

# AlphaRating

## *Pioneer Insurance Company Limited*

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

*(Non-Life Insurance)*

R  
A  
T  
I  
N  
G  
  
R  
E  
P  
O  
R  
T

19 December, 2021

**Chief Executive Officer**

**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**.

<b>Date of Declaration</b>	<b>Valid Till</b>	<b>Rating Action</b>	<b>Long Term Rating</b>	<b>Short Term Rating</b>	<b>Outlook</b>
19 December, 2021	18 December, 2022	Surveillance	AAA	ST-1	Stable

The long term & short term rating is valid up to the earlier of 18 December, 2022. 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,



**Mainul Islam Chowdhury FCCA**  
Chief Operating Officer

**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** 19 December, 2021 **Valid Till** 18 December, 2022 **Rating Action** Surveillance

Business Risk High	Liquidity Good	Profitability Good	Solvency Score Good	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.

## Rationale

### Previous Rating

Long Term Rating: **AAA**  
Short Term Rating: **ST-1**  
Outlook: **Stable**  
Date of Declaration: **17 December, 2020**  
Valid Till: **16 December, 2021**

### Contact Analysts

Jahannoor Khan  
[jahannur@alpharating.com.bd](mailto:jahannur@alpharating.com.bd)  
Tanmoy Saha  
[tanmoy@alpharating.com.bd](mailto:tanmoy@alpharating.com.bd)

**Date of Incorporation:**  
25<sup>th</sup> March, 1996

**DSE & CSE Listing:**  
23<sup>rd</sup> July, 2001

**Board Chairman:**  
Mr. M Anis Ud Dowla

**Chief Executive Officer:**  
Mr. Tarik Ur Rahman

**Total Asset:**  
BDT 5,338.77 million

**Authorized Capital:**  
BDT 1,000.00 million

**Paid up Capital:**  
BDT 699.81 million

AlphaRating reaffirms long term rating “AAA” (pronounced as “Triple A”) and 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 is based on audited financial statement of 31<sup>st</sup> December, FY 2017 to FY 2020 & management report of September, 2021 and other qualitative factors. While assigning the rating AlphaRating has considered both favorable and unfavorable movement in overall performance of the company. The rating continues to draw comfort from established position in the market, growing assets base, experienced management team, long track record of the promoters in the insurance industry along with its smart investment portfolio.

The assigned rating is also supported by good claim settlement period within 19 days, increasing solvency ratio, good expense management which has led to positive gap between allowable and actual expenses, increased investment, less than 100% combined ratio, increased underwriting profit, adequate paid up capital amidst strong capital structure, improved net profit margin along with ROA & ROE, increase in investment income along with yield on investment, good liquidity position, improved cash flow from operation, wide branch network, adequate reserve for un-expired risk, and stronger balance sheet with no debt along with standard investment policy etc.

However, the strength of the rating is partly offset by decreased gross & net premium, overall socio economic condition of Bangladesh etc. The rating also considers inherent business risks, unhealthy competition between the competitors and level of sophistication of the domestic insurance market.

	2020	2019	2018	2017
ROA (%)	14.95	9.58	7.75	8.54
Net Profit margin (%)	33.60	18.75	16.34	17.69
ROE (%)	15.30	11.08	8.48	8.23
Combined Ratio (x)	75.01	80.91	83.67	89.74
Current Ratio (x)	2.82	3.19	3.29	3.21
Yield on Investment (%)	4.33	3.38	3.14	5.66
Solvency ratio (x)	6.97	5.92	7.09	7.21
Gross premium (BDT in million)	2,905.53	3,222.33	3,011.61	2,660.36
Net premium (BDT in million)	1,585.49	1,823.21	1,635.97	1,357.75
Net Claim (BDT in million)	345.75	567.35	498.74	452.48
Investment (BDT in million)	2,984.81	2,717.61	2,757.37	2,481.42
Underwriting Profit (BDT in million)	656.24	392.76	284.49	221.83
Excess of Mgt. Exp. (BDT in million)	(273.86)	(330.47)	(316.36)	(18.91)
Operating Cash Flow (BDT in million)	407.13	383.35	334.76	206.07
Fixed Deposit (BDT in million)	1,411.91	1,132.54	939.66	814.47

The rating also further offset by dearth of qualified professionals in insurance industry of Bangladesh as a whole, 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.

  
Mainul Islam Chowdhury FCCA  
Chief Operating Officer  
Alpha Credit Rating Limited

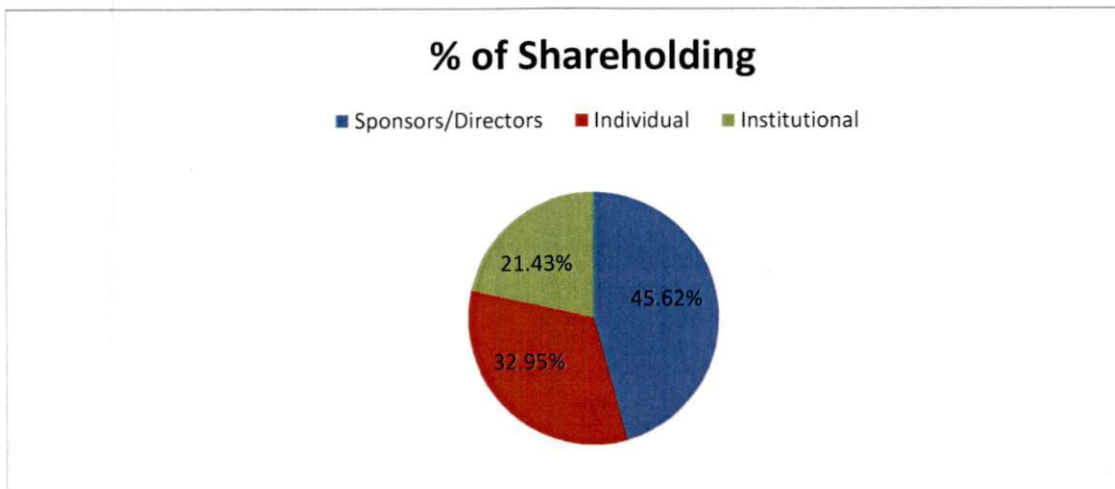
## Company Profile

Pioneer Insurance Company Limited is a second generation private sector Non-life insurer in Bangladesh. The company was established in 25th March, 1996 and since its establishment Pioneer Insurance Company Limited has maintained its presence as the most prominent company launching innovative products and new plan in the non-life insurance industry of 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 40 branches spread across the country covering major financial centers of Dhaka, Chittagong, Khulna, Sylhet, Barisal, Rangpur & Rajshahi Division with the assistance of more than 432 employees.

In FY 2020, the board of PICL has issued 10% stock dividend & 20% cash dividend. Previously, PICL had issued stock dividend of 10% 2015, 25% 2014, 20% 2013, 20% 2012, 30%B 2011, 25% 2010 & 25% 2009 along with cash dividend of 15% 2019, 15% 2017, 15% 2016 & 15% 2015 and 1 right share for 5 share in FY 2011. PICL is active member of capital market having BDT 8,098.158 million market capitalization on 1 December, 2021. According to DSE, market share of the company is categorized as "A".

