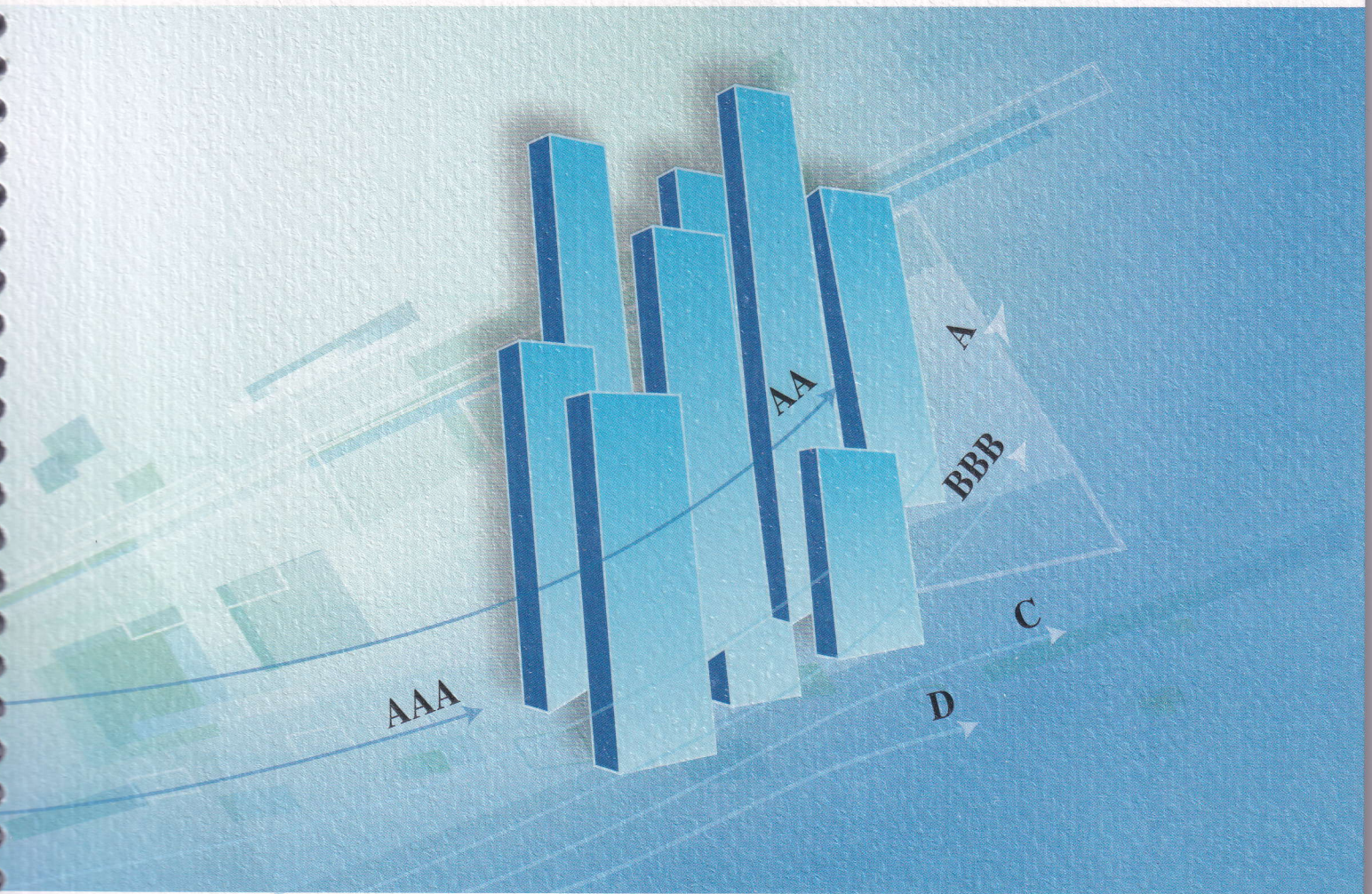


AlphaRating

## Credit Rating Report



Alpha Credit Rating Limited

# AlphaRating

## *Asia Insurance Limited*

*(Rupayan Trade Centre (14th Floor), 114-115, Kazi Nazrul Islam Avenue, Bangla Motor, Dhaka-1000)*

*(Non-Life Insurance)*

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22 December, 2020

**Managing Director**  
**Asia Insurance Limited**  
Rupayan Trade Centre (14th Floor), 114-115, Kazi Nazrul Islam Avenue,  
Bangla Motor, Dhaka-1000

**Subject: Credit Rating of Asia Insurance Limited.**

Dear Sir,

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

Date of Declaration	Valid Till	Long Term Rating	Short Term Rating	Outlook
22 December, 2020	21 December, 2021	AA+	ST-1	Stable

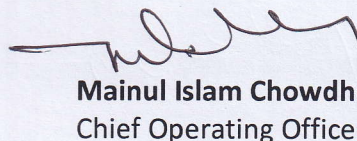
The long term & short term rating is valid up to the earlier of 21 December, 2021. The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We, Alpha Credit Rating Limited, while assigning this rating to **Asia Insurance 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.**

Asia Insurance Limited

AA+ Long Term Rating

ST-1 Short Term Rating

Date of Declaration 22 December, 2020

Valid Till 21 December, 2021

Stable Outlook

Business Risk  
HighLiquidity  
GoodProfitability  
GoodSolvency Score  
GoodCapital Adequacy  
ExcellentSector  
Non-life

## Rationale

AlphaRating assigns long term rating "AA+" (pronounced as "Double A Plus") and short term rating "ST-1" on claim paying ability (CPA) of Asia Insurance Limited (Hereinafter referred to as 'AIL' or 'the company'). The rating is based on audited financial statement of 31<sup>st</sup> December, FY 2017 to FY 2019 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.

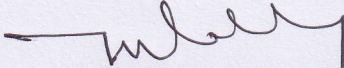
The assigned rating is also supported by improved gross premium, good claim settlement period within 30 days, good expense management which has led to positive gap between allowable and actual expenses, less than 100% combined ratio, good solvency margin, adequate paid up capital amidst strong capital structure, improved net profit margin along with ROA & ROE, increase in total investment & investment income along with yield on investment, good liquidity position, positive 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 overall socio economic condition of Bangladesh along with volatility of the share market, decreased net premium, agency commission above 15% threshold, decreased underwriting profit along with loss from fire & marine hull revenue account etc. The rating also considers inherent business risks, unhealthy competition between the competitors and level of sophistication of the domestic insurance market.

