

**CREDIT RATING REPORT  
ON  
MEGHNA INSURANCE COMPANY LIMITED**

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[FORM-IX]  
[Rule 10(8) A(g)]

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Md. Nurul Hoque  
Deputy Managing Director and COO  
National Credit Ratings Ltd.

**EXECUTIVE SUMMARY**  
**1<sup>ST</sup> SURVEILLANCE INSURERS FINANCIAL STRENGTH RATING OF**  
**MEGHNA INSURANCE COMPANY LIMITED**

<b>Declaration Date</b>	<b>25.06.2023</b>	<b>20.09.2022</b>
<b>Long Term Entity Rating</b>	<b>AA+ (Double A Plus)</b>	<b>AA (Double A)</b>
<b>Short Term Entity Rating</b>	<b>ST-2</b>	<b>ST-2</b>
<b>Outlook</b>	<b>Stable</b>	<b>Stable</b>
<b>Expiry Date</b>	<b>24.06.2024</b>	<b>19.09.2023</b>

**Performance Highlights:**

<b>Particulars</b>	<b>2022</b>	<b>2021</b>
No. of Branches (Nos.)	49	49
Total Assets (TK in million)	1,371.65	1,222.97
Equity Capital (TK in million)	574.40	387.54
Paid Up Capital (TK in million)	400.00	240.00
Gross Premium Written (TK in million)	1,060.34	752.14
Gross Premium Written Growth (%)	40.98	21.43
Net Premium Earned (TK in million)	824.58	538.99
Gross Claim Payment (TK in million)	17.93	147.49
Underwriting Income (TK in million)	76.65	43.32
Net Investment Income (TK in million)	41.85	34.74
Profit before Tax (TK in million)	69.38	26.05
Net Income after Tax (TK in million)	47.37	21.57
EPS (TK in million)	1.32	0.94
Dividend (%)	10.00	3.00
Outstanding Claim (TK in million)	59.81	60.20
FDR (TK in million)	547.33	538.81
NPR/Premium Earned (%)	75.07	70.09
Investment Yield (%)	6.50	7.12
Operating Ratio (%)	90.23	94.78
Return on Equity (%)	9.85	7.26
Return on Assets (%)	3.65	2.00
Current Ratio (X)	0.87	0.45
Loss Ratio (%)	2.47	13.23
Expense Ratio (%)	94.38	87.85
Combined Ratio (%)	96.85	101.08
Premium Solvency Ratio (%)	69.66	71.90
Liquid assets to NPR (X)	0.97	1.08

**Strengths**

- Diversified products and services are being offered
- Rich experience of the promoters in the related field of business
- Moderate claim settlement during the years
- Strong support from a diversified group of reinsurers
- Strong equity base
- Increased premium
- Increased underwriting income
- Increased EPS
- Sound as well as consistent investment portfolio

**Challenges**

- To improve public awareness through different promotional activities
- Improving investment yield
- Increased insurance related liability compared to insurance related assets
- Overall economic condition may create obstacle to flourish the insurance business in Bangladesh
- To meet the growing cost of business
- Improving low EPS
- Improving solvency ratios
- Improving claim settlement
- Reducing loss ratio

  
**Md. Nurul Hoque**  
 Deputy Managing Director and COO  
 National Credit Ratings Ltd.

Reference: Agreement dated 30.06.2022 with  
Meghna Insurance Company Limited

Declaration Date	25.06.2023
Long Term Entity Rating	AA+ (Double A Plus)
Short Term Entity Rating	ST-2
Outlook	Stable
Expiry Date	24.06.2024

### RATING BASIS

Ratings are based on five years' **Audited** Financial Statements up to **December 31, 2022** along with the other relevant Quantitative as well as Qualitative information provided by the Client & Bank up to the Date of Rating Declaration. NCR has followed Non-life Insurance Rating Methodology of NCR published in our website.

### RATING DEFINITION

The above long term entity rating defines **below strongest credit quality**. The above short term entity rating defines **above average** ability to meet short term financial commitments for timely payment of financial commitments.

### DEFINITION OF OUTLOOK

**Stable** indicates that rating may remain unchanged as existing fundamentals may remain unchanged in near future.

  
**Md. Nurul Hoque**  
Deputy Managing Director and COO  
National Credit Ratings Ltd.

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### RATING RATIONALE

**Meghna Insurance Company Limited** has been assigned with above ratings duly considering the claims settlement during the last financial year, improved net premium earned and significant growth in underwriting income. Besides, notable growth in EPS, percentage of cash dividend that has been declared and pleasing P/E ratio comparing to the industry have drawn strong attention of the rating committee to assign the above ratings. The ratings have also been reinforced by the growth in asset base and boosted net income, which eventually indicate the progress of the business during the reporting years. Moreover, reinsurance arrangement with renowned reinsurers, total sum insured and best possible reserve for exceptional losses have also been considered duly while reassigning the ratings. Along with these, growth in return on assets & equity and provision for unearned premium along with prosperous experience & praiseworthy reputation of the promoters have also supported the ratings optimistically. Besides, amount of liquid assets compared to liquid liabilities, decreased loss ratio, settlement of claims & outstanding claims have been considered during assigning the ratings. However, the ratings have been constrained, to some extent, by declined NAV, decline in claim settlement, declined investment yield, insufficient solvency ratio, high expense ratio, and inadequate current ratio representing lower amount of insurance related assets compared to insurance related liability.

### RATING OUTLOOK

The stable outlook reflects the company's unwavering performance on its fundamentals and as such NCR expects that the company will be able to maintain its good fundamentals on an ongoing basis in the future.

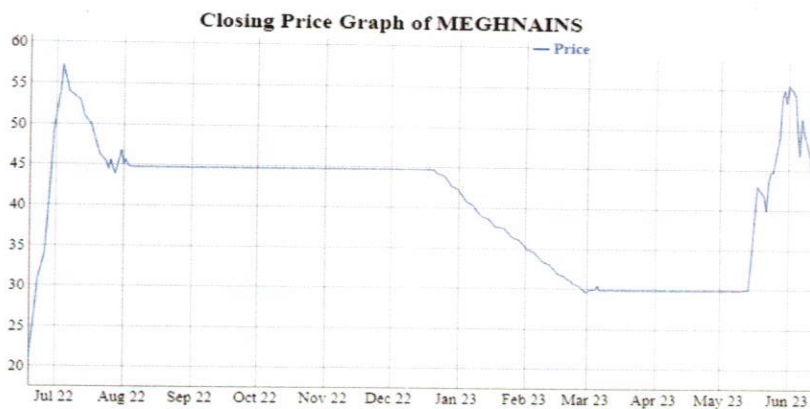


Reference: Agreement dated 30.06.2022 with  
Meghna Insurance Company Limited

## 1. BUSINESS OVERVIEW

**1.1 Meghna Insurance Company Limited** (hereinafter referred as 'MICL' or 'The Company') is a Non-Life Insurance Company offering all kinds of general insurance products & services i.e. motor, marine, energy, property & casualty, health, accident and liability areas, was incorporated on March 18, 1996 as a Public Limited Company under the Companies Act 1994 and Insurance Act 1938. The company is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange PLC in 2022.

