



**Credit Rating Report  
Of  
Paramount Insurance Company Limited**

**EMERGING**  
Credit Rating Ltd  
*an independent house of risk assessment*

## Paramount Insurance Company Limited

### Credit Rating Report

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

<b>Date of Incorporation</b>	: 10 November, 1999	
<b>Chairman</b>	: Mr. Nawaz Ahmad	
<b>Chief Executive Officer</b>	: Mr. Bayazid Muztaba Siddiqui	
<b>Authorized Capital</b>	: BDT 600.00 Million	
<b>Paid up Capital</b>	: BDT 316.40 Million	(As on August 07, 2018)
<b>Total Assets</b>	: BDT 610.29 Million	
Fixed Assets	: BDT 302.40 Million	
Current Assets	: BDT 307.89 Million	
	(As per audited financial statements of December 2017)	
<b>Contact Analysts</b>	: Md. Shafiqur Rahman Asif	<a href="mailto:shafiq@emergingrating.com">shafiq@emergingrating.com</a>
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**Credit  
Analysis**

**Entity Rating**



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

# Emerging Credit Rating Ltd

## CREDIT ANALYSIS

### Entity Rating

### 2018 Surveillance Review

### Paramount Insurance Company Limited

#### Major Rating Factors

- Strengths**
- ④ Successfully controlled management expenses within the allowable limit
  - ④ No dependence on external finance
  - ④ Quick claim settlement

- Challenge/  
Risks**
- ④ Has not achieved required paid up capital
  - ④ Adverse financial indicators in 2018

**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 2014 to FY 2017, and half yearly management report of FY 2018, 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 BDT287.65 million (As on December 31, 2017).

The above rating reflects the strengths and weakness of the concern. The strength of the concern came from increased net profitability, increased underwriting profit and decreasing expense ratio, maintenance of adequate reserve for unexpired risk. However ECRL is concerned about significant increase in loss ratio and combined ratio (FY 2018), declining cash inflow from operating activities.

In pursuit of higher profitability the company retained higher risk to itself which is reflected by the increase in risk retention ratio from 56.44% in FY 2016 to 60.26% in FY 2017. Strict control of management expenditure has caused the company to achieve a lower combined ratio in FY 2017 compare to FY 2016. However due to large claim settlements in FY 2018 the combined ratio of the company has increased 77.78% (FY 2017) to 102.89%. Marine and Motor sector has witnessed a particularly sharp rise in net claim growth in FY 2018, as per management of the company this incidents are outlier and does not reflect the overall trend.

The company has maintained adequate solvency ratio, which indicates sound liquidity position of the company, this fact is farther endorsed by a current ratio of 2.15 times in FY 2017. However the operating cash inflow of the company has decreased in FY 2017 compared to FY 2016. The company has achieved gross and net premium growth however cash collection from premium and other income has witnessed significant decline.



In FY 2017 81.73% of total investment of the company comprises of FDR investment while 2.04% is invested in share market rest are invested in national investment bonds and short term deposit etc. In FY 2017 the fixed deposit rates have further declined causing the company to generate lower yield on investment. To rectify the situation the company is gradually increasing investment in share market declining investment in short term deposit. In order to safeguard its investment and at the same time maximise profit the company has formed an investment committee in 2018. All the committee members are part of top management and has significant experience in insurance sector.

In terms of compliance the company has brought positive changes. It has maintained adequate reserve for unexpired risk, in addition now it maintains reserve for exceptional losses as 10% of the net premium of insurance class in past it placed a lump sum money as reserve for exceptional losses. The company has still not achieved a capital maintenance ratio of 100.00% but it has increased its paid up capital in FY 2017 and expects to gradually reach the required paid up capital of BDT 400.00 million.

In terms operation the company is depending on board of directors to acquire clients which has decreased its management expenditure however it has also restricted the growth opportunity of the company which is reflected by the lower gross premium growth in FY 2017. The company is committed in repaying all claims within 90 days and most of the times it pays off its claim within the stipulated time with few exceptions.

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**

<b>FYE December</b>	<b>2018*</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Gross Premium (BDT in millions)	107.94	193.88	169.33	142.23	136.76
Gross Premium Growth (%)	16.64	14.50	19.05	4.00	-
Net Premium (BDT in millions)	58.85	116.83	98.42	77.42	68.39
Net Premium Growth (%)	12.64	18.70	27.12	13.20	-
Underwriting profit (BDT in millions)	37.98	35.94	26.73	34.86	27.17
Net Profit After Tax (BDT in millions)	11.50	41.04	28.36	37.23	33.45
Net Profit Margin (%)	19.53	35.13	29.28	48.09	48.91
Yield on Investment (%)	3.25	6.13	6.78	8.73	9.11
Loss Ratio (%)	34.65	12.72	9.41	(7.50)	6.71
Expense Ratio (%)	68.24	65.06	75.71	79.08	78.95
Combined Ratio (%)	102.89	77.78	85.35	71.58	85.66
Risk Retention Ratio (Combined) (%)	54.53	60.26	56.44	54.43	50.01
Solvency Ratio	3.27	2.78	3.03	3.63	2.84
CFO (BDT in millions)	8.06	31.21	76.21	18.52	32.98

FY2014-FY2017 data extracted from audit report

\*FY2018 data extracted from half yearly management report

Arifur Rahman FCCA, ACA  
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 287.65 million (As on December 31, 2017) respectively consisting of 28,764,513 paid-up ordinary shares each having a value of BDT 10. At present the paid up capital of PICL has been increased to BDT 316.40 million (As on August 07, 2018) consisting of 31,640,964 paid-up ordinary shares each having a value of BDT 10. 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.

### Business Review

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.

#### Non-Life business lines

#### Fire Insurance Business

#### Marine Insurance Business

#### Motor Insurance

#### Engineering Insurance

#### Medical Category

#### Miscellaneous

**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.



**Exhibit 2: Process of underwriting: Paramount Insurance Company Limited**



**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) and two new branches are Dinajpur Branch (Dinajpur), 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 through 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.

**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



## 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 20 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
<b>Fire Insurance Business</b>	<ul style="list-style-type: none"> <li>Fire &amp; / or Lightning</li> <li>- Riot &amp; Strike Damage</li> <li>- Riot &amp; Fire Damage</li> <li>- Malicious Damage</li> <li>- Subsidence</li> <li>- Flood / Tsunami/Cyclone</li> <li>- Earthquake (Fire and Shock)</li> <li>- Electrical Clause</li> <li>- Explosion</li> <li>- Aircraft and Aerial Damage</li> <li>- Artificial Light</li> <li>- Bursting or overflowing of tanks</li> </ul>	Individual client, corporate houses and factory
<b>Marine Insurance Business</b>	<ul style="list-style-type: none"> <li>Marine Cargo</li> <li>Marine Hull</li> </ul>	Individual client and corporate houses are involved in export and importing business.
<b>Motor Insurance Business</b>	<ul style="list-style-type: none"> <li>- Motor Comprehensive</li> <li>- Motor Act Liability</li> </ul>	Individual clients and corporate houses to comply the provisions of Motor Vehicles Act.
<b>Miscellaneous Insurance Business</b>	<ul style="list-style-type: none"> <li>Burglary &amp; Housebreaking</li> <li>Cash-in-Safe, Cash-in-Transit &amp; Cash-on-Counter</li> <li>Goods-in-Transit</li> <li>Fidelity Guarantee</li> <li>Personal Accident Air Travel</li> <li>Employers liability</li> <li>- Professional indemnity</li> <li>Workmen's compensation</li> <li>Public &amp; Product Liabilities</li> </ul>	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.