	2019	2018	2017
ROA (%)	6.22	5.93	7.74
Net Profit margin (%)	18.48	15.72	24.48
ROE (%)	8.23	7.44	9.55
Combined Ratio (x)	96.71	84.58	97.34
Current Ratio (x)	2.05	2.17	2.04
Yield on Investment (%)	6.78	6.06	6.35
Solvency ratio (x)	6.72	6.63	8.52
Gross premium (BDT in million)	631.90	617.03	508.01
Net premium (BDT in million)	408.69	422.24	339.96
Net Claim (BDT in million)	139.23	116.73	106.68
Investment (BDT in million)	974.35	913.20	901.62
Underwriting Profit (BDT in million)	76.73	96.62	61.56
Excess of Mgt. Exp. (BDT in million)	(35.30)	(40.66)	65.46
Operating Cash Flow (BDT in million)	127.36	130.66	75.73
Fixed Deposit (BDT in million)	789.77	687.07	651.78

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

### Contact Analysts

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Jahannoor Khan  
[Jahannur@alpharating.com.bd](mailto:Jahannur@alpharating.com.bd)

**Date of Incorporation:**  
30 April, 2000

**DSE & CSE Listing:**  
25 June, 2009

**Board Chairman:**  
Yussuf Abdullah Harun FCA,  
MP

**Managing Director:**  
Md. Imam Shaheen

**Total Asset:**  
BDT 1,769.21 million

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

**Paid up Capital:**  
BDT 470.70 million

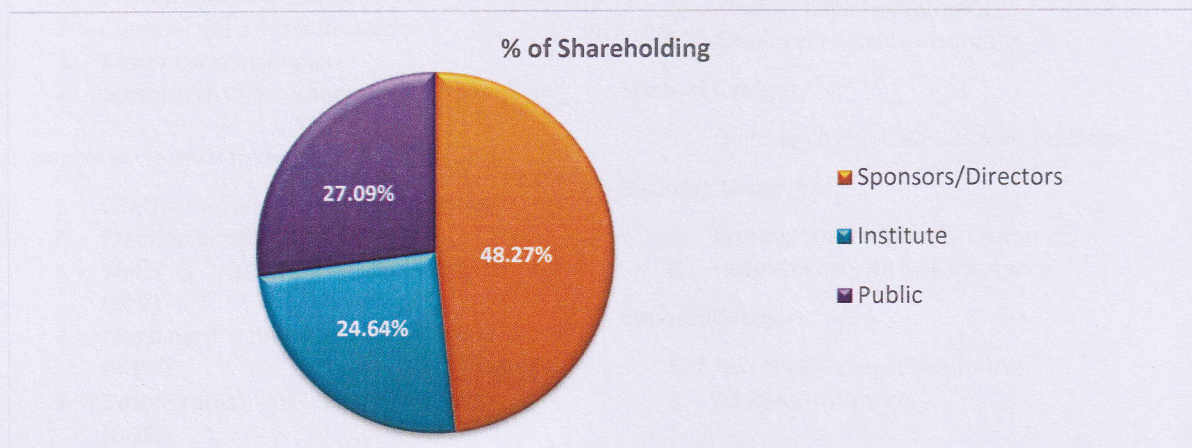
## Company Profile

Asia Insurance Limited is a third generation private sector non-life insurer in Bangladesh. The company was incorporated in 30 April, 2000 and obtained registration from the former Chief Controller of Insurance, Government of Bangladesh on 30 May 2000. AIL obtains renewal license from the Insurance Development & Regulatory Authority (IDRA) in 2011. AIL established with a vision to be one of the leading insurance company in the country by providing integrated insurance service in the non-life sector having special track record of prompt customer service and speedy claim settlement. AIL is a public limited company by shares and operating successfully in both Dhaka & Chittagong Stock Exchange. The company carries its insurance activities through head office located at Rupayan Trade Centre (14<sup>th</sup> Floor), 114-115, Kazi Nazrul Islam Avenue, Bangla Motor, Dhaka-1000 along with 22 branches under online support spread across the country covering major financial centers i.e. Dhaka, Narayanganj, Narsingdi, Cumilla, Feni, Sylhet, Chattogram, Faridpur, Jashore, Khulna, Mymensingh and Barisal with the assistance of more than 240 employees.

The board of AIL has last issued 5% stock dividend in FY 2013 (5% 2012, 15% 2011, 25% 2010 & 10% 2009) along with 10% cash dividend in FY 2019 (10% 2018, 10% 2017, 10% 2016, 10% 2015 & 10% 2014) and 01 right share for 01 share in FY 2011. AIL is active member of capital market having BDT 5,389.499 million market capitalization on 09 December, 2020. According to DSE, market share of the company is categorized as "A".

## Ownership Pattern

The shareholding pattern of the company as on 31 October, 2020 is presented below:



## Principal Product

In FY 2019, 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 12 districts with 22 branches.

### 1. Fire Insurance:

1. Fire and Allied Perils Insurance
2. Industrial All Risk Insurance
3. Machinery breakdown and business interruption insurance.
4. Property all risk insurance
5. Power plant operational package insurance
6. Comprehensive machinery insurance

### 2. Marine Insurance:

1. Marine Cargo Insurance
2. Marine Hull Insurance
3. Goods in Transit Insurance

### 3. Motor Insurance:

1. Private vehicle insurance
2. Commercial vehicle insurance
3. Motor cycle insurance
4. Motor transit insurance

### 5. Engineering Insurance

1. Contractors all risks insurance (CAR)
2. Erection all risks insurance (EAR)
3. Boiler & pressure vessels Insurance (BPV)
4. Machinery breakdown insurance (MBD)
5. Deterioration of stock insurance (DOS)
6. Contractors plant & machinery insurance (CPM)
7. Electronic equipment's insurance (EEI)

### 6. Miscellaneous Insurance

#### Financial Category

#### Money Insurance

1. Cash in transit insurance
2. Cash in safe insurance
3. Cash on counter insurance
4. Cash in ATM risk insurance
5. Bank lockers insurance
6. Fidelity guarantee insurance
7. Bankers blanket bond insurance

#### Industrial Category

1. Burglary & house breaking insurance
2. Workmen's compensation insurance
3. Peoples personal accident insurance
4. Public liability insurance
5. Product liability insurance
6. Employers liability insurance

#### Medical Category

1. Overseas Medi-Claim (B & H) Insurance

#### Business Category

1. Professional Indemnity Insurance
2. Hotel Owners All Risk Insurance

#### General Category

1. Personal Accident Insurance
2. All Risks Insurance

## Industry Overview

### Snapshot of Bangladesh's insurance industry

Currently, Bangladesh's insurance sector comprises 46 general insurance companies and 32 life insurance companies. In addition, there are two state-owned insurance corporations—one in the general segment and the other in the life segment.

