

AlphaRating

Pioneer Insurance Company Limited

(Rangs Babylonia (5th Floor), 246, Bir Uttam Mir Shawkat Sarak, Tejgaon, Dhaka-1208)

(Non-Life Insurance)

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14 December, 2017

Managing Director
Pioneer Insurance Company Limited
Rangs Babylonia (5th Floor), 246, Bir Uttam Mir Shawkat Sarak
Tejgaon, Dhaka-1208.

Subject: Credit Rating of Pioneer Insurance Company Limited.

Dear Sir,

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

Date of Declaration	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
14 December, 2017	13 December, 2018	Surveillance	AAA	ST- 1	Stable

The Short-term and Long-term rating is valid up to the earlier of 13 December, 2018. The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

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

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

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

With Kind Regards,



Muhammed Asadullah
Managing Director & CEO

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

Pioneer Insurance Company Limited**AAA Long Term Rating ST-1 Short Term Rating Stable Outlook****Date of Declaration 14 December, 2017****Valid Till 13 December, 2018****Rating Action Surveillance**

Business Risk High	Liquidity Good	Profitability Good	Solvency Score Moderate	Capital Adequacy Excellent	Sector Non-life
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Pioneer Insurance Company Limited is a leading non-life insurer of the country, operating with experienced management team, prompt claim payment & good compliance practice.

Previous RatingLong Term Rating: **AAA**Short Term Rating: **AR- 1**Outlook: **Stable**Date of Declaration: **15 December, 2016**Valid Till: **14 December, 2017****Contact Analysts**Md. O. A. Kibria Kamal
kibria@alpharating.com.bdIifa Mustafa
ifa@alpharating.com.bd**Contents**

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Date of Incorporation:

25, March, 1996

DSE & CSE Listing: 23 July, 2001**Board Chairman:**

Mr. Tapan Chowdhury

Managing Director & CEO:

Md. Manirul Islam

Total Asset: BDT 3,164.54 million

(As on 31.12.2016)

Authorized Capital:

BDT 1, 00.00 million

(As on 31.12.2016)

Paid up Capital:

BDT 699.81 million

(As on 31.12.2016)

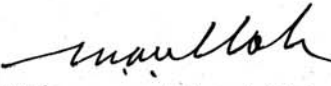
Rationale

AlphaRating reaffirms long term rating of "AAA" (pronounced as "Triple A") and assigns short term rating "ST-1" on claim paying ability (CPA) of Pioneer Insurance Company Limited (Hereinafter referred to as 'PICL' or 'the company'). The rating continues to draw comfort from experienced management team along with its smart investment portfolio.

The assigned rating is also supported by adequate capital & reserve for un-expired risk, improved solvency position, expanding business volume, and improving claim-paying ability. The rating is supported by higher gross & net premium in FY 2016, good claim settlement period, and stronger balance sheet with no debt along with standard investment policy and wide branch network etc.

Sound profitability, increased investment, Sound liquidity, good solvency score, strong capital base reinsurance practice and consistent dividend payment also support the strength of the rating. Along with this the company has excess management expenses to spend in FY2016.

PICL should place more attention to the following areas for further improvement in dynamic portfolio management with the changing market scenario, & underwriting profitability specially fire and marine, maintaining policy Holders Protection Fund, controlling loss ratio & combined ratio etc. Proper market analysis could have protected the company from suffering fall in total income.


Muhammed Asadullah
 Managing Director & CEO
 Alpha Credit Rating Limited

	2016	2015	2014
ROA (%)	8	10	12
Net Profit (%)	24	26%	28%
Current Ratio(x)	3.10	3.39	2.68
Solvency ratio(x)	5.73	5.58	4.59
Net premium	1,066.00	1031.90	998.28
Net Claim	421.78	392.62	341.76
Investment	1845.50	1668.94	1327.21
Underwriting Income	198.16	208.48	227.53
Investment Income	108.47	112.60	104.52
Excess of Mgt. Exp.	(22.08)	19.58	3.36
Operating Cash Flow	49.25	16.40	261.16
Fixed Deposit	760.67	825.59	810.04
Dividend	15%	25%	30%

The strength of the rating is partly offset by dearth of qualified professionals in insurance industry of Bangladesh as a whole. The rating has also been constrained by the uncertain economic environment as well as the level of maturity of the domestic insurance market.

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

Company Profile

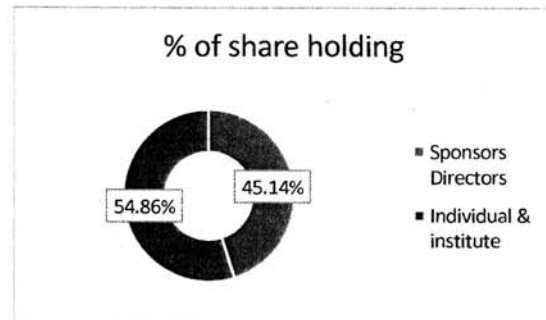
Pioneer Insurance Company Limited is a second generation private sector Non-life insurer in Bangladesh. The company is a public limited company by shares and operating successfully in both the stock exchanges of the country. The company carries its insurance activities through head office along with 41 branches spread across the country covering major financial centers of Dhaka, Chittagong, Khulna, Sylhet, Barisal, Rangpur & Rajshahi Division with the assistance of more than 533 employees. The company has issued 15% cash dividend in FY2016.

In terms of Gross Premium, during 2015 the company occupied 8.65% of the market share (considering SBC).

