

Credit Rating Report

**CREDIT RATING REPORT
 On
 ASIA INSURANCE LIMITED**

REPORT: RR/33210/19

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's Claim Paying Ability Rating is valid for only one year from the date of rating. After the above period, the rating will not carry any validity unless the company goes for rating surveillance. CRISL followed Insurance Rating Methodology published in CRISL website www.crislbd.com

Address:

CRISL
 Nakshi Homes
 (4th & 5th Floor)
 6/1A, Segunbagicha,
 Dhaka-1000
 Tel: 9530991-4
 Fax: 88-02-9530995
 Email:
 crisldhk@crislbd.com

Rating Contact:

Md. Asiful Huq
 Chief Rating Officer
 asif@crislbd.com

Analyst:

Moin Uddin Ahmed
 moinuddin@crislbd.com

Md. Saiful Alam Shimul
 saiful@crislbd.com

**Surveillance Rating:
 CPA AA**

Outlook: Stable

**ASIA INSURANCE
 LIMITED**

ACTIVITY

Non-Life Insurance

DATE OF

INCORPORATION
 April 30, 2000

**COMMENCEMENT OF
 BUSINESS**

April 30, 2000

CHAIRMAN

Yussuf Abdullah Harun,
 FCA

MANAGING DIRECTOR

Imam Shaheen ABIA

EQUITY

TK.891.86 million

TOTAL ASSETS

TK. 1616.80 million

Claim Paying Ability	
CPA Rating	AA
Outlook	Stable
Date of Rating: December 31, 2019	Valid up to: December 30, 2020

1.0 RATIONALE

CRISL has upgraded the Claim Paying Ability (CPA) rating of Asia Insurance Limited (AIL) to "AA" (pronounced as double A plain) on the financials up to December 31, 2018 and other relevant qualitative and quantitative information up-to the date of rating.

The above rating reflects AIL's good solvency, good liquidity, good FDR base, diversified investment portfolio, experienced top management, improving IT infrastructure etc.

AIL, being a third generation non-life insurance company, sources 100% of its business from Bangladesh market. Overall financial performance of AIL has been found improving during the period under surveillance. Consolidated gross premium earnings of the company increased to Tk. 617.03 million in 2018 from Tk. 508.01 million in 2017 while net premium also increased to Tk. 422.24 million in 2018 from Tk. 339.96 million in 2017 during the above periods respectively. AIL's underwriting profit has been increased to Tk. 96.62 million in 2018 from Tk. 61.56 million in 2017. The profit after tax decreased to Tk. 66.38 million in 2018 from Tk. 83.23 million in 2017. Consequently, both Return on Average Equity (ROAE) moved upward in 2018 while Return on Average Assets (ROAA) and Return on Investment moved downward during the same period. The overall liquidity of the company has been found to be good. The Liquid asset to insurance fund ratio has been found at 5.42 times in 2018. As on December 31, 2018, total investment in capital market stood at Tk.266.61 million with the trading intend and suffered unrealized loss of Tk.177.91 million considering market value of Tk.88.70 million. However, FDR base of the company has been increased to Tk. 687.06 million in 2018 from Tk. 651.78 million in 2017. As per Insurance Act 2010, the paid up capital has been fixed at Tk.400 million as minimum capital requirement for all non-life insurance companies. AIL's paid up capital stood at Tk.470.70 million in 2018.

On the other hand, AIL faces challenges from high claim ratio, decline in EPS and return on equity, expose to capital market investment risk, low internal capital generation, moderate return on investment etc. CRISL expects the company will adopt strategic underwriting approach for improvement underwriting performance through strictly analyzing of risk factors on different industry.

CPA rated in this category is adjudged to very high claims paying ability. Protection factors are strong. Risk is modest. But may vary slightly over time due to underwriting and/or economic condition.

CRISL also views the company with "Stable Outlook" from the industry viewpoint for overall industry growth and policy and regulations implicated by regulatory authority as well as new Insurance Act. CRISL believes that the company will be able to maintain its fundamentals in foreseeable future.

2.0 CORPORATE PROFILE

2.1 The Genesis

Asia Insurance Limited (AIL), a third generation general insurance company, was incorporated under the Companies Act 1994 with the vision to become one of the leading insurance companies in the country through providing integrated insurance service in the non-life sector. AIL got approval to commence insurance business on April 30, 2000. Currently, the

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company has been operating under the legal framework of the revised Insurance Act, 2010. The company is sponsored by a group of renowned business personalities and reputed industrialists of the country having involvement in diversified businesses. The Paid-up capital of the company stood Tk.470.70 million against authorized capital of Tk.1000.00 million as on December 31, 2018. AIL went into Initial Public Offering (IPO) in 2009 and the shares of the company are listed with both the bourses of the country under 'A' category issue. Presently the company has been operating its business with a network of 22 branches. The company earned gross premium of Tk.617.03 million in 2018 against Tk. 508.01 million in 2017 and made underwriting profit of Tk.96.62 million against Tk. 61.56 million during the above periods respectively. Mr. Yussuf Abdullah Harun MP, FCA, former president of FBCCI is leading the company as Chairman of the Board while Management team consists of a group of experienced professionals and is headed by Md. Imam Shaheen ABIA as the Managing Director & the Chief Executive Officer (CEO). AIL carries out its business from its Corporate Head office located at Rupayan Trade Center (14th floor) 114-115, Kazi Nazrul Islam Avenue, Bangla Motor, Dhaka -1000, Bangladesh.

