Credit Rating Report
Of
Paramount Insurance Company Limited

EMERGING
Credit Rating Ltd

Paramount Insurance Company Limited

Credit Rating Report

Valid From	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
November 15, 2019	November 14, 2020	Surveillance	A+	ST-2	Stable
November 15, 2018	November 14, 2019	Surveillance	A+	ST-2	Stable
November 15, 2017	November 14, 2018	Initial	A+	ST-2	Stable

Date of Incorporation : 10 November, 1999

Chairman : Mr. Nawaz Ahmad

Managing Director & CEO : Mr. Bayazid Muztaba Siddiqui

Authorized Capital : BDT 600.00 Million

Paid up Capital : BDT 316.41 Million (As on 31st December, 2018)

Total Assets : BDT 715. 91 Million
Investments : BDT 362.12 Million
Other Assets : BDT 353.79 Million
(As on 31st December, 2018)

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Arifur Rahman FCCA, ACA
Director & COO
Emerging Credit Rating Ltd.

Credit Analysis

Entity Rating

Entity Rating

2019 Surveillance Review

Paramount Insurance Company Limited

Major Rating Factors

Strengths

- Robust asset growth
- Decreased in risk retention ratio
- Significant growth in gross premium

Challenge/ Risks

- Maintaining compliance is a challenge for the whole insurance industry
- Changes in government rules and regulation

Rationale

Emerging Credit Rating Limited (ECRL) has affirmed **A+** (Pronounced as A plus) as long term credit rating and **ST-2** as short term credit rating to the Paramount Insurance Company Limited (from herewith it will be called PICL or the company). The outlook of the rating is **Stable.** The ratings are consistent with ECRL's methodology for this type of company. The ratings are based on audited financial statements from FY 2015 to FY 2018, and half yearly management report of FY 2019, site visit and other qualitative along with quantitative information up to the date of rating.

Second generation non-life insurance company Paramount Insurance Company Limited was incorporated as a limited company as on November 10, 1999 and registered under the Department of Insurance on December 28, 1999 under the Insurance Act 1938. The company started trading as a listed company in Dhaka Stock Exchange and Chittagong Stock Exchange from the year 2007. The authorized and paid up capital stood at BDT 600.00 million and BDT 316.41 million (As on December 31, 2018).

The company has taken several key decisions in FY 2018 which is likely to set the course of PICL for next 10 years. First and foremost the company has increased its reinsurance which will ensure superior claim paying capability compared to its competitors. The goal for the management of the company is to establish superior brand image of repaying claims on time so that its existing clients and prospective clients have more faith on PICL and increases its business volume with PICL. This practice is farther emphasized in the decline of risk retention ratio from 60.26% in FY 2017 to 43.63% in FY 2018.

Overall claim management of the company has remained satisfactory, however at the end of FY 2018 the company has received one large claim which caused the current liability of the company to increase and as a result current ratio to decline significantly from 2.15 times in FY 2017 to 1.59 times in FY 2018. Overall increase in net claim and decline in net premium has caused the loss ratio to be adversely affected and stand at 35.76%. The company has maintained a combined ratio of 86.58% in FY 2018 considering net claim paid which is well below the threshold 100%.

The realized investment yield of the company has faced a steady decline over past 5 years; however, the company has earned significant unrealized profit in FY 2018

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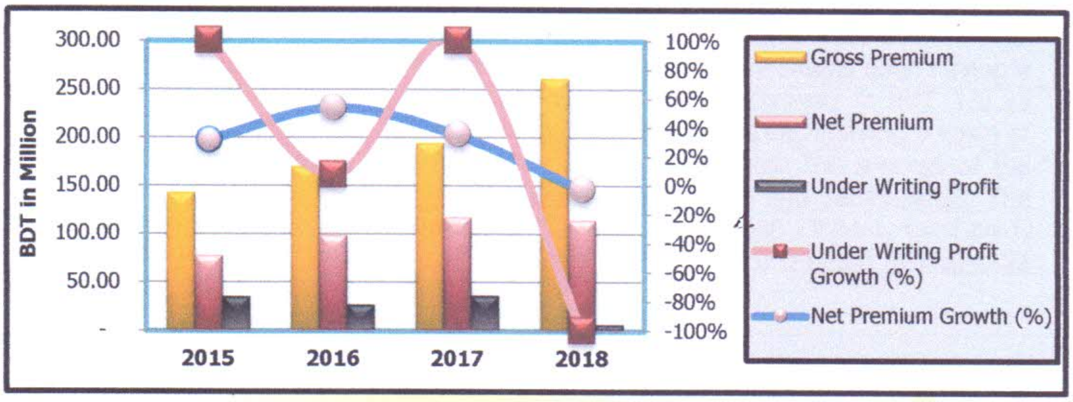
which caused the company to recognize investment fluctuation reserve of BDT 5.09 million. In addition, the company has taken several steps to strengthen its investment income stream. Step one is to construct an eight storied building in Gulshan, Dhaka which will be utilized to generate rental income. The company has already obtained a no objection certificate from Rajuk to construct a building. The company has also employed an expert as head of share department Mr. Amit Kumar Dey ACS who has long experience in this field.



The company has tried to strengthen its internal control and compliance over past one year. It has employed two personnel for internal audit however it is yet to set an internal audit guideline or manual which indicates that there is significant room for improvement.

ECRL views Paramount Insurance Company Limited's outlook as **Stable** due to present business growth, current marketing strategy, stable business setup, goodwill of the directors and group exposure.

Exhibit 1: Financial Highlights: Paramount Insurance Company Limited

FYE December	2019*	2018	2017	2016	2015
Gross Premium (BDT in millions)	151.45	260.96	193.88	169.33	142.23
Gross Premium Growth (%)	16.07	34.60	14.50	19.05	4.00
Net Premium (BDT in millions)	62.00	113.87	116.83	98.42	77.42
Net Premium Growth (%)	8.90	(2.53)	18.70	27.12	13.20
Underwriting profit (BDT in millions)	21.22	6.03	35.94	26.73	34.86
Under Writing Profit Growth (%)	604.00	(83.24)	34.45	(23.32)	28.22
Net Profit After Tax (BDT in millions)	29.00	17.34	41.04	28.36	37.23
Net Profit Margin (%)	46.77	15.23	35.13	29.28	48.09
Yield on Investment (%)	5.41	5.52	6.13	6.78	8.73
Loss Ratio (%) (Considering Net claim incurred)	10.74	35.76	12.72	9.41	(7.50)
Loss Ratio (%) (Considering Net claim paid)	7.99	25.92	10.93	15.62	29.74
Expense Ratio (%)	47.80	60.66	53.85	59.12	63.40
Combined Ratio (%) (Considering Net claim incurred)	58.54	96.42	66.57	68.53	55.90
Combined Ratio (%) (Considering Net claim paid)	55.79	86.58	64.78	74.73	108.82
Risk Retention Ratio (Combined) (%)	40.94	43.63	60.26	56.44	54.43
Solvency Ratio	1.84	1.87	2.64	3.17	3.50
CFO (BDT in millions)	23.33	53.51	31.21	76.21	18.52
CFI (BDT in millions)	(0.61)	(3.12)	(13.95)	(72.52)	(0.44)

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

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Director & COO
Emerging Credit Rating Ltd.

A. BUSINESS DESCRIPTION

A.1. Company Background

Paramount Insurance Company Limited (PICL), a second generation insurance company, was incorporated as a limited company under the Companies Act, 1994 on November 10, 1999 and registered under the Department of Insurance on December 28, 1999 under the Insurance Act 1938. The company started trading at Dhaka Stock Exchange and Chittagong Stock Exchange since 2007. The authorized and paid up capital of PICL stood at BDT 600.00 million and BDT 316.41 million (As on December 31, 2018) respectively consisting of 31,640,964 paid-up ordinary shares each having a value of BDT 10 each. At present the paid up capital of PICL has been increased to BDT 332.23 million (As on June 30, 2019) consisting of 33,223,012 paid-up ordinary shares each having a value of BDT 10 each. Although PICL is a relatively new entrant in insurance business the success of the company lies with the expertise knowledge and experience of the associates and personalities. The registered office of PICL is situated at Navana Tower (Level#7-C), 45, Gulshan Circle-1, Gulshan-1, Dhaka 1212. The company operates its business activities from its head office situated at House-22 (level-3 & 4), Road-113/A, Gulshan-2, Dhaka-1212.

A.2. Business Review

Non-Life business Segments
Fire Insurance Business
Marine Insurance Business
Motor Insurance
Miscellaneous Insurance

PICL offers wide variety of insurance products and services to its individual clients, corporate houses, via multiple channels and branches. The entire portfolio of the company is protected fully under the umbrella of re-insurance arrangement with Sadharan Bima Corporation (Government owned). Under the existing system retention capacity of each insurance company is fixed at an annual meeting held at Sadharan Bima Corporation in December every year on the basis of law of probability. The risk is shared by Sadharan Bima, which also cedes to internationally sound Re-Insurance companies. Therefore, any amount of insurance is fully insured and protected on the treaty of Re-Insurance basis. Presently the company is operating its business through 12 branches located in strategically important areas. Moreover, the company offers experienced expertise to provide solutions that respond needs of major clients. PICL's major underwriting business covers - Fire, Marine, Motor and Miscellaneous insurance business as per CRC approved tariff. Major share of the revenue comes from fire insurance and marine insurance business sectors. PICL's customer includes individuals, small business, mid-sized and large corporate businesses. As a matter of fact, this company provides to the valued clients with technical assistance, consultative service and advice free of cost. The company is committed to provide service to the valued clients and claims are settled as promptly as possible on the basis of proven documents and evidences. Over the few years of operation the company has succeeded in building confidence in clientele groups. It has extended its network in different places of the country. The company implemented integrated insurance software (oracle based) to provide smooth support to the clients and policy holders from branches located in different places, under central monitoring by the head office.

Underwriting (Premium Rate) Process: PICL follows the tariff rules / premium rate for each business as per central rating committee under Insurance Development and Regulatory (IDRA). To underwrite the risk, the underwriting team checks the submitted insured proposal with details of risk and its value. Premium, which is based on rules provided by IDRA, is calculated to protect the risk of respective business. Policy is issued after necessary visit by the marketing team. Based on the case it applies Central Rating Committee and Re-insurer to set the rate, terms and condition. Currently the company issues policy to the respective policy holders through implemented integrated insurance software.

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Exhibit 2: Process of underwriting: Paramount Insurance Company Limited

Pre-inspection of the business spot & risk

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Scrutiny of all the documents of the property to be insured

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Issuance of covernote/ policy document

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Completion of billing process (receipt paymnet & deposit with bank)

↓

Discussion with regional manager (as per rate code) for premium.

↓

Completion of all formalities of underwriting team.