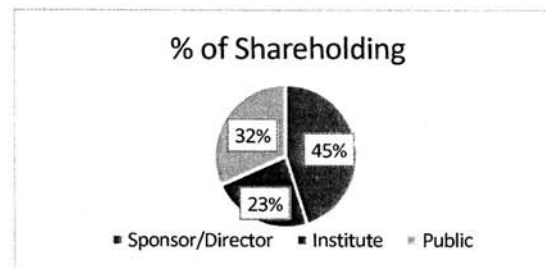
PICL is active member of capital market having BDT 2085.423 million market capitalization on 14 November, 2017. According to DSE, market share of the company is categorized as "A".

Ownership Pattern

The shareholding pattern of the company on 31 December, 2016 is presented below:



However, Shareholding position of PICL on June 2016 changed with a slight shift to sponsor/director & general public to institute holding. However, shareholding position of PICL as on June 2016 as follows:



Bangladesh Non-life Insurance Market Composition & PICL's Share

The non-life insurance industry of Bangladesh is blessed by 46 companies including the government owned Sadharan Bima Corporation whereas no single insurer holds large market share. Due to the unavailability of industry data, AlphaRating could not determine the market share of PICL in FY 2016. However, the non-life insurance industry of Bangladesh has reported a gross premium of BDT 26,380.95 million in 2015 (including SBC) whereas PICL reported gross premium of BDT 2,280.72 million which represents 8.65% of the total market share in that financial year.

Principal Product

In FY 2016, the company continued to offer its products through a mix of distribution channels comprising of agents and direct sales team. The company has presence in 22 districts with 41 branches.

1. Fire Insurance:

1. Fire and Allied Perils
2. Household Insurance
3. Hotel Owners All Risks insurance
4. Insurance of Consequential Loss
5. Industrial All Risk Insurance

4. Aviation Insurance

1. Hull Insurance
2. Liability Insurance
3. Crew Personal Accident
4. WAR Insurance
5. Deductible Insurance
6. Loss of License Insurance

5. Engineering Insurance

1. Contractors' All Risks Insurance
2. Erection All Risks Insurance
3. Machinery Loss of Profit Insurance (MLOPI)
4. Deterioration of Stock Insurance
5. Power Plant Insurance
6. Lift, Escalator & Hoisting Equipment Insurance
7. Contractors Plant & Machinery Insurance (CPM)
8. Machinery Insurance (MB)
9. Electronic Equipment Insurance
10. Energy Risks Insurance (Offshore & Onshore)
11. Boiler & pressure Vessels Insurance

2. Marine Insurance:

1. Marine Cargo
2. Marine Hull
3. Marine Freight

3. Motor Insurance:

1. Comprehensive
2. Act Only Liability
3. Increased Liability

6. Miscellaneous Insurance

1. All Risks Insurance
2. Cash/ Property in Premises
3. Money/ Cash in Transit Insurance
4. Cash in ATM Insurance
5. Burglary Insurance
6. General/ Public Liability Insurance
7. Employers Liability Insurance
8. Products Liability Insurance
9. Professional Indemnity Insurance
10. Directors & Officers Liability Insurance
11. Personal Accident Insurance
12. People's Personal Accident Insurance
13. Overseas Mediclaim Insurance
14. Cellular Mobile Phone Insurance
15. Fidelity Guarantee Insurance
16. Hold in One Golf Tournament Insurance
17. Neon Sign Insurance
18. Plate Glass Insurance
19. Rubber Plantation Insurance
20. Lockers Insurance
21. Group Hospitalization Plan Insurance
22. Abandonment of Cricket Match Insurance
23. Air Travel Insurance
24. Credit Card Holder Insurance
25. Poultry Insurance
26. Safe Deposit box (Bank Lockers)

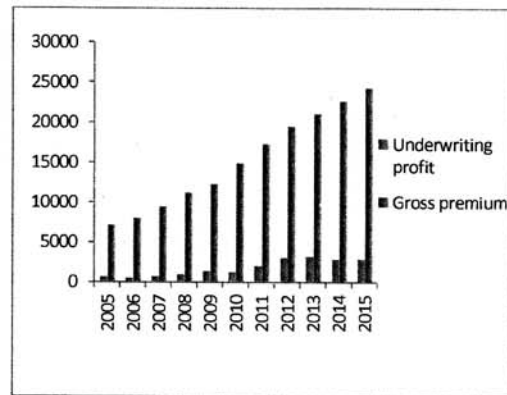
Sector-wise Gross Premium

Class	Gross Premium as on 31-12-16 (BDT in Millions)	Percentage (%)	Gross Premium as on 31-12-15 (BDT in Millions)	Percentage (%)
Fire	1161.91	46.40	1027.22	44.98
Marine	788.59	31.49	744.49	32.60
Motor	308.01	12.30	302.35	13.24
Misc.	245.85	9.81	209.48	9.17
Total	2504.36	100	2,283.54	100

Industry Overview

At present, 45 Non-Life & 31 Life Insurance Company are spreading its operation in Bangladesh. The companies are leading by state owned Corporation Sadharan Bima Corporation & Jibon Bima Corporation respectively. During FY 2015 Government allowed one International Life Insurance Company to operate in the private sector named Life Insurance Corporation (LIC). Combine premium income of both sector is BDT 108,074.08 million (including JBC & SBC, ref: insurance year book-2015). Sectorial share of insurance industry to the GDP at current prices is 0.38% whereas 0.41% in 2016 found in the statistics, Bangladesh for the year 2015. Insurance Penetration rate in Bangladesh is less than 1% since last consecutive consequence year. In spite of the stable growth rate (around 10%) of the Bangladesh insurance industry in the last few years, expansion of the insurance business, particularly the non-life sector, has experienced a downward trend in the year 2015 because of poor investment & slowdown of economic activities led by the political unrest in that particular year. The experts have fear of that the industry was likely to have the similar experience in 2016. In Bangladesh the marine insurance is considered to be the life guard for the non-life insurance business at this moment. Marine insurance completely depends on imports which were continuously being disturbed by the agent commission related matters however the market is expected to improve in 2016. In the global insurance market, Bangladesh has seen a significant growth over the last few years. The market has immense potential for future expansion and this expansion and increase of insurance penetration lies in personal lines business such as health insurance, micro insurance. The growth of the country's economy, in line with the growth of South Asian countries will also provide an impetus to the insurance sector by creating new business opportunities. Overall growth of non-life insurance gross premium income was 7.80% in 2015 (excluding SBC). Total market condition remained same in FY 2015. The insurance growth rate has been at almost double digit over the years, but this growth somewhat slowed down during the last two years.