## Ownership Pattern

The shareholding pattern of the company as on 31 October, 2021 is presented below:



Shareholding position of PICL is as follow:

Name of Shareholder	Number of share
Sponsors/Directors	35,117,019
Individual	25,272,307
Institutional	16,589,361
<b>Total</b>	<b>76,978,687</b>

## Principal Product

In FY 2020, 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 23 districts with 40 branches.

### 1. Fire Insurance:

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

### 3. Motor Insurance:

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

### 5. Engineering Insurance

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

### 2. Marine Insurance:

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

### 4. Aviation Insurance

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

### 6. Miscellaneous Insurance

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

## Industry Overview

The role of insurance in managing risks in an economy cannot be overstated. At a micro level, insurance safeguards households and companies from a myriad of risks. From a macro perspective, it reduces the financial burden on a government and creates a stable environment in which businesses can thrive and succeed. While Bangladesh has taken gigantic strides on the path to economic prosperity, its insurance sector is a vital area that requires considerable attention and can benefit significantly from regulatory reforms.

### Snapshot of Bangladesh's insurance industry

Currently, Bangladesh's insurance sector comprises 46 non-life insurance companies and 33 life insurance companies. In addition, there are two state-owned insurance corporations—one in the non-life segment and the other in the life segment.

The gross premium volume of life insurance in Bangladesh stands at BDT 96,082.20 million and that of non-life stands at BDT 36,827.00 million at the end of 2019, which was BDT 89,921.30 million for life insurance and BDT 33,907.90 for non-life insurance at the end of 2018. Moreover, 6.85% and 8.61% growth in gross premium has been observed in life & non-life insurance respectively in 2019. However, total gross premium (life & non-life) has grown to BDT 132,909.10 million with a growth rate of 7.33% in 2019 (see Figure 1). Life insurance constitutes 72.29% of Bangladesh's insurance market and non-life insurance constitutes 27.71%.

Micro-insurance and Islamic insurance are also a part of Bangladesh's insurance sector. In 2019, approximately 1.61 million new life and 2.61 million new non-life insurance policies were issued. Further, the number of active life insurance policies was approximately 9.68 million in 2019. The assets of all insurance companies in Bangladesh stood at BDT 522,534.40 million at the end of 2019, with an average growth rate of 4.50% from 2018. Investments in both life and non-life insurance companies have grown at an average rate of 4.25% in 2019. The life insurance sector has a competitive landscape, with market share being closely distributed among multiple players.

As per the provisions enunciated in the Motor Vehicles Ordinance, 1983 (hereinafter referred to as the MVO, 1983) taking a motor vehicle insurance was mandatory for the owners of motor vehicles except for the ones owned by the government. The newly enacted Road Transport Act, 2018 has made Act Liability Insurance (Third Party Motor Insurance) optional to the owners to take such insurance and instructed Police authority to curb practice for verifying obligatory

Insurance Development and Regulatory Authority (IDRA) has also cancelled the product "Third Party Motor Insurance". Now the owners of motor vehicles are to take only "Comprehensive Motor Insurance Policy" for compensation of loss or damages of vehicle as well as passengers. Now Police Authority is not checking motor insurance certificate and the owners of vehicle are reluctant to take comprehensive motor insurance policy. This situation has badly affected the motor insurance premium income.

### Benchmarking Bangladesh's insurance industry

Although Bangladesh's insurance sector has witnessed some growth, in comparison with other emerging nations, there is a lot of room for improvement. According to the Seventh Five Year Plan (2016–2020) of the Government of Bangladesh (GoB), a majority of the population across product segments (life and non-life) remains untapped by the insurance market.

Life insurance penetration (insurance premiums as a share of GDP) in Bangladesh was 0.30% in 2019, while the average for emerging countries was 1.70% as per Swiss Re, a leading global re-insurer. In case of non-life insurance, it was 0.10% in Bangladesh, whereas 1.50% for emerging nations. In the year, overall insurance penetration was less than 0.50%, which was 0.57% in 2018 and 0.55% the year before. Bangladesh's insurance penetration mostly been on a downward trend as well as falls behind that of several other developing countries. Bangladesh's insurance sector is currently unable to keep pace with emerging markets around the globe. To bring this to perspective, total inflation adjusted premium growth was 3.10% in Bangladesh in 2019. However, this was 8.10% in emerging countries.

### Need for key insurance products in Bangladesh

#### Agricultural sector

The sector accounts for more than a third of all employment in Bangladesh and is an integral part of the country's economy. Bangladesh suffers from agricultural production 'shocks' every five years, leading to a drop of up to 50% in crop income for rural households. This is one of the leading causes of poverty among many small- and medium-scale farmers. Moreover, there are very few providers of agricultural insurance products. Dedicated efforts to increase the penetration of different insurance products by private and state-owned companies, facilitated by conducive regulations, can help farmers transfer some of these risks and reduce their extreme income volatility.

**Health sector**

Health insurance is another crucial area that needs development. Health insurance is virtually non-existent in Bangladesh’s public and private sectors. Bangladesh’s expenditure on health is only 2.64% of its GDP—the lowest in South Asia. Close to 9% of households make huge healthcare payments and 7% have to finance their healthcare costs by selling their assets. People in rural areas are especially vulnerable to falling into the poverty trap. Pension schemes are mostly seen in the Government sector and most of the elderly population relies on family support for sustenance. As Bangladesh develops and life expectancy rises, its elderly population will increase proportionately. The insurance sector can play a vital role in reducing the burden on the overall spending on healthcare and contribute positively towards increasing the livelihood of the general public of the nation.

