

Directors' Report



Directors' Report 2020

Bismillahir Rahmanir Raheem

Assalamu Alaikum

Dear Shareholders, Ladies & Gentlemen

I and on behalf of the Board of Directors of Pragati Insurance Limited welcome you to the 35th Annual General Meeting and would like to thank you for your continued support and patronage over the last 35 years.

We are very delighted to present before you the Directors' Report-2020 along with the Audited Financial Statements for the year ended 31st December, 2020 & Auditors Report thereon for your kind consideration and adoption.

The Report of the Board of Directors of the company has been prepared in compliance with the provisions of section 184 of the Company's Act 1994 & other relevant rules and notifications issued by the Regulatory bodies.

The World witnessed an extraordinary situation in 2020 as the COVID-19 pandemic inflicted chaos on the economies of many countries and brought health care systems to the brink of failure. We were equally affected and the subsequent lockdown caused economic hardship to the general public as well as businesses, large or small.

Bangladesh Economy 2020 – During the last decade Bangladesh's economic growth has steadily increased from 6 percent to 8 percent. However, Coronavirus (COVID-19) pandemic has adversely affected the economy of Bangladesh. According to the provisional estimates of the **Bangladesh Bureau of Statistics (BBS)**, GDP growth in FY2019-20 stood at 5.24 percent, in comparison 8.15 percent in the previous fiscal year. Growth in export and import in FY2019-20 is negative. However, remittance inflows grew by 10.87 percent has reduced the current account deficit compared to the previous fiscal year. At the same time, the increase in capital and financial account inflows has led to a surplus in the overall balance of payments. Due to this, our foreign exchange reserves have increased manifold. As of June 30, 2020 the foreign exchange reserve was at US\$ 36.04 billion, which is the highest ever. In this period, a marginal depreciation in exchange rate of Taka with the US dollar is being observed. To keep the country's economy buoyant in the face of the current Coronavirus pandemic, extra spending on healthcare, emergency humanitarian assistance has been gained. The

government has already declared a financial package of about Tk. 1.2 lakh crore for economic recovery. Some of the notable activities of this package are: building special funds for export oriented industries; contribute working capital facilities to the affected industry and service sector organizations; provide working capital facilities to small (including cottage industries) and medium industrial enterprises; increase the benefits of the Export Development Fund; increase the range of social security; direct cash transfer to targeted people, prepare various funds for the agricultural sector. As well as financial incentives, various activities including policy support such as reduction of import duty on COVID-19 related products, policy support to increase liquidity in the banking sector has been provided. On account of these courses of actions undertaken by the government, the economy is expected to change.

Bangladesh Macroeconomic Situation 2019-20 – Our Economic growth wound down to 5.24 percent in FY2019-20 (July, 2019 to June, 2020), according to the provisional estimates of BBS, which is the smallest since FY2008-09. Following the trend of attaining steady economic growth, the growth exceeded 6 percent in FY2010-11, 7 percent in FY2015-16 and 8 percent in FY2018-19. Although the economic situation of the country was regular in the first eight months of FY2019-20, the COVID-19 pandemic has had a huge negative impact on the economy of Bangladesh since March, 2020.

Sectoral Growth - According to the provisional estimate of BBS, the growth of agriculture sector has retarded to 3.11 percent in the FY2019-20, compared to 3.92 percent in FY2018-19. At the same time, industry sector grew by 6.48 percent, as compared to 12.68 percent in the previous fiscal year. The **service sector** grew by 5.32 percent in FY2019-20 compared to 6.78 percent in the previous fiscal year.

Within the broad agriculture sector, the growth rate of agriculture and forestry sector decelerated from 3.15 percent to 2.08 percent in FY2019-20. In addition, growth in fishing sector slowed slightly to 6.10 percent from 6.21 percent of previous fiscal year. The contribution of the broad agricultural sector to the GDP stood at 13.35 percent in FY2019-20 against 13.65 percent in the previous fiscal year.