Moderately diversified
shareholding pattern

2.2 Ownership Pattern

Shareholding pattern of AIL is moderately diversified without having any significant change during the period under surveillance. As on December 31, 2018 the total outstanding shares of the company stood at 47,069,858 shares. Out of the above outstanding shares, 41.56% shares are held by the sponsors, 32.64% shares are held by institutions while rest 25.80% shares are held by the general public.

2.3 Market Share

AIL is operating its business with small market share. The non-life insurance industry of Bangladesh reported a gross premium of Tk. 30424.90 million in 2018 (provisional) and Tk. 27426.70 million in 2017 which was being shared by 45 companies excluding the Government owned Sadharan Bima Corporation (SBC) having gross premium of Tk.3565.10 million (provisional) in 2018 against Tk.2386.60 billion in 2017. Out of total gross premium of Tk.30424.90 million (excluding SBC), AIL has earned Tk.617.03 billion in 2018 against Tk.508.01 billion in 2017. Considering the SBC's gross premium, market share of the company has been found to be average and stood at 2.30% in 2018 and 1.95% in 2017. Without Considering the SBC's gross premium, market share of AIL has been found to be small and stood at 2.03% in 2018 and 1.90% in 2017.

2.4 Branch Network

During the surveillance period, there are no major changes in branch network. Presently, the company has been operating its business through twenty two branches located at different strategically important areas around the country. Its branch network has been constituted with 9 branches in Dhaka, 3 in Chattogram and 1 branch each in Narayanganj, Cumilla, Mymensingh, Sylhet, Jashore, Khulna Faridpur, Barishal, Feni and Narshingdi. The company has planned to expand new branch in Dhaka at Gulshan, Savar EPZ, Gazipur, Ashuganj and Rajshahi.

3.0 INSURANCE INDUSTRY

The economy of Bangladesh has been rapidly shifting away from an agricultural dependence to the emergence of the services sector with the burgeoning of the latter. Insurance, as one of the critical ingredients of the financial services industry, can play a significant role if promoted properly. The Bangladesh insurance market is in an upward trend despite a low penetration rate. It has the embedded potential to grow and advance further as widely regarded by insurance experts both at home and abroad. In spite of a stable growth rate (around 10%) of the Bangladeshi insurance industry over the last few years, the expansion of the insurance business, particularly the non-life sector, has experienced a downward trend due to poor investments and slowdown of economic activities, non popularity of insurance and political unrest, among others. In Bangladesh, marine insurance is considered to be at the forefront of the non-life insurance business. Marine insurance, in turn, relies on imports, a sector that has continuously been disturbed by the political unrest at different times.

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The World Economic Forum's Global Competitiveness Report 2017-2018 ranked Bangladesh infrastructure at 111 out of 137 countries surveyed. Its ranking was 117 for higher education and training and 107 for institutions. Although power generation capacity has expanded in recent years in part through small private providers, power shortages intensified as growing demand outpaced supply. In the World Bank's Doing Business (May 2018), Bangladesh ranked 176 among 190 countries on electricity delivery. Public investment remains below budgeted targets because of weak implementation capacity in line agencies. Despite advantages of location and abundant low-cost labor, foreign direct investment remains low. Supply disruptions and weaker domestic demand caused by political unrest slowed industry growth. According to Bangladesh Bureau of Statistics inflation rate slightly decreased to 5.37% in November 2018 from 5.91% in November 2017.

Metlife (ALICO) is the first foreign insurance operator in Bangladesh. ALICO earned record-breaking gross premium in the life insurance sector. In April 2015, the regulator approved two other joint venture life insurance companies in Bangladesh namely Taiyo Summit Life Insurance Company and LIC Bangladesh Ltd. With the advent of two newly established companies in 2015, the number of foreign insurers will reach three, intensifying competition. Bangladesh's Bank and Financial Institution Division drafted the National Insurance Regulation 2014. The recommendation of the said regulation is expected to improve the insurance market of Bangladesh as it has defined both long-as well as short-term goals. Bangladesh's GDP growth in the financial year 2017-18 was 7.86% which was higher than the 7.28% growth recorded in FY2016-17. Considering National Election 2018, Asian Development Outlook (April 2018) estimates 7.2% GDP growth and inflation rate at 6.3% in 2018-19.

Global insurance premium stood at US\$ 4,891.6 billion in 2017, out of which US\$ 2,657.2 billion is attributable to life and US\$ 2,234.4 billion to non-life insurance. Total premium earnings of global insurance moved upward to US\$ 4891.6 billion from US\$ 4702.6 billion in 2016, registering 4.01% growth (Atlas Magazine: June 2018). The non-life insurance industry of Bangladesh reported a gross premium of Tk.25.98 billion in 2017 and Tk.25.48 billion in 2016 which was being shared by 45 companies excluding the Government owned Sadharan Bima Corporation (SBC). Out of total gross premium of Tk.25.98 billion (excluding SBC), RIL has earned Tk.2572.67 million in 2017 against Tk.2486.89 million in 2016. Excluding the SBC's gross premium, market share of the company has been found to be good and stood at 1.96% in 2017. However, presence of large number of companies in a small market leads to tough market competition and unethical practices which has already created a significant number of sick insurance companies in the industry. Understanding the importance of revitalizing the sector in line with the international norms, the regulatory authority made mandatory credit rating in the industry from 2006. Under the above directives, all insurance companies get credit rating report with mandatory surveillance at the end of each year.