**1.2** The shares of the company are traded under "B" category in both the bourses. The face value of each share is TK 10.00. The Board of Directors has recommended 10% cash dividend for the year ended on December 31, 2022. Annual General Meeting held on 25<sup>th</sup> June, 2023. The EPS of the company has been reported to TK 1.32 in 2022 against TK 0.94 in 2021. The following graph reveals the trading history of MICL's stock closing price over the period of last twelve months at DSE:



**1.3** MICL is operating with 49 branches all over the country. The registered office of MICL is located at Pritom Zaman Tower (4<sup>th</sup> Floor), 37/2 Purana Palton, Dhaka-1000 with an owned floor area of 10,000 square feet approximately.

## 1.4 PRODUCT AND SERVICE:

Non-life Insurance Schemes	
Fire	Marine
<ul style="list-style-type: none"> <li>a. Fire &amp; Allied Peril Insurance</li> <li>b. Fire Package Insurance</li> <li>c. Property all risks including Machinery Break-Down &amp; Business Interruption</li> <li>d. Power Plant Operational Package Insurance</li> </ul>	<ul style="list-style-type: none"> <li>a. Marine Cargo Insurance</li> <li>b. Marine Hull Insurance</li> <li>c. Ship Builders' Liability Insurance</li> <li>d. Goods in Transit Insurance</li> <li>e. Freight Insurance</li> </ul>
Engineering	Motor
<ul style="list-style-type: none"> <li>a. Contractors' All Risks Insurance</li> <li>b. Erection All Risks Insurance</li> <li>c. Boiler &amp; Pressure Vessel Insurance</li> <li>d. Machinery Breakdown Insurance</li> <li>e. Deterioration of Stock Insurance</li> <li>f. Contractors' Plant And Machinery Insurance</li> <li>g. Electrical Equipment Insurance</li> <li>h. Industrial All Risk Insurance</li> </ul>	<ul style="list-style-type: none"> <li>a. Private Vehicle Insurance</li> <li>b. Commercial Vehicle Insurance</li> <li>c. Motor Cycle Insurance</li> </ul>

Reference: Agreement dated 30.06.2022 with  
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Miscellaneous
<ul style="list-style-type: none"> <li>Burglary &amp; House Breaking Insurance</li> <li>Cash-in-Transit Insurance</li> <li>Cash-in-Safe Insurance</li> <li>Cash-on-counter Insurance</li> <li>ATM Booth Insurance</li> <li>Bank Lockers Insurance</li> <li>Credit Card Fraud &amp; Forgery Insurance</li> <li>Fidelity Guarantee Insurance</li> <li>Banker's Blanket Insurance</li> <li>Workmen's Compensation Insurance</li> <li>Personal Accident Insurance</li> <li>People's Personal Accident Insurance</li> <li>Public Liability Insurance</li> <li>Overseas Medi-Claim Insurance</li> <li>Professional Indemnity Insurance</li> </ul>

**1.5** The company is providing services through 49 branches all over the country. The details of the Branches are provided below:

Sl. No.	Name of Branch	Branch Address
01	Agrabad	Azim court, 1110/A, Agrabad, Chattogram
02	Bagerhat	Rail Road, Bagerhat Sadar, Bagerhat
03	Bangshal	154, Sayed Nazrul Islam Sarani(2 <sup>nd</sup> Floor), Dhaka
04	Barishal	Mayer Achal, H # 725/1, C& B Road, Holding-725/1, BCC, Barishal
05	B.B. Avenue	Don Plaza (11 <sup>th</sup> Floor), 9 B.B. Avenue, Dhaka
06	Banani	House No 46, Road No. 10, Block-E, Kamal Attartuk Avenue, Banani, Dhaka
07	Bogura	Bitu Tower (4 <sup>th</sup> Floor), Borogola, Bogura
08	CDA Avenue	No-1 Posterpar, DT Road, Dhanialapara, Chattogram
09	Dewanhat	530/3 Combined Building (3 <sup>rd</sup> Floor) Sheikh Mujib Road, Dewanhat, Chattogram
10	Dilkusha	65 Dilkusha, C/A Dhaka-1000
11	Elephant Road	Rajdhani Complex (5 <sup>th</sup> floor), 237/2 New Elephant Road, Dhaka-1205
12	Feni	Life Care Diagnostic Centre, 206, Trank Road, Feni
13	Faridpur	9/9 C/A, Alipur, Faridpur
14	Gabtolli	Khaleque Plaza (1st Floor) 259/Ka Karmaical Road Gabtolli, Mirpur, Dhaka
15	Gazipur	Hazi Market, Chandon Chowrasta, Gazipur
16	Hatkholia	Lilipond Centre, Floor B-15, 3 R.K. Mission Road, Motijheel C/A, Dhaka
17	Head Office Corporate Branch	37/2, Pritom Zaman Tower (5 <sup>th</sup> Floor), Room – 502, Purana Paltan, Dhaka –1000
18	Imamgonj	35 Aga Nawab Dewry, Moulavi Bazar, Dhaka-1211
19	Jessore	Shafiullah Complex, (2 <sup>nd</sup> floor), 27 M K Road, Jessore
20	Jubilee Road	Hoo Plaza (3rd Floor) 263 Jubilee Road, Chattogram - 4000
21	Jatrabari	37/2, Pritom Zaman Tower (5 <sup>th</sup> Floor), Purana Paltan, Dhaka – 1000
22	Kakrail	Cosmic Aluminium Fabrication Cosmic Tower, 106/Ka, Nayapaltan, Dhaka
23	Karwan Bazar	57 Kazi Nazrul Islam Avenue (1 <sup>st</sup> Floor), West Tejturi Bazar, Tejgaon
24	Khatungonj	279, Noor Market (3 <sup>rd</sup> Floor), Khatungonj, Chattogram - 4000
25	Khulna	58/1, Lower Jessore Road, Khulna
26	Kurigram	Zella Porishod Super Market (2 <sup>nd</sup> Floor), Room No 326, Kurigram Sadar, Kurigram
27	Kushtia	Rathkhola Mor, Kushtia
28	Local Office	Fahima Tower, 42/43, Purana Paltan, Dhaka-1000
29	Moghbazar	111 No. Shahid Tajuddin Ahmed Saroni, Magbazar, Dhaka- 1217
30	Manikgonj	Milon Plaza, House # 2, Block # B, Joyra, Manikgonj
31	Mohakali	99 Ambon Complex, Mohakali (6 <sup>th</sup> Floor) Dhaka-1212
32	Motijheel	Bhuiyan Mansion, 6, Motijheel Commercial Area, Dhaka
33	Malibagh	23 Halimunnesa Court (7 <sup>th</sup> floor) Kakrail, Dhaka.