Inflation - In FY2018-19, the average Consumer Price Index (CPI) inflation was 5.48 percent, which stayed within the target (5.50 percent) and 0.30 percent lower than the previous fiscal year. Food inflation for FY2018-19 lowered to 5.51 percent from 7.13 percent in FY2017-18, while non-food inflation increased to 5.43 percent



from 3.73 percent of previous fiscal year. In FY2019-20, the inflation rate stood at 5.65 percent, which is slightly higher than the target (5.50percent). In this case, food inflation increased to 5.56 percent and non-food inflation stood at 5.85 percent. The Coronavirus pandemic has slowed global economic activity and reduced inflation globally. However, the pandemic could ignite world food production and disruption of supply chain. Therefore, it is expected that food inflation will increase in the coming months. **(Source: Bangladesh Economic Review 2020)**

Global Economy 2020 - The Worldwide Coronavirus pandemic has disrupted the global economy. The discharge of wide-ranging containment measures by governments all over the world to curb the spread of the COVID-19 virus has resulted in large impacts to the global economy. As a result of the pandemic, the global economy is anticipated to decrease in a much worse way than during the 2008-2009 financial crises. *The World Economic Outlook (WEO) October 2020, International Monetary Fund (IMF) report* estimated that the world economic growth would degrade sharply by 4.4 percent in 2020 downgrading from -3.0 percent projection made in April 2020, WEO. According to IMF, the global economy is projected to grow by 5.2 percent in 2021 as the economic activity normalizes, helped by policy support.

In advanced economies, growth is expected to slow to -5.8 percent in 2020. The rapid and widespread impact of COVID-19 and the consequent stagnation of economic activity have led to a slowdown in growth. The economic growth of almost all countries of advanced economies will be negative, most notably: United States (-4.3 percent), Germany (-6.0 percent), France (-9.8 percent), Italy (-10.6 percent), and Spain (-12.8 percent), Japan (-5.3 percent) and the United Kingdom (-9.8 percent). Emerging markets and developing economies face health crisis, harsh external demand shock: tightening in global financial conditions, and a plunge in commodity prices, enabling severe impact on economic activity in commodity exporters. Similarly, oil exporting countries will face problems as the falling of oil prices. Average petroleum spot prices per barrel are projected at US\$ 41 in 2020 and US\$ 43.8 in 2021, higher than in the April and June forecasts. Non-fuel commodity prices are expected to rise faster than assumed in April and June. Overall, the group of emerging market and developing economies, growth is forecast at -3.3 percent in 2020, 2.1 percentage points weaker than in the projection made by April 2020 WEO. All emerging market and developing economy regions are expected to contract this year, including

emerging Asia, where large economies, such as India and Indonesia, continue to try to bring the pandemic under control. **(Source: Bangladesh Economic Review 2020)**

Global Insurance - 2020 - According to an **Allianz Insurance Report published in July 2020**, global insurance industry entered 2020 in a robust form: In 2019, premiums increased by +4.4 percent, the strongest growth since 2015. The increase was driven by the life segment, where growth sharply increased over 2018 to +4.4 percent as China overcame its temporary, regulatory-induced setback and mature markets finally came to grips with low interest rates. Non-Life insurance posted almost the same growth rate (+4.3 percent), down from +5.4 percent in 2018. Global premium income totaled EUR3,906bn in 2019 (life: EUR2,399bn, non-life: EUR1,507bn).

Covid-19 devastated the world economy in 2019. The sudden stop of economic activity around the globe battered insurance demand. Global premium income is expected to shrink by -3.8 percent in 2020 (life: -4.4percent, non-life: -2.9 percent), three times the pace witnessed during the Global Financial Crisis. Compared to the pre-Covid-19 growth trend, the pandemic will shave around EUR358bn from the global premium pool (life: EUR249bn, non-life: EUR109bn).

Global Insurance Disasters 2020 - Insurance industry losses from natural catastrophes and man-made disasters globally amounted to USD 83 billion in 2020, according to *Swiss Re Institute's preliminary sigma estimates*. This makes it the fifth-costliest year for the industry since 1970. Losses were driven by a record number of severe convective storms (thunderstorms with tornadoes, floods and hail) and wildfires in the US. These and other secondary peril events around the world accounted for 70 percent of the USD 76 billion insured losses from natural catastrophes.

Bangladesh Non-Life Insurance Scenario 2020 - The gross premium income of non-life private sector insurance companies decreased from Tk. 47,116 million in 2019 to Tk. 44,021 in 2020 registering a negative growth rate of -7 percent.