Insurance industry of Bangladesh has a long history of evolution. About a century back, couple of insurance companies started both non-life and life insurance business during the British regime in India. However, insurance business got the momentum during the Pakistan regime. Later, GoB established the Bangladesh Insurance Corporation under "The Bangladesh Insurance Corporation Order, 1972" for the purpose of management, administration and development of insurance and re-insurance business in Bangladesh. On the establishment of this corporation the Pakistan Insurance Corporation in Bangladesh dissolved and the Pakistan Insurance Corporation Act, 1952 in its application to Bangladesh also stood repealed. In order to provide for the management of the nationalized insurance business, a holding corporation with 4 subsidiary corporations was created. Out of the 4 subsidiaries, 2 were exclusively for life and 2 for non-life insurance business. The holding Corporation was, however, named "Jatiya Bima Corporation". The Insurance Corporation Ordinance VII of 1973 was promulgated and subsequently enacted as Act VI of 1973 providing for the establishment of a Jiban Bima Corporation for the purpose of taking over the undertaking of the Surma Jiban Bima Corporation and the Rupsa Jiban Bima Corporation on May 4, 1973; and a Sadharan Bima Corporation for the purpose of taking over the undertakings of the Karnaphuli Bima Corporation and for the dissolution of the Jatiya Bima Corporation.

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Insurance industry of Bangladesh has suffered from undue political interference, fraudulent claims, inadequate risk assessments and limited quality private sector participation. In order to reduce risk of insurance business the parliament has enacted two Acts namely Insurance Development and Regulatory Authority Act, 2010 and Insurance Act, 2010 and replaced the age old insurance laws. The Department of Insurance has been abolished and substituted by the five-member Insurance Regulatory Authority headed by the Chairman. For further enhancing the solvency position, the paid up capital for non-life and life insurance companies have been raised to Tk. 400 million and Tk. 300 million respectively. The number of Directors in the company has been fixed to 20 including 2 Independent Directors and debarred the Directors of an insurance company to be a Director of another insurance company of same class and of a bank or a financial institution simultaneously. The new law also introduced mandatory solvency margin for the insurance companies. Besides, the insurance companies will be required to ensure international accounting standard, separate Islamic insurance from conventional ones and put a limit on commission expenses. The law also allowed foreign investment in non-life insurance sector. With the promulgation of the Acts, the insurance industry has been placed under the Ministry of Finance from the Ministry of Commerce. The government formed Insurance Development and Regulatory Authority (IDRA), a five-member body to regulate the insurance sector. The authority has been formed in line with the section 3, 5 (1) and 6 of the Insurance Development and Regulatory Authority Act-2010. IDRA has taken initiative to develop of Bangladesh insurance industry as well as to regulate the industry within the purview of the Insurance Act, 2010 so as to ensure a level playing field for all companies. Within a short span of time the authority has succeeded in taking the industry to different height. IDRA has taken action by fixing 15% commission to stop unbridled competition and hefty commission of the insurance companies. The authority also barred on credit business and investment in land & building and discourage in- house business. Besides, IDRA also has taken initiative to introduce offsite supervision by applying CAMEL rating like central bank's CAMELS rating based on seven key indicators- capital adequacy, asset quality, reinsurance, actuarial issues, management efficiency, earnings & profitability and liquidity. Insurers hope that the authority will bring significant changes in the industry if IDRA is allowed to work as an independent authority.

4.0 CORPORATE GOVERNANCE**4.1 Board of Directors and Committees**

The Board of Directors of AIL is moderately diversified without having any significant changes during the period under surveillance. As per section 76(1) of Insurance Act 2010, Board may have twelve sponsors, six public and two Independent Directors. The Board of AIL has been constituted with fifteen Directors. All sponsor shareholders are the members of the Board. The Board is currently Chaired by Mr. Yussuf Abdullah Harun, FCA. He was also the former Chairman of Southeast Bank Ltd. and former President of FBCCI. The other members of the Board are also eminent personalities from financial, trading and manufacturing sectors. The Board held 08 meetings in FY 2018 and 08 meetings in 2017. The Board mainly deals with policy and strategic issues of the company. AIL has six Board Committees namely Executive Committee (EC), Claims and Re-insurance Committee, Human Resource Development Committee, Investment Committee, Audit Committee (AC) and Nomination & Remuneration Committee (NRC). The EC consists of ten members Chaired by Mr. Abul Bashir Chowdhury and is responsible for overall affairs such as claim settlement, administration, underwriting, reinsurance etc. The Claims and Re-insurance Committee, headed by Chairman Mr. Yussuf Abdullah Harun comprises of Nine members. This committee is authorized to take decisions on re-insurance and claim settlement. The Human Resource Development Committee comprises of eight members and is headed by Mr. Alamgir Kabir, FCA. This Committee is responsible for deciding on promotions and employee compensation package of the company. The Investment Committee (IC) comprises of eight members and is empowered to take decisions particularly regarding investment in stock market headed by Chairman of the company. AC comprises of nine members and is headed by Mr. Zakir Ahmed Khan. AC examines the financial affairs and reviews internal control and the policies related to liquidity management and capital management of the company.

*Fifteen members Board**Reputed Board member*

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ASIA INSURANCE LIMITED**Experienced top
management**4.2 Management Team**

The management team of AIL is led by experienced professionals along with Mr. Imam Shaheen, ABIA as the Chief Executive Officer (CEO) & Managing Director. CEO has long experience and well reputation in insurance sectors. Mr. Imam Shaheen is playing active role as Executive Committee member of Bangladesh Insurance Association, an apex body of Insurance sector in Bangladesh and he is also playing a vital role as Secretary General of Bangladesh Insurance Forum (only MD's organization). In the management team, CEO is aided by One Additional Managing Director (AMD), two Deputy Managing Directors (DMD), four Senior Executive Vice Presidents (SEVP), four Executive Vice Presidents (EVP), five Senior Vice Presidents (SVP), three Vice Presidents (VP), one Senior Assistant Vice President (SAVP) and seven Assistant Vice Presidents (AVP). The overall operations of the company are being carried out by 9 Departments namely Board & Legal affairs, HR & Administration. Establishment and Motor-Pool department, Finance & Accounts, Re-Insurance & Claims, Underwriting & Branch Control, Audit & Compliance, Share & Investment department and MIS & IT. AIL has three committee under management namely Management Committee, Purchase and Procurement Committee and Business Plan & Development Committee. Management Committee is Chaired by CEO. The Committee reviews the individual business performance of the executives and claims position. Purchase & Procurement Committee reviews transparency of all the purchase and procurement transaction of AIL.

