

**CREDIT RATING REPORT  
ON  
TAKAFUL ISLAMI INSURANCE LIMITED**

## RATING REPORT CONTENTS

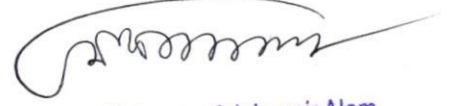
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[FORM-IX]  
[Rule 10(8) A(g)]

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Mohammad Jahangir Alam  
Chief Executive Officer (CEO)  
National Credit Ratings Ltd

## EXECUTIVE SUMMARY

### INITIAL ENTITY RATINGS OF TAKAFUL ISLAMI INSURANCE LIMITED

<b>Declaration Date</b>	<b>19.02.2024</b>
<b>Long Term Entity Rating</b>	<b>AA+ (Double A Plus)</b>
<b>Short Term Entity Rating</b>	<b>ST-2</b>
<b>Outlook</b>	<b>Stable</b>
<b>Expiry Date</b>	<b>18.02.2025</b>

#### Performance Highlights:

(TK in Million)

Particulars	2023 (09 months) Jan. to Sept.	2022
Total Assets	1,228.23	1,242.98
Total Investment	179.52	168.14
Paid Up Capital	425.87	425.87
Total Equity Capital	803.06	805.77
Gross Premium Written	556.94	626.23
Net Premium Earned	328.46	360.27
Underwriting Income	47.62	73.05
Profit After Tax	46.98	64.35
Outstanding claim	121.4	248.67
Premium Solvency Ratio (%)	217.85	225.14
Loss Ratio (%)	3.29	1.36
Current Ratio (X)	0.17	0.31
ROE (%)	8.33	15.03
ROA (%)	5.43	9.79

#### Strengths

- Diversified products and services
- Huge district coverage & number of agents
- Experience promoters & management committee
- Sound business performance
- Sound claim settlement
- Satisfactory premium solvency ratio, financial base & liquid assets to NPR
- Increased investment income
- Satisfactory IT infrastructure
- Regular payment of cash dividend (12% in 2022)

#### Challenges

- Developing innovative ideas and new products
- Raising public faith & awareness
- Increasing market share in a very competitive market structure

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**RATING BASIS**

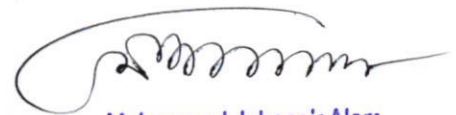
Ratings are based on Financial Statements up to September 30, 2023 along with the other relevant Quantitative as well as Qualitative information provided by the Client & Bank up to the Date of Rating Declaration. NCR has followed Non-life Insurance Rating Methodology of NCR published in our website.

**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.



**Mohammad Jahangir Alam**  
Chief Executive Officer (CEO)  
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### **RATING RATIONALE**

NCR has initially assigned the above ratings to **Takaful Islami Insurance Limited** after considering the concern's business performance as well as its market prospect. Satisfactory business profile with diversified products and services, experienced promoters & management committee have been considered & factored positively during the rating process. The concerns significant improvement in claim settlement as per last nine months business performance as well as financial base, satisfactory premium solvency ratio, regular payment of cash dividend (12% in 2022) were also considered by the rating committee members while assigning the above rating. Moreover, reinsurance arrangement with renowned reinsurers, total sum insured and best possible reserve for exceptional losses have also been considered duly while assigning the ratings.

Further, satisfactory gross premium written & net premium earned, amount of liquid assets compared to liquid liabilities & NPR as well as decrease of outstanding claim in last nine months business performance also considered by the rating committee members. However, the ratings have been constrained, to some extent, by declined investment yield, inadequate current ratio representing lower amount of insurance related assets compared to insurance related liability.

The government of Bangladesh is also patronizing this industry by providing policy support. However, TIIL's ability to maintain its smooth presence in the insurance sector is important. In this regard, successful execution of concerns' envisaged business strategy including diversification and growth while managing risk would be key challenges. At the same time, upholding high governance standard will be critical.