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34	Mirpur	Holding No-13, Road No-06, Senpara, Parbata, Mirpur-10, Dhaka-1216
35	Mymensingh	34 no. Bipin Sen Road, Choto Bazar, Muktiyodha Sarani, Kotuwali, Mymensingh
36	Nawabpur	13, Bangsal Road, Dhaka-1100
37	Narayanganj	20/2 SM Maleh Road (3 <sup>rd</sup> Floor) Tanbazar, Narayanganj
38	Nayabazar	70, Shaheed Sayed Nazrul Islam sarani (3 <sup>rd</sup> Floor), Bangsal, Dhaka
39	New Market	32/1 Khan Plaza(4 <sup>th</sup> Floor), Mirpur Road, Dhaka-1205
40	Paltan	37/2, Pritom Zaman Tower (5 <sup>th</sup> Floor), Purana Paltan, Dhaka – 1000
41	Pabna	J. P. Market (2 <sup>nd</sup> Floor), Kalachandpara, Pabna
42	Principal	37/2, Pritom Zaman Tower (5 <sup>th</sup> Floor), Purana Paltan, Dhaka – 1000
43	Rajuk Avenue	Motijheel square(9 <sup>th</sup> Floor), 1/B DIT Avenue, Motijheel Commercial Area, Dhaka
44	Rangpur	Puraton choul Amod, House No-27 (3 <sup>rd</sup> Floor), Road No-1, Station Road, Rangpur
45	Savar	House No C-93, ward No-7, Mazidpur, Savar
46	Sylhet	Room No 105-106, Bagdad Bhaban, Lal Bazar, Bandar Bazar, Sylhet
47	Tongi	Jalil Khan Market (1 <sup>st</sup> Floor) Bata gate, Tongi, Gazipur
48	Toyenbee	Motijheel square(5 <sup>th</sup> Floor), 1/B DIT Avenue, Motijheel Commercial Area, Dhaka-1000
49	VIP Road	3/10 Slaeh Kallayan Trust, DIT Extention Road, Nayapaltan , Dhaka-1000

### 3. INDUSTRY RISK ANALYSIS

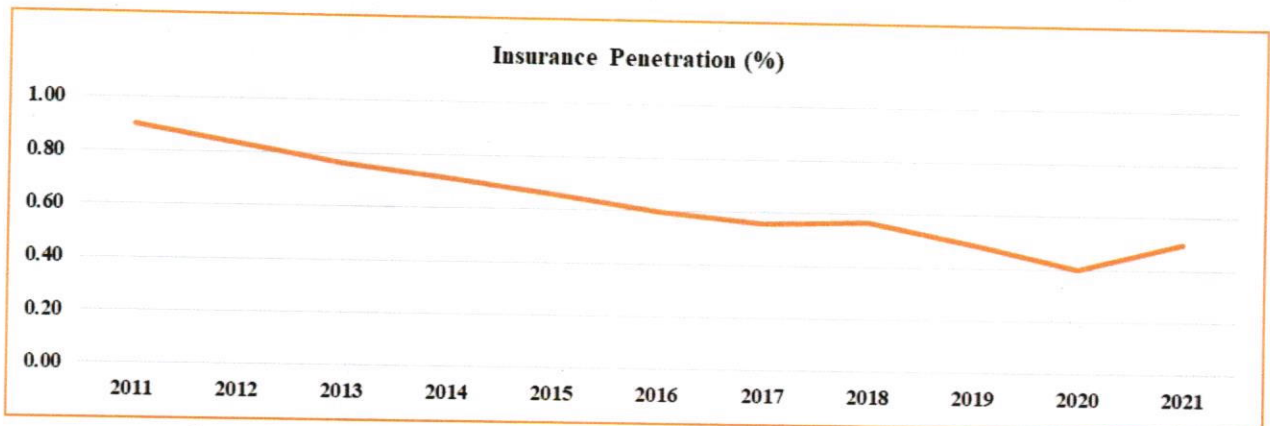
**3.1** After the liberation of Bangladesh, in 1972, all the 49 insurance companies operating in Bangladesh were nationalized under five public sector corporations which were subsequently restructured into two corporations: the Sadharan Bima Corporation (SBC) for general insurance, and Jiban Bima Corporation (JBC) for life Insurance in 1973 under the Insurance Corporations Act, 1973. The private sector was allowed to operate in all areas of insurance for the first time in 1984. Currently, a total of 78 insurance companies are operating in the industry. Brief overview of insurance industry of Bangladesh is presented in the table below:

Particulars	Details
Insurance Penetration Rate (2021)	0.50%
Gross Premium (GP) (Life) (2021)	BDT 102.55 billion
Gross Premium (GP) (Non-Life) (2021)	BDT 41.37 billion
Market Share of Life Insurance based on GP (2021)	71.25%
Market Share of Non-Life Insurance based on GP (2021)	28.75%
Number of Life Insurance Policies (June 30, 2020)	8,569,584
Human Resources (2019)	36,670
Top 05 Life Insurance Companies	Met Life, National Life, Delta Life, Fareast Islamic Life, JBC
Top 05 Non-Life Insurance Companies	SBC, Green Delta, Reliance, Pioneer, Pragati

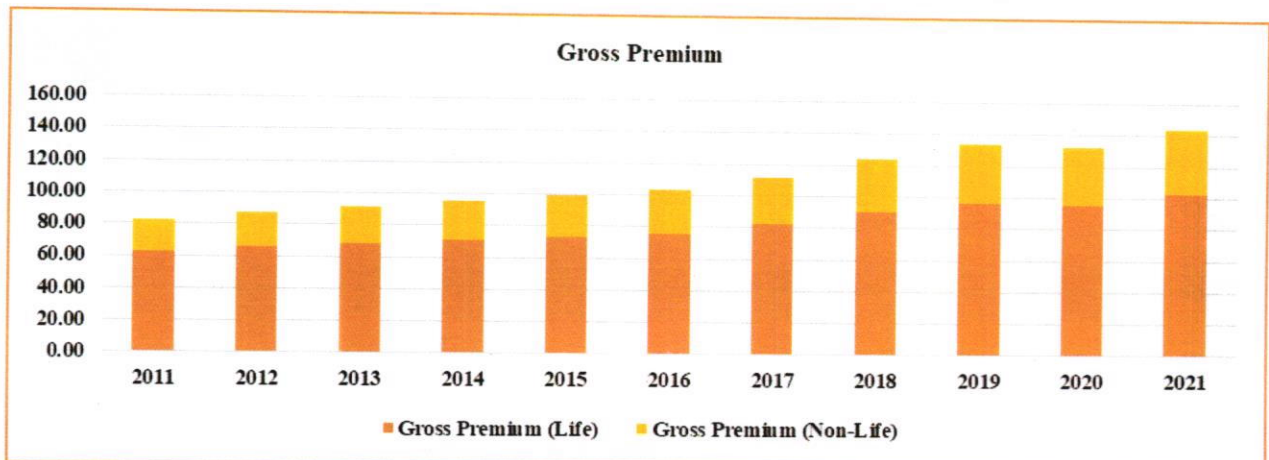
Source: Insurance Development and Regulatory Authority (IDRA), Swiss Re Institute (Sigma Report)