Non-Life Insurance Penetration - It is a shame that we lag behind in bringing insurance to our public. A research firm LightCastle Partners, in a recent research has found that Bangladesh is the most underinsured country in the non-life insurance category. Further Swiss Re data shows that overall insurance penetration in Bangladesh stood at a scanty 0.57 percent in 2018, which is the lowest among emerging Asian countries. Insurance penetration

was 5.27 percent in Thailand in 2018, followed by 4.77 percent in Malaysia, 4.22 percent in China, 3.70 percent in India, 2.42 percent in Vietnam, 1.95 percent in Indonesia, 1.82 percent in the Philippines and 1.15 percent in Sri Lanka. Taiwan has the highest penetration rate with 18 percent. The way out here is to raise the awareness of Insurance products and services to the potential clients and provide traditional insurance in tandem with non-traditional insurance such as of crop insurance, live-stock insurance, health insurance, education insurance, railway passengers' insurance, building insurance etc.

Pragati Insurance Limited Operational Result - 2020

Gross Premium Income

In 2020 Pragati Insurance Limited achieved subdued success in earning gross premium of Tk. 2217.52 million. Covid-19 pandemic lead to a decline of Gross premium income, which decreased by Tk. 189.00 million registering a decay of -8.52% compared to previous year.

CLASS WISE PREMIUM

Fire Insurance

The Company had underwritten a total fire insurance premium of Tk.1006.81 million as against Tk. 1036.36 of last year. After payment/provision for re-insurance premiums, claims and management expenses the company has incurred underwriting (loss)/profit of Tk. (12.17) million against underwriting loss Tk. (17.17) million of last year.

Marine Insurance

In the year 2020 gross premium earning in Marine insurance including Marine Hull was Tk.491.04 million against Tk.891.20 million of the year 2019. After providing for re-insurance and claims, we have earned underwriting profit of Tk.203.85 million against last year's underwriting profit of Tk.110.52 million.

Miscellaneous Insurance

From miscellaneous insurance business our total gross premium income in 2020 was Tk.218.07 million (both in Motor and Miscellaneous departments) against Tk. 478.96 million in 2019. After meeting expenses for re-insurance, claims and management expenses, we have earned underwriting profit of Tk.127.27 million against Tk.135.39 million in 2019.

Investment Operation

Pragati Insurance Limited has concentrated its focus on diversifying its investment portfolio. Facing all the odds

the company has gained Tk. 0.74 million as capital gain out of share trading in 2019 against Tk. (2.05) million in 2019.

Contribution National Exchequer

During the year under report Pragati Insurance Limited has deposited Tk. 344.03 million to the Government Exchequer as Corporate Income Tax, Withholding Tax, Stamp Duty and VAT.

Income Distribution

Underwriting Profit of non- life insurance Company is not at desired level due to ever increasing operational and other expenses. Growth of insurance company is also dependent on in its investment income. It is therefore important to explore all avenues to raise the return from investment. However, due to increase in income from investment income and rental income the Company's net profit before tax stood at Tk.365.37 million against Tk. 281.19 million in the year 2019. The net profit before tax has been proposed for approximate as follows:

Particulars	Million Taka
Reserve for Exceptional Losses	83.30
Provision for Income Tax	88.23
Balance available for distribution	200.25

Taking into consideration the financial position and working capital requirement for smooth running of the company and with an aim to have a steady growth in per share dividend, the Board of Directors of Pragati Insurance Limited recommended 30% cash dividend to the shareholders of the company for the year 2020. The whole scenario will look as follows:

Particulars	Taka
General Reserve	243,578
Divisible Profit	200.25
Total available	200.49
Less: Cash Dividend for the year	196.77
Balance to be carried forward for the next year	3.72

Credit Rating

Credit Rating of Pragati Insurance Ltd. was carried out by National Credit Ratings Limited for the year 2019-2020 and their assessments are as follows:

Long Term	AAA
Short Term	ST-1

Board of Directors

In accordance with Articles **105, 106 & 107** of the company's Articles of Association, the under-noted Directors from Sponsor Shareholders shall retire from the office by rotation and eligible for re-election.

1. **Syed M. Altaf Hussain**
2. **Mr. Abdul Awal Mintoo**
3. **Mrs. Nahreen Siddiqua**
4. **Mr. Mohammed Abdul Malek**

In accordance with the Article **107** the above mentioned 3(three) Directors are eligible for re-election.

Accordingly, this was placed before the Board of Directors for their kind approval. The Board of Directors already approved the same and this will be placed in the ensuing **35th Annual General Meeting** of the company for approval of the Sponsor Shareholders .

To fill up the 3 (three) vacancies of public subscribers directors, the election will be held on the day of the **35th AGM** of the company scheduled to be held on 26th August, 2021.

