

AlphaRating

Purabi General Insurance Company Limited

Sandhani Life Tower (2nd Floor), 34 Banglamotor Dhaka- 1000

(Non-Life Insurance)

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01 August, 2024

Chief Executive Officer
Purabi General Insurance Company Limited
Sandhani Life Tower (2nd Floor), 34 Banglamotor Dhaka- 1000.

Subject: Credit Rating of Purabi General Insurance Company Limited.

Dear Sir,

We are pleased to inform you that Alpha Credit Rating Limited (AlphaRating), vide credit rating Agreement No: 3064, has assigned the following rating to **Purabi General Insurance Company Limited**.

Date of Declaration	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
01 August, 2024	31 July, 2025	5 th Surveillance	AA	ST-2	Stable

The long term rating & short term rating is valid up to 31 July, 2025. 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 **Purabi General Insurance Company Limited**, hereby solemnly declare that:

- (i) We, Alpha Credit Rating Limited as well as the analysts of the rating have examined, prepared, finalized and issued this report without compromising with the matters of our conflict of interest, if there be any; and
- (ii) We have complied with all the requirements, policy and procedures of these rules as prescribed by the Bangladesh Securities and Exchange Commission in respect of this rating.

We hope the rating will serve the intended purpose of your organization.

With kind regards,



Abdul Mannan
Chief Executive Officer

This letter is integral part of the credit rating report

Business Risk High	Liquidity Good	Profitability Good	Solvency Score Good	Capital Adequacy Adequate	Sector Non-life
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Purabi General Insurance Company Limited is a leading non-life insurer of the country, trying to build genial & realistic relationship with clients

Previous Rating

Long Term Rating: **AA-**
Short Term Rating: **ST-2**
Outlook: **Stable**
Date of Declaration: 14 August, 2023
Valid Till: 13 August, 2024

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Date of Incorporation:
29 June, 1988

DSE Listing:
04 August, 1995

Board Chairman:
Mojibul Islam

Chief Executive Officer:
Sukumar Chandra Roy

Total Asset:
BDT 1,450.12 million
(As on 31.12.2023)

Authorized Capital:
BDT 1,000.00 million (As on 31.12.2023)

Paid up Capital:
BDT 598.13 million (As on 31.12.2023)

Rationale

AlphaRating, vide credit rating Agreement No. 3064, upgrades long term rating to **"AA"** (Pronounced as **"Double A"**) from **"AA-"** (Pronounced as **"Double A Minus"**) and affirms short term rating **"ST-2"** on claim paying ability (CPA) of **Purabi General Insurance Company Limited** (Hereinafter referred to as 'PGICL' or 'the company'). The rating is based on the audited financial statement for the year end of 31 December, FY 2021 to 2023 and other qualitative information. While assigning the rating AlphaRating has considered both favorable and unfavorable movement in overall performance of the company.

The assigned rating is supported by increased total assets, increased gross & net premium, good liquidity, spare management expense, claim settlement period within 90 days, sufficient solvency margin, fulfillment of paid up capital requirement, positive CFO, combined ratio below 100% threshold, agency commission within 15%, adequate reserve for unexpired risk, long track record of the management team etc.

However, the strength of the rating is partly offset by overall socio economic condition of Bangladesh along with volatility of the share market, decreased net profit along with ROA & ROE, decreased total investment & investment income along with yield on investment, slight decrease of underwriting profit, underwriting loss in fire & marine hull revenue account etc. The rating also considers inherent business risks, unhealthy competition between the competitors and level of sophistication of the domestic insurance market.

FYE 31 December	2023	2022	2021
Combine ratio (%)	72.48	109.30	44.32
ROA (%)	4.89	6.00	6.38
ROE (%)	8.61	10.53	10.27
Net profit (BDT in million)	70.92	83.71	79.72
Current Ratio(x)	2.35	2.30	2.74
Solvency Margin (x)	10.84	20.21	14.21
Gross premium (BDT in million)	238.27	183.46	184.42
Net premium (BDT in million)	114.90	57.90	81.85
Net Claim (BDT in million)	15.25	5.21	0.90
Investment (BDT in million)	870.48	936.28	730.77
Yield on Investment (%)	9.01	11.08	11.13
Underwriting Profit (BDT in million)	30.43	30.64	39.31
Excess/ (Spare) Mgt. Exp. (BDT in million)	(24.23)	(14.51)	(20.61)
Operating Cash Flow (BDT in million)	67.13	213.12	63.61
Fixed Deposit (BDT in million)	805.00	880.00	700.00

The Stable Outlook assessed by AlphaRating reflects that, upside and downside risks to the rating are currently well balanced.


Abdul Mannan
Chief Executive Officer
Alpha Credit Rating Limited

Company Profile

Bank Facility

Industry Overview

Management & Other Qualitative Factor

Business Risk**Financial Analysis**

Company Information

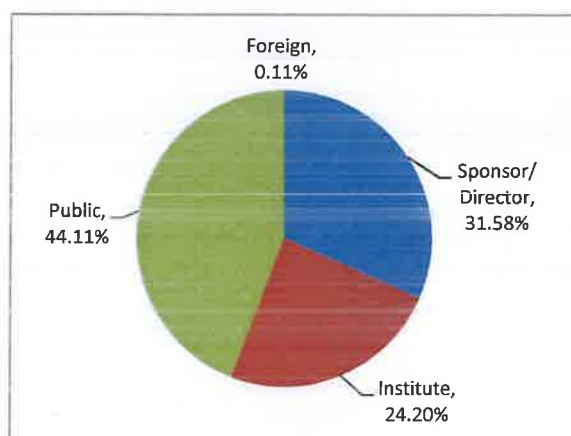
Company Profile

Purabi General Insurance Company Limited is a 1st generation private Non-life insurer in Bangladesh. PGICL was incorporated in 29 June, 1988 under company act 1913 with the object of carrying in and outside Bangladesh all kind of non-life insurance. PGICL started with a paid-up capital of BDT 30.00 million. In FY 2023 paid-up capital has increased & stood at BDT 598.13 million.

Shares of the company are traded in Dhaka Stock Exchange and trades as "A" category. The registered office of the company is at Sandhani Life Tower (2nd Floor), 34 Banglamotor Dhaka- 1000.

Ownership Pattern

The shareholding pattern of the company is presented below: (As on 30 June, 2024)



*As per DSE

List of Product & Services

In FY 2023, the company continued to offer its products through a mix of distribution channels comprising of agents and direct sales team. The company has presence with 21 branches.

1. Marine Cargo Insurance:

A marine cargo insurance policy is a valid document to open the bank LC and goods protection. It covers cargo in the care, custody, or control of the carrier. It provides cover against loss or damage to cargo during transit from one place to another by various modes of transport.

