

AlphaRating

Pioneer Insurance Company Limited

(Symphony (5th Floor), Plot-SE (F) 9, Road-142, South Avenue, Gulshan-1, Dhaka-1212)

(Non Life Insurance)

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15 December, 2016

Managing Director
Pioneer Insurance Company Limited
Symphony (5th Floor), Plot-SE (F) 9, Road-142, South Avenue, Gulshan-1,
Dhaka-1212.

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 |
|---------------------|-------------------|---------------|------------------|-------------------|---------|
| 15 December, 2016 | 14 December, 2017 | Surveillance | AAA | AR- 1 | Stable |

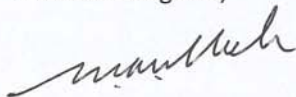
The Short-term and Long-term rating is valid up to the earlier of 14 December, 2017. The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

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.

| | | | | | |
|-----------------------|-------------------|-----------------------|----------------------------|-------------------------------|--------------------|
| Business Risk High | Liquidity Good | Profitability Good | Solvency Score Moderate | Capital Adequacy Excellent | Sector Non-life |
|-----------------------|-------------------|-----------------------|----------------------------|-------------------------------|--------------------|

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 Rating

Long Term Rating: AAA

Short Term Rating: AR- 1

Outlook: Stable

Date of Declaration: 15 December, 2015

Valid Till: 14 December, 2016

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Contents

| | |
|--|----|
| Rationale | 2 |
| Company Profile | 3 |
| Industry Overview | 5 |
| Business Risk | 7 |
| Financial Risk Analysis | 10 |
| Management & Other Qualitative Factors | 16 |
| Company Information | 19 |

Date of Incorporation:

25, March, 1996

DSE & CSE Listing: 23 July, 2001

Board Chairman:

M Anis Ud Dowl

CEO & Managing Director:

Q.A.F.M. Serajul Islam

Total Asset: BDT 2721.32 million

(As on 31.12.2015)

Authorized Capital:

BDT 1,000.00 million

(As on 31.12.2015)

Paid up Capital:

BDT 636.19 million

(As on 31.12.2015)

Rationale

AlphaRating affirms long term rating of "AAA" (pronounced as "Triple A") and short term rating "AR-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 strong liquidity position, good track record of the company, cautious underwriting process, good solvency ratio, sound profitability, satisfactory dividend policy, smart investment portfolio etc.

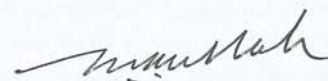
However, the rating is supported by higher gross & net premium in FY 2015, good claim settlement period, strong balance sheet with no debt along with standard investment policy and strong branch network etc. The assigned rating is also supported by experienced management team, low loss ratio, quite stable net profit margin, adequate reserve for un-expired risk, increasing manpower, strong capital base etc. Increasing investment & investment income, no repudiated claim, increase in FDR value has also strengthened the rating of PICL. Underwriting loss from miscellaneous insurance account has turned into profit in FY 2015 which helped to improve the profitability during FY 2015. Along with this, the company settles its claims by 25 days which reflects exceptionally strong capacity of PICL.

PICL should place more attention to the following areas for further improvement and to maintain their claim paying ability at the highest level in the future years. These are slower cash flow from operation, dwindling underwriting profit, rise in loss in fire insurance, weaker control over management expenses etc.

| | 2015 | 2014 | 2013 |
|---------------------|---------|---------|---------|
| ROA (%) | 10% | 12% | 15% |
| Net Profit (%) | 26% | 28% | 34% |
| Current Ratio(x) | 3.39 | 2.68 | 2.65 |
| Solvency ratio(x) | 5.58 | 4.59 | 4.84 |
| Net premium | 1031.90 | 998.28 | 876.03 |
| Net Claim | 392.62 | 341.76 | 283.50 |
| Investment | 1668.94 | 1327.21 | 1262.00 |
| Underwriting Income | 208.48 | 227.53 | 255.02 |
| Investment Income | 112.60 | 104.52 | 95.02 |
| Excess of Mgt. Exp. | 19.58 | 3.36 | - |
| Operating Cash Flow | 16.40 | 261.16 | 394.49 |
| Fixed Deposit | 825.59 | 810.04 | 792.55 |
| Dividend | 25% | 30% | 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.