4.3 IT Infrastructure in MIS

The company has a separate MIS & IT Department to manage all IT related matters. IT function is maintained by Mr. Syed Golam Hasib, Sr. Executive Officer having long experience in related field. 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 departmental and branch offices work of the company had been automated by installation and implementation of Integrated Insurance Business Solution (IIBS) custom ERP supplied by Confidence Software Ltd. AIL has upgraded the server system from RAK-720 with auto backup in 32U RAK. The company ensured secured file sharing system, CUBE and SS display etc. During the surveillance period, there are some changes in the IT department such as separation of MIS & IT department and storage of data into central database from all the branches. The company is also yet to manage Disaster Management System with a parallel to online real time computer system somewhere other than the present site.

4.4 Human Resources Management

Quality of human resources makes the difference in today's competitive insurance business. The company has a documented HR policy. Presently AIL has been carrying out its business with total staff strength of 242 as on September 30, 2019. The company promoted 17 employees while recruited 24 in 2018. Total 5 employees have left the company during 2018 of which 3 employees are desk level including one Deputy Managing Director and 2 is marketing person. The company has its documented service rules and pay scales approved by the Board. The activities of the human resources of the company are being looked after by, Administration & HR Department. The company has its Personnel Policy for the employees covering group insurance benefit, Group Hospitalization Insurance, gratuity fund, medical allowance, provident fund and incentive bonus. The company has no separate training wing. In order to develop skills of the employees, different level executives of the company attended different programs relating to insurance business during the period. Three different level employees participated in different training programs organized by Sadharan Bima Corporation, Bangladesh Insurance Academy, Bangladesh Bank Training Academy, Bangladesh Insurance Association. However, number of participants has been found to be inadequate compared to human resource base of the company.

4.5 Marketing Strategy

The marketing activities of the company are being carried out under direct supervision of the Branch Control Department. The company has total 21 marketing executives (AVP to Addl. DMD) as on December 31, 2018. Major businesses of the company come from banks and

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different Group of Companies. AIL earned 20.77% of its gross premium from in-house business during 2018 while it was 16.47% during 2017. AIL earned around 10.83% of its gross premium from the government business in 2018 against 9.64% in 2017. AIL has good new business strategy to emphasize on attracting new businesses. Out of total private business, the company earned 42% from new business against 58.00% from renewal business (36% new and 64.00% renewal in 2017) in terms of gross premium in 2018. While analyzing the business composition, it has been revealed that 55.60% gross premium of the company has been earned in 2018 from the top twenty clients indicating high dependency on top clients.

5.0 BUSINESS PROFILE**5.1 Business Mix**

AIL carries out all types of general insurance business as per the Insurance Act. The company underwrote total risk of Tk.183.90 billion in 2018 which was Tk. 162.34 billion in 2017. The above underwriting risk constituted of Tk.75.07 billion (Tk. 67.85 billion in 2017) in fire business, Tk.32.73 billion (Tk. 38.18 billion in 2017) in marine business, Tk. 2.55 billion (Tk. 2.76 billion in 2017) in motor business and Tk.73.54 billion (Tk. 53.55 billion in 2017) in miscellaneous business category. The above underwriting portfolio reveals company's risk appetite towards fire business which is considered to be of high risk compared to other business category. The income mix against the above underwriting risk of the business classes revealed that fire business contributed the highest 40.43% of total gross premium, followed by 34.40% from marine, 17.97% from miscellaneous and 7.19% from motor business category during 2018. While analyzing the zonal breakdown of policies, it was found that the business portfolio is concentrated in Dhaka zone having 88.54% of underwriting risk during 2018.

5.2 Reinsurance

In accordance with the present rule, 50% of the re-insurable general insurance business shall be reinsured with Sadharan Bima Corporation (SBC) and the remaining to be reinsured either with the corporation or any other insurer inside or outside Bangladesh. AIL, in line with the existing regulation, has made 42.14% reinsurance arrangement with Sadharan Bima Corporation. AIL has surplus treaty for all class of business except motor business, for which the company has excess of loss treaty. The fire business of the company is also protected by CAT XL treaty. During 2018, the company underwrote total risk of Tk.183.90 billion against reinsurance coverage of Tk. 77.49 billion representing 42.14% gross reinsurance coverage.