2. Fire Insurance:

Traditional Fire Insurance Policy Covers the Fire and/or Lightning risks only. The Policy premium is charged in accordance with Tariff rate prescribed by Central Rating Committee (CRC). However, the Fire Policy can be extended to cover some allied perils such as Riot and Strike Damage, Malicious Damage, Flood & Cyclone and Commercial Explosion.

3. Motor Insurance:

Vehicle insurance (also known as motor insurance) is insurance for cars, trucks, motorcycles, and other road vehicles. Its primary use is to provide financial protection against physical damage or bodily injury resulting from traffic collisions. The specific terms of vehicle insurance vary with legal regulations in each region.

4. Property Damage All Risk Insurance:

The property damages all risk insurance covers accidental loss or destruction of or damage to the Property Insured under the defined perils. The words "Defined Peril" shall mean Fire, Lightning, Riot & Strike, Explosion, Malicious Damage, Earthquake, Flood, Cyclone & Electrical Short Circuit (Electrical Clause "B") and Burglary.

5. Engineering Insurance

Engineering Insurance is an insurance policy that covers a wide range of engineering-related risks. It provides complete protection against risks associated with the erection, resting, and working of any machinery, plant, or equipment. Under the Factories Acts businesses are required to have certification on specific items of plant such as lifting plants, pressure vessels, and steam boilers.

6. Miscellaneous Insurance:

Miscellaneous Insurance refers to contracts of insurance other than those of fire, marine, engineering, motor, and money insurance. It covers a variety of MISC risks, the chief of which are personal accident insurance.

7. Health Insurance:

Health Insurance is the most cost effective, affordable, dependable & acceptable means of bringing modern treatment facilities within reach of common people especially the fixed income group, in the present financial-social context of Bangladesh.

Industry Overview

Position of Bangladesh in the World Insurance Market

In 2022 real premium growth rate of Bangladesh was 6.10%. In contrast, the real global premium growth was (1.10) % (Chart 1). In total global premium income, the life insurance contributed 41.48% and the non-life insurance contributed 58.52%. In context of Bangladesh, 77.67% of total premium income came from the life insurance and 22.33% came from the non-life insurance (Chart-2).

The Swiss Re report shows that Bangladesh ranked 52th out of 88 countries in terms of life insurance business. In 2022 the global premium growth of life insurance was (3.10) % in 2022. At the same time, Bangladesh achieved 5.80% real growth in life insurance premium (Chart-1).

Chart 1

Growth of Gross Premium Income Adjusted with Inflation -2022 (in percentage)

Region/Country	Life	Non-Life	Life and Non-life
Advanced Market	(4.40)	0.00	(1.80)
Emerging Market	1.40	2.80	2.10
Asia	(2.00)	2.90	(0.10)
India	8.20	6.00	7.70
Bangladesh	5.80	7.40	6.10
World	(3.10)	0.50	(1.10)

Source: Swiss Re, Sigma no 3/2023

In 2022, growth rate of the non-life insurance in Bangladesh was 7.40%. At the same time, the global real growth rate of the non-life insurance was 0.50% (Chart-1). In the world market, Bangladesh ranked 85th in terms of non-life insurance business.

Chart 2

Region Wise Life and Non-Life Premium Income -2022 (Billion Dollar)

Region/Country	Life	Non-Life	Life and Non-life
Advanced Market	2140.48 (38.94)	3356.40 (61.06)	5496.88 (100.00)
Emerging Market	672.56 (52.32)	612.80 (47.68)	1285.36 (100.00)
Advanced Asia-Pacific	508.37 (63.20)	296.02 (36.80)	804.38 (100.00)
Emerging Asia-Pacific	524.46 (56.97)	396.14 (43.03)	920.60 (100.00)
India	99.5 (75.93)	31.54 (24.07)	131.08 (100.00)
Bangladesh	1.60 (77.67)	0.46 (22.33)	2.06 (100.00)
World	2813.03 (41.48)	3969.20 (58.52)	6782.24 (100.00)

Source: Swiss Re sigma 3/2023

Note: Percentage shows in bracket

Insurance Penetration and Density in Bangladesh

Insurance penetration and Insurance Density are the key indicators widely used to understand the country's overall development of insurance sector. Insurance penetration rate is measured by comparing total premium income to total GDP and insurance density is obtained by dividing total premium income by total population.

Insurance penetration of Bangladesh was 0.50% in 2021, which was unchanged in 2022. Insurance density was \$12 in the year of 2021 & 2022 (Chart-3). Insurance penetration & density calculated from audited & unaudited data from 2022 provided by insurers in Bangladesh are presented (Chart-4 & 5 and Graph-1 & 2).

There are several reasons why insurance penetration and density are low in Bangladesh. While nearly half (49%) of the world's total premium income is earned from the health sector, the health sector contributes only 7% to the total premium income of Bangladesh (Swiss Re, Sigma 4/2022). As a result, the total premium income has not increased to the desired level, which is having a negative impact on the penetration and density of insurance. Besides, insurance penetration is not increasing as passenger insurance facilities, agriculture insurance, disaster management insurance could not be popularized. As a result, only about 18.97 million people are covered by insurance out of a population of 171 million. Moreover, insurers are reluctant to risk reviewing insurance products. In addition, the insurance sector of Bangladesh is not able to move forward in the right direction due to lack of innovative or digital products.

Chart 3

Insurance Density and Penetration Rate in Selected Countries 2022

Country	GDP Rank	Premium Rank	Premium (In USA Million)	Market Share (%)	Penetration (%)	Density (US Dollar)	Growth (%)
USA	1	1	2959808	43.60	11.60	8885	8.60
India	5	10	131041	1.90	4.0	92	6.50
Malaysia	40	31	20115	0.30	5.0	592	0.70
Philippines	39	45	7718	0.10	1.90	67	(6.60)
Bangladesh	36	60	2016	0.00	0.50	12	3.60
Vietnam	37	41	11286	0.20	2.30	95	18.50

Source: Swiss Re sigma No 3/2023

Chart 4

Gross Domestic Product (GDP), Premium Income & Penetration Rate in Bangladesh

Year	GDP (Current price in crore taka)	Gross premium income (crore taka)		Penetration in percent		
		Life	Non-Life	Life	Non-Life	Life and Non-Life
2018	2250479.30	8989.07	3394.94	0.40	0.15	0.55
2019	2542482.60	9599.63	3789.78	0.38	0.15	0.53
2020	3170469.50	9475.97	3742.67	0.30	0.12	0.42
2021	3530184.80	10232.51	4250.11	0.29	0.12	0.41
2022	3971716.40	11401.57	4615.97	0.29	0.12	0.40

