

Directors' Report



Director's Report 2021

Bismillahir Rahmanir Raheem

Assalamu Alaikum

DEAR SHAREHOLDERS,

The Board of Directors and I would like to thank you for taking some of your valuable time out to attend this 36th Annual General Meeting of the Company. It is my pleasure to place before you the Annual Report, the Audited Financial Statements and review of your Company's business progress for the year ended 2021.

Like in 2020, this past year also brought challenges, with the COVID-19 phenomena continuing and the restrictions imposed by new viral variants that affected the lives of all of us, including our customers and our teams.

Prior to Covid-19 our GDP growth was high and steady - it was averaging 7.4 percent from 2015-16 to 2018-19, it peaked at 8.15 percent in 2018-19. However, Covid-19 negatively affected the economy as GDP fell down to 5.24 percent in 2019-2020. However, our government determined efforts to deal with the effects of Covid-19 impact on the economy resulted into an increase of GDP to 6.94 percent in 2020-2021, the year of this review. **According to Bangladesh Bureau of Statistics**, the per capita income in 2020-2021 increased to \$2591 from \$2326 from the previous year and the country's total size of GDP at current price stood at US\$416 billion or Tk 35.30 trillion in 2020-2021.

Macro-economic growth - During FY2021, the GDP growth in the industrial sector was 10.29 percent. Besides, agriculture had also shown an impressive growth trend at 3.17 percent while the services sector grown at a moderate rate of 5.73 percent. According to BBS's provisional estimation at constant price based on the 2015-16 base year, the agriculture sector had expanded at 2.37 percent rate, the industrial sector at 5.99 percent and the services sector at 5.86 percent. The investment-GDP ratio for the last fiscal had also shown an upward trend at 31.02 percent compared to the provisional estimation of 30.76 percent.

Inflation - According to BBS, the average inflation rate in 2021 stood at 5.54 percent, down from 5.69 percent in the previous year. Food inflation ticked up to 5.46 percent in December 2021, compared with 5.34 percent the year before.

Remittance - The country's remittance earnings reached record high of \$22.07 billion in the just concluded year 2021 despite a slowdown in the earnings in the second half of the year, according to Bangladesh Bank data.

Stimulus Packages - As per the directives of the GOB, activities were carried out under 21 stimulus packages of Tk. 1,20,153 crore in FY 2019-20 for additional expenditure in healthcare sector, emergency humanitarian assistance and economic recovery to address the COVID-19 pandemic. The number of the stimulus packages were further increased to 23 in FY 2020-21 and the amount of fiscal and stimulus packages till April 2021 was Tk. 1,28,441 crore, which is 4.2 percent of GDP. As a result of these actions taken by the government, the economy is expected to turn around.

BD Economy Future Outlook - The Government aims at 7.2 percent GDP growth for 2021-2022 in continuation of the growth momentum. Different multilateral agencies have also projected similar progress. ADB's projection shows 6.8 percent growth, IMF 6.6 percent, and World Bank 6.4 percent for Bangladesh's economy for 2021-2022. While, IMF predicts 7.1 percent GDP growth in 2022-2023. As most of the mega projects will be completed in the next couple of years, it is expected Bangladesh's economy is will qualifies for LDC graduation soon.

World Economy 2021 - As per the latest **October 2021 WEO (World Economic Outlook) forecast of the International Monetary Fund (IMF)**, compared to its July 2021 forecast, the global growth projection for 2021 has been revised down to 5.9 percent but remains unchanged for 2022 at 4.9 percent. This modest headline revision masks large downgrades for some countries. The outlook for the low-income developing country group has dimmed considerably because of the worsening pandemic undercurrents, especially due to the advent of the Omicron variant of the coronavirus. The World Bank's Global Economic Prospect, June 2021 further predicted that the growth of developed economies will reach 5.4 percent in 2021. The economic growth of almost all countries of advanced economies will be positive, particularly in: The United States (6.8 percent), Germany (3.6 percent), France (5.8 percent), Italy (4.2 percent), and Spain (6.4 percent), Japan (3.3 percent) and the United Kingdom (5.3 percent). Growth in emerging markets and developing economies is projected at 6.0 percent in 2021, with China growing at 8.5 percent and India at 8.3 percent.

