

11 June, 2023

**Managing Director & CEO**

**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), vide credit rating Agreement No: 16679, has assigned the following rating to **Asia Insurance Limited**.

<b>Date of Declaration</b>	<b>Valid Till</b>	<b>Rating Action</b>	<b>Long Term Rating</b>	<b>Short Term Rating</b>	<b>Outlook</b>
11 June, 2023	10 June, 2024	3 <sup>rd</sup> Surveillance	AA+	ST-1	Stable

The long term & short term rating is valid up to the earlier of 10 June, 2024. 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,



**Abdul Mannan**

Chief Executive Officer

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

# AlphaRating

## *Asia Insurance Limited*

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

*(Non-Life Insurance)*

**Disclaimer:** Information used herein was obtained from sources believed to be accurate and reliable. However, Alpha Credit Rating Limited does not guarantee the accuracy, adequacy or completeness of any information and is not responsible from any errors or omissions or for the results obtained from the use of such information. The rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities or to finance in a project. All rights of this report are observed by Alpha Credit Rating Limited. The contents may be used by the news media and researchers with due acknowledgement. Under no circumstances Alpha Credit Rating Limited will or its affiliates will be liable for any special, indirect, incidental or consequential damages of any kind, including, but not limited to, compensation, reimbursement or damages on account of the loss of present or prospective profits, expenditures, loans or commitments, whether made in the establishment, development or maintenance of Company reputation or goodwill, cost of substitute materials, products, services or information, cost of capital, and the claims of any third party, or for any other reason whatsoever.

**Asia Insurance Limited**  
Date of Declaration **11 June, 2023**

**AA+** Long Term Rating **ST-1** Short Term Rating **Stable** Outlook  
Valid Till **10 June, 2024** **Rating Type 3<sup>rd</sup> Surveillance**

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

### Previous Rating

Long Term Rating: **AA+**  
Short Term Rating: **ST-1**  
Outlook: **Stable**  
Date of Declaration: **31 October, 2022**  
Valid Till: **30 October, 2023**

### Contact Analysts

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### Date of Incorporation:

30 April, 2000

### DSE & CSE Listing:

25 June, 2009

### Board Chairman:

Yussuf Abdullah Harun FCA, MP

### Managing Director & CEO:

Md. Imam Shaheen

### Total Asset:

BDT 2,430.27 million (As on 31/12/2022)

### Authorized Capital:

BDT 1,000.00 million

### Paid up Capital:

BDT 470.70 million

  
**Abdul Mannan**  
Chief Executive Officer  
Alpha Credit Rating Limited

## Rationale

Alpha Credit Rating Limited (AlphaRating) vide credit rating Agreement No. 16679, affirms 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 The rating is based on audited financial statement of 31<sup>st</sup> December, FY 2019 to FY 2022 & management report of March, 2023 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, 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, increased investment income along with yield on investment, good expense management which has led to positive gap between allowable and actual expenses, less than 100% of combined ratio, sound solvency margin, adequate paid up capital amidst strong capital structure, 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 decreased net profit margin along with ROA & ROE, decreased net premium, decreased underwriting profit, underwriting loss from fire revenue account, overall socio economic condition of Bangladesh etc. The rating also considers inherent business risks, unhealthy competition between the competitors and level of sophistication of the domestic insurance market

	2022	2021	2020	2019
ROA (%)	5.54	9.43	7.95	6.22
Net Profit margin (%)	22.68	34.41	24.98	18.48
ROE (%)	9.02	14.52	11.32	8.23
Combined Ratio (x)	85.43	75.29	95.86	97.44
Current Ratio (x)	1.53	1.47	1.85	2.05
Yield on Investment (%)	5.26	4.47	6.08	6.26
Solvency ratio (x)	5.86	6.26	6.27	6.72
Gross premium (BDT in million)	793.46	757.81	702.13	631.90
Net premium (BDT in million)	432.99	450.60	441.70	408.69
Net Claim (BDT in million)	105.35	127.39	171.16	139.23
Investment – Cost Value (BDT in million)	1,433.77	1,484.45	1,229.10	1,056.10
Investment – Market Value (BDT in million)	1,355.39	1,445.07	1,175.08	974.35
Underwriting Profit (BDT in million)	142.81	193.38	85.40	76.73
Excess of Mgt. Exp. (BDT in million)	(64.68)	(62.95)	(56.97)	(32.30)
Operating Cash Flow (BDT in million)	222.56	321.42	282.15	127.36
Fixed Deposit (BDT in million)	860.06	920.66	870.85	789.77

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.

