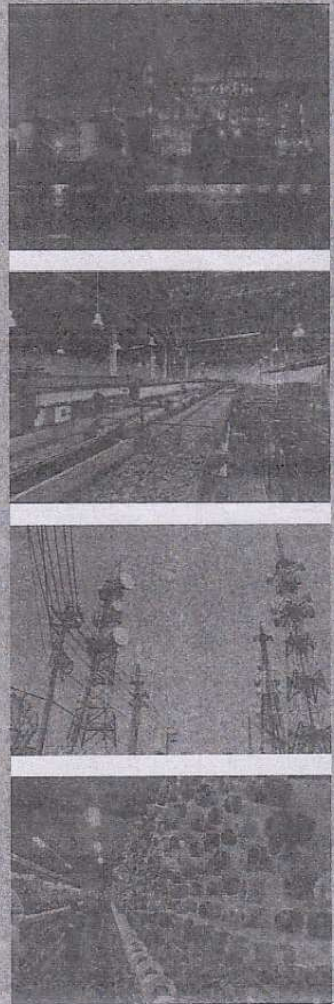


CREDIT RATING
REPORT



CREDIT RATING
AGENCY OF

Credit Rating Report (Surveillance)

Meghna Life Insurance Company Limited

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Mahin Ahmed

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Key Performance Indicator of the Company

	-Year ended December 31-	
	2020	2019
Mil.BDT		
1st Year Premium	781.1	1,031.1
Renewal Premium	3,409.5	3,288.9
Net Premium	4,207.8	4,345.4
Life Fund	18,896.4	17,907.7
Investment	15,236.5	14,596.2
Surplus as of December	871.6	981.1
Net Liability	18,024.8	17,907.7
(%)		
Net Surplus to Net Premium	20.7	22.6
Investment Yield	5.5	6.1

RATING BASED ON: Audited financial statement up to 31 December 2020 and other relevant quantitative as well as qualitative information up to the date of rating declaration.

Assigned Rating:**Long Term : AA₃****Outlook : Stable****Date of Rating:** 28 February 2022**Valid Till :** 30 June 2022

Methodology: CRAB's Life Insurance Rating Methodology (www.crab.com.bd)

COMPANY PROFILE

Meghna Life Insurance Company Limited (hereafter called Meghna Life or the Company) commenced its operation on 5 May 1996. The principal activity of the Company is to carry out life insurance business throughout the country. Meghna Life entered into capital market through public offering of shares in January 2005. The Company is listed both in Dhaka Stock Exchange and Chittagong Stock Exchange. Presently, the Company has 12 composite service centers and 244 zonal/regional offices across the Country. The paid up capital of the Company was BDT 335.2 million against authorized capital of BDT 600.0 million as of 31st December 2020. Meghna Life issued 70,997 life policies in 2020. On the other hand, the Company settled 1,481 death claims and 55,153 maturity claims during 2020. The Company has a subsidiary company named Meghna Life Securities and Investment Limited.

RATIONALE

Credit Rating Agency of Bangladesh Limited (CRAB) has affirmed **AA₃** (Pronounced Double A three) rating in the long term of Meghna Life Insurance Company Limited based on audited financials and actuarial valuation report up to December 2020 and other relevant information. The rating reflects the Company's consistent good claim payment history, adequate capital adequacy, improved cost control, satisfactory profitability and good liquidity. However the rating is constrained by low investment yield as well as higher lapse ratios.

MLICL commenced its operation on 5 May 1996 to carry out life insurance business throughout the country. The Company has a wide distribution channel across the country through its composite center and branches. Major business of Meghna Life came from Ekok Bima insurance (on an average 56% of gross premium) followed by Islami Bima insurance products (22% of gross premium) and Loko Bima (20% of gross premium) for the last five years.

The Company has consistent growth of its investment assets. The Company's investment portfolio reached BDT 15,236.5 million at the end of 2020 against required investment of BDT 18,080.9 million. There was investment shortfall of BDT 2,844.3 million in 2020 (in 2019: BDT 3,387.5 million). In 2020, total investment was strongly dominated by FDR & STD deposit (54.2% of total investment) followed by government securities (29.2% of total investment) and property investment (7.4% of total investment). Investment yield (based on life fund) of MLICL stood

5.5% in 2020 (2019: 6.1%). As major portion of total assets comprised of high quality liquid asset indicates sound liquidity position of the Company. Liquid assets to total assets of the company was high at 64.8% in 2020 having average of 65.0% for last five years.

The retention limit is BDT 0.30 million for both individual life in December 2020. The Company paid BDT 9.7 million in 2020 as re-insurer premium. Retention ratio of MLICL remained high at 99.8% at the end of 2020 having an average of 99.7% for the last five years.