**3.2** Though the history of insurance industry is long, there were merely any regulations prior to 2010. In 2010, a law was formulated and afterwards, Insurance Development and Regulatory Authority (IDRA) was established in 2011 to supervise the insurance businesses and safeguarding the interest of policy holder. However, even after ten years of establishment, IDRA is yet to be fully functional. Lack of confidence of general people, lengthy time required to settle claim, regulatory supervision, transparency, product diversification, use of appropriate technology, experts and academics along with inadequate policy support from the government are the major causes behind the very low insurance penetration rate in Bangladesh. According to the Sigma Report by Swiss Re Institute, insurance penetration rate of Bangladesh was 0.50% in 2021 against 0.40% in 2020 and 0.49% in 2019. Historical insurance penetration rates are as follows:

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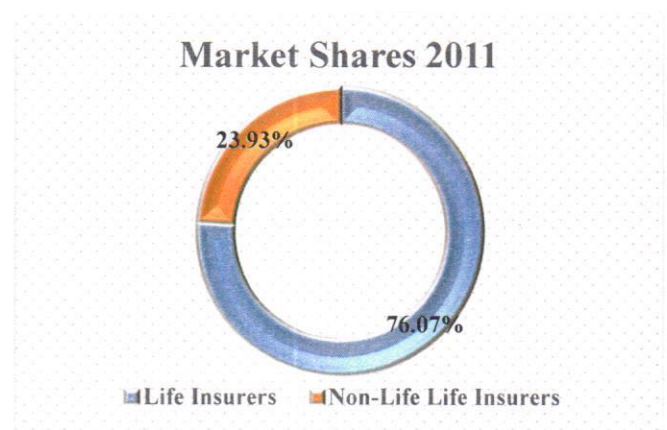
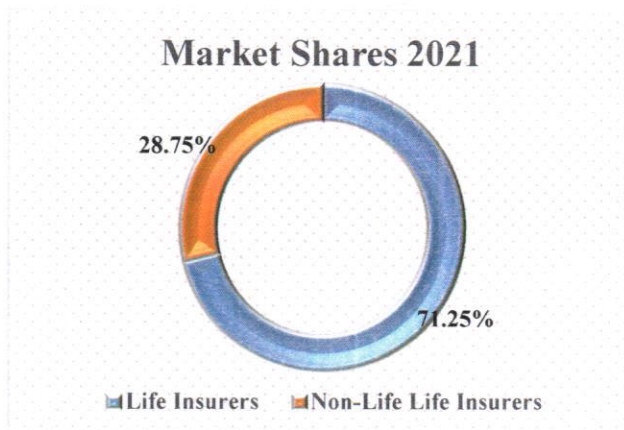
Source: Insurance Development and Regulatory Authority (IDRA), Swiss Re Institute (Sigma Report)



Source: Insurance Development and Regulatory Authority (IDRA)

**3.3** Collection of gross premium has an increasing trend over the years. However, the data of 2021 shows that collection of gross premiums according to the unaudited data.

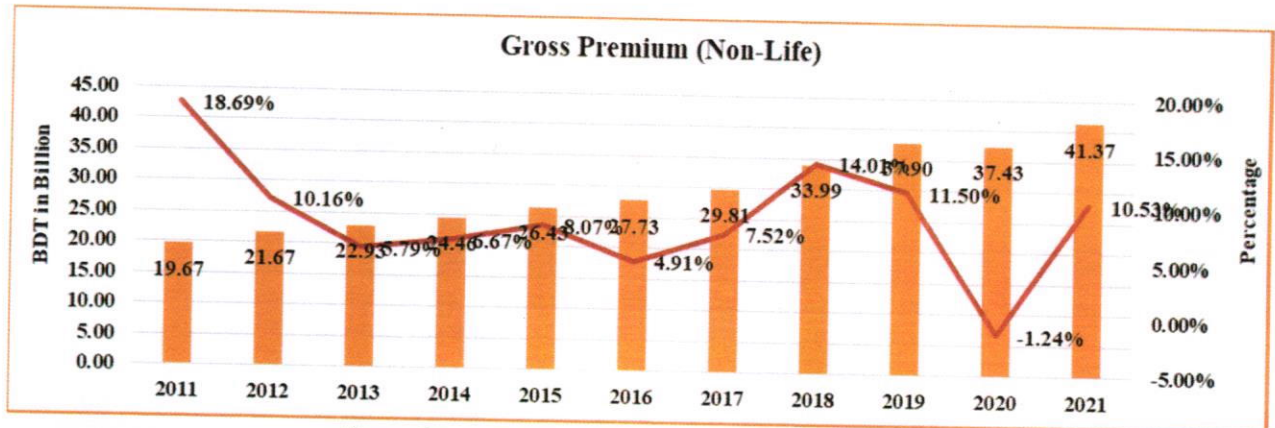
**3.4** Insurance companies are broadly categorized as life insurers and non-life insurers. Life insurance companies occupies the lions share of the market. However, from the following graph we can see that market share of non-life insurance companies has grown in 2021 compared to 2011.



Source: Insurance Development and Regulatory Authority (IDRA)

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## NON-LIFE INSURANCE SECTOR AT A GLANCE



Source: Insurance Development and Regulatory Authority (IDRA)

**3.5** After the commencement of privatization of insurance industry, many companies came into play but the insurance penetration rate is on a declining trend. Bangladesh is 42<sup>nd</sup> country in the GDP ranking while stood 66<sup>th</sup> in terms of the total insurance premium volume. Most of the companies couldn't achieve the trust of the clients. Some experts believe that the number of insurance companies for a market like Bangladesh is too may. Unethical practices have been fueled by the cut-throat competition among the companies. However, economy of the country as well as per capita income has been growing. So, there is immense scope for the companies to grab the market with the help of pragmatic policy support from the government and timely and proper implementation of the policy.

Year	Gross Premium (BDT Crore)			Growth (%)
	Life	Non-Life	Total Gross Premium	
2010	5835	1658	7493	
2011	6255	1967	8222	9.74
2012	6587	2167	8754	6.47
2013	6840	2293	9133	4.32
2014	7076	2446	9522	4.27
2015	7316	2643	9959	4.59
2016	7588	2773	10361	4.04
2017	8198	2981	11180	7.90
2018	8989	3394	12383	10.76
2019	9600	3790	13389	8.13
2020	9528	3743	13271	-0.89
2021	10255	4137	14392	8.45

Note: 1. Data of 2021 is unaudited, may differ with the audited data.