Muhammed Asadullah
Managing Director & CEO
Alpha Credit Rating Limited

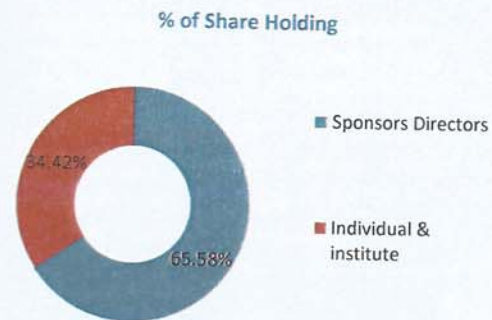
Company Profile

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 546 employees. The company has been issuing bonus every year & during FY 2015 the company issued 25% cash & stock dividend. In terms of Gross Premium, during 2014 the company occupied 8.73% of the market share (considering SBC).

PICL is active member of capital market having BDT 2176.397 million market capitalization on 30 November, 2016. According to DSE, market share of the company is categorized as "A".

Ownership Pattern

The shareholding pattern of the company on 31 December, 2015 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:

| Name of Shareholder | % of Shareholding |
|---------------------|-------------------|
| Sponsor/ Director | 65.58 |
| Institute | 22.08 |
| Public | 12.34 |

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 2015. However, the non life insurance industry of Bangladesh has reported a gross premium of BDT 24440.39 million in 2014 (including SBC) whereas PICL reported gross premium of BDT 2135.46 million which represents 8.73% of the total market share in that financial year.

Principal Product

In FY 2015, 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
6. Property All Risks Insurance

4. Aviation Insurance

1. Hull, Spares & Equipment 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 (BI MB)
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

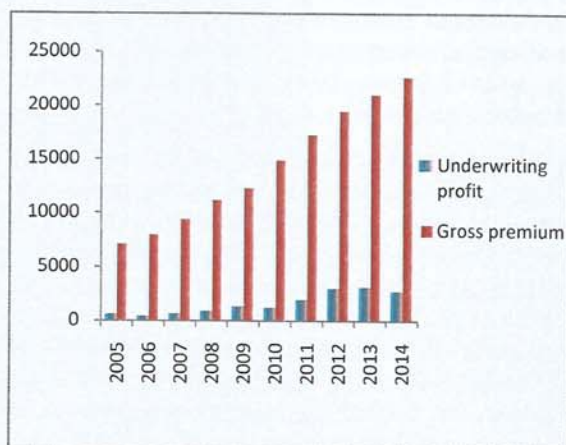
1. All Risks Insurance
2. Cash/ Property in Premises
3. Money/ Cash in Transit Insurance
4. Cash in ATM Insurance
5. Burglary Insurance
6. General/ Public Liability Insurance
7. Employers Liability Insurance
8. Products Liability Insurance
9. Professional Indemnity Insurance
10. Directors & Officers 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 31-12-15 (BDT in Millions) | Percentage (%) | Gross Premium as on 31-12-14 (BDT in Millions) | Percentage (%) |
|--------------|---|-------------------|---|-------------------|
| Fire | 1027.22 | 44.98 | 909.64 | 43 |
| Marine | 744.49 | 32.60 | 722.79 | 34 |
| Motor | 302.35 | 13.24 | 260.80 | 12 |
| Misc. | 209.48 | 9.17 | 242.23 | 11 |
| Total | 2,283.54 | 100 | 2,135.46 | 100 |

Industry Overview

The insurance market in Bangladesh is leading with 30 life and 45 non life insurance and a combine premium income of BDT 95,218.14 million (including JBC & SBC, ref: insurance year book-2014). Despite the decline 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 7.8% in 2014 (excluding SBC). However, the market condition was better before 2014, the growth was above 10% i.e. 12.63% in 2012. But it has declined to 8.13% in 2013. 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:

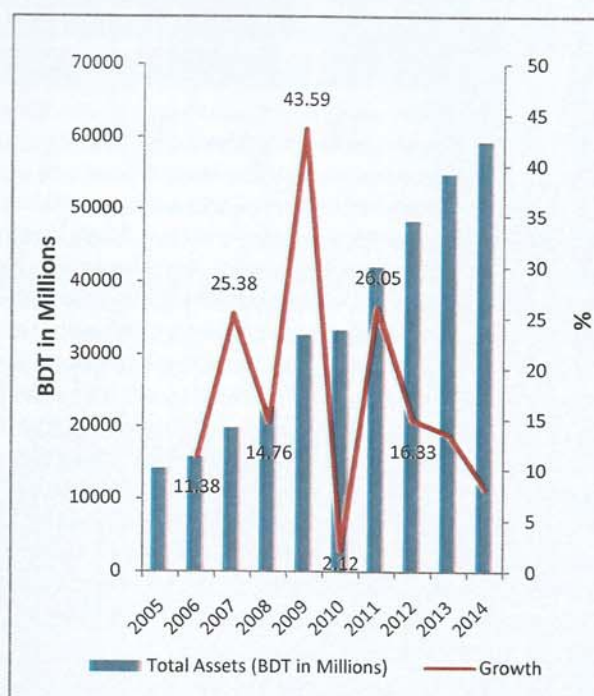


Source: Bangladesh Insurance Association

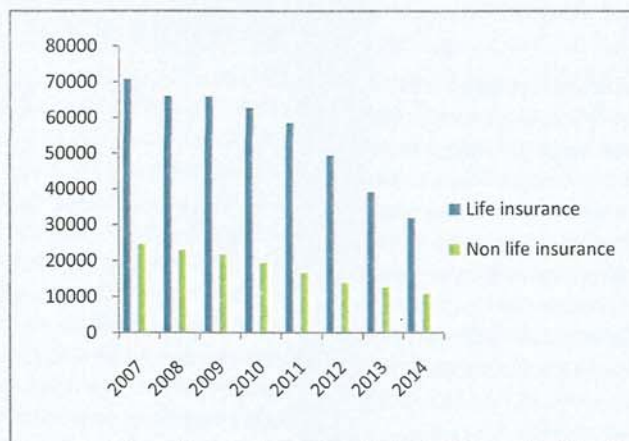
The insurance market in Bangladesh remains fragmented and extremely competitive due to existence of a large number of companies.

In 2014, there were 45 non-life and 30 life insurers in the private sector, other than 2 public sector Corporations. During 2014, the Government has issued license to 5 life insurance companies. However, none of the non-life insurers held significant portion of market share to build up monopoly market.

Based on Gross Premium, the largest private sector non-life insurance company is Green Delta Insurance Co. Ltd. with 11.82% market share in FY 2014 and Pioneer Insurance Co. Ltd. is the second largest private sector non-life insurance company with 9.40% market share (excluding SBC, ref: insurance year book-2014).



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.

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 mainly concentrated on fire insurance business in FY 2015 and gross premium received from fire business represented 44.98% of total gross premium. Another significant business sector is marine insurance business which represented 32.60% of total gross premium while motor & miscellaneous insurance held only 13.24% & 9.17% of total gross premium, respectively. However, it was also noted that, marine & motor insurance was the most profitable business sector of the company for the last three financial years, whereas loss from fire business has increased over the years and net loss from fire insurance accounts represents 72.50% net underwriting income in FY 2015. 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 hold by PICL. Interest Income of PICL is a significant portion of total income (21.65%). This income from fixed and other deposit may fall with the reduction of interest rate of commercial bank.

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

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 increase in FY 2015.

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 24440.39 million including SBC & without SBC is BDT 22679.24 million (ref: Insurance year book-2014). Considering the gross premium received, PICL is representing 8.73% of market share. Whereas other market giant like Green Delta Insurance Co. Ltd., Pragoti Insurance Ltd. & Reliance Insurance Ltd. hold 10.97%, 5.68% & 8.27% of market share, respectively.

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 away its business.

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 8.73% of total market & 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 threat to the industry. The new Insurance Development and Regulatory Authority Act-2010 and Insurance Act-2010 replaced the old insurance laws which are likely to bring significant changes in the regulation of the industry. In order to make overall claim settlement procedure smooth and timely, insurance companies are required to set up a special fund 'policyholders' Protection Fund'. For further enhancing the solvency position, paid up capital for non-life and life insurance companies have been raised to BDT 400.00 million and BDT 300.00 million respectively.