Capital adequacy of Meghna Life remain adequate in terms of regulatory capital; BDT 335.2 million against authorized capital of BDT 600.0 million. The Company has steady growth of life fund on the back of sizable renewal premium and moderate investment yield. Life fund of Meghna Life reached BDT 18,896.4 million at the end of 2020. However, solvency ratio of the Company cannot be calculated in absence of relevant regulation and detailed data.

Lapse trend of Meghna Life for the last five years shows that on an average 65% of the policies were lapsed within the three years from issuance. It is observed that policy lapse rate of MLICL is very high in the 2nd year of issue. Around 63% of total policies lapsed in the 2nd year of issuance. Though lapse ratio of MLICL showed marginally decreased trend but it still very high. CRAB expects the MLICL management's strong and persistent plan as well as effort to reduce number of lapse policies in recent future.

The Company managed to reduce its management expenses continuously on the back of reduced commission expense as well as increased efficiency. Therefore, actual management expense remained much lower compared to the allowable expense over the last couple of years. In 2020, the Company incurred management expenses of BDT 1,071.4 million against allowable expense of BDT 1,135.8 million. Actual management expense in 2020 was 14.5% lower compared that of its previous period. Total expense of the Company was 25.5% of net premium in 2020 (on an average 29.6% for last three years).

High competition from numbers of new life insurance companies along with higher lapse ratios affected the premium growth of the Company for last couple of years. Besides, ongoing COVID-19 pandemic has hit the economy as well as the insurance industry badly. As a result, 1st year premium of MLICL reduced by 24.2% in 2020 and reached BDT 781.1 million. On the other hand, renewal premium of the Company increased marginally and reached BDT 3,409.5 million. As an overall effect, net premium of the Company reached BDT 4,207.8 million in 2020 which was marginally lower compared to that of previous period. It is observed that renewal premium strongly dominated total revenue of MLICL followed by interest, dividend & rent and 1st year premium.

According to the actuarial valuation report of 2020, there was net surplus of BDT 952.3 million at the end of 2020 along with BDT 149.3 million from previous year. On the other hand, net liability of the Company was BDT 18,024.8 million at the end of 2020. In 2020, BDT 646.9 million was allocated to the policyholders and BDT 100.6 million was distributed among shareholders as dividend. An amount of BDT 56.1 million was kept as unallocated surplus.

Net claim of Meghna Life reached BDT 2,973.9 million in 2020, major portion of which was maturity claims. In 2020, 36.2% of total claim payment were maturity claims followed by survival policy claims (32.20%) and others claims (26.3%). On an average, claim settlement ratio for maturity claims and death claims were 94.3% and 82.0% respectively for the last five years. The substantial amount of claim payment in each sector as well as the considerable aging of outstanding claims reflects the claim paying willingness of Meghna Life.

Besides above, the Company's management skill and experience, expertise of top personnel, level of internal control, IT structure are also considered while assigning the rating.

■ CORPORATE OVERVIEW

Company Profile

Meghna Life Insurance Company Limited (hereafter called Meghna Life or the Company) commenced its operation on 5 May 1996. The principal activity of the Company is to carry out life insurance business throughout the country. Meghna Life entered into capital market through public offering of shares in January 2005. The Company is listed both in Dhaka Stock Exchange and Chittagong Stock Exchange. Presently, the Company has 12 composite service

centers and 244 zonal/regional offices across the Country. The paid up capital of the Company was BDT 335.2 million against authorized capital of BDT 600.0 million as of 31st December 2020. Meghna Life issued 70,997 life policies in 2020. On the other hand, the Company settled 1,481 death claims and 55,153 maturity claims during 2020. The Company has a subsidiary company named Meghna Life Securities and Investment Limited.

Distribution Channel

The Company has a wide distribution channel across the country with branch offices located at thana level. The Company has 12 composite service centers and 244 zonal offices across the Country. The agents of Company offer door to door insurance services to its customers. The Company has also applied to IDRA to open 81 new branches. The selection of location for expanding the distribution network depends on products and customer segments.

Product Mix and Premium Distribution

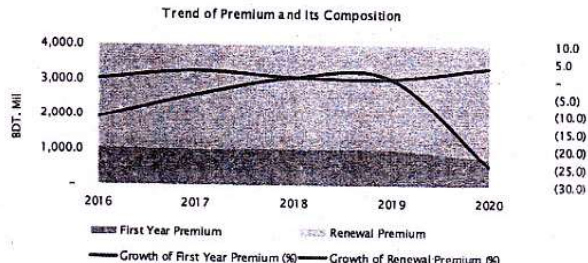
A number of new life insurance companies commenced business during 2013–2014 resulted in high competitive market during that period. Therefore, growth 1st year premium of many old companies got effected for a short term. Meghna Life's growth of 1st year premium also affected by these and was low during 2013–2017. Therefore, the Company focused on lapse policies to retain its renewal business. As a result lapse policies showed a decreasing trend. In 2020, there was new challenge due to ongoing COVID-19 pandemic. COVID-19 crisis has immense secondary effects on individuals, society, business and the wider economy across the globe. Millions of peoples were infected as well as overall operations of different entities impacted. Government declared general holiday from 26 March 2020 for a long time to contain the coronavirus. Therefore, it was tough to generate new business as well as service policies. These circumstances impacted the operations as well as business of MLICL like any other life insurance companies. As a result, 1st year premium of MLICL reduced by 24.2% in 2020 and reached BDT 781.1 million. On the other hand, being one of the prominent company among 1st generation companies, MLICL got benefited from its renewal premium in 2020. Renewal premium of the Company by 3.7% in 2020 and reached BDT 3,409.5 million. As an overall effect, net premium of the Company reached BDT 4,207.8 million in 2020 which was marginally lower compared to that of its previous period.