Global Insurance 2021 - According to **Allianz Global Insurance Report**, global gross written premiums in Life insurance (not-including Health) and Property & Casualty (P&C) insurance declined by 2.1 percent in 2020. This was almost double the rate of decline that was seen after the Great Financial Crisis (GFC) in 2009, but it was less severe than anticipated. The report further points out that during the last decade, Life insurance premiums grew by only +2.4 percent globally, half as fast as in the previous decade. The main reason behind this was the low interest environment in the aftermath of the Great Financial Crisis. Western Europe, the largest Life market, bore the brunt as their premiums grew by a modest +0.6 percent per year in the 2010s. The U.S remained the largest market by a distance, accounting for 32 percent of the global premium pool in 2020, which was just one percentage point lower than at the beginning of the decade.

As per the same report by Allianz, strong growth was expected for the insurance industry in 2021. Overall, premiums were predicted to rise by 5.1 percent globally. Predictably, the USA (+5.3 percent) and China (+13.4 percent) were likely to be the two growth engines. Following the sharp slump in the previous year, the recovery in the life segment (+5.7 percent) was to be somewhat stronger than in the P&C segment (+4.2 percent). The report forecasted that a strong growth would continue in subsequent years, driven by the increased focus on sustainability and the further rise of the emerging markets. Globally, average growth of over 5 percent over the next ten years is forecasted.

Global Insurance Disasters 2021 Natural catastrophes caused global insured losses of \$105 billion in 2021—the fourth highest since 1970, according to **Swiss Re Institute's preliminary sigma estimate**. These losses were up from \$90 billion in 2020 and a sharp increase from the 10-year average of \$77 billion. Non-natural disasters triggered another \$7 billion in insured losses, resulting in estimated global insured losses of \$112 billion from catastrophes in 2021. The two priciest events of 2021 took place in the U.S. Hurricane Ida caused \$30-\$32 billion in estimated insured damage, including flooding in New York. Winter storm Uri caused \$15 billion in insured losses, bringing extreme cold, heavy snowfall and ice accumulation. Texas was hit hard by this storm, with the power grid experiencing multiple failures due to freezing conditions.

Bangladesh Non-Life Insurance Scenario 2021 - The overall industry-wise non-life insurance premium statistics for 2021 are not yet available.

In 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.

Going Forward - Bangladesh as one of the most underinsured country. According to a Sigma report by the Swiss Re Institute, insurance penetration in Bangladesh is only 0.4 percent while the insurance sector makes up 4.2 and 1.2 percent of the GDP of neighboring India and Sri Lanka respectively. The reasons for the low penetration are many, among which lack of awareness about insurance products/services and about the usefulness of insurance in the society and the lives of people. Beside these lack of trustworthiness, shortage of skilled manpower, unattractive insurance products can be attributed to this low insurance penetration. By capitalizing on penetration levels, we stand to greatly benefit from the growth in tandem with steady national economic growth.

Pragati Insurance Limited Operational Result 2021

Gross Premium Income

In 2021 Pragati Insurance Limited achieved robust success in earning gross premium of Tk. 2506.52 million, which increased by Tk. 288.99 million registering an increase of 13.00 percent compared to previous year.

During this year PIL achieved a net underwriting profit Tk. 408.99 million against Tk. 318.41 million of last year, which is 28 percent higher.

CLASS WISE PREMIUM

Fire Insurance

The Company had underwritten a total fire insurance premium of Tk. 974.98 million as against Tk. 1006.81 of last year. After payment/provision for re-insurance premiums, claims and management expenses the company has incurred underwriting (loss)/profit of Tk. 29.05 million against underwriting loss Tk. (10.92) million of last year.

Marine Insurance

In the year 2021 gross premium earning in Marine insurance including Marine Hull was Tk. 1124.48 million against Tk. 816.16 million of the year 2020. After providing for re-insurance and claims, we have earned underwriting profit of Tk. 232.51 million against last year's underwriting profit of Tk. 203.85 million.

Miscellaneous Insurance

From miscellaneous insurance business our total gross premium income in 2021 was Tk. 407.06 million (both in Motor and Miscellaneous departments) against Tk. 394.56 million in 2020. After meeting expenses for re-insurance, claims and management expenses, we have earned underwriting profit of Tk. 147.43 million against Tk. 127.27 million in 2020.