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

In accordance with the Insurance Act 2010, PICL has increased its paid up capital. Experienced board committee especially audit committee of PICL's acting in accordance with the guidelines provided in the notification dated 7th August, 2012 of BSEC and ensuring all relevant requirements for the company.

Financial Risk Analysis

Underwriting Process & Quality

PICL has its dedicated underwriting department which is responsible for underwriting risk. Underwriting department of PICL is responsible for securing a safe and profitable distribution of risks & classifying clients into appropriate risk classes. Underwriting is the core source of income of PICL. Underwriting performance of PICL is measured by combined ratio which is the ratio of expenses & losses to net premiums. Loss ratio of the company has been increasing since 2012 due to increase in net claim paid. Further analysis revealed that net claim paid has been increased by 14.88% in FY 2015 whereas only 3.37% increase has been noticed in net premium during FY 2015. Expense ratio of the company has increased by 4 percentile points in FY 2015 due to increase in allocated expenses. Allocated management expense has increased by BDT 42.57 million of which BDT 36.02 million has been increased in fire & marine insurance sector. However, the company showed efficiency in terms of controlling its allocated expenses which has decreased by BDT 3.16 million in FY 2015. Consequently combined ratio of the company has increased to 105% during FY 2015 which can create negative impact on the overall underwriting performance of the company. Because combined ratio of less than 100% indicates an underwriting profit. The company should focus on controlling its unallocated management expense in future years for better underwriting performance.

Selected Indicators:

(Without considering commission on reinsurance ceded)

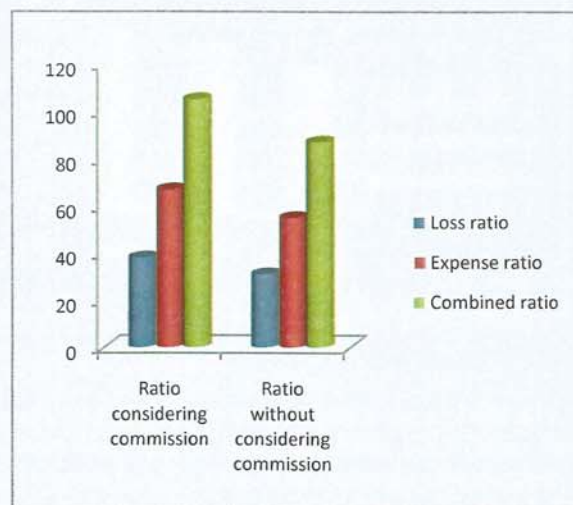
| | Year Ended Dec. 31 | | | |
|--------------------|--------------------|------|------|------|
| | 2015 | 2014 | 2013 | 2012 |
| Loss ratio (%) | 38 | 34 | 32 | 25 |
| Expense ratio (%) | 67 | 63 | 62 | 68 |
| Combined ratio (%) | 105 | 97 | 94 | 93 |

Selected Indicators:

(After considering commission on reinsurance ceded)

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

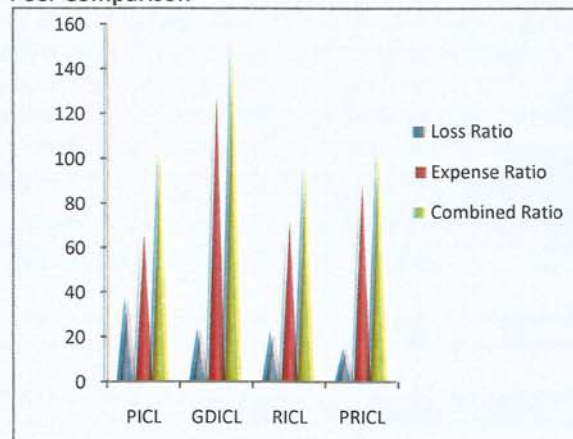
If we consider commission on reinsurance ceded along with net premium, scenario of underwriting performance of the company has been showing better performance in terms of loss & expense ratio. Along with this combined ratio of the company stays below 100% in all four years.



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 2015, it is noticed that the performance of the company is quite better in terms of expense & combine ratio.

