

# Directors' Report



# Director's Report 2022

Bismillahir Rahmanir Raheem

Assalamu Alaikum

## Dear Shareholders,

It gives me great pleasure to welcome you to the 37th Annual General Meeting of the Company. Before presenting the Company's Annual Report and Accounts for the year ended December 31, 2022, I would like to express my heartfelt gratitude to all of our valued stakeholders on behalf of the Board.

We were severely impacted by the COVID-19 pandemic's second wave in 2022. Although there were no lockdowns as in the first wave, the pandemic's impact was felt in the number and severity of infections. On the plus side, our government expedited vaccine availability, which was critical in averting the severity of Covid-19 diseases in the second wave and restoring economic confidence. Despite our governments' various initiatives to address the social and economic consequences of a pandemic outbreak in 2020, they were made worse by the Russian-Ukrainian conflict, which raised global commodity prices and fueled inflation.

## Bangladesh Economy 2022

Bangladesh Bureau of Statistics (BBS) estimates GDP (Gross Domestic Product) growth of 7.25 percent and per capita income of US\$ 2,824 in fiscal year (FY) 2021-22. Inflation is expected to be 5.8 percent in fiscal year 2021-22. Both exports and imports are expanding rapidly. In FY 2021-22, export receipts are expected to exceed US\$ 50 billion, while import payments are expected to be around US\$ 80 billion, compared to US\$ 40.1 billion and US\$ 61.7 billion in FY 2020-21. During the first ten months of the current fiscal year, the Taka depreciated by about 1.9 percent against the US dollar. During the fiscal year 2021-22, remittance inflows totaled US\$ 17.31 billion, and the foreign exchange reserve position stood at US\$ 44.1 billion on 30 April 2022.

## Sectoral Growth

According to BBS's preliminary estimate, agriculture's growth rate in FY 2021-22 will be 2.20 percent, 0.97 percentage point lower than the previous fiscal year. Within the agriculture sector, forests and related services are expected to grow at the fastest rate of 5.37 percent in fiscal year 2021-22. The broad agricultural sector contributed 11.50 percent to GDP in FY 2021-22, 0.57 percentage point less than the previous fiscal year.

The industrial sector is expected to grow by 10.44 percent in fiscal year 2021-22, which is 0.15 percentage point higher than the previous fiscal year. The contribution of industries to GDP increased to 37.07 percent, up 1.06 percentage point from the previous fiscal year.

The services sector is expected to grow at a 6.31 percent annual rate in FY 2021-22, which is 0.58 percentage point higher than in FY 2020-21. Human health and social work activities are expected to grow at the fastest rate 9.78 percent, followed by wholesale and retail trade, transportation and storage, accommodation and food services activities; financial and insurance activities; professional, scientific, and technical activities; education, and other service sectors. In FY 2021-22, the broad service sector contributed 51.44 percent to GDP, a 0.29 percentage point decrease from the previous fiscal year.

## Inflation

The inflation rate for the fiscal year FY 2020-21 was 5.56 percent, 0.09 percentage point lower than it was for the FY 2019-20, and nevertheless somewhat higher than the goal rate. Bangladesh is experiencing an increase in prices, similar to the rest of the world, as a result of the COVID-19 epidemic and disruption being caused by the conflict in Ukraine. For the fiscal year 2021-2022, an inflation rate of 5.8 percent is the aim.

## Global Economy in 2022

The world economy is confronting a variety of difficult problems, according to the International Monetary Fund's (IMF) most recent October 2022 WEO (World Economic Outlook) estimate. The future is adversely impacted by persistent COVID-19 epidemic, inflation that is greater than it has been in recent decades, tightening financial conditions across most of the world. While policymakers work to bring inflation back to target, monetary and fiscal measures that provided unprecedented assistance during the pandemic are being normalized. Nonetheless, an increasing number of economies are experiencing a slowdown in growth or perhaps a contraction. The future health of the global economy heavily depends on how well monetary policy is calibrated, how the war in Ukraine plays out, and whether or not there could be additional supply-side disruptions brought on by pandemics.