## B. INDUSTRY ANALYSIS

Insurance is a form of risk management, used to hedge against the risk of a contingent loss. It involves the transfer of the risk of potential loss from one entity to another, in exchange for a risk premium. The insurance sector fosters financial stability by enabling economic agents to undertake various transactions with the facility of transfer and dispersion of risks.

The insurance business started almost a century ago in Bangladesh, during the British regime in India. The government of Bangladesh nationalized insurance industry in 1972 by the Bangladesh Insurance (Nationalization) Order 1972. Subsequently through the enactment of Insurance Corporation Act VI, 1973, two corporations namely Sadharan Bima Corporation (SBC) for general insurance and, Jiban Bima Corporation for life insurance were established in Bangladesh. SBC was acting as the sole insurer of general insurance till 1984. Bangladesh government allowed the private sector to conduct business in all areas of insurance for the first time in 1984. The private sector availed the opportunity promptly and came forward to establish private insurance companies through promulgation of the Insurance Corporations (Amendment) Ordinance (LI of 1984) 1984.

Insurance Companies: 77	
Life: 31	Non Life: 46
State owned: 01 Multinational: 01 Private: 29 (Islamic: 08)	State owned: 01 Private: 45 (Islamic: 03)

Contribution of the insurance sector to the economy of Bangladesh is still below 1.0 per cent. On the other hand, Insurance Development and Regulatory Authority (IDRA) claim the total insurance premium to be 0.90 per cent of the country's gross domestic product (GDP). The growth rate of the 'insurance' dropped 0.42 percentage points to 1.63 per cent in the FY 2018 compared to the previous FY. It is predicted that the global insurance industry will grow by 4.5 per cent per annum on average (3 per cent adjusted for inflation) during 2017 and 2018. The growth is expected to be pushed mainly by the emerging markets in Asia. Increasing need and resultant demand from emerging markets as well as a boost provided by digitization makes the future of the insurance sector look very bright indeed.

Recently, crop insurance, being piloted in three districts, is gaining popularity among farmers as it helps ride out crop losses from natural disasters. The Weather Index Based Crop Insurance pilot project was rolled out in Rajshahi, Sirajganj and Noakhali by Sadharan Bima Corporation (SBC) in March 2014. Of the BDT 213.4 million project cost, Asian Development Bank provided BDT 16.38 core while the government bore the rest. SBC settled claims of BDT 1.75 million against 5,399 policies during the piloting's first three phases, each lasting for a season of some three to four months. Farmers have been mainly attracted by the 50 percent subsidy on the premium and for this the project has become a success. Farmers paid premiums ranging from BDT 200 to BDT 300 for coverage of up to BDT 1,800. At present, the insurance provides coverage for crop losses inflicted by natural disasters such as hails, droughts and floods. However, SBC does not cover damages caused by flash floods as the weather index cannot measure its intensity, hence, the damage.

The insurance companies of Bangladesh perform a wide range of activities such as service designing, preparing contract and policy, marketing and selling, underwriting, rating, reinsurance and other services and claim settlement. The Bangladeshi insurance industry is a highly competitive industry. In recent years the key factors affecting its performance included fierce competition in non-life segment, rising market share of private insurance companies and the increasing amount of risk being retained by insurers. The two governments owned insurance companies i.e., the Shadharan Bima Corporation and Jiban Bima Corporation get all the government insurance business by virtue of the Insurance Act of Bangladesh. According to the rule, all insurance in the government sector is done through these two nationalized insurance companies, so they enjoy a monopoly. None of the private insurance companies are allowed to offer insurance services to government organizations. Furthermore, these two corporations are also allowed to underwrite private businesses,



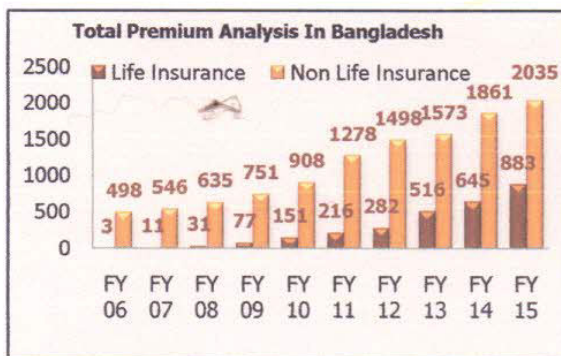




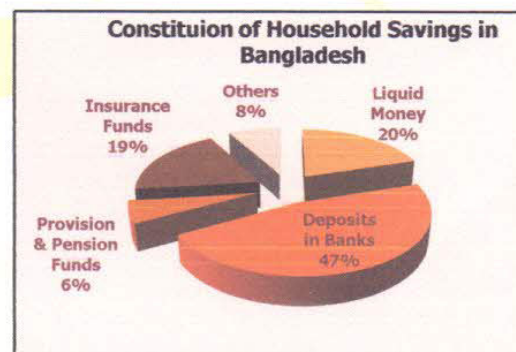
and people feel confident about their reliability. So they have not yet felt any strong need to practice marketing properly, and usually they have reported middling profits over the years.

The major market players of Life insurance companies are; MetLife Alico, Fareast Islami Life, National Life Insurance, Popular Life Insurance, Delta Life Insurance, Meghna Life Insurance, Jibon Bima Corporation, Shandhani Life Insurance, Prime Islami Life Insurance and Progressive Life Insurance. The leading Non Life insurance companies are; Green Delta Insurance Co. Ltd, Shadharan Bima Corporation, Pioneer Insurance Company Ltd, Reliance Insurance Company Ltd, Pragati Insurance Company Ltd, Rupali Insurance Company Ltd, Eastland Insurance Company Ltd, Phoenix Insurance Company Ltd, Bangladesh General Insurance Company Ltd and Continental Insurance Ltd.

Savings behavior of a country depends on the pattern of income distribution and the per capita income of Bangladesh has been increasing over the periods. However, the average saving of the people in Bangladesh for different sort of insurance is about only 19% that shows a poor standing of the peoples buying coverage. Maximum people of our country have not much knowledge about the future life and what should to enhance the living standard. Hence, people have less saving in insurance sector while in developed countries people are more trending in buying more coverage.



Source: IDRA



Source: IDRA

The total premium analysis of Bangladesh Insurance has been shown where it is noticeable that from the FY 2006 the premium charge has been increased gradually with no negative sloping trend. In FY 2015, the premium charge has been increased up to BDT 2035 million which was very large amount in consideration of FY 2006. It shows two important things side by side:

- The insurance industry in Bangladesh has developed from the very inception of its journey at a very good extent.
- The Non Life Insurance sector in Bangladesh is very dominant than that of Life Insurance.