Peer Comparison



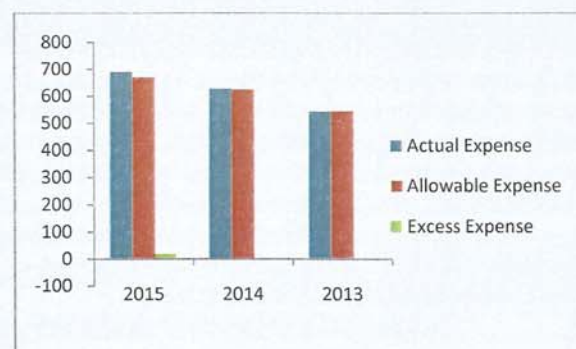
PICL= Pioneer Insurance Company Limited
 GDICL= Green Delta Insurance Company Limited
 RICL= Reliance Insurance Company Limited
 PRICL= Pragati Insurance Company Limited

Management Expense

Every non life insurance company including PICL are required to calculate the allowable management expenses as per Insurance Act 2010 and maintain its actual management expenses within the limit. It has been noticed that PICL has been struggling to keep the management expenses within its allowable limit since 2012. As per the given guideline PICL's allowed management expense is BDT 671.02 million (including agency commission) whereas total actual management expense was BDT 690.60 million in FY 2015. The gap between actual & allowable expense has increased in FY 2015 due to the increase in allocated expense. The company should control its allocated expenses to reduce the gap. By analyzing the expense schedule it has been observed that actual management expense is 102.91% of allowable expense. 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 2015. According to IDRA, agency commission needs to be confined to 15% of its gross premium of all classes of insurance. Agency commission of PICL is stood at 14.97% which is little low compared to the regulatory threshold of 15%. Operating expense as % to gross premium has decreased to 2.38% in FY 2015 due to the operational efficiency of the management. Further analysis revealed that operating expenses has decreased by 5.50% in FY 2015 compared to a 9.85% increase in FY 2014. 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

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



Claim Management

During FY 2015, the company settled claim of BDT 443.13 million. Out of 1334 claim initiation, 1263 claims have been settled in FY 2015. If we consider the number of claim initiation that has been increased by only 3.25% (1334 to 1292) in FY 2015. On the other hand, number of claim settlement of the company has been improved in FY 2015 & the company settled higher number of claims in FY 2015 compare to previous year. 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, number of claims repudiated in FY 2015 has been decreased to zero in FY 2015 whereas it was 10 in previous year which states company's good relationship with the customers. However, PICL's business is driven by marine sector, which took up 31.68% of the net premium in FY 2015. The company should be more focused on settling newly initiated claims which will increase reputation of the company. The company should be more focused on spreading its operation & improving its premium collection to maintain its market competitiveness.

Selected Indicators

| BDT in millions | Year Ended Dec. 31 | | | |
|----------------------------|--------------------|----------|----------|--------|
| | 2015 | 2014 | 2013 | 2012 |
| Claim Initiated | 576.28 | 1,048.53 | 2,415.88 | 820.06 |
| Claim Settled | 443.13 | 458.23 | 2,014.09 | 571.27 |
| Claim Repudiated | - | 5.69 | 9.90 | 3.89 |
| Number of claim Initiated | 1,334 | 1,292 | 1,275 | 1,071 |
| Number of claim Settled | 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 2 years which can bring positive campaign for the company.

Average Claim Settlement Periods

| In days | 2015 | 2014 |
|---------------|------|------|
| Motor | 06 | 06 |
| Marine | 12 | 13 |
| Fire | 25 | 27 |
| Miscellaneous | 23 | 24 |

Profitability

Profitability position of the company has been showing decreasing trend for last three years. PICL earns profit from different sources including interest income & underwriting profit. Underwriting profit is one of the main sources of income for PICL comprising 64.93% of total income. However, total underwriting profit has decreased by BDT 19.05 million in FY 2015. Though underwriting performance in terms of miscellaneous & motor has improved but high loss in fire insurance has pulled down the total underwriting profit in FY 2015. Further analysis revealed that loss from miscellaneous insurance has turned into profit during FY 2015 but loss in fire insurance sector has been increased to BDT 151.15 million in FY 2015 from BDT 48.54 million in FY 2014. However, if we consider the only profit making sector of underwriting income it has been observed that underwriting profit has been increased by BDT 79.89 million in FY 2015. Motor insurance has showing quite better underwriting profit compared to previous year which has increased by BDT 33.95 million in FY 2015.