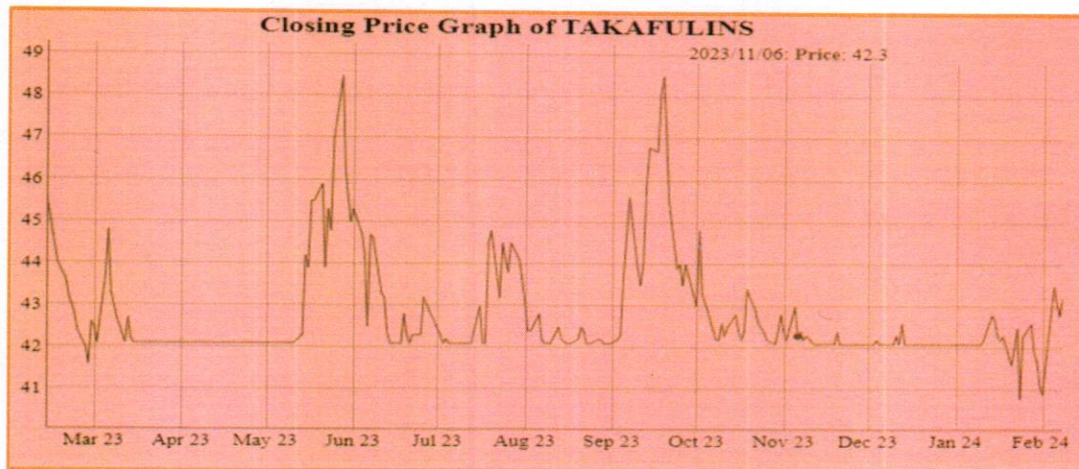
### **RATING OUTLOOK**

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

## 1.0 BUSINESS OVERVIEW

**1.1 Takaful Islami Insurance Limited** (hereinafter referred as 'TIIL' or 'The Company') is a Non-Life Islami Insurance Company offering all kinds of general insurance products & services i.e. fire, motor, marine, engineering & miscellaneous areas, was incorporated on December 21, 1999 as a Public Limited Company under the Companies Act 1994 and Insurance Act 1938. The company is listed with Dhaka Stock Exchange PLC and Chittagong Stock Exchange PLC in 2008.

**1.2** The shares of the company are traded under "A" category in both the bourses. The face value of each share is TK 10.00. The Board of Directors has recommended 12% cash dividend for the year ended on December 31, 2022. The 23<sup>rd</sup> Annual General Meeting held on 17<sup>th</sup> June, 2023. The EPS of the company has been reported to TK 1.49 in 2022 against TK 2.25 in 2021. The following graph reveals the trading history of 'TIIL's stock closing price over the period of last twelve months at DSE:



**1.3** TIIL is operating with 51 branches all over the country. The Registered Office of TIIL is located at Monir Tower (7<sup>th</sup>, 8<sup>th</sup> & 9<sup>th</sup> Floor), 167/1, DIT Extension Road, Motijheel (Fakirapool), Dhaka.

## 1.4 PRODUCT AND SERVICE:

Non-life Insurance Schemes	
<p><b>Fire</b></p> <ul style="list-style-type: none"> <li>Standard fire policy</li> <li>Fire package</li> <li>Industrial all risks</li> </ul>	<p><b>Marine</b></p> <ul style="list-style-type: none"> <li>Marine cargo insurance</li> <li>Marine hull insurance</li> </ul>
<p><b>Engineering</b></p> <ul style="list-style-type: none"> <li>Contractor all risks insurance (CAR)</li> <li>Erection all risks insurance (EAR)</li> <li>Machinery breakdown insurance (MBD)</li> <li>Deterioration of stock insurance (DOS)</li> <li>Boiler &amp; pressure vessel insurance (BPV)</li> <li>Contractor's plant &amp; machinery insurance (CPM)</li> </ul>	<p><b>Motor</b></p> <ul style="list-style-type: none"> <li>Comprehensive insurance</li> <li>Act liability insurance</li> </ul>
<p><b>Miscellaneous</b></p>	
<ul style="list-style-type: none"> <li>Burglary insurance (BUG)</li> <li>Cash-in-safe insurance (CIS)</li> <li>Cash-in-transit insurance (CIT)</li> <li>Workmen's compensation insurance (WP)</li> </ul>	<ul style="list-style-type: none"> <li>Cash-on-counter insurance (COC)</li> <li>Personal accident insurance (PA)</li> <li>Peoples personal accident insurance (PPA)</li> </ul>