Graph 1

Insurance Penetration

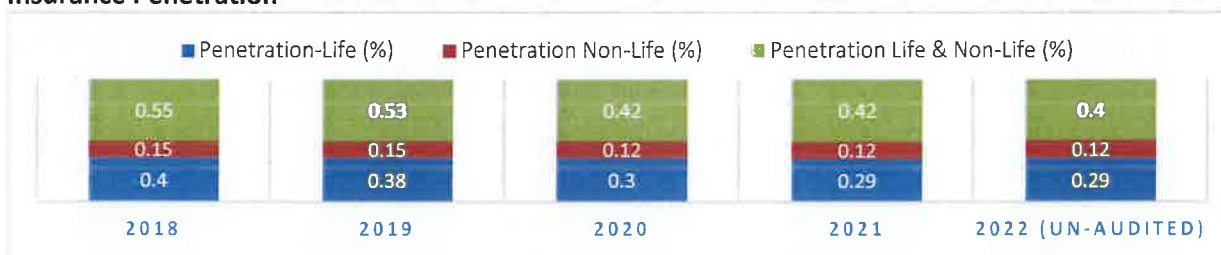


Chart 5

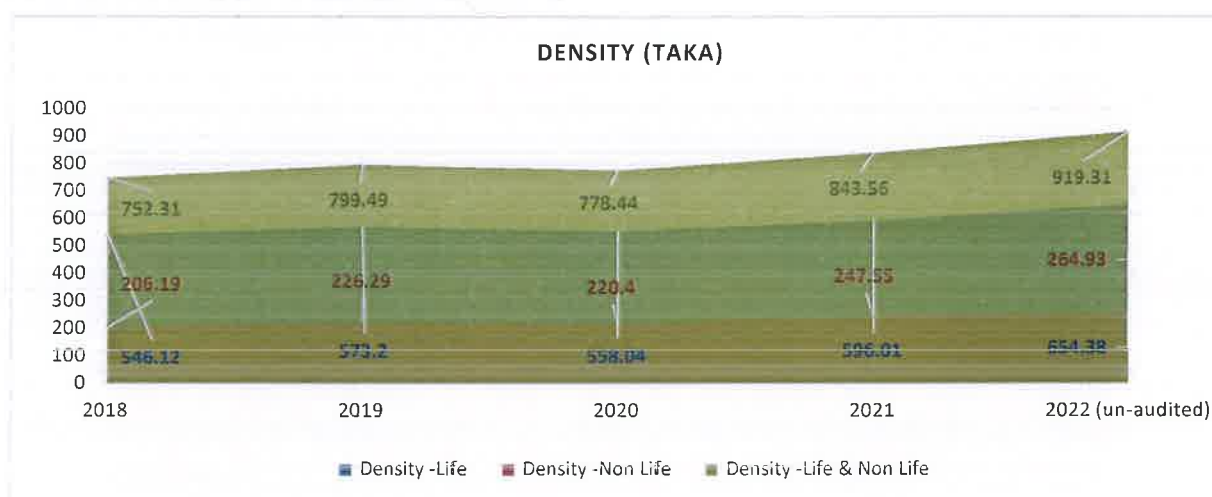
Population and Density

Year	Population (Crore)	Insurance Density (taka)			Density (USA dollar)
		Life	Non-Life	Aggregate	
2018	16.46	546.12	206.19	752.31	8.97
2019	16.75	573.20	226.29	799.49	9.47
2020	16.78	558.04	220.40	778.44	9.18
2021	17.17	596.01	247.55	843.56	9.92
2022	17.42	654.38	264.93	919.31	10.78

Source: Population-Bangladesh Bureau of Statistics and Premium Income-IDRA

Graph 2

Insurance Density (Per-capita gross premium)



An Overview of Bangladesh Insurance Industry

Despite many problems in the insurance sector, premium income is increasing every year. The growth rate of total gross premium income (life and non-life) from the insurance sector in Bangladesh in 2021 and 2022 was 9.56% and 8.35% respectively. In 2020, the growth of premium income declined due to the corona pandemic. The total premium income in 2021 and 2022 was taka 14,482.62 crore and taka 16,017.54 crore respectively, which was taka 13,218.64 crore in the previous year 2020 (Chart 6 and graph 3)

Chart 6

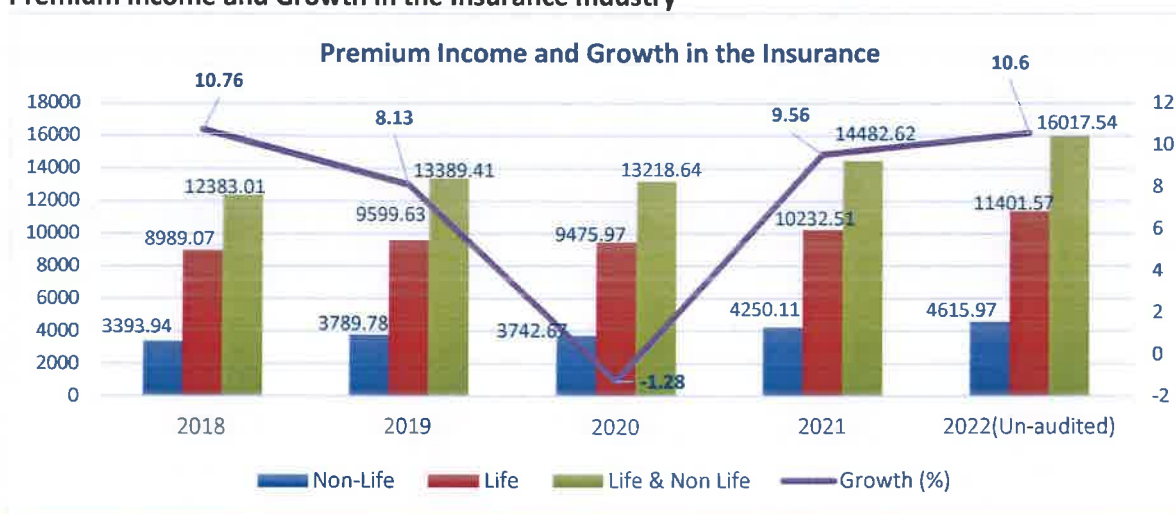
Premium Income and Growth Rates

Year	Gross Premium (Crore taka)			Growth (%)		
	Life	Non-Life	Life & Non-Life	Life	Non-Life	Life & Non-Life
2018	8989.07	3393.94	12383.01	9.64	13.84	10.76
2019	9599.63	3738.78	13389.41	6.79	11.66	8.13
2020	9475.97	3742.67	13218.64	(1.29)	(1.24)	(1.28)
2021	10232.51	4250.11	14482.62	7.98	13.56	9.56
2022(un-audited)	11401.57	4615.97	16017.54	11.42	8.61	10.60

Source: Premium Income collected from all the insurers.