For insurance company return from investment is important which depends on interest rate. The benchmark interest rate in Bangladesh was last recorded at 6 percent. Interest Rate in Bangladesh averaged 7.11 percent from 2008 until 2018.

#### STRENGTH & OPPORTUNITIES

- Micro Insurance
- Increasing purchasing power
- Increased population
- Emerging middle income groups

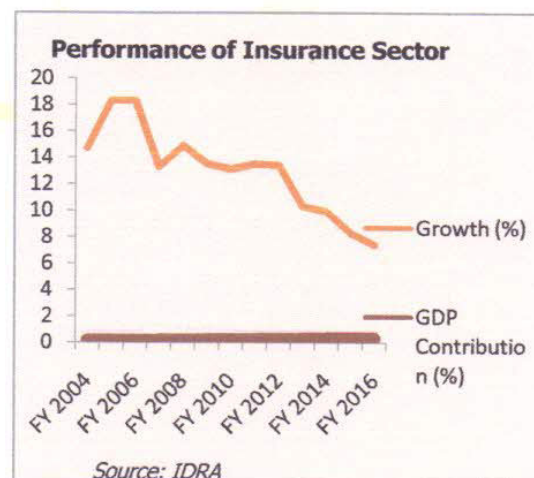
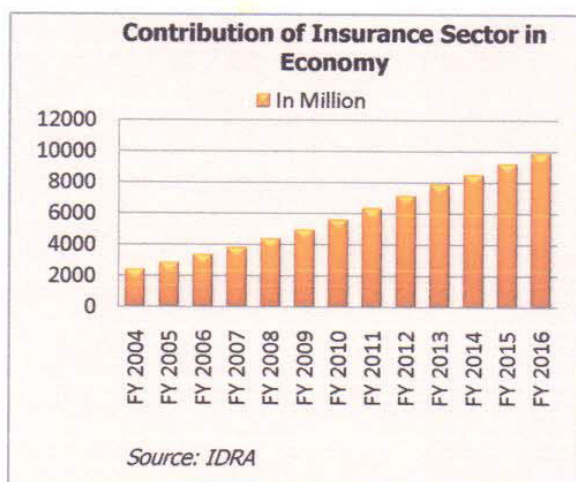
The commitment of the government to promote development of the insurance sector is of enormous consequence for its promising future. In view of the pro-active policy support of the government that the sector has so far received in an unstinted manner, we are certain that within the next few years we will be able to make insurance a very important component of the country's financial system. This will go a long way for eradication of poverty and promoting sustainable economic growth. Insurance serves a number of valuable functions which are very different from those rendered by other types of financial intermediaries. The indemnification and the risk pooling properties of non-life insurance facilitate commercial transaction and the provision of credit by mitigating losses as well as the measurement and management of risk. The availability of insurance enables



risk-averse individuals and entrepreneurs to undertake higher risk and activities that yield higher rate of return, promoting higher productivity and growth. To strengthen the control of regulatory body, Government has taken few steps like;

- The supervision of the Insurance Sector has been shifted to the Ministry of Finance from the Ministry of Commerce by an executive order of Bangladesh Government.
- On March 03, 2010 the Parliament has passed two insurance laws in a bid to further strengthen the regulatory framework for the insurance industry and make the industry operationally vibrant.
- Insurance Act 2010 and Insurance Development and Regulatory Authority Act 2010 have been enacted by the Government to establish a strong supervisory body for effective and efficient supervision of the insurance industry. So far 08 Regulations have been formed in support of Insurance Act 2010.
- In 2013, the Asian Reinsurance Corporation Act has been implemented in connection with Insurance Corporation Act 1973 in order to set up the state-owned insurance institutions.
- Labour Act 2006 and 2016 guides the workers' compensation insurance in Bangladesh.

Since its inception of Insurance Development and Regulatory Authority (IDRA) in January 2011, it has been working relentlessly and, in the process, have undertaken a series of measures in an effort to transform the insurance sector into one of the most efficient, competitive and productive sectors of the wider financial system in Bangladesh.





The economic contribution of the insurance industries of Bangladesh has been increasing gradually but the growth rate over the period has been decreasing. There have been many reasons associated with the reducing growth rate such as; political turmoil, impact of climatic change, demographic disorder, lack of public awareness, other trends of business and economics cycles etc.

The insurance sector in Bangladesh has grown up substantially and deepened remarkably with number of companies in both life and general segments. With the expansion of size of the insurance market, the volume of assets of the industry has also increased substantially. For the development of economic infrastructure of a developing country like Bangladesh, there is a great role of insurance. But the insurance business in our country is not satisfactory. Though insurance industry has very prospect in the economy but for some reason it's totally failed to achieve its goal.

There are so many new businesses starting every day and manufacturing sector is booming with global demand. Every business is insured under an insurance company to protect its company from any kind of accident. Therefore growing industry, mill, factories are creating better scope for the insurance companies to flourish their business.

There is a huge untapped insurance market in the country. A lack of awareness among the people about insurance is a major reason behind the poor premium growth. The insurance companies, on the other hand, tend to do business in the traditional fashion and hardly invest in research and development to tap new business from the hugely unexplored sectors.

Industry insiders blame a number of reasons for poor insurance business in the country, such as saturated market, falling private investment, declining premium income from multinational companies, no effort to bring untapped sectors into insurance and poor claim settlement records by insurers.

It is interesting to note that international insurance companies, operating in the country, deal with traditional products but internationally, they run 200 products.

One of the major handicaps of insurance industry of Bangladesh is that of "negative image" of insurance prevailing in the country. Recently government has taken initiative to restrict the entrance of new insurance companies as there are so many companies existing in the market and not maintaining the minimum standards.

In terms of digitization, Bangladesh is still lagging behind despite the signs of rapid progress. Some of the leading insurance service providers have introduced digitization in operations as well as various aspects of their services. Though, much remains to be done when it comes to comprehensive digitization. It is nevertheless necessary, as digitization helps to develop a greater degree of trust between customers and insurance service providers by enabling greater direct communication between them. The resultant growth of the sector would benefit not only the economy through the contribution of the sector, but would also help the common people by providing them a cushion against a diverse range of unpredictable events.

The government has taken an initiative to strengthen and expand the country's insurance sector as part of its efforts to reform the administrative and legal sectors. It has taken up a BDT 6.32 billion (US\$76 million) project titled as 'Bangladesh Insurance Sector Development' to upgrade insurance regulation with the view to developing Bangladesh's insurance sector. Of the total project cost, the World Bank will provide BDT5.13 billion or around 80%. Insurance Development & Regulatory Authority (IDRA) under financial institution division will implement the project from 2018 to 2022. The development objective of the Insurance Sector Development Project for Bangladesh is to strengthen the institutional capacity of the regulator and state owned insurance corporations and increases the coverage of insurance in Bangladesh.