Comparative figure of gross premium & underwriting profit on non-life insurance is pictured below:

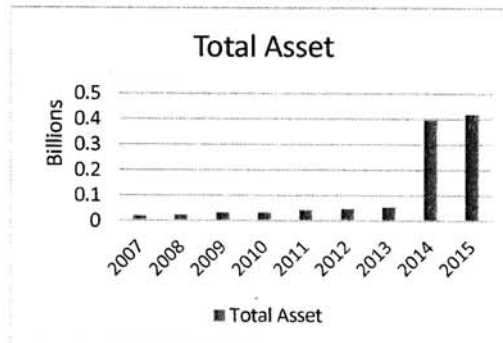


Source: Bangladesh Insurance Association

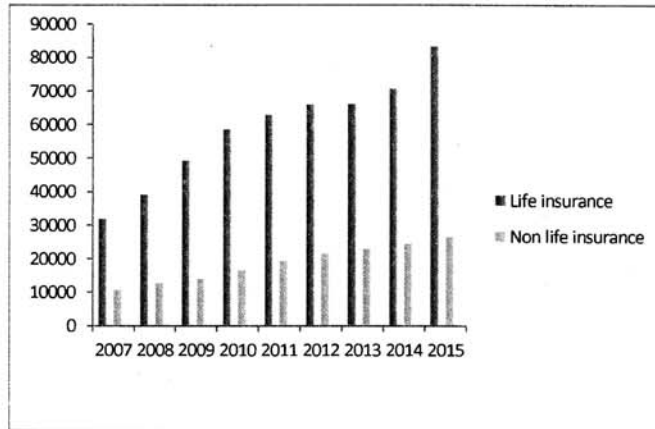
The insurance market in Bangladesh remains fragmented and extremely competitive due to existence of a large number of companies.

Based on Gross Premium, the largest private sector non-life insurance company is Green Delta Insurance Co. Ltd. with 12.40% market share in FY 2015 and Pioneer Insurance Co. Ltd. is the second largest private sector non-life insurance company with 9.38% market share (excluding SBC, ref: insurance year book-2015).

Total asset of the insurance companies has been increasing over the years. Total assets of both sector has been increased by BDT 21,587 million in FY 2015.



However, the prospect of insurance business is very positive in Bangladesh, a comparative figure of Life & Non-life insurance business has been given below:



The key drivers for growth of insurance, namely economic growth, per capital income growth, investment in infrastructure, growing population, segment of young group, existence of compulsory insurance requirement, regulatory environment-all exist, but need to be strengthened. It is evident that large segments of the population and insurable interests have not been brought under insurance coverage.

However, considering what is happening in outside world, especially in other similar or neighboring countries, our insurance industry still need to go a long way. Governance model is weak, product base is shallow, risk taking ability is low due to low capital base and premium income is low with low market penetration. The further progress of Bangladesh Insurance Industry predominantly depends on how the consumer's perception of insurance as a useful & efficient vehicle of risk transfer can be bolstered. This can be achieved through sustained efforts of the industry as well as regulators by holding public conference, introducing new products & by rationalizing the pricing mechanism.

Business Risk Analysis

Business Risk

PICL controls its business risks arising from different types of underwriting policies, underwriting professionals at branch level with the help of guideline of IDRA. The company has decentralized its underwriting functions and delegated powers to its zonal offices and branches for rendering prompt, efficient and effective services to the clients. Risks involved with policies are assessed by underwriting officers of the respective branch for underwriting policies up to a specific limit of sum insured, beyond which risk assessment of different policies are done by internal Risk Inspection Team. It has been found that PICL handles its business risks arising from different types of underwriting policies, underwriting professionals at branch level by providing them specific instruction and guidelines from the Head Office over the period of time. The company has decentralized its underwriting functions and delegated powers to its zonal offices and branches for rendering prompt, efficient and effective services to the clients. Risks involved with policies are assessed by underwriting officers of the respective branch for underwriting policies up to a specific limit of sum insured, beyond which risk assessment of different policies are done by internal Risk Inspection Team.

It has been noted that the company always concentrate on fire insurance business in terms of gross premium. In FY 2016 gross premium received from fire business represented 46.40% of total gross premium whereas in FY 2015 it was 44.98% of total gross premium. Another significant business sector is marine insurance, which represented 31.49% of total gross premium while motor & miscellaneous insurance held only 12.30% & 9.81% of total gross premium whereas in FY2015 it was 32.60% (marine), 13.24% (motor), 9.17% (Misc.) of total gross premium respectively. However, it was also noted that, marine & motor insurance was the most profitable sector of the company for the last three financial years, whereas loss from fire insurance has been increasing over the years. The company should focus on generating more underwriting profit to offset the business risk to some extent.

Internal Control Risk

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

PICL has a separate audit department that assist in maintaining financial discipline and management of the company. Audit committee is consisted with 3 directors. This internal audit department is responsible for examination and review of the balance sheet along with financial statement of the company submitted by its auditor. It monitors compliance issue of day to day activities. The company maintains central compliance unit with 3 members to chase the compliance issues. The main purpose is to look at the compliance issues as per the provisions of the Insurance Act, directives of the Board and Managing Director.