5.3 Claim Settlement

An insurance company, as per law, is supposed to settle a claim within 90 days from the date of receipt of full documents. However, no explicit idea of 'full document' is given in law which gives rise to mystification between the insurer and the insured. Claim settlement process starts with the intimation of claim by the insured. Subsequent to the intimation, a government licensed surveyor is appointed by the insured concerned department for the assessment of actual quantum of loss. On receipt of required documents from the client and the survey report from the surveyor, the documents and the survey report are scrutinized. The Managing Director & CEO of the company can approve and settle the claim up to Tk.1.00 lac for fire and marine, Tk.30,000 for motor and Tk.50,000 for miscellaneous claims under his own authority. But the Managing Director & CEO can settle any amount of claim on instant approval of Board Chairman (without Claims Committee meeting) on priority basis since it is decided on the 14th Claims Committee Meeting that the Chairman would be empowered to approve any amount of claim for the prompt claim service to the valued client whilst placing the claim file by the Management. AIL has paid significant amount of net claim during 2018 of Tk. 116.73 million and Tk. 106.68 million in 2017. As on September 30, 2019 total outstanding claims stood at Tk. 8.20 million of which AIL's portion was Tk. 4.63 million and reinsurance coverage was Tk. 3.57 million.

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ASIA INSURANCE LIMITED****5.4 Underwriting Quality and Expertise**

The overall underwriting activities are being carried out under the direct supervision of Mr. S.I.M. Ashraful Alam (Head of Underwriting and Branch Control Department) who is serving as the Senior Vice President, having adequate experience in insurance industry. Underwriting profit of AIL increased to Tk. 96.62 million in 2018 from Tk. 61.56 million in 2017. Net claim paid stood Tk. 116.73 million in 2018 from Tk.106.68 million in 2017. AIL underwrote 19 and 51 high valued risk (more than one billion) assignments during 2018 and 2017 respectively.

5.5 Sectoral Business Review

AIL, as mentioned earlier, carries out all types of general insurance business. While analyzing the performance in terms of business class, CRISL reviews the following dimensions:

5.5.1 Fire Business

The overall underwriting performance of AIL in fire segment has been found to be moderate during the period under surveillance. The gross premium earning has increased to Tk.249.47 million in 2018 from Tk. 226.09 million in 2017 indicating 10.34% growth, underwriting profit stood at Tk. 19.74 million in 2018 and Tk. -0.04 million in 2017. The underwriting performance increased during 2018 due to improvement in management expense. Total sum insured in this business segment decreased to Tk. 75.07 billion during 2018 from Tk. 67.85 billion during 2017 against reinsurance coverage of Tk. 50.26 billion in 2018 and Tk. 44.68 billion in 2017 indicating 88.89% re-insurance coverage. Net premium increased to Tk. 146.71 million in 2018 from Tk. 126.72 million in 2017 due to increase of its own retention capacity. Consequently, retention ratio increased to 58.81% in 2018 from 56.05% in 2017. Expense ratio decreased to 50.73% in 2018 from 57.04% in 2017 due to comparatively lower growth of management expenses against adjusted net premium. Claim ratio decreased to 34.44 in 2018 from 39.43% in 2017 due to comparative increase of net claim against adjusted net premium. On the other hand Combined ratio decreased to 85.17% in 2018 from 96.47% in 2017 due to cumulative effect of claim and expenses ratio.

5.5.2 Marine Business

The overall underwriting performance in this segment has been found to be moderate during the surveillance period. The underwriting profit declined to Tk. Tk. 27.83 million in 2018 from 38.00million in 2017 due to increase in net claim paid by Tk. 20.96 million. Total underwriting business in this segment increased to Tk. 32.73 billion in 2018 from Tk. 38.18 billion in 2017 against reinsurance coverage of Tk.8.85 billion in 2018 indicating 27.04% re-insurance coverage. The gross premium earning stood at Tk. 212.27 million in 2018 and Tk. 162.24 million in 2017. Net premium earnings increased to Tk. 169.87 in 2018 from Tk. 121.67 million in 2017. The retention ratio stood at 80.03% in 2018 and 74.99% in 2017. The expense ratio has improved to 48.34 in 2018 from 57.76% in 2017 due to comparatively higher growth of adjusted net premium earnings over the growth of management expense. Claim ratio also significantly increased to 25.80% in 2018 from 19.13% in 2017 due to increase in claim payment in 2018. Combined ratio in this segment also increased to 74.14 from 76.89% in 2017 due to cumulative effect of aforementioned claim and expense ratio.

5.5.3 Motor Business

The overall underwriting performance of AIL in motor segment has been found to be moderate during the period under surveillance. The company has made underwriting profit of Tk. 19.90 million in 2018 and Tk. 10.43 million in 2017. Total underwriting business in this segment decreased to Tk. 2.55 billion in 2018 from Tk. 2.76 billion in 2017. Gross premium has decreased to Tk. 44.40 million in 2018 from Tk. 45.73 billion in 2017 while net premium also decreased to Tk. 42.31million in 2018 from Tk. 44.51 billion in 2017 during the above periods respectively. The retention ratio slightly decreased in 2018, and stood at 95.28% in 2018 and 97.32% in FY 2017. Expense ratio in this segment moved downward to 38.46% in 2018 from 41.75% in 2017 Claim ratio has moved downward to 17.03% in 2018 from 31.40% in 2017 due to comparatively lower growth of claim expenses against adjusted net premium earnings. Combined ratio in this segment also decreased to 55.49% in 2018 from 73.15% in 2017 due to cumulative effect of aforementioned increase of claim ratio.

Underwriting profit of Tk.
27.83 million

Underwriting profit of Tk.
19.90 million

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ASIA INSURANCE LIMITED****5.4 Miscellaneous Business**

The underwriting performance of AIL in miscellaneous business has been found to be improved. Gross premium earnings in this segment stood at Tk. 110.89 million in 2018 and Tk. 73.94 million in 2017. Total sum insured increased to Tk. 73.54 billion in 2018 and Tk. 53.55 billion in 2017. However, net premium earnings increased to Tk. 29.15 million in 2018 and Tk. 13.18 million in 2017. Consequently, retention ratio decreased to 57.13% in 2018 from 63.65% in 2017. Claim ratio moved downward to -2.08% in 2018 from 5.92% in 2017 due to decrease in claim payment against adjusted net premium earnings. Expense ratio decreased to 51.61% in 2018 from 53.19% in 2017. Combined ratio in this segment decreased to 49.53% in 2018 from 59.10% in 2017 due to cumulative effect of aforementioned claim and expense ratio.