1.5 The company is providing services through 51 branches all over the country. The details of the Branches are provided below:

Sl. No.	Name of Branch	Sl. No.	Name of Branch
01	Local Office	27	Sylhet Branch
02	Bangshal Branch	28	Gazipur Branch
03	DIT Extension Road Br.	29	Satkhira Branch
04	B.B. Avnue Branch	30	Tangail Branch
05	Imamganj Branch	31	Kushtia Branch
06	VIP Road Branch	32	Mymensingh Branch
07	Dilkusha Corp. Branch	33	Shantinagar Branch
08	Jashore Branch	34	Malibagh Branch
09	Pabna Branch	35	Agrabad Branch
10	Elephant Rd. Branch	36	Bogura Branch
11	Motijheel Branch	37	Narayanganj Branch
12	Mohakhali Branch	38	Cumilla Branch
13	Dhanmondi Branch	39	Dinajpur Branch
14	Khulna Branch	40	Narsingdi Branch
15	Paltan Branch	41	Jubilee Road Branch
16	Saidpur Branch	42	Barisal Branch
17	Kawran Bazar Branch	43	Kishoreganj Branch
18	Mirpur Branch	44	Rangpur Branch
19	Baridhara Branch	45	Feni Branch
20	Khatunganj Branch	46	Jhenaidah Branch
21	Chowmuhani Branch	47	Chuadanga Branch
22	Toyenbee Circular Road Br.	48	B. Baria Branch
23	Shyamoli Branch	49	Cox's Bazar Branch
24	Noapara Branch	50	Principal Branch
25	Uttara Branch	51	Ramganj Branch
26	Rajshahi Branch	-	

