



**TOGETHER
WE MARCH FORWARD**



Prime Islami Life Insurance Limited

ISO 9001 : 2008 Certified



Together We March Forward



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TOGETHER WE MARCH FORWARD

Prime Islami Life started its journey in the year-2001 under sponsorship of reputed entrepreneurs of the country. Past record of prime Islami Life is gradual growth in all sectors. Our financial strength together with our pursuit of opportunity for continued growth led to a height of success. In the year-2002, we converted our company into Islamic Company under the name of Prime Islami Life Insurance Limited (PILIL).

Islamic Insurance (Takaful) along with Islamic banking and finance is growing globally. Being an Islamic financial institution, we comply with Shariah law in our activities. There are no prohibitive elements such as "riba", "gharar" and "mysir" involved in our operation. Significantly, we conduct our activities for realizing the objectives of Shariah.

In general, the objectives of Shariah are to acquire knowledge, establish justice and ensure welfare of the society. However, this does not mean that Shariah law is against the principle of profit maximization. Basically, PILIL is involved in profitable business and we deal with peoples' money as well as their risks.

We consider peoples money as a trust. Therefore, in order to ensure the sustainability of the trust, being profitable is the basic requirement for us. However, profit should not be achieved at the cost of other stakeholders interests. We are maintaining a balance between commercial objectives (profit maximization) and social and religious objectives promulgated in the teachings of Islam.

The principle of justice (Insaf) is being achieved through transparency in financial reporting, fair distribution of profits and fair charge on services provided to our customers. In fact, we take care of the interest of all stakeholders equally. Our main goal is to ensure fairness to all parties involved with us.

We are providing with education and training to our staff and field forces We are engaged in enhancing awareness amongst employees and the general people about Islamic insurance. We are achieving through close cooperation with Insurance Association, Training Institutes and the mass media. We believe in collective action in every sphere.

What Prime Islami Life today is absolutely for continuous support and trust of our valued clients, share holders, employees of all levels, communities, well wishers and other stakeholders. We are, with a professional and diligent management team, working hard to achieve our vision. Prime Islami Life is always for the policy holders, shareholders, employees and the community as a whole. We firmly believe that together with all stakeholders we'll reach the goal and maintain pace for the progress in all respects.

We feel happy that the world congress of the Business Initiative Directions (BID) of Spain has nominated us to receive the prestigious Century International Quality ERA Award (CQE) in the 'Gold' category. BID is the leading private organization of Europe spreading quality culture through quality mix technology. We have been awarded this on the basis of CQE regulations and criteria of Total Quality Management Model (QC100). This is a symbol of PILIL's Excellence, Responsibility and Achievement (ERA).

The CQE award has been assigned to PILIL as an entity for corporate achievement to recognise leadership, quality, innovation, excellence, technology, customer services and prestige. Therefore, we vow our pledge to follow the QC100 principles, ensure customer satisfaction, build dynamic leadership quality, improve technology, follow best business practices, achieve best business results, follow ISO 9000:2008 principles and total quality management model.

The CQE award represents a true victory for PILIL. This recognition confirms that our company is continuously making efforts to strengthen our commitment to quality. At the same time, our employees and field forces are motivated to ensure customer satisfaction, the ultimate measure of our success. We have gained prestige for our achievements in the area of quality which we will continue for the betterment of our people, for whom we are marching forward.

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PILIL AT A GLANCE

Prime Islami Life Insurance Limited (PILIL) a third generation Islami life insurance company of Bangladesh, was incorporated in July, 2000 under the name of Prime Life Insurance Company Limited as a public limited company under the Companies Act, 1994 with the vision to become one of the best private life insurance companies in Bangladesh and in South-East Asia as a whole by maintaining utmost integrity, responsibility and transparency.

PILIL was subsequently converted into full fledged Islami life insurance company (Takaful) from April, 2002. PILIL started with a paid up capital of Taka 30.00 million against an authorized capital of Taka 100.00 million being sponsored by a group of eminent personalities having involved in diversified business. Total paid-up capital of the company stood at Taka 150.79 million against authorized capital of Taka 500 million as on December 31, 2011. PILIL earned a gross premium of Taka 2048.80 million and life insurance fund stood at Taka 4510.00 million as on December 31, 2011. The company has sustained continued financial growth. A comparative statement is given below:

Figures in Million (Taka)

Description	2010	2011	Growth rate
Life Fund	3380	4510	334%
Investment	2850	3320	164%
Total Assets	3740	4970	328%

Market competition

Life insurance market is spread out all over the country covering the urban, sub-urban and rural areas of Bangladesh. The competitive environment in the insurance industry in Bangladesh is quite complex.

