CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

REPORT: RR/8620/15

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's Claim Paying Ability Rating is valid for only one year from the date of rating. After the above period, the rating will not carry any validity unless the company goes for rating surveillance. ***CRISL followed Insurance Rating Methodology published in CRISL website www.crislbd.com***

	Claim Paying Ability
CPA Rating	A
Outlook	Stable
Date of Rating: December 31,2015	**Valid up to:** December 30,2016

Address:
CRISL
Nakshi Homes
(4th & 5th Floor)
6/1A, Segunbagicha,
Dhaka-1000
Tel: 9530991-4
Fax: 88-02-9530995
Email:
crisldhk@crislbd.com

Analysts:

Md. Asiful Huq
asif@crislbd.com

ReazUddin Ahmed
reaz@crislbd.com

Entity Rating:
CPA Rating: A

Outlook: Stable

Rating:
Based on Financials up to December 31, 2014

CENTRAL INSURANCE COMPANY LIMITED

ACTIVITY
Non-Life Insurance

DATE OF INCORPORATION
November 12, 1987

COMMENCEMENT OF BUSINESS
December 10, 1987

CHAIRMAN
Md. Nurul Islam

CHIEF EXECUTIVE OFFICER
Md. Zahid Anwar Khan

EQUITY
TK.951.03 million

TOTAL ASSETS
TK.1,572.21 million

1.0 RATIONALE

CRISL has reaffirmed the Claim Paying Ability (CPA) Rating of 'A' (pronounced as Single A) to Central Insurance Company Limited (CICL) based on the financials up to December 31, 2014 and other relevant qualitative and quantitative information up-to the date of rating. The above rating has been done on the basis of its fundamentals such as average & steady financial performance, good liquidity, good FDR base, good renewal business, diversified investment portfolio, etc.

CICL sources 100% of its business from Bangladesh market, largely free from natural catastrophes. The company continues to deliver improving underwriting and financial performance. Based on the financial results for YE2014, its maximum profitability, solvency and technical performance indicators slightly improved from previous year. Gross underwriting margin and net underwriting margin increased to 58.99% and 21.78% in YE2014 from 58.65% and 21.06% in YE2013 consequently, ROAA and ROAE also moved to 6.10% and 10.24% from 5.92% and 9.68% during the above periods respectively. CRISL views CICL's investment strategy as diversified and secured with around 88.07% of its funds residing in cash and fixed deposits as well as in fixed income instruments and rest 11.93% in capital market investment indicating adoption of conservative policy.

The company maintained a momentous improvement in capital commensurate with its business profile and raised paid- up capital to Tk.448.41 million which fulfilled its regulatory minimum level of Tk.400 million. On the other hand, the fundamentals of CICL are constrained to some extent by decline in operating profit, exposure to capital market investment risk, small market share, no reinsurance agreement with foreign reinsurer etc.

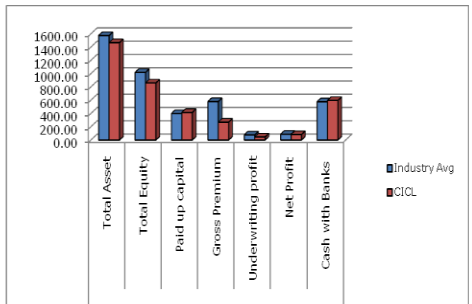


Fig: Performance indicators based on top 33 insurance companies (Tk. in million)

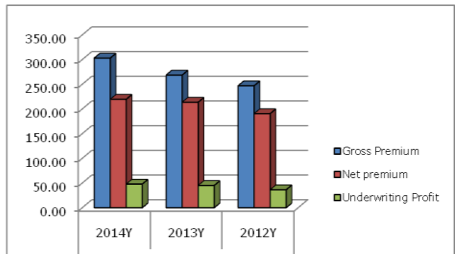
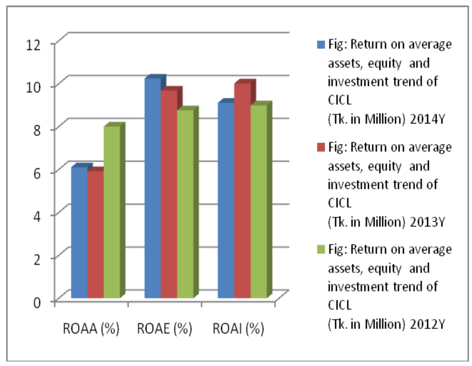


Fig: Gross premium, Net Premium and underwriting profit trend of CICL (Tk. in Million)



CREDIT RATING REPORT
On
CENTRAL INSURANCE COMPANY LIMITED

CPA rated in this category is adjudged to offer high claim paying ability. Protection factors are good and there is an expectation of variability in risk over time due to economic and/or underwriting conditions.

CRISL also views the company with "Stable Outlook" from the industry viewpoint for overall industry growth and policy and regulations implicated by regulatory authority as well as new Insurance Act. CRISL believes that the company will be able to maintain its fundamentals in the foreseeable future.

2.0 CORPORATE PROFILE

2.1 The Genesis

CICL, a first generation general insurance company starts its journey with an objective to provide all types of general insurance services to the insuring community according to their need and expectation. The company was incorporated on November 12, 1987 as a public limited company and obtained the Certificate of Registration for carrying on insurance business from the Chief Controller of Insurance on November 12, 1987. CICL has been operating under the legal framework of the Insurance Act, 2010. The company started its business with an authorized capital of Tk.1,000.00 million and paid-up capital of Tk.448.41 million. CICL went into initial public offering in 1994. The shares of the company are listed with both the bourses of the country and are being traded as 'A' category issue. The company has been operating its business with a network of 30 branches located at different districts of the country. CICL earned a gross premium of Tk.302.93 million in YE2014 and reported underwriting profit of Tk.47.83 million during the same period. Mr. Md. Nurul Islam is the Chairman of the Board while Management team is headed by Mr. Md. Zahid Anwar Khan as Managing Director & CEO. The company carries out its business operation from its Head Office located at CIC Tower (3rd & 4th Floor), 7-8 Motijheel C/A, Dhaka-1000.

2.2 Shareholding Pattern

Diversified shareholding pattern

CICL was sponsored by a good number of established limited companies which are operating in different sectors. Total shares of the company stood at 41.52 million held by the sponsors, public and institutional shareholders as on December 31, 2014. Out of the above, 52.95% shares are held by sponsors, 31.55% by the public shareholders and remaining 15.50% by institutional investors. While reviewing the sponsor shareholding pattern of the company it has been observed that 67.64% of the sponsor shares are held by only 18 shareholders ranging between 500,001-1,000,000 shareholdings while the remaining shares are held by other 15 shareholders.

