



# Rating Report (Surveillance) Pioneer Insurance Company Limited

### Ratings

Long Term : **AA<sub>2</sub>**  
 Short Term : **ST-1**  
 Date of Rating : **30 June 2010**  
 Valid till : **30 June 2011**

### Previous Ratings

	Long Term	Short Term
28 June 2009	AA <sub>2</sub>	ST-1
05 Feb 2009	AA <sub>3</sub>	ST-1

### Analysts

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### 1.0 RATIONALE

#### Financial Highlights

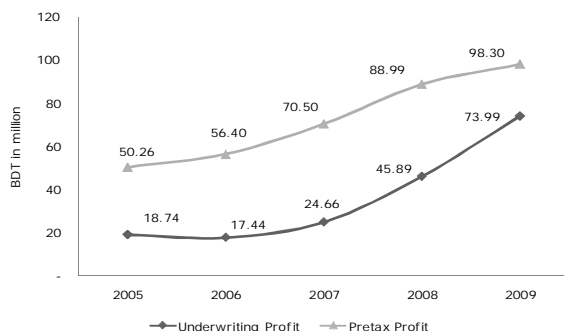
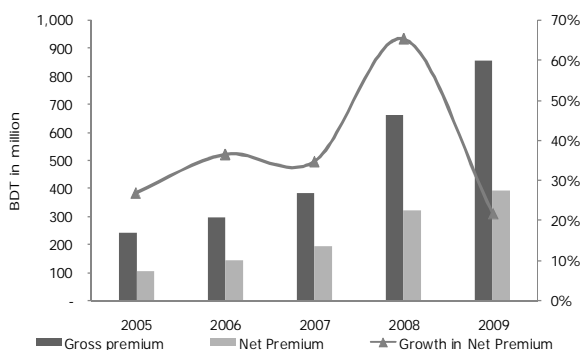
Particulars	BDT in million	
	2009	2008
Gross Premium	859.45	665.50
Net Premium	393.35	323.08
Underwriting Profit	73.99	45.89
Pretax Profit	98.30	88.99
Paid up Capital	150.00	150.00
Shareholder's Equity	339.71	295.91
Loss Ratio	33.10%	31.16%
Expense Ratio	72.43%	67.58%
Combined Ratio	105.53%	98.74%
ROAA	13.09%	13.01%
Risk Retention Ratio	45.77%	48.55%
Current Ratio (times)	1.63	1.75

Credit Rating Agency of Bangladesh Limited (CRAB) has retained the long term rating of Pioneer Insurance Company Limited (hereinafter called as 'PICL' or 'the Company') at "AA<sub>2</sub>" (pronounced Double A two) and short term rating at "ST-1". CRAB performed the rating surveillance based on financial statements up to 31<sup>st</sup> December 2009 and other relevant information.

Insurance Companies rated "AA<sub>2</sub>" have very strong financial security characteristics, differing only slightly from those rated higher. Insurance companies rated "ST-1" have strong ability to meet their financial commitments on short-term policy 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 PICL's net premium has increased by 21.75% to BDT 393.35 million from BDT 323.08 million in 2008 whereas net claim has increased by 29.30% to BDT 130.19 million from BDT 100.69 million in 2008. As a result in 2009 the loss ratio has increased to 33.10% from 31.16%





in 2008 and the expense ratio has increased to 72.43%. As an overall effect in 2009 the combined ratio has increased to 105.53% from 98.74% in 2008.

In 2009 the composition of total operating income has changed compared to 2008. In 2009 the revenue stream was dominated by the underwriting profit whereas for last few years it was dominated by the investment & other income. In 2009, underwriting profit had a growth of 61.24% whereas the net profit (before tax) had a growth of 10.46%. In 2009 the ROAE and ROAA were 30.93% and 13.09% respectively.

PICL's claim settlement ratio increased to 57.32% in 2009 from 49.97% in 2008. The outstanding claims which show an increasing trend for last few years reached BDT 150.90 million in 2009 from BDT 147.86 million in 2008.

In 2009 the authorized capital of the Company was BDT 200 million and paid up capital was BDT 150 million. Subsequently on May 2010 the Company decided to raise its authorized capital to BDT 500 million in its EGM. In 2009 shareholder's equity increased by 14.80% to BDT 339.71 million.

In 2009, PICL's required solvency was BDT 110.53 million whereas the Company's available solvency was BDT 284.18 million. So in 2009 the available solvency was 2.57 times of required solvency which was 2.75 times in 2008. In 2009 PICL's current ratio was 1.63 times which was 1.75 times in 2008. During this period the net claim paying ability has decreased marginally to 3.88 times from 4.61 times in 2008.

For the year 2008-2009 PICL has treaty arrangement with SBC and GIC of India. The analysis of retention capacity of PICL reveals that the risk retention of the Company did not vary that much for last few years. In 2009, the Company's risk retention was 45.77% which was 48.55% in 2008.

The rating also takes into account the Board's effectiveness, sponsor support, management's experience and expertise, developed MIS system, branch network, internal control & compliance system to reach such ratings.