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Final approved agreemnet and issue policy

Branch details: The Company has total 12 branches situated at different places around the country out of which three branches are located within Dhaka and rest of them outside of Dhaka. Detailed list of branches in Dhaka are Motijheel Branch, Gulshan Branch and Kawran Bazar Branch. Branches that are located outside of Dhaka are Agrabad Branch (Chittagong), Khulna Branch (Khulna), Rangpur Branch (Rangpur), Bogra Branch (Bogra), Jessore Branch (Jessore), Naogaon Branch (Naogaon), Kushtia Branch (Kushtia), Dinajpur Branch (Dinajpur) and Meherpur Branch (Meherpur).

Currently entire branches are actively working in fully-automated system around the country. After implementation of automation process all the branches are completing all the jobs through computer and information is easily loaded to the central database located in head office. Rest of the hard copy information according to the company policy they are preserving to head office or as per relevant competent authorities guidelines. Policy issued though software and other support stationeries and equipments are being supplied by the head office according to the branch requisition. Major items which are required by the branches include petty cash, money receipts, related registers and insurance stamps. Branches are centrally controlled by the head office for all sorts of decision including policy issue, accounts and monthly statement of affairs.

A.3. Group Profile

Paramount group is one of the most successful group of companies rapidly expanding national and international Trade and Industry which has grown significantly since its beginning with Sunrise Chemicals in 1986. The group has focused on world class infrastructure, best-in-class technology, uncompromising quality standards and dynamic product innovation. In target of serving customers Paramount industries have been diverting business to various industries and sectors; achieved immense attention and interest of customers. The group has expanded its business in various sectors in the economy such as the following one:

Name of the Company	Nature of the business
➢ Paramount Textiles Ltd.	➢ Textiles and Apparels
➢ Paramount BTrac Energy Consortium	➢ Power
➢ Sunrise Chemicals Ltd.	➢ Chemical
➢ Paramount Holdings Ltd.	➢ Real Estate and Holdings
➢ Foodex International Ltd.	➢ Food and Allied
➢ Paramount Agro Ltd.	➢ Food and Allied
➢ Paramount Green Garments Ltd.	➢ Garments
➢ Paramount Spinning Ltd.	➢ Yarn
➢ Paramount Engineering Ltd.	➢ Dredging

A.2 Marketing Strategy

The Insurance business deals in selling insurance service, the company has been offering various products and branding practice in the form of marketing mix as per company's business strategy. Marketing strategies for different insurance scheme is strong focused on the basics of effective marketing policy it relies on strong relationships with loyal customers and word of mouth to help it compete. It carries out marketing operation through various marketing personnel around the country, where the company also has 42 registered commission based agents to speed up the business. Moreover, PICL is also increasing its number of business executives to increase the volume of the business. List of probable new clients are being prepared and they are being contacted by executives of different level and are already getting positive response in this regard. As a long running business house its products are already known by the target people through its offices, in spite of that entire marketing teams are selling the products to each of the target zones. Target customers are based on four different insurance businesses are as follows:

Exhibit 3: Target Market

Non-Life business lines	Types of Insurance Provided	Target Customers
Fire Insurance Business	Fire & or Lightning - Riot & Strike Damage - Riot & Fire Damage - Malicious Damage - Subsidence - Flood / Tsunami/Cyclone - Earthquake (Fire and Shock) - Electrical Clause - Explosion - Aircraft and Aerial Damage - Artificial Light - Bursting or overflowing of tanks	Individual client, corporate houses and factory
Marine Insurance Business	Marine Cargo Marine Hull	Individual client and corporate houses are involved in export and importing business.
Motor Insurance Business	Motor Comprehensive - Motor Act Liability	Individual clients and corporate houses to comply the provisions of Motor Vehicles Act.
Miscellaneous Insurance Business	Burglary & Housebreaking Cash-in-Safe, Cash-in-Transit & Cash-on-Counter Goods-in-Transit Fidelity Guarantee Personal Accident Air Travel Employers liability - Professional indemnity Workmen's compensation Public & Product Liabilities	Group insurance- corporate houses Medical insurance- Group basis (e.g. by a firm to cover its employees) or purchased by an individual to cover unexpected healthcare expenses

As a part of the regular improvement and to avoid any business risk they tried to protect the insured risk. Periodically visit has been done by the marketing team to the insured premises to ensure the trust of the insurer. It has trained marketing team to provide service to its valued clients. As per IDRA it has already submitted the agent list for the registration. The commission employees are fully target oriented and commission is given according to the IDRA rules and regulations, under direct supervision of the head of the department. Therefore, PICL has good numbers of clients which are continuing business since inception and increasing though service satisfaction and marketing strategy after the new management.

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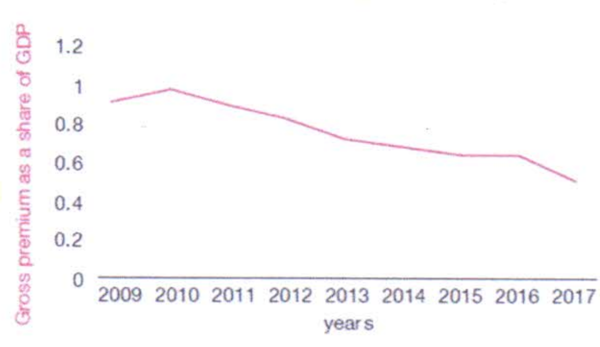
A. INDUSTRY ANALYSIS

At present Bangladesh's insurance sector comprises 46 general insurance companies and 32 life insurance companies; in addition, there are two state-owned insurance corporations one in the general segment and the other in the life segment. In August 2019 the Non-life insurance companies have finally agreed not to give more than 15 percent commission to agents as per the rules of the regulator, all insurers, the Insurance Development and Regulatory Authority (IDRA) and the Bangladesh Bank have agreed to work together to implement the commission rate set by the regulator in 2012. The Insurance Development and Regulatory Authority (IDRA) has come up with some tighter practices that would impose more transparent operations. IDRA has recently issued a notification to non-life insurance companies asking them to make all kinds of payment or expenditure through banking channel. According to the IDRA notification, non-life insurance companies cannot have more than three bank accounts in order to deposit premium money. Therefore, insurance companies can have one account at any of the three different scheduled banks. If a company has already stored money in more than three bank accounts, additional accounts will have to be closed by July 31.

IDRA in 2018, the insurance industry's gross premium income stood at BDT 124,380.00 million, increased by 11.25 percent year on year. Life insurance constitutes 73.5% of Bangladesh's insurance market and non-life insurance contributes 26.5%. Micro-insurance and Islamic insurance (takaful) are also a part of Bangladesh's insurance sector. In 2017, 2.20 million new life and 2.36 million new non-life insurance policies were issued. Further, the number of active life insurance policies was 10.78 million in 2017. The assets of all insurance companies in Bangladesh stood at BDT 476,470.02 million by the end of 2017, with an average growth rate of 13.83% from 2009-2017. Investments in both life and non-life insurance companies have grown at an average rate of 14.95% during 2009–2017, with returns increasing from 8.00% to 11.5% during the same period. The life insurance sector has a competitive landscape, with market share being closely distributed among multiple players. 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 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. As Bangladesh is the most underinsured country in the non-life insurance category, standing to lose as much as 0.8 percent of GDP from natural disasters a year. The country is also one of the most exposed to risks such as climate change and the least able to fund recovery efforts. Bangladesh has the largest insurance gap, which stands at USD 5.50 billion, or 2.1 percent of the country's gross domestic product and Insurance premium per capita in Bangladesh is just USD 8.00.

Figure: Trend of insurance penetration in Bangladesh



In 2018, total premiums written in the global primary insurance markets surpassed the USD 5.00 trillion mark (USD 5193.00 billion) for the first time ever, equivalent to around 6.00% of global GDP. Premiums expanded both in nominal USD (4.8%) and real (1.5%) terms. Growth was slower than in 2017 due to weakness in the life sector, particularly in China. It is expected that an improvement in life in 2019/20 based on recovery there. Growth in non-life was stable in 2018, and this should continue. The *insurance penetration in* Overall, insurance penetration (insurance premiums as a share of GDP) in Bangladesh was 0.55% in 2017 and has mostly been on a downward trend since 2009. Bangladesh's life insurance penetration rate falls behind that of several other developing countries. Compared to its South Asian counterparts, Bangladesh has the lowest premium per capita. In emerging markets, the average per capita spending on insurance increased by 13% to USD 166 in 2017. The average insurance penetration in emerging markets increased to 3.3% in 2017 (2016: 3.2%), as premium growth continued to outpace GDP growth within these economies. Egypt, like Bangladesh, is one of the countries featured on Goldman Sachs' Next Eleven, and has been implementing regulatory reforms. These reforms have helped Egypt strengthen its insurance sector significantly, as evidenced by the growth of its insurance density premium per capita from USD 8.00 in 1999 to USD 16.00 in 2017. Across the financial sector,