2.3 Market Share

CICL is operating its business with small market share over the last couple of years. The non-life insurance industry of Bangladesh reported a gross premium of Tk.25.04 billion in 2014 (provisional) and Tk.23.45 billion in 2013 which was being shared by 46 companies including the Government owned Sadharan Bima Corporation (SBC) having gross premium of Tk.2.77 billion (provisional) in 2014 (Tk.2.41 billion in 2013). Out of total gross premium of Tk.22.27 billion (excluding SBC), CICL has earned Tk.302.94 million in 2014 against Tk.268.58 million in 2013. Green Delta has placed 1st position by earning Tk.2,681.37 million (Tk.2,610.97 million in 2013) with market share of 12.04% and Pioneer has placed 2nd position by earning Tk.2,100 million (Tk.1,874.91 million in 2013) with market share of 9.43% while Reliance insurance has placed 3rd position by earning Tk.2,020.00 million (Tk.1,638.89 million in 2013) with market share of 9.07% during 2014. Considering the SBC's gross premium, market share of CICL has been found to be small and stood at 1.21% in 2014 and 1.18% in 2013. Without considering the SBC's portion, CICL's market share stood at 1.36% and 1.32% during the above periods respectively.

2.4 Branch Network

During the period under surveillance there have been no changes found in the business network of CICL. The company has been operating the insurance business with a network of

Good branch network

30 branches at different parts of the country. Out of the above, 11 branches are in Dhaka zone, 4 in Chittagong zone, 6 at Rajshahi zone, 4 at Khulna zone, 3 at Sylhet and1 each at Rangpur and Barisal. The branch network has been found to be good compared to many first generation insurance companies.

3.0 INSURANCE INDUSTRY

Despite widespread political demonstrations ahead of national elections in January 2014, GDP growth in FY2014 is at 6.1%. The strong performance came from higher public investment and strong exports. Strong expansion in exports outweighed a more moderate rise in imports to narrow the trade deficit in FY2014. Workers' remittances declined slightly but were sufficient to offset the trade deficit and push the current account to a surplus equal to 1.0% of GDP. The World Economic Forum's Global Competitiveness Report 2014–2015 ranked Bangladesh infrastructure at 127 out of 144 countries surveyed. Its ranking was 125 for higher education and training, and 131 for institutions. Although power generation capacity has expanded in recent years in part through small private providers, power shortages intensified as growing demand outpaced supply. In the World Bank's Doing Business 2014, Bangladesh ranked last among 189 countries on electricity delivery. Political unrest ahead of the January 2014 national elections further dampened investor confidence. Public investment remains below budgeted targets because of weak implementation capacity in line agencies. Despite advantages of location and abundant low-cost labor, foreign direct investment remains low. On the supply side, agriculture grew briskly by 3.3% in FY2014, up from 2.5% in the previous year. Supply disruptions and weaker domestic demand caused by political unrest slowed industry growth to 8.4% in FY2014 from 9.6% a year earlier. Manufacturing growth slowed to 8.7% from 10.3%, reflecting weaker domestic goods production even as garment production strengthened. Expansion in electricity output also slowed to 8.2% from 9.7%. However, the pace of construction picked up to 8.6% from 8.0%, reflecting higher government development spending. Annual inflation averaged 7.4% in FY2014, up from 6.8% a year earlier. The money supply grew by 16.1% in June 2014, decelerating from 16.7% in June 2014 and lower than the FY2014 monetary program target of 17.0%. As a share of GDP, revenues strengthened to 11.6% in FY2014 from 10.7% in the previous year, while total spending stood at 16.0%, limiting the budget deficit to 4.4% of GDP. Domestic sources financed close to 70% of the deficit, and foreign sources the balance.

Minimum paid-up capital requirement of Tk.400 million for non-life and Tk.300 million for life insurance

The 48 non financial state-owned enterprises earned a net profit of $388.9 million in FY2014 to 22 April 2014, reversing a $328.5 million loss in FY2014. The turnaround reflected large profits of $1.2 billion earned by the Bangladesh Telecommunications Regulatory Commission (from fees collected on the newly launched third generation mobile broadband service and second-generation license renewal fees) and $425.3 million earned by the Bangladesh Oil, Gas, and Mineral Resources Corporation (from expanded gas and condensate production and production sharing contracts that have largely completed cost recovery). Bangladesh Petroleum Corporation almost halved its loss to $320.4 million from $604.6 million a year earlier, but this was offset as the Bangladesh Power Development Board loss expanded to $912.6 million from $628.8 million in the previous year. These two losses together equal $1.2 billion, or 0.7% of GDP in FY2014. The government is trying to cut such losses and reduce subsidies, which have been rising in recent years. Subsidy-related spending declined marginally in FY2014 to $4.1 billion (2.4% of GDP) from $4.2 billion (2.8% of GDP) a year earlier. The government succeeded in trimming the fuel subsidy, which includes retiring some earlier loans, to $0.9 billion (0.5% of GDP) from $1.7 billion (1.1% of GDP) in the previous year. Despite periodic upward adjustments to electricity tariffs, power subsidies rose to $0.8 billion (0.5% of GDP) from $0.6 billion (0.4% of GDP) in FY2014, as costly rental power plants using diesel and furnace oil expanded operations. Agriculture subsidies on fertilizer, diesel, and farm electricity declined in FY2014 to $1.2 billion (0.7% of GDP) from $1.5 billion (1.0% of GDP) a year earlier. Despite some disruption to domestic supply chains from political unrest, garment exports—accounting for about four-fifths of total export earnings—grew by 13.8% in FY2014, outpacing 12.7% expansion in FY2014 and reflecting continued strong demand mainly from the European Union. Other exports grew by 3.1%, maintaining the relatively slow pace of the previous 2 years. Imports grew by 8.9% in FY2014, a sharp rise from 0.8% growth in the previous year.