Socio-political-economic Risks

Political instability is a major problem in Bangladesh. The risk arises out of changes in the country's political, social and economic environment which negatively impacts on the overall employment, savings and thus investment of the country. For the instability in politics, many disruptive situations are often created which have negative impact on every business. The people who operate various types of businesses in our country, often experience inconvenience in running their business. This crisis on political platform affects the overall employment, savings and thus investment of the country.

Insurance business is not an exception of this. Political instability and inconsistency of politics have negative impact on overall policy collection of the company and number of claim against policies. The company has cautious approach to deal with such risks.

Interest Rate Risk

Interest risk arises out of investment decisions and acceptance of high exposures in any one type of investment instrument. Volatility of money market has also great influence over the interest rate structure of fund held by PICL. Interest Income of PICL is a significant portion of total income. This income from fixed and other deposit may fall with the reduction of interest rate of commercial bank. It has been observed in 2016 that PICL moved 8% of its investment in FDR to alternative investment but the interest income has fallen by almost 21% which is obviously due to fall in market interest rate. This fall in interest rate ultimately resulted a fall in the total income. Proper market analysis could have protected the company from suffering fall in total income.

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

Liquidity Risk

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

However, PICL sets limit on the minimum portion of maturing funds available to meet such calls to cover claims at unexpected levels of demand. Moreover, company's FDR with bank has observed to decrease in FY 2016.

Competition in the Market

At present, there are 46 non-life insurance companies (including SBC) in Bangladesh and all of them are active in the industry and responsible of total gross premium of BDT 26,380.95 million including SBC & without SBC it was BDT 24,307.85 million (ref: Insurance year book-2015). Considering the gross premium received, PICL is representing 8.65% market share. Whereas other market giant like Green Delta Insurance Co. Ltd., Pragoti Insurance Ltd. & Reliance Insurance Ltd. hold 11.42%, 5.73% & 8.60% of market share, respectively considering SBC.

As a result, an intense competition exists between big industry players. To be competitive in the market, PICL needs to be more focused to develop new products and offer excellent clientele service. Moreover, the company also needs to expand its market otherwise the competitors may take over its business. It is observed that PICL has lost 0.08% market share in 2015 comparing to 8.73% in 2014

Human Resource

Human resource risk arises in many forms. Not having the right person in place and with required skills needed to compete is two of those risks. Companies with an ageing workforce are even at more risk.

It is noted that, insurance industry of Bangladesh needs to transform. Lack of frequent training from developed nations' results into information gap and under development of the sector.

PICL holds 8.65% of total market share & is continuously trying to retain to hold the position. Recruitment of energetic, qualified professionals is expected to gear up the business.

Insurance/Actuarial Risk

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

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

Regulatory Risk

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

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

In accordance with the Insurance Act 2010, PICL has increased its paid up capital. Experienced board committee especially audit committee of PICL is acting in accordance with the guidelines provided in the notification dated 7th August, 2012 of BSEC and ensuring all relevant requirements for the company. But PICL is not maintaining any "Policy Holders Protection Fund" till FY2016.



Financial Risk Analysis

Underwriting Process & Quality

Underwriting profit is the major source of income of PICL. Underwriting performance is measured by combined ratio which consists of loss & expense ratio. Loss ratio of the company has increased mainly due to increase in net claim paid in FY 2016 (increased by 7.42% in FY 2016 from that of FY 2015).

However, expense ratio of the company has dropped slightly mainly due to good control over management expenses along with the net premium in that financial year. In culmination, combined ratio in 2016 of the company is almost similar to the last year due to improvement in expenses ratio in that financial year.

However, combined ratio of less than 100% indicates an underwriting profit. The ratio was reported 105% in FY 2016 which is well above the 100% threshold. The company should focus on controlling its unallocated management expense in future years for better underwriting performance.

However, if we consider commission on reinsurance ceded along with net premium, the company shows further improvement in underwriting performance. Along with this combined ratio of the company stays below 100% in all four years.

Selected Indicators:

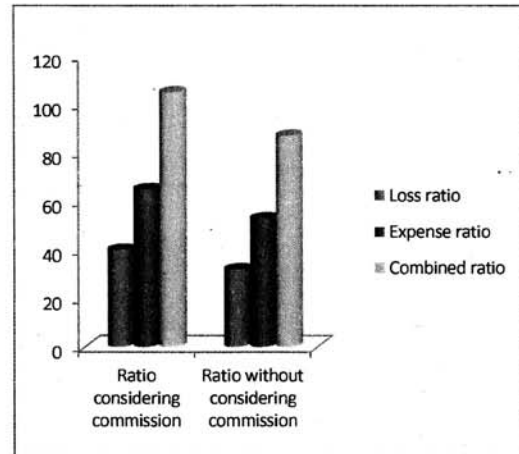
(Without considering commission on reinsurance ceded)

	Year Ended Dec. 31				
	2016	2015	2014	2013	2012
Loss ratio (%)	40	38	34	32	25
Expense ratio (%)	65	67	63	62	68
Combined ratio (%)	105	105	97	94	93

Selected Indicators:

(After considering commission on reinsurance ceded)

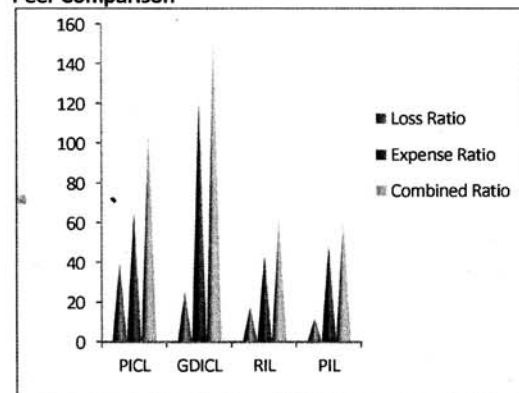
	Year Ended Dec. 31				
	2016	2015	2014	2013	2012
Loss ratio (%)	32	31	28	26	20
Expense ratio (%)	53	55	51	51	56
Combined ratio (%)	85	87	79	77	76



Peer Group Analysis

Peer group analysis, a logical method to compare financial performance of a company with their competitors. AlphaRating has considered this while analyzing the underwriting performance of PICL. If we compare peer group performance with that of PICL in FY 2016, it is noticed that the performance of the company is better than Green Delta Insurance but not like RIL and PRICL which means there is a scope for improvement in this area.