#### MAJOR OBSTACLES

- *Poor Financial positions of insurance companies*
- *Centralization*
- *Problem of planning and administration*
- *Old insurance act*
- *Lack of qualified officials*
- *Inadequate training*
- *Lack of marketing strategy*
- *Absence of business ethics*
- *Low attractive offerings*
- *Ignorance about claim settlement procedure*
- *Less public awareness*
- *Low savings*
- *Lack of exposure*
- *Inadequate government support*
- *Lack of supervision from government support*
- *Lack of motivation program towards public.*



Components of the projects are mentioned below;

- Improving the Capacity of the Insurance Development and Regulatory Authority (IDRA) and the Bangladesh Insurance Academy (BIA):(Cost \$30.00M)
- Modernization, Strengthening and Increasing the Efficiency of the State-owned Insurance Corporations:(Cost \$45.00 M)
- Project Implementation, Management, and Monitoring:(Cost \$5.00 M)

Implementing Agencies of the project are:

- People's Republic Of Bangladesh,
- Insurance Development and Regulatory Authority (IDRA)

The project primary beneficiaries include: the insurance sector including the regulator (IDRA), insurance corporations/companies, the training academy (BIA) and Bangladeshi citizens in general who buy insurance products

Growing importance of the industry in the financial system and its increasing economic significance in other developing countries highlights the fact that, the industry needs a closer attention for its future development. As different sectors of the financial system are closely related to each other, risks of a particular sector can easily transmit to the other sectors of the system. Therefore, effective monitoring and supervision of the insurance industry is crucial not only to guide the industry in efficient management of risks faced by economic agents but also to mobilize long term savings for the economy, and thereby allocate the funds to facilitate long term investment.

## C. BUSINESS RISK ANALYSIS

### C. 1. Operational Risk

**Underwriting of Branches:** Entire branches are following the guide regarding issuing rates, terms and conditions provided by head office. As a part of central control all branches has to provide premium register along with related documents, premium income, summary and also the details of the outstanding monthly basis. Other than those underwriting department of head office takes care of any refund and adjustment of any cancellation, short shipment and refund of any declaration of policy. To avoid the discrepancy of premium collection and claim settlement there is a central IT system with unified tariff setup except 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 in detecting fraud, including excessive costs for investigations, high litigation costs, and decline in customer satisfaction due to delays in claims settlements caused by investigations.

**Employee Turnover Risk:** PICL has efficient employee with long experience for the betterment of the business. PICL offers better opportunity and positive work environment for its employees. In spite of that yearly marketing people has increased within last four years. It has total 20 registered agents for various branches. As per industry practice total line person has chance to shift along with the head moving to other company, in that regards its overall clients can be shifted to that company. PICL has improved its employee benefits by including provident fund, gratuity and insurance policy for the employees working there and this may reduce the employee turnover risk of PICL.

**Back up Support of Electricity Supply:** Development and sustainable growth is not possible without sufficient supply of electricity. PICL's head office is getting central support from its building generator, other than that it also has UPS for each computer. Hence, all branches are not fully supported by generator, which may affect opening an account, settlement and other central issues. Insufficient support of national electricity supply shortage, which can hamper its regular workings and communication with various businesses and branches through electronic media.

### C. 2. Enterprise Risk Management

With increasing number of insurance companies, this industry is becoming very competitive. Insurance companies are now very active 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

Future growth and profitability of non-life insurance companies directly gets impacted by the growth of the industry it operates in. In most cases growth of the company largely 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

The coverage of natural calamities like cyclone, flood by insurance may severely weaken the financial strength of the company by accruing heavy claims on its own retained account. In FY 2017 the company paid 90.48% of its total claims outstanding at the year end. 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

**Credit Risk:** It is the most common to all financial institutions. In non-life insurance, default risk is one of the most important areas as large portion of investment is made in different financial institutions, loan against policy, advances, corporate bonds, and government securities. There are also balances kept with financial institutions and their local branches sometimes with interest or without. It is very important to follow a proactive and analytical approach while selecting investment. Transactions should not be with institutions where default risk is high. Credit analysis of parties is necessary before making any investment. Economic condition and event of prolonged natural disaster increases the risk for insurance companies. Insurance business is increasing globally. Frequently occurrence of these events is having a strong impact on the economy of our country, leaving long term effect on insurance companies. Managing and monitoring of these events by using statistical and technical tools will bring financial flexibility.

Entire non-life insurance companies have been offering mostly same products to the clients following same tariff plan according to the IDRA. In that regards service, 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. Top four non-life insurance companies are Green Delta, Reliance, Pioneer and Pragati.

### C.6. Interest Rate Risk

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 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.

### C.7. Exchange Rate Risk

Devaluation of local currency against major international currencies i.e. USD, GBP and Euro may affect company's marine insurance business. Generally devaluation of local currency against international currencies increases premium income that will ultimately extend Net profit of the company, which related with the marine insurance business.



## D. 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 analyzing 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 4:** Profitability: Paramount Insurance Company Limited

FYE : December	2018*	2017	2016	2015	2014
Gross Premium (BDT in millions)	107.94	193.88	169.33	142.23	136.76
Gross Premium Growth (%)	16.64	14.50	19.05	4.00	-
Net Premium (BDT in millions)	58.85	116.83	98.42	77.42	68.39
Net Premium Growth (%)	12.64	18.70	27.12	13.20	-

FY2014-FY2017 data extracted from audit report

\*FY2018 data extracted from half yearly management report

#### D.1.1 Segregation of Revenue

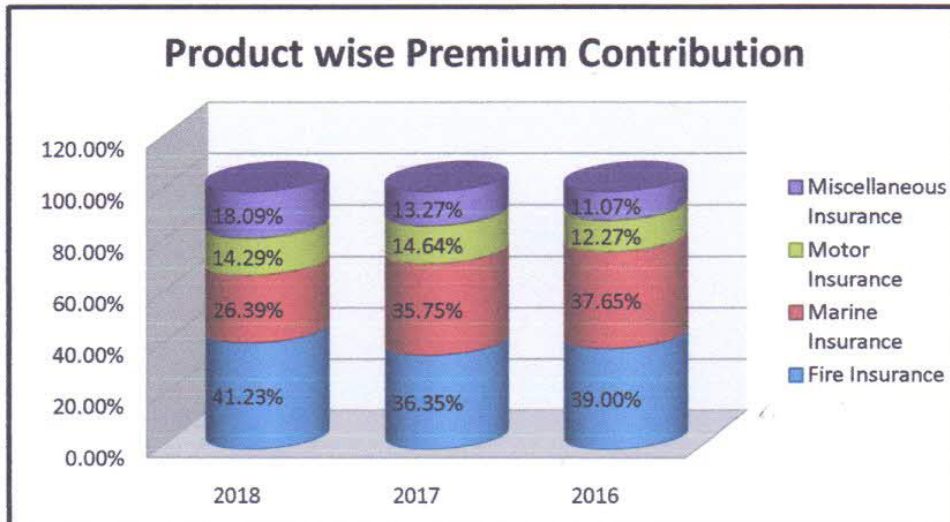
**Exhibit 5:** Segregation of Gross Premium: Paramount Insurance Company Limited (BDT in millions)

