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Credit Rating Report

Provati Insurance Company Limited

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Ref No	ACRSL110290/19
Company Name	Provati Insurance Company Limited
Assigned Ticker	PROVATIINS
Activity	Non-Life Insurance Business
Incorporated On	31 January 1996
Head Office	Khan Mansion (11th Floor), 107 Motijheel Commercial Area, Dhaka-1000, Bangladesh.

Rating Type	Corporate/Entity
Rating Validity	16 Sep 2020
Analyst(s)	ACRSL Analyst Team
Committee(s)	ACRSL Rating Committees

RATINGS SUMMARY

CREDIT RATING	CURRENT	PREVIOUS
Long-Term	AA	AA
Short-Term	ST-2	ST-2
Publishing Date	16 Sep 2019	16 Sep 2018

RATINGS EXPLANATION

AA	**Long term:** Very high claims paying ability. Protection factors are strong. Risk is modest, but may vary slightly over time due to underwriting and/or economic condition.
ST-2	**Short Term:** High claims paying ability. Protection factors are good and there is an expectation of variability in risk over time due to economic and/or underwriting conditions.

Rating Validity : This validity assumes no additional loan over that disclosed in Q2FY19 [ending June 30] audited/management certified balance sheet and that management has disclosed all material & adverse to financials since Q2FY19.

Executive Summary:

Strength:

- **Decade long expertise and experienced technocrats has helped PICL to build a strong customer base.** Provati Insurance Company Limited (PICL) is one of the reputed insurance companies of the country. The company has been highly focused on its core business, insurance business. The company has captive customer base consisting of different companies. PICL is primarily staffed with professionals with long experience, qualified insurance technocrats and a team of skilled personnel. Gross premium of the company increased from BDT 443.30 MN in FY16 to BDT BDT 482.60 MN in FY17, representing a YoY growth rate of 8.87%. Subsequently in FY18 the Gross premium of the company stood at BDT 485.40, representing a YoY growth rate of 0.58%, which is positive rating factor in our view.

- **Historically, PICL has maintained healthy loss reserve to total assets ratio,** which is a positive rating factor. During the last three years, the ratio reached to 20.73% in FY18 from 16.72% in FY17 which was 15.82% in FY16. Though the ratio in fluctuating but the financial cushion against the total assets of the company has been high during last three years.

- **PICL's balance sheet profile remained strong with substantial liquid assets providing cushion against claim**. PICL has maintained more healthy total assets as cash and bank balance over the last three years. This means PCIL's assets are highly liquid and can be used in case of large claims payment. Historically, PCIL has maintained a high cash & bank balance to total assets ratio, which is a positive rating factor.

Concerns:

- **PICL's Expense Ratio increased in FY18.**: PCIL's expense ratio increased drastically in FY18. PCIL's management expense increased from BDT 75.45 MN in FY17 to 129.33 MN in FY18, representing a YoY growth of 71.41% . Meanwhile company's expense grew at a rate of 36.73% in FY18. As a consequence PCIL's expense ratio increased from 37.84% in FY17 to 53.32% in FY18.

- **PICL's Total Asset base in negative trajectory in recent year,** PCIL's total asset base has decreased recently. Company's total asset decreased from BDT 1018.83 MN in FY17 to BDT 935.38 MN in FY18, representing a negative yoy at -8.19%.

RATING RATIONALE

Key Rating Drivers:

- **We are assigning a long-term rating of "AA" and a short-term rating of "ST-2"** to Provati Insurance Company Limited (hereinafter "PICL" or "the company")

- **Decade long expertise and experienced technocrats has helped PICL to build a strong customer base.** Provati Insurance Company Limited (PICL) is one of the reputed insurance companies of the country. The company has been highly focused on its core business, insurance business. The company has captive customer base consisting of different companies. Major businesses of the company comes from Banks and NBFIs, Garments, Textile, Food industry to name a few. Major captive client of the company includes, BD Foods limited, NewZeland Dairy & Foods, A.K.H Group, Rahmat Group, One Group, Abul Khair Group, B.N.S Group, Ranel Group, Kabir Group among others. The company is primarily staffed with professionals with long experience, qualified insurance technocrats and a team of skilled personnel. Apart from that PICL has developed a number of branch network all over the country under direct weekly super vision from Head office to reach the number of customers throughout the country. Meanwhile the number of insured clients of PICL has been increasing gradually.
    - **Gross premium** of the company increased from BDT 443.30 MN in FY16 to BDT BDT 482.60 MN in FY17, representing a YoY growth rate of 8.87%. Subsequently in FY18 the Gross premium of the company stood at BDT 485.40,representing a YoY growth rate of 0.58%, which is positive rating factor in our view.

- **Historically, PICL has maintained healthy loss reserve to total assets ratio,** which is a positive rating factor. During the last three years, the ratio reached to 20.73% in FY18 from 16.70% in FY17 which was 15.82% in FY16. Though the ratio in fluctuating but the financial cushion against the total assets of the company has been high during last three years.

- **PICL's balance sheet profile remained strong with substantial liquid assets providing cushion against claim**. PICL has maintained more healthy current assets as cash and bank balance over the last three years. This means PCIL's assets are highly liquid and can be used in case of large claims payment. Historically, PCIL has maintained a high cash & bank balance to total assets ratio, which is a positive rating factor.
    - **Cash & Bank Balance / Total Assets:** Historically, PICL has maintained a high cash & bank balance to total assets ratio during the last three years, which is a positive rating factor. The ratio was 39.60% in FY16 , 38.69% in FY17 and 45.83% in FY18.
    - **Liquid Asset / Net Claim:** Historically, PICL has maintained sufficient liquid asset to net claim ratio which is positive in our view. The ratio has showed and increasing trend in recent year. The ratio was 2.46x in FY16 which slightly decreased to 2.19x in FY17 and improved to 3.05x in FY18.

- **Overall Liquidity:** Historically, PICL has maintained a high overall liquidity ratio, which is positive in our view. The ratio stood at to 2.79x in FY16 , 2.81x in FY17 and 3.58x in FY18. Though the ratio has been following a decreasing trend, the ratio remained good.

- **Balance of Funds / Total Assets:** Historically, PICL's Balance of funds to total assets ratio demonstrated an increasing trend which is a positive rating factor. The ratio was 15.14% in FY16, 15.33% in FY17 and 16.22% in FY18.

- **Expense Ratio**: **PICL's expense ratio showed an upward trend in recent year.** PCIL's expense ratio increased drastically in FY18. PCIL's management expense increased from BDT 75.45 MN in FY17 to 129.33 MN in FY18, representing a YoY growth of 71% . Meanwhile company's expense grew at a rate of 36.73% in FY18. As a consequence PCIL's expense ratio increased from 37.84% in FY17 to 53.32% in FY18.

  - **Net Premium Growth :** PICL's net premium growth remained negative in FY18. PICL's net premium was BDT 390.69 MN in FY17 which decreased to 379.14 MN FY18, representing a YoY negative growth of 2.96% during the same time**.**

  - **Total Asset base:** PCIL's total asset base has decreased recently. Company's total asset decreased from BDT 1018.83 MN in FY17 to BDT 935.38 MN in FY18, representing a negative yoy at -8.19%.

ACRSL Research has a positive long-term outlook on Bangladesh's Insurance sector, a view that is driven by rising income levels, steady remittance, rapid urbanization, and expected overall economic growth.

- **IDRA's complete guideline will be a milestone for the insurance sector of Bangladesh.** IDRA is preparing insurance business guidelines and all the necessary regulations. When these rules and regulations will be implemented, then operation of insurance business will become more efficient and transparent just like banks now. IDRA is planning to provide central software where all the insurance companies (head office and all branches) will be able to use it simultaneously. Therefore, IDRA can monitor all transaction easily and can solve any discrepancy in a fast manner. This will be beneficial for all in long-term.

- **Increase in stock market exposure during this bear market would be a good strategy for long-term investment.** In this bearish trend, it is easy to buy good companies' share at a cheap price. By now all the insurance companies have absorbed the stock market collapse. Therefore, in future, in good economic condition when economic activity will increase, the stock market is expected to get back into track and show bullish trend. Then these investments will provide good return in form of capital gain and dividend.

- **The GDP of our country is increasing than the previous years which results in increase of per capital income.** So this growing GDP and income holds bright prospects for insurance companies. The major problem is the incapability of our people to pay the premium charged by the insurance companies. With the growth in the income more and more people are now willing to take an insurance policy for safeguarding themselves from any danger.

- **There is a big opportunity lies ahead for the insurance companies as the population of our country are increasing day by day**. Although most of people of our country live under extreme poverty level and want to avoid insurance policy number of potential policy holders in Bangladesh is growing with growth of the population. There is somewhat relationship between growing populations with the number of public vehicle. As we know all public vehicle must have an insurance policy. So growing population also increase the motor insurance too. That is growth in population opens greater scope for every kind of insurance business that results in growing prospect for insurance companies.

- **People are now much more conscious about their safety.** So they are encouraged to take an insurance policy for making their life free from any unexpected occurrence. Increase in literacy rate is helping predominantly to create awareness among the people regarding taking insurance policy. Besides this insurance companies are also trying to eradicate the negative attitude of people towards the insurance company by organizing various programs such as seminars, programs including social responsibilities etc.

- **Micro insurance can be a great prospective area for the insurance business in our country**. Most of the people of our country are unable to have costly and long term insurance policies. Micro insurance can be provided to individual personnel or to small business owners against little insurance premiums and with easy terms and conditions. When they will afford to minimize their risks at a lower price, they will take that opportunity and they will become to get used to it. This can cover a huge portion of the society who can be a prospective target market for this business.

- **Insurance companies can usually make more profit from investment activities than from their regular insurance business.** The private insurance companies are realizing this fact and playing role in the financial market. Insurance companies are making large investment in government bonds, ICB projects and in private sector business. There are opportunities to enhance profit through effective and efficient money management by employing capable and experienced personnel. Scope of investment expansion persists in the areas leasing, housing, health and money market.