Table 1

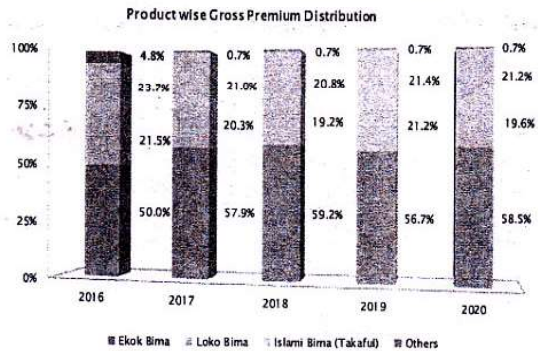
Premium Distribution of the Company

(Mil. BDT)	--Year ended December 31--				
	2020	2019	2018	2017	2016
First Year Premium	781.1	1,031.1	1,026.5	1,017.6	1,061.2
Renewal Premium	3,409.5	3,288.9	3,270.3	3,237.9	3,151.9
Group Insurance Premium	26.8	30.7	32.3	30.5	29.6
Gross Premium	4,217.5	4,350.8	4,329.1	4,286.1	4,242.6
First Year Premium as % of Gross Premium	18.5	23.7	23.7	23.7	25.0
Renewal Premium as % of Gross Premium	80.8	75.6	75.5	75.5	74.3

For the last five years, on an average 76.4% gross premium of MLICL came from renewal premium followed by 1st year premium (22.9% of total). In 2020, 80.8% of gross premium came from renewal premium followed by 1st year premium (18.5% of total). According to the existing rule, 90% of 1st year premium is allowed as management expense whereas only 15% of the renewal premium is allowable in this regard (for companies having more than seventh to tenth years of operation). Therefore, life insurance companies having higher renewal premium are more profitable. Therefore the Company's performance in case of renewal premium income was better.



At present, the Company has three divisions to sell different types of life insurance products, i.e. Ekok Bima, Loko Bima, Islami Bima (Takaful) and Group insurance. Generally, the Company sells all its insurance products through insurance agents. Core business of Meghna life came from Ekok Bima insurance (on an average 56% of gross premium) followed by Islami Bima insurance products (22% of gross premium) and Loko Bima (20% of gross premium) for the last five years. In 2020, 58.5% of gross premium came from Ekok Bima followed by Islami Bima (21.2%) and Loko Bima (19.6%).



■ OPERATIONAL REVIEW

Underwriting

Underwriting quality is very important for life insurance companies as it poses risk to long term volatility of a company. On the other hand, high competition in the market and first year premium affects the industry as a whole. Generation gap of the firms within the industry also affects the process.

Underwriting process of the Company determines whether or not to accept a proposal for insurance and if accepted, the terms and conditions to be applied and the level of premium to be charged. The Company has a structured process for the identification of applicants who are eligible to be accepted at standard rates and conditions. However, there are scopes to strengthen in some areas to mitigate its underwriting risk assessment and devise monitoring tools, such as process for order to make the risk assessment of compliance issues; methods for monitoring compliance with underwriting policies and procedures such as reviews area heads or portfolio management, peer review of policies, in case of re-insurance, audit of the ceding compliance to ensure the reinsurance assumed is in accordance with treaties in place.

Re-insurance/Retention

Reinsurance management process of Life Insurance Company includes selecting, monitoring, reviewing, controlling and documenting reinsurance arrangement. Meghna Life has reinsurance agreement with General Insurance Corporation (GIC), India. The retention limit is BDT 0.30 million for both individual life in December 2020. The Company paid BDT 9.7 million in 2020 as re-insurer premium. Retention ratio of MLICL remained high at 99.8% at the end of 2020 having an average of 99.7% for the last five years.

Policy Lapse

Lapse ratio indicates the overall efficiency of a company to retain its customers and policies and thereby helps to forecast future earnings. Low lapse ratio helps the insurance companies to grow life fund rapidly. However, high policy lapse is very common in the life insurance industry in Bangladesh. High competition from number of new life insurance companies affected the business of the Company. Lapse trend of Meghna Life for the last five years shows that on an average 65% of the policies were lapsed within the three years from issuance. It is observed that policy lapse rate of MLICL is very high in the 2nd year of issue. Around 63% of total policies lapsed in the 2nd year of issuance. Though lapse ratio of MLICL showed marginally decreased trend but it still very high. CRAB expects the MLICL management's strong and persistent plan as well as effort to reduce number of lapse policies in recent future.