Global growth will slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023, according to October 2022 WEO (World Economic Outlook) report. Except for the global financial crisis and the acute phase of the COVID-19 pandemic, this is the weakest growth

profile since 2001, and it reflects significant slowdowns for the largest economies: a US GDP contraction in the first half of 2022, a Eurozone contraction in the second half of 2022, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis. A third of the global economy has experienced two consecutive quarters of negative growth. Forecasts predict that the rate of global inflation would increase from 4.7 percent in 2021 to 8.8 percent in 2022 before falling to 6.5 percent in 2023 and 4.1 percent by 2024. With more variation in emerging market and developing economies, upside inflation surprises have been most common in advanced economies.

### **Global Insurance 2022**

According to Allianz Global Insurance Report, 2021 witnessed a booming year for Insurance premium growth worldwide, but any replication of this growth in 2022 was dashed by the Russian invasion of Ukraine. Premium income is likely to grow by about 1 percentage point slower than previously estimated, as the war weighs on economic activity and confidence, even as inflation supports the bottom line.

The current forecast calls for a 4.8 per cent increase in global premium income in 2022, with life and property & casualty growing nearly in tandem (+4.9 percent and +4.6 percent, respectively). The 6.2 percent global inflation rate for this year must be compared to this amount.

### **Global Natural Disasters in 2022**

According to a report by AON, an American multinational financial services firm, Global natural disasters in 2022 resulted in near average economic losses totaling US\$ 313 billion. Half of those losses occurred in the United States and were driven by the devastating Hurricane Ian and multiple severe convective storm outbreaks. Three global drought events were among the 10 costliest disasters, which underlines the growing significance of the peril on a global scale. These occurred in the United States, Europe and China.

The insurance sector covered US\$ 132 billion - marking 2022 as the fifth costliest year for insurers on record. The industry also saw the second costliest event on record, as Hurricane Ian resulted in approximately US\$ 50-55 billion of insured losses covered by public and private entities.

Major disasters in 2022 took place in European Drought (Southern, Western and Central Europe), U.S. Drought in United States, Pakistan Seasonal Floods, China Seasonal Floods, Fukushima Earthquake Japan, Queensland &

New South Wales Floods in Australia, China Drought, Windstorm Eunice (Western and Central Europe), and India Seasonal Floods.

### **Bangladesh Non-Life Insurance 2022**

According to an unaudited statistical data published by The Insurance Development and Regulatory Authority (IDRA) in 2023, the gross premium for non-life insurance companies in the private sector increased to Tk. 54,130 million in 2022, up 30.53 per cent from Tk. 41,470 million in 2021.

The total investment of the non-life insurers grew 4.55 per cent to Tk. 84,920 million in 2022 from Tk. 81,230 million in 2021. And the total asset reached Tk. 179,140 million in 2022 as against Tk. 158,690 million in 2021 -- an increase of 12.89 per cent.

### **Insurance Penetration Rate in Bangladesh**

According to the Swiss Re Institute's 2022 report, the insurance penetration rate in Bangladesh is 0.40 per cent. This means that insurance premiums in Bangladesh only account for 0.40 per cent of the country's Gross Domestic Product (GDP). In comparison to other nations in the region, this level of insurance penetration is quite low. This could be attributed to a lack of knowledge about the advantages of insurance or to a lack of confidence in the insurance sector as a result of worries about fraud or a lack of transparency. A multifaceted strategy that addresses these root causes and enhances the nation's whole insurance ecosystem is needed to increase insurance penetration. We are hoping that by addressing these problems, we will achieve growth in the upcoming years.