Graph 3

Premium Income and Growth in the Insurance Industry



In the year 2021, the growth rate of the life insurers' premium income was 7.98% whereas it was 11.42% in 2022 and the growth rate of the non-life insurers' premium income were 13.56% & 8.61% respectively (2020-1.28%) (Chart-6, Graph-3). At the end of 2020 & 2021, the size of life insurers' assets was BDT 43879.79 crore & BDT 45333.42 crore & at the end of 2022 it was BDT 45715.23 crore. In 2021, the size of total assets in the life insurance sector was increased by 3.31% compared to FY 2020. At the end of 2020 & 2021 the size of total assets in the non-life insurance sector was BDT 13384.95 crore & BDT 16238.45 crore respectively & at the end of 2022 it was BDT 17913.82 crore which growth rate was 10.32%. The sum of total assets of the entire industry was grown by 7.54% in 2020 which accelerated further by 7.52% in 2021 (Graph 4).

Chart 7

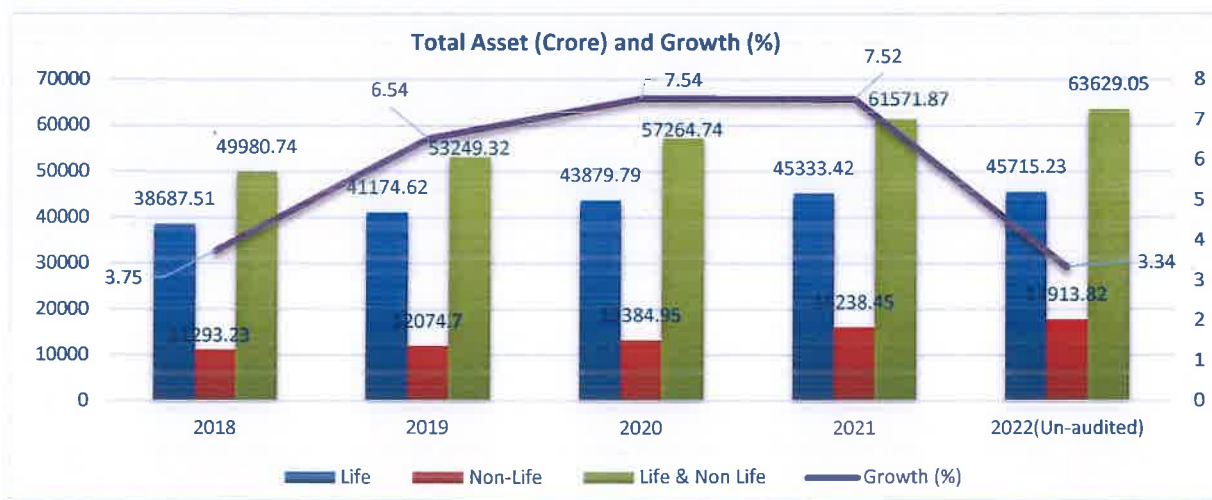
Total Asset and Growth Rates of Insurance Industry in Bangladesh

Year	Assets (Crore taka)			Growth (%)		
	Life	Non-Life	Life & Non-Life	Life	Non-Life	Life & Non-Life
2018	38687.51	11293.23	49980.74	4.41	1.54	3.75
2019	41174.62	12074.70	53249.32	6.43	6.92	6.54
2020	43879.79	13384.95	57264.74	6.57	10.85	7.54
2021	45333.42	16238.45	61571.87	3.31	21.32	7.52
2022(un-audited)	45715.23	17913.82	63629.05	0.84	10.32	3.34

Source: Premium Income collected from all the insurers.

Graph 4

Total Asset and Growth Rates of Insurance Industry in Bangladesh



Source: data collected from different insurers.

Chart 8

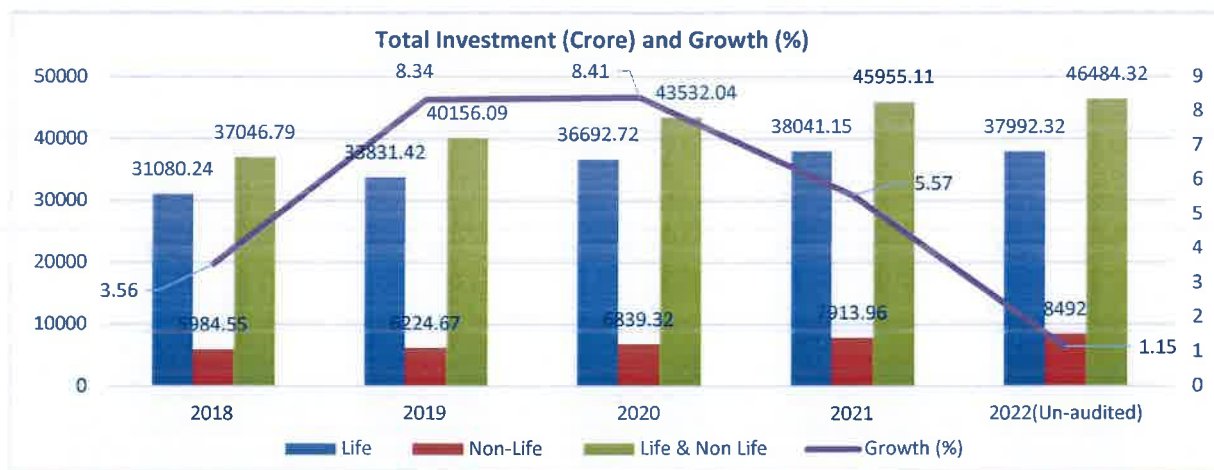
Total Investment and Growth Rates of Insurance Industry in Bangladesh

Year	Assets (Crore taka)			Growth (%)		
	Life	Non-Life	Life & Non-Life	Life	Non-Life	Life & Non-Life
2018	31080.24	5984.55	37046.79	3.83	2.21	3.56
2019	33831.42	6224.67	40156.09	8.85	5.68	8.34
2020	36692.72	6839.32	43532.04	8.46	8.14	8.41
2021	38041.15	7913.96	45955.11	3.67	15.71	5.57
2022(un-audited)	37992.32	8492.00	46484.32	(0.13)	7.30	1.15

Source: Premium Income collected from all the insurers.

