

Rating Report
Padma Islami Life Insurance Ltd.

Rating:

Long Term : **BB₃**
Date of Rating : **29 April, 2010**
Valid till : **30 June, 2011**

Previous Rating

Long Term : **BB₃**
Date of Rating : **13 April, 2009**

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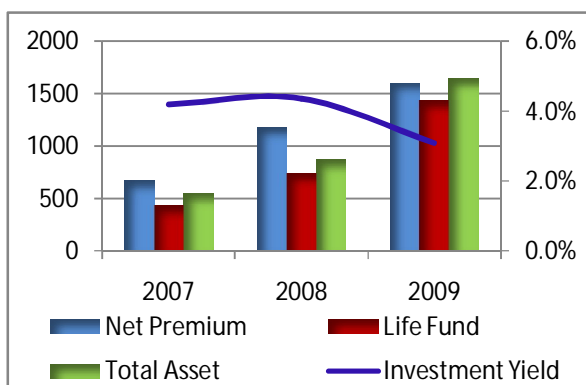
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Financial Statement of Padma Life

Amount in BDT Million

Particulars	2009	2008
1 st Year Premium	562.06	607.89
Renewal Premium	1,055.37	579.97
Net Premium	1,608.83	1,184.40
Life Fund	1,436.38	743.44
Total Asset	1,647.09	868.14
Investment	117.35	93.40
Net Surplus	45.92	N/A



RATIONALE

Credit Rating Agency of Bangladesh Ltd. (CRAB) has affirmed **BB₃** (pronounced **Double B three**) rating in the long term to Padma Islami Life Insurance Ltd. Life insurance companies rated **BB₃** in long-term belong to "Marginal Financial Security" cohort. Insurance companies rated in this category have positive attributes however adverse business conditions may lead to insufficient ability to meet financial commitments.

The rating of Padma Life has been performed based on the audited financial statements up to year ended 2009, actuarial valuation report as at 31st December 2009 and other relevant information provided by the Company.

The rating takes into account the Padma Life's operation over the period of 2007 to 2009.

The gross premium of Padma Life reached BDT 1,617.45 million from BDT 1,187.87 million in 2009. Though the growth (in 2009: 36.16%) was high but the trend was quite inconsistent. The market share of premium was still insignificant. The rating reflects comparatively low profitability level of the Company. However, from the actuarial valuation conducted in the year 2009, it is revealed that net surplus (after tax) of the Company reached BDT 45.92 million from a deficit of BDT 25.27 million in 2005 and was kept for future distribution as



bonuses to policyholder and dividend to shareholders. Padma Life paid BDT 8.62 million as re-insurance premium in 2009, resulting in a net premium of BDT 1,608.83 million. PILIL has re-insurance agreement with Asean Re-takaful International Ltd. of Malaysia. Retention limit was BDT 0.30 million per life.

The life fund and total assets of the Company grew at a very high rate in 2008 and 2009, though the market share in respect of those was insignificant till 2008. Cost control and increasing gross premium during the period helped to build greater life fund. Total paid-up capital of the Company is BDT 30.00 million and the Company is yet to list in the Stock Exchange. The Company has a plan to increase its capital through public offering.

It is observed that the gap of actual and allowable management expense is decreasing from the last few years. However the actual expense was BDT 184.46 million higher than allowable expense in 2009.

Padma Life invested BDT 869.05 million in different instruments i.e. BDT 108.10 million (12.44%) in default free government securities, BDT 566.26 million (65.16%) in fixed deposit of different banks and institutions in different maturity, BDT 151.88 million (17.48%) in property, BDT 9.25 million (1.06%) in shares and the rest BDT 33.46 million in others. The investment yield was 3.09% in 2009 which was 4.36% in 2008. The major part of the investment is in liquid assets however investment in government securities was lower than the mandatory limit. These reflect good liquidity of the Company but non compliance with regulatory guidelines. The liquid asset to life fund was 67.50% in 2009 which reflects its sound liquidity position.

As of 31 December 2009, Padma life settled 521 number of death claim amounting BDT 13.24 million out of 996 claims. The average new claims incurred for Padma Life in the last three years is about 98% of its total claims. The average claim settlement ratio was 65.08% for the last three years.

Details of policy lapse trend could not be analyzed in the absence of adequate data.

The actual investment yield is lower than the interest assumed in the valuation and actual management expense is higher than the allowable expense. Efforts should be made to increase the return on investment and reduce the actual expense so that actual management expense becomes lower than the allowable management expense in order for the Company to remain profitable.