The trade deficit narrowed marginally to $6.8 billion in FY2014 from $7.0 billion a year earlier, as exports grew more strongly than imports. Despite a lower trade deficit, the reduction in remittances and a higher services deficit narrowed the current account surplus to $1.5 billion (0.9% of GDP) from the $2.4 billion surplus (1.6% of GDP) in FY2014. Despite the lower current account, larger capital and financial inflows pushed the overall balance of payments up to a surplus of $5.5 billion in FY2014 from $5.1 billion in FY2014. The central bank's gross foreign exchange reserves rose sharply to $21.5 billion at the end of June 2014 from $15.3 billion a year earlier. The Bangladesh taka held steady against the dollar in FY2014, appreciating marginally by 0.2%. Because domestic inflation outpaced that of trading partners, the real effective exchange rate rose by 5.6%, indicating some loss in export competitiveness. To attract foreign and domestic investors, create jobs, and spur growth, the government plans to set up five economic zones capable of providing one-stop service. Efforts under way to automate the administration of the judicial system will shorten delays in enforcing contracts, and similar efforts for the processing of exports and imports will speed trade across borders. These measures are expected to improve the business environment. Fiscal reform seeks to encourage voluntary compliance by simplifying and automating the tax payment system and by curbing the discretionary power of tax officials. Progress has been made in implementing the Value Added Tax and Supplementary Duty Act, 2013. In view of the new law's target implementation date of 1 July 2015, a set of draft regulations has been formulated. A computerized tax network system will be set up nationwide. To make customs administration more efficient, the Asycuda World clearance system of the Automated System for Customs Data has been introduced at all major customs houses, promising within a year a paperless customs management system operating throughout the country. The FY2015 budget targets 19.3% growth in tax revenue, to lift the tax-to-GDP ratio by 0.5 percentage points to 10.1% in its monetary policy statement for the first half of FY2015, issued in late July, the central bank said it would continue to use a ceiling on net domestic assets as the main operating target toward attaining monetary policy objectives. A 15.5% increase in bank credit to the private sector envisaged in the monetary program is expected to accommodate anticipated demand for investment and trade finance. To help contain inflation, the central bank kept its main policy rate unchanged at 7.25%. However, in June 2014 it raised the cash reserve requirement by 50 basis points to absorb part of the excess bank liquidity stemming from the increase in foreign exchange reserves in previous months. The central bank is continuing to improve the performance of state-owned commercial banks by monitoring performance as set out in memorandums of understanding with each bank board.

Global insurance premium stood at US$ 4,826 billion in 2014, out of which US$ 2,850 billion is attributable to life and US$1,976 billion to non-life insurance. Though total premium earnings of advanced countries moved downward to US$ 3,897 billion from US$ 4,286.70 billion in 2014, their global share being maintained at 85%. The total income from private sector life insurance companies in Bangladesh rose to Tk.69.54 billion (appx.) from Tk.60.47 billion in 2014 and Tk.55.10 billion in 2013 while non-life premium rose Tk.25.10 (appx.) billion from Tk.23.45 billion and Tk.19.25 billion during the above periods respectively. However, presence of large number of companies in a small market leads to tough market competition and unethical practices which has already created a significant number of sick insurance companies in the industry. Understanding the importance of revitalizing the sector in line with the international norms, the regulatory authority made mandatory credit rating in the industry from 2006. Under the above directives, all insurance companies get credit rating report with mandatory surveillance at the end of each year.

Insurance industry of Bangladesh has suffered from undue political interference, fraudulent claims, inadequate risk assessments and limited quality private sector participation. In order to reduce risk of insurance business the parliament has enacted two Acts namely Insurance Development and Regulatory Authority Act, 2010 and Insurance Act, 2010 and replaced the age old insurance laws. The Department of Insurance has been abolished and substituted by the five-member Insurance Regulatory Authority headed by the Chairman. For further enhancing the solvency position, the paid up capital for non-life and life insurance companies have been raised to Tk. 400 million and Tk. 300 million respectively. The number of Directors in the company has been fixed to 20 including 2 Independent Directors and debarred the Directors of an insurance company to be a Director of another insurance company of same class and of a bank or a financial institution simultaneously. The new law also introduced mandatory solvency margin for the insurance companies. Besides, the insurance companies will be required to ensure international accounting standard, separate Islamic insurance from conventional ones and put a limit on commission expenses. The law also allowed foreign investment in non-life insurance sector. With the promulgation of the Acts, the insurance industry has been placed under the Ministry of Finance from the Ministry of Commerce. The government formed Insurance Development and Regulatory Authority (IDRA), a five-member body to regulate the insurance sector. The authority has been formed in line with the section 3, 5 (1) and 6 of the Insurance Development and Regulatory Authority Act-2010. IDRA has taken initiative to develop of Bangladesh insurance industry as well as to regulate the industry within the purview of the Insurance Act, 2010 so as to ensure a level playing field for all companies. Within a short span of time the authority has succeeded in taking the industry to different height. IDRA has taken action by fixing 15% commission to stop unbridled competition and hefty commission of the insurance companies. The authority also barred on credit business and investment in land & building and discourage in- house business. Besides, IDRA also has taken initiative to introduce offsite supervision by applying CARAMEL rating like central bank's CAMELS rating based on seven key indicators- capital adequacy, asset quality, reinsurance, actuarial issues, management efficiency, earnings & profitability and liquidity. Insurers hope that the authority will bring significant changes in the industry if IDRA is allowed to work as an independent authority.

4.0 CORPORATE GOVERNANCE

4.1 Board of Directors and Board Committees

Seventeen members Board

The Board of CICL composed of 17 Directors including 2 Independent Directors. The Board is currently Chaired by Mr. Md. Nurul Islam, a renowned business personality. The Board primarily deals with policy issues and strategic aspects of the company and reviews operational performance on regular basis. The Board held 9 meetings in YE2014. Board of CICL has two subcommittees namely Executive Committee (EC) and Audit Committee (AC) to run its business smoothly and efficiently. The EC is composed of 10 members Chaired by Mr. Mohammed Musa for reviewing management activities and overall business performance. EC held 5 meetings in YE2014. AC is Chaired by Mr. Md. Abdullah Zehad Independent Director, comprising of 3 members to review the internal and external audit report and activities of the branches and departments and to take initiative to find out suspected infringement of laws, rules and regulations etc. AC held only 5 meeting in YE2014.

4.2 Management Team

Experienced top management

During the period under surveillance there have been no changes found in corporate management team of CICL. Management team comprised of some experienced personnel. Mr. Md. Zahid Anwar Khan, an experienced personality in the insurance sector is leading the management team as a Managing Director & CEO. In his management team, he is aided by a Deputy Managing Director, a company Secretary, two Executive Vice Presidents, two Senior Vice Presidents, a Vice President, two Senior Assistant Vice Presidents, six Assistant Vice Presidents, eight Senior Managers. The overall operation of the company is being carried out through eight departments namely Underwriting, Claims & Reinsurance, Business Development, Share, Internal Audit, Finance & Accounts, HR department and IT department. The company has a management committee, a purchase committee and a claim committee.