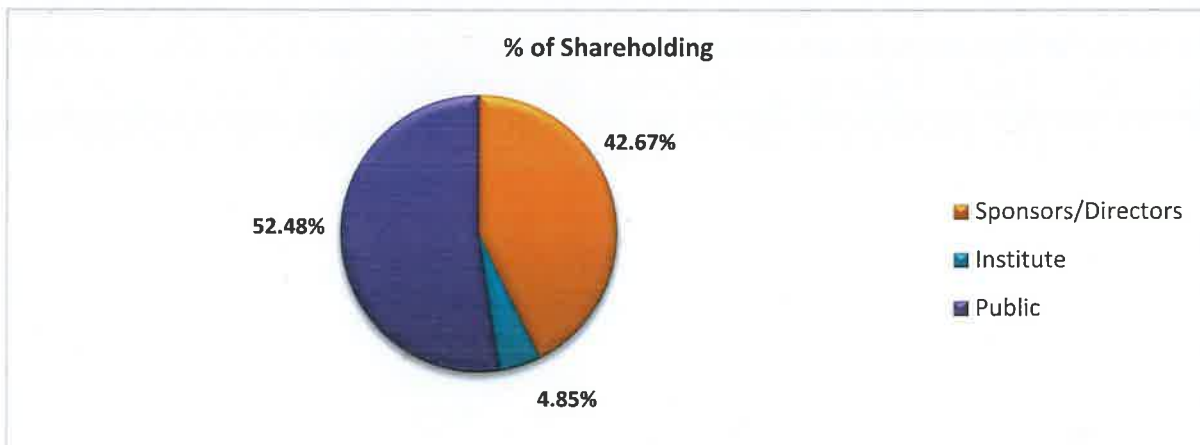
## Company Profile

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 238 employees.

The board of AIL has last issued 5% stock dividend in FY 2013 (5% 2012, 15% 2011, 25% 2010 & 10% 2009) along with 15% cash dividend in FY 2021 (12% 2020, 10% 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 2,306.423 million market capitalization on 28 May, 2023. According to DSE, market share of the company is categorized as "A".

## Ownership Pattern

The shareholding pattern of the company as on 03/05/2023 is presented below:



## Principal Product

In FY 2022, 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 (CMI)

### 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

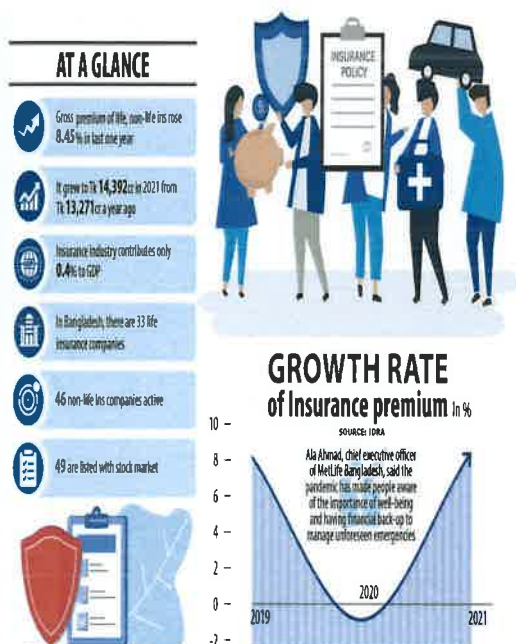
1. Personal Accident Insurance
2. All Risks Insurance

## Industry Overview

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

### Snapshot of Bangladesh's insurance industry

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



As per the provisions enunciated in the Motor Vehicles Ordinance, 1983 (hereinafter referred to as the MVO, 1983) taking a motor vehicle insurance was mandatory for the owners of motor vehicles except for the ones owned by the government. The newly enacted Road Transport Act, 2018 has made Act Liability Insurance (Third Party Motor Insurance) optional to the owners to take such insurance and instructed Police authority to curb practice for verifying obligatory insurance certificate and as such no penal action.

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

### Benchmarking Bangladesh's insurance industry

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

Life insurance penetration (insurance premiums as a share of GDP) in Bangladesh was 0.30% in 2020, while the average for emerging countries was 2.30% as per Swiss Re, a leading global re-insurer. In case of non-life insurance, it was 0.10% in Bangladesh, whereas 1.70% for emerging nations. In the year, overall insurance penetration was 0.40%, which was 0.50% in 2019 and 0.57% the year before. Bangladesh's insurance penetration mostly been on a downward trend as well as falls behind that of several other developing countries. Bangladesh's insurance sector is currently unable to keep pace with emerging markets around the globe. To bring this to perspective, total inflation adjusted premium growth was -9.10% in Bangladesh in 2020. However, this was 3.30% in emerging countries.

### Need for key insurance products in Bangladesh

#### Agricultural sector

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

**Health sector**

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

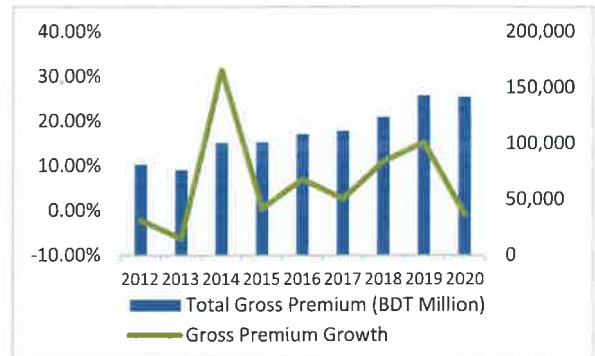
**Challenges and Opportunities**

**Key challenges**

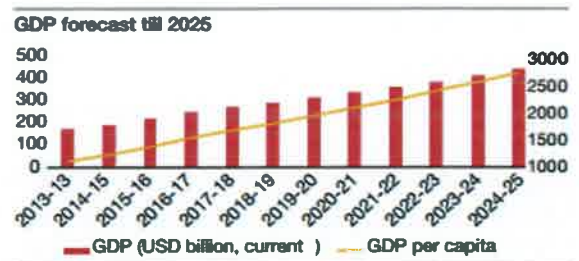
Various challenges underlie the limited growth of Bangladesh’s insurance sector. For one, the relationship between customers and insurance companies is marked by lack of trust. According to a study by PwC, a majority of Bangladeshi people do not trust insurance agents, and there is limited awareness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