Segregation of Gross Premium				
FYE: December	2017		2016	
	Amount	Growth (%)	Amount	Growth (%)
Fire Insurance	70.47	6.71	66.04	18.84
Marine Insurance	69.31	8.70	63.76	17.90
Motor Insurance	28.38	36.57	20.78	(0.92)
Miscellaneous Insurance	25.72	37.17	18.75	18.35
Segregation of Net Premium				
FYE: December	2017		2016	
	Amount	Growth (%)	Amount	Growth (%)
Fire Insurance	41.09	14.84	35.78	50.27
Marine Insurance	41.67	11.59	37.35	30.54
Motor Insurance	28.27	37.23	20.60	0.24
Miscellaneous Insurance	5.79	23.42	4.69	5.50

FY2014-FY2017 data extracted from audit report

\*FY2018 data extracted from half yearly management report

In FY 2017 the gross premium growth of the company has declined compared to FY 2016, as per correspondence with top management of the company it was communicated that as the business volume is increasing the company is finding it difficult to sustain the growth rate. Detailed investigation shows that the growth rate of fire insurance premium which is the largest contributor to Gross Premium has declined most in FY 2017; from 18.84% in FY 2016 it stood at 6.71% in FY 2017. Growth rate of marine insurance has also declined in FY 2017; however on a positive note the business has achieved significant growth in Motor Insurance and Miscellaneous Insurance. In FY 2018 the company was able to achieve higher gross premium growth however increased reinsurance premium ceded has caused a lower growth in net premium.



## D.2. Operating Performance

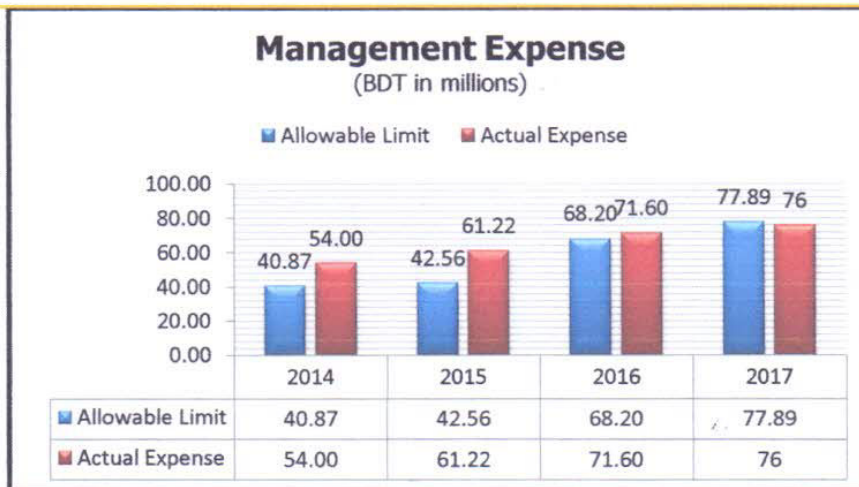
**Exhibit 6:** Profitability: Paramount Insurance Company Limited

FYE : December	2018*	2017	2016	2015	2014
Under Writing Profit (BDT in millions)	37.98	35.94	26.73	34.86	27.17
Under Writing Profit Growth (%)	3.29	34.45	(23.32)	28.22	-
Profit before Tax (BDT in millions)	14.45	52.11	44.23	56.15	51.63
Net Profit After Tax (BDT in millions)	11.50	41.04	28.36	37.23	33.45
Net Profit Margin (%)	19.53	35.13	29.28	48.09	48.91
Return on Assets (%)	2.26	8.54	8.22	11.67	10.81
Return on Equity (%)	2.70	9.91	7.50	10.60	10.66
Allowable management expense (BDT in millions)	-	77.89	68.20	42.56	40.87
Actual management expense (BDT in millions)	40.16	76.00	71.60	61.22	54.00
Excess or (Less) Management Expenses (BDT in millions)	40.16	1.87	3.40	18.66	13.13

FY2014-FY2017 data extracted from audit report

\*FY2018 data extracted from half yearly management report

In past one year the company has recovered its operating performance with achieving a 34.45% growth in underwriting profit. This was achieved by the strictest control of management expenditure. While the underwriting income grew by 22.97% in FY 2017 the management expenditure of the company only grew by 8.08% thus increasing overall growth in underwriting profit. As per communication with the top management of the company it was revealed that the company has bought overall change in its operational policy. It has decided to acquire clients with the help of Board of Director's contacts which has enabled it to keep its management expenditure in control. This strategy while in short term may be very lucrative but may have serious ramifications in future because the company is limiting its long term growth potential and may face difficulty in maintaining a sustainable business model.



### D.3. Quality of Underwriting Profit

**Exhibit 7: Underwriting Process and Quality: Paramount Insurance Company Limited**

FYE: December	2018*	2017	2016	2015	2014
Loss Ratio (%)	34.65	12.72	9.41	(7.50)	6.71
Fire Insurance	-	14.53	13.45	15.39	1.66
Marine Insurance	-	6.89	(9.98)	(59.57)	(42.93)
Motor Insurance	-	21.08	24.65	22.07	7.80
Miscellaneous Insurance	-	1.05	62.95	68.19	63.59
Expense Ratio (%)	68.24	65.06	75.71	79.08	78.95
Combined Ratio (%)	102.89	77.78	85.35	71.58	85.66

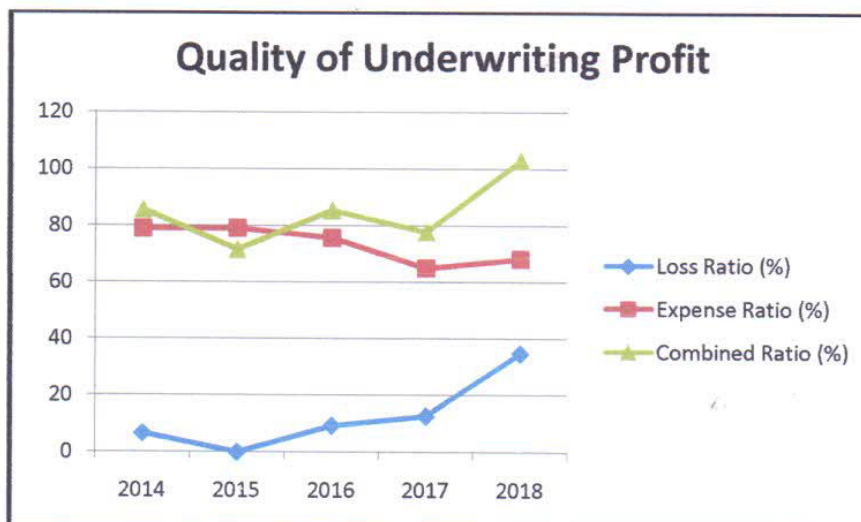
*FY2014-FY2017 data extracted from audit report*

*FY2018 data extracted from half yearly management report*

Overall loss ratio of the company has increased in FY 2017, individually the fire and marine sector has incurred increase in loss ratio while motor and miscellaneous has experience a decline. As mentioned in earlier section strong management expenditure control has caused the expense ratio to decrease from 75.71% to 65.06% which in turn has caused the combine ratio to decrease from 85.35% in FY 2016 to 77.78% in FY 2017. However in FY 2018 the situation has rapidly declined with loss ratio standing at 34.65%. As per management's correspondence the number of claim was lower but the amount was higher which has caused the loss ratio to sky rocket to 34.65% eventually causing the combined ratio to go above 108.29% which is very high compared to its contemporaries.