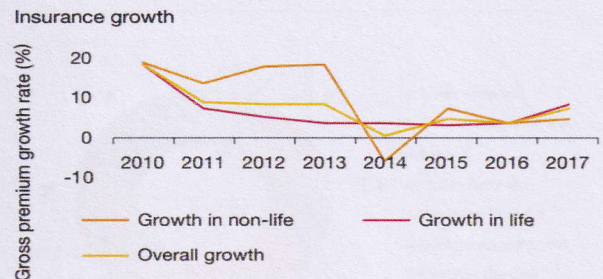
According to a sigma report of the Swiss Re Institute, as of 2017, the gross premium volume of life insurance in Bangladesh stands at USD 974 million and that of non-life stands at USD 371 million. Figure 1 depicts the year-on-year growth. Life insurance constitutes 73.5% of Bangladesh's insurance market and non-life insurance, 26.5%.

Micro-insurance and Islamic insurance (takaful) are also a part of Bangladesh's insurance sector. In 2017, 2.20 million new life and 2.36 million and new non-life insurance policies were issued. Further, the number of active life insurance policies was 10.78 million in 2017. The assets of all insurance companies in Bangladesh stood at USD 5,810.61 million by the end of 2017, with an average growth rate of 13.83% from 2009. Investments in both life and non-life insurance companies have grown at an average rate of 14.95% during 2009-2017, with returns increasing from 8% to 11.5% during the same period. The life insurance sector has a competitive landscape, with market share being closely distributed among multiple players.

### 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. Overall, insurance penetration (insurance premiums as a share of GDP) in Bangladesh was 0.55% in 2017 and has mostly been on a downward trend since 2009 (see Figure 2). Figure 3 indicates that Bangladesh's life insurance penetration rate falls behind that of several other developing countries. Compared to its South Asian counterparts, Bangladesh has the lowest premium per capita. In emerging markets, the average per capita spending on insurance increased by 13% to USD 166 in 2017. The average insurance penetration in emerging markets increased to 3.3% in 2017 (2016: 3.2%), as premium growth continued to outpace GDP growth within these economies. Egypt, like Bangladesh, is one of the countries featured on Goldman Sachs' Next Eleven (N-11), and has been implementing regulatory reforms.

Figure 1: Growth of Bangladesh's insurance sector



Source: Bangladesh Insurance Association 2017 Annual Report

Figure 2: Trend of insurance penetration in Bangladesh

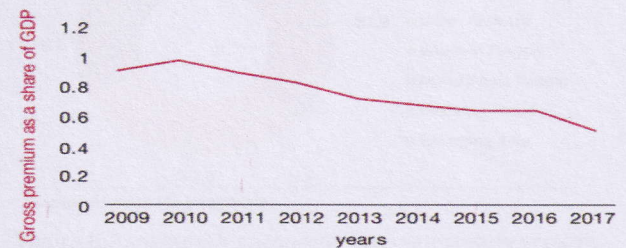
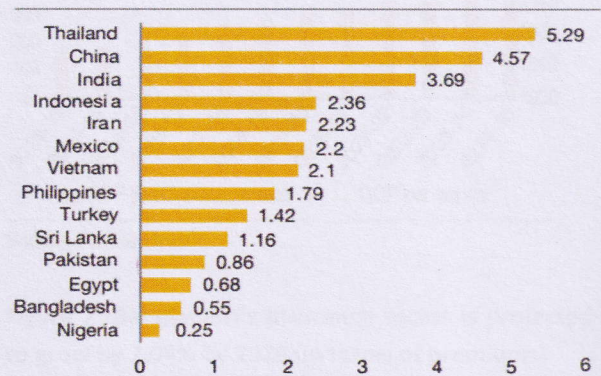


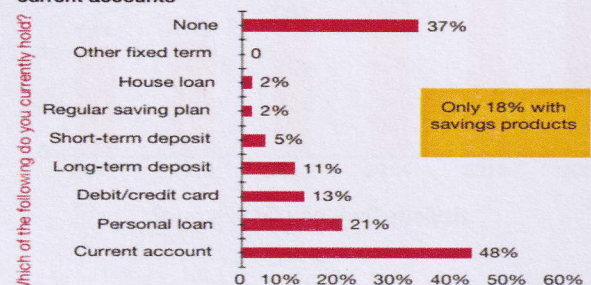
Figure 3: Insurance Penetration: Premiums as a percentage of GDP- 2017



Source: Swiss Re Institute (2018)

Figure 4: Low penetration of savings products

Low penetration of financial products and services, beyond current accounts



Source: PwC analysis

These reforms have helped Egypt strengthen its insurance sector significantly, as evidenced by the growth of its insurance density premium per capita from USD 8 in 1999 to USD 16 in 2017. Across the financial sector, there is low penetration of financial products and services beyond current accounts (see Figure 4). Among all financial products, savings products account for a mere 18%.

**Challenges and Opportunities**

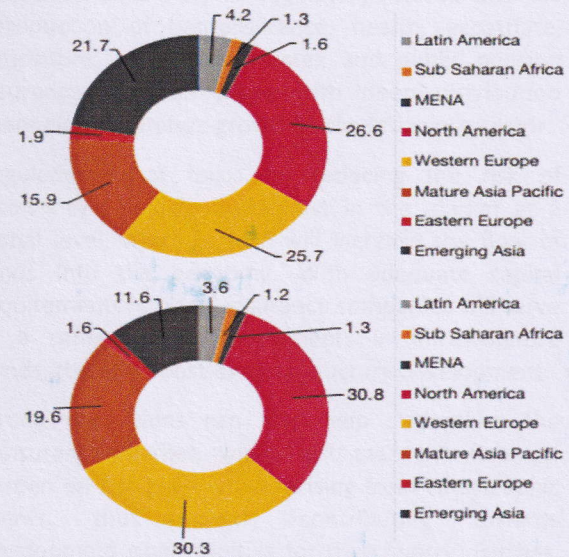
**Key challenges**

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 recent 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.

**Favorable indicators for insurance sector development**

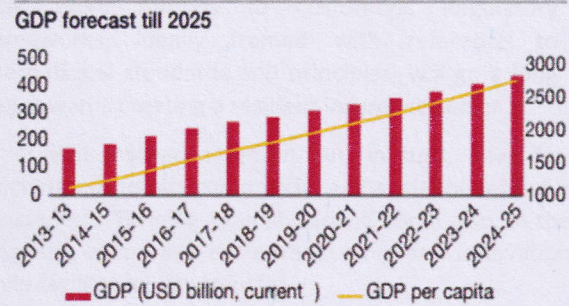
Bangladesh sustained an impressive annual GDP growth rate of 7.86% in FY 2017-18 according to the Bangladesh Bureau of Statistics (BBS). Bangladesh’s GDP growth rate has been increasing steadily for the last five years. Strong consumption and public investment, recovery of readymade garments (RMG) exports 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.