Other than underwriting, interest income is another significant source of revenue of PICL, representing 35.07% of total income in FY 2015. The investment income consists of interest on FDR, STD A/C & Treasury bond & dividend income. Interest & dividend income has decreased to BDT 83.98 million in FY 2015 from BDT 104.37 million in FY 2014. Further analysis of PICL's interest income revealed that, interest on FDR is 75.76% of total interest income which has decreased by 24.59% in FY 2015. Dividend income remains more or less same in FY 2015. Another significant source of income of PICL is profit on sale of shares which has increased to BDT 28.62 million in FY 2015. In FY 2015 profit after tax of the company has decreased by BDT 7.82 million which is the main reason behind such change in overall profitability.

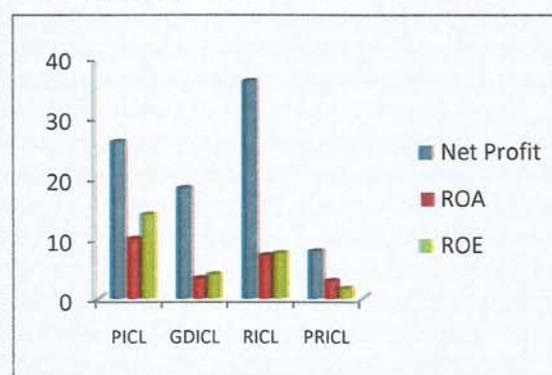
ROA indicates a company's profitability against its total assets whereas the ratio has dropped from last year. Lower operating profit with increased asset base is the main reason for such decrease in ROA. On the other hand, ROE has been decreased significantly in FY 2015 due to lower net profit. ROE represents the percentage of return on shareholder's equity base.

Selected Indicators

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

Although a decreasing performance has been observed in the overall profitability performance of PICL but if the profitability the company is compared with its peer group it has been observed that PICL is leading its peer group to some extent. Overall profitability position of peer group is quite low compared to PICL except Reliance Insurance Company Limited. However, PICL should take more strategical steps to improve overall profitability position in future years by ensuring greater market share & quality risk management.

Peer Comparison



Investment Profile

The company has diversified its investment in different sector including Bond, Share & Statutory deposit. Most of PICL's investments comprise of fixed deposit with different commercial banks, different companies which offer low interest rate. Level of investment of the company has increased over the last three financial years. The company maintained statutory requirement of investing BDT 25.00 million in National Investment Bond since 2013.

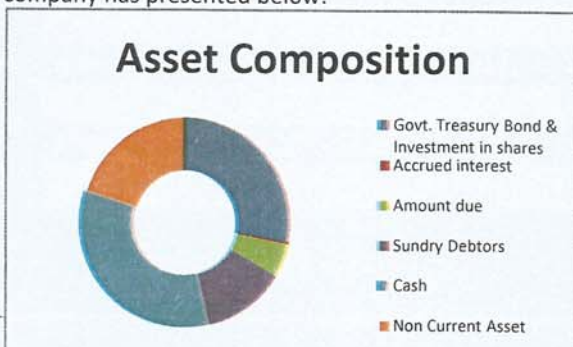
The company has maintained reserve for exceptional losses of BDT 574.50 million in FY 2015 which is 55.67% of net premium. However, it has noticed that fixed deposit value of the company has been increased in FY 2015 & stood at BDT 825.59 million. On the other hand STD & current account has decreased to BDT 84.87 million from BDT 155.10 million. Investment in stock market is another significant area of investment of the company which has increased by BDT 396.41 million in FY 2015. The company has diversified its investment in shares during FY 2015. It has been observed that the company has maintained reserve for fair value of share in FY 2015 for previous years share value fluctuation.

Selected Indicators

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

Investment income as a % of total income has increased in FY 2015 due to increase in investment income. Investment income has increased due to income from FDR which solely represent 75.76% of total investment income. However, it has been noticed that total income has dropped to BDT 321.08 million in FY 2015 due to lower underwriting profit in FY 2015. Despite investment has increased significantly but yield on investment remained quite stable FY 2015.