- **Insurance is not just a tool of risk coverage.** It is also an attractive instrument of savings. The mixture of risk coverage with savings gives the opportunity for innovative product designing which means service diversification. In a dynamic insurance market one can expect to see new products being promoted at regular intervals. So far very little efforts have been taken to innovative and introduce need oriented insurance services in response to existing threats. The prospect of the insurance business in various sectors that affect our economy can be differentiated in the following way.

- **The economy of Bangladesh is predominantly an agrarian one, with most people engage in farming and fishing**. The uncertainty of agriculture due to crop failure caused by climate variation, drought, cyclone, flood and pests affects farmer income as well as government revenue. Furthermore, in the last few years commercialization has occurred in some sections of the agricultural sector. Increase in investment in the agricultural sector is creating a new opportunity for insurance industry. Various agricultural insurance services are becoming common these days. Demand for insurance protection against crop loans, livestock loans, fisheries loans and equipment loans are also increasing day by day.

- **Nowadays in Bangladesh the SME plays a important role in the economic development**. But they are deprived from taking loans from bank for large amount. If insurance business focuses this section in Bangladesh they are able to contribute more in the economy. Thus insurance business has a bright prospect in business sector in a developing country like Bangladesh.

ACRSL remains concerned over the near-to-intermediate term about PICL's exposure to the insurance sector. We have a long-term positive outlook on Bangladesh's Insurance sector, with near-to-intermediate term concerns, based on following analysis:

- **The general insurance market is not likely to remain suppressed in the long-term**. This is because general insurance market expansion and increase of insurance penetration in the country lies in tapping the hither to untapped segments of the market – personal lines business that has remained neglected so far.

- **A vast majority of people especially in rural areas are left outside the insurance coverage.** This mainly results from the unawareness among the people. Even a large portion of people don't have the minimum idea of insurance. People are not aware of the benefits from the insurance policy and a great number of people believe that insurance business is nothing but cheating and assume that insurance policy is quite unnecessary. This negative attitude from the people is lessening the importance of absorbing insurance policy in a large extent.

- **Most of the insurance companies in our country are located in urban areas and there are few branches in rural areas.** They think that they might have better scope for performing their business as the economic condition of the urban is better than the rural areas. They don't think that the large number of our population reside in rural areas and if branches are expanded in rural areas then the business can thrive if proper motivation policy is taken to aware the mass people of the rural areas. Thus this centralization policy acts as an obstruction for the growth of insurance business in our country.

- **Bangladesh is one of the poorest countries in the world and most of the people in this country live under extreme poverty level**. All of these people fight hard to earn their livelihood and are marginal in relation to the expenditure with the income. It is quite impossible for them to save some money for future need. Therefore they are quite unable to give the amount to the insurer which is called as premium and regarded as safety or precautionary measures against any accident. The number of people who can bear the premium to the insurance company is very few in regard to those mentioned above. Therefore the overall poor economic condition is creating obstacle to flourish the insurance business in Bangladesh.

- **Most of the insurance companies of our country are facing financial problems.** Recently government is trying to take initiative to close some of the insurance companies because they are not maintaining the minimum standards. They are investing their money in poor securities and business which is vulnerable regarding getting back the money with profit. As a result most of the insurance companies are suffering from loss years after years and for poor financial condition the insurance companies are also unable to expand their branch which is a barrier for the growth of insurance business in Bangladesh.

- **Growing cost of business is another problem that insurance companies are facing now a day**. They urge that government tax, house rent, utility, commission fee, stationeries are growing day by day. But their businesses are not growing so fast with that rate. Besides this the policy holders are not willing to pay too much premium with growing cost that is hampering the strategies of insurance companies. So they are facing difficulties in running their business efficiently.

- **Lack of surveillance from government ministry encourages many insurance companies** to follow some unethical practices like make harassment to policy holder and showing less in the financial statement. This not only destroying the reputation of the well known insurance companies but also creates negative impact in the mind of the people about insurance. Besides this government sometimes impose some conflicting rules and regulation without discussing with insurance companies governing body. It creates conflict among insurance companies with government and act as one of the main hindrances of growing insurance business.

- **Insurance companies perform their activities by recruiting marketing agent and they try to convince** the people to take a policy. Most of the cases the agents are not properly trained and they don't know the right process to catch potential people to make their policy holders. Therefore these field level agents are unable to fulfill their target and act as a constraint in the insurance business.

- **Spread of insurance business in Bangladesh failed for lack of proper training** by the employees specially the field employees of insurance companies. Still there are not enough training center to provide proper training regarding insurance activities for the officials of insurance company. Though there is one insurance training center in Bangladesh it totally failed to achieve its target in insurance field.

- **Another main problem in the country is that the media is unconcerned to send the right message regarding insurance to the people.** As a result a large portion of population is completely unaware about the insurance policy. Another problem is that the insurance company does not provide adequate information in the company's websites which can fulfill the queries of their potential customers and satisfy themselves to buy an insurance policy.

- **Some insurance companies create harassment on the policy holders or sometimes on the dependents of the policy holders when they want back their money after death or maturity**. The insurance companies show different causes in order to make delay to return back the money at expected time. Sometimes they are eager to pay less than the desired amount by creating various circumstances such as they try to say that the disaster of the subject matter of the policy is not responsible due to their activities. Besides this some field officials also create some illegal acts. They often try to give false information to the people for buying a policy. And these kind of illegal acts create bad reputation to the insurance companies and hindrance the overall insurance business. Those who are harassed by the insurance companies discourage other not to take an insurance policy Lack of motivation program towards public.

- **To take an insurance policy there are great number of rules and regulations which must be compelled by the insured person.** And into those rules a vast number of complexities is present there. Therefore the people are discouraged to take insurance policy because they think that the complexities will create extra pressure on their mind which may hamper other jobs.

Special Note: At the time of publication of this credit rating report by ARGUS Credit Rating Services Limited, audited financial statements until FY18 (ending December 31) and unaudited financial Q2FY19 (ending June 30). Projections for until FY20 were arrived after taking into consideration subsequent events up to the date of reporting, management feedback and industry insights.

1 CORPORATE PROFILE

1.1 Company Description

History: Provati Insurance Company Limited (PICL) was incorporated as a public limited company in 31st January 1996 upon getting permission from the Government for carrying out non-life insurance business. PICL's major underwriting business includes fire, marine, motor, and miscellaneous insurance business.

Financial Base: At the end of FY18, PICL's Total Assets stood at BDT 935.38 MN, Equity at BDT 522.48 MN, Paid-up Capital at BDT 297.03 MN, Investments at BDT 36.35 MN, Gross Premium at BDT 482.60 MN, Net Premium at BDT 379.14 MN, Underwriting Profit at BDT 53.22 MN and Net Profit Before Tax at BDT 60.18 MN.

Indicators	Comments	Rating Outlook
Quality of Top Management	Senior management of PICL comprises of industry experts and highly qualified personnel with over a decade of experience in the insurance sector. Similarly, professionalism on part of management contributes to brand recognition and operational controls. Moreover, the company's senior management has sound educational, business, social and financial backgrounds and networks. In effect, management proficiency contributes to brand and operating efficiency of PICL that is a positive rating factor.	Positive
Management Adaptation	Senior management brings change at PICL by building group momentum and actively mobilizing others to initiate change. At PICL, management has embedded a culture for change. Such a proactive management contributes to a positive rating outlook.	Positive
Management Structure	PICL's upper management has instituted strict, control mechanisms and a robust infrastructural set up focused on inhibiting negative implications of conflict of interests, as well as fraud, and focused on the smooth flow of operations and the company's long-term operational efficiency. For example, PICL utilizes Software for risk management, finance and accounting purpose. In effect, adherence to control mechanisms has contributed to strong internal controls and is a positive rating factor.	Positive
HR Policy	PICL has a structured HR Policy covering various employment policies, including, selection and recruiting policies, compensation, leave policies, among other factors for employees at all levels of the organization. Moreover, the company's HR policy also clearly delineates the job description and job responsibilities for each of its employees. This contributes to a positive factor.	Positive
Internal Controls	PICL's upper management has instituted strict, control mechanisms and a robust infrastructural	Positive

	set up focused on continuous risk assessment and compliance with laws and regulations. PICL's internal controls inhibit the negative implications of conflict of interests, as well as fraud at all levels of the organization. Similarly, the internal controls have been implemented to allow for a smooth flow of operations. Furthermore, accounting controls ensure the quality of accounting and financial information, particularly the conditions of under which the information is recorded, stored, and available. In effect, adherence to control mechanisms has contributed to strong internal controls and is a positive rating factor.	
Work Environment	PICL's work environment fosters teamwork and collaboration. A rewarding work environment has also contributed to higher job satisfaction, motivational, and productivity. Overall, this is contributing to a positive rating factor.	Positive

1.2 SHAREHOLDING STRUCTURE

The Board consists of 16 Directors. The members of the Board of Directors of the Company hold very respectable position in society. They are from highly successful groups of business and industries in Bangladesh. Each member of the Board of Directors plays a significant role in the socio-economic domain of the country. The current Chairman is Mr. Md. Momin Ali and the Chief Executive Officer, Mr. Md. Abdus Salam.

Table 1 Nature of Ownership/Shareholding Percentage

Shareholders	% of Shares
Sponsor & Directors	32.43%
General Public Including Unit Fund, Mutual Fund, Financial Institution etc.	67.57%

1.3 Board of Directors

Meetings of the Board of Directors are held regularly. During the year 2018, the Board of Directors held five meetings. The Board approves the annual budget and reviews the business plan of the company in regular basis and offers guidelines for improvement whenever necessary. The management operates within the guidelines, limits, policies as well as the regulatory requirements of timely submission of various financial statements enabling the shareholders to assess the overall performance of the company.

