or accountable to the board and to the shareholders which oversee the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the board relating to remuneration of the directors, top level executives etc. The committee devising a policy on board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality. Besides, the committee formulates the criteria for evaluation of performance, identify the company's needs for employees at different levels and determine their selection, transfer and promotion. During FY 2021 the committee members met 01 time.

Human Resource

Human capital is considered as the prime asset of the company. It is the combination of competencies, knowledge and personality attributes that can be enhanced through education, training and experience. During its epic journey of 22 years, the company is able to place itself in current position with the help of loyal employees. The company has the privilege of having a large number of professionals and qualified employees. Currently there are 170 employees working with the company whereas man employees are 138 & women employee are 32. The company arranges in house and outside training programs for its employees. Staffs receive in-house training, soon after joining the company while time to time management arranges training from Insurance Academy and Insurance Association in order to enhance skill level of its workforce.

IT Infrastructure & Its Utilization

the company is constantly taking initiatives to modernize its IT infrastructure. The company ensures it underwriting activity through use of internal software. However, the company has international certified trained personnel in IT sector to assure smooth operating of the company. The company also provided training to enrich the knowledge & quality of its IT department. The company has realized the necessity of ICT security policy and already developing the system. This system will bring efficiency in term of time & cost for the company. Following is the list department which are beneficiary of ICT security policy: Underwriting Department, Accounts, Re-insurance, Share and HR. Currently the company using Personal management Software which help the company to keep all record of the employees. The company plans to become a leader in the effective use of innovative IT in Non-Life Insurance Sector. the company has made significant improvement in IT infrastructure and software through which the company has introduced Local Area Network (LAN) at head office. The company plans & implement information Resources & Technology collaboratively, establish a data center, establish a disaster recovery center etc.



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Internal Control

The company has an internal control department headed by a Senior Assistant General Manager, who worked under the supervision of chief executive officer. The In-Charge of internal audit regularly visit various branches and examines whether branch operation are being carried out as per rules & regulation of the company. Then submit the report with findings to the chief executive after inspection of each branch. BC & MIS department also examines all insurance documents. On examination of reports submitted by Internal Audit, BC & MIS department management takes proper initiative to solve those issues. It also design activates to add value & improve company's operation.

Corporate Governance

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Corporate governance facilitates the rules regulation to work in the best interest of stakeholders. the company believes in a culture where Board of directors & the management are dedicated toward effective corporate governance. It has been the company's endeavor to excel through better governance. The company believes in some basic principles of corporate governance i.e.: transparency fairness, responsibility and responsibility. It is also ensured the duties and responsibilities are appropriately segregated between the board management to provide sufficient check & balance & flexibility for smooth business operation. The company also complies with the all other conditions imposed by BSEC's Notification on Corporate Governance.

Corporate Social Responsibility

Corporate social responsibility is a corporation's initiative to assess & take responsibility for the company's effects on environmental & social wellbeing. the company endeavors to play its role as a good corporate citizen by supporting worthy causes which aim to improve the lives of the people. the company has participated in different welfare & mass awareness events. The company is very keen to safeguard the interest of the employees & made their insurance for accident & group hospitalization policy.

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Board of Directors

Mr. Nawaz Ahmad	Chairman & Sponsor Director
Ms. Anita Haque	Vice Chairman & Sponsor Director
Mr. Ashit Kumar Das	Sponsor Director
Ms. Anita Das	Sponsor Director
Mr. Ashok Kumar Das	Sponsor Director
Mr. Mohammad Jahidul Abedin	Shareholder Director
Mr. A.H.M. Abdur Rahman	Shareholder Director
Mr. A.H.M. Habibur Rahman	Shareholder Director
Mr. Yahya A Z Khondker	Independent Director
Mr. Hari Pada Deb	Independent Director

Auditor

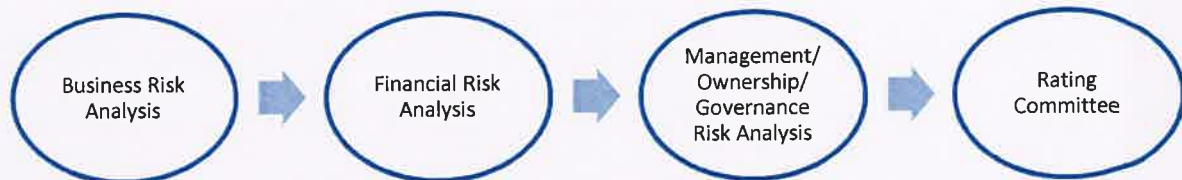
Islam Quezi Shafique & Co.
 Chartered Accountants
 4th Floor, Room- # C 17, New Eskaton Road, Moghbazar, Dhaka-1000.

Head Office

House # 22 (Level- 4) Road # 113/A, Gulshan-2, Dhaka-1212, Bangladesh.
 Tel(PABX) 880-2-55049824-30 Fax- 880-2-55049823
 E-mail- picl@paramountgroupbd.com
 Web-site: www.paramountinsurancebd.com

Registered Office

Navana Tower (Level# 7-C), 45 Gulshan C/A, Gulshan-1, Dhaka-1212.
 Email: piclgul@yahoo.com



Analysis is segmented into two or three sub sectors:

- ▶ Industry Outlook
- ▶ Competitive Position
- ▶ Operational Analysis

Analysis is segmented into four sub sectors:

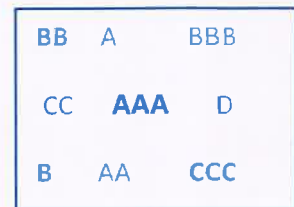
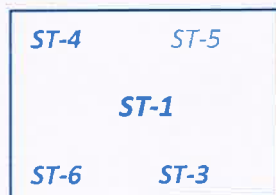
- ▶ Earnings
- ▶ Cash Flow Generating Ability & Debt Servicing Capacity
- ▶ Capital Adequacy
- ▶ Financial Flexibility

It is one of the key elements of the rating methodology since management decides what businesses to be in, what strategies should be pursued and how these activities should be financed.

Senior personnel review each company to determine the appropriate final credit rating.

- ▶ Review Modeling Assumption
- ▶ Approve Company-Specific Adjustments

Rating Outlook



POSITIVE
NEGATIVE

Rating may be raised
Rating may be lowered

STABLE

Rating is likely to remain unchanged

DEVELOPING

Rating may be raised, lowered or remain unchanged.

- ST-1 Strong Capacity
- ST-2 Good Capacity
- ST-3 Adequate Capacity
- ST-4 Weak Capacity
- ST-5 Very Weak Capacity
- ST-6 High Risk of Default

- AAA Exceptionally Strong Capacity
- AA Very Strong Capacity
- A Strong Capacity
- BBB Low Expectation of Ceased or Interrupted Payments
- BB Elevated Vulnerability to Ceased or Interrupted Payments & Key Financial Indicators
- B Significant Risk of Ceased or Interrupted Payments Could Occur in the Future.
- CCC Real Possibility That Ceased or Interrupted Payments Could Occur in the Future.
- CC Probable that Ceased or Interrupted Payments Could Occur in the Future.
- C Ceased or interrupted payments are imminent

Note: "+" or "-" may be appended to a rating to indicate the relative position of a credit within the rating category. Such suffixes are not added to ratings in the 'AAA' category or to ratings below the 'B' category.

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