Management Expenses

Management expense of the Company includes staff salary, agency commission and administrative expense. On an average, 55% of total expense consisted of salary expense followed by agency commission and other administrative expense. The Company managed to reduce its management expenses continuously on the back of reduced commission expense as well as increased efficiency. Therefore, actual management expense remained much lower compared to the allowable expense over the last couple of years. In 2020, the Company incurred management expenses of BDT 1,071.4 million against allowable expense of BDT 1,135.8 million. Actual management expense in

2020 was 14.5% lower compared that of its previous period. Total expense of the Company was 25.5% of net premium in 2020 (on an average 29.6% for last three years).

Table 2
Allowable Management Expenses

(Mil. BDT)	--Year ended December 31--				
	2020	2019	2018	2017	2016
Allowable Management Expenses	1,135.8	1,341.9	1,349.1	1,355.5	1,383.1
Actual Management Expenses	1,071.4	1,253.0	1,235.0	1,337.4	1,440.5
Excess Management Expenses	(64.4)	(88.9)	(114.2)	(18.1)	57.4
Management Expense as % of Net Premium	25.5	28.8	28.6	31.3	34.0

FINANCIAL REVIEW
Asset Composition

As of 31 December 2020, total assets of the Company grew by 5.2% and reached BDT 20,333.9 million. In 2020, total assets of the Company was dominated by Fixed Deposits (28.6% of total assets) followed by investment in Government securities (21.9% of total), cash, STD & current account (14.4%) and outstanding premium (9.4% of total). Other assets of the Company was BDT 1,207.4 million, major portion of which consisted of interest, dividend & rent (BDT 403.2 million) and investment in subsidiary company (BDT 496.1 million). The Company's policy on investing assets is to maintain adequate liquidity while build an investment portfolio capable of ensuring stable and long term returns.

Investment Profile

The Company has a separate division named Investment and Share Division consisted of seven person and headed by Chief Executive Officer (CEO) of the Company. Under this division separate teams are created to look after portfolio of different types; i.e.; shares, government securities, fixed deposits etc. The objective of this division to invest the Company's asset in such a manner that ensures good return in medium to short term while maintaining sufficient liquidity and considering risk. Besides, the division is also responsible for responding to changes in financial conditions and the investment environment. The Company carry out actuarial analysis every year, therefore, MLICL stays updated which help to maintain investment portfolio as per regulatory requirements.

The Company has consistent growth of its investment assets. Required investment (Net liability+ policyholders' unallocated surplus) of the Company was BDT 18,080.9 million in 2020, against which actual investment was BDT 15,236.5 million. There was investment shortfall of BDT 2,844.3 million in 2020 (in 2019: BDT 3,387.5 million).

Table 3
Investment Position of the Company

Mil.BDT	--Year ended December 31--				
	2020	2019	2018	2017	2016
Required Investment	18,080.9	17,983.7	16,035.0	14,873.6	13,981.9
Actual Investment	15,236.5	14,596.2	13,518.9	12,323.6	11,852.2
Investment Shortfall	(2,844.3)	(3,387.5)	(2,516.1)	(2,550.1)	(2,129.7)

Generally, major assets of the life insurance companies are kept in liquid form as life insurance contracts frequently have embedded policyholder options that create uncertainty regarding the timing of the liability payout stream. Meghna Life also concentrates its assets in high quality liquid assets; Government securities and fixed deposits. On an average, fixed deposit and government securities investment consisted of 39.3% and 33.0% of total investment respectively for last five years.

In 2020, total investment was strongly dominated by FDR & STD deposit (54.2% of total investment) followed by government securities (29.2% of total investment). Besides, the Company had BDT 1,002.1 million investment in ordinary shares at the end of 2020, whereas market value of the portfolio was BDT 1,059.4 million. Fixed asset investment was BDT 1,132.5 million in 2020 which was 6.3% of required investment. Meghna Life also had BDT 396.0

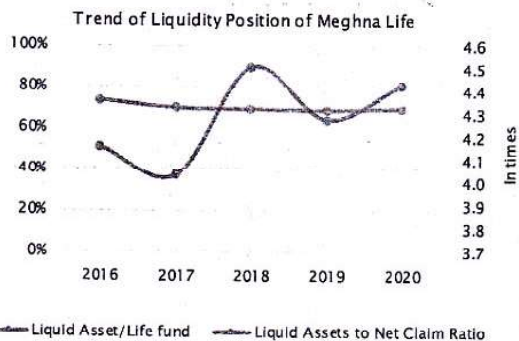
million investment in its subsidiary company. Investment yield (based on life fund) of MLICL reduced marginally to 5.5% mainly resulted from reduced interest rate in FDR in the banking industry.

