

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

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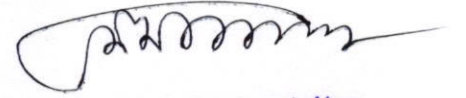
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[FORM-IX]
[Rule 10(8) A(g)]

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

EXECUTIVE SUMMARY
1ST SURVEILLANCE ENTITY RATINGS OF
TAKAFUL ISLAMI INSURANCE PLC

Declaration Date	09.01.2025	19.02.2024
Long Term Entity Rating	AAA (Triple A)	AA+ (Double A Plus)
Short Term Entity Rating	ST-1	ST-2
Outlook	Stable	Stable
Expiry Date	08.01.2026	18.02.2025

Performance Highlights:

(TK in Million)

Particulars	2023	2022
Total Assets	1288.11	1,242.98
Total Investment	180.99	168.14
Paid Up Capital	425.87	425.87
Total Equity Capital	816.88	805.77
Gross Premium Written	746.37	626.23
Net Premium Earned	442.28	360.27
Underwriting Income	72.49	73.05
Profit After Tax	62.72	63.35
Outstanding claim	121.39	247.92
Premium Solvency Ratio (%)	163.77	225.14
Loss Ratio (%)	4.09	1.36
Current Ratio (X)	0.68	0.31
ROE (%)	13.98	15.03
ROA (%)	8.96	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
▪ Satisfactory IT infrastructure
▪ Regular payment of cash dividend (10% in 2023)
Challenges
▪ Developing innovative ideas and new products
▪ Raising public faith & awareness
▪ Increasing market share in a very competitive market structure

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

Declaration Date	09.01.2025
Long Term Entity Rating	AAA (Triple A)
Short Term Entity Rating	ST-1
Outlook	Stable
Expiry Date	08.01.2026

RATING BASIS

Ratings are based on Audited Financial Statements up to December 31, 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.

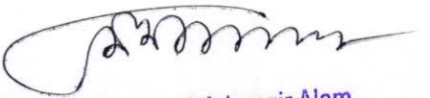
RATING DEFINITION

AAA (Triple A) entity rating defines strongest credit quality.

ST-1 defines strongest ability to meet short term 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)
National Credit Ratings Ltd

RATING RATIONALE

NCR has upgraded the previous ratings of **Takaful Islami Insurance PLC** by single notch & assigned the Rating Grade (**AAA, ST-1**) which defines Strongest Credit Quality & Ability to Meet Short Term Financial Commitments.

The Company's excellent business performance as well as its market prospect were considered thoroughly by the rating committee members while assigning the highest rating grade. Satisfactory business profile with diversified products and services, experienced promoters & management committee along with the transparency of news disclosures were also considered positively.

The concerns claim settlement as well as financial base, satisfactory premium solvency ratio, regular payment of cash dividend (10% in 2023) were also considered by the rating committee members while upgrading the above rating. Moreover, reinsurance arrangement with renowned reinsurers, total sum insured and best possible reserve for exceptional losses have also been considered & that are well aligned with the highest rating grade.

Further, satisfactory gross premium written, net premium earned, & NPR also considered by the rating committee members. Moreover, regular payment of claims reflects through decrease of outstanding claim are considered affirmatively. 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, TIIPLC'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

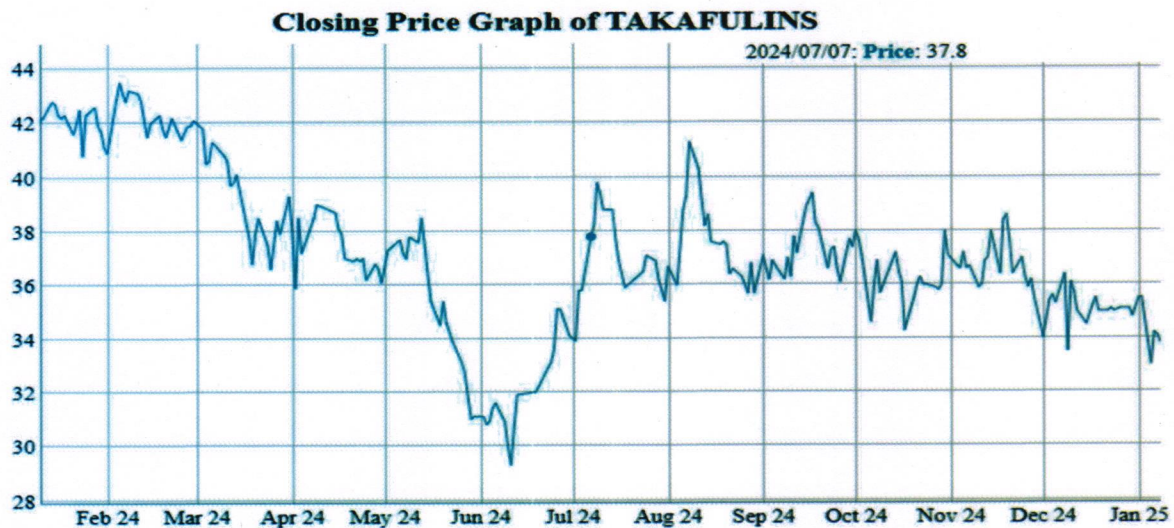
The stable outlook reflects the company's unwavering performance on its fundamentals and NCR expects that the company will be able to maintain its good fundamentals on an ongoing basis in the future.