Directors Share Holding positions as on August 2019 are as follows:

Name	Designation	Share %
Md. Momin Ali	Chairman	2.01%
Maroof Sattar Ali	Vice Chairman	5.47%
Alhaj Mohammed Ali	Director	2.34%
Alhaj Mohammad Mofizur Rahman	Director	2.00%
Muhammed Mohoshin Kauser	Director	2.02%
Mohammad Ali Talukder	Director	2.00%
Al-Haj Shahdat Hussain	Director	2.00%
Mr. Shahjahan Kabir	Director	2.01%
Abdur Rahman Ansary	Director	2.00%
Sabrina Yeasmin	Director	2.04%
Beg Md. Nurul Azim FCA	Independent Director	Nil
Mr. Habib-E-Alam Chowdhury	Director	0.06%
Prof. Dr. Md. Sayaduzzaman	Independent Director	Nil
Mr. Pradip Kumar Das	Director	5.81%
Md. Badlur Rahman Khan	Director	0.08%
Md. Habibur Rahman	Director	2.01%

Source: PICL's Management

1.4 Senior Management

PICL's top-level management team comprises of the following members mentioned below:

Name	Designation
M.A. Salam	Chief Executive Officer (CEO)
Shakawat Hossain Mamun	Additional MD & Head of Internal Audit & Compliance.
Mohammad Serajul Islam	Company Secretary
Md. Nazrul Islam Mazumder	Additional MD Claim & Reinsurance
Md. Zahedul Islam (Zahid)	Additional MD & CFO
Md. Saiful Islam (Azad)	Deputy Managing Director Audit & Monitoring Cell
Lt. Col (R) Md. Faridul Alam, PPM,ps	Executive Director (Public Relations)
Md. Mijanur Rahman	Senior General Manager, Administration
Mahbub-ul-Alam	Senior General Manager, Legal Affairs
Md Karim Ullah	General Manager (IT)
Md. Rafiqul Islam	General Manager Business Development & Monitoring
Md Nasir Uddin Bhuiyan	Senior Deputy General Manager Underwriting & Branch Control

In addition to the above, Heads of different Departments are well experienced and have dedication for the service to the Business Partners as well as clients. During the crisis moment, they work collectively as a strong team. Besides, four Committees are also working to handle the Company's operation and identify the Management's risk, formulating strategy to reach the objectives.

1.5 Operations

Provati Insurance Company Limited operates through the Head Office located at Dhaka, Zonal Offices at Chittagong, Khulna and 55 branches throughout the country. The company's business operations are being carried out in the following areas:

- Underwriting fire insurance
- Underwriting marine (cargo & hull insurance)
- Underwriting miscellaneous insurance

1.6 Information Technology

IT has become indispensable for insurance companies in ensuring smooth operations and providing efficient service. PICL is planning to get Enterprise Resource Planning software (ERP); this will keep the company on the top edge in terms of IT.

Indicators	Presence/Absence
IT Development Team	Present
Accounting Software	Present
Server and Backup Support	Present
Data Security Policy	Present
Market Research Software	Absent

1.7 Human Resource Management

PICL continues to implement appropriate human resource management policies and practices to develop its employees, and to ensure their optimum contribution towards the achievement of corporate goals.

We found the company is employee friendly and efficient service rule and regulation policy. At the end of FY18, PICL has more than 756 employees. At PICL, Human Resources give the organization a competitive edge in terms of knowledge and experience. PICL continued their policy of recruiting the best people and implementing programs to develop and retain high quality human resources.

1.8 Market Share

Insurance market in Bangladesh remains extremely competitive due to existence and operation of a large number of companies, incommensurate with the size of the market.

Market Characteristics	Comment
Market Competition	Very high
Bargaining Power of Customers	High
Threat of New Entrants	Low
Marketing Approach	Aggressive

1.9 Products and Services

Currently, PICL offers insurance products under the following broad categories:

- Fire Insurance
- Marine Hull and Cargo Insurance
- Motor Vehicle Insurance
- Miscellaneous Accident Insurance

2 FINANCIAL RISK ANALYSIS

2.1 MACROECONOMIC PERFORMANCE AND PROSPECTS

2.1.1 Global Economic Outlook

The IMF has forecast global growth to slow down from 3.6% in 2018 to 3.3% in 2019, before returning to 3.6% in 2020. Growth for 2018 was revised down by 10 basis points from the previous forecast reflecting weakness in the second half of the year. The IMF expects global growth to level off in the first half of 2019 and to grow from then onwards, driven by policy stimulus in China, improvement in global market sentiment, and a gradual easing of conditions in the stressed emerging markets like Argentina and Turkey.

Global risks and policy challenges: Downside risks continue to dominate. A further escalation of trade tensions involving major economies could lead to a sharp increase in trade barriers and weigh on confidence and investment. The risk of financial stress in EMDEs (Emerging Markets and Developing Economies) could be exacerbated by increasing debt-refinancing needs. A sharp deceleration in major economies would have large spillover effects for EMDEs and increase the probability of a marked global downturn. Rising public debt levels are reducing the effectiveness of fiscal policy in EMDEs. Structural reforms, such as improvements in institutional quality, can help boost growth and reduce poverty.

Commodity prices and inflation. Energy prices partially recovered in the first quarter of 2019, following a steep decline in almost all energy prices in the preceding quarter. However, there has been significant divergence between different energy commodities. Oil prices have risen 34 percent since the start of the year, amid production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and other producers, and supply disruptions elsewhere. In contrast, natural gas prices fell sharply in March and into April in part due to rising liquefied natural gas exports from the United States and Australia, which also weighed on the prices of coal as a close substitute to natural gas. Oil prices are expected to decline from recent highs and average \$66/bbl in 2019 and \$65/bbl in 2020, with risks around this outlook broadly balanced. Oil prices are expected to average \$66/bbl in 2019, amid weaker expectations for demand growth in 2019, rising U.S. production, and OPEC restraint. Increased levels of spare capacity in OPEC countries and adequate inventories provide a buffer against unexpected outages. Natural gas prices have been volatile over the past 12 months, and price differentials between the three benchmarks have shrunk on increased supply. Very low levels of inventories in the United States contributed to temporary price spikes in 2018. Coal prices also fell sharply in the first quarter of 2019, on lower natural gas prices and reduced demand from China and some other countries. Coal prices fell 7.6 percent in the first quarter of 2019 (q/q) following steep declines in the second half 2018. In advanced economies demand for coal declined in favor of natural gas, particularly for electricity generation. Seaborne prices have also been affected by China's decision to curb imports of coal from Australia, its biggest supplier. Coal prices are expected to partially recover from their current levels and average \$94/mt in 2019, a 12.1 percent decline from 2018, reflecting the weakness in natural gas prices, as well as muted demand.

Financial market developments.

Global financial markets have been wrestling with two key issues over the past three months.1 First, investors have become increasingly concerned about the impact of the intensification of trade tensions and the weakening economic outlook. Second, market participants have been grappling with the implications of these tensions for the monetary policy outlook. The escalation in trade tensions in early May brought to a halt the rally seen in financial markets since the beginning of the year. Equity markets sold off, and corporate credit spreads widened. Emerging market sovereign bond spreads also rose, and portfolio flows to these economies retrenched. Since mid-June, a number of central banks have signaled a dovish shift in their monetary policy stance, citing muted inflation and increased downside risks to growth. The US Federal Reserve shifted down the expected path of its policy rate, while the European Central Bank extended its forward guidance to keep its interest rates at current levels until at least mid-2020. Other central banks have also turned dovish or communicated a more cautious view on the outlook (including in Australia, Brazil, Chile, China, India, Malaysia, and the Philippines). This has led to further market reassessment of the expected path of monetary policy. Investors now anticipate more significant policy easing from central banks, including in the United States. This supportive environment has helped markets regain their poise. Global share prices have recovered much of the ground lost in May, and market interest rates have continued to decline across a wide swath of economies. As of mid-July, 10-year government bond yields have dropped by about 45 basis points since March in the United States, to 2.10 percent; by about 30 basis points in Germany, to –0.25 percent; and by about 10 basis points in Japan, to –0.12 percent. The overall impact of these developments has been further easing of global financial conditions since the April 2019 World Economic Outlook.

Exchange rates and capital flows.

The U.S. dollar has moved steadily higher against a backdrop of low currency volatility. Stronger U.S. economic growth and a yield advantage have also supported the greenback. However, these cyclical factors may be fading, making structural negatives such as fiscal and current-account deficits much more relevant for investors. We have talked about an extended U.S.-dollar topping process in the past and that view still prevails in our strategy. While the tailwinds could persist, the outlook and active management of currencies within our portfolios increasingly incorporates an expectation that further gains in the U.S. dollar will be limited. As a result, our forecasts imply a better outlook for the euro and the yen. The Canadian dollar and the British pound will likely underperform in this environment, although it will be tough for these currencies to post meaningful declines if the U.S. dollar weakens.

The foreign-exchange world has been quiet, so quiet, in fact, that the lull has unsettled traders accustomed to stomach-churning swings in currency markets. Those traders are now disoriented by motionless markets as currency volatility tumbles to multi-decade lows. Currencies are normally volatile because they are buffeted by a multitude of factors and because they are able to adjust more quickly than other financial instruments when economic and political surprises occur. While stock exchanges open and close in line with a typical work day, foreign-exchange traders never sleep: it's a 24-hour over-the-counter market. In the course of a trading day, exchange rates are pushed and pulled as they absorb successive waves of capital flowing between countries. The fact that exchange rates are not fluctuating as wildly right now may be reflective of smaller capital flows in line with diminished global trade volumes. Low volatility may also be the product of central-bank interference – their tendency to pre-empt any sign of trouble with promises to combat tighter financial conditions. However, there's only so much that monetary policy can do. We must also consider that presidential tweets and on-again-off-again Brexit headlines may have tempered risk appetites among currency traders. Whatever the true combination of reasons underlying the low volatility in foreign-exchange markets, experience tells us that it's not a permanent state. Volatility cannot stay muted forever, and the over-parenting of markets by monetary policymakers will only amplify the inevitable turbulence when it arrives.

2.1.2 Developments in the Bangladesh Economy

Bangladesh economy remained strong and resilient despite external and internal challenges. Bangladesh is among the top 12 developing countries with a population of over 20 million, who achieved 8 plus percent growth in 2018. By any standards, Bangladesh economy has done well. Bangladesh needs to focus on a growth agenda centered on sustainable and inclusive growth.

The balance of payment (BoP) remains comfortable with a large surplus in both current and financial accounts, due to recovery in export, increased Foreign Direct Investment and aid disbursements. Monetary targets are underachieved due to limited growth in domestic credit. Bangladesh registered a record level of foreign direct investment (FDI) inflow in 2018, topping the list in South Asia. In 2018, Bangladesh reached the highest ever level in the country's history at $3.61 billion, according to World Investment Report 2019 by United Nations Conference on Trade and Development (UNCTAD). The report said FDI in Bangladesh went up by 67.94% in 2018 compared to $2.15 billion in 2017..