5.5 Retention Capacity

SBC revises retention limit of private sector general insurance companies from time to time depending on financial strength, underwriting expertise etc. As per latest treaty (covering for the period April 1, 2018 to March 31, 2019), retention limit has been fixed at Tk.10.00 million in fire business, Tk.3.00 million in marine (cargo) business, Tk.2.50 million in marine (hull) business, Tk.1.00 million in miscellaneous business category and Tk.1.00 million in engineering business. For all business, AIL has surplus treaty as well as facultative arrangement except motor business. However, the motor business is protected by excess of loss treaty where retained loss of the company is Tk.0.50 million while maximum amount of Tk.2.00 million in excess of the above is protected by SBC. Moreover, the company can underwrite a policy with sum insured beyond the treaty limit under facultative arrangement.

5.6 Investment Portfolio

There have been no major changes in investment portfolio during the period under surveillance. The investment portfolio of AIL has been found to be diversified, however, due to investment in capital market and decline of MV of maximum shares overall investment portfolio has become exposed to financial risk. As on September 30, 2019, total investment in capital market stood at Tk.220.82 million with the trading intend and suffered unrealized loss of Tk.84.66 million considering market value of Tk.136.16 million. However, FDR base of the company has been increased to Tk. 749.77 million as on September 30, 2019 from Tk. 651.78 million in 2017. Total investment stood at Tk. 889.97 million in 2018 and Tk. 875.38 million in 2017. Out of the above investment in 2018, Tk.687.06 million (Tk. 651.78 million in 2017) has been invested in FDR followed by Tk.171.90 million in shares, Tk.25.00 million in bond.

*Diversified investment
portfolio***6.0 PERFORMANCE****6.1 Financial Performance**

Overall financial performance of AIL has been found improving during the period under surveillance. AIL's underwriting profit has been increased to Tk. 96.62 million in 2018 from Tk. 61.56 million in 2017. The profit before tax decreased to Tk. 93.79 million in 2018 from Tk. 117.42 million in 2017. The profit after tax also decreased to Tk. 66.38 million in 2018 from Tk. 83.23 million in 2017. The lower growth of profitability mainly due to significant increase of management expenses during the surveillance period.

*Improving financial
performance*

Consolidated gross premium earnings of the company increased to Tk. 617.03 million in 2018 from Tk. 508.01 million in 2017 while net premium also increased to Tk. 422.24 million in 2018 from Tk. 339.96 million in 2017 during the above periods respectively. Both gross underwriting margin and net underwriting margin increased in 2018. Gross underwriting margin increased to 55.31% in 2018 from 50.55% in 2017 while net underwriting margin also increased to 20.10% in 2018 from 15.69% in 2017. Pre-tax operating profit margin decreased to 19.51% in 2018 from 29.92% in 2017 respectively. Consequently, both Return on Average Asset (ROAA) and Return on Average Equity (ROAE) moved downward in 2018. ROAA has been decreased to 5.93% in 2018 from 7.74% in 2017 while ROAE moved downward to 7.53% in 2018 from 9.72% in 2017 during the above periods respectively. Return on Average Investment (ROAI) decreased to 6.08% in 2018 from 6.43% in 2017.

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ASIA INSURANCE LIMITED***Moderate technical
performance***6.2 Technical Analysis**

The overall technical performance of the company which is measured in terms of retention ratio, expense ratio and claim ratio which have been found to be improved during 2018. The retention ratio of the company has increased to 68.43% in FY 2018 from 66.92% in 2017 due to comparative increase of net premium over gross premium. Expense ratio of the company has decreased to 48.87% in 2018 from 55.04% in 2017 due to comparatively lower growth of expenses against adjusted net premium earnings. On the other hand due to lower growth of net claim payment, claim ratio has moved downward to 24.28 in 2018 from 27.18% in 2017. Total management expenses and agency commission (respective business classes and other non related business) of AIL stood at Tk.239.99 million against the allowable limit of Tk.281.05 million indicating that the expense was within the allowable limit

7.0 BALANCE SHEET STRENGTH**7.1 Solvency Analysis**

As per Insurance Act 2010, the paid up capital has been fixed at Tk.400 million as minimum capital requirement for all non-life insurance companies. AIL's paid up capital stood at Tk.470.70 million in 2018. The equity base of the company has been found to be good and increased to Tk. 891.86 million in 2018 from Tk. 871.80 million in 2017. The equity consists of 52.78% paid up capital, 13.04% share premium 28.06% reserve for exceptional losses, 5.36% retained earnings and remaining 0.76% as general reserve. External liabilities to equity ratio stood at 0.59 times in 2018 from 0.60 times in 2017. Unexpired risk reserve to net claim ratio has been increased to 1.45 times in 2018 from 1.28 times in 2017 due to comparatively lower growth of claim expenses against risk reserve. Net worth to total assets also decreased to 55.16% in 2018 from 56.36% in 2017. Moreover, Internal Capital Generation Ratio (ICGR) of AIL decreased to 4.26% in 2018 from 6.26% in 2017.