4.3 Human Resource management

Presently CICL has been carrying out its business with total staff strength of 305 as on December 31, YE2014. The company has benefit plans for employees which covers group insurance, incentive bonus, gratuity and contributory provident fund. CICL has no separate training wing. With an objective to develop skills of the employees, 10 different level executives of the company attended different programs on marine insurance, non life insurance, English for professional development and secretarial jobs organized by Bangladesh Insurance Academy and The Institute of Chartered Secretaries of Bangladesh (ICSB) during YE2014.

4.4 IT Infrastructure and MIS

Improving IT infrastructure

During the period under surveillance there has been change found in IT section. CICL has launched ERP software named INSURANCE MANAGER in YE2014. Before the reporting year CICL had been maintained all recordings manually as well as generated some data through MS office. But now the IT infrastructure of CICL is at an improving stage having up to date ICT devices. Some steps have been taken to more modernize the IT infrastructure. All the branches are yet to be linked with Head office through internet/ data connectivity. Central Insurance has maintained standalone accounting software for its regular tasks, and the Company has installed firewall device with advance features to ensure proper security. That's why; CICL has been maintained well furnished record about HR affairs, Payroll, PF, FDR, Business Registrar and Under-writing related reporting services by Insurance Manager Software (IMS). However, by now Dhaka Zone is connected with Head Office data centre via data connectivity. The Company issues all business Cover notes, Policies and others requirements by IMS.

4.5 Marketing Strategy

Good renewal business

CICL has been operating with other 46 general insurance companies (except the state-owned SBC) through its traditional product lines. The marketing activities of the company are being carried out by development officers under direct supervision of Mr. Md. Zahid Anwar Khan, Managing Director & CEO. The company has total 57 marketing executives as on December 31, YE2014. Major businesses of the company come from poultry, garments, cement, textile sector, pharmaceuticals, Light & heavy engineering, jute mill, dairy business, transport sectors. CICL also earned 13.43% of its gross premium from the government business in YE2014 against 14.36% in YE2013. In terms of gross premium earnings of CICL, new and renewal business stood at 58% and 42% respectively in YE2014 indicating good renewal business.

5.0 BUSINESS PROFILE

5.1 Business Mix

Business portfolio concentrated to capital city Dhaka

CICL carries out all types of general insurance business as per the Insurance Act. The company underwrote total underwriting risk of Tk.91.76 billion in YE2014 against Tk.72.83 billion in YE2013. The above underwriting risk constituted of Tk.43.47 billion (Tk. 34.50 billion in YE2013) in fire business, Tk.28.61 billion (Tk. 22.71 billion in YE2013) in marine business, Tk.1.40 billion (Tk. 1.11 billion in YE2013) in motor business and Tk.18.28 billion (Tk.14.51 billion in YE2013) in miscellaneous business category. The income mix (excluding PSB of Tk.40.67 million) against the above underwriting risk of the business classes revealed that marine business contributed the highest 44.10% (115.65million) of total gross premium-excluding PSB (Tk.262.26 million) followed by 43.60% (114.34 million) from fire, 9.10% (23.88 million) from motor and rest 3.20% (8.40 million) from miscellaneous business category during YE2014. While analyzing the zonal breakdown of policies, it has been found that the business portfolio is concentrated to capital city Dhaka having 81.10% sum insured and 86.32% gross premium during YE2014. After Dhaka zone, the company has considerable exposure in Chittagong zone with 18.90% sum insured and 13.68% gross premium during the above period.

5.2 Reinsurance & Claim Settlement

In accordance with the present rule 50% of the re-insurable general insurance business shall be reinsured with SBC and the remaining to be reinsured either with the corporation or any other insurer inside or outside Bangladesh. CICL, in line with the existing regulation, has made 100% reinsurance arrangement with SBC. The Re-insurance and Claim settlement Department of CICL composed of 6 members headed by Mr. S. M. Jahirul Alam, Executive Vice President and Md. Mahfizur Rahman, Sr. Vice President. CICL has surplus treaty for all class of business except motor business, for which the company has excess of loss treaty. In addition, the retention of the company is protected by CAT XL treaty to minimize the retained loss in fire business. During YE2014, the company underwrote total risk of Tk.91.76 billion against which reinsurance coverage was Tk.28.23 billion representing 30.93% gross reinsurance coverage. Claim settlement process starts with the intimation of claim by the claim department. Subsequent to the intimation, a government licensed surveyor is appointed for the assessment of actual quantum of loss. On receipt of required documents from the client and survey report from the surveyor, the documents and the survey report are scrutinized and placed before the authority for approval of the claim. The claim department is headed by one EVP having long experience in claim settlement. The MD is empowered to approve claim up to Tk.10.00 lac for all business claims. On the other hand, Executive Committee is empowered to approve claim above Tk.10.00 lac up to Tk.15.00 lac for all business claims. Any claims beyond the above limits are placed before the Board for final approval. CICL has noticeable outstanding claim. As on December 31, 2014 total outstanding claim stood at Tk.135.46 million of which CICL's portion was Tk.24.26 million, SBC's portion was Tk.111.20 million. The above claims are outstanding due to litigation, approval awaiting for SBC, delay in proper document submission etc. The above outstanding claim constituted of 47.09% fire, 40.52% marine, 1.37% motor and rest 11.02% in miscellaneous business. During the period the company paid claim amount of Tk.64.11 million and reinsurance recovery was Tk.16.37 million with net claim paid of Tk.47.74 million. The top 20 claims stood at Tk.43.09 million in YE2014 (Tk.43.60 million in YE2013) against which reinsurance amount was Tk.31.04 million (Tk. 36.33 million in YE2013). Moreover, out of gross claim payment maximum Tk.44.61 million (69.58%) came from fire segment in YE2014.

5.3 Underwriting Quality and Expertise

Improving underwriting performance

CICL's underwriting activities are being carried out under a separate Underwriting Department supervised by an EVP. The company has been following fire, marine and motor tariff published by Central Rating Committee manual named as Bangladesh Fire Tariff, Bangladesh Marine tariff and underwriting manual for miscellaneous insurance business. The Central Rating Committee modifies tariff rates after every specified period and has flexibility to adjust the tariff rate according to the performance of the specific sector and the client. The officers and staff involved in underwriting activities are well educated and well trained; most of them have long years of experience. CICL underwrote 16 high valued risks (more than one billion) assignments during YE2014 with a total amount of Tk.34.30 billion. Though CICL's business portfolio is average, its underwriting profit has gradually increased to Tk.47.83 million in YE2014 from Tk.44.99 million in YE2013 indicating improvement in underwriting performance.