As per Insurance Act 2010, Rules 1958 clause No.15B (3) the Election Notice has been published in the two national dailies.

The 3 (three) persons submitted their nomination papers within the stipulated time. Since no-body else has submitted any nomination papers other than this 3(three) candidates so, they will be taken as elected Directors from Public Shareholders in the ensuing 35th AGM scheduled to be held on 26th August, 2021.

Board meeting and Audit Committee meetings

09 (nine) meetings of the Board of Directors and 5 (five) meeting of the Director's Audit Committee were held during the year 2020. Details are given below in comparison to last 3 years.

Name of the Meeting	2020	2019	2018
Board of Director's	9	11	11
Directors Audit Committee	5	8	05

Audit Committee

The Audit Committee of the company met 5(five) times during the year and reviewed the followings with special emphasis on compliance of respective recommendations:

1. Audit and inspection Report(s) of the Audit Team and External Auditors.

2. Ensuring an effective Risk Management system of the Company through ongoing review of the company's internal control system.
3. The financial statements of the company for the year 2020 audited by the External Auditors.
4. Stressing on the importance of the Compliance Culture within the Company.

This is to confirm that the company's Audit Committee is constituted as per terms & condition of BSEC'S Circular No. CMRRCD/2006-/158/207/Admin/80 dated 3 June, 2018 .

Corporate Governance Compliance status

Pursuant to the clause 9 of the BSEC's Notification No. SEC/ CMRRCD/2006-/158/207 Admin/ 80 dated 3 June, 2018 we attached the company's compliance status as annexure-1.

Auditors

M/S. A. Wahab & Co. Chartered Accountants was appointed as External Auditors of the company for the year 2020 at the 34th Annual General Meeting. They have audited the books of account for the period covering 1st January, 2020 to 31st December 2020. This is the 1st year that M/S. A. Wahab & Co. has audited the Financial Statements of the company. **M/s. A. Wahab & Co.** vide their letter dated AWC-BO/PIL/2021/113 dated May 24,2021 expressed their willingness to continue to be our auditors for the year 2021 and requested for re-appointment for audit of accounts for the year ended December 31, 2021.This will be placed in the ensuing 35th Annual General Meeting for the approval of the Shareholders.

Acknowledgement

On behalf of the Board Directors, we humbly take this opportunity to express our heartfelt gratitude to all of our valued clients, shareholders and well-wishers in home and abroad for their whole hearted co-operation. We are especially thankful to all Banks both in the private and public sector and the management of Multimode Group, Beximco Group, KDS Group, Abdul Monem Group, W&W Group, Square Group, Bata Shoe (BD) Ltd, BSRM Group, Novartis (Bangladesh) Ltd, Heidelberg Cement Bangladesh, International Television Channel Ltd (NTV), National Television Ltd (RTV), Maasranga Television, Independent Television, ICDDR,B, Pacific Jeans Group of Companies, HKD Group of Companies, Jayson Group, Aristopharma Ltd, Karim Group, Square Air, BCL Aviation,

