

# Directors' Report To the Shareholders

Bismillahir Rahmanir Rahim  
Ladies and Gentlemen,

## **Assalamu Alaikum,**

The Board of Directors of your company Purabi Insurance Company Limited welcome you to the 35th Annual General Meeting and would like to thank you for your continued patronage and support over the 36 years. We are very delighted to present before you the Annual Report along with the Audited Financial Statements for the year ended 31st December 2022 and the Auditor's Report thereon for kind consideration and adoption.

This report of the Directors has made relevant disclosures and explanations pertaining to the issues to ensure compliance, transparency and good corporate governance practices along with the details of the business performance, operations and achievements of the company for the year ended 31st December 2022.

In fact, the year 2022 is very significant in the life of the Company in terms of performance and achievements not only within the industry but also in the entire economy.

## **GLOBAL ECONOMY**

The world economy, as envisaged by Swiss Re in its Sigma 6/2022, has been facing a complex situation owing to the war in Ukraine, zero-Covid policy in China, energy shortages in Europe, protectionism in the United States, and skyrocketing debt burden in developing countries. The new wave of Covid-19 in North-East Asia, particularly in China, Japan, South Korea, Taiwan, and Russia, is also a great concern for the world economy.

A new, higher interest rate era is emerging from the economic stresses of the inflation shock and war in

Ukraine. Though economic growth has been relatively resilient this year, global GDP is expected to grow by just 1.7% in real terms in 2023 as inflationary recessions approach major economies such as the US and Europe.

It is continued to view inflation as the number one macro risk, and it is expected to stay sticky, even if inflation declines rapidly next year. It brings downside risks to growth from higher central bank interest rates. In advanced markets it is forecasted that real GDP growth of just 5.30% in 2023, the lowest since the 1980s outside of the global financial and COVID-19 crises. In emerging markets, it is anticipated that substantially lower growth rates than pre-pandemic that will likely feel similar to downturn.

East Asia's growth forecasts are revised down to 2.9% in 2022—due to the mobility restrictions in the People's Republic of China plus deep contraction in Hong Kong, China—and down to 4.0% in 2023. The 2022 forecast for Southeast Asia is upgraded from 5.1% to 5.5% on robust consumption and tourism recovery in Malaysia, the Philippines, Thailand, and Vietnam. The 2023 forecast is revised down to 4.7% as global demand weakens. The South Asian forecast for 2022 is maintained at 6.5% but revised down marginally for 2023 from 6.5% to 6.3% following flooding in Pakistan and a slowdown in Bangladesh.

## **GLOBAL INSURANCE PERSPECTIVE**

According to Swiss Re Institute report sigma No. 4/2022, for insurers, the main inflation impact will show in rising claims costs, more in non-life than life insurance in which policy benefits are defined at inception. Motor

and liability lines of business will likely be most immediately impacted. Accident, and motor and general liability will also be impacted, with inflation feeding into bodily injury claims.

Swiss Re estimates strong 6.1% nominal growth in total premiums (non-life and life) in 2022. Nevertheless, in nominal terms we expect total premiums volumes will exceed the USD 7 trillion mark for the first time ever this year. Swiss Re bases its estimation on strong market recovery from pandemic-induced lows, continued rate hardening in non-life, and stronger premium growth in emerging markets in particular.

For non-life insurance, Swiss Re expects inflation of exposure values and rate hardening will boost global premium growth. Commercial lines (including workers' compensation) will continue to expand more than personal lines (including health). It estimates a 1.1% increase in commercial premiums in 2022, and a 3.1% gain in 2023, supported by rate hardening. Personal lines insurance premiums will expand by an estimated 0.5% in 2022, mainly on account of stagnation in advanced markets.

### **BANGLADESH PERSPECTIVE**

According to IMF Bangladesh's robust economic recovery from the COVID-19 pandemic was interrupted by Russia's war in Ukraine. Rising global commodity prices, supply disruptions, and slowdown in external demand have led to a sharp widening of the current account deficit, depreciation of the Taka, and the rapid decline of foreign exchange reserves. The resulting high inflation, slow growth, and stringent measures to compress demand are disproportionately impacting the poor. Heightened global uncertainties will keep the balance of payments (BoP) under pressure for some time.