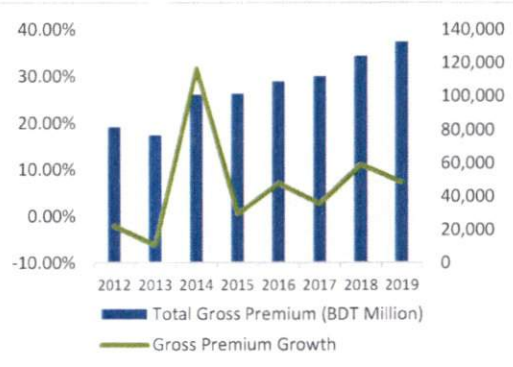
**Challenges and Opportunities**

**Key challenges**

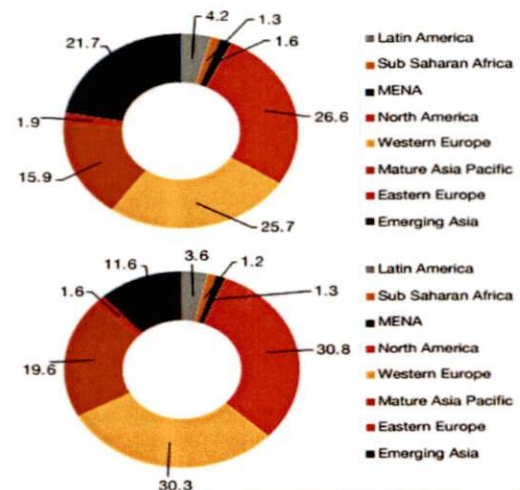
Various challenges underlie the limited growth of Bangladesh’s insurance sector. For one, the relationship between customers and insurance companies is marked by lack of trust. According to a study by PwC, a majority of Bangladeshi people do not trust insurance agents, and there is limited awareness regarding life insurance products. Claim settlement-related problems also undermine the customer-insurer relationship, and the process of settling claims can be arduous and long. Secondly, Bangladesh lacks potential employees with adequate skills and knowledge to provide insurance services of the highest standard. In particular, employees holding advanced degrees in relevant fields are needed. From a macroeconomic perspective, Bangladesh suffers due to uneven income distribution where a majority of the people are poor and do not have the disposable income to afford insurance. This hinders the growth of the country’s overall insurance penetration rate.

Moreover, the country’s technological capacities need major advancement. Globally, the insurance sector has been undergoing digitization and platforms are being created to optimize customer service and streamline processes. In contrast, in Bangladesh, there is limited utilization of modern technology and processes. Insurance companies do not have access to accurate and up-to-date demographic statistics for actuarial computations. Lastly, the regulatory environment in Bangladesh leaves much to be desired.

**Figure 1: Insurance Industry Trend of Bangladesh**

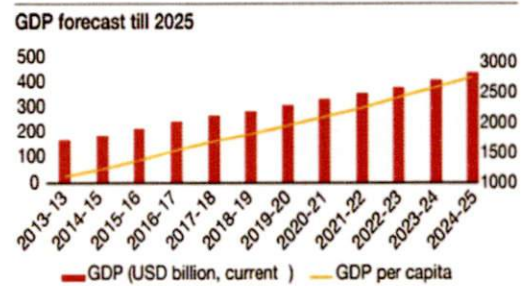


**Figure 2: Emerging Asia is projected to capture much of the growth in life insurance premiums**



Source: Munich Re (May 2016)

**Figure 3: Bangladesh’s economy has seen steady growth**



Source: PwC analysis

#### Favorable indicators for insurance sector development

Bangladesh sustained an impressive annual GDP growth rate of 8.2% in 2019. Bangladesh's GDP growth rate has been increasing steadily for the last six years. Strong consumption and public investment, recovery of readymade garments (RMG) exports and high remittance growth were the main propellers of economic growth, bolstering the rise in income per capita and growth of the middle-class population.

Macroeconomic trends indicate potential growth in the country's insurance sector, especially given Asia's unprecedented growth. The region is set to represent a large share of overall life insurance premiums between 2016 and 2025, rising from 11.6% to 21.7% (see Figure 2).

Bangladesh is poised to capture some of this growth. The country's economic growth has been on an upward trend, which bodes well for the insurance sector (see Figure 3).

In the next decade, Bangladesh will continue to witness the rise of the middle and wealthy class in major cities. This could easily translate into a higher demand for insurance products as individuals and companies become increasingly risk aware.

As the country becomes increasingly industrialized, the demand for non-life insurance, such as fire, accident and property as well as workers' compensation insurance, is likely to experience substantial growth in demand.

#### Bancassurance opportunity

Bancassurance (a partnership between an insurance company and a bank where the bank sells insurance products) presents specific growth opportunities in Bangladesh's insurance sector and can result in mutual benefits for banks, insurers, customers and regulators. Banks usually have the preexisting technological and human resources to provide the best customer services. Thus, it is likely to be more convenient for customers to, for instance, pay premiums and repay cash loans backed by life insurance policies from their banks' ATMs. Customers could also benefit from more customized product suites, including overdraft insurance, depositors' insurance and loan-bundled insurance. Further, decreased costs of insurance for insurers are likely to lower premium rates, making insurance more accessible to customers. Insurers may develop new financial products in collaboration with their bank partners. In Bangladesh, it has been found that customers tend to trust banks more than they trust insurance agents.

On the regulatory side, financial institutions that diversify their product range may reduce systematic risk. In addition, insurers can access the various distribution channels of banks and widen their market reach without having to create a network of agents from scratch. Partnerships with banks could also boost insurers' solvency levels. Selling a range of financial services to customers can be in the best interests of banks since diversification into insurance products would give them a stable source of income. Banks can also reduce their risk-based capital needs for the same level of revenue. Another added benefit is that bundled insurance can help minimize the impact of non-performing assets (NPAs). As such, bancassurance can prove to be one of the fastest ways to raise Bangladesh's insurance penetration rate.

#### Conclusion

Despite various challenges, Bangladesh's insurance sector has tremendous potential for growth, especially given the country's favorable macroeconomic picture. Regulatory reforms and the introduction of bancassurance, health, expatriate, agriculture, education, coastal, and public pension insurance products along with deep distribution channels can catalyze growth in the insurance sector.

Regulations that focus on reducing the risk of insolvency can help build trust in the market at a global level, which in turn will increase the flow of funds into the economy. With adequate capital requirements in place, insurance companies will serve as a safeguard for investments in infrastructure bonds, thereby boosting infrastructure development.

Strong regulations can also help strengthen the reinsurance market, which will ease the financial burden on the government arising from catastrophic events, thus directly contributing towards development opportunities for the country. Further, well-defined regulations can drive competition, enabling companies to provide the best solutions and offer more options to customers. Regulatory frameworks, ideally framed with reference to international standards and principles, will go a long way towards creating a resilient insurance sector.

A resilient insurance sector can, in turn, have far-reaching economic, commercial and social benefits for Bangladesh. Thriving against odds, it could also, in the long run, encourage entrepreneurship and innovation while facilitating risk transfer

### COVID-19 Impact on Insurance Sector

Insurance which plays a vital role in managing risks both in micro and macro level has seen lowest penetrations in Bangladesh compared to its regional peers. Surprisingly, Insurance penetration has been declining for the past several years even though the country's Per-capita GDP has been showing a stable growth over a decade now. Insurance penetration in Bangladesh stood at less than 0.50% in 2019, down from 1.13% in 2010. COVID-19 is impacting the insurance industry in multiple ways—from employee and business continuity issues to client service considerations and outlook.

Due to COVID-19, fire and marine insurance are expected to take the biggest hit. These two components consist of around 77% of non-life insurance companies total premium income (see Figure 4).

#### Fire Insurance

The biggest source of premium for non-life insurance company is fire insurance, which accounts for 43.1% of total premium income for non-life insurance companies. Factories for the RMG sector are the major driver of fire insurance premium. A total of RMG factories—348 registered with BGMEA and 71 with BKMEA. According to BGMEA, some 268 factories out of 348 were closed temporarily, and the rest 80 were closed permanently.