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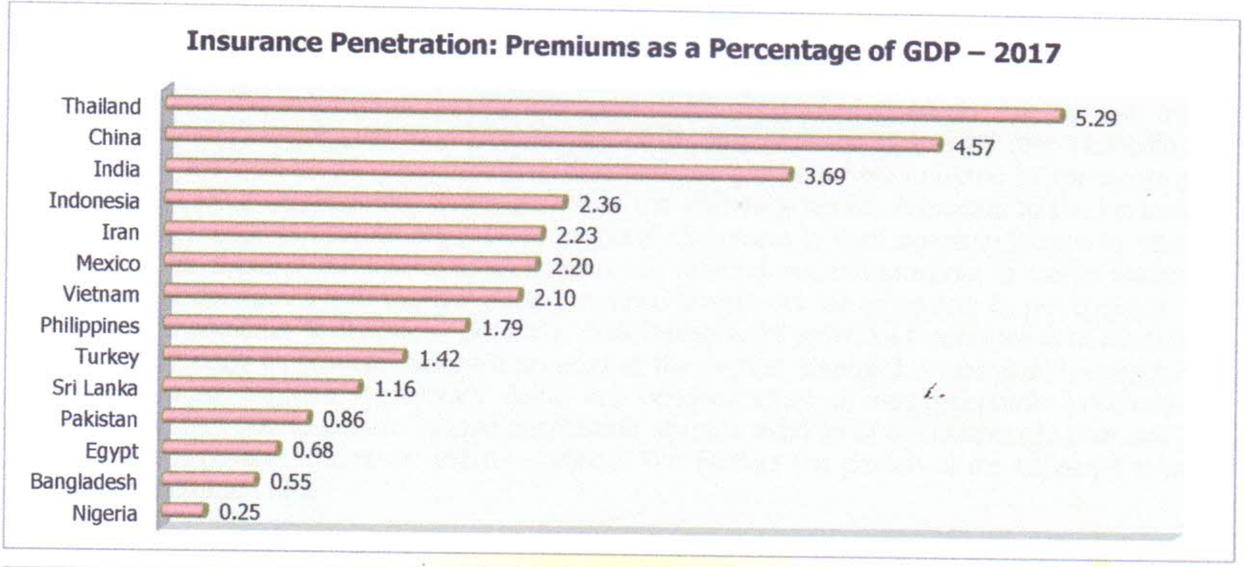
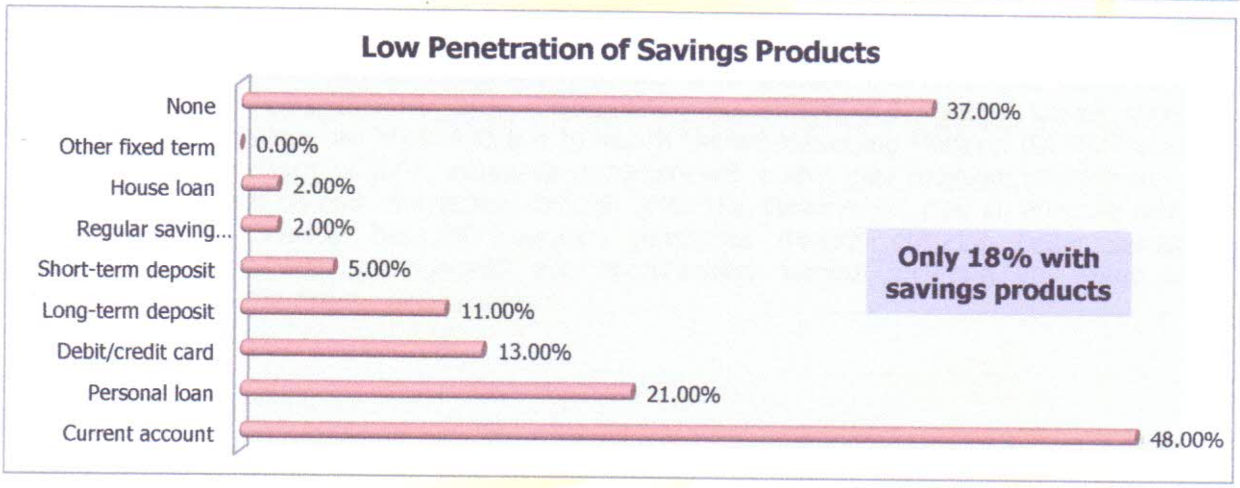
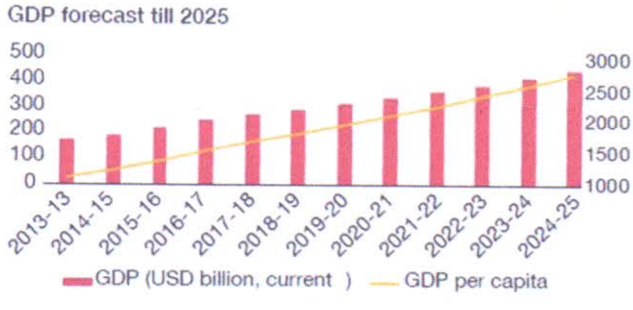
there is low penetration of financial products and services beyond current accounts. Among all financial products, savings products account for a mere 18%.





Bangladesh sustained an impressive annual GDP growth rate of 7.86% in FY2017-18 according to the Bangladesh Bureau of Statistics (BBS). Bangladesh's GDP growth rate has been increasing steadily for the last five 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%. 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. 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. Insurance penetration in Bangladesh is expected to grow at 7.04% and be worth approximately USD 2.2 billion (in terms of insurance premiums) by the year 2020.

Figure: GDP forecast



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 recent 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. The claim settlement rate of non-life insurance sector declined to 32.60 percent last year from 35.75 percent the previous year. However, in case of life insurance the settlement rate increased to 85.83 percent from 82.89 percent. Excessive discounts on premium being offered to clients to get them on board are a major barrier to the growth of the insurance sector. According to the insurance act, general insurance companies are allowed to spend 15 percent of their premium income to attract new clients. But some of the insurance companies are offering unusual amounts to clients violating the 15 percent ceiling. As a result, the other insurance companies are struggling to get business by offering logical amounts of discounts. 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. The regulator has taken initiative to launch Unified Messaging Platform (UMP). Through this, under the supervision of IDRA, insurance customers will receive their premium information and payment confirmation on each transaction through SMS. This initiative will play an effective role in strengthening the financial base of insurance companies through ensuring better services, transparency in insurance management and accountability without incurring any setup and implementation cost for the planned systems.

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B. BUSINESS RISK ANALYSIS

Risk is one of its most challenging aspects of any industry. By providing financial backing in case of unexpected events, insurance companies like PICL attempt to reduce the impact of risk on our health, belongings, and businesses. The insurance industry is not only central to the creation of a stable business environment, but equally crucial to the reduction of the financial burden on the government during natural and economic crises. The development of the insurance sector by increasing the insurance penetration rate can create widespread benefits for the economy.

C. 1. Operational Risk

Underwriting of Branches: Underwriting is the process through which an individual or institution takes on financial risk for a fee. The risk most typically involves with insurance business. The term underwriter originated from the practice of having each risk-taker write their name under the total amount of risk they were willing to accept for a specified premium. Insurance underwriters are professionals who evaluate and analyze the risks involved in insuring people and assets, and establish pricing for accepted insurable risks. All PICL branches follow the same guideline regarding issuing rates, terms and condition; the guideline being provided by the head office. As per central control, all branches have to provide a premium register along with related documents, premium income, summary and also the details of the outstanding monthly basis. Apart from that, the underwriting department of head office takes care of any refund and adjustment of the cancellation, short shipment and refund of all declarations of policy. To avoid the discrepancy of premium collection and claim settlement, there is a central IT system with a unified tariff setup, with the exception of a few remote branches. The information system of the company is not fully automated, which poses certain risks.

Non-life insurers face a number of challenges – difficulties in detecting fraud, incurring excessive costs for investigations, high litigation costs, and the decline in customer satisfaction due to delays in claims settlements caused by investigations.

Employee Turnover Risk: PICL has an efficient employee structure, consisting of workers with the experience required for the betterment of the business. The company offers better opportunity and a positive work environment for their employees, as seen by the increase in employees under marketing within since the past five years. Furthermore, the company has a total of 42 registered agents for various branches. As per industry practice, every line person has the option to shift; the head also has the option to switch to another company. In that regard, the overall clients can be shifted to that company. Moreover, PICL has improved its employee benefits by including provident fund, gratuity and insurance policy for the employees working there, thereby possibly reducing the employee turnover risk of PICL.

C. 2. Enterprise Risk Management

Enterprise risk management (ERM) is a plan-based business strategy that aims to identify, assess, and prepare for any dangers, hazards, and other potentials for disaster both physical and figurative that may interfere with an organization's operations and objectives. With an increasing number of insurance companies, this industry is becoming very competitive, due to the proactive nature at identifying, measuring, monitoring and controlling their risks. Like most of the non-life (general) insurance companies of Bangladesh, PICL also follows traditional business risk management tool. The company does not have any underwriting Manual rather it follows common practice, rules and guidelines as framed by the regulatory authority (SBC). Valuing the risk properly will ensure operational safety. Central IT system and premium software (integrated insurance software oracle base) will help to generate correct premium and able to prove quick service to its clients. Professionals of PICL should evaluate the risk properly and ensure the organization will be able to withstand to any risk or failure without much struggle.

C. 3. Industry Risk

Bangladesh is one of the most under-insured countries. However, Bangladesh economy holds huge risk in every sector because the country often faces natural disasters like flood, cyclone, draught, and hurricane. There are also other factors like political strikes, and economic issues like inflation, high interest rate, tax policy, deregulation, etc. that deepen the risks for the economy. The insurance penetration in Bangladesh remained static in the last six years to 2012 although 14 new companies

EMERGING CREDIT RATING LTD. Estd. 2009 Date Initial Incorporated Under Companies Act 1994 entered the market during the period, bringing the total to 78. Overall, insurance penetration (insurance premiums as a share of GDP) in Bangladesh was 0.55% in 2017 and has mostly been on a downward trend since 2009. The future growth and profitability of non-life insurance companies is impacted by the growth of the industry it operates in. In most cases, growth of the company highly depends on growth in imports, exports, prospects of industrialization and investments, as it contributes to the edge of risks and banking transaction which are backed by the company. Number of products and operational innovations may also increase the competition among the competitors which may reduce the profitability of the company. Political unrest may reduce the premium income of the company for a short span of time. Overall macro-economic slowdown resulting from change of government, successive devastating natural calamities and price hike in the international market affects the whole business.

C. 4. Catastrophic Loss Risk

Catastrophic loss risk is one where a large number of people are exposed to the risk of a large loss in the occurrence natural calamities like earthquakes, floods, draughts or even terrorism attacks, resulting in the large scale loss of life, or destruction of infrastructure. As a result, insurance coverage of such natural calamities can severely weaken the financial strength of the company, in terms of accruing heavy claims on its own retained account. In FY 2018, the company paid 73.03% of its total claims at the end of the year. The estimated losses arising from natural calamities are covered by higher rates of premium and reinsurance coverage for such losses. Beside that the company should recheck rate of the reserve for exceptional loss over claim for the strength maximization.

C. 5. Market Risk

Market risk relates to the volatility of the market price of assets. It involves exposure to movements in the level of financial variables, such as stock prices, interest rates, exchange rates or commodity prices. It also includes the exposure of options to movements in the underlying asset price. Market risk also involves exposure to other unanticipated movements in financial variables or to movements in the actual or implied volatility of asset prices and options.

Credit Risk: It is the most common to all financial institutions. In non-life insurance, default risk is one of the most important areas since a large portion of investment is made in different financial institutions, loan against policy, advances, corporate bonds, and government securities. Furthermore, there are balances kept with financial institutions and their local branches either with interest or without. It is mandatory to follow a proactive and analytical approach while selecting investment. As such, transactions should not be conducted with institutions consisting of high default risk, thereby indicating a thorough credit analysis of parties required before making any investment. Moreover, the economic condition and prolonged natural disasters increase the risk for insurance companies. Frequent occurrence of these events impact the domestic economy, leaving long term effects on insurance companies. In order to mitigate such risks, management and monitoring of these events using statistical and technical tools will bring financial flexibility.

Non-life insurance companies have been offering the same products to the clients following the same tariff plan, according to IDRA. On that note, timely claim settlement and dynamic marketing strategy are the prime driving factors for improving business with long related clients and increases of new client's portfolio. Currently, PICL is in the competitive market or industry, with present performance in the stage of growth. The top four non-life insurance companies are Green Delta, Reliance, Pioneer and Pragati.