Peer Comparison



PIL= Pioneer Insurance Limited

GDICL= Green Delta Insurance Company Limited

RIL= Reliance Insurance Limited

PICL= Pragati Insurance Limited

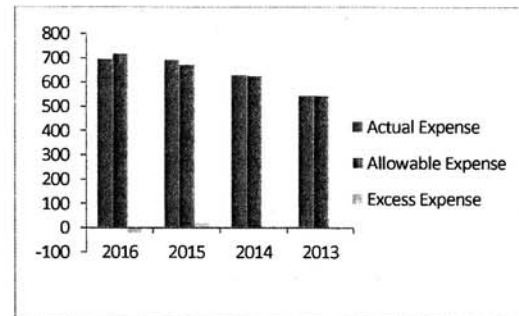


Management Expense

As per Insurance Act 2010, non-life insurance companies are required to calculate the allowable management expenses as per the given guideline and maintain its actual management expenses within the limit. Performance of PICL has been improved in respect of management expense in FY 2016. The company ensured good control over management expense by keeping actual management expense below the allowable management expense. Total actual management expense was BDT 694.75 million in FY 2016 against allowable expenses of BDT 716.83 million which is 96.92% of allowable limit. Gross premium has increased by 1.09% in FY 2016 from that of FY 2015. Further analysis of expense schedules revealed that actual expense of the company has been increasing since 2012. One of the main indicators of such increase is agency commission which has increased by 7% in FY 2016. According to IDRA, agency commission needs to be confined to 15% of its gross premium of all classes of insurance. Further analysis revealed that operating expenses has decreased by 11.49% in FY 2016 compared to FY 2015. It has also been noted that, gross premium & net premium of the company has been increasing over the last four financial years & the company has efficient control over the management expenses compare to its underwriting income.

Selected Indicators

	Year Ended Dec. 31				
BDT in millions	2016	2015	2014	2013	2012
Actual management expense	694.75	690.60	628.64	543.42	540.57
Allowable management expense	716.83	671.02	625.29	544.01	513.78
Excess management expense	(22.08)	19.58	3.35	(0.59)	26.79
Actual Mgt Exp. as % of allowable exp.	96.92	102.92	100.54	99.89	105.22



Claim Management

In FY 2016 total amount of new claims were initiated BDT 1,955.91 million which was BDT 1,379.63 million higher than previous year. Along with that total amount of claim settlement has increased as well in FY 2016 and stood at BDT 809.26 million which is BDT 366.13 million higher than previous year. Out of 1355 claim initiation, 1083 claims have been settled in FY 2016. If we consider the number of claim initiation that has been increased by only 1.02% (1355 to 1334) in FY 2016. Its expertise in Marine Cargo and Motor business segment helped to keep its overall claim experience better than similar sized peers. It has also noted that, there was no claims repudiated in FY 2016 which states company's loyalty towards their policy holder. The company should be more focused on settling newly initiated claims which will increase reputation of the company as well as the company should place more focused on spreading its operation & improving its premium collection to maintain its market competitiveness.

Selected Indicators

	Year Ended Dec. 31				
BDT in millions	2016	2015	2014	2013	2012
Claim Initiated	1,955.91	576.28	1,048.53	2,415.88	820.06
Claim Settled	809.26	443.13	458.23	2,014.09	571.27
Claim Repudiated	-	-	5.69	9.90	3.89
Number of claim Initiated	1355	1,334	1,292	1,275	1,071
Number of claim Settled	1083	1,263	1,208	1,267	1,064
Number of claim Repudiated	-	-	10	8	7

However, it has been observed that PICL's average claim settlement period is in between 25 days for last 3 years, which can bring positive campaign for the company.

Average Claim Settlement Periods

In days	2016	2015	2014
Motor	07	06	06
Marine	13	12	13
Fire	25	25	27
Miscellaneous	24	23	24

Profitability

The PICL earns profit from investment & underwriting business. Profitability position of the company has been showing decreasing trend for last five years. PICL earns profit from different sources including interest income & underwriting profit. It has been observed that the overall underwriting profit has been decreased by 4.94% and stood at BDT 198.16 million in 2016. Scrutiny has revealed that motor insurance is the most profitable sector of the company's underwriting business and gradually increasing for last five years. Marine insurance is another source of underwriting surplus and represents BDT 84.13 million in FY 2016, which is 51.03% than that of last year. We also observed drastic fall in underwriting surplus from marine insurance since 2013. This decrease is the result of both fall in premium income and rise in the claim under policy less re-insurance. So in-order to maintain the profitability PICL should be more professional in issuing new policies.

PICL is experiencing underwriting loss in fire insurance in all of the last five years which is BDT (58.48) million in 2016. Although this loss position has been improved in 2016 than that of 2015, still it is almost 21% higher than that of 2014 & 2013. However miscellaneous insurance also dropped by 44% in 2016 than that of 2015 though a fluctuating trend of loss and profit is observed in this sector since 2012.