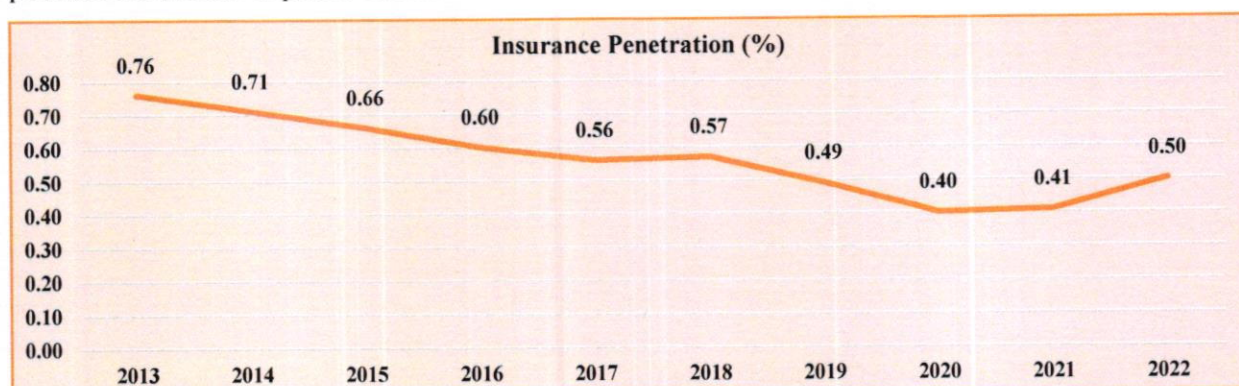
## 2.0 INDUSTRY OVERVIEW

2.1 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 81 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 (2022)	0.50%
Global Insurance Penetration Rate (2022)	6.80%
Insurance Density (2022)	USD 12.00
Global Insurance Density (2022)	USD 853.00
Gross Premium (GP) (Life) (2022)	BDT 114.02 billion
Gross Premium (GP) (Non-Life) (2022)	BDT 54.13 billion
Market Share of Life Insurance based on GP (2022)	67.81%
Market Share of Non-Life Insurance based on GP (2022)	32.19%
Number of Life Insurance Policies (2022)	7.81 million
Claim Settlement Ratio (Life) (2022)	66.97%
Claim Settlement Ratio (Non-Life) (2022)	33.44%
Human Resources	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

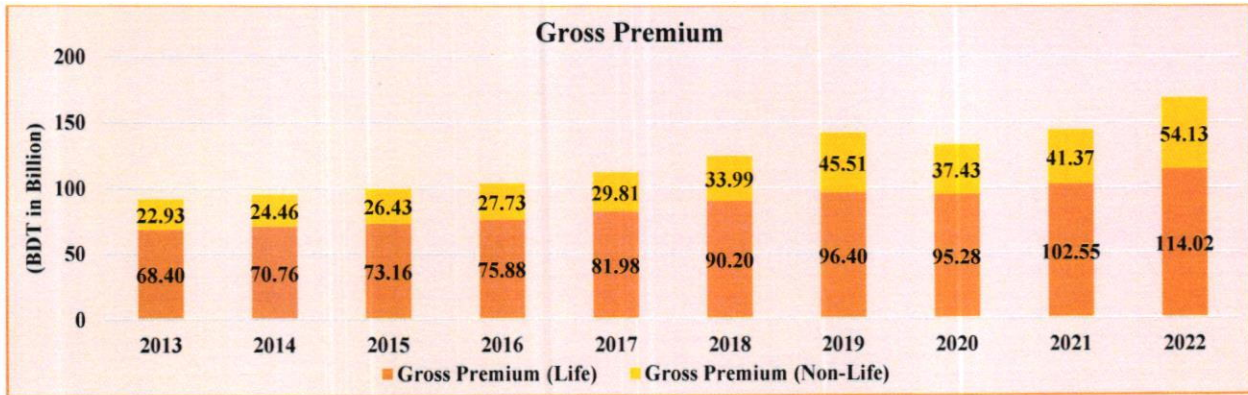
Source: Insurance Development and Regulatory Authority (IDRA); Swiss Re Institute (Sigma Report); Financial Stability Report 2022, Bangladesh Bank

**2.2** 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. Lengthy time required to settle claims, lack of confidence of general people, 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 2022 against 0.41% in 2021 and 0.40% in 2020. Trend historical insurance penetration rates are depicted below:



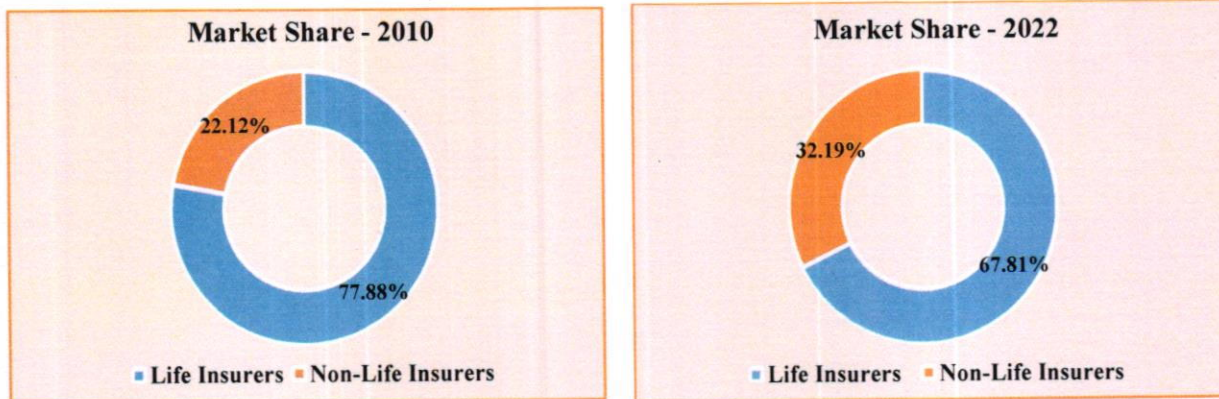
Source: Insurance Development and Regulatory Authority (IDRA), Swiss Re Institute (Sigma Report)