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2.0 BUSINESS OVERVIEW

2.1 Takaful Islami Insurance PLC (hereinafter referred as 'TIIPLC' 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.

2.2 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 10% cash dividend for the year ended on December 31, 2023. The 24th Annual General Meeting held on 10th August, 2024. The EPS of the Company has been reported to TK 1.47 in 2023 against TK 1.49 in 2022. The following graph reveals the trading history of 'TIIPLC's stock closing price over the period of last twelve months at DSE:



2.3 The Registered Office of TIIPLC is located at Monir Tower (7th, 8th & 9th Floor), 167/1, DIT Extension Road, Motijheel (Fakirapool), Dhaka.

2.4 PRODUCT AND SERVICE:

Non-life Insurance Schemes	
Fire	Marine
<ul style="list-style-type: none"> ▪ Standard fire policy ▪ Fire package ▪ Industrial all risks 	<ul style="list-style-type: none"> ▪ Marine cargo insurance ▪ Marine hull insurance
Engineering	Motor
<ul style="list-style-type: none"> ▪ Contractor all risks insurance (CAR) ▪ Erection all risks insurance (EAR) ▪ Machinery breakdown insurance (MBD) ▪ Deterioration of stock insurance (DOS) ▪ Boiler & pressure vessel insurance (BPV) ▪ Contractor's plant & machinery insurance (CPM) 	<ul style="list-style-type: none"> ▪ Comprehensive insurance ▪ Act liability insurance

Miscellaneous	
<ul style="list-style-type: none"> ▪ Burglary insurance (BUG) ▪ Cash-in-safe insurance (CIS) ▪ Cash-in-transit insurance (CIT) ▪ Workmen's compensation insurance (WP) 	<ul style="list-style-type: none"> ▪ Cash-on-counter insurance (COC) ▪ Personal accident insurance (PA) ▪ Peoples personal accident insurance (PPA)

2.5 The company is providing services through 53 branches (including permission for two new branch) all over the country. The details of the Branches are provided below:

Sl. No.	Name of Branch	Sl. No.	Name of Branch
1	Agrabad Branch	28	Kushtia Branch
2	B. Baria Branch	29	Local Office
3	B.B. Avnue Branch	30	Malibagh Branch
4	Bangshal Branch	31	Mirpur Branch
5	Baridhara Branch	32	Mohakhali Branch
6	Barisal Branch	33	Motijheel Branch
7	Bogura Branch	34	Mymensingh Branch
8	Chowmuhani Branch	35	Narayanganj Branch
9	Chuadanga Branch	36	Narsingdi Branch
10	Cox's Bazar Branch	37	Noapara Branch
11	Cumilla Branch	38	Pabna Branch
12	Dhanmondi Branch	39	Paltan Branch
13	Dilkusha Corp. Branch	40	Principal Branch
14	Dinajpur Branch	41	Rajshahi Branch
15	DIT Extension Road Br.	42	RAJUK Avenue Branch
16	Elephant Rd. Branch	43	Ramganj Branch
17	Feni Branch	44	Rangpur Branch
18	Gazipur Branch	45	Saidpur Branch
19	Gulshan Branch	46	Satkhira Branch
20	Imamganj Branch	47	Shantinagar Branch
21	Jashore Branch	48	Shyamoli Branch
22	Jhenaidah Branch	49	Sylhet Branch
23	Jubilee Road Branch	50	Tangail Branch
24	Kawran Bazar Branch	51	Toyenbee Circular Road Br.
25	Khatunganj Branch	52	Uttara Branch
26	Khulna Branch	53	VIP Road Branch
27	Kishoreganj Branch	--	--