In light of the above analysis it is very clear that the overall underwriting performance of PICL has been deteriorated in 2016 in all respect other than motor insurance. The main concern is this fall in the underwriting performance is not standalone scenario of 2016 rather it seems a continuous trend since 2013 which has been reflected in the declining trend of net profit after tax since 2013. Similar trend has also been observed in invest income as well. PICL should focus on improving both invest income and underwriting income to keep their position at sustainable level and to cope with growing competition.

Although PICL shown remarkable performance in controlling overall cost, but still only cost minimization cannot help PICL to maintain its profitability while revenue generation is under challenge.

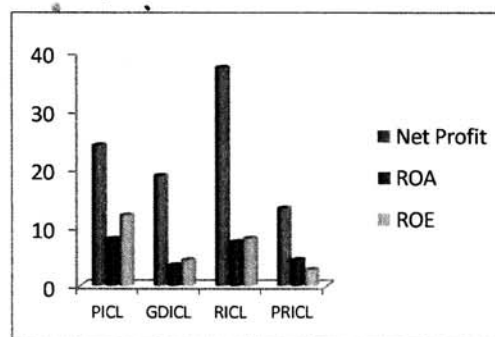
Return on assets (ROA) is an indicator of how profitable a company is relative to its investment in total assets. And return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. As both the pre and post taxed profit is declining since 2013, both ROA & ROE is showing the similar trend. So only the effective underwriting performance and portfolio management can improve the overall profitability of PICL.

Although a decreasing performance has been observed in the overall profitability of PICL, comparison with peer group might give comfort in terms of profitability. Overall profitability position of peer group is quite low compared to PICL except Reliance Insurance Company Limited. However, PICL should take more strategic steps to improve overall profitability position in future years by ensuring greater quality market share & quality risk management.

Selected Indicators

	Year Ended Dec. 31				
	2016	2015	2014	2013	2012
Net profit (%)	24	26	28	34	35
Return on assets (%)	8	10	12	15	16
Return on equity (%)	12	14	20	25	27

Peer Comparison



Investment Profile

AlphaRating considers the quality of PICL's investment as well diversified portfolio. Investment portfolio of the company consists of Bond, Share & Statutory deposit. Most of PICL's investments comprise of fixed deposit with different commercial banks. Level of investment of the company has increased over the last four financial years. The company maintained statutory requirement of investing BDT 25.00 million in National Investment Bond since 2013. The company has maintained reserve for exceptional losses of BDT 626.65 million in FY 2016 which is 58.78% of net premium. However, it has been noticed that fixed deposit value of the company has been decreased in FY 2016 & stood at BDT 760.69 million. On the other hand STD & current account has been decreased to BDT 48.70 million from BDT 84.87 million. Investment in stock market is another significant area of investment of the company, which has increased by BDT 277.66 million in FY 2016. The company has diversified its investment in shares during FY 2016. It has been observed that the company has maintained reserve for fair value of share in FY 2016 for previous years share value fluctuation.

Selected Indicators

	Year Ended Dec. 31				
BDT in millions	2016	2015	2014	2013	2012
Total Investment	1845.50	1668.94	1327.21	1262.00	1238.85
Investment income as % of total income	30.00	31.00	27.00	23.00	30.00
Yield on investment (%)	5.00	6.00	7.00	6.00	8.00

Investment income as a % of total income was increased in FY 2016 mainly due to decrease in underwriting income despite having fall in total investment income. This fall in investment income is explained by the fall in the market interest rate just because of that interest on FDR is dropped by 21% having 8% increased investment in the same. Whereas, income from capital gain plus dividend has been increased by 11% in 2016 with an increased level of investment by 38%.

As long as the investment income is concerned, the portfolio must be maintained according to the company's strategic attitude towards risk. It has been observed that PICL invested around 41% in FDR which is almost risk free considering the current scenario of Bangladesh economy. However, total assets composition scenario of the company has presented below:



Liquidity Analysis

In order to pay off the claims or other short-term needs, most of the assets of insurance companies are kept in the form of liquid assets. Liquidity position of the company has been showing quite stable position for last three years. Although the current ratio of the company and CFO is showing a fluctuating trend and stood at 3.10 times BDT49.25 million and in FY 2016. However, cash flow from operation has improved in FY 2016, which is mainly due to a little higher collection from premium and other receipts and lower tax payment. However, payment for management expenses, re-insurance, claims & others of the company has been increased by BDT 170.13 million in FY 2016 along with the increasing premium income. Overall, liquidity of APGICL portrays comfortable position during FY 2016.

Selected Indicators

	Year Ended Dec. 31				
	2016	2015	2014	2013	2012
Current ratio (times)	3.10	3.39	2.81	2.65	3.28
Current asset/net claim (times)	3.77	3.62	3.89	4.40	7.04
Current liabilities/total liabilities (%)	100.00	100.00	100.00	100.00	100.00
Cash & bank balance/total assets (%)	26.00	34.00	43.00	45.00	53.00
Operating cash flow/net claim paid out (%)	12.00	4.00	76.00	139.00	82.00
Operating Cash Flow	49.25	16.40	261.16	394.49	161.44

Reinsurance Utilization

Under the discretion of Insurance Act, the retention limit of non-life insurance companies is being revised from time to time depending on the financial strength, underwriting expertise etc. In accordance with the present rule, 50% of the re-insurable general business shall be reinsured with Sadharan Bima Corporation (SBC) and the remaining 50% of such business may be reinsured either with SBC or with any other insurer whether in or outside Bangladesh.

It has been found that PICL is in line with the existing regulation, takes 50% reinsurance coverage from SBC while rest is reinsured with other insurer whether in or outside Bangladesh. As per the company's latest treaty (2016 to 2017) agreement with Sadharan Bima Corporation, retention limit for the fire class is BDT 30.00 million, marine cargo BDT 15.00 million and marine hull BDT 5.00 million, engineering business BDT 30.00 million. The company has surplus treaty for all business classes. The company has surplus treaty for all business classes.