Graph 5

Total Investment and Growth Rates of Insurance Industry in Bangladesh



Source: data collected from different insurers

Bancassurance opportunity

Bancassurance is an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base. This partnership arrangement can be profitable for both companies. Banks earn additional revenue by selling insurance products and insurance companies expand their customer bases without increasing their sales force. Bancassurance provides a new way of gaining revenue for banks and insurance companies by working together with similar aims. There is a huge untapped market as currently less than 1% of the total population have insurance. Bancassurance would help many more people to have access to insurance by taking advantage of the nationwide reach of banks' branch networks to avail insurance products. In other words, all the potential clients of banks are the target group of Bancassurance and insurance products can be offered to the customer who has a bank account or eligible to have a bank account.

The concept of bancassurance is relatively new in Bangladesh and has been introduced by private commercial banks. In May 2022 the Central Bank finalized guidelines for local banks to provide this service. It will provide new business opportunities to the stagnant local insurance industry and boost revenue of the banks from the partnership. It is expected that the insurance penetration that remained below 0.05 per cent of the GDP will dramatically improve after launching the bancassurance.

As per guideline, the banks will apply for a corporate agent license to IDRA upon receiving approval from the BB and then notify the central bank accordingly with a copy of the license as soon as it is received from IDRA. In approving bancassurance, the bank shall meet the following criteria: a) capital to risk-weighted asset ratio (CRAR) with capital conservation buffer (CCB) not to be less than 12.5 per cent; b) shall meet the credit rating not less than Bangladesh Bank (BB) rating grade 2 defined at the Guidelines on Risk-Based Capital Adequacy [Revised Regulatory Capital Framework for banks in line with Basel III]; c) shall meet the minimum CAMELS rating of 2 of Bangladesh Bank; d) the level of net non-performing loans (NPL) shall not be more than 5 per cent; e) shall have a positive net profit for the last three consecutive years; and f) shall have a viable bancassurance business plan and review mechanism. A bank will not be allowed to sign agreements with more than three life insurance and three non-life insurance companies at the same time, according to the guidelines. The banks will require establishing a separate and dedicated department or wing to procure the business through the model, under which bank customers will be the clients of the insurance products.



To Banking Institutions: Diversification of product and customer portfolio, improved profitability and non-interest fee income, customer loyalty and retention, cost-effective use of existing resources, increased customer lifetime value etc.

To Customers: One stop-shop for all financial needs, improved application and policy processing time, ease of renewals, trust in insurance products and services, customized product and expert advice etc.

To Insurance Companies: High market penetration rate, relevant offer generation and customer engagement, increased operational efficiency and reduced costs, high service and product responsiveness, increased premium turnover.

Disadvantages of Bancassurance

- Association and dependence may cause conflict of interest between the partners leading to new operational and performance risk.
- The conflict of interest between bank products and insurance products and their policies could confuse the customers regarding where to make the investment.
- For such synergy to work, it requires intensive planning and monitoring which could a lot to the participating company.
- This requires huge initial investment and trained employees.

Business Risk Analysis

Insurance/Actuarial Risk

The risk under an insurance contract is that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principle risk the company faces under such contracts is that the actual claims and benefit payments exceed the premiums written or the carrying amount of insurance liabilities. This is influenced by the frequency of claims, actual benefits paid being greater than originally estimated subsequent development of long-term claims.

PGICL reduces this risk with the help of underwriting team who undertakes pre-insurance surveys of large and complicated risk. Risk Management Committee of the company consist of five members, all member are well experience and trained. Risk management ensures proper understanding of the right level of risk acceptance, risk control and risk related expenditure. PGICL also takes reinsurance coverage from SBC which helps the company to pay off its claims.

Regulatory Risk

The increasing intensity of regulatory requirements poses a significant threat to 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. In order to make overall claim settlement procedure smooth and timely, insurance companies are required to set up a special fund known as 'policyholders' Protection Fund'. For further enhancing the solvency position, paid up capital for non-life and life insurance companies have been raised to BDT 400.00 million and BDT 300.00 million respectively.

As per the circular issued by IDRA, agents will be paid commission at a maximum rate of 15% of gross premium. Moreover, Credit Rating practice for the insurance companies is expected to create a positive vibration in the industry as the institutional insured expect 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.

Internal Control Risk

Internal control risk arises from non-compliance of rules and regulation which ultimately possess negative impact on overall business performance.

PGICL has a separate audit department which is responsible for examination and review of the financial statement of the company submitted by its auditor. It monitors compliance issue of day to day activities. The main purpose internal control system is to look at the compliance issues as per the provisions of the Insurance Act, directives of the Board and Chief Executive Officer.

Interest Rate Risk

Interest risk arises out of investment decisions and acceptance of high exposures in any one type of investment instrument. Volatility of money market has also great influence over the interest rate structure of fund hold by PGICL. Interest Income of PGICL is a significant portion of total income. This income from fixed and other deposit may fall with the reduction of interest rate of commercial bank.

In order to mitigate interest rate exposure, companies can invest into mutual funds to secure its revenue and also to generate capital gains. However, this source has also its own drawback, if the overall capital market position falls, then the performance of mutual fund will also decline. Thus the company should more concentrate on traditional business in order to minimize any loss/reduction of income arise from the investment already made.

Liquidity Risk

Liquidity is the risk that arises when a firm though solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can secure them only at excessive cost. The major liquidity risk confronting the company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and maturity of investment securities. Liquidity risk also occurs more generally in relation to the ability to buy and sell investments. This is a function of size of PGICL's holding relative to the availability of counter parties willing to buy or sell these holding at any given time.

However, PGICL sets limit on the minimum portion of maturing funds available to meet such calls to cover claims at unexpected levels of demand.

Human Resource

Human resource risk arises in many forms. Not having the right person in place and the required skills needed to compete is two of those risks. Companies with an ageing workforce are even at more risk.

It is noted that, insurance industry of Bangladesh needs to transform. Lack of frequent training from developed nations' results into information gap and under development of the sector.

Like most of the private sector non-life insurance company, PGICL holds a very little portion of total market & is continuously striving to hold the position. Recruitment of energetic, qualified professionals is expected to gear up the business.

Competition in the Market

Unhealthy competition among the existing companies, presence of unethical practice of providing commissions over premium and expected entry of multinational insurance company in Bangladesh are critical factors. Moreover, there is a tendency of native customers to go for foreign brands (companies). Lack of information and knowledge among the general public about the insurance sector often leads them to choose cheap but unreliable alternatives. All of the aforementioned factors put profound impact on profitability of the company. However, people have a growing interest to prefer companies with a high claim settlement rates. Overall steady growth of the insurance industry in Bangladesh with increasing number of customers and net premium income are positive aspects for the company.

Limited advertisement which is only targeting niche corporate and industrial segments deprives PGICL from greater earnings. Large Retail and SME segments are yet to penetrated; these sectors can lead PGICL to generate greater revenue as well as profit.