A recent study by Human Rights Watch shows that when orders were cancelled, 72.1% of buyers refused to pay for raw materials already purchased by the supplier, and 91.3% of buyers refused to pay for the "cut-make-trim" cost - or production cost - of the supplier. As a result, 58% of factories surveyed reported having to shut down most or all their operations. This shut down of factories may strangle the fire premium growth rate.

#### Marine Insurance

Marine insurance that depends on import cargo accounts for 34.3% of the non-life insurance's total premium a year. Insurance companies' premium income from marine insurance is expected to go down to a new low if this global pandemic countries and world trade continues to slow down.

Bangladesh import plummeted to deepen economic crisis amid COVID-19 pandemics. Businesses did not open LCs for products, including raw materials of Bangladesh's largest exporting sector readymade garments, capital machinery, and intermediate goods. Plummeting import means lower marine insurance premium for non-life insurance companies.

Figure 4: Premium Income Segment

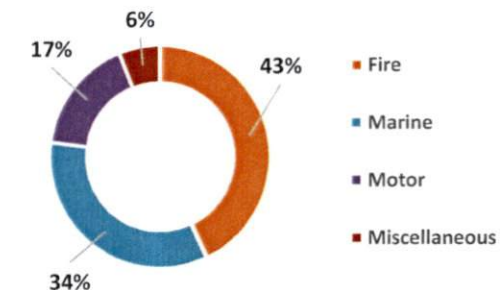
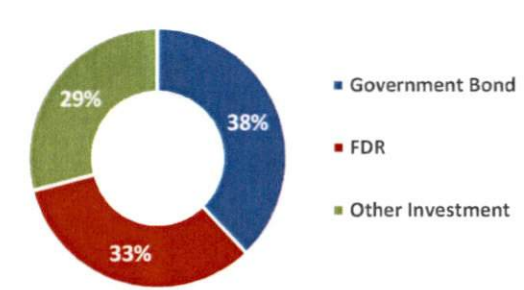


Figure 5: Investment Portfolio Mix



#### Motor and Miscellaneous

Most of the motor vehicles are covered under third party insurance coverage. Since premium charged under third party insurance coverage is insignificant and has a higher rate of renewal, premium from this category will have a less impact. But it is projected that, new motor sales to decline and first party insurance premium to decline too.

Aviation insurance is major contributor of miscellaneous segment. In this COVID-19 situation, the aviation sector may take a few years to turn around. As a result, it can be assumed that the insurance sector will face indirect losses.

### Investment Income

Most of the time insurance company's premium income is eaten away by claim and management expenses. History shows most of the insurance companies have a combine ratio (Direct Management expenses + Claims and Commission to net premium) above 80%. As a result, they rely on investment income for other expenses like provision, tax and indirect management expenses.

FDR consist 33.6% of total investment and capital market investment consist 28.6% of total investment (see Figure 5). Current 5-6% FDR rate and bearish capital market is expected to lower investment income.

### Impact on Cost Centers

In 2019, non-life insurers in Bangladesh agreed not to give more than 15% commission to agents. Since these field agents are poorly paid, they now have less motivation to go out in the field and bring new business amid COVID-19 outbreak. So it's expected that agent commission expenses may go down. Some insurance companies may go for salary cut during this COVID-19 pandemic which could result in lower indirect management expenses. Overall, it is expected that benefits of cost savings will be counterbalanced to some extent by higher level of revenue de-growth. During pandemic condition, life insurance sectors claim expenses rises beyond average level.

### Forced repatriation of migrant workers

Mandatory Insurance for migrants was supposed to be a catalyst which will boost the premium income for life-insurance companies. Bangladesh faced a double problem due to shrinking global labor market amid the COVID-19 pandemic, posing a threat to foreign remittances and at the same time overcrowding the local labor market.

## 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.

It has been noted that the company always concentrate on fire insurance business in terms of gross premium. In FY 2020 gross premium received from fire business represented 49.25% of total gross premium whereas in FY 2019 it was 46.95% of total gross premium. Another significant business sector is marine insurance, which represented 25.85% of total gross premium while motor & miscellaneous insurance held only 9.02% & 15.88% of total gross premium whereas in FY 2019 it was 29.91% (marine), 10.20% (motor), and 12.94% (Misc.) of total gross premium respectively. PICL's marine insurance percentage in total gross premium has decreased during FY 2020 due to lower import and export because of COVID-19 impact. However, it was also noted that, marine & motor insurance was the most profitable sector for the company over the financial 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 committee that assist in maintaining financial discipline and management of the company. Audit committee is consisted with 3 directors. This internal audit committee is responsible for examination and review of the balance sheet along with financial statement of the company submitted by its auditor. The company maintains central compliance unit 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 Chief Executive Officer.

### 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.

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 increase in FY 2020.

### 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. PICL is one of the top three companies in terms of gross premium. 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.

### 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. For enhancing the solvency position, paid up capital for non-life insurance companies have been raised to BDT 400.00 million.

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 fulfilled the regulatory requirement of paid up capital. Experienced board committee especially audit committee of PICL is acting in accordance with the guidelines provided in the notification dated 7<sup>th</sup> August, 2012 of BSEC and ensuring all relevant requirements for the company.

### **Insurance/Actuarial Risk**

The risk under an insurance contract is that an insured event may 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 key 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.

### **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 is one of the top three companies in terms of gross premium & is continuously trying to retain to hold the position. Recruitment of energetic, qualified professionals is expected to gear up the business.

## Financial Risk Analysis

### Underwriting Process & Quality

Revenue from underwriting is the prime source of income of PICL. The company has its separated underwriting department which is responsible for evaluation of risk associated with the clients and thereby making decision whether to accept the risk or not. During FY 2020, gross premium of the company has decreased to BDT 2,905.53 million and net premium has decreased to BDT 1,585.49 million whereas in FY 2019 gross premium was BDT 3,222.33 million and net premium was BDT 1,823.21 million. This shows that the company has lower premium collection than previous year. In spite of the decrease in both gross and net premium, total underwriting profit has increased to BDT 656.24 million in 2020 from BDT 392.76 million in 2019.

According to the Management report of September, 2021 the gross premium of PICL stood at BDT 2,110.51 million and net premium stood at BDT 1,221.60 million.

#### Selected Indicators

(Without considering commission on reinsurance ceded)

	Year Ended Dec. 31			
	2020	2019	2018	2017
Loss ratio (%)	21.81	31.12	30.49	33.33
Expense ratio (%)	53.20	49.79	53.19	56.42
Combined ratio (%)	75.01	80.91	83.67	89.74

Underwriting performance is measured by combined ratio which consists of loss & expense ratio. Combined ratio less than 100% reflects an underwriting profit. Loss ratio of PICL has improved in FY 2020 by 9.31 percentile points and reported as 21.81%. The ratio was impacted positively because net claim has decreased at a higher rate than the decreasing rate of net premium during the year. On the other hand, expense ratio has increased because management expense has decreased by only 7.09% against 13.04% of decrease in net premium. The ratio has increased and reported as 53.20% in 2020. Consequently, combined ratio was reported as 75.01% which is lower than 100% threshold representing an underwriting profit in the relevant year.