#### 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 8:** Claim performance: Paramount Insurance Company Limited (BDT in millions)

FYE: December	2018*	2017	2016	2015	2014
Opening Claims outstanding	4.61	2.52	8.78	37.61	24.59
Claims Lodged during the Year	36.37	45.88	14.94	15.37	25.55
Total Claims	40.98	48.40	23.72	52.98	50.14
Claims Paid during the Year	26.59	43.79	21.20	44.20	12.53
Claims Paid as % of Total Claims	64.89	90.48	89.39	83.43	24.99
Closing Claims Outstanding	14.39	4.61	2.52	8.78	37.61
Closing Claims Outstanding (%)	35.11	9.52	10.64	16.57	75.00

FY2014-FY2017 data extracted from audit report

FY2018 data extracted from half yearly management report

**Exhibit 9:** Net Claim: Paramount Insurance Company Limited (BDT in millions)

FYE: December	Segregation of Net Claim					
	2018		2017		2016	
	Amount	Growth* (%)	Amount	Growth (%)	Amount	Growth (%)
Fire Insurance	(0.52)	(117.05)	6.11	47.23	4.15	(74.39)
Marine Insurance	8.00	1085.19	1.35	1,003.92	(0.15)	(110.68)
Motor Insurance	3.12	15.99	5.38	3.03	5.22	32.45
Miscellaneous Insurance	0.01	133.33	(0.06)	(100.96)	6.15	311.78
<b>Total</b>	<b>10.61</b>	<b>67.28</b>	<b>12.77</b>	<b>(16.91)</b>	<b>15.37</b>	<b>(33.24)</b>

\*2018 growth rate is measured in pro rata basis

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. The company steadily decreased its closing claim outstanding as well as net claim growth over past three years. However the results has significantly deteriorated in the first six months of FY 2018 with net



claim growing at 67.28% in FY 2018 and closing claims standing at 35.11%. As per management of the company it is a one off incident where some of the large claims have been intimated which is a one off incident and does not reflect the overall trend. However it is concerning as the net claim figure will be significantly higher in FY 2018 compared to FY 2017.

### Investments and Solvency Margin

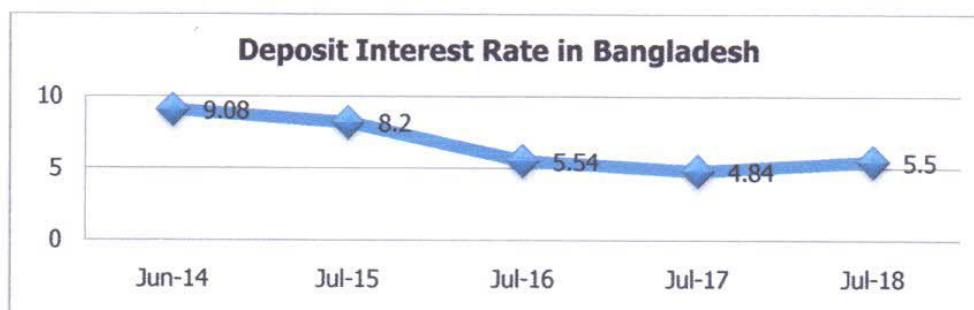
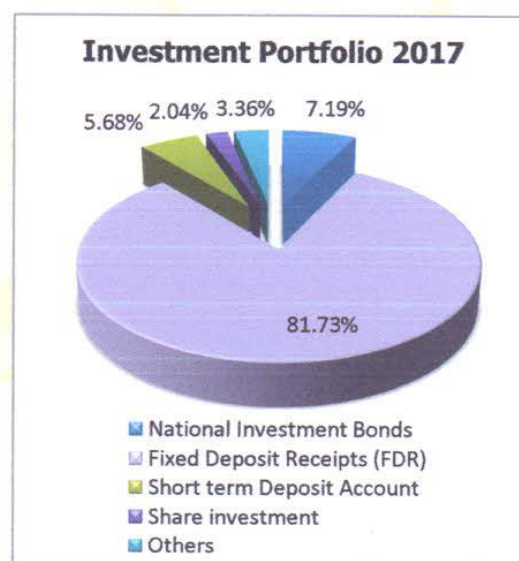
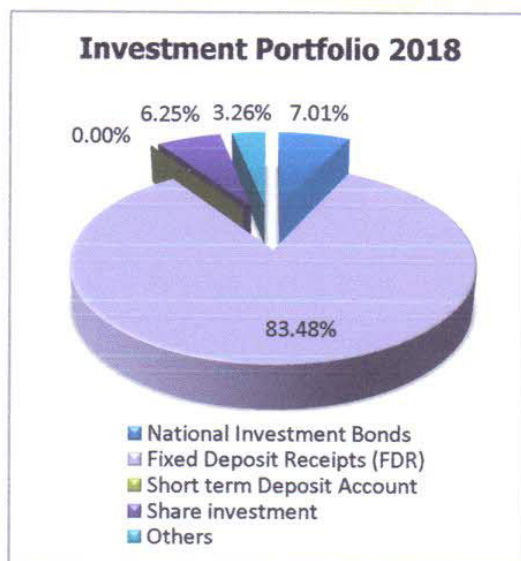
**Exhibit 10: Investment performance: Paramount Insurance Company Limited**

FYE: December	2018*	2017	2016	2015	2014
Investment Income /Total Income (%)	54.56	33.65	45.52	42.44	49.86
Yield on Investment (%)	3.25	6.13	6.78	8.73	9.11
Required Investment (BDT in millions)	109.03	125.27	109.14	81.43	105.34
Actual Investment (BDT in millions)	356.48	347.81	330.58	295.47	299.36
Solvency Ratio	3.27	2.78	3.03	3.63	2.84

FY2014-FY2017 data extracted from audit report

\*FY2018 data extracted from half yearly management report

In pursuit of higher yield the company has made some changes in its investment portfolio. The company has decreased balance of its short term deposit account and has increased exposure in share investment. The deposit rate has farther dipped in FY 2017 which has adversely affected the investment yield. A new investment committee has been formed to oversee the investment decisions. The solvency margin indicates that the company has maintained adequate investment as the solvency ratio stood at 2.78 times in FY 2017 and 3.27 times in FY 2018.