### **The Insurance Development and Regulatory Authority (IDRA)**

The Insurance Development and Regulatory Authority (IDRA) is the regulatory body for the Insurance Industry in Bangladesh. It was established under the Insurance Development and Regulatory Authority Act of 2010, with the goal of promoting and regulating the development of the insurance industry in the country. With a number of measures, such as the adoption of new rules and the creation of a consolidated insurance database, the IDRA has been attempting to encourage the expansion of the insurance industry in Bangladesh. The efficiency, transparency, and competitiveness of the sector are anticipated to increase as a result of these initiatives. Recently, the government appointed Mr. Mohammad Jainul Bari, a former secretary to the government of Bangladesh, as its new chairman along

with the appointments of two new members, one from the life insurance industry and the other from the non-life insurance sector. We welcome these fresh inductions to the helm of the authority and look forward to the much needed reforms in the insurance industry.

## Pragati Insurance Limited Operational Result 2022

### Gross Premium Income

In 2022 Pragati Insurance Limited achieved robust success in earning gross premium of Tk.2574.08 million, which increased by Tk. 67.56 million registering an income of 2.70 percent compared to previous year.

During this year PIL achieved a net underwriting profit Tk. 379.70 million against Tk. 409 million of last year, which is 7.26 percent less than previous year.

### CLASS WISE PREMIUM

#### Fire Insurance

The Company has underwritten a total fire insurance premium of Tk.1042.08 million in 2022 as against Tk.975 million in 2021. After payment/provision for re-insurance premiums, claims and management expenses the company has incurred underwriting profit of Tk. 3.23 million against underwriting profit Tk. 29.05 million of last year.

#### Marine Insurance

In the year 2022 gross premium earning in Marine insurance including Marine Hull was Tk.1043.29 million against Tk.1124.48 million of the year 2021. After providing for re-insurance and claims, we have earned underwriting profit of Tk.251.74 million against last year's underwriting profit of Tk. 232.51 million.

#### Miscellaneous Insurance

From miscellaneous insurance business our total gross premium income in 2022 was Tk.488.72 million (both in Motor and Miscellaneous departments) against Tk.407.06 million in 2021. After meeting expenses for re-insurance, claims and management expenses, we have earned underwriting profit of Tk.124.73 million against Tk. 147.43 million in 2021.

#### Investment Operation

Pragati Insurance Limited has concentrated its focus on diversifying its investment portfolio. Facing all the odds the company has gained Tk. 3.46 million as capital gain out of share trading in 2022 against Tk. 21.85 million in 2021.

## Contribution National Exchequer

During the year under report Pragati Insurance Limited has deposited Tk. 384.38 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.504.73 million against Tk.524.20 million in the year 2021. The net profit before tax has been proposed for approximate as follows:

Particulars	Million Taka
Reserve for Exceptional Losses	136.84
Provision for Income Tax	122.26
Balance available for distribution	199

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 25 per cent cash dividend and 5 per cent stock dividend to the shareholders of the company for the year 2022. The whole scenario will look as follows:

Particulars	Taka in million
General Reserve	56.27
Divisible Profit	217.51
Total available	273.78
Less: Dividend for the year	196.77
Balance to be carried forward for the next year	77.01

### Credit Rating

Credit Rating of Pragati Insurance Ltd. was carried out by National Credit Ratings Limited for the year 2019 -2022 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. **Al-Haj Khalilur Rahman**
2. **Mr. Md. Sarwar Kamal**
3. **Mrs. Nahreen Siddiqua**

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 **37<sup>th</sup> 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. Nasir Latif**
2. **Mr. A.S.M. Mohiuddin Monem**

As per Insurance Act 2010, Rules 1958 clause No.15B (3) the Election Notice has been published in the two national dailies on March 23, 2023

To fill up the 2(two) vacancies of public subscriber's directors, the election will be held on the day of the **37<sup>th</sup> AGM** of the Company scheduled to be held on **8<sup>th</sup> June, 2023**.