#### Selected Indicators

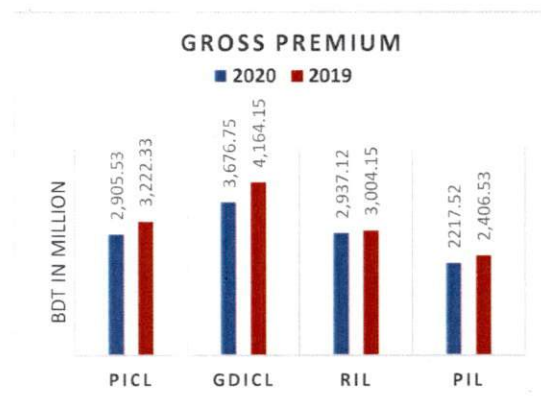
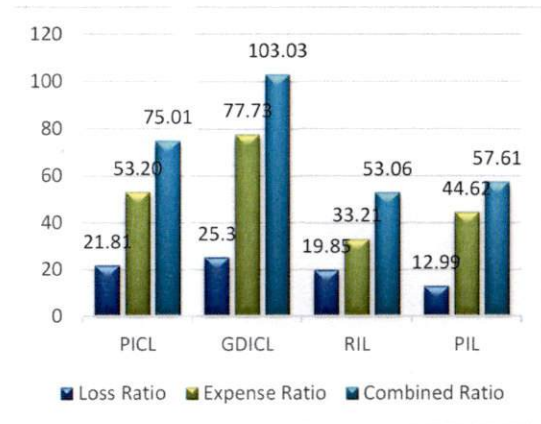
(After considering commission on reinsurance ceded)

	Year Ended Dec. 31			
	2020	2019	2018	2017
Loss ratio (%)	19.95	29.31	28.43	29.48
Expense ratio (%)	48.68	46.90	49.60	49.91
Combined ratio (%)	68.63	76.22	78.03	79.39

However, if we consider loss & expense ratio including reinsurance ceded, overall performance of the company shows much better performance and combined ratio becomes well below than 100%.

#### Peer Comparison

Peer group analysis is a logical method to compare financial performance of a company with their competitors. AlphaRating has considered this while analyzing the underwriting performance of PICL with other private sector company. In FY 2020, it is noticed that the performance of PICL is in line with the performance of peer in term of loss ratio. Moreover, it has been observed that the gross premium for PICL is higher than most of them.



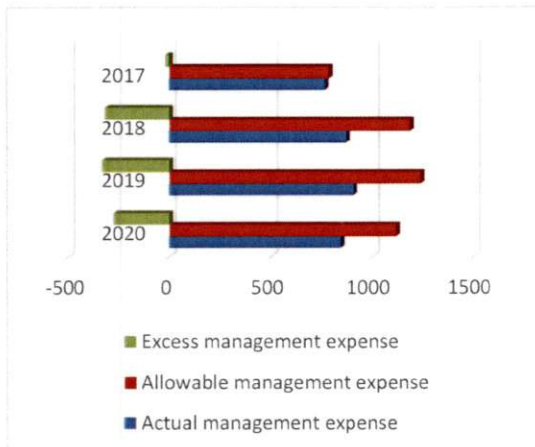
PICL= Pioneer Insurance Company Limited  
 GDICL= Green Delta Insurance Company Limited  
 RIL= Reliance Insurance Limited  
 PIL= Pragati Insurance Limited

### 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. It has been noticed that, PICL was able to keep the actual management expense within the allowable limit. As per given guideline PICL's allowable management expense was BDT 1,117.32 million whereas total actual management expense was BDT 843.46 million in FY 2020, which has resulted in spare allowable management expense of BDT 273.86 million. PICL has incurred almost 75.49% of its allowable management expense in FY 2020.

#### Selected Indicators

BDT in millions	Year Ended Dec. 31			
	2020	2019	2018	2017
Actual management expense	843.46	907.84	870.11	766.02
Allowable management expense	1,117.32	1,238.31	1,186.47	784.93
Excess management expense	(273.86)	(330.47)	(316.36)	(18.91)
Actual mgt. exp. as % of allowable exp.	75.49	73.31	73.34	97.59
Operating Expenses as a % of Gross Premium	1.21	1.38	1.28	1.97



According to IDRA, agency commission must be within 15% of its premium of all classes of insurance. PICL incurred BDT 383.62 million as agency commission in FY 2020 against the gross premium of BDT 2,905.53 million. So, the agency commission was 13.21% of gross premium which was within the prescribed limit set by the authority.

### Claim Management

#### Selected Indicators

BDT in millions	Year Ended Dec. 31			
	2020	2019	2018	2017
Claim Initiated (BDT in million)	1,112.10	1,009.99	1,344.25	843.71
Claim Settled (BDT in million)	112.26	874.35	622.30	546.77
Claim Repudiated (BDT in million)	-	-	-	-
Number of claim Initiated	764	1,120	1,195	1,377
Number of claim Settled	515	1,058	1,164	1,107
Number of claim Repudiated	-	-	-	-

During FY 2020, the company has settled 515 claim worth of BDT 112.26 million, whereas initiated claim was 764 worth of BDT 1,112.10 million. Both number of initiated and settled claims has declined during the year. It has been observed that, during FY 2020 PICL has settled 67.40% claim of total initiation. Moreover, there was no claim repudiated in last four year which states company's loyalty towards their policy holder and good claim management by the company.

According to the Management report of September, 2021 PICL has 764 numbers of initiated claims worth of BDT 1,112.10 million and 515 number of settled claims worth of BDT 112.26 million. And PICL don't have any repudiated claims during that period.

#### Average Claim Settlement Periods

In days	2020	2019	2018	2017
Motor	07	07	07	07
Marine	08	09	11	12
Fire	14	16	18	21
Miscellaneous	19	20	20	22

It has been observed that, PICL's claim settlement period is within 19 days in FY 2020 and within 18 days during for 3<sup>rd</sup> quarter ended in September, 2021. Moreover, the claim settlement period for marine & fire insurance has reduced to 08 days & 14 days respectively in FY 2020. The lower the time taken by the company to settle the claim, the better it is for the company's reputation, which can bring positive campaign for the company.

#### Selected Indicators

BDT in millions	Year ended Dec. 31			
	2020	2019	2018	2017
Total Claims	653.18	776.15	606.36	502.69
Claims paid during the year	223.90	468.72	397.56	395.08
Claims paid as % of total claims	34.28	60.39	65.56	78.59

### Peer Comparison

If we consider, Claim performance of the company in comparison with its industry peer, it has found that PICL has the lowest ratio.