C.6. Interest Rate Risk

Interest rate risk is the risk associated with any contractual agreement or financial transaction wherein interest income on liquid assets is critical to the success of the transaction and the future value of which is not known or guaranteed. Interest rate risk is the risk that company faces due to unfavourable movement in the interest rates. The interest rate has a notable impact on insurance companies. Changes in interest rate can affect the asset and liability of an insurance company, need special awareness by the he Management. As major investment remain in the sector of FDR, on that regards the interest rate increases will give better returns than decreases. Decreases of the interest rate lead for the alternative investment than the FDR. Non-life insurance business has to invest as per rules of 27A in national investment bond, any bank fixed deposit and other investment.

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C.7. Exchange Rate Risk

A business involved in overseas transactions may face a potential loss arising from fluctuation of foreign currency rates. The exchange rate risk is caused by fluctuations in the investor's local currency compared to the foreign-investment currency. Depreciation or devaluation of local currency (BDT) against major international currencies (USD, GBP and Euro) can hamper the company's marine insurance business. Generally, the depreciation or devaluation of local currency against international currencies increases premium income, ultimately extending the Net profit of the company related with the marine insurance business.

C.9. Regulatory Risks

Regulatory risk includes the risk of loss arising from failure to comply with the laws, regulations or codes applicable to the financial services industry. Any unexpected changes of the policies made by the regulatory authorities may adversely affect the business of the company. The regulatory risk function within insurance company is responsible for developing & maintaining an appropriate framework of regulatory compliance policies & procedures which is the responsibility of all the employees & monitored by the compliance & awareness function. To mitigate the compliance risk the company has an internal audit and compliance department who solves any regulatory issues on a case to case basis. However, it is observed that, PICL does not have any internal control system policy manual. In addition, PICL appointed Md. Atikur Rahman, FCA as their compliance auditor to perform the compliance audit.

C.9. Reputational Risks

Reputational risk is one of the biggest threats for insurance companies. The promise to provide insurance cover or the promise to pay out an agreed sum at expiry or when claim has been demanded based on the trust that a policyholder has in an insurer that it will be able and willing to honor its commitment. Any doubt in an insurer's commitment as a result of financial constraints, but also due to business practices could have a significant negative impact on company's business profile. The management of reputational risk is intrinsically linked to an insurer's overall risk assessment and risk control strategy.

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C. FINANCIAL RISK ANALYSIS

The rating process was based on qualitative aspects which are based on the company's policies in relation with the operating strategies, financial leverage and ultimate financial goals of the companies. For analysing the overall financial risk, ECRL considered the following aspects of PICL; Growth analysis, Underwriting performance, Claim management, Management expense, Operating performance, Investment, Liquidity, Reserve adequacy, Capital adequacy, Financial flexibility, Solvency margin and Reinsurance utilization. Detailed analysis is presented in the analysis part given below:

D.1. Revenue Growth

Exhibit 2: Profitability: Paramount Insurance Company Limited

FYE : December	2019*	2018	2017	2016	2015
Gross Premium (BDT in millions)	151.45	260.96	193.88	169.33	142.23
Gross Premium Growth (%)	16.07	34.60	14.50	19.05	4.00
Net Premium (BDT in millions)	62.00	113.87	116.83	98.42	77.42
Net Premium Growth (%)	8.90	(2.53)	18.70	27.12	13.20

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

D.1.1 Segregation of Revenue

Exhibit 3: Segregation of Gross Premium: Paramount Insurance Company Limited (BDT in millions)

Segregation of Gross Premium

FYE: December	2018		2017	
	Amount	Growth (%)	Amount	Growth (%)
Fire Insurance	124.41	76.55	70.47	6.71
Marine Insurance	60.34	(12.95)	69.31	8.70
Motor Insurance	30.32	6.84	28.38	36.57
Miscellaneous Insurance	45.89	78.41	25.72	37.17

Segregation of Net Premium

FYE: December	2018		2017	
	Amount	Growth (%)	Amount	Growth (%)
Fire Insurance	38.50	(6.30)	41.09	14.84
Marine Insurance	36.74	(11.84)	41.67	11.59
Motor Insurance	29.58	4.65	28.27	37.23
Miscellaneous Insurance	9.04	56.17	5.79	23.42

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

Paramount Insurance Company Limited offers wide range of insurance products and services to its individual clients, corporate houses and increased company's Gross premium to BDT 260.96 million (FY 2018) from BDT 193.88 million (FY 2017) with a growth rate of 34.60% in FY 2018. According to FY 2019 half yearly financial statement, company's gross premium has reached to BDT 151.45 million and net premium was BDT 62.00 million. Policy numbers reached to 16,987 and 8,769 in FY 2018 and first six months of FY 2019 respectively thus registering a notable rise from 10,771 recorded in the previous year. It is observed that, in FY 2018 growth rate of the gross premium has increased at a higher rate than previous year. Mandatory requirement by banks and other financial institutions to obtain insurance for shipment, loan approval and road transport authority, positively influenced the non-life insurance sectors which enable the company to expand its business portfolio.

Detailed analysis shows that the growth rate of fire insurance gross premium which is the largest contributor of PICL's Gross Premium (47.68% of total gross premium of FY 2018) has increased significantly by 76.55% in FY 2018 compared to previous year's fire insurance gross premium. Moreover, the company has achieved positive growth rate in its other two business line but in term of marine insurance business the company wasn't able to increase its premium income. As marine insurance business segment was the second largest contributor (23.12% of total gross premium of FY 2018) of PICL's total gross premium, the negative growth rate of 12.95% has impacted slightly on company's overall gross premium growth rate. In case of marine insurance the company has

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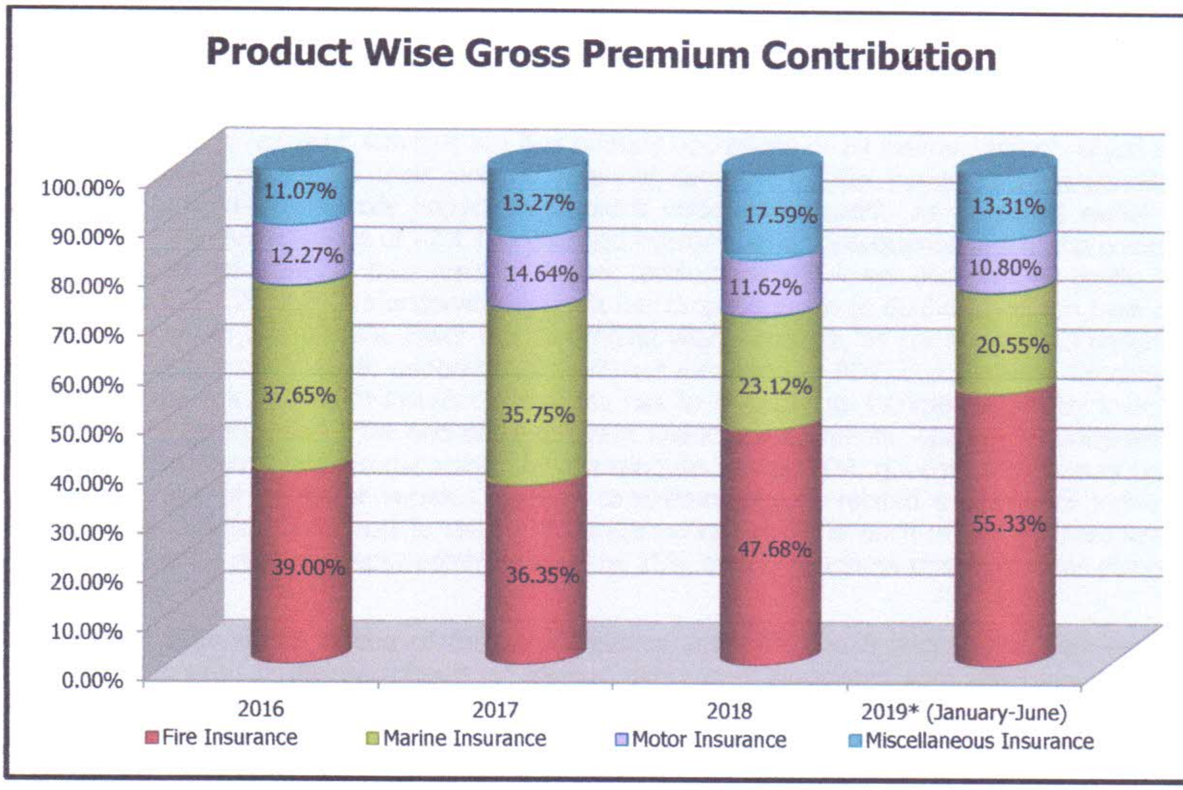
witnessed that its clients are taking cover note from the company to release its merchandise from the port but are not converting into policies later on. As a result the premium income has decreased but premium deposit has increased.

On the other hand, through decreasing risk retention and increasing reinsurance premium ceded the company has shared its risk portfolio with the reinsurer. As a consequence, company's net premium has decreased to BDT 113.87 million in FY 2018 which was BDT 116.83 million in FY 2017. Changes in management risk appetite has influenced company's negative growth rate in term of net premium. The company is undertaking very conservative approach to operate its business. Upon correspondence with the management it was revealed that the company is highly concentrated on enhancing the quality of service as well as increasing customer's confidence by ensuring prompt claim repayment. This is expected to create a platform for achieving sustainable growth in the forthcoming years as well as increase company's reputation.