3.0 INDUSTRY OVERVIEW

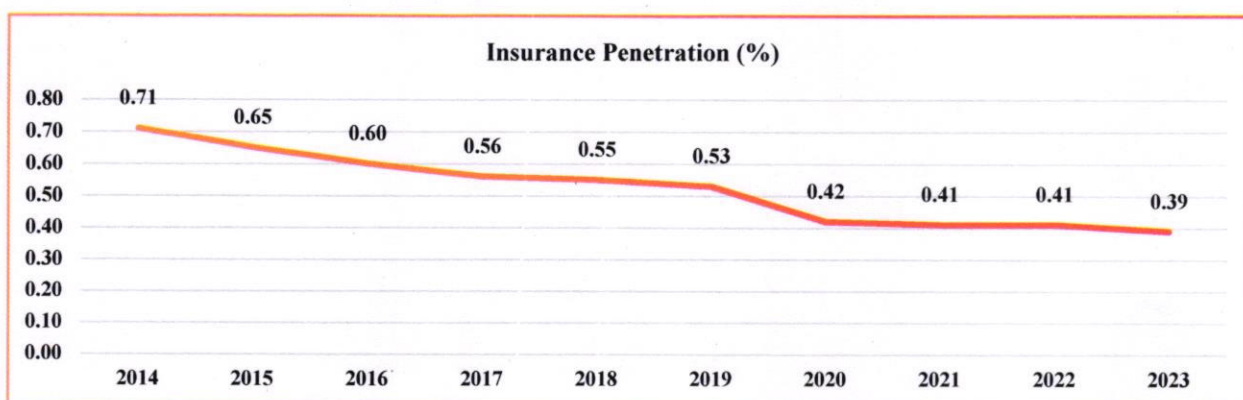
3.1 After the liberation of Bangladesh, in 1972, all the 49 insurance companies operating in Bangladesh were nationalized under five public sector corporations which were subsequently restructured into two corporations: the Sadharan Bima Corporation (SBC) for general insurance, and Jiban Bima Corporation (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 82 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 (2023)	0.39%
Global Insurance Penetration Rate (2023)	7.00%
Insurance Density (2023)	USD 12.00
Global Insurance Density (2023)	USD 889.00
Gross Premium (GP) (Life) (2023)	BDT 122.80 billion
Gross Premium (GP) (Non-Life) (2023)	BDT 52.04 billion
Market Share of Life Insurance based on GP (2023)	70.23%
Market Share of Non-Life Insurance based on GP (2023)	29.77%
Number of Life Insurance Policies (2023)	8.63 million
Claim Settlement Ratio (Life) (2023)	72.25%
Claim Settlement Ratio (Non-Life) (2023)	41.35%
Human Resources	41,481
Top 05 Life Insurance Companies	Met Life, National Life, Delta Life, JBC, Popular Life
Top 05 Non-Life Insurance Companies	SBC, Green Delta, Reliance, Pioneer, Pragati

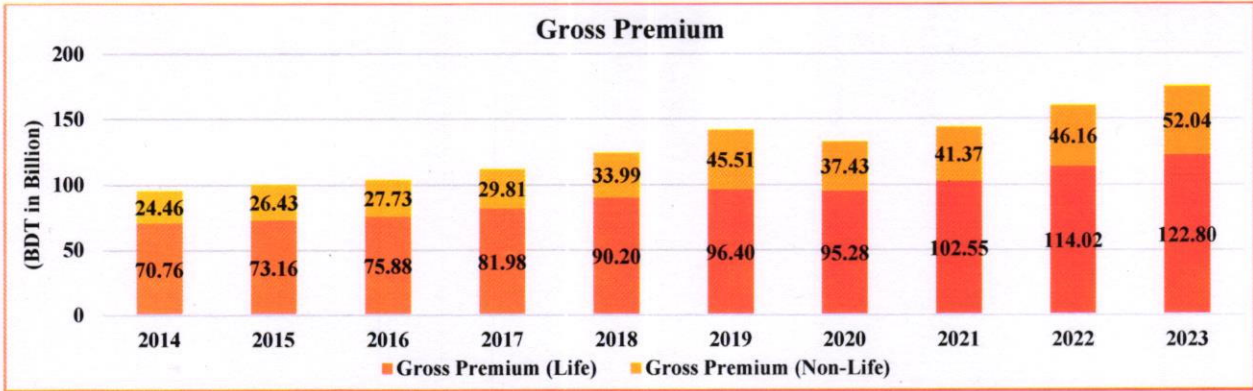
Source: Insurance Development and Regulatory Authority (IDRA); Swiss Re Institute (Sigma Report); Financial Stability Report 2023, Bangladesh Bank; The Daily Star (01.03.2024)