*Good solvency***7.2 Liquidity and Funding**

The overall liquidity of the company has been found to be good. Total current assets of the company stood at Tk. 1376.35 million in 2018 and Tk. 1,291.84 million in 2017 indicating that AIL is capable of managing liquid assets to meet claim payment as well as its day to day obligation with good safety and efficiency. The Liquid assets to insurance fund ratio decreased to 5.42 times in 2018 and 6.59 times in 2017. Liquid assets to total assets ratio stood at 56.69% in 2018 and 58.33% in 2017 during the above periods respectively. The current ratio remained stable and stood at 3.11 times in 2018 and 3.12 times in 2017. Liquid assets to net claim ratio have moved downward to 7.85 times in 2018 from 8.46 times in 2017. Liquid asset to total current liability ratio remained stable and stood at 2.07 times in 2018 and 2.18 times in 2017.

*Good liquidity***8.0 RISK MANAGEMENT****8.1 Industry Risk**

Too many insurance companies in a small market pose significant risk for all the companies. The two acts 'Insurance Development and Regulatory Authority Act, 2010' and 'Insurance Act, 2010' has brought significant changes in the regulation of the industry. For further enhancing the solvency position, the paid up capital for non-life and life insurance companies have been raised to Tk.400 million and Tk.300 million respectively. Moreover, mandatory credit rating for the insurance companies created a positive vibration in the industry as the institutional insured expect for good credit rating to safeguard their interest. The same will pressurize the underperforming (non investment grade) insurance companies to retain their market share.

8.2 Business Risk Management

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

**CREDIT RATING REPORT
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ASIA INSURANCE LIMITED**


underwriting functions and delegated powers to employees of its different branches for providing prompt, efficient and effective underwriting services to the prospective clients. Among the different classes of businesses AIL has more concentration in fire (40.82% of total underwriting risk) and miscellaneous (39.98% underwriting risk) business segment which are categorized under high to medium risk category. During 2018, among the different class of businesses, AIL earned maximum (40.43%) gross premium from fire business while incurred net claim of 55.20% of total net claim in this segment. However, out of outstanding claim as on September 30, 2019 maximum portion (48.05%) remains in fire segment indicating significant business risk, though maximum portion has been covered by reinsurance. Besides, the zonal concentration of the company remained in Dhaka and Chittagong region indicating significant business risk.

8.3 Internal Control Risk

AIL has separate Audit & Compliance Department besides the Board Audit Committee to ensure proper internal control of the company. The department comprises of 05 officials headed by Mr. Ahsan Habib, Vice President having professional background on Internal Audit. This department audited the branches as per audit plan which approved by board audit committee and after audit the Department sends the report to the MD and respective branches to comply with. When the branches reply, the reports are placed before the Audit Committee.

8.4 Catastrophic Risk Management

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


For President & CEO
Sarwat Amina
Executive Vice President
Credit Rating Information and Services Ltd.

**CREDIT RATING REPORT
On
ASIA INSURANCE LIMITED**

9.0 OBSERVATION SUMMARY

<p>Rating Comforts:</p> <ul style="list-style-type: none"> • Good solvency • Good liquidity • Good FDR base • Diversified Investment portfolio • Experienced top management • Improving IT infrastructure • Reputed and qualified Board members • Spacious Head Office at good location • Quick claim settlement process 	<p>Rating Concerns:</p> <ul style="list-style-type: none"> • Moderate profitability • High claim ratio • Decline in EPS & return on equity • Moderate growth in FDR • Exposure to capital market investment risk • Low internal capital generation • Moderate in return of investment • Business concentration with few clients • Static retention limit • Moderate Market share
<p>Business Prospects:</p> <ul style="list-style-type: none"> • Expansion of branch network • Prudent underwriting • Product diversification • Compliance of Insurance Rules & Regulations 	<p>Business Challenges:</p> <ul style="list-style-type: none"> • Too many companies in small market. • Unethical business practice • Compliance of Insurance Rules & Regulations

10.0 PROSPECTS

Aside from a handful of high-profile casualties, the global insurance industry seems, so far, to have escaped the worst ravages of the financial crisis. Mainstream business operations are holding up well. Problems have only arisen from exposures to risky financial instruments, such as credit default swaps (CDS) and collateralized debt obligations (CDO) or losses on investment portfolios. Profitability is more likely to have been impacted than underlying solvency. Although the insurance industry has been more resilient than the banking sector, capital markets have not always drawn the same conclusion. Share prices at most of the world's major insurers have tumbled, while spreads on credit default swaps have widened considerably, indicating fears of future debt default. Whether the markets are accurate in their pricing of insurance assets remains to be seen, but insurers do seem to have been affected by the general market downturn. Faced with troubled capital markets, falling ratings and share prices, many insurers are rethinking their risk and capital management strategies.

Finally, changes in insurance industry (Insurance Development & Regulatory Act 2010 and Insurance Act 2010) are likely to bring positive changes in the insurance sector to make it vibrant and operationally sound. Besides, the authority has given license to two more non-life and nine life insurance companies in a small market signifying stiff competition. Based on the overall global, macroeconomic and industry outlook, insurance industry is presumed to encounter tough time for which all the market players including NICL should take cautious steps to adopt itself with the local and as well as global changes.

CRISL opines that recent changes in circulars and promulgation of new rules & regulations by IDRA as well as due to taking of effective steps by Insurance Association, unhealthy market competition relating to procurement of business is expected to improve which may boost profitability of Insurance sector as a whole and Asia Insurance is not an exception to it.