Table 4

(Mil. BDT)	As of 31 December, 2020		
	Amount	Actual Investment as % of	
		Required Investment	Limit (%)
Investment in Government Securities	4,445.8	24.6	30.0 (at least)
Other Investment:	10,790.7	59.7	-
<i>Ordinary Shares</i>	1,002.1	5.5	-
<i>Deposits other than current deposits in bank</i>	8,260.0	45.7	50.0 (Highest)
<i>Property Investment</i>	1,132.5	6.3	20.0 (Highest)
<i>Investment in Subsidiary</i>	396.0	2.2	-

Liquidity and Liability Management

CRAB looks into the Asset Liability Management (ALM) process to ensure that company's assets are adequate to meet the potential short and long term needs of liabilities. The company has to maintain an overall match between the expected cash flows and expected liability cash flows applying cash flow matching methodologies. Every year, the Company carried out actuarial analysis and based on the actuarial report, bonuses to the policy holders as well as dividend to the shareholders were determined. Investment decisions are also made on that to quantify and accomplish the matching of asset and liability cash flows and hence the impact on its earnings and capital. Meghna Life invests its assets in a manner that ensure stable medium to long term returns to meets its liability. For the last five years, liquid assets to total assets of the company was 65% on an average. At the end of 2020, 69.7% of total life fund of Meghna Life was in the form of liquid asset having an average 70.4% for the last five years. Liquid assets of the Company was 4.3 times of net claims on an average during the same period which indicates good liquidity position for the Company. Net liability of the Company as of valuation grew marginally in 2020 and reached BDT 18,024.8 million from BDT 17,907.7 million in 2019.



Net liability of the Company as of valuation grew marginally in 2020 and reached BDT 18,024.8 million from BDT 17,907.7 million in 2019.

Capital and Life Fund

As per section 21 of Insurance Act 2010, the minimum regulatory paid up capital requirement for life insurance companies is BDT 300.0 million. As of 31st December 2020, the paid-up capital of Meghna Life was BDT 335.2 million against authorized capital of BDT 600.0 million. Therefore, capital adequacy of Meghna Life remain sound for a long period of time. However, solvency ratio of the Company cannot be calculated in absence of relevant regulation and detailed data.

Table 5

(Mil. BDT)	--Year Ended December 31--				
	2020	2019	2018	2017	2016
Required Paid up Capital	300.0	300.0	300.0	300.0	300.0
Paid up Capital Maintained	335.2	335.2	335.2	335.2	319.3

The Company has steady growth of life fund on the back of consistent growth of renewal premium as well as moderate investment yield for a long period (over 7% for last five years). At the end of 2020, life fund of Meghna Life reached BDT 18,896.4 million from BDT 17,907.7 million in 2019, registering growth of 5.5%.

Revenue Structure
Table 6
Composition of Revenue

(Mil. BDT)

	--Year ended December 31--					
	2020			2019		
	Amount	%	Growth	Amount	%	Growth
First Year Premium	781.1	15.0	(24.2)	1,031.1	19.1	0.4
Renewal Premium	3,409.5	65.4	3.7	3,288.9	60.9	0.6
Group Insurance	26.8	0.5	(12.7)	30.7	0.6	(4.9)
Net Premium	4,207.8	80.7	(3.2)	4,345.4	80.5	0.7
Interest, Dividend & Rent	982.2	18.8	(4.0)	1,023.3	18.9	6.2
Other Income	25.9	0.5	(18.6)	31.8	0.6	-
Total	5,215.8	100.0	(3.0)	5,400.5	100.0	2.0

The revenue stream of the Company was dominated by renewal premium income having 62.2% of total revenue for the last five years followed by 1st year premium (on an average 18.7%). In 2020, total revenue of the Company was dominated by renewal premium (65.4% of total) followed by interest, dividend & rent income (18.8%) and 1st year premium (15.0% of total). During 2020, both 1st year premium and Interest, dividend & rent income reduced substantially, whereas renewal premium grew marginally. As an overall effect, total revenue of the Company reached BDT 5,215.8 million at the end of 2020 from BDT 5,375.1 million in 2019.

Profitability
Table 7
Net Surplus as per Valuation

Mil.BDT

	--Year ended December 31--				
	2020	2019	2018	2017	2016
Total Surplus as of December	871.6	981.1	898.0	863.5	974.3
Add: Terminal bonus paid to previous year	230.0	178.4	138.3	98.6	74.1
Less: Unallocated Previous Surplus	149.3	100.2	111.6	273.5	187.9
Surplus for the Valuation Period	952.3	1,059.4	924.7	688.5	860.5

According to the actuarial valuation report, there was net surplus of BDT 871.6 million at the end of 2020 along with BDT 149.3 million from previous year. Net surplus of the Company reduced by 10.1% in 2020 mainly resulted from reduced investment yield as well as lower growth of premium. On the other hand, net liability of the Company remained increased marginally and reached BDT 18,024.8 million from BDT 17,907.7 million in 2019.