**Figure 5: Emerging Asia is projected to capture much of the growth in life insurance premiums**



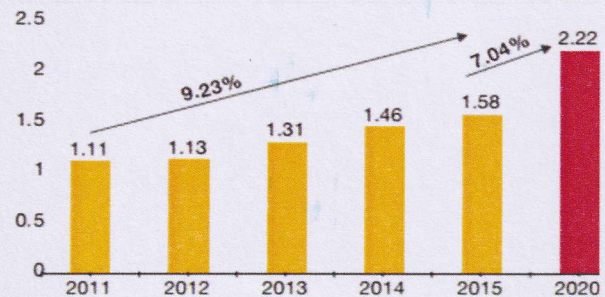
Source: Munich Re (May 2016)

**Figure 6: Bangladesh’s economy has seen steady growth**



Source: PwC analysis

**Figure 7: Bangladesh’s insurance sector is projected to grow by 7.04% by 2020 (in terms of premiums)**



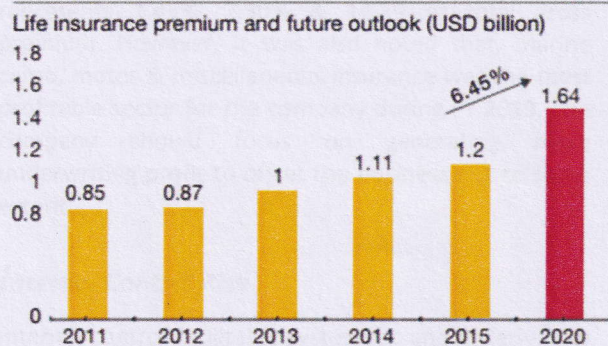
Source: BMI and PwC analysis

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 5).

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 6).

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 shown in Figure 7, insurance penetration in Bangladesh is expected to grow at 7.04% and be worth approximately USD 2.2 billion (in terms of insurance premiums) by the year 2020.

**Figure 8: Growth forecast for the life insurance sector**



Source: BMI and PwC analysis

The life insurance sector is projected to grow by 6.45% and be worth around USD 1.64 billion (in terms of premiums) in 2020 (Figure 8). 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.

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

## Business Risk Analysis

### Business Risk

AIL adopted underwriting guideline to mitigate the business risk. Moreover, underwriting professionals at branch level are given specific instruction and guidelines from time to time from Head Office regarding underwriting of different types of policies. AIL has decentralized its underwriting functions and delegated powers to employees of its different branches for providing prompt, efficient and effective underwriting services to the prospective clients.

It has been noted that, during FY 2019, among the different classes of businesses AIL has more concentration in fire business represents 40.50% of total gross premium and secondly in marine cargo business represents 36.38% of total gross premium, while marine hull, motor & miscellaneous insurance represents 1.43%, 7.30% & 14.39 of total gross premium. However, it was also noted that, marine cargo, motor & miscellaneous insurance was the most profitable sector for the company during FY 2019. The company should focus on generating more underwriting profit to offset the business risk to some extent.

### Internal Control Risk

Internal control facilitates systematic and orderly flow of various operational activities within the organization. To confront operational risk, AIL follows Internal Control and Compliance guidelines which are approved by Company. To ensure that sound monitoring system is placed inside the organization, Audit committee has been formed. The Internal Control & Compliance Department of AIL is staffed with some experienced senior officials rest with the power and duties to train the employees, give direction, minor, audit and establish control on day to day operational procedures and statutory and non-statutory compliances. This department audits the branches as per audit plan which approved by board audit committee and after audit the Department sends the report to the Managing Directors and CEO and respective branches to comply with. When the branches reply, the reports are placed before the Audit Committee.

### Operational Risk

Operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This operational risk also includes legal risks but not strategic and reputational risks. This can also arise from unexpected losses due to physical catastrophe, technical failure and human error in the operation including fraud, failure of management, internal process errors and unforeseeable external events.

### Money Laundering Risk

Money laundering refers to a financial transaction scheme that aims to conceal the identity, source, and destination of illicitly obtained money. To fight with money laundering AIL has framed an appropriate Money Laundering Prevention Policy Guideline so that it could be sufficient to protect the Company from money laundering. Besides that, a Central Compliance Unit (CCU) has been formed at Head Office and a designated person has been nominated to supply any information if required as per Money Laundering Prevention Act 2002 and Money Laundering Prevention circulars. Chief Anti Money Laundering Compliance Officer (CAMALCO) has been designated at Head Office.

### Equity Financing Risk

Equity financing risk is defined as loss due to change in market price of equity held by the Company. AIL has significant amount of investment in equity portfolio. To measure, identify and reduce this kind of risk, AIL practicing mark to market valuation of the share investment portfolios which was reflected through the Company's balance sheet as provisions for diminution in value of investment in shares. In FY 2019 the Company has made a fair value adjustment by BDT 81.75 million against total equity investment of BDT 221.78 million.

### Reputation Risk

Reputation risk may arise from the possibility that negative publicity regarding the company and its business practices, in the territory or elsewhere through related entities, whether accurate or not, will adversely impact the operations and position of the company. Reputation risk may also arise from an institution, or an affiliate, being domiciled in a jurisdiction where the legal and organizational framework for the regulation and supervision of financial institutions is generally viewed as failing to meet international standards for the protection of consumers of financial services and for the prevention of sheltering the proceeds of organized crime. Reputation risks are very difficult to measure but significantly important to manage since many new companies have created the market more competitive ever before.

### Liquidity Risk

Liquidity risk is the probability of loss arising from a situation where there will not be enough cash and/or cash equivalents to meet the needs, thus sale of illiquid assets will yield less than their fair value. This also arises when the cushion provided by the liquid assets are not sufficient enough to meet maturing obligations. Liquidity risk is often triggered by the consequences of other financial risks such as credit risk, interest rate risk, etc. FDR base of the company has been increased to BDT 789.77 million in FY 2019 from BDT 687.06 million in FY 2018.

### 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 & life insurance companies have been raised to BDT 400.00 million & BDT 300.00 million respectively.

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

### Catastrophic Risk Management

Bangladesh is vulnerable to natural disaster which exposes AIL to catastrophic risk. The company has CAT excess of loss treaty with SBC to protect the risk in fire business from which it can cover loss of BDT 7.00 million in excess of BDT 3.00 million. AIL, however, did not encounter any catastrophic loss in FY 2019 and FY 2018.