D.2. Operating Performance

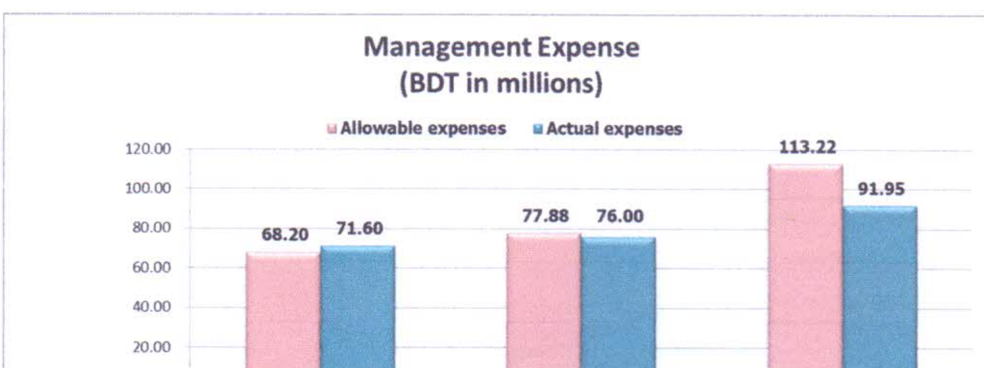
Exhibit 4: Profitability: Paramount Insurance Company Limited

FYE : December	2019*	2018	2017	2016	2015
Under Writing Profit (BDT in millions)	21.22	6.03	35.94	26.73	34.86
Under Writing Profit Growth (%)	604.00	(83.24)	34.45	(23.32)	28.22
Profit before Tax (BDT in millions)	39.25	19.70	52.11	44.23	56.15
Net Profit After Tax (BDT in millions)	29.00	17.34	41.04	28.36	37.23
Net Profit Margin (%)	46.77	15.23	35.13	29.28	48.09
Return on Assets (%)	3.95	2.61	8.54	8.22	11.67
Return on Equity (%)	6.38	4.00	9.91	7.50	10.60
Allowable management expense (BDT in millions)	29.60	113.22	77.89	68.20	42.56
Actual management expense (BDT in millions)	18.90	91.95	76.00	71.60	61.22
Excess or (Less) Management Expenses (BDT in millions)	(10.69)	(21.27)	(1.89)	3.40	18.66

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

Underwriting and investment activities are two primary operations of an insurer through which they generate a major portion of their income. Financial components like management expenditure, reinsurance amount etc. directly impact an insurer's underwriting profit. As discussed earlier the philosophy of the management of PICL has changed overtime as a consequence of this the company has changed its risk appetite thus resulting higher reinsurance and lower underwriting profit. It is notable that, in FY 2018 PICL's underwriting profit has dropped down to BDT 6.03 million from BDT 35.94 million which was 83.24% lower than preceding year. However, as per six months unaudited financial statement of FY 2019, underwriting profit has increased to BDT 21.22 million. To mitigate any operational risk a non-life insurance business has to diversify its income stream by investing government Treasury bond, FDR and other different financial instruments. Apart from underwriting profit PICL also diversify its income stream by investing on shares, FDR, government treasury bonds and selling three of its motor vehicles. Agency commission, claim, related expenses of individual business lines are the prime cost to realize the underwriting profits of each of the business sector. Regulatory policies require agency commission to be 15% of each business unit which was compiled by the insurer.

Management expenditure is one of the core areas of assessing the financial performance of an insurance company. It mainly consists of various direct cost associated with the running of the operation. As per Section 63 of Insurance Act 2010 (Previous Section 40C of Insurance Act 1938 Insurance Rules 1958), each company has to maintain the management expenses within the allowable limit which is assessed based on the scale of its operation. PICL's actual management expenses has increased to BDT 91.95 million in FY 2018 from BDT 71.60 million in FY 2017; to support the increased volume of business as the company is much dependent on its highly qualified and experienced business development officials and agents to acquire client. However, PICL has incurred management expense within the allowable limit which was less than BDT 21.27 million from the allowable management expense limit of BDT 113.22 million thus representing 8.12% lower the allowable range.



	2016	2017	2018
Allowable expenses	68.20	77.88	113.22
Actual expenses	71.60	76.00	91.95

D.3. Quality of Underwriting Profit

Exhibit 5: Underwriting Process and Quality: Paramount Insurance Company Limited

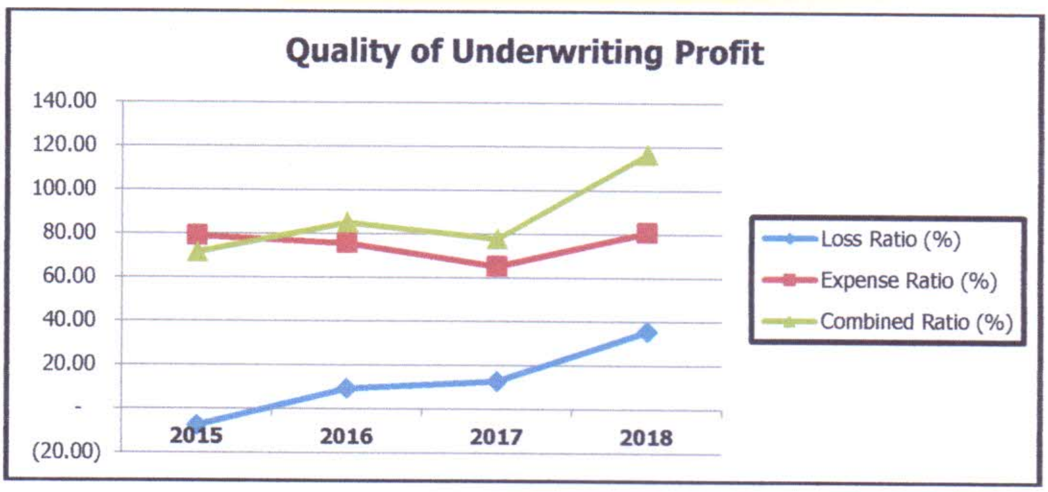
FYE: December	2019*	2018	2017	2016	2015
Loss Ratio (%) (Considering Net claim incurred)	10.74	35.76	12.72	9.41	(7.50)
Fire Insurance (%)	8.11	45.34	14.53	13.45	15.39
Marine Insurance (%)	(0.66)	36.86	6.89	(9.98)	(59.57)
Motor Insurance (%)	0.10	33.07	21.08	24.65	22.07
Miscellaneous Insurance (%)	117.97	(0.63)	1.05	62.95	68.19
Expense Ratio (%)	47.80	60.66	53.85	59.12	63.40
Combined Ratio (%) (Considering Net claim incurred)	58.54	96.42	66.57	68.53	55.90

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

FYE: December	2019*	2018	2017	2016	2015
Loss Ratio (%) (Considering Net claim paid)	7.99	25.92	10.93	15.62	29.74
Fire Insurance (%)	8.11	12.66	14.86	11.59	68.01
Marine Insurance (%)	(0.57)	42.61	3.23	(0.40)	4.88
Motor Insurance (%)	15.96	30.27	19.02	25.33	19.17
Miscellaneous Insurance (%)	9.23	0.41	(1.02)	131.15	33.60
Expense Ratio (%)	47.80	60.66	53.85	59.12	63.40
Combined Ratio (%) (Considering Net claim paid)	55.79	86.58	64.78	74.73	108.82

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

Overall loss ratio of the company has increased in FY 2018; individually the marine and motor sector has significantly increased in loss ratio while fire sector has experience a decline. As per management's correspondence total number of claim was higher (118 in FY 2018) on the other hand net premium was lower in FY 2018 compared to previous year thus resulted the loss ratio increased to 25.92%. Due to increased dependency on agents to acquire new business resulted increase in agency commission cost. On the other hand increased reinsurance has caused the net premium to decrease and the overall expense ratio to increase. Increased loss ratio and expense ratio caused the combine ratio of 86.58% in FY 2018 from 64.78% in FY 2017. It is commendable that the company's loss ratio of marine insurance has increased most which is the second largest segment of the company; in addition the company incurred significant amount of claims in motor Insurance segment. In FY 2018, 52 claims were intimated while 43 claims were settled in Motor Insurance. In Fire insurance 25 claims were intimated while 18 were settled. However, considering net claim incurred PICL's loss ratio was increased significantly to 35.76% in FY 2018 which was 12.72% in FY 2017. Significant increase in outstanding claim of BDT 15.82 million in FY 2018 (BDT 4.61 million in FY 2017) was the main driving force towards the increased loss ratio (considering net claim incurred).



D.4. Claim Management

The company follows company policy and guidelines to attend any claim lodged by their valued clients. A claim management team is exclusively engaged for the section along with claim committee for claim settlement approval. It has good numbers long related surveyors are actively working with company after any claim lodged to complete all sorts of verification. As per company's guide line and policy, entire reports and documents are scrutinized by respective levels. Then depending on the claim amount the claims are either settled by the head of the department or sent to the Board of Director's for approval. Only approved claims cheques are issued to the respective policy holder's. As per rules the claim must be approved or settled on its claim merit within 90 days of claim registered or last submitting of the required documents.

Exhibit 6: Claim performance: Paramount Insurance Company Limited (BDT in millions)

FYE: December	2019*	2018	2017	2016	2015
Opening Claims outstanding	15.82	4.61	2.52	8.78	37.61
Claims Lodged during the Year	38.17	54.01	45.88	14.94	15.37
Total Claims	53.99	58.62	48.40	23.72	52.98
Claims Settle during the Year (Gross Claim)	36.47	42.81	43.79	21.20	44.20
Claims Paid as % of Total Claims	67.55	73.03	90.48	89.39	83.43
Closing Claims Outstanding	17.52	15.82	4.61	2.52	8.78
Closing Claims Outstanding (%)	32.46	26.98	9.52	10.64	16.57

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

Exhibit 7: Net Claim: Paramount Insurance Company Limited (BDT in millions)

Segregation of Net Claim Paid

FYE: December	2019*		2018		2017	
	Amount	**Growth (%)**	**Amount**	**Growth (%)**	**Amount**	**Growth (%)**
Fire Insurance	2.27	(6.83)	4.87	(20.21)	6.11	47.23
Marine Insurance	(0.09)	(101.15)	15.65	1,062.07	1.35	(1,003.92)
Motor Insurance	2.57	(42.60)	8.96	66.57	5.38	3.03
Miscellaneous Insurance	0.20	988.91	0.04	(161.97)	(0.06)	(100.96)
Total	**4.95**	**(66.46)**	**29.52**	**131.13**	**12.77**	**(16.91)**

**2019 data obtained from half yearly financial statement*

In an effort to establish a superior brand image and a positive public perception the company the entity in discussion is working tirelessly to increase the efficiency of its claim settlement division. ECRL's correspondence with the management revealed that the company concentrated on increasing the efficiency of its claim settlement division in order to establish a superior brand image and a positive public perception. Favourable impact of this can be seen in the rising number of claims settled in the recent year. In addition a claim committee was formed, consisting of three members and headed by the chairman himself, which quickly settled claims below BDT 0.50 million through

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According to the claims information, out of total 118 numbers of claims including the new claim of 92, among them, 67 claims have settled in FY 2018. In FY 2019 six month period (January-June), total numbers of claims made 94 including the new claim of 51, and 33 claims have settled in that period. Claims paid 73.03% and rest of the 26.98% claims remain outstanding in FY 2018. Out of total 118 claims 67 were settled in FY 2018 among them motor claims were 43, fire claims were 18 and rests of 6 claims were settled for marine insurance. New Claims lodges depend on the political unrest; insufficient fire protection safety net in all kinds of manufacturing and storage units and unavoidable and frequent changes of the climate affects entire insurance business lines. This is concerning as the number of claims has significantly increased in FY 2018 compared to FY 2017. However the management of the company anticipated the scenario and has increased reinsurance so that claim paying capabilities is not hampered, the management has increased reinsurance.