Table 8
Net Surplus Distribution

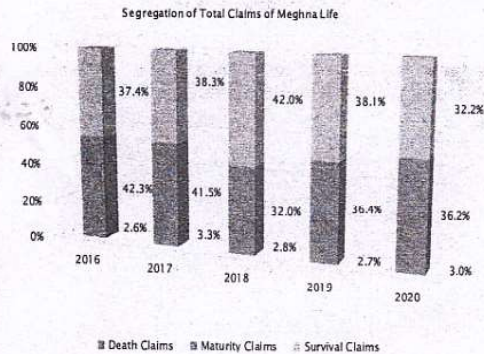
Mil.BDT

	--Year ended December 31--				
	2020	2019	2018	2017	2016
Dividend to shareholders	100.6	67.0	67.0	67.0	79.8
Bonuses to policy holders	646.9	764.7	730.7	684.9	620.96
Unallocated surplus	124.1	149.3	100.2	111.6	273.5

According to the valuation and existing law of the country, policyholders' can get highest 90% of participating life policies, whereas shareholders can get 10% of the participating policies (highest) and 100% of the non-participating policies. As per the actuarial report and in line with profit distribution law of Insurance Act, a sum of BDT 646.9 million was allocated to the policyholders. BDT 100.6 million was distributed among shareholders as dividend. An amount of BDT 124.1 million was kept as unallocated surplus. The return on equity remained high at 30.0% in 2020 having average of 23% for the last five years implies high profitable level of the organization. However, profitability ratio may be affected if the Company cannot revive its investment yield.

Claim Settlement

The Company has separate claim settlement department to monitor and expedite the claim settlement. Net claims showed steady growth over a long period. Net claim of Meghna Life grew marginally (by 3.3%) and reached BDT 2,973.9 million in 2020 from BDT 2,879.4 million in 2019. Because of its long span of operation, major portion of the claims were maturity claims. On an average, maturity claims and survival claims each constituted around 37% of total claims of the Company for the last five years. In 2020, 36.2% of total claim payment were maturity claims followed by survival policy claims (32.20%) and others claims (26.3%).


Table 9
Maturity Claim Settlement

(Mil. BDT)	--Year ended December 31--				
	2020	2019	2018	2017	2016
Claims Outstanding at the Beginning of the Year	30.1	121.4	62.3	82.6	239.2
Claims Lodged during the Year	1,856.3	1,753.2	832.6	1,078.4	1,087.5
Total Maturity Claims	1,886.4	1,874.6	894.9	1,161.0	1,326.7
Claims Settled during the Year	1,884.8	1,844.3	773.5	1,098.7	1,222.1
Claims Settled as % of Total Maturity Claims	99.9	98.4	86.4	94.6	92.1
Claims Outstanding at the End of the Year	1.6	30.3	121.4	62.3	104.5

In 2020, total maturity claims of MLICL reached BDT 1,886.4 million, among which BDT 1,856.3 million were lodged during 2020. The Company settled BDT 1,884.8 million maturity claims during 2020. On an average, claim settlement ratio for maturity claims remained high over 94% for the last five years. At the end of 2020, only BDT 1.6 million maturity claims remained outstanding. Aging of the outstanding claims showed that 80% of the outstanding claims were settled within 3 months.

Table 10
Death Claim Settlement

(Mil. BDT)	--Year ended December 31--				
	2020	2019	2018	2017	2016
Claims Outstanding at the Beginning of the Year	20.5	16.3	17.6	12.5	17.0
Claims Lodged during the Year	85.9	73.3	97.7	101.9	82.4
Total Death Claims	106.4	89.6	115.3	114.3	99.4
Claims Settled during the Year	79.6	69.1	99.0	96.7	86.9
Claims Settled as % of Total Death Claims	74.8	77.1	85.8	84.6	87.5
Claims Outstanding at the End of the Year	26.8	20.5	16.3	17.6	12.5

During 2020, total death claims was BDT 106.4 million among which claims amounting BDT 85.9 million were lodged during the year. Of the total death claims, BDT 79.6 million was paid during the year. BDT 26.8 million claims remained outstanding at the end of 2020. Death claim settlement ratio of the Company was 74.8% in 2020 with an average of 82.0% for the last five years. Aging of the outstanding claims showed that on an average 70% of the outstanding death claims were settled within 3 months. The Company weekly publishes its outstanding claims of all class in their website. The substantial amount of claim payment in each sector as well as the considerable aging of outstanding claims reflects the claim paying willingness of Meghna Life.