## D.5.Liquidity and Cash Flow Analysis

**Exhibit 11:** Selected Indicators: Paramount Insurance Company Limited

FYE: December	2018*	2017	2016	2015	2014
Current Ratio (Times)	2.44	2.15	2.52	3.02	2.03
Current Asset/ Net Claim (Times)	18.89	20.72	31.86	(49.38)	58.60
Cash & Bank Balance/ Total Assets (%)	46.57	46.58	51.38	52.88	48.66
CFO (BDT in millions)	8.06	31.21	76.21	18.52	32.98
Operating cash flow/ Net claim paid out(x)	0.76	2.44	4.96	0.80	(3.91)
Total Cash flows (BDT in millions)	5.17	17.26	3.69	18.07	32.83
Closing Cash & Bank Balance (BDT in millions)	312.19	307.02	289.76	286.07	267.99

FY2014-FY2017 data extracted from audit report

\*FY2018 data extracted from half yearly management report

As per financials the capacity of the company's current asset to meet its current obligation dropped to 2.15 times from 2.52 times in the preceding year however its capability to meet its net claims improved rapidly than FY 2017. Major portion of current assets represents FDR investment. Even though gross premium and net premium has increased the cash premium collection has decreased which has placed an adverse impact on operating cash flow and the CFO has decreased from BDT 76.21 million to BDT 31.21 million.

## Capital Adequacy and Reserve Adequacy

**Exhibit 12:** Equity position and its composition (Amount BDT in Millions)

FYE: December	2018*	2017	2016	2015	2014
Authorized Capital	600.00	600.00	600.00	600.00	600.00
Paid Up Capital	287.65	287.65	266.34	242.13	220.11
Reserve for Exceptional Losses	99.21	93.33	81.64	76.64	66.64
Retained Earnings	35.36	29.75	27.02	27.87	24.16
Investment Fluctuation Reserve	-	-	2.26	1.84	1.03
Shareholders' equity	425.58	414.09	378.22	351.14	313.91
Capital Maintenance Ratio (%)	72.64	72.45	66.92	60.68	55.03
Equity on Total Assets (%)	82.09	99.42	95.56	115.46	111.16
Reserve for Exceptional Losses/ Net Premium (%)	10.00	10.00	5.08	12.92	14.62
Reserve for Exceptional Losses/ Net Claim (%)	28.86	78.61	54.85	(172.18)	217.97

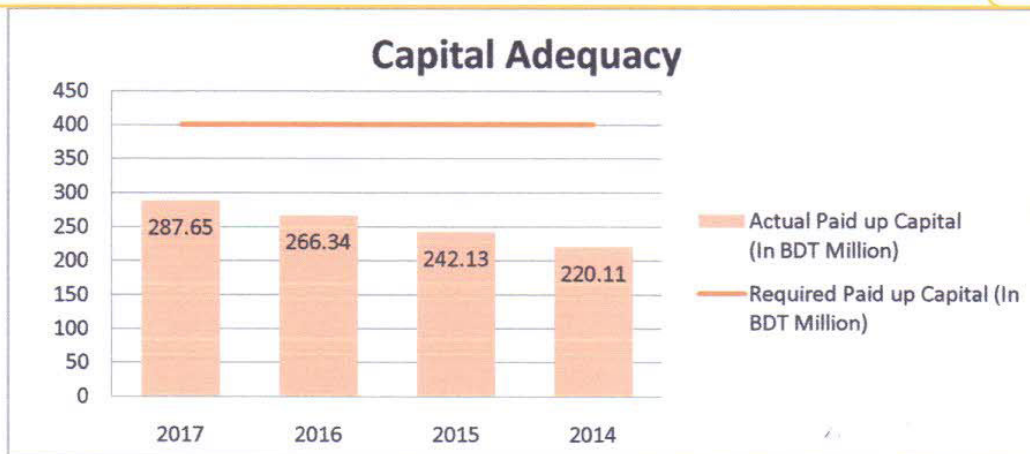
FY2014-FY2017 data extracted from audit report

\*FY2018 data extracted from half yearly management report

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 2017 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 2016 it was kept as a lump sum basis now the company is keeping 10.00% of the net premium. The company has maintained 78.61% 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 2017 PICL reported a paid up capital of BDT 287.65 million which is approximately 8.00% higher than the capital of BDT 266.34 million reported in the previous year and as on November 12, 2017 the paid up capital increased to BDT 287.65 million representing a growth rate of 8%. Although PICL's paid up capital is maintaining a consistent growth rate, this is still lower than the regulatory requirement. This had a direct impact on the capital maintenance ratio which increased to 72.45% from 66.92%. 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 fulfill this as early as possible. From the table below it can be seen that PICL is lagging behind its required capital adequacy limit.



#### D.5. 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.6. 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 percent of a company's reinsurance business must be placed with the SBC and remaining fifty percent may be reinsured either with SBC or with any other insurer in Bangladesh or abroad.

PICL's main 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 2018/19 retention limit is BDT 15.00 million. Treaty limits on surplus is BDT 450.00 million (line limit 30).
- 2. Marine Cargo Business Account (Surplus Treaty):** For the year 2018/19 retention limit is BDT 2.50 million. Treaty limits on surplus is BDT 75.00 million (line limit 30)
- 3. Motor Business Account (XL Treaty):** For the year 2018/19 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. Engineering Surplus Treaty:** For the year 2018/19 maximum amount protected by SBC BDT 5.00 million. Treaty limits on surplus is BDT 45.00 million (line limit 25).
- 5. Miscellaneous Business Account (Accident Surplus Treaty):** For the year 2018/19 in this segment of insurance, retention and treaty limit are allocated based on (a) all classes (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 percent of the re-insurable non-life (general) insurance business are required to be re-insured with the SBC and the remaining fifty percent 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 13:** Class-wise Risk Retention ratio of Paramount Insurance Company Limited

FYE: December	2018*	2017	2016	2015	2014
Risk Retention Ratio (Combined)(%)	54.53	60.26	56.44	54.43	50.01
Fire Insurance Business A/c (%)	50.13	58.31	54.18	44.43	23.67
Marine Insurance Business A/c (%)	58.83	60.12	56.55	54.65	62.18
Motor insurance Business A/C (%)	98.10	99.62	99.13	98.00	95.29
Miscellaneous Insurance Business A/C (%)	23.85	22.51	25.03	29.05	25.73

FY2014-FY2017 data extracted from audit report

\*FY2018 data extracted from half yearly management report

The risk retention ratio is the representation of the amount of risk an insurer retains to itself while reinsuring the rest. In other words it is the true representation of the approach of the organizations management teams in running the business and managing its risk. Usually high retention level signals inadequate reinsurance while low ratio hampers profitability. Risk retention of the entity was high in motor class of business which was in line with industry scenario. In FY 2017 risk retention of the company increased by 3.82% to 60.26%.