5.4 Sectoral Business Review

CICL, as mentioned earlier, carries out all types of general insurance business. While analyzing the performance in terms of business classes, CRISL reviewed the sector wise businesses as follows:

5.4.1 Fire Business

Tk.3.93 million underwriting profit in YE2014 from fire segment

Underwriting performance in fire business has been found to be average. Gross premium increased to Tk.117.59 million in YE2014 from Tk.106.59 million in YE2013 while underwriting profit increased to Tk.3.93 million from Tk.3.11 million during the above periods respectively. The total sum insured in this business segment increased to Tk.43.47 billion in YE2014 from Tk. 34.50 billion in YE2013. Against the above underwriting risk, reinsurance coverage was Tk.14.99 billion in YE2014 (Tk. 21.34 billion in YE2013) indicating 34.49% re-insurance coverage compared to 61.85%% in YE2013. Net premium decreased to Tk.86.19 million in YE2014 from Tk.87.55 million in YE2013. Consequently, retention ratio in this segment decreased to 66.44% from 75.34% during the above periods respectively. Claim ratio in this segment also decreased to 38.16% in YE2014 from 39.71% in YE2013 due to comparatively lower growth of claim expenses against adjusted net premium earnings. Management expenses to adjusted net premium moved upward to 38.39% in YE2014 from 30.15% in YE2013 due to comparatively higher growth of management expense against adjusted net premium earnings. However, agency commission to adjusted net premium also increased to

19.90% in YE2014 from 17.72% in YE2013 due to increase of agency commission. Expense ratio in this segment moved upward to 58.29% from 47.87% in YE2014 due to comparatively lower growth of adjusted net premium earnings against expenses.

5.4.2 Marine Business

Good underwriting performance in marine segment

Underwriting performance in marine business has been found to be improving among its business segments. Underwriting profit in this segment increased to Tk.37.51 million in YE2014 from Tk.36.88 million in YE2013. The total sum insured in this business segment in YE2014 was Tk.28.32 billion (Tk.22.71 billion in YE2013) against reinsurance coverage of Tk.10.79 billion (Tk. 13.49 in YE2013) indicating 38.09% reinsurance coverage. The gross premium increased to Tk.132.53 million from Tk.111.16 million while net premium also increased to Tk.100.50 million from Tk.95.99 million during the above periods respectively. Retention ratio in this segment decreased to 72.05% in YE2014 from 82.20% in YE2013. Claim ratio in marine segment has been found to be decreased to 7.02% from 18.48% during the above periods respectively due to comparatively decrease in net claim payment against net premium earnings. Expense ratio increased to 54.41% in YE2014 from 41.95% in YE2013 due to increase of management expense and agency commission against adjusted net premium earnings.

5.4.3 Motor Business

Tk.5.15 million underwriting profit from motor segment

Underwriting performance in motor segment has been found to be average. The gross premium increased by 12.32% in YE2014 from 13.83% in YE2013 while underwriting profit increased to Tk.5.15 million from Tk. 3.05 million during above periods respectively. Total underwriting risk was Tk.1.40 billion in YE2014 (Tk. 1.11 billion in YE2013) against reinsurance coverage of Tk.0.38 billion (Tk.0.90 billion in YE2013) indicating 27.14% reinsurance coverage. Net premium earning also improved to Tk.23.11 million in YE2014 from Tk.21.63 million in YE2013. The retention ratio in this segment decreased to 89.73% in YE2014 from 94.66% in YE2013. The claim payment decreased in YE2014, the Claim ratio declined to 27.05% from 41.11% during the above periods respectively due to comparative decline of net claim against adjusted net premium. Expense ratio increased to 48.26% in YE2014 from 40.21% in YE2013 due to comparatively lower growth of adjusted net premium earnings against management expense and agency commission.

5.4.4 Miscellaneous Business

Tk.1.24 million underwriting profit in miscellaneous segment

Underwriting performance in miscellaneous business has been found to be average. The underwriting profit in this segment decreased to Tk.1.24 million in YE2014 from Tk. 1.94 million in YE2013 due to increase in management expenses and agency commission paid. CICL underwrote total risk of Tk.18.28 billion in YE2014 (Tk.14.51 billion in YE2013) in miscellaneous segment against reinsurance coverage of Tk2.07 billion (Tk.12.15 billion YE2013) indicating11.32% reinsurance coverage in YE2014. However, gross premium decreased to Tk.27.25 million from Tk.28.07 million while adjusted net premium increased to Tk.9.80 million from Tk.8.45 million during the above periods respectively. Consequently retention ratio in this segment moved upward to 26.91% in YE2014 from 22.03% in YE2013. Claim ratio decreased to 0.14% from 5.76% during the above periods respectively due to colossal decrease in net claim payment against adjusted net premium earnings. Expense ratio in this segment increased to 82.50% in YE2014 from 56.46% in YE2013.

5.5 Retention Capacity

SBC revises retention limit of private sector general insurance companies from time to time depending on the financial strength, underwriting expertise etc. As per latest treaty (for the period April 1, 2015 to March 31, 2016), retention limit has been fixed at Tk.12.50 million in fire business, Tk.2.5 million in marine (cargo) business, Tk.2.5 million in marine (hull) business. Fire business is not protected by CAT-XL Treaty in current reporting year. Retention limit for engineering business stood at Tk.1.00 million while retention limit for miscellaneous business stood at Tk.1.50 million for all business, Tk.0.2 million for personal accident and Tk.1.5 million for personal accident (accumulation). However, the motor business is being protected by excess of loss treaty where retained loss of the company is Tk.0.50 million while maximum amount of Tk.4.00 million in excess of the above is protected by SBC.

5.6 Investment Portfolio

Improvement in investment portfolio by raising FDR base

CICL's investment portfolio has been found to be good. Maximum portion (73.61%) of investment is held in FDR indicating secured and conservative investment. Total investment of the company stood at Tk.759.93 million in YE2014 against Tk. 775.27 million in YE2013. Out of the above investment, Tk.559.50 million has been invested in FDR (Tk. 565.40 million in YE2013), Tk.25 million has been invested in BGTB (Tk.25.00 million in YE2013), Tk.54.36 million has been invested in shares (Tk. 55.07 million in YE2013), Tk.99.99 million has been invested in CIC investment limited (Tk.99.99 million in YE2013). The company has considerable investment in capital market with the trading intent. As capital market is highly volatile and market prices of securities fluctuate very frequently, CICL is exposed to equity risk. Share market investment stood at Tk.54.36 million in YE2014 with market value of Tk.39.67 million indicating unrealized loss of Tk.14.69 million. To face the unrealized loss, the company maintains investment equalization fund and the fund stood Tk.14.60 million YE2014. As on November 25, 2015 investment in capital market stood at Tk.60.10 million and market value was Tk.45.17 million with unrealized loss of Tk.14.93 million. During the surveillance period the interest earned on FDR & STD decreases of Tk.57.61 million in YE2014 compared to Tk. 69.61 million in YE2013.