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

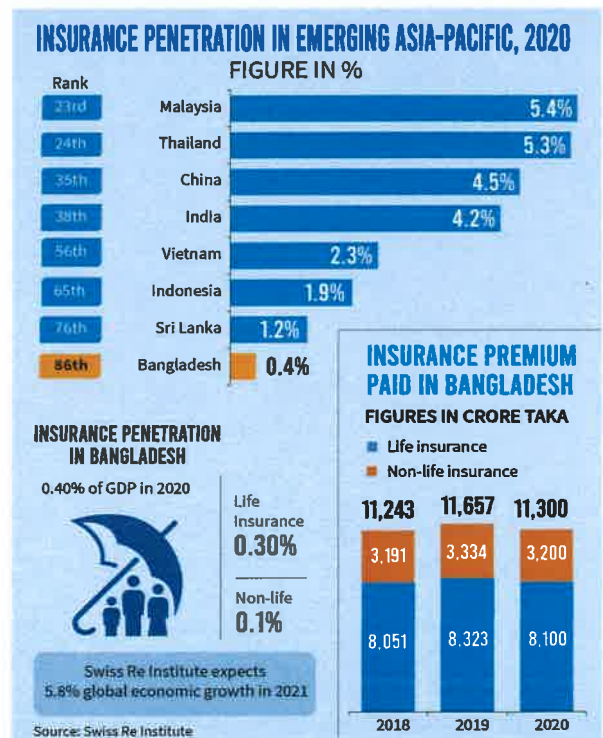
**Figure 1: Insurance Industry Trend of Bangladesh**



**Figure 2: Bangladesh’s economy has seen steady growth**



Source: PwC analysis



### Favorable indicators for insurance sector development

Bangladesh sustained an impressive annual GDP growth rate of 7.5% in 2022-2023. Bangladesh's GDP growth rate has been increasing steadily for the last six years. Strong consumption and public investment, recovery of readymade garments (RMG) exports and high remittance growth were the main propellers of economic growth, bolstering the rise in income per capita and growth of the middle-class population.

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

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

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

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

### Bancassurance opportunity

Bancassurance (a partnership between an insurance company and a bank where the bank sells insurance products) presents specific growth opportunities in Bangladesh's insurance sector and can result in mutual benefits for banks, insurers, customers and regulators. Banks usually have the preexisting technological and human resources to provide the best customer services.

Thus, it is likely to be more convenient for customers to, for instance, pay premiums and repay cash loans backed by life insurance policies from their banks' ATMs. Customers could also benefit from more customized product suites, including overdraft insurance, depositors' insurance and loan-bundled insurance. Further, decreased costs of insurance for insurers are likely to lower premium rates, making insurance more accessible to customers. Insurers may develop new financial products in collaboration with their bank partners. In Bangladesh, it has been found that customers tend to trust banks more than they trust insurance agents.

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

### Conclusion

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

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

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

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

## COVID-19 Impact on Insurance Sector

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

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

### Fire Insurance

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

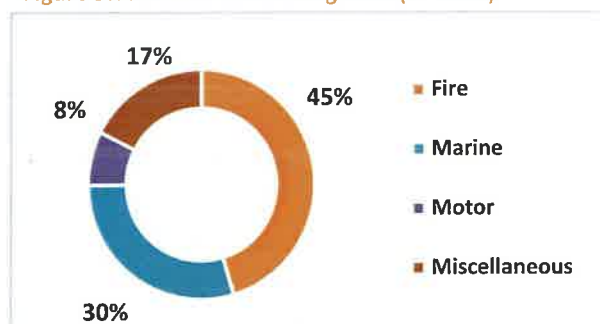
A recent study by Human Rights Watch shows that when orders were cancelled, 72.1% of buyers refused to pay for raw materials already purchased by the supplier, and 91.3% of buyers refused to pay for the "cut-make-trim" cost - or production cost - of the supplier. As a result, 58% of factories surveyed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

### Marine Insurance

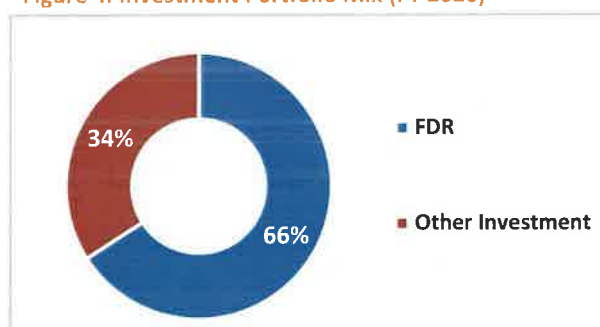
Marine insurance that depends on import cargo accounts for 34.3% of the non-life insurance's total premium a year. Insurance companies' premium income from marine insurance is expected to go down to a new low if this global pandemic countries and world trade continues to slow down.

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

\*Figure 3: Premium Income Segment (FY 2020)



\*Figure 4: Investment Portfolio Mix (FY 2020)



Year book 2020's data is used here because of the non-availability of latest year book

### Motor and Miscellaneous

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

Aviation insurance is major contributor of miscellaneous segment. In this COVID-9 situation, the aviation sector may take a few years to turn around. As a result, it can be assumed that the insurance sector will face indirect losses.

### Life Insurance Premium

The COVID-19 has hampered the county's economic activity at an unprecedented scale, raising the specter of job losses and salary cuts. The outbreak of the deadly disease could have a widespread impact on the job market of Bangladesh. Most of the organizations would go for cost cutting and remuneration on aggregate to fall. This may include reduced health insurance benefit for employees. This could have negative impact for life insurance companies.