**2.3** Insurance penetration rate in Bangladesh has been experiencing a declining trend over the last ten years. Global insurance penetration rate is 6.80 percent while our insurance penetration rate is far below 1 percent. Insurance density is also very poor in our country at USD 12.00 against world average of USD 853.00



Source: Insurance Development and Regulatory Authority (IDRA); Financial Stability Report 2022, Bangladesh Bank

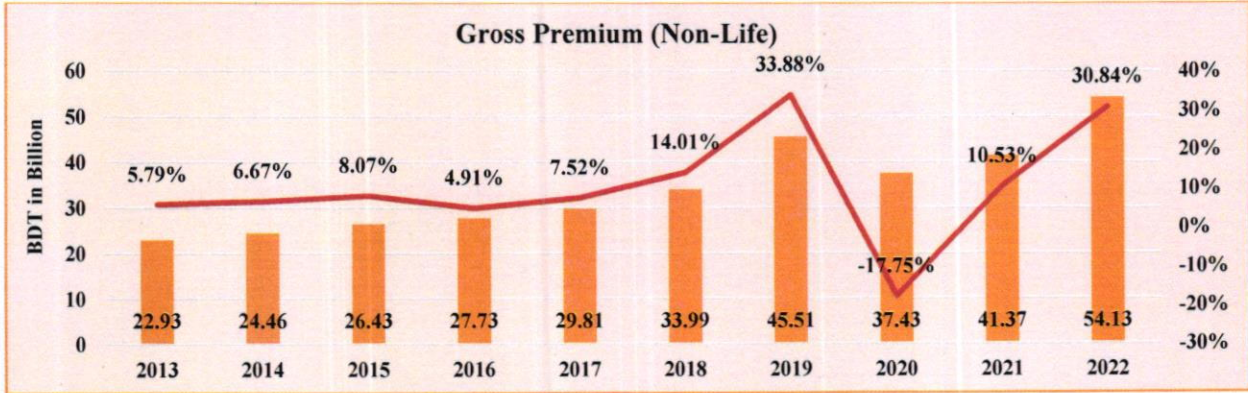
2.4 Collection of gross premium has an increasing trend over the years. Gross premium collection fell in 2020 due to the Covid-19 pandemic but started increasing the following year. Gross premium collection of non-life insurers experienced a greater growth compared to life insurers. Insurance companies are broadly categorized as life insurers and non-life insurers. Life insurance companies occupies the lion's share of the market. However, from the following graph we can see that market share of non-life insurance companies has grown in 2022 compared to 2010.