There is one nationalized insurance corporation having extensive branch networks, holding huge premium deposit and enjoying certain prerogatives. There is one leading international insurance company branches with focused business objectives, experiences and highly skilled human resources. Further, there are two first generation private life insurance companies having comparative large branch networks, reasonable access to technology and market.

Besides, the second-generation private insurance companies (started operations in 1996) make the insurance business more competitive. The relative position, focus and competition are so diverse that it is difficult for any new insurance company to make a favorable market entry and day-by-day the competition is increasing. Although there are more competition in the insurance sector, Prime Islami Life Insurance Limited a third generation company (2001) has earned a notable position within a short time in this risky market through its performance, reliabilities, efficient management and wide acceptance by its clients.

Product Mix

PILIL has introduced Multi Single, Multi-Pay Plan, Social Security Insurance, My Favourite Bima etc. during 2008-2009. Besides new products, the company has existing eighteen products under different category. PILIL has Hajj Bima, Assurance cum Pension and Medical Benefit Plan (without bonus), Three Payments Endowment Assurance Plan, Multiple Benefits Life Assurance Plan (without profit), Child Protection Assurance Plan (with profit), Couple Assurance Plan (with profit), Gift Assurance Plan (with profit), Biennial Payment Assurance Plan (with profit) and under group insurance the company has group term life insurance plan and group endowment assurance plan.

Claim Settlement

PILIL follows standardized procedure of settling claims covering a wide range of documentations. After submitting papers, documents and reports, the claim files are submitted to the Claims Scrutiny Committee. Claims Scrutiny Committee, after scrutinizing the papers, recommends

the claims for settlement or rejection. The Managing Director (MD) is empowered to approve claim amount upto Tk. 0.12 million whereas Claim Committee of Board can approve upto Tk.7 million and if claim amount exceed the above limits then the file is placed before the Board for approval.

Business Risk Management

PILIL has 'underwriting' manual which consists of detailed underwriting procedures and guidelines. The underwriting requirements (for new policies and revival of lapse policies) are based on age and sum assured and is consistent with the reinsurer's underwriting requirements. Underwriting procedure of PILIL starts with the submission of proposal with required documents from the client. After getting all documents including the initial premium the underwriting department scrutinizes all papers and after that decide which policy is good for that particular client. However, proposal is finally approved by the respective underwriters as per approval limit and subsequently necessary legal documents are sent to the respective policyholder.

Policy Lapse

Unlike most of the life insurance companies in the developed countries, policy lapse is a common phenomenon in the life insurance business of Bangladesh. The main reason behind it is that most of the companies are to follow the selling concept of marketing where policies are not bought but sold which ultimately results in discontinuation of policies in case of financial hardship. PILIL is not exception of the above situation.

Credit Rating

A joint venture rating agency in Bangladesh has assigned: A + Claim Paying Ability (CPA) rating to Prime Islami Life Insurance Limited (PILIL) in 2008. This has been done on the basis of its good fundamentals such as liquidity, solvency, profitability, structured management, service network and diversified product lines.

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OUR PLANS & STRATEGIES

In order to achieve our vision, we constantly strive to become a true Takaful (Islami Insurance) company of excellence in Bangladesh and in South-east Asia. Therefore, the management team of the Company is guided by five basic principles of action :-

- a. **Perform** responsibilities sincerely althrough.
- b. **Recognize** welfare aspects of Takaful business.
- c. **Increase** quality and productivity in every sector.
- d. **Make** all products simple and easy to understand.
- e. **Earn** the absolute trust of our valued customers.

We are following the PRIME principles as enumerated above to cultivate and promote our business to the people by making every effort to offer policies which are truly needed for the welfare of individual, family, group and society as a whole.

In Prime Islami Life Insurance Limited, what we emphasize to our people is that sincerity of our purpose and commitment towards welfare of the society will be rewarded duly in this and the world hereafter. Therefore, we need to perform our duties and responsibilities with utmost sincerity. All our good deeds in this world (Amalus Saleh) are being recognized as "Ibadah" and this makes our life happy eternally.

The basic philosophy of Takaful is to "help each other". This need to be recognized by all in its true spirit. Once we recognize that we are performing an excellent job, for the betterment of humanity we will do our best to build the company as a true Islamic Insurance Company of excellence. Therefore, we have planned to build the Company based on several strategies.

- We will steadily increase PILIL's equity in order to fulfill our responsibilities to our valued customers.
- We will use PILIL's equity to make strategic investments with the view to boosting its earning power continuously.
- We will continue to pay stable level of bonus to our policyholders as a means of providing better return to their investment.
- We will conduct asset management prudently in the interest of our policyholders and shareholders through appropriate risk management techniques.
- We will focus on growing and cultivating full time, dedicated and morally stronger agents and employer of agents.