### Investment Income

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

FDR consist 34% of total investment and other investment consist 66% of total investment (see Figure 4). Govt. has intended to keep lending interest rate as maximum as 9% therefore FDR interest rate will also decline which will ultimately reduce total investment income in the insurance sector.

### Impact on Cost Centers

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

### Conclusion

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

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

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

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

Source-[COVID-19 Impact on Bangladesh Economy by Lankabangla asset management, Potential for growth: Transforming Bangladesh's insurance sector by PWC, Chapter four-Bima published by ministry of finance, insurance year book-2020 The daily Star- Mar 4, 2022 ]

## 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 2022, among the different classes of businesses AIL has more concentration in marine cargo business represents 47.40% of total gross premium and secondly in fire business represents 34.92% of total gross premium, while marine hull, motor & miscellaneous insurance represents 2.39%, 5.06% & 10.23% of total gross premium. However, it was also noted that, marine cargo, fire & miscellaneous insurance was the most profitable sector for the company during FY 2022. 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 2022 the Company has made a fair value adjustment by BDT 38.99 million against total equity investment of BDT 530.77 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 decreased to BDT 860.06 million in FY 2022 from BDT 920.66 million in FY 2021.

### 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. However, AIL did not encounter any catastrophic loss in FY 2022.

## Financial Risk Analysis

### Underwriting Process & Quality

Insurance underwriting is the way an insurance company assesses the risk and profitability of offering a policy to someone. An insurance company must have a way to decide just how much risk it's taking by providing coverage. Underwriting Revenue is a core source of income of AIL. Underwriting department of a company is responsible for securing a safe and profitable distribution of risks & also responsible for classifying clients into appropriate risk classes.

Underwriting performance is measured by combined ratio which is consisted of loss & expense ratio. In FY 2022, net premium has decreased by 3.91% whereas net claim has decreased by 17.31% and this has resulted to a decreased loss ratio. Moreover, Expense ratio of the company has increased to some extent in FY 2022 and stood at 61.10%. The main reason behind this improvement is 24.88% of increase in actual management expenses compared to 3.91% of decrease in net premium.

#### Selected Indicators

(Without considering commission on reinsurance ceded)

	Year Ended Dec. 31			
	2022	2021	2020	2019
Loss ratio (%)	24.33	28.27	38.75	34.07
Expense ratio (%)	61.10	47.02	57.11	63.38
Combined ratio (%)	85.43	75.29	95.86	97.44

Despite of having an improved loss ratio, combined ratio of AIL has increased because of increased expense ratio. But AIL's combined ratio stood well below than 100%, which indicates good underwriting performance of the company. The company should focus on enhancing its net premium & controlling its management expense in future years to further improve its underwriting performance.

It is observed that, underwriting profit of AIL has decreased to BDT 142.81 million from BDT 193.38 million because agency commission & management expense has increased by 96.52% & 1.57% respectively.

According to management report of quarter ended March, 2023, the loss, expense & combined ratio stood at 31.36%, 107.89% & 139.25% respectively.

#### Selected Indicators

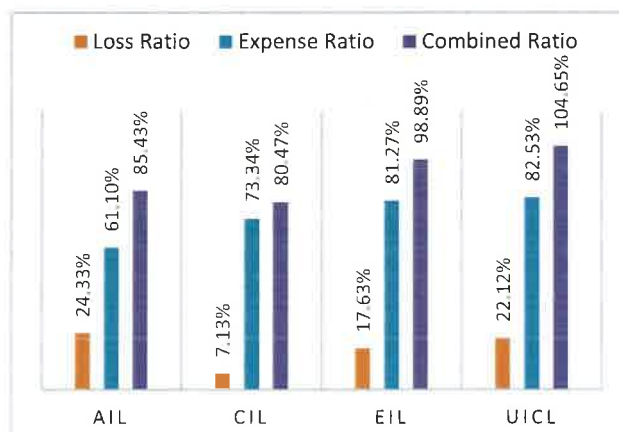
(After considering commission on reinsurance ceded)

	Year Ended Dec. 31			
	2022	2021	2020	2019
Loss ratio (%)	21.58	24.52	33.60	30.30
Expense ratio (%)	54.20	40.78	49.52	56.36
Combined ratio (%)	75.78	65.31	83.11	86.66

However, if we consider loss & expense ratio considering 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 2022, it is noticed that AIL's expense ratio is better than other peer companies expense ratio. And combined ratio of AIL showed a better position in comparison with most of other peer companies. Moreover, while analyzing the gross premium of AIL, it has been observed that the growth rate of gross premium for AIL was 4.70%, which is lower compared to other peer except EIL.



AIL= Asia Insurance Limited  
 CIL=Continental Insurance Limited  
 EIL= Express Insurance Limited  
 UICL= United Insurance Company Limited

## Management Expense

As per Insurance Act 2010, non-life insurance companies are required to calculate the allowable management expenses as per the given guideline and to maintain its actual management expenses within the limit. As per the given guideline AIL's allowable management expense was BDT 329.26 million (including agency commission) which has increased by 19.82% whereas total actual management expense was BDT 264.58 million, which has increased by 24.88% in FY 2022. However, in FY 2022 the company was able to keep actual management expense below the allowable management expense, which has resulted in spare allowable management expense of BDT 64.68 million. AIL has incurred almost 80.36% of its allowable management expense in FY 2022 whereas it was 77.09% in FY 2021.