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. 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. Insurance penetration rate of Bangladesh was 0.39% in 2023 against 0.41% in both 2022 and 2021. Trend of historical insurance penetration rates is depicted below:



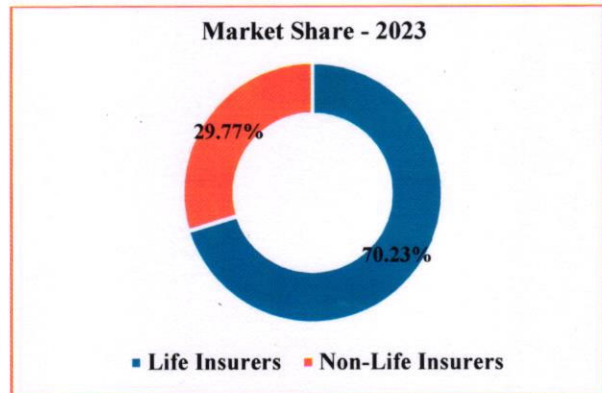
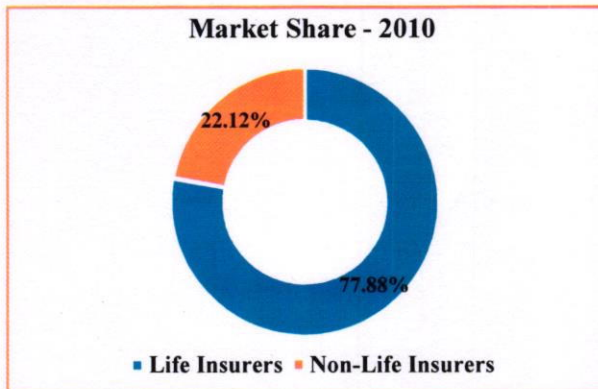
Source: Insurance Development and Regulatory Authority (IDRA), Swiss Re Institute (Sigma Report)

3.3 Insurance penetration rate in Bangladesh has been experiencing a declining trend over the last ten years. According to the Sigma Report of Swiss Re Institute, global insurance penetration rate was 7.00 percent in 2023 while our insurance penetration rate was far below 1 percent. Insurance density is also very poor in our country at USD 12.00 against world average of USD 889.00.



Source: Insurance Development and Regulatory Authority (IDRA)

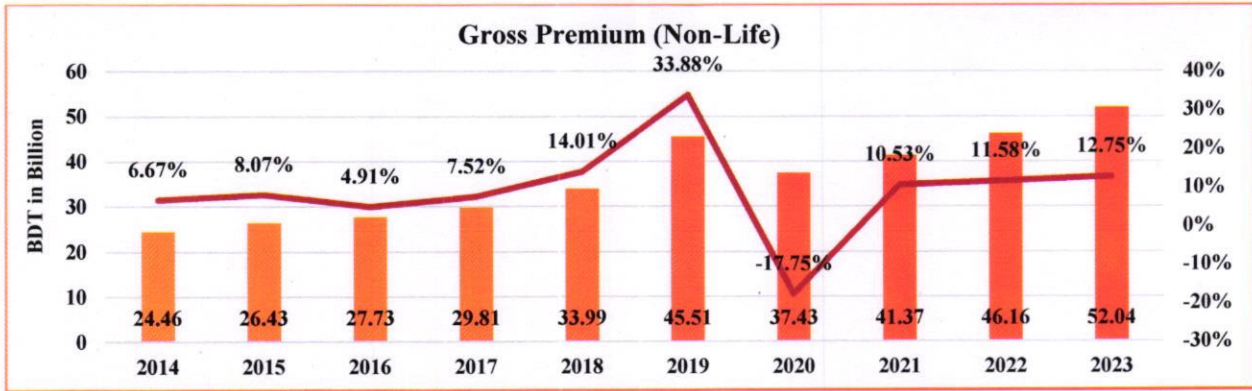
3.4 Collection of gross premium has an increasing trend over the years. Gross premium collection fell in 2020 due to the Covid-19 pandemic but started increasing the following year. Gross premium collection of non-life insurers experienced a greater growth compared to life insurers. Insurance companies are broadly categorized as life insurers and non-life insurers. Life insurance companies occupy 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.