2. One insurer in 2021 (non-life) have been excluded as data is not available.

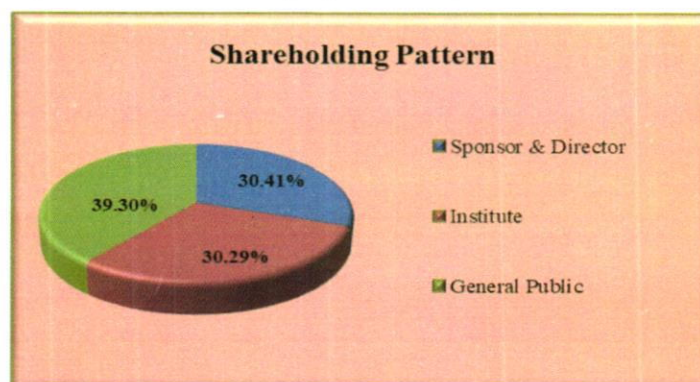
3. In 2020 two insurance company's data are unaudited (life Insurer).

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#### 4. BUSINESS RISKS

##### 4.1 OWNERSHIP STRUCTURE

The shareholding pattern of the company has been found diversified among sponsors, institutes and general public. The majority of the shares 39.30% are held by the general public, while different institutes hold 30.29% of the total shares and 30.41% shares are held by the sponsors and directors as on May 31, 2023. The following graph portrays the shareholding structure of the company as on May 31, 2023:



Name of Shareholders	Category	Number of Shares Held	Percentage
Mr. Aiman Barik Choudhury	Vice Chairman	1,034,562	2.59%
Mr. Ainab Choudhury	Director	1,034,562	2.59%
Ms. Farida Akther	Director	1,267,845	3.17%
Mr. Mohammad Enayet Ullah	Director	1,267,845	3.17%
Mr. Javed Kaiser Ally	Shareholder	1,217,132	3.04%
Mr. Anisuzzaman Chowdhury	Shareholder	1,217,132	3.04%
Barrister Sadat Khan	Shareholder	165,312	0.41%
Mr. Zeeshan Khan	Shareholder	165,313	0.41%
Ms. Jotsna Ara Begum	Shareholder	661,250	1.65%
Mr. Zoynal Abedin Chowdhury	Shareholder	330,625	0.83%
Mrs. Marina Ahmed	Shareholder	330,625	0.83%
Mr. M.A. Hannan	Shareholder	462,875	1.16%
Mr. Mohammad Didarul Husain	Shareholder	912,849	2.28%
Mr. Azizul Haque	Shareholder	66,125	0.17%
Late Abdul Wahid	Shareholder	66,125	0.17%
IFAD Venture Limited	Corporate Shareholder	2,427,208	6.07%
SW Holdings Ltd	Corporate Shareholder	1,217,132	3.04%
Runner Trading Limited	Corporate Shareholder	3,014,165	7.54%
NAMSS motors Limited	Corporate Shareholder	1,131,139	2.83%
Matsy Enterprises Ltd.	Corporate Shareholder	198,375	0.50%
ZAMORED Investments LLC	Corporate Shareholder	2,890,688	7.23%
BARWAZ Investments LLC	Corporate Shareholder	2,921,116	7.30%
<b>Total</b>		<b>24,000,000</b>	<b>60.02%</b>

##### 4.2 CORPORATE GOVERNANCE

**4.2.1** The Board of Directors of the company is comprised of 10 (Ten) members including the Chief Executive Officer who is an ex-officio member of the BoD. During the year 2022, 05 Board Meetings were held. The board is a key source of guidance to the management and responsible for the policy formulation and overseeing the overall management reports. The BoD is not fully independent from the management and the corporate financial reporting system is moderate. The Managing Director monitors the overall operation continuously and reviews the financial reports as well, while major decisions are approved by the BoD. A brief profile of board members is given below:

SL	Name of the Board Members	Designation	Qualifications	Experience	% of Share
1.	Mr. Musfiq Rahman	Chairman	BBA	18 Years	3.04%
2.	Mr. Aiman Barik Choudhury	Vice Chairman	BA	06 Years	2.59%
3.	Mr. Manwar -Uz-Zaman Nominee of Barwaz Investment LLC	Director	Graduation	34 Years	7.30%
4.	Ms. Farida Akther	Director	HSC	26 Years	3.17%
5.	Mr. Nahid Zaman Nominee of Zamored Investment LLC	Director	M.Sc.	26 Years	7.23%
6.	Mr. Mohammad Enayet Ullah	Director	BA	41 Years	3.17%
7.	Mr. Ainab Choudhury	Director	BBA	05 Years	2.59%
8.	Mr. Omar-Bin-Harun Khan (Independent Director)	Independent Director	Barrister-at-Law	16 Years	0.00%
9.	Mr. Ashim Choudhury (Independent Director)	Independent Director	MBA	31 Years	0.00%
10.	Mr. Mohammad Abu Bakar Siddique (Salaried CEO)	Managing Director	M. Sc.	34 Years	0.00%

**4.2.2** The board has four committees, i.e. Claims Committee (composed of 06 members), Audit Committee (composed of 03 members), Management Committee (composed of 08 members), and Nomination & Remuneration Committee (NRC) Committee (composed of 03 members). The committee members are directly selected by the BoD. Each committee operates under specific Terms of Reference (TOR) which outlines the responsibilities/functions of the committee. All the committees are reconstituted after every AGM and the meetings are held on regular basis to oversee and monitor the functions of the company.

SL	Committee	Responsibilities/Activities
1.	Audit Committee	The committee was formed as per guidelines of the Bangladesh Security and Exchange Commission for internal audit, internal control and discussion with external auditors regarding financial statements. The committee is responsible for reporting to the BoD about the fraud and irregularities and takes decision about the irregularities and suggests appropriate measures to control such irregularities. The committee also reports about violation of laws to the BoD. The committee also reviews the following function: <ul style="list-style-type: none"> <li>• Oversee financial reporting process</li> <li>• Monitor accounting principles &amp; policies, internal audit &amp; compliance process</li> <li>• Review the internal audit &amp; compliance report</li> <li>• Ensures transparency in quarterly and half yearly financial statements.</li> <li>• Other functions as per Corporate Governance Code 2018</li> </ul>
2.	Claims Committee	The committee is responsible for reporting to the BoD for any violation of law regarding settlement of claim. The committee approves claims settlement and enlistment of surveyors for assessment purpose.
3.	Management Committee	The function of the committee is to take decision regarding Human Resource Development, staff welfare, transfer & posting of the employees, recruitment and training.
4.	Nomination & Remuneration Committee	<ul style="list-style-type: none"> <li>• Formulate the criteria for determining qualification, positive attributes an independent of a director and recommend the policy to the board relating to the remuneration of the directors, top level executives</li> <li>• And Other functions as per Corporate Governance Code 2018</li> </ul>

**4.2.3** The committee meetings are held on regular basis and are convened by the respective chairperson. At least 01 (one) Claim Committee meetings is held within two months. The synopsis of the members of the committee and number of meeting held under each committee is presented below:

Reference: Agreement dated 30.06.2022 with  
Meghna Insurance Company Limited

SL.	Name of the Committee	Members	No. of Meetings held	
			2022	2021
1.	Audit Committee	03	04	04
2.	Claims Committee	06	12	12
3.	Management Committee	08	12	12
4.	Nomination & Remuneration Committee	03	01	01