## MANAGEMENT AND OTHER QUALITATIVE FACTORS

### E.1. Governance

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

#### E.1.1. Corporate Governance

Corporate governance is such a system of governance in which organizations are run, managed and controlled with fairness, transparency, accountability and responsibility. The prime focus of the corporate governance is the protection of the interest of the shareholders, policy holders and all the stakeholders which promotes confidence in the insurance industry. 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. 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 Atik Khaled Chowdhury Chartered Accountants as their compliance auditor to perform the compliance audit. As on May 16, 2018 the compliance auditor has certified that the company has complied with the conditions of corporate governance stipulated by BSEC's notification dated 7<sup>th</sup> August 2012.

#### 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 time 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 31.64 million as on June 30, 2018. As per following graph directors of Paramount Insurance Company are holding 42.41 shares of the company and Financial & Other Institutions (including ICB) & General Public holding 20.22% and 37.37% 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 ensures that the company achieves the superior financial result and stewards its leadership position in the industry. The board of directors is engaged in addressing major policy, regulatory and strategic issue and providing proper guidelines, monitoring financial performance, monitoring operations of internal control, approval of annual budget, major capital expenditure, evaluation financial performance, approval of audit report, appointment and evaluation of Chief Executive Officer and Senior Management team, delegation to board committee and management of financial and operational authorities and periodic and timely reporting to shareholders about the affairs and performance of the company. PICL has ten members on its board and name of the members of the board are mentioned below:

**Exhibit 14:** Board of Directors

Board Members	Position
Mr. Nawaz Ahmed	Chairman
Mrs. Anita Haque	Vice Chairman
Mr. Ashit Kumar Das	Director
Mrs. Anita 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 is a well-structured insurance company organized to respond rapidly to customer's requirements. The core management team 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. Head of the corporate management team is the Managing Director & Chief Executive Officer Mr. Bayazid Muztaba Siddiqui is the head of the corporate management having more than 30 years of experience in the non-life (general) insurance companies. He has wide experience in underwriting, reinsurance, claims, HRD, marketing & corporate affairs by serving in BGIC, Janata Insurance, Northern General Insurance, Islami Insurance, Prime Insurance and Dhaka Insurance in senior positions. In order to develop skill in ICT and share his knowledge, he was associated with a group of software professionals that developed a complete insurance software IIBS (Insurance Integrated Business Solution Software) for all non-life insurance companies. Mr. Siddiqui is well known as skilled, dynamic and amiable insurance personality.

#### E.1.4.a. Management Team

All of the members of management team have more than five to thirty years of experience in the same line of industry in various companies as well as this company. Detail management information listed in the corporate information page. Managing Director and Chief Executive Officer, Mr. Bayazid Muztaba Siddiqui 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, 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. Md. Sarwar Khan, 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. Executive Director of Claim Committee, Mr. Mohammad Imrul Hasan Khan who has more than 25 years of job experience in leading General Insurance Companies. Company Secretary and General Manager, Mrs. Zharna Parul 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. Chief Financial Officer and General Manager, Mr. Md. Arif Hossain is a part qualified cost and management accountant from ICMA (completed 1900 marks out of 2000 marks) & MBS in Economics from Jagannath University. Mr. Ather Ali Khan, Corporate Marketing Director has been associated with PICL since 2005. He is looking after the corporate marketing of the company.

### 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 Executive Committee, Finance Committee, Audit Committee and Claim Committee.

**Executive Committee:** Executive committee acts as a bridge between the board of directors and executives so that the Board can take decision and also can play an effective role in establishing an efficient, strong and secured business environment system. 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.

**Audit Committee:** The role of the Audit committee is to provide independent oversight of the company's financial reporting process, monitoring choice of accounting policies and principles, internal control systems and compliance to governing rules etc. The audit committee has been formed with two members 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.

**Claim Committee:** Claim is the most important factor for an insurance company. 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.

**Investment Committee:** Paramount Insurance Company Limited has recently formed the investment committee headed by Managing Director & CEO Mr. Bayazid Muztaba Siddiqui along with Mr. Md Sajjad Yahya, Mr. Mohammad Arif Hossain and Mrs. Zahanara 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.

### E.1.4.b. Underwriting Team

The team is responsible for dealing all the issues regarding the underwriting of the risk of specific policyholders. 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.



## E.2. Human Resource Management

Non-life (general) insurance Company's success depends on its right, professional skilled human resource towards better service and revenue increase. PICL is practicing proper HR functions through Human resource planning, recruitment, selection, training & development. PICL knows 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 company nominates its employees in training programs to improve their performance conducted by Bangladesh Insurance Academy (BIA), insurance firm & others. It has been ensured that most of the Departmental In-charges received training in different stages.

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 to 209 as on June 2018 from 135 of previous financial year.

### IT & Management Information System (MIS)

PICL's MIS and regulatory reports are based on integrated web based software, front end-oracle developer and back end-oracle data base. This provides core functionality for sending and receiving data as well as monitoring, logging, error handling, re-processing and data life cycle management. All the ten branches are connected with this integrated software. Many of PICL's competitors are yet to implement this integrated web based software and this is an advantage of PICL over its competitors.

### Declaration

The company has given a declaration that it does not have liability obligations with any Bank and financial institution till 30<sup>th</sup> June, 2018.

## E. CORPORATE INFORMATION

### F.1. Management Team

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





## F.2. Shareholding Position

Sl No	Shareholders	Designation	No. of Shares	%
1	Mr. Nawaz Ahmed	Chairman & Sponsor Director	575,928	2.00
2	Mr. Ashit Kumar Das	Sponsor Director	1,917,631	6.67
3	Mrs. Anita Haque	Sponsor Director & Vice Chairman	585,590	2.03
4	Mrs. Anita Das	Sponsor Director	585,590	2.03
5	Mr. Ashok Kumar Das	Sponsor Director	1,917,631	6.67
6	Mr. Md. Parvez Ahmed	Shareholder Director	55,608	0.19
7	Mrs. Munira Sheemu	Shareholder Director	1,404	0.00
8	Mr. Sandip Das	Shareholder Director	50,807	0.18
9	Mr. Shakhawat Hossain	Sponsor	1,917,631	6.67
10	Mr. Alock Kumar Das	Sponsor	1,917,631	6.67
11	Mrs. Kamrun Nahar	Sponsor	1,342,340	4.67
12	Mr. Atiqul Haque	Sponsor	958,815	3.33
13	Mr. Mritunjay Kumar Saha, FCMA	Sponsor	479,406	1.67
	Total Sponsor		12,306,012	42.78
	Public	Shareholder		36.98
	Institutional Shareholder	Shareholder		20.24
	<b>Grand Total</b>			<b>100.00</b>

\* As per Annual Report of December 2017

## 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](http://www.paramountgroupbd.com/insurance)  
Telephone : 880-2-55049824 – 30; **Fax:** 880-2-55049823;  
E-mail : [picl@paramountgroupbd.com](mailto:picl@paramountgroupbd.com)  
Statutory Auditor : Shiraz Khan Basak & Co. Chartered Accountants  
Compliance Auditor : Atik Khaled Chowdhury, FCA  
Re-Insurer : Sadharan Bima Corporation  
Address : 33, Dilkusha C/A, Dhaka-1000  
E-mail : [head-office@sbc.gov.bd](mailto:head-office@sbc.gov.bd)



## 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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