

**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 31<sup>st</sup> December, 2018)

**Total Assets** : BDT 715.91 Million  
Investments : BDT 362.12 Million  
Other Assets : BDT 353.79 Million  
(As on 31<sup>st</sup> December, 2018)

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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).

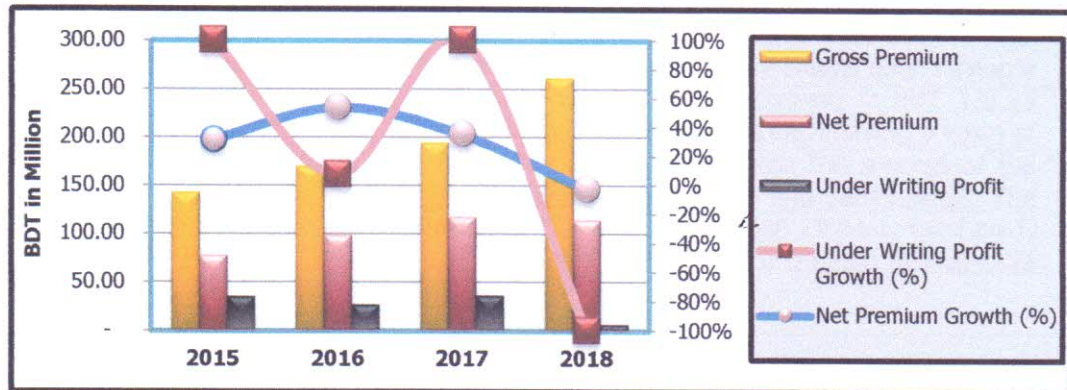
The company has taken several key decisions in FY 2018 which is likely to set the course of PICL for next 10 years. First and foremost the company has increased its reinsurance which will ensure superior claim paying capability compared to its competitors. The goal for the management of the company is 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



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