END OF THE REPORT

(Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement)


[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]

**CREDIT RATING REPORT
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ASIA INSURANCE LIMITED**

11.0 Financials:

11.1 Balance Sheet as at December 31

BALANCESHEET	2018Y	2017Y	2016Y
ASSETS			
Cash in Hand	1.54	1.81	2.1
Cash with Banks	714.03	680	658.69
Cash and Bank Balance	715.57	681.81	660.79
Amount Due from other person/bodies carrying insurance business	115.32	91.39	102.8
Adv., Depo. & PrePmt. (Sundry Debtors)	344.4	298.17	280.47
Outstanding Int./Divi./Rent	23.16	21.87	22.18
Investment in Securities (ST)	177.9	198.6	191.99
Total Current Assets	1376.35	1291.84	1258.24
Investment in Securities(LT)	25	25	25
Fixed Assets	64.56	70.88	38.3
Stock of Stationary	0.76	1.06	0.42
Land and Property	150.12	158.03	166.34
Non Current Assets	240.45	254.97	230.06
Total Assets	1616.8	1546.81	1488.3
Paid Up Capital	470.7	470.7	470.7
Reserve for Exceptional Loss	250.27	222.52	200.27
Share Premium	116.29	116.29	116.29
General Reserve	6.77	5.77	4.77
Retained Earning	47.83	56.53	48.66
Shareholders' Equity	891.86	871.8	840.69
Fund Balance			
Fire Insurance	58.68	50.69	44.91
Marine Insurance	68.31	49.52	56.68
Motor Insurance	16.92	17.8	16.24
Miscellaneous Insurance	25.34	18.83	10.77
Balance of Fund Account	169.26	136.84	128.6
Estimated Liab. of Outstanding Claims	29.99	19.09	68.55
Total Insurance Fund	199.25	155.92	197.15
Premium Deposit	49.92	73.63	70.32
Deferred Liab.	2.65	0.59	0.38
Amount Due to other person/bodies carrying insurance business	150.61	140.25	88.54
Outstanding Refundable Premium	0	0	0
Sundry Creditors	39.44	41.75	63.01
Other Loans	0.75	2.32	6.69
Current Liab.	243.37	258.54	228.94
Total Current Liab. including Insurance Fund	442.62	414.47	426.09
Long Term Debt	0	0.75	3.07
Provison for Income Tax	258.2	235.63	218.46
Unpaid Dividend	24.12	24.15	0
Total Liab.	724.94	675.01	647.62
Total Liab. and Shareholders' Equity	1616.8	1546.81	1488.3


For President & CEO
Sarwat Amina
Executive Vice President
Credit Rating Information and Services Ltd.

**CREDIT RATING REPORT
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ASIA INSURANCE LIMITED**

11.2 Profit and Loss Account for the year ended on December 31

PROFIT & LOSS A/C	2018Y	2017Y	2016Y
Net Underwriting P/L	96.62	61.56	64.46
Interest on FDR & STD	47.63	39.81	45.44
P/L from Sale of Shares	1.36	-0.75	7.23
Interest on PSP & Bonds	2.99	2.99	2.99
Dividend Income	3.31	15.1	12.45
Other Interest Income	0.01	0.09	0.05
Gross Investment and Other Interest Income	55.31	57.23	68.16
Other Income	0.72	0.02	0.08
Total Income	152.65	118.82	132.71
Management Expenses (P/L A/c)	40.58	-16.98	18.12
Interest Expenses	0.26	0.98	1.9
Depreciation Expenses	18.03	17.4	13.88
Total Management Expenses	58.87	1.4	33.91
Profit before Tax	93.79	117.42	98.8
Provision for Tax	27.41	34.19	23.83
Profit after Tax	66.38	83.23	74.97


11.3 Consolidated Revenue Account for the year ended on December 31

CONSOLIDATED REVENUE A/C	2018Y	2017Y	2016Y
Gross Premium of the year	617.03	508.01	477.69
Re-insurance Premium	194.8	168.05	158.06
Net Premium less Re-insurance	422.24	339.96	319.63
Commission on Re-Insurance ceded & others	58.47	52.52	49.59
Adjusted Net Premium	480.71	392.48	369.23
Opening Balance	136.84	128.6	123.42
Total	617.55	521.08	492.65
Net Claims Paid	116.73	106.68	88.69
Agency Commission paid	90.96	78.96	74.41
Expenses of Management	143.58	136.64	136.08
Other Expenses	0.39	0.41	0.4
Profit Transferred to P/L A/C	96.62	61.56	64.46
Balance (C/F)	169.26	136.84	128.6

For President & CEO
Sarwat Amina
Executive Vice President
Credit Rating Information and Services Ltd.

**Credit Rating
Report****CREDIT RATING REPORT
On
ASIA INSURANCE LIMITED****CRISL RATING SCALES AND DEFINITIONS
INSURANCE CLAIM PAYING ABILITY RATING**

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


For President & CEO
Sarwat Amina
Executive Vice President
Credit Rating Information and Services Ltd.

Setting global standard at national level

January 8, 2020

Ref: CRISL/OP/RR/122/2020

Managing Director

Asia Insurance Limited
Rupayan Trade Center (14th floor) 114-115
Kazi Nazrul Islam Avenue, Bangla Motor
Dhaka -1000

Attn: Mr. Ahsan Habib, Vice President & Head of Internal Audit Department.

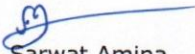
Sub: Submission of Final Credit Rating Report and Total Bill

Dear Sir,

In terms of your letter of appointment to rate your esteemed organization, we are pleased to submit herewith our final report on 'Asia Insurance Limited'. We offer our sincere thanks to you and the members of your company for the heartiest cooperation extended to us while carrying out our responsibilities.

Thanking you.

With best personal regards,



Sarwat Amina
EVP & Head of Operations

Encl: As above