



Rating Report (Surveillance) Asia Pacific General Insurance Company Limited

Ratings

Long Term : **A₃**
 Short Term : **ST-3**
 Date of Rating : **29 April 2010**
 Valid till : **30 June 2011**

Previous Ratings

	Long Term	Short Term
Feb 2010	BBB ₁	ST-3
Mar 2009	BBB ₁	ST-3
Feb 2008	BBB ₁	ST-3

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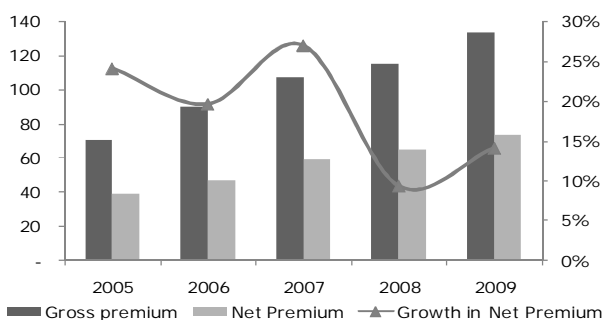
1.0 RATIONALE

Financial Highlights

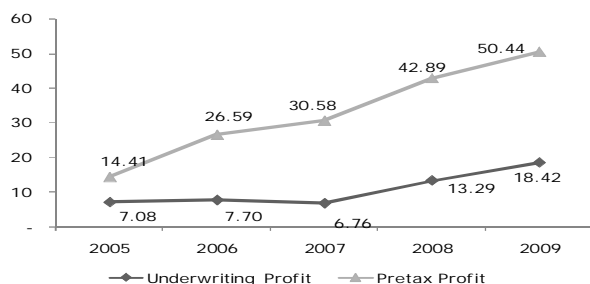
BDT in million

Particulars	2009	2008
Gross Premium	133.24	115.00
Net Premium	73.45	64.38
Underwriting Profit	18.42	13.29
Pretax Profit	50.44	42.89
Paid up Capital	192.50	175.00
Shareholder's Equity	257.05	204.60
Investment	299.12	293.42
Investment Yield	12.54%	11.43%
Combined Ratio	82.63%	87.66%
ROAA	12.56%	11.36%
Risk Retention Ratio	55.13%	55.98%
Current Ratio (times)	2.37	1.87

Credit Rating Agency of Bangladesh Limited (hereinafter called as CRAB) has upgraded the long term rating of Asia Pacific General Insurance Company Limited (hereinafter called as 'API' or 'the Company') to "**A₃**" (pronounced **Single A three**) and retained short term rating to "**ST-3**". CRAB performed the rating surveillance based on financial statements up to 31 December 2009 and other relevant information.



Insurance Companies rated "**A₃**" have strong financial security characteristics, but are somewhat more likely to be affected by adverse business conditions than Insurers with higher ratings. Insurance Companies rated 'ST-3' have an adequate ability to meet their financial commitments on short-term policy obligations. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened ability of the insurers to meet their financial obligations.



The rating takes into account both quantitative and qualitative indicators which include market share, growth potential, corporate governance, underwriting quality, claim paying ability, profitability, capital adequacy, investment performance and liquidity. The solvency status, re-insurance capacity of the Company and adequate reserve base are also key drivers of rating analysis.



In 2009 API's net premium has increased by 14.10% to BDT 73.45 million from BDT 64.38 million in 2008 whereas net claim has decreased by 42.67% to BDT 6.80 million from BDT 11.85 million in 2008. As a result of which in 2009 the loss ratio has decreased to 9.25% from 18.41% in 2008 and on the other hand, due to higher growth in management expense than that of net premium, the expense ratio has increased to 73.37%. As an overall effect in 2009 the combined ratio has decreased to 82.63% from 87.66% in 2008.

From its inception the total revenue of API was dominated by the investment & other income. In 2009 the underwriting profit increased by 38.62% to BDT 18.42 million (32.94% of total revenue) and investment & other income increased by 9.66% to BDT 37.51 million (67.06% of total revenue). As a result the net profit of API in 2009 increased by 17.60% to BDT 50.44 million from BDT 42.88 million in 2008. As a result, in 2009 the ROAE and ROAA of API have also increased to 21.85% from 21.31% and to 12.56% from 11.36% in 2008 respectively.

API's claim settlement ratio has increased to 64.91% in 2009 from 34.11% in 2008. The total outstanding claims which were very high for last three years, however this figure reduced to BDT 52.88 million in 2009 from BDT 98.33 million in 2008.

In 2009 shareholder's equity to total asset has increased to 64.14% from 50.85% in 2008 which is backed by 25.63% increase in shareholders' equity.

In 2009, API's required solvency was BDT 17.27 million whereas the Company's available solvency was BDT 212.62 million. So in 2009 the available solvency was 12.31 times of required solvency which was 11.87 times in 2008. On the other hand, in 2009 API's current assets to current liabilities increased to 2.37 times from 1.87 times in 2008. On the other hand, in 2009 net claim paying ability has increased to 45.37 times from 26.75 times in 2008 due to decrease in net claim.

The analysis of retention capacity of API reveals that the risk retention of API did not vary that much in last few years. In 2009 the Company's retention was 55.13% and the highest retention was kept in motor class of business.

API has a strong Board of Directors who has sufficient exposure to diversify industrial sectors and during 2009 the Company appointed Mr. Animesh Kundu, the Managing Director of OTOBI Ltd as independent director in accordance with the notification of the Securities and Exchange Commission. During this period API did not bring any mentionable change in the management but it has brought immense change in its MIS system. During 2009 it has developed its own server and networking system to all its work stations. API also developed its website in this period. The Company has access to specific software in Accounts & Share Departments for automation of the process of accounts & share related matters.