■ MANAGEMENT**Senior Management**

Meghna Life has an experienced management team with exposure in insurance industry. Mr. Narayan Chandra Rudra is the Chief Executive Officer of the company. Mr. Rudra is in the position of Managing Director/CEO since 2016. He has around 30 years of experience in insurance industry. The Managing Director/CEO is supported by a number of senior executives comprising of one Additional Managing Director, two Deputy Managing Directors and departmental heads. The management has formed a thirteen members management committee (MANCOM for smooth operation of the Company.

Human Resources Management

The human resource strength of the Company reached 1,326 at the end of 2020 (2019: 1,505). Administrative employees are paid on salary basis, development employees are paid either on salary and/or commission basis. Different trainings are being arranged for the employees to increase the efficiency of the executives and officers. The Company has a structured service rules and pay scale for its workforce. Performance appraisal of different employees is measured once a year in the form of ACR (Annual Confidential Report). In 2020, 583 employees of the Company got training in their respective fields.

Management Information System

The Company has established separate IT department with 24 IT professionals under guidance of an Executive Director to provide information to the management. The IT department operates with three separate divisions on the basis of product line. Presently 244 offices of 3 divisions across the country have been automated with computers. 11 composite service centers of MLICL have real time fiber optic network connections. Meghna life uses software for various policy and underwriting purposes and also for accounts purposes to make sure that their strategic and overall objectives get realized. The Company uses in-house developed software for the management of policyholder's information. The software also has other modules for re-insurance management, valuation information, loan management and claim management. The Company also uses separate centralized software for modules for its general ledger, HR & payroll, fixed asset management and investment portfolio management.

■ CORPORATE GOVERNANCE**Board of Directors**

The Board of the Company consists of 14 members, among which three are independent directors. Mr. Nizam Uddin Ahmed is the Chairman and Mr. Nasir Uddin Ahmed is the Vice Chairman of the Board. There are three independent directors in the Board. The Board reviews the ongoing activities and business strategies and provides general guidelines to the management. During 2020, the Board held 5 meetings.

- The Board Audit Committee consists of 3 members and is headed by Md. Yousuf Ali Howlader. The committee took important decision on internal audit. Also this committee takes stern actions to rectify irregularities and fraudulence of the employee inspected by internal Auditor. This committee held 3 meetings in 2020.
- The Board also formed Nomination and Remuneration Committee in line with the regulatory guidelines. The Committee consists of three members.

Financial Reporting and Disclosures

The financial statement of the Company was audited by chartered accountant firm M/S A. Wahab & Co. According to them the financial statements of the Company were prepared and presented in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Insurance Act 2010, the Securities and Exchange Rules 1987 and other applicable laws and regulations. In auditor's opinion, the Auditor emphasized on the fact that the Company has neither made proper investment in designated instruments nor submitted the report on category investment in assets as per regulatory requirement SRO No. 353-law/2019.

■ PERFORMANCE IN 2021
Table 11
Un-Audited financial as of 31 December 2021

	Dec'21	Dec'20
Capital	385.5	335.2
Life Fund	18,900.1	18,896.4
	Jan'21-Dec'21	Jan'20-Dec '20
1st Year Premium	809.6	781.1
Renewal Premium	3,254.2	3,409.5
Net Premium	4,070.9	4,207.8
Net Claim	3,753.1	2,973.8

During the 2021, 1st year premium earnings of MLICL reached BDT 809.6 million which was marginally higher compared to that of its previous period, whereas renewal premium reached BDT 3,254.2 million. Net premium earnings was BDT 4,070.9 million 2021. Net claim grew by 26.2% in 2021 and reached BDT 3,753.1 million. Besides, sizeable premium income, the Company has substantial investment assets with moderate investment yield.

APPENDIX 1: Definitions of Selected Ratios

1. Investment yield = $2 * (\text{Interest, Dividend and Rent} + \text{Capital gain on shares}) / \text{Life Insurance Fund} + \text{Life Insurance Fund (Previous period)} - \text{Interest, Dividend and Rent} - \text{Capital gain on shares}$
2. Liquid Asset to life Fund = $\text{Cash and cash equivalent (FDR, STD, Current, cash in hand)} / \text{Life Fund}$

ANNEXURE 1: CORPORATE INFORMATION
Composition of the Board as of 31st December 2021

No	Name	Designation
1	Mr. Nizam Uddin Ahmed	Chairman
2	Mr. Nasir Uddin Ahmed	Vice- Chairman
3	Mrs. Hasina Nizam	Director
4	Mr. Riaz Uddin Ahmed	Director
5	Mrs. Jannatul Fardous	Director
6	Mr. A N M Fazlul Karim Munshi, representing Karnaphuli Insurance Company Limited	Director
7	Ms. Umme Khadiza Meghna	Director
8	Mr. Md. Moin Uddin representing Nizam-Hasina Foundation Hospital	Director
9	Mrs. Sabita Ferdaushi	Director
10	Mrs. Sharmin Nasir	Director
11	Mrs. Dilruba Sharmin	Director
12	Md. Yousuf Ali Howlader	Independent Director
13	Md Nurul Islam Miah	Independent Director
14	Mr. Mohammad Ahsan Ibne Kabir	Independent Director

AUDITOR

M/S A. WAHAB & CO.