According to IDRA, agency commission must be within 15% of its premium of all classes of insurance. AIL incurred BDT 96.45 million as agency commission in FY 2022 against the gross premium of BDT 793.46 million. So, the agency commission was 12.16% of gross premium which was within the prescribed limit set by the authority.

### Selected Indicators

BDT in millions	Year Ended Dec. 31			
	2022	2021	2020	2019
Actual management expense	264.58	211.86	252.25	259.01
Allowable management expense	329.26	274.80	309.22	291.31
Excess management expense	(64.68)	(62.95)	(56.97)	(32.30)
Actual mgt. exp. as % of allowable exp.	80.36	77.09	81.58	88.91

According to management report of quarter ended March, 2023 AIL has reported BDT 83.99 million allowable management expense & BDT 65.05 million actual management expense, which has resulted in spare allowable management expense of BDT 18.95 million. Moreover, agency commission was 8.02% of gross premium.

## Claim Management

### Selected Indicators

	Year Ended Dec. 31			
	2022	2021	2020	2019
Claim Initiated (BDT in million)	460.01	493.81	294.77	260.19
Claim Settled (BDT in million)	323.96	210.21	173.27	211.32
Claim Repudiated (BDT in million)	3.05	0.10	0.16	0.15
Number of claim Initiated	200	297	235	269
Number of claim Settled	168	249	185	237
Number of claim Repudiated	3	4	5	3

In FY 2022, AIL has settled claims worth of BDT 323.96 million against initiated claims worth of BDT 460.01 million. Moreover, Out of total 200 claims initiation, 168 claims have settled in FY 2022. Both number of initiated and settled claims has decreased during the year. In terms of percentage, the company has settled 84% of total initiation in FY 2022. Further analysis revealed that the company has repudiated 3 claims during FY 2022 whereas it had repudiated 04 claims in FY 2021.

According to management report of quarter ended March, 2023, AIL has 55 numbers of initiated claims worth of BDT 250.62 million, whereas settled 28 claims worth of BDT 63.34 million during that period.

### Average Claim Settlement Periods

In days	2022	2021	2020	2019
Fire	21	18	38	30
Marine	25	27	40	26
Motor	27	29	30	20
Miscellaneous	26	30	25	15

As per the rules, the claim must be approved or settled within 90 days of claim registered or last submitting of the required documents. 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. It has been observed that, AIL's claim settlement period is within 30 days in FY 2022. Moreover, the claim settlement period for marine, motor & miscellaneous insurance has decreased to 25, 27, 26 days respectively in FY 2022. Only claim settlement period for fire has increased to 21 days from 18 days during the period.

Claims paid as % of total claims has turned positive and stood at 65.80% in FY 2022. In FY 2021 this ratio was negative because AIL has recovered more from the reinsurer than it has paid out in claims.

### Selected Indicators

BDT in millions	Year ended Dec. 31			
	2022	2021	2020	2019
Total Claims	388.85	248.73	219.88	169.22
Claims paid during the year	255.85	(34.77)	98.54	120.49
Claims paid as % of total claims	65.80	(13.98)	44.81	71.21

## Profitability

Profitability position of the company has shown deteriorated in FY 2022 compared to that of FY 2021. It is noticed that, income of AIL comprised of underwriting profit, interest & dividend, non-operative income and revenue gain. The main sources of the income comes from underwriting profit which is 64.81% of total income in FY 2022. Underwriting profit of the company has decreased by BDT 50.58 million in FY 2022 compared to that of previous year. It has observed that, marine cargo generated highest revenue in FY 2022. At the same time underwriting profit from miscellaneous account has decreased and fire insurance turned into loss making sector during the year.

Except underwriting income, interest & dividend income and other income are significant source of income for AIL comprising 35.19% of total income in FY 2022. However, Interest & dividend consists of interest received on FDR, STD, Treasury bond, accrued interest & dividend against investment in shares. It has been observed that interest & dividend income has increased by BDT 8.93 million due to increase of dividend against investment in share and accrued interest on FDR account. Moreover, AIL has generated BDT 1.36 million as capital gain by sale of vehicles.

### Selected Indicators

	Year Ended Dec. 31			
	2022	2021	2020	2019
Net profit margin (%)	22.68	34.41	24.98	18.48
Return on assets (%)	5.54	9.43	7.95	6.22
Return on equity (%)	9.02	14.52	11.32	8.23

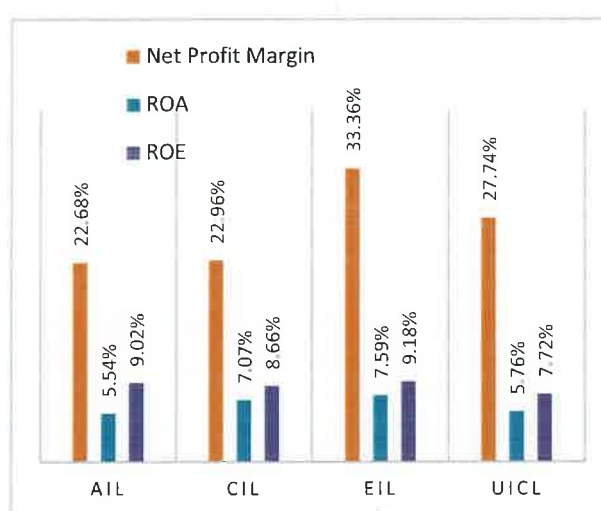
In FY 2022, Net profit after tax of the company has decreased to BDT 98.22 million which has decreased by 36.66%. On the other hand, net premium has decreased by 3.91% in FY 2022. The decrease in net profit after tax has resulted net profit margin to decrease to 22.68% in FY 2022.