Financial Risk Analysis

Underwriting Process & Quality

Revenue from underwriting is a core source of income of PGICL. The company has its dedicated underwriting department which is responsible for securing a safe and profitable distribution of risks & also responsible for classifying clients into appropriate risk classes.

During FY 2023, gross premium of PGICL has increased to BDT 238.27 million and net premium has also increased to BDT 114.90 million whereas in FY 2022 gross premium was BDT 183.46 million and net premium was BDT 57.90 million. This indicates that the company has higher premium collection than previous year. On the other hand, total underwriting profit of the company has slightly decreased by BDT 0.20 million & stood at BDT 30.43 million in FY 2023.

Selected Indicators

(Without considering commission on reinsurance ceded)

	Year Ended Dec. 31		
	2023	2022	2021
Loss ratio (%)	13.27	9.00	1.10
Expense ratio (%)	59.21	100.30	43.22
Combined ratio (%)	72.48	109.30	44.32

Underwriting performance is evaluated by combined ratio, which is the ratio of expenses & losses to net premiums. Loss ratio of the company has increased in FY 2023 & stood at 13.27%. It is observed that, net claim paid out has increased by 192.67% whereas net premium has increased by 98.43% in FY 2023. This higher increased of net claim paid out compared to net premium has resulted the loss ratio to increase.

On the other side, expense ratio of the company has decreased and stood at 59.21% in FY 2023. Though actual management expense has increased by 17.13% in FY 2023 but due to higher increase of net premium, expense ratio of the company has decreased during the year. Combined ratio of the company has stood at 72.48% in FY 2023, which is below 100% and indicates an undertaking profit.

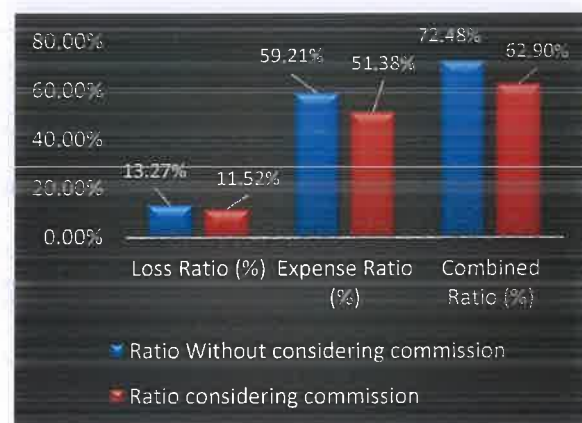
However, if we consider commission on reinsurance ceded along with net premium, scenario of underwriting performance of the company would be as following:

Selected Indicators

(After considering commission on reinsurance ceded)

	Year Ended Dec. 31		
	2023	2022	2021
Loss ratio (%)	11.52	6.80	0.96
Expense ratio (%)	51.38	75.85	37.52
Combined ratio (%)	62.90	82.66	38.48

After considering commission on reinsurance ceded, loss & expense ratio of the company shows much better performance and combined ratio stood well below 100%.



Management Expense

As per Insurance Act 2010, non-life insurance companies are required to calculate the allowable management expenses as per the given guideline and maintain its actual management expenses within the limit.

Selected Indicators

	Year Ended Dec. 31		
BDT in millions	2023	2022	2021
Actual management expense	68.03	58.08	35.37
Allowable management expense	92.26	72.59	55.98
Excess/ (Spare) management expense	(24.23)	(14.51)	(20.61)
Actual management Expense as % of Allowable Expense	73.74	80.01	63.18

It has been noticed that, PGICL was able to keep the actual management expense within the allowable limit. As per given guideline, PGICL's allowable management expense was BDT 92.26 million whereas actual management expense was BDT 68.03 million in FY 2023, which has resulted in spare allowable management expense of BDT 24.23 million. PGICL has incurred almost 73.74% of its allowable management expense in FY 2023, which was 80.01% in FY 2022.

According to IDRA, agency commission must be within 15% of its gross premium of all classes of insurance. PGICL incurred BDT 22.22 million as agency commission in FY 2023 against the gross premium of BDT 238.27 million. So, the agency commission was 9.33% of gross premium which is within the prescribed limit set by the authority.

Claim Management

PGICL appoints government licensed surveyor in order to conduct the claim settlement procedure, whenever a claim is being placed. Based on the delegated power, claims are being approved by the authority and are being processed forward. Performance of the company on the basis of claim settlement is presented below:

Selected Indicators

	Year Ended Dec. 31		
BDT in millions	2023	2022	2021
Claim Initiated (BDT in million)	15.30	5.55	5.13
Claim Settled (BDT in million)	3.87	5.43	2.94
Claim Repudiated (BDT in million)	0.56	0.11	-
Number of Claim Initiated	67	45	27
Number of Claims Settled	60	44	23
Number of Claims Repudiated	2	1	-

During FY 2023, the company has settled 60 claim worth of BDT 3.87 million against 67 initiated claims worth of BDT 15.30 million. Both number of initiated and settled claims has increased during the year. In term of percentage, the company has settled 89.55% of total initiated claims in FY 2023, which was 97.78% in FY 2022. On the other has, PGICL has 2 repudiated claim in FY 2023.

As per the rules, the claim must be approved or settled on its claim merit 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 observed that, average claim settlement period for fire & motor insurance was 60 days and for marine cargo & miscellaneous insurance it was 90 & 45 days respectively in FY 2023.

Profitability

Selected indicators

	Year Ended Dec. 31		
	2023	2022	2021
Net profit (BDT in million)	70.92	83.71	79.72
Return on assets (%)*	4.89	6.00	6.38
Return on equity (%)	8.61	10.53	10.27

*Method of calculation of ROA has been revised for the year 2021 to 2023

Profitability position of the company has deteriorate in FY 2023 from that of previous year. PGICL earns profit from different sources including underwriting profit, investment income and other income. Investment income is one of the main sources of earnings of PGICL, representing 72.12% of total income in FY 2023. The investment income consists of interest income, dividend income and gain from sale of shares of listed companies. However, investment income has decreased to BDT 78.45 million in FY 2023 from BDT 103.76 million in FY 2022 due to decrease of interest income and gain from sale of shares of listed companies.

Other than investment income, underwriting profit comprises 27.88% of total income of in FY 2023 which was 22.80% in FY 2022. Total underwriting profit has slightly decreased by BDT 0.20 million & stood at BDT 30.43 million in FY 2023, which was BDT 30.64 million in FY 2022. During the year, underwriting profit from marine cargo, motor & miscellaneous insurance has increased but reported loss in fire & marine hull insurance.