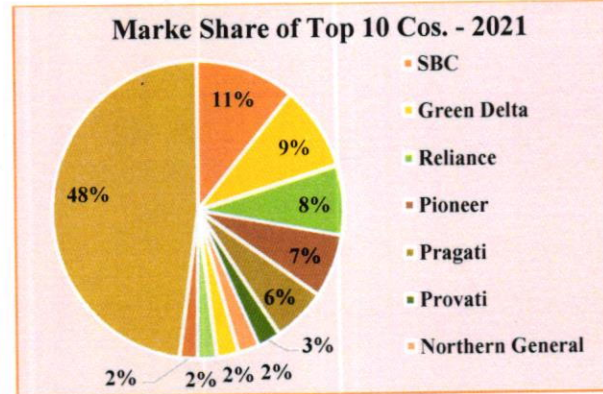
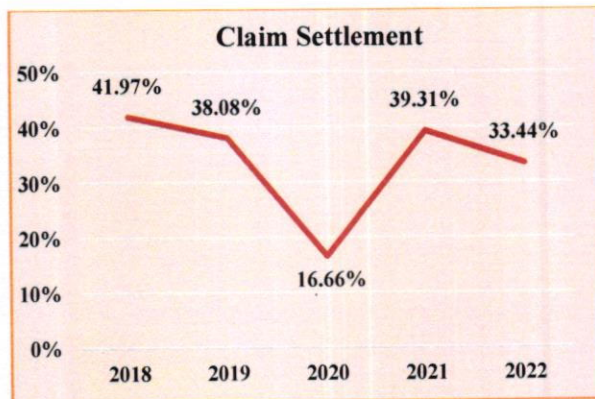
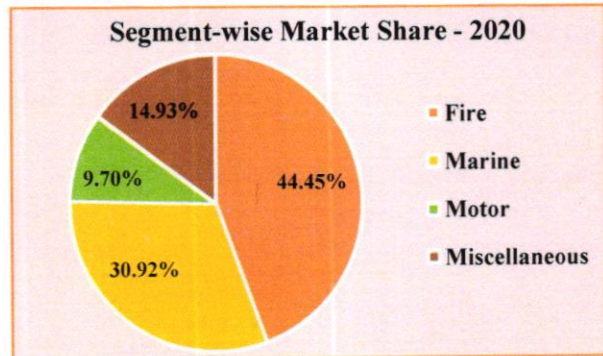
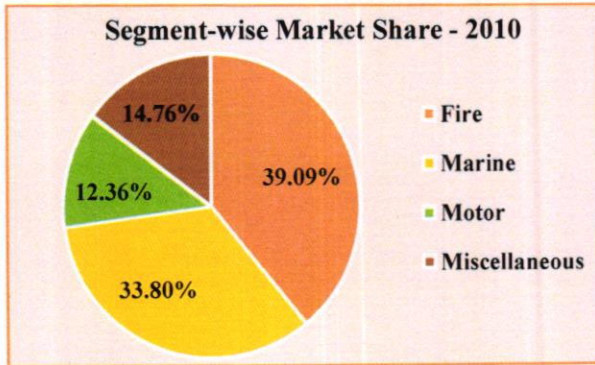
Source: Insurance Development and Regulatory Authority (IDRA); Financial Stability Report 2022, Bangladesh Bank

### NON-LIFE INSURANCE SECTOR AT A GLANCE

2.5 Non-life insurers occupy lesser market share of Bangladesh insurance industry compared to the life insurers. Currently the sector represents one-third of the industry. However, the sector is growing and grabbing more market. As a result, market share of non-life insurers in terms of gross premium collection jumped to 32.19 percent in 2022 from 22.12 percent in 2010. In last ten years, gross premium collection of the sector experienced a CAGR of 8.97 percent and reached to all-time high in 2022. Higher growth of gross premium collection can be attributed to the growth of market shares. Low claim settlement ratio can also be linked to the declining market share. The claim settlement ratio is only around 40 percent on an average but the ratio for last three years is below the average. Brief overview of life insurance sector is depicted below:



Source: Insurance Development and Regulatory Authority (IDRA); Financial Stability Report 2022, Bangladesh Bank



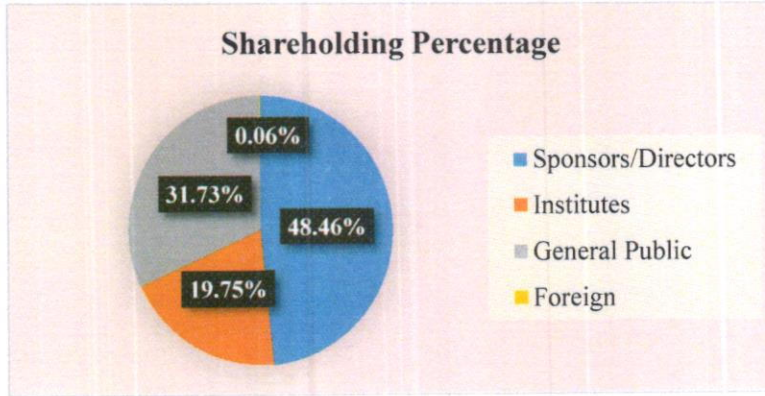
Source: Insurance Development and Regulatory Authority (IDRA); Financial Stability Report 2022, Bangladesh Bank

2.6 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 the 35<sup>th</sup> largest economy in the world but it stood 60<sup>th</sup> in world ranking 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 many. 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.