PICL's risk retention rate remained above 50% throughout the last five years. Individual class wise risk retention ratios (net premium/ gross premium) suggests that, the company is taking higher risk for motor business and medium risk for marine & mis. Whereas very low risk for fire business may be due to having continuous underwriting loss. However, three years scenario has presented below:

Business Class\ Year	2016	2015	2014	2013	2012
Fire	21%	33%	20%	21%	21%
Marine (Hull & Cargo)	54%	44%	57%	58%	63%
Motor	91%	97%	99%	99%	97%
Miscellaneous	51%	37%	60%	54%	23%
Total (Average)	54%	52%	59%	58%	51%

Solvency Analysis

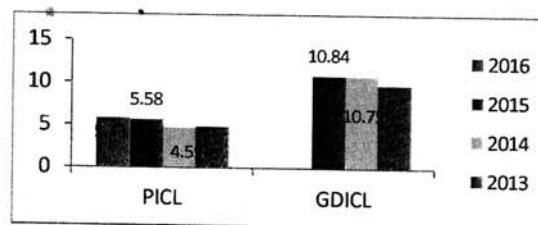
Solvency Margin Ratio is another important financial indicator and one of the key benchmarks for industry regulators. Solvency Margin means the amount by which the assets of the insurance company exceed its liabilities and other comparable commitments.

As per The Insurance Development & Regulatory Authority's (IDRA) regulations 2010, every non-life insurer needed to prepare statement of solvency margin. It is noticed that PICL's solvency margin remained above the required level. It is observed that solvency ratio of the company has increased to 5.73 times in FY 2016 due to increase in available solvency. Though required solvency of PICL has increased from that of last year due to increase in both gross & net premium but increase in total asset & liability has pushed up the available solvency in FY 2016. It has also been observed that total equity base of the company has increased to BDT 2,211.29 million in FY 2016 from BDT 1,886.29 million in FY 2015. Reserve for exceptional losses has been increased to BDT 626.65 million, which helped to improve equity to some extent. Retained earnings remained stable in FY 2016. However, the company should concentrate on generating larger profit in future years to sustain in competitive market. The table below represents the solvency in all concerned years.

Selected indicators

BDT in millions	Year Ended Dec.			
	2016	2015	2014	2013
Available Solvency (AS)	1804.36	1645.60	1274.38	1,270.58
Required Solvency (RS)	314.78	294.70	277.46	262.80
AS/RS (times)	5.73	5.58	4.59	4.84

However if we compare solvency margin of PICL with that of Green Delta Insurance company Limited it has been observed that GDICL is in good position all through the years. PICL should concentrate on improving its solvency margin in future years to strengthen their solvency position.



Reserve Adequacy

PICL has maintained the reserve for un-expired risk as requires; 100% of the net premium income for marine hull insurance and 40% for all other business classes. The company also maintained reserve for exceptional losses. In FY 2016 the reserve has been increased to BDT 626.65 million, which has been increased by only 9.08% from that of previous year. However, the reserve represents 58.78% of net premium.

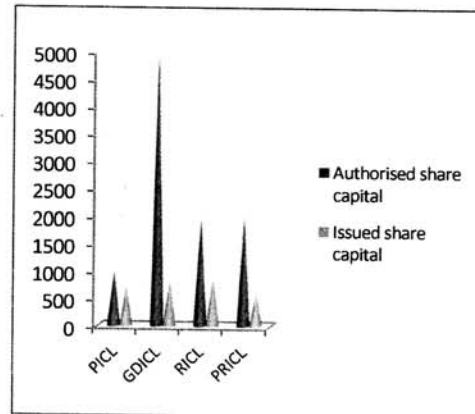
Reserve for exceptional losses represent 1.70 times of net claim in 2016 which was 1.46 times in 2015, suggesting the company's unexpected events absorbing capability increased than previous year.

Capital Adequacy

According to statutory capital requirement, every non-life insurance companies are required to have BDT 400.00 million as paid up capital. PICL has fulfilled this requirement in 2013. Paid-up capital of the company has been increasing over the years and stood at BDT 699.81 million at the end of 2016. The board has issued minimum 20% bonus share over the last three consecutive financial years (25%-2014, 20%-2013 & 25%-2012) but in FY 2015 the company has issued 15% cash dividend & 10% stock dividend and in FY 2016 the company has issued 15% cash dividend.

If peer group is taken into consideration, then it has been noticed that, PICL is running in line with the competitor in terms of issued share capital.

Peer Comparison



Management & Other Qualitative Factors

Composition of the Board

The composition of the Board complies with the requirements as per rules of IDRA & notification of BSEC. PICL's board comprises of 15 directors, 3 of whom are independent. All of them are professionally skilled and experienced in the management, law and business. Their experience, professional expertise & personal attitude enable them to execute their responsibility individually & collectively to perform efficiently & effectively. The board is chaired by Mr. Tapan Chowdhury. The company also complied with the Bangladesh Securities and Exchange Ordinance 1969's requirement of at least 1/5th of the total number of directors should be Independent Director.

Management

The management operates within the guidelines, limits, policies as well as the budgetary control adopted by the Board. The team is headed by the Managing Director & CEO Mr. Md. Manirul Islam who is responsible for the implement of the policy and procedures adopted by the Board. The CEO implements the internal control system, follow-up the day to day affairs of the management and also confirms the safety and security of the company. Considering the outstanding leadership and lively role of Mr. Q.A.F.M. Serajul Islam for uplifting the name and fame of the company during his service as CEO, the board was pleased to appoint him as Consultant of the Company to achieve its vision and mission by their joint efforts and combined experiences. The senior management ensures the CEO about the company's improvement with the compliance of statutory and the regulatory requirements too. The CEO must represent the company's financial & business position in each Board meeting for the Director's understanding and guidance.