### Profitability

Profitability position of the company has shown increasing trend over the last two years. PICL earns profit from different sources including investment income & underwriting profit. Underwriting profit is one of the main source of income for PICL comprising 83.56% of total income. However, total underwriting profit has increased by BDT 263.49 million in FY 2020 compared to BDT 108.27 million of increase in FY 2019. PICL was able to generate higher underwriting profit from Fire, marine, & miscellaneous insurance which has supported the underwriting profit positively. It has observed that, loss in fire insurance has turned into a profit of BDT 139.78 million in FY 2020 from loss of BDT 101.65 million in FY 2019.

Other than underwriting, investment income (comprised of interest on FDR, interest on STD A/C, interest on treasury bond, dividend income, & interest on house building loan) is another significant source of revenue for PICL comprising 16.44% of total income in FY 2020. During the year, most of the investment income comes from interest on FDR which has increased to BDT 86.08 million from BDT 77.29 million in FY 2019. Another portion of investment income for the company is dividend income, which has increased to BDT 38.41 million from BDT 9.03 million in FY 2019.

In FY 2020, profit after tax of the company has increased to BDT 532.67 million which has increased by 55.79%. On the other hand, net premium of PICL has decreased to BDT 1,585.49 million which has decreased by 13.04% in FY 2020. The increase in profit after tax against the decrease in net premium has resulted to increase in net profit margin to 33.60% in FY 2020.

### Selected Indicators

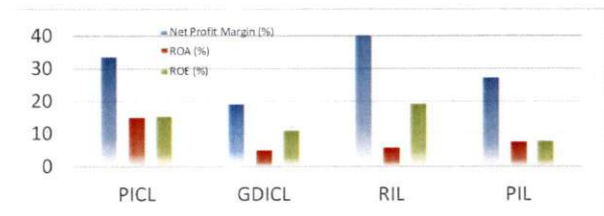
	Year Ended Dec. 31			
	2020	2018	2018	2017
Net profit margin (%)	33.60	18.75	16.34	17.69
Return on assets (%)	14.95	9.58	7.75	8.54
Return on equity (%)	15.30	11.08	8.48	8.23

Return on assets (ROA) is an indicator of how profitable a company in relation to total assets and return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. During the year, both ROA and ROE has increased due to mainly increase in profitability of the company.

According to the Management report of September, 2021 the net profit margin of PICL has increased to 37.55%. But ROA & ROE has decreased to 12.17% and 12.06% because total assets and total equity has increased but profit before & after tax has decreased for that period.

### Peer Comparison

If the net profit of the company is compared with its peer group it has been observed that the company holds a good position in terms of net profit margin & ROA. PICL should take more strategical steps to further improve the profitability position in future years by ensuring greater market share & quality risk management.



### Investment Profile

AlphaRating observed that PICL has diversified its investment in different sector including Govt. Treasury bond, investment in share & FDR etc. Total investment of the company has increased to BDT 2,984.81 million in FY 2020 from BDT 2,717.61 million in FY 2019. Level of investment of PICL over the last four financial years given below:

#### PICL's Investment Mix

	Year Ended Dec. 31			
	2020	2019	2018	2017
BDT in millions				
Investment in Govt. Security Bond	25.00	25.00	25.00	25.00
Investment in Shares & Securities	1,435.17	1,431.65	1,738.09	1,583.71
Short Term & Current Deposits	112.74	128.42	54.61	58.24
Fixed Deposit Account	1,411.91	1,132.54	939.66	814.47

As per Insurance Act 2010, the company has maintained statutory requirement of investing BDT 25.00 million in Bangladesh Govt. Treasury Bond, which is being maintained duly since FY 2013. It has been noticed that, 48.08% of the PICL's investments comprise of investment in share and stood at BDT 1,435.17 million at market value. Further analysis revealed that market value of most of the companies share is higher than its cost value which indicates the efficient investment portfolio management.

It has been observed that the company has maintained BDT 952.60 million as reserve for fair value of share in FY 2020. On the other hand, PICL has slightly decreased its investment in STD accounts but subsequently increased their investment in FDR & shares. Investment in fixed deposit of the company has been increased to BDT 1,411.91 million from BDT 1,132.54 million and investment in STD & current account has decreased to BDT 112.74 million from BDT 128.42 million in FY 2020.

According to the Management report of September, 2021 the company has BDT 75.00 million of Investment in Bangladesh Govt. Treasury Bond. On the other hand, their investment in shares has slightly decreased but their cash & bank balances has increased to BDT 1610.52 million.

#### Selected Indicators

BDT in millions	Year Ended Dec. 31			
	2020	2019	2018	2017
Total Investment	2,984.81	2,717.61	2,757.37	2,481.42
Investment income as % of total income	16.44	18.94	23.32	38.75
Yield on investment (%)	4.33	3.38	3.14	5.66

Investment income as a % of total income has following a declining trend over the last four years and stood at 16.44% in FY 2020, which was 18.94% in FY 2019. The reason behind this fall is, investment income has increased by 40.12% whereas total income has increased by 62.10% in FY 2020. PICL's investment income has significantly increased mainly for higher dividend income & interest of FDR and this also led yield on investment to improve by 0.95 percent point in FY 2020. According to the Management report of September, 2021 PICL's investment income to total income ratio has decreased to 10.73%.

Items	Govt. Securities	BSEC approved Shares (Total)	Land & building in Municipality area	FDR (Bank)	FDR (NBF)
Required Rate (in terms of assets)	7.50% (min)	25% (max)	20% (max)	80% (max)	10% (max)
PICL's Rate	1.06%	20.48%	18.56%	52.74%	7.17%

It is to be noted that, Other than Govt. securities, the company has complied with investment rules for non-life insurance companies issued on 14.11.2019 which is depicted in the table.

#### Liquidity Analysis

##### Selected Indicators

	Year Ended Dec. 31			
	2020	2019	2018	2017
Current ratio (times)	2.82	3.19	3.29	3.21
Current asset/net claim (times)	9.70	4.75	4.37	4.24
Current liabilities/total liabilities (%)	100.00	100.00	100.00	100.00
Cash & bank balance/total assets (%)	28.56	26.85	22.16	21.43
Operating cash flow/net claim paid out (%)	117.75	67.57	67.12	45.54
Operating Cash Flow	407.13	383.35	334.76	206.07

Liquidity position refers to the company's ability to pay short term obligation as they fall due. While analyzing the liquidity position of the company, it is observed that current ratio of the company has slightly declined and stood at 2.82 times in FY 2020 as PICL's current assets have increased by 24.34%, whereas current liabilities have increased at a higher rate by 40.56%. Current asset to net claim ratio is showing improving trend over the years and during FY 2020 the ratio stood at 9.70 times. Scrutiny reveals that due to the growth of current assets the current asset to net claim ratio has improved in FY 2020.

Current liability to total liability of the company remained at 100% as there is no non-current liability. Cash and bank balance of PICL has increased over the years & during FY 2020 cash and bank balance has increased by 20.91% due to mainly increase in fixed deposits, whereas total assets grew by 13.64%, which led the cash & bank balance to total assets ratio to increase in FY 2020.