As per Bangladesh Bank (BB) review, the domestic price level is likely to ease in the near future due to the recent declining global price level trend in almost all commodities, weathered by better yields of Aman and Boro paddies in the next two seasons. The exchange

rate pressure is expected to be normalized within the next few months, supported by the necessary policy measures taken by Government and BB to curb the excessive import demand while enhancing the export receipts and inward remittances.

### **INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENT**

The insurance industry of Bangladesh is highly competitive. Key factors affecting the performance of the industry during the review period included fierce competition in the non-life segment, the rising market shares of private insurance companies, and the increasing level of risk being retained by insurers. The insurance regulatory reform is not just an aid for a catastrophic outcome; it can also be a driver of exponential economic growth. By streamlining the regulatory infrastructure in terms of data warehousing, governance, systems, resources, and processes in adjustment with international insurance standards such as the International Association of Insurance Supervisors (IAIS); Bangladesh can exhibit a reliable and well-balanced insurance platform. In short, rehabilitation of insurance regulations promulgated by IDRA could result in multifold positive impacts on the economy of Bangladesh.

### **RISK AND CONCERN**

Both life and non-life Insurance Business involves assumption of risk many types-Physical as well as moral. Physical risks are identified as those caused by natural catastrophes, accidental losses and man-made disasters. The key to proper management of insurance business risks to ensure proper management of insurance business risks is to make sure proper selection of risks as well as of the client through a vetting process known as underwriting. Non-life insurance business also closely follows the country's economic development and any slowdown in the economic activities also has adverse impact on the insurance industry's growth. Purabi, being aware of these business risks practices the following to protect its interests; (a) selection of risks which have the

potential of making underwriting profit. (b) Diversification into many segments of business-product wise, as well as client wise so that the company is not over reliant on any particular segment (c) the company arranges adequate reinsurance back up of risks assumed by it with good quality securities. (d) The company maintains a conservative reserving policy and its various technical reserves have been created to adequately cater to unforeseen developments in the future.

### **EXTRA ORDINARY ACTIVITIES & THEIR IMPLICATION**

The activities of PGICL has a steadily growth from the beginning. No extra ordinary activities occurred during the year and have no implications in the financial statements.

### **INSURANCE DEVELOPMENT & REGULATORY AUTHORITY (IDRA)**

The Insurance Industry started reforming repealing the age-old Insurance Act, 1938 and replacing it by Insurance Development and Regulatory Authority Act, 2010 and Insurance Act, 2010. The related reforms have yet to be completed formulating the required regulations as quick as possible to apply the provisions of Insurance Act, 2010 smoothly. In the mid of the year 2022, Insurance Development and Regulatory Authority (IDRA), got Mr. Mohammad Jainul Bari, an ex-Secretary to the Government of Bangladesh as its new Chairman. Two new members from the insurance sector, one from life and the other from non-life, also joined the Authority. The Board of Directors of the company congratulated the new Chairman and the new members and extend greetings to the existing members and wished that IDRA with its reconstituted full team would be more vibrant to increase the penetration to the GDP from insurance sector.

### **VARIANCE BETWEEN QUARTERLY FINANCIAL PERFORMANCE AND ANNUAL FINANCIAL STATEMENTS**

Statement of Quarterly Financial Statement is given separately. There were some variances in the financial

results from quarter to quarter. But they are not very significant or material in nature.

### **CORPORATE AND FINANCIAL REPORTING FRAMEWORK:**

The Directors of Purabi Insurance, in conformance with the BSEC Notification No. SEC/CMRRC/2006-158/207/Admin/80 dated 3 June 2018, confirm compliance with the financial reporting framework for the following:

- The financial statements, prepared by the management of GDIC make a fair presentation of its activities, operational details and results, cash flow information and changes in equity structure.
- Proper books and accounts of the Company have been maintained.
- Appropriate accounting policies, including International Accounting Standards (IAS)/ International Financial Reporting Standards (IFRS)/as applicable/ adopted in Bangladesh, have been consistently applied in preparation of the financial statements. Any change or deviation has been adequately disclosed.
- Accounting estimates are based on reasonable and prudent judgment.
- Internal control processes have been properly designed and effectively implemented and monitored.
- No significant doubt exists upon the Company's ability to continue as a going concern.
- Comparative analysis of significant deviations has been highlighted and reasons have been explained in the sections above.