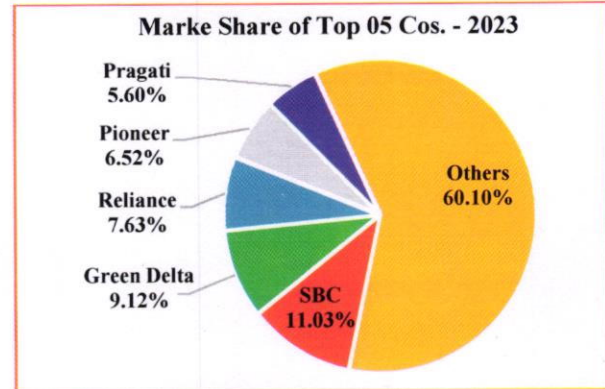
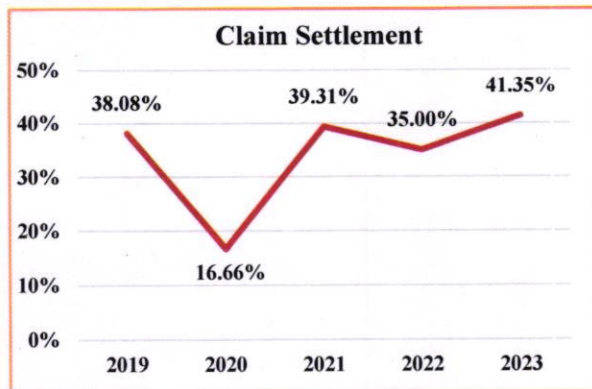
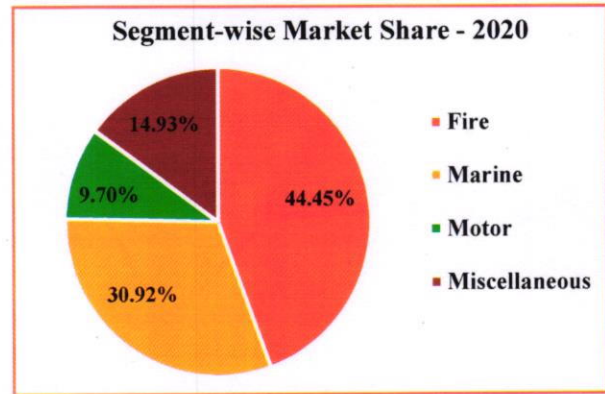
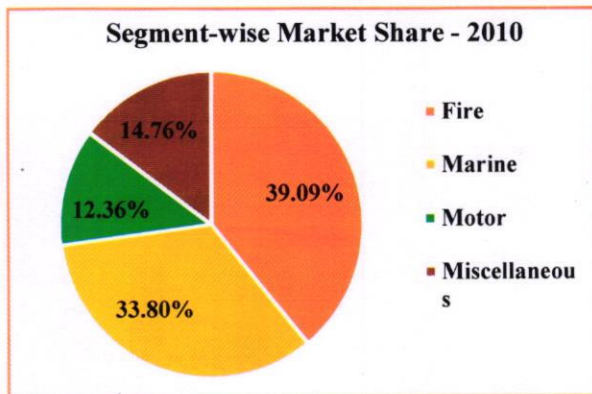
Source: Insurance Development and Regulatory Authority (IDRA)

NON-LIFE INSURANCE SECTOR AT A GLANCE

3.5 Non-life insurers occupy lesser market share of Bangladesh insurance industry compared to the life insurers. Currently the sector represents nearly one-third of the industry. However, the sector is growing and grabbing more market share. As a result, market share of non-life insurers in terms of gross premium collection jumped to 29.77 percent in 2023 from 22.12 percent in 2010. In last ten years, gross premium collection of the sector experienced a CAGR of 7.84 percent and reached to all-time high in 2023. 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. In the last ten years, the claim settlement ratio was only around 40 percent on an average. Brief overview of life insurance sector is depicted below:



Source: Insurance Development and Regulatory Authority (IDRA)



Source: Insurance Development and Regulatory Authority (IDRA)

3.6 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 35th largest economy in the world but it stood 60th 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.