## Financial Risk Analysis

### Underwriting Process & Quality

Revenue from underwriting is the prime source of income of AIL. 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 2019, gross premium of the company has increased to BDT 631.90 million compared to BDT 617.03 million in FY 2018. On the other hand, net premium has decreased to BDT 408.69 million in FY 2019 compared to BDT 422.24 million in FY 2018 due to increase of re-insurance. Moreover, total underwriting profit has decreased to BDT 76.73 million in FY 2019 compared to BDT 96.62 million in FY 2018.

#### Selected Indicators

(Without considering commission on reinsurance ceded)

	Year Ended Dec. 31		
	2019	2018	2017
Loss ratio (%)	34.07	27.65	31.38
Expense ratio (%)	62.64	56.93	65.96
Combined ratio (%)	96.71	84.58	97.34

Underwriting performance is measured by combined ratio which consists of loss & expense ratio. Combined ratio less than 100% reflects an underwriting profit. It has been observed that, both Loss ratio & expense ratio of AIL has increased in FY 2019 and reported 34.07% & 62.64% respectively. These ratios are negatively impacted by net premium, which has declined during the year. Consequently, combined ratio was reported 96.71% which is lower than 100% threshold representing an underwriting profit in the relevant year.

#### Selected Indicators

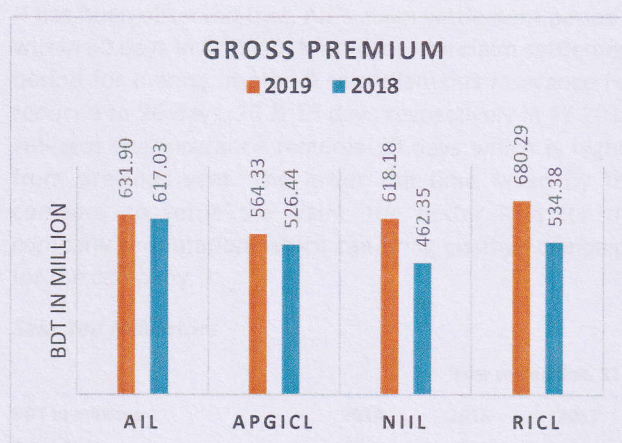
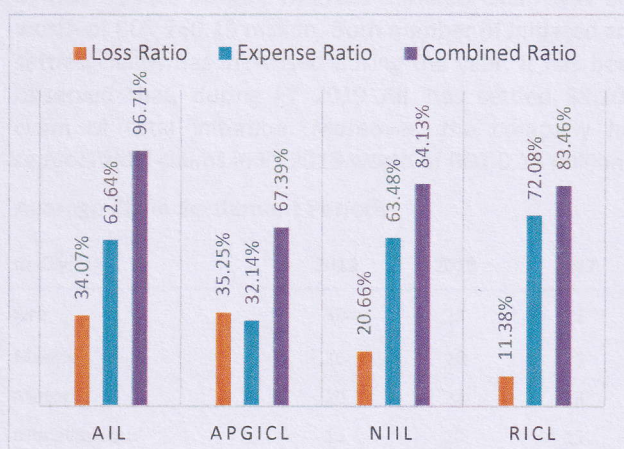
(After considering commission on reinsurance ceded)

	Year Ended Dec. 31		
	2019	2018	2017
Loss ratio (%)	30.30	24.77	27.72
Expense ratio (%)	55.71	51.01	58.26
Combined ratio (%)	86.01	75.78	85.98

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 AIL with other private sector company. In FY 2019, it is noticed that the performance of AIL is in line with the performance of peer in term of expense ratio but loss & combined ratio seems high compared to other peer. Moreover, while analyzing the gross premium of AIL, it has been observed that the growth of gross premium for AIL was 2.41%, which is lower compared to other peer.



AIL= Asia Insurance Limited

APGICL =Asia Pacific General Insurance Company Limited

NIIL= Northern Islami Insurance Limited

RICL= Republic Insurance Company Limited

## Management Expense

### Selected Indicators

BDT in millions	Year Ended Dec. 31		
	2019	2018	2017
Actual management expense	256.01	240.39	224.24
Allowable management expense	291.31	281.05	158.78
Excess management expense	(35.30)	(40.66)	65.46
Actual mgt. exp. as % of allowable exp.	87.88	85.53	141.23

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, AIL was able to keep the actual management expense within the allowable limit. As per given guideline AIL's allowable management expense was BDT 291.31 million whereas total actual management expense was BDT 256.01 million in FY 2019, which has resulted in spare allowable management expense of BDT 35.30 million. AIL has incurred almost 87.88% of its allowable management expense during FY 2019.

According to IDRA, agency commission must be within 15% of its gross premium of all classes of insurance. AIL incurred BDT 98.32 million as agency commission in FY 2019 against the gross premium of BDT 631.90 million. So, the agency commission was 15.56% of gross premium which is above the prescribed limit set by the authority.

## Claim Management

### Selected Indicators

	Year Ended Dec. 31		
	2019	2018	2017
Claim Initiated (BDT in million)	260.19	195.20	180.23
Claim Settled (BDT in million)	211.32	164.84	153.69
Claim Repudiated (BDT in million)	0.15	0.37	0.09
Number of claim Initiated	269	256	271
Number of claim Settled	237	217	235
Number of claim Repudiated	3	3	4

During FY 2019, the company has settled 237 claim worth of BDT 211.32 million, whereas initiated claim was 269 worth of BDT 260.19 million. Both number of initiated and settled claims has increased during the year. It has been observed that, during FY 2019 AIL has settled 88.10% claim of total initiation. Moreover, the company has repudiated 3 claims in FY 2019 worth of BDT 0.15 million.

### Average Claim Settlement Periods

In days	2019	2018	2017
Fire	30	25	22
Marine	26	28	25
Motor	20	22	18
Miscellaneous	15	20	15

It has been observed that, AIL's claim settlement period is within 30 days in FY 2019. Moreover, the claim settlement period for marine, motor & miscellaneous insurance has reduced to 26 days, 20 & 15 days respectively in FY 2019, whereas fire insurance requires 30 days which is higher from previous year. 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		
	2019	2018	2017
Total Claims	169.22	135.82	149.70
Claims paid during the year	120.49	105.83	130.62
Claims paid as % of total claims	71.21	77.92	87.25

## Profitability

Profitability position of the company has shown fluctuating trend over the last three years. AIL earns profit from different sources including interest & dividend income, share investment, other income and underwriting profit. Underwriting profit is one of the main source of income for AIL comprising 52.97% of total income. However, total underwriting profit has decreased by BDT 19.89 million in FY 2019 compared to previous year. AIL was able to generate higher underwriting profit from marine cargo & miscellaneous insurance as well as lower loss in marine hull insurance has supported the underwriting profit positively. It has observed that, loss in marine hull insurance has decreased to BDT 0.85 million in FY 2019 from BDT 1.81 million in FY 2018. Moreover, fire insurance has generated loss of BDT 42.05 million in FY 2019, which was a profit making sector in FY 2018. On the other hand, profit from motor insurance has declined by BDT 2.82 million and stood at BDT 17.08 million during the year.