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

Investment Profile

Level of investment of the company is showing fluctuating trend over the years under consideration. The company has maintained a conservative investment portfolio & most of PGICL's investment comprise of FDR. It has noticed that, investment in FDR has decreased in FY 2023 by BDT 75.00 million & stood at BDT 805.00 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. It has observed that, PGICL has invested BDT 4.50 million in Bangladesh Govt. Treasury Bond over the years. Investment in stock market is another significant area of investment for the company and stood at BDT 60.98 million at cost price. Along with this, the base of total asset of the company contains short term deposits with banks, sundry debtors, fixed assets etc. As a result, total asset base of the company has increased to BDT 1,450.12 million in FY 2023 from that of previous year.

Selected Indicators

	Year Ended Dec. 31		
BDT in millions	2023	2022	2021
Total Investment*	870.48	936.28	730.77
Investment income as % of total income	71.86	77.20	67.42
Yield on investment (%)*	9.01	11.08	11.13

*Method of calculation of Total Investment & Yield on Investment have been revised for the year 2021 to 2023.

Investment income as % of total income has decreased to 71.86% in FY 2023, which was 77.20% in FY 2022. The reason behind this fall is, investment income has decreased by 24.39% whereas total income has decreased by 18.77%. On the other hand, total investment has decreased at a lower rate compare to investment income, as a result yield on investment has decreased to 9.01% in FY 2023 from 11.08% in FY 2022.

Items	Govt. Securities	BSEC approved Shares (Total)	FDR (Bank)	Others
Required Rate (in terms of	7.50% (min)	25% (max)	80% (max)	5% (Max)
PGICL's Rate (FY 2023)	0.52	7.06	92.42	-
PGICL's Rate (FY 2022)	0.47	5.63	91.56	2.34

It is to be noted that, in FY 2023 PGICL has only complied with the investment rules of shares but did not complied with the investment rules of Govt. Securities & FDR which is depicted in the table.

Liquidity Analysis

Liquidity position refers to the company's ability to pay short term obligation as they fall due. While analyzing the liquidity position of the company, it is observed that current ratio of the company has slightly increased and stood at 2.35 times in FY 2023 as PGICL's current assets has increased by 2.67% whereas current liabilities has increased at a lower rate by 0.43%.

Current assets to net claim has decreased to 89.62 times in FY 2023. Moreover, net claim has increased by 192.70% whereas current assets has increased by 2.67% in FY 2023. As the company does not have any non-current liability, current liability to total liability of the company remained same over the years. Cash & bank balance to total assets has decreased in FY 2023 compared to last year because of cash and cash equivalents has decreased by 7.97%.

However, operating cash flow of the company has decreased to BDT 67.13 million in 2023. Operating cash flow has mainly decreased due to decrease in collection from premium & other income. However, operating cash flow to net claim ratio has decreased in FY 2023 due to significant increase of net claim.

Selected indicators

	Year Ended Dec. 31		
	2023	2022	2021
Current ratio (times)	2.35	2.30	2.74
Current asset/net claim (times)	89.62	255.54	1334.41
Current liabilities/total liabilities (%)	100.00	100.00	100.00
Cash & bank balance/total assets (%)	57.37	64.76	57.57
Operating cash flow/net claim paid out (%)	440.27	4091.04	7045.74
Operating Cash Flow (CFO) (BDT in million)	67.13	213.12	63.61

Reinsurance Utilization

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 the corporation or with any other insurer whether in or outside Bangladesh. PGICL also maintains reinsurance arrangement with SBC. Reinsurance protections availed from SBC (1st April, 2024 to 31st March, 2025) is presented below:

Selected Indicators

	Fire	Marine Cargo	Misc.	Motor
Treaty Limit	150.00	20.00	10.00	1.00
Retention	10.00	2.00	0.50	0.50

It has been observed that, PGICL has surplus treaty for fire, marine cargo and miscellaneous insurance, whereas motor insurance has excess of loss treaty.

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. Generally high retention level signals inadequate reinsurance protection while low retention level may hamper profitability. It has been observed that, the company has high retention level in marine cargo & motor insurance and low retention in fire, marine hull and miscellaneous insurance.

Individual class wise risk retention ratios of last 03 years are presented below:

Business Class\ Year	2023	2022	2021
Fire (%)	16.29	17.03	19.62
Marine (Cargo) (%)	74.38	49.65	75.43
Marine (Hull) (%)	2.86	1.68	2.67
Motor (%)	81.77	82.25	72.08
Misc. (%)	4.22	3.27	2.35
Total (Average) (%)	48.22	31.56	44.38

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. The table below represents the solvency in all concerned years.

Selected indicators

BDT in millions	Year Ended Dec. 31		
	2023	2022	2021
Available Solvency (AS)*	627.81	701.83	635.46
Required Solvency (RS)*	57.89	34.73	44.72
Solvency Margin (times)	10.84	20.21	14.21

*Method of calculation of Available Solvency and Required Solvency have been revised for the year 2021 to 2023.

As per The Insurance Development & Regulatory Authority's (IDRA) regulations 2010, every non-life insurer needed to prepare statement of solvency margin. Solvency margin for non-life insurance company have been prepared by IDRA but not yet been approved by the Finance Ministry thereby not yet promulgated through official gazette.

It is observed that solvency margin of the company has decreased to 10.84 times in FY 2023 from 20.21 times in FY 2022. Available solvency has decreased by 10.55% whereas required solvency has increased by 66.69% and this is the reason behind decreased solvency margin in FY 2023.

Reserve Adequacy

As per Insurance Act, 2010, the company need to maintain reserve for un-expired risk, which is 100% of the net premium income for marine hull insurance and 40% for all other business classes. The company has maintained reserve for un-expired risk as per policy.

The company also maintained reserve for exceptional losses. In FY 2023 the reserve for exceptional losses has increased by BDT 11.49 million & stood at BDT 47.93 million, which is the addition of 10% of net premium with previous year balance. However, the reserve represents 41.71% of net premium in FY 2023 which was 62.94% in previous year.

Reserve for exceptional losses represent 3.14 times of net claim in FY 2023 which was 7 times in FY 2022, suggesting the company's unexpected events absorbing ability has decreased in FY 2023.

Capital Adequacy

According to statutory capital requirement, every non-life insurance company is required to maintain BDT 400 million as paid up capital, of which at least 60% shall be subscribed by the sponsors and the remaining 40% shall remain open for public subscription. Paid-up capital of the company has increase to BDT 598.13 million in FY 2023, which was BDT 580.70 million in FY 2022. As a result, capital maintenance ratio has also increased to 1.50 times in FY 2023, which was 1.45 times in FY 2022.