### 3 BUSINESS RISKS

#### 3.1 OWNERSHIP STRUCTURE

The shareholding pattern of the company has been found diversified among sponsors/Directors, institutes and general public. The majority of the shares 48.46% are held by the Sponsors/Directors, while different institutes hold 19.75% of the total shares, Foreign holds 0.06% and 31.73% shares are held by the General Public as on December 31, 2023. The following graph portrays the shareholding structure of the company as on December 31, 2023:



Sl. No.	Name of Directors	Status	Shares	% of paid up shares
01	Mrs. Tahmina Afroz	Chairman	9,94,075	2.33%
02	Mr. Emdadul Haque Chowdhury	Vice Chairman	8,61,734	2.02%
03	Mr. Md. Humayun Kabir Patwary	Sponsor Shareholder Director	12,77,594	3.00%
04	Mr. Md. Abul Hashem	Sponsor Shareholder Director	8,51,744	2.00%
05	Mr. Abul Hashem	Sponsor Shareholder Director	12,77,594	3.00%
06	Mr. Md. Moshir Rahman Chamak	Sponsor Shareholder Director	8,60,000	2.02%
07	Mrs. Shahanaz Parvin	Sponsor Shareholder Director	15,32,587	3.60%
08	Mr. Md. Iqbal Hossain, Rep. of Eastern Diagnostic H & OPMS	Sponsor Shareholder Director	15,26,807	3.59%
09	Mr. Redwan Kabir	Sponsor Shareholder Director	8,52,000	2.00%
10	Mr. Md Riazul Haider, Rep. of Hazi Shakhawat Anwara Eye Hospital.	Sponsor Shareholder Director	13,65,448	3.21%
11	Engr. Khondaker Mesbauddin Ahmed Rep. of The Eventus	Sponsor Shareholder Director	8,52,000	2.00%
12	Mr. Md Saiful Islam, Rep. of Modern Diagnostic Center Ltd.	Public Shareholder Director	8,52,011	2.00%
13	Mr. Khorshed Alam Khan	Public Shareholder Director	8,52,028	2.00%
14	Mr. Md. Jahirul Islam	Public Shareholder Director	35,97,035	8.45%
15	Mr. Mahmud Ali Khan, Rep. of	Public Shareholder	11,25,720	2.64%

	Daffodils Sign Media.	Director		
16	Mr. Md. Zia Uddin Podhar	Public Shareholder Director	9,50,514	2.23%
17	Mr. Md. Mofiz Uddin	Sponsor Shareholder	10,07,000	2.36%
18	Mr. Anwer Hossain Khan MP	Sponsor Shareholder	8,86,355	2.08%
19	Engr. Khondaker Mesbauddin Ahmed	Sponsor Shareholder	4,25,594	1.00%
20	Mrs. Farzana Rahman	Sponsor Shareholder	12,77,594	3.00%
21	Mrs. Nasreen Hoque	Sponsor Shareholder	8,97,367	2.11%
22	Mr. Anwar Hossain Chowdhury	Sponsor Shareholder	8,51,834	2.00%
23	Mr. Tofazzal Hossain	Sponsor Shareholder	5,67,819	1.33%
24	Mr. Md Mahedi Hasan	Independent Director	-	-
25	Mr. A.B.M Kaikobad	Independent Director	-	-
26	Mr. Md Jahirul Islam	Independent Director	-	-
27	Mr. Md Azizul Hossain Baten	Independent Director	-	-
		<b>Total</b>	<b>2,55,42,454</b>	<b>59.98%</b>