Other than underwriting, interest & dividend income, share investment and other income are other significant source of revenue for AIL comprising 47.03% of total income in FY 2019. However, Interest & dividend income consist of interest on FDR, STD, BGTB etc. and it has been observed that income from this sources has increased by BDT 11.99 million and stood at BDT 65.93 million in FY 2019. During the year, AIL has no profit/loss on sale of share. Since the market value is lower than its cost price, therefore loss of sale of share has been adjusted with the fair value reserve during FY 2019. Moreover, other sources of income for AIL consist of sale of old goods, sale & written down value of PPE, deposit against car lease scheme etc. which has increased by BDT 1.34 million in FY 2019.

In FY 2019, profit after tax of the company has increased to BDT 75.54 million which has increased by 13.80%. On the other hand, net premium of AIL has decreased to BDT 408.69 million which has decreased by 3.21% in FY 2019. The increase in profit after tax and decreased net premium has resulted to increase in net profit margin to 18.48% in FY 2019.

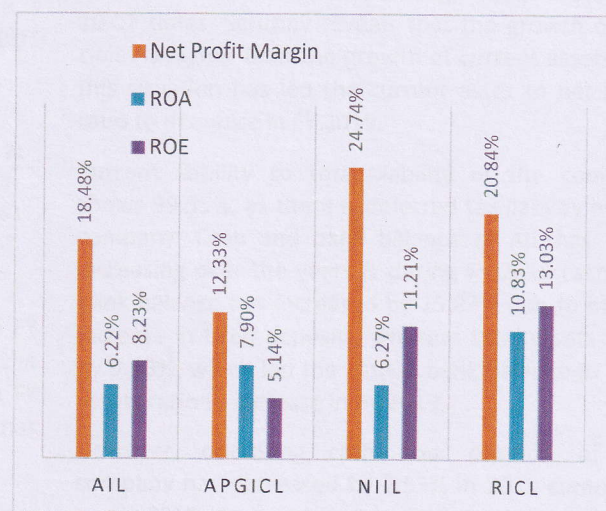
### Selected Indicators

	Year Ended Dec. 31		
	2019	2018	2017
Net profit margin (%)	18.48	15.72	24.48
Return on assets (%)	6.22	5.93	7.74
Return on equity (%)	8.23	7.44	9.55

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 of AIL has increased due to mainly increase in profitability of the company.

### Peer Comparison

Overall profitability performance of AIL has been improved in FY 2019. However, if the profitability of the company is compared with its peer group it has been observed that the company is in line with the peer group. AIL should take more strategical steps to improve the profitability position in future years by ensuring greater market share & quality risk management.



## Investment Profile

AlphaRating observed that AIL has diversified its investment in different sector including Govt. Treasury bond, investment in share, FDR etc. Total investment of the company has following an increasing trend and stood at BDT 974.35 million in FY 2019 from BDT 913.20 million in FY 2018. Level of investment of AIL over the last three financial years given below:

### AIL's Investment Mix

BDT in millions	Year Ended Dec. 31		
	2019	2018	2017
Investment in Govt. Treasury Bond	25.00	25.00	25.00
Investment in Shares	140.03	177.90	198.60
Short Term Deposit Account	19.55	23.23	26.24
Fixed Deposit Account	789.77	687.07	651.78

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 over the years under consideration. It has been noticed that, investment in FDR has been increased in FY 2019 & stood at BDT 789.77 million, which represent 14.95% increase compared to previous year. Moreover, Investment in shares is another significant area of investment for the company and stood at BDT 140.03 million at market value. Further analysis revealed that market value of most of the companies share is lower than its cost price and the company has maintained BDT 81.75 million as fair value reserve in FY 2019.

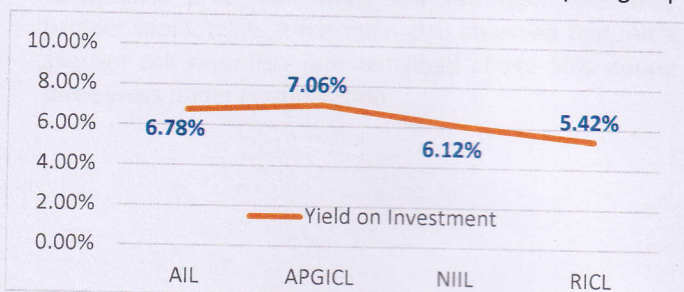
### Selected Indicators

BDT in millions	Year Ended Dec. 31		
	2019	2018	2017
Total Investment	974.35	913.20	901.62
Investment income as % of total income	45.61	36.23	48.17
Yield on investment (%)	6.78	6.06	6.35

Investment income as a % of total income has increased in FY 2019 due to mainly increase in investment income. On the other hand, yield on investment has improved to 6.78% in FY 2019 from 6.06% in FY 2018, as the investment income has increased as a higher pace compared to total investment.

### Peer Comparison

In term of Yield on Investment, AIL is in line with its peer group.



## Liquidity Analysis

### Selected Indicators

	Year Ended Dec. 31		
	2019	2018	2017
BDT in millions			
Current ratio (times)	2.05	2.17	2.04
Current asset/net claim (times)	10.07	10.27	10.26
Current liabilities/total liabilities (%)	99.55	99.52	99.75
Cash & bank balance/total assets (%)	46.85	44.26	44.08
Operating cash flow/net claim paid out (%)	91.48	111.93	70.99
Operating Cash Flow	127.36	130.66	75.73

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 by 0.12 times and stood at 2.05 times in FY 2019 as AIL's current assets have increased by 16.94%, whereas current liabilities have increased at a higher rate by 23.63%. Current asset to net claim ratio has declined during FY 2019 & stood at 10.07 times. Scrutiny reveals that the growth of net claim is higher than the growth of current assets and this situation has led the current asset to net claim ratio to decrease in FY 2019.

Current liability to total liability of the company shows 99.55%, as there is deferred tax liability by the company. Cash and bank balance of AIL has been increasing over the years & during FY 2019 cash and bank balance has increased by 15.83% due to mainly increase in fixed deposits, whereas total assets grew by 9.43%, which led the cash & bank balance to total assets ratio to increase in FY 2019.

However, operating cash flow position of the company has decreased by 2.53% in 2019 compared to FY 2018. As a result, operating cash flow to net claim paid out has also decreased to 91.48% from 111.93% in FY 2018.