However, operating cash flow position of the company has increased by 6.20% in 2020 compared to FY 2019. Operating cash flow to net claim paid out has also increased to 117.75% from 67.57% because net claim paid out has decreased by 39.06% in FY 2020.

From the above analysis, it has found that overall liquidity position of the company has improved in FY 2020 compared to FY 2019.

According to the Management report of September, 2021 the current ratio and Cash & Bank Balance to Total Assets ratio has increased but PICL's CFO has decreased to BDT 258.14 million.

### 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 reinsurer whether inside or outside Bangladesh.

As per PICL's treaty agreement, proportional treaty retention limit for the marine cargo surplus BDT 22.50 million and marine hull surplus BDT 7.50 million, engineering surplus BDT 30.00 million and under non-proportional treaty, fire gross XL treaty retention limit is BDT 10.00 million, marine cargo & engg. risk XL treaty BDT 2.00 million, miscellaneous accident risk XL treaty BDT 2.00 million and motor risk & CAT XL treaty BDT 1.50 million.

It has been found that PICL is in line with the existing regulation, takes 50% reinsurance coverage from Sadharan Bima Corporation (SBC) while rest is reinsured with other reinsurer whether in or outside Bangladesh. Some of overseas reinsurers are: Hannover Re (Malysian Branch), Swiss Re, Abu Dhabi National Insurance, General Insurance Corporation of India, Asian Reinsurance Corporation, National Insurance Co. Ltd., International General Insurance (IGI), Tanzania Reinsurance Co. Ltd. (TAN Re), Oman Re, GIC Re, Aveni Re, ION Insurance Group, CICA Re, Togo, Waica Re, Uzbekinvest, Lloyd's Underwriter Syndicate, Talbot Company of AIG, Zurich Commercial Insurance UK, SCOR UK Company Limited, Arma Underwriting Limited Energy, Partner Reinsurance Europe SE, Starr International (Europe) Ltd., Connect Insurance & Reinsurance Co., American International Group UK Limited etc.

Individual class wise risk retention ratios of last 4 years are presented below:

Business Class\ Year	2020	2019	2018	2017
Fire	46%	52%	46%	36%
Marine (Hull & Cargo)	68%	56%	59%	55%
Motor	96%	97%	98%	98%
Miscellaneous	37%	44%	32%	49%
<b>Total (Average)</b>	<b>55%</b>	<b>57%</b>	<b>54%</b>	<b>51%</b>

During FY 2020, total sum insurance was BDT 1,390.13 billion and re-insurance coverage was BDT 117.78 billion, whereas during FY 2019 total sum insured was BDT 1,305.61 billion and re-insurance coverage was BDT 120.22 billion.

Generally high retention level signifies inadequate reinsurance protection while low retention level may hamper profitability. It has been also observed that, PICL's average risk retention rate remained above 50% during four years under consideration.

### Solvency Analysis

#### Selected indicators

	Year Ended Dec. 31			
	2020	2019	2018	2017
BDT in millions				
Available Solvency (AS)	2,531.19	2,449.49	2,727.60	2,463.92
Required Solvency (RS)	363.09	413.79	384.92	341.92
AS/RS (times)	<b>6.97</b>	<b>5.92</b>	<b>7.09</b>	<b>7.21</b>

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 but still insurance Development & Regulatory Authority's (IDRA) has not prescribed any formula or guidelines to calculate the minimum solvency margin. From the above table we can see that, solvency margin has increased to 6.97 times in FY 2020, which was 5.92 times in FY 2019. The reason behind such increase is, available solvency has increased whereas required solvency has decreased in FY 2020.

### Reserve Adequacy

PICL has maintained the reserve for un-expired risk as per Insurance Act, 2010; 100% of the net premium income for marine hull & aviation insurance and 40% for all other business classes. The company also maintained reserve for exceptional losses. In FY 2020 the reserve for exceptional loss has increased to BDT 1,246.87 million, which has increased by 13.95% from that of previous year. However, the reserve represents 78.64% of net premium.

Reserve for exceptional losses represent 3.61 times of net claim in 2020 which was 1.93 times in 2019, suggesting the company's unexpected events absorbing capability has improved from previous year.

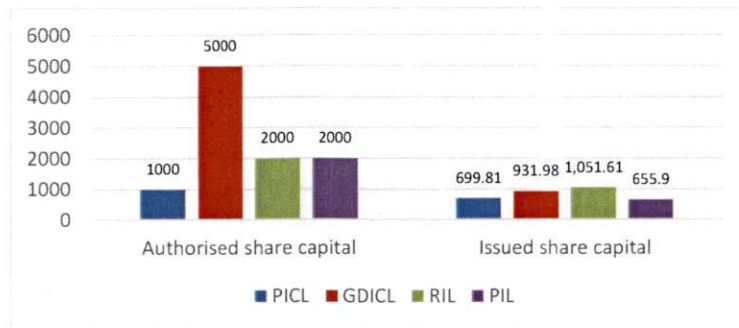
**Capital Adequacy**

According to statutory capital requirement, every non-life insurance company is 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 remained same as FY 2019 and stood at BDT 699.81 million at the end of FY 2020.

In FY 2020, the board of PICL has issued 10% stock dividend & 20% cash dividend. Previously, PICL had issued stock dividend of 10% 2015, 25% 2014, 20% 2013, 20% 2012, 30%B 2011, 25% 2010 & 25% 2009 along with cash dividend of 15% 2019, 15% 2017, 15% 2016 & 15% 2015 and 1 right share for 5 share in FY 2011.

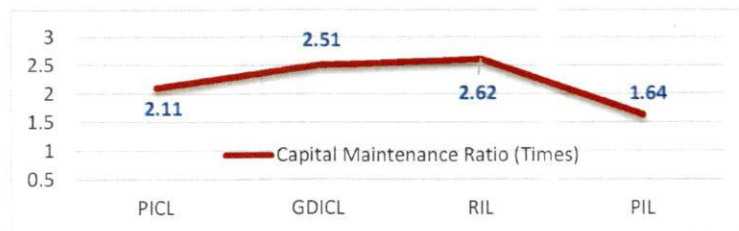
**Peer Comparison**

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**

If peer group is taken into consideration, it has been observed that PICL is slightly behind from some of its peer companies.



## 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 including 03 independent directors. 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. During FY 2020, 04 board meetings were held by the company.

### 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. Tarik Ur Rahman who is responsible for the implement of the policy and procedures adopted by the Board. Chief Executive Officer 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 Chief Executive Officer, 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 Chief Executive Officer about the company's improvement with the compliance of statutory and the regulatory requirements too. The Chief Executive Officer 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. 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 Committee
- Budget Committee
- Audit Committee
- Investment Committee
- Nomination & Remuneration Committee

### 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 02 members. During FY 2020, 01 meeting was held by the committee to facilitate the budget.