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CORPORATE GOVERNANCE

Concept of Corporate Governance

Corporate Governance is a matter of discipline complied through corporate rules. Compliance of corporate governance ensures integrity, transparency, accountability, internal control and responsibilities in all activities in an organization. The basic foundation of corporate Governance is Board i.e. Board of Directors.

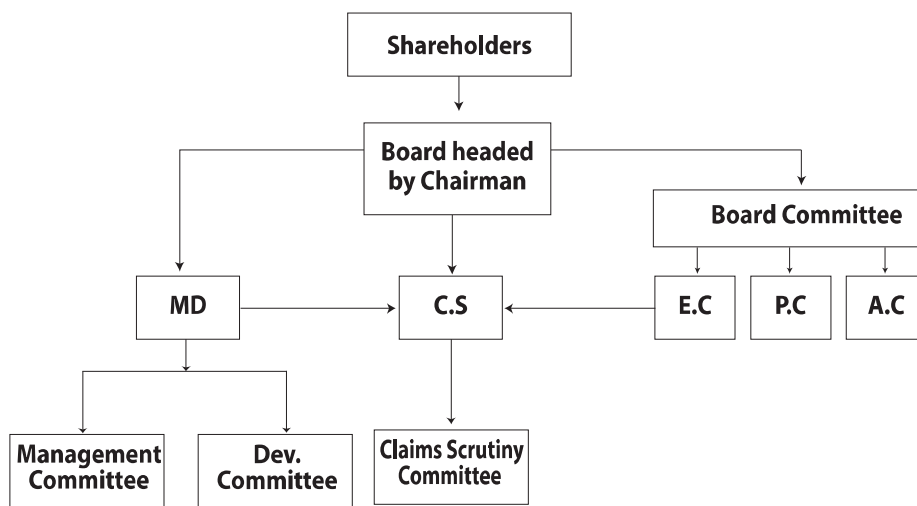
Board of Directors is the central entity in functioning corporate governance system. It is the governing body of any organization and is accountable to the shareholder and other stakeholders of the organization. To meet these organizational objectives, the Board provide strategic policy and direction to the management and not involved in day to day operational decisions. Management is accountable to the Board and, therefore, provide relevant, transparent and material information to the Board. The Board, to achieve its objectives, operates its function through different Board Committees VIZ.

- I. Executive Committee
- II. Claims & Policy Committee
- III. Audit Committee

Framework of Corporate Governance

Although, Board is the basic foundation of Corporate Governance, but not only the Board is responsible for compliance of corporate governance. All individual officers/ executives are liable for good corporate governance practices.

The Company operates the functions of corporate governance within a comprehensive frame work which is outlined in the diagram below:



Role of the Board

The principal roles of the Board are to define strategic objective and frame policy/plans for running the company. The other specific responsibilities are to approve Annual and Half Yearly Accounts, annual budget, capital expenditure and to review the operational and financial performance, financial control and risk management.

Role of the Chairman and the Managing Director

The roles of the Chairman and the Managing Director are quite separate. The Chairman presides over the meetings of the Board and organizes the business of the Board ensuring effectiveness and settings its agenda. Minutes of the Board meeting and offer of appointment and revision of remuneration of the Managing Director are also signed by the Chairman. Under any circumstances, the Chairman does not involve in day to day operational matters.

The Managing Director is responsible for whole affairs of the management including day to day business of the company. He is responsible to the Board for operational and financial performance of the company.

Internal control

Standard Accounting system alongside Internal Audit is vital factors to ensure internal check. In doing so, IAS is maintained in Prime Islami Life Insurance Limited and Internal Audit Dept. is allowed to work independently and free from any interference .

Annual Report

Annual report is published with information as much as possible, and is available to the shareholders and public. Prime Islami Life Insurance Limited is doing it and to make it more informative we have included-

- I. Quantitative disclosure of sales and market share.
- II. Business strategy/ plan.
- III. Market risk factors .
- IV. Investment result.
- V. Contribution to the economy.

Board structure and its operation

Size of the Board

The Board of Prime Islami Life Insurance Ltd. comprises of 21 members including one independent Director and the Managing Director who is an ex-officio Director as per Articles of Association of the Company. As per SEC's notification, a listed Company should have at least one tenth independent Director with minimum one.

Composition :

The Board of Prime Islami Life Insurance Ltd. comprises of 21 Directors as under :

Non-executive Director	:13
Shareholder Director	:06
Independent Director	:01
Executive Director	:01 (M.D.)