The market-based economy of Bangladesh is the 43rd largest in the world in nominal terms, and 31st largest by purchasing power parity; it is classified among the Next Eleven emerging market economies and a Frontier market. According to the IMF, Bangladesh is among the three fastest growing economies in the world, according to the International Monetary Fund (IMF) -- in yet another thumping endorsement of the country's extraordinary growth momentum. Being home to the Dhaka Stock Exchange and the Chittagong Stock Exchange. The financial sector of Bangladesh is the second largest in the subcontinent.

In the decade since 2004, Bangladesh averaged a GDP growth of 6.5%, that has been largely driven by its exports of readymade garments, remittances and the domestic agricultural sector. The country has pursued export-oriented industrialization, with its key export sectors include textiles, shipbuilding, fish and seafood, jute and leather goods. It has also developed self-sufficient industries in pharmaceuticals, steel and food processing. Bangladesh's telecommunication industry has witnessed rapid growth over the years, receiving high investment from foreign companies. Bangladesh also has substantial reserves of natural gas and is Asia's seventh largest gas producer. Offshore exploration activities are increasing in its maritime territory in the Bay of Bengal. It also has large deposits of limestone. The government promotes the Digital Bangladesh scheme as part of its efforts to develop the country's growing information technology sector.

Bangladesh is strategically important for the economies of Northeast India, Nepal and Bhutan, as Bangladeshi seaports provide maritime access for these landlocked regions and countries. China also views Bangladesh as a potential gateway for its landlocked southwest, including Tibet, Sichuan and Yunnan.

In 2019, per-capita income was estimated at US$ 1,909 (Nominal). Bangladesh is a member of the Commonwealth of Nations, D-8 Organization for Economic Cooperation, the South Asian Association for Regional Cooperation, the International Monetary Fund, the World Bank, the World Trade Organization and the Asian Infrastructure Investment Bank. The economy faces challenges of infrastructure bottlenecks, insufficient power and gas supplies, bureaucratic corruption, political instability, natural calamities and a lack of skilled workers.

Income growth prospects in Bangladesh's main export markets are uneven, but sustained low oil prices bode well for external and internal balance. With modest fiscal expansion and some easing of the infrastructure bottlenecks, GDP growth is projected to rise gradually towards 8 plus percent.

2.1.3 Near and Medium Term Outlook for Bangladesh Economy

GDP growth in Bangladesh is estimated to grow at a stable rate, past 10 years averaging annually 6.67 percent. Moderate recovery in the euro area and USA will have positive effect on growth provided that domestic private investment picked up. The increase in the public consumption from the implementation of new pay scale, large infrastructure spending on power, road communication, transportation and establishment of Special Economic Zones (SEZ) will bring about a momentum of the GDP growth in the near to medium term.

CPI inflation will remain low in the short term. Moreover, low inflation is supported by supply factors and the declining import prices. Robust growth momentum continues in the Bangladesh economy amid tepid global growth environment, with 8.13 percent real GDP growth estimated by BBS for FY19 against global growth projection averaging 4.1 percent for 2019 in emerging market and developing economies. The strong 8.13 percent FY19 real GDP growth was broad based across economic sectors, supported both by strong domestic demand and by external demand reflected in 10.5 percent export growth.

The FY19-FY20 monetary programs projects 14.5 percent domestic credit growth against preceding year's 12.3 percent actual. As customary, the FY20 monetary program is based on the 8.2 percent real GDP growth and 5.5

percent CPI inflation ceiling targets declared for FY20 in the national budget, as these targets were adopted in consultative process participated by BB.

2.1.4 Regulatory Risk Analysis

As part of regulatory risk analysis, ACRSL considers the following factor:

IDRA's recent circulars, particularly withdrawing all special premium rates since august 2011 have created strong reaction from the large clients. It has also created significant aversion among the large clients. At present large clients are reviewing their insurance position and inclined to go for minimum insurance covers to keep their insurance costs down. As a result, this may negatively affect the growth of general insurance in Bangladesh.

2.2 COMPANY SPECIFIC RISK ANALYSIS

2.2.1 Management Analysis

Effective and efficient management have been the key to PICL's growth and the company's present market position. ARGUS Credit Rating Services Limited (ACRSL) looks at the following factors as part of management analysis in order to determine SIL's business mix, operating efficiency, and overall strengths:

i. Organizational structure
ii. Dependence of management team on one or more person
iii. Coherence of the team
iv. Independence of the management from the Board of Directors
v. Good track record of the management to date

2.2.2 Internal Controls and Risk Management

Insurance business involves assumption of risks of many types – physical as well as moral. Physical risks are identified as those caused by natural catastrophes, accidental losses and manmade disasters. The key to proper management of insurance business risks is to endure proper selection of risks as well as of the client through a vetting process known as underwriting. General insurance companies closely follow country's economic development and any slowdown in the economic activities as these has adverse impact on the insurance industry's growth. PICL, being aware of these business risks, practices the following to protect its interests:

- Selection of risks which have the potential of making underwriting profit
- Diversification into many segments of business – product wise as well as client wise.
- The company maintains a conservative reserving policy and its various technical reserves have been created to adequately cater to unforeseen development in the future.

3 FINANCIAL RISK ANALYSIS

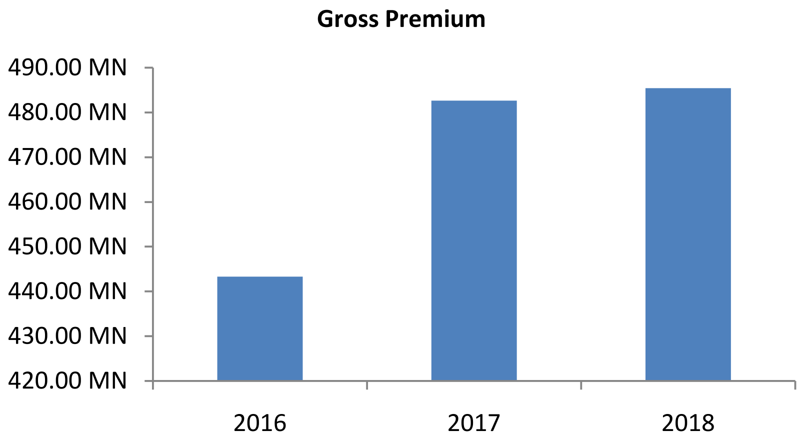
3.1 Operating Performance Analysis

During the last three years, PICL's operating performance showed a fluctuating trend compared to its peers. The company booked positive growth rate in collecting both gross premium and net premium .

Indicators	2016	2017		2018		Observations	Bias
Gross Premium Growth	9.44%	8.87%	↑	0.58%	↑	Gross premium growth of PICL demonstrated an increasing trend over past three years.	Positive
Net Premium Growth	13.13%	8.89%	↓	-2.96%	↓	Net premium growth of PICL demonstrated a Decreasing trend in recent year.	Neutral
Claims Ratio	46.99%	50.74%	↑	40.15%	↓	Claims ratio of PICL demonstrated a decreasing trend in recent year.	Positive
Expense Ratio	38.05%	37.84%	↓	53.32%	↑	Expense ratio of PICL demonstrated a fluctuating trend in recent year.	Neutral
Combined Ratio	85.03%	88.58%	↑	93.47C%	↑	Combined ratio of PICL demonstrated an increasing trend over the last 3 years.	Positive
Retention Ratio	80.94%	80.96%	↑	78.11%	↓	Recently retention ratio of PICL demonstrated a decreasing trend.	Negative

3.1.1 Gross Premium

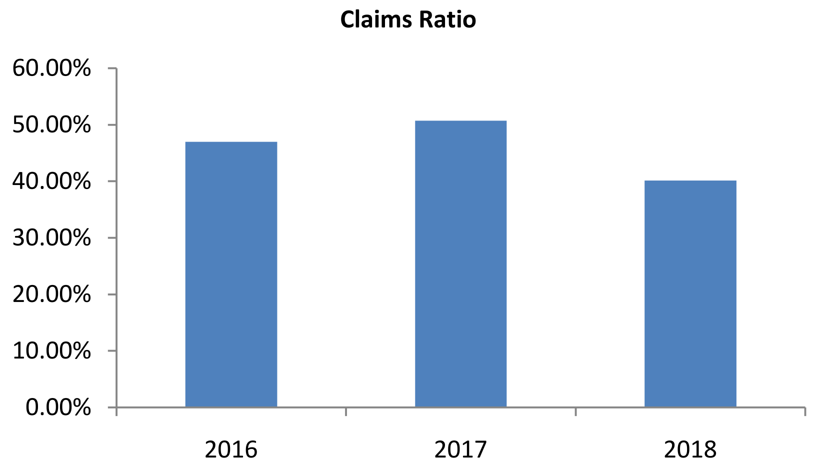
	FY16	FY17	FY18
Gross Premium (in BDT)	443.30 MN	482.60 MN	485.40 MN



- **Historical Trend:** Between FY16 to FY18, PICL's gross premium demonstrates an increasing trend. The gross premium of PICL reached to BDT 485.40 MN in FY18 from BDT 482.60 MN in FY17 which was 443.30 MN in FY16 representing a 2-year CAGR of 4.64%.
- **Looking forward:** ACRSL has a positive bias on PICL's gross premium trajectory. PICL's management assumes that their qualified marketing team will be able to increase its present market share.