DBL Group, MJL Bangladesh, MJL (Mobil), Saad Musa Group, Grameen Phone Ltd, Esquire Group, Mir Group, Pedrollo (NK) Ltd, PHP Group, Rahimafrooz Group, Envoy Group, Maksons Group, M.I. Cement Factory Ltd (Crown Cement), Olympic Group, Rabintex Group, Shanta Group, T.K. Group, Healthcare Pharmaceuticals Ltd, Khulna Power Company Ltd, Khan Jahan Ali Power Company Ltd, NEPC Consortium Power Ltd, Summit Group, United Group, High Speed Navigation Company Ltd, RZ Power, Eurostar Shipping Ltd, Peoples Shipping Ltd, Summit Shipping Ltd, Sealink Shipping Company, Poseidom Enterprise, Brave Royal Shipping, Central Navigation, Ace Bi Cycle (BD) Ltd, Denim Plus(BD) Ltd, Jay Jay Mills (BD) Pvt. Ltd, J & J Industries Ltd, Jemina Accessories Ltd, Luna Lite Company (BD) Ltd, Mamiya Op (BD) Ltd, Meghna Accessories Ltd, Merim Company Ltd, Mitali Textile Industries (BD) Ltd, Modern Towels (BD) Ltd, Multi Safh Bags Ltd, MZM Textile Ltd, Padma Industries Ltd, Papella Shoe Ltd, Sanko Optical Company (BD) Ltd, U-Jin Led Company (BD) Ltd, Van Green (BD) Ltd, Kadena Sports Wear (BD) Ltd, Nawab Abdul Malek Jute Mills (BD) Ltd, Quality Feeds Ltd, Grameen Shakti, National Polymer Industries Ltd, Paxar (BD) Ltd, Care Bangladesh, Bangladesh Edible Oil Ltd, CEAT Bangladesh Ltd, Ruby Food Products, Ahad Jute Spinners Ltd, State Bank of India, Embassy of the United Arab Emirates, Berger Paints (BD) Ltd, Asian Paints Bangladesh Ltd, Sanofi Aventis Bangladesh Ltd, Dhakarea Ltd, EXSACO Ltd, Renata Ltd, Nuvista Pharma Ltd, EPV Chittagong Ltd, Modele De Capital Ltd, North South University, Al-Muslim Group, Energypac Bangladesh, Paragon Group, Armana Group, IDLC, MGH Group, Pran Group, Trendex Furniture Industries Ltd, Singer Bangladesh Ltd, The Westin (Dhaka), Perfetti Van Melle Bangladesh Ltd, Global Fabrics, Campex (BD) Ltd, Social Marketing Company (SMC), Omera Petroleum Ltd., Paolo Footwear(BD) Ltd., Kenpark Bangladesh, Hopeful Textile, Alita Group, Chihong Knit Ltd., Qualitex Group, Swan Lon Company, LSI Inds. Ltd., Daeyu (BD) Ltd., Lik Fung Garments, KAFCO, Aventis Ltd., Navana Group, Bombay Sweets & Company, Independent University, Bangladesh, Edison Footwear Ltd., Bengal Group, Knit Plus Group, Zeil's Wear Ltd., AA Knitspin Ltd., Aman Group, Mosharraf Group, Opex Sinha Group, Ha-Meem Group, Shahjibazar Power Co., Ltd., Matador Group, Haque Group, United International University, IUBAT-International University of Business Agriculture and Technology, BUFT-BGMEA University of Fashion & Technology, Babylon Group, Prime Bank Ltd., Dutch Bangle Bank Ltd., Arab Group, Virgo MH Ltd., SAN Apparels Ltd., Sterling Group, Indofil (BD) Pvt. Ltd., Nassa Group, Star Ceramics Ltd., Master Knitwear Ltd., Butterfly Group, Kingpro Manufacturing Co., Ltd., BRB

Group, SQ Group, Acorn Infrastructure Services Unit-2 Ltd, Sheikh Brothers and many others for reposing their confidence in the Company.

We would also like to convey our sincerest thanks to Insurance Development and Regulatory Authority, Bangladesh Securities and Exchanges Commission, Dhaka Stock Exchange, Chittagong Stock Exchange and Re-Insurers - Sadharan Bima Corporation, General Insurance Corporation of India (GIC) Best Re. Malaysia and Trust International and Re-Insurance Brokers- J.B. Boda, Protection Bahrain, Willis and others for their support and assistance. The Board also expresses its appreciation to M/S. A. Wahab & Co. the Auditor of the Company.

We take this opportunity to express my profound gratitude to the Chief Executive Officer and all the Executives, Officers and Staff of the company for their outstanding services throughout the year and look forward to the continued support and whole-hearted cooperation for the realization of the corporate goals in the year ahead. The Board of Directors has been pleased to reward its staff including Executives, Officers and Employees 03 (Three) Incentive Bonus based on individual performance to be decided by the management.

Lastly, with best regards to all our valuable shareholders, we promise to continue the growth of the company with your continued support.

Thank you all.

On behalf of the Board of Directors,



Syed M. Altaf Hussain
Chairman

Directors' Report to the Shareholders

(Under Section 184 of the Companies Act 1994)

We report that:

- i. The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ii. Proper books of account of the company have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- iv. International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the company's ability to continue as a going concern. vii. There are no significant deviations from last year operating result of the company.
- viii. During the year ended 31 December 2020 the Board of Directors held 11 (Eleven) meetings and the Directors serving on the Board attended in aggregate 75% of the total number of meetings.
- ix. At 31 December 2020, the pattern of shareholding are given below:
 - a) Shareholding of Parent/Subsidiary/ Associate companies and other related parties: Nil.
 - b) Shareholdings of Directors, CEO, Company Secretary, CFO and Head of Internal Audit and their spouses and minor children: Nil.