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 in the form of liquid assets. Liquidity position of the company has been showing increasing trend for last two years. The current ratio of the company has increased from last year and stood at 3.39 times in FY 2015. In FY 2015, PICL's current asset has increased by 6.94% due to increase in amount due from other persons or bodies & sundry debtors. Amount due from other persons & sundry debtors represents BDT 491.25 million of total BDT 1420.99 million current assets which has been increased by 46.89% in FY 2015. On the other hand, current liabilities has been dropped by 11.55% backed by estimated liability in respect of outstanding claims whether due or intimated which has decreased to half in FY 2015. Current asset to net claim ratio has been showing deteriorated trend since 2012. High net claim paid out has resulted into low current asset to net claim ratio.

Current liability to total liability of the company remained the same over the last three periods as the company does not have any non-current liability. Cash and bank balance of PICL was decreased during the year by BDT 70.83 million from that of FY 2014, whereas total assets grew by BDT 481.88 million, which led to cash and bank balance as % of total assets decrease in FY 2015. Operating cash flow position of the company has deteriorated notably in FY 2015 compared to that of FY 2014. The main reason for such drastic fall is high management expense, increased premium, re insurance & claims which has been increased by 12.43% in FY 2015. Increase in management expense has also been affected in cash & bank balances of the company. Total cash at bank has been decreased to BDT 84.87 million in FY 2015. Though CFO has decreased but premium collection of the company has improved to BDT 2463.78 million during FY 2015 which indicates that the company has been trying to improve its overall CFO performance. Due to lower CFO, operating cash flow to net claim paid ratio has decreased notably in FY 2015.

Selected Indicators

| | Year Ended Dec. 31 | | | |
|--|--------------------|--------|--------|--------|
| | 2015 | 2014 | 2013 | 2012 |
| Current ratio (times) | 3.39 | 2.81 | 2.65 | 3.28 |
| Current asset/net claim (times) | 3.62 | 3.89 | 4.40 | 7.04 |
| Current liabilities/total liabilities (%) | 100.00 | 100.00 | 100.00 | 100.00 |
| Cash & bank balance/total assets (%) | 34.00 | 43.00 | 45.00 | 53.00 |
| Operating cash flow/net claim paid out (%) | 4.00 | 76.00 | 139.00 | 82.00 |
| Operating Cash Flow | 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 (1st April, 2016 to 31st March, 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 2.50 million. The company has surplus treaty for all business classes. As per the company's latest treaty (1st April, 2016 to 31st March, 2017) agreement with different reinsurance companies, retention limit for the fire class is BDT 90.00 million, marine cargo BDT 45.00 million and marine hull BDT 15.00 million, engineering business BDT 90.00 million. The company has surplus treaty for all business classes. Other overseas reinsurers are JB Boda & Co (S) PTE Ltd. (Singapur), Protection Insurance Services WLL (Bahrain), Limitex Insurance Brokers (India) Pvt. Ltd.

PICL's risk retention rate remained above 50% throughout the last four 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.

However, three years scenario has presented below:

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

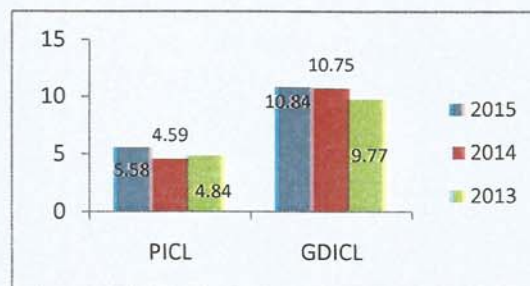
Solvency Analysis

The solvency margin ratio is an important financial indicator & a key benchmark for industry regulators. It means the amount by which the assets of the insurance company are considered to exceed its liabilities and other comparable commitments. As per The Insurance Development & Regulatory Authority's (IDRA) regulations 2010, every non life insurer needed to prepare statement of solvency margin. 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 5.58 times in FY 2015 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 2015. It has also been observed that total equity base of the company has increased to BDT 1886.23 million in FY 2015 from BDT 1339.99 million in FY 2014. Reserve for exceptional losses has been increased which helped to improve equity to some extent. Retained earnings remained stable in FY 2015. 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

| | Year Ended Dec. 31 | | |
|-------------------------|--------------------|---------|----------|
| BDT in millions | 2015 | 2014 | 2013 |
| Available Solvency (AS) | 1645.60 | 1274.38 | 1,270.58 |
| Required Solvency (RS) | 294.70 | 277.46 | 262.80 |
| AS/RS (times) | 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