### 4.3 MANAGEMENT

**4.3.1** The management team is well-structured with some qualified and experienced professionals. The management team is headed by the Managing Director, Mr. Mohammad Abu Bakar Siddique who has around 34 years of experience in insurance sector. All the heads of different departments directly report to the Managing Director. A brief profile of the key management personnel is given below:

SL	Name of the Professionals	Designation	Name of the Department	Education Qualification	Experience
1.	Mr. Mohammad Abu Bakar Siddique	Chief Executive Officer	N/A	M.Sc	34 Years
2.	Mr. Mohammad Monir Hossain	Asst. Managing Director & CFO	Finance & Accounts	M. Com	21 Years
3.	Mr. Md. Kabir Ahmed	Asst. Managing Director	Claims & Re-Insurance	B.A(Pass)	37 Years
4.	Mr. Md. Golam Al Mamun	Asst. Managing Director	Internal Audit	M. Com	25 Years
5.	Mr. Md. Yousuf	Senior Vice-President	Underwriting	B.S.S.	30 Years
6.	Mr. Md. Abdus Samad	Vice-President, Head of HR & Administration	HR & Administration	M. Sc.	13 Years
7.	Mr. Kazi Md. Miraj Hossain ACS, CGIA	Vice-President & Company Secretary	Board Secretariat	L.L.B., MBA	12 Years
8.	Mr. Asheque Matin	Deputy Vice-President & Head of IT	Information Technology	BIT	09 Years

**4.3.2** The management meeting is arranged every month where administrative and business issues are discussed along with periodic statements on the financial performance which includes, monthly cash flow statement, monthly business position, monthly third party premium collection, branch wise policy issue statements, monthly expenses summary, monthly review of internal audit report review, claim settlement statement review, reinsurance statement review, recovery from Sadaran Bima Corporation etc. are discussed.

**4.3.3** There are 819 employees working in Head Office and 243 desk employees and 576 Marketing Officer working in Branch Office as on May 31, 2023. The company recruits all employees centrally and the recruitment depends on the necessary skills, expertise and qualification. All the employees are provided with Foundation training and on the Job training according to individual's need and business based. The company provide good compensation package and along with that, the company has Performance Appraisal Process depending on which Reward and Recognition of Training & Development is provided.

### 4.4 INTERNAL CONTROL SYSTEM

The company has a written HR policy for its employees & abides by the labor law 2006 and actively encourages employee involvement in company's business through various types of benefits. MICL offers good compensation packages to its employees including bonus, overtime, gratuity etc. According to the HR policy they also provide health care facilities (first aid facilities, in house medical treatment, outside medical treatment), Maternity facilities (maternity treatments, maternity awareness program, and maternity leave). With the motivation and support of their executives and workers, they look forward to attain sustainable growth. At present, there are 896 personnel are employed in the company.

Reference: Agreement dated 30.06.2022 with  
Meghna Insurance Company Limited

#### 4.5 OPERATIONAL RISKS

The company is exposed to some risks associated with the operation. Some of the significant operational risks are stated below:

##### 4.5.1 UNDERWRITING & RISK ASSESSMENT:

4.5.1.1 MICL has developed a qualified and well-experienced team of experts for underwriting. A brief profile of the team is stated below.

SL	Name of the Employees	Designation	Education Qualification	Experience	Training
1.	Mr. Md Yousuf	Sr. Vice President	BSS (Hon's)	30 years	AML/CFT Training for Employee (Bangladesh Bank Training Academy) Elements of Insurance, Legal Economic (BIA) Marine, Fire, Accident, Management Techniques (BIA).
2.	Mr. Mg Abu Naser Miajee	Vice President	BA	05 years	Different of Liability Insurance (BI Academy)
3.	Mrs. Binita Barman	Manager	MSS	11 years	Elementary Course (BI Academy)
4.	Ms. Nasrin Khanam	Manager	BA	03 years	N/A
5.	Mr. Maksudur Rahman	Deputy Manager	MA	11 years	Comprehensive Course on Marine Insurance (BI Academy).
6.	Mr. Md. Faruque Hossain	Deputy Manager	BA	16 years	N/A
7.	Ms. Tanbina Mitu	Senior Executive Officer	MBA	03 years	Foundation Course (BI Academy) Comprehensive Course on Re-ins Management (BI Academy) Claim Management (Expert Academy) Practical Aspects of Re-ins. In the perspective of Bangladesh (BIPD).
8.	Mrs. Shefali Khatun	Executive Officer	BA	09 years	N/A
9.	Mr. Ibrahim Sheikh	Sr Executive Office	MBA	02 year	N/A

4.5.1.2 The underwriting limits are set according to the Re-insurance Treaty Limit. There are limitations on sum insured in terms of Risk and Region, Indemnity per event. The underwriting of high value risk and unusual nature of risk are not done by the Junior Officer rather sent to the Head Office. The Junior Officers and Branch Underwriter are allowed to underwrite tariff rate based usual risks.

#### 4.5.2 CLAIMS

4.5.2.1 When MICL gets an intimation of claim, it appoints a survey firm for surveying and assessing of loss. If needed, particularly when the size of loss is quite big, the company appoints a second surveyor for the joint survey. MICL is very prompt in settling the claims. And once all the documents and survey report against any claim is received and the claim is found indemnifiable, MICL proceeds to approval to settle the claim as per the delegated authority mentioned below:

4.5.2.2 When MICL gets an intimation of claim over phone or in writing, the company appoints a Surveyor and also sends an Officer of Claim Department to conduct the survey of the affected property. After the preliminary survey report, if the deemed loss is above TK 2.00 Million another joint surveyor is appointed and finally photographs and Video Clips of the incident is prepared for documentation. Depending on the Survey Report and documentation, the Managing Director along with Consultant can instantly settle Claim up to TK 0.60 million, the Claim Committee has been delegated to settle Claims above TK 0.60 million. Claims above TK 0.60 million are approved by Board. The maximum time required to settle the Claims after the receipt of all necessary documents is 90 day.

Reference: Agreement dated 30.06.2022 with  
Meghna Insurance Company Limited

SL.	Type of Claim	Approval Authority of MD	Approval Authority of Claim Committee
01.	Marine Cargo	Upto TK 2 lac	TK 2 lac to TK 6 lac
02.	Hull	Upto TK 2 lac	TK 2 lac to TK 6 lac
03.	Fire	Upto TK 2 lac	TK 2 lac to TK 6 lac
04.	Motor	Upto TK 2 lac	TK 2 lac to TK 6 lac
05.	Misc.	Upto TK 2 lac	TK 2 lac to TK 6 lac

#### 4.5.3 INFORMATION TECHNOLOGY:

**4.5.3.1** MICL uses an Integrated Insurance Management System Software which is fully automated web-based system developed by the company's IT department. All the branches are fully under the automated web-based system. The system provides high level of data security and capable of keeping all information regarding Underwriting, Claims and Re-insurance and provides solution for these issues. The company's network system is fully computerized and branches are connected with the Head Office.