Non-executive Director

There are thirteen non-executive Directors and none of them takes part in the day to day operation of the Company. They only attend in the Board/Committee meetings to discuss the agenda of the Board/Committee.

Independent Director

In compliance with the SEC's notification the Board appointed an Independent Director. While appointed the Independent Director the Board fully abided by the instruction/guideline as explained in its notification that an Independent Director shall not hold any share in the Company or who

holds less than one percent (1%) shares of the total paid up shares of the Company on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the Company or its subsidiary/associated companies, who is not a member, director or officer of any stock exchange, and who is not a shareholder, director or officer or any member of stock exchange or an intermediary of the capital market.

Tenure and Retirement

The Office of the non-executive Director is subject to retirement under Article-94 of the Articles of Association of the Company. At least one third of the non-executive Director both from Group-A and Group-B shall retire by rotation in every Annual General meeting. The Independent Director is appointed for a period of 03 (three) years. The Managing Director is appointed for a maximum period of 05 (five) years by the Board of Directors subject to approval of the Regulatory Authority. The Office of the Managing Director being an ex-officio Director is not subject to retirement.

Director's Compensation

Other than the Managing Director, none of the Director holds any position of profit and receive any remuneration excepting fees for attending in the meeting of the Board and Committee. The meeting fee is fixed at Tk. 5,000/- (Five thousand) only for attending in each meeting as per decision of the Regulatory Authority.

Membership of Independent Director

The Independent Director is also a member of the Audit Committee of the Board of Directors as per notification of the SEC. The Board appointed Mr. Mizanur Rahman, FCA, as Independent Director of the Company for a period of 03 (three) years complying with all instruction/guidelines as explained in the notification of the SEC.

Membership of Board Committee

All Committees of the Board are comprised entirely with non-executive Directors.

Charter of the Committee

All Committees of the Board have a charter (TOR) approved by the Board that defines the purpose, duties and responsibilities of the Committee.

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RISK MANAGEMENT POLICIES

By nature of our operation we buy risks of the life of policy holders, hence we are in a drastic position to plan about assumed and potential risks. Here we put our maximum effort to find risks involved in our business and management perception to reduce them to a tolerable level.

PILIL'S Risk Management Policy put importance to address all possible losses under Insurance/Actuarial risk, Operational risk, Industry risk, Internal control & compliance risk, Natural risk, Technological risks and Shariah risk. Risk can not be eliminated but can be effectively controlled to bring them to a tolerable level. This can be achieved by smart dealing with risks, prudent activity of the management and regular monitoring.

Board Audit Committee:

We have a Board Audit committee which is working as sub-committee of the Board and performing the following role-

- Review the findings and recommendation of the internal audit control & compliance department.
- Report on any suspected or presumed fraud or irregularity or material defect in the internal control system.
- Inform the Board about suspected infringement of laws, rules and regulations.
- Ensure that senior management takes necessary steps to monitor and control risk.
- Ensure that management maintains an appropriate system of internal control.

Internal Audit Control & Compliance:

By the direct supervision of the Board Audit Committee a strong Department of Internal Audit control and compliance is working on the risk related matters.

Internal Audit employs a risk-based systematic and disciplined approach evaluating and improving the effectiveness of risk management, control and governance processes by assessing the:

- Identification and management of business risks;
- Soundness, adequacy and application of the internal control systems;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets from fraud, irregularity or corruption, and
- Compliance with laws, regulations, contracts and established policies, procedures and good practice.

Internal Audit is responsible for:

- Agreeing a long term audit strategy and audit plan with the Audit Committee and Management, based upon an audit needs assessment of all PILIL's activities and professional standard,
- Providing assurances, opinions and making recommendations to improve processes and systems where appropriate;
- Reporting to the Audit committee and Management any significant business risks, serious control weakness, significant fraud or other major control breakdown.
- Providing performance measures to demonstrate effectiveness of the Internal Audit service;
- Producing quarterly and annual report for the Audit Committee and Management, giving an opinion of the PILIL's control environment;

Internal Audit may conduct any special audit or reviews by the Audit Committee and Management or to support the Fraud & Misappropriation policy, provided such work does not compromise its objectivity or independence.

Central Compliance Unit:

A strong Central Compliance Unit has been established in compliance to the Bangladesh Bank circular No. AML-18 date 10 August, 2008 to oversee the following matters.

- Develop, oversee and maintain anti-money laundering compliance policy that ensures and monitors compliance with the prevention of Anti-Money Laundering Act 2009;
- Monitor and ensure reporting to Bangladesh Bank regarding any suspicious and doubtful transactions;
- Ensure all related employees get adequate training regarding prevention of money laundering;
- Ensure compliance with internal policies and procedures and external regulatory requirements.