ANNEXURE 2: RATING HISTORY

Previous Rating History	Long Term	Outlook
30 January 2020	AA ₃	Stable
29 November 2018	AA ₃	Stable
10 November 2017	A ₁	Stable

CRAB RATING SCALES AND DEFINITIONS
LIFE INSURANCE COMPANIES: LONGTERM CREDIT RATING

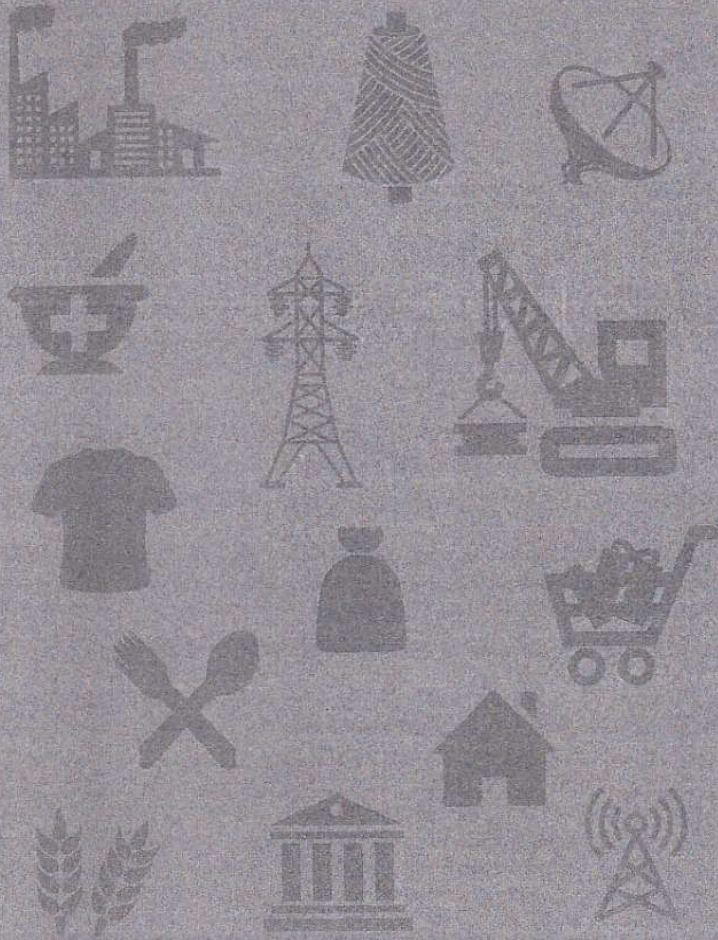
RATING	DEFINITION
AAA Triple A (Extremely Strong Financial Security)	Insurance Companies rated 'AAA' have EXTREMELY STRONG financial security characteristics. 'AAA' is the highest Insurer Financial Strength Rating assigned by CRAB.
AA1, AA2, AA3* Double A (Very Strong Financial Security)	Insurance Companies rated 'AA' have VERY STRONG financial security characteristics, differing only slightly from those rated higher.
A1, A2, A3 Single A (Strong Financial Security)	Insurance Companies rated 'A' have STRONG financial security characteristics, but are somewhat more likely to be affected by adverse business conditions than the Insurers with higher ratings.
BBB1, BBB2, BBB3 Triple B (Good Financial Security)	Insurance Companies rated 'BBB' have GOOD financial security characteristics, but are more likely to be affected by adverse business conditions than the higher rated insurers.
BB1, BB2, BB3 Double B (Marginal Financial Security)	Insurance Companies rated 'BB' have MARGINAL financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.
B1, B2, B3 Single B (Weak Financial Security)	Insurance Companies rated 'B' have WEAK financial security characteristics. Adverse business conditions are likely to impair their ability to meet financial commitments.
CCC1, CCC2, CCC3 Triple C (Very Weak Financial Security)	Insurance Companies rated 'CCC' have VERY WEAK financial security characteristics, and are dependent on favourable business conditions to meet financial commitments.
CC Double C (Extremely Weak Financial Security)	Insurance Companies rated 'CC' have EXTREMELY WEAK financial security characteristics and are likely not to meet some of their financial commitments.
C Single C (Near to Default)	A 'C' rating is assigned to insurance companies that are currently highly vulnerable to non-payment, having obligations with payment arrearages allowed by the terms of the documents, or have obligations subject of a bankruptcy petition or similar action though have not experienced a payment default. C is typically in default, with little prospect for meeting its financial commitments.
D (Default)	'D' is assigned to insurance companies which are in DEFAULT. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

**Note: CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.*

The rating committee of CRAB is the final authority to award a rating. The rating committee of CRAB is comprised of external independent persons who are not members of the board of the company and they ensure the independence of rating.

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CREDIT RATING REPORT



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