**4.5.3.2** The system is able to issue Cover Notes, Policy, Certificate, and Endorsement. This software will be operated under multitasking and Multi-user environment over a client-server network. The software can be used in operating systems namely Microsoft Windows 2003 Server, Microsoft Windows 2000 server and Microsoft Windows 2000 PROFESSIONAL/XP for Clients. The software has two environments, Back-end and Front-end. The Back-end is Oracle 10g/11g which is a complete Internet based Relational Database Management System. The Front-end is Developer 9i/10g which enables to build high-performance systems that take advantages of graphical user interface (GUI), Database, Client-server and Web technologies. MICL deputed a qualified and experienced team in the project for implementation of the software.

#### 4.5.4 TOP CUSTOMER LIST:

The company has been maintaining a robust client base over the years. The customer base is segregated in motor, marine, energy, property and casualty, health, accident and liability areas. Some of the major clients are enlisted below based on Gross Premium Earned:

SL.	Name of Customer	Gross Premium (Tk. in Million)
01	Akij Group	107.86
02	Walton Group	35.95
03	Debonair Group	41.68
04	Gazi Group	39.40
05	Epyllion Group	31.65
06	Palmal Group	30.05
07	PRAN RFL Group	25.69
08	Mahbub Group of Industries	12.65
09	BSA Group	14.85
10	Masud Group	12.15

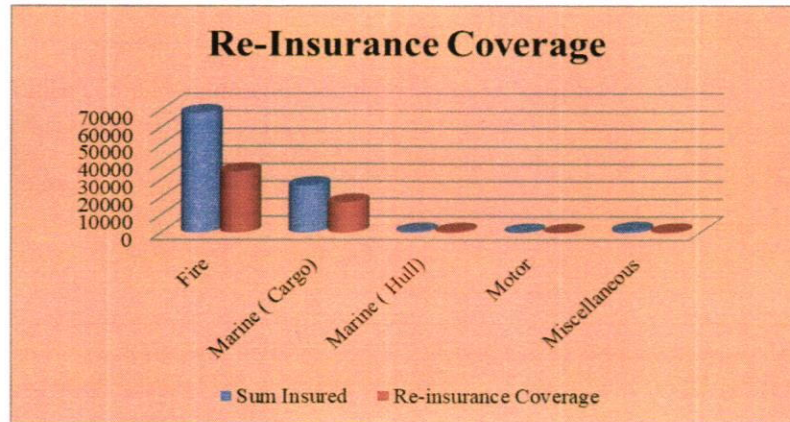
#### 4.6 QUANTITATIVE ANALYSIS:

**4.6.1** MICL has diversified its risk portfolio under the class of fire, marine cargo, marine hull, motor, engineering and miscellaneous. The total sum insured was recorded to TK 97,217.24 million in 2022 against TK 94,625.95 million in 2021, while the reinsurance coverage was recorded to TK 53,382.83 million in 2022 (which is 54.91% of total sum insured) and TK 67,502.95 million in 2021 (which is 71.33% of total sum insured). Class-wise sum insured and re-insurance coverage during the year 2022 and 2021 are detailed below:

Reference: Agreement dated 30.06.2022 with  
Meghna Insurance Company Limited

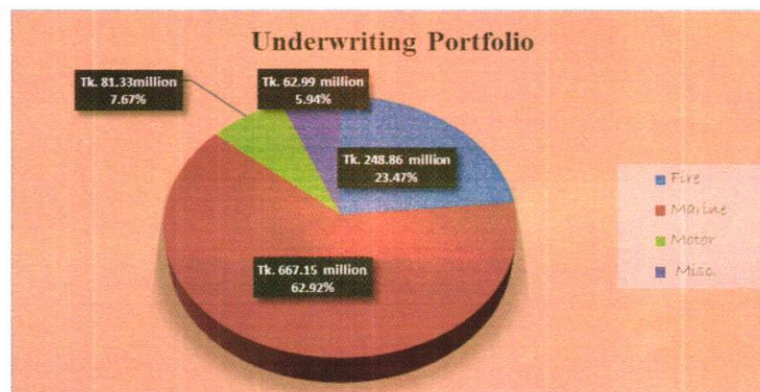
Business Class	Sum Insured	Re-insurance Coverage	Sum Insured	Re-insurance Coverage
	2022 (TK in Million)		2021 (TK in Million)	
Fire	68,034.48	34,804.14	78,038.84	52,560.86
Marine ( Cargo)	26,868.14	17,168.24	15,990.00	14,553.71
Marine ( Hull)	716.00	696.00	90.00	86.00
Motor	253.05	179.55	45.00	31.00
Miscellaneous	1345.57	534.9	462.11	271.38
<b>Total</b>	<b>97,217.24</b>	<b>53,382.83</b>	<b>94,625.95</b>	<b>67,502.95</b>

A graphical representation based on the above data is illustrated below:



**4.6.2** The Gross Premium Written (GPW) was recorded to TK 1,060.34 million in 2022 against TK 752.14 million in 2021 and TK 619.40 million in 2020, which is resulted in a growth of 40.98% in 2022, 21.43% in 2021, 6.60% in 2020.

**4.6.3** The underwriting portfolio was comprised of 23.47% fire insurance (27.93% in 2021), 62.92% marine (53.23% in 2021) and 13.61% motor & miscellaneous (18.84% in 2021).



**4.6.4** The Net Premium of the company has significantly increased to TK 824.58 million in 2022 against TK 538.99 million in 2021, while the Gross Premium was TK 1,060.34 million in 2022 and 752.14 million in 2021. Class wise gross premium and net premium during 2022 and 2021 are detailed below:

Reference: Agreement dated 30.06.2022 with  
Meghna Insurance Company Limited

Business class	Gross Premium	Net Premium	Gross Premium	Net Premium
	2022 (TK in Million)		2021 (TK in Million)	
Fire	248.86	136.44	210.09	106.39
Marine	667.15	597.98	400.34	352.14
Motor	81.33	80.91	78.20	75.98
Miscellaneous	62.99	9.26	63.51	4.49
<b>Total</b>	<b>1,060.34</b>	<b>824.58</b>	<b>752.14</b>	<b>538.99</b>

**4.6.5** The Net Premium Revenue (NPR) was recorded to TK 709.94 million in 2022 against TK 499.56 million in 2021 and TK 419.78 million in 2020. The Premium Earned to total Sum Insured ratio was 0.97% in 2022 and 0.75% in 2021, while NPR to Premium Earned ratio was 75.07% in 2022 against 70.09% in 2021.