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets and return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. It is observed that, both return on assets (ROA) and return on equity (ROE) have decreased in FY 2022 due to mainly decrease of both operating & net profit of the company respectively.

According to management report of quarter ended March, 2023 Net profit Margin, ROA & ROE have stood at 16.24%, 0.51% & 0.89% respectively.

### Peer Comparison

ROE of AIL showed a better position in comparison with most of other peer companies. But net profit margin and ROA of AIL are not in a better position in comparison with other peer companies. AIL should take more strategically steps to further 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, STD, investment in share & FDR etc. Total investment of the company has decreased to BDT 1,433.77 million in FY 2022 from BDT 1,484.45 million in FY 2021. Level of investment of AIL over the last four financial years given below:

### AIL's Investment Mix

	Year Ended Dec. 31			
BDT in millions	2022	2021	2020	2019
Investment in Govt. Treasury Bond	25.00	25.00	25.00	25.00
Investment in Shares- Market Value	452.40	452.67	185.72	140.03
Investment in Shares- Cost Value	530.77	492.04	239.74	221.78
Short Term Deposit Account	17.94	46.75	93.49	19.55
Fixed Deposit Account	860.06	920.66	870.86	789.77

Level of investment of the company has declined compared to that of previous year. The company had maintained a conservative investment portfolio and most of AIL's investments comprises of fixed deposits with different banks. It has been noticed that, investment in FDR has been decreased in FY 2022 & stood at BDT 860.06 million, which represent 6.58% decrease compared to previous year. Further analysis revealed that, FDR has decreased because AIL has made an encashment of FDR of BDT 199.60 million which is higher than new FDR of BDT 139.00 million. According to the Insurance Act 2010, the company has to maintain statutory requirement of investing BDT 25.00 million in Bangladesh Govt. Treasury Bond and AIL has maintained the statutory requirement. Investment in stock market & securities & STD are significant area of investment for the company and stood at BDT 530.77 million & BDT 17.94 respectfully. Along with this the total asset base of the company contains advance, sundry debtors, other assets, fixed assets etc. Total asset base of the company has been decreased to BDT 2,430.27 million in FY 2022.

According to management report of quarter ended March, 2023 the company has BDT 25.00 million of Investment in Bangladesh Govt. Treasury Bond, BDT 45.27 million in STD, BDT 834.06 million in FDR and BDT 451.97 million in shares.

#### Selected Indicators

	Year Ended Dec. 31			
	2022	2021	2020	2019
BDT in millions				
Total Investment-Cost Value	1,433.77	1,484.45	1,229.10	1,056.10
Total Investment-Market Value	1,355.39	1,445.07	1,175.08	974.35
Investment income as % of total income	34.20	25.26	46.02	45.61
Yield on investment (%)	5.26	4.47	6.08	6.26

AIL's investment income has increased by 13.44% & stood at BDT 75.35 in FY 2022 whereas total income has decreased by 16.19% & stood at 220.33 million compared than that of previous year. As consequence, Investment income as % of total income has increased by 8.93% in current year. Furthermore, yield on investment has increased to 5.26% in FY 2022 from 4.47% in FY 2021 as a result of increased investment income.

#### Peer Comparison

Yield on Investment of AIL showed a better position in comparison with most of other peer companies.



Items	Govt. Securities	BSEC approved Shares (Total)	Land & building in Municipality area	FDR (Total)	NBFI (Total)
Required Rate (in terms of total assets)	7.50% (min)	25% (max)	20% (max)	80% (max)	10% (max)
AIL's Rate-2022	1.66%	29.95%	11.46%	51.45%	5.49%
Excess/(Shortfall)	(5.84%)	4.95%	-	-	-

During FY 2022, Except for Govt. Securities & Shares, AIL has complied with other investment rules for non-life insurance companies issued on 14.11.2019 which is depicted in the table.

#### Liquidity Analysis

##### Selected Indicators

	Year Ended Dec. 31			
	2022	2021	2020	2019
BDT in millions				
Current ratio (times)	1.53	1.47	1.86	2.05
Current asset/net claim (times)	16.82	14.54	9.43	10.07
Current liabilities/total liabilities (%)	99.16	99.03	98.61	99.55
Cash & bank balance/total assets (%)	36.32	39.13	49.28	46.85
Operating cash flow/net claim paid out (%)	211.26	252.30	164.85	91.48
Operating Cash Flow	222.56	321.42	282.15	127.36

The ability of a Company to meet its current obligations with the available liquid assets can be assessed through liquidity analysis. Current ratio of the Company has slightly increased and stood at 1.53 times in FY 2022. It has observed that, Current assets of the Company have decreased by 4.37% due to mainly decrease of fixed deposit account, sundry debtors, amount due from other person or bodies carrying on insurance business whereas current liabilities have decreased by 8.11% due to mainly decrease of premium deposit, estimated liability in respect of outstanding claims whether due or intimated etc. in FY 2022 compared to that of last year. Thereby, current ratio has slightly increased and it is suggesting that the Company is in sound liquidity position to meet all of its short term liabilities from current assets. Current assets to net claim has increased & stood at 16.82% in FY 2022. Further analysis reveals that net claim has decreased by 17.30% whereas current assets has decreased by 4.37% in current year. Current liability to total liability of the Company shows 99.16% due to deferred tax & lease liability. Cash & cash equivalents of AIL has decreased in FY 2022, whereas total assets has decreased by 3.58% from previous year, which has resulted to decrease the cash & cash equivalent to total assets ratio in FY 2022.