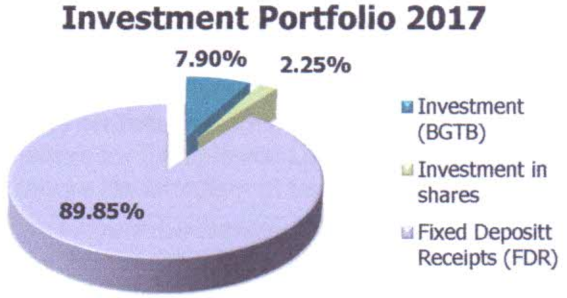
D.5. Investments and Solvency Margin

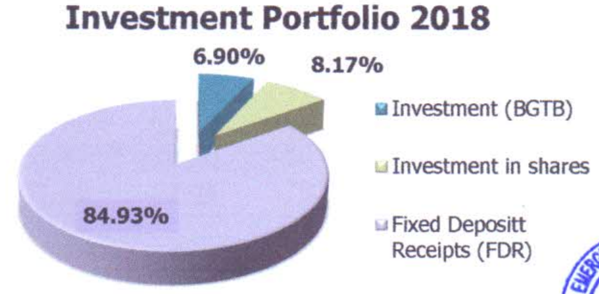
Exhibit 8: Investment performance: Paramount Insurance Company Limited

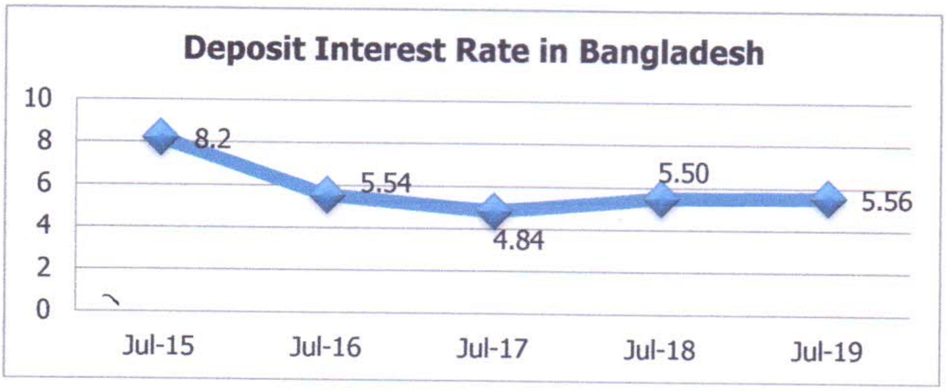
FYE: December	2019*	2018	2017	2016	2015
Investment Income /Total Income (%)	31.12	69.83	33.65	45.52	42.44
Yield on Investment (%)	5.41	5.52	6.13	6.78	8.73
Required Investment (BDT in millions)	149.77	197.05	125.27	109.14	81.43
Actual Investment (BDT in millions)	388.67	362.12	316.39	330.58	295.47
Solvency Ratio	1.84	1.87	2.64	3.17	3.50

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

An investment committee is in place in PICL in order to maintain the investment portfolio. According to rule and guideline of the Insurance Act 2010 the company has been investing and investment compositions are national investment bonds, fixed deposit, share and other short term investment. The insurer believes that product quality is the most important determinant of return on investment, which ensures the company's strength to meet policyholders' claims settlement during the time frame. Total investment of PICL increased to BDT 362.12 million in FY 2018 due to significant rise in stock market investment and FDR. In FY 2018, investment income falling down to BDT 20.00 million which was BDT 21.31 million in FY 2017. Despite of decreased investment income investment income to total income has risen due to overall decrease in total income as a consequence of falling underwriting profit. The yield on investment is slightly lower compared to minimum deposit rate and it is still quite low compared to its contemporaries. The company has taken a conservative approach regarding investment in secondary share market due to the volatility nature of the current market condition. The company has tried diversified investment in share by investing its funds in companies operating in different industries. The company also tried to built a stable portfolio having invested most of its funds in reputable companies. The company received BDT 0.04 million as a dividend income and BDT 1.57 million as a profit from investment in shares on the other hand investment in shares was BDT 29.59 million. The solvency margin indicates that the company has maintained adequate investment as the solvency ratio stood at 1.87 times in FY 2018 and 1.84 times in six months period of FY 2019. According to management correspondence, PICL plans to construct an eight storied building in Gulshan, Dhaka and already obtained the required NOC of residential building from RAJUK for the purpose of generating rental income which will boost up investment income of the company in the forthcoming years.







D.6. Liquidity and Cash Flow Analysis

Exhibit 9: Selected Indicators: Paramount Insurance Company Limited

FYE: December	2019*	2018	2017	2016	2015
Current Ratio (Times)	1.63	1.59	2.15	2.52	3.02
Current Asset/ Net Claim (Times)	57.24	8.81	20.72	31.86	(49.38)
Cash & Bank Balance/ Total Assets (%)	45.73	42.96	46.58	51.38	52.88
CFO (BDT in millions)	23.33	53.51	31.21	76.21	18.52
CFI (BDT in millions)	(0.61)	(3.12)	(13.95)	(72.52)	(0.44)
Operating cash flow/ Net claim paid out(x)	3.50	1.81	2.44	4.96	0.80
Total Cash flows (BDT in millions)	22.71	50.39	17.26	3.69	18.07
Closing Cash & Bank Balance (BDT in millions)	380.13	357.42	307.03	289.76	286.07

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

As per financials the capacity of the company's current asset to meet its current obligation falling down to 1.59 times (in FY 2018) from 2.15 times in the preceding year as well as its capability to meet its net claims deteriorated significantly compared to FY 2017. The primary reason for this decline is the 568.33% increase in outstanding claims. The fire insurance account claim went from BDT 1.088 million to 13.67 million. The company has faced one large claim for one party whose surveyor report was late as a result the settlement process has not been completed yet. Major portion of current assets represents FDR investment (85.74% of total current asset) even though it was increased to BDT 307.53 million in FY 2018 from BDT 284.28 million in FY 2017. Moreover, with the increasing gross premium the cash premium collection has increased significantly by 53.63% which impacted favourably on operating cash flow and the CFO has increased to BDT 53.51 million from BDT 31.21 million.

D.7. Capital Adequacy and Reserve Adequacy

Exhibit 10: Equity position and its composition (Amount BDT in Millions)

FYE: December	2019*	2018	2017	2016	2015
Authorized Capital	600.00	600.00	600.00	600.00	600.00
Paid Up Capital	332.23	316.41	287.65	266.34	242.13
Reserve for Exceptional Losses	110.91	104.71	93.33	81.64	76.64
Retained Earnings	12.41	6.44	29.75	27.02	27.87
Investment Fluctuation Reserve	(2.27)	5.09	-	2.26	1.84
Shareholders' equity	454.79	433.15	410.72	375.01	346.64
Capital Maintenance Ratio (%)	84.11	79.90	72.45	66.92	60.68
Equity on Total Assets (%)	93.47	81.36	93.03	89.12	105.32
Reserve for Exceptional Losses/ Net Premium (%)	10.00	10.00	10.00	5.08	12.92
Reserve for Exceptional Losses/ Net Claim (%)	93.15	27.96	78.61	54.85	(172.18)

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

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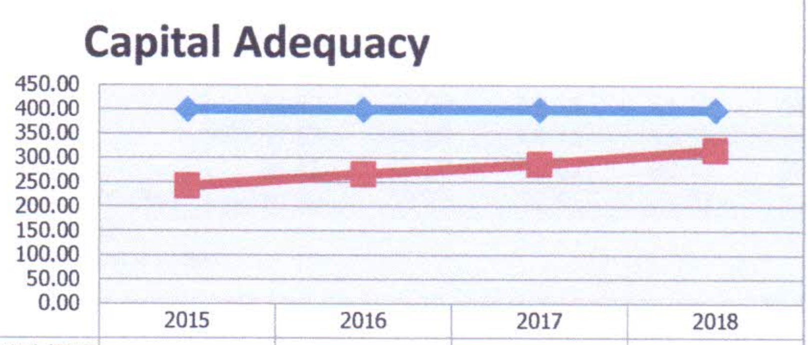
It is general practice in the insurance industry to maintain a reserve for unexpired risk as per mandatory rules. As per the law the percentage is 100% of the net premium income for marine hull insurance and 40% for all other business classes. In FY 2018, the company has maintained 100% of Marine Hull and 45% for all business classes. Therefore the company has maintained adequate reserve. Reserve for exceptional risk percentage fluctuated over the reporting period, till FY 2017 it was kept as a lump sum basis now the company is keeping 10.00% of the net premium. The company has maintained 27.96% of net claim.

The Insurance Act 2010' of Bangladesh states that all non-life insurance companies registered in Bangladesh must have a minimum paid up capital of BDT 400.00 million, of which a minimum 60% must be paid by the entrepreneur and 40% shall be opened to be demonstrated by the public. In FY 2018, PICL reported a paid up capital of BDT 316.41 million which is approximately 10% higher than the capital of BDT 287.65 million reported in the previous year and as on June 30, 2019 the paid up capital further increased to BDT 332.23 million representing a growth rate of 5%. Although PICL's paid up capital is increasing with a consistent growth rate, but it is still lower than the regulatory requirement of BDT 400.00 million. This had a direct impact on the capital maintenance ratio which increased to 79.90% (In FY 2018) from 72.45% (in FY 2017). Such a growth was due to a rise in the company's paid up capital, reserve for exceptional loss, carry forward profit and investment fluctuation reserve Although there is no strict time limit of this capital requirement, still PICL is fully concerned about the requirement and trying to fulfil this as early as possible. From the table below it can be seen that PICL is lagging behind its required capital adequacy limit.



	2015	2016	2017	2018
Required Paid up Capital (BDT in Million)	400.00	400.00	400.00	400.00
Actual Paid up Capital (BDT in Million)	242.13	266.34	287.65	316.41

D.8. Financial Flexibility

PICL hasn't taken any overdraft and bank facility limit to meet up its short term obligations. But the company has fixed deposit with various banks to meet emergency finance.

D.9. Re-insurer, Retention Capacity, Treaty Limit and Reinsurance utilization

The company has reinsurance arrangement with Sadharan Bima Corporation (SBC) for both treaty and facultative. After establishment of private Insurance Companies in the year 1985 in Bangladesh, Government authorized Sadharan Bima Corporation to accept 100% reinsurance of private insurance companies. In respect of reinsurance, the Insurance Corporation (Amendment) Act 1990 provides that fifty per cent of a company's reinsurance business must be placed with the SBC and remaining fifty per cent may be reinsured either with SBC or with any other insurer in Bangladesh or abroad.

PICL's only reinsurer is Sadharan Bima Corporation in Bangladesh (100%). The company's re-insurance department is engaged to look after the reinsurance interest on the issued documents as per treaty condition. Based on the claim emanate out of the ceding risk, the department approaches the re-insurer for its recovery.

Depending on the financial strength, underwriting expertise etc. every year Sadharan Bima Corporation (SBC) revises the retention & surplus treaty limit of all private non-life insurance companies in Bangladesh. PICL's reinsurance agreement limits of major sectors with SBC for the 2016/17 are as follows, detail information as per renewed agreement.