6.0 PERFORMANCE

6.1 Financial Performance

Improving financial performance

The overall financial performance of the company has been found to be improving. CICL's underwriting profit rose to Tk.47.83 million in YE2014 from Tk. 44.99 million in YE2013 while its Profit Before Tax (PBT) also increased to Tk.134.17 million from Tk. 123.39 million during the above periods respectively. Profit after Tax (PAT) also increased to Tk.92.68 million in YE2014 from Tk. 82.05 million in YE2013 indicating 12.97% growth. Consolidated gross premium of the company increased to Tk.302.94 million in YE2014 from Tk. 268.58 million in YE2013 registering 12.79% growth. Adjusted Net Premium also increased to Tk.219.60 million from Tk. 213.61 million during the above periods respectively. Major financial performance indicators of CICL increased during the period compared to previous year. Gross underwriting margin and net underwriting margin slightly increased to 58.99% and 21.78% in YE2014 from 58.65% and 21.06% in YE2013 due to comparatively slender growth of underwriting profit against adjusted net premium earnings. Pre-tax operating margin also improved to 61.10% from 57.76% during the above periods respectively due to significant growth of PBT against adjusted net premium earnings. Return on Average Asset (ROAA) slightly increased to 6.10% in YE2014 from 5.92% in YE2013. Return on Average Equity (ROAE) increased to 10.24% from 9.68%. Due to slight decrease in investment with slender increase in earnings Return on Average Investment (ROAI) drop off to 9.11% in YE2014 from 10.01% in YE2013.

6.2 Technical Analysis

Average technical performance

The overall technical performance of CICL has been found to be average among its peers. The retention ratio of the company has been found to be decreasing to 67.31% in YE2014 from 74.25% in YE2013 due to retaining minimum business in its own retention. Management Expense to Adjusted Net premium ratio increased to 38.63% from 28.62% during the above periods respectively due comparatively lower growth of adjusted net premium earnings against management expenses and agency commission. The claim ratio also decreased to 21.04% in YE2014 from 28.97% in YE2013 due to decrease of net claim payment. However, CICL is yet to reduce its management expenses and it is far above from allowable limit. Total management expenses (respective business classes and other non related business) increased substantially and stood at Tk.127.57 million in YE2014 against the allowable limit of Tk.88.13 million indicating 44.74% higher than allowable limit. The same was 28.17% higher in YE2013.

7.0 BALANCE SHEET STRENGTH

7.1 Solvency Analysis

Improving solvency

Solvency position of CICL has been gradually improving. As per new Insurance Act 2010, the paid up capital has been re-fixed at Tk.400 million as minimum capital requirement for all general insurance companies while CICL has already enhanced its capital base to Tk.415.19 million from YE2013 and fulfilled regulatory minimum capital requirement. The equity base also increased to Tk.951.03 million in YE2014 from Tk. 859.13 million in YE2013. Maximum portion of equity has been financed by capital. The equity consists of 43.66% paid up capital, 17.70% reserve for exceptional losses, 5.91% share premium, 2.84% general reserve, 23.26% other reserve and while remaining 6.64%% as retained earnings. While analyzing the overall solvency position of the company, it has been found to be improving in terms of relative measurement. External liabilities to equity ratio lessen to 0.54 times in YE2014 from 0.58 times in YE2013 indicating comparative decrease of liability against equity. Unexpired risk reserve to net claim ratio increased to 1.77 times from 1.30 times in YE2013 due to comparatively higher growth of unexpired risk reserve against net claim payment. Net worth to total assets increased to 60.49% in YE2014 from 58.56% in YE2013 due to significant growth in total asset against net worth. Internal Capital Generation Ratio (ICGR) of CICL increased to 10.66% from 3.24% due to comparatively higher growth in average equity over post tax profit, however, it has been found to be good among its peers. Net worth to total liability moved upward to 153.10% in YE2014 from 141.32% in YE2013, however, it has been found to be average. Insurance liability to total asset of the company moved upward to 10.39% in YE2014 from 8.83% in YE2013 indicating increasing liability against asset.

7.2 Liquidity and Funding

Good liquidity

The overall liquidity position of the company has been found to be good, however, some indicators moved downward in YE2014. Liquid assets to insurance fund ratio moved downward to 8.21 times in YE2014 from 8.60 times in YE2013 due to comparatively higher growth of insurance fund against total liquid assets. Liquid assets to total assets declined to 42.66% from 47.08% during the above periods respectively due to comparatively higher growth of total assets against current assets. Current ratio increased in YE2014 and stood at 2.93 times against 2.55 times in YE2013. Liquid assets to net claim ratio has been found to be increasing and stood at 14.52 times and 11.16 times during the above periods respectively, however, it has been found to be good among its peer. Again, liquid asset to total current liability ratio increased to 1.88 times in YE2014 from 1.79 times in YE2013.

8.0 RISK MANAGEMENT

8.1 Industry Risk

Too many insurance companies in a small market pose significant risk for all the companies. The two acts 'Insurance Development and Regulatory Authority Act, 2010' and 'Insurance Act, 2010' has brought significant changes in the regulation of the industry. For further enhancing the solvency position, the paid up capital for non-life and life insurance companies have been raised to Tk.400 million and Tk.300 million respectively. Moreover, mandatory credit rating for the insurance companies creates a positive vibration in the industry as the institutional insured expect for good credit rating to safeguard their interest. The same will pressurize the underperforming (non investment grade) insurance companies to retain their market share.

8.2 Business Risk Management

CICL does not have any documented underwriting manual or guideline to mitigate the business risk. In case of underwriting a policy, Underwriting professionals at branch level are given specific instructions and guidelines, time to time from Head Office regarding underwriting of different types of policies. The company has regular risk inspection team headed by Mr. S. M. Jahirul Alam with one Vice president and two senior manager. Risks involved with policies are assessed by surveyors companies for underwriting different types of policies involving specific limit of sum insured. However, in case of higher value at risk, the company makes inspection as and when required. Among the different business classes CICL has more concentration in risky marine (49.92%) followed by fire business (39.95%), miscellaneous (7.28%) and motor (2.85%) in YE2014 in terms of business risk undertaken. Besides, the zonal concentration of the company remained same in Dhaka region indicating significant business risk.