### **KEY OPERATIONAL AND FINANCIAL INFORMATION**

Key operational and financial information over the last five years, as per the requirements of No. SEC/CMRRC/2006-158/207/Admin/80 dated 3 June 2018, has been presented on page no. 64 "Key Operating & Financial Highlights (last 5 years)

### **DIVIDEND**

Proposed Annual Dividend- The Board Director in its 187th Board meeting has proposed 7%Cash and 3% Stock Dividend for the year 2022.

Interim Dividend- No cash or bonus share dividend was declared as interim dividend during 2022.

## **BOARD MEETINGS & ATTENDANCE BY THE DIRECTORS**

During the year 2022, a total of 04 meetings of the Board were held. Attendance by the Directors and remuneration to the Directors has been summarized in page 65.

### **PATTERN OF SHARHOLDING:**

PGIC shareholding pattern as on December 31, 2022, is disclosed as per the new CGC of BSEC in Annexure-I of this annual report on page no. 66 .

## **DIRECTORS**

Related entities with the Directors

The names of the companies in which the directors hold directorship and membership of committees of the board are included in the note Related Party Transactions of the financial statements.

## **Retirement and re-election**

As per Articles 102 and 103 of Articles of Association of the company pursuant to Regulation 80 of Schedule-I of the Companies Act 1994, considering the longest tenure on the Board of PGIC, the directors listed below shall retire from the Board at the 35th Annual General Meeting and they shall be eligible for re-election:

	<b>Name</b>	<b>Status</b>
01	Mr. Faisal Kabir Chowdhury	Sponsor Director
02	Mr. Nazrul Islam Chowdhury, MP	Sponsor Director

## **CEO AND CFO's DECLARATION CERTIFICATE:**

The CEO and Financial Controller/ CFO's declaration to the Board is appended on page no. 77 this Annual Report.

## **MANAGEMENT DISCUSSION & ANALYSIS:**

A more detailed discussion and analysis of the financials, as delivered by the Managing Director CEO, is

appended on page no 75 Report by our Managing Director and CEO.

## **HUMAN CAPITAL MANAGEMENT**

It has been an important practice in Purabi General Insurance Company Limited to always accentuate on professionalism and development of appropriate human resource management policies to enhance the quality of its employees, and to ensure their optimum contribution towards the achievement of its goals. The Company believes that its Human Resources (HR) gives it a significant competitive edge in terms of knowledge and experience. It has continued its policy of recruiting the best people and implementing programs to develop and retain high quality human resources in its various divisions/ departments. In line with this Policy, the need-based internal and external training at both home and abroad, is regularly and systematically arranged. The Company also ensures attractive compensation packages and rewards including employee's safety and health including the family members to some extent to assure their retention and provide job satisfaction.

## **CORPORATE GOVERNANCE**

Publicly listed entities witnessed exponential increase in corporate governance awareness in recent years due to increased legislative and regulatory activities as well as evolving best practice recommendations.

As a leading insurance company in Bangladesh led by professional people, Purabi General Insurance Company Limited is committed to adopt the highest governance standard and adjusting them as required in protecting the interest of shareholders and policyholders.

Good corporate governance system is vital for efficient and effective business operation to achieve the set goals. In line with the best practice, the corporate governance systems and practices in Purabi are designed to ensure adequate internal control, transparency and accountability in the day-to-day operational process. The Board of Directors always puts emphasis on the point that the company conducts itself

as a good corporate entity and comply with corporate behavior and guidelines as well as trustworthiness to rules and regulations. It also ensures that duties and responsibilities are appropriately segregated between the Board and the Management to provide sufficient check and balance and flexibility for smooth business operations. The Board provides leadership and direction to the Management, approves strategic decision, makes major policies and oversees Management role to attain predetermined goals and objective of the company.

