



Rating Report Northern General Insurance Co. Ltd.

Current Rating Award

Long Term: BBB1
Short Term: ST-3
Date of Rating: 11 July 2010
Valid Till: 30 June 2011

Previous Rating Award

Long Term: BBB2
Short Term: ST-3
Date of Rating: 16 July 2009
Valid Till: 30 June 2010

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1.0 RATIONALE

Credit Rating Agency of Bangladesh Ltd. (CRAB) has upgraded BBB1 (pronounced triple B one) rating in the Long Term and ST-3 rating in the Short Term of Northern General Insurance Company Limited (hereinafter also referred to as NGICL or the Company).

General insurance companies rated 'BBB' have good financial security characteristics, but are more likely to be affected by adverse business conditions than the higher rated insurers. Insurance Companies rated in short term 'ST-3' have 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.

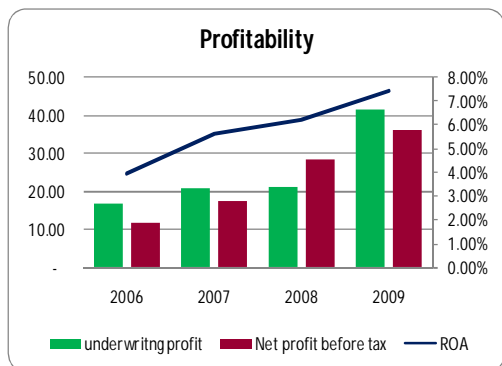
The present rating of NGICL has been performed based on the audited financial statements for the year ended 31 December 2009 and other relevant information. The rating takes into account both quantitative and qualitative indicators which include growth potential, claim paying ability, moderate profitability, investment performance, liquidity, static retention, limited market share, IT infrastructure and branch network.

Northern General Insurance Company Limited (NGICL) was incorporated in 1996 as a public limited company. NGICL had network of 22 branches across the country on 31 December 2009. It earned gross premium of BDT 203.62 million with 3.95% growth rate in 2009. Net premium also increased by 9.86% and reached at BDT 142.99 million in 2009. On the other hand, gross claim and net claim decreased by 42.37% and 62.62% respectively. In context of general insurance industry in 2008 NGICL ranked 16th in gross premium category. Net profit before tax of the Company was BDT 36.29 million in 2009 compared to BDT 28.49 million during previous year. This profit reported 27.39% growth in 2009 due to increase in underwriting profit (BDT 41.48 million).

EXHIBIT: 1 Financial Highlights

Amount in BDT million

Table with 3 columns: Particulars, 2009, 2008. Rows include Gross Premium, Net Premium, Gross Claim, Net Claim, Underwriting Profit, Net Profit (Before Tax), Net Profit (After Tax & Provision), Total Investment, Total Asset, ROA, ROE, Loss Ratio, Expense Ratio.





The Company made underwriting profit in all segments of business except in miscellaneous. The loss ratio of NGICL has been fluctuating over the years. In 2009, the ratio decreased to 6.90%, which was 20.30% in 2008. NGICL's expense ratio decreased to 85.90% in 2009. As a result, combined ratio also reduced and stood at 92.80%. Return on Assets (ROA) of the Company was 7.44% in 2009.

In 2009, the Company had 295 outstanding claims amounting BDT 21.36 million which in 2008 was BDT 24.23 million against 98 claims. Overall risk retention ratio of the Company increased to 70% in 2009 from 66% in 2008. During 2009, reserve for exceptional losses of the Company stood at BDT 22.40 million (2008: BDT 24.60 million). In 2009, solvency ratio was 1.50 times (2008: 0.90 times).

During 2009, actual management expense was BDT 72.99 million (2008: BDT 67.21 million) whereas the allowable management expense was BDT 34.51 million (2008: BDT 34.71 million). The actual management expense was 211.47% excess over allowable expense. The Company has its strength in liquidity position; current asset to current liability in 2009 was 2.14 times. Operating expense to Gross premium ratio increased to 35.85% in 2009, which reflects that growth of operating expense is higher than gross premium.

NGICL's volume of investment was BDT 206.77 million in 2009 in the form of FDR (95.70%) and National Investment Bond (4.30%). In 2009, total assets of the Company were BDT 488.07 million with a growth of 6.63%. The Company maintained its obligatory reserve to meet future uncertainty. Total shareholders' equity of the Company as on 31 December 2009 stood at BDT 212.89 million including paid-up capital of BDT 172.50 million. In 2009, NGICL raised its paid up capital to BDT 172.50 million.