3.1.2 Claims Ratio

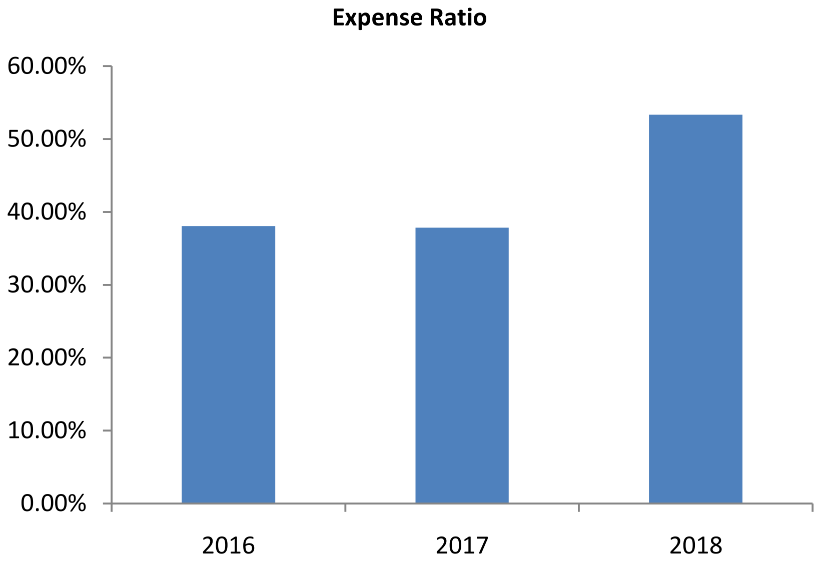
	FY16	FY17	FY18
Claims Ratio	46.99%	50.74%	40.15%



- **Historical Trend:** Historically, PICL has demonstrated a high claims ratio compared to its peers, which is negative in our view. The claims ratio demonstrates an increasing trend. The claims ratio of PICL stood at 46.99% in FY17 which increased to 50.74% in FY17 and decreased to 40.15% in FY18.
- **Looking forward:** ACRSL has a neutral bias on PICL's claims ratio for FY18. Given the increasing gross premium the company should be able to diversify its underwriting risk based on regular survey and other risk management tools. However, we note that the company's claims ratio is also affected by disaster, accident, and other natural causes, which are notoriously difficult to predict.

3.1.3 Expense Ratio

	FY16	FY17	FY18
Expense Ratio	38.05%	37.84%	53.32%



- **Historical Trend:** Between FY16 to FY17, PICL's expense ratio demonstrates a slightly decreasing trend. During FY17-FY18, expense ratio drastically increased from 37.84% in FY17 to 53.32% in FY18.
- **Looking Forward :** ACRSL has a negative bias on PICL's expense ratio in recent year. Given the historical trend, ACRSL research suggests that PICL's management expense ratio should be maintained below 40%.

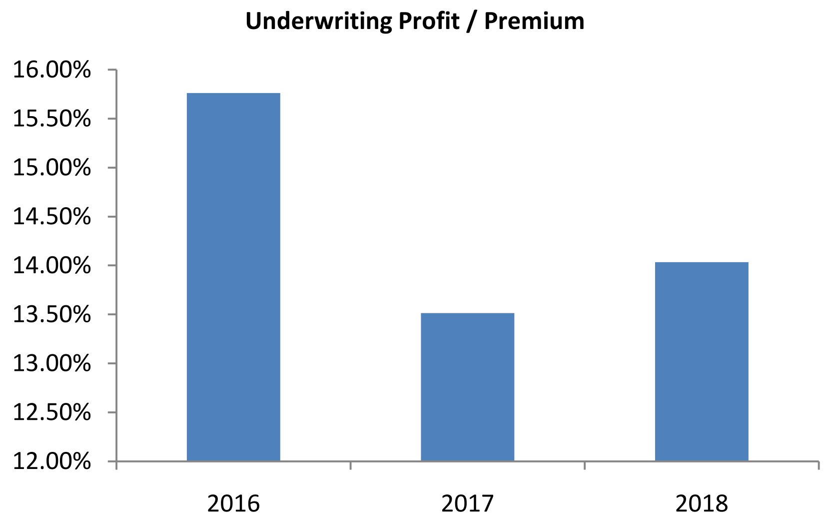
3.2 Profitability Analysis

During the last three years PICL has maintained a moderate profitability performance. However, during the last three years, PICL's profitability ratios underperformed compared to its peer group. Our analysis reveals that between FY16 and FY18, PICL's profitability ratios performed moderately.

Indicators	2016	2017		2018		Observations	Bias
Underwriting Profit / Premium	15.76%	13.51%	↓	14.04%	↑	Underwriting profit to premium of PICL has demonstrated a fluctuating trend during last three years.	Neutral
Investment Yield	6.52%	6.87%	↑	6.36%	↓	Investment Yield of PICL has demonstrated a fluctuating trend during last three years	Neutral
Net Profit / Premium	14.14%	13.20%	↓	13.90%	↓	Net profit to premium of PICL demonstrated a decreasing trend over the last 3 years.	Negative
Net Profit / Total Income	12.51%	11.68%	↓	12.18%	↓	Net profit to total income of PICL demonstrated a decreasing trend over the last 3 years.	Negative
ROE	10.91%	10.31%	↓	10.08%	↓	ROE of PICL demonstrated a decreasing trend over the last 3 years.	Negative
ROA	5.35%	5.06%	↓	5.63%	↑	ROA of PICL demonstrated a fluctuating trend over the last 3 years.	Neutral

3.2.1 Underwriting Profit / Premium

	FY16	FY17	FY18
Underwriting Profit / Premium	15.76%	13.51%	14.04%



- **Historical Trend:** PICL historically has maintained a fluctuating trend underwriting profit to net premium ratio. During FY16-FY17, the ratio decreased from 15.76% to 13.51%. Subsequently, the ratio further increased to 14.04% in FY18.
- **Looking Forward:** ACRSL has a positive bias on SIL's underwriting profit to premium ratio for FY18 and onwards. We anticipate, PICL will be able to increase its net premium in FY19 and report a stable net claim amount.

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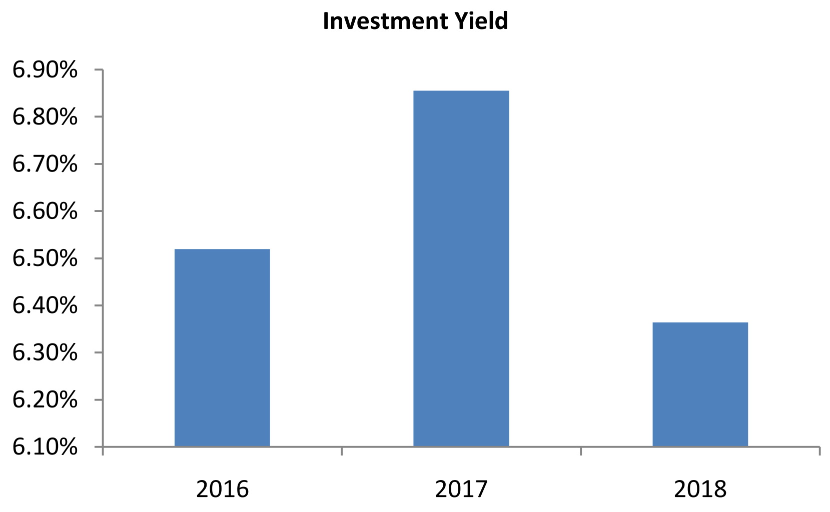
3.2.2 Investment Yield

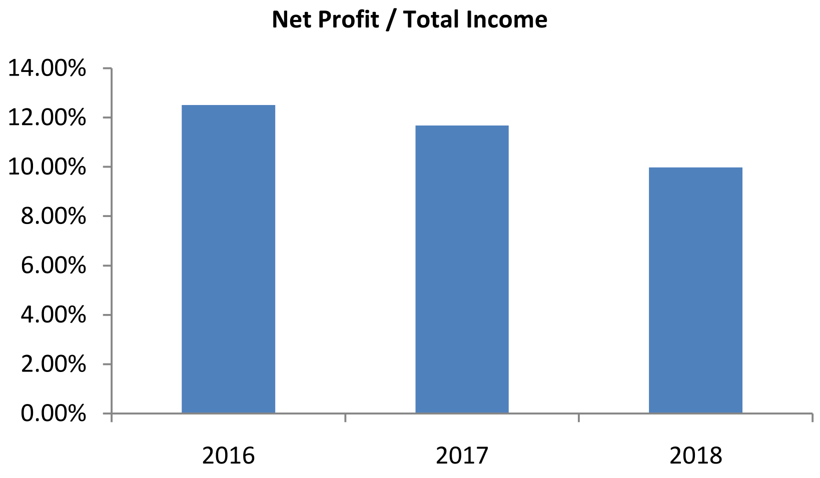
	FY16	FY17	FY18
Investment Yield	6.52%	6.87%	6.36%



- **Historical Trend:** Historically PICL has maintained a moderate investment yield. During FY16-FY17, the ratio increased from 6.52% to 6.86%.Subsequently in FY18, yield from investment decreased to 6.36%.
- **Looking Forward:** ACRSL has a Neutral bias on PICL's investment yield for FY18. PICL has already absorbed the shock of stock market collapse; we are expecting that the company will be able to report better income from share market going forward. We anticipate PICL will be able to increase its investment income to some extent in FY19.

3.2.3 Net Profit / Total Income

	FY16	FY17	FY18
Net Profit / Total Income	12.51%	11.68%	12.18%



- **Historical Trend:** PICL historically has demonstrated a decreasing trend of net profit to total income ratio. The ratio of PICL reached to 12.18% in FY18 from 11.68% in FY17 which was 12.51% in FY16.
- **Looking Forward:** ACRSL has a negative bias on PICL's net profit to total income ratio for FY18. We anticipate PICL will be able to lessen its agency commission and management expense, as the regulatory authority IDRA said no extra commission for insurance going forward; which may increase its net profit after tax in the coming years.

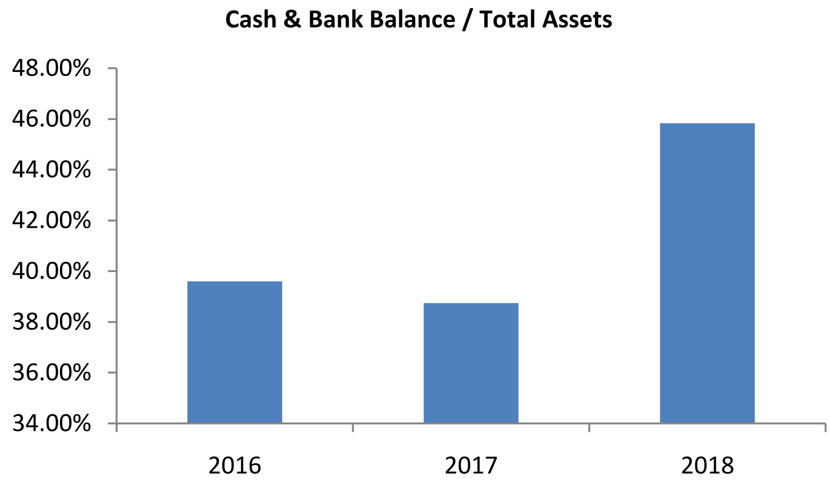
3.3 LIQUIDITY ANALYSIS

During the last three years, PICL has reported a satisfactory liquidity performance. During the last three years, PICL's cash & bank balance and overall liquidity positions remained in comfort level, which is positive.