## 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.

AIL also maintains 100% reinsurance arrangement with SBC. Reinsurance protections availed from SBC (1<sup>st</sup> April, 2020 to 31<sup>st</sup> March, 2021) is presented below:

### Selected indicators

	Fire	Marine Cargo	Marine Hull	Misc.
Treaty Limit	800.00	24.00	20.00	10.00
Retention	10.00	3.00	2.50	1.00

It has been observed that, AIL has surplus treaty for fire, marine cargo, marine hull & miscellaneous insurance, whereas motor insurance has excess of loss treaty. On the other hand, fire insurance of AIL is also protected by catastrophe X/L cover treaty.

Individual class wise risk retention ratios of last 3 years are presented below:

Business Class\ Year	2019	2018	2017
Fire	46.27%	58.81%	56.05%
Marine Cargo	85.31%	82.01%	76.85%
Marine Hull	17.03%	10.28%	24.64%
Motor	92.95%	95.28%	97.32%
Miscellaneous	54.70%	57.13%	63.65%
Total (Average)	59.25%	60.70%	63.70%

During FY 2019, total sum insured was BDT 222.54 billion and re-insurance coverage was BDT 89.56 billion, whereas during FY 2018 total sum insured was BDT 183.90 billion and re-insurance coverage was BDT 77.49 billion.

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

## Solvency Analysis

### Selected indicators

	Year Ended Dec. 31		
	2019	2018	2017
BDT in millions			
Available Solvency (AS)	584.74	582.13	589.84
Required Solvency (RS)	87.03	87.77	69.22
Solvency Margin (AS/RS) (times)	6.72	6.63	8.52

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 slightly increased in FY 2019 and stood at 6.72 times, which was 6.63 times in FY 2018. The reason behind for slight increase in solvency margin is, available solvency has increased by 0.45% whereas required solvency has decreased by 0.84% and for which solvency margin has slightly increased in FY 2019.

## Reserve Adequacy

AIL has maintained the reserve for un-expired risk as per Insurance Act, 2010; 100% of the net premium income for marine hull insurance and 40% for all other business classes. The company also maintained reserve for exceptional losses. In FY 2019 the reserve for exceptional losses has increased to BDT 275.27 million, which has increased by 9.99% from that of previous year. However, the reserve represents 67.35% of net premium.

Reserve for exceptional losses represent 1.98 times of net claim in FY 2019 which was 2.14 times in FY 2018, suggesting the company's unexpected events absorbing capability has declined from previous year.

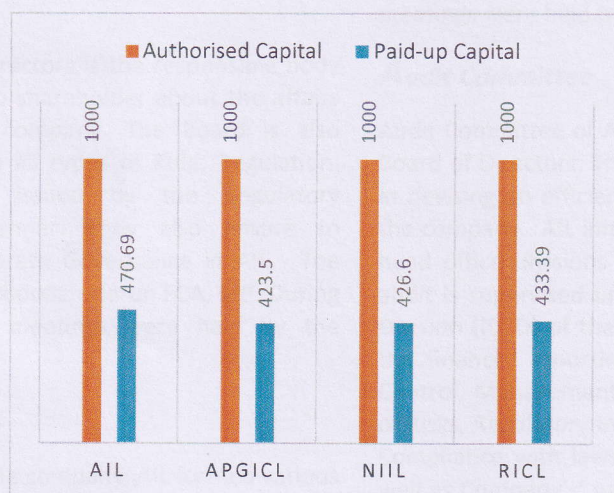
### Capital Adequacy

According to statutory capital requirement, every non-life insurance company is required to have BDT 400.00 million as paid up capital and AIL has fulfilled this requirement. Paid-up capital of the company has remained same as FY 2018 and stood at BDT 470.69 million at the end of FY 2019.

The board of AIL has last issued 5% stock dividend in FY 2013 (5% 2012, 15% 2011, 25% 2010 & 10% 2009) along with 10% cash dividend in FY 2019 (10% 2018, 10% 2017, 10% 2016, 10% 2015 & 10% 2014) and 01 right share for 01 share in FY 2011.

### Peer Comparison

If peer group is taken into consideration, then it has been noticed that, AIL is running in line with the competitor in terms of both authorized & paid-up capital.



## Management & Other Qualitative Factors

### Composition of the Board

The Board of Directors of the AIL constituted with 12 members including 01 Independent Director & 01 Executive Director who is the Managing Director & CEO of the company, each having years of experiences in the business, finance and industry.

Moreover, the board is engaged in major activities such as addressing major policy, regulatory and strategic issues and providing proper guidelines, monitoring financial performance, monitoring operations of internal control, approval of annual budget, major capital expenditure. Evaluation of financial performance, approval of audit report, appointment and evaluation of Managing Director and Senior Management team are the key decisions where the board of directors plays a good part to carry on a sound operational system.

In addition, the board of directors is the responsible body to make timely reporting to shareholder about the affairs and performance of the company. The Board is also responsible to comply with all types of Rule, Regulation, Notification and Orders issued by the Regulatory Authorities on timely manner. They also ensure to implement the good Corporate Governance in AIL. The board is chaired by Yussuf Abdullah Harun FCA, MP. During FY 2019, total 07 board meetings were held by the company.

### Board Committees

For smooth functioning of the company, AIL 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:

- Executive Committee
- Audit Committee
- Nomination & Remuneration Committee
- Management Committee (MANCOM)
- Business Plan & Development Committee)

- Purchase & Procurement Committee
- Re-Insurance & Claims Committee
- Human Resource Development Committee
- Investment Committee
- Integrity Committee
- Innovative Team

### Executive Committee

Executive Committee of AIL comprised of 08 members of the Board of Directors and formed as per Guidelines of IDRA. The executive committee is responsible for developing policy and strategy for smooth operation of the business. Moreover, the committee is also responsible for business development of the Company to ensure maximization of shareholders' wealth protecting other stakeholders' interest. The committee is chaired by Abul Bashar Chowdhury. During FY 2019, total 07 meetings were held by the committee.

### Audit Committee

Audit Committee of AIL comprised of 08 members of the Board of Directors. The committee plays an effective role in devising an efficient and secured operation system in the company. AIL initiates internal audit in branches and head office divisions on a periodical basis. The internal audit is supervised under Internal Control & Compliance Division (ICCD) of the Company. The Committee reviews the financial reporting process, the system of Internal Control, Management Information System, Management of Risks, Regulatory Inspection Reports, Audit process and Compliance with laws and regulations of the country as well as Company's' own code of conduct. The committee is chaired by Dr. Zaidi Sattar. During FY 2019, total 04 meetings were held by the committee.