8.3 Internal Control Risk Management

CICL has separate Internal Audit Department (IAD) besides the Board Audit Committee to ensure proper internal control of the company. The Department comprises of three officials headed by Mr. Shaleh Uddin who is serving CICL as a Senior Manager having professional background on Internal Audit. Internal control department mainly deals with compliance issues of financial obligations. Internal Audit team of CICL audited the branches on their own program and sent the report to the MD and respective branches to comply with. When the branches replied, the reports were placed before the Audit Committee. During YE2014 and YE2013, the audit department conducted audits of 12 and 15 branches respectively. However, number branches audited have been found to be average among its branch network.

8.4 Catastrophic Risk Management

Bangladesh is vulnerable to natural disaster which exposes CICL to catastrophic risk. The company has CAT excess of loss treaty with SBC to protect the risk from fire business. However, CICL did not encounter any catastrophic loss in YE2014 & YE2013.

8.5 Financial Risk

The applicable income tax rate for insurance companies has presently been fixed at 42.50% on the taxable net profit. CICL is yet to finalize tax dispute of several years and one appeal remain pending to Honorable High Court which may expose the company to financial risk. A substantial amount of Tk.41.49 million has been kept as provision, however, for more than a decade only one assessment has been finalized and rest assessments are yet to be finalized due to appeal at DCT and High Court. CICL paid only Tk.37.23 million and Tk.35.49 million during YE2014 and YE2013 respectively.

9.0 OBSERVATION SUMMARY

Rating Comforts:	**Rating Concerns:**	**Ratin**
• Average & steady financial performance • Good liquidity • Increase in internal capital generation • Good FDR base • Good renewal business • Diversified investment portfolio • Experienced top management • Good branch network	• Decline in operating profit in FY 2015 • High Management expense • Substantial outstanding claim • Absences of CAT XL treaty in fire business • Moderate IT infrastructure • Exposed to capital market investment risk • Small market share • Fined by IDRA • No reinsurance agreement with foreign reinsurer • Disputed tax pending for several years • Yet to start business of subsidiary operation	• • • • • • •

Business Prospects:	Business Challenges:	Busi
• Expansion of branch network • Product diversification • Compliance of new Insurance Act	• Too many companies in small market • Emergence of foreign companies • Compliance of new Insurance Act	• •

10.0 INSURANCE PROSPECTS

Aside from a handful of high-profile casualties, the global insurance industry seems, so far, to have escaped the worst ravages of the financial crisis. Mainstream business operations are holding up well. Problems have only arisen from exposures to risky financial instruments, such as credit default swaps (CDS) and collateralized debt obligations (CDO) or losses on investment portfolios. Profitability is more likely to have been impacted than underlying solvency. Although the insurance industry has been more resilient than the banking sector, capital markets have not always drawn the same conclusion. Share prices at most of the world's major insurers have tumbled, while spreads on credit default swaps have widened considerably, indicating fears of future debt default. Whether the markets are accurate in their pricing of insurance assets remains to be seen, but insurers do seem to have been affected by the general market downturn. Faced with troubled capital markets, falling ratings and share prices, many insurers are rethinking their risk and capital management strategies.

Finally, changes in insurance industry (Insurance Development & Regulatory Act 2010 and Insurance Act 2010) are likely to bring positive changes in the insurance sector to make it vibrant and operationally sound. Besides, the authority has given license to two more non-life and nine life insurance companies in a small market signifying stiff competition. Based on the overall global, macroeconomic and industry outlook, insurance industry is presumed to encounter tough time for which all the market players including CICL should take cautious steps to adopt itself with the local and as well as global changes.

END OF THE REPORT

(Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement)

[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]

11.0 CORPORATE INFORMATION:

Date of Incorporation: November 12, 1987
Date of Commencement of Business: December 10, 1987

11.1 Board of Directors:

SL. No.	Name	Position
1.	Mr. Md. Nurul Islam	Chairman
2.	Mr. Mohammed Musa	Vice Chairman
3.	Mr. Abul Kalam	Director
4.	Mrs. Rosy Rahman	Director
5.	Mr. Mohd. Masud Hossain	Director
6.	Mr. Ifthehar Maleque	Director
7.	Alhaj Md. Abu Taher Chowdhury	Director
8.	Mr. Sabbirul Kabir	Director
9.	Mrs. Shahida Nazneen	Director
10.	Mr. Nabab Siraj-ud-Dowla	Director
11.	Mrs. Jahanara Yousuf	Director
12.	Mrs. Saleha Rahman	Director
13.	Mr. S.M. Shafiul Bari	Director
14.	Mrs. Shamim-Ara-Begum	Director
15.	Mr. Md. Sazzad-un-Newaz	Director
16.	Mr. Md. Nurul Islam	Independent Director
17.	Mr. Md. Abdullah Zehad	Independent Director

11.2 Management:

SL. No.	Name	Designation
1.	Mr. Md. Zahid Anwar Khan	Managing Director & CEO
2.	Mr. Md. Zafrul Islam Bhuiyan	Deputy Managing Director & CFO
3.	Mr. S.M. Jahirul Alam	Executive Vice President
4.	Mr. Md. Morshed Hasan	Executive Vice President
5.	Mr. Mohammad Jafar Ali, ACS	Company Secretary
6.	Mr. Md. Mahfizur Rahman	Senior Vice President
7.	Mr. Rezaul Islam	Vice President
8.	Mr. Md. Azahar Hossain	Senior Assistant Vice President
9.	Mr. S.M.Hasan Akhter	Senior Assistant Vice President
10.	Mr. Ibrahim Miah	Senior Assistant Vice President
11.	Mr. Md. Firoze Akhter	Assistant Vice President

12.	Mr. Md. Enamul Haque	Assistant Vice President
13.	Mr. Md. Faruk Hossain	Assistant Vice President
14.	Mr. Md. Tazul Islam Mozumder	Assistant Vice President
15.	Mr. S. M. Mostafizur Rahman	Assistant Vice President
16.	Mr. Mostafizur Rahman	Assistant Vice President

12.0 FINANCIALS

12.1 Balance Sheet as at December 31

(Tk. In Million)