Indicators	2016	2017		2018		Observations	Biased
Cash & Bank Balance / Total Assets	39.60%	38.69%	↓	45.83%	↑	Cash & bank balance to total assets of PICL demonstrated a increasing trend in recent year.	Positive
Liquid Asset / Net Claim	2.46x	2.19x	↓	3.05x	↑	Liquid asset to net claim of PICL demonstrated an increasing trend in recent year.	Positive
Overall Liquidity	2.79x	2.81x	↓	3.58x	↑	Overall liquidity of PICL demonstrated increasing trend in recent year.	Positive

3.3.1 Cash & Bank Balance / Total Assets

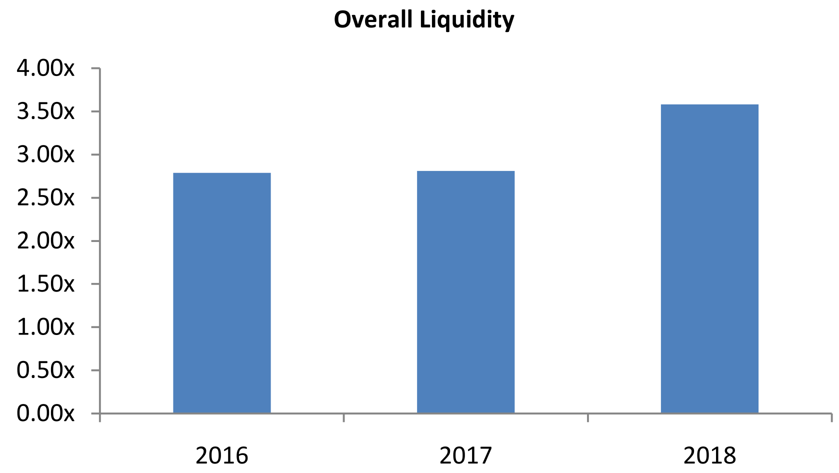
	FY16	FY17	FY18
Cash & Bank Balance / Total Assets	39.60%	38.69%	45.83%



- **Historical Trend:** Historically, PICL has maintained a high cash & bank balance to total assets, which is positive. But though the last historical years, the ratio demonstrates a remarkable increasing trend. The ratio of PICL reached to 45.83% in FY18 from 38.69% in FY17 which was 39.60% in FY16.
- **Looking Forward:** ACRSL has a neutral bias on PICL's cash & bank balance to total assets ratio for FY18. Given insurance business's unpredictable claim demand, ACRSL cannot reliably project PICL's cash & bank balance. Since we anticipate present moderate inflation and overall positive economic activity will increase in near future, it is likely that the company will increase its cash & bank balance from these levels going forward.

3.3.2 Overall Liquidity

	FY16	FY17	FY18
Overall Liquidity	2.79x	2.81x	3.58x



- **Historical Trend:** Historically, PICL has maintained a high overall liquidity ratio, which is positive. In recent year, the ratio demonstrates increasing trend. The ratio of PICL reached to 3.58x in FY18 which was 2.81 in FY17 and 2.79x in FY16.
- **Looking Forward:** ACRSL has a neutral bias on PICL's overall liquidity ratio for FY18. Given insurance business's unpredictable liabilities demand. We are assuming that PICL's net liabilities will be within a stable range in the near future. Hence, we are expecting PICL to report a stable overall liquidity ratio going forward.

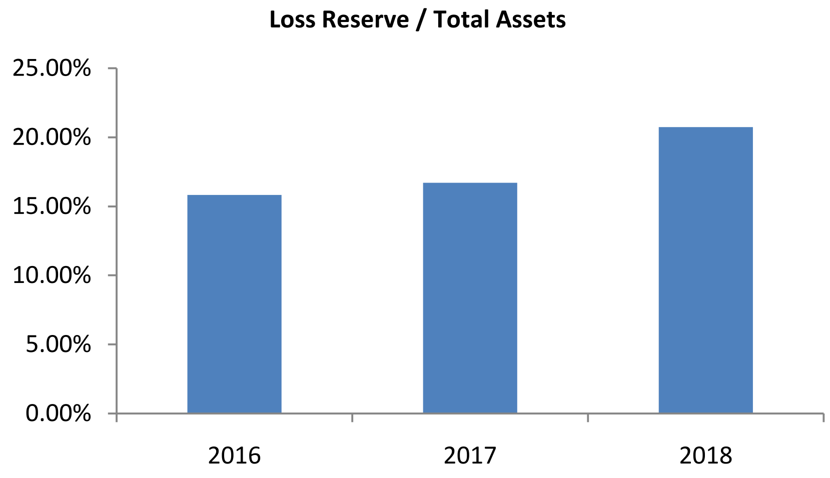
3.4 Balance Sheet Analysis

During the last three years, PICL has maintained moderate balance sheet ratios. Over the last three years from FY16-FY18, most of the balance sheet related ratios showed overall underperforming results when compared to peers.

Indicators	2016	2017		2018		Observations	Bias
Net Premium / Total Equity	77.20%	78.10%	↑	72.57%	↓	Net premium to total equity of PICL demonstrated an overall fluctuating trend in recent year.	Neutral
Net Liabilities / Total Equity	73.19%	72.40%	↓	50.00%	↓	Net liabilities to total equity of PICL demonstrated a decreasing trend over the last 3 years	Positive
Loss Reserve / Total Assets	15.82%	16.70%	↑	20.73%	↑	Loss reserve to total assets of PICL demonstrated an increasing trend over the last 3 years	Neutral
Balance of Funds / Total Assets	15.14%	15.35%	↑	16.22%	↑	Balance of funds to total assets of PICL demonstrated an increasing trend in recent year.	Positive
Total Asset Growth	20.96%	7.42%	↓	-8.19%	↓	Total asset growth of PICL demonstrated a decreasing trend over the last 3 years .	Negative

3.4.1 Loss Reserve / Total Assets

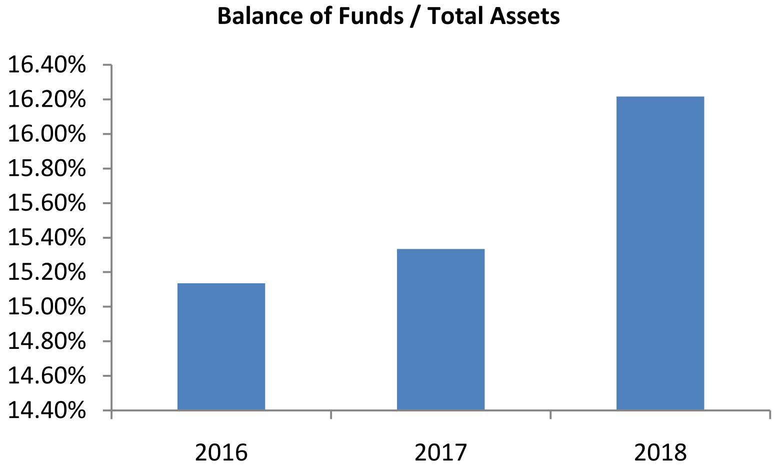
	FY16	FY17	FY18
Loss Reserve / Total Assets	15.82%	16.72%	20.73%



- **Historical Trend:** Historically, PICL has maintained high loss reserve to total assets ratio which is positive . During the last three years, the ratio demonstrates increasing trend. Between FY16-FY17, the ratio increased from 15.82% to 16.70%. Subsequently, during FY16-FY17, the ratio increased to 20.73%.
- **Looking Forward:** ACRSL has a positive bias on PICL's loss reserve to total assets ratio for FY18. We anticipate PICL will be able to increase its net premium going forward, hence, a portion of net premium will be added to loss reserve to enjoy the related tax rebate. Therefore, we are expecting PICL to report a stable loss reserve to total assets ratio.

3.4.2 Balance of Funds / Total Assets

	FY16	FY17	FY18
Balance of Funds / Total Assets	15.14%	15.35%	16.22%



- **Historical Trend:** Historically, PICL has maintained a low balance of funds to total assets ratio. During the last three years, the ratio demonstrates increasing trend. The ratio of PICL reached to 16.22% in FY18 from 15.33% in FY17 which was 15.14% in FY16.The ratio improved as the total asset decreased in FY18.
- **Looking Forward:** ACRSL has a neutral bias on PICL's balance of funds to total assets for FY18. We are assuming that PICL will be able to report positive growth in net premium, thus, balance of funds will increase. Therefore, we are expecting PICL to report an increasing balance of funds to total assets ratio in the near future.