## CREDIT RATING

AlphaCredit Rating has reaffirmed the Claim Paying Ability (CPA) Rating of the Company "AA-" valid up to August 13, 2024 based on the financials up to June 30, 2023 and other relevant qualitative and quantitative information up to the date of reporting on August 14, 2023. The reaffirmation effectively reflects Company's excellence in prudent underwriting and financial performance, substantial market shares and franchise value, good solvency, state-of-the-art-IT infrastructure, quality reinsurance arrangement with Sadharan Bima Corporation (SBC) and with top rated foreign reinsurers, significant business exposure from multinational clients.

	<b>Claim Paying Ability</b>
<b>Credit Rating</b>	AA-
<b>Outlook</b>	Stable
<b>Date of Rating: August 14, 2023</b>	<b>Valid up to: August 13, 2024</b>

## AUDITORS REPORT

### An Emphasis of Matter:

We understand that the content of the Emphasize of matter paragraph in the auditor's report does not have any reservation, qualification or adverse remarks. It only refers to a note which is a part of the IFRS based financial statements of the company which clarifies the reason behind not maintaining WPPF provision for the company. Section 234 of chapter 15 of Bangladesh Labor Act 2006 (as amended in 2013) requires every company to establish a workers' Participation Fund and

Welfare Fund. However, Bank and Financial Institutions Division, on behalf of the financial institution sector, requested clarification from the Labor Ministry regarding the applicability of the provisions for the sector. Also, Bangladesh Insurance Association has corresponded with Financial Ministry on this matter requesting for clarification on the applicability of WPPF on Insurance Companies. As no decision has been yet concluded on such communications and its rest upon Bangladesh Insurance Association, thus Purbai insurance did not provide for the said provision.

### A. Statutory Auditors

In accordance with the notification no. 2 (2), issued by BSEC on 20 June 2018, existing statutory Auditors M/s. Khan Wahab Shafique Rahman & Co, Chartered Accountants, have completed their consecutive First year of service as the statutory auditors and being eligible they offer for re-appointment for the year 2023. A resolution will be placed for approval of the re-appointment of M/s. Khan Wahab Shafique Rahman & Co, Chartered Accountants in the meeting as per recommendation by the Board of Directors.

### B. Compliance Auditors

The company shall obtain a certificate from a practicing Professional Accountant or Secretary other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission who will provide the certificate on compliance of the Corporate Governance Code shall be appointed by the shareholders in the annual general meeting. M/s. Mollah Quadir Yusuf & Co., Chartered Accountants completed their audit of the same for the year 2022 and being eligible they offer for re-appointment for the year 2023. A resolution will also be placed for approval of the re-appointment of M/s. Mollah Quadir Yusuf & Co., Chartered Accountants in the meeting as per recommendation by the Board of Directors.



## **ACKNOWLEDGEMENT**

We always remember the sincere gratitude our clients and shareholders for their tremendous support and trust reposed on us. We would extend our sincere thanks to Banks and financial institutions with whom we have extensive daily dealings; along with the regulators, Dhaka stock Exchange Ltd, BAPLC, NBR, FRC, BSEC, IDRA, Sadharan Bima Corporation, related Government bodies and stakeholders for their persistent co-operation and support.

I would like to extend my wholehearted thanks to the honourable members of the Board for their continuous co-operation and valuable advices to administer the affairs of the company smoothly and also to the different Sub-Committees of the Board for performing their defined roles.

On behalf of the Board of Directors, I would like to take the opportunity to express our sincere thanks to the Chief Consultant, the Chief Executive Officer and members of the staff of the company both at Head Office and at the branches for their praiseworthy and performance in adhering to company's vision. I am very much confident and hopeful that they will continue to be steadfast in the face of adversity and achieve better results in the years to come.

Thank you all.

For and on behalf of the Board of Directors



**Mojibul Islam**

Chairman