Additionally, operating cash flow position of AIL has found to decrease notably to BDT 222.56 million in FY 2022. Operating cash inflow has deteriorated mainly due to decrease collection from premium & other receipts. As a result, operating cash flow to net claim ratio has also decreased in FY 2022.

According to management report of quarter ended March, 2023 current ratio of AIL stood at 1.50 times and CFO stood at BDT 10.35 million.

### Reinsurance Utilization

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

AIL also maintains reinsurance arrangement with SBC. Reinsurance protections availed from SBC (1<sup>st</sup> April, 2023 to 31<sup>st</sup> March, 2024) is presented below:

#### Selected indicators

	Fire	Marine Cargo	Marine Hull	Misc.
<b>Treaty Limit</b>	800.00	240.00	20.00	10.00
<b>Retention</b>	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.

It has been found that AIL has also reinsured with overseas reinsurers. Overseas reinsurers are: Swiss Re Europe S.A, Helvetia Swiss Insurance Company Ltd., Samsung Reinsurance PTE Ltd., Asian Reinsurance Corporation, Allianz Global Corporation & Specialty SE, Best Meridian International Insurance company SPC, Royal & Sun Alliance Insurance Ltd. Ark Syndicate Management Limited( Lloyd's Syndicates), MISR Insurance company, MS First Capital Insurance Limited, Trust Insurance Management W.L.L, New Indian Assurance Co. Ltd., WAICA Reinsurance Corporation PLC, CICA Re, ION Insurance Company INC, Southern Pacific Insurance Corporation (SOPAC), GIC RE, Fair Oil & Energy Insurance Syndicate, Klaption Reinsurance Limited, Ocean Reinsurance, Kuwait Reinsurance company K.S.C.P., Oman Reinsurance Company SAOC, Chubb Underwriting (DIFC) Ltd. On the other hand, overseas reinsurance brokers for AIL are Tysers Insurance Brokers Ltd. (UK), K.M. Dastur & Company Limited (KMD), J.B. BODA Group, Protection Insurance Services (PIS), Manoj Reinsurance Brokers Ltd.

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

Business Class\ Year	2022	2021	2020	2019
<b>Fire (%)</b>	22.97	30.06	43.37	46.27
<b>Marine Cargo (%)</b>	82.72	83.51	80.79	85.31
<b>Marine Hull (%)</b>	23.31	28.41	28.38	17.03
<b>Motor (%)</b>	85.48	90.71	93.98	92.95
<b>Miscellaneous (%)</b>	24.03	45.45	72.44	54.70
<b>Total (Average) (%)</b>	54.57	59.46	62.91	64.68

During FY 2022, total sum insured was BDT 255,038.06 million. Generally high retention level signifies inadequate reinsurance protection while low retention level may hamper profitability. AIL's risk retention rate remained above 50% throughout the last four year.

According to management report of quarter ended March, 2023, total sum insured was BDT 76,925.73 million. AIL's risk retention rate was lower than 50% throughout the quarter.

### Solvency Analysis

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

As per The Insurance Development & Regulatory Authority's (IDRA) regulations 2010, every non-life insurer needed to prepare statement of solvency margin but still insurance Development & Regulatory Authority's (IDRA) has not prescribed any formula or guidelines to calculate the minimum solvency margin.

#### Selected indicators

	Year Ended Dec. 31			
BDT in millions	2022	2021	2020	2019
<b>Available Solvency (AS)</b>	601.27	630.21	583.60	584.74
<b>Required Solvency (RS)</b>	102.59	100.72	93.07	87.03
<b>Solvency Margin (AS/RS) (times)</b>	5.86	6.26	6.27	6.72

It is observed that, solvency margin has decreased to 5.86 times in FY 2022, which states that the company has maintained solvency at very satisfactory level. The reason behind such this is, available solvency has decreased by 4.60% whereas required solvency has increased by 1.86% and for which solvency ratio has decreased in FY 2022.

## 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 2022 the reserve for exceptional losses has increased to BDT 407.80 million, which has increased by 11.88% from that of previous year. However, the reserve represents 94.18% of net premium.

Reserve for exceptional losses represent 3.87 times of net claim in FY 2022 which was 2.86 times in FY 2021, suggesting the company's unexpected events absorbing capability has improved from previous year.

According to management report of quarter ended March, 2023 Reserve for exceptional losses represent 22.09 times of net claim.

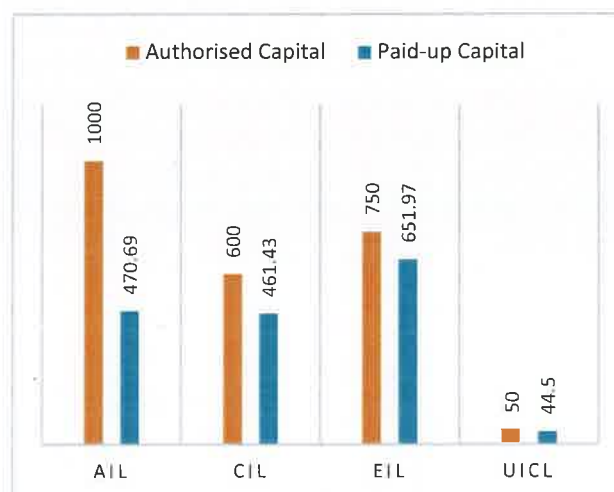
## Capital Adequacy

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 2021 and stood at BDT 470.69 million at the end of FY 2022.