4 CORPORATE GOVERNANCE

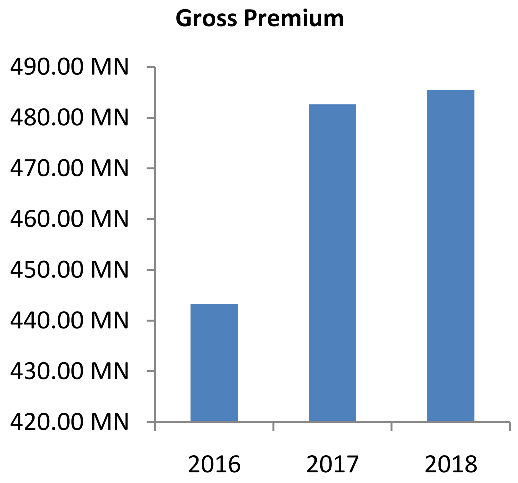
Board Practice	Presence/Absence
Existence of Board Charter	Present
Existence of Committees for audit and remuneration	Present
Separate CEO and Chairperson	Present
Procedures to review/address external audit findings	Present

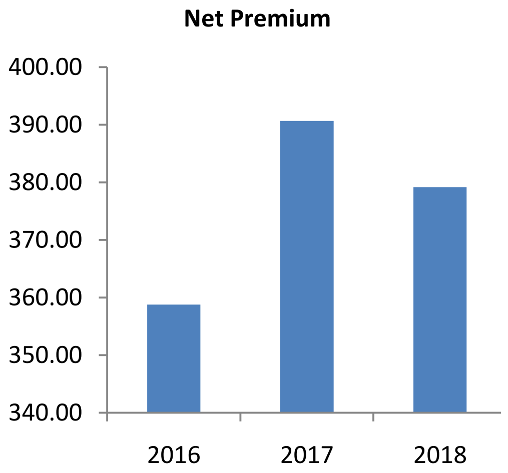
Code of Ethics/Conduct	Presence/Absence
Commitment to legal and regulatory compliance	Present
Policies to prohibit facilitation payments and bribes	Present
Guidelines on giving and receiving gifts	Absent
Training and/or communication on code of ethics	Present

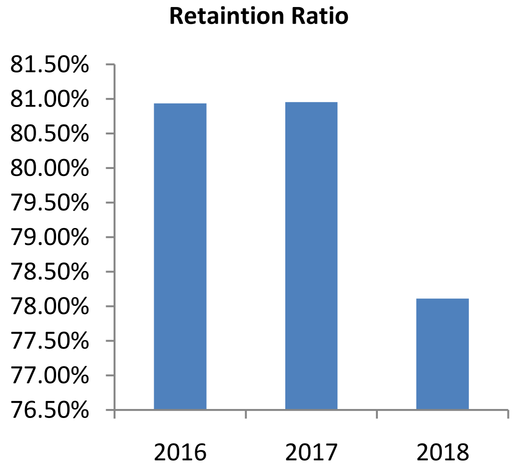
Business Value and Risk Management	Presence/Absence
Demonstrated commitment to work towards long term sustainability	Present
Demonstrated commitment to address social, ethical and environment	Present
Procedures to identify potential risks and opportunities	Present
Risk Management and Internal Control Systems	Present
Research and Development Team	Present