Board Committees

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

- Claims Settlement Committee
- Budget Committee
- Audit Committee
- Investment Committee

Claims Committee

Claim is the most important factor for an insurance company. Efficient & smart settlement of claim speaks about the company goodwill in the insurance market. Claim committee consists of 5 members. The committee is responsible to review, assess and recommend claims for prompt settlement, review of surveyor's report, their method of assessment, recommendations of each claims etc. Claim Committee approved claim more than BDT 5.0 Lac. During FY 2016 the committee member met 6 times.

Budget Committee

The committee has been established to analysis yearly income, expenditure, capital budget and considered the same for approval of the board. The committee is consisted of five members. During FY 2016, 1 meeting was held to facilitate the budget.



Investment Committee

The committee is responsible for taking all types of investment decision of the company. The committee consists of three members and during the FY 2016 total two meeting were held by the committee.

Audit Committee

The audit committee comprises of non-executive member of the board. The committee is acting in accordance with the guidelines provided in the notification dated 7th August, 2012 of BSEC. None of the independent director is serving more than 3 (three) listed companies and tenure of the independent director complies with the policy laid down by the Bangladesh Securities and Exchange Commission. The committee member met 3 times during FY 2016.

The committee operates according to the term and condition of the Board and BSEC notification no SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 and subsequently amended notification no SEC/CMRRCD/2006-158/147/Admin/48 dated 21 July, 2013.

Human Resource

Human capital is considered as the prime asset of the company. It is the combination of competencies, knowledge and personality attributes that can be enhanced through education, training and experience. During its epic journey of 21 years, PICL is able to place itself in current position with the help of loyal employees. The company has the privilege of having a large number of professionals and qualified employees. Currently there are 533 employees working with the company. The company arranges in house and outside training programs for its employees. Staffs receive in-house training, soon after joining the company while time to time management arranges training from Insurance Academy and Insurance Association in order to enhance skill level of its workforce.

IT Infrastructure & Its Utilization

PICL is constantly taking initiatives to modernize its IT infrastructure. The company ensures it underwriting activity through use of internal software. However, the company has international certified trained personnel in IT sector to assure smooth operating of the company. The company also provided training to enrich the knowledge & quality of its IT department. The company has realized the necessity of ICT security policy and already developing the system. This system will bring efficiency in term of time & cost for the company. Following is the list department which are beneficiary of ICT security policy: Underwriting Department, Accounts, Re-insurance, Share and HR. Currently the company using Personal management Software which help the company to keep all record of the employees.

Internal Control

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

Corporate Governance

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Corporate governance facilitates the rules regulation to work in the best interest of stakeholders. PICL believes in a culture where Board of directors & the management are dedicated toward effective corporate governance. It has been the company's endeavor to excel through better governance. PICL believes in two basic principles of corporate governance i.e.: transparency and disclosure. The company also complies with the all other conditions imposed by BSEC's Notification on Corporate Governance. During FY 2016 the companies achieve the certificate of good corporate governance from "M A B S & J Partners Chartered Accountants".

Corporate Social Responsibility

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

End of the Report

Company Information: (AS ON 01-12-2017)

Board of Director & CEO

Name	Position
Tapan Chowdhury	CHAIRMAN
M Anis Ud Dowla	DIRECTOR
A.K.M. Rahmatullah, MP	DIRECTOR
Syed Nasim Manzur	DIRECTOR
Alamgir Shamsul Alamin	DIRECTOR
Shusmita Anis	DIRECTOR
Syed Abdus Sobhan	DIRECTOR
M.A. Majed	DIRECTOR
Fahama Khan	DIRECTOR
Sanchia Chowdhury	DIRECTOR
Parveen Akhter	DIRECTOR
Rozina Afroze	DIRECTOR
A Matin Chowdhury	DIRECTOR
Captain A B Tajul Islam (Retd.), MP	DIRECTOR
M. Mokammel Haque	DIRECTOR
Md. Manirul Islam	Managing Director & C.E.O

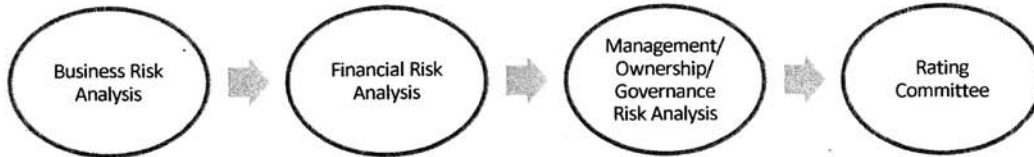
Major Shareholders

Sponsors Directors	45.14%
Individual & Institutional	54.86%

Auditor

<p>Shafiq Basak & Co. Chartered Accountants 3/1 & 3/2, Biloy Nagar, Motijheel, Dhaka-1000.</p>

AlphaRating's Research Methodology for Determining Insurance Rating



Analysis is segmented into two or three sub sectors:

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

Analysis is segmented into four sub sectors:

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

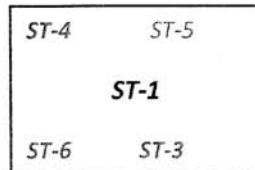
It is one of the key elements of the rating methodology since management decides what businesses to be in, what strategies should be pursued and how these activities should be financed.

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

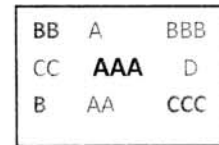
- ▶ Review Modeling Assumption
- ▶ Approve Company-Specific Adjustments

Rating Outlook

POSITIVE	Rating may be raised
NEGATIVE	Rating may be lowered
STABLE	Rating is likely to remain unchanged
DEVELOPING	Rating may be raised, Lowered or remain unchanged.



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



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

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



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