**The 2(two) shareholders i.e. (i) Mr. Nasir Latif & (ii) Mr. A.S.M. Mohiuddin Monem** 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 **37<sup>th</sup> AGM** schedule to be held on **8<sup>th</sup> June 2023**.

## Board meeting, Audit Committee and Nomination & Remuneration Committee meetings

The 08(eight)meetings of the Board of Directors, 5(five) meetings of the Director's Audit Committee and 1(one) meeting of the Nomination & Remuneration Committee(NRC) were held during the year 2022. Details are given below in comparison to last 3 years.

Name of the Meeting	2022	2021	2020
Board of Director's	08	10	09
Directors Audit Committee	05	04	05
Nomination & Remuneration Committee	01	02	02

## 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 **2022** 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, 2022 to 31st December 2022. This is the 3rd year that M/S. A. Wahab & Co. has audited the Financial Statements of the company.

M/s. A. Wahab & Co. has completed their 3(three) year's tenure in 2022. In this connection we invited applications for appointment of External Auditor in the Company for the year of 2023 through publishing an advertisement in the 2(two) daily newspapers. Accordingly, we have received expression of interest for appointment as External Auditor from the 8(eight) no. of Audit firms



which will be placed in the ensuing 37th Annual General Meeting of the Company for approval.

### 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 wholehearted co-operation. We are specially 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, ACI 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, Aristopharma Ltd, Karim Group, Square Air, BCL Aviation, DBL Group, MJL Bangladesh, MJL (Mobil), Robi Axiata Ltd., Esquire Group, Mir Group, Pedrollo (NK) Ltd, Rahimafrooz Group, Envoy Group, M.I. Cement Factory Ltd (Crown Cement), Olympic Group, Robintex Group, Shanta Group, T.K. Group, Healthcare Pharmaceuticals Ltd, Khulna Power Company Ltd, Summit Group, United Group, High Speed Navigation Company Ltd, Eurostar Shipping Ltd, Peoples Shipping Ltd, Summit Shipping Ltd, Sealink Shipping Company, 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, 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, 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, Ring Shine Textile Ltd., Akij Group, Meghna Steel Industries Ltd., Navana Group, Simba Fashions Ltd., Bangladesh Edible Oil Ltd, CEAT Bangladesh Ltd, Ruby Food Products, Ahad Jute Spinners Ltd, State Bank of India, Berger Paints (BD) Ltd, Asian Paints Bangladesh Ltd, Synovia Pharma PLC, Dhakarea Ltd, EXSACO Ltd, ECTA Dhaka Ltd, Renata Ltd, Nuvista Pharma Ltd, EPV Chittagong 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, Perfetti Van Melle Bangladesh Ltd, Global Fabrics, Campex (BD).

### Looking ahead

2023 will undoubtedly be a difficult year for the international economy, with the very real possibility of a global recession. The GDP growth rate of Bangladesh is forecast to decline to 5.2 percent in the Financial Year (FY) 2023, says the **World Bank in its latest Global Economic Prospects report for January 2023**. It cites rising inflation and its negative impact on household incomes and firms' input costs, as well as energy shortages, import restrictions, and monetary policy tightening as the reasons for the sharp slowdown from 7.2 percent in FY 2022 to 5.2 percent in FY 2023. However, the growth rate is forecast to rise to 6.2 percent in FY 2024.

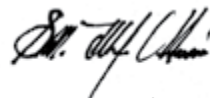
Conclusion - We would also like to convey our sincerest thanks to Insurance Development and Regulatory Authority, Bangladesh Securities and Exchanges Commission, Dhaka Stock Exchange, Chittagong Stock Exchange and Re-Insurers - Sadharan Bima Corporation, General Insurance Corporation of India (GIC), 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 our 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 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 3 (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 2022 the Board of Directors held **08 (Eight)** meetings and the Directors serving on the Board attended in aggregate **79.72** percent of the total number of meetings.
- ix. At 31 December 2022, 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.