The Board of PGICL has last issued 7% cash dividend in FY 2022 (10% 2021, 5% 2020 & 10% 2019, 12% 2018) & issued 3% bonus issue (stock dividend) in FY 2022 (5% 2020, 12% 2017, 10% 2016, 12% 2015, 15% 2014, 15% 2013, 10% 2012, 10% 2011, 15% 2010, 10%B 2009 & 10% 2008) along 2R:1 right issue in FY 2013.

Management & Other Qualitative Factors

Composition of the Board

The composition of the Board complies with the requirements as per rules of IDRA & notification of BSEC. The Board comprises of 11 directors, including 03 sponsor director & 03 Independent director. All of them are professionally skilled and experience in the management, law and business. The Board is chaired by Mojibul Islam. The company also complied with the Bangladesh Securities and Exchange Ordinance 1969's requirement of at least 1/5th of the total number of directors should be Independent Director. During FY 2023, total 04 meetings were held by the Board.

Board Committees

For smooth functioning of the company, PGICL formed various committees are comprised of Senior Executives. Each committee is responsible and accountable for the effective operation of their assigned business area.

- Nomination & Remuneration Committee (NRC).
- Audit Committee.
- Investment Committee.
- Risk Management Committee.
- Policyholder Protection & Compliance Committee.

Nomination & Remuneration Committee (NRC)

Nomination & Remuneration Committee (NRC) is consists of 05 members of the Board of Directors. Independent Director, Amzad Hussain CIP is the chairman of NRC. The responsibility of NRC is to oversee the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the board relating to remuneration of the directors, top level executives etc. The committee devising a policy on board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality. Besides, the committee formulates the criteria for evaluation of performance, identify the company's needs for employees at different levels and determine their selection, transfer and promotion etc. During FY 2023, total 02 meetings were held by the NRC

Audit Committee

The audit committee comprises of 03 members headed by the Independent Director, Dr. Md. Mizanoor Rahman is the chairman of the committee. In FY 2023 04 meetings were held by the committee. The primary role of the committee is to oversee the financial reporting process and disclosure of financial information, ensuring internal controls is well adopted, properly managed and satisfactorily monitored, oversee hiring and performance of external auditors, review the adequacy of internal audit function, monitor choice of accounting policies and principles, assess whether financial statement is complete and fairly presented, review management letter, review statement of significant related party transactions, review along with the management the quarterly, half yearly and annual financial statements before submission to the board for approval.

Management

The management team analyses and identifies the business' goals and objectives and implements and enforce the strategies the employees need to achieve success. The legal structure of the business is formed by the management team. Introduce each member of the company's Board of Directors. Each of the company's departments and include the management position that is responsible for the departments. Further the management team is also responsible for all other managerial roles such as hiring employees, meeting their needs etc.

Human Resource

The company believes that quality of human resources is the key to a productive and performance oriented work culture. PGICL strive to ensure employee satisfaction by creating a performance based and transparent work environment. During the last years staff turnover pictured of the company has presented below:

Year	Turnover Ratio (recruited/left)
2017	7%
2018	-
2019	20%
2020	7.04%
2021	22.73%
2022	16.24%
2023	13.04%

IT Infrastructure & Its Utilization

PGICL is setting up its motto to provide a better customer service, create a client friendly environment and build up a trust worthy relationship with all stakeholders and taking priority based initiative to digitalize all its functional activities as earliest as possible in respect to align with government's digitalization plan. PGICL using online based oracle software from confidence software limited. It can provide any information in a fingertip from MIS Module. The company has a plan to introduce two different online portal name agent & client portal. From where client can easily enter by using their ID & password from their desk to check their business transaction with PGICL.

Internal Control

The company has an internal control department headed by a senior manager, who worked under the supervision of chief executive officer. The In-Charged of internal audit regularly visit various branches and examines whether branch operation are compliance with laws and regulations, internal policies and procedures. Then submit the report with findings to the chief executive after inspection of each branch. BCD & MIS department also examines all insurance documents. On examination of reports submitted by Internal Audit, BCD & MIS department management takes proper initiative to solve those issues.

End of the Report

Company Information:

Board of Director

S.L	Name	Designation
01	Mojibul Islam	Chairman
02	Golam Fatema Tahera Khanam (Representative of Sandhani Life Insurance Com. Ltd.)	Vice-Chairman
03	Faisal Kabir Chowdhury	Director
04	Khalid Hossain	Director
05	Col. Md. Saleh Ahmed (Retd.)	Director
06	Mohammad Iqbal	Sponsor Director
07	Nazrul Islam Chowdhury, MP	Sponsor Director
08	Naziba Begum	Sponsor Director
09	Amzad Hussain, CIP	Independent Director
10	Dr. Md. Mizanoor Rahman	Independent Director
11	Abu Zayed Mohammad	Independent Director

Major Shareholders (As on 30 June, 2024)

Sponsor/Director	31.58%
Institute	24.20%
Public	44.11%
Foreign	0.11%

*As per DSE

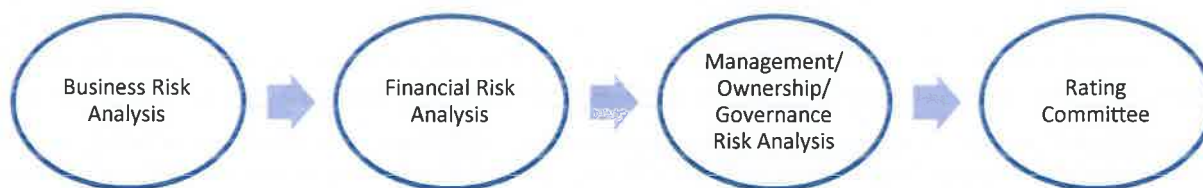
Address

Purabi General Insurance Company Limited
Sandhani Life Tower (2nd Floor), 34 Banglamotor, Dhaka- 1000
Email: purabiinsurance@gmail.com
Phone: +8801714044146

Auditor

Khan Wahab Shafique Rahman & Co.
Chartered Accountants
Rupali Bima Bhaban, 1 Rajuk Avenue (5th & 6th Floor), Motijheel, Dhaka-1000.

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

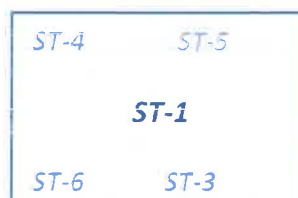
It is one of the key elements of the rating methodology since management decides what businesses to be in, what strategies should be pursued and how these activities should be financed.

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

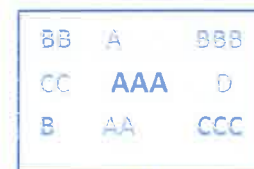
- ▶ Review Modeling Assumption
- ▶ Approve Company-Specific Adjustments

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.