PARTICULARS	YE2014	YE2013	YE2012
ASSETS			
Cash in Hand	7.89	9.65	1.97
Cash with Banks	580.57	595.20	538.60
Cash and Bank Balance	588.46	604.85	540.57
Stamps in Hand	0.48	0.53	0.35
Amount Due from other person/bodies carrying insurance business	192.13	149.83	157.49
Adv., Depo. & PrePmt. (Sundry Debtors)	184.70	140.35	93.32
Outstanding Int./Divi./Rent	27.92	30.81	22.90
Investment in Securities (ST)	54.36	55.07	52.13
Total Current Assets	**1048.06**	**981.45**	**866.77**
Investment in Securities(LT)	125.00	125.00	104.50
Fixed Assets	19.66	20.07	13.84
Stock of Stationary	0.29	0.43	0.42
Land and Property	379.04	339.94	318.92
Other Assets	0.16	0.16	0.16
Non Current Assets	524.15	485.61	437.84
Total Assets	**1572.21**	**1467.06**	**1304.61**
Paid Up Capital	415.19	415.19	370.71
Reserve for Exceptional Loss	168.32	147.93	127.99
Share Premium	56.17	56.17	56.17
General Reserve	27.00	22.50	21.00
Retained Earning	63.15	0.14	0.17
Proposed Bonus Share	0.00	0.00	44.48
Other Reserve	221.20	217.20	214.70
Shareholders' Equity	**951.03**	**859.13**	**835.21**
Fund Balance			
Fire Insurance	31.25	32.12	24.37
Marine Insurance	38.34	37.08	35.98
Motor Insurance	9.17	8.62	7.63
Miscellaneous Insurance	2.93	2.47	1.23
Balance of Fund Account	81.70	80.30	69.20
Estimated Liab. of Outstanding Claims	30.19	31.73	25.09
Total Insurance Fund	111.89	112.02	94.30
Premium Deposit	40.87	55.17	23.26
Deferred Liab.	1.29	1.00	0.70
Amount Due to other person/bodies carrying insurance business	133.20	97.77	133.27
Sundry Creditors	27.58	22.96	7.66
Overdrawn on Current Assets	42.39	38.39	27.59
Proposed Dividend	0.00	58.13	0.00
Current Liab.	**245.32**	**273.41**	**192.48**
Total Current Liab. including Insurance Fund	**357.21**	**385.44**	**286.77**
Long Term Debt	99.25	99.25	99.25
Provision for Income Tax	164.73	123.24	82.20
Unpaid Dividend	0.00	0.00	1.18
0	0.00	0.00	0.00
Total Liab.	621.19	607.92	469.40
Total Liab. and Shareholders' Equity	**1572.21**	**1467.06**	**1304.61**

12.2 Profit and Loss Account for the year ended on December 31

(Tk. in million)

PARTICULARS	YE2014	YE2013	YE2012
Net Underwriting P/L	**47.83**	**44.99**	**36.30**
Interest on FDR & STD	57.61	69.61	50.35
P/L from Sale of Shares	9.51	-0.18	0.56
Dividend Income	2.85	4.17	1.30
Gross Investment and Other Interest Income	**69.97**	**73.60**	**52.21**
Other Income	23.60	14.04	14.40
Total Income	**141.40**	**132.64**	**102.91**
Management Expenses (P/L A/c)	3.40	5.71	5.69
Depreciation Expenses	3.82	3.54	2.58
Total Management Expenses	**7.23**	**9.25**	**8.27**
Profit before Tax	134.17	123.39	94.65
Provision for Tax	41.49	41.34	31.60
Profit after Tax	92.68	82.05	63.05
Reserve for Exceptional Loss	20.39	19.94	17.16
Profit after Tax & Exceptional Loss	**72.29**	**62.10**	**45.89**
Balance B/F	0.14	0.17	0.16
Proposed Dividend	0.00	58.13	0.00
General Reserve	4.50	1.50	0.50
Other Appropriation	4.79	2.50	45.39
Balance Transferred to B/S	**63.15**	**0.14**	**0.17**

12.3 Consolidated Revenue Account for the year ended on December 31

(Tk. In Million)

PARTICULARS	YE2014	YE2013	YE2012
Gross Premium of the year	**302.94**	**268.58**	**246.93**
Re-insurance Premium	99.04	69.17	75.36
Net Premium less Re-insurance	203.89	199.41	171.57
Commission on Re-Insurance ceded & others	15.71	14.20	18.95
Adjusted Net Premium	**219.60**	**213.61**	**190.52**
Opening Balance	80.30	69.20	62.90
Total	299.90	282.82	253.42
Net Claims Paid	46.20	61.89	58.73
Agency Commission paid	39.34	34.50	35.77
Expenses of Management	84.82	61.14	53.42
Profit Transferred to P/L A/C	47.83	44.99	36.30
Balance (C/F)	81.70	80.30	69.20

CRISL RATING SCALES AND DEFINITIONS
INSURANCE CLAIM PAYING ABILITY RATING

RATING	DEFINITION
AAA Triple A	Highest claims paying ability. Risk factors are negligible and almost risk free.
AA+, AA, AA- Double A	Very high claims paying ability. Protection factors are strong. Risk is modest. but may vary slightly over time due to underwriting and/or economic condition.
A+, A, A- Single A	High claims paying ability. Protection factors are good and there is an expectation of variability in risk over time due to economic and/or underwriting conditions.
BBB+, BBB. BBB- Triple B	Good claims paying ability. Protection factors are good. Changes in underwriting and/or economic conditions are likely to have impact on capacity to meet policyholder obligations than insurers in higher rated categories.
BB+, BB, BB- Double B	Average claim paying ability. Protection factors are average. The companies are deemed likely to meet these obligations when due. But changes in underwriting and/or economic conditions are more likely to weaken the capacity to meet policyholder obligations than insurers in higher rated categories.
B+, B, B- Single B	Inadequate Claim paying ability. Protection factors are weak. Changes in underwriting and/or economic conditions are very likely to further weaken the capacity to meet policyholder obligations than insurers in higher rated categories.
CCC	Uncertain claims paying ability. The companies may not meet these obligations when due. Protection factors are very weak and vary widely with changes in economic and/or underwriting conditions.
CC	Poor claims paying ability. Adverse underwriting or economic conditions would lead to lack of ability on part of insurer to meet policyholder obligations.
C	Very high risk that policyholders obligations will not be paid when due. Present factors cause claim paying ability to be vulnerable to default or very likely to be default. Timely payment of policyholder obligations possible only if favorable economic and underwriting conditions emerge.
D	Insurance companies rated in this category are adjudged to be currently in default.