1. **Fire Business Account:** For the year 2019/20 retention limit is BDT 15.00 million. Treaty limits on surplus is BDT 525.00 million (line limit 35).
2. **Marine Cargo Business Account (Surplus Treaty):** For the year 2019/20 retention limit is BDT 2.50 million. Treaty limits on surplus is BDT 100.00 million (line limit 40).
3. **Motor Business Account (XL Treaty):** For the year 2019/20 maximum amount protected by SBC BDT 1.00 million in excess of BDT 0.50 million any one loss or series of losses arising out of one event.
4. **Miscellaneous Business Account (Accident Surplus Treaty):** For the year 2019/20 in this segment of insurance, retention and treaty limit are allocated based on (a) all business (Retention: BDT 1.00 million; Treaty: BDT 10.00 million line limits 10, (b) Personal Accident (any one): (Retention: BDT 0.50 million; Treaty limit: BDT 1.00 million for 2 line limits) and (c) Personal Accident (accumulation): (Retention: BDT 1.00 million; Treaty: BDT 10.00 million for 10 line limits).

Although, according to the existing rule, fifty per cent of the re-insurable non-life (general) insurance business are required to be re-insured with the SBC and the remaining fifty per cent of such business are allowed to be re-insured either with SBC or with any other insurer whether in or outside Bangladesh, PICL reinsures the full re-insurable amount only with the state-owned SBC.

Exhibit 11: Class-wise Risk Retention ratio of Paramount Insurance Company Limited

FYE: December	**2019***	**2018**	**2017**	**2016**	**2015**
Risk Retention Ratio (Combined) (%)	40.94	43.63	60.26	56.44	54.43
Fire Insurance Business A/c (%)	33.42	30.95	58.31	54.18	44.43
Marine Insurance Business A/c (%)	50.53	60.89	60.12	56.55	54.65
Motor insurance Business A/C (%)	98.41	97.58	99.62	99.13	98.00
Miscellaneous Insurance Business A/C (%)	10.80	19.71	22.51	25.03	29.05

FY2015-FY2018 data extracted from audit report
**FY2019 data extracted from half yearly management report*

Risk retention ratio of an insurance company indicates how much risk the company retains to itself. The ratio represents the amount of risk an insurer retains to itself while transferring the rest by reinsuring with the reinsurer. In other words it is the true representation of the approach of the organizations management teams in running the business and managing its risk. However it is observed that from FY 2015 to FY 2017 company's risk retention ratio was increasing over the years and in FY 2018 company's risk retention ratio was decreased to 43.63% resulted a slight decrease in net premium income. Up until 30 June 2019 the retention ratio further decreases to 40.94%. This ratio also designates that the company is retaining less risk to its griddle; the reason behind the low-risk retention is to ensuring securitize claim repayment of clients on the other hand compromising profitability. Among the four insurance business lines, in FY 2018; fire insurance risk retention ratio significantly decreased resulting fire insurance business segment faced underwriting loss of BDT 14.24 million in FY 2018. In FY 2018, the highest risk being retained in the motor insurance account with the marine hull business account following suit.

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MANAGEMENT AND OTHER QUALITATIVE FACTORS

E.1. Governance

The governance of PICL is analysed by judging different aspects of the Management team, Different committees, Human capital, IT and MIS and corporate reporting.

E.1.1. Corporate Governance

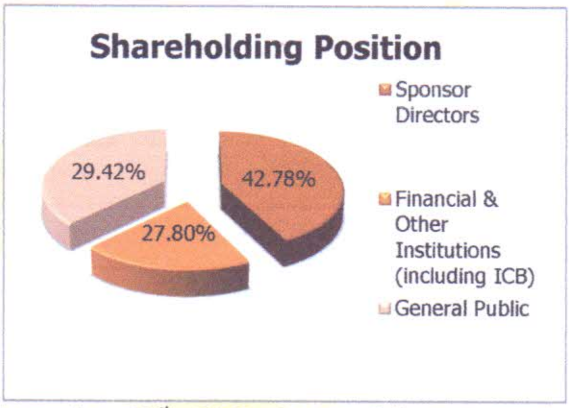
The corporate governance framework consists of explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, rewards as well as procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, and roles, procedures for proper supervision, control, and information-flows to serve as a system of checks-and-balances. Corporate Governance is a mandatory system through which the company is directed, guided and controlled by the Board, keeping in view its accountability to the stakeholders.

The main objective of PICL's corporate governance is to develop a strong, sustainable and competitive company in the best interest of its shareholders, employees, business associates and society at large. PICL has consistently been following a sound corporate governance practice in carrying out its operation. PICL complied with the requirement of the industry having its service rule, short tariff and organization of relevant committees to carry out the proper operation of the business.

PICL appointed Md. Atikur Rahman, FCA as their compliance auditor to perform the compliance audit. As on March 18, 2019 the compliance auditor has certified that the company has complied with the conditions of corporate governance stipulated by BSEC's notification dated 7th August 2012. PICL already is in compliance with almost all of the provisions of Bangladesh Securities & Exchange Commissions' Notification No. BSEC/CMRRCD /2006-158/207/Admin/80 dated 3 June 2018.

Shareholding Position

According to the Bangladesh Securities and Exchange Commission (BSEC) directive issued on November 22, 2011, it is mandatory for all sponsors, promoters, and directors of a company listed with any stock exchange to at all times jointly hold a minimum of 30% shares of the paid-up capital of the company and to be a director in a listed company, one must have 2% share of paid up capital of the company.



According to the Insurance Act 2010, minimum paid-up capital requirement is BDT 400.00 million whereas Paramount Insurance Company Limited has total paid-up capital of BDT 316.41 million as on December 31st, 2018. As per following graph directors of Paramount Insurance Company are holding 42.78 shares of the company and Financial & Other Institutions (including ICB) & General Public holding 27.80% and 29.42% shares respectively. However, ECRL observed that some of the directors are holding less than 2% of total shares outstanding.

E.1.2. Board of Directors

The Board also ensures strict compliance to the regulatory requirements of timely submission of various financial statements enabling the shareholders to assess the overall performance of the company. Meetings of the Board of Directors are held regularly. The Board approves the annual budget and reviews the business plan of the company and gives guideline for improvement whenever necessary. The management operates within the guidelines, limits, policies as well as the budgetary control adopted by the Board.

The board ensures that the company achieves the superior financial result and stewards its leadership position in the industry. PICL has ten members on its board and name of the members of the board are mentioned below:

Exhibit 12: Name and position of board of directors:

Board Members	Position
Mr. Nawaz Ahmed	Chairman
Mrs. Anita Haque	Vice Chairman
Mr. Ashit Kumar Das	Director
Mrs. Anita Rani Das	Director
Mr. Ashok Kumar Das	Director
Mr. Md. Parvez Ahmed	Director
Mrs. Munira Sheemu	Director
Mr. Sandip Das	Director
Mr. Md. Jahangir Yahya	Independent Director
Mr. Kazi Md. Firoze Morshed, FCMA	Independent Director

E.1.4 Management

PICL has a host of insurance expertise having a long career in the insurance industry. Timely action and prudent managerial decision have enabled the company to withstand the competition from the other Insurance companies in the market. The core management team is dedicated to provide services with ethical excellence. Paramount Insurance Company Limited is having ten Directors, who are influential personalities of industrial establishments and business houses of the country.

Management Team

All of the members of management team have vast experience in the same line of industry in various companies as well as this company. Detail management information listed in the corporate information page.

Mr. Bayazid Muztaba Siddiqui is Managing Director and Chief Executive Officer, has more than 30 years of experience in various non-life (general) insurance companies and holds B.A & M.A in Islamic History from University of Chittagong in the year 1985 and also holds LL.B from the same University in 1988.

Mr. Md. Sajjad Yahya is Additional Managing Director has been serving as Head of Business Administration, Human Resource Department and Marketing. He has completed his graduation in Commerce from City College, Dhaka and also studied Computer Science in Genetic Computer, Singapore in 1990. He gathered a vast experience of 13 years in relevant fields.

Mr. Ather Ali Khan, Corporate Marketing Director has been associated with PICL since 2005. He is a former Bangladeshi cricketer and currently working as an international commentator. He is looking after the corporate marketing of the company.

Mr. Md. Sarwar Khan is Deputy Managing Director has joined PICL since 2004. He is experienced in marketing area. Mr. Shamimur Rahman, Executive Director of Underwriting & Branch control department, has more than 32 years of experience on underwriting process in various renowned non-life insurance companies and obtained M.Com (Management) from the University of Rajshahi.

Mr. Shamiur Rahamn is the Head of Underwriting & Branch Control of Paramount Insurance Company Ltd. Mr. Rahamn started his career with Peoples Insurance Co. Ltd. in 1985 in Under Writing Department as probationary Officer. After that he served couple of Non-life Insurance Companies and then joined in the service of Dhaka Insurance Co. Ltd. as Senior Deputy General Manager, Underwriting Department. He attended several training courses conducted by Bangladesh Insurance Academy and so on.

Mr. Mohammad Imrul Hasan Khan is Executive Director of Claim Committee has more than 25 years of job experience in leading General Insurance Companies.

Mr. Md. Arif Hossain, Chief Financial Officer and General Manager, is a qualified cost and management accountant of ICMAB and MBS in Economics from Jagannath University.

Mrs. Zharna Parul is Company Secretary and General Manager, has more than 14 years of experience and M.A in Islamic History from Eden Mohila College and has also participated in different workshop & Seminar related Insurance matter organized by Bangladesh Insurance Academy & others.

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Key Committee

To ensure smooth operation of the company, PICL has formulated different committees to represent the board members in different strategic areas. These committees are Audit Committee, Finance Committee, Claim Committee, Executive Committee, and Nomination & Remuneration Committee.

Audit Committee:

Paramount Insurance Company Limited established an Audit Committee as a Sub-committee of the Board of Directors and they assist the Board of Directors in fulfilling its oversight responsibilities and ensuring that the Financial Statements reflect true and fair view. There are in total three (3) members in the Audit Committee including 2 (Two) Independent Director under the leadership of the Audit Committee Chairman Mr. Kazi Md. Firoze Morshed, FCMA (Independent Director of the company) and two members, Mr. Md. Jahangir Yahya (Independent Director of the company) and Mr. Sandip Das (Director of the company). The Company Secretary of the company shall act as the secretary to the committee.

During the year 2018 the Committee held 9 (Nine) meetings in which the committee reviewed issues relating Business Operation, Administrative Control, Finance and Accounts, among other things. Relevant departmental heads and other members of the management also attend the meetings as required. The proceeding of the committee meetings are regularly reported to the Board of Directors.