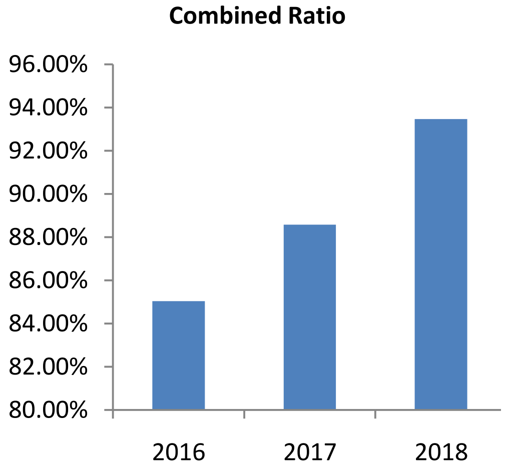
5 CHARTS

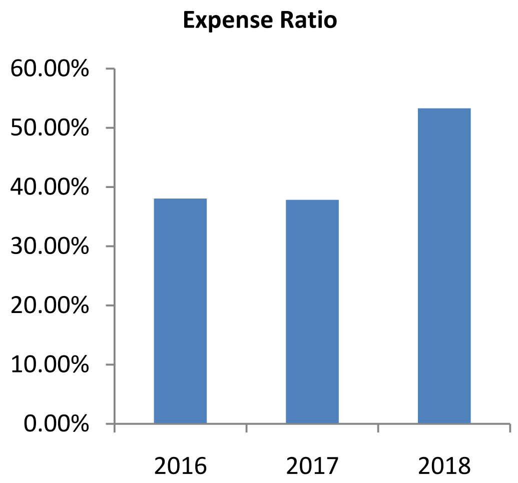
5.1 Operating Performance Analysis

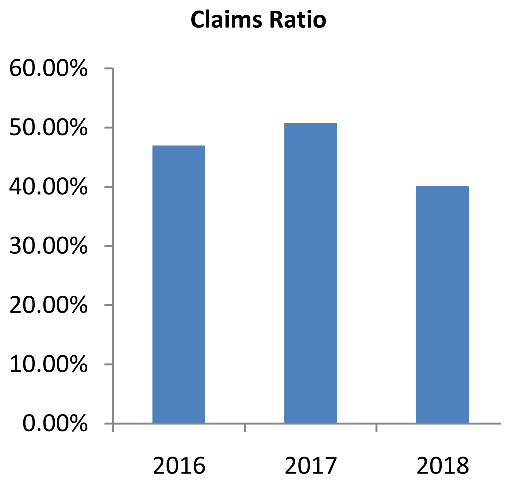




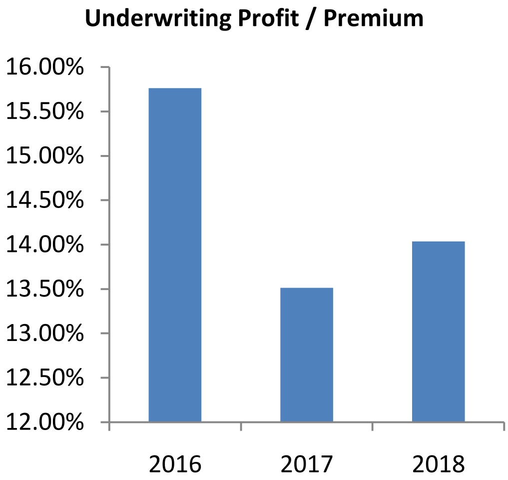


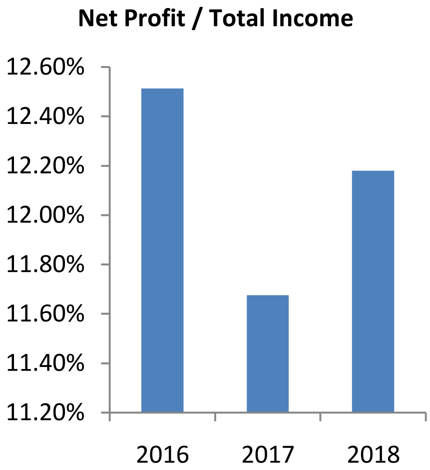


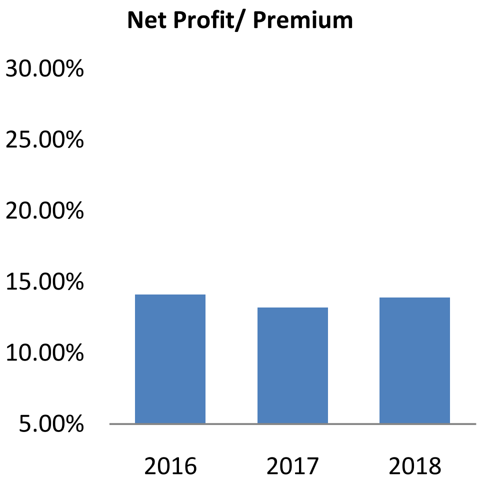




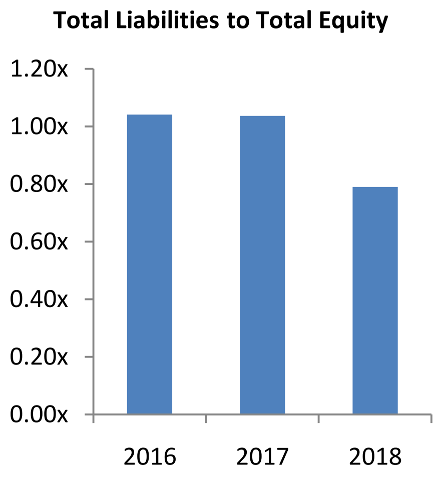
5.2 PROFITABILITY ANALYSIS

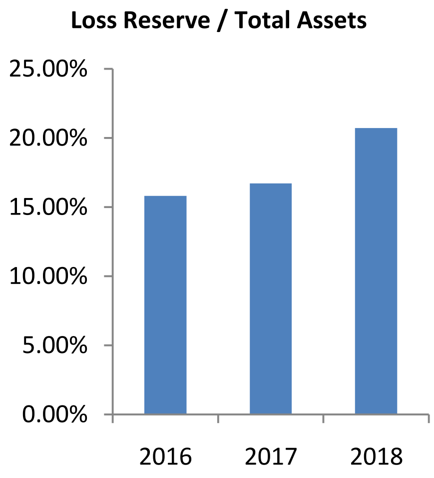


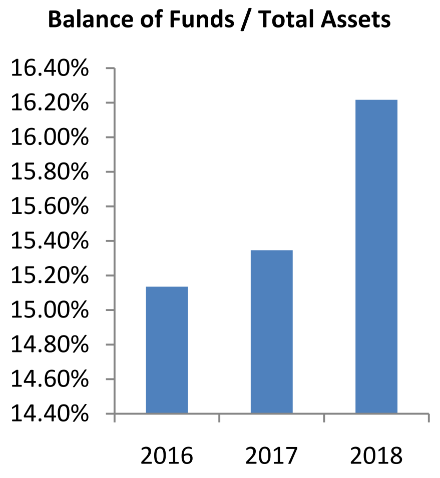


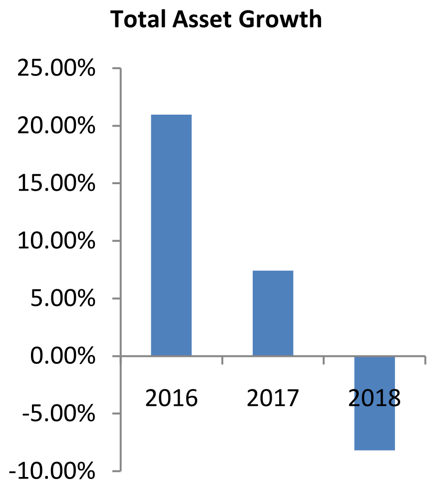


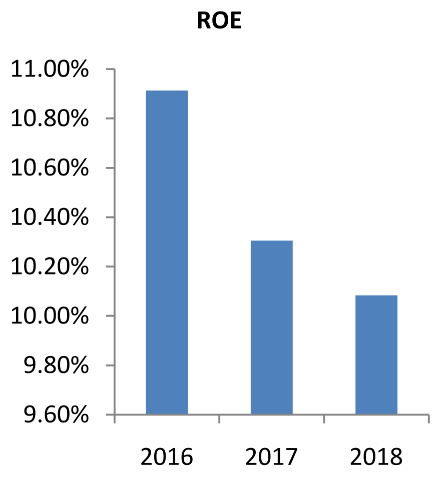
5.3 Balance Sheet Analysis

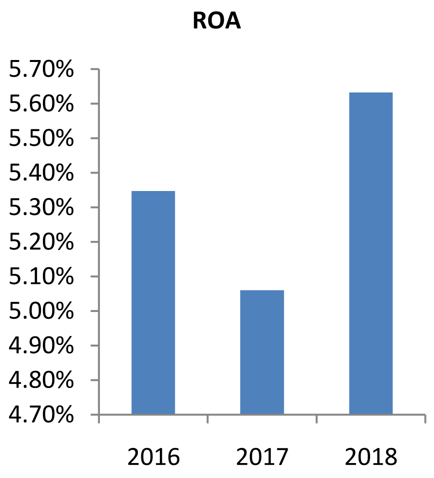




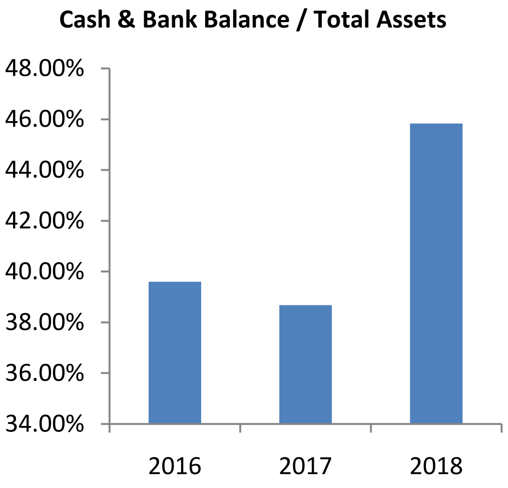


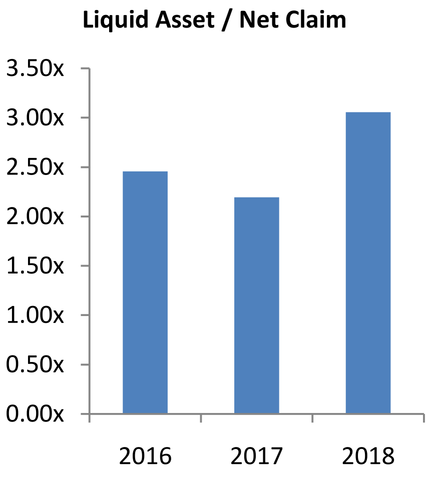


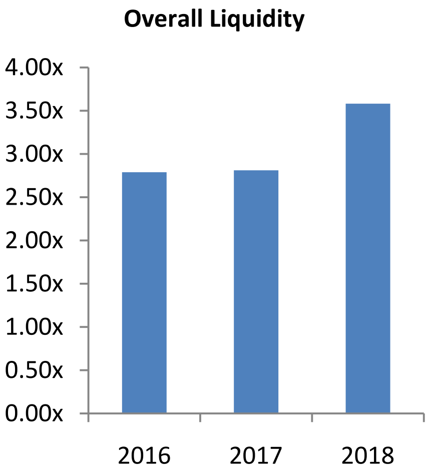




5.4 LIQUIDITY ANALYSIS







Appendix A: Summary of Financial Metrics

*in BDT MN

Balance Sheet Metrics	2016	2017	2018
Paid-Up Capital	280.21	297.03	297.03
Total Reserve	150.02	170.33	193.88
Total Equity	464.75	500.27	522.48
Balance of Funds	143.56	156.36	151.68
Liabilities & Provisions	310.63	331.99	244.76
Investments	38.49	40.54	36.35
Cash & Bank Balance	375.58	394.14	428.71
Fixed Assets (At Cost less Depr.)	147.03	143.28	147.13
Total Assets	**948.46**	**1018.83**	**935.38**

Income Statement Metrics	2016	2017	2018
Interest Income	23.74	22.94	25.81
Investment Income	-0.70	6.69	3.38
Net Premium	358.79	390.69	379.14
Net Claims	168.59	198.23	152.24
Commission	66.49	72.39	72.81
Management Expenses	70.02	75.45	129.33
Underwriting Profit	56.55	52.80	53.22
Net Profit Before Tax	70.84	68.99	69.71
Net Profit After Tax	50.72	51.56	52.68

Consolidated Rev. Account Metrics	2016	2017	2018
Gross Premium	443.30	482.60	485.40
Re-insurance Premium	84.51	91.91	106.26
Net Premium	358.79	390.69	379.14
Commission on Re-insurance	19.53	20.98	23.79
Agency Commission	66.49	72.39	72.81
Last year's Unexpired Risk	126.88	143.56	156.36
Net Claims	168.59	198.23	152.24
Management Expenses	70.02	75.45	129.33
Reserve for Unexpired Risk	143.56	156.36	151.68
Underwriting Profit	56.55	52.80	53.22

Source: PICL Annual Reports FY16 to FY18

Appendix B: Summary of Analytics

Indicators	2016	2017	2018
Total Income Growth	9.76%	8.94%	-2.04%
Gross Premium Growth	9.44%	8.87%	0.58%
Net Premium Growth	13.13%	8.89%	-2.96%
Retention Ratio	80.94%	80.96%	78.11%
Claims Ratio	46.99%	50.74%	40.15%
Expense Ratio	38.05%	37.84%	53.32%
Combined Ratio	85.03%	88.58%	93.47%
Underwriting Profit / Premium	15.76%	13.51%	14.04%
Investment Yield	6.52%	6.86%	6.36%
Net Profit / Premium	14.14%	13.20%	13.90%
Net Profit / Total Income	12.51%	11.68%	12.18%
Net Profit Growth	-58.66%	1.65%	2.19%
Cash & Bank Balance / Total Assets	39.60%	38.69%	45.83%
Liquid Asset / Net Claim	2.46x	2.19x	3.05x
Overall Liquidity	2.79x	2.81x	3.58x
Net Premium / Total Equity	77.20%	78.10%	72.57%
Net Liabilities / Total Equity	73.19%	72.40%	50.00%
Total Liabilities / Total Equity	104.08%	103.66%	79.03%
Loss Reserve / Total Assets	15.82%.	16.72%	20.73%
Balance of Funds / Total Assets	15.14%	15.35%	16.22%
Investments in Share / Total Assets	2.90%	3.11%	2.17%
Total Asset Growth	20.96%	7.42%	-8.19%
ROA	5.35%	5.06%	5.63%
ROE	10.91%	10.31%	10.08%

Source: ACRSL Research

APPENDIX C: LONG TERM RATING DETAILS

ACRSL INSURANCE RATINGS (LONG TERM)

Rating	Definition
AAA Triple A (Highest Safety)	Highest claims paying ability. Risk factors are negligible and almost risk free.
AA+, AA, AA- Double A (Very High Safety)	Very high claims paying ability. Protection factors are strong. Risk is modest, but may vary slightly over time due to underwriting and/or economic condition.
A+, A, A- Single A (High Safety)	High claims paying ability. Protection factors are good and there is an expectation of variability in risk over time due to economic and/or underwriting conditions.
BBB+, BBB, BBB- Triple B (Adequate Safety)	Good claims paying ability. Protection factors are good. Changes in underwriting and/or economic conditions are likely to have impact on capacity to meet policyholder obligations than insurers in higher rated categories.
BB+, BB, BB- Double B (Moderate Safety)	Average claim paying ability. Protection factors are average. The companies are deemed likely to meet these obligations when due. But changes in underwriting and/or economic conditions are more likely to weaken the capacity to meet policyholder obligations than insurers in higher rated categories.
B+, B, B- Single B (Inadequate Safety)	Inadequate Claim paying ability. Protection factors are weak. Changes in underwriting and/or economic conditions are very likely to further weaken the capacity to meet policyholder obligations than insurers in higher rated categories.
CCC+, CCC, CCC- Triple C (Risky)	Uncertain claims paying ability. The companies may not meet these obligations when due. Protection factors are very weak and vary widely with changes in economic and/or underwriting conditions.
CC+, CC, CC- Double C (Vulnerable)	Poor claims paying ability. Adverse underwriting or economic conditions would lead to lack of ability on part of insurer to meet policyholder obligations.
C+, C, C- Single C (Near to Default)	Very high risk that policyholders obligations will not be paid when due. Present factors cause claim paying ability to be vulnerable to default or very likely to be default. Timely payment of policyholder obligations possible only if favorable economic and underwriting conditions emerge.
D Single D (Default)	Insurance companies rated in this category are adjudged to be currently in default or likely to be in default soon.

APPENDIX D: SHORT TERM RATING DETAILS

ACRSL INSURANCE RATINGS (SHORT TERM)

ST-1	**Highest Grade** Very high claims paying ability. Protection factors are strong. Risk is modest, but may vary slightly over time due to underwriting and/or economic condition.
ST-2	**High Grade** High claims paying ability. Protection factors are good and there is an expectation of variability in risk over time due to economic and/or underwriting conditions.
ST-3	**Good Grade** Good claims paying ability. Protection factors are good. Changes in underwriting and/or economic conditions are likely to have impact on capacity to meet policyholder obligations than insurers in higher rated categories.
ST-4	**Satisfactory Grade** Average claim paying ability. Protection factors are average. The companies are deemed likely to meet these obligations when due. But changes in underwriting and/or economic conditions are more likely to weaken the capacity to meet policyholder obligations than insurers in higher rated categories.
ST-5	**Non-Investment Grade** Inadequate Claim paying ability. Protection factors are weak. Changes in underwriting and/or economic conditions are very likely to further weaken the capacity to meet policyholder obligations than insurers in higher rated categories
ST-6	**Default** Insurance companies rated in this category are adjudged to be currently in default.