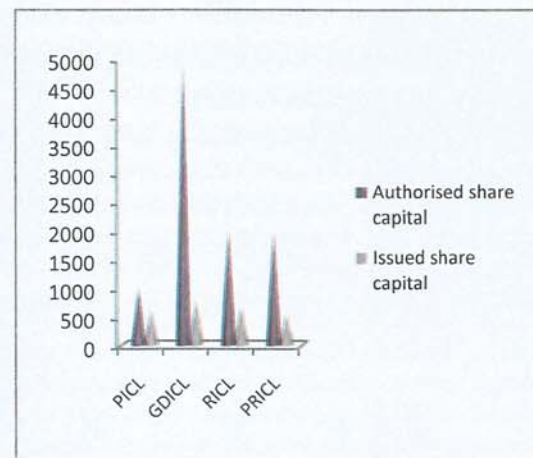
PICL has maintained the reserve for un-expired risk as requires; 100% of the net premium income for marine hull insurance and 40% for all other business classes. The company also maintained reserve for exceptional losses. In FY 2015 the reserve has been increased to BDT 574.50 million which has been increased by only 9.80% from that of previous year. However, the reserve represents 55.67% of net premium.

Reserve for exceptional losses represent 1.46 times of net claim in 2015 which was 1.53 times in 2014, suggesting the company's unexpected events absorbing capability remains quite same as 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 636.19 million at the end of 2015. 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. 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. M Anis Ud Dowla. The company also complied with the Bangladesh Securities and Exchange Ordinance 1969's requirement of at least 1/5th of the total number of directors should be Independent Director. During FY 2015, 7 board meetings were held.

Management

The management operates within the guidelines, limits, policies as well as the budgetary control adopted by the Board. The team is headed by the chief executive officer Mr. Q A F M Serajul 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 company's safety and security of the company. The senior management ensures the CEO about the company's improvement with the compliance of statutory and the regulatory requirements too. The CEO must represent the company's financial & business position in each Board Meeting for the Directors understanding and guidance.

Board Committees

For smooth functioning of the company, 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
- Calendar 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 2015 the committee member met 7 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 2015, 1 meeting was held to facilitate the budget.

Calendar Committee

The committee draws the guideline of printing of calendar. The committee is consisted with 5 members & they met 3 times in FY 2015.

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 2015 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 2015.

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 20 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 546 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 2015 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 31-12-2015)

Board of Director & CEO

| | |
|------------------------------------|-------------------------|
| Mr. Anis Ud Dowla | Chairman |
| A.K.M. Rahmatullah, MP | Director |
| Tapan Chowdhury | 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 | Independent Director |
| Captain A B Tejul Islam (Retd.),MP | Independent Director |
| M. Mokammel Haque | Independent Director |
| Q. A. F.M. Serajul Islam | Managing Director & CEO |

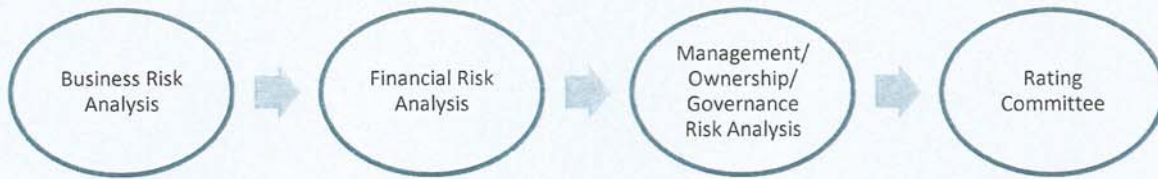
Major Shareholders

| | |
|----------------------------|--------|
| Sponsors Directors | 65.58% |
| Individual & Institutional | 34.42% |

Auditor

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

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.

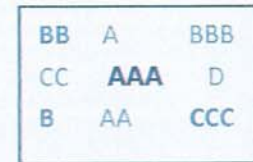
- ▶ Review Modeling Assumption
- ▶ Approve Company-Specific Adjustments

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. |



- AR-1 Strong Capacity
- AR-2 Good Capacity
- AR-3 Adequate Capacity
- AR-4 Weak Capacity
- AR-5 Very Weak Capacity
- AR-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 Cease 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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