### 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 7<sup>th</sup> August, 2012 of BSEC. Audit committee consists of 03 members. The committee is responsible to review & discuss the audited financial statement and management report, review the re-appointment of statutory auditors & determined the audit fee, review the statement of all related party transactions submitted by the management, to review the management's discussion & analysis etc. During FY 2020, 04 meetings were held by the committee.

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.

### 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 05 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 2020, 03 meetings were held by the committee.

### Investment Committee

The committee is responsible for taking all types of investment decision of the company. The committee consists of 03 members. During FY 2020, 01 meeting was held by the committee.

### Nomination and Remuneration Committee (NRC)

Nomination and Remuneration Committee (NRC) was formed on 23<sup>rd</sup> October, FY 2018 in 211<sup>th</sup> Board Meeting under condition number 06 of the Corporate Governance Code issued by the Bangladesh Security and Exchange Commission vide their No. BSEC/CMRRCD/2006-158/207/Ad-min/80. The committee is consisted of 03 members. During FY 2020, 01 meeting was held by the committee.

### 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 25 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 425 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.

### 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.

### IT Infrastructure & Its Utilization

PICL is constantly taking initiatives to modernize its IT infrastructure. The company ensures its 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 developed the system. This system will bring efficiency in term of time & cost for the company. Following is the list of departments which are beneficiary of ICT security policy: Underwriting Department, Accounts, Re-insurance, Share and HR. The company is also using Personal Management Software which help the company to keep all record of the employees.

### 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 complied with each & every conditions imposed by BSEC's Notification on Corporate Governance. During FY 2019, the company achieved the certificate of good corporate governance from "MABS & J Partners, Chartered Accountants".

### ***Internal Control***

PICL has a separate Internal Audit Department headed by Vice President 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. The In-Charge of Internal Audit submit the report with findings to the Chief Executive Officer after inspection of each branch. Sometimes the Chief Executive Officer send the In-Charge of Internal Audit to the branch to examine a particular issue and the In-Charge of Internal Audit submit report to CEO with findings.

Moreover, PICL has BC & MIS department which examines all insurance documents issued by various branches of the company to see whether Bangladesh Insurance Tariff are being followed strictly while underwriting various risks offered by the clients. On examination of reports submitted by Internal Audit, BC & MIS department takes proper initiative to solve those issues.

### **End of the Report**

**Company Information:****Board of Director & CEO**

Name	Position
Mr. M Anis Ud Dowla	Chairman
Mr. Tapan Chowdhury	Director
Mr. A. K. M. Rahmatullah, MP	Director
Mr. Alamgir Shamsul Alamin	Director
Mr. Syed Nasim Manzur	Director
Mr. Shafiqul Islam Khan	Director
Ms. Sylvana Sikder	Director
Mr. M.A. Majed	Director
Ms. Fahama Khan	Director
Mrs. Parveen Akther	Director
Mrs. Rozina Afroze	Director
Ms. Sanchia Chowdhury	Director
Mr. Quazi Habibul Haque	Independent Director
Lt. Col.(Retd.) Muhammad Nazrul Islam, Birprotik, MP	Independent Director
Mr. M. Mokammel Haque	Independent Director
Mr. Tarik Ur Rahman	Chief Executive Officer

**Major Shareholders (As on 31 October, 2021)**

Name of Shareholder	Number of share	% of Shareholding
Sponsors/Directors	35,117,019	45.62
Individual	25,272,307	32.95
Institutional	16,589,361	21.43
<b>Total</b>	<b>76,978,687</b>	<b>100.00%</b>

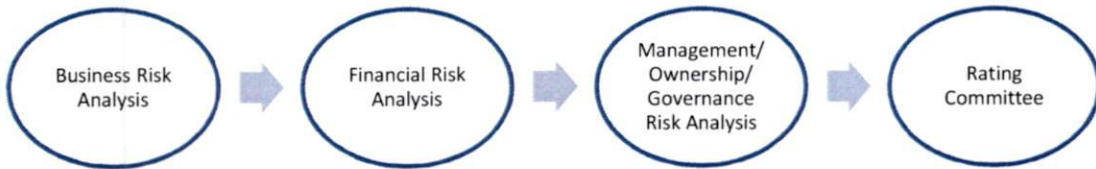
**Auditor**

**ARTISAN**  
Chartered Accountants  
33 Shah Ali Tower (5<sup>th</sup> & 6<sup>th</sup> Floor), Kawran Bazar, Dhaka-1215

**Head Office**

**Pioneer Insurance Company Limited**  
Rangs Babylonia (5th Floor), 246, Bir Uttam Mir Shawkat Sarak, Tejgaon, Dhaka-1208  
Tel: 88-02-8878901 (Hunt)  
Fax: +88-02-8878913, 8878914  
E-mail: [piclho@pioneerinsurance.com.bd](mailto:piclho@pioneerinsurance.com.bd), [piclho@gmail.com](mailto:piclho@gmail.com)  
Web: [www.pioneerinsurance.com.bd](http://www.pioneerinsurance.com.bd)

AlphaRating's Research Methodology for Determining Insurance Rating



Analysis is segmented into two or three sub sectors:

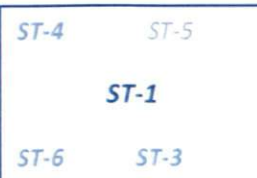
- ▶ Industry Outlook
- ▶ Competitive Position
- ▶ Operational Analysis

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.

Analysis is segmented into four sub sectors:

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

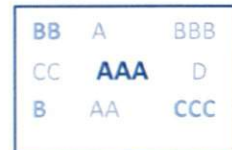


ST-1	Strong Capacity
ST-2	Good Capacity
ST-3	Adequate Capacity
ST-4	Weak Capacity
ST-5	Very Weak Capacity
ST-6	High Risk of Default

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



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.



-----Disclaimer-----

The Credit Rating Report is the property of Alpha Credit Rating Limited (AlphaRating). The Rating Report and all information contained herein shall not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person without AlphaRating's prior written consent. The Credit Rating Report and all information contained herein is provided on the basis of information believed by AlphaRating to be accurate and reliable as derived from publicly available sources or provided by the rated entity or its agents. A credit rating is not a recommendation to buy, sell, or hold any security and no investment decision should be made solely on the basis of a credit rating. AlphaRating may make modifications and/or changes in the Credit Rating Report and all information contained herein at any time, for any reason. Under no circumstances will AlphaRating or its affiliates be liable for any special, indirect, incidental or consequential damages of any kind, including, but not limited to, compensation, reimbursement or damages on account of the loss of present or prospective profits, expenditures, investments or commitments, whether made in the establishment, development or maintenance of business reputation or goodwill, cost of substitute materials, products, services or information, cost of capital, and the claims of any third party, or for any other reason whatsoever, even if AlphaRating has been advised of the possibility of such damages. Any person making use of and/or relying on the Credit Rating Report and all information contained herein hereby acknowledges that he has read this Disclaimer and has understood it and agrees to be bound by it.

-----  
© Alpha Credit Rating Ltd 2021