### Nomination and Remuneration Committee (NRC)

Nomination and Remuneration Committee (NRC) of AIL was formed under code 6(a) of Corporate Governance Code 2018 of Bangladesh Securities & Exchange Commission and the committee comprised of 03 members of the Board of Directors. The committee is responsible to assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and to plebe executive as well as a policy for formal process of considering remuneration of directors, top level executives of the Company. The committee is chaired by Dr. Zaidi Sattar.

### Management Committee (MANCOM)

Management Committee (MANCOM) of AIL was formed in 2018 with the object of smooth and effective running of the Company, major operational decisions are taken through MANCOM meeting involving most senior Officials of AIL. The committee is headed by the Managing Director & CEO Md. Imam Shaheen. During FY 2019, total 05 meetings were held by the committee where 14 nos. of major issues were discussed and discharged.

### Business Plan & Development Committee

Business Plan & Development Committee of AIL comprised of 04 members. This committee was formed to make annual business plan, monthly review and to take necessary strategic decision for overall business development of the Company to ensure that the business goals are aligned with the corporate goals and objectives. This committee plays the vital role in involving, distributing jobs and directing the human resources to motivate towards achieving individual as well as organizational annual goal in terms of business procurement, profit and capturing & retaining market share. The committee is chaired by Managing Director & CEO Md. Imam Shaheen.

### Purchase & Procurement Committee

Purchase & Procurement Committee of AIL comprised of 05 members. To ensure good corporate governance, AIL is transparent in type of purchase and procurement and such exercise power through this Committee. This committee was formed in 17 June, 2010 for systematic consolidated purchases decision. The committee is chaired by Managing Director & CEO Md. Imam Shaheen.

### Corporate Social Responsibility

Corporate social responsibility is a corporation's initiative to assess & take responsibility for the company's effects on environmental & social wellbeing. AIL endeavors to play its role as a good corporate citizen by supporting worthy causes which aim to improve the lives of the people. AIL spend an amount of BDT 255.60 million under Corporate Social Responsibility account in FY 2019 compared to BDT 239.99 million in FY 2018.

### 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. AIL 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. AIL believes in basic principles of corporate governance i.e.: transparency, disclosure etc. 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 "K. M. Hasan & Co, Chartered Accountants".

### IT Infrastructure & Its Utilization

AIL has given due emphasis on the continuous development of Information Technology (IT) infrastructure. AIL has a separate MIS & IT Department to manage all IT related matters. All the departments of the Head Office are connected with Local Area Network (LAN) supported by two servers i.e. brand and gateway. All the branches of AIL are connected with central database through online system. All the department and branch offices of the company had been automated by installation and implementation of Integrated Insurance Business Solution (IIBS) custom ERP. AIL has upgraded the server system from RAK-720 with auto backup in 320 RAK. The company ensured secured file sharing system, CUBE and SS display etc.

### **Human Resource**

Human Resource is the corner stone for accelerated and sustained development of any organization. AIL recognizes the importance of skilled Human Resources for overall growth of the Company. The meritorious and talented human resources team is the key for continuous development of the organization. Superior human resources are an important source of competitive advantage. To attract talented human resources team and to create brand image, the company has formulated HR policies and Service Rules for the employees. AIL has been trying to ensure maximum output with minimum resources. So quality manpower with good academic background is being recruited in all levels of the Company.

AIL always recognize its personnel by awarding most competitive pay scale and incentives including different types of long-term benefits like Provident Fund, gratuity, Group Insurance. Depending on the market and growth, the Company reviews the pay structure on a regular interval basis. Performance of the employee is determined through annual employee rating i.e. Annual Confidential Report (ACR) and Key Performance Indicator (KPI) systems. Deserving employees are rewarded under a performance-linked award system with accelerated promotion. During the year under review, a total 14 nos. of employees were trained from different institutions of the country.

### **End of the Report**

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

Name	Position
Yussuf Abdullah Harun FCA, MP	Chairman
Mahbubul Alam	Vice Chairman
Abul Bashar Chowdhury	Director
Mohammed Jahangir Alam	Director
Khaleda Begum	Director
Farzana Afroze	Director
Mohammad Mustafa Haider	Director
M. Kamal Hossain (Nominated Director of Southeast Bank Limited)	Director
Tarik Sujat (Nominated Director of Bay Leasing & Investments Ltd.)	Director
Mohammad Ali Khokan	Director
Dr. Zaidi Sattar	Independent Director
Md. Imam Shaheen	Managing Director & CEO

**Major Shareholders (As on 31 October, 2020)**

Name of Shareholder	% of Shareholding
Sponsors/Directors	48.27
Institute	24.64
Public	27.09
<b>Total</b>	<b>100.00%</b>

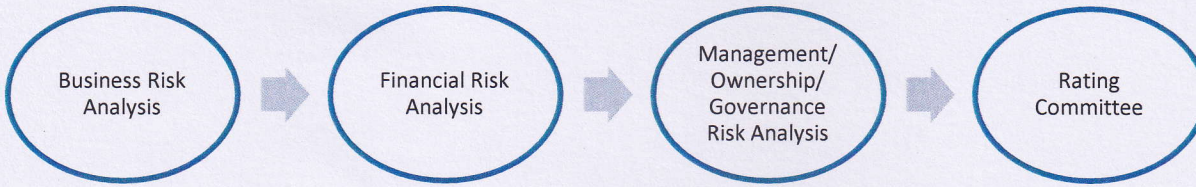
**Auditor**

**UHY Syful Shamsul Alam & Co.**  
Chartered Accountants  
65/2/1 Culvert Road, Dhaka

**Head Office**

**Asia Insurance Limited**  
Rupayan Trade Centre (14th Floor), 114-115, Kazi Nazrul Islam Avenue, Bangla Motor, Dhaka-1000  
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E-mail: [info@asiainsurancebd.com](mailto:info@asiainsurancebd.com) / [asiainsu@gmail.com](mailto:asiainsu@gmail.com)  
Web: [www.asiainsurancebd.com](http://www.asiainsurancebd.com)

AlphaRating's Research Methodology for Determining Insurance Rating



Analysis is segmented into two or three sub sectors:

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

Analysis is segmented into four sub sectors:

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

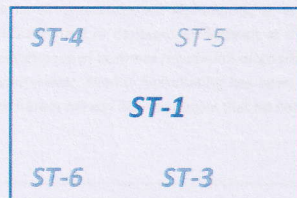
It is one of the key elements of the rating methodology since management decides what businesses to be in, what strategies should be pursued and how these activities should be financed.

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

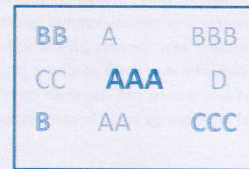
- ▶ Review Modeling Assumption
- ▶ Approve Company-Specific Adjustments

Rating Outlook

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



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



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

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

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