### 3.2 CORPORATE GOVERNANCE

**3.2.1** The Board of Directors of the company is comprised of 20 (twenty) members. During the year 2023, 08 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. A brief profile of board members is given below:

Sl. No.	Name of Directors	Designation	Educational Qualification	Experience
01	Mrs. Tahmina Afroz	Chairman	B.Sc.	23 Years
02	Mr. Emdadul Haque Chowdhury (Emdad)	Vice Chairman	Graduation	50 Years
03	Mr. Md. Humayun Kabir Patwary	Chairman, Executive Committee	C.A.C.C., M.Com	41 Years
04	Mr. Khorshed Alam Khan	Chairman, Claim Committee	Graduation	20 Years
05	Mr. Md. Mahedi Hasan	Chairman, Audit Committee (I.D)	CA (CC), MBA (HRM)	10 Years
06	Mr. Md. Azizul Hossain	Chairman, NRC (I.D)	M.Com (Management), MBA (Marketing)	17 Years
07	Mr. Md. Abul Hashem	Sponsor Shareholder Director	Graduation	50 Years
08	Engr. Khondaker Mesbauddin Ahmed Rep. of The Eventus	Sponsor Shareholder Director	M.Sc. (Engr.)	60 Years
09	Mr. Abul Hashem	Sponsor Shareholder Director	BBM	21 Years
10	Mr. Md. Iqbal Hossain (Rep. of Eastern Diagnostic H & OPMS)	Sponsor Shareholder Director	H.S.C	06 Years
11	Mr. Md. Moshir Rahman Chamak	Sponsor Shareholder Director	MBA (Finance), BBA (Marketing)	12 Years
12	Mrs. Shahanaz Parveen	Sponsor Shareholder Director	B.A	07 Years

13	Mr. Redwan Kabir	Sponsor Shareholder Director	Masters of Business Analytics (York University, Canada), B.Com. (Hons.)	03 Years
14	Mr. Md. Riazul Haider Representative of Hazi Shakhawat Anwara Eye Hospital Ltd.	Sponsor Shareholder Director	Diploma Engineering (Computer)	04 Years
15	Mr. Md. Saiful Islam (Rep. of Modern Diagnostic Center Ltd.)	Public Shareholder Director	Masters	03 Years
16	Mr. Jahirul Islam	Public Shareholder Director	Graduation	20 Years
17	Mr. Md. Zia Uddin Podhar	Public Shareholder Director	B.Com.	21 Years
18	Mr. Mahmud Ali Khan (Rep. of Daffodils Sign Media)	Public Shareholder Director	H.S.C.	30 Years
19	Mr. A.B.M Kaikobad	Independent Director	Masters in International Trade & Investment (MITB), PGDPM (Personnel Management), MBA (HRM), M.Com (Accounting)	18 Years
20	Mr. Md. Jahirul Islam (Sumon)	Independent Director	B.S.S.	05 Years

**3.2.2** The board has six committees, i.e. Audit Committee (composed of 06 members), Nomination & Remuneration Committee (composed of 07 members), Investment Committee (composed of 05 members), and Risk Management Committee (composed of 05 members), Policyholder Protection & Compliance Committee (composed of 05 members) & Shariah Council (composed of 05 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 6 (six) members Audit Committee of Takaful Islami Insurance Limited was constituted by the Board of Directors to monitor, analyze and audit the overall activities of the Company and report to the Board and AGM ensuring and certifying that the financial statements as presented reflect a true and fair view.
2.	Nomination & Remuneration Committee	The 7 (seven) members Nomination and Remuneration Committee of Takaful Islami Insurance Limited was constituted by the Board of Directors. Responsibilities of NRC - <ul style="list-style-type: none"> <li>▪ Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.</li> <li>▪ Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.</li> <li>▪ Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality.</li> <li>▪ Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down and recommend their appointment.</li> </ul>