Management Committee:

We have formed a powerful Management Committee with top most management personnel to perform the following roles in the organization.

- Meet at regular intervals for addressing and discussing all strategic and technical decisions relating to business, operations, administration, HR, Internal and financial control and compliances;
- Review and discuss policies and procedures of the company and make changes if necessary before presenting to the Board;
- Review of Internal Audit, Control & Compliance (Internal & regulatory) issues;

Risk factors & their Management.

In PILIL we often meet the following types of risks.

1. Insurance or Actuarial risks.
2. Operational risks
3. Industry risks
4. Internal Control & Compliance risk
5. Natural risk
6. Technological risk
7. Shariah risk.

Insurance or Actuarial risks:

The risk that the assumptions that actuaries implement into a model to price a specific insurance policy may turn out wrong or somewhat inaccurate. Possible assumptions include the frequency of losses severity of losses and the correlation of losses between contracts.

To avoid the Insurance/Actuarial risk we have appointed an well experienced actuary. We underwrite good policies only to avoid excessive claim and we re-insure a substantial portion of big policies with Scor Global Life Se, France.

Operational Risk:

A risk arising from execution of a company's business functions. This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The administration & operation department is responsible for the risk created from operation. We have a full furnished service rules, operational guidelines are elaborately furnished in it. Have a strong good governance practice to overcome strategic, legal and compliance risk arising from operation.

Industry Risk:

Liberalization of permission to set up more insurance companies by Government may result in severe competition among insurance reducing premium income and profitability.

A strong Business Promotion Department is being established with experienced, energetic and professional work group who are able to demonstrate the industry environment, sought out the risk and can handle them efficiently. They dig out the productive business area recruit strong organization, train them properly to find out new business as a result sufficient amount of business piled up to survive the industry risk.

Internal Control and Compliance Risk:

PILIL has established the internal audit control and compliance department to audit the overall activities of the company, these include

operational & financial activity, execution of authorization, management philosophy, implementation of service rules; policies procedures and actions. As a result this area bears a high risk in regard to

- The potential for human error due to carelessness, mistakes of judgment and the misunderstanding of instructions.
- Material misstatement may kept undected
- Weakness of internal Checks.
- Fraud by collusion
- Wrong or delayed decision making
- Familiarity with auditee
- Self interest in the audit matter
- Verbal orders in absence of defined financial decision

This department works independently and in an unbiased position maintaining zero tolerance level for the establishment of Board decision, Management philosophy.

This department reports directly to the Managing Director regarding any irregularity, misappropriation of money, fraud, personal conflict, wrong & delayed decision making to mitigate risk factors. Apart from the above management has taken following initiative to overcome the risks related with this wing

- Employees having professional knowledge and well experienced recruited under strong criteria approved by the Board.
- They are provided with regular job oriented training conducted in house training department along with outside professional bodies.
- Job rotation is being conducted regularly.
- Strong corporate culture, corporate responsibility and system of internal check is implemented.
- Have a defined line of authorization
- Ensure timely communication of management decision.

Natural Risk:

Life insurance business is in a high risk position of natural calamities like cyclone, flood and tremors which may severely weaken the financial strength of the company by accruing heavy claims on account of loss of huge human life.

A strong & experienced underwriting department is working to make the risk tolerable. Risk is an important consideration for premium calculation of any insurance policy. The estimated losses arising from natural calamities are covered by higher rates of premium and reinsurance coverage for such losses management works on statistical assessment of occurrence of natural calamities in setting the rates of premium and reinsurance risk.

Technological Risk:

PILIL is a third generation first growing life insurance company. It has established a full furnished IT department with a lot of experienced and expert IT professionals. The whole business is covered by the dedicated database server. Different types of software are being used by this department for the execution, preservation and delivery of all kinds of information.

This department is protected by sufficient data backup, ensuring secured server room, data security and data integrity. Physical securities for the network equipment are ensured, Access to the system is properly authorized. Authorized software's are being used. The internet is made available to only selected authorized PC's that are completely out of the existing internal network to protect external treat and risks, protected from loss of technical failure. Have established a Disaster Recovery plan.

Shariah Risk:

As a shariah based islamic organization we are bound to observe islamic principal strictly regarding business operation, investment, office management etc. To maintain islamic shariah is too tough in a non islamic business environment which possess risks.

PILIL has a strong Shariah Council to monitor and implement shariah practices and we are successful in practice. We invest our funds in islamic organization, bonds etc. operate our business following the guidelines of Shariah Council.





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