Investment Operation

Pragati Insurance Limited has concentrated its focus on diversifying its investment portfolio. Facing all the odds the company has gained Tk. 21.85 million as capital gain out of share trading in 2021 against Tk. 0.74 million in 2020.

Contribution National Exchequer

During the year under report Pragati Insurance Limited has deposited Tk. 345.84 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 a key indicator of growth. However, it is also dependent on its investment income. It is therefore important to explore all avenues to raise the return from investment. Due to increase in Underwriting Profit and income from investment income and rental income, the Company's net profit before tax stood at Tk. 524.20 million against Tk. 365.37 million in the year 2020. The net profit before tax has been proposed for approximate as follows:

| Particulars | Million Taka |
|------------------------------------|--------------|
| Reserve for Exceptional Losses | 94.27 |
| Provision for Income Tax | 138.93 |
| Balance available for distribution | 235.57 |

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 @Tk 35 percent cash dividend to the shareholders of the company for the year 2021. The whole scenario will look as follows:

| Particulars | Taka |
|------------------|--------|
| General Reserve | 37.75 |
| Divisible Profit | 235.57 |

| | |
|---|--------|
| Total available | 273.32 |
| Less: Cash Dividend for the year | 229.57 |
| Balance to be carried forward for the next year | 6.01 |

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 Group-A shareholders shall retire from the office by rotation and eligible for re-election.

1. **Mr. Mohammed A. Awwal**
2. **Mr. Md. Syedur Rahman Mintoo**
3. **Mr. Md. Mushfiqur Rahman**

In this regard the above noted 3 (three) Directors offered themselves for re-election as the Directors of the Company from Group-A shareholders as per MOA & AOA of the company.

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 36th Annual General Meeting of the company for approval of the Group-A shareholders.

In accordance with Articles 105 & 106 of the company's Articles of Association, the under-noted Directors from Public Shareholders (Group-B) shall retire from the office by rotation.

1. **Mr. Tabith M. Awal**
2. **Mr. Nasir Latif**

As per Insurance Act 2010, Rules 1958 clause No. 15B (3) the Election Notice has been published in the two national dailies on March 22, 2022.

To fill up the 2 (two) vacancies of public subscriber directors, the election will be held on the day of the 36th AGM of the Company scheduled to be held on 6th June, 2022.

The 2 (two) shareholders i.e. (i) Tabith M. Awal & (ii) Mr. Nasir Latif submitted their nomination papers

within the stipulated time. Since no-body else has submitted any nomination papers other than above 2 (two) candidates so, they will be taken as elected Directors from Group-B shareholders in the ensuing 36th **AGM** schedule to be held on **6th June 2022**.

Board meeting and Audit Committee meetings

10 (ten) meetings of the Board of Directors and 4 (four) meeting of the Director's Audit Committee were held during the year 2021. Details are given below in comparison to last 3 years.

| Name of the Meeting | 2021 | 2020 | 2019 |
|---------------------------|------|------|------|
| Board of Director's | 10 | 09 | 11 |
| Directors Audit Committee | 04 | 05 | 08 |

Audit Committee

The Audit Committee of the company met 4 (four) 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 2021 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 2021 at the 35th Annual General Meeting. They have audited the books of account for the period covering 1st January, 2021 to 31st December 2021. This is the 2nd

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/2022/69 dated March 28, 2022 expressed their willingness to continue to be our auditors for the year 2022 and requested for re-appointment for audit of accounts for the year ended December 31, 2022. This will be placed in the ensuing 36th 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.

Our Outlook for 2022 - Our strategy for 2022 will be to continue to deliver profitable growth and maintain a leading position in the Insurance industry. The main emphasis to achieve our management objective will be the maximization of customer satisfaction, improvement in operational underwriting results, control costs and increasing stakeholders' wealth.

Conclusion - 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 Advisor, Chief Executive Officer (cc) 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 wholehearted 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 3.5(three and a half) 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 2021 the Board of Directors held 10 (Ten) meetings and the Directors serving on the Board attended in aggregate 85.46 percent of the total number of meetings.
- ix. At 31 December 2021, the pattern of shareholding is shown in the ownership status:
 - 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.