The board of AIL has last issued 5% stock dividend in FY 2013 (5% 2012, 15% 2011, 25% 2010 & 10% 2009) along with 15% cash dividend in FY 2021 (12% 2020, 10% 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 Chairman, Vice Chairmen, Managing Director & CEO, 06 Director, 01 Independent Director & 02 Nominated Director, 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 2022, total 04 numbers of board meetings were held by the company compared to 04 numbers meetings in the year 2021.

### 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
- Promotion & Recruitment Committee

### Executive Committee

Executive Committee of AIL comprised of 07 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.

### Audit Committee

Audit Committee of AIL comprised of 06 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 2022, total 03 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.

### Reinsurance & Claim Committee

Reinsurance & Claim committee of AIL comprised of 06 members. The committee is chaired by Yussuf Abdullah Harun FCA, MP. It plays an effective role in re-insurance & claim settlement system. During FY 2022, total 02 meetings were held by the committee.

### Human Resource Development Committee

Human Resource Development Committee of AIL comprised of 07 members. The committee is chaired by Yussuf Abdullah Harun FCA, MP. Human Resource is the corner stone for accelerate and sustained development any organization. AIL has skilled Human resources. Ail has formulated HR Policies & service rules for the employee. The company has been trying to ensure maximum output with minimum resources.

### Business Plan & Development Committee

Business Plan & Development Committee of AIL comprised of 05 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 04 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.

### Investment Committee

Investment committee of AIL comprised of 07 members. The committee is chaired by Yussuf Abdullah Harun FCA, MP. This committee plays significant role regarding investment of the company.

### 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.

### 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. It has already used UMP (unified Message Platform) system which connected by IDRA. AIL will plan to establish VAT Software which required by NBR. IT provides transaction efficiency, easy to handle growing volume of business and verity of business, efficient customer service, reduces management cost.

## 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 15 nos. of employees were trained from different institutions of the country. During the year, AIL has recruited 25 staffs and left 27 staffs.

## Company Information:

### Board of Director & CEO

Name	Position
Yussuf Abdullah Harun FCA, MP	Chairman
Mohammed Jahangir Alam	Vice Chairman
Abul Bashar Chowdhury	Director
Khaleda Begum	Director
Farzana Afroze	Director
Mohammad Mustafa Haider	Director
Walid Md. Samuel	Director
Dr. Munal Mahbub	Director
Rashedul Islam (Nominated Director of Southeast Bank Limited)	Director
Tarik Sujat (Nominated Director of Bay Leasing & Investment Ltd.)	Director
Dr. Zaidi Sattar	Independent Director
Md. Imam Shaheen	Managing Director & CEO

### Major Shareholders (As on 03/05/2023)

Name of Shareholder	% of Shareholding
Sponsors/Directors	42.67
Institute	4.85
Public	52.48
<b>Total</b>	<b>100.00%</b>

### Auditor

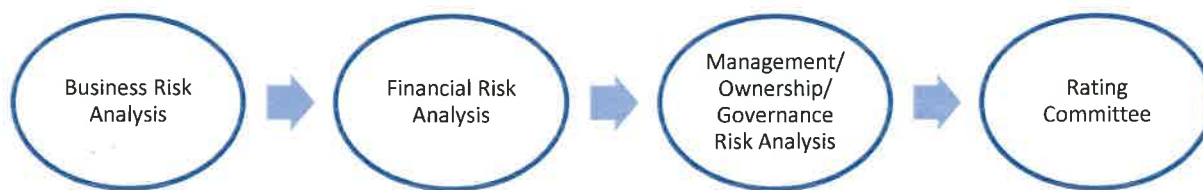
**Pinaki & Company**  
Chartered Accountants  
Ahsandell, 2/A, Mymensingh Road (2<sup>nd</sup> Floor) Shahbag, Dhaka-1000

### Head Office

**Asia Insurance Limited**  
Rupayan Trade Centre (14th Floor), 114-115, Kazi Nazrul Islam Avenue, Bangla Motor, Dhaka-1000  
Phone: +88-02-55138581-84  
Fax: +88-02-55138587  
E-mail: [info@asiainsurancebd.com](mailto:info@asiainsurancebd.com) / [asiainsu@gmail.com](mailto:asiainsu@gmail.com)  
Web: [www.asiainsurancebd.com](http://www.asiainsurancebd.com)

**End of the Report**

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

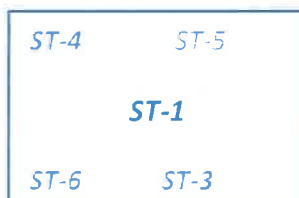
It is one of the key elements of the rating methodology since management decides what businesses to be in, what strategies should be pursued and how these activities should be financed.

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

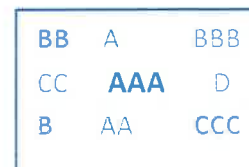
- ▶ Review Modeling Assumption
- ▶ Approve Company-Specific Adjustments

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.