Investment Committee:

Paramount Insurance Company Limited has recently formed the investment committee headed by Mr. Md Sajjad Yahya along with Mr. Amit Kumar Dey ACS, Mr. Mohammd Arif Hossain ACMA and Mrs. Zharna Parul in order to diversified investment portfolio in risk-averse manner. Paramount Insurance Company Limited does not have any policy manual for making investment decisions. However, during the interrogation ECRL found that the investment committee members do not have relevant experience in the field of investment. In recent years Paramount Insurance Company Limited has invested major portion of its portfolio in FDR's.

Claim Committee:

The committee is responsible to ensure and monitor the proper management the claim related issues. Claim committee tries to settle all the outstanding pending claims to improve market reputation. Efficient and smart settlement of claim represents the company goodwill in the insurance market. The claim committee consists of three members and headed by the Managing Director Mr. Bayazid Muztaba Siddiqui. This committee ensures and monitors the proper management of the claim related issues. The committee's main responsibility is to review, assess and recommendations of claims for prompt settlement.

The committee has been empowered to settle claim not more than BDT 5 (Five) lac without prior approval for the board but it is highly recommended to take post facto approval of the board. The insured are given the loss voucher on the approved claim amount and after everything if finalized, cheque is being issued to the insured. The claim are approved and settled on its claim merit with a time limit of 90 days upon receiving all of the relevant documents.

Executive Committee:

The core management team of PICL is dedicated to provide services with ethical excellence. The company has a host of insurance expertise having a long career in the insurance industry. Timely action and prudent managerial decision have enabled the company to withstand the competition from the other Insurance companies in the market.

The Executive committee consists of a Chairman and not more than other three members of the board and the Managing Director is an Ex officio member of the committee. Mr. Ashit Kumar Das (Director of the company) is the chairman of the committee and two members Mr. Kazi Md. Firoze Morshed, FCMA (Independent Director of the company) and Mrs. Munira Sheemu (Director of the company). The Company Secretary of the company shall act as the secretary to the committee.

E.1.4.a. Underwriting Team

This team is headed by Mr. Shamimur Rahman, Executive Director of Underwriting Department, has more than 32 years of experience on underwriting process in various renowned non-life insurance companies. Officers and staffs on underwriting department have also years of working experience. Officers and staffs have participated in elementary course of under writing and specialized underwriting.

The team is responsible for evaluate the risks involved in insuring people and assets and establish pricing for a risk. This team assumes the risk of a future event and charge premiums in return for a promise to reimburse the client an amount in the event damage or occurs. PICL keeps balance their approach to underwriting. If too aggressive, greater-than-expected claims could compromise earnings; if too conservative, they will be out priced by competitors and lose market share.

E.2. Human Resource Management

The Company always laid emphasis on human resources development. The factors which help the company's survive are closely interlinked with the quality of service and satisfaction of the requirements of the clients and that directly depends on the qualification and efficiency of the employees. In the process of recruiting, inducting and retaining new talents, PICL continuing its efforts to offer everyone proper trainings that will help them become true professionals, and ensure the betterment of their careers. In the year 2018, a good number of employees participated in different training courses/workshops, organized by different training institutes like BIA, ICSB, ICMAB etc. Moreover, several training programs throughout the year subject covering on "Basic Concept on General Insurance", "Integrated IT System" were organized in the company

PICL believes efficient people can change work environment and increase the trust of the people. PICL periodically reviews salary and benefits of the employees; besides this, the company has also decided to introduce provident fund and gratuity. The company has documented service rule to govern the employees and maintain the congenial environment at the office. Like other Insurance company PICL's also having commission based Insurance agent and permanent employee

The Additional Managing Director Mr. Md. Sajjad Yahya has been serving as Head of Administration & Human Resource Department. The authority also entrusted with the responsibility of head of Business Development Department of PICL. As a head of Administration and Business Development Mr. Md. Sajjad Yahya has taken some intensive strategy to increase business and profitability by enhancing services to its clients and also established some new branches to Jessore, Bogra, Naogaon and Kustia, Dinajpur, Meherpur. Sick branches like Khulna, Rangpur and Chittagong are now in healthy position due to his wise decisions. Permanent employee number increased from 209 in December 2018 to 218 in June 2019.

E.3. IT & Management Information System (MIS)

The company has already established integrated accounting system with insurance product service which under the process of entire branch connection. Sound IT infrastructure requires substantial investment in IT platform that many of the companies are not interested, although a modern insurance company can't think of effective business management without having a well-planned IT system.

All branches are connected with integrated software. PICL's MIS and regulatory reports are based on integrated web based software, front end-oracle developer and back end-oracle data base. This keeps itself as an advantage position over its competitor's .This provides core functionality for sending and receiving data as well as monitoring, logging, error handling, re-processing and data life cycle management.

Declaration

The company has given a declaration that it does not have liability obligations with any Bank and financial institution till 31st December 2019.

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F. CORPORATE INFORMATION

F.1. Management Team

Name	Position
Mr. Bayazid Muztaba Siddiqui	Managing Director & CEO
Mr. Md. Sajjad Yahya	Additional Managing Director (Admin & Business Development)
Mr. Ather Ali Khan	Corporate Marketing Director
Mr. Md. Sarwar Khan	Deputy Managing Director
Mr. Shamiur Rahman	Senior General Manager (Underwriting)
Mr. Md. Imrul Hasan Khan	Senior General Manager (RI & Claim)
Mr. Md. Arif Hossain, ACMA	General Manager (F&A)
Mr. Syed Kabir Hossain	Deputy General Manager
Mrs. Zharna Parul	General Manager (Company Secretary)
Mr. Amit Kumar Dey, ACS	Senior Assistant General Manager, ACS
Mr. A.T.M Mubashshirul Bashar, CA(CC)	Senior Assistant General Manager
Mr. S.M. Ramizul Haque	Assistant General Manager

F.2. Shareholding Position (As on 31st December, 2018)

Sl No	Shareholders	Designation	No. of Shares	%
1	Mr. Nawaz Ahmad	Chairman & Sponsor Director	633,520	2.00
2	Mr. Ashit Kumar Das	Sponsor Director	2,109,394	6.67
3	Mrs. Anita Haque	Sponsor Director & Vice Chairman	644,149	2.03
4	Mrs. Anita Das	Sponsor Director	644,149	2.03
5	Mr. Ashok Kumar Das	Sponsor Director	2,109,394	6.67
6	Mr. Md. Parvez Ahamed	Shareholder Director	61,168	0.19
7	Mrs. Munira Sheemu	Shareholder Director	1,544	0.00
8	Mr. Sandip Das	Shareholder Director	55,887	0.18
9	Mr. Md. Shakhawat Hossain	Sponsor	2,109,394	6.67
10	Mr. Alock Kumar Das	Sponsor	2,109,394	6.67
11	Mrs. Kamrun Nahar	Sponsor	1,476,574	4.67
12	Mr. Atiqul Haque	Sponsor	1,054,696	3.33
13	Mr. Mritunjay Kumar Saha	Sponsor	527,346	1.67
	Total Sponsor		**13,536,609**	**42.78**
	Public	Shareholder		**29.42**
	Institutional Shareholder	Shareholder		**27.80**
	Grand Total			**100.00**

F.3 Independent Directors

Mr. Md. Jahangir Yahya
Mr. Kazi Md. Firoze Morshed, FCMA

Registered office : Navana Tower (Level#7-C), 45, Gulshan Circle-1, Gulshan-1, Dhaka 1212
Telephone : 02-9895113
Head office : House-22 (Level-3 & 4), Road-113/A, Gulshan-2, Dhaka-1212.
Website : www.paramountgroupbd.com/insurance
Telephone : 880-2-55049824 – 30; **Fax:** 880-2-55049822-23;
E-mail : picl@paramountgroupbd.com
Statutory Auditor : ARTISAN Chartered Accountants
Compliance Auditor : Md. Atikur Rahman, FCA
Re-Insurer : Sadharan Bima Corporation
Address : 33, Dilkusha C/A, Dhaka-1000
E-mail : head-office@sbc.gov.bd

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RATING SYMBOL

LONG-TERM RATINGS

ECRL's Long-Term Ratings are assigned to debt with maturities of more than one year. These debt ratings specifically assess the likelihood of timely repayment of principal and payment of interest over the term to maturity of such debts.

RATING	DEFINITION
AAA	Indicates that the ability to repay principal and pay interest on a timely basis is extremely high.
AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited increment risk compared to issues rated in the highest category.
A	Indicates the ability to repay principal and pay interest is strong. These issues could be more vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BBB	This grade indicates an adequate capacity to repay principal and pay interest. More vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BB	This rating suggests that likelihood of default is considerably less than for lower-rated issues. However, there are significant uncertainties that could affect the ability to adequately service debt obligations.
B	Indicates a higher degree of uncertainty, and therefore, greater likelihood of default. Adverse developments could negatively affect repayment of principal and payment of interest on a timely basis.
C	High likelihood of default, with little capacity to address further adverse changes in financial circumstances.
D	Payment in default.

Notes: *Long-Term Ratings from AA to B may be modified by the addition of a plus (+) or minus (-) suffix to show relative standing within the major rating categories. Bank-guaranteed issues will carry a suffix (bg), corporate-guaranteed issues, a (cg), issues guaranteed by a financial guarantee insurer (FGI), an (fg), and all other supports, an (s) when such guarantees or supports give favorable effect to the assigned rating.*

SHORT-TERM RATINGS

ECRL's Short-Term Ratings are assigned to specific debt instruments with original maturities of one year or less, and are intended to assess the likelihood of timely repayment of principal and payment of interest.

RATING	DEFINITION
ECRL - 1	The highest category; indicates a very high likelihood that principal and interest will be paid on a timely basis.
ECRL - 2	While the degree of safety regarding timely repayment of principal and payment of interest is strong, the relative degree of safety is not as high as issues rated ECRL-1.
ECRL - 3	This grade indicates while the obligation is more susceptible to adverse developments, both internal and external, the capacity to service principal and interest on a timely basis is considered adequate.
ECRL - 4	This rating suggest likelihood of default is considerably less than for lower rated issues but faces significant uncertainties that could impact its financial commitment on the obligation.
ECRL - 5	High likelihood of default, with little capacity to address further adverse changes in financial circumstances.
ECRL - 6	Payment in default.

Notes: *Short-Term Ratings will also carry a suffix (bg) for bank-guaranteed issues, (cg) for corporate-guaranteed issues, (fg) for FGI-guaranteed issues, and (s) for all other supports when such guarantees or supports give favorable effect to the assigned rating.*

Rating Outlook

ECRL's Rating Outlook assesses the potential direction of the Corporate Debt Rating over the intermediate term (typically over a one to two-year period). The Rating Outlook may either be :

POSITIVE	Which indicates that a rating may be raised;
NEGATIVE	Which indicates that a rating may be lowered;
STABLE	Which indicates that a rating is likely to remain unchanged; or
DEVELOPING	Which indicates that a rating may be raised, lowered or remain unchanged.

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