**4.6.6** Underwriting Income to NPR ratio increased to 10.80% in 2022 from 8.67% in 2021. Fire loss ratio significantly decreased to (9.46%) in 2022 from 31.38% in 2021, and the Marine loss ratio decreased to 2.94% in 2022 from 7.38% in 2021. On the other hand, Motor loss ratio increased to 18.50% in 2022 from 10.67% in 2021. Besides, the company has been incurring a significant amount of underwriting loss in the fire segment for the last five years due to significant amount of management and commission expenses against the net revenue income. Moreover, underwriting loss in the fire segment declined to TK 44.98 million in 2022 from TK 7.46 million in 2021. The loss ratio increased to 2.47% in 2022 from 13.23% in 2021 representing notable decrease in net claim expense compared to net premium revenue. The decrease in the loss ratio can be rationalized by as notable deterioration in the loss ratio of Fire & Marine. The underwriting profit has been recorded to TK 76.65 million in 2022 against TK 43.32 million in 2021.

**4.6.7** Management Expense, Administrative Expense & Commission Expense to Net Premium Revenue decreased to 94.38% in 2022 from 87.85% in 2021, where the net commission to NPR ratio decreased to 10.34% in 2022 from (4.20%) in 2021. Moreover, the combined ratio decreased to 96.85% in 2022 from 101.08% in 2021.

**4.6.8** The underwriting activities are being carried out under the direct supervision of Mr. Md. Yousuf, Senior Vice President and in-charge of Underwriting Department having almost 30 years of experience in insurance sector.

**4.6.9** MICL has been maintaining a moderate investment portfolio for the last five years of business operation with 51.68% of total assets in 2022, 47.26% in 2021, and 42.65% in 2020. Total investment made by the company was TK 708.88 million in 2022 against TK 577.93 million in 2021 and TK 398.60 million in 2020. During the year 2022, the investment was composed of 93.23% bank deposits (which was 93.23% in 2021), 7.77% Government Securities (which was 4.33% in 2021) and 15.02% Shares & debenture (which was 2.44% in 2021). The cost price of the investment in listed securities stood at TK 119.50 million in 2022. The market value was recorded TK 106.45 million as on 31<sup>st</sup> December 2022.

**4.6.10** The investment income increased significantly to TK 41.85 million in 2022 from TK 34.74 million in 2021 due to significant increase in Dividend Income of investments. Moreover, the investment yield also decreased slightly to 6.50% in 2022 from 7.12% in 2021.

Reference: Agreement dated 30.06.2022 with  
Meghna Insurance Company Limited

## 5. FINANCIAL RISKS

**5.1.1** MICL has reinsurance arrangement with State owned Sadharan Bima Corporation (SBC). The reinsurance Bordereaux is prepared carefully to ensure the re-insurable risk is ceded and it is sent to the SBC after every three months. The company has surplus treaty for all business classes except motor vehicle for which MICL has excess of loss treaty arrangement. MICL also has excess of loss treaty arrangement for fire business class.

**5.1.2** A synopsis of the claims that have been settled since 2018 are detailed below:

Year	No. of Claim Lodged	Total Claim Lodged (TK in Million)	Claim Settled (TK in Million)		Total Claim paid during the year (TK in Million)	Total Claim Outstanding (TK in Million)
			Lodged in Current Year	Lodged in Previous Year		
2022	325	164.54	96.85	75.85	172.22	59.81
2021	329	132.30	89.56	57.83	147.49	60.20
2020	199	170.64	34.19	18.59	(26.58)	141.60
2019	357	130.04	32.95	45.55	55.19	62.24
2018	384	20.53	82.94	72.54	79.04	38.93

**5.1.3** The segment wise claim settlement detail of the company is shown below:

Year	2022			2021		
Class	No. of Claim Arise	No. of Claim Paid	Total Claim Paid (TK in million)	No. of Claim Arise	No. of Claim Paid	Total Claim Paid (TK in million)
Fire	27	28	119.53	34	36	117.19
Marine (Cargo)	114	40	19.89	133	69	19.03
Marine (Hull)	-	-	-	-	-	-
Motor	180	136	32.82	162	132	11.09
Miscellaneous	4	-	-	-	01	0.18
<b>Total</b>	<b>325</b>	<b>205</b>	<b>172.22</b>	<b>329</b>	<b>238</b>	<b>147.49</b>

**5.1.4** The liquid assets to NPR ratio decreased to 0.97 times in 2022 from 1.08 times in 2021 and the liquid assets to net claim expenses increased to 39.12 times in 2022 from 8.14 times in 2021. However, the current ratio stood at 0.87 times in 2022 against 0.45 times in 2021 which indicates lower amount of insurance related assets compared to the insurance related obligations.

**5.1.5** The total equity has been recorded to TK 574.40 million as on December 31, 2022, TK 387.54 million as on December 31, 2021 and TK 206.64 million as on December 31, 2020. Besides, the financial base enhanced to TK 904.61 million in 2022 against TK 603.11 million in 2021 as the equity base and underwriting provision improved notably. The Premium Solvency Ratio declined to 69.66% in 2022 from 71.90% in 2021. Yet, the Premium Solvency Ratio indicates lower rate of growth in Equity base compared to that of Net Premium Written of the company. Moreover, the Reserve solvency ratio decreased to 10.41% in 2022 from 15.53% in 2021 against 68.53% in 2020 due to a slight decline in Provision for Outstanding Claims which was recorded TK 59.81 million in 2022 against TK 60.20 million in 2021. Underwriting income against the financial base has been undergoing through a fluctuating trend over the last five years with 10.17% in 2022, 8.79% in 2021, 7.31% in 2020, 10.44% in 2019 and 25.77% in 2018.

**5.1.6** Both the ROA & ROE improved to 3.65% & 9.85% respectively in 2022 from 2.00% & 7.26% respectively in 2021.

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Deputy Managing Director and COO  
National Credit Ratings Ltd.

**APPENDIX- I: RATING HISTORY**

INITIAL ENTITY RATING – 2022	
Date of Rating Declaration	Long Term
20.09.2022	AA (Double A)

**APPENDIX- II: RATING SCALE**

<b>Long Term Rating Scale and Definitions</b>	
<b>Rating Notches</b>	<b>Definition</b>
AAA	Strongest Credit Quality
AA+	Below Strongest Credit Quality
AA	Very Strong Credit Quality
AA-	Below Very Strong Credit Quality
A+	Very Good Credit Quality
A	Above Average Credit Quality
A-	Moderately Good Credit Quality
BBB+	Moderate Credit Quality
BBB	Average Credit Quality
BBB-	Below Average Credit Quality
BB+	Moderately Below Average Credit Quality
BB	Slightly Below Average Credit Quality
BB-	Less Than Average Credit Quality
B+	Significantly Below Average Credit Quality
B	Weak Credit Quality
B-	Very Weak Credit Quality
C	Poor Credit Quality
D	Default (Failed to meet their rated financial commitment on time or when due)

<b>Short Term Rating Scale and Definitions</b>	
<b>Rating Notches</b>	<b>Definition</b>
ST-1	Strongest Ability to Meet Short Term Financial Commitments
ST-2	Above Average Ability to Meet Short Term Financial Commitments
ST-3	Average Ability to Meet Short Term Financial Commitments
ST-4	Below Average Ability to Meet Short Term Financial Commitments
ST-5	Well Below Average Ability to Meet Short Term Financial Commitments
ST-6	Default (Failed to meet their short-term financial commitments)